

**NOTE: This document has been translated from the Japanese original for reference purposes only. If there is any discrepancy between the Japanese and this translated document, the Japanese original shall prevail.*

Policies and Procedures for Determining Compensation for Directors and Executive Officers

1. Basic policy

Based on the Company's corporate mission and vision, we aim to create a system for the compensation of directors and executive officers that contributes to the enhancement of corporate value. The ground rules of the system are as follows.

(1) Compensation mix and compensation level that shall attract international human resources who support the Company's global business development.

In order to continue to grow globally in the complex and rapidly evolving semiconductor industry, we will appoint talented people from all over the world and compensate them appropriately by global standards.

(2) Bonus that is strongly linked to business performance

Given the inevitability of fluctuations in business performance, strongly indexing bonuses to performance will fully reward the contributions of officers when business performance is strong and will reduce the burden on the Company during downturns in business performance.

(3) Stock compensation that incentivizes directors and officers to share values with shareholders and promotes management from a medium- to long-term perspective

We will combine transfer-restricted stock compensation, which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders, and performance-linked stock compensation, which promotes the achievement of medium-term management goals that lead to corporate value improvement.

2. Policy on the system, timing, conditions, and determination of director compensation

(1) For directors who also serve as executive officers, fixed compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 3 below.

(2) For outside directors (excluding directors who are Audit and Supervisory Committee members), fixed compensation (monetary remuneration) will be paid in consideration of their roles and independence. Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

(3) Fixed compensation (monetary remuneration) will be paid to directors who are Audit and Supervisory Committee members in consideration of their roles and independence. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.

(4) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

3. Policy on the system, timing, conditions, and determination of executive officer compensation

The compensation of executive officers is as described by the basic policy set forth in 1 above. (1) Fixed compensation (monetary remuneration), (2) performance-linked bonuses (monetary remuneration), and (3) stock compensation shall all be set at appropriate levels. The ratio of fixed compensation, performance-linked bonuses, and stock compensation is approximately 1: 1: 1 for Senior Executive Officers (including the president) and 1: 0.8: 0.8 for other Executive Officers.

(1) Fixed compensation shall be set at an appropriate level according to individual duties and responsibilities, and will be paid monthly, with reference to external objective data (i.e. the level of compensation paid to people with similar responsibilities by companies of similar size in each country).

(2) Performance-linked bonuses (monetary remuneration) are short-term incentives for the results of a single year, and are paid once a year after the performance of the Group for the relevant business year is confirmed.

a. The amount of bonuses is determined using net income as an index.

b. Target amounts will be set by referring to the net income targets of the single-year business plan and mid-term management plan. We will pay the standard amount when the target values are achieved, but the amount paid will fluctuate as described below when actual results undershoot or exceed the target values.

- Actual results <50% of target values: 0% of standard amount
- Actual results >150% of target values: 200% of standard amount
- Actual results 50% -150% of target values: Varies between 0-200% of standard amount

(3) Regarding stock-based compensation, we will grant restricted stock (RS) and performance-linked stock compensation (PSU) with the intention of incentivizing the pursuit of medium- to long-term enhancement of corporate value in alignment with shareholder priorities. As a general rule, about half of the stock-based compensation should be RS and about half should be PSU.

a. Shares of RS will be granted every business year as described above. As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an officer retires.

b. PSU will be based on indicators that determine the value of the Company's stock as described below, granted in the first year of the Company's 3-year mid-term management plan, and delivered after the conclusion of the period of the mid-term management plan according to the values of these indicators. PSU may fluctuate between 60 to 140% of the standard amount according to how close actual results come to mid-term management targets. The indicators for evaluating achievement of mid-term management targets are as follows, and the degree of fluctuation is determined by the total value of both indicators.

- Main indicator: Earnings per share (EPS) during the mid-term management plan
→ Fluctuation between 70% and 130% of the standard amount
- Sub-indicator: Relative Total Shareholders Return (r-TSR) and ESG evaluation
→ Fluctuation between -5% to 5% of the standard amount

Note, officers who take office or retire in the second or third years of the medium-term management plan will be as standard performance, prorated according to the length of time they have served..

(4) Compensation for non-residents in Japan may be different from the above due to laws and other circumstances.

(5) If there are changes in the Company's financial situation or business environment that are clearly judged to make it difficult to achieve the goals of the mid-term management plan, this system and its operation may be reviewed based on a resolution of the Board of Directors.

(6) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

4. Procedures and methods for determining compensation

(1) Individual compensation for directors (excluding directors who are Audit and Supervisory Committee members) and executive officers is deliberated by the Nomination and Compensation Committee based on consultation with the Board of Directors, and proposed to the Board of Directors. The Board of Directors deliberates on proposals from the Nomination and Compensation Committee and decides on compensation.

(2) However, performance-linked bonuses are determined as follows:

a. Up to 30% of the total amount calculated and determined according to the policies above of performance-linked bonuses for executive officers, excluding the president, shall be redistributed based on individual evaluations conducted by the president and approved by the Nomination and Compensation Committee. Results of these evaluations and redistributions shall be reported to the Board of Directors.

b. In principle, the president's performance-linked bonus is calculated based on the results of performance indicators, but if the Board of Directors deems it necessary and clearly states their reasoning, it may be increased or decreased.

5. Reduction of compensation, clawbacks, etc.

The Company may reduce future compensation or claw back past compensation by resolution of the Board of Directors in the event of certain circumstances, such as violation of relevant laws and regulations or internal rules.

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