Annual Securities Report
(Excerpt)

(The English translation of the “Yukashoken-Houkokusho” (Excerpt)

for the year ended December 31, 2024)

Renesas Electronics Corporation

Contents

[Cover]

【Document Filed】	Annual Securities Report (“Yukashoken Hokokusho”)
【Applicable Law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Filed to】	Director-General of the Kanto Local Finance Bureau
【Filing Date】	March 26, 2025
【Fiscal Year】	23rd Fiscal Year (from January 1, 2024 to December 31, 2024)
【Company Name】	Renesas Electronics Kabushiki Kaisha
【Company Name (English) 】	Renesas Electronics Corporation
【Title and Name of Representative】	Hidetoshi Shibata, Representative Executive Officer, President and CEO
【Address of Head Office】	3-2-24, Toyosu, Koto-ku, Tokyo, Japan
【Phone No.】	+81 3 (6773) 3000 (main)
【Contact Person】	Hideki Mino, Director, Governance & Compliance Department
【Contact Address】	3-2-24, Toyosu, Koto-ku, Tokyo, Japan
【Phone No.】	+81 3 (6773) 3000 (main)
【Contact Person】	Hideki Mino, Director, Governance & Compliance Department
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I. Information on Renesas

I. Overview of Renesas

1. Main Financial Data

(1) Consolidated Financial Summary

Fiscal Year		19th fiscal year	20th fiscal year	21st fiscal year	22nd fiscal year	23rd fiscal year
Year-end		2020 Dec.	2021 Dec.	2022 Dec.	2023 Dec.	2024 Dec.
Revenue	(Million yen)	715,673	993,908	1,500,853	1,469,415	1,348,479
Income before income taxes	(Million yen)	65,216	142,718	362,282	422,173	263,833
Income attributable to owners of parent	(Million yen)	45,626	119,536	256,615	337,086	219,084
Comprehensive income attributable to owners of parent	(Million yen)	(19,239)	284,721	565,558	494,513	528,320
Equity attributable to owners of parent	(Million yen)	616,701	1,150,081	1,533,735	2,001,553	2,537,382
Total assets	(Million yen)	1,608,985	2,426,301	2,812,491	3,167,003	4,490,436
Equity per share attributable to owners of parent	(Yen)	356.08	591.67	853.51	1,126.31	1,413.77
Basic income per share	(Yen)	26.54	64.77	137.66	189.77	122.51
Diluted income per share	(Yen)	25.97	63.35	134.84	186.07	120.85
Ratio of equity attributable to owners of parent	(%)	38.3	47.4	54.5	63.2	56.5
Return on equity attributable to owners of parent	(%)	7.4	13.5	19.1	19.1	9.7
Price-earnings ratio	(times)	40.7	22.0	8.6	13.4	16.7
Cash flow from operating activities	(Million yen)	223,889	307,384	479,325	496,627	340,484
Cash flow from investing activities	(Million yen)	(40,163)	(663,126)	(97,523)	(267,492)	(1,284,105)
Cash flow from financing activities	(Million yen)	(104,470)	340,915	(294,770)	(181,247)	677,345
Balance at term end of Cash and cash equivalents	(Million yen)	219,786	221,924	336,068	434,681	229,249
Number of employees	(persons)	18,753	20,962	21,017	21,204	22,711

(Note) 1. Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

2. The number of employees does not include the number of employees on leave and temporary employees. This information is omitted because the number of temporary employees is less than 10/100 of the number of employees.

3. In the 21st fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the consolidated financial statements for the 20th fiscal year reflect a significant revision of the allocation of acquisition costs.

4. In the 22nd fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the consolidated financial statements for the 21st fiscal year reflect a significant revision of the allocation of acquisition costs.

(2) Non-consolidated Financial Summary

Fiscal Year		19th fiscal year	20th fiscal year	21st fiscal year	22nd fiscal year	23rd fiscal year
Year-end		2020 Dec.	2021 Dec.	2022 Dec.	2023 Dec.	2024 Dec.
Net sales	(Million yen)	563,908	771,277	1,075,144	1,065,819	973,959
Ordinary income	(Million yen)	52,843	129,862	279,485	297,041	212,892
Net income	(Million yen)	47,458	113,928	212,647	251,871	189,972
Share capital	(Million yen)	28,971	147,133	153,209	153,209	153,209
Number of issued shares	(Thousand shares)	1,731,899	1,943,806	1,958,454	1,958,454	1,870,615
Net assets	(Million yen)	566,100	913,301	940,437	1,155,868	1,347,822
Total assets	(Million yen)	1,628,721	2,385,940	2,553,295	2,575,156	3,500,965
Net assets per share	(Yen)	317.65	463.03	498.75	648.97	758.78
Dividends per share (Interim dividends per share)	(Yen) (Yen)	— (—)	— (—)	— (—)	28.00 (—)	28.00 (—)
Net income per share	(Yen)	27.60	61.73	114.07	141.80	106.19
Diluted net income per share	(Yen)	27.01	60.38	111.73	139.03	104.75
Equity ratio	(%)	33.8	37.7	36.5	44.8	38.5
Return on equity	(%)	9.1	15.7	23.2	24.2	15.2
Price-earnings ratio	(times)	39.1	23.1	10.4	18.0	19.3
Dividend payout ratio	(%)	—	—	—	19.7	26.4
Number of employees	(persons)	6,162	6,116	6,133	6,296	6,482
Total shareholder return (Comparison index : TOPIX including dividends)	(%) (%)	143.9 (107.4)	189.7 (121.1)	157.8 (118.1)	343.6 (151.5)	280.3 (182.5)
Highest stock price	(Yen)	1,112	1,577	1,561	2,900	3,397
Lowest stock price	(Yen)	317	1,042	1,145	1,166	1,821

(Note) 1. The dividend payout ratios for the 19th, 20th and 21st fiscal years are not stated because no dividend was paid.
2. The number of employees does not include the number of employees on leave and temporary employees. This information is omitted because the number of temporary employees is less than 10/100 of the number of employees.
3. The highest and lowest stock prices are those recorded on the Tokyo Stock Exchange (Prime Market) from April 4, 2022 and on the Tokyo Stock Exchange (First Section) before that date.

2. History

On November 1, 2002, NEC Corporation spun off its semiconductor-related research, development, designing, manufacturing, sales, and servicing operations, excluding the general-purpose DRAM business, through a corporate split, and the Company was established as NEC Electronics Corporation, a wholly-owned subsidiary of NEC Corporation. Subsequently, on July 24, 2003, the Company listed its shares on the First Section of the Tokyo Stock Exchange, and on April 1, 2010, it merged with Renesas Technology Corp. and changed its name to Renesas Electronics Corporation.

Developments since the establishment are as follows.

Date	Matters
Nov. 2002	NEC Corporation's semiconductor business, excluding general-purpose DRAM, was spun off through a company split, and NEC Electronics Corporation was established in Kawasaki City, Kanagawa Prefecture, as a wholly-owned subsidiary of NEC Corporation.
Jul. 2003	Listed on First Section of the Tokyo Stock Exchange.
May 2004	Sold the back-end process division of NEC Yamagata Ltd.'s Takahata Plant to Taiwan-based ASE Group.
Jul. 2004	Spun off the prototype division from the Company and established NEC Fabserve Ltd., which mainly provided prototype services.
Oct. 2004	NEC Semiconductors Kyushu Ltd. succeeded the assembly and inspection processes (back-end processes) of NEC Yamaguchi Ltd. and changed its name to NEC Semiconductor Package & Test Solutions Co., Ltd.
Jan. 2005	Started mass production of 300mm wafer production line at NEC Yamagata Ltd.
Oct. 2005	NEC IC Design Beijing succeeded Shougang NEC Electronics' semiconductor development and sales divisions and changed its name to NEC Electronics (China).
Apr. 2006	Merged NEC Compound Semiconductor Devices Ltd. by simple merger method.
Sep. 2006	Established NEC Electronics Korea as a sales base in South Korea.
Sep. 2006	The assembly and inspection (post-process) line of NEC Semiconductors Ireland was closed.
Nov. 2006	Merged NEC Deviceport Ltd. by simple merger method.
Jun. 2007	Transferred the photomask business of NEC Fabserve Ltd. to Dai Nippon Printing Co., Ltd.
Oct. 2007	The assembly and inspection (post-process) line of P.T. NEC Semiconductors Indonesia was closed.
Apr. 2008	NEC Kyushu Ltd. merged with NEC Yamaguchi Ltd. and NEC Semiconductor Package & Test Solutions Co., Ltd., and changed its name to NEC Semiconductors Kyushu Yamaguchi Ltd. NEC Kansai Ltd. merged with NEC Fukui Ltd. and changed its name to NEC Semiconductors Kansai, Ltd. NEC Yamagata, Ltd. changed its name to NEC Semiconductors Yamagata, Ltd.
Apr. 2010	Merged Renesas Technology Corp. and changed the name to Renesas Electronics Corporation. (Note)
Nov. 2010	Acquired the wireless modem business from Nokia Corporation.
Dec. 2010	Transferred mobile multimedia business (including wireless modem business acquired from Nokia Corporation) to Renesas Mobile Corporation by an absorption-type company split.
May. 2011	Transferred Renesas Electronics America's front-end production line (Roseville Factory) to Germany-based Telefunken GmbH.
Feb. 2012	Started operations of Renesas Electronics Brazil Service Ltda. as a sales support base in Brazil.
Mar. 2012	Transferred the power amplification business of the Company and the business of Renesas East Japan Semiconductor Inc.'s Nagano Device Division to Murata Manufacturing Co., Ltd.
Jul. 2012	Transferred the front-end process line (Tsugaru Factory) of Renesas Northern Japan Semiconductor Inc. to Fuji Electric Co., Ltd.
Jan. 2013	Transferred all shares of Renesas High Components Inc. to Aoi Electronics Co., Ltd.
Jun. 2013	Transferred the assembly and inspection processes (back-end processes) lines/businesses of Renesas Northern Japan Semiconductor Inc., Renesas Kansai Semiconductor Co., Ltd., and Renesas Kyushu Semiconductor Corp. (Hakodate Factory, Fukui Factory, and Kumamoto Factory) and manufacturing support business of Hokkai Electronics Co., Ltd. to J-Device Corporation.
Sep. 2013	Implemented third-party allotment of new shares to Innovation Network Corporation of Japan, TOYOTA MOTOR CORPORATION, NISSAN MORTOR CO., LTD., Keihin Corporation, DENSO CORPORATION, CANON INC., NIKON CORPORATION, Panasonic Corporation, and YASUKAWA Electric Corporation.

Date	Matters
Oct. 2013	Merged Renesas Electronics Sales Co., Ltd. into the Company through a simple merger method. Renesas Micro System Co., Ltd. merged with Renesas Design Corp. and changed its name to Renesas System Design Co., Ltd. Renesas Musashi Engineering Service Co., Ltd. merged with Renesas Kitaitami Engineering Service Co., Ltd. and Renesas Takasaki Engineering Service Co., Ltd. and changed its name to Renesas Engineering Services Co., Ltd. Renesas Northern Japan Semiconductor, Inc. merged with Renesas Eastern Japan Semiconductor, Inc. Transferred all shares of Renesas Mobile Europe and Renesas Mobile India to Broadcom Corporation.
Nov. 2013	Transferred the Company's equities in Shougang NEC Electronics to Shougang Group Corp.
Feb. 2014	Established Renesas Electronics India Pvt. Ltd. as a sales base in India.
Mar. 2014	Transferred front-end production line (Tsuruoka Factory) of Renesas Yamagata Semiconductor Co., Ltd. to Sony Semiconductor Corporation.
Apr. 2014	Regarding the semiconductor front-end manufacturing business, Renesas Kansai Semiconductor Co., Ltd. as the surviving company/successor company, the Company's semiconductor front-end manufacturing business, Renesas Semiconductor Kyushu-Yamaguchi Co., Ltd.'s semiconductor front-end manufacturing business, Renesas Northern Japan Semiconductor Co., Ltd.'s crystal business, Renesas Kofu Semiconductor Co., Ltd., Renesas Naka Semiconductor Co., Ltd., Renesas Semiconductor Engineering Co., Ltd. and Renesas Yamagata Semiconductor Co., Ltd. were consolidated through absorption-type company split and absorption-type merger. The name of Renesas Kansai Semiconductor Co., Ltd. changed to Renesas Semiconductor Manufacturing Co., Ltd. Regarding the semiconductor back-end manufacturing business, Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. as the surviving company/successor company, the Company's semiconductor back-end manufacturing business, Renesas Semiconductor Northern Japan Semiconductor Co., Ltd., Renesas Yanai Semiconductor Co., Ltd., Haguro Electronics Co., Ltd., Hokkai Electronics Co., Ltd., and Renesas Kyushu Semiconductor Co., Ltd. were consolidated through absorption-type company split and absorption-type merger. The name of Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. changed to Renesas Semiconductor Package & Test Solutions Co., Ltd.
Oct. 2014	Merged Renesas Mobile Corporation through a simple merger method. Transferred all shares of Renesas SP Drivers Inc. held by the Company to a European subsidiary of U.S-based Synaptics Incorporated.
Apr. 2015	Transferred the Company's device solution development function to Renesas Solutions Corp. through a simple absorption-type company split method. Transferred the development support function of the Company to Renesas Engineering Service Co., Ltd. through a simple absorption-type company split method. Renesas Solutions Corp.'s kits, platforms, and field solutions, as well as sales expansion infrastructure and other development functions were transferred to the Company through a simple absorption-type company split method. Renesas Solutions Corp. merged with Renesas System Design Co., Ltd. and changed its name to Renesas System Design Co., Ltd.
Feb. 2016	Transferred part of the Shiga Factory of Renesas Semiconductor Manufacturing Co., Ltd. (8-inch wafer production line) to ROHM Shiga Co., Ltd.
Jun. 2016	Renesas Electronics Singapore as a surviving company merged with Renesas Semiconductor Singapore.
Feb. 2017	Acquired all shares of U.S-based Intersil Corporation ("Intersil") and turned it into a subsidiary of the Company.
May. 2017	Transferred Renesas Semiconductor Package & Test Solutions Co., Ltd.'s contract development and manufacturing and image recognition system development, manufacturing, and sales businesses to Hitachi Maxell, Ltd.
Jul. 2017	Merged Renesas System Design Co., Ltd. through a simple merger method.
Jan. 2018	Intersil as a surviving company merged with Renesas Electronics America and changed its name to Renesas Electronics America.

Date	Matters
Aug. 2018	Sold part of its shares of Renesas Easton Co., Ltd. and excluded it from the Company's equity-method affiliates.
Oct. 2018	Transferred the Kochi Factory of Renesas Semiconductor Manufacturing Co., Ltd. to Marusan Sangyo Co., Ltd.
Jan. 2019	Merged Renesas Semiconductor Package & Test Solutions Co., Ltd. through a simple merger method.
Mar. 2019	Acquired all shares of Integrated Device Technology, Inc. (“IDT”) in the U.S. and turned it into a subsidiary of the Company.
Jan. 2020	IDT merged with Renesas Electronics America and changed its name to Renesas Electronics America.
Aug. 2021	Acquired all shares of Dialog Semiconductor Plc (“Dialog”) in the U.K. and turned it into a subsidiary of the Company.
Dec. 2021	Acquired all shares of Celeno Communications Inc. which is a holding company of Celeno Communications Ltd. (“Celeno”) in Israel and turned it into a subsidiary of the Company.
Apr. 2022	Moved to the Tokyo Stock Exchange Prime Market following the reorganization of the Tokyo Stock Exchange's market segmentation.
Jul. 2022	Acquired all shares of Reality Analytics, Inc. in the U.S. and turned it into a subsidiary of the Company.
Oct. 2022	Acquired all shares of Steradian Semiconductors Private Limited (“Steradian”) in India and turned it into a subsidiary of the Company.
Jun. 2023	Acquired all shares of Panthronics AG (“Panthronics”) in Austria and turned it into a subsidiary of the Company.
Jun 2024	Acquired all shares of Transphorm, Inc. (“Transphorm”) in the U.S. and turned it into a subsidiary of the Company.
Aug 2024	Acquired all shares of Altium Limited (“Altium”) in the U.S. and turned it into a subsidiary of the Company.

(Note) As a result of this merger, Renesas Technology Corp.’s affiliated companies have been succeeded, and some of the Group’s affiliated companies have been reorganized or changed their names.

3. Business Description

As of December 31, 2024, the Group consisted of the Company, 122 consolidated subsidiaries (8 entities in Japan and 114 entities overseas) and 1 equity-method affiliate (1 entity overseas). As a manufacturer specializing in semiconductors, the Group is engaged in research, design, development, manufacture, sales, and services relating to a variety of semiconductors.

The Group's research, design, development, manufacture, sales and service functions are primarily divided among the Company and its subsidiaries. The research, design and development functions are the responsibilities of the Company and other overseas subsidiaries, such as Renesas Electronics America, Renesas Semiconductor Design Beijing, Renesas Design Vietnam, and Renesas Electronics Europe. The manufacturing functions are handled mainly by domestic and overseas production subsidiaries, but we also utilize foundries and other external production subcontractors as needed. The sales and servicing functions are conducted primarily through affiliated distributors in Japan, and primarily through overseas sales subsidiaries, such as Renesas Electronics America, Renesas Electronics Europe and Renesas Electronics Hong Kong, or distributors in overseas.

The Group consists of the "Automotive Business" and the "Industrial/Infrastructure/IoT Business". Segment information is disclosed based on this classification.

The Automotive Business includes in-vehicle control, which provides semiconductors for controlling automobile engines and bodies, and in-vehicle information, which provides semiconductors for censoring systems, which detect the environment inside and outside of a vehicle; in-vehicle infotainment (IVI) and instrument panels, which transmit various information to the driver, and other in-vehicle information devices. In this segment, the Group mainly provides microcontrollers, SoCs (systems-on-a-chip), analog semiconductors, and power semiconductors.

The Industrial/Infrastructure/IoT Business includes the product categories "Industrial", "Infrastructure" and "IoT" which support the smart society. In this segment, the Group mainly provides microcontrollers, SoCs, analog semiconductors and power semiconductors.

In addition, the contract development and production of semiconductors carried out by design and manufacturing subsidiaries of the Company are classified as "Other".

Consolidated subsidiaries of the Group (122 companies) and equity-method affiliate (1 company) by major business are as follows.

As of December 31, 2024

<table>
<tr><th>Name of related reportable segments</th><th>Major businesses</th><th>Domestic subsidiaries</th><th>Foreign subsidiaries</th></tr>
<tr><td rowspan="4">Automotive and Industrial/ Infrastructure /IoT</td><td>Sales</td><td></td><td>(Consolidated subsidiaries)
Renesas Electronics China
Renesas Electronics Shanghai
Renesas Electronics Hong Kong
Renesas Electronics Taiwan
Renesas Electronics Korea
Renesas Electronics Singapore
Renesas Electronics Malaysia
Renesas Electronics India
Renesas Electronics Canada
Renesas Electronics Brazil Service
Renesas Electronics Europe (Germany)

3 other companies</td></tr>
<tr><td>Manufacturing and manufacturing support</td><td>(Consolidated subsidiary)
Renesas Semiconductor Manufacturing</td><td>(Consolidated subsidiaries)
Renesas Semiconductor Beijing
Renesas Semiconductor (Suzhou)
Renesas Semiconductor K.L.
Renesas Semiconductor Malaysia
Renesas Semiconductor (Keda)
Renesas Semiconductor Technology (Malaysia)</td></tr>
<tr><td>Design, development, and application technologies</td><td></td><td>(Consolidated subsidiaries)
Renesas Semiconductor Design Beijing
Renesas Design Vietnam
Renesas Semiconductor Design (Malaysia)
Renesas Design Bulgaria
Renesas Design Zurich
Renesas Integrated Circuit Shanghai
Renesas Integrated Circuit Chengdu

16 other companies</td></tr>
<tr><td>Operating Companies and Others</td><td>(Consolidated subsidiaries)
7 companies</td><td>(Consolidated subsidiaries)
Renesas Electronics America
Renesas Electronics Germany
Renesas Electronics Penang
Renesas International Operations (Malaysia)
Intersil Luxembourg
IDT Bermuda
Gig Peak
Dialog
Renesas Electronics Australia
Renesas Electronics NSW
Altium
Altium IP Hold
Altium IP
Altium LLC

57 other companies

(Equity-method affiliate)
1 company</td></tr>
</table>

(Note) Part of our overseas sales subsidiaries are also engaged in the business of designing and developing products.

4. Affiliated Companies

As of December 31, 2024

Name	Address	Share capital or investments (Million yen, or currency noted)	Major business	Voting rights holding/held ratio (%) (Note 1)	Relationship
(Consolidated subsidiaries) Renesas Semiconductor Manufacturing (Note 2)	Hitachinaka-shi, Ibaraki Prefecture	100	Manufacture of semiconductor products (front-end process)	100.0	Manufacture of the Company products Loans - Yes Real estate/equipment leasing - Yes Interlocking directorates -None
Renesas Electronics China	China Beijing	Thousand US dollars 38,540	Sales of semiconductor products in China	100.0	Sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Shanghai	China Shanghai	Thousand US dollars 7,100	Sales of semiconductor products in China	100.0	Sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Hong Kong (Note 2) (Note 5)	China Hong Kong	Thousand Hong Kong dollars 15,000	Sales of semiconductor products in Hong Kong	100.0	Sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Taiwan	Taiwan Taipei	Thousand Taiwan dollars 170,800	Sales of semiconductor products in Taiwan	100.0	Sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Korea	South Korea Seoul	Thousand won 3,751,885	Sales of semiconductor products in South Korea	100.0	Sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Singapore	Singapore	Thousand US dollars 32,287	Sales of semiconductor products in ASEAN, India and Oceania	100.0	Sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Malaysia	Malaysia Kuala Lumpur	Thousand ringgits 700	Sales support for semiconductor products in Malaysia	100.0 (100.0) (Note 3)	Sales support of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics India	India Bangalore	Thousand Indian rupees 32,500	Sales of semiconductor products in India	100.0 (99.90) (Note 3)	Sales of the Company products Loans - Yes Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics America (Note 2) (Note 5)	United States California	Thousand US dollars 2,952,870	Design, development, manufacture and sale of semiconductor products in the United States	100.0	Design, development, manufacture, and sales of the Company products Loans - Yes Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Canada	Canada Ontario	Thousand Canadian dollars 44,560	Development and sales of semiconductor products in Canada	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Brazil Service	Brazil Sao Paulo	—	Sales (technical) support of semiconductor products in Brazil and South America	100.0 (100.0) (Note 3)	Sales (technical) support of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Europe (Germany) (Note 2) (Note 5)	Germany Dusseldorf	Thousand euros 14,000	Design, development and sale of semiconductor products in Europe	100.0	Design, development, and sales of the Company products Loans - Yes Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor Beijing	China Beijing	Thousand US dollars 90,444	Manufacture of semiconductor products (back-end process)	100.0	Manufacture of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None

Name	Address	Share capital or investments (Million yen, or currency noted)	Major business	Voting rights holding/held ratio (%) (Note 1)	Relationship
Renesas Semiconductor (Suzhou)	China Suzhou	Thousand US dollars 43,226	Manufacture of semiconductor products (back-end process)	100.0 (6.33) (Note 3)	Manufacture of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor K. L.	Malaysia Selangor	Thousand ringgits 118,237	Manufacture of semiconductor products (back-end process)	100.0	Manufacture of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor Malaysia	Malaysia Penang	Thousand ringgits 84,000	Manufacture of semiconductor products (back-end process)	90.0	Manufacture of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor (Keda)	Malaysia Keda	Thousand ringgits 1,000	Manufacture of semiconductor products (back-end process)	100.0 (100.0) (Note 3)	Manufacture of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor Technology (Malaysia)	Malaysia Penang	Thousand ringgits 1,000	Manufacture of semiconductor products (back-end process)	100.0 (100.0) (Note 3)	Manufacture of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor Design Beijing	China Beijing	Thousand US dollars 7,000	Design and development of semiconductor products	100.0	Design and development of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Design Vietnam	Vietnam Ho Chi Minh City	Thousand US dollars 10,200	Design and development of semiconductor products	100.0	Design and development of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Semiconductor Design (Malaysia)	Malaysia Penang	Thousand ringgits 1,000	Design and development of semiconductor products	100.0 (100.0) (Note 3)	Design and development of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas International Operations (Malaysia) (Note 2)	Malaysia Selangor	Thousand ringgits 426,302	Managing certain contract operations of the Group companies	100.0 (100.0) (Note 3)	Shared services (Group company services) Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Intersil Luxembourg	Luxembourg	Thousand US dollars 91,585	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Design Bulgaria	Bulgaria Varna	Thousand Bulgarian Lev 5	Design and development of semiconductor products	100.0 (100.0) (Note 3)	Design and development of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Design Zurich	Switzerland Zurich	Thousands of Swiss francs 100	Design and development of semiconductor products	100.0 (100.0) (Note 3)	Design and development of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Integrated Circuit Shanghai	China Shanghai	Thousand yuan 4,960	Development and sales of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Integrated Circuit Chengdu	China Chengdu	Thousand yuan 3,000	Development and sales of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates-None
Renesas Electronics Penang (Note 2)	Malaysia Penang	Thousand US dollars 551,785	Development, manufacture and sale of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Germany (Note 2)	Germany Dresden	Thousand euros 15,750	Development, manufacture and sale of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
IDT Bermuda (Note 2)	Bermuda	Thousand US dollars 462,119	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None

Name	Address	Share capital or investments (Million yen, or currency noted)	Major business	Voting rights holding/held ratio (%) (Note 1)	Relationship
Gig Peak (Note 2)	United States Delaware	Thousands US dollars 225,344	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Dialog	United Kingdom Buckinghamshire	Thousands US dollars 13,526	Development, manufacture and sale of semiconductor products	100.0	Development and sales of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics Australia (Note 2)	Australia New South Wales	Millions Australian dollars 9,125	Holding company	100.0	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Electronics NSW (Note 2)	Australia New South Wales	Millions Australian dollars 9,125	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Altium (Note 2) (Note 4)	Australia New South Wales	Thousands US dollars 143,543	Development and sales of software tools for PCB design, etc.	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans - Yes Real estate/equipment leasing - None Interlocking directorates - None
Altium IP Hold (Note 2)	Australia New South Wales	Thousands US dollars 402,900	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Altium IP (Note 2)	United States California	Thousands US dollars 402,900	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Altium LLC (Note 2)	United States California	Thousands US dollars 402,900	Development, sales and service of software	100.0 (100.0) (Note 3)	Development, sales and service of the Company products Loans - None Real estate/equipment leasing - None Interlocking directorates - None
83 other consolidated subsidiaries					
(Equity-method affiliate) 1 equity-method affiliate					

(Note) 1. Voting rights holding/held ratio is rounded down to the nearest second decimal place.
2. This is a specified subsidiary.
3. Figures in parentheses in the voting rights holding ratio column indicate shares attributable to indirect ownership.
4. In August 2024, the Company acquired Altium, a software company specializing in PCB design, etc., as a wholly owned subsidiary.
5. Renesas Electronics Hong Kong, Renesas Electronics America and Renesas Electronics Europe (Germany) accounted for more than 10% of consolidated net sales (excluding intercompany sales).

Renesas Electronics Hong Kong	(1) Net sales	156,678 million yen
Major Profit and Loss Information	(2) Ordinary income	6,794 million yen
	(3) Net Income	5,730 million yen
	(4) Net assets	36,889 million yen
	(5) Total assets	86,033 million yen

Renesas Electronics America	(1) Net sales	390,161 million yen
Major Profit and Loss Information	(2) Ordinary loss	(1,041) million yen
	(3) Net loss	(4,386) million yen
	(4) Net assets	906,145 million yen
	(5) Total assets	1,088,627 million yen

Figures for Renesas Electronics America are consolidated financial results, including its subsidiaries (34 companies).

Renesas Electronics Europe (Germany)	(1) Net sales	186,244 million yen
Major Profit and Loss Information	(2) Ordinary income	6,811 million yen
	(3) Net Income	3,452 million yen
	(4) Net assets	26,048 million yen
	(5) Total assets	94,646 million yen

5. Employees

(1) Consolidated Basis

The Group had 22,711 employees as of December 31, 2024.

Segment-specific information is omitted because the majority of the Group's employees are related to both the Automotive Business and the Industrial/Infrastructure/IoT Business.

The number of employees is the number of persons engaged in work (excluding employees seconded from the Group to outside the Group, but including employees seconded from outside the Group to the Group). The number of temporary employees is omitted because it is less than 10/100 of the number of employees.

(2) Status of the Filing Company

As of December 31, 2024

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (Yen)
6,482	48.5	23.4	8,099,472

(Note) 1. The number of employees is the number of persons engaged in work (excluding employees seconded from the Company to external companies, but including employees seconded from external companies to the Company).
2. The calculation of the average length of service includes years of service at Hitachi, Ltd., Mitsubishi Electric Corporation, NEC Corporation, and their affiliated companies.
3. The average annual salary amount includes bonuses and non-standard wages.
4. The number of temporary employees is omitted because it is less than 10/100 of the number of employees.

(3) Union Information

As of December 31, 2024, the Company's labor union was Renesas Electronics Union, which belongs to the Japanese Electrical, Electronic & Information Union. The number of union members as of December 31, 2024 was 3,807.

There is nothing particular to report relating to matters with the labor union.

(4) Percentage of Female Employees in Managerial Positions, Percentage of Male Employees Taking Childcare Leave, and Wage Differences between Male and Female Employees

(i) Filing Company and its domestic consolidated subsidiaries

Company name	Female employees in managerial positions (%) (Note 1)	Male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees Ratio of female wages to male wages (%) (Note 1)		
			All employees	Full- time employees	Part-time or fixed-term employees
Renesas Electronics Corporation	4.6	34.2	73.9	73.1	74.7
Renesas Semiconductor Manufacturing	2.0	33.3	83.3	81.4	88.8

(Note) 1. This figure is calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life.
2. This figure shows the percentage of childcare leave etc. taken under Article 71-4 (1) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, calculated in accordance with the provisions of the said Act.
3. The wage difference between male and female employees is the ratio of the average wage of female employees to the average wage of male employees for each category covered. Wages include base salary, overtime salary and incentives such as bonuses. At a basic level, the wage system is the same for males and females, and the differences that currently exist are due to differences in labor structure and other factors.

(ii) The Group

Current fiscal year		
Female employees in Management positions (%)	Female employees in Leadership (%)	Female employees in Executive roles (%)
15.5	11.0	19.0

(Note) The definitions and calculation methods of the relevant indicators differ from those of the Act on the Promotion of Women's Active Engagement in Professional Life.

II. Business Overview

1. Management Policy, Management Environment, and Issues to be Addressed

The Group has established “2030 Aspiration” as its management goal through 2030 and is working on various measures to achieve its purpose “To Make Our Lives Easier” (building a sustainable future through technologies that make people’s lives easier). We will continue to work on the following issues to achieve this goal.

(1) Promotion of “Back to Basics”

To navigate an evolving business environment, achieve long-term growth, and ultimately realize our “2030 Aspiration”, the Group is actively driving our “Back to Basics” strategy with a focus on three key priorities:

(a) Productivity Increase

The Group will maximize the scale advantages of our global workforce, comprising approximately 22,000 employees across 30+ countries, while streamlining operations to improve efficiency.

(b) Purposeful Investment

The Group will strategically allocate resources to our core embedded semiconductor solutions and their value-enhancing elements — UX & Digitalization.

Our previous approach balanced short-term revenue growth with long-term strategic investments and achieved significant success. Considering the impact on our overall organization and changes in the business environment, we have decided to go “Back to Basics”. We are now prioritizing long-term growth by refining our business priorities and directing maximum resources to strategic initiatives.

(c) UX & Digitalization Strategy

In January 2025, we expanded the UX Group by integrating digital marketing functions and the system solutions team to reinforce our UX initiatives.

For Digitalization, we are working with Altium, which we acquired in 2024, as one team to establish an integrated and open “electronics system design and lifecycle management platform”, to make electronics design accessible to a broader market to allow more innovation. As part of this initiative, Altium announced the acquisition of Part Analytics Inc. in January 2025, marking another step toward realizing our Digitalization vision.

Under the new structure, UX & Digitalization is positioned as our top strategic priority, and we will continue to accelerate our efforts. Our vision is to establish a comprehensive digital platform that streamlines the end-to-end process of electronics system development — from discovery, system design, production, to lifecycle management — to make our customers’ lives easier.

(2) Promotion of Sustainability/ESG initiatives and information disclosure

The Group established a group-wide Sustainability/ESG organization and repositioned the Audit Committee as the “Audit and Sustainability Committee” in January 2025. This ensures the highest level of oversight and governance integration to enhance Sustainability and ESG implementation and execution. Under this refined framework, initiatives are actively advancing, including accelerating our carbon neutrality target to 2040.

The Group will also work to further enhance the disclosure of non-financial information related to Sustainability and ESG activities, and to improve our ESG rating and provide information to the various stakeholders surrounding the Group.

(3) Response to geopolitical risks

Regarding geopolitical risks, short-term concerns include supply chain disruptions caused by tariffs. Medium-term trends suggest that U.S. regulatory easing and China’s focused technology investments -particularly in AI- will drive innovation. The Group will closely monitor these developments and continue our Digitalization efforts to strengthen long-term competitiveness.

(4) Optimization of production structures

During the current fiscal year, the utilization rate of the Group’s front-end production facilities was 25% for the 150mm wafer production factory, 56% for the 200mm wafer production factory, 49% for the 300mm wafer production factory, and 50% on average for all factories.

During the current fiscal year, the Group made capital investments in the Group’s domestic production factories to increase the supply capacity and resilience of some Group products that are in short supply. Going forward, the Group will continue to work to strengthen its factories in order to ensure a stable supply of the Group’s products. In addition to these capital investments, we will continue to promote the establishment of a die bank and work to secure and expand production volume at outsourced production sites in order to enhance our resilience and response to rapid demand fluctuations.

Through these active investments, the Group’s capital expenditure in the current fiscal year was about 7% of revenue, but the Group aims to control the capital expenditures to about 5% of revenue in the medium to long term.

(5) Optimization of talent composition

Personnel composition of each of the business areas of the Group as of the end of the current fiscal year was as follows: 40% in Japan, 11% in North America, 14% in Europe, and 35% in Asia Pacific.

From a medium- to long-term perspective, the Group will work on various personnel measures with the aim of achieving a well-balanced age composition, regional composition, and skillset mix of employees throughout the Group, and increasing the number of employees engaged in important fields such as software and fields that are expected to grow in the future under a global talent acquisition team, while taking into consideration factors such as talent quality and cost, as well as by making use of attractive recruitment activities, human resource development and M&A as necessary.

(6) Improving employee engagement and instilling Renesas Culture

The Group developed "Renesas Culture," as a set of action guidelines for the Group organization and employees all over the world to respond to the ever-changing environment. The Group is actively working to establish and embed these principles within the Group.

For example, during the current fiscal year, as part of such efforts, we promoted project activities to enhance cooperation and communication among engineers across different fields and expertise, which achieved significant results such as improvement of the internal IP search system and employee survey scores. As the second phase of this initiative, the Group is now working to further evolve those activities and improve the quality and quantity of the search system and the use of AI.

Going forward, the Group will further enhance employee engagement by promoting various measures and integrating this culture into each part of the HR cycle such as hiring, training, and performance evaluations, while also continuing to share Renesas Culture elements to employees.

2. Sustainability Policy and Initiatives

The Group will strive to further enhance its corporate value by continuing various efforts to achieve “2030 Aspiration” and realize our Purpose, “To Make Our Lives Easier”, while at the same time being environmentally conscious and contributing to a sustainable society through our corporate activities. We will strive to further enhance our corporate value by contributing to a sustainable society through our environmentally conscious corporate activities. In order to contribute to the Sustainable Development Goals (SDGs) adopted by the United Nations, we are taking action on 13 of the 17 goals set forth by the United Nations.

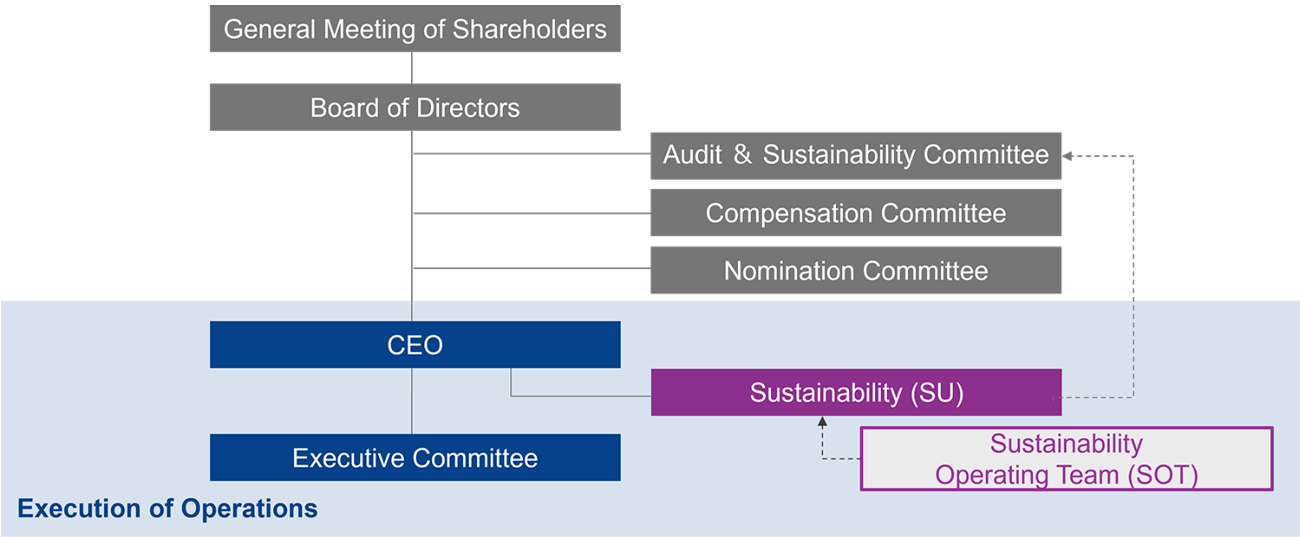
Forward-looking statements in the text are based on our judgment as of the end of the current fiscal year.

(1) Climate Change

(i) Governance

The Group recognizes the various risks and opportunities associated with climate change as an important element of its business strategy. As a major development, during the current fiscal year, the Group prepared to significantly strengthen its sustainability governance, which was implemented in January 2025. Specifically, the Group centralized its sustainability operations through the creation of Sustainability (SU). Supported by a cross-functional Sustainability Operating Team (SOT), this centralization has streamlined efforts across departments and clarified responsibilities for the realization of sustainability goals. In addition, the Audit Committee was reorganized into the Audit and Sustainability Committee, giving this committee the responsibility and authority to oversee sustainability activities, thereby strengthening oversight of ESG-related risks and opportunities. Policies, key issues, risks/opportunities, and measures related to climate change are regularly discussed and reviewed by the CEO, Executive Corporate Officers appointed by the CEO, and Sustainability (SU), and are reported to the Board of Directors on a regular basis.

Sustainability Governance Structure



Role	Main Responsibilities
CEO	Strategic leadership and accountability on ESG matter.
Audit and Sustainability Committee	Responsible for oversight of sustainability matters, including oversight of ESG-related risks. Also ensure that sustainability strategies are aligned with corporate objectives and regulatory requirements. In addition, provides advice on non-financial disclosures related to ESG and provides guidance on improving sustainability practices.
Sustainability (SU)	Responsible for ESG expertise, policy development, regulatory monitoring, reporting and analysis, internal consultation, employee training, and cross-functional sustainability oversight.
Sustainability Operating Team（SOT）	Responsible for implementing sustainability strategies, coordinating across departments, and tracking performance.

(ii) Risk Management

The Group has established a group-wide risk management system based on our “Global Rule for Risk and Crisis Management within the Renesas Group”. We regularly update our risk management system to address possible risks, including climate-related risks, and assign appropriate departments-in-charge based on the type of risk. This allows us to ensure effective day-to-day risk management. We also identify risks in advance by assessing their realistic representation on our Risk Map. At the same time, we formulate contingency measures, systems, and response policies to prevent and address those identified risks. In the event of a company-wide emergency, we will form an Emergency Response Headquarters led by the CEO, to gather information and propose and implement measures to minimize losses. In addition to the development of these risk management systems, we are also actively working to protect the ozone layer and comply with environmental laws and regulations as specific measures aimed at reducing environmental impact and realizing a sustainable society.

■Protection of the Ozone Layer

The Group has completely eliminated the use of ozone-depleting substances (ODS:*3) such as CFCs (*1) and HCFCs (*2), which are listed in the Annex of the Montreal Protocol, in our manufacturing processes. Furthermore, with regard to CFCs used as refrigerants in freezers, refrigerators, air conditioners, etc., we are systematically reducing the use of CFCs and switching to alternative substances in accordance with the regulations of the Protocol, and we collect ODS at the time of disposal of the subject equipment and thoroughly implement destruction treatment. As for the use of refrigerants, we have been systematically replacing CFC-based equipment with equipment that uses refrigerants with low destruction factors, from large refrigeration units to small refrigerators, and have completed the disposal of all such equipment in the current fiscal year.

*1 CFC：Chlorofluorocarbons
*2 HCFC：Hydrochlorofluorocarbons
*3 ODS：Ozone-depleting substances

■Compliance with Environmental Laws and Regulations

The semiconductor products of our Group are installed in many products and used in many countries around the world. For this reason, we obtain information on the laws and regulations of major countries in order to comply with environmental laws and regulations related to our products and reflect this information on our Group's products.

Substances listed in the Annex to the POPs Convention (*4), to which compliance is required internationally, are reflected in the "Act on the Regulation of Manufacture and Evaluation of Chemical Substances" and other laws in Japan to ensure the application of the POPs Convention. Our Group designates substances designated as Annex A (abolition) in the POPs Convention as "prohibited" items in the Group's "Renesas Management Chemical Substances" classification whenever they are reflected as Class 1 Specified Chemical Substances under the Chemical Substances Control Law and shares this information globally and ensures compliance with it.

*4 POPs Convention：Stockholm Convention on Persistent Organic Pollutants

(iii) Strategy

Climate change is a critical issue for our Group. To understand how climate-related risks and opportunities impact our Group's business, strategy and financial planning, as well as to devise countermeasures, we conducted a scenario-based analysis.

Based on our scenario analysis, we identified major risks and opportunities, and their countermeasures for our Group as follows

(a) Risks

- The introduction of carbon pricing in countries where we operate poses various risks such as increased costs to meet regulatory requirements, higher expenses for highly carbon-intensive raw materials, and production consignment fees.
- There is a risk of lost sales opportunities or decreased sales if there are delays in the development of energy efficient products, or if we cannot fully meet customers' demands for decarbonization in certain markets or products.
- Increase in abnormal weather may affect manufacturing bases.

(b) Opportunities

- Opportunities to significantly increase demand for products and solutions for decarbonization and low-carbonization. Especially in the automotive business, demand for related products is expected to grow in line with the expansion of the EV (Electric Vehicle) market, and in the industrial, infrastructure, and IoT business, demand for low-carbon and decarbonization technology-related products (wind power, factory automation (FA), etc.) is expected to grow.
- Opportunity to capture new markets by responding to changes in customer preferences and interests associated with climate change.

(c) Countermeasures

- Respond to the risk of increasing carbon taxes by steadily implementing measures to achieve GHG emission reduction targets, establishing suppliers' GHG emissions, and promoting reduction measures.
- Enable timely market introduction by accelerating development through early identification of changes in energy-saving standards in each country and by introducing development methods that support flexible function changes.
- Proactively disclose environmental information that promotes and accelerates environmental activities and communication in response to decarbonization efforts demanded by customers and investors.
- Accelerate the development of highly energy-efficient products, such as expanding product offerings and solutions, and acquiring next-generation technologies that realize high speed, advanced functionality, and high efficiency.
- Continue to invest in research and development to respond to new market expansion opportunities due to business diversification, changes in consumer preferences, etc.

■Details of Analysis and Countermeasures

Based on scenario-based analysis and other assumptions, we have classified the nine-year period from 2022 to 2030 into "short-term," "medium-term," and "long-term" categories, and disclosed the timing of the occurrence of each risk and opportunity. The "short term" is within 3 years, the "medium term" is from 3 to 6 years, and the "long term" is more than 6 years.

Financial Impact and Countermeasures for Risk Factors

Category		Expected financial impact	Period	Countermeasures
Transition risk	Strengthening of laws and regulations	Various laws and regulations will be strengthened toward decarbonization, and the cost to meet the needs will increase.	Short to mid-term	• Implement systematic measures to achieve mid to long-term GHG reduction targets • Understand emissions by suppliers and promote reduction measures • Continue 3R (Reduce, Reuse and Recycle) initiatives globally
	Changes in technology and markets	Sales opportunities will be lost due to delays in development in markets and products that require energy conservation, and our profits will decrease.	Short to mid-term	• Detect changes in energy conservation standards in advance, and accelerate the start of development of energy efficient products • Introduce technology that enables flexible function changes • Continue to invest in R&D to develop energy efficient products • Concentrate development resources from ICE applications to xEV, ADAS application ICs, Discrete, and develop cross-domain MCUs
		If the carbon tax imposed on our suppliers is reflected in the unit price of materials, we assume that production costs will increase.	Mid-term	• Understand and monitor CO_2 emissions by suppliers • Share targets with suppliers and encourage them to promote reduction measures
	Changes in stakeholder evaluation	Sales will decrease if we are unable to meet customer demands for decarbonization in the supply chain. In addition, the expansion of ESG investment is expected to affect fund procurement.	Mid-term	• Promote and accelerate environmental activities that satisfy customers' environmental procurement regulations • Proactively disclose environmental information to stakeholders and promotion of communication for mutual understanding • Achieve progress toward environmental targets to meet executive evaluation
Physical risks	Increase in disasters due to extreme weather	Due to an increase in disasters caused by abnormal weather, our own sites and supplier sites will be affected. Sales will decrease during the period until restoration, and restoration costs will be required.	Mid to long-term	• Implement risk assessment and countermeasures for each site based on BCM • Continuously collect information including bases currently outside the hazard map • Continuously diversify procurement and consider/prepare alternatives

Financial Impact and Countermeasures for Opportunities

Category		Expected financial impact	Period	Countermeasures
Efficient use of resources		Efficient use of resources (energy, water) at business sites and production bases will be promoted and costs will be reduced.	Short-term	• Implement systematic energy-saving measures considering investment effect • Promote efficient use of water with a target water recycling rate of 35% • Expand PPA utilization bases
Low carbon emission products and services	Expansion of xEV solution market	As decarbonization progresses in the automotive sector, the xEV solution market expands.	Short to mid-term	• Accelerate the development and reduce power consumption of products for BMS • Expand product repertoire, such as monolithic/wireless • Provide development kits that shorten customer development time • Accelerate the development of products for xEV, enhance product portfolio with low power consumption, high efficiency, OTA support, etc. • Accelerate the development of products for AD/ADAS, improve functionality and performance
	Expansion of industrial solutions market	Decarbonization will progress in the industrial sector, and the related industrial solutions market will expand.	Short to mid-term	• Accelerate the development of products conforming to DDR5 and later DDR memory standards, and reduce power consumption and load • Accelerate the development of millimeter-wave beamformer solutions for 5G, achieve low power consumption and high efficiency • Accelerate the development of products for FA (mainly motor control ICs and MCUs/MPUs equipped with endpoint AI) and products for BA (mainly products for air conditioning systems and lighting), increase functionality, and strengthen RF functions • Accelerate the development of IGBTs, improve efficiency through advanced processes, and increase production capacity • Accelerate the adoption of next-generation power semiconductors
Respond to changes in customer preferences and interests		Increase sales by responding to changes in customer interest (energy efficiency, IoT, sensors, advanced weather forecasts, etc.) associated with climate change.	Short, mid to long-term	• Promote product development to provide low-power consumption products and solutions that improve energy efficiency, and focus on R&D to create innovation • Expand product repertoire, improve speed, functionality, and efficiency
New market expansion	New business	Diversion of technologies developed in existing businesses to new industries in a low-carbon society.	Short to mid-term	• Enhance security for products in the Automotive/IIOT field
	Emerging markets	Sales of IGBTs and millimeter-wave beamformer solutions for 5G to emerging countries will increase as the decarbonization needs increase.	Short to mid-term	• Promote sales expansion in emerging markets, improve performance and efficiency of IGBTs

For details on the assumptions and countermeasures to the scenario-based analysis, please refer to our sustainability site/Response to TCFD Proposals（https://www.renesas.com/en/about/sustainability/tcfd）

(iv) KPIs and Goals

The Group's Indicators and targets for reduction of GHG are listed below. In addition, these reduction targets have been certified as Science Based Targets (SBT).

· GHG emission (Scope1, Scope2) reduction target: 38% decrease in 2030 (vs. 2021)
· GHG emission (Scope1, Scope2) Carbon Neutral: 2050
· Total water consumption per unit sales target: 33% improvement by 2030 (vs. 2021)
· Global production site water recycling rate: 35% by 2030
· Waste recycling ratio: 90% (ratio with the amount of recycled waste as the numerator and total waste generated as the denominator)

＊The 2024 results will be disclosed in the Sustainability Report (https://www.renesas.com/en/about/sustainability/report2024) to be issued in early June 2025.

The Group plans to achieve our goals by reducing the emission of PFC gas - a greenhouse gas that heavily impacts the environment - and meeting the domestic electrical and electronics industry targets in Japan and the energy intensity reduction target in accordance with the Energy Conservation Law. These initiatives also include expanding the use of renewable energy at our manufacturing sites which consume significant amounts of energy. Regarding Scope 3, we have also set a new target for reducing GHG emissions by 2026 by suppliers (including outsourced manufacturing companies) which account for 70% of GHG emissions in Category 1 of Scope 3. We will strive to meet those targets and reduce GHG emissions throughout the supply chain

For more details, please refer to our sustainability site / Environmental Activities / Environmental Protection Goals （https://www.renesas.com/en/about/sustainability/protection-goals） and Environmental Activities / Climate Change Initiatives （https://www.renesas.com/en/about/sustainability/climate-change）

(2) Human Capital and Diversity Initiatives

(i) Strategy

The Group is enhancing its Diversity, Equity & Inclusion (DE&I) initiatives to help employees recognize their unique strengths and maximize their skills. We are building a global framework that enhances collaboration across geographies and disciplines. Improving collaboration across different product groups and locations is crucial to breaking down silos and harnessing the collective expertise of our teams. Additionally, we are fostering a workplace culture that respects all forms of diversity and promotes inclusion through Human Resources & General Affairs Division supported diversity networks.

With employees from over 20 countries, our workforce represents a wide range of backgrounds, including different nationalities, cultures, languages, beliefs, genders, and ages. We believe that embracing diversity, equity, and inclusion drives innovation and sustainable growth. By creating an environment where every individual can thrive, we unlock the full potential of our global team

(a) Promotion of Renesas Culture

In 2020, the Group introduced the Renesas Culture guidelines to help all employees create value globally in a fast-changing business environment. To cultivate talent that embodies our five key values - Transparent, Agile, Global, Innovative, and Entrepreneurial – we have programs that support employees in developing their strengths and maximizing their potential. We are also implementing systems that allow employees to contribute beyond regional and organizational boundaries.

To reinforce Renesas Culture, we have conducted company-wide employee surveys at least once a year since 2020. These surveys enable us to monitor our advancement, identify key areas for improvement and implement action plans to drive higher employee engagement under our CEO's leadership,

(b) Cultivation of Global Leaders

The Group continuously develops future leaders to ensure the company's growth and stability. Our strategy focuses on succession planning for key roles and leadership development to strengthen career growth. Across our Group, we identify key positions, select successors, and create tailored training plans to enhance talent management.

(c) Mechanism for Employees to Learn Independently

In Japan, our Self-Development Support Program empowers employees to take charge of their careers by choosing from 100+ skill-building courses, specialized technical seminars, and language classes. We have shifted many training programs online, ensuring accessibility for remote employees and making professional growth more flexible than ever.

(d) Remote Working Abroad

The Remote Working Abroad (RWA) program offers flexibility for employees to work from a country outside of their country of employment for up to 30 business days in a rolling 12-month period.

(e) Fair Compensation

The Group is committed to ensuring our employees are remunerated competitively and to ensuring that they receive fair and equitable compensation for their contribution to our Group's success.

We are committed to providing a living wage to our employees to ensure they can maintain a good quality of life, and we intend to conduct a comprehensive review of living wage standards in the countries where we operate. By December 2025, we will develop a strategic plan to enable us to demonstrate that our compensation consistently meets prevailing living wage standards.

(f) Employee Resource Groups (ERGs) & Diversity Promotion Groups (DPGs)

The Group has both Employee Resource Groups (ERGs) and Diversity Promotion Groups (DPGs) to foster inclusivity and respect for diversity. We emphasize that all employees are responsible for diversity and encourage open dialogue to understand and respect diverse views. Every October, we celebrate “Diversity Awareness Month” with events and activities. In 2024, we held 17 global conscious inclusion events on unconscious biases, gender stereotypes, and wellbeing. In 2025, the DE&I team in Human Resources & General Affairs Division will empower and enable these groups to become more self-sufficient by providing structure, funding, and access to partnerships. The ERGs and DPGs will lead with their own ideas and initiatives in close alignment with the overall DE&I priorities of the Group, ensuring they drive the change they envision.

(ii) KPIs and Goals

The Group sets and manages medium- and long-term targets from the perspectives of organizational and human resource vitality and DE&I, respectively. The Group’s indicators, targets and achievements are as follows.

KPIs and Goals	Result (Current Fiscal year)
・Percentage of females on the Board of Directors: 30% or more	40%
・Percentage of newly hired female graduates (Japan): 20% or more	19%

For more details, please refer to our sustainability website “Human Resources Management/Human Rights Growth and Engagement”(https://www.renesas.com/us/en/about/company/sustainability/engagement), and “Human Resources Management/Diversity, Equity & Inclusion”(https://www.renesas.com/us/en/about/company/sustainability/diversity).

(3) Human Rights

(i) Governance and Oversight of Human Rights

The Group is committed to upholding human rights by implementing effective management mechanisms and ensuring robust decision-making processes.

We maintain a clear governance structure with a defined hierarchy for reporting and escalating concerns related to human rights issues. Both the Board of Directors, and the newly established Audit and Sustainability Committee, take human rights risks into account when reviewing comprehensive reports.

In 2022, we established a Human Rights Promotion System to drive global initiatives aligned with our commitment to respecting human rights. This effort has been led by our Senior Vice President and Chief Human Resources Officer.

The Group also provides employees with access to a confidential hotline to encourage reports of any compliance-related complaints or concerns, including issues related to human rights, bullying and harassment. Hosted by an independent third party, the hotline serves as a mechanism for employees and stakeholders to report human rights concerns or violations and ensures that reports are addressed promptly and effectively.

The Group strictly prohibits any retaliation against individuals for raising complaints or for cooperating in investigations related to those complaints.

(ii) Strategies, KPIs and Goals

The Group conducts a human rights due diligence process in accordance with the United Nations’ “Guiding Principles on Business and Human Rights” which enables us to identify the potential human rights risks in the Group, and our supply chain. This includes examining and implementing corrective measures as well as monitoring and disclosing information.

We have identified human rights risks in our business activities, and in our stakeholders, who might be vulnerable to potential risks based on international trend surveys, NGO reports, and advice from human rights experts. The Group has identified the following six key human rights issues to be addressed within the Group and our supply chain.

(a) Safe and Healthy Working Environment
(b) Prohibition of Child and Forced Labor (Policy on the Rights of the Child)
(c) Working Hours
(d) Responsible Mineral Procurement
(e) Freedom of Association (Labor Management Relations)
(f) Human Rights Education

To address these critical issues, we take additional steps to identify, prevent and mitigate risks in accordance with the United Nations’ Guiding Principles on Business and Human Rights.

Please refer to the Renesas Sustainability website, Human Capital Management / Human Rights (https://www.renesas.com/us/en/about/company/sustainability/human-rights) for more detail.

3. Risk Factors

The Group's operations and financial results are subject to various risks and uncertainties, including those described below, that could significantly affect investors' judgment. In addition, the following statements include matters which might not necessarily fall within the scope of such significant risks but are deemed important for investors' judgment from a standpoint of affirmative disclosure. Statements regarding the future in the following paragraphs are based on the Group's understanding of the information available as of March 26, 2025.

(1) Market Fluctuations

Semiconductor market fluctuations, which are caused by factors such as economic cycles in each region and shifts in demand of end customers, affect the Group. Although the Group carefully monitors changes in market conditions, it is difficult to completely avoid the impact of market fluctuations due to economic cycles in countries around the world and changes in the demand for end products. Market downturns, therefore, could lead to decline in product demand and increase in production and inventory amounts, as well as lower sales prices. Consequently, market downturns could reduce the Group's sales, as well as lower fab utilization rates, which may in turn result in lower gross margins, ultimately leading to deterioration in profits.

(2) Fluctuations in Foreign Exchange and Interest Rates

The Group engages in business activities in all parts of the world and in a wide range of currencies. The Group continues to engage in hedging transactions and other arrangements to minimize exchange rate risks, but it is possible for our consolidated business results and financial condition, including our sales amount in foreign currencies, our materials costs in foreign currencies, our production costs at overseas manufacturing sites, and other items, to be influenced if exchange rates change significantly. Also, the Group's assets, liabilities, income, and costs can change greatly by presenting our assets and debts that are denominated in foreign currencies by converting the amounts in Japanese yen, and these can also change when financial statements in foreign currencies at our overseas subsidiaries are converted to and presented in Japanese yen.

Since expenses as well as asset and debt values associated with the Group's business operation are influenced by fluctuations in interest rates, it is also possible for the Group's businesses, performance, and financial condition to be adversely influenced by these fluctuations.

(3) Natural Disasters

Natural disasters such as earthquakes, tsunamis, typhoons, and floods, accidents such as fires, power outages, and system failures, acts of terror, war, infectious diseases and other unpredictable factors could adversely affect the Group's business operation. In particular, as the Group owns key facilities and equipment in areas where earthquakes occur at a frequency higher than the global average, the effects of earthquakes and other events could damage the Group's facilities and equipment and force a halt to manufacturing and other operations, and such events could consequently cause severe damage to the Group's business. Similar situations may also occur due to other types of natural disasters, accidents such as fires, power outages, and system failures, acts of terror, war, infectious diseases, and other similar events. In preparation for these risks, the Group sets and manages the BCP (Business Continuity Plan), which defines preventive plans and contingency plans and others, and also purchases various insurances; however, such plans and insurances may not fully hedge the risks or cover the losses and damages from events that we could not anticipate.

(4) Competition

The semiconductor industry is extremely competitive, and the Group is exposed to fierce competition from competitors around the world in areas such as product performance, structure, pricing and quality. In particular, certain competitors have pursued acquisitions, consolidations, and business alliances, and others in recent years, and there is a possibility that such actions will be taken in the future as well. As a result, the competitive environment surrounding the Group may further intensify. To maintain and improve competitiveness, the Group takes various measures including development of leading- edge technologies, standardizing design, cost reduction, and consideration of strategic alliances with third parties or possibility of further acquisitions. In the event that the Group cannot maintain its competitiveness, the Group's market share may decline, which may negatively impact the Group's financial results.

In addition, fierce market competition has subjected the products of the Group to sharp downward pressure on prices, for which measures to improve profitability, such as price negotiations and efforts at cost price reduction, have been unable to fully compensate. This raises the possibility of a worsening of the Group's gross margin. Furthermore, in cases where customers for the Group's products, for which the gross margin is low, have difficulty switching to other products or require a certain amount of time to secure replacements, it may be difficult for the Group to halt or reduce production in a timely manner. This may result in a reduction in the profitability of the Group.

(5) Implementation of Management Strategies

The Group is implementing a variety of business strategies and structural measures, including the development of a "Mid-Term Growth Strategy" and reforming the organizational structure of the Group, to strengthen the foundations of its profitability. Implementing these business strategies and structural measures requires a certain level of cost. Due to changes in economic conditions and the business environment, factors for which the future is uncertain, as well as additional unforeseeable factors, it is possible that some of those reforms may become difficult to carry out and others may not achieve the originally planned results. Furthermore, additional costs, which are higher than originally expected, may arise. Thus, these issues may adversely influence the Group's performance and financial condition.

(6) Business Activities Worldwide

The Group conducts business worldwide, which can be adversely affected by factors such as barriers to long-term relationships with potential customers and local enterprises, restrictions on investment and imports/exports tariffs, fair trade regulations, political, social and economic risk including changes in trade policies, trade barriers and heightened trade conflicts among countries, outbreaks of illness or disease, exchange rate fluctuations, rising wage levels, and transportation delays. As a result, the Group may fail to achieve its initial targets regarding business in overseas markets, which could have a negative impact on the business growth and performance of the Group.

(7) Strategic Alliance and Corporate Acquisition

For business expansion and strengthening of competitiveness, the Group may engage in strategic alliances, including joint investments, and corporate acquisitions. For example, in August 2024, the Company acquired Altium, a U.S software company that was listed on the Australian Stock Exchange. However, it is not certain that the Group will be able to find any suitable potential partner or acquisition target in the future, and even if such a suitable partner or acquisition target is found, it may not be possible to reach an agreement on terms acceptable to the Company. Also, even if the Group reaches an agreement with an alliance partner or acquisition target, there is no guarantee that the Group will be able to execute the acquisition because the Group may not be able to raise funds for the acquisition, or it may not be able to obtain shareholder approval of the alliance partner or acquisition target, it may not be able to obtain necessary permits and approvals, or there may be restrictions due to laws and regulations or other reasons.

With regard to such alliances and acquisitions, the Group examines the likely return on investment and profitability from a variety of perspectives. However, in cases where there is a mismatch with the prospective alliance partner or acquisition target in areas of management strategy such as capital procurement, technology management, and product development, or there are financial or other problems affecting the business of the prospective collaboration partner or acquisition target, in addition to the time and expense required for integration of aspects such as business execution, technology, products, personnel, systems and response to antitrust laws and other regulations of the relevant authorities, there is a possibility that the alliance relationship or capital ties will not be sustainable, or in the case of acquisitions, that the anticipated return on investment or profitability cannot be realized. Furthermore, there is a possibility that the anticipated synergies or other advantages cannot be realized due to an inability to retain or secure the main customers or key personnel of the prospective alliance partner or acquisition target. Thus, there is no certainty that an alliance or acquisition will achieve the goals initially anticipated.

(8) Financing

While the Group has been procuring business funds by methods such as borrowing from financial institutions and other sources, and issuance of bonds, in the future it may become necessary to procure additional financing to implement business and investment plans, expand manufacturing capabilities, acquire technologies and services, and repay debts. It is possible that the Group may face limitations on its ability to raise funds due to a variety of reasons, including the fact that the Group may not be able to acquire required financing in a timely manner or may face increasing financing costs due to the worsening business environment in the semiconductor industry, worsening conditions in the financial and stock markets, and changes in the financing policies of lenders. In addition, the Company may also finance acquisitions from financial institutions and other sources when conducting acquisitions. For example, in July 2024, the Company borrowed a total of 938.0 billion yen under a syndicated loan agreement with financial institutions to fund the Acquisition. Subsequently, in September 2024, the Company refinanced a portion of this borrowing, specifically 149.0 billion yen, under a term loan agreement with other financial institutions. As a result of borrowing from financial institutions and other sources, the Company will incur interest-bearing debt, and if the Company is unable to implement such borrowing through long-term debt or switch to long-term funds that is expected for the borrowings it has implemented, or if the Company is unable to generate the cash flow it initially anticipated, its financial condition may deteriorate and its credit rating may be lowered, which could also result in increased financing costs and restrictions on the Group’s ability to raise capital. In addition, some of the borrowing contracts executed between the Group and some financial institutions stipulate articles of financial covenants. If the Group breaches these articles due to reasons such as a deterioration of the Group’s financial condition, the Group may lose the benefit of term on the contract, and it may adversely influence the Group’s business performance and financial conditions.

(9) Rapid Technological Evolutions and Other Issues

The semiconductor market in which the Group does business is characterized by rapid technological changes and rapid evolution of technological standards. Therefore, if the Group is not able to carry out appropriate research and development, the Group’s businesses, performance, and financial condition may all be adversely affected by product obsolescence and the existence of competing products in the marketplace.

(10) Product Production

(i) Production Process Risk

Semiconductor products require extremely complex production processes. In an effort to increase yields (defined as the ratio of non-defective products from the materials used), the Group takes steps to properly control production processes and seeks ongoing improvements. However, the emergence of defects in these production processes could lead to lower yields. These defects, in turn, could trigger shipment delays, reductions in shipment volume, or, at worst, the halting of shipments.

(ii) Procurement of Raw Materials, Components, and Production Facilities

The timely procurement of necessary raw materials, components and production facilities is critical to semiconductor production. To avoid supply problems related to these essential raw materials, components and production facilities, the Group works diligently to develop close relationships with multiple suppliers. Some necessary materials, however, are available only from specific suppliers. Consequently, insufficient supply capacity amid tight demand for these materials as well as events including natural disasters, accidents, acts of terror, war, worsening of business conditions, and withdrawal from the business by suppliers could preclude their timely procurement, or may result in sharply higher prices for these essential materials upon procurement. Furthermore, defects in procured raw materials or components could adversely influence the Group’s manufacturing operations and additional costs may be incurred by the Group.

(iii) Risks Associated with Outsourced Production

The Group outsources the manufacturing of certain semiconductor products to external foundries (contract manufacturers) and other entities. In doing so, the Group selects its trusted outsourcers, rigorously screened in advance based on their technological capabilities, supply capacity, and other relevant traits; however, there is some possibility of delivery delays, product defects and other production-side risks stemming from outsourcers. In particular, inadequate production capacity among outsourcers or operation shutdown of the outsourcers as a result of a natural disaster, could result in the Group being unable to supply enough products.

(iv) Maintenance of Production Capacity at an Appropriate Level

The semiconductor market is sensitive to fluctuations in the business climate, and it is difficult to predict future product demand accurately. Thus, it is not always possible for the Group to maintain production capacity at an appropriate level that matches product demand. Unanticipated events such as fires, power outages or system failures at manufacturing plants could also significantly reduce the Group’s production capacity for a given period of time. In addition, even if the Group engages in capital investment to boost production capacity, there is generally a certain amount of time required before the actual increase in production capacity takes place.

Therefore, if demand for specific products substantially exceeds the Group’s production capacity at a certain point and the state of excess demand continues over time, there is a possibility that the Group will be unable to supply customers with the products they desire, that opportunities to sell the products in question will be lost, that the Group will lose market share as customers switch to competing products, and that the relationship between the Group and its customers will suffer.

On the other hand, if in response to a rise in demand for specific products the Group undertakes capital investment with the aim of increasing production capacity, there is no guarantee that demand for the products in question will remain strong once production capacity actually increases and afterward. There is a possibility that actual product demand may turn out to be less than anticipated, in which case it may not be possible to recover the capital investment with the anticipated earnings.

(11) Product Quality

Although the Group makes an effort to improve the quality of semiconductor products, they may contain defects, anomalies or malfunctions that are undetectable at the time of shipment due to increased sophistication of technologies, the diversity of ways in which the Group’s products are used by customers and defects in procured raw materials or components. These defects, anomalies or malfunctions could be discovered after the Group products were shipped to customers, resulting in the return or exchange of the Group’s products, claims for compensatory damages, or discontinuation of the use of the Group’s products, which could negatively impact on the profits and operating results of the Group. To prepare for such events, the Group has insurance such as product liability insurance and recall insurance, but it is not guaranteed that the full costs of reimbursements would be covered by these.

(12) Product Sales

(i) Reliance on Key Customers

The Group relies on certain key customers for a significant portion of its product sales to customers. The decision by these key customers to cease usage of the Group’s products, or to dramatically reduce order volumes, could negatively impact the Group’s operating results.

(ii) Changes in Production Plans by Customers of Custom Products

The Group receives orders from customers for the development of specific semiconductor products in some cases. There is the possibility that, after the Group received the orders, the customers decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded. There is also the possibility that the customers cancel their order if the functions and quality of the product do not meet the customer requirements. Further, the weak sales of end products on which products developed by the Group are embedded may cause customers to reduce their orders, or to postpone delivery dates. Such changes in production plans, order reductions, postponements and other actions from the customers concerning custom products may cause declines in the Group’s sales and profitability.

(iii) Reliance on Authorized Sales Agents

In Japan and Asia, the Group sells the majority of its products via independent authorized sales agents and relies on certain major authorized sales agents for a significant portion of these sales. The inability of the Group to provide these authorized sales agents with competitive sales incentives or margins, or to secure sales volumes that the authorized sales agents consider appropriate, could result in a decision by such agents to review their sales network for the Group’s products, including the reduction of the network, and others, which could cause a downturn in the Group’s sales.

(13) Securing Human Resources

The Group works hard to secure superior human resources for management, technology development, sales, and other areas when deploying business operations. However, since such exceptionally talented people are of limited number, there is fierce competition in the hiring of human resources. Under the current conditions, it may not be possible for the Group to secure the talented human resources it requires.

(14) Defined Benefit Obligations

Net defined benefit liability and net defined benefit assets are calculated based on actuarial assumptions, such as discount rates or returns on assets. However, the Group’s performance and financial condition may be adversely affected either if discrepancies between actuarial assumptions and business performance arise due to changing interest rates or a fall in the stock market and defined benefit obligations increase or our plan assets decrease and there is an increase in the pension funding deficit in the retirement benefit obligations system.

(15) Capital Expenditures and Fixed Cost Ratio

The semiconductor business in which the Group is engaged requires substantial capital investment. The Group undertakes capital investment in an ongoing manner, and this requires it to bear the associated amortization costs. In addition, if there is a decrease in demand due to changes in the market climate and the anticipated scale of sales cannot be achieved, or if excess supply causes product prices to fall, there is a possibility that a portion or the entirety of the capital investment will not be recoverable or will take longer than anticipated to be recovered, and as a result it may have an adverse effect on the business performance and the financial condition of the Group.

Furthermore, the majority of the expenses of the Group are accounted for by fixed costs such as production costs associated with factory maintenance and R&D expenses, in addition to the abovementioned amortization costs accompanying capital investment. Even if there is a decline in sales due to a reduction in orders from the Group’s main customers or a drop in product demand, or if the factory operating rate decreases, it may be difficult to reduce fixed costs to compensate. As a result, a relatively small-scale drop in sales can have an adverse effect on the profitability of the Group.

(16) Impairment Loss on Long-term Assets

The Group owns substantial long-term assets, consisting of both property, plant and equipment such as plant facilities and intangible assets such as goodwill obtained through the past acquisition. When there are indications of impairment, the Group examines the possibility of recovering the book value of assets based on the future cash flow to be generated from the assets. It may be necessary to recognize the impairment of such assets if insufficient cash flow is generated.

(17) Information Systems

Information systems are of growing importance in the Group’s business activities. Although the Group makes an effort to manage stable operation of information systems, there is a likelihood that customer confidence and social trust would deteriorate, resulting in a negative effect on the Group’s performance if there is a significant problem with the Group’s information systems caused by factors such as natural disasters, accidents, computer viruses and unauthorized accesses.

(18) Information Management

The Group has in its possession a great deal of confidential information and personal information relating to its business activities. While such confidential information is managed according to law and internal regulations specifically designed for that purpose, there is always the risk that information may leak due to unforeseen circumstances. Should such an event occur, there is a likelihood that leaks of confidential information may result in damages to our competitive position and customer confidence and social trust would deteriorate, resulting in a negative effect on the Group’s performance.

(19) Legal Restrictions

The Group is subject to a variety of legal restrictions in the various countries and regions. These include requirements for approval of businesses and investments, antitrust laws and regulations, export restrictions, customs duties and tariffs, accounting standards and taxation, and environment laws. In the future, it is possible that the Group’s businesses, performance, and financial condition may be adversely affected by increased costs and restrictions on business activities associated with the strengthening of local laws.

The Group makes use of an internal regulation system to ensure legal compliance and appropriate financial reporting. However, since by its nature an internal regulation system is inherently limited, there is no guarantee that it will accomplish its goals completely. Consequently, the possibility is not nonexistent that legal violations, and others, may occur in the future. Should a violation of the law or other regulations occur, the Group could be subject to administrative penalties such as fines, legal penalties, or claims for compensatory damages, or there could be a negative impact on the social standing of the Group. This could have an adverse effect on the businesses, business performance, and financial condition of the Group.

(20) Environmental Factors

The Group strives to decrease its environmental impact with respect to diversified and complex environmental issues such as global warming, air pollution, industrial waste, tightening of hazardous substance regulation, and soil pollution. There is the possibility that, regardless of whether there is negligence in its pursuit of business activities, the Group could bear legal or social responsibility for environmental problems. Should such an event occur, the burden of expenses for resolution could potentially be high, and the Group could suffer erosion of social trust.

(21) Intellectual Property

While the Group seeks to protect its intellectual property, it may not be adequately protected in certain countries and areas. In addition, there are cases where the Group's products are developed, manufactured and sold by using licenses received from third parties. In such cases, there is the possibility that the Group could not receive necessary licenses from third parties, or the Group could only receive licenses under terms and conditions that are less favorable than before.

With regard to the intellectual property rights related to the Group's products, it is possible that a third party might file a lawsuit against the Group or its customers claiming patent infringement, or the like, and that as a result the manufacture and sale of the affected products might not be possible in certain countries or regions. It is also possible that the Group could be liable for damages to a third party or to a customer of the Group.

(22) Legal Issues

Details are listed under "Note 37. Commitments and Contingent Liabilities, (5) Others" in "V. Finance Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements".

4. Management's Discussion and Analysis of Financial Positions, Operating Results and Cash Flows

The following is an overview of the financial positions, operating results and cash flows ("Operating Result") as on a consolidated basis of the Group for the current fiscal year (the fiscal year ended December 31, 2024).

Forward-looking statements concerning financial position, operating results and cash flow are prepared based on the Group's judgement as of the end of the current fiscal year.

(1) Material Accounting Policies and Estimates

The Group's consolidated financial statements are prepared in accordance with IFRS and in accordance with Article 312 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements". In preparing these consolidated financial statements, estimates and assumptions deemed necessary are made based on reasonable standards. Material accounting policies, assumptions for the future and uncertainties involved in the estimates used in the consolidated financial statements are listed under "Note 3. Material Accounting Policies, Note 4. Significant Accounting Estimates and Judgments" in the "V. Finance Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements".

(2) Financial Position

(Billion yen)

	Previous fiscal year end (December 31, 2023)	Current fiscal year end (December 31, 2024)	Increase (Decrease)
Total assets	3,167.0	4,490.4	1,323.4
Total equity	2,005.6	2,542.3	536.7
Equity attributable to owners of parent	2,001.6	2,537.4	535.8
Equity ratio attributable to owners of parent (%)	63.2	56.5	(6.7)
Interest-bearing liabilities	667.7	1,422.8	755.1
Debt to equity ratio	0.33	0.56	0.23

Total assets at the end of the current fiscal year were 4,490.4 billion yen, a 1,323.4 billion yen increase from the end of the previous fiscal year. This was mainly due to an increase in goodwill and intangible fixed assets affected by acquisitions of Altium. Total equity was 2,542.3 billion yen, a 536.7 billion yen increase from the end of the previous fiscal year. Total equity grew mainly due to an increase resulting from the disposal of treasury shares and increase in other components of equity such as an increase in exchange differences on translation of foreign operations following fluctuations in the exchange rate as well as an increase in retained earnings through profit.

Equity attributable to owners of the parent increased by 535.8 billion yen from the end of the previous fiscal year, and the equity ratio attributable to owners of the parent was 56.5%. In addition, interest-bearing liabilities increased by 755.1 billion yen from the end of the previous fiscal year, mainly due to the repayment of borrowings, despite an increase resulting from revaluation of bonds. Consequently, the Debt to equity ratio was 0.56.

(3) Overview of Financial Results

The Group discloses consolidated business results in terms of both its internal measures which management relies upon in making decisions ("Non-GAAP") and those under IFRS.

Non-GAAP revenue, Non-GAAP gross profit and Non-GAAP operating profit are revenue, gross profit and operating profit under IFRS ("IFRS revenue," "IFRS gross profit" and "IFRS operating profit") after excluding or adjusting non-recurring items and other adjustments following a certain set of rules. The Group believes providing Non-GAAP forecasts will help to better understand the Group's constant business results. Non-recurring items include depreciation of intangible assets recognized from acquisitions, other purchase price allocation ("PPA") adjustments and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

The Group consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. Due to organizational changes during the current fiscal year, the method of aggregating reportable segments has been changed from the previous product-based aggregation method to a method that aggregates sales revenue based on actual usage. Consequently, the segment information for the previous fiscal year has been disclosed based on the new aggregation method. For details, please refer to "Note 6. Business Segments" in the "V. Finance Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements".

(Note) For Non-GAAP disclosure, the Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

(i) Overview of the financial operation for the current fiscal year (Jan 1 – Dec 31, 2024) (Non-GAAP basis)

(Billion yen)

		Previous fiscal year (Jan 1 – Dec 31, 2023)	Current fiscal Year (Jan 1 – Dec 31, 2024)	Increase (Decrease)	
Non-GAAP Revenue		1,469.7	1,348.5	(121.2)	(8.2%)
	Automotive	660.4	702.8	42.4	6.4%
	Industrial/Infrastructure/IoT	799.3	636.8	(162.6)	(20.3%)
Non-GAAP Gross Profit (%)		837.4 57.0%	756.3 56.1%	(81.2) (0.9pt)	(9.7%) —
	Automotive	348.5 52.8%	367.8 52.3%	19.3 (0.4pt)	5.5% —
	Industrial/Infrastructure/IoT	485.5 60.7%	385.8 60.6%	(99.7) (0.1pt)	(20.5%) —
Non-GAAP Operating Margin (%)		501.6 34.1%	397.9 29.5%	(103.7) (4.6pts)	(20.7%) —
	Automotive	229.4 34.7%	222.5 31.7%	(6.9) (3.1pts)	(3.0%) —
	Industrial/Infrastructure/IoT	268.4 33.6%	173.4 27.2%	(95.0) (6.3pts)	(35.4%) —
USD Exchange rate (Yen)		140	151	11	—
EUR Exchange rate (Yen)		151	164	13	—

(Note) 1. For details on the above, please refer to “Note 6. Business Segments” in the “V. Finance Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements”.
2. Exchange rates are the average of each month’s rates used for the conversion of revenues and expenses.

The financial results for the current fiscal year are as follows:

< Non-GAAP Revenue>

Consolidated Non-GAAP revenue for the current fiscal year was 1,348.5 billion yen, a 121.2 billion yen (8.2%) decrease year on year. This was mainly attributable to the decrease in revenue from the Industrial, Infrastructure, and IoT Businesses due to the softening of demand in markets, although revenue from Automotive Business increased despite the positive effect of yen depreciation and expansion of distribution inventory.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the current fiscal year were 756.3 billion yen, an 81.2 billion yen (9.7%) decrease year on year. This was due to the decrease in sales revenue from the Industrial, Infrastructure, and IoT Businesses as mentioned above and the resulting decrease in factory utilization rate and deterioration in the product mix due to the decrease in sales revenue from profitable Industrial, Infrastructure, and IoT Businesses. As a result, Non-GAAP gross margin for the current fiscal year was 56.1%, a decrease by 0.9 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the current fiscal year was 397.9 billion yen, a 103.7 billion yen (20.7%) decrease year on year. This was mainly due to the above-mentioned decrease in gross profit and increase in R&D expenses. As a result, Non-GAAP operating margin for the current fiscal year was 29.5%, a decrease by 4.6 points year on year.

The revenue breakdowns of the business segments for the current fiscal year are as follows:

Automotive Business

The Automotive Business includes the product categories “Automotive Control,” comprising semiconductor devices for controlling automobile engines and bodies, and “Automotive Information,” comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as Automotive Information devices such as in-vehicle infotainment (IVI) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Non-GAAP revenue of the Automotive Business for the current fiscal year was 702.8 billion yen, a 42.4 billion yen (6.4%) increase year on year. This was mainly due to the positive effect of yen depreciation and expansion of distribution inventory and the resulting increase of revenue.

Non-GAAP gross profit of the Automotive Business for the current fiscal year was 367.8 billion yen, a 19.3 billion yen (5.5%) increase year on year. This was due to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the current fiscal year was 222.5 billion yen, a 6.9 billion yen (3.0%) decrease year on year. This was mainly due to the increase of research and development costs, although gross profit increased.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT Business includes the categories "Industrial," "Infrastructure" and "IoT" which support a smart society. The Group mainly supplies MCUs, SoCs, analog semiconductor devices and power semiconductor devices in each of these categories.

Non-GAAP revenue of the Industrial/Infrastructure/IoT Business for the current fiscal year was 636.8 billion yen, a 162.6 billion yen (20.3%) decrease year on year. This was due to a decrease in revenue resulting from the softening of demand in markets such as "Industrial" and "IoT", despite the positive effect of yen depreciation.

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the current fiscal year was 385.8 billion yen, a 99.7 billion yen (20.5%) decrease year on year. This was due to a decrease in revenues.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the current fiscal year was 173.4 billion yen, a 95.0 billion yen (35.4%) decrease year on year, due to a decrease in gross profit.

The Group announced the "Mid-Term Growth Strategy" and "Financial Model" on February 17, 2020. The Group set a long-term target of achieving sales growth exceeding that of the market through concentrated investment of management resources in markets on which the Group is focusing its attention. The Group also targets optimization of production efficiency, improvements to the product mix and realization of synergies with acquired companies. The Group updated its existing financial model on May 16, 2024, targeting to achieve a 55% Non-GAAP gross margin and a 30% Non-GAAP operating margin.

The targets in the "Mid-Term Growth Strategy" and "Financial Model" are the Group's long-term management objectives as of the date of filing and we cannot guarantee that they will be achieved. The results may be affected by a number of risk factors and other changes in the external environment, including the matters described under "3. Risk Factors" and other changes in the external environment.

(ii) Reconciliation of Non-GAAP gross profit to IFRS gross profit and Non-GAAP operating profit to IFRS operating profit

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2023)	Current fiscal year (Jan 1 – Dec 31, 2024)
Non-GAAP gross profit (%)	837.4 57.0%	756.3 56.1%
Reconciliations in Revenue Level (Note 1)	(0.3)	－
Amortization of purchased intangible assets and depreciation of fair value adjustment to property, plant and equipment	(1.0)	(1.0)
Stock-based compensation	(1.5)	(2.8)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(0.3)	(2.6)
IFRS gross profit (%)	834.3 56.8%	749.8 55.6%
Non-GAAP operating profit (%)	501.6 34.1%	397.9 29.5%
Reconciliations in Revenue Level (Note 1)	(0.3)	－
Amortization of purchased intangible assets and depreciation of fair value adjustment to property, plant and equipment	(105.8)	(122.4)
Stock-based compensation	(23.3)	(36.3)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	18.5	(16.2)
IFRS operating profit (%)	390.8 26.6%	223.0 16.5%

(Note) 1. Non-GAAP adjustments have been applied to the revenue following the implementation of PPA.
2. "Other reconciliation items in non-recurring expenses and adjustments" includes the non-recurring items related to acquisitions and other adjustments as well as non-recurring profits or losses the Group believes to be applicable.

(iii) Overview of the financial operation for the current fiscal year (Jan 1 – Dec 31, 2024) (IFRS)

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2023)	Current fiscal year (Jan 1 – Dec 31, 2024)	Increase (Decrease)	
Revenue	1,469.4	1,348.5	(120.9)	(8.2%)
Gross profit (%)	834.3 56.8%	749.8 55.6%	(84.5) (1.2pts)	(10.1%) －
Operating profit (%)	390.8 26.6%	223.0 16.5%	(167.8) (10.1pts)	(42.9%) －

(iv) Overview of production, orders and sales

The Group manufactures and sells a wide variety of products and even if the products are of the same type, their performance, structure, and format are not necessarily uniform. In addition, there are many products that do not take the form of built-to-order production. Accordingly, the Group does not disclose the scale of production or the scale of orders received for each product category in terms of value or quantity.

Therefore, the status of production, orders received, and sales are shown in relation to the revenue segment in "II. Business Overview, 4. Management's Discussion and Analysis of Financial Position, Operations Results and Cash Flows". Sales to major customers and the ratio to total sales are as follows.

	Business Segments	Previous fiscal year (Jan 1 – Dec 31, 2023)		Current fiscal year (Jan 1 – Dec 31, 2024)	
		Amount (Millions of yen)	Rate (%)	Amount (Millions of yen)	Rate (%)
HAGIWARA ELECTRONICS CO., LTD.	Automotive and Industrial/Infrastructure/IoT Business	126,960	8.6	171,375	12.7
WT Microelectronics Co., Ltd.	Automotive and Industrial/Infrastructure/IoT Business	81,787	5.6	170,954	12.7

(Note) The amounts in the table above do not include consumption taxes.

(4) Cash Flows

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2023)	Current fiscal year (Jan 1 – Dec 31, 2024)
Net cash provided by (used in) operating activities	496.6	340.5
Net cash provided by (used in) investing activities	(267.5)	(1,284.1)
Free cash flows	229.1	(943.6)
Net cash provided by (used in) financing activities	(181.2)	677.3
Cash and cash equivalents at the beginning of period	336.1	434.7
Cash and cash equivalents at the end of period	434.7	229.2

(Note) As defined as a total of net cash flows provided by (used in) operating activities and investing activities.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities for the current fiscal year was 340.5 billion yen. This was mainly due to a recording of 263.8 billion yen in profit before tax as well as adjustments in non-cash items such as depreciation.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the current fiscal year was 1,284.1 billion yen. This was mainly due to the acquisition of shares in Altium and Transphorm, the loan to Wolfspeed, Inc., and purchase of property, plant, and equipment as well as intangible assets.

The foregoing resulted in negative free cash flows of 943.6 billion yen for the current fiscal year.

(Net cash provided by (used in) financing activities)

Net cash provided in financing activities for the current fiscal year was 677.3 billion yen. This was mainly due to new borrowing from main financing banks for the purpose of procuring capital necessary for the acquisition of Altium

(5) Liquidity and Capital Resources

The Group's basic financial policy is to secure adequate liquidity and capital resources for its operations and to maintain a strong balance sheet.

On January 15, 2019, the Company entered into a syndicated loan agreement for a total of 897.0 billion yen with its primary financial institutions, MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, and others, in order to procure capital necessary for the acquisition of the former IDT and to renew an existing loan for the purpose of securing mid- to long-term working capital. The Company drew down 698.0 billion yen as a term-loan under the aforementioned agreement in March 2019. And then, the Company repaid an existing term-loan in June 2019 and executed a 149.0-billion-yen term-loan agreement, which the Company fully repaid in June 2024. Furthermore, in March 2024, the Company executed a short-term borrowing of 30.0 billion yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited under a commitment line agreement dated January 15, 2019. The borrowing was fully repaid in June 2024.

In addition, on August 31, 2021, the Company borrowed term loans with a total amount of 270.0 billion yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd., to finance the acquisition of Dialog.

On December 23, 2021, with the purpose of refinancing the remaining 240.0 billion yen of the existing loan of 270.0 billion yen to mid- to long-term funds, and after having repaid 30 billion yen, the Company concluded a syndicated loan agreement with MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank Limited, and others for the total of 96.0 billion yen. On the same day, the Company concluded a JBIC loan agreement with Japan Bank for International Cooperation for a total of 144.0 billion yen. Based on these agreements, the Company borrowed a total amount of 240.0 billion yen on December 30, 2021.

The Company decided on November 19, 2021, to issue US dollar-denominated senior notes in multiple tranches. The Company issued 500 million US dollar-denominated senior notes due 2024 and 850 million US dollar-denominated senior notes due 2026, for total proceeds of 1.35 billion US dollars. Additionally, in November 2024, the Company redeemed 500 million US dollars of unsecured ordinary corporate bonds denominated in US dollars that were due in 2024.

As of the end of the current fiscal year, the yen equivalent of the outstanding balance of the Group's corporate bonds is 134.3 billion yen.

For the purpose of responding to the demand for funds for future business development and securing flexible means of procuring working capital, the Company entered into a term loan agreement with Bank of America N. A. Tokyo Branch dated June 28, 2022 for a total of 200 million US dollars, and the Company entered into a term loan agreement with MUFG Bank Ltd. dated June 30, 2022 for a total of 20.0 billion yen. Based on these agreements, the Company borrowed a total of 47.1 billion yen on June 30, 2022.

The Company has entered into a term loan agreement dated June 25, 2024 with MUFG Bank Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited and has borrowed 250.0 billion yen on June 28, 2024.

To provide a portion of the funds for the acquisition of Altium, the Company has entered into a loan agreement with MUFG Bank Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited and other five banks dated May 30, 2024 and has borrowed a total of 788.0 billion yen on July 24, 2024.

The Company has entered into a JBIC loan agreement with Japan Bank for International Cooperation dated September 30, 2024 and has borrowed 149.0 billion yen on September 30, 2024.

In addition, in July 2024, the Company executed a short-term borrowing of 150.0 billion yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd. and the borrowing was fully repaid in September 2024.

As of the end of the current fiscal year, the total amount of borrowings was 1,266.4 billion yen. As of the end of the current fiscal year, the Group had 229.2 billion yen in cash and cash equivalents.

(6) Off-balance Sheet Arrangements

The Group conducts liquidation of accounts receivable on a regular basis. As of the end of the current fiscal year, the balance of liquidated accounts receivable was 8.0 billion yen.

5. Material Agreements

Material Agreements for the Group's business and their content are as follows:

(1) Technological Assistance Agreements and Similar Agreements

Agreement and party	Execution date	Contract description
(i) Patent cross-licensing agreement with Texas Instruments Incorporated	March 2, 2011	Cross license of patents relating to semiconductors (including subsidiaries)
(ii) Agreement for introduction of technology from ARM Limited	December 22, 2015	Introduction of technology relating to design of semiconductors

(2) Loan Agreements

Lender	Execution date	Contract description
(i) MUFG Bank Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited, etc.	December 23, 2021	Syndicated loan totaling 27.6 billion yen to refinance existing loans with med-term borrowings
(ii) Japan Bank for International Cooperation	December 23, 2021	Term loan totaling 41.5 billion yen to refinance existing loans with mid-term borrowings
(iii) Bank of America N.A. Tokyo Branch	June 28, 2022	Term loan totaling 154 million US dollars to secure flexible means of procuring financing to meet funding requirements in future business developments and to secure working capital, as well as to improve the stability of the Company's financial base
(iv) MUFG Bank Ltd.	June 30, 2022	Term loan totaling 15.4 billion yen to secure flexible means of procuring financing to meet funding requirements in future business developments and to secure working capital, as well as to improve the stability of the Company's financial base
(v) MUFG Bank Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited, etc.	May 30, 2024	Syndicated loan totaling 768.3 billion yen in order to procure capital necessary for the acquisitions
(vi) MUFG Bank Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	June 25, 2024	Renewing an existing loan for the purpose of securing mid- to long-term working capital and syndicated loan totaling 400 billion yen (including a term loan totaling 250 billion yen and a commitment line with a total borrowing limit of 150 billion yen) in order to secure working capital, enhancing the stability of the financial foundation, and ensuring flexible financing options.
(vii) Japan Bank for International Cooperation	September 30, 2024	Term loan totaling 145.3 billion yen in order to renew an existing loan for the purpose of acquisition

6. Research and Development

(1) Structure and Policy of Research and Development Activities

The Group's research and development activities include the development of devices, software, and systems that are needed from the present to the near future. Products related to in-vehicle control and automotive information are handled by Automotive Business Unit, while products related to Industry/Infrastructure/IoT are handled by IoT and Infrastructure Business Unit (Note). We have established a system in which each business unit and the Production and Technology Unit cooperate to take charge of common technologies across divisions, such as device and process technologies, implementation technologies, and design platforms and test methods.

In addition, we utilize not only our own research and development resources, but also external resources as necessary, such as outsourcing research to consortiums and external research institutions and utilizing third parties to provide optimal support to a wide range of fields and customers.

In a super-smart society, where all kinds of goods, such as home appliances and automobiles, are linked to the network, and information is exchanged with one another and services provided, it is necessary to achieve organic linkage and communication among the computing functions performed by digital products, such as microcontrollers and system LSIs, which has traditionally been one of the Company's strengths; the sensing functions that are equivalent to the eyes, ears, and noses of the people, in which analog products are strong; and the actuator functions that are used to drive motors and other products, in which power products are strong. The Group will expand our product portfolio to support a broad range of functions, from sensing to accelerator functions, and strengthen our solutions (called "Winning Combinations") which combine analog products with digital products. At the same time, we will realize growth in the market by focusing on research and development activities to provide software such as IP (design assets) and OS as platforms that can be commonly used for each application.

(Note) As of January 1, 2024, the Group changed its organizational structure, and started four product groups based on technical fields.

(2) Main Research and Development Achievements

(i) Renesas unveiled the "R-Car X5H", automotive multi-domains SoC built with the cutting-edge 3-nanometer process technology.

The Group launched the "R-Car X5H," as the first product in the 5th generation R-Car series, an automotive SoC that supports multiple applications including ADAS, IVI, and gateways.

This product uses the cutting-edge 3-nanometer process technology to achieve industry-leading high performance and low power consumption. Users can develop future-proof and efficient systems by using this product in their central computing ECU (electronic control unit).

The product also embeds an AI accelerator of up to 400 TOPS (Note 1) and a GPU (graphics processing unit) of up to 4TFLOPS (Note 2), which is a significant improvement in performance compared to previous products. Furthermore, by offering standard UCIe (Universal Chiplet Interconnect Express) and API (Note 3) related to semiconductor interconnects, it ensures chip-to-chip connectivity of chiplets (Note 4) and interoperability with semiconductors made by other companies. This allows users to flexibly design and customize their systems to improve the overall performance of the product development platform and accommodate future upgrades.

The Group plans to begin shipping samples of this product to some of our automotive customers in the first half of 2025, with mass production scheduled to begin around the second half of 2027.

In anticipation of the advancement of next-generation automotive technologies, the Group will lead the industry in providing products and solutions with cutting-edge and diverse performance and functions to realize a "shift left" which will lead to a safe and secure automotive society and quick development of new automobiles.

(Notes) 1. TOPS: One of the units used to represent the processing speed of a computer, indicating the number of operations that can be performed in one second, measured in trillions.
2. TFLOPS: One of the units used to represent the processing speed of a computer, indicating the number of floating-point operations that can be performed in one second, measured in trillions.
3. API: Abbreviation for Application Programming Interface, an interface that connects software, programs, etc.
4. Chiplet: A technology that combines multiple small semiconductor chips into a single package, enabling the realization of functions equivalent to those of large-scale circuits.

(ii) Renesas introduced the industry's first memory interface chipset for 2nd generation DDR5 MRDIMMs for data centers.

In recent years, AI, HPC (High Performance Computing), and other data center applications require high-speed and effective processing of huge amounts of data. In particular, DDR5, the latest standard for computer memory, is gaining popularity both in Japan and overseas as a standard that achieves faster data transfer speeds and lower power consumption. The transfer rate of the second generation DDR5 MRDIMM (Multiplex Rank DIMM) is up to 12.8 gigabytes per second, expanding its memory bandwidth to 1.35 times that of the first generation.

In response to these needs, the Group has introduced the industry's first total memory interface chipset for MRDIMMs for 2nd generation DDR5 servers, as the next-generation memory module optimized for data centers.

Comprised of MRCD (Multiplexed Registered Clock Driver), MDB (Multiplexed Data Buffer) and PMIC (Power Management IC), this product also offers excellent power efficiency, consuming approximately 45% less power than the first generation. These enable a significant increase in efficiency and processing capacity in data centers using the product.

The Group already offers DDR5 temperature sensors and other products that, when used in combination with this product, enable users to efficiently build and develop high-performance data centers.

The Group will continue to collaborate with leading companies in the industry, including CPU and memory providers, to develop next-generation technologies and specifications at the forefront of the high-performance system trend.

(iii) Renesas introduced the first in-house developed 32-bit RISC-V CPU core microcontroller.

The Group has announced R9A02G021, a general-purpose microcontroller incorporating its in-house developed 32-bit RISC-V CPU core, and began mass production of the product.

RISC-V uses an open-source instruction set architecture (ISA), and many microcomputer manufacturers have been promoting the development of RISC-V products in recent years. The Group is one of the first in this field of developing an in-house designed RISC-V CPU core that realizes this technology and launched to the market after repeated testing, with the necessary development environment and mass production system in place.

This provides a viable option to users using RISC-V for product development on a wide range of applications, such as IoT devices and industrial equipment where power consumption and cost are essential. Users can reduce development time and costs by using this product together with the development environment provided by our Group and its partners.

This product has a high performance of up to 48 MHz operating frequency, while also achieving an extremely low power design with a standby power consumption of 0.3 µA. It also equips 128 KB high-speed flash memory, 16 KB SRAM, and 4 KB flash memory for data storage, enabling stable operation in a wide range of temperature environments from -40°C to 125°C. In addition, the built-in A/D and D/A converters and standard serial communication interface enable quick and reliable connection to external modules such as sensors and displays.

The Group's RISC-V microcontrollers offer users an innovative choice for a wide range of power-saving and cost-effective products, and the Group plans to follow this product with more microcontrollers incorporating RISC-V CPU cores.

(3) Research and Development Costs

The Group capitalizes a portion of its research and development costs, which are recorded as intangibles. Research and development expenses for the current fiscal year, including development expenses recorded as intangible assets, were 249.8 billion yen, an increase of 16.4 billion yen from 233.5 billion yen for the previous fiscal year. This was primarily used for product design, system development, device development, process technology development, and packaging technology development.

Since the majority of the Group's research and development is related to both the Automobile Business and the Industrial/Infrastructure/IoT Business, information by segment is omitted.

III. Equipment and Facilities

1. Overview of Capital Expenditures

The Group's capital expenditures for the current fiscal year (based on investment decisions) totaled 90.0 billion yen. The main breakdown is investment in the construction of a high power MOSFET production line using a new process with a split-gate structure, consolidation of R&D sites, renewal of IT infrastructure, and renewal of production equipment and facilities at production lines.

This capital investment is used in both the Automotive Business and the Industrial/Infrastructure/IoT Business, and it is difficult to allocate the amount strictly to each segment. Therefore, capital investment by each segment is omitted.

2. Major Equipment and Facilities

Major facilities of the Group at the end of the current fiscal year are as follows.

(1) Filing Company

Site name (location)	Related reports segment name	Details of facilities	Book value (Million yen) (Note)					Number of employees (persons)
			Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land (area: m²)	Others	Total	
Naka Factory (Hitachinaka-shi, Ibaraki Prefecture)	Automotive, Industrial/ Infrastructure/IoT	Semiconductor production facilities	9,063	32,002	2,985 (160,336)	19,359	63,409	270
Musashi Factory (Kodaira-shi, Tokyo)	Automotive, Industrial/ Infrastructure/IoT	Semiconductor R&D facilities	5,923	16,918	7,133 (56,268)	1,158	31,132	3,534
Kawashiri Factory (Kumamoto-shi, Kumamoto Prefecture)	Automotive, Industrial/ Infrastructure/IoT	Semiconductor production facilities	10,756	6,065	3,375 (154,296)	10,384	30,580	68

(Note) The Naka Factory and Kawashiri Factory outsource operations to consolidated subsidiary Renesas Semiconductor Manufacturing.

(2) Overseas Subsidiaries

Company name (location)	Related reports Segment name	Details of facilities	Book value (Million yen)					Number of employees (persons)
			Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land (area: m²)	Others	Total	
Renesas Electronics America (California, U.S.A., etc.)	Automotive, Industrial/ Infrastructure/IoT	Semiconductor production facilities	20,866	21,889	3,766 (566,445)	6,306	52,827	1,901

3. Plans for New Facility Installation, Retirement, etc.

Plans for the installation and retirement of the Group's major facilities are formulated based on a comprehensive consideration of demand trends, investment efficiency, and other factors. The semiconductor industry, to which the Group belongs, is characterized by significant changes in the business climate in a short period of time, and it is difficult to accurately calculate reliable figures for full-year earnings forecasts; accordingly, the Company discloses consolidated earnings forecasts on a quarterly basis. As a result, we do not disclose specific plans for capital expenditures for the following fiscal year; however, we plan to invest approximately 13.5 billion yen in the 1Q of FY2025, and the main investments will be for improving production capacity and strengthening design and development.

This capital investment will be used in both the Automotive Business and the Industrial/Infrastructure/IoT Business, and it is difficult to allocate strictly to each segment. Therefore, capital investment by each segment is omitted.

IV. Corporate Information
1. Information on Renesas' Stock and Others
(1) [Total Number of Stock and Others]

(i) [Total Number of Shares]

Type	Total number of authorized shares (shares)
Common stock	3,400,000,000
Total	3,400,000,000

(ii) [Issued Shares]

Type	Number of issued shares as of the end of the fiscal year (as of December 31, 2024)	Number of issued shares as of the filing date (as of March 26, 2025)	Names of listed financial instruments exchange, registered or approved financial instruments trading association	Details
Common stock	1,870,614,885	1,870,614,885	Tokyo Stock Exchange (Prime Market)	Shares constituting 1 unit of shares: 100 shares
Total	1,870,614,885	1,870,614,885	—	—

(2) [Information on the Stock Acquisition Rights and Others]

① Details of Stock Option Plan

(a) Stock acquisition rights in FY2017

	Second Series of FY2017 Stock Acquisition Rights
Date of Resolution	March 13, 2017
Category and number of eligible persons	3 Executive Corporate Officers (excluding persons concurrently serving as Directors) 16 Subsidiaries Directors 685 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	42 [42] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 4,200 [4,200] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1
Exercise period for stock acquisition rights (*)	April 4, 2017 (JST) – April 3, 2027 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 1,168 Amount to be included in capital: 584 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The type of shares to be acquired upon exercise of the stock acquisition rights shall be shares of common stock of the Company, and the number of shares to be acquired upon exercise of one stock acquisition right (the "Number of Shares to be Granted") shall be 100 shares.

However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:

(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)

In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.

Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The issue price per share to be issued upon exercise of the stock acquisition rights is the sum of the amount to be paid when exercising the stock acquisition rights and the book value of the stock acquisition rights. The "amount to be included in capital" shows the amount obtained by multiplying the issue price of shares by 0.5 (any fractions less than one whole Yen rounded up to the nearest whole Yen).

(2)① The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.

② The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in ① above, from the maximum amount of increases of the share capital set forth in ① above.

3. (1) The holder of the stock acquisition rights may not exercise its stock acquisition rights during the period of one year from the immediately following day of the allotment date.

(2) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of

exercise of the stock acquisition rights.

(3) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).

(4) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.

(5) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.

(6) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.

①proposal for approval of a merger agreement providing that the Company be dissolved;

②proposal for approval of a company split agreement or company split plan providing that the Company be split;

③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of Shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights

to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

(b) Stock acquisition rights in FY2018

	First Series of FY2018 Stock Acquisition Rights	Second Series of FY2018 Stock Acquisition Rights
Date of Resolution	March 16, 2018	
Category and number of eligible persons	3 Company Directors 6 Executive Corporate Officers (excluding persons concurrently serving as Directors) 472 Company Employees 3 Subsidiaries Directors 99 Subsidiaries Employees	4 Executive Corporate Officers of the Company (excluding persons concurrently serving as Directors) 15 Subsidiaries Directors 644 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	4 [4] (Note 1)	33 [33] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 400 [400] (Note 1)	Common stock: 3,300 [3,300] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	April 3, 2018 (JST) – April 2, 2028 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 1,093 Amount to be included in capital: 547 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The type of shares to be acquired upon exercise of the stock acquisition rights shall be shares of common stock of the Company, and the number of shares to be acquired upon exercise of one stock acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2.(1) The issue price per share to be issued upon exercise of the stock acquisition rights is the sum of the amount to be paid when exercising the stock acquisition rights and the book value of the stock acquisition rights. The "amount to be included in capital" shows the amount obtained by multiplying the issue price of shares by 0.5 (any fractions less than one whole Yen rounded up to the nearest whole Yen).

(2)① The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.

② The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in ① above, from the maximum amount of increases of the share capital set forth in ① above.

3. (1) The holder of the stock acquisition rights may not exercise its stock acquisition rights during the period of one year from the immediately following day of the allotment date.

(2) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.

(3) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).

(4) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of the holder of the stock acquisition rights (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the month immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.

(5) If the holder of the stock acquisition rights waives the stock acquisition rights, the holder of the stock acquisition rights may not exercise such stock acquisition rights.

(6) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.

①proposal for approval of a merger agreement providing that the Company be dissolved;

②proposal for approval of a company split agreement or company split plan providing that the Company be split;

③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of Shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's shares to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of the stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights

above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

	Third Series of FY2018 Stock Acquisition Rights	Fourth Series of FY2018 Stock Acquisition Rights
Date of Resolution	June 27, 2018	
Category and number of eligible persons	257 Company Employees 49 Subsidiaries Employees	1 Subsidiaries Director 132 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	43 [34] (Note 1)	9 [9] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 4,300 [3,400] (Note 1)	Common stock: 900 [900] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	August 1, 2018 (JST) – July 31, 2028 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 996 Amount to be included in capital: 498 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one stock acquisition rights (the “Number of Shares to be Granted”) shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The issue price per share to be issued upon exercise of the stock acquisition rights is the sum of the amount to be paid when exercising the stock acquisition rights and the book value of the stock acquisition rights. The “amount to be included in capital” shows the amount obtained by multiplying the issue price of shares by 0.5 (any fractions less than one whole Yen rounded up to the nearest whole Yen).

(2)① The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.

② The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in ① above, from the maximum amount of increases of the share capital set forth in ① above.

3. (1) The holder of the stock acquisition rights may not exercise its stock acquisition rights from the immediately following day of the allotment date to April 2, 2019 (Japan Standard Time)

(2) The holder of the stock acquisition rights shall be in the position of director, Executive Officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the “Exercise Qualification”) at the time of exercise of the stock acquisition rights.

(3) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).

(4) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the “Rights Successor”). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.

(5) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.
(6) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.
①proposal for approval of a merger agreement providing that the Company be dissolved;
②proposal for approval of a company split agreement or company split plan providing that the Company be split;
③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;
④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;
⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;
⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of Shareholders;
⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);
⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.
(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.
(2) Type of the Reorganized Company's share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.
(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.
(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.
(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.
(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.
(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors

of the Reorganized Company.

(8) Call provision of stock acquisition rights

To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights

To be determined in accordance with (Note 3) above.

(c) Stock acquisition rights in FY2019

	Sixth Series of FY2019 Stock Acquisition Rights	Seventh Series of FY2019 Stock Acquisition Rights
Date of Resolution	June 25, 2019	
Category and number of eligible persons	484 Company Employees 2 Subsidiaries Directors 56 Subsidiaries Employees	14 Subsidiaries Directors 1,848 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	34 [34] (Note 1)	56 [56] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 3,400 [3,400] (Note 1)	Common stock: 5,600 [5,600] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	July 26, 2019 (JST) – July 25, 2029 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 639 Amount to be included in capital: 320 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other terms from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one stock acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
(2) The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in (1) above, from the maximum amount of increases of the share capital set forth in (1) above.

3. (1) The holder of the stock acquisition rights shall be in the position of director, corporate officer, auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
(2) Notwithstanding (1) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
(3) Notwithstanding (1) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.
(4) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.
(5) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a

resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.

①proposal for approval of a merger agreement providing that the Company be dissolved;

②proposal for approval of a company split agreement or company split plan providing that the Company be split;

③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of Shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's shares to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

	Eleventh Series of FY2019 Stock Acquisition Rights
Date of Resolution	September 24, 2019
Category and number of eligible persons	126 Company Employees 11 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	30 [30] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 3,000 [3,000] (Note1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1
Exercise period for stock acquisition rights (*)	November 1, 2019 (JST) – October 31, 2029 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 740 Amount to be included in capital: 370 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Sixth and Seventh Series of FY2019 Stock Acquisition Rights.

(d) Stock acquisition rights in FY2020

	First Series of FY2020 Stock Acquisition Rights	Second Series of FY2020 Stock Acquisition Rights
Date of Resolution	May 26, 2020	
Category and number of eligible persons	2 Company Directors 6 Executive Corporate Officers 467 Company Employees 2 Subsidiaries Directors 31 Subsidiaries Employees	2 Company Directors 4 Executive Corporate Officers 12 Subsidiaries Directors 1,857 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	5,691 [4,232] (Note 1)	6,549 [5,154] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 569,100 [423,200] (Note 1)	Common stock: 654,900 [515,400] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	July 1, 2020 (JST) – June 30, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 551 Amount to be included in capital: 276 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
(2) The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in (1) above, from the maximum amount of increases of the share capital set forth in (1) above.

3. (1) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
(2) Notwithstanding (1) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
(3) Notwithstanding (1) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.
(4) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such

stock acquisition rights.

(5) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.
   ①proposal for approval of a merger agreement providing that the Company be dissolved;
   ②proposal for approval of a company split agreement or company split plan providing that the Company be split;
   ③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;
   ④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;
   ⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company’s approval;
   ⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company’s approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of Shareholders;
   ⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);
   ⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.
5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a “Reorganization”), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the “Reorganized Company”) will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the “Outstanding Stock Acquisition Rights”) on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

   (1) Numbers of stock acquisition rights of the Reorganized Company to be issued
   The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

   (2) Type of the Reorganized Company’s share to be acquired upon exercise of stock acquisition rights
   Common stock of the Reorganized Company.

   (3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
   To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

   (4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
   The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.

   (5) Exercise period of the stock acquisition rights:
   The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

   (6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
   To be determined in accordance with (Note 2) above.

   (7) Restriction on transfer of stock acquisition rights
   Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

	Third Series of FY2020 Stock Acquisition Rights	Fourth Series of FY2020 Stock Acquisition Rights
Date of Resolution	July 30, 2020	
Category and number of eligible persons	1 Company Director 4 Executive Corporate Officers 916 Company Employees 1 Subsidiaries Director 77 Subsidiaries Employees	4 Executive Corporate Officers 5 Subsidiaries Directors 1,537 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	1,819 [1,493] (Note 1)	1,328 [1,084] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 181,900 [149,300] (Note 1)	Common stock: 132,800 [108,400] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights(yen) (*)	1	
Exercise period for stock acquisition rights (*)	August 31, 2020 (JST) – August 30, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 667 Amount to be included in capital: 334 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (NOTE *)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2020 Stock Acquisition Rights.

	Fifth Series of FY2020 Stock Acquisition Rights	Sixth Series of FY2020 Stock Acquisition Rights
Date of Resolution	July 30, 2020	
Category and number of eligible persons	219 Company Employees 18 Subsidiaries Employees	143 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	1,896[1,834] (Note 1)	412 [378] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 189,600 [183,400] (Note 1)	Common stock: 41,200 [37,800] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	September 1, 2020 (JST) – August 31, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 667 Amount to be included in capital: 334 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2020 Stock Acquisition Rights.

	Seventh Series of FY2020 Stock Acquisition Rights	Eighth Series of FY2020 Stock Acquisition Rights
Date of Resolution	October 29, 2020	
Category and number of eligible persons	3 Company Employees	104 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	5 [5] (Note 1)	87 [85] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 500 [500] (Note 1)	Common stock: 8,700 [8,500] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	December 1, 2020 (JST) – November 30, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 928 Amount to be included in capital: 464 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2020 Stock Acquisition Rights.

(e) Stock acquisition rights in FY2021

	First Series of FY2021 Stock Acquisition Rights	Second Series of FY2021 Stock Acquisition Rights
Date of Resolution	January 29, 2021	
Category and number of eligible persons	6 Company Employees	52 Subsidiaries Employees
Number of stock acquisition rights (unit) (*)	99 [99] (Note 1)	70 [70] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 9,900 [9,900] (Note 1)	Common stock: 7,000 [7,000] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (yen) (*)	1	
Exercise period for stock acquisition rights (*)	February 27, 2021 (JST) – February 26, 2031 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (yen) (*)	Issue price: 1,169 Amount to be included in capital: 585 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2024). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2025), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
(2) The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in (1) above, from the maximum amount of increases of the share capital set forth in (1) above.

3. (1) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
(2) Notwithstanding (1) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
(3) Notwithstanding (1) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.
(4) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.
(5) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of

the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.

①proposal for approval of a merger agreement providing that the Company be dissolved;

②proposal for approval of a company split agreement or company split plan providing that the Company be split;

③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of Shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

② Rights Plan
Not applicable.

③ Other Information about Stock Acquisition Rights
Not applicable.

(3) [Information on Moving Strike Convertible Bonds]
Not applicable.

(4) [Changes in Total Number of Issued Shares and Capital]

Date	Changes in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Changes in share capital (Million yen)	Balance of share capital (Million yen)	Changes in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
January 1, 2020 - December 31, 2020 (Note 1)	211,906,785	1,943,805,775	118,161	147,133	118,161	137,133
January 1, 2021 - December 31, 2021 (Note 2) (Note 3) (Note 4)	211,906,785	1,943,805,775	118,161	147,133	118,161	137,133
January 1, 2022 - December 31, 2022 (Note 2) (Note 3) (Note 4)	14,648,248	1,958,454,023	6,076	153,209	6,076	143,209
January 1, 2023 - December 31, 2023	—	1,958,454,023	—	153,209	—	143,209
January 1, 2024 - December 31, 2024 (Note 5)	(87,839,138)	1,870,614,885	—	153,209	—	143,209

(Note) 1. The increase was due to the exercise of stock acquisition rights.
2. With the issuance of 192,252,800 shares of common stock (issue price: 1,174 yen, payment amount: 1,151.70 yen, capitalization amount: 575.85 yen) through a public offering with a payment date of June 15, 2021, share capital and legal capital surplus increased to 110,709 million yen.
3. With the issuance of 2,067,600 shares of common stock (issue price: 1,151.70 yen, capitalization amount: 575.85 yen, allottee: Daiwa Securities Co., Ltd.) through a third-party allotment (over allotment) with the payment due date of June 28, 2021, share capital and legal capital surplus increased to 1,191 million yen.
4. In addition to Notes 1 and 2 above, the increase was due to the exercise of stock acquisition rights and vesting of the stock units granted by the stock compensation plan.
5. This is due to the cancellation of treasury shares.

(5) [Status of Shareholders]

As of December 31, 2024

Classification	Status of shares (number of shares per unit: 100 shares)								Shares constituting less than one unit of share (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other entities	Foreign entities, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	55	57	854	1,038	844	111,714	114,562	—
Number of shares held (unit of shares)	—	4,032,461	518,792	1,916,310	10,809,773	5,351	1,421,010	18,703,697	245,185
Percentage of number of shares held (%)	—	21.55	2.77	10.24	57.79	0.02	7.59	100	—

(Note) 1. 73,486,312 shares of treasury shares are included in “Individuals and others” (734,863 units) and in “Shares constituting less than one unit of share” (12 shares).
2. “Other entities” includes 2 units of shares held in the name of the Japan Securities Depository Center.
3. Percentage of number of shares held regarding the Number of shares held (unit of shares) is rounded off to the second decimal place.

(6) [Major Shareholders]

As of December 31, 2024

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	258,693,000	14.39
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	105,635,000	5.87
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1, Konan, Minato-ku, Tokyo)	77,786,114	4.32
TOYOTA MOTOR CORPORATION	1, Toyota-cho, Toyota-shi, Aichi	75,015,900	4.17
DENSO CORPORATION	1-1 Showa-cho, Kariya-shi, Aichi	75,015,825	4.17
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	54,899,242	3.05
GIC PRIVATE LIMITED - C (Standing proxy: MUFG Bank Ltd.)	168 Robinson Road, #37-01, CAPITAL TOWER, SINGAPORE 068912 (1-4-5, Marunouchi, Chiyoda-ku, Tokyo)	48,496,013	2.69
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	35,280,608	1.96
THE BANK OF NEW YORK MELLON 140040 (Standing proxy: Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	33,661,758	1.87
JP MORGAN CHASE BANK 85864 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	29,476,100	1.64
Total	–	793,959,560	44.17

(Note) 1. In addition to the above table, the Company owns its 73,486,312 shares as treasury shares.
2. “Percentage of shares held” is calculated excluding 73,486,312 shares of treasury shares.
3. “Percentage of shares held” is calculated by truncating the numbers beyond the third decimal place.
4. BlackRock Japan Co., Ltd. submitted a large shareholding report with joint ownership of BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock (Luxembourg) S.A., BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management (UK) Limited as of September 4, 2024, reporting that they jointly own 126,632,001 shares (percentage of shares held: 6.77%) as of August 30, 2024 (the date of the reporting obligation has occurred) as follow. However, they are not included in the above Major Shareholders as the Company could not confirm the actual number of shares owned as of December 31, 2024.
The contents of the large shareholding report are as follows:

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	30,280,800	1.62
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA, Amsterdam, Netherlands	3,594,675	0.19
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, England	5,678,948	0.30
BlackRock (Luxembourg) S.A.	35A, Avenue JF Kennedy, L-1855, Luxembourg	13,836,200	0.74
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	17,194,394	0.92
BlackRock Fund Advisors	400 Howard Street. San Francisco, California, USA	32,225,600	1.72
BlackRock Institutional Trust Company, N.A.	400 Howard Street. San Francisco, California, USA	21,395,920	1.14
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, City of London, UK	2,425,464	0.13

5. FMR LLC submitted the large shareholding report with joint ownership of National Financial Services LLC as of December 6, 2024, reporting that they jointly own 67,729,594.61 shares (percentage of shares held: 3.62%) as of November 29, 2024 (the date of the reporting obligation has occurred) as follows. However, they are not included in the above Major Shareholders as the Company could not confirm the actual owning share numbers as of December 31, 2024.

The contents of the large shareholding report are as follows:

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, USA	67,644,240.32	3.62
National Financial Services LLC	200 Seaport Blvd, Boston, Massachusetts 02210, USA	85,354.29	0.00

(7) [Information on Voting Rights]

(i) [Issued Shares]

As of December 31, 2024

Classification	Number of shares (shares)		Number of voting rights	Details
Non-voting shares	—		—	—
Shares with restricted voting rights (treasury shares)	—		—	—
Shares with restricted voting rights (others)	—		—	—
Shares with full-voting rights (treasury shares)	Common stock	73,486,300	—	—
Shares with full-voting rights (others)	Common stock	1,796,883,400	17,968,834	—
Shares constituting less than one unit of shares	Common stock	245,185	155,423 1,796,965,800	—
Number of issued shares	1,870,614,885		—	—
Voting rights of all shareholders	—		17,968,834	—

(Note) “Shares with full-voting rights (others)” includes 200 shares (2 voting rights) held in the name of the Japan Securities Depository Center.

(ii) [Treasury Shares and Others]

As of December 31, 2024

Holder’s name	Address of holder	Number of shares held in the name of holder (shares)	Number of shares held in the name of others (shares)	Total number of shares held (shares)	Percentage of number of shares held to the total number of issued shares (%)
Renesas Electronics Corporation	3-2-24, Toyosu, Koto-ku, Tokyo	73,486,300	—	73,486,300	3.92
Total	-	73,486,300	—	73,486,300	3.92

2. Acquisition of Treasury Shares and Other related Status

[Class of Shares]

The acquisition of common stock pursuant to the provisions of Article 155, Paragraph 7 of the Companies Act

(1) [Acquisition of Treasury Shares based on a Resolution Approved at General Meetings of Shareholders]

Not applicable.

(2) [Acquisition of Treasury Shares based on a Resolution Approved by Board of Directors]

Not applicable.

(3) [Acquisition of Treasury Shares not based on a Resolution at General Meetings of Shareholders or a Resolution Approved by Board of Directors]

Classification	Number of shares (shares)	Total price (Yen)
Treasury shares acquired in the current fiscal year	88	197,607
Treasury shares acquired during the current year period	—	—

(Note) The treasury shares acquired during the current year period do not include the number of shares resulting from the purchase of shares constituting less than one unit of share from March 1, 2025 to the filing date of this Annual Securities Report.

(4) [Current Status of the Disposition and Holding of Acquired Treasury Shares]

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of disposal price (Yen)	Number of shares (shares)	Total amount of disposal price (Yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares cancelled	87,839,138	104,528,574,220	—	—
Acquired treasury shares transferred due to mergers, share exchanges, share grants, and company splits	—	—	—	—
Others (disposal of treasury shares due to the exercise of stock acquisition rights and vesting of stock units granted by the stock compensation plan)	20,044,520	42,597,771,387	1,284,831	1,909,756,751
Number of treasury shares owned	73,486,312	—	72,201,481	—

(Note) The treasury shares acquired during the current year period do not include the number of shares of treasury shares acquired through other means (disposal of treasury shares due to the exercise of stock acquisition rights and vesting of stock units granted by the stock compensation plan) from March 1, 2025 to the filing date of this Annual Securities Report

3. Dividend Policy

From the perspective of maximizing enterprise value, in or to respond to rapid changes in the business environment and thrive in the global marketplace, the Company aims to achieve a durable financial structure by appropriating retained earnings for strategic investments such as research and development of new products and technologies as well as capital expenditures, and to distribute part of its earnings to shareholders

In accordance with the above policy, for the current fiscal year (23rd Fiscal Year), the Company declared a year-end dividend of 28 yen per share.

In addition, in order to enable the flexible distribution of dividends from surplus, the Company states in its Articles of Incorporation that, in addition to the resolution of the General Meeting of Shareholders, dividends from surplus can be determined by a resolution of the Board of Directors and that the record dates for determining dividends from surplus will be March 31, June 30, September 30 and December 31 of each year.

(Note) Dividends from surplus with a record date in the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Million yen)	Dividend per share (Yen)
March 26, 2025 Resolution of the Annual General Meeting of Shareholders	50,320	28

4. Information on Corporate Governance

(1) [Corporate Governance]

(i) Basic Policy on Corporate Governance

Based on the following Corporate Governance Policy, the Group continuously strives to enhance and strengthen our corporate governance to be a company that is trusted by society by maintaining sound relationships with any and all stakeholders including local communities, customers, and business partners in order to fulfill our social responsibility as a company.

<Corporate Governance Policy>

Based on our Purpose, “To Make Our Lives Easier”, we are committed to building a sustainable future where technology helps make our lives easier by developing a safer, healthier, greener, and smarter world to provide intelligence to our four focus growth segments: Automotive, Industrial, Infrastructure, and IoT. To achieve our Purpose, we aim to respond flexibly to changes, solve issues, and continue to create value in a sustainable way based on the “Renesas Culture”, a guideline consisting of five elements of conduct for all of our activities, behavior, and decision-making. Based on Renesas Culture, we aim for continuous growth and enhancement of corporate value over the mid- to long-term.

In addition, we aim to co-exist and co-prosper with every stakeholder in order to create long-term sustainable value as a responsible global company. In order to achieve this, we must thrive in the rapidly-changing, competitive global semiconductor marketplace, and continue to satisfy the expectations of all of our stakeholders and to grow with profit expansions. We will continue to solidify our business foundation as a global semiconductor company by honing technological advancement as well as supplying excellent semiconductor products and optimized solutions through elaborate marketing and sales activities. We recognize the importance of building a corporate governance structure and system that enables transparent, fair, quick and resolute decision-making. We will remain committed to enhancing our corporate governance structure and system through various measures such as communication and cooperation with our stakeholders including shareholders, appropriate information disclosure, ensuring appropriate delegation of authority and highly effective oversight functions.

[Our Purpose]　To Make Our Lives Easier

The Group continuously strives to drive innovation with a comprehensive portfolio of microcontrollers, analog and power devices. Our mission is to develop a safer, healthier, greener, and smarter world by providing intelligence to our four focus growth segments: the Automotive, Industrial, Infrastructure, and IoT Segment that are all vital to our daily lives, meaning our products and solutions are embedded everywhere.

[Renesas Culture]

<Transparent>

The leadership team’s strategy and policy, the company’s current situation, as well as the issues and thoughts of each business organization should be well understood among employees. This is also tightly connected to the “Agile” and “Entrepreneurial” elements described below, and we believe it is fundamental for the success of every individual and organization.

<Agile>

In order to respond to changes in a timely manner, it is necessary to identify the likely outcomes and implications as quickly as possible, make decisions quickly, and rapidly take or correct actions. We must recognize situations, make decisions and act at a high velocity. When a follow-up regarding a task is made from inside or outside the company, employees should understand they are not being “Agile”.

<Global>

Not only the markets that we operate in, but also our customers and our competitors are global, and in order to thrive in this global environment, it is essential for us to have a global perspective. It is true we need better language skills, but there are many other simple steps we can take to facilitate communication, such as organizing discussion agendas, issues, and alternative solutions in advance. In particular, numbers are as useful as words. Whenever possible, we should use numbers and data to communicate, and try to share information more smoothly.

<Innovative>

In order for Renesas to provide “Innovative” technologies and products and continue to create sustainable social value, it is essential to practice an “Innovative” way of conducting business and thinking. Each and every one of our employees should embody “Innovation” using their imagination and creativity to improve their work and contribute to the realization of a better society.

< Entrepreneurial>

Individual employees should act professionally, voluntarily, and independently as if they are running their own business and are responsible for the results they deliver. Based on our strategies and policies as a company, we aim to develop employees who can think freely and create new value, without being constrained by existing concepts.

(ii) Corporate Governance Structure and Reasons for Adoption of the Structure

(a) Basic Views

The Company recognizes the importance of operating business efficiently and ensuring the soundness and transparency of management in order to continuously increase corporate value. The Company is working to improve its management system and implement various measures to enhance corporate governance.

(b) Reasons for Adoption of the Structure

The Company transitioned from a "Company with Board of Corporate Auditors" to a "Company with Nomination Committee, etc." through the resolution of the 22nd Annual General Meeting of Shareholders held on March 26, 2024 as a part of measures to enhance its corporate governance, and has established a corporate governance system in which the Board of Directors, focusing on addressing important management issues that are fundamental to the Group and monitoring the management, supervises execution of our business. The Board of Directors and its 3 internal committees, the Nomination Committee, the Compensation Committee, and the Audit and Sustainability Committee (*), all of which are comprised of a majority of Independent Outside Directors, fulfill their respective functions and roles to realize transparent and fair supervision of overall management. At the same time, the Executive Officers, to whom authority has been substantially delegated from the Board of Directors to determine matters relating to execution of business, and the Executive Corporate Officers, who are responsible for business execution under the Executive Officers, will be able to make decisions and execute business operations in a prompt and agile manner. These enable us to survive global competition and achieve business growth. The Company believes that this system is well-functioning and suitable for the Company's corporate governance.

(*) In order to strengthen its sustainability activities, the Company has given the Audit Committee responsibility and authority to oversee our sustainability-related activities led by Sustainability (SU) and has named the Audit Committee under the Companies Act as the "Audit and Sustainability Committee" since January 2025.

(c) Board of Directors

The Board of Directors is composed of 6 Directors, including 5 Outside Directors, who are appointed based on their expertise, experience, and diversity. In principle, the Board of Directors meets regularly once every 3 months, and extraordinary meetings are held as needed. The Board of Directors makes decisions about important management matters which affect the fundamentals of the Group including the development of the basic policy for the Group management and election and dismissal of the Executive Officers, and supervises the execution of duties of Directors and Executive Officers. The functions and roles of the Company's Outside Directors are to participate in management decision-making and to oversee or check the execution of duties by other Directors and Executive Officers from various outside perspectives by drawing on their knowledge, experience, and insight gained from their own careers.

The composition of our Board of Directors and skill matrix of each Director are shown in the table below.

Name (Title)	Executive Leadership	International Business	Semiconductor / Technology Industry	Software / Digital	Sustainability / ESG	Finance	Risk Management / Legal Affairs	Public Board Experience
Hidetoshi Shibata (Director)	●	●	●			●		
Jiro Iwasaki (Lead Independent Outside Director)	●	●				●	●	●
Selena Loh Lacroix (Independent Outside Director)		●	●		●		●	●
Noboru Yamamoto (Independent Outside Director)	●	●			●	●	●	●
Takuya Hirano (Independent Outside Director)	●	●		●				●
Tomoko Mizuno (Independent Outside Director)	●	●					●	

(Activities of the Board of Directors in the Current Fiscal Year)

The Company held 6 meetings of the Board of Directors during the current fiscal year. Attendance at the Board of Directors meetings by each Director is as follows.

Name	Position and title	Attendance (rate)
Hidetoshi Shibata	Director (Chair)	attended 6 of the 6 meetings (100%)
Jiro Iwasaki	Lead Independent Outside Director	attended 6 of the 6 meetings (100%)
Selena Loh Lacroix	Independent Outside Director	attended 6 of the 6 meetings (100%)
Noboru Yamamoto	Independent Outside Director	attended 6 of the 6 meetings (100%)
Takuya Hirano	Independent Outside Director	attended 6 of the 6 meetings (100%)
Tomoko Mizuno	Independent Outside Director	attended 6 of the 6 meetings (100%)

(Note) 1. As Ms. Tomoko Mizuno was an Outside Corporate Auditor until the closing of the 22nd Annual General Meeting of Shareholders held on March 26, 2024, her attendance status at the Board of Directors meeting above includes the attendance status which she attended as the Outside Corporate Auditor (1 time).

2. In addition to the above meetings, discussion sessions and written resolutions on individual matters are held as needed.

In the current fiscal year, the Board of Directors discussed and reviewed a wide range of matters, including important M&As for business complementation, business growth and optimization of the Group's business, initiatives related to the digitalization strategy, strategic resource allocation such as research and development investments in key areas and expansion into growth markets, capital policy such as dividends, talent management, a new governance structure associated with the transition to a "Company with Nomination Committee, etc." and the enhancement of sustainability related activities, situations and responses to geopolitical risks, information security related initiatives, status of operation of our internal control system, and evaluation of the effectiveness of the Board of Directors.

(d) Committees

① Nomination Committee

The Nomination Committee deliberates on and determines matters related to human resources such as (i) the content of proposals to be submitted to general meetings of shareholders relating to the election and dismissal of Directors, (ii) the election and dismissal of Executive Officers including the Chief Executive Officer (CEO), and (iii) a plan for CEO succession, as well as matters prescribed by applicable laws and regulations and the Articles of Incorporation.

The Nomination Committee is comprised of 3 members, all of whom including the chairperson are independent Outside Directors.

(Activities of the Nomination Committee in the Current Fiscal Year)

The Company held 4 meetings of the Nomination Committee during the current fiscal year. Attendance at the meetings by each member of the Nomination Committee is as follows.

Name	Position and title	Attendance (rate)
Jiro Iwasaki	Lead Independent Outside Director (Chair)	attended 4 of the 4 meetings (100%)
Selena Loh Lacroix	Independent Outside Director	attended 4 of the 4 meetings (100%)
Takuya Hirano	Independent Outside Director	attended 4 of the 4 meetings (100%)

(Note) 1. The Company had held voluntary Nomination Committee meetings before the transition to a "Company with Nomination Committee, etc." in March 2024. However, the attendance table above shows the attendance at the statutory Nomination Committee meetings held after the transition.

2. In addition to the above meetings, the Nomination Committee conducted activities such as interviews with the Company's Leadership Team as needed.

In addition to receiving regular reports on the progress and future plans for the Outside Directors' search, the Nomination Committee deliberated on the composition of the Board of Directors and evaluation of the effectiveness of the Board of Directors, CEO goal setting and performance evaluation, and establishment of requirements for candidates of Executive Officers and succession plan of CEO. The Nomination Committee also conducted interviews with candidates for officers.

② Compensation Committee

The Compensation Committee deliberates on and determines matters related to compensation such as (i) the Company's policy for determining compensation of individual Executive Officers and Executive Corporate Officers and (ii) contents of individual compensation based on said policy, as well as matters prescribed by applicable laws and regulations and the Articles of Incorporation.

The Compensation Committee is comprised of a total of 4 members: 3 Independent Outside Directors and 1 Director. The chairperson is an Outside Director.

(Activities of the Compensation Committee in the Current Fiscal Year)

The Company held 4 meetings of the Compensation Committee during the current fiscal year. Attendance at the meetings by each member of the Compensation Committee is as follows.

Name	Position and title	Attendance (rate)
Selena Loh Lacroix	Independent Outside Director (Chair)	attended 4 of the 4 meetings (100%)
Hidetoshi Shibata	Director	attended 4 of the 4 meetings (100%)
Noboru Yamamoto	Independent Outside Director	attended 4 of the 4 meetings (100%)
Tomoko Mizuno	Independent Outside Director	attended 4 of the 4 meetings (100%)

(Note) 1. The Company had held voluntary Compensation Committee meetings before the transition to a "Company with Nomination Committee, etc." in March 2024. However, the attendance table above shows the attendance at the statutory Compensation Committee meetings held after the transition.

2. In addition to the above meetings, the Compensation Committee conducted activities such as holding sessions with expert advisors as needed.

The Compensation Committee deliberated on the review of the stock compensation plan, Company's policy for determining compensation of individual Directors, Executive Officers and Executive Corporate Officers, contents of individual compensation based on performance evaluation, and the system, details and level of compensation for the Directors, Executive Officers and Executive Corporate Officers in consideration of the situation of domestic and foreign competitors and related industries, etc.

③ Audit and Sustainability Committee

Cooperating with the Accounting Auditor, Internal Audit Office, and other related departments, the Audit and Sustainability Committee (i) audits the performance by Directors and Executive Officers of their respective responsibilities and duties, (ii) prepares audit reports, and (iii) determines the content of proposals to be submitted to general meetings of shareholders relating to the election, dismissal and non-reelection of the Accounting Auditor, as well as conduct matters prescribed by applicable laws and regulations and the Articles of Incorporation.

The Audit and Sustainability Committee is comprised of 3 members, all of whom, including the chairperson, are independent Outside Directors. The Audit and Sustainability Committee determines audit policies and plans, and reports the audit plans and the results of the audits conducted based on these plans to the Board of Directors. Additionally, as necessary, this committee expresses opinions to the Directors and execution departments.

(Activities of the Corporate Auditors and the Board of Corporate Auditors in the Current Fiscal Year)

The Company held 6 meetings of the Audit and Sustainability Committee during the current fiscal year. The Company also held 3 meetings of the Board of Corporate Auditors before the transition to a "Company with Nomination Committee, etc." on March 26, 2024. Attendance at the meetings by each member of the Audit and Sustainability Committee is as follows.

< Attendance at the meetings of the Board of Corporate Auditors held before the transition to a "Company with Nomination Committee, etc.">

Name	Position and title	Attendance (rate)
Kazuki Fukuda	Corporate Auditor (Full-time)	attended 3 of the 3 meetings (100%)
Kazuyoshi Yamazaki	Corporate Auditor (Outside)	attended 2 of the 3 meetings (67%)
Tomoko Mizuno	Corporate Auditor (Outside)	attended 3 of the 3 meetings (100%)
Miya Miyama	Corporate Auditor (Outside)	attended 3 of the 3 meetings (100%)

(Note) Due to the Company's transition to a "Company with Nomination Committee, etc." with the approval of the 22nd Annual General Meeting of Shareholders held on March 26, 2024, Corporate Auditors listed above retired as Corporate Auditor due to the expiration of the term of office.

< Attendance at the meetings of the Board of Corporate Auditors held after the transition to a "Company with Nomination Committee, etc.">

Name	Position and title	Attendance (rate)
Tomoko Mizuno	Independent Outside Director (Chair)	attended 6 of the 6 meetings (100%)
Jiro Iwasaki	Lead Independent Outside Director	attended 5 of the 6 meetings (83%)
Noboru Yamamoto	Independent Outside Director	attended 6 of the 6 meetings (100%)

(Note) The Audit and Sustainability Committee members have a considerable knowledge of finance and accounting, as follows.

(1) Ms. Tomoko Mizuno currently serves as an Executive Director at a machinery and electronic component company in business management after she has worked in the fields of corporate planning in a global consulting firm and pharmaceutical companies. Additionally, she has experience in auditing as an Outside Corporate Auditor for the Company in the past.

(2) Mr. Jiro Iwasaki served as an Outside Corporate Director (including full-time Audit and Supervisory Committee members) and Outside Corporate Auditor at several listed companies after he has worked in the fields of business management as Executive Directors at multiple electrical and electronic component companies.

(3) Mr. Noboru Yamamoto currently serves as the representative for an M&A advisory company after he has worked in the global finance and securities companies. He has also served as an Outside Director (including chairman of the Audit and Supervisory Committee) at listed companies. Additionally, he has experience in auditing as an Outside Corporate Auditor for the Company in the past.

Detailed activities of the Audit and Sustainability Committee are listed under “Part I. Information on Renesas, IV. Corporate Information, 4. Information on Corporate Governance, (3) Audit Status, ② Status of Audits by Audit and Sustainability Committee (Board of Corporate Auditors before the transition to a “Company with Nomination Committee, etc.” in March 2024)”.

The following table shows the composition of each committee as of the filing date of this Annual Securities Report.

Name	Position and title	Nomination Committee	Compensation Committee	Audit and Sustainability Committee
Hidetoshi Shibata	Director		〇	
Jiro Iwasaki	Lead Independent Outside Director	◎		〇
Selena Loh Lacroix	Independent Outside Director	〇	◎	
Noboru Yamamoto	Independent Outside Director		〇	〇
Takuya Hirano	Independent Outside Director	〇		
Tomoko Mizuno	Independent Outside Director		〇	◎

(Note) 1. 〇 denotes a member and ◎ denotes a chairperson of the applicable committee.
2. In order to strengthen sustainability, the Company has named the Audit Committee under the Companies Act as the “Audit and Sustainability Committee” since January 2025.

(e) Executive Officers

In order to clarify business execution responsibilities and speed up decision-making on the execution of operations, the Board of Directors provides Executive Officers, who have statutory authority to execute business, with significant authority to make business decisions. The Executive Officers are responsible for the management of the entire Group, executing business by themselves and directing the Executive Corporate Officers to whom authority is appropriately delegated with respect to individually defined business responsibilities.

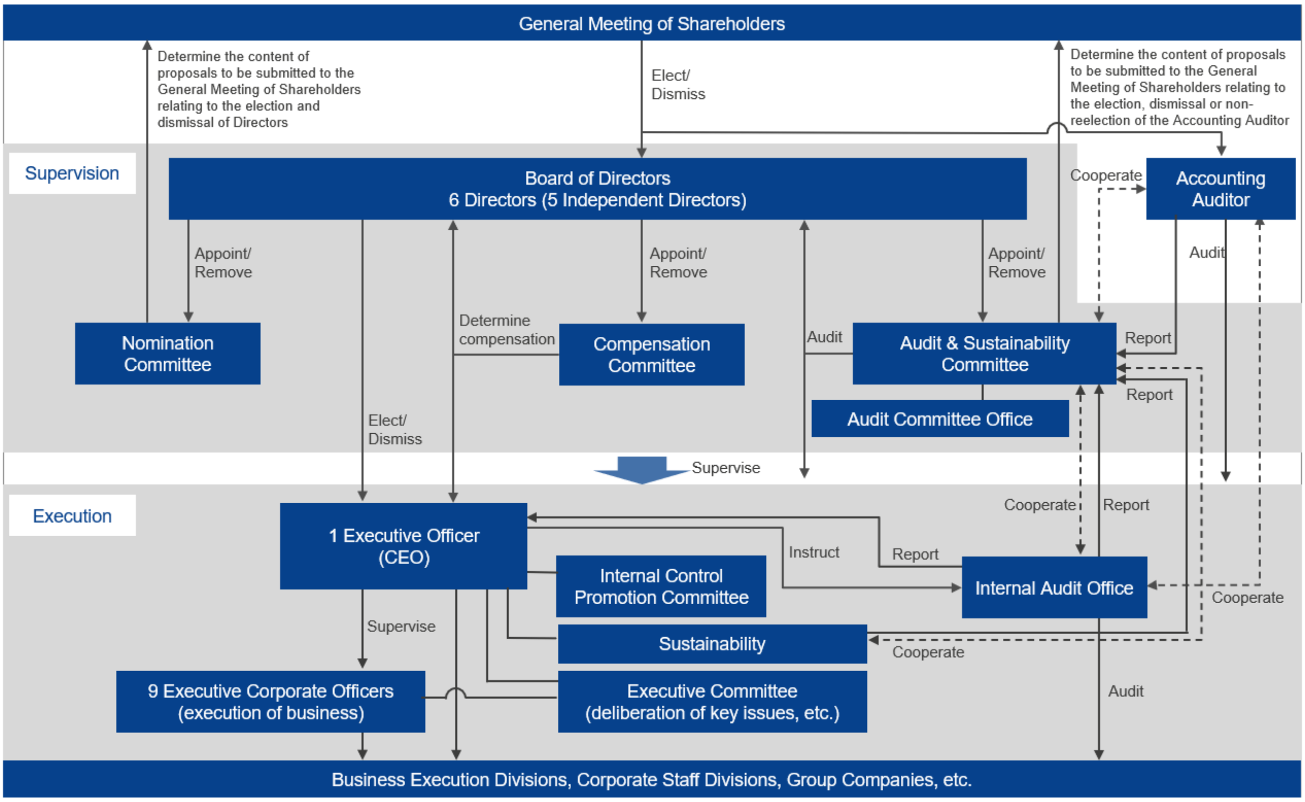
(f) Executive Committee

The Company deliberates or determines important management issues of the Group at the Executive Committee, which is composed of Executive Officers and Executive Corporate Officers, etc. In principle, the Executive Committee also deliberates on matters to be submitted to the Board of Directors prior to discussion by the Board of Directors, in order to enhance the Board’s deliberation.

(g) Internal Control System

The Board of Directors has established a basic policy for the development of the systems stipulated in “ロ” and “ホ” of Item 1 of Paragraph 1 of Article 416 of the Companies Act and Article 112 of the Enforcement Regulations of the Companies Act (including the system to ensure appropriate operation of the Group), and the Company periodically holds meetings of the Internal Control Promotion Committee, which is composed of, among others, the President and CEO, the Executive Corporate Officer responsible for internal controls, and the Executive Corporate Officer responsible for administrative divisions. The Committee deliberates, proposes, and promotes the Group’s internal control issues, policies and other matters as stipulated in related regulations such as the Companies Act and the Financial Instruments and Exchange Act. For information on this committee, please refer to “③ Status of Development of Internal Control System and Risk Management System” below.

The contents of the previous page are shown in the diagram below.



③ Status of Development of Internal Control System and Risk Management System (including Status of Development of System to Ensure Appropriate Operation of Company's Subsidiaries)

(a) Basic policy on, and status of, internal control system

The Board of Directors has resolved the basic policy for the development of the system (internal control system) stipulated in "ロ" and "ホ" of Item 1 of Paragraph 1 of Article 416 of the Companies Act and Article 112 of the Enforcement Regulations of the Companies Act, and has established the system based on this basic policy. This basic policy is as shown on the Company's website (https://www.renesas.com/en/about/sustainability/governance) and an outline is as follows:

<Systems Necessary to ensure that the execution of duties by Executive Officers, Executive Corporate Officers and employees complies with laws and regulations and the Company's Articles of Incorporation>

- The Executive Officers shall take the lead in complying with the "Renesas Electronics CSR Charter" and the "Renesas Global Code of Conduct" that have been adopted for the purpose of establishing corporate ethics and ensuring compliance with laws and regulations, the Articles of Incorporation and internal rules of the Company by Directors, Executive Officers, Executive Corporate Officers and employees ("Members"). The Executive Officers shall keep the Members of the Company and its subsidiaries (collectively, the "Group") informed of such rules, and shall have the Group comply with them.
- The Executive Officers shall stipulate basic matters such as the compliance management framework and education activities in the "Global Rule for Compliance Management within the Renesas Group", oversee the deliberation and resolution of compliance matters at the "Internal Control Promotion Committee", and shall ensure training is conducted for the Group to be fully aware of compliance.
- The Executive Officers shall set up the "Renesas Electronics Group Hotline" as a whistleblowing contact point for the Group and its business partners, etc. to report violations or possible violations of compliance. The Executive Officers shall ensure the Group and its business partners, etc., are informed that the Company will ensure the anonymity of reporters who wish to remain anonymous and that reporters will not be adversely affected as a result of their report.
- The Executive Officers shall keep away from any antisocial force, shall work closely with external specialized institutions, and shall act resolutely in an organized manner when contacted by it.

<Systems for properly preserving and managing information related to execution of duties by Directors and Executive Officers>

- The Directors and Executive Officers shall properly prepare, preserve, and manage minutes of the General Meetings of Shareholders, Meetings of the Board of Directors and other documents in accordance with applicable laws and regulations. The Directors and Executive Officers shall also properly prepare, preserve and manage other documents, books and records pertaining to the duties of Members in accordance with the "Basic Rule of Document Management and Retention".

<Rules and other systems regarding risk management for loss>

- The Executive Officers shall stipulate basic matters of risk management in the Company's "Global Rule for Risk and Crisis Management within the Renesas Group", and shall establish a risk management framework in accordance with the rules.
- The Executive Officers, Executive Corporate Officers and division managers responsible for classified risk shall strive to minimize loss by developing prevention measures against risk materialization and by developing countermeasures in case of risk materialization.
- In the event of a serious risk materializing, the Executive Officers and Executive Corporate Officers shall, depending on the level of importance, establish an appropriate taskforce chaired by themselves, and shall implement appropriate measures in accordance with the "Global Rule for Risk and Crisis Management within the Renesas Group".
- The Executive Officers shall evaluate, maintain and improve the internal control status related to financial reports of the Group in accordance with applicable domestic and foreign laws and regulations such as the Financial Instruments and Exchange Act.

<Systems for ensuring efficient execution of duties by Directors and Executive Officers>

- The Directors shall hold an ordinary Board of Directors meeting once every 3 months and extraordinary meetings as needed for the sake of quick decision-making on basic management policies of the Group, matters stipulated by laws and regulations, and any other important management issues as well as overseeing the execution of duties by Executive Officers.
- The Executive Officers shall execute their duties in an agile and efficient manner by adopting an Executive Corporate Officer System and delegating authority appropriately. Important issues for the Company's management shall be discussed at the Executive Committee.
- The Executive Officers and Executive Corporate Officers shall make expedient decisions for business operation by delegating authority to the relevant general managers or other employees. The Executive Officers, Executive Corporate Officers, the relevant general managers and other employees shall execute their authority properly and efficiently in accordance with the "Basic Rules of Ringi Approval".
- The Executive Officers and Executive Corporate Officers shall execute their duties promptly and efficiently in accordance with their office routine regulations and shall periodically confirm the status of execution of management plans and the budget determined at a Board of Directors meeting.

<Systems necessary to ensure appropriate operation of the Group>

- The Executive Officers shall guide and support the Company's subsidiaries to establish a Group-wide compliance system in accordance with the "Renesas Electronics CSR Charter", "Renesas Global Code of Conduct" and "Global Rule for Compliance Management within the Renesas Group".
- The Executive Officers shall constantly oversee, guide, and support the Company's subsidiaries through the divisions responsible for the business, and ensure periodic reporting of matters relating to the execution of duties by subsidiary directors, in accordance with the "Basic Rules for Management and Operation of Related Companies, etc.".
- The Executive Officers shall, through a division responsible for risk management, have the Company's subsidiaries establish rules for risk and crisis management, and make contact lists and action plans to be used in an emergency.
- The Executive Officers shall, through the Internal Control Promotion Committee, etc., establish Group-wide shared decision-making rules and policies on Group governance.
- The Executive Officers shall have Internal Audit Office audit the Group, and shall have principal subsidiaries allocate internal auditing staff or divisions and cooperate with Internal Audit Office and the subsidiaries' own corporate auditors, etc. to ensure appropriate operations of the Group.

<Matters relating to employees assigned to assist the Audit and Sustainability Committee, independence of such employees from Executive Officers, and ensuring effectiveness of instruction to such employees >

- The Executive Officers shall establish an Audit Committee Office composed of specialized or concurrent staff for the purpose of assisting the activities of the Audit and Sustainability Committee. Any evaluation, personnel transfer, discipline and the like of such staff shall require prior consultation with the Audit and Sustainability Committee, and such staff shall not be directed or supervised by the Executive Officers for duties to assist the Audit and Sustainability Committee.

<Systems for Members of the Group, corporate auditors, etc. of the Company's subsidiaries to report to the Audit and Sustainability Committee and systems to ensure prevention of adverse treatment to the persons who reported to the Audit and Sustainability Committee>

- Members of the Group and corporate auditors, etc. of the Company's subsidiaries shall, upon requests from the Audit and Sustainability Committee, report to the Audit and Sustainability Committee on matters such as the execution of their duties.
- Internal Audit Office shall submit and report the internal audit report for the Group to the Audit and Sustainability Committee.
- The Internal Control Promotion Committee shall periodically report to the Audit and Sustainability Committee the situation of the matters reported to the "Renesas Electronics Group Hotline".
- When Members of the Group and corporate auditors, etc. of the Company's subsidiaries have made a report to the Audit and Sustainability Committee or members thereof, the Company prohibits any adverse treatment as a result of their having made a report. These rules shall be stated clearly in the "Whistleblower Policy" and on the Company's intranet.

<Procedures for advance payment or compensation of expenditures occurring in connection with the execution of duties of members of the Audit and Sustainability Committee, and policies on the treatment of cost, expenditure and obligations occurring in connection with the execution of the members' duties>

- Upon the request from members of the Audit and Sustainability Committee for advance payment of expenditures, etc., the Company shall bear the cost, expenditure, and payables except in the case it is proved that such cost, expenditure and payables are not necessary to execute the duties of members of the Audit and Sustainability Committee.

<Other systems necessary to ensure effective auditing by the Audit and Sustainability Committee>

- The members of the Audit and Sustainability Committee selected by the Audit and Sustainability Committee may attend important meetings of the Company as they deem necessary. Furthermore, the Executive Officers shall guarantee the right of the Audit and Sustainability Committee to access important corporate information.
- The members of the Audit and Sustainability Committee shall hold Audit and Sustainability Committee meetings in principle once or more every 3 months, and shall exchange information and deliberate on the status of audits and related matters. The Audit and Sustainability Committee shall also receive regular reports from the Accounting Auditors on their audit activities, and exchange opinions on them.

(b) The Internal Control Promotion Committee, which is composed of, among others, the President and CEO, the officer responsible for internal control, and the officer responsible for administrative divisions, meets once every 2 months in principle to oversee PDCA cycle (*) for internal control-related operations at the Group and to investigate the causes of significant violations of compliance related to the internal control system and to discuss and consider measures to prevent recurrence.

* PDCA cycle : It is a way of thinking that aims to improve and streamline operations by repeating the process of "Plan to Do to Check to Action.

④ Number of Directors

The Articles of Incorporation stipulate that the Company shall have no more than 15 Directors.

⑤ Resolution Requirements for Election and Dismissal of Directors

The Articles of Incorporation of the Company stipulate that a resolution electing Directors shall be adopted by a majority of votes of the shareholders present at a general meeting of shareholders at which shareholders representing not less than one-third of the voting rights of shareholders entitled to exercise their voting rights are present, and that the resolution shall not be made by cumulative voting.

⑥ Requirements for Special Resolutions at General Meetings of Shareholders

The Company stipulates in its Articles of Incorporation that special resolutions required at General Meetings of Shareholders provided for in Paragraph 2 of Article 309 of the Companies Act shall be passed by not less than two-thirds of votes of shareholders present at a general meeting at which shareholders having not less than one-third of the total number of voting rights of shareholders entitled to exercise their voting rights are present. The purpose of this provision is to expedite the proceedings at the General Meeting of Shareholders by relaxing the number of shareholders present required for special resolutions at the General Meeting of Shareholders.

⑦ Matters to be Resolved at Shareholders Meetings that Can be Resolved at Meetings of the Board of Directors

The Articles of Incorporation stipulate that the Company may determine matters provided for in each item of Paragraph 1, Article 459 of the Companies Act, by a resolution of the Board of Directors.

The purpose of these provisions is to enable the Company to realize capital policies including acquisition of its own shares and distributions of dividends more flexibly in response to changes in the business environment.

In addition, the Company has stipulated in its Articles of Incorporation that the Company may, pursuant to the provisions of Paragraph 1 of Article 426 of the Companies Act, release the Directors (including those who had been Directors) and the Executive Officers (including those who had been Executive Officers) of their liability for damages arising from negligence of their duties by a resolution of the Board of Directors, to the extent permitted by the applicable laws and regulations, in order to enable Directors and Executive Officers to fully perform their expected roles.

⑧ Outline of the Limited Liability Agreements

The Company has entered into agreements with Outside Directors that limit their liability for damages as set forth in Paragraph 1 of Article 423 of the Companies Act. The maximum amount of liability for damages under such agreements is the minimum amount of liability as set forth in Paragraph 1 of Article 425 of the same Act pursuant to the Company's Articles of Incorporation.

⑨ Outline of the Directors and Officers Liability Insurance Agreements

The Company has Directors and Officers liability insurance (D&O insurance) agreements with insurance companies. This insurance covers the damage and costs incurred by Directors, Corporate Auditors, Executive Officers, Executive Corporate Officers, Managers, and other employees of the Company and its subsidiaries as a result of claims for damage received related to the performance of the Company's duties, and insurance premiums are borne by the Company. However, in order to ensure that the insured person's performance of duties is proper, certain exemptions are stipulated, such as not compensating for damage caused by the insured person's actions while being aware of a violation of the laws and regulations.

(2) [Status of Directors]

① List of Directors

Male: 4 persons, Female: 2 persons (ratio of female Directors: 33.3%)

(a) List of Directors

As of March 26, 2025

Position and title	Name (Date of birth)	Brief employment history, position, responsibility, and important concurrent positions		Term of office	Number of Company's shares held
Director	Hidetoshi Shibata (November 16, 1972)	April 1995 August 2001 August 2004 October 2007 September 2009 June 2012 October 2013 November 2013 July 2019 March 2024	Joined Central Japan Railway Company Joined MKS Partners Limited as Principal Partner, MKS Partners Limited Joined Global Private Equity, Merrill Lynch Japan Securities Co., Ltd. (currently, BofA Securities Japan Co., Ltd.) as Managing Director Joined Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation) as Managing Director Executive Managing Director, Investment Group, Innovation Network Corporation of Japan Member of the Board, the Company Executive Vice President, Member of the Board and CFO, the Company Representative Director, President and CEO, the Company Director, Representative Executive Officer, President and CEO, the Company (present)	(Note 1)	639,800
Director	Jiro Iwasaki (December 6, 1945)	April 1974 June 1996 June 1998 June 2006 March 2008 June 2009 March 2011 April 2011 March 2015 March 2016 June 2016	Joined Tokyo Denki Kagaku Kogyo K.K. (currently, TDK Corporation) Director, General Manager of Human Resources, TDK Corporation Director and Senior Vice President, Executive Officer of Recording Media & Solutions Business Group, TDK Corporation Director and Executive Vice President, Senior Executive Officer of Administration Group, TDK Corporation Audit and Supervisory Board Member, GCA Savvian Corporation (currently, HOULIHAN LOKEY Corporation) Director and Senior Vice President, Executive Officer of Strategic Human Resources and Administration Division, JVC KENWOOD Holdings, Inc. (currently, JVC KENWOOD Corporation) Audit and Supervisory Board Member, SBS Holdings, Inc. Professor at Teikyo University, Faculty of Economics Outside Director, SBS Holdings, Inc. (present) Outside Director (Full-time Audit and Supervisory Committee Member), GCA Savvian Corporation (currently, HOULIHAN LOKEY Corporation) Outside Director, the Company (part-time) (present)	(Note 1)	—

Position and title	Name (Date of birth)	Brief employment history, position, responsibility, and important concurrent positions		Term of office	Number of Company's shares held
Director	Selena Loh Lacroix (November 18, 1964)	1988	Joined a Singaporean law firm as an associate	(Note 1)	53,920
		August 1992	Joined Gray Cary Ware & Freidenrich LLP (now DLA Piper) as an associate		
		June 1995	Senior Counsel, Texas Instruments Incorporated		
		December 2004	Vice President & General Counsel, Asia Pacific, Honeywell International Inc.		
		May 2010	Global Semiconductor Practice Leader & Global Legal, Regulatory and Compliance Practice Leader, Egon Zehnder		
		December 2016	Member of Board of Directors, Integrated Device Technology, Inc. (part-time) (resigned in March 2019)		
		June 2017	Global Technology & Communication Practice Leader, Egon Zehnder		
		November 2017	Board Member, National Association of Corporate Directors - North Texas Chapter (part-time) (present)		
		December 2019	Vice Chair, Technology Practice, Korn Ferry (present)		
		March 2020	Outside Director, the Company (part-time) (present)		
Director	Noboru Yamamoto (November 21, 1962)	April 1986	Joined Mazda Motor Corporation	(Note 1)	—
		May 1989	Joined Daiwa Securities Co. Ltd.		
		February 2002	Joined PricewaterhouseCoopers Financial Advisory Service Ltd. (currently, PwC Advisory LLC) as Managing Director		
		April 2003	Joined Lazard Frères K.K. as Managing Director		
		October 2006	Joined Nikko Citigroup Securities Co., Ltd. (currently, Citigroup Global Markets Japan Inc.), Investment Banking Unit, as Managing Director		
		October 2011	Joined BNP Paribas, Tokyo Branch, Investment Banking Division, as Co-head		
		June 2016	Outside Director, Hitachi Koki Co., Ltd. (currently, Koki Holdings Co., Ltd.) (present)		
		September 2016	Representative Director, Representative Partner & CEO, XIB Capital Partners, Inc. (currently, XIB Inc.) (present)		
		March 2018	Outside Director, Tsubaki Nakashima Co., Ltd. Outside Corporate Auditor, the Company (part-time)		
		March 2021	Outside Director, the Company (part-time) (present)		
		April 2023	Outside Director, Chairperson of the Board of Directors, Tsubaki Nakashima Co., Ltd. (part-time) (present)		
		April 2024	Outside Director, Marelli Corporation (present)		

Position and title	Name (Date of birth)	Brief employment history, position, responsibility, and important concurrent positions		Term of office	Number of Company's shares held
Director	Takuya Hirano (August 11, 1970)	December 1995	Joined Kanematsu USA	(Note 1)	—
		February 1998	Joined Hyperion Solutions Corporation (currently, Oracle Corporation)		
		February 2001	President, Hyperion Solutions Japan		
		August 2005	Senior Director, Business & Marketing Division, Microsoft Co., Ltd. (currently, Microsoft Japan Co., Ltd.)		
		February 2006	General Manager, Enterprise Service, Microsoft Co., Ltd.		
		July 2007	General Manager, Enterprise Business & Enterprise Service, Microsoft Co., Ltd.		
		March 2008	General Manager, Enterprise Business, Microsoft Co., Ltd.		
		September 2011	General Manager, Multi-country, Microsoft Central and Eastern Europe		
		July 2014	Executive Vice President, Marketing & Operations, Microsoft Japan Co., Ltd.		
		March 2015	Representative Officer, Executive Deputy President, Microsoft Japan Co., Ltd.		
		July 2015	President, Microsoft Japan Co., Ltd.		
		September 2019	Vice President, Global Service Partner Business, Microsoft Corporation		
		June 2022	Outside Director, Yokogawa Electric Corporation (present)		
		October 2022	Outside Director, Yayoi Co., Ltd.		
		March 2023	Outside Director, the Company (part-time) (present)		
		April 2023	Chairman, Yayoi Co., Ltd. (part-time) (present)		
		June 2024	Outside Director, Fujitsu Limited (present)		
Director	Tomoko Mizuno (September 1, 1970)	July 1994	Joined Bain & Company Japan, Inc.	(Note 1)	—
		September 2001	Joined Eli Lilly & Company as Marketing Associate		
		January 2003	Joined Eli Lilly Japan K.K. as Senior MR		
		June 2005	Joined Novartis Pharma K.K. as Brand Manager, New Product Planning		
		January 2009	Group Manager, Equa Marketing Group, Novartis Pharma K.K.		
		April 2011	Joined MSD K.K. as Brand Leader, Gardasil Marketing Group		
		April 2013	Joined Japan Automatic Machine Co., Ltd. as Director (present)		
		March 2021	Outside Corporate Auditor, the Company (part-time)		
		March 2024	Outside Director, the Company (part-time) (present)		
Total					693,720

(Note) 1. The term of office shall expire at the conclusion of the Annual General Shareholders' Meeting for the last business year that ends within one (1) year after the conclusion of the Annual General Shareholders' Meeting held on March 26, 2025.

2. Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto, Mr. Takuya Hirano, and Ms. Tomoko Mizuno are outside Directors, as stipulated in Item 15, Article 2 of the Companies Act.

3. The Company is a "Company with Nomination Committee, etc.". The composition of each committee is as follows. In order to strengthen sustainability, the Company has named the Audit Committee under the Companies Act as the "Audit and Sustainability Committee" since January 2025.

Nomination Committee :Mr. Jiro Iwasaki (Chair), Ms. Selena Loh Lacroix, Mr. Takuya Hirano
Compensation Committee :Ms. Selena Loh Lacroix (Chair), Mr. Hidetoshi Shibata, Mr. Noboru Yamamoto, Ms. Tomoko Mizuno
Audit and Sustainability Committee :Ms. Tomoko Mizuno (Chair), Mr. Jiro Iwasaki, Mr. Noboru Yamamoto

(b) Status of Executive Officers

Position and title	Name (Date of birth)	Brief employment history, position, responsibility and important concurrent positions	Term of office	Number of Company's shares held
Representative Executive Officer, President and CEO	Hidetoshi Shibata (November 16, 1972)	See "(a) List of Directors"	(Note 1)	639,800

(Note) 1. The term of office shall expire at the conclusion of the first meeting of the Board of Directors held after the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within one year following his/her election.
2. The Company adopts an Executive Corporate Officer system. Executive Corporate Officers as of the filing date are as follows:
Shuhei Shinkai, Utae Nakanishi, Yuya Hasegawa, Davin Lee, Vivek Bhan, Chris Allexandre, Aram Mirkazemi, Julie Pope, Takeshi Kataoka

② Outside Directors

(a) Appointment of Outside Directors

The Company appoints 5 Outside Directors (out of 6 Directors) who have a great variety of experience and expertise to proactively incorporate outside perspectives and multilaterally deal with management issues. Further, with an aim of obtaining appropriate and objective advice to improve our business performance and corporate governance, the Company has notified the Tokyo Stock Exchange that the following Directors are Independent Directors: Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto, Mr. Takuya Hirano, and Ms. Tomoko Mizuno (Outside Directors).

(b) Functions and Roles of Outside Directors

Mr. Jiro Iwasaki, an Outside Director, has served as a director at multiple companies for a long time and thus possesses management experience in electrical and electronic components businesses. He currently serves as an outside director at other companies. Based on his abundant knowledge, experience and deep insight cultivated through such experience, he demonstrates supervising and monitoring capabilities on the overall management of the Company as the Lead Independent Outside Director. Since November 2018, he has led the activities of the Nomination Committee, including deliberation of selection of candidates for Director, as the chair of that Committee. Since March 2024, in accordance with the Company's transition to a "Company with Nomination Committee, etc.", he has been appointed a member of the Audit and Sustainability Committee as well as the Chair of the Nomination Committee.

Ms. Selena Loh Lacroix, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, based on her wealth of insight into the fields of corporate legal affairs, personnel affairs and corporate governance, which she has cultivated through extensive experiences in the semiconductor industry and several other industries, and from the perspective of promoting diversity. Since April 2020, she has not only led the activities of the Compensation Committee, including deliberation of the compensation policy for Directors and Executive Corporate Officers, as the chair of that Committee, but also participated in deliberation of selecting candidates for Director, etc. as a member of the Nomination Committee.

Mr. Noboru Yamamoto, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, based on his abundant knowledge, experience and achievements cultivated through years of management experience in the global finance and security industry and representative for M&A advisory companies. He had participated in deliberation of the compensation policy for Directors and Executive Corporate Officers, etc. as a member of the Compensation Committee and deliberation of selecting candidates of Directors, etc. as a member of the Nomination Committee since March 2020 and April 2021, respectively. In accordance with the Company's transition to a "Company with Nomination Committee, etc.", he stepped down as a member of the Nomination Committee and he has been appointed a member of the Compensation Committee and Audit and Sustainability Committee since March 2024. In addition, since 2022, he has led the supervising and monitoring activities by the Board of Directors regarding the enhancement of the Company's ESG activities as the ESG Sponsor of the Board of Directors.

Mr. Takuya Hirano, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, in particular based on his abundant insights in the technology field, business transformation and cross-cultural leadership, cultivated through years of management experience in multiple leadership positions in Japan and other regions at Microsoft Corporation, a global IT company. Since March 2023, he has participated in the deliberation of selecting candidates for Director, etc. as a member of the Nomination Committee.

Ms. Tomoko Mizuno, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, based on her abundant knowledge, experience and high degree of insight into the fields of corporate planning, personnel affairs, and others, cultivated through years of business management at a machinery and electronic component company and work experience in a global consulting firm and pharmaceutical companies. She had audited the overall management of the Company appropriately as Outside Corporate Auditor and participated in deliberation of the compensation policy for Directors and Executive Corporate Officers, etc. as a member of the Compensation Committee since March 2021. In accordance with the Company's transition to a "Company with Nomination Committee, etc.", she stepped down as an Outside Corporate Auditor and, since March 2024, she has served as an Outside Director and has been appointed the Chair of the Audit and Sustainability Committee as well as a member of the Compensation Committee.

(c) Relationship with Outside Directors

There is no personal, financial, or business relationship or other special interest relationship that does not satisfy the standards about the independence described in “(d) Overview of Standards for Determining the Independence of Outside Directors” below between the Company and Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto, Mr. Takuya Hirano, or Ms. Tomoko Mizuno, Outside Directors.

(d) Overview of Standards for Determining the Independence of Outside Directors

To ensure that our corporate governance is conducted with the appropriate level of objectivity and transparency, we have established Standards for Determining the Independence of Outside Directors, which are standards for determining whether Outside Directors are sufficiently independent, i.e., whether there is no possibility for a conflict of interest with the Company.

Accordingly, only individuals who meet the requirements of the Companies Act and the independence standards set forth by the Tokyo Stock Exchange and who do not fall under any of the following categories are considered to be sufficiently independent to serve as our Outside Directors.

For the purpose of the categories, “Officers” means directors, executive officers, corporate auditors, or persons in positions equivalent to these under the laws and regulations of each country. “Officers and Employees” means Officers and employees (including Executive Corporate Officers).

1. Business relationship as an Important Customer of the Company:
   The Outside Director is an Officer or Employee of an important customer of the Company.
2. Business relationship where the Company is an Important Customer of the Business Partner:
   The Outside Director is an Officer or Employee of a business partner of which the Company is an important customer.
3. Business relationship as an Important Fund Provider:
   The Outside Director is an Officer or Employee of a financial institution or other fund provider.
4. Business relationship providing Professional Services:
   The Outside Director provides, or is, an Officer or Employee of an organization that provides professional services (including, but not limited to, accounting, legal, consulting services) to the Company.
5. Capital relationship as a Major Shareholder or Investee:
   ・The Outside Director either holds, or is an Officer or Employee of an organization which holds, directly or indirectly, 10% or more of the total shareholder voting rights of the Company;
   ・The Company or its subsidiaries are among the major shareholders or investors (holding 10% or more of the total shareholder voting rights or total investment) of the organization in which the Outside Director serves as an Officer.
6. Other significant relationship as an Employee:
   The Outside Director is an Employee of the Company or its subsidiaries.
7. Other significant relationship as Accounting Auditor:
   The Outside Director is an Employee or partner of the Company’s Accounting Auditor, or a member of the Company’s Accounting Auditor in charge of conducting an accounting audit of the Company.
8. Other significant relationship as the recipient of a Donation:
   The Outside Director has received donations from the Company or its subsidiaries in excess of 10 million yen in any of the past three years, or is an Officer or Employee of an organization that has received such donations.
9. Other significant relationship as a Close Relative:
   The Outside Director is the spouse, relative within two degrees of kinship, or living in the same household as persons having management control of the Company (senior vice president level or above).

Categories 1 through 5, 7 and 8, apply to those persons who meet said criteria at any given point in the past three years; Category 6 applies to those persons who meet said criteria at any given point in the past ten years.

Based on the above, the Company has registered 5 Outside Directors to the Tokyo Stock Exchange as Independent Executives.

(e) Cooperation between Outside Directors and Internal Audits, Audits by the Audit and Sustainability Committee, and Accounting Audits, and Relationship with Internal Control Divisions

As members of the Board of Directors, the Outside Directors receive reports from the Executive Officers and each Committee on the execution of their duties and supervise overall management of the Company from an independent standpoint. The Company has established the Audit Committee Office, which is composed of specialized or concurrent staff supporting members of the Audit and Sustainability Committee and the Audit and Sustainability Committee in cooperation with Internal Audit Office. The Company does not have a dedicated staff to support Outside Directors other than those mentioned above, but staff members of the Legal Division and other employees provide support in a timely manner.

Further, the Internal Control Divisions (including Legal Division, Finance, Business Development, and Sustainability Department) cooperate in providing advance and ex-post explanations in a timely manner in response to requests from Outside Directors and members of the Audit and Sustainability Committee with respect to important matters related to internal control and sustainability among the matters to be deliberated by the Board of Directors and the Executive Committee.

At the meetings of the Board of Directors and the Audit and Sustainability Committee, the Company makes efforts to ensure that sufficient information is provided in a timely manner so that Directors and members of the Audit and Sustainability Committee may prepare beforehand. To that end, the staff members of the Legal Division provide notices and materials related to deliberations at the Board of Directors, and the staff members of the Audit Committee Office provide notices and materials related to deliberations at the Audit and Sustainability Committee. In addition, staff members of the Legal Division and the Audit Committee Office, depending on the topic, promptly respond to questions and comments from Outside Directors and members of the Audit and Sustainability Committee by making inquiries of related divisions within the Company.

The Internal Control Divisions led by Finance and the Internal Audit Office provide the necessary support for the smooth execution of audits by the Accounting Auditor, and also provide timely and accurate information in response to requests from Outside Directors and members of the Audit and Sustainability Committee, thereby realizing collaboration between Outside Directors and members of the Audit and Sustainability Committee, and the Accounting Auditor.

Outside Directors and members of the Audit and Sustainability Committee also receive reports on the status of internal audits at the meetings of the Board of Directors and the Audit and Sustainability Committee or through other means. In this way, the Outside Directors and members of the Audit and Sustainability Committee work closely with Internal Audit Office to realize effective supervision.

(3) [Audit Status]

① Internal Audit Status

(a) Overview of Internal Audits

Internal Audit Office, which reports directly to the President and CEO and consists of full-time or concurrently appointed members, verifies and evaluates the business execution of the Company's management organization, including business execution divisions, staff divisions, and staff divisions, and consolidated subsidiaries, in the standpoint of compliance, risk management, and internal control, from a third-party perspective independent of the business execution divisions. Internal audit plans and results are reported to the Representative Executive Officer and the Board of Directors on a semiannual basis, and to the Audit and Sustainability Committee on a quarterly basis, and specific corrective and remedial measures are recommended if problems are found. In addition, Internal Audit Office collaborates with the Audit and Sustainability Committee and the Accounting Auditor through regular information exchanges.

(b) Relationship between Internal Audit Office and the Internal Control Divisions

Internal Audit Office conducts interviews and other inquiries of internal divisions, including Internal Control Divisions, as necessary, to collect information in a timely and accurate manner.

(c) Relationship between Internal Audit Office and the Accounting Auditor

Internal Audit Office works closely with the Accounting Auditor by regularly exchanging information.

② Status of Audits by Audit and Sustainability Committee (Board of Corporate Auditors before the transition to a "Company with Nomination Committee, etc." in March 2024)

The Company transitioned from a "Company with Board of Corporate Auditors" to a "Company with Nomination Committee, etc." through resolution of the Annual General Meeting of Shareholders held on March 26, 2024. Additionally, in order to strengthen sustainability, the Company has named the Audit Committee under the Companies Act as the "Audit and Sustainability Committee" since January 2025. The structure, personnel, and procedures of the Audit and Sustainability Committee as of the filing date of this Annual Securities Report are described in "Part I Information on Renesas, IV. Corporate Information, 4. Information on Corporate Governance, (i) Corporate Governance, ② Corporate Governance Structure and Reasons for Adoption of the Structure, (d) Committees, ③ Audit Committee".

(a) Status of Audit and Sustainability Committee Meeting

(i) In principle, the meeting of the Audit and Sustainability Committee is held at least once every 3 months, and extraordinary meetings are held as necessary. In the current fiscal year, it was held 9 times (including 3 meetings of the Board of Corporate Auditors before the transition to a "Company with Nomination Committee, etc.")

Attendance at the Audit and Sustainability Committee meetings by each committee member during the current fiscal year is as follows.

Name	Position and title	Attendance (rate)
Tomoko Mizuno	Independent Outside Director (Chair)	attended 6 of the 6 meetings (100%)
Jiro Iwasaki	Lead Independent Outside Director	attended 5 of the 6 meetings (83%)
Noboru Yamamoto	Independent Outside Director	attended 6 of the 6 meetings (100%)

Attendance at the Board of Corporate Auditors meetings by each Corporate Auditor before the transition to a "Company with Nomination Committee, etc." on March 26, 2024, is as follows.

Name	Position and title	Attendance (rate)
Kazuki Fukuda	Corporate Auditor (Full-time)	attended 3 of 3 meetings (100%)
Kazuyoshi Yamazaki	Corporate Auditor (Outside)	attended 2 of 3 meetings (67%)
Tomoko Mizuno	Corporate Auditor (Outside)	attended 3 of 3 meetings (100%)
Miya Miyama	Corporate Auditor (Outside)	attended 3 of 3 meetings (100%)

(Note) Due to the Company's transition to a "Company with Nomination Committee, etc." with the approval of the 22nd Annual General Meeting of Shareholders held on March 26, 2024, Corporate Auditors listed above retired as Corporate Auditor due to the expiration of the term of office.

(ii) The main agenda items of the Audit and Sustainability Committee in the current fiscal year are as follows:

<Resolution and Deliberation Items>

Audit policy, audit plan and audit report of Audit and Sustainability Committee, appropriateness of the Accounting Auditor's audit method and audit results, evaluation of the Accounting Auditor, reappointment of the Accounting Auditor, selection of Audit and Sustainability Committee members who serve in roles selected by the Committee and specific Audit and Sustainability Committee members, consent to audit fees for the Accounting Auditor, revision of Audit and Sustainability Committee audit standards, procedures for prior approval of non-assurance services by the Accounting Auditor or its network firms.

<Reporting and Sharing Items>

Contents of business report, quarterly financial summary and financial report by the accounting department, accounting audit plan, interim review, accounting audit report for Companies Act audit and Financial Instruments and Exchange Act audit by the Accounting Auditor, internal audit plan and internal audit results by Internal Audit Office.

(b) Activities of Audit and Sustainability Committee

Following the audit policy resolved by the Audit and Sustainability Committee, the Audit and Sustainability Committee audits the legality and appropriateness of the duties of Directors and Executive Officers through attendance at important meetings such as the Board of Directors and other important meetings, or by reviewing meeting materials, hearing business reports and execution status from Executive Officers, Executive Corporate Officers, and employees (including the Internal Control Divisions), reviewing important approval documents, investigating the status of operations and property (including compliance systems and internal control systems), and investigating subsidiaries. In the current fiscal year, the audit focused on (i) risk management status based on the internal control systems, (ii) construction and operation status of the Group's governance structure, including promotion of ESG activities and information disclosure, and (iii) efforts to address geopolitical issues and changes in industry trends.

Activities of the Audit and Sustainability Committee in the current fiscal year are as follows.

Item	Content of Activities
Attendance at Important Meetings and Review of Important Documents	Attendance at important meetings (Board of Directors, Internal Control Promotion Committee, Executive Committee, etc.) or review of meeting materials, and review of important documents related to major approval and business execution to confirm the decision-making process, risk management system, and internal control system operation status.
Hearings and Information Exchange	Information exchange through exchange of opinions with the CEO (2 times), hearings from Executive Corporate Officers (9 times), and hearings from key division heads (19 times) to confirm the status of business execution, including management system and governance operation status and response to business challenges and risks.
On-site Audits of Domestic and Overseas Group Companies and Key Business Locations	Investigation into the status of business execution, risk recognition and response, internal control system operation status, and property status at three domestic sites and seven overseas sites through on-site audits or hearing reports on the result of on-site examination.
Cooperation with Subsidiary Corporate Auditors	Receipt of reports on subsidiary audit status, understanding of group governance status, and sharing of issues.
Cooperation with Internal Audit Office	Regular reports (4 times) from Internal Audit Office on internal audit plans and internal audit status, exchange of opinions and sharing of issues through Q&A.
Cooperation with the Accounting Auditor	Receipt of reports and exchange of opinions (6 times) on audit plans, audit fee explanations, interim reviews, year-end audit results, and implementation status of non-assurance services to confirm the duties of auditors and share issues.
Investigation of Property Status	Investigation through attendance at physical inventory and cash inspections (once each).

③ Status of Accounting Audit

(a) Name of the Auditing Firm

PricewaterhouseCoopers Japan LLC

(b) Continuous Audit Period

6 years

(c) Certified Public Accountants responsible for the audit

Masahide Kato, Designated limited liability Partner and Engagement Partner
Hitoshi Kondo, Designated limited liability Partner and Engagement Partner
Satoshi Shimbo, Designated limited liability Partner and Engagement Partner

(d) Those Assisting in Auditing Services

11 certified public accountants and 37 others assisted with the accounting audit of the Company.

(e) Policies and Reasons for Selection of Auditing Firm

Audit and Sustainability Committee chose PricewaterhouseCoopers Japan LLC as Accounting Auditor because the Audit and Sustainability Committee determined that it has the expertise, independence and quality management required as the Company's Accounting Auditor as well as has a capacity to audit the Group's global business activities in a uniform manner, in accordance with the Company's Accounting Auditor evaluation and selection criteria.

Audit and Sustainability Committee will, by unanimous consent, dismiss the Accounting Auditor upon determination that the Accounting Auditor falls under any item of Paragraph 1, Article 340 of the Companies Act. In addition, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, thereby making it unlikely that the Accounting Auditor will be able to properly perform an audit, or if the Board of Corporate Auditor determines that a change in the Accounting Auditor will enable the Company to establish a more appropriate audit system, the Board of Corporate Auditors will make a decision on the proposal regarding dismissal or not to reappoint the Accounting Auditor at a General Meeting of Shareholders.

(f) Evaluation of Auditing Firm by the Board of Corporate Auditors and Audit and Sustainability Committee

Audit and Sustainability Committee has established evaluation standards for the Accounting Auditor, which consist of, among others, assurance of the independence of Accounting Auditor, audit implementation system, communications with Corporate Auditors, etc., and the auditing firm's quality control system. In accordance with these standards, the Board of Corporate Auditors evaluates the Accounting Auditor annually by reviewing materials from the Accounting Auditor, the Company's officers and employees, and interviewing them on a regular basis.

④ Details of audit fees, etc.

(a) Remuneration for Auditing Certified Public Accountants or Auditing Firm

Classification	Previous fiscal year		Current fiscal year	
	Audit certification service fees (Million yen)	Non-auditing service fees (Million yen)	Audit certification service fees (Million yen)	Non-auditing service fees (Million yen)
Filing Company	234	—	191	—
Consolidated subsidiaries	14	1	15	1
Total	248	1	206	1

(Previous Fiscal Year)

The non-auditing service provided to consolidated subsidiaries is agreed procedural work services.

(Current Fiscal Year)

The non-auditing service provided to consolidated subsidiaries is agreed procedural work services.

(b) Fees paid to Organizations in the Same Network (PricewaterhouseCoopers) as that of Auditing Certified Public Accountants or Auditing Firm of the Company (excluding (a) above)

Classification	Previous fiscal year		Current fiscal year	
	Audit certification service fees (Million yen)	Non-auditing service fees (Million yen)	Audit certification service fees (Million yen)	Non-auditing service fees (Million yen)
Filing Company	—	163	—	370
Consolidated subsidiaries	505	62	575	54
Total	505	225	575	424

(Previous Fiscal Year)

The non-auditing services provided to the Company and its consolidated subsidiaries are various advisory services, including tax advisory services.

(Current Fiscal Year)

The non-auditing services provided to the Company and its consolidated subsidiaries are various advisory services, including tax advisory services.

(c) Policy for Determining Audit Fees

Audit fees of the certified public accountants or auditing firm paid by the Company are determined by comprehensively considering factors such as the number of audit days, the size of the relevant company, and the nature of operations.

(d) Reasons for Audit and Sustainability Committee's Agreement on Accounting Auditor Fees

Audit and Sustainability Committee obtained the necessary materials and received reports from the Directors, related internal divisions, and the Accounting Auditor. After reviewing the audit plan for the previous fiscal year and the current fiscal year, the status of execution of audits, and the basis for calculating the fee estimate, the Accounting Auditor concluded that the amount of the Accounting Auditor's fees, etc., was reasonable and agreed on such amount of fees.

(4) [Executive Compensation]

①Compensation for Directors

[Policy and Executive Summary]

< Directors who serve concurrently as Executive Officers>

Compensation for Directors who serve concurrently as Executive Officers is described in "② Compensation for Executive Officers/Executive Corporate Officers" below.

< Directors who do not concurrently as Executive Officers>

The basic policy regarding compensation for Directors who do not concurrently serve as Executive Officers is as follows.

- Highly transparent and objective
- Improvement of corporate value and compensation must interlock to share awareness of profit with shareholders.
- Contribute to ensuring and retaining global management team that satisfies accurate ability requirements to realize corporate vision

For Directors who do not concurrently serve as Executive Officers, the Company pays base salary as fixed compensation. For the purpose of securing diverse and talented human resources and further raising awareness of their roles, the Company grants some of such Directors with stock-based compensation (stock-based compensation where shares are delivered after a certain period of continuous service). The details of stock-based compensation are described below in "② Compensation for Executive Officers/Executive Corporate Officers," "(b) Details," "(i) Compensation Philosophy and Elements."

The Compensation Committee sets the compensation ratio, level, and composition of compensation for each Director who does not concurrently serve as Executive Officers, taking into account the appropriate ratios and levels in light of the above-mentioned basic policies, corresponding to the duties of the Directors.

②Compensation for Executive Officers/Executive Corporate Officers

The following describes the compensation program for our Executive Officers/Executive Corporate Officers (A Director who also serves as an Executive Officer and other Executive Officers in this section are collectively referred to as "Executive Officers"). The composition of our Executive Officers/Executive Corporate Officers (as of the end of the current fiscal year) is as follows. An Executive Officer who is also a Director is remunerated as an Executive Officer.

Name	Position and responsibilities	Executive Officer	Executive Corporate Officer
Hidetoshi Shibata	Director, Representative Executive Officer, President and CEO	✓	-
Shuhei Shinkai	Senior Vice President and CFO, in charge of matters relating to Finance, Corporate Strategy, Accounting & Control, Investor Relation	-	✓
Julie Pope	Senior Vice President and CHRO, in charge of matters relating to Human Resources and General Affairs	-	✓
Sailesh Chittipeddi	Executive Vice President, in charge of matters relating to Operations (including Supply Chain, Procurement and Production)	-	✓
Davin Lee	Senior Vice President, in charge of matters relating to Analog & Connectivity	-	✓
Toshihiko Seki	Senior Vice President, in charge of matters relating to Embedded Processing	-	✓
Vivek Bhan	Senior Vice President, in charge of matters relating to High Performance Computing	-	✓
Chris Allexandre	Senior Vice President, in charge of matters relating to Power	-	✓
Aram Mirkazemi	Senior Vice President, in charge of matters relating to Software & Digitalization	-	✓
Shinichi Yoshioka	Senior Vice President and CTO, in charge of formulation of technology strategy and R&D policy for the Company	-	✓
Takeshi Kataoka	Senior Vice President, in charge of matters relating to Quality Assurance	-	✓

Executive Officers/Executive Corporate Officers of the Company have the broadest job responsibilities and policy-making authorities in the Company. Executive Officers/Executive Corporate Officers are responsible for maintaining our business performance and a highly ethical corporate culture, as well as for ensuring thorough compliance.

Accordingly, the Company aims to ensure transparency in our disclosure regarding executive compensation for not only our Executive Officers, including the CEO, but also for our core members of the management team. Therefore, the Company discloses individual compensation for the CEO, CFO, and other top three compensated executive corporate officers (i.e., Executive Vice President in charge of matters relating to Operations Group, Senior Vice President in charge of matters relating to High Performance Computing Product Group, and Senior Vice President in charge of matters relating to Power Product Group) respectively, as well as compensation for Directors and Executive Officers with total compensation of at least 100 million yen that is required to be disclosed by law.

(a) Executive Summary

The Company regularly updates our compensation program for Executive Officers/Executive Corporate Officers. The Company views compensation as one of essential management tools to accelerate the expansion of our business portfolio in the focus area of Automotive, and Industrial/Infrastructure/IoT, where the Company has global presence and demonstrates strong market competitiveness.

When establishing compensation program and setting compensation levels, the Company uses global and Japanese companies in the semiconductor and other related industries as our peer companies for benchmark comparisons. Each year, the Company performs a market comparison of our executive compensation packages and updates them based on the results of that comparison. The Company designs appropriate and competitive compensation packages as a global company to attract and retain talented Executive Officers/Executive Corporate Officers who can drive our business.

Our compensation program is designed to include performance-linked compensation to encourage Executive Officers/Executive Corporate Officers to think and act in the best interests of shareholders in both the short- and long-term. A significant portion of our Executive Officers/Executive Corporate Officers' total annual compensation is paid as performance-linked and stock price-linked compensation. Short-term incentives (STIs), which are performance-linked compensation, are linked to our short-term performance, and stock price-linked compensation (LTIs) are linked to our long-term performance. The Company also believes that our compensation program holds our Executive Officers/Executive Corporate Officers accountable for direct financial performance and overall market competitiveness of the Company.

(b) Details

(i) Compensation Philosophy and Elements

The basic philosophy regarding compensation for Executive Officers/Executive Corporate Officers is as follows.

- Highly linked to company performance, and highly transparent and objective.
- Improvement of corporate value and compensation must interlock to share awareness of profit with shareholders.
- Contribute to ensuring and retaining global management team that satisfies accurate ability requirements to realize corporate vision.

In addition, the current compensation consists of the following:

- Base salary as fixed compensation
- Performance-linked compensation focused on achieving shorter-term financial and strategic objectives (Short-Term Incentives)
- Post-delivery stock-based compensation as stock price-linked compensation to motivate management to increase shareholder value (Long-Term Incentives)

The Company believes that our current program is consistent with practices in the global and Japanese domestic markets, as well as the interests of our stakeholders. The ratio of each type of compensation in the total compensation is set in consideration of the appropriate ratio commensurate with market comparisons, global trends, and roles and performance of each Executive Officer and Executive Corporate Officer. In addition, in order to link long-term performance to our executive compensation and realize strong alignment between shareholders and management team, the Company has been promoting a compensation strategy that emphasizes long-term incentives compared to many Japanese companies, and the Company has set the proportion of stock-based compensation to total compensation at a level that exceeds half.

(1) Cash Compensation

< Base Salary >

Base salary is the core compensation that reflects the market value of particular roles and responsibilities in the organization and is a reward for actual responsibilities, competencies, and experience of each Executive Officer and Executive Corporate Officer.

This compensation is paid as a fixed amount based on the scope of responsibilities and the expected contribution to the Company. This compensation is a fundamental element of executive compensation, and is set at a level that invites and ensures retention of competent Executive Officers/Executive Corporate Officers, and motivates them to drive global business expansion.

This compensation will be adjusted annually in consideration of market salary increase rates, our performance and individual performance.

< Performance-linked Compensation (Short-Term Incentive (STI))>

Short-Term incentives (STIs) are paid to Executive Officers/Executive Corporate Officers as motivation and reward for overall company financial performance as well as assessments of the individual performance of Executive Officers/Executive Corporate Officers for each fiscal year. This compensation is a crucial element of our executive compensation program and is focused on motivating Executive Officers/Executive Corporate Officers to contribute to the achievement of performance goals.

This compensation is based on one-year company performance, which consists of performance of Automotive Business segment, and Industrial/Infrastructure/IoT Business segment. In order to evaluate business expansion and the profitability thereof, this is evaluated by using certain indicators, including the following:

・Revenue (growth rate)
・Operating margin

Evaluation indicators and targets are set annually. And the payout amounts based on business performance are approved by the Compensation Committee.

(2) Stock-based Compensation

<Stock Price-linked Compensation (Long-Term Incentive (LTI))>

Long-Term Incentives (LTIs) are variable compensation with an evaluation period of 1 year or more and are generally granted in a manner that corresponds to the value earned by shareholders. The role of Long-Term Incentives is to align economic rewards for Executive Officers/Executive Corporate Officers with the long-term performance of the organization and the long-term orientation of our shareholders.

Beginning in 2021, current Long-Term Incentives are granted through stock-based compensation where shares are delivered after vesting, and the actual earnings received by Executive Officers/Executive Corporate Officers are determined based on stock price growth and total shareholder return (TSR) over a 3-year period.

Specifically, Long-Term Incentives consists of Performance Share Units (PSUs), in which the number of units is determined according to our TSR and our shares are delivered, as well as Restricted Stock Units (RSUs) that are subject to continued service. Of these, PSUs are designed to include the Company's TSR as the performance indicator in order to link PSUs more closely to strengthening awareness and activities aimed at maximizing medium- to long-term corporate value and contributing to our stock price.

The number of units to be granted will be determined based on the simple average of the closing price of our shares on the Tokyo Stock Exchange during the 3-month period specified at the time of grant decision, based on the base amount of compensation set for each Executive Officer and Executive Corporate Officers in proportion to their responsibilities and percentages. The composition rate of the compensation base amount for PSUs and RSUs is 50% to 50%.

Meanwhile, in the event that a person eligible for grant falls under any of the causes stipulated by the Company, such as certain misconduct stipulated by the Company, all or part of the unvested units shall be forfeited. In addition, if, after vesting, it is found that such events or the act causing such events occurred before vesting and the Company deems it necessary, the grantee shall return, without compensation, all or part of the shares issued in respect of such units or an equivalent amount of money.

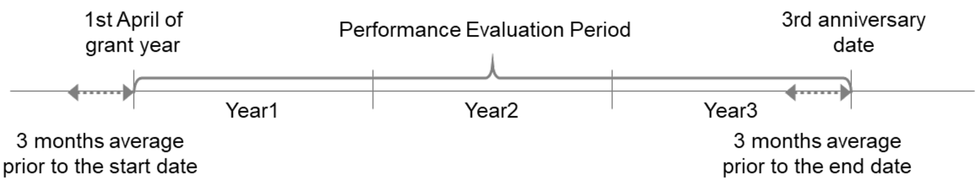
Type	Purpose	Basis	Composition Ratio
Performance Share Units (PSUs)	Increase Executive Officers/Executive Corporate Officers' willingness to contribute to stock price growth and corporate value	TSR	50%
Restricted Stock Units (RSUs)	Recruit and retain outstanding talented human resources by reinforcing the linkage between compensation and stock price and sharing the profits with shareholders	Tenure	50%

[PSU]

The number of units to be granted to the grantees shall be calculated based on the following formula:

Number of PSUs = the base amount of PSU compensation (before performance evaluation) which the Company has determined to grant to each grantee / simple average of the closing price of our shares on the Tokyo Stock Exchange for the 3-month period specified at the time of grant decision.

Subsequent to the date the Company determines (in principle, the 3 years anniversary date after the grant date), we will issue a number of shares equal to such vested number determined as follows, taking into account the performance requirements for that period.

<table>
<tr><td>Performance Indicators</td><td>TSR: Determined by comparing the companies which constitute SOX (Philadelphia Semiconductor Index) and TOPIX (Tokyo Stock Price Index) as well as a group of companies (called “Renesas Peers” here after) that the Company selects in light of the industry, company size, business model, etc.</td></tr>
<tr><td>Performance Evaluation Period</td><td>3 years from April 1 of the year in which the PSUs were granted</td></tr>
<tr><td>TSR Growth Rate of the Company</td><td>(Average stock price for the 3 months prior to the end of the performance evaluation period (*1)
- Average stock price for the 3 months prior to the commencement date of the performance evaluation period (*2)
+ Total dividends per share for dividends from retained earnings with a record date during the performance evaluation period)
/ Average stock price for the 3 months prior to the commencement date of the performance evaluation period (*2)
(*1) This refers to the simple average of the closing price of our shares on the Tokyo Stock Exchange during the last 3 months of the performance evaluation period.
(*2) This refers to the simple average of the closing price of our shares on the Tokyo Stock Exchange for the 3 months prior to the commencement date of the performance evaluation period.

</td></tr>
<tr><td>Method of Determining Issued Shares</td><td>・When our TSR growth rate and the TSR growth rate of SOX-constituent companies are classified in ascending order, the percentage (SOX calculation rate) is calculated according to which of the following 1) to 5) is the classification of our TSR growth rate.
・When our TSR growth rate and the TSR growth rate of TOPIX-constituent companies are classified in ascending order, the percentage (TOPIX calculation rate) is calculated according to which of the following 1) to 5) is the classification of our TSR growth rate.
・When our TSR growth rate and the TSR growth rate of Renesas Peers are classified in ascending order, the percentage (Renesas Peers calculation rate) is calculated according to which of the following 1) to 5) is the classification of our TSR growth rate
・The number obtained by multiplying the number of granted PSUs by the weighted average of the SOX calculation rate of 25 in 100, the TOPIX calculation rate of 50 in 100, and the Renesas Peers calculation rate of 25 in 100 (hereinafter referred to as the “Base Calculation Rate”) (rounded up to 100) will be vested as the number of vested PSUs on the date specified by us (Japan time) (as a general rule, the 3 year anniversary date from the grant date of the PSUs). The number of shares equal to the number of vested PSUs will be issued to the grantee. However, if our TSR growth rate is 0% or less, the Base Calculation Rate is limited to 100%. Our TSR growth rate shall be determined by the above formula, and the growth rate of TSR of SOX-constituent companies, TOPIX-constituent companies and Renesas Peers shall be determined by a method similar to our TSR growth rate.
<table>
<tr><th>TSR growth rate</th><th>Payout%</th></tr>
<tr><td>1) Less than the 25th percentile</td><td>0%</td></tr>
<tr><td>2) The 25th percentile or more, and less than the 50th percentile</td><td>Rate obtained by assuming the same percentage increase between 50% and 100%</td></tr>
<tr><td>3) The 50th percentile or more, and less than the 75th percentile</td><td>Rate obtained by assuming the same percentage increase between 100% and 150%</td></tr>
<tr><td>4) The 75th percentile or more, and less than the 90th percentile</td><td>Rate obtained by assuming the same percentage increase between 150% and 200%</td></tr>
<tr><td>5) The 90th percentile or more</td><td>200%</td></tr>
</table></td></tr>
</table>

[RSU]

The number of units to be granted to the grantees shall be calculated based on the following formula:

Number of RSUs = the base amount of RSU compensation for the 3 years (however, for Outside Directors, 1 year) that the Company decided to grant to each grantee / the simple average of the closing price of our shares on the Tokyo Stock Exchange during the 3 months period specified at the time of grant decision.

As a general rule, one-third of the units vest every year after the grant date (however, for Outside Directors, all of the units vest on 1 year after the grant date) and the Company will issue a number of shares equal to the number of vested units.

(ii) Comparator Group (FY2021 and thereafter, as of the end of the current fiscal year)

The Compensation Committee reviewed compensation of comparable companies to better understand compensation program design and competitive compensation levels. Given that the Company is operating our business globally, the Company selected the comparable companies not only in Japan, but also from the United States and Europe, both of which are our primary business areas and where the global executive compensation programs are functioning. The Company has set future performance targets with an appropriate balance of references to 3 key global regions, and has established a compensation program with the aim of promoting the achievement of business and financial indicators both globally and regionally.

Comparator groups in compensation include high-tech companies headquartered in Japan, which are either competitors in human resources acquisition or competitors in the same industry as viewed by investors, or both. At this stage, the correlation between the revenue level and the executive compensation level is not so strong in Japan, so the Company has selected Japanese companies from a wide range of revenue levels. For US and Europe, the Company selected semiconductor companies considering revenue level and market capitalization. The disclosed personal compensation data of comparable companies is supplemented by market compensation data (Willis Towers Watson, Mercer LLC and Aon survey).

Companies with headquarters, etc. in Japan (Number of comparable companies: 13)	Companies with headquarters, etc. in the US (Number of comparable companies: 12)	Companies with headquarters, etc. in Europe (Number of comparable companies: 4)
Sony Group Corporation Toshiba Corporation Mitsubishi Electric Corporation Tokyo Electron Limited Advantest Corporation DISCO Corporation Hitachi, Limited. Panasonic Holdings Corporation Olympus Corporation Trend Micro Incorporated. DENSO CORPORATION TDK Corporation Murata Manufacturing Corporation	Analog Devices, Inc. Texas Instruments Inc. Microchip Technology Inc. Advanced Micro Devices, Inc. Applied Materials, Inc. Broadcom Inc. Lam Research Corp. Marvell Technology, Group, Inc. Micron Technology, Inc. Qualcomm, Inc. KLA Corp. ON Semiconductor Corp.	STMicroelectronics N.V. NXP Semiconductors N.V. Infineon Technologies AG ASML Holding N.V.

(iii) Analysis of Compensation Decisions

(1) Total Compensation

The Compensation Committee reviewed both the overall package and each type of compensation before the final determination of Directors', Executive Officers/Executive Corporate Officers' compensation. The reviewed information includes total cash compensation (base salary and STI), stock-based compensation amount, total compensation amount (base salary, STI, and stock-based compensation), and the impact of proposed compensation on other compensation elements. When determining the amount of compensation, compensation composition and incentives for Executive Officers/Executive Corporate Officers, the Compensation Committee reviewed each position, role, and status of service, including career history, in relation to corporate performance and individual performance and our medium- to long-term value creation, in accordance with our basic philosophy of compensation. The Compensation Committee assessed whether overall compensation was consistent with the purposes of the program.

Based on this comprehensive review, the Compensation Committee determined that the compensation levels and compensation composition for the current fiscal year were appropriate and consistent with the policies stated in "Compensation for Directors" and "Compensation for Executive Officers/Executive Corporate Officers".

< Base Salary>

The amount of base salary paid to Executive Officers/Executive Corporate Officers for the current fiscal year was determined after deliberations by the Compensation Committee, taking into account the role of each position and the related employment markets (Japan, US or UK).

< Performance-linked Compensation (Short-Term Incentive (STI))>

The STI base amount for the Executive Officers/Executive Corporate Officers in the current fiscal year that the Company decided to disclose is shown below.

Name	STI (Base amount: Millions of yen)	Base Salary (Base amount: Millions of yen)	Percentage of STI for Base Salary
Hidetoshi Shibata	136	108	125.0%
Shuhei Shinkai	34	38	90.0%
Sailesh Chittipeddi	93	98	95.0%

Vivek Bhan	66	88	75.0%
Chris Allexandre	59	78	75.0%

(Note) The amounts are rounded to the nearest million yen. For overseas officer, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY150.77 = USD 1.00). The percentage of STI for Base salary is calculated based on amounts before rounding.

Provisional STI payments are calculated based on the revenue (growth rate) and operating margin (both Non-GAAP basis) of whole company.

This scheme is the same as the scheme for employees, and it is a mechanism for sharing incentives with employees.

The final amount of payment will be determined upon deliberations by the Compensation Committee based on the provisional STI payment determined by the scheme described above, our performance, various requirements other than financial performance, and other factors for the fiscal year.

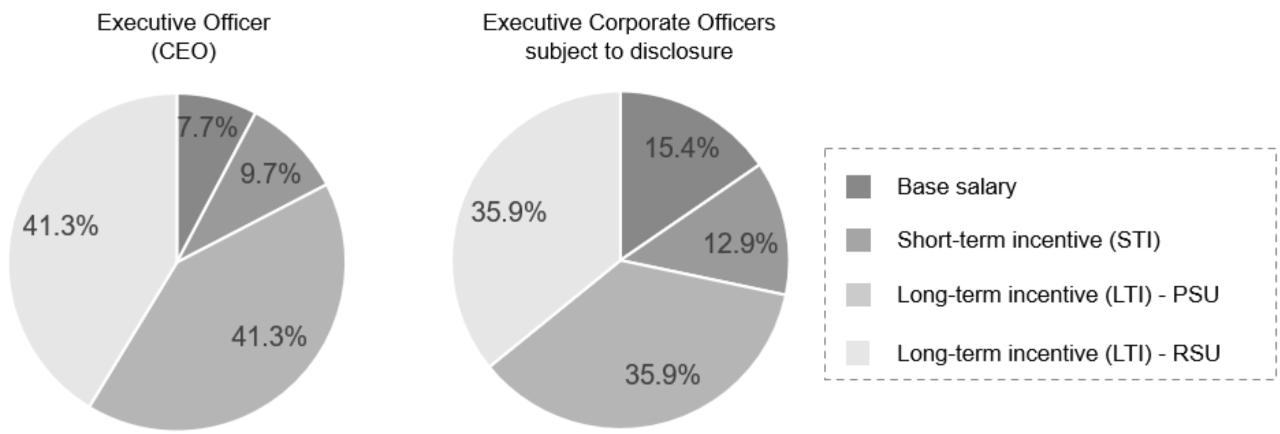
<Stock Price-linked Compensation (Long-Term Incentive (LTI))>

The following table shows the base amount of grant level for each Executive Officers/Executive Corporate Officer used as a basis for calculating the number of PSUs and RSUs granted to Executive Officers/Executive Corporate Officers that the Company decided to disclose in the current fiscal year.

Name	Stock-based Compensation (base amount of grant level: Millions of yen)		
	Total	PSU (base amount of grant level)	RSU (base amount of grant level)
Hidetoshi Shibata	1,160	580	580
Shuhei Shinkai	184	92	92
Sailesh Chittipeddi	528	264	264
Vivek Bhan	317	158	158
Chris Allexandre	377	188	188

(Note) The table sets forth the base amount of the annual grant level for each Executive Officer and Executive Corporate Officer (amounts are rounded to the nearest million yen and, for overseas officers, the currency of payment is converted into Japanese yen at the average exchange rate during the year (JPY150.77 = USD 1.00)). The actual amounts vested are set forth in the table below under “(d) Total compensation amount in FY2024 (ii) Total Amount of Consolidated Compensation for Each Executive Officer/Executive Corporate Officer Subject to Disclosure.”

The compensation composition for Executive Officers/Executive Corporate Officers disclosed by the Company for the current fiscal year is shown below. The percentage of the variable portion is greater than the current general situation of executive compensation in Japan to reward Executive Officers/Executive Corporate Officers for company performance and individual performance.



(Note) Each compensation element is based on a base amount before reflecting performance (as of December 31, 2024)

(2) Performance Evaluation for the current fiscal year used in calculation of Performance-linked Compensation and Stock Price-linked Compensation

Revenues (Non-GAAP basis) and operating margin (Non-GAAP basis) both decreased during the current fiscal year.

Total shareholder return grew by 109.8% on a 3-year average, outpacing the median of TOPIX constituent companies, the median of SOX-constituent companies and the median of Renesas Peers.

Revenue (Non-GAAP basis)

- Our revenue decreased by 8.2% in the current fiscal year compared with the previous fiscal year.
- Revenue by business unit is as follows:
  - Revenue in the Automotive Segment in the current fiscal year increased by 6.4% compared with the previous fiscal year.
  - Revenue in the Industrial/Infrastructure/IoT Segment in the current fiscal year decreased by 20.3% compared with the previous fiscal year.

Operating margin (Non-GAAP basis)

- Our operating margin in the current fiscal year decreased by 4.6pts compared with the previous fiscal year.
- Operating margin by business unit is as follows:
  - Operating margin in the Automotive Segment in the current fiscal year decreased by 3.1pts compared with the previous fiscal year.
  - Operating margin in the Industrial/Infrastructure/IoT Segment in the current fiscal year decreased by 6.3 pts compared with the previous fiscal year.

Total Shareholder Return (TSR)

- The TSR growth rate used to evaluate the performance in the PSU vesting process in the current fiscal year was 109.8%, higher than the median of TOPIX constituent companies, the median of SOX-constituent companies, and the median of Renesas Peers.
- Payout% based on the TSR is as below.

TSR	Group	%ile Max: 90%ile or above Target: 50%ile Min: less than 25%ile	Payout% Max: 200% Target: 50% Min: 0%	Weight	Final Payout% Vs PSU base amount Max: 200% Target: 100% Min: 0%
109.8%	TOPIX	87.5%ile	191.6%	50%	189.8%
	SOX	82.8%ile	176.0%	25%	
	Renesas Peers (Group 1)	93.8%ile	200.0%	12.5%	
	Renesas Peers (Group 2)	100.0%ile	200.0%	12.5%	

(Note) For Renesas Peers, we evaluated performance by dividing them into 2 groups based on industry and company size, etc.

Overview of performance results

	1 year	3 years
Revenue (Non-GAAP basis)	-8.2%	
Automotive Segment	+6.4%	
Industrial/Infrastructure/IoT Segment	-20.3%	
Operating margin (Non-GAAP basis)	-4.6pts	
Automotive Segment	-3.1pts	
Industrial/Infrastructure/IoT Segment	-6.3pts	
Total Shareholder Return (TSR)		+109.8%

(Note) 1. Revenue and Operating Margin: Disclosed on a Group-consolidated and Non-GAAP basis
2. TSR performance evaluation period: April 1, 2021 to March 31, 2024
3. TSR calculation: (Average stock price for the 3 months prior to the end of the performance evaluation period
- Average stock price for the 3 months prior to the commencement date of the performance evaluation period
+ Total dividends per share for dividends from retained earnings with a record date during the performance evaluation period)
/ Average stock price for the 3 months prior to the commencement date of the performance evaluation period
4. The Company paid dividends totally 28 JPY from retained earnings during the performance evaluation period.

(3) Individual Performance Evaluation Results (MBO (Management By Objective))

The performance of the Executive Officer who also serves as CEO was evaluated by the Nomination Committee for his overall contribution to our performance. For Executive Corporate Officers whose compensation the Company decided to disclose, the CEO considered the elements described below in evaluating individual performance.

- Mr. Shuhei Shinkai served as CFO and the CEO focused on our financial management.
- Mr. Sailesh Chittipeddi served as General Manager of Operation Group and the CEO focused on the Supply Chain, Procurement and Production activities.
- Mr. Vivek Bhan served as head of High Performance Computing Group and the CEO focused on the financial performance and strategic positioning of the business unit.
- Mr. Chris Allexandre served as head of Power Group and the CEO focused on the financial performance and strategic positioning of the business unit.

(iv) Compensation for the current fiscal year

(1) Total compensation amount for Directors and Executive Officers

<Before transition to Company with Nomination Committee, etc. (from January 2024 to March 2024)>

Title	Headcount	Total Compensation (Millions of yen)	Total Amount of Compensation, etc. by Type (Millions of yen)			
			Monetary Compensation		Non-monetary Compensation, etc.	
					Long-term incentives	
			Base Salary	Performance-linked Compensation (short-term incentive)	Stock Compensation with Continuous Service Conditions	Stock Compensation with Stock Price-linked conditions
Directors (excluding Outside Directors)	1	24	24	-	-	-
Outside Directors	4	16	16	-	-	-
Corporate Auditor (excluding Outside Corporate Auditors)	1	5	5	-	-	-
Outside Corporate Auditors	3	5	5	-	-	-

(Note) 1. The Company has transitioned from “a Company with a Board of Corporate Auditors” to “a Company with Nomination Committee, etc.” with the approval of the 22nd Annual General Meeting of Shareholders held on March 26, 2024. Accordingly, “Director (excluding Outside Director)” and “Outside Director” in the table shows the number of Directors who served during the period from January 1, 2024 to March 26, 2024 and the total compensation amount paid for that period. Additionally, “Corporate Auditor (excluding Outside Corporate Auditor)” and “Outside Corporate Auditor” shows the number of Corporate Auditors who served during the period from January 1, 2024 to March 26, 2024 (including those who retired at the conclusion of the 22nd Annual General Meeting of Shareholders), and the total compensation amount paid for that period.

2. Compensation for “Directors (excluding Outside Director)” includes compensation for the CEO who also serves as an Executive Corporate Officer.

3. Amounts of less than one million yen are rounded. Therefore, the total amount in each section may not match the amount stated in the Total Compensation column.

4. The full amount of “Performance-linked Compensation (Short-term incentives)” under “Monetary Compensation” and “Non-monetary Compensation” columns for the current fiscal year are shown in the below table “<After transition to Company with Nomination Committee, etc. (from April 2024 to December 2024)>”.

5. For Directors and Corporate Auditors who do not reside in Japan, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY150.77 = USD 1.00).

6. The maximum annual compensation for Directors is resolved at the 16th Annual General Meeting of Shareholders held on March 29, 2018, to be 2 billion yen, including 400 million yen for Outside Directors. As of the conclusion of the relevant Annual General Meeting of Shareholders, there were 5 Directors (including 2 Outside Directors).

7. The maximum amount of post-delivery stock-based compensation for Directors was resolved to be within the amount described in Note 6 above for monetary compensation claims related to units, and to be within 2.7 million shares per year (including no more than 200,000 shares for Outside Directors) as for the total number of shares of the Company to be granted to Directors, at the 19th Annual General Meeting of Shareholders held on March 30, 2021. As of the conclusion of the relevant Annual General Meeting of Shareholders, the number of Directors eligible for Performance Share Units (PSU) (Outside Directors are not eligible) was 1and the number of Directors eligible for Restricted Stock Units (RSU) was 6 (including 5 Outside Directors).

8.The maximum annual compensation for Corporate Auditors was resolved at the Extraordinary General Meeting of Shareholders held on February 24, 2010, to be 12 million yen per month. As of the conclusion of the relevant

Extraordinary General Meeting of Shareholders, there were 4 Corporate Auditors (including 3 Outside Corporate Auditors).

<After transition to Company with Nomination Committee, etc. (from April 2024 to December 2024)>

Title	Headcount	Total Compensation (Millions of yen)	Total Amount of Compensation, etc. by Type (Millions of yen)			
			Monetary Compensation		Non-monetary Compensation, etc.	
					Long-term incentives	
			Base Salary	Performance-linked Compensation (Short-term incentive)	Stock Compensation with Continuous Service Conditions	Stock Compensation with Stock Price-linked conditions
Directors	5	99	60	-	39	-
Executive Officers	1	1,052	76	96	354	525

(Note) 1. The "Directors" in the table are all Outside Directors and do not include one Director who concurrently servers as an Executive Officer. Executive Officer who concurrently serves as Director receives compensation as an Executive Officer and is shown in the "Executive Officers" column.
2. Amounts are rounded to the nearest million yen. Therefore, the total amount listed in each column may not match the amount stated in the Total Compensation column.
3. Of the non-monetary compensation, etc. in the table, "Stock Compensation with Continuous Service Conditions" includes Restricted Stock Units (RSU), which is post-delivery stock compensation, and "Stock Compensation with Stock Price-linked Conditions" includes Performance Share Units (PSU). For PSUs for which the rights were vested during the current fiscal year, the fair value calculated based on the closing price of stock on the date of vesting, etc. is stated. In addition, the amounts recorded as expenses for accounting purposes for the current fiscal year are 28 million yen for Directors and 890 million yen for Executive Officer.
4. For Directors and Executive Officers who do not reside in Japan, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY150.77 = USD 1.00).

(2) Total Amount of Consolidated Compensation for each Executive Officer/Executive Corporate Officer Subject to Disclosure

Name	Amount of Compensation (Millions of yen)				Total Compensation (Millions of yen)
	Base salary	Performance-linked Compensation	Stock Price-linked Compensation		
			Long-term Incentives (LTI)		
		Short-term Incentive (STI)	Stock Compensation with Continuous Service Conditions	Stock Compensation with Stock Price-linked conditions	
Hidetoshi Shibata	100	96	354	525	1,076
Shuhei Shinkai	35	24	88	132	279
Sailesh Chittipeddi	95	66	363	667	1,191
Vivek Bhan	85	47	247	0	379
Chris Allexandre	76	42	229	376	723

(Note) 1. Amounts are rounded to the nearest million yen. Therefore, the total of the amounts listed in each column may not match the amount in the Total Compensation column.
2. "Base salary" represents the amount paid in the current fiscal year. "Performance-linked Compensation" represents the amount of short-term incentive (STI) payments using the current fiscal year as evaluation period. "Stock Price-linked Compensation" represents the amount vested in the current fiscal year.
3. For overseas officers, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY150.77 = USD 1.00).

(v) Benefits and Welfare

Executive Officers/Executive Corporate Officers are eligible to receive various benefits equal to those of our other employees, excluding severance benefits. Those benefits include social insurance, such as health insurance and welfare pensions, accident insurance, commuting expenses, and rights to use group insurance.

(vi) Pay Ratio (Compensation Ratio)

The median of total annual compensation of all employees (other than the CEO) for our current fiscal year was 6 million yen. The CEO's total annual income was 1,076 million yen. Based on this information, the ratio of the CEO's total annual compensation to the median of total annual compensation of all employees was approximately 179 to 1.

The following methodologies and significant assumptions were used to determine the median of total annual compensation of all our employees and to calculate the total annual compensation of the median employee:

・December 31, 2024 was selected as the date (record date) for determining the median employee.
・Our employees as of the record date consisted of approximately 22,000 employees working for the Company and its consolidated subsidiaries (excluding those on leave that are not expected to return to work and Altium employees and Transphorm employees because their compensation structure has not integrated to ours yet).
・To determine the median employee, the Company used information about base salaries and incentives paid to all employees. The monthly salary is calculated on an annualized basis for full-time employees who have a service period of less than 1 fiscal year or who have had a non-paid holiday during a 1-year period.

The CEO's total annual compensation is the amount shown in the column "(iv) Compensation for the current fiscal year FY2024 (2) Total Amount of Consolidated Compensation for each Executive Officer and Executive Corporate Officer Subject to Disclosure" above (Base salary + STI + LTI).

③Compensation Committee

The Company transitioned to a "Company with Nomination Committee, etc." with the approval of the 22nd Annual General Meeting of Shareholders held on March 26, 2024. As a Company with Nomination Committee, etc., in order to ensure the appropriateness of compensation, etc. and the transparency of the decision-making process, the Company has established a Compensation Committee, which is composed of a majority of Outside Directors, and is chaired by an Outside Director. The members of the Compensation Committee are as follows.

・ Chairperson: Selena Loh Lacroix (Outside Director)
・ Member: Hidetoshi Shibata (Director, Representative Executive Officer, President and CEO)
・ Member: Noboru Yamamoto (Outside Director)
・ Member: Tomoko Mizuno (Outside Director)

A total of four meetings of the Compensation Committee were held during the current fiscal year. The compensation structure, individual compensation level (including payout amount of performance-linked compensation and grant amount of stock-based compensation) for Directors, Executive Officers/Executive Corporate Officers are decided by the Compensation Committee based on market data and compensation advisor's (Willis Towers Watson) advice.

(5) [Status of Shareholdings]

(i) Standards and concept for classification of investment shares

The Company classifies investment shares held solely for the purpose of receiving profits from changes in the value of shares or dividends on shares as investment shares held for pure investment, and investment shares held for other purposes are classified as investment shares held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

(a) Methods for verifying holding policies and rationality of holdings, and details of verification by the Board of Directors regarding the appropriateness of holding individual issues.

Regarding the holding of investment stocks for purposes other than pure investment, the Company's policy is to hold only those investment stocks that it judges will contribute to the enhancement of corporate value from the perspective of maintaining and strengthening business alliances and business relationships, such as joint development. Each year, the Board of Directors verifies the rationale for continued shareholding and the number of shares, etc., after comprehensively considering the purpose of holding each issue, the status of transactions, financial condition, return (including related business benefits) and risks associated with the holding, and other factors.

(b) Number of stocks and balance sheet amounts

	Number of issues	Total Balance Sheet amount (Million yen)
Unlisted shares	8	3,064
Shares other than unlisted shares	1	443

(Shares for which number of shares increased in the current fiscal year)

Not applicable.

(Shares for which the number of shares decreased in the current fiscal year)

	Number of issues	Total Balance Sheet amount (Million yen)
Unlisted shares	3	0
Shares other than unlisted shares	1	443

(c) Information on the number of shares, amount recorded on the balance sheet and related matters of each type of specified investment shares and deemed held shares.

Specified Investment Stocks

Issues	Current fiscal year	Previous fiscal year	Reason for the increase in the number of shares	Ownership of the Company shares
	Number of shares	Number of shares		
	Total Balance Sheet amount (Million yen)	Total Balance Sheet amount (Million yen)		
Sequans Communications S.A.	789,902	1,974,755	The investee is a semiconductor company that provides cellular IoT chipsets and modules, and we hold the shares for the purpose of strengthening development and knowledge in IoT field. In 2022, we made a small investment with the intention of ensuring a stable supply of products, expanding the product line-up with 5G technology of the investee and strengthening our competitiveness through this, thereby strengthening our mutual cooperative relationship. The company holds the shares for the purpose of strengthening knowledge, acquisition of business opportunities, etc.	N/A
	443	799		

(Note) Although it is difficult to calculate the quantitative effect of holding stocks, the Company's Board of Directors annually examines the rationale for holding individual investment stocks by comprehensively considering the purpose of holding, trading conditions, financial status, benefits of holding (including benefits in related businesses), and risks associated with holding such stocks

Deemed stockholdings

Not applicable.

(iii) Investment shares held for the purpose of pure investment

Not applicable.

(iv) Changes in the purpose of holding investment shares from pure investment to purposes other than pure investment during the current fiscal year

Not applicable.

(v) Change in the purpose of holding investment shares from the purpose other than pure investment to the purpose of pure investment during the current fiscal year

Not applicable.

V. Finance Information

1. Basis of Preparation of the Consolidated Financial Statements

(1) The consolidated financial statements of the Company have been prepared in accordance with IFRS pursuant to the provisions of Article 312 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976, "Ordinance on Consolidated Financial Statements").

(2) The non-consolidated financial statements of the Company were prepared in accordance with the Ministry of Finance Ordinance No. 59, 1963, "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, etc." ("Ordinance on Financial Statements").
As a company submitting financial statements prepared in accordance with the special provisions of the Ordinance of Financial Statements, the Company prepares its financial statements in accordance with Article 127 of the Ordinance of Financial Statements.

(3) In the consolidated financial statements and the non-consolidated financial statements, figures are presented by rounding them to the nearest million yen.

2. Audit Certification

The consolidated financial statements for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024) and the non-consolidated financial statements for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024) were audited by PricewaterhouseCoopers Japan LLC in accordance with Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

3. Special Measures for Preparing Fairly Stated Financial Statements

These measures involve attaining a thorough understanding of accounting standards and developing a system for addressing changes made to these standards. To this end, the Company has registered with the Financial Accounting Standards Foundation, and participates in seminars.

4. Development of a System to Appropriately Prepare Consolidated Financial Statements Based on IFRS

To appropriately prepare its consolidated financial statements in accordance with IFRS, the Company obtains press releases and accounting standards issued by the International Accounting Standards Board as required to understand the latest standards and analyze the impact. The Company has also prepared the Group accounting policies or "Global Rule Book" in accordance with IFRS and formulates accounting treatments based on the Group accounting policies. In addition, the Company makes efforts to accumulate in-house expertise by participating in seminars hosted by the Financial Accounting Standards Foundation, audit corporations and others.

1. Consolidated Financial Statements

(1) [Consolidated Financial Statements]

(i) [Consolidated Statements of Financial Position]

(In million yen)

	Notes	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	8	434,681	229,249
Trade and other receivables	9, 34	168,991	167,113
Inventories	10	163,054	176,544
Other current financial assets	16, 34	4,660	9,236
Income taxes receivable		7,495	12,454
Other current assets	11	21,792	22,730
Total current assets		800,673	617,326
Non-current assets			
Property, plant and equipment	12, 14, 15, 19	266,139	341,447
Goodwill	7, 13, 15	1,362,131	2,256,169
Intangible assets	13, 15	421,847	724,768
Investments accounted for using the equity method		—	328
Other non-current financial assets	16, 34	255,230	450,702
Deferred tax assets	17	43,385	47,107
Other non-current assets	11	17,598	52,589
Total non-current assets		2,366,330	3,873,110
Total assets		3,167,003	4,490,436

(In million yen)

	Notes	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 34	243,192	231,029
Bonds and borrowings	19, 34	425,312	144,137
Other current financial liabilities	20, 34	24,311	8,071
Income taxes payable		41,414	5,930
Provisions	21	11,215	11,273
Other current liabilities	11	83,281	90,998
Total current liabilities		828,725	491,438
Non-current liabilities			
Trade and other payables	18, 34	4,140	22,938
Bonds and borrowings	19, 34	225,636	1,256,535
Other non-current financial liabilities	20, 34	11,371	15,616
Income taxes payable		2,757	6,537
Retirement benefit liability	22	24,598	23,564
Provisions	21	3,265	3,066
Deferred tax liabilities	17	53,528	117,151
Other non-current liabilities	11	7,395	11,293
Total non-current liabilities		332,690	1,456,700
Total liabilities		1,161,415	1,948,138
Equity			
Share capital	23	153,209	153,209
Capital surplus	23	359,398	289,377
Retained earnings	23	1,157,236	1,308,948
Treasury shares	23	(217,691)	△92,120
Other components of equity		549,401	877,968
Total equity attributable to owners of parent		2,001,553	2,537,382
Non-controlling interests		4,035	4,916
Total equity		2,005,588	2,542,298
Total liabilities and equity		3,167,003	4,490,436

(ii) [Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income]

[Consolidated Statements of Profit or Loss]

(In million yen)

	Notes	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Revenue	6, 25	1,469,415	1,348,479
Cost of sales		(635,087)	(598,683)
Gross profit		834,328	749,796
Selling, general and administrative expenses	26	(466,020)	(527,475)
Other income	27	38,404	19,961
Other expenses	28	(15,946)	(19,305)
Operating profit		390,766	222,977
Finance income	29	38,142	52,100
Finance costs	29	(6,735)	(10,972)
Share of loss of investments accounted for using equity method		—	(272)
Profit before tax		422,173	263,833
Income tax expense	17	(84,862)	(44,411)
Profit		337,311	219,422
Profit attributable to			
Owners of parent		337,086	219,084
Non-controlling interests		225	338
Profit		337,311	219,422
Earnings per share	31		
Basic earnings per share (yen)		189.77	122.51
Diluted earnings per share (yen)		186.07	120.85

[Consolidated Statements of Comprehensive Income]

(In million yen)

	Notes	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Profit		337,311	219,422
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(661)	(81)
Equity instruments measured at fair value through other comprehensive income		(475)	(2,972)
Total of items that will not be reclassified to profit or loss		(1,136)	(3,053)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		168,396	320,341
Cash flow hedges		(7,015)	(3,748)
Cost of hedges		(2,730)	(3,753)
Total of items that may be reclassified subsequently to profit or loss		158,651	312,840
Total other comprehensive income	30	157,515	309,787
Total comprehensive income		494,826	529,209
Comprehensive income attributable to			
Owners of parent		494,513	528,320
Non-controlling interests		313	889
Total comprehensive income		494,826	529,209

(iii) [Consolidated Statements of Changes in Equity]

Previous fiscal year (from January 1, 2023 to December 31, 2023)

(In million yen)

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2023		153,209	348,446	828,582	(192,171)	7,602	—	(1,976)
Profit		—	—	337,086	—	—	—	—
Other comprehensive income		—	—	—	—	—	(661)	(475)
Total comprehensive income		—	—	337,086	—	—	(661)	(475)
Purchase and disposal of treasury shares	23	—	2,312	—	(25,520)	—	—	—
Dividends of surplus		—	—	—	—	—	—	—
Share-based payment transactions	33	—	1,596	—	—	(5,083)	—	—
Transfer to retained earnings		—	7,044	(8,432)	—	587	661	140
Total transactions with owners		—	10,952	(8,432)	(25,520)	(4,496)	661	140
Balance as of December 31, 2023		153,209	359,398	1,157,236	(217,691)	3,106	—	(2,311)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity						
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total	Total equity attributable to owners of parent		
Balance as of January 1, 2023		395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463
Profit		—	—	—	—	337,086	225	337,311
Other comprehensive income		168,308	(7,015)	(2,730)	157,427	157,427	88	157,515
Total comprehensive income		168,308	(7,015)	(2,730)	157,427	494,513	313	494,826
Purchase and disposal of treasury shares	23	—	—	—	—	(23,208)	—	(23,208)
Dividends of surplus		—	—	—	—	—	(6)	(6)
Share-based payment transactions	33	—	—	—	(5,083)	(3,487)	—	(3,487)
Transfer to retained earnings		—	—	—	1,388	—	—	—
Total transactions with owners		—	—	—	(3,695)	(26,695)	(6)	(26,701)
Balance as of December 31, 2023		564,215	(19,379)	3,770	549,401	2,001,553	4,035	2,005,588

Current Fiscal Year (from January 1, 2024 to December 31, 2024)

(In million yen)

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2024		153,209	359,398	1,157,236	(217,691)	3,106	—	(2,311)
Profit		—	—	219,084	—	—	—	—
Other comprehensive income		—	—	—	—	—	(81)	(2,972)
Total comprehensive income		—	—	219,084	—	—	(81)	(2,972)
Purchase and disposal of treasury shares	23	—	18,463	—	21,042	—	—	—
Cancelation of treasury shares	23	—	(104,529)	—	104,529	—	—	—
Dividends of surplus	24	—	—	(49,758)	—	—	—	—
Share-based payment transactions	33	—	196	—	—	(1,909)	—	—
Transfer to retained earnings		—	15,849	(17,614)	—	(110)	81	1,794
Transfer to non-financial assets	7	—	—	—	—	—	—	—
Total transactions with owners		—	(70,021)	(67,372)	125,571	(2,019)	81	1,794
Balance as of December 31, 2024		153,209	289,377	1,308,948	(92,120)	1,087	—	(3,489)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity						
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total	Total equity attributable to owners of parent		
Balance as of January 1, 2024		564,215	(19,379)	3,770	549,401	2,001,553	4,035	2,005,588
Profit		—	—	—	—	219,084	338	219,422
Other comprehensive income		319,790	(3,748)	(3,753)	309,236	309,236	551	309,787
Total comprehensive income		319,790	(3,748)	(3,753)	309,236	528,320	889	529,209
Purchase and disposal of treasury shares	23	—	—	—	—	39,505	—	39,505
Cancelation of treasury shares	23	—	—	—	—	—	—	—
Dividends of surplus	24	—	—	—	—	(49,758)	(8)	(49,766)
Share-based payment transactions	33	—	—	—	(1,909)	(1,713)	—	(1,713)
Transfer to retained earnings		—	—	—	1,765	—	—	—
Transfer to non-financial assets	7	—	19,475	—	19,475	19,475	—	19,475
Total transactions with owners		—	19,475	—	19,331	7,509	(8)	7,501
Balance as of December 31, 2024		884,005	(3,652)	17	877,968	2,537,382	4,916	2,542,298

(iv) Consolidated Statements of Cash Flows

(In million yen)

	Notes	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Cash flows from operating activities			
Profit before tax		422,173	263,833
Depreciation and amortization		186,009	210,728
Impairment losses		4,872	3,015
Finance income and finance costs		(22,847)	(26,053)
Share-based payment expenses		23,283	36,299
Insurance claim income		(30,665)	(587)
Loss on reduction of non-current assets		1,068	4,879
Government grant income		(1,088)	(5,124)
Foreign exchange loss (gain)		(7,589)	(292)
Loss (gain) on sales of property, plant and equipment, and intangible assets		(1,337)	(293)
Decrease (increase) in inventories		30,070	(5,070)
Decrease (increase) in trade and other receivables		5,126	25,918
Decrease (increase) in other financial assets		(6,786)	1,166
Decrease (increase) in long term prepaid expenses		—	(28,154)
Increase (decrease) in trade and other payables		2,438	(35,562)
Increase (decrease) in retirement benefit liability		(303)	(1,821)
Increase (decrease) in provisions		2,112	(749)
Increase (decrease) in other current liabilities		(6,972)	(23,898)
Increase (decrease) in other financial liabilities		(3,987)	(2,405)
Other		(5,753)	(3,942)
Subtotal		589,824	411,888
Interest received		25,286	27,752
Dividends received		388	866
Proceeds from insurance income		17,332	587
Income taxes paid		(136,203)	(108,506)
Income taxes refund		—	7,897
Net cash flows from operating activities		496,627	340,484
Cash flows from investing activities			
Purchase of property, plant and equipment		(88,223)	(129,889)
Proceeds from sales of property, plant and equipment		1,783	878
Purchase of intangible assets		(40,904)	(39,946)
Purchase of other financial assets		(5,548)	(3,964)
Proceeds from sales of other financial assets		676	2,422
Payments for acquisitions of subsidiaries	7	(9,738)	(962,825)
Payments for settlement of contingent consideration for subsidiary shares		(210)	—
Purchase of shares of subsidiaries and associates		—	(284)
Proceeds from insurance income		13,333	—
Proceeds from government grant income		5,493	9,791
Payments for long-term loans receivable		(144,150)	(155,220)
Other		(4)	(5,068)
Net cash flows from investing activities		(267,492)	(1,284,105)
Cash flows from financing activities			
Proceeds from short-term borrowings	32	—	180,000
Repayments of short-term borrowings	32	—	(180,316)
Proceeds from long-term borrowings	32	—	1,187,000
Repayments of long-term borrowings	32	(120,015)	(377,529)
Redemption of bonds	19	—	(57,170)
Purchase of treasury shares	23	(50,000)	—
Dividends paid	24	—	(49,702)
Repayments of lease liabilities	32	(5,796)	(9,931)
Interest paid		(5,424)	(15,001)

(In million yen)

	Notes	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Other		(12)	(6)
Net cash flows from financing activities		(181,247)	677,345
Effect of exchange rate changes on cash and cash equivalents		50,725	60,844
Net increase (decrease) in cash and cash equivalents		98,613	(205,432)
Cash and cash equivalents at beginning of the period	8	336,068	434,681
Cash and cash equivalents at end of the period	8	434,681	229,249

Notes to Consolidated Financial Statements

1. Reporting Entity

Renesas Electronics Corporation (the “Company”) is a public company established under the Companies Act of Japan and domiciled in Japan. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (the “Group”) are composed of the Company, its subsidiaries and interests of the Group in its associates, with December 31, 2024 as the closing date. The Group engages in research, development, design, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. For details of the Group’s major business, please refer to “Note 6. Business Segments”.

The consolidated financial statements for the year ended December 31, 2024 were approved on March 26, 2025 by Hidetoshi Shibata, Representative Executive Officer, President and CEO, and Shuhei Shinkai, Senior Vice President and CFO.

2. Basis for Preparation

(1) In accordance with IFRS

Because the Group meets the requirements for “Specified Companies Complying with Designated International Accounting Standards” stated in Article 1-2, Item 1 of Ordinance on Consolidated Financial Statements, the Group has adopted the provisions of Article 312 of the Ordinance on Consolidated Financial Statements. The consolidated financial statements of the Group have been prepared in accordance with IFRS.

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies separately described in “Note 3. Material Accounting Policies”. The balances of assets and liabilities are measured at cost, unless otherwise specified.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen (rounded to the nearest million yen), which is the functional currency of the Company.

3. Material Accounting Policies

The material accounting policies of the Group are as follows and are applied to all the periods presented in the consolidated financial statements.

(1) Basis of consolidation

A. Subsidiaries

Subsidiaries are entities controlled by the Group. Control refers to a case in which the Group has power over an entity, is exposed to variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost. In the event that the Group disposes of some of its ownership interest in a subsidiary that does not result in a loss of control, the change in ownership interest of the Group is accounted for as an equity transaction, and the difference between the adjustment of non-controlling interests and the fair value of the consideration is directly recognized in equity as equity attributable to owners of parent.

If the closing dates of a subsidiary and that of the consolidated financial statements are different, financial statements prepared with a provisional closing date, which is same as that of consolidated financial statements, are used.

B. Associates

Associates are entities over which the Group has a significant influence over the decisions on financial and operating policies but do not have control. Investments in associates are accounted for using the equity method.

Investments in associates are initially recognized at cost. Ownership interests of the Group in profit or loss and other comprehensive income of the associate from the date when the Group obtains significant influence until the date when the Group loses significant influence are recognized as changes in the amount of investments in associates.

C. Transactions eliminated on consolidation

Inter-company balances of receivables and payables, transactions and unrealized gains or losses resulting from inter-company transactions are eliminated on consolidation.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, liabilities to former owners of the acquiree, and equity instruments issued by the Company in exchange for control over the acquiree.

Any excess of the consideration for acquisition, the non-controlling interests in the acquiree and the fair value of assets of the acquiree that the acquirer previously held over the net amount of identifiable assets and liabilities as of the date of acquisition is recognized as goodwill. Conversely, if the consideration for acquisition is lower than the net amount of identifiable assets and liabilities as of the date of acquisition, it is immediately recognized in profit or loss. Acquisition-related costs are recognized in profit or loss. The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction, and no corresponding goodwill is recognized.

If the initial accounting treatment of a business combination is not completed by the end of the fiscal year when the business combination took place, provisional amounts for the items for which accounting is incomplete are reported, and such provisional amounts that were recognized as of the date of acquisition are adjusted retrospectively during the measurement period within one year from the date of acquisition.

(3) Foreign currency translation

A. Functional currency and presentation currency

The financial statements of the Group entities are prepared in their respective functional currency. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

B. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate or a rate approximate to the spot exchange rate on the date of the transaction. Monetary items denominated in a foreign currency at the end of the reporting period are translated into the functional currency using the closing rate, while non-monetary items denominated in a foreign currency that are measured at historical cost are translated using the exchange rate in effect on the date of the initial transaction, and those that are measured at fair value are translated using the exchange rate in effect on the date when the fair value was calculated.

Exchange differences from translation or settlement are recognized in profit or loss during the period when they arise. However, exchange differences arising from equity instruments and cash flow hedges measured through other comprehensive income are recognized in other comprehensive income.

C. Foreign operations

In preparing the consolidated financial statements, the assets and liabilities of a foreign operation are translated into Japanese yen at the exchange rate as of the closing date of the consolidated financial statements, and profit or loss and cash flows of the foreign operation are translated into Japanese yen at the exchange rate on the date of the transaction or the average exchange rate for the period that is approximate to the exchange rate on the date of the transaction. Exchange differences are recognized in other comprehensive income, and the cumulative amount thereof is recognized in other components of equity.

On disposal of the entire ownership interest in a foreign operation or part of the interest that results in a loss of control or significant influence, the exchange differences of the foreign operation that were recognized in other comprehensive income and accumulated in equity are reclassified from equity to profit or loss when the related gains or losses on disposal are recognized.

Monetary items, which are receivables or payables from foreign operations that settlements are neither planned nor likely to occur in the foreseeable future, are a part of the entity's net investment in that foreign operation. Exchange differences arising from the monetary items are recognized in other comprehensive income.

(4) Financial instruments

A. Financial assets other than derivatives

(a) Initial recognition and measurement

Trade and other receivables are initially recognized at their transaction price on that date, and all other financial assets are initially recognized on the date of the transaction when the Company becomes the contracting party to the financial assets.

At the time of initial recognition, financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value.

(i) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

- Assets are held within a business model that aims to hold assets to collect contractual cash flows.
- The contract terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income

- Debt instruments measured at fair value through other comprehensive income

  If both of the following conditions are met, financial assets are classified as debt instruments measured at fair value through other comprehensive income.

  - Assets are held within a business model whose objective is achieved by both the collection and sale of contractual cash flows.
  - The contract terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Equity instruments measured at fair value through other comprehensive income

  When an irrevocable election at the time of initial recognition is made, subsequent changes in fair value are recognized in other comprehensive income and such equity instruments are classified as financial assets measured at fair value through other comprehensive income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets that do not meet the criteria for either (i) or (ii) above are classified into financial assets measured at fair value through profit or loss.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs for financial assets measured at fair value through profit or loss are recognized in profit or loss.

(b) Subsequent measurement

After the initial recognition, financial assets are measured as follows according to their classification.

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income

- Debt instruments measured at fair value through other comprehensive income

  The amount of changes in the fair value of debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gain or loss, until the financial assets are derecognized. If the financial assets are derecognized, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity instruments measured at fair value through other comprehensive income

  The amount of changes in the fair value of equity instruments measured at fair value through other comprehensive income is recognized in other comprehensive income. If the financial assets are derecognized, or if the fair value has declined significantly, gains or losses accumulated in other comprehensive income are directly reclassified to retained earnings. Dividend income from the financial assets is recognized as finance income in profit or loss.

(iii) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value after the initial recognition, and changes in fair value are recognized in profit or loss.

(c) Impairment of financial assets

For impairment of financial assets measured at amortized cost, the Group recognizes an allowance for expected credit losses of financial assets. On each reporting date, the Group assesses whether the credit risk of the financial instruments has increased significantly since the initial recognition.

If the credit risk of financial instruments has not increased significantly since the initial recognition, the loss allowance of the financial instruments is measured at the amount of 12-month expected credit losses, and if the credit risk of the financial instruments has increased significantly since the initial recognition, the loss allowance of the financial instruments is measured at the amount of lifetime expected credit losses.

However, for trade receivables, the loss allowance is always measured at the amount of lifetime expected credit losses.

Expected credit losses of the financial instruments are estimated in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Changes in the amount of the measurement are recognized in profit or loss.

(d) Derecognition

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial assets expire, or if substantially all risks and rewards associated with ownership of the financial assets are transferred as a result of assigning the contractual right to receive cash flows from the financial assets.

B. Financial liabilities other than derivatives

(a) Initial recognition and measurement

At the time of initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. Although all financial liabilities are initially measured at fair value, financial liabilities measured at amortized cost are measured at an amount obtained by deducting directly attributable transaction costs.

(b) Subsequent measurement

(i) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.

(ii) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value after the initial recognition, and the changes are recognized in profit or loss.

(c) Derecognition

The Group derecognizes financial liabilities when they are extinguished, for example when the obligations specified in the contract are discharged, cancelled or expired.

C. Derivatives and hedge accounting

The Group holds derivative financial instruments for the purpose of hedging the risk of exchange rate fluctuations and others. The Group has a policy of not conducting speculative derivative transactions.

Derivatives are initially recognized at fair value, related transaction costs and the difference between the fair value at the time of initial recognition and the transaction price are recognized in profit or loss when they are incurred. After the initial recognition, derivatives are remeasured at fair value, and changes in the fair value are accounted for as described below, depending on whether the derivative financial instruments that are designated as hedging instruments meet the requirements for hedge accounting. The Group designates the derivatives that meet the requirements for hedge accounting as hedging instruments and applies hedge accounting. In addition, at the inception of a hedge, the Group formally documents the risk management objective, the relationship between hedging instruments and the hedged items, along with strategies when executing hedging transactions, the nature of the risk being hedged and the method of assessing hedge effectiveness.

(a) Cash flow hedges

Of gains or losses from hedging instruments, the effective portion of the hedge is recognized in other comprehensive income, and the ineffective portion is recognized in profit or loss.

When applying cash flow hedges to currency swap contracts, the portion excluding the currency basis spread is designated as the hedging instrument, and for the currency basis spread portion, the amount of change in fair value is recognized as hedging cost through other components of equity and included in the comprehensive income. The amount accumulated in other components of equity is transferred to profit or loss during the same period in which the cash flows to be hedged affect profit or loss. If the hedged item is the acquisition of a non-financial asset, the amount accumulated in other components of equity will be treated as an adjustment to the initial acquisition cost of the non-financial asset.

When the Group recognizes hedging cost for a derivative transaction entered in order to hedge a time-period related hedged item, it transfers the cumulative costs of hedging accumulated in other components of equity to profit or loss on a systematic and rational basis over the period during which the hedge adjustment from the hedging instrument affects profit or loss.

The amount of hedging instruments that is recorded in other comprehensive income is reclassified to profit or loss at the time when the underlying hedged transactions affect profit or loss. If the hedged items give rise to the recognition of non-financial assets or non-financial liabilities, the amount that is recognized in other comprehensive income is reclassified as an adjustment to the initial carrying amount of non-financial assets or non-financial liabilities.

For cash flow hedges other than the above, the amount is reclassified from other comprehensive income to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if the accumulated amount is a loss and if all or part of the loss is not expected to be recovered in the future, the amount that is not expected to be recovered is immediately reclassified to profit or loss.

When hedge accounting is terminated, this accumulated amount remains in other comprehensive income until the expected future cash flows occur, and if the forecast transaction is no longer expected to occur, this amount is immediately reclassified to profit or loss.

(b) Derivatives that do not meet requirements for hedge accounting

Changes in fair value are recognized in profit or loss.

D. Difference between the fair value at initial recognition and the transaction price

In cases where the transaction price of a financial instrument differs from its fair value at the initial recognition, and the fair value is determined using unobservable inputs, the difference between the transaction price and fair value is deferred. This difference is recognized in profit or loss either when amortized over the term of the contract using the straight-line method or when the financial instrument is derecognized.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of 3 months or less when purchased that can be easily converted to cash and are subject to an insignificant risk of changes in value.

(6) Inventories

The acquisition cost of inventories comprises all costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

After the initial recognition, inventories are measured at the lower of cost and net realizable value, but if cost exceeds net realizable value, the inventories are written down to net realizable value. The net realizable value is calculated by deducting the estimated costs of completion and the estimated costs necessary to make the sale from the estimated selling price in the ordinary course of business.

The cost is also calculated using the following methods:

Merchandise and finished goods
- Custom-made products: Specific identification method
- Mass products: Average method

Work in progress
- Custom-made products: Specific identification method
- Mass products: Average method

Raw materials and supplies: Mainly average method

(7) Property, plant and equipment (other than leased assets)

The acquisition cost of property, plant and equipment includes costs directly related to the acquisition of assets, dismantling, disposal and restoration costs and borrowing costs that meet the requirements for capitalization.

The cost model is used in the measurement of property, plant and equipment, and they are presented at the carrying value obtained by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

Except for land and construction in progress, the acquisition cost of each asset after deducting the residual value is depreciated over the estimated useful life using the straight-line method.

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each fiscal year, and any changes are applied to the period when the estimated are changed and future periods prospectively as a change in the accounting estimate. The impact of the change of these estimates is recognized in the period when the estimates are changed and future periods.

The estimated useful lives of major assets are as follows.

Buildings and structures	10 to 45 years
Machinery, equipment and vehicles	2 to 8 years
Tools, furniture and fixtures	2 to 10 years

(8) Goodwill and intangible assets

A. Goodwill

The measurement of goodwill at the time of initial recognition is as stated in "(2) Business combinations." After initial recognition, goodwill is not amortized and is measured at cost less any accumulated impairment losses.

Goodwill is allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the business combination, and an impairment test is performed for the cash-generating units to which goodwill was allocated at a certain time each fiscal year and whenever there is an indication of impairment. Impairment losses on goodwill are recognized in profit or loss and are not reversed in a subsequent period.

B. Intangible assets

The cost model is used for intangible assets, and they are presented at cost less any accumulated amortization and accumulated impairment losses.

(a) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost at the time of initial recognition.

(b) Intangible assets acquired in a business combination

For intangible assets acquired in a business combination, their acquisition cost is measured at fair value as of the date of acquisition. Intangible assets acquired in a business combination are comprised primarily of developed technology, customer relationships, and in-process research and development.

(Developed technology)

Intangible assets that represent future excess earnings power expected to arise from the technology and that have been already developed as of the date of acquisition with the acquiree are recognized as Developed technology.

(Customer relationships)

Intangible assets related to future excess earnings power expected to arise from the existing customers as of the date of acquisition with the acquiree are recognized as Customer relationships.

(In-process research and development)

Intangible assets in an intermediate stage of identifiable research and development assets meeting the asset requirements are recognized as in-process research and development.

The details for intangible assets acquired in a business combination, see "Note 13. Goodwill and Intangible Assets".

(c) Internally-generated intangible assets (Capitalized development cost)

For internally-generated intangible assets, the expenditure is recorded as an expense, except for development costs that meet the following requirements for capitalization:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention of an entity to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- A method for the intangible asset to generate probable future economic benefits;
- The availability of adequate technical, financial and other resources necessary for completing the development of the intangible asset and using or selling it; and
- The ability to measure the expenditure attributable to the intangible asset during its development reliably

These internally generated intangible assets are amortized using the straight-line method based on estimated useful life (5 years) for which they are expected to provide net cash inflows. Expenditure on research and development that does not meet the requirements for capitalization above is recognized in profit or loss at the time of occurrence.

Intangible assets with finite useful lives are amortized over their respective estimated useful life using the straight-line method, and an impairment test is performed if any indications of impairment exist. For intangible assets with finite useful lives, their useful lives and amortization method are reviewed at the end of each fiscal year. A change in the useful life or the amortization method is applied prospectively as a change in accounting estimate.

Commercial software products are mainly amortized using a method based on the expected sales volume over the expected sales period (3 years or less), and software for internal use is mainly amortized using the straight-line method based on the expected available period (5 years) for internal use. Technical assets are mainly amortized using the straight-line method based on the available period (15 years or less) in business activities. Customer relationships are mainly amortized using the straight-line method based on the estimated useful life (18 years or less).

Intangible assets with indefinite useful life and intangible assets that are not yet available for use are not amortized, and an impairment test is performed at a certain time each fiscal year or whenever any indication of impairment exists.

(9) Leases

A. Overall

(a) Identification of a lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reviews the following to assess whether a contract conveys the right to control the use of an identified asset.

(i) The use of the identified asset in a contract is directed.

(ii) The lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.

(iii) The lessee has the right to direct the use of an asset. Also, in case that the determination of how and for what purpose the asset is used are predetermined, if applicable to any of the following, it is determined that the lessee has the right to direct the use of an asset.

・The lessee has the right to operate the asset.

・The lessee designed the asset in a way that predetermines how and for what purpose the asset will be used.

(b) Lease term

The lease term is defined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:

・periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

・periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

B. Leases as Lessee

(a) Separable components of a contract

The Group allocates the consideration in contract for a building lease to lease and non-lease components on the basis of the relative stand-alone price of each lease component. In addition, the Group elects not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component for the lease other than a building lease.

(b) Right-of-use assets

The Group recognizes the right-of-use assets and the lease liabilities at the date of initial application. The right-of-use assets are measured initially at cost. This cost is calculated by deducting any lease incentives received from the sum of the amounts of the initial measurement of the lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and an estimate of costs to be incurred in dismantling and removing the underlying assets, restoring the underlying asset or restoring the site on which it is located. After the commencement date, the right-of-use asset is measured using a cost model by deducting any accumulated depreciation and any accumulated impairment losses from the cost.

The right-of-use assets are depreciated using the straight-line method over the period which is the earlier of the useful life of the underlying asset or the lease term. If it is reasonably certain that the Group will exercise a purchase option, depreciation is based on the useful life of the underlying asset.

(c) Lease liabilities

Lease liabilities are measured initially at the present value of unpaid lease payments discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used. The Group typically uses our incremental borrowing rate as the discount rate.

The lease payments in the measurement of lease liabilities includes the fixed payments, the amount of payments for the lease in any optional period if it is considered to be reasonably certain to exercise an extension option, and the payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

If there is a change in future lease payments resulting from a change in an index or rate, there is a change in the amounts expected to be payable under a residual value guarantee, or there is a change in determining whether purchase, extension and termination option is reasonably certain to exercise, lease liabilities are remeasured.

When lease liabilities are remeasured, the carrying amount of the right-of-use assets is adjusted or the remaining remeasurement is recognized in profit or loss if the carrying amount of the right-of-use assets is reduced to zero.

(d) Short-term leases within 12 months and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets including IT equipment and recognizes these lease payments as expenses over the lease term using the straight-line method.

(10) Impairment of non-financial assets

The Group determines whether there is any indication that an asset (except for inventories, deferred tax assets and retirement benefit assets) may be impaired each fiscal year, and if such indication exists, an impairment test is performed. However, for goodwill or intangible assets with indefinite useful life or that are not yet available for use, an impairment test is performed at a certain time each fiscal year and when indicators of impairment are identified. or when any signs of impairment are identified.

In the impairment test, a recoverable amount is estimated, and the carrying amount and the recoverable amount are compared. The recoverable amount of assets or cash-generating units is calculated at the higher of the value in use and the fair value less costs of disposal. The value in use is calculated by discounting the estimated future cash flows to the present value, using the pre-tax discount rate that reflects the time value of money and risks specific to the asset.

If the recoverable amount of assets or cash-generating units is lower than the carrying amount as a result of the impairment test, an impairment loss is recognized. When the impairment loss of a cash-generating unit including goodwill is recognized, an allocation is made first to reduce the carrying amount of goodwill that is allocated to the cash-generating unit, and then an allocation is made to proportionally reduce the carrying amount of other assets in the cash-generating unit.

The impairment loss is reversed if there is any indication that the impairment loss recognized in a prior period may no longer exist or may have decreased and if the estimated recoverable amount exceeds the carrying amount. The upper limit of the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years, net of normal depreciation or amortization. The impairment loss on goodwill is not reversed.

(11) Provisions

The Group recognizes a provision if the Group has assumed a legal or constructive obligation as a result of a past event, if it is probable that an outflow of economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation.

If the time value of the money of the provision is significant, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of the money and risks specific to the liability. The unwinding of the discount amount due to the passage of time is recognized as a finance cost.

(12) Levies

For levies that are an outflow of resources embodying economic benefits required by the government to the Group in accordance with laws and regulations, an expected payment is recognized as a liability when the obligation event that triggers the payment of levies prescribed by laws and regulations occurs.

(13) Employee benefits

A. Short-term employee benefits

A short-term employee benefit is an employee benefit that will be settled within 12 months from the end of the fiscal year in which the employee renders the related service to the Group, and the Group recognizes an amount expected to be paid in exchange for the services rendered during a certain accounting period. Short-term employee benefits in the Group include bonuses and benefits related to paid leave.

The expected costs of employee benefits related to accumulating paid leave are recognized when an employee renders the service that will increase the entitlement to future paid leave. In addition, the Group measures the expected cost of accumulating paid leave as an additional amount that the Group is expected to pay as a result of the unused entitlement that has accumulated as of the end of the fiscal year.

Bonuses are recognized as a liability if the Group has a legal or constructive obligation to pay as a result of the provision of service by the employee in the past and if the obligation can be estimated reliably.

B. Post-employment benefits

For post-employment benefit plans, the Group has adopted defined benefit plans and defined contribution plans.

(a) Defined contribution plans

Contributions to defined contribution plans are recognized as an expense when they are incurred unless they are included in inventories or property, plant and equipment. If contributions already paid exceed contributions due for services provided before the end of the fiscal year, the Group recognizes the excess as an asset to the extent to which the prepayment becomes the reduction of future payments or a future refund.

(b) Defined benefit plans

The net amount of assets or liabilities of the defined benefit plan is the amount obtained by deducting the fair value of the plan assets (including the upper limit of the assets and adjustments to minimum funding requirements, if necessary) from the present value of defined benefit obligations, and it is recognized in the consolidated financial statements as an asset or a liability. The defined benefit obligations are calculated using the projected unit credit method, and the present value of defined benefit obligations is calculated by applying a discount rate to the expected payment amount in the future. The discount rate is calculated based on market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period which is determined based on the period until the future expected benefit payment date in each reporting period.

Service costs and net interest expense for the net amount of assets or liabilities related to the defined benefit plans are recognized in profit or loss.

Actuarial gains or losses and fluctuations in the return on the plan assets excluding the portion included in the net interest expense and change in the impact of the asset ceiling are recognized in other comprehensive income as “Remeasurements of defined benefit plans” in the corresponding period and are immediately transferred from other components of equity to retained earnings. Past service costs are recognized in profit or loss when the plan is revised or curtailed, or when related restructuring costs or termination benefits are recognized, whichever is earlier.

C. Other long-term employee benefits

As long-term employee benefit plans other than post-employment benefits, the Group has a special leave and a reward plan based on the number of service years. The obligations regarding other long-term employee benefits are measured at the amount obtained by discounting the estimated amount of future benefits that the employees have earned as consideration for services rendered in the previous and current fiscal years to the present value.

(14) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group complies with the required conditions and that the grants will be received. Grants related to revenue are recognized in profit or loss. Grants recognized as profit or loss are deducted from the corresponding expenses when they are directly based on the incurred expenses. Grants received based on other conditions are shown in other income. For grants related to assets, the grant amount is directly deducted from the acquisition cost.

(15) Treasury shares

When treasury shares are acquired, the amount of the consideration paid, including directly attributable transaction costs, is recognized at cost and deducted from equity. Including disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) and Performance Share Unit (PSU), when treasury shares are sold, the gains or losses on the disposal are recognized as capital surplus.

(16) Share-based payments

The Group has adopted share-based payment plans as incentive plans for directors, senior vice presidents and employees.

Restricted Stock Unit (RSU) and Performance Share Unit (PSU) are share-based payment plans with share issuance in the future. RSU is vested subject to continued employment with a Group Company and PSU is vested in response to the extent of the growth rate of total shareholder return. The payments are measured with reference to the fair value of the Company's stock, recognized as an expense in profit or loss, and the same amount is recognized as an increase in equity.

Stock options are estimated at fair value on the grant date and recognized as an expense over the vesting period, taking into account the number of stock options that are expected to eventually vest, and the same amount is recognized as an increase in equity. The fair value of granted options is calculated by taking the terms and conditions of the options into account. If it is determined that the number of stock options that will be vested will differ from the prior estimate due to subsequent information, the estimate of the number of stock options that will be vested is revised as necessary. In cases where rights expire or not exercised after vesting, the reversal amount of the share-based payment is directly transferred to retained earnings.

(17) Revenue recognition

The Group recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group engages in research, development, design, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is mainly recognized mainly when the goods are delivered as the ownership of these goods has been transferred to the customer and the performance obligations are identified at the time of delivery.

Also, revenue is measured at the amount of the consideration received after deducting discounts, rebates and returns.

Sales to specific distributors may be subject to the following various sales promotion programs.

Ship and debit is a program designed to assist specific distributors on their sales to end customers through pricing adjustments. Under this program, the selling prices will be adjusted when the specific distributors sell the products to the end customers. At the time we record sales to the specific distributors, we accrue for refund liabilities and deduct the same amounts from revenue based on the estimate of the variable consideration resulting from the possible application of the ship and debit program upon the future sales by the distributors. In addition, the related balance of accounts receivable-trade is transferred to long-term accounts receivable in order to reduce specific distributors’ financial burden caused by a time lag, and will be reversed in the future based on the contract.

Stock rotation is a program whereby on a semiannual basis, specific distributors are allowed to return, for credit, inventories equal to a certain percentage of their purchases for the previous six months. We accrue refund liabilities related to the stock rotation program at every closing date and deduct the same amount from revenue.

(18) Finance income and Finance costs

Finance income consists of dividend income, interest income, foreign exchange gain, gains on sales of financial assets, gains on hedging financial instruments that are recognized in profit or loss, the transfer of amounts previously recognized in other comprehensive income, and others. Interest income is recognized at the time of occurrence using the effective interest method. Dividend income is recognized on the date when the Group's right to receive payment is established.

Finance costs consist of interest expenses for corporate bonds, borrowings and interest expenses for lease liabilities, foreign exchange losses, losses on sales of financial assets, losses from hedging financial instruments that are recognized in profit or loss, the transfer of amounts previously recognized in other comprehensive income and others. Acquisitions or construction of qualifying assets, or borrowing costs not directly attributable to the production, are recognized at the time of occurrence using the effective interest method. Lease payments are allocated to finance costs and the repayment portion of the liability balance, and finance costs are allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(19) Income taxes

Current taxes and deferred taxes are presented as income tax expense in the consolidated statements of profit or loss, except for those related to business combinations and items that are recognized in other comprehensive income or that are directly recognized in equity.

Current taxes and deferred taxes related to items that are recognized in other comprehensive income are recognized in other comprehensive income.

A. Current taxes

Current taxes are measured at the amount paid to tax authorities or the amount expected to be refunded from tax authorities. The tax rates and the tax law used for the calculation of the tax amount are established or substantively established by the closing date.

B. Deferred taxes

Deferred taxes are calculated based on temporary differences between the tax base amount and the carrying amount for accounting purposes of assets and liabilities at the end of the fiscal year. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses are expected to arise to the extent to which it is probable that taxable profits will be available against which they can be utilized, and deferred tax liabilities are recognized for taxable temporary differences, in principle.

Neither a deferred tax asset nor a deferred tax liability is recognized for the following temporary differences:

- Temporary difference arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of an asset or liability in transactions (excluding business combination) that do not impact accounting profits and taxable profits or losses, and that do not give rise to taxable temporary differences and deductible temporary differences in the same amount.
- A case where the timing for eliminating a taxable temporary difference for an investment in a subsidiary or an associate and an interest in the arrangement of joint control can be controlled and where it is probable that the difference will not be eliminated in the foreseeable future
- A case where it is improbable that a deductible temporary difference for an investment in a subsidiary or an associate and an interest in the arrangement of joint control will be eliminated in the foreseeable future, or a case where it is improbable that a taxable profit that will be available for the temporary difference will be earned

Deferred tax assets and liabilities are measured at a tax rate (and based on tax law) that is expected to be applied in the period when assets are realized or liabilities are settled based on the statutory tax rate (and based on tax law) that is established or substantively established by the closing date.

Deferred tax assets and deferred tax liabilities are offset if the Group has the legally enforceable right to offset current tax assets and current tax liabilities, and if any of the following cases applies:

- Income tax expense is imposed on the same taxable entity by the same tax authority
- Although income tax expense is imposed on different taxable entities, these taxable entities intend to settle current tax assets and current tax liabilities on a net basis or intend to settle current tax liabilities at the same time as realizing current tax assets.

The carrying amount of deferred tax assets is reviewed at the end of each fiscal year. If it becomes improbable that taxable profits sufficient to realize part or all of the benefits of deferred tax assets will be earned, the carrying amount of deferred tax assets is reduced to that extent. In addition, the amount of the write-down is reversed to the extent to which it becomes probable that sufficient taxable profits will be earned.

The Group recognizes tax assets and liabilities at a reasonably estimated amount where there is an uncertain tax position.

(20) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners (ordinary shareholders) of the parent by the weighted average number of ordinary shares outstanding, net of treasury shares, during each fiscal year.

Diluted basic earnings per share are calculated, adjusted for the effects of all potential dilutive ordinary shares.

(21) Non-current assets held for sale and discontinued operations

A. Non-current assets held for sale

For assets or asset groups that are not in continuing use and for which recovery through sale is expected, that are highly likely to be sold within one year, and that the execution of sales plan is confirmed by management and can be sold in their current condition, assets held for sale and liabilities directly related to assets held for sale are classified into disposal groups separately from other assets and liabilities and recorded in the consolidated statement of financial position.

Non-current assets classified as assets held for sale are measured at the lower of the carrying amount and the fair value after deducting the costs for sale. Assets classified as assets held for sale are not depreciated or amortized.

B. Discontinued operations

A component of an entity that has either been disposed of or is classified as held for sale is recognized as a discontinued operation if any of the following applies:

- A separate major line of business or geographical area of operations;
- Part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- A subsidiary acquired exclusively with a view to resale.

If an operation is classified as a discontinued operation, the consolidated statements of profit or loss and the consolidated statements of comprehensive income for a comparative period are restated on the assumption that the operation was discontinued on the commencement date of the comparative period.

4. Significant Accounting Estimates and Judgments

In preparing the consolidated financial statements, management of the Group makes judgements, accounting estimates and assumptions that could have an impact on the application of accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on the best judgment of management, taking into account various factors that are deemed reasonable on the closing date in light of past experience and available information. However, figures based on these estimates and assumptions may differ from the actual results due to their nature.

Estimates and underlying assumptions are reviewed continuously. The results of the review of these estimates are reflected in the period when the estimates are revised and for the future periods.

Estimates and assumptions that have a significant impact on the amounts recognized in the consolidated financial statements are as follows:

(1) Impairment of non-financial assets

The Group performs an impairment test for non-financial assets (excluding inventories, deferred tax assets and retirement benefit assets) if there is any indication that the recoverable amount will be less than the carrying amount.

However, for goodwill or intangible assets with indefinite useful life or that are not yet available for use, an impairment test is performed at a certain time each fiscal year and when any signs of impairment exist.

The impairment test is performed by comparing the carrying amount and the recoverable amount of the assets, and if the recoverable amount falls below the carrying amount, an impairment loss is recorded. The recoverable amount is calculated mainly using the discounted cash flow model, where certain assumptions, including, but not limited to, the useful life of the asset, future cash flows, sales revenue, gross margin, discount rate, and long-term growth rate, are made. These assumptions are determined based on the best estimates and judgments of management but could be influenced by fluctuations in uncertain future economic conditions. If a revision becomes necessary, it could have a significant impact on the amounts that will be recognized in the consolidated financial statements of subsequent periods.

The calculation method of the recoverable amount is stated in “Note 15. Impairment of Non-financial Assets”.

(2) Post-employment benefits

The Group has a variety of post-employment benefit plans, including a defined benefit plan.

The present value of the defined benefit obligation of each plan and related service costs are calculated based on actuarial assumptions. For the actuarial assumptions, estimates and judgments on a range of variables such as the discount rate are required.

The actuarial assumptions are determined based on the best estimates and judgments of management but could be affected by fluctuations in uncertain future economic conditions. If a revision becomes necessary, it could have a significant impact on the amounts that will be recognized in the consolidated financial statements of subsequent periods.

These actuarial assumptions and related sensitivities are stated in “Note 22. Employee Benefits”.

(3) Provisions

The Group records multiple provisions in the consolidated statements of financial position, including the provision for product warranties and asset retirement obligations, among others.

These provisions are recorded based on the best estimate of expenditure required for the settlement of the obligations, considering risks and uncertainties related to the obligations on the closing date.

The amount of expenditure required for the settlement of the obligations is calculated by comprehensively considering results that could arise in the future, but it could be affected by the occurrence of unforeseeable events and changes in the situation. If the actual amount of expenditure differs from the estimate, it could have a significant impact on amounts recognized in the consolidated financial statements of subsequent periods.

The nature and amounts of provisions are stated in “Note 21. Provisions”.

(4) Recoverability of deferred tax assets

When deferred tax assets are recognized, the time and amount of taxable profits that will be earned in the future based on a business plan are estimated and calculated based on judgment of the possibility that taxable profits will arise.

Because the timing and amount of taxable profits are affected by the future business performance of the Group, if the actual timing and amount differ from the estimate, it could have a significant impact on the amounts recognized in the consolidated financial statements of subsequent periods.

Details and amounts of deferred tax assets are stated in “Note 17. Income Tax”.

(5) Inventories

Inventories are measured at cost, but if the net realizable value at the end of the fiscal year falls below the acquisition cost, inventories are measured at the net realizable value, and the difference from the acquisition cost is recognized in the cost of sales, in principle. For slow moving inventory that is outside of the operating cycle process, the net realizable value is calculated reflecting the future demand and market trends. If the net realizable value declines significantly due to the greater-than-expected deterioration of the market environment, it could have a significant impact on the amounts recognized in the consolidated financial statements of subsequent periods.

(6) Measurement method of the fair value of financial instruments

When the Group evaluates the fair value of certain financial instruments, the Group uses valuation techniques that use inputs that are not observable in the market. These unobservable inputs could be affected by fluctuations in uncertain future economic conditions, and if a revision becomes necessary, it could have a significant impact on the consolidated financial statements in subsequent periods.

The details and amounts of the fair value of financial instruments are stated in “Note 3. Material Accounting Policies, (4) Financial instruments” and “Note 34. Financial Instruments”.

(7) Income taxes

The Group recognizes tax assets and liabilities at a reasonably estimated amount based on the interpretation of tax laws where there is an uncertain tax position. Deferred taxes of the Group include liabilities related to an uncertain tax position. Tax effects of assets and liabilities explained above are calculated using the expected value method. Estimates are based on the best estimate at the moment. However, differences from the estimates could have a significant impact on the consolidated financial statements in subsequent periods depending on the actual results. For details, please refer to “Note 17. Income Taxes”.

(8) Fair value assessment of intangible assets from business combination of Altium

The Group recognizes intangible assets acquired through business combinations at their fair value on the acquisition date. As of December 31, 2024, the carrying amount of the intangible assets identified from the business combination of Altium in the consolidated statements of financial position is 320,942 million yen, with the main intangible assets developed technology, valued at 291,714 million yen.

The fair value of the intangible assets developed technology on the acquisition date is determined by using the excess earnings method. This method calculates the present value of residual income by deducting the expected future cash flows from contributory assets such as working capital and fixed assets from the estimated future cash flows generated by existing technology. In this calculation, certain assumptions regarding Altium’s future business plans, growth rates beyond the business plan period, and discount rates have been made.

These assumptions are determined based on the best estimates and judgments of management but could be influenced by fluctuations in uncertain future economic conditions. If a revision becomes necessary, it could have a significant impact on the amounts that will be recognized in the consolidated financial statements of subsequent periods. For details, please refer to “Note 7. Business Combinations”.

5. Standards and Interpretations Not Yet Adopted

Of the new standards and interpretations that were newly issued or revised as of the approval of the consolidated financial statements, the major standards and interpretations that the Group has not yet adopted as of December 31, 2024, are as follows. The impact of applying these standards to the Group's consolidated financial statements is currently under review.

Standards	Title	Date on or after which the application is required for new reporting periods	The Group's applicable reporting period	Summaries of new Standards/amendments
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	Period starting January 2026	Amendments to the requirements for classification of financial assets and derecognition of financial liabilities in IFRS 9 "Financial Instruments" and standards related to IFRS 7 "Financial Instruments: Disclosures"
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Period starting January 2027	New standard replacing IAS 1, the current accounting standard for presentation and disclosure in financial statements

6. Business Segments

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available that is evaluated regularly by the Board of Directors to determine the allocation of management resources and assess performance.

The Group mainly consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business," and those are the Group's reportable segments. The Automotive Business includes the product categories "Automotive Control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive Information," comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as automotive information devices such as IVI and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies MCUs, SoCs, analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/IoT Business includes the product categories "Industrial," "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs and SoCs, analog semiconductors devices, and power semiconductors devises in each of these categories. Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other".

(Change of the method for aggregating Reportable Segments)

Due to the Group's organizational changes in the year ended December 31, 2024, the methodology for aggregating revenue for reportable segments changed from the use of product groupings to the use of customer names. Accordingly, the previously reported segment information for the year ended December 31, 2023, has been revised using the new methodology.

(2) Information on reportable segments

The accounting treatment for the reportable segments is same as described in "Note 3. Material Accounting Policies". The Group discloses revenue from external customers, segment gross profit, and segment operating profit (which is the segment profit).

Segment gross profit and segment operating profit are internal key performance indicators which are used by management when making decisions and are calculated by excluding the following items from IFRS revenue, gross profit and operating profit (Adjustments 2): amortization of certain tangible and intangible assets related to business combinations; certain share-based payment expenses; and other non-recurring items. Other non-recurring items include costs related to acquisitions and gains and losses the Group believes to be appropriate for deduction. However, certain other non-recurring items the Group believes to be covered by each reportable segment are included in segment gross profit and segment operating profit of each reportable segment (Adjustments 1). The Group's Executive Officers assess the performance after eliminating intragroup transactions, and therefore, there are no transfers between reportable segments included within the segment results.

Information on reportable segments is as follows.

Previous Fiscal Year (from January 1, 2023 to December 31, 2023)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	660,409	799,338	9,960	—	1,469,707	(292)	1,469,415
Segment gross profit	348,453	485,500	3,482	—	837,435	(3,107)	834,328
Segment operating profit	229,358	268,384	3,482	414	501,638	(110,872)	390,766
Finance income							38,142
Finance costs							(6,735)
Profit before tax							422,173
(Other items) Depreciation and amortization	38,333	41,919	—	—	80,252	105,757	186,009

Current Fiscal Year (from January 1, 2024 to December 31, 2024)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	702,812	636,760	8,907	—	1,348,479	—	1,348,479
Segment gross profit	367,771	385,823	2,675	—	756,269	(6,473)	749,796
Segment operating profit	222,486	173,379	1,417	630	397,912	(174,935)	222,977
Finance income							52,100
Finance costs							(10,972)
Share of loss of investments accounted for using equity method							(272)
Profit before tax							263,833
(Other items) Depreciation and amortization	50,677	37,525	109	—	88,311	122,417	210,728

(3) Information on products and services

Information on products and services is the same with information on reportable segments and is therefore omitted from this section.

(4) Information on regions and countries

The components of revenue and non-current assets from external customers by region and country are as follows.

a. Revenue from external customers

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
China	359,069	375,214
Asia (Excluding Japan and China	310,580	300,786
Japan	376,658	283,663
Europe	261,917	230,627
North America	155,878	155,628
Others	5,313	2,561
Total	1,469,415	1,348,479

(Note) Revenues are categorized into the country or region based on the location of the customers.

b. Non-current assets

Non-current assets include property, plant and equipment, goodwill and intangible assets.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Japan	1,705,320	1,991,797
The United States of America	69,201	1,077,190
Asia (Excluding Japan)	233,336	200,593
Europe	41,943	48,860
Others	317	3,944
Total	2,050,117	3,322,384

(Note) As a result of the acquisition of Altium, non-current assets in the United States of America increased in the current fiscal year. Therefore, the United States of America has been disclosed as a separate segment from North America, and non-current assets in North America, excluding the United States of America, are included under “Others”. The main countries included in “Others” are Australia and Canada.

(5) Major customers

Revenue from a single external customer accounting for 10% or more of revenue is as follows.

(In millions of yen)

	Name of related reportable segment	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
HAGIWARA ELECTRONICS CO., LTD.	Automotive, Industrial/Infrastructure /IoT	126,960	171,375
WT Microelectronics Co., Ltd.	Automotive, Industrial/Infrastructure /IoT	81,787	170,954

7. Business Combinations

Business combinations implemented during the previous fiscal year and the current fiscal year are as follows. Business combinations which are not material individually or collectively are omitted.

Previous Fiscal Year (from January 1, 2023 to December 31, 2023)

(Celeno)

Contingent consideration includes at most 45 million USD which will be paid based on the contract when several certain conditions (milestones) related to Celeno's future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Celeno, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	1,265
Settlement	(40)
Changes in fair value	(1,235)
Exchange differences	10
Ending balance	—

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in “Finance costs”, and the fluctuated amount due to factors other than the time value of money is recorded in “Other income” or “Other expenses”. For the year ended December 31, 2023, other income of 1,242 million yen and finance costs of 7 million yen were recorded for the change of fair value.

Celeno changed its company name from Celeno Communications Inc. to Renesas Semiconductor Design US Inc. on September 29, 2023.

(Steradian)

As of December 31, 2022, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the three months ended March 31, 2023, the Group has completed the purchase price allocation and revised the goodwill amount as follows. Adjustment in consideration for the acquisition is reflected for the three months ended March 31, 2023.

Fair value of assets acquired, liabilities assumed on the acquisition date (October 17, 2022)

(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	7,609
Intangible assets	(1,593)
Deferred tax liabilities	264
Adjustment in consideration for the acquisition	88
Total adjustments	(1,241)
Goodwill (after adjustment) (Note)	6,368

(Note) Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Steradian. No amount of goodwill is expected to be deductible for tax purposes.

(Panthronics)

a. Overview of business combination

On June 1, 2023, the Company completed the acquisition of Panthronics, a semiconductor company headquartered in Austria. Following the completion of the acquisition, Panthronics has become a wholly-owned subsidiary of the Company. Additionally, Panthronics changed its company name from Panthronics to Renesas Design Austria GmbH on October 12, 2023.

1) Name and overview of the acquiree

Name of the acquiree: Panthronics AG

Business overview: Development and sales of semiconductor solutions such as Near-Field Communication (“NFC”)

2) Date of the acquisition

June 1, 2023. (Central European Summer Time)

3) Purpose of the acquisition

Headquartered in Austria, Panthronics has been offering advanced NFC chipsets and software. NFC has emerged as a de facto standard in the digital economy and touches many aspects of daily life. Fintech, such as mobile point-of-sale (mPoS) terminals and contactless payment, IoT, asset tracking, and wireless charging are highlights of NFC’s increasing presence. Acquiring Panthronics’ competitive NFC technology will provide us with in-house capability to instantly capture growing and emerging market opportunities for NFC.

Combining Panthronics’ NFC technology with our broad product portfolio and security functions in microcontrollers (MCU) / microprocessors (MPU) will provide our wide customer base with a multitude of options to create innovative, ready-to-market NFC system solutions.

4) Acquisition Method

Acquisition of shares for cash consideration.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		9,801
Contingent consideration		2,794
Total	A	12,595

Expenses related to the acquisition were 245 million yen, which were recorded in “Selling, general and administrative expenses” for the year ended December 31, 2023.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In millions of yen) Date of acquisition (June 1, 2023)
Current assets		
Cash and cash equivalents		63
Trade and other receivables (Note 2)		662
Inventories		152
Other		44
Total current assets		921
Non-current assets		
Property, plant and equipment		35
Intangible assets		4,872
Other financial assets		9
Deferred tax assets		1,123
Total non-current assets		6,039
Total assets		6,960
Current liabilities		
Trade and other payables		360
Bonds and borrowings		1,893
Other		1,210
Total current liabilities		3,463
Non-current liabilities		
Deferred tax liabilities		1,123
Total non-current liabilities		1,123
Total liabilities		4,586
Net assets	B	2,374
Goodwill (Note 3)	A-B	10,221

(Note) 1. As of September 30, 2023, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the year ended December 31, 2023, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

Fair value of assets acquired, liabilities assumed on the acquisition date (June 1, 2023)

(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 3)	15,073
Intangible assets	(4,852)
Deferred tax assets	(1,123)
Deferred tax liabilities	1,123
Total adjustments	(4,852)
Goodwill (after adjustment) (Note 3)	10,221

2. The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.
3. Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Panthronics. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	9,801
Cash and cash equivalents held by the acquiree at the time of obtaining control	(63)
Amount of cash paid for the acquisition of subsidiaries (net amount)	9,738

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Panthronics was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2023 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2023, the revenue and profit of Panthronics from the acquisition date to December 31, 2023 had no significant impact on the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes at most 61 million USD which will be paid when certain conditions related to Panthronics' future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Panthronics, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	—
Increase due to the business combination	2,794
Changes in the fair value	(223)
Exchange differences	140
Ending balance	2,711

Additionally, of the fair value changes related to contingent consideration, the portion based on the time value of money is recorded as "Finance costs", while the portion based on changes other than the time value of money is recorded as "Other income" and "Other expenses". For the year ended December 31, 2023, other income of 223 million yen was recognized due to fair value fluctuations and other factors.

Current Fiscal Year (from January 1, 2024 to December 31, 2024)

(Steradian)

Contingent consideration includes at most 11 million USD which will be paid based on the contract when several certain conditions (milestones) related to Steradian's future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Steradian, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Beginning balance	1,078	586
Changes in fair value	(558)	(606)
Exchange differences	66	20
Ending balance	586	—

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs", and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" or "Other expenses". For the year ended December 31, 2024, "Other income" of 606 million yen was recorded for the change of fair value.

Steradian changed its company name from Steradian Semiconductors Private Limited to Renesas Design India Private Limited on March 26, 2024.

(Panthronics)

Contingent consideration includes at most 61 million USD which will be paid when several certain conditions related to Panthronics' future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Panthronics, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current Fiscal Year (from January 1, 2024 to December 31, 2024)
Beginning balance	—	2,711
Increase due to the business combination	2,794	—
Changes in fair value	(223)	(1,278)
Exchange differences	140	149
Ending balance	2,711	1,582

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs", and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" or "Other expenses". For the year ended December 31, 2024, "Other income" of 1,278 million yen was recorded for the change of fair value.

Panthronics changed its company name from Panthronics AG to Renesas Design Austria GmbH on October 12, 2023.

(Transphorm)

a. Overview of business combination

The Company completed the acquisition of all shares of Transphorm, a semiconductor company headquartered in Goleta, California, USA, on June 20, 2024, through a wholly-owned subsidiary, making Transphorm a wholly-owned subsidiary.

1) Name and overview of the acquiree

Name of the acquiree: Transphorm, Inc.

Business overview: Development and sales of gallium nitride (“GaN”) power semiconductors

2) Date of the acquisition

June 20, 2024

3) Purpose of the acquisition

The Company now aims to further expand its wide bandgap portfolio with Transphorm’s expertise in GaN, an emerging material that enables higher switching frequency, lower power losses, and smaller form factors. These benefits empower customers’ systems with greater efficiency, smaller and lighter composition, and lower overall cost. As such, demand for GaN is predicted to grow by more than 50 percent annually, according to an industry study. The Company will implement Transphorm’s auto-qualified GaN technology to develop new enhanced power solution offerings, such as X-in-1 powertrain solutions for EVs, along with computing, energy, industrial and consumer applications.

4) Acquisition Method

Acquisition of shares for cash consideration through the wholly-owned subsidiary of the Company.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		53,533
Acquisition consideration from Restricted Stock Unit		386
Total	A	53,919

Expenses related to the acquisition were 916 million yen, which were recorded in “Selling, general and administrative expenses” for the year ended December 31, 2024.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In millions of yen) Date of acquisition (June 20, 2024)
Current assets		
Cash and cash equivalents		836
Trade and other receivables (Note 2)		478
Inventories		1,555
Other		63
Total current assets		2,932
Non-current assets		
Property, plant and equipment		1,543
Intangible assets		6,730
Investments accounted for using the equity method		49
Other financial assets		25
Deferred tax assets		6,762
Other		56
Total non-current assets		15,165
Total assets		18,097
Current liabilities		
Trade and other payables		1,909
Bonds and borrowings		332
Other financial liabilities		59
Other		1,018
Total current liabilities		3,318
Non-current liabilities		
Bonds and borrowings		2,423
Other		288
Total non-current liabilities		2,711
Total liabilities		6,029
Net assets	B	12,068
Goodwill (Note 3)	A-B	41,851

(Note) 1. As of June 30, 2024, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the year ended December 31, 2024, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

Fair value of assets acquired, liabilities assumed on the acquisition date (June 20, 2024)

(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 3)	55,343
Intangible assets	(6,730)
Deferred tax assets	(6,762)
Deferred tax liabilities	—
Total adjustments	(13,492)
Goodwill (after adjustment) (Note 3)	41,851

2. There are no significant receivables from acquired debts that are estimated to be uncollectible.
3. Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Transphorm. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	53,533
Cash and cash equivalents held by the acquiree at the time of obtaining control	(836)
Amount of cash paid for the acquisition of subsidiaries (net amount)	52,697

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Transphorm was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2024 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2024, the revenue and profit of Transform from the acquisition date to December 31, 2024 had no significant impact on the consolidated financial statements.

(Altium)

a. Overview of business combinations

On August 1, 2024, the Company completed the acquisition of Altium, a global leader in electronics design systems headquartered in San Diego, California, USA, through a wholly-owned subsidiary, thereby making Altium a wholly-owned subsidiary. Additionally, on December 12, 2024, Altium changed its company name to Altium Pty Ltd.

1) Name and overview of the acquiree

Name of the acquiree: Altium Limited

Business overview: Development and sales of software tools for PCB design, etc.

2) Date of the acquisition

August 1, 2024

3) Purpose of the acquisition

Under its Purpose, “To Make Our Lives Easier”, the Company has been expanding its product portfolio of embedded processors, analog, power, and connectivity with an aim to becoming a global leader in embedded semiconductor solutions. Furthermore, the Company has been advancing its digitalization strategy that enables enhanced user experience (UX) through cloud-based development.

Altium’s history began in 1985 from Australia as the world’s first printed-circuit board (PCB) design tool provider. The company has grown into a global market leader with the most well-known PCB software tools in use today.

The acquisition enables two industry leaders to join forces and establish an integrated and open “electronics system design and lifecycle management platform” that allows for collaboration across component, subsystem, and system-level design. The transaction strongly aligns with the Company’s digitalization strategy and represents the Company’s first material step in bringing enhanced user experience and innovation at the system level for electronics system designers.

As technology advances, the design and integration of electronic systems become increasingly complex. The current electronics system design flow is a complicated and iterative process that involves multiple stakeholders and design steps, from component selection and evaluation to simulation and PCB physical design. Engineers must be able to design systems that are not only functional but also efficient and cost-effective under shortened development cycles.

Together, the Company and Altium, under a shared vision, aim to build an integrated and open electronics system design and lifecycle management platform that unifies these steps at a system level. The acquisition brings together Altium’s sophisticated cloud platform capabilities with our strong portfolio of embedded solutions, combining high-performance processors, analog, power and connectivity. The combination will also enable integration with third-party vendors across the ecosystem to execute all electronic design steps seamlessly on the cloud. The electronics system design and lifecycle management platform will deliver integration and standardization of various electronic design data and functions and enhanced component lifecycle management, while enabling seamless digital iteration of design processes to increase overall productivity. This brings significantly faster innovation and lowers barriers to entry for system designers by reducing development resources and inefficiencies.

4) Acquisition Method

Acquisition of shares for cash consideration through the wholly-owned subsidiary of the Company.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		917,399
Acquisition consideration from Restricted Stock Unit and Performance Share Unit		1,110
Other assets recognized prior to the acquisition date		355
Total	A	918,864

Expenses related to the acquisition were 2,277 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2024.

c. Fair value of assets acquired, liabilities assumed and goodwill

(In millions of yen)

		Date of acquisition (August 1, 2024)
Current assets		
Cash and cash equivalents		26,746
Trade and other receivables (Note 2)		11,976
Other		1,617
Total current assets		40,339
Non-current assets		
Property, plant and equipment		2,418
Intangible assets (Note 3)		312,855
Other financial assets		607
Deferred tax assets		657
Other		31
Total non-current assets		316,568
Total assets		356,907
Current liabilities		
Trade and other payables		654
Other current financial liabilities		579
Income taxes payable		7,326
Other		21,005
Total current liabilities		29,564
Non-current liabilities		
Trade and other payables		285
Other non-current financial liabilities		2,190
Income taxes payable		3,469
Retirement benefit liability		134
Deferred tax liabilities		66,041
Other		8
Total non-current liabilities		72,127
Total liabilities		101,691
Net assets	B	255,216
Basis adjustment (Note 4)	C	19,475
Goodwill (Note 5)	A-B+C	683,123

(Note) 1. For the year ended December 31, 2024, the allocation of acquisition costs to intangible assets has been completed upon the finalization of the fair value assessment, and the amount of goodwill has been determined.
2. There are no significant receivables from acquired debts that are estimated to be uncollectible.
3. The amount allocated to intangible assets is mainly composed of developed technology, and the fair value of such intangible assets (284,278 million yen) is measured using the excess earnings method based on assumptions such as future business plans, growth rates beyond the business plan period, and discount rates.
4. The Company enters into currency options and forward exchange contracts to hedge against exchange rate risks associated with the payment of acquisition consideration denominated in Australian dollars, and applies hedge accounting. These hedging instruments are settled in cash at fair value on the acquisition date. The basis adjustment represents the change in fair value of the hedging instruments recognized in other comprehensive income on the acquisition date, and is added to the carrying amount of goodwill.
5. Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Altium. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	917,399
Cash and cash equivalents held by the acquiree at the time of obtaining control	(26,746)
Amount of cash paid for the acquisition of subsidiaries	890,653
Basis adjustment	19,475
Amount of cash paid for the acquisition of subsidiaries (net amount)	910,128

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Altium was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2024 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2024, the revenue and profit of Altium from the acquisition date to December 31, 2024 had no significant impact on the consolidated financial statements.

8. Cash and Cash Equivalents

The components of cash and cash equivalents are described below. The balance of “Cash and cash equivalents” in the consolidated statements of financial position and the balance of “Cash and cash equivalents” in the consolidated statements of cash flows as of the end of the previous fiscal year and the end of the current fiscal year are the same.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Cash and deposits	352,426	217,171
Short-term investments	82,255	12,078
Total	434,681	229,249

(Note) Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade and Other Receivables

The components of trade and other receivables are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Notes and trade receivables	160,590	152,381
Other receivables	8,838	16,311
Loss allowance	(437)	(1,579)
Total	168,991	167,113

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

10. Inventories

The components of inventories are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Merchandise and finished goods	38,793	47,619
Work in progress	106,420	106,737
Raw materials and supplies	17,841	22,188
Total	163,054	176,544

(Note) The amount of inventories recognized as expenses approximates “Cost of sales”. For write-downs of inventories previously recognized as an expense as a result of declining profitability, using the reversal method 9,734 million yen and 3,708 million yen were included in “Cost of sales” in the previous fiscal year and the current fiscal year, respectively.

11. Other Assets and Other Liabilities

The components of other current assets and other non-current assets are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Prepaid expenses	27,247	64,563
Consumption taxes receivable	5,192	4,424
Other	6,951	6,332
Total	39,390	75,319
Current assets	21,792	22,730
Non-current assets	17,598	52,589

The components of other current liabilities and other non-current liabilities are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Accrued expenses	58,791	51,768
Paid leave payables	13,184	14,548
Other	18,701	35,975
Total	90,676	102,291
Current liabilities	83,281	90,998
Non-current liabilities	7,395	11,293

12. Property, Plant and Equipment

(1) Movement during the fiscal year

The changes in acquisition cost, accumulated depreciation and impairment losses, and the carrying amounts of property, plant and equipment are as follows.

A. Acquisition Cost

(In million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2023)	193,635	637,679	153,414	25,070	23,778	14,194	1,047,770
Acquisition	293	6,094	3,897	7,363	—	95,972	113,619
Acquisition due to business combination	—	24	11	—	—	—	35
Sales or disposal	(1,224)	(6,684)	(12,156)	(5,706)	(22)	(43)	(25,835)
Transfer from construction in progress	10,136	25,966	13,270	—	1	(49,373)	—
Exchange differences	2,133	9,613	2,993	1,593	217	486	17,035
Other	245	1,337	(148)	(62)	—	1,204	2,576
Balances at the end of previous fiscal year (as of December 31, 2023)	205,218	674,029	161,281	28,258	23,974	62,440	1,155,200
Acquisition	307	922	4,382	8,732	—	113,218	127,561
Acquisition due to business combination	20	704	395	2,358	—	484	3,961
Sales or disposal	(1,306)	(11,740)	(4,233)	(3,206)	(182)	(508)	(21,175)
Transfer from construction in progress	2,719	44,394	11,939	—	—	(59,052)	—
Exchange differences	4,540	27,913	5,888	3,951	389	1,292	43,973
Other	(176)	(533)	(544)	(482)	—	80	(1,655)
Balances at the end of the current fiscal year (as of December 31, 2024)	211,322	735,689	179,108	39,611	24,181	117,954	1,307,865

B. Accumulated depreciation and impairment losses

(In million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2023)	(140,575)	(558,418)	(127,291)	(11,831)	(1,613)	—	(839,728)
Depreciation	(6,077)	(31,252)	(14,900)	(5,236)	—	—	(57,465)
Impairment losses	(435)	(12)	(385)	(1,565)	—	—	(2,397)
Sales or disposal	923	6,503	11,946	5,105	—	—	24,477
Exchange differences	(1,022)	(7,568)	(2,501)	(850)	—	—	(11,941)
Other	166	(1,246)	(1,018)	91	—	—	(2,007)
Balances at the end of the previous fiscal year (as of December 31, 2023)	(147,020)	(591,993)	(134,149)	(14,286)	(1,613)	—	(889,061)
Depreciation	(6,167)	(34,485)	(16,057)	(5,698)	—	—	(62,407)
Impairment losses	512	—	(1,412)	(780)	327	—	(1,353)
Sales or disposal	1,271	11,516	3,905	2,828	—	—	19,520
Exchange differences	(2,496)	(23,740)	(4,334)	(1,607)	—	—	(32,177)
Other	51	288	(314)	(965)	—	—	(940)
Balances at the end of the current fiscal year (as of December 31, 2024)	(153,849)	(638,414)	(152,361)	(20,508)	(1,286)	—	(966,418)

C. Carrying amount

(In million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2023)	53,060	79,261	26,123	13,239	22,165	14,194	208,042
Balances at the end of the previous fiscal year (as of December 31, 2023)	58,198	82,036	27,132	13,972	22,361	62,440	266,139
Balances at the end of the current fiscal year (as of December 31, 2024)	57,473	97,275	26,747	19,103	22,895	117,954	341,447

(Note) 1. The amount of the government grant received for the acquisition of property, plant and equipment is 1,068 million yen for the year ended December 31, 2023, and 4,872 million yen for the year ended December 31, 2024. The grant amount is directly deducted from the acquisition cost. There are no unfulfilled conditions or other contingent liabilities associated with the government grants.

2. The amount of property, plant and equipment under construction is presented as construction in progress.
3. For property, plant and equipment on which a mortgage is placed as collateral for liabilities, see “Note 19. Bonds and Borrowings”.
4. For commitments to the acquisition of property, plant and equipment, see “Note 37. Commitments and Contingent Liabilities”.
5. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.
6. Impairment losses are included in “Other expenses” in the consolidated statements of profit or loss. For details on impairment losses, see “Note 15. Impairment of Non-financial Assets”.
7. There are no borrowing costs included in the cost of property, plant and equipment.
8. For details on right-of-use assets, see “Note 14. Leases”.

13. Goodwill and Intangible Assets

(1) Movement during the fiscal year

The changes in acquisition cost, accumulated amortization and impairment losses, and the carrying amounts of goodwill and intangible assets are as follows.

A. Acquisition cost

(In million yen)

	Goodwill	Intangible assets					
		Software	Capitalized development costs	Developed technology	Customer relationships	Other	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2023)	1,264,275	81,752	6,166	634,015	163,499	118,459	1,003,891
Internally developed	—	1,462	691	—	—	—	2,153
Acquisitions	—	3,136	—	—	—	20,303	23,439
Acquisition due to business combination	10,221	—	—	4,872	—	—	4,872
Sales or disposal	—	(1,230)	(1,520)	—	—	(11,592)	(14,342)
Exchange differences	87,239	463	—	42,670	10,523	2,271	55,927
Other	396	354	—	—	—	(5)	349
Balances at the end of the previous fiscal year (as of December 31, 2023)	1,362,131	85,937	5,337	681,556	174,022	129,436	1,076,289
Internally developed	—	8,313	200	—	—	—	8,513
Acquisitions	—	14,039	—	—	—	50,062	64,101
Acquisition due to business combination	724,974	—	—	289,161	30,424	—	319,585
Sales or disposal	—	(919)	(1,527)	1,032	—	(36,663)	(38,077)
Exchange differences	169,064	797	—	94,987	20,481	2,467	118,732
Other	—	991	—	—	—	338	1,329
Balances at the end of the current fiscal year (as of December 31, 2024)	2,256,169	109,158	4,010	1,066,736	224,927	145,640	1,550,471

B. Accumulated amortization and impairment losses

(In million yen)

	Goodwill	Intangible assets: Software	Capitalized development costs	Developed technology	Customer relationships	Other	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2023)	—	(70,838)	(3,430)	(306,225)	(52,747)	(81,812)	(515,052)
Amortization	—	(3,789)	(1,223)	(87,108)	(16,013)	(16,830)	(124,963)
Impairment losses	—	—	—	—	—	(2,475)	(2,475)
Sales or disposal	—	1,229	1,520	—	—	11,329	14,078
Exchange differences	—	(417)	—	(21,158)	(3,137)	(1,311)	(26,023)
Other	—	26	—	—	—	(33)	(7)
Balances at the end of the previous fiscal year (as of December 31, 2023)	—	(73,789)	(3,133)	(414,490)	(71,897)	(91,133)	(654,442)
Amortization	—	(3,378)	(977)	(101,763)	(18,264)	(21,927)	(146,309)
Impairment losses	—	—	—	—	—	(585)	(585)
Sales or disposal	—	892	1,527	(1,032)	—	37,908	39,295
Exchange differences	—	(711)	—	(50,863)	(7,971)	(4,173)	(63,718)
Other	—	13	—	—	—	43	56
Balances at the end of the current fiscal year (as of December 31, 2024)	—	(76,973)	(2,583)	(568,148)	(98,132)	(79,867)	(825,703)

C. Carrying amount

(In million yen)

	Goodwill	Intangible assets: Software	Capitalized development costs	Developed technology	Customer relationships	Other	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2023)	1,264,275	10,914	2,736	327,790	110,752	36,647	488,839
Balances at the end of the previous fiscal year (as of December 31, 2023)	1,362,131	12,148	2,204	267,066	102,126	38,304	421,847
Balances at the end of the current fiscal year (as of December 31, 2024)	2,256,169	32,185	1,427	498,588	126,795	65,773	724,768

(Note)
1. For software in intangible assets, the carrying amount classified as internally generated assets was 451 million yen as of December 31, 2023, and 417 million yen as of December 31, 2024.
2. Construction in progress related to software is included in “Software” under intangible assets.
3. For other in intangible assets, the carrying amount of intangible assets acquired through software license contracts (as license fees) was 22,501 million yen as of December 31, 2023 and 51,860 million yen as of December 31, 2024. In addition, the balances are mainly amortized using the straight-line method based on the available license period (5 years or less).
4. There are no intangible assets with restrictions on ownership or intangible assets on which a mortgage is placed as collateral for liabilities.
5. For commitments related to the acquisition of intangible assets, see “Note 37. Commitments and Contingent Liabilities”.

6. Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.
7. Impairment losses are included in “Other expenses” in the consolidated statements of profit or loss. For details on impairment losses, see “Note 15. Impairment of Non-financial Assets”.

(2) Significant intangible assets

Major intangible assets are developed technology and customer relationships acquired in the business combination with former Intersil in February 2017, former IDT in March 2019, Dialog in August 2021, former Celeno in December 2021, and Altium in August 2024. The carrying amount of developed technology acquired in the business combination was 267,066 million yen as of December 31, 2023 and 498,588 million yen as of December 31, 2024 and the remaining amortization period as of December 31, 2024 is 1 to 15 years. The carrying amount of customer relationships was 102,126 million yen as of December 31, 2023 and 126,795 million yen as of December 31, 2024, and the remaining amortization period as of December 31, 2024 is 2 to 18 years.

(3) Intangible assets not yet available for use

The carrying amount of intangible assets not yet available for use is included in “Other” and was 4,850 million yen as of December 31, 2023 and 2,515 million yen as of December 31, 2024 and represents in-process research and development. In-process research and development are reclassified as “Developed technology” and starts to be amortized when the development has been completed. The amount of reclassification was 2,183 million yen for the year ended December 31, 2024.

14. Leases

(1) Leases as lessee

A. Lease expenses, income and cash flows

Lease expenses, income and cash flows are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Depreciation charge for right-of-use assets by class of underlying asset		
Land	46	32
Buildings	4,256	4,412
Machinery, equipment and vehicles	731	819
Tools, furniture and fixtures	203	435
Total	5,236	5,698
Interest expense on lease liabilities	327	560
Expense relating to short-term leases	2,911	2,692
Expense relating to leases of low-value assets (excluding short-term leases)	472	538
Income from subleasing right-of-use assets	109	46
Total cash outflows for leases	9,506	9,763

(Note) For details on the maturity analysis for lease liabilities, see “Note 34. Financial Instruments”.

B. Right-of-use assets which are included in the carrying amount of property, plant and equipment

The carrying amount and the increase/decrease in carrying amount of right-of-use assets which are included in the carrying amount of property, plant and equipment are as follows.

(In million yen)

	Balance as of December 31, 2023	Balance as of December 31, 2024
Land	314	301
Buildings	11,559	15,028
Machinery, equipment and vehicles	1,750	2,056
Tools, furniture and fixtures	349	1,718
Total	13,972	19,103
The increased amount of right-of-use asset	7,363	8,732

C. Nature of the leasing activities

The Group leases land, building, machinery, equipment and vehicles, and others.

The terms of lease contracts are negotiated individually and include a wide variety of the terms of contracts.

D. Options of extension and termination

The options of extension and termination are included in many lease contracts for buildings, machinery and equipment. The lease term for office buildings is mainly from 3 to 10 years and for machinery and equipment, its term is from 3 to 5 years. Some contracts include an option to extend the lease for a period of one year or the same lease years for the current lease contract after the termination date. In addition, some contracts include an option for early termination when the lessee notifies the lessor between six months to one year before the termination date.

These options will be utilized to maximize operational flexibility from the point of asset management used in the Group’s businesses.

15. Impairment of Non-financial Assets

The Group recorded impairment losses for the assets below. Impairment losses are included in “Other expenses” in the consolidated statements of profit or loss.

The components of assets for which the impairment losses are recorded are as follows.

Previous fiscal year (from January 1, 2023 to December 31, 2023)

(In million yen)

	Reportable segments		Total
	Automotive	Industrial/ Infrastructure/IoT	
Property, plant and equipment	1,498	899	2,397
Intangible assets	—	2,475	2,475
Total	1,498	3,374	4,872

Current Fiscal Year (from January 1, 2024 to December 31, 2024)

(In million yen)

	Reportable segments		Total
	Automotive	Industrial/ Infrastructure/IoT	
Property, plant and equipment	1,384	1,046	2,430
Intangible assets	249	336	585
Total	1,633	1,382	3,015

(Note) 1. Impairment losses recognized as for right-of-use assets are included in the impairment losses of property, plant and equipment. The amount included in the impairment losses of property, plant and equipment for the previous fiscal year and the current fiscal year was 1,565 million yen and 780 million yen, respectively.

2. Impairment losses on certain in-process research and development projects assets that are discontinued are included in the impairment losses of intangible assets. The amount included in the impairment losses of intangible assets was 2,349 million yen and 317 million yen for the previous fiscal year and the current fiscal year, respectively.

(1) Impairment losses

The Group assesses impairment at the grouping level of the smallest identifiable group that generates cash inflows that are largely independent, based on the categories used for business management. The Group assesses impairment by each individual asset for significant assets to be disposed of, idle assets and business assets.

Previous fiscal year (from January 1, 2023 to December 31, 2023)

(Assets to be disposed of)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generating units for the assets that have been decided to be disposed and reduces the carrying amount of assets to their recoverable amount. As a result, the Group has recorded impairment losses of 118 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero for assets difficult to sell or the selling amount is estimated, and the hierarchy level of the fair value is Level 3.

(Idle assets)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generating units, reduces the carrying amount of idle assets that are unlikely to be used to their recoverable amount, and has recorded impairment losses of 2,405 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero for assets difficult to sell or the selling amount is estimated, and the hierarchy level of the fair value is Level 3.

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Assets to be disposed of)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generating units for the assets that have been decided to be disposed and reduces the carrying amount of assets to their recoverable amount. As a result, the Group has recorded impairment losses of 1,650 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero for assets difficult to sell or the selling amount is estimated, and the hierarchy level of the fair value is Level 3.

(Idle assets)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generating units, reduces the carrying amount of idle assets that are unlikely to be used to their recoverable amount, and has recorded impairment losses of 1,048 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero because it is difficult to sell these assets, and the hierarchy level of the fair value is Level 3.

(2) Impairment test of goodwill and intangible assets not yet available for use

The Group performs impairment tests for cash-generating units to which goodwill and intangible assets not yet available for use are allocated at a certain time each fiscal year and whenever there is any indication of impairment.

Goodwill recorded in the consolidated statements of financial position was recognized mainly when the Company merged with former Intersil for the year ended December 31, 2017, former IDT for the year ended December 31, 2019, Dialog for the year ended December 31, 2021, and Altium for the year ended December 31, 2024, and it is allocated to the cash-generating units of the Group expected to provide future earning power arising from synergies of these business combinations.

In the impairment test, goodwill and intangible assets not yet available for use that were allocated to the cash-generating units of the Group are as follows.

(In million yen)

	Reportable segments	Cash-generating units	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Goodwill	Automotive	Automotive	330,858	398,446
	Industrial/ Infrastructure/IoT	Industrial/ Infrastructure/IoT	1,031,273	1,857,723
In-process research and development	Automotive	Automotive	2,127	2,373
	Industrial/ Infrastructure/IoT	Industrial/ Infrastructure/IoT	2,723	142

(Note) The goodwill recognized due to the acquisition of Altium in the current fiscal year, reflects a revision of the allocation of the acquisition cost. For details, please refer to “Note 7. Business Combinations”.

The recoverable amount of the cash-generating units is measured at the value in use. The value in use is calculated by discounting the cash flows, which is estimated based on the five-year business plan approved by management and the estimated permanent growth rate for the period thereinafter, to the present value using the pre-tax discount rate. Significant assumptions which have an impact on the calculation of the value in use include gross margin in the business plan, permanent growth rate, discount rate and others. These assumptions are determined in the consideration of past experiences and external information.

For cash flows in a period beyond the target period of the future business plan approved by management, the value in use is calculated using the permanent growth rate as 2.1% the current fiscal year (2.0% in the previous fiscal year). The approved permanent growth rate is determined based on the estimated inflation rate of the market to which the cash-generating units belong.

The discount rates are the weighted average capital cost before tax. The discount rates used for the calculation of the value in use are 11.0% in the Automotive Business in the current fiscal year (10.3% in the previous fiscal year) and 14.7% in the Industrial/Infrastructure/IoT Business in the current fiscal year (12.1% in the previous fiscal year).

Because the recoverable amount of cash-generating units sufficiently exceeds the carrying amount in the current fiscal year, management believes that it is unlikely that the recoverable amount of the cash-generating units will be lower than the carrying amount even if the major assumptions (Gross margin/ Permanent growth rate/ Discount rate before tax) used in the impairment test are changed in a reasonable range.

The following table shows the range of reasonably expected fluctuation of the major assumptions (Gross margin/ Permanent growth rate/ Discount rate before tax) used in the impairment test.

Major assumptions	Cash-generating units	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Gross margin	Automotive	35~45%	35~45%
	Industrial/ Infrastructure/IoT	50~60%	50~60%
Permanent growth rate	Automotive Industrial/ Infrastructure/IoT	1.5~2.5%	1.6~2.6%
Discount rate before tax	Automotive	8.3~12.3%	9.0~13.0%
	Industrial/ Infrastructure/IoT	9.1~15.1%	11.7~17.7%

The Group recognized no impairment losses during the current fiscal year and the previous year since the value in use of the cash generating units exceeded the carrying amount as a result of the impairment test.

16. Other Financial Assets

(1) Components of other financial assets

The components of other financial assets are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Loans receivable (Note 1)	145,369	327,973
Long-term accounts receivable (Note 2)	50,374	51,768
Derivative assets (Note 1)	30,132	43,493
Stocks (Note 3)	14,760	13,356
Investment trust (Note 1)	8,124	11,069
Other (Note 4)	11,131	12,279
Total	259,890	459,938
Current assets	4,660	9,236
Non-current assets	255,230	450,702

(Note) 1. Loans receivable, derivative assets and investment trust are mainly classified as financial assets measured at fair value through profit or loss. For details, please refer to “Note 34. Financial Instruments”.

2. Long-term accounts receivable mainly includes financial assets measured at amortized cost which are recorded in accordance with the ship and debit programs. For details on the ship and debit programs, please refer to “Note 3. Material Accounting Policies, (17) Revenue recognition”.

3. Stocks are classified either as equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss. For details, please refer to “Note 34. Financial Instruments”.

4. Term deposits with a deposit term of more than three months and security deposits are included in Other. These assets are classified as financial assets measured at amortized cost.

(2) Equity instruments measured at fair value through other comprehensive income

Name of major equity instruments and their fair value measured at fair value through other comprehensive income are as follows.

(In million yen)

Company name	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Sifive, Inc.	3,082	3,437

(3) Derecognized equity instruments measured at fair value through other comprehensive income

The fair value at the date of cessation of recognition, as well as the cumulative loss (before tax) of the capital financial assets measured at fair value through other comprehensive income, which were discontinued during the period, are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Fair value	—	50
Cumulative loss (before tax)	—	(1,142)

(Note) When capital financial assets measured at fair value through other comprehensive income are derecognized, the cumulative loss (after tax) previously recognized in other comprehensive income is reclassified to retained earnings. The amount for the year ended December 31, 2024, is 1,142 million yen.

17. Income Taxes

(1) Components of and changes in deferred tax assets and deferred tax liabilities

The components of and changes in deferred tax assets and deferred tax liabilities by major causes of their occurrence are as follows.

(Previous fiscal year)

(In millions of yen)

	As of January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	As of December 31, 2023
Deferred tax assets					
Inventories	5,354	(92)	—	—	5,262
Property, plant and equipment and other	6,892	(1,458)	—	1,123	6,557
Research and development expense	7,469	1,486	—	—	8,955
Accrued expenses	20,459	(4,230)	—	—	16,229
Retirement benefit liability	3,320	(174)	115	—	3,261
Carryforward of unused tax losses	4,185	(715)	—	—	3,470
Carryforward of unused tax credits	4,599	(2,409)	—	—	2,190
Other	21,925	9,131	—	—	31,056
Subtotal	74,203	1,539	115	1,123	76,980
Deferred tax liabilities					
Intangible assets and other	(80,741)	13,018	—	(1,123)	(68,846)
Tax on undistributed earnings	(9,342)	(1,856)	—	—	(11,198)
Total income from specified foreign subsidiaries and others	(852)	(109)	—	—	(961)
Other	(9,149)	(1,299)	4,330	—	(6,118)
Subtotal	(100,084)	9,754	4,330	(1,123)	(87,123)
Net deferred tax assets (liabilities)	(25,881)	11,293	4,445	—	(10,143)

(Current fiscal year)

(In millions of yen)

	As of January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	As of December 31, 2024
Deferred tax assets					
Inventories	5,262	3,052	—	—	8,314
Property, plant and equipment and other	6,557	1,062	—	—	7,619
Research and development expense	8,955	10,719	—	—	19,674
Accrued expenses	16,229	(4,471)	—	—	11,758
Retirement benefit liability	3,261	(1,398)	—	—	1,863
Carryforward of unused tax losses	3,470	1,843	—	6,762	12,075
Carryforward of unused tax credits	2,190	317	—	—	2,507
Other	31,056	(8,496)	—	657	23,217
Subtotal	76,980	2,628	—	7,419	87,027
Deferred tax liabilities					
Intangible assets and other	(68,846)	(127)	—	(66,042)	(135,015)
Tax on undistributed earnings	(11,198)	(1,425)	—	—	(12,623)
Total income from specified foreign subsidiaries and others	(961)	(1,536)	—	—	(2,497)
Other	(6,118)	4,670	(5,488)	—	(6,936)
Subtotal	(87,123)	1,582	(5,488)	(66,042)	(157,071)
Net deferred tax assets (liabilities)	(10,143)	4,210	(5,488)	(58,623)	(70,044)

(Note) The Group considers the possibility that a portion of, or all of, the deductible temporary differences or carryforward of unused tax losses can be utilized against future taxable profits in the recognition of deferred tax assets.
Deferred tax liabilities related to intangible assets and others include those that are related to an uncertain tax position at an overseas subsidiary and calculated using the expected value method.
The differences between the total amount recognized in profit or loss and the total amount of the deferred tax expenses are due to changes in the foreign exchange rate.

The Organization for Economic Cooperation and Development has published Global Anti-Base Erosion Model Rules which include a minimum 15% tax rate by jurisdiction (referred to as the “Pillar Two” rules).

In the tax reform for fiscal year 2023 in Japan, a corporate tax designed to comply with the BEPS Global Minimum Tax rules was established, and the law incorporating these provisions (“Global Minimum Tax System”) was enacted on March 28, 2023 (Act for the Partial Revision of the Income Tax Law (the “Amended Corporate Tax Law”)). The Amended Corporate Tax Law introduced the Income Inclusion Rule (IIR), a component of the Global Minimum Tax System. On a standalone basis, the IIR provisions in Japan should only apply for fiscal years beginning on or after April 1, 2024. However, various countries in which the Company has subsidiaries, have already enacted the Pillar Two rules with effect for fiscal years beginning on or after January 1, 2024. As such, the Pillar Two rules apply to the Group for the fiscal year ended December 31, 2024.

An assessment of the income tax impact has been undertaken based on the financial information available for each constituent entity of the Group as of December 31, 2024, and a summary of the income tax impact is set out below:

(In millions of yen)

	Current fiscal year (as of December 31, 2024)	Percentage of Total Tax Charge
Total Tax Charge / (Credit)	44,411	100.0%
Of which:		
Income tax excluding Pillar Two Income Tax	43,842	98.7%
Income tax related to Pillar Two	569	1.3%

The Pillar Two tax charge identified for the year ended December 31, 2024, arises in relation to the United States of America and Vietnam. The exposure arises as the effective tax rate in these two countries falls below 15% and none of the transitional safe harbor exemptions apply.

The Top-Up tax in relation to Vietnam is payable in Vietnam itself as the country has already implemented the Qualifying Domestic Minimum Top-Up Tax (“QDMTT”) rules. However, since the United States of America has not adopted any Pillar Two rules, the top-up tax is payable in the country of the reporting parent company which would file an IIR return, being the United Kingdom and Australia in the Company’s case.

For all other countries in which the Company operates, they are either not in scope of the rules in 2024 or one of the transitional safe harbor exemptions apply excluding that jurisdiction from any Pillar Two tax.

For completeness, if the Pillar Two rules had been in effect in all countries in which the Company operates for the fiscal year ended December 31, 2024, then additional Pillar Two top up tax of 561 million yen would have been incurred, taking the total Pillar Two top up tax up to 1,130 million yen which is equivalent to 2.5% of the Group’s total tax charge. It should however be noted that the implementation of Pillar Two rules in the United States of America remains stalled and thus at this moment, the incremental Top up tax charge is purely hypothetical.

With respect to the impact of Pillar Two rules on the Company’s deferred tax assets and liabilities for the fiscal year ended December 31, 2024, the Company has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two Income Taxes. This treatment is in accordance with the IASB’s amendment to IAS 12 ‘Income Taxes’.

(2) Deductible temporary differences and others for which no deferred tax assets are recognized

The amounts of deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credits for which no deferred tax assets are recognized are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Deductible temporary differences	790	722
Carryforward of unused tax losses	11,038	28,251
Carryforward of unused tax credits	26,876	31,668
Total	38,704	60,641

(Note) Deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credits are measured on a tax amount basis.

The expiration schedule of the carryforward of unused tax losses for which no deferred tax assets are recognized is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
First year	—	—
Second year	—	—
Third year	—	62
Fourth year	126	30
Fifth year or thereafter	10,912	28,159
Total	11,038	28,251

The expiration schedule of the carryforward of unused tax credits for which no deferred tax assets are recognized is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
First year	55	56
Second year	57	—
Third year	—	—
Fourth year	—	—
Fifth year or thereafter	26,764	31,612
Total	26,876	31,668

The Group does not include the amount of the carryforward of unused tax losses for which no deferred tax asset is recognized for local taxes (residential tax and business tax) that are not subject to the consolidated taxation system and the group tax sharing system in Japan. The amount of the carryforward of unused tax losses for local taxes (residential tax and business tax) was 2,173 million yen for residential tax and 6,177 million yen for business tax in the year ended December 31, 2023, and 1,662 million yen for residential tax and 4,042 million yen for business tax in the year ended December 31, 2024.

(3) Components of income tax expense

The components of income tax expense are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Current tax expense		
Current tax expense	101,170	65,562
Tax expense from previous periods	(1,752)	(9,472)
Total current tax expense	99,418	56,090
Deferred tax expense		
Origination and reversal of temporary differences	3,108	(5,561)
Effects from tax regulation changes	(1)	3
Revaluation of deferred tax assets	(17,747)	(3,741)
Other	84	(2,380)
Total deferred tax expense	(14,556)	(11,679)
Total income tax expense	84,862	44,411

(Note) 1. Current tax expense in the previous fiscal year and the current fiscal year does not include the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences in past periods.

2. Deferred tax expense in the previous fiscal year and the current fiscal year does not include the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences in past periods.

3. Deferred tax expense in the previous fiscal year and the current fiscal year does not include the deferred tax expenses arising from the write-down of deferred tax assets or the reversal of previously recorded write-downs.

(4) Reconciliation of the statutory effective tax rate and the average effective tax rate

The reconciliation of the statutory effective tax rate and the average effective tax rate are as follows.

(%)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Statutory effective tax rate (Note)	31.5	31.5
Changes in unrecognized deferred tax assets	(4.2)	(1.2)
Permanent differences	(2.4)	(8.4)
Foreign tax rate differences	(0.2)	3.3
Tax credits	(4.9)	(5.8)
Tax on undistributed earnings	0.4	0.5
Other	(0.0)	(3.2)
Average effective tax rate	20.1	16.8

(Note) The applicable statutory effective tax rate is the sum of 24.4% for national taxes and 7.1% for local taxes.

Major taxes imposed on the Company and its subsidiaries in Japan are income tax, residential tax and business tax. The applicable statutory effective tax rate in Japan is 31.5% in the previous fiscal year and current fiscal year. Income taxes for overseas subsidiaries are calculated based on local tax rates applicable in their jurisdictions.

18. Trade and Other Payables

The components of trade and other payables are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Trade payables	99,957	82,942
Other payables	51,878	86,697
Electronically recorded obligations	15,332	15,092
Refund liabilities	80,165	69,236
Total	247,332	253,967
Current liabilities	243,192	231,029
Non-current liabilities	4,140	22,938

(Note) Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Bonds and Borrowings

(1) The components of bonds are as follows.

(In million yen)

	Issuance date	Maturity date	Interest rate	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
USD-denominated Senior Notes due 2024 (Green Bonds) (Note 3, 4)	November 26, 2021	November 26, 2024	1.543%	70,915	—
USD-denominated Senior Notes due 2026 (Note 3)	November 26, 2021	November 25, 2026	2.170%	120,556	134,453
Total				191,471	134,453
Reclassification to bond issuance costs				(374)	(199)
Current liabilities				70,915	—
Non-current liabilities				120,182	134,254

(Note) 1. Bonds are classified as financial liabilities measured at amortized cost.
2. For the balance of bonds by maturity, see “Note 34. Financial Instruments”.
3. On November 19, 2021, the Company decided to issue senior notes denominated in USD in multiple tranches (One of the tranches of the notes will be green bonds, proceeds from which will be used solely for projects that are expected to contribute to the global environment). The Company issued USD-denominated Senior Notes due 2024 (Green Bonds, Principal amount: USD 500million, Interest rate: 1.543%, Maturity Date: November 26, 2024) and USD-denominated Senior Notes due 2026 (Principal amount: USD 850 million, Interest rate: 2.170%, Maturity Date: November 25, 2026) on November 26, 2021, raising a total of USD 1.35 billion. To reduce the risk of foreign exchange in the USD-denominated Senior Notes, the Group uses currency swaps. The currency swap is designated as a hedge. For details on hedge accounting, see “Note 34. Financial Instruments”.
4. In November 2024, the Company redeemed the U.S. dollar-denominated unsecured ordinary bonds (Green Bonds) issued on November 26, 2021, with a total issuance amount of 500 million USD, an interest rate of 1.543%, and a maturity date of November 26, 2024.

(2) The breakdown of borrowings is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)	Average interest rate (Note 4)	Maturity
Current portion of long-term borrowings	354,397	144,137	0.902%	—
Long-term borrowings (Excluding current portion)	106,284	1,128,236	1.023%	From Dec.2026 to Jul.2029
Total	460,681	1,272,373	—	—
Less: Arrangement fee	(830)	(5,955)		
Current liabilities	354,397	144,137		
Non-current liabilities	105,454	1,122,281		

The components of borrowings are as follows.

(In millions of yen)

	Term of borrowing	As of December 31, 2023	As of December 31, 2024
Syndicated loan A (Note 5)	From Mar.2019 to Mar.2024	4,959	―
Syndicated loan B (Note 5)	From Mar.2019 to Mar.2024	160,718	―
Syndicated loan C (Note 5)	From Jun.2019 to Jun.2024	135,535	―
Loan contract on December 23, 2021 (Note 6)	From Dec.2021 to Dec.2026	44,440	27,633
JBIC loan contract on December 23, 2021 (Note 6)	From Dec.2021 to Dec.2026	66,663	41,451
Loan contract on June 28, 2022 (Note 7)	From Jun.2022 to Jun.2027	28,366	24,328
Loan contract on June 30, 2022 (Note 7)	From Jun.2022 to Jun.2027	20,000	15,386
Loan contract on June 25, 2024 (Note 8)	From Jun.2024 to Jun.2029	―	250,000
Loan contract A on May 30, 2024 (Note 9)	From Jul.2024 to Jul.2029	―	384,150
Loan contract B on May 30, 2024 (Note 9)	From Jul.2024 to Jul.2029	―	384,150
JBIC loan contract on September 30, 2024 (Note 10)	From Sep.2024 to Jul.2029	―	145,275
Total		460,681	1,272,373

(Note) 1. Borrowings are classified as financial liabilities measured at amortized cost.

2. For the balance of borrowings by maturity, see “Note 34. Financial Instruments”.

3. The following financial covenants apply to 136,587 million yen of the current portion of long-term borrowings and 1,116,909 million yen of long-term borrowings (excluding current portion) as of December 31, 2024.

(1) Maintain the ratio of interest-bearing debt (excluding lease liabilities) to EBITDA (leverage ratio: α) as follows:

・ For the six months ended June 30, 2024: α ≤ 3.05

・ For the year ended December 31, 2024 and beyond: α ≤ 2.90

(2) Maintain the total equity in the consolidated statements of financial position for each interim period and fiscal year end at no less than 75% of the previous period’s equity.

(3) Ensure that operating profit (loss) in the consolidated statements of profit or loss for each interim period and fiscal year end is not loss for two consecutive periods.

(4) Ensure that net profit (loss) in the consolidated statements of profit or loss for each interim period and fiscal year end is not loss for two consecutive periods.

4. The average interest rate represents the weighted-average interest rate calculated based on the balance of borrowings as of December 31, 2024.

5. In order to refinance the existing borrowings to finance partial funds necessary for the acquisition of former IDT and working capital as the medium-and-long term funds, the Company has entered into a syndicated loan agreement with the total amount of 897,000 million yen on January 15, 2019. On March 28, 2019, 698,000 million yen of term loan with availability period (Syndicated loan A and B, Repayment date: March 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions) has been executed. In addition, on June 28, 2019, borrowings of 149,000 million yen of term loan (Syndicated loan C, Repayment date: June 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited) have been executed to refinance the existing term loan. On November 10, 2021, the Company made the following changes on this loan agreement. (1) Setting the installment repayment date of Syndicated Loan B, (2) Early payment of Syndicated Loan A upon the issuance of US Dollar-Denominated Senior Notes, and (3) Cancellation of guaranteed contract and stock collateral for Syndicated Loans A and B.

6. Based on the loan agreement entered into to finance the acquisition of Dialog, on August 31, 2021, the Company had borrowed 270,000 million yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd. with the last repayment date of February 7, 2022.

With the purpose of refinancing 240,000 million yen of the above loans (after the repayment of 30,000 million yen) to mid- to long-term funds, on December 23, 2021, the Company has entered into the syndicate loan agreement (Loan amount: 96,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Resona Bank, Limited., Aozora Bank, Ltd., Shinkin Central Bank, The Norinchukin Bank, Bank of America N.A. Tokyo Branch) and a JBIC loan agreement (Loan amount: 144,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: Japan Bank of International

Cooperation). On December 30, 2021, the Company borrowed a total of 240,000 million yen under these agreements and fully repaid the remaining amount of the loans dated August 31, 2021.

7. In June 2022, the Company entered into a term loan agreement dated June 28, 2022 (Loan amount: USD 200 million, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: Bank of America NA Tokyo Branch) and a term loan agreement dated June 30, 2022 (Loan amount: 20,000 million yen, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: MUFG Bank, Ltd.). The Company has borrowed a total of 47,096 million yen under these agreements dated June 30, 2022.
8. The Company entered into a term loan agreement on June 25, 2024 (total loan amount: 250,000 million yen, loan execution date: June 28, 2024, final repayment date: June 29, 2029, lenders: MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited) and executed a loan of 250,000 million yen.
9. Under the loan agreement signed on May 30, 2024, for financing the acquisition of Altium, the Company executed a term loan of 788,000 million yen on July 24, 2024 (loan execution date: July 24, 2024, final repayment date: July 24, 2029, lenders: MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited, and five other financial institutions).
10. The Company entered into a JBIC loan agreement on September 30, 2024 (total loan amount: 149,000 million yen, loan execution date: September 30, 2024, final repayment date: July 24, 2029, lender: Japan Bank of International Cooperation) and executed a loan of 149,000 million yen.
11. In March 2024, based on the commitment line agreement dated January 15, 2019, the Company executed a short-term loan of 30,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited, and fully repaid the loan in June 2024.
    Additionally, based on the loan agreement dated May 30, 2024, the Company executed a short-term loan of 150,000 million yen from MUFG Bank, Ltd., and Mizuho Bank, Ltd., in July 2024, and fully repaid the loan in September 2024.

(3) Assets pledged as collateral and corresponding liabilities as of each fiscal year end are as follows.

A. Assets pledged as collateral

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Buildings and structures	34,853	—
Machinery, equipment and vehicles	39,321	—
Land	16,245	—
Total	90,419	—

(Note) Other than the above, stock of subsidiaries (638,841 million yen for the previous fiscal year and 638,841 million yen for the current fiscal year) which are eliminated in the consolidated statements of financial position, are collateralized.

B. Liabilities corresponding to assets pledged as collateral

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Current portion of long-term borrowings	177,553	34,541
Long-term borrowings (Excluding current portion)	68,326	34,062
Total	245,879	68,603

20. Other Financial Liabilities

The components of other financial liabilities are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Lease liabilities	16,712	22,105
Derivative liabilities (Note 1, 2)	3,298	1,582
Contingent consideration (Note 1)	15,672	—
Total	35,682	23,687
Current liabilities	24,311	8,071
Non-current liabilities	11,371	15,616

(Note) 1. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss. For details, please refer to “Note 34. Financial Instruments”.

2. For details, please refer to “Note 7. Business Combinations”.

21. Provisions

The components of provisions and their changes are as follows.

(In millions of yen)

	Asset retirement obligations	Provision for business restructuring	Provision for loss on litigation	Other provisions	Total
Balances as of December 31, 2023	3,548	4,488	6,052	392	14,480
Current liabilities	441	4,330	6,052	392	11,215
Non-current liabilities	3,107	158	—	—	3,265
Increase during the period	93	6,076	153	821	7,143
Acquisition due to business combination	99	—	—	—	99
Decrease during the period (payment)	(261)	(5,899)	(709)	(629)	(7,498)
Decrease during the period (reversal)	(340)	(167)	(534)	(46)	(1,087)
Period interest expense in discount calculation	19	—	—	—	19
Other	12	567	572	32	1,183
Balances as of December 31, 2024	3,170	5,065	5,534	570	14,339
Current liabilities	138	5,031	5,534	570	11,273
Non-current liabilities	3,032	34	—	—	3,066

A. Asset retirement obligations

The expected amount related to performing obligations necessary to restore assets to their original state under the real estate lease agreements of offices and plants used by the Group and legal obligations to remove hazardous substances related to non-current assets is recorded as a provision. The amount of asset retirement obligations was computed using an estimated useful life of 1 to 47 years as well as a discount rate of 0.1% to 10.5%, although the timing of payments will be affected by future business plans, and other factors.

B. Provision for business restructuring

Provision for business restructuring is recorded for expected future losses in connection with business structure reform and consolidation. The timing of payments will be affected by future business plans, and other factors.

C. Provision for loss on litigation

The Group records the estimated amount of reasonably calculated losses, considering individual risks, for losses on litigation which could be incurred in the future from lawsuits and disputed cases. For details, please refer to “Note 37. Commitments and Contingent Liabilities, (5) Others”.

D. Other provisions

Other provisions include a provision for product warranties and a provision for an onerous contract.

22. Employee Benefits

The Group adopts post-employment benefit plans such as a defined benefit plan and a defined contribution plan, except for some overseas consolidated subsidiaries.

(1) Defined benefit plans

A. Characteristics of defined benefit plans and related risks

The characteristics of defined benefit plans and related risks are as follows.

(a) Characteristics of defined benefit plans

The defined benefit plans of the Company and its subsidiaries in the Group include (i) a severance indemnity plan and (ii) a defined benefit corporate pension plan. The Group may also provide extra retirement payments upon the retirement of employees.

(i) The severance indemnity plan is an unfunded plan to make a lump-sum payment only with an internal reserve without making an external reserve for the obligations of the retirement benefit plans. The lump-sum payment is paid in an amount based on salaries and number of service years in accordance with the retirement allowance regulations including the rules of employment of each company.

(ii) The defined benefit corporate pension plan is a defined benefit pension and a funded plan established under the Defined Benefit Corporate Pension Act (enforced in April 2002). It is a fund-type corporate pension, and a lump-sum payment or an annuity is paid from the fund based on salaries and number of service years. In the defined benefit corporate pension plan, administrators of the corporate pension, such as the executive directors of the employer and the fund, abide by laws, regulations and asset management and investment contracts and others and their standards of practice such as the prohibition of acts involving conflicts of interest against the participants in the plan have been clearly defined.

In the defined benefit corporate pension plan, the amount of benefits is calculated based on the cumulative number of points granted to employees according to their job classification. The Company and its subsidiaries in Japan adopt a cash balance pension plan for the defined benefit corporate pension plan. Some of the Company’s overseas subsidiaries adopt externally funded pension plans such as trust funds for the defined benefit corporate pension plan. Under those pension plans, each participant has an account in which a certain amount calculated by the revaluation rate that is determined based on the current base salary, the job classification and the market interest rate is accumulated.

(b) Risks to which an entity is exposed by the plan.

The Group is exposed to actuarial risks such as price fluctuation risk by plan assets and interest rate risk by present value of obligations of the defined benefit plans.

B. Amounts recognized in the consolidated statements of financial position

The amounts recognized in the consolidated statements of financial position are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Present value of obligations of the funded defined benefit plans (with plan assets)	100,517	96,913
Fair value of plan assets	(141,995)	(145,017)
Funded status	(41,478)	(48,104)
Impact of asset ceiling	42,323	49,207
Present value of obligations of the unfunded defined benefit plans (without plan assets)	23,753	22,461
Net amount of liabilities (assets) pertaining to defined benefits recognized in the consolidated statements of financial position	24,598	23,564
Retirement benefit liability	24,598	23,564
Retirement benefit asset	—	—

As of December 31, 2023, the present value of obligations of the funded defined benefit plans (with and without plan assets) was 99,837 million yen for domestic plans and 24,433 million yen for overseas plans. The fair value of plan assets was (125,882) million yen for domestic plans and (16,113) million yen for overseas plans.

As of December 31, 2024, the present value of obligations of the funded defined benefit plans (with and without plan assets) was 93,532 million yen for domestic plans and 25,842 million yen for overseas plans. The fair value of plan assets was (127,952) million yen for domestic plans and (17,065) million yen for overseas plans.

C. Changes in the present value of defined benefit obligation

The changes in the present value of defined benefit obligation are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Present value of defined benefit obligation (beginning)	126,451	124,270
Service cost	2,276	2,333
Interest expenses	2,121	2,329
Benefits paid	(8,131)	(9,627)
Remeasurements of defined benefit plans		
(i) Actuarial differences arising from changes in demographic assumptions	(409)	82
(ii) Actuarial differences arising from changes in financial assumptions	(3)	(1,955)
(iii) Revisions to other results	(614)	(178)
Exchange differences	2,275	2,031
Other	304	89
Present value of defined benefit obligation (ending)	124,270	119,374

The weighted average duration of the defined benefit obligation in each fiscal year is as follows.

	Previous fiscal year (from January 1, 2023 to December 31, 2023	Current fiscal year (from January 1, 2024 to December 31, 2024)
Weighted average duration	10.5 years	10.5 years

D. Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Fair value of plan assets (beginning)	134,727	141,995
Interest income	2,124	2,484
Remeasurement – Return on plan assets	7,444	4,187
Contributions by employer (Note 1)	2,324	2,078
Benefits paid	(6,267)	(7,366)
Exchange differences	1,677	1,596
Other	(34)	43
Fair value of plan assets (ending)	141,995	145,017

(Note) 1. Contributions to the defined benefit plans in the Group are made in consideration of factors such as the financial position of the Group, the funding situation of plan assets and actuarial factors based on laws and regulations. In the fiscal year ending December 31, 2025, 1,952 million yen is planned to be contributed to the defined benefit pension plans.

2. The purpose of the investment of plan assets of the Group is to secure necessary revenue in the long term within the acceptable range of risks in order to provide benefits to beneficiaries reliably in the future.
The target rate of return aims to exceed the assumed interest rate required for the financial position of the pension scheme on a stable basis for the long term.
The Group has set a “policy asset mix” to achieve the investment target and attempts to make an investment to maintain the asset mix based on the policy asset mix. The asset mix is reviewed as necessary and tailored to changes in the situation of the Group and the institution and the environment surrounding the Group.

3. Some consolidated subsidiaries participate in a multi-employer defined benefit pension plan.

E. Changes in the impact of the asset ceiling

The changes in the impact of the asset ceiling are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Impact of asset ceiling (beginning)	32,378	42,323
Interest income	459	627
Remeasurement – Changes in the impact of the asset ceiling	9,275	6,079
Exchange differences	211	178
Impact of the asset ceiling (ending)	42,323	49,207

(Note) The Group sets the asset ceiling and calculates liabilities in some of its pension plans because economic benefits could not be enjoyed as a result of contributions that will not be reduced or returned in the future.

F. Components of fair value of plan assets by type

The components of the fair value of plan assets by type are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Equity instruments		
Domestic equity securities	11,522	10,536
Foreign equity securities	23,383	22,712
Debt instruments		
Domestic bonds	9,303	20,198
Foreign bonds	24,054	11,524
General accounts of life insurance company	32,666	33,106
Cash and cash equivalents	6,050	11,264
Other	35,017	35,677
Total	141,995	145,017

(Note) Most plan assets are operated through commingled funds and classified as those with no public market price in active markets. These commingled funds are appropriately diversified into stocks and debts that are generally listed in active market based on corporate pension fund code. “General accounts of life insurance company” are the accounts that the life insurance company jointly manages with several contracts and includes a guaranteed interest rate and return of capital. The major components of “Other” represent alternative instruments that are invested using long/short positions and securitized products.

G. Major actuarial assumptions

Major actuarial assumptions (weighted average) are as follows.

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Discount rate	1.9%	2.3%

H. Sensitivity analysis

In the calculation of the defined benefit obligation in the sensitivity analysis, the same method as the calculation method for the defined benefit obligation recognized in the consolidated statements of financial position is used.

The sensitivity analysis is made based on changes in assumptions that can be reasonably presumed at the end of the reporting period. In addition, although the sensitivity analysis assumes that all actuarial assumptions other than those that are subject to the sensitivity analysis remain constant, changes in those other actuarial assumptions could have an impact in reality.

The impact of a 0.5% change in actuarial assumptions on the defined benefit obligation is as follows.

(In million yen)

		Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Discount rate	0.5% increase	(5,799)	(4,969)
	0.5% decrease	6,051	5,721

(2) Defined contribution plans

The Group has adopted defined contribution pension plans. The amount recognized as an expense in relation to the defined contribution plans, including employee pension premiums paid by the employer under the Employees' Pension Insurance Act, is as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Contributions	8,527	8,556

(Note) This amount is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.

(3) Employee benefit expenses

The components of the employee benefit expenses are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Personnel expenses	268,591	271,249
Retirement benefit expenses	11,259	11,361
Extra retirement payments and others	6,168	6,612
Other	6,245	5,491
Total	292,263	294,713

(Note) This amount is included in “Cost of sales”, “Selling, general and administrative expenses” and “Other expenses” in the consolidated statements of profit or loss.

23. Share Capital and Other Equity Items

(1) Share capital and treasury shares

Ordinary shares

	Total number of authorized shares (shares)	Total number of issued shares (shares)	Treasury shares (shares)
Previous fiscal year (as of December 31, 2023)	3,400,000,000	1,958,454,023	181,369,882
Changes (Note 2)	—	(87,839,138)	(105,520,987)
Current fiscal year (as of December 31, 2024)	3,400,000,000	1,870,614,885	75,848,895

(Note) 1. All the shares issued by the Company are non-par value ordinary shares with no restrictions on rights.

2. Based on the resolution at the Board of Directors' meeting held on February 8, 2024, the Company retired its own shares by 87,839,138 shares on February 29, 2024. In addition, the number of treasury shares decreased by 17,681,849 shares, due to disposals of treasury shares and so on based on the exercise of stock options, the vesting of Restricted Stock Unit (RSU) and of Performance Share Unit (PSU) for the year ended December 31, 2024. As a consequence, treasury shares decreased by 125,571 million yen for the year ended December 31, 2024. As a result, the amount of treasury shares held was 92,120 million yen as of December 31, 2024. For details on stock options, RSU and PSU, see "Note 33. Share-based Payments".

3. Total number of issued shares has been already paid-up.

(2) Surplus

A. Capital surplus

The Companies Act of Japan stipulates that one half or more of the paid-in amount from the issue of shares shall be accounted for as share capital, and the remainder shall be accounted for as capital reserve included in capital surplus. Under the Companies Act, the amount of such capital reserve may be transferred to shared capital by the resolution of a shareholders meeting.

B. Retained earnings

The Companies Act of Japan stipulates that one tenth of the amount of the distributions of surplus shall be accumulated as capital reserve or legal reserve until the sum of the capital reserve and legal reserve reaches one fourth of the share capital. The accumulated retained earnings reserve may be appropriated to cover a loss. The Companies Act also states that the retained earnings reserve may be used by the resolution of a shareholders meeting.

24. Dividends

(1) Dividend payment amounts

Previous fiscal year (from January 1, 2023 to December 31, 2023)

Not applicable.

Current fiscal year (from January 1, 2024 to December 31, 2024)

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividend
March 26, 2024 Annual general meeting of shareholders	Ordinary shares	49,758	28	December 31, 2023	March 29, 2024	Retained earnings

(2) Among dividends with a record date that falls under the current fiscal year, for those with an effective date in the subsequent period

Previous fiscal year (from January 1, 2023 to December 31, 2023)

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividend
March 26, 2024 Annual general meeting of shareholders	Ordinary shares	49,758	28	December 31, 2023	March 29, 2024	Retained earnings

Current fiscal year (from January 1, 2024 to December 31, 2024)

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividend
March 26, 2025 Annual general meeting of shareholders	Ordinary shares	50,320	28	December 31, 2024	March 31, 2025	Retained earnings

25. Revenue

(1) Disaggregation of revenue

Disaggregation of revenue recognized from contracts with customers is stated in “Note 6. Business Segments, (2) Information on reportable segments and (4) Information on regions and countries”. Also, all of the revenue arises from contracts with customers.

The Group engages in research, development, design, manufacturing, sales, and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors, and the revenue is mainly due to sales of semiconductor products.

Regarding the sales of these products, the Group recognizes revenue when the customer obtains control over the product which is at the time of delivery of a product because legal title of the product, physical possession of the asset, the significant risks and rewards of ownership are transferred to the customer, and the customer has an obligation to pay for the products at the time of delivery of the product.

Revenue is measured at the amount of consideration promised in contracts with customers.

With regard to sales contract including variable consideration such as rebate and discounts, the transaction price is estimated and determined using the most-likely-amount method based largely on historical data, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Consideration under sales contracts is recovered mainly within one year from satisfaction with a performance obligation and includes no significant financing components.

(2) Accounts arising from contracts

(In million yen)

	As of December 31, 2023		As of December 31, 2024	
	At beginning of the period	At end of the period	At beginning of the period	At end of the period
Trade receivables (Note 1)	200,083	210,964	210,964	204,149
Contract assets (Note 2, 4)	375	167	167	8,973
Contract liabilities (Note 3, 4, 6)	460	97	97	10,452

(Note) 1. Trade receivables are included in “Trade and other receivables” and “Other financial assets” in the consolidated statements of financial position.

2. Contract assets are the Company’s rights to the consideration received in exchange for goods or services transferred to the customer by the company, on condition of something other than the passage of time (for example, future performance of the company). Contract assets are transferred to receivables when the right to consideration becomes unconditional. Contract assets are included in “Trade and other receivables” in the consolidated statements of financial position.

3. Contract liabilities relate to the payment received in advance of performance under the contract. The contract liabilities are reclassified to revenue when the Group satisfies a performance obligation based on the contract. Contract liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statements of financial position.

4. As of December 31, 2024, “Contract assets” increased by 8,927 million yen and “Contract liabilities” increased by 9,806 million yen due to the acquisition of Altium.

5. The amounts of revenues recognized during the previous fiscal year and the current fiscal year from the performance obligations satisfied in the past periods were immaterial.

6. Of the revenues recognized in the previous fiscal year, 177 million yen was included in the balance of contract liabilities as of January 1, 2023. Of the revenues recognized in the current fiscal year, 82 million yen was included in the balance of contract liabilities as of January 1, 2024.

(3) Transaction price allocated to the remaining performance obligation

The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with individual expected contractual terms exceeding one year. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

(4) Assets recognized from the cost to obtain or fulfill contracts with customers

There are no assets recognized from the cost to obtain or fulfill contracts with customers.

26. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Research and development expenses (Note)	232,777	249,649
Depreciation and amortization	111,504	128,886
Personnel expenses	75,739	97,106
Retirement benefit expenses	4,289	4,439
Other	41,711	47,395
Total	466,020	527,475

(Note) Research and development expenses are included in selling, general and administrative expenses. Related expenses such as outsourcing costs, personnel expenses, depreciation costs and material costs are mainly included in research and development expenses.

27. Other Income

The components of other income are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Compensation income (Note 1)	—	7,840
Government grant income (Note 2)	819	6,007
Fair value remeasurements on contingent considerations (Note 3)	2,023	1,884
Insurance claim income (Note 4)	30,665	587
Other	4,897	3,643
Total	38,404	19,961

(Note) 1. Compensation income for the year ended December 31, 2024 is compensation for the damages resulting from the discontinuation of development.
2. Government grant income included government grants received for the acquisition of property, plant and equipment for the year ended December 31, 2024.
3. For details, please refer to "7. Business Combinations".
4. Insurance claim income for the year ended December 31, 2023 is the amount received related to a fire that occurred at Naka Factory of Renesas Semiconductor Manufacturing, a wholly owned subsidiary of the Company, on March 19, 2021. These insurance payments include the amount for loss of profits due to the fire damage.

28. Other Expenses

The components of other expenses are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Business structure improvement expenses (Note 1)	6,740	7,852
Loss on reduction of non-current assets	1,068	4,879
Impairment losses (Note 2)	4,872	3,015
Other	3,266	3,559
Total	15,946	19,305

(Note) 1. The main items of business structure improvement expenses were personnel expenses such as additional retirement benefits and expenses related to disposition of property, plant and equipment associated with consolidating the operating bases.

2. For details on impairment losses, see “Note 15. Impairment of Non-financial Assets”.

29. Finance Income and Finance Costs

The components of finance income and finance costs are as follows.

(1) Finance income

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Interest income		
Financial assets measured at amortized cost	21,876	20,708
Foreign exchange gain (Note)	8,560	15,075
Gain from fair value evaluation		
Financial assets measured at fair value through profit or loss	6,308	14,795
Other	1,398	1,522
Total	38,142	52,100

(2) Finance costs

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Interest expenses		
Financial liabilities measured at amortized cost	6,339	10,918
Other	396	54
Total	6,735	10,972

(Note) Foreign exchange gain and loss include losses on valuation of currency derivatives.

30. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income by component are as follows.

(In millions of yen)

	Previous fiscal year The year ended December 31, 2023	Current fiscal year The year ended December 31, 2024
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans		
Amount incurred during the period	(776)	43
Tax effect	115	(124)
After tax effect	(661)	(81)
Equity financial assets measured at fair value through other comprehensive income		
Amount incurred during the period	(489)	(3,020)
Tax effect	14	48
After tax effect	(475)	(2,972)
Total of items that will not be reclassified to profit or loss	(1,136)	(3,053)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Amount incurred during the period	168,396	320,341
Reclassification	—	—
Before tax effect	168,396	320,341
Tax effect	—	—
After tax effect	168,396	320,341
Cash flow hedges		
Amount incurred during the period	(14,302)	(31,064)
Reclassification	4,233	34,377
Before tax effect	(10,069)	3,313
Tax effect	3,054	(7,061)
After tax effect	(7,015)	(3,748)
Cost of hedges		
Amount incurred during the period	(4,013)	(5,424)
Reclassification	21	22
Before tax effect	(3,992)	(5,402)
Tax effect	1,262	1,649
After tax effect	(2,730)	(3,753)
Total of items that may be reclassified subsequently to profit or loss	158,651	312,840
Total other comprehensive income	157,515	309,787

31. Earnings Per Share

Basic earnings per share attributable to owners of parent and diluted earnings per share are as follows.

(1) Basic earnings per share

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	337,086	219,084
Weighted average number of ordinary shares during the year (thousands of shares)	1,776,296	1,788,230
Basic earnings per share (yen)	189.77	122.51

(2) Diluted earnings per share

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	337,086	219,084
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	337,086	219,084
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,776,296	1,788,230
Increase in common stock		
Share acquisition rights (thousands of shares)	10,799	2,943
Restricted Stock Unit (thousands of shares)	24,528	21,649
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,811,623	1,812,822
Diluted earnings per share (yen)	186.07	120.85

32. Consolidated Statement of Cash Flows

(1) Changes in liabilities in financing activities

The components of liabilities in financing activities and their changes during the fiscal year are as follows.

(Previous fiscal year)

(In millions of yen)

	As of December 31, 2022	Cash flows	Non-cash transactions					As of December 31, 2023
			Acquisitions	Increase due to business combination	Effect of foreign exchange rate changes	Changes in fair value	Other (Note 2)	
Long-term borrowings (Note 1)	577,154	(120,015)	—	—	1,826	—	886	459,851
Short-term borrowings	—	—	—	—	—	—	—	—
Bonds (Note 3)	178,589	—	—	—	12,326	—	182	191,097
Derivative liabilities (assets) (Note 4)	(13,603)	—	—	—	—	(857)	—	(14,460)
Lease liabilities	14,269	(5,796)	7,363	—	—	—	876	16,712
Total	756,409	(125,811)	7,363	—	14,152	(857)	1,944	653,200

(Current fiscal year)

(In millions of yen)

	As of December 31, 2023	Cash flows	Non-cash transactions					As of December 31, 2024
			Acquisitions	Increase due to business combination	Effect of foreign exchange rate changes	Changes in fair value	Other (Note 2)	
Long-term borrowings (Note 1)	459,851	809,471	—	—	2,221	—	(5,125)	1,266,418
Short-term borrowings	—	(316)	—	316	—	—	—	—
Bonds (Note 3)	191,097	(57,170)	—	—	152	—	175	134,254
Derivative liabilities (assets) (Note 4)	(14,460)	—	—	—	—	(29,033)	—	(43,493)
Lease liabilities	16,712	(9,931)	8,732	1,886	—	—	4,706	22,105
Total	653,200	742,054	8,732	2,202	2,373	(29,033)	(244)	1,379,284

(Note) 1. Current portion of long-term borrowings are included in long-term borrowings.
2. Non-cash transactions for long-term borrowings include the arrangement fees.
3. To reduce the risk of foreign exchanges in the USD-denominated Senior Notes, the Group uses currency swaps. The currency swap is designated as a hedge. For details on hedge accounting, see "Note 34. Financial Instruments".
4. Derivatives are held for the purpose of hedging bonds, borrowings and plan on purchasing.

(2) Non-cash transactions

Significant non-cash transactions are as follows.

(In million yen)

Type	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Recognition of intangibles from installment contracts	6,781	49,303

(3) Principal assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock

(Previous fiscal year)

For details of assets and liabilities for Panthronics at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of stock and expenditures (net) for its acquisition, see “Note 7. Business Combinations”.

(Current fiscal year)

For details of assets and liabilities for Transphorm and Altium at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of stock and expenditures (net) for its acquisition, see “Note 7. Business Combinations”.

33. Share-based Payments

The Group has adopted share-based payment plans as an incentive plan for directors, senior vice presidents and employees.

Share-based payment expenses included in the consolidated statements of profit or loss totaled 1,537 million yen in “Cost of sales” and 21,747 million yen in “Selling, general and administrative expenses” in the previous fiscal year, and 2,848 million yen in “Cost of sales” and 33,451 million yen in “Selling, general and administrative expenses” in the current fiscal year.

(1) Restricted Stock Unit (RSU) and Performance Share Unit (PSU)

A. Overview of RSU and PSU

(a) RSU

RSU is a share-based payment plan in which the Company provides recipients with the number of units that corresponds to the number of years (basically three years, except one year for the Outside Directors) determined by the Granting Determination Body ((i) the Compensation Committee, in case the Units are granted to Directors or Executive Officers, or (ii) the Representative Executive Officer, in case the Units are granted to other persons) and annually delivers to the recipients common stock for the number of units that vested (the units vest by one third of total units provided every year after the grant date, except that the units vest after one year for the Outside Directors), subject to continued employment with the Group.

(b) PSU

PSU is a share-based payment plan in which the Company provides the recipients (excluding Outside Directors) with the number of units determined by the Granting Determination Body ((i) the Compensation Committee, in case the Units are granted to Directors or Executive Officers, or (ii) the Representative Executive Officer, in case the Units are granted to other persons) and delivers to the recipients common stock for the number of the units that vested in response to the extent of the growth rate of total shareholder return during the performance evaluation period when the PSUs are granted.

B. Details for RSU and PSU

The details of RSU and PSU granted for the previous fiscal year and the current fiscal year are as follows.

Date of grant	Category and number of grantees	Number of units		Fair value (Yen)	
		RSU	PSU	RSU	PSU
January 16, 2023	Employees of the Company and subsidiaries 144	1,412,400	—	1,255.0	—
April 11, 2023	Outside Directors 2 Executive Corporate officers 11 Employees of the Company and subsidiaries 5,837	12,338,700	1,833,600	1,830.5	2,651.6
July 14, 2023	Employees of the Company and subsidiaries 243	1,101,300	—	2,697.5	—
October 18, 2023	Employees of the Company and subsidiaries 329	762,700	—	2,309.0	—
January 15, 2024	Employees of the Company and subsidiaries 144	652,500	—	2,461.5	—
April 8, 2024	Directors 2 Executive Corporate officers 10 Employees of the Company and subsidiaries 9,143	4,399,200 4,364,500 3,498,300	1,547,500	2,761.7 2,731.7 2,702.0	2,702.0
June 20, 2024 (Note 5, 6)	Directors of subsidiaries 2 Corporate officers of subsidiaries 5 Employees of subsidiaries 88	309,100	—	3,128.0	—
July 9, 2024	Employees of the Company and subsidiaries 464	803,600 802,300 757,200	—	3,256.7 3,221.1 3,185.9	—
August 1, 2024 (Note 7, 8)	Directors of subsidiaries 2 Employees of subsidiaries 53	1,432,500 1,327,700 1,326,900	23,000 23,000 22,700	2,368.8 2,342.9 2,317.3	2,392.8 2,366.7 2,340.8
August 29, 2024	Director of subsidiary 1 Employees of subsidiaries 50	116,600 156,600 150,900	—	2,421.0 2,394.6 2,368.4	—
October 11, 2024	Executive Corporate officer 1 Employees of subsidiaries 289	476,400 474,700 408,300	—	2,076.7 2,054.0 2,031.6	—

(Note) 1. At the time of rights confirmation, the company will issue common shares (one share per unit) corresponding to the confirmed number of units. No payment will be required from the recipients at the time of the stock issuance.

2. PSUs will determine the number of units based on the granted number of units, in accordance with a certain coefficient set according to the growth rate of the company’s total shareholder return during the performance evaluation period.

3. The fair value of RSUs is calculated by considering the market value of the company’s stock, as well as anticipated dividends based on past dividend performance.

4. The fair value of PSU is calculated based on the results of comparing the fluctuation rate of the Company's stock with that of stock indexes over a certain period.
5. Based on the memorandum and agreements related to the acquisition of Transphorm, the outstanding portion of stock-based compensation already granted to directors, corporate officers, and employees of subsidiaries has been replaced with our company's LTI plan (RSUs), considering the current conditions of Transphorm's LTI plan, and the grants were made on the acquisition completion date.
6. The vesting conditions continue to follow the previous conditions of Transphorm.
7. Based on the memorandum and agreements related to the acquisition of Altium, the outstanding portion of stock-based compensation already granted to Directors and employees of subsidiaries has been replaced with our company's LTI plan (RSUs and PSUs), considering the current conditions of Altium's LTI plan, and the grants were made on the acquisition completion date.
8. The vesting conditions continue to follow the previous conditions of Altium.

C. Changes of the number of RSU and PSU

Changes of the number of RSU and PSU in the previous fiscal year and the current fiscal year are as follows (1 right = 1 share).

Grant date	Previous fiscal year (as of December 31, 2023)		Current fiscal year (as of December 31, 2024)	
	RSU	PSU	RSU	PSU
Beginning balance	23,297,844	2,283,300	25,928,893	3,691,187
Granted	15,615,100	2,062,276	21,457,300	2,304,745
Forfeited	(2,445,483)	(236,989)	(2,242,266)	(317,691)
Vested	10,538,568	417,400	12,810,350	1,688,987
Ending balance	25,928,893	3,691,187	32,333,577	3,989,254

(2) Stock option

A. Overview of the stock option plan

Under the stock option plan, warrants have been granted to eligible persons in accordance with the resolution of the Board of Directors of the Company based on the arrangement approved at the shareholders meeting of the Company. The exercise period of the stock options is set by an allotment contract, and if they are not exercised during the exercise period, the stock options will lapse. In addition, if an eligible person has left the Company before the vesting date, the options will also lapse. However, this does not apply to certain cases addressed in the warrants allotment contract, such as resignation due to the expiration of the term of office, etc.

The stock option plan of the Company is accounted for as equity-settled share-based payments.

B. Details for the stock option plan

The stock option plan in effect during the current fiscal year is as follows.

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
Fiscal year 2017 Stock options No.1 – 1 No.2 – 1	Directors of the Company 2 Corporate officers and executive officers of the Company 11 Employees of the Company 342 Directors of subsidiaries 20 Employees of subsidiaries 890	Common stock 3,549,500 shares	April 3, 2017	The rights vest in stages as follows One third vests on April 4, 2018 One third vests on April 4, 2019 The remaining vests on April 4, 2020	From April 3, 2017 to April 4, 2020	From April 4, 2017 to April 3, 2027

Fiscal year 2018 Stock options No.1 – 1 No.2 – 1	Directors of the Company 3 Corporate officers and executive officers of the Company 10 Employees of the Company 472 Directors of subsidiaries 18 Employees of subsidiaries 743	Common stock 3,607,200 shares	April 2, 2018	The rights vest in stages as follows One third vests on April 3, 2019 One third vests on April 3, 2020 The remaining vests on April 3, 2021	From April 2, 2018 to April 3, 2021	From April 3, 2018 to April 2, 2028
Fiscal year 2018 Stock options No.1 – 2 No.2 – 2	Directors of the Company 3 Corporate officers and executive officers of the Company 10 Employees of the Company 95 Directors of subsidiaries 13 Employees of subsidiaries 47	Common stock 2,047,200 shares	April 2, 2018	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From April 2, 2018 to April 2, 2021	From April 3, 2018 to April 2, 2028
Fiscal year 2018 Stock options No.3 No.4	Employees of the Company 257 Directors of subsidiaries 1 Employees of subsidiaries 181	Common stock 534,600 shares	July 31, 2018	The rights vest in stages as follows One third vests on April 3, 2019 One third vests on April 3, 2020 The remaining vests on April 3, 2021	From July 31, 2018 to April 3, 2021	From August 1, 2018 to July 31, 2028
Fiscal year 2019 Stock options No.1 No.2 No.3	Corporate officers and executive officers of the Company 1 Directors of subsidiaries 1 Corporate officers and executive officers of subsidiaries 3 Employees of	Common stock 57,043,500 shares	April 9, 2019	According to completion of the acquisitions with IDT, the existing stock options for IDT allocated to directors of IDT and its subsidiaries, corporate officers and executive officers of subsidiaries, and employees of subsidiaries are converted into the stock options for the Company and issued. The rights are based on the vesting periods for the stock option	From April 9, 2019 to March 15, 2023	From April 9, 2019 to April 8, 2029

	subsidiaries 1,337			originally scheduled in IDT.		
Fiscal year 2019 Stock options No.4 – 1 No.5 – 1	Corporate officers and executive officers of the Company 1 Employees of the Company 1 Employees of subsidiaries 32	Common stock 659,800 shares	May 31, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From May 31, 2019 to April 1, 2022	From June 1, 2019 to May 31, 2029
Fiscal year 2019 Stock options No.6 – 1 No.7 – 1	Employees of the Company 486 Directors of subsidiaries 15 Employees of subsidiaries 1,875	Common stock 16,222,700 shares	July 25, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From July 25, 2019 to April 1, 2022	From July 26, 2019 to July 25, 2029
Fiscal year 2019 Stock options No.6 – 2 No.7 – 2	Employees of the Company 90 Directors of subsidiaries 10 Employees of subsidiaries 46	Common stock 3,203,800 shares	July 25, 2019	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From July 25, 2019 to April 2, 2022	From July 26, 2019 to July 25, 2029
Fiscal year 2019 Stock options No.10	Employees of subsidiaries 441	Common stock 351,600 shares	September 20, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From September 20, 2019 to April 1, 2022	From September 21, 2019 to September 20, 2029
Fiscal year 2019 Stock options No.11 – 1 No.12 – 1	Corporate officers and executive officers of the Company 1 Employees of the Company 122 Employees of subsidiaries 123	Common stock 887,700 shares	October 31, 2019	The rights vest in stages as follows Certain amount vests on April 1, 2020 Certain amount vests on April 1, 2021 Certain amount vests on April 1, 2022 The remaining vests on April 1, 2023	From October 31, 2019 to April 1, 2023	From November 1, 2019 to October 31, 2029
Fiscal year 2020 Stock options No.1 – 1 No.2 – 1	Directors of the Company 4 Corporate officers and executive officers of the	Common stock 17,068,000 Shares	June 30, 2020	The rights vest in stages as follows One third vests on July 1, 2021 One third vests on July 1, 2022 The remaining vests on	From June 30, 2020 to July 1, 2023	From July 1, 2020 to June 30, 2030

	Company 10 Employees of the Company 467 Directors of subsidiaries 14 Employees of subsidiaries 1,888			July 1, 2023		
Fiscal year 2020 Stock options No.1 – 2 No.2 – 2	Directors of the Company 1 Corporate officers and executive officers of the Company 10 Employees of the Company 88 Directors of subsidiaries 9 Employees of subsidiaries 41	Common stock 5,211,600 Shares	June 30, 2020	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From June 30, 2020 to June 30, 2023	From July 1, 2020 to June 30, 2030
Fiscal year 2020 Stock options No.3 No.4	Directors of the Company 1 Corporate officers and executive officers of the Company 8 Employees of the Company 916 Directors of subsidiaries 6 Employees of subsidiaries 1,614	Common stock 4,725,300 Shares	August 31, 2020	The rights vest in stages as follows One third vests on August 31, 2020 One third vests on September 1, 2020 The remaining vests on October 1, 2020	From August 31, 2020 to October 1, 2020	From August 31, 2020 to August 30, 2030
Fiscal year 2020 Stock options No.5 No.6	Employees of the Company 219 Employees of subsidiaries 161	Common stock 665,800 Shares	August 31, 2020	The rights vest in stages as follows One third vests on September 1, 2021 One third vests on September 1, 2022 The remaining vests on September 1, 2023	From August 31, 2020 to September 1, 2023	From September 1, 2020 to August 31, 2030
Fiscal year 2020 Stock options No.7 – 1 No.8 – 1	Employees of the Company 3 Employees of subsidiaries	Common stock 910,100 Shares	November 30, 2020	The rights vest in stages as follows Certain amount vests on July 1, 2021 Certain amount vests on July 1, 2022	From November 30, 2020 to July 1, 2023	From December 1, 2020 to November 30, 2030

	94			Certain amount vests on July 1, 2023 The remaining vests on July 1, 2024		
Fiscal year 2020 Stock options No.7 – 2 No.8 – 2	Employees of subsidiaries 10	Common stock 82,000 Shares	November 30, 2020	The rights vest in stages as follows One third vests on September 1, 2021 One third vests on September 1, 2022 The remaining vests on September 1, 2023	From November 30, 2020 to September 1, 2023	From December 1, 2020 to November 30, 2030
Fiscal year 2021 Stock options No.1 No.2	Employees of the Company 6 Employees of subsidiaries 52	Common stock 320,400 Shares	February 26, 2021	The rights vest in stages as follows Certain amount vests on July 1, 2021 Certain amount vests on July 1, 2022 Certain amount vests on July 1, 2023 The remaining vests on July 1, 2024	From February 26, 2021 to July 1, 2024	From February 27, 2021 to February 26, 2031

(Note) 1. Vesting conditions include a requirement for award beneficiaries to provide services to the Company until the stock vesting date. However, this does not apply to certain cases such as mandatory retirement, resignation due to the expiration of the term of office or the other justifiable reasons.

2. Grantees cannot exercise options during the time from the day after the grant date until when the stock is vested. Also, the option will be forfeited if the target retires or resigns from the Company or subsidiary before the vesting date. However, if allowed under the Stock Acquisition Rights Allocation Agreement, those options may be exercised. For example, if awards are not forfeited upon retirement or resignation due to the expiration of terms of office under the Stock Acquisition Rights Allocation Agreement, the said person may exercise the said stock options starting on the day following said loss of eligibility until 13 months after.

3. If grantees forfeit their share acquisition rights, they may not exercise their stock options.

C. Number and weighted average exercise price of stock options

Changes in the number and the weighted average exercise price of stock options granted in the previous fiscal year and the current fiscal year are as follows. The number of stock options is stated by converting them to the number of shares.

	Previous fiscal year (from January 1, 2023 to December 31, 2023)		Current fiscal year (from January 1,2024 to December 31, 2024)	
	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)
Beginning balance of unexercised options	15,220,200	1	5,189,300	1
Granted	—	1	—	1
Exercised	9,615,500	1	3,182,600	1
Forfeited	365,400	1	2,600	1
Expired	50,000	1	183,400	1
Ending balance of unexercised options	5,189,300	1	1,820,700	1
Ending balance of exercisable options	5,144,900	1	1,820,700	1

(Note) 1. For the stock options exercised during the period, the weight average share price as of the exercise date was 2,374 yen for the year ended December 31, 2023 and 2,569 yen for the year ended December 31, 2024.

2. Remaining average contractual life outstanding as of December 31, 2023 and 2024 was 1 year for each.

D. Fair value of stock options granted and estimation method of fair value

There were no stock options granted during the previous fiscal year and the current fiscal year.

34. Financial Instruments

(1) Capital management

The Group aims to achieve sustainable growth and maximize its corporate value. Investments of surplus funds are limited to short-term deposits and financial assets with a high level of safety. Regarding financing sources, the Group mainly uses borrowings from banks and bonds. The Group mainly uses derivative financial instruments to manage fluctuations in foreign currency exchange rates, and the Group's policies prohibit holding or issuing derivative financial instruments for speculative transactions. Items subject to management are net interest-bearing liabilities obtained by deducting cash and cash equivalents from interest-bearing liabilities and equity. Their balances and the major indicators that the Group uses for its capital management are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Interest-bearing liabilities	667,660	1,422,777
Less: Cash and cash equivalents	(434,681)	(229,249)
Net interest-bearing liabilities	232,979	1,193,528
Total equity attributable to owners of parent	2,001,553	2,537,382
Total liabilities and equity	3,167,003	4,490,436
Equity ratio attributable to owners of parent (%)	63.2	56.5

Equity ratio attributable to owners of parent: Total equity attributable to owners of parent /Total liabilities and equity.

(2) Basic policies for financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk and market risk) in the process of executing its business activities. Accordingly, the Group regularly monitors the financial risks based on internal management regulations and takes measures to avoid or reduce the risks as required.

The Group does not engage in derivative transactions for speculative purposes.

A. Credit risk

(a) Credit risk management

Notes and trade receivables are exposed to the credit risk of customers. Conforming to the internal rules for the management of receivables, the Group regularly monitors major customers' credit and manages the due dates of collection and the balance for each customer. Other receivables are exposed to the credit risk of customers, but most of them are settled in the short term. Short-term investments are financial assets invested on a short-time basis, and the Group transacts with highly creditworthy financial institutions. Trade receivables are regarded as non-performing if all or part of them cannot be collected or if collection is deemed extremely difficult. The Group does not have any exposure to the significant credit risk of certain customers, and there is no excessive concentration of credit risk that requires special management.

The largest exposure to credit risk at the end of the reporting period is the carrying amount of financial assets after impairment, but there is no historical experience of recognizing a significant credit loss in previous years.

Regarding debt guarantees, the balance of debt guarantees presented in "Note 37. Commitments and Contingent Liabilities" is the largest exposure of the Group to credit risk.

(b) Analysis of changes in loss allowance

The changes in the loss allowance are as follows.

Previous fiscal year (from January 1, 2023 to December 31, 2023)

(In million yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial assets than trade receivables	Loss allowance for trade receivables	Loss allowance for financial assets whose credit risk has increased significantly	Loss allowance for credit-impaired financial assets
Beginning balance	—	157	—	—
Increases	—	377	—	—
Decreases due to reversal	—	(115)	—	—
Other	—	18	—	—
Ending balance	—	437	—	—

Current fiscal year (from January 1, 2024 to December 31, 2024)

(In million yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial instruments other than trade receivables	Loss allowance for trade receivables	Loss allowance for financial instruments whose credit risk has increased significantly	Loss allowance for credit-impaired financial assets
Beginning balance	—	437	—	—
Increases	—	1,118	—	—
Decreases due to reversal	—	(78)	—	—
Other	—	102	—	—
Ending balance	—	1,579	—	—

(c) Carrying amount of financial assets for the loss allowance

The carrying amount (before the loss allowance) of financial assets for the loss allowance as of each fiscal year end is as follows.

(In million yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial assets other than trade receivables	Loss allowance for trade receivables	Loss allowance for financial assets whose credit risk has increased significantly	Loss allowance for credit-impaired financial assets
Previous fiscal year (as of December 31, 2023)	8,838	210,964	—	—
Current fiscal year (as of December 31, 2024)	16,311	204,149	—	—

(d) Analysis of credit risk

The aging analysis of trade receivables as of each fiscal year end is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Before due date	202,695	186,908
Up to 30 days past due	6,334	12,462
Over 30 days past due and up to 90 days past due	826	3,118
Over 90 days past due	1,109	1,661
Total	210,964	204,149

For trade receivables, the Group’s major counterparties consist of specific distributors with high credit ratings and there is no material balance of loss allowance based on the expected loss rate. For financial assets other than trade receivables, there is no credit risk that is concentrated around credit ratings.

B. Liquidity risk

The Group is exposed to liquidity risk whereby the performance of payment obligations could become difficult. To limit its exposure to liquidity risk, however, the Group works to maintain fund management through the optimization of capital efficiency through the efficient management of working capital and the central management of funds by the Company. The Group also manages the liquidity risk by appropriately maintaining liquidity on hand through the timely preparation and updating of the financing plan and taking the external financial environment into account.

The balance of financial liabilities by due date is as follows.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	247,332	247,332	243,192	2,148	1,992	—	—	—
Bonds and borrowings	650,948	662,005	430,299	52,074	172,393	7,239	—	—
Lease liabilities	16,712	19,552	5,677	4,306	2,583	1,522	1,290	4,174
Contingent consideration (Note)	3,298	3,298	3,298	—	—	—	—	—
Derivative financial liabilities	15,672	15,672	15,672	—	—	—	—	—
Total	933,962	947,859	698,138	58,528	176,968	8,761	1,290	4,174

Current fiscal year (as of December 31, 2024)

(In million yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	253,967	256,936	231,029	16,593	9,314	—	—	—
Bonds and borrowings	1,400,672	1,454,932	157,991	291,152	124,341	149,101	732,347	—
Lease liabilities	22,105	25,996	6,943	5,222	3,769	2,797	2,159	5,106
Contingent consideration (Note)	1,582	1,582	1,582	—	—	—	—	—
Derivative financial liabilities	—	—	—	—	—	—	—	—
Total	1,678,326	1,739,446	397,545	312,967	137,424	151,898	734,506	5,106

(Note) For details, please refer to “Note 7. Business Combinations”.

C. Market risk

(a) Foreign currency exchange risk

(i) Foreign currency exchange risk management

Foreign currency receivables and obligations arising from the global business development of the Group are exposed to the risk of foreign exchange rate fluctuations. To reduce the risk of foreign exchange rate fluctuations, the Group uses forward exchange contracts, currency options and currency swaps.

(ii) Net foreign exchange risk exposure

The Group's exposure to the risk of foreign exchange rate fluctuations (net amount) is as follows. This excludes derivative transactions and the amount entered into to hedge foreign exchange rate fluctuation risk using foreign currency deposits.

(In million yen)

Currency	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
US dollar	12,949	(5,119)
Euro	48,560	33,740

(iii) Sensitivity analysis of foreign exchange rates

Based on the assumption that all other variables are constant for foreign currency financial instruments held by the Group in the previous fiscal year and the current fiscal year, the amount of the impact of the 1.0% appreciation of the yen against the US dollar and the euro on profit before tax in the consolidated statements of profit or loss is as follows.

(In million yen)

Currency	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
US dollar	(129)	51
Euro	(486)	(337)

(b) Interest rate risk

The Group raises funds mainly through borrowings and bonds for the purpose of securing funds for long-term working capital and the promotion of growth strategies. The Group is exposed to the risk of interest rate fluctuations because some borrowings are made at floating interest rates. To reduce the risk of changes in the interest paid on borrowings, the Group uses interest rate swaps as required. Additionally, bonds are issued with fixed interest rates. Accordingly, the Group has decided that the impact of the risk of interest rate fluctuations on the Company is limited and insignificant and does not conduct a sensitivity analysis for interest rate risk.

(c) Stock price risk

The Group has adopted an incentive plan for its employees for the purpose of securing excellent human resources, particularly at subsidiaries. To operate the incentive plan, the Group holds shares and other financial instruments for the long term and is exposed to the risk of changes in their market prices. Please note that, following the introduction of a stock option plan, the incentive plan was abolished and there was no new issuance.

The Group does not conduct a sensitivity analysis for the risk of changes in share prices since the impact of changes in share prices is immaterial.

(3) Fair value of financial instruments

A. Calculation method of fair value

The calculation method of the fair value of financial instruments is as follows.

(a) Cash and cash equivalents, and trade and other receivables

The fair value of these instruments approximates their carrying amount due to short term maturities.

(b) Trade and other payables

For trade and other payables that will mature within a short amount of time, the fair value approximates the carrying amount. The fair value of trade and other payables that will not mature in a short amount of time is calculated by the present value that is discounted by an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.

(c) Securities

If the market price of a security is available in an active market, the securities are measured using this market price and classified as Level 1. If the market price is not available, the fair value is measured mainly by a method based on net assets (method of calculating by making adjustments to the market value as required based on the net assets of the entity that issues shares) and others, and classified as Level 3.

(d) Loans

The fair value of loans is calculated based on the present value discounted at an interest rate that takes into account credit risk and classified as Level 3.

(e) Long-term borrowings

The fair value of long-term borrowings is calculated at the present value that is discounted using an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.

(f) Derivative transactions

Forward exchange contracts, currency options and currency swaps are calculated based on the price presented by the customers' financial institution and classified as Level 2. In addition, the fair value calculated using unobservable inputs is classified as Level 3.

(g) Bonds

The fair value of bonds is calculated by referring to a market price and classified as Level 2.

(h) Contingent consideration

The fair value of the contingent consideration is calculated as the present value of the payments in the future using appropriate valuation methods with consideration of the probability of occurrence and is classified as Level 3.

(i) Other financial assets and liabilities

Time deposits with maturities of more than three months, long-term accounts receivable, security deposits and guarantee deposits received that are measured at amortized cost are classified as Level 2. Because their fair value approximates their carrying amount, they are omitted from the following table.

B. Classification of financial instruments measured at fair value by levels

In the fair value hierarchy, financial instruments are classified from Level 1 to Level 3 as follows.

Level 1: Fair value measured using unadjusted quoted prices in the active markets

Level 2: Fair value calculated using observable inputs, either directly or indirectly, other than those classified as Level 1

Level 3: Fair value calculated by using a valuation technique including inputs that are not based on observable market data

Transfers between the levels in the fair value hierarchy are recognized on the assumption that the transfers occur at the end of each reporting period.

(a) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows. Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the table below. Lease liabilities are not included in the following table.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	459,851	—	458,093	—	458,093
Bonds	191,097	—	191,097	—	191,097
Other payables	51,878	—	51,409	—	51,409
Total	702,826	—	700,599	—	700,599

Current fiscal year (as of December 31, 2024)

(In million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	1,266,418	—	1,261,146	—	1,261,146
Bonds	134,254	—	134,254	—	134,254
Other payables	86,697	—	87,404	—	87,404
Total	1,487,369	—	1,482,804	—	1,482,804

(b) Financial instruments measured at fair value

The components of financial assets and financial liabilities measured at fair value on a recurring basis that are classified as each level of the fair value hierarchy are as follows.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	30,132	—	30,132
Investment trust	8,124	—	—	8,124
Unlisted securities	—	—	4,052	4,052
Loans	—	—	144,093	144,093
Equity instruments measured at fair value through other comprehensive income				
Listed securities	830	—	—	830
Unlisted securities	—	—	9,878	9,878
Total	8,954	30,132	158,023	197,109
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	15,672	—	15,672
Contingent consideration (Note)	—	—	3,298	3,298
Total	—	15,672	3,298	18,970

Current fiscal year (as of December 31, 2024)

(In million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	43,493	—	43,493
Investment trust	11,069	—	—	11,069
Unlisted securities	—	—	3,838	3,838
Loan receivable	—	—	327,973	327,973
Equity instruments measured at fair value through other comprehensive income				
Listed securities	458	—	—	458
Unlisted securities	—	—	9,060	9,060
Total	11,527	43,493	340,871	395,891
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	—	—	—
Contingent consideration (Note)	—	—	1,582	1,582
Total	—	—	1,582	1,582

(Note) For details, please refer to “Note 7. Business Combinations”.

C. Changes in financial assets that are classified as Level 3 are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Beginning balance	9,658	158,023
Total gains or losses in the period	156	33,184
Profit or loss (Note 1)	1,870	14,146
Other comprehensive income (Note 2)	(1,714)	19,038
Purchases	148,191	155,845
Sale	—	(50)
Settlement	—	(6,131)
Others	18	—
Ending balance	158,023	340,871
Changes in unrealized gains or losses recorded in profit or loss for the balance held at the end of the reporting period (Note1)	1,870	14,146

Changes in financial liabilities that are classified as Level 3 are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Beginning balance	2,528	3,298
Total gains or losses in the period	(1,796)	(1,716)
Profit or loss (Note 3)	(1,857)	(1,960)
Other comprehensive income (Note 2)	61	244
Settlement	(228)	—
Acquisition due to business combination	2,794	—
Ending balance	3,298	1,582
Changes in unrealized gains or losses recorded in profit or loss for the balance held at the end of the reporting period (Note 3)	(626)	(1,374)

(Note) 1. Amounts relate to financial assets measured at fair value through profit or loss and included in “Finance income” and “Finance costs” in the consolidated statements of profit or loss.
2. Amounts relate to equity instruments measured at fair value through other comprehensive income and presented in “Exchange differences on translation of foreign operations” or “Equity instruments measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.
3. Amounts relate to financial liabilities measured at fair value through profit or loss and included in “Finance costs”, “Other expenses” and “Other income” in the consolidated statements of profit or loss.
4. Financial instruments that are classified as Level 3 consist of unlisted securities, loans, and contingent consideration due to business combination. The measurement results of the fair value are reviewed and approved by an appropriate authorized person.
Unlisted securities are mainly investments in funds, and the fair value of the unlisted securities is measured based on the value of net asset as a valuation technique.
The fair value of the loans is calculated based on the present value of future expected cash flows, discounted at interest rates that take into account the period until maturity and credit risk and the performance of the contract. Since these estimates are uncertain, fair value due to changes in significant unobservable inputs may increase or decrease.
In addition, the fair value of contingent consideration is measured in consideration of the possibility of achieving for developmental milestones and the time value of money. Since these estimates are uncertain, fair value may increase, if significant unobservable development milestones become more likely to be achieved.

D. The total amount of differences not recognized in profit or loss at the beginning and end of the fiscal year and the changes in these differences are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Financial assets measured at fair value through profit or loss		
Loans		
Beginning balance	—	42,043
Increase		
Increase due to new transactions	44,980	44,833
Decrease		
Decrease due to amortization	(2,181)	(7,770)
Others	(756)	4,622
Ending balance	42,043	83,728

(4) Derivative transactions and hedging activities

A. Overview of hedges

The Group uses forward exchange contracts, currency options and currency swaps for the purpose of hedging transactions against the risk of foreign exchange rate fluctuations in foreign currency cash flows. Hedge accounting is applied to those transactions that meet the requirements for hedge accounting. Even if the requirements for hedge accounting are not met, the Group uses derivative transactions if they are economically reasonable. Changes in the fair value of the derivative transactions are recognized in profit or loss. The Group has also set a policy of not engaging in derivative transactions for speculative purposes.

Cash flow hedges

Cash flow hedges are hedging transactions to avoid the risk of changes in future cash flows, and changes in the fair value of derivative transactions that are designated as cash flow hedges are recognized in other comprehensive income. The amount that is recognized in accumulated other comprehensive income is reclassified to profit or loss at the time when the hedged transactions affect profit or loss. If the hedged items give rise to the recognition of non-financial assets or non-financial liabilities, the amount that is recognized in other comprehensive income is reclassified as an adjustment to the initial carrying amount of non-financial assets or non-financial liabilities. Derivatives that are designated as cash flow hedges include forward exchange contracts, currency options and currency swaps to hedge the risk of changes in cash flows due to changes in the foreign exchange rates for foreign currency transactions.

In the previous fiscal year and the current fiscal year, the amount recognized in profit or loss for the ineffective portion of the hedge was not material.

B. Information on items that are designated as hedging instruments

The impact of hedging instruments that are designated as hedges on the consolidated statements of financial position is as follows. Derivative assets and liabilities are included in “Other financial assets” and “Other financial liabilities,” respectively, in the consolidated statements of financial position.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Contract amount	Book value of hedging instruments (Fair value)		Changes in fair value used as the basis for recognizing the ineffective portion of hedges
		Assets	Liabilities	
Cash flow hedges				
Foreign currency exchange risk				
Forward exchange contracts	283,496	2,849	15,229	—
Currency swaps	182,252	27,283	—	29,393

Current fiscal year (as of December 31, 2024)

(In million yen)

	Contract amount	Book value of hedging instruments (Fair value)		Changes in fair value used as the basis for recognizing the ineffective portion of hedges
		Assets	Liabilities	
Cash flow hedges				
Foreign currency exchange risk				
Currency swaps	118,026	34,998	—	36,528

C. Information on items designated as hedged items

The amount of the impact of hedged items that are designated as hedges on the consolidated statements of financial position is as follows.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Changes in fair value used as the basis for recognizing the ineffective portion of hedges	Surplus for cash flow hedges related to ongoing hedging	Surplus for cash flow hedges related to the suspension of hedge accounting
Cash flow hedges			
Foreign currency exchange risk			
Plan on purchasing	—	(12,756)	—
Bonds and borrowings	(28,776)	(6,778)	—

Current fiscal year (as of December 31, 2024)

(In million yen)

	Changes in fair value used as the basis for recognizing the ineffective portion of hedges	Surplus for cash flow hedges related to ongoing hedging	Surplus for cash flow hedges related to the suspension of hedge accounting
Cash flow hedges			
Foreign currency exchange risk			
Bonds and borrowings	(35,487)	(3,807)	—

D. Impact of the application of hedge accounting on the consolidated statements of profit and loss and the consolidated statement of comprehensive income

The impact of hedging instruments that are designated as cash flow hedges on the consolidated statement of profit and loss and the consolidated statements of comprehensive income are as follows.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (Note)	Ineffective portion recognized in profit or loss
Cash flow hedges		
Foreign currency exchange risk		
Forward exchange contracts	(18,385)	—
Currency swaps	(9,889)	(618)

(Note) Amount before tax effect.

Current fiscal year (as of December 31, 2024)

(In million yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (Note)	Ineffective portion recognized in profit or loss
Cash flow hedges		
Foreign currency exchange risk		
Currency swaps	(5,487)	(1,041)

(Note) Amount before tax effect.

E. Fair value of derivatives to which hedge accounting is not applied

The fair value and contract amount of derivatives to which hedge accounting is not applied are as follows.

Previous fiscal year (as of December 31, 2023)

(In million yen)

	Contract amount	Book value of hedging instruments (Fair value)	
		Assets	Liabilities
Forward exchange contracts	326,338	—	443

Current fiscal year (as of December 31, 2024)

(In million yen)

	Contract amount	Book value of hedging instruments (Fair value)	
		Assets	Liabilities
Forward exchange contracts	244,268	8,495	—

(5) Transfer of financial assets

Accelerating from restructuring to growth stage, the Group provides diversified financing to achieve these growth strategies and liquidates certain trade receivables by transferring receivables.

The expenses arising from transfer of trade receivables derecognized in their entirety were 32 million yen in the previous fiscal year, and 31 million yen in the current fiscal year.

35. Related Parties

(1) Transactions with related parties

Previous fiscal year (from January 1, 2023 to December 31, 2023)
Not applicable.

Current fiscal year (from January 1, 2024 to December 31, 2024)
Not applicable.

(2) Compensation to key management

Compensation paid to key management personnel is as follows.

(In million yen)

Category	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Remuneration and bonuses	310	332
Share-based payments	548	918
Total	858	1,250

(Note) The exercise price and other key terms of share-based payment arrangements are as stated in “Note 33. Share-based Payments”.

36. Major Subsidiaries

All subsidiaries are included in the scope of consolidation for our consolidated financial statements.

Major subsidiaries as of December 31, 2024 are as follows.

Company	Location	Descriptions of Principal Businesses	Percentage Ownership and Voting Interest (%)	
			The year ended December 31, 2023	The year ended December 31, 2024
Renesas Semiconductor Manufacturing	Hitachinaka, Ibaraki	Manufacturing and Engineering Service Companies	100.0	100.0
Renesas Electronics Hong Kong	Hong Kong, China	Sales Companies	100.0	100.0
Renesas Electronics America	California, U.S.A.	Design, Applications, Manufacturing and Sales Companies	100.0	100.0
Renesas Electronics Europe (Germany)	Dusseldorf, Germany	Design, Applications and Sales Companies	100.0	100.0
Renesas International Operations (Malaysia)	Selangor, Malaysia	Management of parts of consignment business of our Group companies	100.0 (100.0) (Note)	100.0 (100.0) (Note)
Renesas Electronics (Penang)	Penang, Malaysia	Engineering, Manufacturing and Sales Companies	100.0 (100.0) (Note)	100.0 (100.0) (Note)
Renesas Electronics Germany	Dresden, Germany	Engineering, Manufacturing and Sales Companies	100.0 (100.0) (Note)	100.0 (100.0) (Note)
IDT Bermuda	Bermuda	Business Corporations and Others	100.0 (100.0) (Note)	100.0 (100.0) (Note)
GigPeak	Delaware, U.S.A.	Business Corporations and Others	100.0 (100.0) (Note)	100.0 (100.0) (Note)
Renesas Electronics Australia	New South Wales, Australia	Business Corporations and Others	—	100.0
Renesas Electronics NSW	New South Wales, Australia	Business Corporations and Others	—	100.0 (100.0) (Note)
Altium	New South Wales, Australia	Development and Sales of software tools for PCB design and Others	—	100.0 (100.0) (Note)
Altium IP Hold	New South Wales, Australia	Business Corporations and Others	—	100.0 (100.0) (Note)
Altium IP	New South Wales, Australia	Business Corporations and Others	—	100.0 (100.0) (Note)
Altium LLC	California, U.S.A.	Software development, Sales, and Services Companies	—	100.0 (100.0) (Note)

(Note) Numbers in parentheses represent indirect voting rights.

There are no subsidiaries with significant non-controlling interests.

37. Commitments and Contingent Liabilities

(1) Commitments for the acquisition of assets

The Group's commitments for the acquisition of assets are as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Property, plant and equipment	70,628	39,606
Intangible assets	1,330	998
Total	71,958	40,604

(2) Loan commitments (lender)

The Group has entered into a deposit provision agreement. The balance of unused loans is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Total amount of loan commitments	283,660	316,360
Balance of used loans	141,830	316,360
Balance of unused loans	141,830	—

(3) Loan commitments (borrower)

The Group has entered into a contract for setting commitment lines with its main banks for the purpose of securing long-term working capital, and the balance of unused loans is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Total amount of commitment lines	50,000	150,000
Balance of used loans	—	—
Balance of unused loans	50,000	150,000

(Note) The Company, in order to address the funding needs for future business expansion, secure working capital, and improve financial stability, has entered into a commitment line agreement as of June 25, 2024, with the aim of ensuring flexible financing options.
Furthermore, the existing commitment line agreement dated January 15, 2019, was terminated on June 28, 2024.

A. Contractual partner MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited
B. Borrowing limit 150,000 million yen
C. Date of agreement June 25, 2024
D. Contract term 3 years
E. Collateral None

(4) Debt guarantees

The Group provides debt guarantees against bank loans etc. of its employees as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Guarantees of employees' obligations	5	2
Total	5	2

(Guarantees of employees' obligations)

The Group provides guarantees for the housing loans of employees as part of its welfare program. If an employee cannot repay a housing loan covered by a debt guarantee, the Group must assume the obligation. These debt guarantees are secured by the houses of the employees.

(5) Others

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, arbitration, investigation by regulatory authorities and other legal proceedings in various countries.

Though it is difficult to predict the outcome of the legal proceedings to which the Group is presently a party or to which it may become a party in future, the resolution of such proceedings may require considerable time and expense. There is a possibility that the outcome could have significant adverse effects on the Group's business, performance, financial condition, cash flow, reputation and creditability. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Article 92, the Group does not disclose detailed information on the legal proceedings since it is likely to lead the Group to an unfavorable position.

The Group has recorded provision for loss on litigation in accordance with what can be reasonably estimated for the cases below. In addition, the Group has recorded provision for loss litigation in preparation for payments related to lawsuits and damage claims with other companies, in addition to the cases described below.

(Civil lawsuit related to the alleged patent infringement and trade secret violation)

The Group's subsidiary in the U.S has been named as a defendant in a lawsuit filed in November 2008 in the United States of America District Court for the Eastern District of Texas ("the Court of First Instance") related to an alleged patent infringement and trade secret violation. The Group's subsidiary filed a notice of appeal with the Court of Appeals for the Federal Circuit ("the Court of Second Instance") against the Court of First Instance judgment from June 2016, and in July 2018, the Court of Second Instance rejected the judgement of the Court of First Instance for payment of compensation and conducted the retrial order at the Court of First Instance. After the retrial, in March 2022, the Court of First Instance issued judgement ordering compensation of 48.3 million US dollars. Subsequently, in August 2022, the Group's subsidiary filed an appeal with the Court of Second Instance.

(Indemnification claim related to environmental pollution)

The Group's subsidiary in Taiwan has been subjected to requests for restitution for environmental pollution associated with a factory in Taiwan owned by the subsidiary's predecessor company.

Since June 2004, the Group's subsidiary has been notified that a company reserved its right to seek indemnification from us for all costs associated with the remediation of the contamination related to environmental pollution found at a factory in Taiwan owned by the subsidiary's predecessor company, and the costs associated with the lawsuit as well as the costs relating to those retained environmental liabilities in a toxic tort class action lawsuit filed by ex-employees worked at the factory. Though the Group's subsidiary is not a defendant in the class action lawsuit, the claimant initiated arbitration proceedings against us related to all claims arising out of the contamination, including the remediation, the toxic tort claims, and attorneys' fees in December 2017, but afterward, the arbitration was ordered to stay by the arbitrator on a unilateral request by the claimant.

38. Subsequent Events

(Provision of Collateral for Important Assets)

On February 18, 2025, the Company entered into collateral agreements for current portion of long-term borrowings totaling 46,850 million yen, which are due for repayment within one year as of December 31, 2024, and for long-term borrowings (excluding current portion) amounting to 407,787 million yen, as follows:

(1) Reason for Providing Collateral

The collateral agreement was entered into as a result of loans executed on July 24, 2024, and September 30, 2024, under loan agreements concluded for financing the acquisition of Altium. The collateral agreement was finalized on February 18, 2025, following Australian legal procedures.

(2) Collateral Provision Period

From February 18, 2025, until the final repayment date of the corresponding debt.

(3) Type of Collateral Assets

The collateral consists of shares of subsidiaries, which have been eliminated in consolidation, valued at 920,544 million yen.

(2) [Other]

Semi-annual and annual information for the year ended December 31, 2024

(Cumulative period)		The six months ended June 30, 2024	The year ended December 31, 2024
Revenue	(Million yen)	710,597	1,348,479
Profit before tax	(Million yen)	165,985	263,833
Profit attributable to owners of parent	(Million yen)	139,587	219,084
Basic earnings per share	(Yen)	78.25	122.51

(Note) The Group has finalized the provisional accounting treatment related to the business combinations for the year ended December 31, 2024. Therefore, regarding the amounts related to semi-annual information, the revision of the purchase price allocation has been reflected.

2. Non-Consolidated Financial Statements

(1) [Non-Consolidated Financial Statements]

(i) [Non-consolidated Balance Sheet]

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Assets		
Current assets		
Cash and deposit	167,847	69,509
Electronically recorded receivables	2,111	1,805
Account receivable-trade	※1 118,933	※1 107,187
Finished goods	21,304	27,442
Work in process	52,990	46,152
Raw materials and supplies	4,587	4,334
Prepaid expenses	3,693	25,999
Accounts receivable-other	※1 32,165	※1 30,718
Other current assets	※1 25,830	※1 79,889
Total current assets	429,460	393,035
Non-current assets		
Property, plant and equipment		
Building	※2 35,857	33,486
Structures	※2 3,560	3,825
Machinery and equipment	※2 44,301	56,826
Vehicles	313	409
Tools, furniture and fixtures	17,638	16,068
Land	※2 18,945	18,763
Construction in progress	44,130	105,114
Total property, plant and equipment	164,744	234,491
Intangible assets		
Software	7,913	27,028
Other intangible assets	1,376	852
Total intangible assets	9,289	27,880
Investments and other assets		
Investment securities	3,631	3,507
Shares of subsidiary and affiliates	※2 1,858,674	※2 2,735,984
Long-term prepaid expenses	28,701	39,876
Prepaid pension costs	16,021	20,505
Deferred tax assets	27,452	18,130
Other assets	※1 36,810	※1 27,358
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,971,290	2,845,360
Total non-current assets	2,145,323	3,107,731
Deferred assets		
Bond issuance costs	373	198
Total deferred assets	373	198
Total assets	2,575,156	3,500,965

(In million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Liabilities		
Current liabilities		
Electronically recorded obligations	5,361	3,846
Account payable-trade	※1 105,844	※1 105,613
Current portion of long-term borrowing	※2 354,104	※2 142,739
Lease obligations	27	19
Accounts payable-other	※1 47,327	※1 82,542
Accrued expenses	※1 21,816	※1 15,140
Income taxes payable	32,645	2,384
Contract liabilities	—	372
Advances received	784	2,101
Deposits received	※1 393,390	※1 367,148
Provision for product warranties	154	212
Provision for business restructuring	1	1
Provision for contingent losses	1,090	0
Provision for share-based payments	27,472	24,232
Asset retirement obligations	345	22
Other current liabilities	111,293	40,071
Total current liabilities	1,101,654	786,440
Non-current liability		
Bonds	97,189	97,189
Long-term borrowing	※1 ※2 187,568	※1,※2 1,217,887
Lease obligations	21	—
Provision for retirement benefits	10,910	9,852
Provision for share-based payments	16,058	14,174
Asset retirement obligations	1,748	1,625
Other non-current liabilities	4,140	25,975
Total of non-current assets	317,635	1,366,703
Total liabilities	1,419,288	2,153,143
Net Assets		
Shareholders' equity		
Share capital	153,209	153,209
Capital surplus		
Legal capital surplus	143,209	143,209
Other capital surplus	208,969	125,190
Total capital surplus	352,177	268,399
Retained earnings		
Other retained earnings		
Retained earnings brought forward	873,594	1,013,808
Total retained earnings	873,594	1,013,808
Treasure shares	(217,691)	(89,310)
Total shareholders' equity	1,161,289	1,346,106
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	62	629
Deferred gains or losses on hedges	(8,589)	—
Total valuation and translation adjustments	(8,527)	629
Share acquisition rights	3,106	1,087
Total net assets	1,155,868	1,347,822
Total liabilities and net assets	2,575,156	3,500,965

(ii) Non-Consolidated Statement of Operations

(In million yen)

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net sales	※1 1,065,819	※1 973,959
Cost of sales	※1 541,307	※1 536,757
Gross profit	524,512	437,202
Selling, general and administrative expenses	※1,※2 209,753	※1,※2 195,201
Operating income	314,758	242,001
Non-operating income		
Interest income	※1 2,842	※1 3,718
Dividend income	0	※1 9,340
Subsidy income	1,699	5,531
Other non-operating income	535	468
Total non-operating income	5,076	19,056
Non-operating expenses		
Interest expenses	※1 17,002	※1 19,295
Foreign exchange losses	3,495	16,229
Commission for syndicated loans	100	6,196
Loss on tax purpose reduction entry of non-current assets	1,068	4,872
Other non-operating expenses	1,128	1,573
Total non-operating expenses	22,793	48,165
Ordinary income	297,041	212,892
Extraordinary income		
Compensation income	—	※3 7,840
Gain on extinguishment of tie-in shares	—	※4 2,182
Other extraordinary income	19,412	2,758
Total Extraordinary income	19,412	12,780
Extraordinary losses		
Impairment loss	553	1,650
Business restructuring expenses	※5 314	※5 1,095
Loss on valuation of investment securities	—	942
Other extraordinary losses	637	0
Total extraordinary losses	1,504	3,687
Net profit before taxation	314,950	221,986
Income taxes-current	66,003	34,669
Income taxes-correction	510	(7,884)
Income taxes-deferred	(3,435)	5,228
Total Income taxes	63,079	32,013
Net income	251,871	189,972

(iii) Non-Consolidated Statement of Changes in Net Assets

Previous fiscal year (from January 1, 2023 to December 31, 2023)

(In million yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasure shares	Total shareholders' equity
					Other retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward		
Balance at January 1, 2023	153,209	143,209	206,642	349,851	621,723	(192,171)	932,612
Change during period							
Net income					251,871		251,871
Purchase of treasury shares						(50,000)	(50,000)
Disposal of treasury shares			2,327	2,327		24,480	26,807
Net changes in items other than shareholders' equity							
Total changes during period	—	—	2,327	2,327	251,871	(25,520)	228,678
Balance at December 31, 2023	153,209	143,209	208,969	352,177	873,594	(217,691)	1,161,289

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at January 1, 2023	(1)	224	223	7,602	940,437
Change during period					
Net income					251,871
Purchase of treasury shares					(50,000)
Disposal of treasury shares					26,807
Net changes in items other than shareholders' equity	63	(8,813)	(8,750)	(4,496)	(13,247)
Total changes during period	63	(8,813)	(8,750)	(4,496)	215,431
Balance at December 31, 2023	62	(8,589)	(8,527)	3,106	1,155,868

Current fiscal year (from January 1, 2024 to December 31, 2024)

(In million yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasure shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		
					Retained earnings brought forward		
Balance at January 1, 2023	153,209	143,209	208,969	352,177	873,594	(217,691)	1,161,289
Change during period							
Dividends of surplus					(49,758)		(49,758)
Net income					189,972		189,972
Purchase of treasury shares						(0)	(0)
Disposal of treasury shares			20,750	20,750		23,853	44,603
Cancellation of treasury shares			(104,529)	(104,529)		104,529	—
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(83,779)	(83,779)	140,214	128,381	184,817
Balance at December 31, 2024	153,209	143,209	125,190	268,399	1,013,808	(89,310)	1,346,106

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at January 1, 2023	62	(8,589)	(8,527)	3,106	1,155,868
Change during period					
Dividends of surplus					(49,758)
Net income					189,972
Purchase of treasury shares					(0)
Disposal of treasury shares					44,603
Cancellation of treasury shares					—
Net changes in items other than shareholders' equity	567	8,589	9,156	(2,019)	7,138
Total changes during period	567	8,589	9,156	(2,019)	191,954
Balance at December 31, 2024	629	—	629	1,087	1,347,822

Notes to Non-Consolidated Financial Statements

(Material Accounting Policies)

1. Valuation Method of Assets

(1) Securities

Shares of subsidiaries and affiliates

These shares are carried at cost determined by the moving-average method.

Other securities

・Securities other than shares that do not have a market value

Fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method).

・Shares that do not have a market value

Moving average cost method.

(2) Derivatives

Derivative financial instruments are stated at the fair value.

(3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows:

Finished goods:

Custom-made products: Specific identification method

Mass products: Average method

Work in process:

Custom-made products: Specific identification method

Mass products: Average method

Raw materials and supplies:

Average method as principal method

2. Depreciation method for fixed assets

(1) Tangible fixed assets (excluding leased assets)

Straight-line method

(2) Intangible fixed assets

Straight-line method

(3) Lease assets

Lease assets related to finance lease transactions that transfer ownership

The same depreciation method as that applied to fixed assets owned by the Company

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with a residual value of zero.

(4) Long-term prepaid expenses

Straight-line method, etc.

3. Accounting for deferred assets

Bond issuance costs are amortized by the straight-line method over the period until the bonds are redeemed.

4. Basis for recording of allowances and provisions

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on the collection of receivables.

(2) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an amount recognized to have accrued at the end of the current fiscal year as provision for retirement benefits or prepaid pension cost, based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year.

Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over the average remaining service period of employees when incurred.

Prior service cost is amortized as incurred by the straight-line method over the average remaining service period of employees.

(3) Provision for product warranties

To provide for expenses for free-of-charge repairs after product sales, the Company records an estimated amount for individual cases and an estimated amount based on the historical ratio of free of charge repairs to net sales.

(4) Provision for business restructuring

The Company has established a reserve for losses expected to be incurred in the future in connection with business restructuring and consolidation, and provides for estimated losses.

(5) Provision for contingent losses

To provide for possible future contingent losses, such as lawsuits and pending cases, the Company records an estimated loss amount reasonably calculated by examining individual risks for each contingent event.

(6) Provision for share-based payments

To provide for the delivery of the Company's shares to Directors, Executive Corporate Officers, and employees in accordance with the Company's share delivery regulations, a provision is provided based on the estimated amount of liabilities for share delivery at the end of the current fiscal year.

5. Basis for recognition of revenues and expenses

The Company recognizes revenue based on the following five-step model.

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to the performance obligation.
Step 5: Recognize revenue when or as the performance obligation is satisfied.

The Company engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is recognized mainly when the goods are delivered as the ownership of these goods has been transferred to the customer and the performance obligations are satisfied at the time of delivery.

Also, revenue is measured at the fair value of the consideration received after deducting discounts, rebates and returns.

Sales to specific distributors may be subject to the following various sales promotion programs.

Ship and debit is a program designed to assist specific distributors on their sales to end customers through pricing adjustments. Under this program, the selling prices will be adjusted when the specific distributors sell the products to the end customers. At the time the Company records sales to the specific distributors, the Company accrues for refund liabilities and deducts the same amounts from revenue based on the estimate of the variable consideration resulting from the possible application of the ship and debit program upon the future sales by the distributors. In addition, the related balance of accounts receivable-trade is transferred to long-term accounts receivable in order to reduce specific distributors' financial burden caused by a time lag, and will be reversed in the future based on the contract.

Stock rotation is a program whereby on a semiannual basis, specific distributors are allowed to return, for credit, inventories equal to a certain percentage of their purchases for the previous six months. The Company accrues refund liabilities related to the stock rotation program on a quarterly basis and deduct the same amount from revenue.

6. Hedge accounting methods

(1) Hedge accounting method

Basically, deferred hedge accounting is applied. Currency swaps that meet the requirements for deferral hedge accounting are accounted for by the allocation method, and interest rate and currency swaps that meet the requirements for integral hedge accounting (exceptional treatment and allocation method) are accounted for by the integral hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange forward contracts, currency options, currency swaps and interest rate and currency swaps

Hedged items: Anticipated transactions denominated in foreign currencies, bonds payable denominated in foreign currencies, and borrowings denominated in foreign currencies.

(3) Hedging policy

In accordance with the Group's internal rules, hedging is conducted to avoid foreign exchange fluctuation risks associated with hedged items.

(4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging activities by comparing the cumulative cash flow fluctuations of the hedging instruments with the cumulative cash flow fluctuations of the hedged items for the period from the inception of the hedge to the point at which effectiveness is assessed.

The assessment of effectiveness is omitted because currency swaps meet the requirements for the allocation method and interest rate and currency swaps meet the requirements for the integrated treatment.

7. Other important matters serving as the basis for preparation of financial statements

(1) Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and unrecognized prior service cost related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

(2) Application of consolidated tax payment system

The consolidated tax payment system is applied.

(Significant Accounting Estimates)
Valuation of shares in affiliates
(1) Amounts recorded in the financial statements for the year under review

(in million yen)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Affiliates Shares	1,858,674	2,735,984

(2) Information on significant accounting estimates relating to identified items
The valuation of shares in affiliated companies is based on a comparison of the real value of the shares reflecting the excess earning power expected at the time of acquisition with the carrying value to determine whether there has been a significant decline in real value, considering the same assumptions used in the impairment testing of goodwill in the preparation of the consolidated financial statements. As such assumptions are subject to future uncertainties, if it becomes necessary to recognize impairment losses on shares in affiliated companies in the following fiscal year, this need to recognize impairment losses on shares in affiliated companies in the following fiscal year could affect the financial statements in the same period.

(Change in presentation method)
(Statements of Income)
"Interest income" and "Dividends income", which were included in "Interest and dividends income" under "Non-operating income" in the previous fiscal year, are independently presented in the current fiscal year due to their increased materiality.
"Syndicate loan fee," which was included in "Other" under "Non-operating expenses" in the previous fiscal year, is separately presented as an independent account from the current fiscal year due to its increased materiality.
"Loss on reduction of fixed assets", which was included in "Other" under "Non-operating expenses" in the previous fiscal year, is separately presented as an independent account in the current fiscal year due to its increased materiality.
"Insurance income" under "Extraordinary income", which was separately presented in the previous fiscal year, is included in "Other" under "Extraordinary income" in the current fiscal year because it has become insignificant. Insurance income" in the previous fiscal year was 18,236 million yen.
"Impairment loss", which was included in "Extraordinary losses" in the previous fiscal year, is separately presented as an independent account in the current fiscal year due to its increased importance.
"Business structure improvement expenses", which was included in "Extraordinary loss" in the previous fiscal year, is separately presented as an independent account in the current fiscal year due to its increased materiality.
"Amount of tax payment or refund due to correction, determination, etc. of corporate income tax, etc.", which was included in "Corporate income tax, inhabitant tax and enterprise tax" in the previous fiscal year, is separately presented as an independent account from the current fiscal year due to its increased materiality.

(Additional Information)
(1) Bond
In November 2024, the Company redeemed its U.S. dollar-denominated unsecured straight bonds due 2024 issued on November 26, 2021 (green bond, total issue amount: US$500 million, interest rate: 1.543%, maturity date: November 26, 2024).

(2) Borrowing
In March 2024, based on a commitment line agreement dated January 15, 2019, the Company borrowed 30,000 million yen in short-term loans from MUFG Bank Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Trust Bank, Limited, and repaid the full amount in June 2024. In July 2024, the Company borrowed 150,000 million yen from MUFG Bank Ltd. and Mizuho Bank, Ltd. under a loan agreement dated May 30, 2024 to finance the acquisition of Altium, which was fully repaid in September 2024.
On June 25, 2024, the Company entered into a term loan agreement (total amount: 250,000 million yen; drawdown date: June 28, 2024; final repayment date: June 29, 2029; lenders: MUFG Bank Ltd.. On July 24, 2024, the Company executed a term loan of 788,000 million yen in total based on the loan agreement dated May 30, 2024 (drawdown date: July 24, 2024, final repayment date: July 24, 2029, lender: MUFG Banking Ltd.. The Company has executed the borrowing. In addition, on September 30, 2024, the Company executed a JBIC loan agreement (total amount: 149,000 million yen; drawdown date: September 30, 2024; final repayment date: July 24, 2029; lender: Japan Bank for International Cooperation (JBIC)) and drew down 149,000 million yen.

(Notes to Balance Sheet)

＊1 Assets and Liabilities to affiliated companies

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Short-term monetary claims	133,317 million yen	170,499 million yen
Long-term monetary claims	10,320 million yen	2,764 million yen
Short-term monetary debts	452,637 million yen	459,617 million yen
Long-term monetary debts	82,261 million yen	91,744 million yen

＊2 Mortgaged assets and mortgaged liabilities

(Mortgaged assets)

	Previous fiscal year (as of December 31, 2023)		Current fiscal year (as of December 31, 2024)	
Building	31,548 million yen	(31,548) million yen	— million yen	(—) million yen
Structures	3,305 million yen	(3,305) million yen	— million yen	(—) million yen
Machinery and equipment	39,321 million yen	(39,321) million yen	— million yen	(—) million yen
Land	16,206 million yen	(16,144) million yen	— million yen	(—) million yen
Share of affiliated companies	638,841 million yen	(—) million yen	638,841 million yen	(—) million yen
Total	729,220 million yen	(90,318) million yen	638,841 million yen	(—) million yen

(Mortgaged liabilities)

	Previous fiscal year (as of December 31, 2023)		Current fiscal year (as of December 31, 2024)	
Long-term borrowings scheduled to be repaid within one year	177,553 million yen	(135,535) million yen	34,541 million yen	(—) million yen
Long-term borrowings	69,084 million yen	(—) million yen	34,543 million yen	(—) million yen
Total	246,638 million yen	(135,535) million yen	69,084 million yen	(—) million yen

(Note) Figures in parentheses of Mortgaged assets and Mortgaged liabilities represent mortgages of the Factory Foundation and its liabilities.

＊3 Contingent liabilities

(Guarantees liabilities)

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Affiliated companies	77,558 million yen	86,469 million yen
Guarantees for employee mortgages	5 million yen	2 million yen
Total	77,562 million yen	86,471 million yen

(Notes to Statement of Income)

＊1 Volume of business with affiliated companies

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Net sales	632,304 million yen	609,164 million yen
Purchase amount	387,287 million yen	406,268 million yen
Transactions from non-operating activities	13,513 million yen	31,864 million yen

＊2 Selling, general and administrative expenses

Major expense items and amounts

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Employee salaries and benefits	57,292 million yen	38,794 million yen
Depreciation and amortization	3,134 million yen	2,991 million yen
Research and development expenses	124,227 million yen	131,997 million yen
Expenses included in selling expenses	Approx. 7%	Approx. 6%
Expenses included in general and administrative expenses	Approx. 93%	Approx. 94%

＊3 Insurance income

This is compensation for damages resulting from the discontinuation of development.

＊4 Gain on extinguishment of tie-in shares

This was recorded due to the absorption-type merger of Renesas Engineering Service Corporation, which was a consolidated subsidiary.

＊5 Business structure improvement expenses

The breakdown of business structure improvement expenses for previous fiscal year and current fiscal year is as follows.

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Costs associated with base restructuring	306 million yen	1,088 million yen
Other	8 million yen	6 million yen
Total	314 million yen	1,095 million yen

(Notes to Securities)

Shares of subsidiaries and affiliated companies

Previous fiscal year (as of December 31, 2023)

Shares of subsidiaries or affiliated companies with market quotations are not applicable.

(Note) Shares of subsidiaries and affiliated companies whose fair value is extremely difficult to determine.

（in million yen）

	Previous fiscal year (as of December 31, 2023)
Subsidiary Shares	1,858,674

Principal shares included in investments in subsidiaries and their balance sheet amounts are as follows:

Renesas Electronics America　1,134,784 million yen

Dialog　638,841 million yen

Current fiscal year (as of December 31, 2024)

Shares of subsidiaries or affiliated companies other than non-marketable equity securities are not applicable.

(Note) Shares of subsidiaries and affiliates, including non-marketable equity securities.

（in million yen）

	Current fiscal year (as of December 31, 2024)
Subsidiary Shares	2,735,984

Principal shares included in investments in subsidiaries and their balance sheet amounts are as follows:

Renesas Electronics America　1,091,929 million yen

Renesas Electronics Australia　920,544 million yen

Dialog　638, 841 million yen

(Notes to Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Deferred tax assets		
Allowance for share-based payments	13,259 million yen	11,394 million yen
Loss on valuation of stocks of affiliated companies	11,086 million yen	9,733 million yen
Excess depreciation	4,311 million yen	5,149 million yen
Inventory write-down	2,676 million yen	3,141 million yen
Excess accrued retirement benefits	3,341 million yen	3,017 million yen
Accrued bonuses	3,154 million yen	1,884 million yen
Accrued expenses	2,833 million yen	1,854 million yen
Deferred gains or losses on hedges	3,791 million yen	—
Others	6,423 million yen	4,525 million yen
Subtotal of deferred tax asset	50,873 million yen	40,698 million yen
Valuation provision for tax losses carried forward	—	—
Valuation provision for total amount of total future deductible temporary differences, etc.	(14,478) million yen	(12,121) million yen
Subtotal of valuation provision	(14,478) million yen	(12,121) million yen
Total deferred tax assets	36,396 million yen	28,576 million yen
Offset against deferred tax liabilities	(8,944) million yen	(10,447) Million yen
Net deferred tax assets	27,452 million yen	18,130 million yen
Deferred tax liabilities		
Prepaid pension cost	(4,906) million yen	(6,279) million yen
Net unrealized gains (losses) on assets received in merger	(3,562) million yen	(3,553) million yen
Others	(476) million yen	(614) million yen
Total deferred tax liabilities	(8,944) million yen	(10,447) million yen
Offset against deferred tax assets	8,944 million yen	10,447 million yen
Net deferred tax liabilities	—	—

2. Reconciliation between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

	Previous fiscal year (as of December 31, 2023)	Current fiscal year (as of December 31, 2024)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Change in valuation provision	(5.8)%	(1.1)%
Gain on extinguishment of tie-in shares	—	(0.3)%
Non-deductible expenses	0.3%	0.8%
Non-deductible income	0.0%	(7.4)%
Tax deductions	(5.4)%	(4.8)%
Combined income of specified foreign subsidiaries, etc.	0.2%	0.7%
Tax payment or refund due to correction or determination of income taxes	0.2%	(3.6)%
Other adjustments not applicable to temporary differences	(0.2)%	(0.5)%
Effective income tax rate after application of tax effect accounting	20.0%	14.4%

3. Accounting for corporate and local income taxes or tax effect accounting in relation to these taxes

The Company has applied the group totalization system from the current fiscal year. In accordance with the “Treatment of Accounting and Disclosure when Applying the Group Totalization System” (Practical Response Report No. 42, 12 August 2021), the company accounts for corporate income tax and local corporate income tax, or tax effect accounting and disclosure in this regulation.

(Note to Revenue Recognition)

Basic information for understanding revenue

For details, please refer to “(Material Significant Accounting Policies) Note 5. Basis for recognition of revenues and expenses”.

(Subsequent Events)

(Provision of Collateral for Important Assets)

On February 18, 2025, the Company entered into collateral agreements for current portion of long-term borrowings totaling 46,850 million yen, which are due for repayment within one year as of December 31, 2024, and for long-term borrowings (excluding current portion) amounting to 409,938 million yen, as follows:

(1) Reason for Providing Collateral

The collateral agreement was entered into as a result of loans executed on July 24, 2024, and September 30, 2024, under loan agreements concluded for financing the acquisition of Altium. The collateral agreement was finalized on February 18, 2025, following Australian legal procedures.

(2) Collateral Provision Period

From February 18, 2025, until the final repayment date of the corresponding debt.

(3) Type of Collateral Assets

The collateral consists of shares of subsidiaries, which have been eliminated in consolidation, valued at 920,544 million yen.

(iv) [Annexed detailed schedule]

[Schedule of Tangible Fixed Assets]

(In million yen)

Division	Type of assets	Balance at January 1, 2024	Increase during the current period	Decrease during the current period	Amortization during the current period	Balance at December 31, 2024	Total accumulated depreciation
Property, plant and equipment	Building	148,444	1,887	1,659	4,179 (233)	148,672	115,187
	Structures	19,540	536	79	270 (5)	19,998	16,173
	Machinery and equipment	459,810	36,215	12,732	18,497	483,293	426,466
	Vehicles	5,155	217	45	120	5,328	4,919
	Tools, furniture and fixtures	126,753	10,815	5,639	12,027 (1,412)	131,929	115,861
	Land	18,945	—	182	—	18,763	—
	Construction in progress	44,130	110,881	49,897	—	105,114	—
	Total	822,778	160,551	70,233	35,094 (1,650)	913,097	678,605
Intangible assets	Software	69,617	21,799	519	2,606	90,898	63,870
	Other intangible assets	22,215	—	—	525	22,215	21,364
	Total	91,832	21,799	519	3,131	113,113	85,233

(Note) 1. The figures in parentheses in the “Balance at January 1, 2024” and “Balance at December 31, 2024” are based on acquisition cost.

2. The figures in parentheses in the “Decrease during the current period” and “Increase during the current period” represent the amount of impairment loss recorded.

3. The figures in parentheses in the “Total accumulated depreciation” includes accumulated impairment loss.

4. Major components of increase during the current period are as follows:

(In million yen)

Machinery and equipment	Amount of increase	Naka Factory	24,350
Construction in progress	Amount of increase	Kofu Factory	54,435

[Schedule of allowances and provision]

Division	Balance at January 1, 2024 (Million yen)	Increase during the current period (Million yen)	Decrease during the current period (Million yen)	Balance at December 31, 2024 (Million yen)
Allowance for doubtful accounts	0	—	—	0
Provision for product warranties	154	212	154	212
Provision for business restructuring	1	—	—	1
Provision for contingent losses	1,090	153	1,242	0
Provision for share-based payments	43,530	31,989	37,112	38,406

(2) [Major assets and liabilities]

Since consolidated financial statements are prepared, the description is omitted.

(3) [Others]

Not applicable.

VI. Outline regarding the Administration of Renesas' Stock

Business Year	From January 1 to December 31
Annual General Meeting of Shareholders	The Company holds the meeting within 3 months after the day immediately following each fiscal year-end
Record Date	December 31
Record date for dividends from surplus	March 31, June 30, September 30 and December 31
Number of shares constituting one unit of shares	100 shares
Purchase of shares constituting less than one unit	
Handling location	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department
Transfer agent	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Brokerage office	Sumitomo Mitsui Trust Bank, Limited Head Office and branches nationwide
Commission for purchase	A separately specified amount as the commission for the entrustment of the share trade
Posting of Public Notices	The method of giving public notices of the Company is electronic public notices; provided, however, that in cases where an electronic public notice is impracticable due to an accident or other unavoidable reason, the Company will give its public notice in the Nihon Keizai Shimbun. Electronic public notices can be found on the Company's website, at the following address: https://www.renesas.com/jp/en/about/investor-relations
Benefits to shareholders	Not applicable

(Note) Pursuant to the provisions of the Articles of Incorporation of the Company, holders of shares constituting less than one unit have no rights other than the rights listed in each item of Paragraph 2 of Article 189 of the Companies Act, the right to make requests pursuant to the provisions of Paragraph 1 of Article 166 of the Companies Act, the right to receive allotment of offered shares and allotment of offered stock acquisition rights in proportion to the number of shares held by such shareholders, and the right to request the Company to sell to the holder such number of shares as may, together with the number of the shares constituting less than one unit, constitute the number of shares constituting one unit.

VII. Other Reference Information

1. Information on Parent Company

The Company has no parent company, etc., stipulated in Paragraph 1 of Article 24-7 of the Financial Instruments and Exchange Act of Japan.

2. Other Reference Information

The Company has filed the following documents between the beginning of the current fiscal year and the filing date of this Annual Securities Report.

(1) Annual Securities Report and its Attachments and the Confirmation
Fiscal year (22nd Fiscal Year) (from January 1, 2023 to December 31, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on March 28, 2024
(2) Amendment to the Annual Securities Report and the Confirmation
Filed with the Director-General of the Kanto Local Finance Bureau on May 9, 2024
Above (1) amendment to Annual Securities Report as of March 28, 2024
(3) Internal Control Report and its Attachments
Filed with the Director-General of the Kanto Local Finance Bureau on March 28, 2024
(4) Quarterly Report and Confirmation
(First Quarter of the 23rd Fiscal Year) (from January 1, 2024 to March 31, 2024) Filed with the Director-General of the Kanto Local Finance Bureau on May 9, 2024
(5) Semi-Annual Report and Confirmation
(Half of the 23rd Fiscal Year) (From January 1, 2024 to June 30, 2024) Filed with the Director-General of the Kanto Local Finance Bureau on August 1, 2024
(6) Extraordinary Report
Filed with the Director-General of the Kanto Local Finance Bureau on April 3, 2024
Extraordinary Report under Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on September 13, 2024
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on November 15, 2024
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on December 20, 2024
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on January 10, 2025
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on February 14, 2025
Extraordinary Report under Article 19, Paragraph 1, Article 19, Paragraph 2, Item 1, and Article 19, Paragraph 2, Item 2 of the Cabinet Office Order on Disclosure of Corporate Affairs
(7) Securities Registration Statement
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on April 8, 2024
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on July 9, 2024
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on October 11, 2024
(8) Amendment to Securities Registration Statement
Filed with the Director-General of the Kanto Local Finance Bureau on April 25, 2024
Above (6) amendment to Securities Registration Statement as of April 8, 2024
Filed with the Director-General of the Kanto Local Finance Bureau on July 25, 2024
Above (6) amendment to Securities Registration Statement as of July 9, 2024

Part II. Corporate Information on Guarantor and Others

Not applicable.