

The following is an English translation of the Notice of the 21st Annual General Meeting of Shareholders of Renesas Electronics Corporation to be held on March 30, 2023 (as well as the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements with respect to the 21st Business Period, and the report on the results of the audit conducted on such Consolidated Financial Statements by the independent auditors and the Board of Corporate Auditors). The following English translation is provided for your reference and convenience only. Should there be any inconsistency between this translation and the official Japanese original, the latter shall prevail.

Securities code: 6723

## Renesas Electronics Corporation

# 21<sup>st</sup> Annual General Meeting of Shareholders Convocation Notice



January 1st, 2022 ▶ December 31, 2022



**March 30, 2023 (Thursday) at 10:00 A.M.**  
(Japan Standard Time)  
\*You will be able to login from 9:30 A.M. (JST)



**Shareholders Meeting without a Designated Location  
(Virtual-Only Shareholders' Meeting)**

\* Since the General Meeting will be held entirely online,  
there is no physical venue where you can visit.

**Voting  
Deadline**

**5:30 P.M.  
March 29, 2023 (Wednesday)**

### Contents

Notice of the 21st Annual General Meeting of Shareholders

#### ●Reference Documents

Proposal No.1: Election of Five (5) Directors

Proposal No.2: Introduction of a tax-advantaged Employee Share  
Purchase Plan for the Company's and its subsidiaries'  
employees who are resident in the U.S.

#### ●Business Report

●Consolidated Financial Statements

●Non-Consolidated Financial Statements

●Audit Report



## To Our Shareholders

### Hidetoshi Shibata

Representative Director, President & CEO  
Renesas Electronics Corporation



We would like to take this occasion to express our sincere gratitude to all of our shareholders for your continued support. We are pleased to inform you of the convocation of the 21st Annual General Meeting of Shareholders.

During the fiscal year ended December 31, 2022 (“2022”), the product supply constraints that continued from the previous year gradually began to dissipate. On the other hand, we faced significant changes in our business environment at every turn: the war in Ukraine, mounting global inflation, excessive volatility in the dollar-yen exchange rate.

Despite these challenges, we delivered record financial performance in 2022. Our consolidated revenue increased significantly by 51% year on year (approximately 40% in comparison with the revenue which includes Dialog’s sales from the beginning of the previous fiscal year). Demand growth, tailwind of the yen depreciation and price adjustments accompanying the rise in raw material prices were the major factors supporting this substantial revenue increase. In addition, we marked record-high operating profit and EBITDA (Non-GAAP basis) since we began operation as Renesas Electronics in April 2010.

For new product release, we have launched a wide array of products successfully in 2022. Some of the products include the “RZ/Five” general-purpose MPUs based on 64-bit RISC-V CPU core, the “R-Car V4H” SoC that realizes automated driving for vehicles in the popular price range, and the “AE5” new generation of Si-IGBT for xEV inverters.

Through our products and solutions, we have won many new design-ins, which will be a source of our future revenue. Some significant design-ins in 2022 include the “RA8 Series” offering the highest performance in RA MCU Family, and automotive products such as the “RH850/U2A MCU Series” for zone control and the “R-Car S4 SoC Series” for central computing.

We have also acquired new technologies by welcoming Reality AI, Inc. and Steradian Semiconductors Private Limited to the Group.

In 2022, Renesas was highly evaluated by external organizations. Among many awards, we received the GSA (Global Semiconductor Alliance)’s “Outstanding Asia-Pacific Semiconductor Company Award” and the Hitotsubashi University Business School’s “Porter Prize.” We believe this to be a proof that our global presence as a semiconductor supplier have been recognized as a result of our transformation.

As part of our shareholder return, we acquired a total of approximately 200 billion yen of our own shares in 2022. Although we have decided to forego payment of dividends for 2022, we will strive to resume dividend payments at the earliest opportunity. We intend to continue to return profits to shareholders while taking into account changes in the business environment and the balance with retained earnings for long-term growth investment.

In 2023, with the stagnation of the macro economy and the slowdown in demand, our business environment is expected to be challenging. Renesas is well positioned to successfully navigate through these challenges to achieve long-term success. We will exercise restraint where necessary to secure an appropriate level of profitability, while remaining flexible and responsive to market changes.

We have announced our “2030 Aspirations”, in which we set our target to: “Become a Top 3 embedded semiconductor solution supplier;” “Achieve revenues of more than \$20 billion;” and “Bring up the corporate value by up to six times the market capitalization” by 2030. In order to realize our 2030 Aspirations and our Purpose of “To Make Our Lives Easier,” we will continue to drive innovation with our products and solutions that are vital to our daily lives. At the same time, as a member of the global community, we will remain steadfast in our commitment to further enhance our corporate value by addressing environmental issues and contributing to a sustainable society. I am confident in our ability to deliver lasting value to our shareholders.

Thank you for your continued trust and confidence and for being part of our journey with Renesas.

**March 2023**

## Renesas Electronics Corporation

Securities Code: 6723  
3-2-24 Toyosu, Koto-ku, Tokyo

Hidetoshi Shibata  
Representative Director, President and CEO

March 10, 2023  
(Commencement Date of Electronic Provision: March 3, 2023)

### To Our Shareholders:

#### **NOTICE OF THE 21ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The Twenty-First Annual General Meeting of Shareholders (the “General Meeting”) of Renesas Electronics Corporation (the “Company”) will be held as follows.

The General Meeting will be held online as a “Shareholders Meeting without a Designated Location” (so-called Virtual-Only Shareholders’ Meeting) pursuant to the provisions of the laws and regulations and the Company’s Articles of Incorporation. Since there is no physical venue where you can visit, we request your attendance via the Internet.

In convening the General Meeting, we have posted, as electronic provision of the materials, etc., the matters that may be provided in electronic format (i.e., information contained in the Reference Documents for the General Meeting, etc.) on the following our website with the title “Notice of the 21st Annual General Meeting of Shareholders”.

<Our website>

<https://www.renesas.com/us/en/about/investor-relations>



In addition, the same matters have been posted on the following Tokyo Stock Exchange’s website and can be viewed by entering or searching for an issue name (company name) or securities code, and selecting “Basic information,” and then selecting “Documents for public inspection/PR information.”

< Tokyo Stock Exchange’s website>

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>



You may, and are recommended to, exercise your voting rights via the Internet or in writing in advance if you are unable to attend the General Meeting, or, even if you plan to attend the General Meeting, as a precaution against communication problems or other difficulties. If you plan to exercise your voting rights by these methods, you need to exercise your voting rights by 5:30 P.M. on March 29, 2023 (Wednesday) (Japan Standard Time), after reviewing the Reference Documents for the General Meeting below and in accordance with the guidance on pages 6 and 7 of this notice.

1. DATE AND TIME: March 30, 2023 (Thursday) at 10:00 A.M. (Japan Standard Time)
    - \* You will be able to login from 9:30 A.M. (JST)
    - \* In the event it becomes difficult to hold the General Meeting on the date and time above due to communication problems or other reason, the meeting will be postponed to March 31, 2023 (Fri) at 10:00 A.M. (JST). In such case, we will make an announcement to that effect on our website (<https://www.renesas.com/us/en/about/investor-relations>).
  2. METHOD OF HOLDING: Shareholders Meeting without a Designated Location  
(Virtual-Only Shareholders' Meeting).
    - (\*) To attend the meeting, please login to the dedicated website for the General Meeting (<https://web.lumiagm.com/#/m/705537650>). For more information, please refer to "Guide to the Virtual-Only Shareholders' Meeting" on page 8 onward.
    - (\*) Since the General Meeting will be held entirely online, there is no physical venue where you can visit.
  3. AGENDA OF THE GENERAL MEETING:
    - MATTERS TO BE REPORTED ON:

Report on the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements, and report on the results of the audit conducted on the Consolidated Financial Statements by the independent auditors and the Board of Corporate Auditors with respect to the 21st Business Period from January 1, 2022 to December 31, 2022.
    - MATTERS TO BE VOTED ON:
      - (1) Election of Five (5) Directors
      - (2) Introduction of a tax-advantaged Employee Share Purchase Plan for the Company's and its subsidiaries' employees who are resident in the U.S.
- The communication method used for sending and receiving information in the proceedings of the General Meeting will be via the Internet.
  - In the event that a shareholder who has exercised the voting rights via the Internet or in writing in advance attends the General Meeting, if the shareholder exercises the voting rights in duplicate, the voting exercised at the General Meeting will be regarded as effective, and, if the shareholder has not exercised the voting rights at the General Meeting, the voting rights exercised in advance will be regarded as effective. If a shareholder who has not exercised the voting rights in advance logs into the dedicated website for the General Meeting on the day of the meeting, but the exercise of the voting rights by such shareholder cannot be confirmed, such shareholder will be treated as absent.
  - A resolution will be adopted at the beginning of the General Meeting to grant the chairperson the authority to decide to postpone or adjourn the General Meeting in the event the proceedings of the General Meeting are significantly impeded due to communication problems or other reason. If the chairperson decides to postpone or adjourn the General Meeting in accordance with such resolution, the meeting so postponed or adjourned will be held on March 31, 2023 (Fri) at 10:00 A.M. (JST). In

such case, we will promptly make an announcement to that effect on our website (<https://www.renesas.com/us/en/about/investor-relations>).

- For shareholders who have not made a request for delivery of documents in paper-based format, we have sent the Reference Documents for the General Meeting together with a summary of the Business Report. For shareholders who have made a request for delivery of documents in paper-based format, we have sent documents containing the matters that may be provided in electronic format except for the matters that may be omitted in accordance with the laws and regulations and the Company's Articles of Incorporation.
- Any corrections or amendments made to the matters that may be provided in electronic format, etc. will be posted on the respective websites where they are posted.
- We would like to invite you to attend a shareholder roundtable session, which will be held via the Internet after the closing of the General Meeting. For more information, please refer to the information accessible by clicking on the "DOCUMENTS" tab at the top of the screen of the dedicated website for the General Meeting.

## Guidance for Exercising Voting Rights

Voting rights at a general meeting are important rights for shareholders. We request that you exercise your voting rights after reviewing the Reference Documents for the General Meeting below.

You can exercise your voting rights in the following methods:

### 1. For those who will exercise voting rights in advance

There are following two methods for exercising voting rights by the day before the date of the General Meeting.

<b>&lt;Exercise of voting rights in writing&gt;</b>	<b>&lt;Exercise of voting rights via the Internet&gt;</b>
<p>Please indicate your approval or disapproval in respect of each proposal in the enclosed voting right exercise form and return it in time for it to be delivered to us by the voting deadline below.</p> <p><b>If you return the voting right exercise form with no indication of approval or disapproval of any proposal, your vote will be regarded as having indicated approval.</b></p> <p style="text-align: center;"><b>Voting deadline:</b> <b>5:30 P.M., March 29, 2023 (Wed) (JST)</b> <b>(Time of receipt)</b></p>	<p>(For more information, please see next page)</p> <p>Please input your approval or disapproval in respect of each proposal by using the “Smart Vote” method, through which you scan the QR code printed on the voting right exercise form with your smartphone, or by accessing the voting right exercise website (<a href="https://www.web54.net">https://www.web54.net</a>) maintained by the Company’s transfer agent via a PC, etc., and entering the “voting right exercise code and password” printed on the enclosed voting right exercise form.</p> <p style="text-align: center;"><b>Voting deadline:</b> <b>5:30 P.M., March 29, 2023 (Wed) (JST)</b></p>

<Handling of Duplicate Voting Rights>

- (1) If you exercise your voting rights in duplicate, via the Internet and in writing, we will only accept as effective the exercise of your voting rights via the Internet.
- (2) If you exercise your voting rights more than once via the Internet, we will only accept as effective the last exercise of your voting rights.

### 2. For those who will attend and exercise voting rights at the Virtual-Only Shareholders’ Meeting

Please refer to “Guide to the Virtual-Only Shareholders’ Meeting” on page 8 onward and attend the General Meeting on the scheduled date.

**Exercise of voting rights via the Internet (Only Japanese is available)**  
**Voting deadline: 5:30 P.M. on March 29, 2023 (Wed) (JST)**

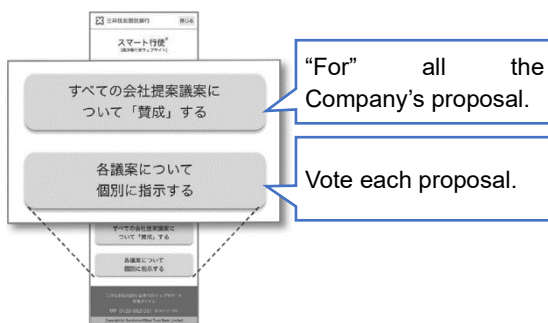
**By using Smartphones**

1. Scan the QR code on the lower right of the enclosed voting right exercise form and you can easily exercise your voting rights without entering the voting right exercise code and password.



Notice: If you wish to change your vote after exercising your voting rights, you will need to scan the QR code again and enter your “voting right exercise code” and “password” printed on the enclosed voting right exercise form.

2. Follow the guidance on the screen and enter your approval or disapproval.



For inquiries regarding how to operate your PC or smartphone to exercise voting rights via the Internet, please contact:

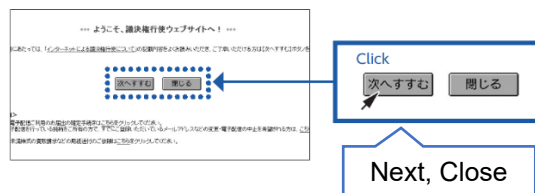
Sumitomo Mitsui Trust Bank, Limited  
 Transfer Agent Web Support Dedicated line  
 Phone: 0120-652-031 (toll-free only from Japan)  
 (Opening hours: 9:00 A.M. – 9:00 P.M. (JST)) (\*) In Japanese only

**(\*) To Institutional Investors:**

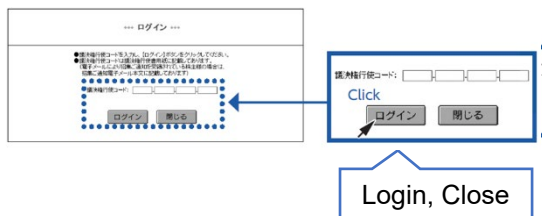
**Institutional investors who applied in advance to use the “electronic voting platform” operated by ICJ, Inc. may exercise their voting rights via said platform.**

**By Accessing the Website to Exercise Voting Rights**

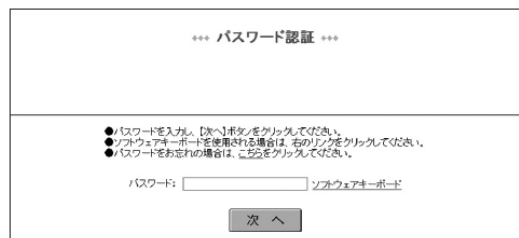
1. Access the website:  
<https://www.web54.net>



2. Login  
Enter the “voting right exercise code” printed on the enclosed voting right exercise form.



3. Enter the password  
Enter the “password” printed on the enclosed voting right exercise form.



Follow the guidance on the screen and enter your approval or disapproval.

## Guide to the Virtual-Only Shareholders' Meeting

The General Meeting will be held in the form of a Virtual-Only Shareholders' Meeting using the Internet as the sole means of communication.

The Company's Board of Directors, the majority of which consists of independent outside directors, has considered the method of holding the General Meeting by taking into account, among others, the circumstances surrounding the Company, the proposals presented at the General Meeting, as well as shareholders' opinions, and has decided to hold the General Meeting in the form of so-called Virtual-Only Shareholders' Meeting for the following reasons:

- (i) We will be able to provide an equal opportunity to all shareholders to participate in the General Meeting, regardless of their whereabouts or time constraints, and it is expected that the exercise of shareholders' voting rights and dialogue with shareholders at the General Meeting will be promoted more than ever before.
- (ii) Given the recent significant increase in the number of shareholders of the Company, attendance by as many shareholders as possible to the General Meeting, without any physical or time constraints, will contribute to the vitalization, efficiency, and facilitation of the General Meeting, and in turn, to the interests and convenience of our shareholders.
- (iii) As the Company has many overseas directors and executive officers, from the perspective of promoting dialogue with shareholders, it is appropriate to have overseas directors and executive officers participate in the General Meeting in the same manner as other directors and executive officers, and to answer shareholders' questions.
- (iv) At our ordinary general meeting of shareholders held in March of last year, a proposal to amend the Articles of Incorporation to enable the holding of a Virtual-Only Shareholders' Meeting was approved with approximately 87.7% of the votes cast in favor.
- (v) There are no special circumstances, such as shareholder proposals, that would render it more desirable to hold the General Meeting at a physical venue.
- (vi) The shareholders will be able to attend the General Meeting in a safe manner, without being exposed to the risk of infection under the Covid-19 infection environment, and this will be also appropriate from the viewpoint of ensuring the stable operation of the General Meeting.

The following website will be set up as a dedicated website for shareholders to attend the General Meeting.

<https://web.lumiagm.com/#/m/705537650>

Attendance at a Virtual-Only Shareholders' Meeting is treated as "attendance" at a general shareholders' meeting for the purpose of the Companies Act, and you can ask questions and exercise your voting rights in respect of each proposal presented at the General Meeting while watching the proceedings of the General Meeting live on the Internet.

Please note that there is no physical venue where you can visit.



## 1. How to attend the General Meeting

Please log in to the dedicated website for the General Meeting and attend the meeting. For more information, please refer to “Guide on How to Login to the Virtual-Only Shareholders’ Meeting (Procedure)” at the end of this notice.

## 2. How to ask questions and submit motions

At the General Meeting, you can ask questions and submit motions in textual form from the dedicated website for the General Meeting.

### (1) How to ask questions and submit motions at the General Meeting

If you wish to ask a question, please follow instructions of the chairperson, and enter and send your question.

To ask a question:

- (i) Click on the “MESSAGING” tab at the top of the screen.
- (ii) Enter your question in text format.
- (iii) Confirm the contents and send.



Due to a limited question and answer time, and from the standpoint of smooth proceedings, the total number of questions that each shareholder may ask is limited to three questions, with a maximum of 250 characters per question (in Japanese or English only).

Please note that the scope of questions by attending shareholders is limited to matters related to the proposals presented at the General Meeting, and that due to a limited question and answer time, it may not be possible to answer all of questions received.

For questions that could not be answered at the General Meeting, we plan to publish the answers on our website (<https://www.renesas.com/us/en/about/investor-relations>) after the General Meeting, except for those that are not appropriate for publication.

If you wish to submit a motion, please follow instructions of the chairperson, and enter and send your motion.

To submit a motion:

- (i) Click on the “VOTING” tab on the left side at the top of the screen.
- (ii) Enter your motion in text format.
- (iii) Confirm the contents and send.



From the standpoint of smooth proceedings, motions will also be limited to a maximum of 250 characters per motion (in Japanese or English only).

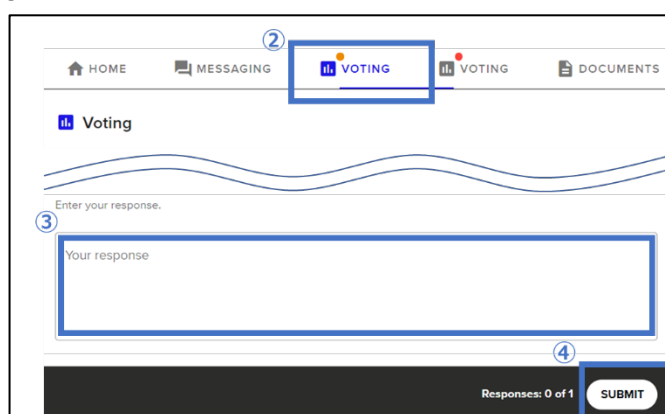
Please note that if the chairperson determines that the proceedings of, or the stable operation of the system for, the General Meeting may be hindered by, for example, sending the same questions numerous times in succession or repeatedly sending inappropriate questions, the communication with the shareholder in question may be forcibly discontinued in accordance with chairperson's instructions and orders.

## (2) How to ask questions in advance

You may ask questions in advance regarding the proposals presented at the General Meeting. As far as possible, we will answer to questions regarding matters of great interest to our shareholders at the General Meeting.

To ask a question in advance:

- (i) Log in to the dedicated website for the General Meeting.
- (ii) Click on the “VOTING” tab on the left side at the top of the screen.
- (iii) Enter your question in text format
- (iv) Confirm the contents and send.



[Receipt Period] March 10, 2023 (Fri) 9 A.M. to March 28, 2023 (Tue) 5 P.M. (JST)

- (\*) A total number of questions that each shareholder may ask is limited to three questions, with a maximum of 250 characters per question (in Japanese or English only).

### 3. How to exercise voting rights

- (1) At the General Meeting, you may exercise your voting rights via the dedicated website for the General Meeting.

To exercise your voting rights:

- (i) Click the “VOTING” tab on the right side at the top of the screen.  
(ii) Select “For” or “Against” for each proposal.



- (2) In the event that a shareholder who has exercised the voting rights via the Internet or in writing in advance attends the General Meeting, if the shareholder exercises the voting rights in duplicate, the voting rights exercised at the General Meeting will be regarded as effective, and, if the shareholder has not exercised the voting rights at the General Meeting, the voting rights exercised in advance will be regarded as effective. If a shareholder who has not exercised the voting rights in advance logs into the dedicated website for the General Meeting on the day of the General Meeting, but the exercise of the voting rights by such shareholder cannot be confirmed, such shareholder will be treated as absent.

### 4. Handling of Communication Problems, etc.

A resolution will be adopted at the beginning of the General Meeting to grant the chairperson the authority to decide to postpone or adjourn the General Meeting in the event the proceedings of the General Meeting are significantly impeded due to communication problems or other reason. If the chairperson decides to postpone or adjourn the General Meeting in accordance with such resolution, the meeting so postponed or adjourned will be held on March 31, 2023 (Fri) at 10:00 A.M. (JST). In such case, we will promptly make an announcement to that effect on our website (<https://www.renesas.com/us/en/about/investor-relations>).

## **5. Outline of the policy of giving consideration to ensuring the interests of shareholders who have difficulties using the Internet as a method of communication for sending and receiving information in the proceedings for the General Meeting**

We request that you exercise your voting rights in writing in advance, if you wish to exercise your voting rights but have difficulties using the Internet.

## **6. How to attend the meeting by proxy**

You may exercise your voting rights by appointing a proxy one other shareholder holding voting rights at the General Meeting.

Shareholders who wish to attend the meeting by proxy are required to submit a “document stating intention of appointing a proxy” (power of attorney) to the Company prior to the General Meeting, by sending it to the address below.

The form of a power of attorney is available in the “DOCUMENTS” tab at the top of the screen of the dedicated website for the General Meeting.

### [Required Documents]

- Power of Attorney
  - (\*) Please sign or affix the seal of the shareholder exercising the voting rights by proxy.
- A copy of the voting right exercise form of the shareholder exercising voting rights by proxy
- A copy of the voting right exercise form of the shareholder acting as a proxy

### [Address for submission]

- E-mail: [agm@lm.renesas.com](mailto:agm@lm.renesas.com)
- Mail: 3-2-24, Toyosu, Koto-ku, Tokyo 135-0061, Japan  
To the Administration Office of the General Meeting of Shareholders, Legal Division  
Renesas Electronic Corporation

### [Submission deadline]

March 23, 2023 (Thu) at 5 P.M. (JST) (time of receipt)

- (\*) If the required documents have not been received by the submission deadline, attendance by proxy will not be permitted.
- (\*) If the required documents are incomplete, attendance by proxy may not be permitted.

## **7. Other points to note**

- (1) The language used during the General Meeting will be Japanese; however, for the convenience of shareholders, it is possible to view the meeting and exercise voting rights in English by way of simultaneous interpretation by logging in to the dedicated website for the General Meeting and selecting “English”. Please note that in the event of any discrepancy between the Japanese content and English content, the Japanese content will prevail.
- (2) In order to attend the General Meeting, you need to prepare for the location of attendance and the communication environment/equipment by yourself. All expenses such as interconnection charges and communication charges for attending the meeting are to be borne by you. You may not be able to attend the General Meeting or exercise your voting rights due to problems with the communications equipment used by you, such as PC and/or smartphone, or with the Internet environment, or with your communication environment.

- (3) Due to the communication environment or other technical reason, there is a possibility of communication problems or other problems, such as interference with webcast image and sound, temporary interruption and the like, and time lag in transmission and reception, and you may not be able to attend the General Meeting or exercise your voting rights. In convening the General Meeting, we will take measures against communication problems and other problems to the extent reasonable. However, we are not responsible for any detriment suffered by shareholders who attend the General Meeting due to such measures.
- (4) It is strictly prohibited to share the URL and ID/password for attending the General Meeting with a third party, or to record, videotape, or disclose to the public the proceedings of the General Meeting.
- (5) In the event we determine that it is unavoidable, the contents of the General Meeting may be partially changed or the General Meeting may be canceled.
- (6) If there are any changes in the operation of the General Meeting, such as responses to system failures or other emergencies or changes in circumstances, we will make an announcement on our website (<https://www.renesas.com/jp/ja/about/investor-relations>).

## 8. Contact Information

If you have any questions regarding the General Meeting, please have this notice to hand and contact us at the following, as we are available for telephone inquiries (in Japanese only).

Please note that we cannot respond to any problems that may be caused by your environment such as the Internet connection method or functions of PC and/or smartphone that you use.

If you cannot find your ID and/or password as stated in the enclosed "Login ID and Password Notice", we will send a form detailing them to your registered address. Requests for issuance of such form can be accepted until 5 business days before the date of the General Meeting (March 23 (Thu), 5:00 P.M. (JST)). Please note that we will not provide ID and/or password by telephone.

### [General inquiries about the General Meeting]

Sumitomo Mitsui Trust Bank, Limited, dedicated support dial for virtual shareholders' meeting  
0120-782-041

(Opening hours)

9:00 A.M. to 5:00 P.M. (JST)

(weekdays; excluding Saturdays, Sundays and national holidays in Japan)

### [Technical inquiries about the system]

Virtual-Only Shareholders' Meeting Help Desk

0120-245-022

(Opening hours) From March 3, 2023 (Fri) to March 30, 2023 (Thu)

- 9:00 A.M. to 5:00 P.M. (JST) (weekdays; excluding Saturdays, Sundays and national holidays in Japan)
- On the day of the General Meeting: 9:00 A.M. (JST) to end of webcast.

## Reference Documents for the General Meeting

### **Proposal No. 1: Election of Five (5) Directors**

The terms of office held by all Directors will expire at the conclusion of the General Meeting. Accordingly, we request that five (5) Directors be elected at the General Meeting.

The candidates are as below.

In order to ensure objectivity and transparency, each of these candidates for Director has been nominated by the Board of Directors after seeking suggestion from the Voluntary Nomination Committee, all members of which are Independent Outside Directors.

No.	Name (Age)		Current Position at the Company	Years Served as Director	Attendance at Meetings of the Board of Directors
1	Hidetoshi Shibata (50)	<u>Reappointment</u>	Representative Director, President and CEO	7 years and 8 months	100% (6 out of 6)
2	Jiro Iwasaki (77)	<u>Reappointment</u> <u>Outside</u> <u>Independent Officer</u>	Outside Director	6 years and 9 months	100% (6 out of 6)
3	Selena Loh Lacroix (58)	<u>Reappointment</u> <u>Outside</u> <u>Independent Officer</u>	Outside Director	3 years	100% (6 out of 6)
4	Noboru Yamamoto (60)	<u>Reappointment</u> <u>Outside</u> <u>Independent Officer</u>	Outside Director	2 years	100% (6 out of 6)
5	Takuya Hirano (52)	<u>New</u> <u>Outside</u> <u>Independent Officer</u>	-	-	-

Reappointment: Candidates for Reappointed Directors    New: Candidates for New Directors

Outside: Candidates for Outside Directors    Independent Officer: Candidates for Independent Officers

(Note) 1. "Years Served as Director" for Mr. Hidetoshi Shibata indicates the total period served as Director.

2. Ms. Selena Loh Lacroix is a foreign national and female Director candidate.

No.	Name	Brief Employment History, Position, Responsibility and Important Concurrent Positions	
1	<p><b>Hidetoshi Shibata</b></p> <p>Reappointment</p> <p>Date of Birth: November 16, 1972</p> <p>Number of the Company's Shares Held: 340,000</p> <p>Attendance at Meetings of the Board of Directors: 6 out of 6 (100%)</p>	<p>April 1995</p> <p>August 2001</p> <p>August 2004</p> <p>October 2007</p> <p>September 2009</p> <p>June 2012</p> <p>October 2013</p> <p>November 2013</p> <p>June 2016</p> <p>March 2018</p> <p>July 2019</p>	<p>Joined Central Japan Railway Company</p> <p>Joined MKS Partners Limited as Principal Partner, MKS Partners Limited</p> <p>Joined Global Private Equity, Merrill Lynch Japan Securities Co., Ltd (currently, BofA Securities Japan Co., Ltd.) as Managing Director</p> <p>Joined Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation) as Managing Director</p> <p>Executive Managing Director, Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation)</p> <p>Member of the Board of Directors, the Company</p> <p>Executive Vice President, Member of the Board of Directors and CFO, the Company</p> <p>Executive Vice President and CFO, the Company</p> <p>Executive Vice President, Member of the Board of Directors and CFO, the Company</p> <p>Representative Director, President and CEO, the Company (present)</p>
<p><b>【Reasons for selection as a candidate for Director】</b></p> <p>The Company selected Mr. Hidetoshi Shibata for a candidate of Director with the expectation that he would enhance the corporate value by demonstrating leadership skills to expedite the decision-making process and strengthen the ability to propose semiconductor solutions, based on the abundant knowledge, experiences and achievements cultivated through global and various management experiences. He has led the overall management of the Company and achieved a sustained enhancement of the corporate value of the Company as the Representative Director, President and CEO. He has served as Director for a combined total of 7 years and 8 months at the closure of this General Meeting.</p>			

No.	Name	Brief Employment History, Position, Responsibility and Important Concurrent Positions	
2	<b>Jiro Iwasaki</b> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Outside</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Independent Officer</div> <ul style="list-style-type: none"> <li><span style="color: blue;">■</span> Date of Birth: December 6, 1945</li> <li><span style="color: blue;">■</span> Number of the Company's Shares Held: 0</li> <li><span style="color: blue;">■</span> Attendance at Meetings of the Board of Directors: 6 out of 6 (100%)</li> </ul>	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/Department of Business Administration  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 (present)  (Important Concurrent Position) Outside Director, SBS Holdings, Inc.
<p><b>【Reasons for selection as a candidate for Outside Director】</b></p> <p>The Company selected Mr. Jiro Iwasaki for a candidate of Outside Director with the expectation that the Board of Directors will be strengthened by him demonstrating supervising and monitoring capabilities on the overall management of the Company, based on his abundant knowledge, experiences and deep insights cultivated through the experiences as a director at multiple companies in electrical and electronic component companies. He has led the activities of the Voluntary Nomination Committee, including deliberation of selection of candidates of Directors, as the chairperson of that Committee. He has served as Outside Director for 6 years and 9 months at the closure of this General Meeting.</p>			



No.	Name	Brief Employment History, Position, Responsibility and Important Concurrent Positions	
3	<p><b>Selena Loh Lacroix</b></p> <p>Reappointment</p> <p>Outside</p> <p>Independent Officer</p> <p>Date of Birth: November 18, 1964</p> <p>Number of the Company's Shares Held: 44,322</p> <p>Attendance at Meetings of the Board of Directors: 6 out of 6 (100%)</p>	<p>1988</p> <p>August 1992</p> <p>June 1995</p> <p>December 2004</p> <p>May 2010</p> <p>December 2016</p> <p>June 2017</p> <p>November 2017</p> <p>December 2019</p> <p>March 2020</p>	<p>Joined a Singaporean law firm as an associate</p> <p>Joined Gray Cary Ware &amp; Freidenrich LLP (now DLA Piper) as an associate</p> <p>Senior Counsel, Texas Instruments Incorporated</p> <p>Vice President &amp; General Counsel, Asia Pacific, Honeywell International Inc.</p> <p>Global Semiconductor Practice Leader &amp; Global Legal, Regulatory and Compliance Practice Leader, Egon Zehnder</p> <p>Member of Board of Directors, Integrated Device Technology, Inc. (Part-time; resigned March 2019)</p> <p>Global Technology &amp; Communication Practice Leader, Egon Zehnder</p> <p>Board Member, National Association of Corporate Directors - North Texas Chapter (Part-time; present)</p> <p>Vice Chair, Technology Practice, Korn Ferry (present)</p> <p>Outside Director, the Company (present)</p> <p>(Important Concurrent Positions)</p> <p>Vice Chair, Technology Practice, Korn Ferry</p> <p>Board Member, National Association of Corporate Directors - North Texas Chapter</p>
<p><b>【Reasons for selection as a candidate for Outside Director】</b></p> <p>The Company selected Ms. Selena Loh Lacroix for a candidate of Outside Director with the expectation that the Board of Directors will be strengthened by her demonstrating supervising and monitoring capabilities on the overall management of the Company, based on her global insight in the field of corporate legal, corporate governance and human resources gained through extensive experiences in the semiconductor industry and several other industries, and from the perspective of promoting diversity. She has led the activities of the Voluntary Compensation Committee, including deliberation of the compensation policy for Directors and Executive Officers, as the chairperson of that Committee. She has served as Outside Director for 3 years at the closure of this General Meeting.</p>			

No.	Name	Brief Employment History, Position, Responsibility and Important Concurrent Positions	
4	<p><b>Noboru Yamamoto</b></p> <p>Reappointment</p> <p>Outside Independent Officer</p> <p>Date of Birth: November 21, 1962</p> <p>Number of the Company's Shares Held: 0</p> <p>Attendance at Meetings of the Board of Directors: 6 out of 6 (100%)</p>	<p>April 1986</p> <p>May 1989</p> <p>February 2002</p> <p>April 2003</p> <p>October 2006</p> <p>October 2011</p> <p>June 2016</p> <p>September 2016</p> <p>January 2017</p> <p>March 2018</p> <p>March 2018</p> <p>March 2021</p> <p>January 2023</p>	<p>Joined Mazda Motor Corporation</p> <p>Joined Daiwa Securities Co. Ltd.</p> <p>Joined PricewaterhouseCoopers Financial Advisory Service Ltd. (currently, PwC Advisory LLC) as Managing Director</p> <p>Joined Lazard Frères K.K. as Managing Director</p> <p>Joined Nikko Citigroup Securities Co., Ltd. (currently, Citigroup Global Markets Japan Inc.), Investment Banking Unit, as Managing Director</p> <p>Joined BNP Paribas, Tokyo Branch, Investment Banking Division, as Co-head</p> <p>Outside Director, Hitachi Koki Co., Ltd. (currently, Koki Holdings Co., Ltd.) (present)</p> <p>Representative Director, Representative Partner &amp; CEO, XIB Capital Partners Inc. (currently, XIB Inc.) (present)</p> <p>Senior Advisor, CLSA Capital Partners K.K. (present)</p> <p>Outside Director, Tsubaki Nakashima Co., Ltd. (present)</p> <p>Outside Corporate Auditor, the Company</p> <p>Outside Director, the Company (present)</p> <p>Senior Advisor, Bain &amp; Company Japan, Inc. (present)</p> <p>(Important Concurrent Positions)</p> <p>Representative Director, Representative Partner &amp; CEO, XIB Inc.</p> <p>Outside Director, Koki Holdings Co., Ltd.</p> <p>Senior Advisor, CLSA Capital Partners K.K.</p> <p>Outside Director, Tsubaki Nakashima Co., Ltd.</p> <p>Senior Advisor, Bain &amp; Company Japan, Inc.</p>
<p><b>【Reasons for selection as a candidate for Director】</b></p> <p>The Company selected Mr. Noboru Yamamoto for a candidate of Outside Director with the expectation that the Board of Directors will be strengthened by him demonstrating supervising and monitoring capabilities on the overall management of the Company, based on his abundant knowledge, experiences and achievements cultivated through years of management experiences in the global finance and security industry and representative for M&amp;A advisory companies. 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. He has served as Outside Director for 2 years at the closure of this General Meeting.</p>			

No.	Name	Brief Employment History, Position, Responsibility and Important Concurrent Positions	
5	<p><b>Takuya Hirano</b></p> <p><b>New</b></p> <p><b>Outside</b></p> <p><b>Independent Officer</b></p> <p><b>Date of Birth:</b> August 11, 1970</p> <p><b>Number of the Company's Shares Held:</b> 0</p> <p><b>Attendance at Meetings of the Board of Directors:</b> -</p>	<p>December 1995</p> <p>February 1998</p> <p>February 2001</p> <p>August 2005</p> <p>February 2006</p> <p>July 2007</p> <p>March 2008</p> <p>September 2011</p> <p>July 2014</p> <p>March 2015</p> <p>July 2015</p> <p>September 2019</p> <p>March 2022</p> <p>June 2022</p> <p>October 2022</p>	<p>Joined Kanematsu USA</p> <p>Joined Hyperion Solutions Corporation (currently, Oracle Corporation)</p> <p>President, Hyperion Solutions Japan</p> <p>Senior Director, Business &amp; Marketing Division, Microsoft Co., Ltd. (currently, Microsoft Japan Co., Ltd.)</p> <p>General Manager, Enterprise Service, Microsoft Co., Ltd.</p> <p>General Manager, Enterprise Business &amp; Enterprise Service, Microsoft Co., Ltd.</p> <p>General Manager, Enterprise Business, Microsoft Co., Ltd.</p> <p>General Manager, Multi-country, Microsoft Central and Eastern Europe</p> <p>Executive Vice President, Marketing &amp; Operations, Microsoft Japan Co., Ltd.</p> <p>Representative Officer, Executive Deputy President, Microsoft Japan Co., Ltd.</p> <p>President, Microsoft Japan Co., Ltd.</p> <p>Vice President, Global Service Partner Business, Microsoft Corporation</p> <p>Director (part-time), Japan Professional Football League (J. LEAGUE) (present)</p> <p>Outside Director, Yokogawa Electric Corporation (present)</p> <p>Outside Director, Yayoi Co., Ltd. (present)</p> <p>(Important Concurrent Positions)</p> <p>Director (part-time), Japan Professional Football League (J. LEAGUE)</p> <p>Outside Director, Yokogawa Electric Corporation</p> <p>Outside Director, Yayoi Co., Ltd.</p>
<p><b>【Reasons for selection as a candidate for Outside Director】</b></p> <p>The Company selected Mr. Takuya Hirano for a candidate of Outside Director with the expectation that the Board of Directors will be strengthened by him demonstrating 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 experiences of multiple leadership positions in Japan and other regions at Microsoft Corporation, a global IT company which achieved successful business transformation from packaged software to cloud computing services.</p>			

- (Note) 1. None of the candidates has any special interest in the Company.
2. Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto and Mr. Takuya Hirano are candidates for Outside Directors.
3. Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto and Mr. Takuya Hirano satisfy the requirements as Independent Officers stipulated by the Tokyo Stock Exchange and the “Standards for determining the Independence of Outside Officers” established by the Company (see below).  
The Company has notified the Tokyo Stock Exchange in respect of Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix and Mr. Noboru Yamamoto as Independent Officers. If their reappointments are approved, the Company will continue this notification. In addition, if the appointment of Mr. Takuya Hirano is approved, the Company will notify the Tokyo Stock Exchange in respect of him as Independent Officers.
4. The Company has entered into liability limitation agreements with Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix and Mr. Noboru Yamamoto, limiting their liability as defined in Paragraph 1, Article 423 of the Companies Act to the minimum liability amount specified in the Company’s Articles of Incorporation, and if their reappointments are approved, the Company will continue such liability limitation agreements with them. In addition, if the appointment of Mr. Takuya Hirano is approved, the Company will enter into a liability limitation agreement with him similar to such agreements.
5. The Company has executed a contract for Directors and Officers Liability (D&O) insurance with an insurance company, and it is expected to be renewed in the future. Under such insurance, damages and costs incurred by each candidate in connection with their performance of duties for the Company are indemnified, and the insurance premium is borne by the Company.

## 《Reference》

### 1. Expertise and Experience of Director Candidates (Skills Matrix)

The main expertise and experience of each of the candidates for Director are as follows.

Name	Management Strategy	Leadership Experience	Risk Management	Legal Affairs	Finance	Sustainability	International Business	Semiconductor Technology / DX
Hidetoshi Shibata	●	●			●		●	●
Jiro Iwasaki	●	●	●				●	
Selena Loh Lacroix				●		●	●	●
Noboru Yamamoto		●	●		●	●	●	
Takuya Hirano	●	●					●	●

### 2. Overview of Standards for determining the Independence of Outside Officers

To ensure that our corporate governance is conducted with the appropriate level of objectivity and transparency, we have established the Standards for determining the Independence of Outside Officers, which are standards for determining whether Outside Directors and Outside Corporate Auditors (“Outside Officers”) 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 Officers.

1. Business relationship as an Important Customer of the Company:

The Outside Officer is an Officer or Employee of an important customer of the Company

(\*) An important customer of the Company means a customer to whom the Company’s sales (on a consolidated basis) exceeds 2% of the Company’s consolidated revenue, on average over the past three years, or a direct or indirect purchaser or user of the Company’s products who is deemed to have a similar level of importance

2. Business relationship where the Company is an Important Customer of the Business Partner:  
The Outside Officer is an Officer or Employee of a business partner of which the Company is an important customer  
(\* ) A business partner of which the Company is an important customer means a business partner whose revenue from the Company (on a consolidated basis) exceeds 2% of the business partner's consolidated revenue, on average over the past three years
3. Business relationship as an Important Fund Provider:  
The Outside Officer is an Officer or Employee of a financial institution or other fund provider which provides the Company with funds greater than 2% of the Company's consolidated total assets (as of the end of the last fiscal year)
4. Business relationship providing Professional Services:  
The Outside Officer 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  
(\* ) Limited to cases where (i) if the services are provided by an organization, the remuneration (on a consolidated basis) for services exceeds 2% of the organization's consolidated revenue, on average over the past three years, or (ii) if the services are provided by an individual, the average remuneration (on a consolidated basis) over the past three years is greater than 10 million yen
5. Capital relationship as a Major Shareholder or Investee:  
The Outside Officer 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; or 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 Officer serves as an Officer
6. Other significant relationship as an Employee:  
The Outside Officer is an Employee of the Company or its subsidiaries
7. Other significant relationship as Accounting Auditor:  
The Outside Officer 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 Officer 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 Officer 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.

**Proposal No. 2: Introduction of a tax-advantaged Employee Share Purchase Plan for the Company's and its subsidiaries' employees who are resident in the U.S.**

The Company intends to introduce an Employee Share Purchase Plan (the "ESPP") for employees of the Company and its subsidiaries who are U.S. resident (including executive officers of the Company and its subsidiaries and directors of the Company's subsidiaries; the same shall apply hereafter).

**1. Reason for this Proposal**

The Company has been conducting its businesses on a global basis as one of the global leading semiconductor companies to realize a stable and sustainable growth in the rapidly changing and highly competitive semiconductor industry. As part of this effort, the Company has acquired various overseas semiconductor companies in the past few years, such as the former Intersil Corporation, the former Integrated Device Technology, Inc. and Dialog Semiconductor Plc. In the midst of these global activities, securing global talented personnel is an important management issue for the Company and its subsidiaries.

The Company intends to introduce an ESPP, which is a plan under which companies provide their employees the opportunity to purchase the Company's shares with certain supports, in order to strengthen alignment between the interests of the employees and the shareholders, and to improve the Company's corporate values by encouraging employees to be exposed to the benefits and risks of share price fluctuations along with shareholders.

The Company has adopted the Employees Share Ownership Plan (*Jugyoin Mochikabukai*), which has been introduced by many Japanese companies, for employees of the Company and its subsidiaries in Japan to help the employees build their financial assets as well as strengthen alignment between the interests of the employees and the shareholders by encouraging employees to be exposed to the benefits and risks of share price fluctuations along with shareholders. Similar plans that support employees to purchase shares in their companies have been introduced by many global companies and some Japanese companies are even starting to introduce such ESPP. The Company intends to introduce an ESPP globally (except for Japan and some countries where regulatory restrictions make it difficult to introduce an ESPP), to expand the benefits already provided to Japanese employees through the Employees Share Ownership Plan to overseas employees in a manner that aligns with global practice, and is competitive globally.

We would like to introduce an ESPP in the U.S. as soon as possible because an ESPP is a very common feature of benefit plan in the U.S. It is already offered by many of the Company's US peers and competitors (in 2022 more than 85% of technology companies in the S&P 500, one of the leading share indices in the U.S., offered an ESPP). Often ESPPs in the U.S. are provided by peers and competitors as a 'tax-advantaged' version, in accordance with the U.S. Internal Revenue Code.

As described above, securing global talented personnel is an important management issue for the Company and its subsidiaries. Employees in the U.S. are increasingly enquiring about opportunities to actively acquire shares in the Company. The Company considers that operating an ESPP in the U.S. will support the Company to continue to attract and retain talented personnel in the U.S.

Further, we believe that a tax-advantaged ESPP will encourage the U.S. employees of the Company and its subsidiaries to participate the ESPP, and thereby help maximize participation in the ESPP in the U.S., and increase the overall attractiveness of the Company and its subsidiaries to talented U.S. personnel. The benefit of a tax-advantaged ESPP is that participating employees who purchase shares under the ESPP may receive favorable U.S. tax treatment, such as favorable tax rates under certain conditions and the deferral of taxation until the sale of the shares.

In this regard, in order to introduce a tax-advantaged ESPP in the U.S. and provide U.S. participating employees with a more beneficial tax treatment under Section 423 of the U.S. Internal Revenue Code of 1986, as amended, the ESPP will require the approval of a majority of the voting rights of the shareholders present at a general meeting of shareholders of the Company within 12 months before or after the date that the ESPP is adopted.

Thus, it is proposed that the Company be authorized to introduce the tax-advantaged ESPP for the U.S. employees of the Company and its subsidiaries, in accordance with the U.S. tax qualification requirements, and in accordance with the framework described in Section 2 below.

## **2. Framework of the ESPP in the U.S.**

### **(1) Persons Who will be Eligible to Participate**

Employees and executive officers of the Company and certain of its subsidiaries, and directors of the Company's certain subsidiaries in each case, who reside in the U.S. (subject to certain exclusions set out in the rules of the ESPP).

### **(2) Application and Contribution by Eligible Employees**

The Company will issue a general invitation to the eligible persons to apply to participate in the ESPP and to make contribution from their net (post-tax) salary. Eligible persons who apply are granted a right to purchase shares of the Company in the future, the purchase price to be paid using the contributions from salary. The maximum amount of salary that may be contributed under the tax-advantaged ESPP will be up to 10 percent of the base salary of each participant (but up to a maximum of \$25,000 per participant per year). Regular contributions from salary shall be accumulated from each payroll of the participants for the period from the grant of awards and until the right to purchase the shares to be exercised (the "Offering Period").

### **(3) Grant of Awards by the Company and Benefit for Participants**

The Company will grant participants a right to purchase the Company's shares as described at Section (2) provided that the purchase price per share shall not be less than 85 percent of the lower of (i) the fair market value of a share at the time of purchase or (ii) the fair market value of a share at the beginning of the Offering Period.

### **(4) Class of Shares to be purchased and Source of the Shares**

The class of share that is the subject of the right to purchase described at Section (3) shall be the Company's common shares. Shares purchased on the open market will be used to settle the participant's right to purchase (except when otherwise resolved by the Board of Directors under special circumstances). At the end of the offering period, the contributions accumulated by each participant will be used to purchase the Company's shares.

(5) Offering Period between Grant of Awards and Share Purchase

The maximum Offering Period will be 12 months.

(6) Term of the ESPP

The ESPP will remain in effect for 10 years from the ESPP's effective date, unless the Company decides to terminate it earlier.

(Note 1) Assuming that all of the eligible persons (Section (1) above) as of January 31, 2023 participate up to their respective purchase price limits (Section (2) above), the total number of shares to be purchased per year at maximum is estimated to be approximately 8,500,000 shares (approximately 0.48% of the total number of shares outstanding excluding treasury stock as of January 31, 2023), which is calculated based on the Company's stock price (JPY 1,329.5) and the exchange rate USD to JPY (1 USD = JPY 131.1) as of January 31, 2023.

(Note 2) Although it has not been determined, if the Company introduces the ESPP in overseas countries or regions other than the U.S. (except for some countries where regulatory restrictions make it difficult to introduce an ESPP ) in the future with a framework equivalent to the U.S. as described above, the total number of shares to be purchased per year at maximum is estimated to be approximately 4,000,000 shares (approximately 0.22% of the total number of shares outstanding excluding treasury stock as of January 31, 2023), which is calculated based on the Company's stock price (JPY 1,329.5) and the exchange rate USD to JPY (1 USD = JPY 131.1) as of January 31, 2023.

End



## **Business Report**

(For the period from January 1, 2022 to December 31, 2022 (this “Business Period”))

### **Overview of Group Operations**

#### **● Business Progress and Results**

##### **(1) Overview**

During this Business Period, the global economy slowed down due to accelerating inflation and further rising interest rates globally in the context of the escalating situations in Russia and Ukraine, activity restrictions accompanying China's zero-Covid policy, supply constraints, and labor shortages due to supply chain disruptions.

In the semiconductor market in which Renesas group companies (the “Group”) operate, those semiconductor products which surged due to the COVID-19 pandemic (such as personal computers and mobile phones) entered a phase of inventory adjustment due to demand running its course. Meanwhile, the demand for semiconductors for automobiles, industrial equipment and infrastructure products remained firm due to the electrification and automation of automobiles, the automation and digitization of industrial equipment, and the development of infrastructure such as data centers. Although the supply constraints of semiconductors that became apparent in the previous fiscal year due to tight supply and demand gradually began to dissipate, product shortages continued to persist in a limited number of product groups, particularly in some microcontrollers, analog semiconductors, and power semiconductors for the automotive industry.

In such an environment, the Group has been working on various measures to realize its purpose, “To Make Our Lives Easier” (building a sustainable future through technologies that make people’s lives easier). As a result, in this Business Period the Group recorded all-time highs (Non-GAAP basis) in the period since April 2010, when the Group started out as Renesas Electronics, with both sales revenues and operating income significantly increased over the previous term.

In terms of specific initiatives in this Business Period, first, in terms of product development, in both the automotive and industrial/infrastructure/IoT businesses, which the Group is focusing on, we have driven expansion of a competitive product portfolio that meets customer needs and improved scalability through, for example, development and market launches of over 100 new winning combinations (comprehensive solutions provided by combining the product portfolios of the Group and companies that we have acquired in the past), semiconductors for automotive such as the R-Car family (S2, V4H), RH850 series (U2B), new-generation silicon IGBT (Insulated Gate Bipolar Transistor) products (AE5), as well as semiconductors for industrial, infrastructure, and IoT devices such as the RZ MPU family (Five), RA MCU family, and have won many design-ins that will be the source of our future revenue.

In terms of production and supply chain, in order to meet the demand for power semiconductor devices, which is expected to expand rapidly in the future in the context of the spread of electric vehicles and renewable energy, we decided to restart our existing Kofu Plant as a 300mm production plant, with a target to start operations in 2024. In addition to beginning preparations for the restart, we also moved ahead with improving facilities at the Naka, Saijo, and Kawashiri plants to meet the demand for microcontrollers for automotive controls and analog and power semiconductor devices for data centers. In addition, in order to strengthen resilience (toughness and restoration), we also have addressed

thorough implementation of 5S activities (sorting, setting in order, shining, standardizing, and sustaining discipline), strengthening the introduction of backup power supply equipment and fire prevention equipment (ultra-sensitive smoke detectors, sprinklers, etc.), and establishment of a die bank for products manufactured within the Group.

In addition, in order to acquire products and technologies that the Group does not possess at an early stage and to strengthen our solutions capabilities in the highly competitive semiconductor industry, we pushed forward with the acquisition of the United States-based Reality AI, which has strengths in embedded AI (artificial intelligence) technology, and the India-based Steradian, which has advanced radar technology.

In terms of raising the awareness and behavior of our Group employees and improving our business operations, we conducted a survey of employees in order to further instill our Group's action guidelines, "Renesas Culture" which consists of five elements (i.e., Transparent, Agile, Global, Innovative, Entrepreneurial) (abbreviation: TAGIE). Based on the results of this survey, we implemented initiatives to simplify various business operations (such as review of ringi-approval criteria, or internal approval rules) and enhance career opportunities for employees (such as revitalizing the internal recruitment system), and engaged in various activities such as holding panel discussions and disseminating information to employees. In addition, from the perspective of optimizing our talent composition, we organized a global talent recruitment team, and while also utilizing RPO (Recruitment Process Outsourcing), we worked to achieve a well-balanced mix of employee with age, region, and skills for the entire Group, and to strengthen recruitment in priority areas such as software. As an initiative to improve and strengthen IT systems and cybersecurity, we are promoting the integration of ERP (Enterprise Resource Planning), the Group's core IT system for improving the efficiency of operations and decision-making. In addition, in order to respond to cyber security issues, which have become increasingly urgent in recent years, we have implemented various security measures based on the results of current evaluations and simulations, and established a Security Committee and regular reporting and discussions at Board of Directors meetings.

In terms of ESG (Environment/Social/Governance) initiatives, we set priority issues (materiality) to be addressed by the Group and implemented various measures to resolve those issues. We have also endeavored to enhance information disclosure at our website, etc. In addition, in order to strengthen ESG activities, our Board of Directors has newly appointed an Outside Director as an "ESG sponsor". As a result of these efforts, the Group received an "AA" rating from MSCI, an international ESG research organization, and were also selected for the first time in three constituent brands such as the FTSE4Good Index Series from FTSE, a leading global ESG index in this Business Period. In addition, we received certification from the international environmental initiative SBT (Science Based Targets) of our greenhouse gas reduction target of 1.5°C, and were also awarded for the first time the gold prize, the highest rating, in the PRIDE Index 2022 which evaluates corporations' efforts aimed at LGBTQ+ inclusion.

As a high evaluation of the Group's strategies and initiatives, in 2022 the Group was awarded the Porter Prize by the: Hitotsubashi Business School International Corporate Strategy group and the Outstanding Asia-Pacific Semiconductor Company Award by the Global Semiconductor Alliance.

## **(2) Summary of Consolidated Financial Results**

The Group discloses consolidated business results in terms of both its internal indicators which the management relies upon in making decision (hereinafter referred to as “Non-GAAP”) as well as indicators based on IFRS to support good understanding of our constant business performance.

Non-GAAP revenue, gross profit and operating profit are derived as follows: IFRS revenue, gross profit and operating profit subtracting or reconciling non-recurring items and other reconciliation items in accordance with certain rules established by the Group. Non-recurring items include depreciation of intangible assets recognized from acquisitions, other purchase price allocation (hereinafter “PPA”) adjustments and stock compensation as well as other non-recurring expenses and income the Group believes to be applicable.

(Note) The Group references standards determined by the U.S. Securities and Exchange Commission in connection with the disclosures of the Non-GAAP, but the disclosures do not fully comply with such standards.

Financial results of the Group in this Business Period are as follows.

### **<Consolidated Financial Results of this Business Period (Non-GAAP Basis)>**

#### **(Non-GAAP Net Revenues)**

Net revenues for this Business Period increased by 51.1% year-on-year to 1,502.7 billion yen. This was due to the sales increase effect from the consolidation of Dialog acquired in August 2021, and the effects of yen depreciation, as well as an increase in net revenues supported by continuous growth in the value of semiconductors installed per vehicle in the automotive business, and an increase in revenues in the industrial, infrastructure and IoT businesses from the demand expansion in the infrastructure market such as data centers.

#### **(Non-GAAP Gross Profit)**

Gross profit for this Business Period increased by 334.3 billion yen (63.2%) year-on-year to 863.2 billion yen (gross margin of 57.4%). This was due to an increase in revenues and an increase in gross margins due to factors such as an improvement of product mix.

#### **(Non-GAAP Operating Profit)**

Operating profit for this Business Period increased by 262.8 billion yen (88.6%) year-on-year to 559.4 billion yen (operating margin of 37.2%). This was due to factors such as an increase in gross profit and efforts to streamline business operations.

#### **(Adjustment from Non-GAAP Gross Profit to IFRS Gross Profit)**

During this Business Period, the Non-GAAP reconciliations in revenue level which is deducted from non-GAAP gross profit are 1.8 billion yen, amortization of purchased intangible assets and depreciation of property, plant and equipment was 1.0 billion yen, and the market valuation of inventories is 1.5 billion yen, and stock compensation are 1.5 billion yen. Further, one-time and limited-in-scope gains or losses are included in other reconciliation items in non-recurring expenses and adjustment of 3.2 billion yen.

**(Adjustment from Non-GAAP Operating Profit to IFRS Operating Profit)**

During this Business Period, the Non-GAAP reconciliations in revenue level which is deducted from non-GAAP operating profit are 1.8 billion yen, amortization of purchased intangible assets and depreciation of property, plant and equipment is 106.2 billion yen, and the market valuation of inventories is 1.5 billion yen, and stock compensation are 18.1 billion yen. Further, one-time and limited-in-scope gains or losses are included in other reconciliation items in non-recurring expenses and adjustments of 7.5 billion yen.

**<Consolidated Financial Results for this Business Period (IFRS Basis)>**

Net revenues for this Business Period increased 51.0% year-on-year to 1,500.9 billion yen, and gross profit increased 72.1% year-on-year to 854.0 billion yen (gross margin 56.9%), operating profit increased 144.0% year-on-year to 424.2 billion yen (operating margin of 28.3%). In addition, profit attributable to owners of the parent for this Business Period was 256.6 billion yen, resulting in an increase of 137.1 billion yen year-on-year.

(Billion yen)

Classification	20th Business Period (From Jan. 1, 2021 to Dec. 31, 2021)	21st Business Period (This Business Period) (From Jan. 1, 2022 to Dec. 31, 2022)
Non-GAAP Gross Profit	528.9	863.2
Reconciliations in Revenue Level (Note 1)	(0.5)	(1.8)
Amortization of Purchased Intangible Assets and Depreciation of Property, Plant and Equipment	(0.9)	(1.0)
Market Valuation of Inventories	(13.1)	(1.5)
Stock compensation	(1.4)	(1.5)
Other Reconciliation Items in Non-Recurring Expenses and Adjustments (Note 2)	(16.9)	(3.2)
IFRS Gross Profit	496.1	854.0
Non-GAAP Operating Profit	296.6	559.4
Reconciliations in Revenue Level (Note 1)	(0.5)	(1.8)
Amortization of Purchased Intangible Assets and Depreciation of Property, Plant and Equipment	(67.3)	(106.2)
Market Valuation of Inventories	(13.1)	(1.5)
Stock compensation	(14.9)	(18.1)
Other Reconciliation Items in Non-Recurring Expenses and Adjustments (Note 2)	(27.0)	(7.5)
IFRS Operating Profit	173.8	424.2
IFRS Profit Attributable to Owners of Parent	119.5	256.6

- (Notes) 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.

**<Segment Overview>**

Financial results (Non-GAAP basis) in individual segments 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 semiconductor devices used in automotive information systems such as sensing systems to detect environment inside and outside the vehicle, IVI (In-Vehicle Infotainment) to convey various information to drivers, etc., and instrument panels. The Group mainly supplies microcontrollers, system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Net revenues of the automotive business for this Business Period increased by 39.5% year-on-year to 645.0 billion yen. This was mainly due to an increase in net revenues for both “Automotive control” and “Automotive information” as a result of the increase in the value of semiconductors installed per vehicle, as well as the effects of yen depreciation. Moreover, gross profit increased by 109.9 billion yen (51.2%) year-on-year to 324.4 billion yen (gross margin of 50.3%). This was due to an increase in revenues and a rise in gross margins from product mix improvement.

Operating profit increased by 96.8 billion yen (79.0%) year-on-year to 219.2 billion yen (operating margin of 34.0%) due to the impact of increases in profits from gross margin improvements.

**(Industrial, Infrastructure and IoT Business)**

The Industrial, Infrastructure and IoT Business includes “Industrial,” “Infrastructure” and “IoT” which support the smart society. The Group mainly supplies microcontrollers, SoCs and analog semiconductor devices in each of these categories.

In this Business Period, net revenues from the Industrial, Infrastructure and IoT Business increased 64.1% year-on-year to 845.9 billion yen. This was due to revenue increase associated with the Dialog consolidation and the effects of the yen depreciation, as well as increases in revenues in each of the “Industrial” “Infrastructure,” and “IoT” segment. The main contributors were devices for factory automation, PC/mobile, and data centers.

Moreover, gross profit increased by 223.0 billion yen (71.4%) year-on-year to 535.3 billion yen (gross margin of 63.3%). This was due to an increase in revenues and increase in gross margin by product mix improvement.

Operating profit increased by 164.7 billion yen (98.6%) year-on-year to 331.8 billion yen (operating margin of 39.2%) due to the impact of sales increase as well as increase in profits from gross margin improvements.

**(Other)**

The Other segment includes development and manufacturing of semiconductors for other companies.

Revenues of the Other segment for this Business Period decreased by 28.9% year-on-year to 11.8 billion yen.

Operating profit increased by 70.4% year-on-year to 3.4 billion yen.

We are working to improve corporate value to increase shareholder returns by allocating internal reserves to strategic investment opportunities in order to respond to rapid changes in the environment and survive in the global competition.

Meanwhile, as part of our policies on the allocation of resources and capital, we have placed shareholder returns as one of our most important measures along with strategic investment.

In this Business Period, following confirmation of heightened shareholder concern regarding returns of profit and completion of building the necessary financial base, in June 2022, the Company carried out a return of profit to shareholders in the form of acquisition of its own shares (200 billion yen in total). Also, to further proceed with return of profits to shareholders, the Company has announced it will newly proceed with an additional acquisition of its own shares through a tender offer (totaling approximately 50 billion yen) (see "Other Important Matters Concerning the Current Status of the Group" below for an overview).

Going forward, we aim to resume dividend payment at the earliest opportunity by achieving stable and sustainable profit growth from a long-term perspective; however, we would like to postpone the payment of dividends for this Business Period.

In this regard, we appreciate our shareholders' continuous understanding and support.

● **Issues to be Addressed by the Group**

**(1) Sales growth, appropriate cost control and optimization of production structure**

First, in terms of sales of the Group, demand for semiconductors for automobiles, which recovered in the previous Business Period, continued to be strong, and demand for semiconductors for industrial, infrastructure and IoT field was also strong. In addition, due to the impact of the acquisition of Dialog, which was completed in August 2021, and the rapid depreciation of the yen during this Business Period, our sales increased year-on-year. Further, design-in, which will be a source of future revenue for the Group, exceeded the target for this Business Period by 10% and increased by 32% year-on-year.

In order to achieve further sales growth, the Group will intensively conduct R&D investment in focus areas, and will promote, through M&A, the expansion and enhancement of product portfolios and technologies that the Group does not own at the moment.

The specific focus areas where the Group will intensively invest in R&D include SoCs for AD (Autonomous Driving) and ADAS (Advanced Driver-Assistance Systems), microcontrollers for automotive domain control, IGBT products for xEV, mixed-signal products for ADAS and xEV, microcontrollers/SoCs with Arm cores and RISC-V cores, BMICs (Battery Management ICs), MPUs with built-on DRP-AIs (Dynamically Reconfigurable Processor-AI), and analog mixed signal products for data centers and 5G-related fields.

Meanwhile, with regard to the past acquisitions of the former Intersil, former IDT, Dialog, and Celeno, the Group has strengthened efforts to maximize synergies, including winning combinations. During this Business Period, we acquired Reality AI, which has strengths in highly efficient embedded AI technology, and Steradian, which has advanced radar technology, with the intention of acquiring early-stage products and technologies to keep up with the spectacular evolution of semiconductor technology.

Going forward, we will continue to add to and update the list of acquisition candidates to acquire products, technologies, and solutions that the Group does not own at the moment.

In terms of cost control, first, as a cost synergy associated with the acquisition of Dialog, we have been implementing measures to reduce the cost of sales, SG&A expenses, and R&D expenses since the completion of the acquisition, and it is expected that the target value that we announced at the time of the acquisition will be achieved. In addition, regarding transportation costs, which continue to remain high due to the impact of the spread of COVID-19 and rising labor costs, we will continue to reduce costs by implementing measures to streamline logistics flow and utilizing the Dialog acquisition to build new logistics routes. We will continue striving to stabilize our supply chain by promoting multi-sourcing of raw materials and executing long-term supply contracts with our suppliers.

To improve the efficiency of operations and IT systems, the Group has made strategic investments toward the integration of the Group's core ERP IT systems and is proceeding with integration in stages. Some functions have started operating in August 2022, and we believe that this will make a major contribution in the medium- to long-term.

In the short term, the Group will steadily implement strategic investment necessary for future sales growth and business efficiencies while continuing to strive to achieve appropriate cost controls.

In terms of production, the utilization rate of the Group's front-end production factories during this Business Period was 63% for the 150mm wafer production line, 93% for the 200mm wafer production line, and 80% for the 300mm wafer production line, an average of 86% for all factories.

In the context of a global supply shortage of semiconductors, the Group will strive to enhance the production facilities at the Group's factories in order to ensure a stable supply. Specifically, in order to meet demand for power semiconductor devices, which is expected to increase in the future, we aim to restart the Kofu Factory as a 300mm wafer production line with a target start in 2024, and are strengthening facilities at the Naka, Saijo, and Kawashiri factories to meet the demand for microcontrollers for automotive controls as well as analog and power semiconductor devices for data centers. Additionally, in order to strengthen resilience, we will continue to enhance measures such as the introduction of backup power supply equipment and establishment of a die bank.

We will also work to secure and expand production capabilities at our outsourced production partners.

As a result of these aggressive investments, the Group's capital investment for this Business Period was about 14% of revenue, but we will restrict this to about 5% of revenue in the medium- to long-term.

## **(2) Responding to geopolitical issues**

The dislocation of supply chains triggered by the trade friction between the United States and China is expected to increase further in the future as this friction grows protracted. This dislocation may have

a significant impact on the semiconductor market, and on business opportunities for the Group, both in the short- and medium- to long-term.

In order to respond to the dislocation of each of the supply chains centering on the United States and China, the Group is promoting the decentralization of design and manufacturing sites and the optimization of resources.

Going forward, we will continue our activities to minimize these geopolitical risks and maximize business opportunities.

### **(3) Maximizing user experience value**

With our purpose of “To Make Our Lives Easier”, the Group has promoted improvement of the user experience (UX) to ease customer’s product and service development activities. To realize this, the Group has implemented various efforts to enable customers to proceed with product and service development as easily and speedily as possible.

As an example of specific initiatives, the Group has proceeded with expanding “winning combinations” that combine our broad product portfolio and strengthening boards and software solutions which transcend block diagrams. In addition, we have prepared various development environments (integrated development environment, Lab on the Cloud, etc.) that enable customers to proceed with product development online from the early stages of development without waiting for the physical design to be completed. We are also developing Quick Connect IoT, which enables customers to immediately put their products on the market just by adjusting a simple software code.

The Group will continue to expand and strengthen these efforts in order to further maximize the value of the user experience.

### **(4) Optimization of the supply chain**

The Group’s supply chain has issues in terms of matching lead time between production and orders, as well as business practices of order confirmation. To address these issues, the Group is currently introducing a new IT system to further speed up decision-making.

In terms of production execution, we are establishing a die bank to further strengthen our ability to respond to fluctuations and the BCP (Business Continuity Plan). Of these, we were able to achieve a certain level of success with products produced within the Group, however, we have not yet established a die bank for products outsourced due to continued tight supply and demand conditions. We will continue to orient appropriate die bank development while carefully checking market trends.

The Group will continue to work on optimizing the supply chain through various measures.



#### **(5) Promotion of ESG initiatives and information disclosure**

The Group implemented many initiatives related to ESG and SDGs (Sustainable Development Goals) during this Business Period, and we will continue to promote activities that contribute to the “environment” for the realization of a sustainable society, activities that contribute to “society” such as human resources diversity, employee health and safety, and supply chain management, and activities that contribute to “governance” such as strengthening the functions of the Board of Directors.

In addition, we will further enhance the disclosure of non-financial information related to ESG activities, strive to improve our ESG rating, provide information to various stakeholders surrounding the Group, and aim to further improve our corporate value.

#### **(6) Optimization of talent composition**

As of the end of this Business Period, personnel composition of each of the business areas of the Group as of the end of this Business Period was as follows: 44% in Japan, 11% in North America, 11% in Europe, and 34% in Asia Pacific.

The Group will, from a medium- to long-term perspective, 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.

The Group has organized a global talent recruitment team, and will implement strategic recruitment activities in each region based on globally consistent policies, and continue to work on optimizing our talent mix as a whole Group while making use of M&A when necessary.

#### **(7) Improving employee engagement and instilling Renesas Culture**

The Group provides products and solutions to meet our purpose of “To Make Our Lives Easier”. In 2020, the Group developed and launched “Renesas Culture,” which consists of five elements: “Transparent, Agile, Global, Innovative, Entrepreneurial” which was shared with the Group organization and employees all over the world as action guidelines to respond to the ever-changing environment swiftly and flexibly.

During this Business Period, the Group took various measures to accelerate the penetration of this Renesas Culture. Going forward, the Group will further employee engagement by 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.

#### **● Research and Development Activities of the Group**

##### **(1) Renesas announced AI chip development that realized a maximum of 10 times electricity efficiency compared to conventional technologies**

The Group has developed an AI chip using DRP that processes complex tasks.

This AI chip is a project developed by combining the Group's original AI accelerator "DRP-AI" and AI weight reduction technology that further enhances power efficiency in the "AI Chips and Next-Generation Computing Technologies Development that Enable High-Efficiency and High-Speed Processing" project. The power efficiency of this AI chip is 10 TOPS (10 trillion operations per second) per watt, which achieves up to 10 times higher power efficiency than conventional technology. It can be embedded in AI equipment that requires real-time response with low power consumption such as security cameras, auto transporters, service robots, etc. We have also developed a learning system that can respond appropriately to changes in the usage environment on the side of devices that use the chip, and demonstrated the system's basic operation.



The Group will promote and expand automation in various industries through the development of this AI chip, including the smart market and robotics, and contribute to the creation of new services accompanying the acceleration of DX (Digital Transformation).

## (2) Renesas launches integrated development environment that enables ECU-level automotive software development without hardware

The Group launched the integrated development environment for automotive development, as a part of the expansion of the development environment to contribute to the realization of the "software first" approach in which software drives the value of automobiles in automotive development, and of a "shift left" approach in which specifications, functions, and performance can be verified without hardware from the initial stages of automotive development.

This development environment enables electronic control unit (ECU) operation simulations with multiple LSIs built-in, by integrating and interlocking a group of simulators such as the R-Car Virtual Platform, which was conventionally provided for individual semiconductors such as SoCs and microcontrollers, and realizing simultaneous and synchronized execution, braking control, and acquisition of trace information for individual semiconductors. In addition, this development environment is based on the QEMU open source virtual environment (one of emulator-type virtualization software that reproduces computer operations in software), and models SoCs and microcontrollers at a high level of abstraction. This makes it possible to perform large-scale operation simulations at the ECU level for automotive at a higher speed.



With this development environment, the Group will provide customers with a verification environment from the initial stage of development of customer products and enable software development at the ECU

level, which will improve the product value. We will contribute to the realization of “software first” and “shift left.”

### **(3) Renesas RA family MCUs achieve CAVP certification for comprehensive suite of cryptographic algorithms**

Secure Crypto Engine 9 (SCE9), the security engine of the Group’s RA family of 32-bit microcontrollers (MCUs) implementing Arm Cortex®-M has been certified by the United States’ National Institute of Standards and Technology (NIST) Cryptographic Algorithm Verification Program (CAVP).

This certification provides independent verification from the viewpoint of a third party by NIST of the correct implementation of the cryptographic algorithms, which is vital to ensure connectivity interoperability.



The Group’s RA family products (RA6M4, RA6M5, RA4M2, and RA4M3 product groups) with built-in SCE9 all received CAVP certification for a comprehensive suite of cryptographic algorithms, including multiple common key system modes:

Advanced Encryption Standard (AES), public key system: Rivest Shamir Adleman (RSA), hashing, and algorithms for key generation and authentication, as well as key agreement schemes.

With CAVP certification, in conjunction with similar certification systems, SESIP Level 1 and PSA Certified Level 2, the Group can provide the industry’s comprehensive IoT security solutions and consequently the Group can support securing data by customers in a broad range of connected device areas.

#### **● Capital Investments of the Group**

The total amount of capital investment made by the Group (on an investment decision basis) during this Business Period was 216.4 billion yen. The main breakdown is investment in the Kofu Factory, which is scheduled to be restarted as a 300mm production line dedicated to power semiconductor devices, investment in increased production at front-end process lines (Naka, Saijo, Kawashiri), and renewal of production facilities at production lines.

#### **● Financing Activities of the Group**

In order to procure sufficient working capital, in April 2022, the Company executed short-term borrowings totaling 50.0 billion yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited under commitment line agreements, and repaid in full in July of the same year. In June 2022, in order to meet the demand for funds for future business development and to procure flexible means of financing, we entered into a term loan agreement (total borrowing of USD 200 million) with Bank of America NA Tokyo Branch, and with MUFG Bank, Ltd. (total borrowings of 20.0 billion yen), respectively, and executed the borrowing.

As of the end of this Business Period, the Group's interest-bearing debt decreased by 61.3 billion yen from the end of the previous Business Period to 770.0 billion yen.

● **Changes in the Results of Financial Position and Profit and Loss (Consolidated)**

<IFRS>

Indices		18th Business Period (From Jan. 1, 2019 to Dec. 31, 2019)	19th Business Period (From Jan. 1, 2020 to Dec. 31, 2020)	20th Business Period (From Jan. 1, 2021 to Dec. 31, 2021)	21st Business Period (This Business Period) (From Jan. 1, 2022 to Dec. 31, 2022)
Revenue	(Billions of yen)	718.2	715.7	993.9	1,500.9
Operating Profit	(Billions of yen)	6.3	65.1	173.8	424.2
Non-GAAP Operating Profit	(Billions of yen)	92.5	137.5	296.6	559.4
Profit (Losses) Before Tax	(Billions of yen)	(0.3)	65.2	142.7	362.3
Profits (Losses) Attributable to Owners of Parent	(Billions of yen)	(6.3)	45.6	119.5	256.6
Basic Earnings (Losses) Per Share	(Yen)	(3.73)	26.54	64.77	137.67
Total Assets	(Billions of yen)	1,668.1	1,609.0	2,426.3	2,812.3
Total Equity	(Billions of yen)	624.4	619.7	1,153.4	1,537.5

- (Notes)
- Starting from 18th Business Period, the consolidated financial statements are being prepared in accordance with IFRS.
  - Basic earnings (or losses) per share is calculated based on the average number of shares outstanding during the applicable Business Period.
  - Non-GAAP operating profit is calculated by deducting or adjusting non-recurring items and other specific adjustment items from operating profit in accordance with IFRS pursuant to certain rules. We determined such information is useful to understand the Group's constant operating results.

## &lt;Japanese GAAP&gt;

Indices		17th Business Period (From Jan. 1, 2018 to Dec. 31, 2018)
Net Sales	(Billions of yen)	757.4
Operating Income	(Billions of yen)	66.8
Ordinary Income	(Billions of yen)	65.1
Income Before Tax	(Billions of yen)	55.6
Net Income Attributable to Owners of Parent	(Billions of yen)	54.6
Net Income Per Share	(Yen)	32.74
Total Assets	(Billions of yen)	967.8
Net Assets	(Billions of yen)	531.6

(Note) Net income per share is calculated based on the average number of shares outstanding during the applicable Business Period.

- **Main Business of the Group (as of December 31, 2022)**

As a semiconductor manufacturer, the Group designs, develops, manufactures and sells and provides services in connection with semiconductor products with focus on products for automotive, industrial, infrastructure and IoT-based applications.

● **Principal Subsidiaries (as of December 31, 2022)**

Company Name		Capital (Millions of yen)	Investment Ratio (%)	Main Business	Location
Japan	Renesas Semiconductor Manufacturing Co., Ltd.	100	100.0	Manufacture of semiconductor products (front-end process)	Hitachinaka-shi, Ibaraki
Overseas	Renesas Electronics America, Inc.	(1,000 USD) 2,952,449	100.0	Design, development, manufacturing and sale of semiconductor products in the US	California, US.
	Renesas Electronics Europe GmbH (Germany)	(1,000 Euro) 14,000	100.0	Design, development and sale of semiconductor products in Europe	Dusseldorf, Germany
	Renesas Electronics Hong Kong Limited	(1,000 HKD) 15,000	100.0	Sale of semiconductor products in Hong Kong	Hong Kong, China
	Renesas Electronics Taiwan Co., Ltd.	(1,000 NTD) 170,800	100.0	Sale of semiconductor products in Taiwan	Taipei, Taiwan
	Renesas Electronics Shanghai Co., Ltd.	(1,000 USD) 7,100	100.0	Sale of semiconductor products in China	Shanghai, China
	Renesas Electronics Singapore Pte. Ltd.	(1,000 USD) 32,287	100.0	Sale of semiconductor products in ASEAN, India, Oceania and Middle East	Singapore
	Dialog Semiconductor Limited	(1,000 USD) 13,526	100.0	Development, manufacturing and sale of analog IC products such as mixed signal	Buckinghamshire, UK

- (Notes)
- As of December 31, 2022, there is a total of 104 consolidated subsidiaries consisting of 5 domestic companies and 99 overseas companies, including the principal subsidiaries described above.
  - There is no "Specific wholly owned subsidiary" which comes under Item 4, Article 118 of the Ordinance for Enforcement of the Companies Act.

● **Principal Offices and Plants of the Group (as of December 31, 2022)**

**(1) The Company**

Type	Location
Head Office	Koto-ku, Tokyo
R&D Base	Musashi Site (Kodaira-shi, Tokyo), Takasaki Site (Takasaki-shi, Gunma), Naka Site (Hitachinaka-shi, Ibaraki)
Manufacturing Base	Yonezawa Factory (Yonezawa-shi, Yamagata), Oita Factory (Nakatsu-shi, Oita), Nishiki Factory (Kuma-gun, Kumamoto)

**(2) Subsidiaries**

The principal subsidiaries and their locations are described in "Principal Subsidiaries" above.

- **Employees of the Group (as of December 31,2022)**

Number of Employees	Increase from December 31, 2021
21,017	55

(Note) The above figures are the number of permanent employees (including individuals seconded from outside the Group to the Group, and excluding individuals seconded from the Group to outside the Group), and temporary employees are not included.

- **Major Lenders of the Group (as of December 31, 2022)**

Lenders	Balance of Borrowings (Millions of yen)
MUFG Bank, Ltd.	202,962
Mizuho Bank, Ltd.	168,219
Japan Bank for International Cooperation	105,331
Sumitomo Mitsui Trust Bank, Limited.	48,143

- **Other Important Matters related to the Current Status of the Group**

As a part of our measure to return profits to our shareholders, the Company has resolved at the Meeting of Board of Directors dated February 9, 2023, to authorize an acquisition of its own shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act (Act No. 86 of 2005; as amended), as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the provisions of its Articles of Incorporation and conduct a tender offer to acquire its own shares as the specific acquisition method. In addition, on the same day, the Company entered into a tender agreement with INCJ, Ltd. in which INCJ, Ltd. agreed to tender 40,000,000 shares (ownership ratio: 2.23%) in the tender offer.

**(1) Outline of the acquisition of the Company's own shares**

(1) Class of Shares	Common stock
(2) Total number of shares	40,453,174 shares (maximum)
(3) Total acquisition price	50,000,123,064 yen (maximum)
(4) Period of acquisition	From February 10, 2023 to April 28, 2023

**(2) Outline of the tender offer**

(1) Number of shares to be purchased	40,453,074 shares
(2) Price of purchase	1,236 yen per share of common stock
(3) Period of Tender Offer	From February 10, 2023 to March 10, 2023
(4) Commencement date of settlement	April 4, 2023

## Overview of the Company

- **Matters related to the Company's Shares (as of December 31, 2022)**

- (1) **Total number of shares authorized to be issued** 3,400,000,000 shares
- (2) **Total number of shares issued** 1,796,965,856 shares  
(excluding treasury stock of 161,488,167 shares)
- (3) **Number of shareholders** 113,128
- (4) **Major shareholders**

Name of Shareholders	Number of Shares Held (shares)	Shareholding Ratio (%)
INCJ, Ltd.	223,531,575	12.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	189,128,600	10.52
DENSO Corporation	153,143,625	8.52
Toyota Motor Corporation	75,015,900	4.17
Japan Custody Bank, Ltd. (Re-trusted by Sumitomo Mitsui Trust Bank, Limited; NEC Corporation's Retirement Benefit Trust Account)	71,779,857	3.99
Hitachi, Ltd.	61,990,548	3.44
Japan Custody Bank, Ltd. (Trust Account)	56,984,100	3.17
Mitsubishi Electric Corporation	50,706,885	2.82
MSIP CLIENT SECURITIES	35,995,562	2.00
SSBTC CLIENT OMNIBUS ACCOUNT	33,061,421	1.83

- (Notes)
1. In addition to above, the Company owns 161,488,167 shares of treasury stock.
  2. Shareholding ratio is calculated by excluding 161,488,167 shares of treasury stock.
  3. Shareholding ratio is shown by truncating the numbers beyond the third decimal place.
  4. 71,779,857 shares (shareholding ratio: 3.99%) owned by Japan Custody Bank, Ltd. (Re-trusted by Sumitomo Mitsui Trust Bank, Limited; NEC Corporation's Retirement Benefit Trust Account) are a portion of the Company's shares owned by NEC Corporation and contributed as severance indemnities trusts. The voting rights of such shares will be exercised at the instruction of NEC Corporation.

**(5) Shares delivered to Directors and Corporate Auditors in this Business Period as consideration for execution of duties**

Category	Class and Number of Shares	Number of Persons Received Shares
Director (except for Outside Director)	Common stock of the Company 339,800 shares	1
Outside Director	Common stock of the Company 84,000 shares	2

**(6) Other important matters related to the Company's shares.**

The Company conducted the tender offer for its own shares during the period from April 28, 2022 to May 31, 2022 as the Tender Offer Period based on the resolution of the Board of Directors on April 27, 2022, and acquired 168,067,250 of its own shares (total acquisition price: 200,000,027,500 yen).



- **Stock Acquisition Rights, etc.**

**(1) Stock acquisition rights delivered as consideration for execution of duties (as of December 31, 2022)**

Stock acquisition rights granted by the Company as stock option are as follows (as of the end of this Business Period).

Name (Date of resolution for granting)	Number of Stock Acquisition Rights	Class and Number of Shares to be Allotted	Issue Price	Exercise Price (Per share)	Exercise Period
No. 1 of FY2017 (March 13, 2017)	40	Common stock 4,000 shares	1,167 yen	1 yen	From April 4, 2017 to April 3, 2027
No. 2 of FY2017 (March 13, 2017)	105	Common stock 10,500 shares	gratis	1 yen	From April 4, 2017 to April 3, 2027
No. 1 of FY2018 (March 16, 2018)	1,692	Common stock 169,200 shares	1,092 yen	1 yen	From April 3, 2018 to April 2, 2028
No. 2 of FY2018 (March 16, 2018)	682	Common stock 68,200 shares	gratis	1 yen	From April 3, 2018 to April 2, 2028
No. 3 of FY2018 (June 27, 2018)	943	Common stock 94,300 shares	995 yen	1 yen	From August 1, 2018 to July 31, 2028
No. 4 of FY2018 (June 27, 2018)	158	Common stock 15,800 shares	gratis	1 yen	From August 1, 2018 to July 31, 2028
No. 2 of FY2019 (March 25, 2019)	1,389	Common stock 138,900 shares	599 yen	1 yen	From April 9, 2019 to April 8, 2029
No. 3 of FY2019 (March 25, 2019)	7,710	Common stock 771,000 shares	gratis	1 yen	From April 9, 2019 to April 8, 2029
No. 5 of FY2019 (April 23, 2019)	210	Common stock 21,000 shares	gratis	1 yen	From June 1, 2019 to May 31, 2029
No. 6 of FY2019 (June 25, 2019)	10,208	Common stock 1,020,800 shares	638 yen	1 yen	From July 26, 2019 to July 25, 2029
No. 7 of FY2019 (June 25, 2019)	11,741	Common stock 1,174,100 shares	gratis	1 yen	From July 26, 2019 to July 25, 2029
No. 8 of FY2019 (July 30, 2019)	1,284	Common stock 128,400 shares	629 yen	1 yen	From August 24, 2019 to August 23, 2029
No. 10 of FY2019 (August 27, 2019)	142	Common stock 14,200 shares	gratis	1 yen	From September 21, 2019 to September 20, 2029
No. 11 of FY2019 (September 24, 2019)	1,113	Common stock 111,300 shares	739 yen	1 yen	From November 1, 2019 to October 31, 2029
No. 12 of FY2019 (September 24, 2019)	468	Common stock 46,800 shares	gratis	1 yen	From November 1, 2019 to October 31, 2029
No. 13 of FY2019 (November 26, 2019)	150	Common stock 15,000 shares	gratis	1 yen	From December 26, 2019 to December 25, 2029
No. 14 of FY2019 (December 25, 2019)	149	Common stock 14,900 shares	gratis	1 yen	From February 1, 2020 to January 31, 2030
No. 1 of FY2020 (May 26, 2020)	27,080	Common stock 2,708,000 shares	550 yen	1 yen	From July 1, 2020 to June 30, 2030

Name (Date of resolution for granting)	Number of Stock Acquisition Rights	Class and Number of Shares to be Allotted	Issue Price	Exercise Price (Per share)	Exercise Period
No. 2 of FY2020 (May 26, 2020)	72,362	Common stock 7,236,200 shares	gratis	1 yen	From July 1, 2020 to June 30, 2030
No. 3 of FY2020 (July 30, 2020)	3,162	Common stock 316,200 shares	666 yen	1 yen	From August 31, 2020 to August 30, 2030
No. 4 of FY2020 (July 30, 2020)	2,484	Common stock 248,400 shares	gratis	1 yen	From August 31, 2020 to August 30, 2030
No. 5 of FY2020 (July 30, 2020))	3,411	Common stock 341,100 shares	666 yen	1 yen	From September 1, 2020 to August 30, 2030
No. 6 of FY2020 (July 30, 2020)	1,114	Common stock 111,400 shares	gratis	1 yen	From September 1, 2020 to August 30, 2030
No. 7 of FY2020 (October 29, 2020)	374	Common stock 37,400 shares	927 yen	1 yen	From December 1, 2020 to November 30, 2030
No. 8 of FY2020 (October 29, 2020)	2,759	Common stock 275,900 shares	gratis	1 yen	From December 1, 2020 to November 30, 2030
No. 1 of FY2021 (January 29, 2021)	131	Common stock 13,100 shares	1,168 yen	1 yen	From February 27, 2021 to February 26, 2031
No. 2 of FY2021 (January 29, 2021)	1,119	Common stock 111,900 shares	gratis	1 yen	From February 27, 2021 to February 26, 2031
No. 3 of FY2021 (January 29, 2021)	22	Common stock 2,200 shares	gratis	1 yen	From February 27, 2021 to February 26, 2031

- (Notes)
- After the prescribed date set for each stock acquisition right has passed, holders of stock acquisition rights may exercise stock acquisition rights at the respective ratios specified in advance each time the prescribed date for exercising rights arrives.
  - If a holder of stock acquisition rights loses his/her position as Director, Executive Officer, etc. of the Company, he/she may exercise the stock acquisition rights that were capable of being exercised before the date of loss of the position, until the day after the passage of 13 months from the date of loss of the position.
  - Upon issuance of No. 1 of FY2017, No. 1 of FY2018, No. 3 of FY 2018, No. 2 of FY2019, No. 6 of FY2019, No. 8 of FY2019, No. 11 of FY2019, No. 1 of FY2020, No. 3 of FY2020, No. 5 of FY2020, No. 7 of FY2020 and No. 1 of FY2021 stock acquisition rights, the obligations of payment based on the above-stated issue price were set off against compensation claims to the Company and therefore no payment of money occurred.

**(2) Status of possession of stock acquisition rights delivered to Directors and Corporate Auditors as consideration for execution of duties as of the last day of this Business Period**

Name (Date of resolution for granting)	Holder	Number Held	Class and Number of Shares to be Allotted
No. 1 of FY2020 (May 26, 2020)	1 Director	5,048	Common stock 504,800 shares

(Note) These stock acquisition rights are not granted to Outside Directors.

● **Matters related to Directors and Corporate Auditors**

**(1) Name, etc. of Directors and Corporate Auditors (as of December 31, 2022)**

Name	Position at the Company	Responsibilities and Important Concurrent Positions
Hidetoshi Shibata	*Representative Director, President and CEO	- Management of important matters relating to the overall business; - Chairperson of General Meetings of Shareholders and meetings of the Board of Directors; - Matters relating to Quality Assurance Division, Audit Office, Sustainability Promotion Office, Legal Division
Jiro Iwasaki	Director	- Outside Director, SBS Holdings, Inc.
Selena Loh Lacroix	Director	- Technology Practice Vice Chair, Korn Ferry; - Board Member (Part-time), National Association of Corporate Directors (NACD) - North Texas Chapter
Arunjai Mittal	Director	- Supervisory Board Member, tesa SE; - Director, Silicon Solution Ventures Pte. Ltd.; - Nonexecutive Chairman, Zero-Error Systems Pte. Ltd.; - Board Member, Agency for Science and Technology Research; - Nonexecutive Chairman, Advanced Micro Foundry Pte. Ltd.
Noboru Yamamoto	Director	- Representative Director, Representative Partner and CEO, XIB Inc.; - Outside Director, Koki Holdings Co., Ltd.; - Senior Advisor, CLSA Capital Partners K.K.; - Outside Director, Tsubaki Nakashima Co., Ltd.
Kazuki Fukuda	Corporate Auditor (Full-time)	
Kazuyoshi Yamazaki	Corporate Auditor	- Managing Partner, Yamazaki Law Office; - Outside Director, Nisul Co., Ltd.; - Outside Director, REGAO Co., Ltd.; - Outside Corporate Auditor, SEIBUNDO SHINKOSHA Publishing Co., Ltd.
Tomoko Mizuno	Corporate Auditor	Director, Japan Automatic Machine Co., Ltd.
Miya Miyama	Corporate Auditor	- Partner, Attorney-at-Law, City-Yuwa Partners; - Auditor, Japan International Cooperation System; - Outside Director, Totetsu Kogyo Co., Ltd.

- (Notes)
1. Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Arunjai Mittal and Mr. Noboru Yamamoto are Outside Directors as stipulated in Item 15, Article 2 of the Companies Act.
  2. Mr. Kazuyoshi Yamazaki, Ms. Tomoko Mizuno and Ms. Miya Miyama are Outside Corporate Auditors as stipulated in Item 16, Article 2 of the Companies Act.
  3. The Company has notified Tokyo Stock Exchange, Inc., of Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Arunjai Mittal and Mr. Noboru Yamamoto, who are Outside Directors, and Mr. Kazuyoshi Yamazaki, Ms. Tomoko Mizuno and Ms. Miya Miyama, who are Outside Corporate Auditors, as Independent Executives who have no conflict of interest with the Company's general shareholders.
  4. Mr. Kazuki Fukuda, a Corporate Auditor, has many years of experience in accounting operations at other companies and thus has considerable knowledge of finance and accounting.
  5. Mr. Tetsuro Toyoda retired as Director due to expiration of tenure as of the conclusion of the 20th Annual General Meeting of Shareholders held on March 30, 2022.

6. Changes in Corporate Auditors during this Business Period are as follows:
- (i) At the 20th Annual General Meeting of Shareholders held on March 30, 2022, Ms. Miya Miyama was newly elected and appointed as a Corporate Auditor.
  - (ii) As of the conclusion of the 20th Annual General Meeting of Shareholders held on March 30, 2022, Mr. Takeshi Sekine retired as Corporate Auditor by resignation.
7. The Company has adopted an executive officer system and asterisk (\*) denotes the Director who has been acting as Executive Officer. The names of other Executive Officers (who are not Directors) as of January 1, 2023, are as follows:

Name	Position at the Company	Responsibilities
Sailesh Chittipeddi	Executive Vice President	In charge of matters relating to IoT and Infrastructure Business Unit
Hiroto Nitta	Senior Vice President	In charge of matters relating to Information Systems Division (including One ERP Project)
Shinichi Yoshioka	Senior Vice President and CTO	In charge of formulation of the Company's technology strategy and R&D policies
Chris Allexandre	Senior Vice President and CSMO	In charge of matters relating to Global Sales and Marketing Unit
Roger Wendelken	Senior Vice President	In charge of matters relating to IoT and Infrastructure Business Unit (MCU Business)
Shuhei Shinkai	Senior Vice President and CFO	In charge of matters relating to Corporate Strategy & Finance Division, Accounting & Control Division, Procurement Division, and Supply Chain Management Division
Takeshi Kataoka	Senior Vice President	In charge of matters relating to Automotive Solution Business Unit
Vivek Bhan	Senior Vice President	In charge of matters relating to Automotive Solution Business Unit
Eizaburo Shono	Senior Vice President	In charge of matters relating to Production and Technology Unit
Andrew Cowell	Senior Vice President	In charge of matters relating to IoT and Infrastructure Business Unit (Mobility Infrastructure, Industrial Power)
Julie Pope	Senior Vice President and CHRO	In charge of matters relating to Human Resources Division

## (2) Outline of liability limitation agreements

Pursuant to the Articles of Incorporation of the Company, the Company executed liability limitation agreements with all of the Outside Directors and Outside Corporate Auditors, respectively, limiting their liability for damage as defined in Paragraph 1, Article 423 of the Companies Act. Liability pursuant to such agreements is limited to the minimum liability amount stipulated in the Articles of Incorporation of the Company.

## (3) Outline of Directors and Officers liability insurance (D&O insurance) agreements

The Company has a Directors and Officers liability insurance (D&O insurance) agreement with an insurance company. This insurance covers the damage and costs incurred by Directors, Corporate Auditors, Executive 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.

#### **(4) Compensation for Directors and Corporate Auditors**

##### **① Compensation for Directors and Corporate Auditors**

###### **(a) Compensation for Directors**

###### **<Directors who concurrently serve as Executive Officers>**

Compensation for Director who concurrently serves as Executive Officer shall be stated in the "(2) Compensation for Executive Officers" below.

###### **<Directors who do not concurrently serve as Executive Officers>**

The basic policy relating to compensation for Directors who do not currently serve as Executive Officers is as follows.

- Highly transparent and objective
- Linked with the improvement of corporate value so that awareness of interests can be shared with shareholders
- Contribute to ensuring and retention of global management team members that meet the appropriate competence requirements in realizing the corporate vision

Directors who do not concurrently serve as Executive Officers are granted basic compensation as fixed compensation within the compensation limit set by resolution of the General Meeting of Shareholders. In addition, for the purpose of securing diverse and excellent human resources and further raising awareness of their roles, some of those will receive stock compensation (until 2020, 1-yen stock options with continuous service conditions, and from 2021, stock compensation where shares are delivered after vesting with continuous service conditions) within the compensation limit set by resolution at the General Meeting of Shareholders (For details, refer to "(2) Compensation for Executive Officers (b) Details (b-i) Philosophy and elements of compensation" below.).

The compensation ratio and level, and composition of compensation for Directors who do not concurrently serve as Executive Officers are set for each Director, considering appropriate ratios and levels that correspond to their responsibilities as Directors of the Company and in light of the above-mentioned basic policy, and determined by the Compensation Committee, which is discretionarily entrusted by the Board of Directors with the allocation of individual compensation to officers. The Compensation Committee has a majority of Outside Directors and is chaired by an Outside Director.

###### **(b) Compensation for Corporate Auditors**

Corporate Auditors are, from the viewpoint of ensuring independence, granted only basic compensation as fixed compensation, determined upon consultations among the Corporate Auditors within the compensation limit set by resolution at the General Meeting of Shareholders.

**(c) Total amount of compensation, etc. for Directors and Corporate Auditors**

Title	Number of Persons	Total Compensation, etc. (Millions of yen)	Total Amount of Compensation, etc. by Type (Millions of yen)			
			Monetary Compensation		Non-monetary Compensation, etc.	
			Basic Compensation	Performance-linked Compensation (Short-term incentives)	Long-term Incentives	
				Stock Compensation with Continuous Service Conditions	Stock Compensation with Stock Price-linked conditions	
Director (Except for Outside Director)	1	634	77	94	200	263
Outside Director	4	100	46	-	54	-
Corporate Auditor (Except for Outside Corporate Auditor)	1	20	20	-	-	-
Outside Corporate Auditor	3	17	17	-	-	-

- (Notes)
- As of the end of this Business Period, there were five Directors (including four Outside Directors) and four Corporate Auditors (including three Outside Corporate Auditors).
  - Compensation for Directors includes compensation for the CEO who also serves as an Executive Officer.
  - Amounts of less than million yen are stated rounded off. Therefore, the total of amounts stated in each section may not match with the amount stated in the column of total amount of compensation, etc.
  - Of the non-monetary compensation, etc. in the table, stock compensation with continuous service conditions includes Time-based Stock Options (TSO), which are 1-yen stock options, and Restricted Stock Units (RSU), which are stock compensation where shares are delivered after vesting, and stock compensation with stock price-linked conditions includes Performance-based Stock Options (PSO). For those for which the exercisable number is determined during this Business Period, the fair value calculated based on the closing price of the stock on the date of vesting, etc. is stated. Performance Share Units (PSUs) are not included because no units were vested during this Business Period. In addition, the amounts recorded as expenses for accounting purposes for this Business Period are 332 million yen for Directors other than Outside Directors and 52 million yen for Outside Directors, which cover stock options and units that have already been granted.
  - For Directors and Corporate Auditors who do not reside in Japan, currency for payment is converted to Japanese yen at the average rate during the period (129.67 yen per USD).
  - 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 five Directors (including two Outside Directors).
  - The maximum amount of stock compensation where shares are delivered after vesting 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 one and the number of Directors eligible for Restricted Stock Units (RSU) was six (including five

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. There were four Corporate Auditors as of the conclusion of the relevant Extraordinary General Meeting of Shareholders (including three Outside Corporate Auditors).

## ② Compensation for Executive Officers

Executive Officers have the widest range of authorities regarding their responsibilities and policy formulation at the Company. Executive Officers are responsible for the Company's business performance, maintenance of a highly ethical corporate culture, and thorough ensuring of compliance.

Therefore, the Company strives to ensure transparency regarding compensation not only for the CEO and other Directors, but also for core members of the management team. The following is an overview of the compensation system for Executive Officers. For an Executive Officer who is a Director, compensation will be remunerated as a Director.

The composition of our Executive Officers is as follows.

Name	Position and Responsibilities	Director	Executive Officer
Hidetoshi Shibata	Representative Director, President and CEO	✓	✓
Sailesh Chittipeddi	Executive Vice President; In charge of matters relating to IoT and Infrastructure Business Unit	—	✓
Hiroto Nitta	Senior Vice President; In charge of matters relating to Information Systems Division (including One ERP Project)	—	✓
Shinichi Yoshioka	Senior Vice President and CTO, In charge of formulation of the Company's technology strategy and R&D policies	—	✓
Chris Allexandre	Senior Vice President; In charge of matters relating to IoT and Infrastructure Business Unit (Global Sales and Corporate Digital Marketing)	—	✓
Roger Wendelken	Senior Vice President; In charge of matters relating to IoT and Infrastructure Business Unit (MCU Business)	—	✓
Shuhei Shinkai	Senior Vice President and CFO; In charge of matters relating to Corporate Strategy & Finance Division, Accounting & Control Division, Procurement Division, and Supply Chain Management Division	—	✓
Takeshi Kataoka	Senior Vice President; In charge of matters relating to Automotive Solution Business Unit	—	✓
Vivek Bhan	Senior Vice President; In charge of matters relating to Automotive Solution Business Unit (A&P Business)	—	✓

Name	Position and Responsibilities	Director	Executive Officer
Eizaburo Shono	Senior Vice President; In charge of matters relating to Production and Technology Unit	—	✓
Andrew Cowell	Senior Vice President; In charge of matters relating to IoT and Infrastructure Business Unit (Mobility Infrastructure, Industrial Power)	—	✓
Julie Pope	Senior Vice President and CHRO; In charge of matters relating to Human Resources Division	—	✓

### (a) Summary

The Company regularly updates its compensation system for Executive Officers. In order to accelerate the expansion of our business portfolio in the automotive and IoT and infrastructure areas, which are the focus areas where we are expanding our business globally and have strong market competitiveness, we have identified compensation as one of the essential management tools.

We design appropriate and competitive compensation packages as a global company in order to attract and retain excellent Executive Officers capable of leading our business.

The Company's compensation system is designed to include performance-linked compensation to encourage Executive Officers to think and act in the best interests of shareholders, both in the short- and long-term. Most of the total annual compensation for our Executive Officers is paid as performance-linked compensation and stock price-linked compensation. Short-Term Incentives (STIs), which are performance-linked compensation, are linked to the Company's short-term performance, and stock price-linked compensation is linked to the Company's long-term performance. We also believe that we hold Executive Officers accountable for the Company's direct financial performance and overall market competitiveness.

### (b) Details

#### (i) Philosophy and elements of compensation

The basic philosophy relating to compensation for Executive Officers is as follows.

- Highly linked to the Company's business performance, and highly transparent and objective
- Linked with the improvement of corporate value so that awareness of interests can be shared with shareholders
- Contribute to ensuring and retention of global management team members that meet the appropriate competence requirements in realizing the corporate vision

Current compensation is composed as follows.

- Basic compensation as fixed compensation
- Performance-linked compensation with focus on achievement of shorter financial and strategic goals (Short-term incentives)
- Stock compensation where shares are delivered after vesting as stock price-linked compensation to encourage management to be willing to improve corporate value (Long-term incentives)



We believe that the current system is consistent with global and Japanese domestic market practices, and the interests of our stakeholders. The ratio of each type of compensation to the total amount of compensation is set after considering market comparisons, global trends, and the role and achievements of each Executive Officer. In addition, in order to link long-term performance to executive compensation and realize strong cooperation between shareholders and management, we have promoted a compensation strategy that emphasizes long-term incentives more compared with many Japanese companies, and set a level at which the stock compensation accounts for the majority of total compensation amount.

### <Cash Compensation>

#### **(Basic Compensation)**

Basic compensation is the core compensation that reflects the market value of specific roles and responsibilities within the organization and compensates for each Executive Officer's actual responsibilities, abilities and experience.

This compensation is paid as a fixed amount based on the scope of responsibility and expected degree of contribution to the Company. It is a basic element of executive compensation and is set at a level that aims to attract and retain excellent Executive Officers, and motivates them to drive global business expansion.

This compensation is adjusted annually to take into account the salary increase rate in the market, the Company's performance and individual performance.

#### **(Performance-linked Compensation (Short-Term Incentive (STIs)))**

Short-Term Incentives (STIs) are provided to Executive Officers as incentives and rewards for the company's overall financial performance and as evaluations of their individual performance each fiscal year. This compensation is an extremely important element of the executive compensation system, with a focus on motivating Executive Officers to contribute to the achievement of performance targets.

This compensation is based on the performance of the Company for one year, which consists of the performance of the Automotive Solutions Business Unit and the IoT and Infrastructure Business Unit, and certain indexes including the following are used for evaluation, in order to evaluate expansion of business and profitability thereof.

- Net sales (increase rate)
- Operating margin

Evaluation indexes and targets are determined annually after deliberation by the Compensation Committee. The same applies to the performance-based payment amount.

### <Stock compensation>

#### **(Stock Price-linked Compensation (Long-Term Incentives (LTIs)))**

Long-Term Incentives (LTIs) are variable compensation with an evaluation period of one year or more and are generally awarded in a way that corresponds to the value that shareholders receive. The role of long-term incentives is to align the economic rewards to Executive Officers with the long-term performance of the organization and the long-term orientation of shareholders.

From 2021, the current long-term incentives are granted through stock compensation where

shares are delivered after vesting, and the profits actually received by Executive Officers are determined according to the stock price rise and the total shareholder return (TSR) over the three years.

Specifically, the Long-Term Incentives consist of Performance Share Units (PSU), of which the number of units is determined according to the Company's TSR, and delivered in the Company's shares, and Restricted Stock Units (RSU), subject to continuous service. Of these, the PSU is designed with the Company's TSR added to its performance indicators in order to link it with strengthening awareness and activities aimed at maximizing medium- to long-term corporate value and contributing to the stock price. The number of units to be granted is determined based on the base amount of compensation set for each person according to their responsibilities and proportions, considering the simple average value of the closing prices of the Company's shares on the Tokyo Stock Exchange for the three months immediately preceding the month where the resolution of the Board of Directors of the Company is adopted. The composition ratio of PSUs and RSUs in the base amount of compensation is 50%:50%.

If the grantee has committed a certain misconduct stipulated by the Board of Directors of the Company or falls under any other event stipulated by the Board of Directors of the Company, all or part of the unvested units will be lost. In addition, if it is found after vesting of the unit that such event or the act that caused it occurred before vesting, the grantee shall return all or part of the Company's shares delivered pertaining to such unit or an equivalent amount of money without compensation if the Company deems it appropriate.

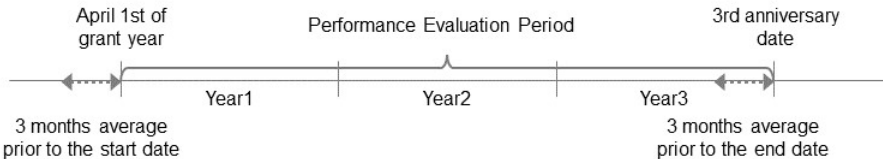
Type	Purpose	Basis	Composition Ratio
Performance Share Unit (PSU)	Improve Executive Officers' motivation to contribute to higher stock price and corporate value	TSR	50%
Restricted Stock Unit (RSU)	Secure and retain excellent human resources by increasing the linkage between compensation and stock price and sharing profits with shareholders	Tenure	50%

#### **[PSU]**

The number of units calculated by the following formula will be granted to the grantee.

Number of PSUs = Base amount of PSU base compensation amount determined by the Board of Directors of the Company to be granted to each grantee (before performance evaluation) / Simple average value of closing prices of the Company's shares on the Tokyo Stock Exchange for the three months immediately preceding the month of resolution by the Board of Directors of the Company

After the date determined by the Company (in principle, the anniversary date three years after the grant date), the Company shall deliver the same number of shares as the vested number determined as follows, taking into consideration the performance requirements for that period.

Performance Indicators	TSR: Determined by comparing with companies constituting SOX (Philadelphia Semiconductor Index) and TOPIX (Tokyo Stock Price Index), and the group of companies we choose based on industry, company size, business model, etc. (Renesas Peers)
Performance Evaluation Period	Three years from April 1st of the year in which the PSUs were granted
Our TSR Growth Rate	<p>(Average stock price for the three months prior to the end of the performance evaluation period (*1)</p> <p>- Average stock price for the three months prior to the day preceding the start date of the performance evaluation period (*2)</p> <p>+ Total amount of dividends per share related to dividends from the Company's surplus with the day during the performance evaluation period as the reference date)</p> <p>/ Average stock price for the three months prior to the day preceding the start date of the performance evaluation period (*2)</p> <p>(*1) Refers to simple average value of the closing prices of the Company's shares on the Tokyo Stock Exchange during the last three months of the performance evaluation period.</p> <p>(*2) Refers to simple average value of the closing prices of the Company's shares on the Tokyo Stock Exchange for the three months prior to the day preceding the start date of the performance evaluation period.</p>  <p>The diagram shows a horizontal timeline starting at 'April 1st of grant year'. It is divided into three years: Year 1, Year 2, and Year 3. Above the timeline, 'Performance Evaluation Period' is indicated with a bracket spanning from the start of Year 1 to the end of Year 3. Below the timeline, '3 months average prior to the start date' is shown with a double-headed arrow pointing to the beginning of Year 1. Similarly, '3 months average prior to the end date' is shown with a double-headed arrow pointing to the end of Year 3. A '3rd anniversary date' is marked at the end of Year 3.</p>
Method of Determination of Shares to be Delivered	<ul style="list-style-type: none"> <li>• When the Company's TSR growth rate and the TSR growth rates of the SOX constituent companies are classified in ascending order, according to which category of 1) to 5) below the Company's TSR growth rate is classified into, the percentage in such category (SOX calculation rate) shall be calculated.</li> <li>• When the Company's TSR growth rate and the TSR growth rates of the TOPIX constituent companies are classified in ascending order, according to which category of 1) to 5) below the Company's TSR growth rate is classified into, the percentage in such category (TOPIX calculation rate) shall be calculated.</li> <li>• When the Company's TSR growth rate and Renesas Peers' TSR growth rates are classified in ascending order, according to which category of 1) to 5) below the Company's TSR growth rate is classified into, the percentage in such category (Renesas Peers calculation rate) shall be calculated.</li> <li>• A value obtained by multiplying the value obtained by weighted averaging the SOX calculation rate at 25/100, the TOPIX calculation rate at 50/100, and the Renesas Peers calculation rate at 25/100 (hereinafter referred to as "Calculation Rate") by the number of granted PSUs (numbers of less than 100 are rounded up) shall be determined on the date specified by the Company (JST) (in principle, on the anniversary date three years after the grant date of PSUs) as the vested number of PSUs, and the same number of the Company's shares as the vested number will be delivered to the grantee. However, if the Company's TSR growth rate is 0% or less, the upper limit of Calculation Rate will be 100%. The Company's TSR growth</li> </ul>

	rate shall be calculated by the following formula, and the TSR growth rate of SOX constituent companies, TOPIX constituent companies and Renesas Peers shall be calculated in accordance with the method of calculating the Company's TSR growth rate.		
		TSR	Grant Rate
	1)	When it is less than 25 percentile	0%
	2)	When it is more than 25 percentile and less than 50 percentile	The ratio obtained as a result of calculations deeming that it has increased at the same rate between 25% and 50%
	3)	When it is more than 50 percentile and less than 75 percentile	The ratio obtained as a result of calculations deeming that it has increased at the same rate between 50 % and 75%
	4)	When it is more than 75 percentile and less than 90 percentile	The ratio obtained as a result of calculations deeming that it has increased at the same rate between 75% and 90%
5)	When it is 90 percentile or more	100%	

**[RSU]**

The number of units calculated by the following formula will be granted to the grantee.

Number of RSUs = Base amount of RSU compensation for three years (however, one year for Outside Directors of the Company) determined by the Board of Directors of the Company to be granted to each grantee / Simple average value of closing prices of the Company's shares on the Tokyo Stock Exchange for the three months immediately preceding the month of resolution by the Board of Directors of the Company

In principle, one-third of the rights will be vested each time one year has passed from the grant date (however, for Outside Directors of the Company, all rights will be vested on the day one year after the grant date), and the Company's shares will be delivered in the same number of vested units.

**(ii) Analysis regarding determination of compensation**

The Compensation Committee reviewed both the overall package and each type of compensation before finalizing Executive Officer compensation. Information covered included the total amount of cash compensation (base compensation and STI), the amount of stock compensation, total amount of compensation (base compensation, STI and stock compensation), and the impact of the proposed compensation on other compensation components. In determining the amount of compensation, compensation structure, and incentives for Executive Officers, in line with our basic philosophy, the Compensation Committee reviewed each position, role, and status of tenure including past history in relation to corporate performance, individual performance, and the medium- to long-term value creation of the Company. The Compensation Committee also evaluated whether the overall compensation is consistent with the purpose of

the system.

Based on such comprehensive review, the Compensation Committee determined that the compensation level and compensation structure for this Business Period were appropriate.

**(iii) Welfare**

Executive Officers are entitled to receive the various benefits same as other employees of the Company, with the exception of severance benefits. Such benefits include social insurance such as health insurance and employee pension, accident insurance, commuting expenses, and the right to use group insurance.

**③ Voluntary Compensation Committee**

In order to ensure the appropriateness of compensation, etc. and the transparency of the decision-making process, the Company has established a voluntary Compensation Committee, which serves as an advisory body to the Board of Directors, is composed of a majority of Outside Officers, and is chaired by an Outside Director.

Compensation levels, compensation structure, performance-linked compensation targets, etc. for Directors and Executive Officers are determined by the voluntary Compensation Committee, which is entrusted discretionally by the Board of Directors with the allocation of individual compensation to officers. Proposals to the General Meeting of Shareholders (such as compensation limits for Directors, etc.) and granting of stock compensation are determined by the Board of Directors after deliberations by the Compensation Committee.

The members of the Compensation Committee are as follows.

- Chairperson : Selena Loh Lacroix (Outside Director)
- Member : Hidetoshi Shibata (Representative Director, President and CEO)
- Member : Noboru Yamamoto (Outside Director)
- Member : Tomoko Mizuno (Outside Corporate Auditor)

A total of six meetings of the Compensation Committee were held during this Business Period.

- **Matters related to Outside Directors and Outside Corporate Auditors**

**(1) Important concurrent positions at other organizations held by Outside Directors and Outside Corporate Auditors, and relationships between the Company and the relevant organizations (as of December 31, 2022)**

Important concurrent positions and relationships between the Company and organizations where they hold important concurrent positions are described in “Matters related to Directors and Corporate Auditors, 1. Name, etc. of Directors and Corporate Auditors” above.

**(2) Principal activities during this Business Period**

Title	Name	Principal Activities and Summary of Duties Conducted in Relation to Expected Roles
Director	Jiro Iwasaki	The Company expects him to supervise and check on the overall management of the Company based on his wealth of experience and high degree of insight, which he has cultivated primarily through his many years of involvement in business operations at various companies. He attended all six meetings of the Board of Directors held during this Business Period and fulfilled an appropriate role by making necessary remarks in deliberations on agenda items based on his experience and insight. He also led the activities of the voluntary Nomination Committee as chairperson.
	Selena Loh Lacroix	The Company expects her to supervise and check on the overall management of the Company based on her wealth of experience and high degree of insight into corporate legal affairs, corporate governance and personnel affairs, which she has cultivated primarily in the semiconductor industry. She attended all six meetings of the Board of Directors held during this Business Period and fulfilled an appropriate role by making necessary remarks in deliberations on agenda items based on her experience and insight. She also led the activities of the voluntary Compensation Committee as chairperson.
	Arunjai Mittal	The Company expects him to supervise and check on the overall management of the Company based on his wealth of experience and high degree of insight into business operations, which he has cultivated primarily in the semiconductor industry. He attended all six meetings of the Board of Directors held during this Business Period and fulfilled an appropriate role by making necessary remarks in deliberations on agenda items based on his experience and insight.
	Noboru Yamamoto	The Company expects him to supervise and check on the overall management of the Company based on his wealth of experience and high degree of insight in management, which he has cultivated in work experience in global financial and securities firms, and as the representative of a M&A advisory firm. He attended all six meetings of the Board of Directors held during this Business Period and fulfilled an appropriate role by making necessary remarks in deliberations on agenda items based on his experience and insight. As an ESG sponsor, he also led the supervision and checks of the Board of Directors on the Group's ESG activities.

Title	Name	Principal Activities and Summary of Duties Conducted in Relation to Expected Roles
Corporate Auditor	Kazuyoshi Yamazaki	<ul style="list-style-type: none"> <li>• He attended all six meetings of the Board of Directors held during this Business Period and, primarily from a legal point of view as an attorney, made necessary remarks for ensuring that decisions at meetings of the Board of Directors were made fairly and properly, including whether procedures were conducted in accordance with the laws and regulations.</li> <li>• He attended all nine meetings of the Corporate Auditors held during this Business Period and, from an independent and fair standpoint and from a legal point of view as an attorney, made necessary remarks regarding the establishment and maintenance of the Company's compliance system, etc.</li> </ul>
	Tomoko Mizuno	<ul style="list-style-type: none"> <li>• She attended all six meetings of the Board of Directors held during this Business Period and, based on her wealth of experience and high degree of insight into management planning and personal affairs, etc., which she has cultivated primarily in business management at machinery manufacturers, and work experience in global consulting companies and pharmaceutical companies, made necessary remarks to ensure decisions at the meetings of the Board of Directors were made fairly and properly.</li> <li>• She attended all nine meetings of the Corporate Auditors held during this Business Period and, based on her wealth of experience and high degree of insight into management planning and personal affairs, etc., which she has cultivated primarily in business management at machinery manufacturers, and work experience in global companies, made remarks as to improvement of governance in global management, etc. as needed.</li> </ul>
	Miya Miyama	<ul style="list-style-type: none"> <li>• She attended all five meetings of the Board of Directors held after her appointment to the office of Corporate Auditor during this Business Period and, primarily from a legal point of view as an attorney, made necessary remarks for ensuring that decisions at meetings of the Board of Directors were made fairly and properly, including whether procedures were conducted in accordance with the laws and regulations.</li> <li>• She attended all six meetings of the Corporate Auditors held after she was appointed to the office of Corporate Auditor during this Business Period and made appropriate remarks on matters such as corporate crisis management from an independent and fair standpoint as well as a professional standpoint as an attorney.</li> </ul>

(Note) In addition to the number of meetings of the Board of Directors above, twenty-three written resolutions and reports were made pursuant to provisions of Companies Act and the Articles of Incorporation of the Company, which shall be deemed to constitute resolutions of and reports to the meeting of the Board of Directors.

- **Accounting Auditors**

(1) **Accounting Auditor's name:** PricewaterhouseCoopers Aarata LLC

(2) **Compensation and other amounts to be paid to the Accounting Auditor for this Business Period:**

Classification	Amount (in millions of yen)
(i) Amount of compensation, etc. paid to the Accounting Auditor for this Business Period	244
(ii) The total amount of money and other property benefits paid by the Company and its subsidiaries to the Accounting Auditor	266

- (Notes)
1. As a result of obtaining necessary documents and reports by Directors, the relevant departments of the Company and the Accounting Auditor as well as reviewing the audit plans for the previous period and this Business Period, the status of actual audits, and the basis for calculating the estimated compensation amount, the Board of Corporate Auditors determined that the above compensation amounts were reasonable and has agreed to the amounts.
  2. In the audit contract between the Company and the Accounting Auditor, the amount of audit fees, etc. for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be distinguished in actuality, either, and therefore the total amount of these is stated as the amount of compensation, etc. in (i) above
  3. Overseas subsidiaries described in “●Principal Subsidiaries” above were audited by auditors other than the Accounting Auditor.

(3) **Non-audit services rendered by Accounting Auditor**

The Company pays the Accounting Auditor compensation for advisory services and agreed procedural work related to human rights management other than the business operations stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) **Policy regarding a decision to either dismiss or not reappoint Accounting Auditor**

The Board of Corporate Auditors 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 dismiss or not to reappoint the Accounting Auditor at a General Meeting of Shareholders.

- **Systems to Ensure Appropriate Operations of the Company and Operational Status thereof**

The basic policies for the development of systems set forth in Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (the “Internal Control System”) have been resolved at meetings of the Board of Directors, and a summary is as follows.



As to the operational status of the Internal Control System during this Business Period, related important matters were deliberated and reported through the Internal Control Promotion Committee led by the CEO as chair (during this Business Period, reports was made to the Committee five times in writing), and the Committee also monitored and supervised an annual plan and operational status of the basic policies. The Group also revised the Group's Code of Conduct in May 2022, and in addition to promoting activities for education and awareness of the Code of Conduct throughout the entire Group, as well as carrying out compliance education regarding harassment and Code of Conduct using IT systems in March and September 2022. Further, after confirming that the Internal Control System was functioning effectively based on the evaluation of its operation at a meeting of the Executive Committee, such results were reported to the Board of Directors.

**(1) Systems to ensure that the execution of duties by Directors, Executive Officers and Employees (hereinafter referred to as "Employees, etc.") complies with laws and regulations and Articles of Incorporation**

- The Directors shall take the lead in complying with the "Renesas Electronics Group CSR Charter" and the "Renesas Electronics Group 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 Employees, etc. The Directors shall keep the Employees, etc. of the Company and its subsidiaries (hereinafter referred to as the "Renesas Electronics Group") informed of and cause them to comply with Renesas Electronics Group CSR Charter and Renesas Electronics Group Code of Conduct.
- The Directors shall have the departments under their charge carry out practical activities related to the thorough dissemination of the "Renesas Electronics Group CSR Charter" and "Renesas Electronics Group Code of Conduct," and have the Internal Audit Department audit the implementation status of such activities, identify problems, and propose improvement measures.
- The Directors shall stipulate basic matters such as an implementation system and educational programs for compliance in "Renesas Electronics Group Basic Rules for Compliance Management," shall oblige members of the Internal Control Promotion Committee to deliberate and resolve matters regarding compliance, and shall offer training programs to the Renesas Electronics Group to ensure full awareness of compliance.
- The Directors shall set up the "Renesas Electronics Group Hot Line" as an internal contact point for Employees, etc. of the Renesas Electronics Group and its business partners to report any compliance issues. Furthermore, the Directors shall assure Employees, etc. of the Renesas Electronics Group and its business partners the anonymity of informants upon requests from informants and keep them informed that informants shall never be adversely affected.
- The Directors shall keep away from any antisocial force and shall work closely with external specialized institutions to act resolutely in an organized manner when contacted by antisocial forces.

**(2) Systems for properly preserving and managing information related to execution of duties by Directors**

- The Directors 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 shall also properly prepare, preserve and manage other documents, books and records pertaining to the duties of Employees, etc. in accordance with the “Basic Rules of Document Management and Retention.”

**(3) Rules and other systems regarding risk management for loss**

- Basic matters relating to risk management shall be stipulated in the “Renesas Electronics Group Rules for Risk and Crisis Management,” and the Directors shall establish and maintain a risk management framework in accordance with these rules.
- Each Executive Officer and division manager responsible for classified risks shall strive to minimize loss by developing prevention measures against risk materialization and by developing countermeasures in the case of risk materialization.
- When a risk materializes, the Executive Officers shall, depending on the materiality of such risk, establish an appropriate organization chaired by themselves and implement appropriate measures in accordance with the “Renesas Electronics Group Rules for Risk and Crisis Management.”

**(4) Systems for ensuring efficient execution of duties by Directors**

- The Directors shall hold an ordinary meeting of the Board of Directors regularly once every three months and extraordinary meetings as needed for the sake of quick decision-making.
- The Directors shall adopt an executive officer system, shall make prompt decisions on important management issues at meetings of the Board of Directors, and shall supervise the execution of duties by the Executive Officers. In addition, important issues for the Company’s management on the agenda of the Board of Directors shall be discussed at meetings of the Executive Committee prior to meetings of the Board of Directors in order to enhance the deliberations by the Board of Directors.
- The Directors shall determine the management plans and annual and semiannual budgets at meetings of the Board of Directors, and supervise the execution status thereof.
- The Executive Officers (including Executive Officers who also act as Directors) shall make quick decisions for business operations by transferring their authorities to the General Managers or other employees. The Executive Officers, the General Managers, and other employees shall execute their authority properly and efficiently in accordance with the “Basic Rules of Ringi Approval.”
- The Executive Officers (including Executive Officers who also act as Directors) shall execute their duties flexibly and efficiently in accordance with office routine regulations determined at meetings of the Board of Directors, and shall periodically confirm the status of execution of the management plans and budgets determined at meetings of the Board of Directors.

**(5) Systems to ensure appropriate operation of the corporate group**

- The Directors shall guide and support the Company's subsidiaries in establishing a Group-wide compliance system in accordance with the "Renesas Electronics Group CSR Charter," "Renesas Electronics Group Code of Conduct" and "Renesas Electronics Group Rules for Compliance Management."
- The Directors shall constantly oversee, guide and support the Company's subsidiaries through the responsible divisions, and periodically receive reports on matters relating to the execution of duties by Directors of the Company's subsidiaries, in accordance with the "Basic Rules for Operation and Management of Affiliate Companies."
- The Directors shall, through a division responsible for risk management, have the subsidiaries establish rules for risk and crisis management, and make contact lists and action plans in the event of an emergency.
- The Directors shall have the Internal Audit Office audit the Renesas Electronics Group, establish internal auditing divisions at principal subsidiaries or assign internal auditing staff, and have them cooperate with the Internal Audit Office and the subsidiaries' own Corporate Auditors to ensure Group-wide appropriate operations.

**(6) Matters relating to employees assigned to assist Corporate Auditors and independence etc. of such employees from Directors**

- The Directors shall establish the Corporate Auditors Department composed of specialized staff for the purpose of assisting the Corporate Auditors' audit activities. Any evaluation, personnel transfer, reprimand or the like of such specialized staff shall require prior consultation with the full-time Corporate Auditor, and such staff shall not be subject to the direction or supervision by Directors with respect to duties of assisting the Corporate Auditors.

**(7) Systems for Employees, etc. of the Renesas Electronics Group and Corporate Auditors of the Company's subsidiaries etc. to report to Corporate Auditors**

- Employees, etc. of the Renesas Electronics Group shall, upon request of the Corporate Auditors, report to the Corporate Auditors at any time on matters such as the status of execution of their duties.

**(8) Other systems necessary to ensure effective auditing by Corporate Auditors**

- The Corporate Auditors may attend meetings of the Board of Directors and important meetings of the Company as they deem necessary. Furthermore, the Directors shall guarantee the right of Corporate Auditors to access important corporate information.
- In principle, the Corporate Auditors shall hold meetings of the Board of Corporate Auditors once every three months to exchange information and deliberate on the status of audits and related matters. The Corporate Auditors shall also receive regular reports from the Accounting Auditors on their audit activities and shall exchange opinions thereon.

**Consolidated Financial Statements**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(As of December 31, 2022)**

(In millions of yen)

Accounts	Amount	Accounts	Amount
Assets		Liabilities	
<b>Current assets</b>	<b>715,119</b>	<b>Current liabilities</b>	<b>525,473</b>
Cash and cash equivalents	336,068	Trade and other payables	222,941
Trade and other receivables	162,623	Bonds and borrowings	120,005
Inventories	187,958	Other current financial liabilities	13,838
Other current financial assets	6,688	Income taxes payable	79,025
Income taxes receivable	4,462	Provisions	8,099
Other current assets	17,320	Other current liabilities	81,565
<b>Non-current assets</b>	<b>2,097,153</b>	<b>Non-current liabilities</b>	<b>749,321</b>
Property, plant and equipment	208,042	Trade and other payables	3,382
Goodwill	1,265,457	Bonds and borrowings	635,738
Intangible assets	487,438	Other non-current financial liabilities	11,301
Other non-current financial assets	84,149	Income taxes payable	2,551
Deferred tax assets	37,876	Retirement benefit liability	24,102
Other non-current assets	14,191	Provisions	3,289
		Deferred tax liabilities	63,523
		Other non-current liabilities	5,435
		<b>Total liabilities</b>	<b>1,274,794</b>
		Equity	
		Share capital	153,209
		Capital surplus	348,446
		Retained earnings	828,599
		Treasury shares	(192,171)
		Other components of equity	395,667
		<b>Total equity attributable to owners of parent</b>	<b>1,533,750</b>
		<b>Non-controlling interests</b>	<b>3,728</b>
		<b>Total equity</b>	<b>1,537,478</b>
<b>Total assets</b>	<b>2,812,272</b>	<b>Total liabilities and equity</b>	<b>2,812,272</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
(The Year Ended December 31, 2022)

(In millions of yen)

Accounts	Amount
<b><u>Revenue</u></b>	<b><u>1,500,853</u></b>
Cost of sales	(646,864)
<b><u>Gross profit</u></b>	<b><u>853,989</u></b>
Selling, general and administrative expenses	(426,861)
Other income	17,677
Other expenses	(20,635)
<b><u>Operating profit</u></b>	<b><u>424,170</u></b>
Finance income	1,409
Finance costs	(63,280)
<b><u>Profit before tax</u></b>	<b><u>362,299</u></b>
Income tax expense	(105,512)
<b><u>Profit for the year</u></b>	<b><u>256,787</u></b>
<b><u>Profit for the year attributable to</u></b>	
Owners of parent	256,632
Non-controlling interests	155
<b><u>Profit for the year</u></b>	<b><u>256,787</u></b>

(Translation)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(The Year Ended December 31, 2022)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2022	147,133	337,989	570,292	(11)	13,270	—	(1,475)
Profit			256,632				
Other comprehensive income						1,913	(130)
Total comprehensive income			256,632			1,913	(130)
Issuance of new shares	6,076	6,040					
Purchase and disposal of treasury shares		(442)		(192,160)			
Share-based payment transactions		4,859			(6,277)		
Transfer to retained earnings			1,675		609	(1,913)	(371)
Total transactions with owners	6,076	10,457	1,675	(192,160)	(5,668)	(1,913)	(371)
Balance as of December 31, 2022	153,209	348,446	828,599	(192,171)	7,602	—	(1,976)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Other components of equity			Total equity attributable to owners of parent		
		Cash flow hedges	Cost of hedges	Total other components of equity			
Balance as of January 1, 2022	83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398
Profit				—	256,632	155	256,787
Other comprehensive income	312,451	(11,946)	6,653	308,941	308,941	256	309,197
Total comprehensive income	312,451	(11,946)	6,653	308,941	565,573	411	565,984
Issuance of new shares				—	12,116		12,116
Purchase and disposal of treasury shares				—	(192,602)		(192,602)
Share-based payment transactions				(6,277)	(1,418)		(1,418)
Transfer to retained earnings				(1,675)	—		—
Total transactions with owners	—	—	—	(7,952)	(181,904)	—	(181,904)
Balance as of December 31, 2022	395,905	(12,364)	6,500	395,667	1,533,750	3,728	1,537,478

(Note) As stated in “Other Notes 4. Business Combinations,” provisional accounting treatment for business combinations has been finalized, and balances as of January 1, 2022 have been retrospectively adjusted.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Notes to Basis of Consolidated Financial Statements

#### 1. Basis for Preparation

Renesas Electronics Corporation (hereafter “the Company”) and its subsidiaries (hereafter “the Group”) prepare the notes to consolidated financial statements in accordance with the International Financial Reporting Standards (hereafter “IFRS”) pursuant to Article 120, paragraph 1 of the Regulation on Corporate Accounting. The Group adopts the provision to Article 120, paragraph 1 of the Regulation on Corporate Accounting and omits certain disclosures required by IFRS in the notes to consolidated financial statements.

#### 2. Scope of Consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 104

The names of major subsidiaries:

Names of the major consolidated subsidiaries are listed on “Overview of Group Operations, Principal Subsidiaries (as of December 31, 2022)” in the Business Report and omitted in this part.  
(Number of subsidiaries decreased mainly due to liquidation: 13)

Integrated Device Technology Ireland Holding, Ltd and other 12 companies.  
(Number of subsidiaries increased mainly due to acquisitions: 3)

Steradian Semiconductors Private Limited (hereafter “Steradian”) and other 2 companies.

#### 3. Application of Equity Method

There are no affiliates accounted for by the equity method.

#### 4. Significant Accounting Policies

##### (1) 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 or otherwise classified as financial assets measured at fair value.

- 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  
Of financial assets measured at amortized cost, or financial assets other than debt 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.

(b) Impairment of financial assets

For impairment of financial assets measured at amortized cost, the Group has decided to recognize an allowance for expected credit losses of financial assets. On each reporting date, the Group assesses whether the credit losses of the financial instruments have increased significantly subsequent to the initial recognition.

If the credit losses of the financial instruments have not increased significantly after the initial recognition, the allowance for credit losses of the financial instruments is measured at the amount of 12-month expected credit losses, and if the credit losses of the financial instruments have increased significantly after the initial recognition, the allowance for credit losses of the financial instruments is measured at the amount of lifetime expected credit losses.

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

(c) 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) Derecognition

The Group derecognizes financial liabilities when they are extinguished, for example when their 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, etc. 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.

(i) 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 instruments, 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.

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

Changes in fair value are recognized in profit or loss.

(2) 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.

(3) 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 estimates 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.

(4) Goodwill and intangible assets

a. Goodwill

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. Goodwill is not amortized and is presented at cost, less any accumulated impairment losses.

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.

Intangible assets acquired separately are measured at cost at the time of initial recognition and intangible assets acquired in a business combination are measured at fair value as of the date of acquisition.

Internally generated intangible assets are amortized using the straight-line method from the time when they are provided for use in business operations based on an estimated useful life (5 years) that is expected to provide net cash inflow.

Intangible assets with finite useful lives are amortized over their respective estimated useful life using the straight-line method, etc. 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, and if there is a change, it is applied to the period when the estimates are changed and future periods prospectively as a change in the accounting estimate.

Intangible assets with indefinite useful lives 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 and whenever any indication of impairment exists.

(5) Leases

The leased assets for the Group are land, office building, and machinery, equipment and vehicles.

The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The right-of-use assets are measured at the initial measurement of the lease liabilities, adjusted by items such as prepaid lease payments, adding costs to be incurred by the lessee in restoring the underlying assets to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated over the lease term on a systemic basis.

Lease payments are apportioned between finance costs and repayments of lease liabilities so as to produce a constant interest rate in proportion to the remaining balance of lease liabilities. Finance costs are separately presented from the depreciation charge for the right-of-use assets in the consolidated statement of profit or loss.

In addition, lease payments for lease transactions with lease term under 12 months and leases of small-value assets are recognized as expense over the lease term on a straight-line basis.

(6) Impairment of non-financial assets

The Company determines whether there is any indication that assets (except for inventories, deferred tax assets and assets pertaining to retirement benefits) 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 lives or that are not yet available for use, an impairment test is performed at a certain time each fiscal year 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, cash-generating units or groups of 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, cash-generating units or groups of 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 depreciation or amortization. The impairment loss on goodwill is not reversed.

(7) Provisions

The Company 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 are recognized as a finance cost.

(8) 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, 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.

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.

(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 plan 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 by setting the discount period 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 obligations 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 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.

(9) Foreign currency translation

a. 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.

b. Foreign operations

In preparing the consolidated financial statements, the assets and liabilities of a foreign operation whose functional currency is other than Japanese yen 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. 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.

Exchange differences arising from 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.

(10) 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 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 for refund liabilities related to the stock rotation program on a quarterly basis and deduct the same amount from revenue.

(11) Other significant accounting policies

a. Adoption of consolidated taxation system

The Company and its subsidiaries in Japan adopt the consolidated taxation system.

### **Additional Information**

In preparing the consolidated financial statements, management of the Group makes judgments, accounting estimates and assumptions that impacted 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.

The Group reflects the impact of COVID-19 to estimates and assumptions (impairment test of goodwill and collectability of deferred tax assets, etc.), which are based on information available and believes to be reasonable at the moment.

These estimates and assumptions may be affected depending on the future situations of the spread of COVID-19.

### **Notes to Consolidated Statement of Financial Position**

#### **1. Assets pledged as collateral and secured liabilities**

(Assets pledged as collateral)

	(In millions of yen)
Buildings and structures	30,844
Machinery and equipment	38,912
Land	16,264
Total	86,020

(Note) Other than the above, the share of subsidiary (638,841 million yen) which has been eliminated in consolidation was provided as collateral.

(Secured liabilities)

	(In millions of yen)
Current portion of long-term borrowings	120,001
Long-term borrowings	457,149
Total	577,150

**2. Accumulated Depreciation of Property, Plant and Equipment:** 873,853 million yen

(Including accumulated impairment losses of property, plant and equipment)

**3. Guarantees:**

Guarantees for employees' housing loans: 11 million yen

**4. Other:**

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, investigation by regulatory authorities and other legal proceedings in various countries. The Group has recorded provision for loss on litigation in accordance with what can be reasonably estimated for the cases below.

The Group's subsidiary has been named as a defendant in a civil lawsuit in the United States related to the alleged patent infringement and trade secret violation.

The Group was named in the United Kingdom as a defendant in civil lawsuits related to possible violations of competition law involving smartcard chips brought by purchasers of such products. Supreme Court of the United Kingdom has made a decision not to allow an appeal regarding the lower court judgment to dismiss the claim.

The Group's subsidiary in Taiwan may be subject to requests for restitution for environmental pollution associated with a factory in Taiwan owned by the subsidiary's predecessor company.

**Notes to Consolidated Statement of Changes in Equity**

## 1. The type and total number of shares issued and outstanding as of December 31, 2022

Common stock 1,958,454,023 shares

## 2. The type and number of shares to be acquired upon exercise of the stock options (excluding share acquisition rights of which the commencement date of exercise period has not yet arrived) as of December 31, 2022

Common stock 15,220,200 shares

**Notes to Financial Instruments****1. Situations of financial instruments**

## (1) Policies for Financial Instruments

Regarding fund operation, the Group uses only short-term deposits and financial assets which are relatively safe. Regarding financing, the Group uses mainly borrowings from banks. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates



and interest payments. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

(2) Contents and Risks of Financial Instruments and 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, etc. and takes measures to avoid or reduce the risks as required.

The Group does not engage in derivative transactions for speculative purposes.

(3) Credit risk

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, etc. 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.

(4) 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.

(5) Market risk

(a) Foreign currency exchange risk

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 currency options and currency swaps.

(b) Interest rate risk

Although the Group raises funds mainly through borrowings 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 borrowings are mainly 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. 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 the 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 are immaterial.

## 2. Fair value of financial instruments

(1) Calculation method of fair value

The calculation method of the fair value of financial instruments is as follows.

(a) Cash and cash equivalents, 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), etc. and classified as Level 3.

(d) 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.

(e) Derivative transactions

The fair value of forward exchange contracts, currency options and currency swaps are calculated based on the price, etc. provide by customers' financial institutions and classified as Level 2. In addition, derivative transactions measured using unobservable inputs are classified as Level 3.

## (f) Bonds

The fair value of bonds is calculated by referring to a market price and classified as Level 2.

## (g) Contingent consideration

The fair value of the contingent consideration is calculated as the present value of the payments in future using appropriate valuation methods with consideration of the probability of occurrence and classified as Level 3.

## (h) 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.

## (2) 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 other than quoted prices included within Level 1 that are observable, either directly or indirectly

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.

There is no transfer between the levels.

## (a) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows. Other payables are included in "Trade and other payables" in the consolidated statement of financial position. Financial instruments measured at fair value, financial instruments whose carrying amount closely approximates fair value and lease liabilities are not included in the table below.

(In millions of yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowings	577,154	—	575,563	—	575,563
Bonds	178,589	—	178,589	—	178,589
Other payables	41,206	—	40,941	—	40,941
Total	796,949	—	795,093	—	795,093

## (b) Financial instruments measured at fair value

A breakdown of financial assets and financial liabilities measured at fair value on a recurring basis by level of the fair value hierarchy is as follows.

Investment trust and unlisted securities are included in “Other financial assets” in the consolidated statement of financial position.

(In millions of yen)

	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	21,945	—	21,945
Investment trust	5,900	—	—	5,900
Unlisted securities	—	—	4,134	4,134
Equity instruments measured at fair value through other comprehensive income				
Listed securities	1,091	—	—	1,091
Unlisted securities	—	—	5,524	5,524
Total	6,991	21,945	9,658	38,594
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	8,342	—	8,342
Contingent consideration (Note)	—	—	2,528	2,528
Total	—	8,342	2,528	10,870

(Note) For details, please refer to “Other Notes 4. Business Combinations.”

(3) Changes in financial assets and financial liabilities that are classified as Level 3 are as follows.

(In millions of yen)

	Financial assets	Financial liabilities
Beginning balance	8,599	4,681
Total gains or losses in the period	(616)	(1,348)
Profit or loss (Note1, 3)	(2,745)	(1,348)
Other comprehensive income (Note 2)	2,129	—
Purchases	2,638	—
Settlement	—	(2,205)
Transfer to Level 1	(120)	—
Acquisition due to business combination	—	1,400
Changes due to changes in the scope of consolidation	(843)	—
Ending balance	9,658	2,528

(Note 1) This is for financial assets measured at fair value through profit or loss and included in finance income and finance costs in the consolidated statement of profit or loss.

(Note 2) This is for equity instruments measured at fair value through other comprehensive income and presented in “Equity instruments measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

(Note 3) This is for financial liabilities measured at fair value through profit or loss and included in finance income and finance costs in the consolidated statement of profit or loss.

(Note 4) Financial instruments that are classified as Level 3 consist of unlisted securities and contingent consideration for acquisitions. 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. 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. The measurement results of the fair value are reviewed and approved by an appropriate authorized person. Since these estimates are uncertain, fair value may increase if significant non-observable development milestones become more likely to be achieved

### **Notes to Per Share Information**

Equity attributable to owners per share:	853.52 yen
Basic earnings per share:	137.67 yen

### **Notes to Significant Subsequent Events**

(Acquisition of and Tender Offer for Treasury Shares)

The Company has resolved at the Meeting of Board of Directors dated February 9, 2023, to authorize an acquisition of its own shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the provisions of its Articles of Incorporation and conduct a tender offer to acquire treasury shares (hereafter the “Tender Offer”) as the specific acquisition method as follows.

(1) Purposes of Tender Offer

The Company concluded, in the middle of December 2022, that the Company's financial structure was robust enough to conduct an additional measure, following the tender offer for treasury shares with a purchase period from April 28, 2022 to May 31, 2022 (hereafter the "2022 Tender Offer"), for returning profits to shareholders and decided to specifically consider whether or not, when, how and the extent to which it would implement the further acquisition of its treasury shares for the purpose of returning profits to shareholders and improving capital efficiency. On the other hand, as stated above, INCJ, Ltd. (hereafter "INCJ"), needs to divest all of its shares of the Company's common stock in the future and therefore, after the implementation of the 2022 Tender Offer, the Company continued to discuss with INCJ the method, timing, etc. of divestments of the shares of the Company's common stock owned by INCJ and was aware that INCJ had the intention to further divest its shares of the Company's common stock. As a method of it, in light of the following points, the Company believed that purchasing a part of the shares of the Company's common stock owned by INCJ at a price discounted from the market price through a tender offer would be the reasonable option for the Company and its shareholders in order to return profits to shareholders.

Regarding the specific acquisition method of its treasury shares, as a result of consideration of equality among shareholders, the transparency of transactions, the likelihood of being able to acquire the intended number of shares of common stock of the Company from INCJ, the possibility to curb the amount of funds required to acquire treasury stock, etc., the Company has determined that a tender offer is the most appropriate method.

Regarding the calculation of the purchase price per share in the Tender Offer (the "Tender Offer Price"), the Company believed that priority should be given to the market price of the shares of its common stock, because the Company's common stock is listed on a financial instruments exchange and the basis for calculating the Tender Offer Price should be clear and objective. In addition, by setting a certain discount rate, the Company believe that it will improve the likelihood of acquiring common stock of the Company from INCJ and curb the funds required for the acquisition of treasury stock.

After that, as a result of discussions with INCJ, the Company entered into the Tender Agreement with INCJ on February 9, 2023 by which INCJ will tender 40,000,000 shares (ownership ratio: 2.23%) of the Company's common stock owned by INCJ through the Tender Offer. As of February 9, 2023, INCJ is the largest shareholder among other major shareholders of the Company, and even if the INCJ Tendering Shares are tendered in the Tender Offer and the Company purchases all such INCJ Tendering Shares, the largest shareholder among other major shareholders is not expected to change.

The Company has not decided on the policy of disposing of the treasury shares acquired through the Tender Offer.

- (2) Resolution of the Meeting of the Board of Directors on the Acquisition of Treasury Shares
- |   |  |
|---|--|
| a. Class of shares to be acquired:        | Common stock                             |
| b. Total number of shares to be acquired: | 40,453,174 shares (upper limit)          |
| c. Total acquisition price:               | 50,000,123,064 yen (upper limit)         |
| d. Acquisition period:                    | From February 10, 2023 to April 28, 2023 |
- (3) Outline of the Tender Offer
- |   |  |
|---|--|
| a. Number of shares to be purchased:                      | 40,453,074 shares                        |
| b. Price of purchase:                                     | 1,236 yen per share of common stock      |
| c. Period of Tender Offer:                                | From February 10, 2023 to March 10, 2023 |
| d. Date of public notice of commencement of tender offer: | February 10, 2023                        |
| e. Commencement date of settlement:                       | April 4, 2023                            |

### **Other Notes**

#### **1. Gain on sale of property, plant and equipment**

Gain on sales of property, plant and equipment for the year ended December 31, 2022 is mainly due to the sale of Yamaguchi Factory (Ube, Yamaguchi Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, which completed consolidation on June 30, 2022, and is included in “Other income” in the consolidated statement of profit or loss.

#### **2. Business restructuring expenses**

The Group has reformed its businesses and structures of production to strengthen its financial basis. The related expenses included personnel expenses such as additional retirement benefits and expenses related to disposition of property, plant and equipment associated with consolidating the operating bases, and are recognized as business restructuring expenses.

Business restructuring expenses are included in “Other expenses” in the consolidated statement of profit or loss.

#### **3. Impairment Losses**

For the year ended December 31, 2022, impairment losses are mainly recognized in certain in-process research and development projects assets that are discontinued, and included in “Other expenses” in the consolidated statement of profit or loss.

The components of assets for which the impairment losses are recorded are as follows.

	(In millions of yen)
	The year ended December 31, 2022
Property, plant and equipment	1,026
Intangible assets	7,007
Total	8,033

#### 4. Business Combinations

Business combinations that occurred during the year ended December 31, 2022 are as follows. Immaterial business combinations are not included in this disclosure.

(Dialog Semiconductor Plc)

As of December 31, 2021, 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, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

Fair value of assets acquired and liabilities assumed on the acquisition date (August 31, 2021)

	(In millions of yen)
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 1)	519,618
Inventories	316
Property, plant and equipment	(2,531)
Intangible assets (Note 2)	(146,963)
Other (Non-current assets)	(125)
Other (Current liabilities)	(1,458)
Other financial liabilities	345
Deferred tax liabilities	29,731
Other (Non-current liabilities)	(763)
Total adjustments	(121,448)
Goodwill (after adjustment) (Note 1)	398,170

(Note 1) Goodwill reflects future excess earning power expected from synergies between the Company and Dialog Semiconductor Plc. No amount of goodwill is expected to be deductible for tax purposes.

(Note 2) The amount allocated to intangible assets is mainly developed technology, and the fair value of such intangible assets is measured using the excess earnings method based on assumptions such as future business plans and discount rates.

Due to the finalization of this provisional accounting treatment, the beginning balance of retained earnings after retrospective adjustment in the Consolidated Statement of Changes in Equity for the year ended December 31, 2022 has decreased by 7,725 million yen.

(Celeno Communications Inc.)

As of December 31, 2021, 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, 2022, 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 year ended December 31, 2022.



Fair value of assets acquired and liabilities assumed on the acquisition date (December 20, 2021)

(In millions of yen)	
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	34,193
Inventories	166
Intangible assets	(18,644)
Deferred tax liabilities	409
Adjustment in consideration for the acquisition (Cash)	26
Total adjustments	(18,043)
Goodwill (after adjustment) (Note)	16,150

(Note) Goodwill reflects future excess earning power expected from synergies between the Company and Celeno Communications Inc. (hereafter "Celeno"). No amount of goodwill is expected to be deductible for tax purposes.

In addition, the impact of the revision on the beginning balance of retained earnings in the Consolidated Statement of Changes in Equity for the year ended December 31, 2022 is immaterial.

Contingent consideration includes \$45 million 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)	
	The year ended December 31, 2022
Beginning balance	4,681
Settlement	(2,205)
Changes in fair value	(2,201)
Exchange differences	990
Ending balance	1,265

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 other than the time value of money is recorded in "other income" and "other expenses." For the year ended December 31, 2022, other income of 2,464 million yen and finance costs of 263 million yen were recorded for the change of fair value.

(Steradian Semiconductors Private Limited.)

a. Overview of business combination

On October 17, 2022, the Company has completed the acquisition of all shares of Steradian, a fabless semiconductor company providing 4D imaging radar solutions, a semiconductor company headquartered in Bengaluru, India. Following the completion of the acquisition, Steradian has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Steradian Semiconductors Private Limited.

Business overview: 4D imaging radar solutions.

2) Date of the acquisition

October 17, 2022.

3) Purpose of the acquisition

Headquartered in Bengaluru, India, Steradian is a start-up founded in 2016 and provides radar solutions that enable highly accurate object recognition and power efficiency in a small chip. Radar is a vital technology for ADAS (Advanced Driver Assistance Systems), which uses a complex combination of various sensors in vehicles to detect objects. Renesas plans to capitalize on the high growth opportunities the automotive radar market offers, by expanding its automotive product portfolio with Steradian's radar technology and extending its reach in the radar market.

The resulting automotive radar solutions will combine the new automotive radar products, Renesas' ADAS SoCs (System-on-Chips) for processing radar signals, power management ICs (PMICs), and timing products together with software for object recognition. Together, these solutions will simplify the design of automotive radar systems and contribute to faster product development.

The combination of Steradian's leading-edge radar technology and engineering talent will boost Renesas' sensing solution offerings in a wide array of applications including industrial systems. Renesas will bring together the best possible device combination and software to meet the growing demand for sensor technology solutions and continue to make engineers' design work easier.

4) Acquisition Method

Acquisition of shares for cash consideration.

b. Consideration for the acquisition and its breakdown

Consideration	(In millions of yen) Amount
Cash	4,971
Fair value of equity interest held just prior to the acquisition date	843
Contingent consideration	1,207
Total	7,021

A

Expenses related to the acquisition were 345 million yen, which were recorded in “Selling, general and administrative expenses” for the year ended December 31, 2022.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In millions of yen)
		Date of acquisition (October 17, 2022)
Current assets		
Cash and cash equivalents		101
Trade and other receivables (Note 2)		2
Income taxes receivable		19
Other		51
Total current assets		<u>173</u>
Non-current assets		
Property, plant and equipment		19
Intangible assets		5
Deferred tax assets		2
Total non-current assets		<u>26</u>
Total assets		<u>199</u>
Current liabilities		
Trade and other payables		16
Income taxes payable		13
Other		739
Total current liabilities		<u>768</u>
Non-current liabilities		
Retirement benefit liability		5
Other		14
Total non-current liabilities		<u>19</u>
Total liabilities		<u>787</u>
Net assets	B	<u>(588)</u>
Goodwill (Note 3)	A-B	<u>7,609</u>

(Note 1) As of December 31, 2022, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Steradian.

(Note 2) The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

(Note 3) Goodwill reflects future excess earning power expected from synergies between the Company and Steradian. 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	4,971
Cash and cash equivalents held by the acquiree at the time of obtaining control	(101)
Amount of cash paid for the acquisition of subsidiaries (net amount)	4,870

The acquisition consideration may change due to price adjustments in response to changes in working capital.

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 Steradian 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, 2022 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2022, the revenue and profit of Steradian from the acquisition date to the year of December 31, 2022 had no significant impact in the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes \$11 million which will be paid when certain conditions 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)	
	The year ended December 31, 2022
Beginning balance	—
Increase due to the business combination	1,207
Exchange differences	(129)
Ending balance	1,078

h. Gain on step acquisitions

As a result of revaluing the equity interest (10.64%) of the acquired company held just prior to the acquisition date at fair value on the acquisition date, the Group recognized a gain on step acquisition of 447 million yen. The gain on step acquisition is recorded in Equity instruments measured at fair value through other comprehensive income in the Consolidated Statement of Comprehensive Income.

**5. Borrowings**

In April 2022, the Company had borrowed 50,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited. under a commitment line agreement dated January 15, 2019. In July 2022, the Company has fully repaid this borrowing.

In June 2022, the Company has entered into a term loan agreement dated June 28, 2022 (Loan amount: \$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.). As a result, the Company has borrowed a total of 47,096 million yen under these agreements on June 30, 2022.

**6. Issuance of New Shares**

Based on the resolution at the Board of Directors' meeting held on April 27, 2022, the Company conducted a tender offer to acquire its own shares and purchased 168,067,250 shares from April 28, 2022 to May 31, 2022. As a consequence, treasury shares increased by 200,000 million yen.

In addition, the number of treasury shares decreased by 6,581,664 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) for the year ended December 31, 2022. As a consequence, treasury shares decreased by 7,840 million yen.

As a result, the treasury shares was 192,171 million yen as of December 31, 2022.

**Non-consolidated Financial Statements****NON-CONSOLIDATED BALANCE SHEET**

(As of December 31, 2022)

(In millions of yen)

Accounts	Amount	Accounts	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>428,801</b>	<b>Current liabilities</b>	<b>896,798</b>
Cash and deposits	167,686	Electronically recorded obligations	5,164
Electronically recorded receivables	2,200	Accounts payable-trade	111,972
Accounts receivable-trade	117,520	Current portion of long-term borrowings	120,001
Finished goods	27,573	Lease obligations	27
Work in process	49,854	Accounts payable-other	41,184
Raw materials and supplies	3,776	Accrued expenses	26,529
Prepaid expenses	2,997	Income taxes payable	65,865
Accounts receivable-other	33,260	Contract liabilities	177
Other current assets	23,935	Advances received	623
<b>Non-current assets</b>	<b>2,123,938</b>	Deposits received	478,939
<b>Property, plant and equipment</b>	<b>118,758</b>	Provision for product warranties	86
Buildings	31,430	Provision for business restructuring	2
Structures	3,777	Provision for contingent loss	1,098
Machinery and equipment	43,224	Provision for share-based payments	8,643
Vehicles	219	Other current liabilities	36,489
Tools, furniture and fixtures	15,990	<b>Non-current liabilities</b>	<b>716,060</b>
Land	18,966	Bonds	154,359
Construction in progress	5,153	Long-term borrowings	536,387
<b>Intangible assets</b>	<b>7,809</b>	Lease obligations	51
Software	6,943	Provision for retirement benefits	11,945
Other intangible assets	866	Provision for share-based payments	6,852
<b>Investments and other assets</b>	<b>1,997,371</b>	Asset retirement obligations	1,801
Investment securities	2,807	Other liabilities	4,666
Shares of subsidiaries and affiliates	1,902,877	<b>Total liabilities</b>	<b>1,612,858</b>
Long-term prepaid expenses	24,939	Net assets	
Prepaid pension costs	13,536	<b>Shareholders' equity</b>	<b>932,612</b>
Deferred tax assets	20,155	<b>Share capital</b>	<b>153,209</b>
Other assets	33,057	<b>Capital surplus</b>	<b>349,851</b>
Allowance for doubtful accounts	(0)	Legal capital surplus	143,209
<b>Deferred assets</b>	<b>556</b>	Other capital surplus	206,642
Bond issuance costs	556	<b>Retained earnings</b>	<b>621,723</b>
		Other retained earnings	621,723
		Retained earnings brought forward	621,723
		<b>Treasury shares</b>	<b>(192,171)</b>
		<b>Valuation and translation adjustments</b>	<b>223</b>
		Valuation difference on available-for-sale securities	(1)
		Deferred gains or losses on hedges	224
		<b>Share acquisition rights</b>	<b>7,602</b>
<b>Total assets</b>	<b>2,553,295</b>	<b>Total net assets</b>	<b>940,437</b>
		<b>Total liabilities and net assets</b>	<b>2,553,295</b>

**NON-CONSOLIDATED STATEMENT OF OPERATIONS**  
(The Year Ended December 31, 2022)

(In millions of yen)

Accounts	Amount
<b>Net sales</b>	<b>1,075,144</b>
Cost of sales	559,947
<b>Gross profit</b>	<b>515,196</b>
Selling, general and administrative expenses	164,206
<b>Operating income</b>	<b>350,991</b>
<b>Non-operating income</b>	<b>2,259</b>
Interest income	243
Dividend income	1,097
Other non-operating income	919
<b>Non-operating expenses</b>	<b>73,765</b>
Interest expenses	16,119
Foreign exchange losses	55,869
Other non-operating expenses	1,777
<b>Ordinary income</b>	<b>279,485</b>
<b>Extraordinary income</b>	<b>10,218</b>
Gain on sales of non-current assets	9,328
Other extraordinary income	890
<b>Extraordinary losses</b>	<b>1,337</b>
Business restructuring expenses	1,009
Other extraordinary losses	328
<b>Income before income taxes</b>	<b>288,365</b>
Income taxes-current	78,809
Income taxes-deferred	(3,091)
<b>Net income</b>	<b>212,647</b>

**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**(The Year Ended December 31, 2022)**

(In millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward		
Balance at the beginning of period	147,133	137,133	207,061	344,194	409,076	(11)	900,391
Changes during period							
Issuance of new shares	6,076	6,076		6,076			12,153
Net income					212,647		212,647
Purchase of treasury shares						(200,000)	(200,000)
Disposal of treasury shares			(419)	(419)		7,840	7,420
Net changes in items other than shareholders' equity							
Total changes during period	6,076	6,076	(419)	5,657	212,647	(192,160)	32,221
Balance at end of period	153,209	143,209	206,642	349,851	621,723	(192,171)	932,612

	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 the beginning of period	-	(360)	(360)	13,270	913,301
Changes during period					
Issuance of new shares					12,153
Net income					212,647
Purchase of treasury shares					(200,000)
Disposal of treasury shares					7,420
Net changes in items other than shareholders' equity	(1)	584	583	(5,667)	(5,085)
Total changes during period	(1)	584	583	(5,667)	27,136
Balance at end of period	(1)	224	223	7,602	940,437



## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

All figures are rounded to the nearest 1 million yen.

### **Notes to Significant Accounting Policies**

#### **1. Valuation Methods for 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 and Amortization Method for Non-current assets**

##### 1) Property, plant and equipment other than leased assets

Depreciated by the straight-line method

##### 2) Intangible assets

Amortized by the straight-line method

##### 3) Leased assets

- Leased assets under finance leases under which the ownership of the assets is transferred to the lessee

Depreciated in the same way as self-owned Non-current assets.

- Leased assets under finance leases other than those under which ownership of the assets is transferred to the lessee

Amortized by the straight-line method over the lease term, assuming no residual value.

- 4) Long-term prepaid expenses  
Amortized by straight-line method, etc.

### **3. Treatment of Deferred assets**

Bond issuance costs are amortized over the period until the bonds are redeemed using the straight-line method.

### **4. Basis of Allowances and Provisions**

#### 1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experiences for normal receivables and on an individual estimate of the collectability for receivables from companies in financial difficulty.

#### 2) Provision for retirement benefits

Provision for retirement benefits or prepaid pension costs is recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end.

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods. The amortization starts from the following year of the gains and losses recognized.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods.

#### 3) Provision for products warranties

The Company accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.

#### 4) Provision for loss on guarantees

Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Company has taken into account for the deterioration of financial conditions.

#### 5) Provision for business restructuring

Provision for business restructuring is made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.

#### 6) Provision for contingent loss

In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when a provision is made at the reasonably estimated amount with a consideration of individual risks associated with each contingency.

7) Provision for sales rebates

The Company records estimated amount of rebate calculated based on the actual rebate rate, etc. as provision for sales rebates in order to prepare for the expenditure of the future sales rebates.

8) Provision for share-based payments

In order to prepare for the delivery of the Company's shares to directors, executive officers and employees based on rules of share delivery, the Company records provision for share-based payments based on the estimated amount of share delivery obligations at the end of the current fiscal year.

**5. Recognition criteria for revenue and expenses**

The Company 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 Company engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is mainly recognized 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 the Company records sales to the specific distributors, it accrues 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. The Company accrues for refund liabilities related to the stock rotation program on a quarterly basis and deduct the same amount from revenue.

## **6. Accounting Treatment for Retirement Benefits**

Accounting treatment for actuarial gains and losses and prior service costs differ from those applied in the consolidated financial statements.

## **7. Hedge Accounting Method**

### 1) Hedge accounting method

Hedging activities are accounted for under the deferred hedge method in principle. Currency swaps that meet the certain requirements for allocation, the allocation treatment is applied. Interest rate and Currency swaps that meet the certain requirements for the unified method (the special treatment and the allocation treatment), the unified method is applied.

### 2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, Currency options, Currency swaps, Interest rate and Currency swap

Hedged items: Forecasted transaction in foreign currency, Bonds in foreign currency, Borrowings in

### 3) Hedging policy

Based on the Group's internal rules, the Company enters hedge transactions to reduce the foreign exchange risks associated with the hedged items.

### 4) Assessment of hedge effectiveness

The effectiveness of the hedging is evaluated by comparing the accumulated cash flow of the hedging instruments with that of the hedged items.

Since currency swaps meet the requirements for the allocation method, and interest rate and currency swaps meet the requirements for the unified method, the effectiveness evaluation is omitted.

## **8. Adoption of Consolidated Taxation System**

Consolidated taxation system is adopted.

The Company has not applied the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set forth in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 issued March 31, 2020) to the items for which the non-consolidated taxation system was revised in line with the shift from the consolidated taxation system to the group tax sharing system, which was created under "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and posted the amounts of deferred tax assets and deferred tax liabilities based on the provisions of tax laws before the revision.

## **Notes to Changes in Accounting Policies**

### **1. Application of Accounting Standard for Revenue Recognition**

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended December 31, 2022, and it recognizes revenue when the control of promised goods or services is transferred to the customer at the amount expected to be received in exchange for the goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment set out in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The application has no impact on profit or loss and beginning balance of retained earnings of the year ended December 31, 2022.

In addition, of "Advance received," which was included in "Current liabilities" in the Non-consolidated balance sheet as of December 31, 2021, the portion related to the Accounting Standard for Revenue Recognition and "Unearned revenue" are presented in "Contract liabilities" in the Non-consolidated balance sheet as of December 31, 2022. "Provision for sales rebates" is recorded as refund liability. "Other current liabilities" in "Current liabilities" includes 25,296 million yen of refund liability.

The impact on the Non-consolidated statement of operations for the year ended December 31, 2022 is immaterial.

### **2. Application of the Accounting Standard for Fair Value Measurement**

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the year ended December 31, 2022, and it applies the new accounting policies set forth in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the Non-consolidated financial statements.

## **Additional Information**

In preparing the Non-consolidated financial statements, management of the Company makes judgments, accounting estimates and assumptions that impacted 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.

The Company reflects the impact of COVID-19 to estimates and assumptions (collectability of deferred tax assets, etc.), which are based on information available and believes to be reasonable at the moment.

These estimates and assumptions may be affected depending on the future situations of the spread of COVID-19.

## **Notes to Balance Sheet**

### **1. Assets Pledged as Collateral and Secured liabilities**

#### (1) Assets pledged as collateral

	(In millions of yen)	
Buildings	26,946	(26,946)
Structures	3,497	(3,497)
Machinery and equipment	38,912	(38,912)
Land	16,225	(16,163)
Shares of subsidiaries and affiliates	638,841	-
Total	724,420	(85,517)

#### (2) Secured liabilities

	(In millions of yen)	
Current portion for long-term borrowings	120,001	(120,001)
Long-term borrowings	459,421	(459,421)
Total	579,422	(579,422)

\* Amounts in parenthesis represent assets pledged as collateral and secured liabilities related to factory properties.

### **2. Accumulated Depreciation of Property, Plant and Equipment: 637,002 million yen**

### **3. Accumulated Impairment Losses of Property, Plant and Equipment:**

Accumulated impairment losses are included in accumulated depreciation of property, plant and equipment.

### **4. Guarantees:**

#### Liabilities for Guarantee

Loan of affiliated companies	72,602 million yen
Guarantees for employees' housing loans	11 million yen

### **5. Monetary Receivables from and Payables to Affiliated Companies:**

Short-term receivable	141,558 million yen
Short-term payable	547,615 million yen
Long-term payable	76,966 million yen

**Notes to Statement of Operations****1. Transactions with Affiliated Companies:**

Amounts of operating transactions	
Net sales	613,295 million yen
Purchases	432,397 million yen
Amounts of non-operating transactions	
	11,818 million yen

**2. Gain on sales of property, plant and equipment**

Gain on sales of property, plant and equipment for the year ended December 31, 2022 is mainly due to the sale of Yamaguchi Factory.

**3. Business Restructuring Expenses**

The Company has continuously reformed its businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business restructuring expenses.

The details of business restructuring expenses (1,009 million yen) are as follows:

	(In millions of yen)
Impairment losses and expenses from the reformation of the operating bases	1,002
Other	7
Total	1,009

**Notes to Statement of Changes in Net Assets**

Type and Number of Treasury Shares as of December 31, 2022

Common Stock	161,488,167 shares
--------------	--------------------

**Notes to Tax-Effect Accounting**

Significant components of deferred tax assets were loss on valuation of shares of subsidiaries, operating loss carry forwards, and affiliates and others, in view of the possibility of recoverability the company has posted a valuation allowance for 32,687 million yen.

In addition, significant components of deferred tax liabilities were valuation difference of assets acquired by merger, prepaid pension costs, etc.

**Notes to Transactions with Related Parties**

Major corporate shareholders:

(In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance as of December 31, 2022
Major corporate shareholders	INCJ, Ltd.	(Owned) Direct 12.52% (*1)	—	Purchases of treasury shares (*2)	200,000	—	—

(\*1) Ratio of Share-Holding Owned is after acquisition of treasury shares.

(\*2) Based on the resolution of the Board of Directors held on April 27, 2022, the Company conducted a Tender Offer for its treasury shares during the period from April 28, 2022 to May 31, 2022.

## Subsidiaries, affiliates and others:

(In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (*3)	Account	Balance as of December 31, 2022
Subsidiary	Renesas Semiconductor Manufacturing Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products (*1)	123,698	Accounts payable-trade	12,031
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2)	–	Deposits received	189,186
Subsidiary	Renesas Electronics Europe GmbH	(Own) Direct 100.0 %	Sales of our products, Consignment of design and development	Sales of products (*1)	174,288	Accounts receivable-trade	32,045
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Sales of products (*1) Money deposited (*2)	173,013 –	Accounts receivable-trade Deposits received	30,409 25,919
Subsidiary	Renesas Electronics Singapore Pte. Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	–	Deposits received	31,507
Subsidiary	Dialog	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2) Liabilities for guarantee (*3)	– 53,080	Deposits received –	90,750 –
Subsidiary	Renesas International Operations Sdn. Bhd.	(Own) Indirect 100.0 %	Management of parts of consignment business of our Group companies	Purchases of products (*1)	110,410	Accounts payable-trade	9,622
Subsidiary	Intersil Luxembourg Sarl	(Own) Indirect 100.0 %	Management of sales companies	Money deposited (*2)	–	Deposits received	37,620
Subsidiary	Intersil Swiss Holding	(Own) Indirect 100.0 %	Management of sales companies	Money deposited (*2)	–	Deposits received	36,824
Subsidiary	Renesas Electronics (Penang) Sdn. Bhd.	(Own) Indirect 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2)	–	Long-term borrowings	26,540

Terms and conditions of transactions and policies on deciding terms and conditions

(\*1) Price and other transaction conditions were determined based on a price negotiation.

(\*2) Rate for money deposited from subsidiaries was determined by considering the market rate.

(\*3) Liabilities for guarantee are conducted in regard to consignment manufacturing of subsidiaries and general fund operation.



### **Notes to Per Share Information**

<b>Net assets per share:</b>	498.75 yen
<b>Net income per share:</b>	114.7 yen

### **Notes to Revenue Recognition**

Basic information for understanding revenue

Please refer to “Notes to Significant Accounting Policies 5. Recognition criteria for revenue and expenses.”

### **Notes to Significant Subsequent Events**

(Acquisition of and Tender Offer for Treasury Shares)

The Company has resolved at the Meeting of Board of Directors dated February 9, 2023, to authorize an acquisition of its own shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the provisions of its Articles of Incorporation and conduct a tender offer to acquire treasury shares as the specific acquisition method.

For details, please refer to “Consolidated Financial Statements,” “Notes to Significant Subsequent Events.”

### **Other Notes**

#### **1. Acquisition of Steradian**

On October 17, 2022, the Company made an acquisition of the entire issued share capital of Steradian, a semiconductor company headquartered in Bengaluru, India. Following the completion of the acquisition, Steradian has become a wholly-owned subsidiary of the Company.

For details, please refer to “Consolidated Financial Statements,” “Other Notes (4.Business Combinations).”

## **2. Borrowings**

In April 2022, the Company had borrowed 50,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited. under a commitment line agreement dated January 15, 2019. In July 2022, the Company has fully repaid this borrowing.

In June 2022, the Company has entered into a term loan agreement dated June 28, 2022 (Loan amount: \$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.). As a result, the Company has borrowed a total of 47,096 million yen under these agreements on June 30, 2022.

**Audit Report**  
**Independent Auditor's Report**  
**(English Translation\*)**

February 13, 2023

To the Board of Directors of Renesas Electronics Corporation

PricewaterhouseCoopers Aarata LLC  
Tokyo office

Hiroyuki Sawayama, CPA  
Designated limited liability partner  
Engagement partner

Hitoshi Kondo, CPA  
Designated limited liability partner  
Engagement partner

Satoshi Shimbo, CPA  
Designated limited liability partner  
Engagement partner

*Opinion*

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the consolidated financial statements, which comprise the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to the consolidated financial statements of Renesas Electronics Corporation (hereinafter referred to as the "Company") for the fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the consolidated financial statements of the Company and its consolidated subsidiaries (hereinafter referred to as the "Group") in accordance with the accounting standards prescribed in the provision of the second sentence of Article 120 (1) of the Regulation on Corporate Accounting (hereinafter referred to as the "Accounting Standards"), which permits the omission of some disclosure items required under Designated International Accounting Standards.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

The other information comprises the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Company's reporting process of the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

*Responsibilities of Management and The Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in

accordance with the Accounting Standards, which permits the omission of some disclosure items required under Designated International Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern based on the Accounting Standards, which permits the omission of some disclosure items required under Designated International Accounting Standards unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

The Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with the Accounting Standards, which permits the omission of some disclosure items required under Designated International Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the instruction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors and Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### *Interest required to be disclosed by the Certified Public Accountants Act of Japan*

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

---

#### \* Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

**Independent Auditor's Report  
(English Translation\*)**

February 13, 2023

To the Board of Directors of Renesas Electronics Corporation

PricewaterhouseCoopers Aarata LLC  
Tokyo office

Hiroyuki Sawayama, CPA  
Designated limited liability partner  
Engagement partner

Hitoshi Kondo, CPA  
Designated limited liability partner  
Engagement partner

Satoshi Shimbo, CPA  
Designated limited liability partner  
Engagement partner

*Opinion*

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, profit and loss statement, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of Renesas Electronics Corporation (hereinafter referred to as the "Company") for the 21<sup>st</sup> fiscal year from January 1, 2022 to December 31, 2022.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and the supplementary schedules in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

The other information comprises the business report and the supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Company's reporting process of the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

*Responsibilities of Management and The Corporate Auditors and Board of Corporate Auditors for the Financial Statements and the Supplementary Schedules*

Management is responsible for the preparation and fair presentation of the financial statements and the

supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules*

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements and the supplementary schedules are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Corporate Auditors and Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors and Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### *Interest required to be disclosed by the Certified Public Accountants Act of Japan*

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

---

\* Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

## Audit Report of Board of Corporate Auditors

The Board of Corporate Auditors prepared this audit report regarding the execution of duties by Directors for the 21st fiscal year from January 1, 2022 through December 31, 2022 after deliberations based on the audit reports from each Corporate Auditor, and reports as follows.

1. Methods and contents of Audits by the Corporate Auditors and Board of Corporate Auditors
  - (1) The Board of Corporate Auditors established auditing policies and plans and received reports from each Corporate Auditor on the implementation status and results of audits, as well as reports from Directors and the Accounting Auditor regarding the status of execution of their duties, and requested explanations as necessary.
  - (2) On the basis of the Board of Corporate Auditors Rules established by the Board of Corporate Auditors, and in accordance with auditing policies and plans, each Corporate Auditor sought mutual understanding with Directors, corporate officers, Internal Audit Department and other employees in their efforts to collect information and create an environment for audit by utilizing both in-person and remote method, and conducted audits as follows.
    1. Attended meetings of the Board of Directors and other important meetings, received reports from Directors, corporate officers and employees regarding performance of their duties, requested explanations as necessary, and inspected important documents regarding decisions and approvals made, and investigated the status of operations and financial position at the Group's head office and principal places of business. Also, regarding the subsidiaries, the Board of Corporate Auditors sought to achieve a mutual understanding and exchanged information with directors and corporate auditors of the subsidiaries, and, where necessary, received business reports from the subsidiaries.
    2. The Board of Corporate Auditors received periodic reports from the Directors, corporate officers, and employees about the framework and operation status of (i) the contents of the Board of Directors' resolutions on establishment of systems as set forth in Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act, as systems necessary to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation and to otherwise ensure the appropriateness of the business of a Kabushiki Kaisha and its subsidiaries, as stated in the Business Report, and (ii) the systems established pursuant to such resolution ("Internal Control System"); requested explanations as necessary; and provided opinions on those.
    3. The Board of Corporate Auditors received reports from the Directors and the PricewaterhouseCoopers Aarata LLC, the Accounting Auditors, about the assessment and audit of the Internal Control System for financial reporting, and requested explanations as necessary.
    4. The Board of Corporate Auditors audited and verified whether the Accounting Auditor maintained their independence and carried out their audits appropriately, received reports from the Accounting Auditor regarding the execution of their duties, and, where necessary, requested explanations. Also, the Board of Corporate Auditors received notification from the Accounting Auditor to the effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Corporation Accounting Regulations) has been established in accordance with standards published by the Business Accounting Council, etc., and requested explanations as necessary. Also, the Board of Corporate Auditors has cooperated with the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, on key audit matters, received reports regarding the status of their audits and also requested explanations as necessary.

Based on the above methods, the Board of Corporate Auditors audited the Business Report and supplementary schedules thereto for the 21st fiscal year ended December 31, 2022, the consolidated financial statements related to the 21st fiscal year ended December 31, 2022 (the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to the consolidated financial statements) and

supplementary schedules as well as the financial statements (the balance sheet, the statement of operations, the statement of changes in net assets and notes to the financial statements).

2. Results of Audit

(1) Results of the Audit on the Business Report, etc.

1. We found that the Business Report and supplementary schedules accurately reflect the conditions of the Group in accordance with applicable laws and regulations and the Articles of Incorporation.
2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of applicable laws and regulations or the Articles of Incorporation were found.
3. We found that the contents of Board of Directors' resolutions concerning the Internal Control System were appropriate. Further, no material defects were found with respect to the information provided in the Business Report, or Director' execution of duties in regards to the Internal Control System.

(2) Results of the Audit on the Consolidated Financial Statements

We found that the methods and the results of the audit conducted by the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, are appropriate.

(3) Results of the Audit on the Financial Statements and Supplementary Schedules

We found that the methods and the results of the audits conducted by the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, are appropriate.

February 16, 2023

Board of Corporate Auditors of Renesas Electronics Corporation

Corporate Auditor (Full-time)	Kazuki Fukuda	(Seal)
Corporate Auditor	Kazuyoshi Yamazaki	(Seal)
Corporate Auditor	Tomoko Mizuno	(Seal)
Corporate Auditor	Miya Miyama	(Seal)

Note: Mr. Kazuyoshi Yamazaki, Ms. Tomoko Mizuno and Ms. Miya Miyama are outside Corporate Auditors stipulated in item 16, Article 2, and paragraph 3, Article 335 of the Companies Act.



## Guide on How to Login to the Virtual-Only Shareholders' Meeting (Procedure)

**Date and time: March 30, 2023 (Thu) at 10:00 A.M. (login available from 9:30 A.M.) (JST)**

1. Access the website.



<https://web.lumiagm.com/#/m/705537650>

2. Read the notice and check in the box "I agree to the above" and then press "Agree".



3. Enter the login ID and password and press "JOIN THE MEETING".

For your login ID and password, please refer to the enclosed "Login ID and Password Notice".



4. Please wait until the opening time.

### Virtual-Only Shareholders' Meeting Help Desk

0120-245-022 (toll-free only from Japan)

(in Japanese only)

- Opening hours:

- March 3 (Fri) – March 30 (Fri)  
9:00 A.M. to 5:00 P.M. (JST) (weekdays; excluding Saturdays, Sundays and national holidays)
- Date of the General Meeting  
9:00 A.M. (JST) to the end of the webcast

In the event of a communication problem, etc., we will promptly make an announcement via our IR website (<https://www.renesas.com/us/en/about/investor-relations>).