

**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 compensation for director (excluding outside directors and directors who are Audit and Supervisory Committee members)

(1) For directors who also serve as executive officers, base compensation (monetary remuneration) appropriate to their duties and responsibilities will be paid monthly, in addition to the executive officer compensation specified in 5 below.

(2) The compensation of directors who do not serve as executive officers shall be set as follows, in accordance with the basic policy set forth in 1 above.

(a) Structure: Base compensation (monetary remuneration), Stock compensation

(b) Ratio: Base compensation : Stock compensation = 1 : 0.5 (guideline in the standard amount)

(c) Base compensation

Base compensation shall be set at an appropriate level according to duties and responsibilities as such director, 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).

(d) Stock compensation

- We will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.
- 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 director retires.

(3) 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 compensation for outside directors (excluding directors who are Audit and Supervisory Committee members)

The compensation of outside directors (excluding directors who are Audit and Supervisory Committee members) shall be set as follows in consideration of their roles and independence with the basic policy set forth in 1 above.

- (1) Structure: Base compensation (monetary remuneration), Stock compensation
- (2) Ratio: Base compensation : Stock compensation = 1 : 0.3 (guideline in the standard amount)
- (3) Base compensation

Base compensation shall be set at an appropriate level according to duties and responsibilities as such director, 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).

- (4) Stock compensation
 - We will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.
 - 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 director retires.
- (5) 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. Policy on the system, timing, conditions, and determination of compensation for directors who are Audit and Supervisory Committee members

The compensation of directors who are Audit and Supervisory Committee members shall be set as follows in consideration of their roles and independence with the basic policy set forth in 1 above.

- (1) Structure: Base compensation (monetary remuneration), Stock compensation
- (2) Ratio: Base compensation : Stock compensation = 1 : 0.3 (guideline in the standard amount)
- (3) Base compensation

Base compensation will be paid monthly. The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.

- (4) Stock compensation
 - We will grant restricted stock (RS), which incentivizes the pursuit of medium- to long-term corporate value improvement, which is also beneficial to shareholders.
 - Shares of RS will be granted every business year as described above.
 - The individual compensation level of directors who are Audit and Supervisory Committee members will be decided through discussions with them.
 - As a general rule, holding is obligatory during the term of office, and transfer restrictions will be lifted when an director retires.
- (5) In addition to the above, lump sum payments may be made based on special events such as the anniversary of the Company's founding.

5. Policy on the system, timing, conditions, and determination of compensation for executive officers

The compensation of executive officers shall be set as follows with the basic policy set forth in 1 above.

- (1) Structure: Base compensation (monetary remuneration), Performance-linked bonuses (monetary remuneration), Stock compensation
- (2) Ratio: Base compensation : Performance-linked bonuses : Stock compensation =

1 : 1 : 2 (Senior Executive Officer (Group CEO))

1 : 1 : 1.5 (Senior Executive Officer (Group COO))

Between 1 : 1 : 1 and 1 : 1 : 1.2 (Senior Executive

Officer)

Between 1 : 0.8 : 0.8 and 1 : 1 : 1 (Executive Officer)

*All of the above estimates are based on the standard amount.

(3) Base compensation

Base 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).

(4) Performance-linked bonuses

- 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

(5) Stock 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 shall be granted in a lump sum for three years in the first year of the three-year mid-term management plan, with the base value being the points that will become shares of a value determined to be as described above. After the expiration of the term of the mid-term management plan, We will grant shares in proportion to the points, which are varied between 60% and 140% of the base value according to the degree of achievement of the 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

- *However, the indicators and fluctuation ranges may be revised in response to the new mid-term management plan.

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.

(6) Additional compensation may be paid for the purpose of securing managers, specially skilled personnel, and/or similar individuals, depending on the conditions of the human resource market in each region and/or industry. As a general rule, compensation levels across regions shall be adjusted through base compensation (monetary compensation) and stock compensation while stock compensation shall be used to secure a pool of specific human resources. The stock compensation shall be in the form of RS or PSU, but the term of the RS transfer restriction under this section shall be at least three years.

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

(8) 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.

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

6. 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 Group CEO, shall be redistributed based on individual evaluations conducted by the Group CEO 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 Group CEO'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.

7. 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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