

(Registered Number: 11299879)

Arm Holdings plc
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2024

Arm Holdings plc

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Arm Holdings plc

Summary Information

About Us

Arm is building the future of computing.

Arm is the industry leader in the design of CPUs for semiconductor chips. The CPU is the brain chip and we architect, develop, and licence high-performance, low-cost, and energy-efficient CPU products and related technology, on which many of the world's leading semiconductor companies and OEMs rely to develop their products.

Our energy-efficient CPUs have enabled advanced computing in greater than 99% of the world's smartphones that were sold in the fiscal year ended 31 March 2024. Cumulatively, our customers have now shipped more than 280 billion Arm-based chips, powering everything from the tiniest of sensors to the most powerful supercomputers.

Today, any company can make a modern computer chip through the unique combination of our energy-efficient CPU IP and our unmatched ecosystem of technology partners, and do it cost effectively due to our flexible business model. Each CPU product can be licenced to multiple companies, leading to economies of scale that allow us to charge each licensee only a fraction of what it would cost them to develop internally, while minimising their risk and time-to-market.

Our customers include some of the world's largest companies including Advanced Micro Devices, Inc., Amazon Web Services, Inc., Alphabet Inc., Intel Corporation, MediaTek Inc., NVIDIA Corporation, Qualcomm Inc. and Samsung Electronics Co., Ltd.

Our main markets include smartphone applications processor and other chips used in mobile phones, consumer electronics, networking equipment, cloud and data centre servers, automotive applications, Internet of Things (IoT) and other embedded computing devices.

In all of these devices, artificial intelligence ('AI') and machine learning are becoming increasingly important. In the data centre, companies like NVIDIA are deploying Arm-based chips to run complex generative AI algorithms. In mobile, companies such as Mediatek and Samsung have introduced new smartphone capabilities including live translation. And we are also seeing AI being used to improve automotive applications such as spotting hazards, and in embedded applications such as electronic door-locks where an AI-enabled camera is used to identify known faces to unlock the door. All of these new capabilities are enabled by Arm technology.

Arm Holdings plc

Strategic Report

The directors present their strategic report for the Arm Holdings plc Group ('the Group', 'Arm') for the year ended 31 March 2024. The Group comprises Arm Holdings plc ('the Company') and its subsidiary undertakings.

Financial and non-financial highlights

The key financial and non-financial metrics, as presented in the sections of this report entitled Review of the business and Key performance indicators, are summarised alongside their comparatives below.

	2024	2023
	\$m	\$m
Group revenue	3,233	2,679
Total operating costs for the Group	2,882	2,016
Profit before tax for the Group	312	591
Net assets for the Group	5,276	4,159

	2024	2023
Number of extant Arm Total Access licences	31	18
Number of extant Arm Flexible Access licences	222	203
Average employees for the Group	6,557	5,901

Review of the business

The principal operations and activities of the Group are the licensing, marketing, research and development of CPU design intellectual property ('IP'), graphics processors, system IP, physical IP, market optimised platform IP, and associated software and tools.

The Group's revenues for the year ended 31 March 2024 were \$3,233 million (2023: \$2,679 million) comprising income from licensing our technology designs, royalty fees on chips containing our designs, and the sale of development tools and services. The increase in revenue is primarily due to an increase in licence revenue as more large semiconductor companies and system companies made long-term commitments to access Arm's technology. In addition, Arm's royalty revenue grew due to a number of factors, including the overall recovery of the semiconductor industry following an inventory correction in the prior year, and chips based on our latest Armv9 technology, which typically have a higher royalty revenue, being deployed in smartphones and cloud data centre servers.

Total operating costs for the year ended 31 March 2024 were \$2,882 million (2023: \$2,016 million). The following are key impacts for the year ended 31 March 2024 that, in combination, have resulted in a net increase in operating costs, in order of impact, highest first:

- The net cost increase to employee remuneration from share-based compensation due to the IPO in September 2023 and the introduction of a new award scheme;
- The increase in the number of employees for the Group; and
- Increased IT expenses, primarily driven by higher engineering demand for cloud based services.

Profit before tax for the year ended 31 March 2024 was \$312 million (2023: \$591 million).

At 31 March 2024, the Group had total cash, short-term deposits and long-term deposits of \$2,925 million (2023: \$2,217 million) and total net assets of \$5,276 million (2023: \$4,159 million). The increase in total cash and deposits is primarily driven by cash generated from operating activities in the year.

Arm Holdings plc

Strategic Report (continued)

Future developments

The Group's stated objective is to establish a global standard for its technology in the semiconductor industry. The directors believe that to achieve this goal it is important to expand the number and range of potential customers for its CPU and related products. The Group intends to enter into licence agreements with new customers and to increase the range of new products supplied to existing customers. Relationships will continue to be established with vendors of third-party tools, and software providers, to ensure that their products will operate with the Group's products.

Arm's long term strategy promotes multiple growth drivers:

- **Growth will be driven by royalty revenues.** We expect the demand for Arm-based compute to continue across all market segments, especially as AI is deployed in all applications, from the most advanced data centres to the smallest edge devices.
- **Growth will be driven by the need for more energy-efficient compute and AI capability from the data centre to edge computers.** As the amount of compute to run these complex AI workloads is increasing exponentially, so the amount of energy required will increase too. Arm's energy-efficient technology is being chosen by some cloud service providers to meet the demand for more compute whilst limiting the amount of additional electricity needed.
- **Growth will be driven by Compute Subsystems.** Complex chips are becoming more difficult to develop leading to higher costs and longer design cycles. Arm is developing compute subsystems based on our existing CPU and related technology that help to reduce that complexity, cost and time-to-market.
- **Growth will be driven by Arm's unique ecosystem of software and design partners.** Arm already has the world's largest compute ecosystem with more than 15 million software developers and we continue to increase investment across all market segments to accelerate software development on Arm.

Key performance indicators

For the purposes of this annual report, the key metrics disclosed under the Financial and non-financial highlights section above reflect the key performance indicators of the Group. Performance of these metrics is considered both in the Review of the business above and this section. The Group's strategy enables key growth drivers that are measured on a regular basis.

Building the base of licences that will drive future royalties: The Group mainly licences its products to semiconductor companies, original equipment manufacturers and other technology companies. Licence arrangements are typically multi-year and include obligations for the customer to pay Arm a royalty fee for every chip that contains Arm's products. During the year ended 31 March 2024, the Group saw strong demand for its technology. This demand was primarily due to new products introduced by Arm over recent years, the continued success of Arm's licensing model enabling more customers to access Arm technology, increased intensity of R&D investments from our customers as they develop AI-enabled chips, and new customers licensing Arm technology for the first time. We consider the number of extant Arm Total Access and Arm Flexible Access licences as a key performance indicator as it represents the increasing collaboration between us and our customers, which could be a leading indicator to more chips being designed with our products and, accordingly, more recurring royalty revenue in the future, improving our long-term market share. As at 31 March 2024 the number of extant Arm Total Access licences were 31 (2023: 18) and extant Arm Flexible Access licences were 222 (2023: 203).

Investing in the Group's people and systems: Our people design and deliver our products to our customers, and support the ecosystem of companies which brings that technology to market. Our goal is to attract talent from graduates to seasoned industry experts. We invest in our people, developing them and providing a supportive culture to maximise their capability and potential. During the year ended 31 March 2024, the Group had an average of 6,557 employees (2023: 5,901). The increment in employees from the prior year was largely driven by increased investments in developing AI-capable CPUs and related products.

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Strategic Report (continued)

Impact of geopolitical events on Arm's business performance

The ongoing conflicts between Russia and Ukraine and between Israel and Hamas has had little direct impact on the business performance of the Group in the fiscal year ended 31 March 2024. The indirect effect to the semiconductor industry could be more impactful through the disruption of global supply chains, increased cost of energy and raw materials, and the potential impact to consumer confidence around the world. Arm monitors the long-term demand for its products and will adjust its strategy accordingly.

Principal risks and uncertainties

The Group's robust risk management and internal control processes are in place to identify risks; assign ownership for each risk at a senior management level; identify both existing and planned management activities to mitigate each risk; assess the residual likelihood and impact of each risk; and ensure ongoing monitoring and reporting of each risk. These risk management and internal control processes have remained in place for the period under review including up until the approval of this report. The principal risks and uncertainties of the Group, which include those of the Company, are:

A change in the industry business dynamic may lead to loss of market share and/or reduction in value of Intellectual Property, or a competitor's product or technology may lead to loss of market share

The Group's technologies and services face significant competition. It is expected that competition will increase as current competitors expand their product offerings, improve their products or reduce the price of their products as part of a strategy to maintain existing business and customers or attract new business and customers, as new opportunities develop, and as new competitors enter the industry. Competition in the industry is affected by various factors that include, among others: original equipment manufacturer concentrations; vertical integration; changes in customer demand, consumption and competition in certain geographic regions; government intervention or support of national industries or competitors; evolving industry standards and business models; evolving nature of computing; the speed of technological change (including the transition to smaller geometry process technologies); value-added features that drive selling prices and consumer demand for end-products.

To remain competitive, Arm must continue to innovate and develop new products and services, as well as enhancements to existing products and services, in response to expressed or anticipated customer demand and market opportunities. To the extent that Arm pursues entry into new markets or offerings of different solutions, such enterprise may be unsuccessful for any number of reasons.

Significant concentration in customer base, such that the loss of a small number of key customers could significantly impact the Group's growth

In the year ended 31 March 2024, Arm derived approximately 54% of total net revenue from its top five customers (including Arm China) (2023: 57%). Arm expects customer concentration of revenue to continue for the foreseeable future.

Arm continually assesses opportunities to broaden its customer base and to retain and increase penetration with existing customers through its innovative products, business model and customer support.

The Group could become a victim of a cyber-attack or an online attempt to defraud the Group

Security breaches, computer malware, phishing and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. Experienced computer programmers, hackers and employees may penetrate security controls and misappropriate or compromise confidential information, including that of employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in the Group's products. For portions of Arm's IT infrastructure, including business management and communication software products, the Group relies on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may in turn impact Arm's systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to the Group's systems. Actual or perceived breaches of security measures or the accidental loss, inadvertent

Arm Holdings plc

Strategic Report (continued)

Principal risks and uncertainties (continued)

disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about Arm, its partners, customers or third parties could expose the Group and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to brand and reputation or other harm to the business. In such scenarios, an inaccessibility to systems, disrupted access to key infrastructure and Arm's ability to recover critical data in a timely manner may have a significant and detrimental impact on Arm's operations. A risk to business continuity may therefore arise without mitigating measures in place.

Arm has invested significantly in its cyber security capability across prevention, detection and response capability in recent years to ensure Arm has appropriate cyber resilience. This commitment remains as Arm continuously reviews the threat and risk environment and makes decisions and investments to minimise the risk of a cyber-attack materialising. This includes, but is not limited to, ensuring Arm has a security aware colleague population, reviewing and improving security controls both from a governance and technology perspective, as well as partnering with industry leading partners for expert skills and capabilities. In addition, Arm has 24/7 detect and response capability should a cyber-attack materialise to ensure it's able to rapidly respond and minimise impact and disruption to the organisation. Furthermore, Arm simulates and stress-tests major cyber incidents to contribute towards its cyber readiness capability, the learnings of which are implemented as part of a continuous improvement programme.

The Group may have to assert IP rights against infringers or defend itself against third parties who claim that Arm has infringed their proprietary rights

Arm's success and ability to compete depend significantly on protecting its intellectual property. Litigation brought to protect and enforce Arm's intellectual property rights could be costly, time-consuming, and distracting to the Group's business operations and could result in the impairment or loss of portions of Arm's intellectual property. Any allegations made in the course of regulatory or legal proceedings may also harm Arm's reputation, regardless of whether there is merit to such claims.

The Group maintains and supports an active programme to protect its intellectual property, primarily through the filing of patent applications. The Group further may have to defend its products in litigations brought by third parties who claim that such products infringe third-party IP rights.

From time to time, Arm are involved in various legal, administrative and regulatory proceedings, claims, demands and investigations relating to the business, which may include claims with respect to commercial, product liability, IP, cybersecurity, privacy, data protection, antitrust, breach of contract, labour and employment, whistleblower, mergers and acquisitions and other matters. Arm are involved in pending litigation, including, but not limited to, a lawsuit with Qualcomm Inc. and Qualcomm Technologies, Inc. (together 'Qualcomm') and Nuvia, Inc. ('Nuvia'). In addition, Arm's products are involved in pending litigation to which the Group are not a party. Arm cannot provide any assurances regarding how any such litigation will be resolved, what benefits Arm will obtain or what losses might be incurred.

On 31 August 2022, Arm sued Qualcomm and Nuvia in the US District Court for the District of Delaware for breaching the Nuvia Architecture Licensing agreement which Arm terminated in March 2022. Qualcomm originally responded and brought a counterclaim against Arm. On 6 March 2024, the Court denied-in-part Qualcomm's motion to amend its counterclaims, but allowed Qualcomm to raise a new claim alleging that Arm breached the termination provisions of the Nuvia ALA by continuing to use Nuvia confidential information following termination. The original claims are currently in the expert discovery phase, while the newly-added claims are currently in the fact discovery phase, with trial set for December 2024.

On 18 April 2024, Qualcomm brought a new action in Delaware against Arm, asserting claims that were rejected in the Court's decision on 6 March 2024. In this new action, Qualcomm asserts that Arm failed to satisfy certain delivery actions.

Qualcomm seeks to have Arm comply with contractual obligations that the Group allegedly breached, damages and additional relief. Arm disagrees with each of the assertions made by Qualcomm and intends to vigorously defend against them. Arm can provide no assurances regarding the outcome of either litigation or how the litigation will affect its relationship with Qualcomm, which is currently a major customer of Arm and accounted for 10% of total revenue for the fiscal year ended 31 March 2024.

Arm Holdings plc

Strategic Report (continued)

Principal risks and uncertainties (continued)

These cases will likely require significant legal expenditures going forward and may also require substantial time and attention from the Group's executives or employees, which could distract them from operating the business. In addition, Arm's involvement in such litigation could cause the Group to incur significant reputational damage in the industry, in its relationship with Qualcomm or in its relationship with other third-party partners.

The Group may have difficulty in attracting and retaining quality engineering personnel, which could limit the Group's research and development capability

Arm's future success depends largely upon the continued service of key management and technical personnel, and on the ability to continue to identify, attract, retain and motivate them. Implementing the Group's business strategy requires specialised engineering and other talent, as Arm's revenues are highly dependent on technological and product innovations. The market for employees in the industry is very competitive. A number of competitors for talent are significantly larger than the Group and may be able to offer compensation in excess of what Arm is able to offer. Further, existing immigration laws in certain countries can make it more difficult for the Group to recruit and retain highly skilled foreign nationals.

Arm's recruitment, compensation, talent development and performance assessment programmes are designed to help attract and retain quality engineering and management personnel.

The Group could suffer a loss of revenue, or an increase in costs, as a result of the impact of geopolitical factors, such as international trade disputes, which limit the Group's ability to transact with customers in certain jurisdictions

Arm's revenue is generated from customers located in several jurisdictions and a substantial portion of assets and employees are located in the UK and the US. Risks associated with international operations, any of which could have a material adverse effect on business, liquidity, financial condition and/or results of operations, include:

- political instability and the possibility of a deteriorating relationship between the nations in which Arm does business;
- the imposition of new or modified international trade restrictions, tariffs, import and excise duties or other taxes which may impact end customer demand or disrupt supply chains;
- import and export requirements, including restrictions on sales to certain end customers;
- restrictions on foreign ownership and investments;
- restrictions on repatriation of cash;
- changes in local political, economic, social and labour conditions;
- a less developed and less certain legal and regulatory environment in some countries, which, among other things, can create uncertainty regarding contract enforcement, IP rights and liability issues; and
- inadequate levels of compliance with applicable anti-bribery laws, including the Foreign Corrupt Practices Act and the UK Bribery Act of 2010.

Any changes to the international trading system, or the emergence of an international trade dispute, could significantly impact the Group's business and have a negative impact on revenues. For example, the current US tariffs on China-origin goods and the related geopolitical uncertainty between the US and China have caused, and may continue to cause, decreased demand for products that include Arm's technologies, which could have a material adverse effect on business, liquidity, financial condition and/or results of operations.

Arm has installed a compliance program to ensure adherence to various trade laws.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement

In this section, the directors report on the way in which they have discharged their duties under Section 172(1) of the Companies Act 2006 ('CA 2006'). In particular, this section describes how, in having acted to promote the long-term success of the Company for the benefit of its members, they have had due regard to the factors (a) to (f) listed under Section 172(1) of the CA 2006 in their decision making during the financial year ended 31 March 2024.

Throughout FYE24, the board of directors of the Company (the 'Board') has continually monitored and assessed the effectiveness of stakeholder engagement activities, as described in this Section 172(1) statement and in the Corporate Governance Statement found at page 34. The Board regularly receives reports from internal committees and at Board meetings addressing the topic of stakeholder engagement, including in the form of corporate governance briefings with an emphasis on stakeholder engagement provided by the Chief Executive Officer, as detailed within the Corporate Governance Statement. This consistent consideration of stakeholders in the context of current developments facilitates the directors' performance of their duties, in particular ensuring that the impact on stakeholders is duly weighed as part of decision making by the Board. Further details of the particular responsibilities of certain of the directors of the Company and their risk management through Committee involvement are provided within the Corporate Governance Statement.

Examples of the manner in which the Board had regard to the factors set out in Section 172(1) of the CA 2006 are given below:

s.172(1)(a) The likely consequences of any decision in the long term and (e) The desirability of the Company maintaining a reputation for high standards of business conduct

Principal decisions:

- **IPO**

The most significant matters that came before the Board during FYE24 related to the Company's initial public offering on the Nasdaq Global Select Market, which took place on 14 September 2023 (the 'IPO'). The Board oversaw the IPO process to a successful conclusion. The Board is confident that the Nasdaq listing will be highly beneficial to the Company's prospects in the short, medium and long term, and will enhance the long term value of the Company for the benefit of its members.

- **IPO Preparations**

As part of its oversight of the IPO, the Board made several principal decisions relating to:

- the Company's governance framework, committees and policies;
- the appointment of new Board Members and the Chair (to ensure the Board had the requisite skills, experience and diversity required of a listed company); and
- the relationship between the Company and its controlling shareholder, Kronos II LLC (itself being an indirect wholly-owned subsidiary of SoftBank Group Corp. ('SBG')). This included the Board considering and approving the Company entering into a Shareholder Governance Agreement. This Shareholder Governance Agreement set out key governance and other terms of the post-IPO relationship between the Company and SBG as the ultimate parent company of the Company's controlling shareholder Kronos II LLC.

Further details of the Company's refreshed Board composition and corporate governance framework are provided within the Corporate Governance Statement.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

- **Pre-IPO Corporate Reorganisation**

In addition, in anticipation of the IPO, the Board oversaw the corporate reorganisation of the Arm group of companies. Prior to the reorganisation, the Company was a private limited company by the name of Arm Holdings Limited and wholly-owned by Arm Limited. Among other corporate actions, as part of the reorganisation: (i) the Board approved the amendment of the Company's articles of association and the subdivision of its shares; (ii) the ordinary shares in the Company, which was a wholly-owned subsidiary of Arm Limited, were transferred by way of a dividend in specie by Arm Limited to the shareholders of Arm Limited (being at the time Kronos II LLC and SVF HoldCo (UK) Limited); (iii) the shareholders of Arm Limited exchanged the ordinary shares they held in Arm Limited for newly issued ordinary shares of the Company, whereby the Company became the sole shareholder of Arm Limited; and (iv) the Board further approved the amendment of the Company's articles of association, and the re-registration of the Company from a private limited company by the name of Arm Holdings Limited to a public limited company by the name of Arm Holdings plc. The re-registration became effective on 1 September 2023.

- In light of their importance for the business, and for Arm's reputation as a leader in its market, these foundational strategic decisions leading up to the IPO were subject to extensive and rigorous Board review through a series of active Board discussions and dedicated briefings to members of the Board with internal and external advisers.
- Upholding Arm's commitment to its people, following the successful IPO of the Company, the Chief Executive Officer (a Board member), together with other members of the Executive Committee attended an in-person Q&A session with Arm employees allowing for meaningful engagement on the short and long-term impact of the IPO and a discussion of the Company's forward journey.
- The IPO was awarded "Tech Deal of the Year 2023" at the UK Tech Awards 2023 on 9 November 2023 as it was deemed so significant in scope and transformational in nature.

- **Business Conduct**

In light of the Company having become the parent company of the Arm Group from the date of the reorganisation referred to above, the Board has now taken on responsibility for developing and approving the Arm Group's annual strategy, business plan and budget (the 'Business Plan') as well as a statement of the Arm Group's strategic long-term goals. As the FYE24 Business Plan had already been approved by the board of Arm Limited on 22 March 2023, the Board oversaw compliance with that Business Plan for the remainder of the year.

Approach to Stakeholder Engagement:

Arm monitors oversight of the Company's stakeholder engagement through dedicated teams that manage relationships with customers, partners, shareholders, governments, communities, and employees to ensure that their needs are consistently sought and addressed. Other stakeholder groups, such as local community leaders, are engaged on an issue-by-issue basis. Whilst the Board maintains oversight of the Company's wide-ranging stakeholder engagement activities, it has delegated day-to-day responsibility for this engagement to its Executive Committee. Arm's Executive Committee comprises of Arm's Chief Executive Officer ('CEO') and members of senior management who are each appointed to the Executive Committee by the CEO. The CEO also serves as a Board member, thereby ensuring smooth communication between the Executive Committee and the Board in relation to the Company's stakeholder interactions. To allow the Board to monitor the Executive Committee's stakeholder activities, it also receives regular extensive updates in the form of Board "pre-reads" which are discussed at Board meetings. Through these Board pre-reads and the CEO's briefings, the Board continuously reviews stakeholder data and feedback at each scheduled Board meeting.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

The Company's key stakeholders include its shareholders, employees, suppliers, customers, partners, governments and the local communities in which it operates. Active and meaningful engagement with its stakeholders and caring about their interests and successes are central to Arm's culture and Core Beliefs. Arm's Core Beliefs are anchored in the Company's Code of Conduct and are outlined in greater detail within the Corporate Governance Statement. Arm's business is strengthened because its Board and management understand how Arm's strategy impacts stakeholders, and because these values are embedded across its global organisation. Key employee engagements in FYE24 included Arm's quarterly business updates where the CEO and Executive Committee updated employees on financial and business performance, strategic developments and other company news. There were also regular Q&A and breakfast sessions led by members of Arm's Executive Committee (acting under their delegation from the Board) as well as Arm's listing day celebration on 14 September 2023, with over 5,000 employees joining office festivities that were also attended by the Board and executive members. Supplier and partner engagement, guided by Arm's Supplier Code of Conduct, included regular review meetings with its partners, Arm's "Tech Talks" series, continuous focus on Arm's "Responsible Procurement strategy", and conversations with suppliers about their carbon footprint, as further detailed under s.172(1)(c). Arm, via its Board and Executive Committee, also fostered meaningful engagement with its shareholders following its IPO through pre- and post-IPO conferences, roadshows, earnings and investor calls, and Arm's shareholder letters.

Thereby, stakeholder interests and views are factored into the Board's decision-making when resolving strategic decisions and entering into material transactions. This multi-layered, regular engagement enables Arm to develop and deliver objectives, strategies, and initiatives that respond to those stakeholder needs. This is further elaborated within the Corporate Governance Statement.

Standards of Business Conduct:

To maintain high standards of business conduct through the leadership and oversight of the Board, the Company maintains, reviews and monitors engagement with a number of compliance policies to ensure they remain relevant to Arm, its people, partners, and compliant with applicable legislation. These policies include those which the Board adopted in anticipation of the IPO, such as the Code of Conduct, which underpins Arm's operation as an employer, partner, and as a business. Arm's Board has established the standards set forth in the Code of Code and, directly or through the Head of Compliance, oversees and monitors its compliance. The Board has tasked the Executive Committee with ensuring that the Code and other corporate policies govern the Company's activities, and has delegated day-to-day responsibility for administering and interpreting the Code to the Compliance Team. Further details on Arm's Code of Conduct and related policies such as Arm's Supplier Code of Conduct, Modern Slavery Statement and Environmental Policy Statement are provided within the Corporate Governance Statement. The Board approves these frameworks and monitors compliance with relevant governance standards to ensure that high standards are maintained across Arm's business, its workforce and its business relationships.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

s.172(b) The interests of the Company's employees

Culture and Core Beliefs

The Board recognises the crucial importance of the Company's workforce and their perspective, which the Company demonstrates through its Commitments to its people, particularly in relation to the Company strategy and Core Beliefs. Arm's Commitments are a set of key principles relating to the experience of working at Arm. These include commitments to ensure employees have challenging work, ensuring a welcoming and inclusive culture that allows individuals to make a full contribution to the Company's success, rewarding individuals competitively and equitably, and fostering an environment which encourages career progression and development.

Employees are encouraged to report concerns and raise questions through multiple channels including via ongoing Q&A sessions with members of the Executive Committee, including with the CEO, and senior leadership as well as smaller "breakfast with the Executive Committee" sessions. Arm holds quarterly company-wide Business Updates ('QBUs') which are typically attended by around 3,500 employees online (with around 1,000 employees subsequently watching the recording). During these sessions, Arm's Executive Committee provides updates to employees on business performance, strategy and important aspects of Life at Arm such as employee rewards, sustainability or Arm's Core Beliefs. QBUs also include Q&As allowing employees to hear directly from the Executive Committee and ask questions. The Executive Committee was keen to visit as many Arm offices as possible throughout the financial year. Offices visited by the Executive Committee included Austin, Bangalore, Cambridge, Ra'anana, Lund, Oslo, San Jose, and Sophia Antipolis. Other communication channels for employees include reporting directly to their manager, the People Team via the People Hub, Arm's Office of Ethics and Compliance and through an anonymous, global Raise a Concern Helpline available for all Arm employees. Arm runs annual employee engagement surveys to identify areas to improve employee experience. This year, the Company's overall Sustainable Engagement score, which indicates the degree to which Arm's people are motivated, enabled, and energised to deliver their best work, was 85%. This is above the High Technology norm of 83%. 95% of Arm's people reported they were proud to work for Arm, representing the Company's highest ever rating for this question.

These continuous engagements and interactions with its employees place Arm's people at the heart of its decision and policy-making. The Board acknowledges that meaningful and effective engagement is a key element of Arm's ability to create value, recognising that Arm relies on an innovative workforce of passionate employees. The Board regularly and extensively monitors and considers employee views gathered through the workforce interactions described above.

Worker Health and Well-being

Arm is continuously looking to improve the health and wellbeing of its people. The safety and welfare of its employees, contractors, and visitors remain key priorities and shared responsibilities across its global workspaces. The Company seeks to promote workers' physical, mental and financial wellbeing by offering a wide range of in person and virtual services, information and events. These include the Global Employee Assistance Program and Arm's Wellbeing Hub, which provides additional resources and access to the mental health platform Unmind, a partnership with Walking on Earth to support mental wellbeing and a range of other benefits tailored to the context of each region, designed to promote wellbeing. Arm also organises specialist trainings, quarterly "Days of Care", which are offered to all employees as additional days off work, and mental and physical health awareness campaigns such as "Movember", which was spearheaded by Arm's CFO as executive sponsor. Details of the Company's wellbeing initiatives and campaigns were regularly provided to the Board, ensuring its continuous oversight of Arm's employee engagement and allowing it to monitor progress made in improving workers' health across Arm's global organisation.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

Hybrid Working

Arm introduced new employee in-office attendance targets from 1 January 2023 onwards. In May 2023, the CEO announced the introduction of the Company's first formal Hybrid Working Policy and changes to Arm's Internal Privacy Policy, allowing for individual attendance monitoring. This was then discussed with the Board as part of a CEO briefing and included in one of the corporate governance pre-reads. The Board evaluated these changes and considered the views of Arm's employees which had been gathered through the Company's Life at Arm survey. In Q2 FYE24, responding to the insights gained on what Arm's people found most valuable about working from the office, the Executive Committee, overseen and guided by the Board, set a minimum attendance level of 20% of the time in the office per month, to balance the needs of work and the creation of connection between people and Arm. Individual teams were then empowered to manage their own in-office attendance expectations to foster productive and effective ways of working, in a way which accounted for their own specific needs and circumstances. The Company also launched the introduction of Community Events, shifting its focus to building local communities, which are led by local leadership teams.

DEI Strategy

Arm knows that diverse teams drive innovation and creativity, excel at solving complex problems and make better decisions. The Company and its Board, along with the Executive Committee who discuss the DEI Strategy at every Executive Committee in person meeting, are committed to fostering a culture of inclusion at Arm in which representation matters, its people are valued, diverse perspectives are heard, and everyone's skills are fully utilised. As part of an ongoing plan to address gender and ethnic diversity across the organisation, and in preparation for the IPO, Arm's Board welcomed five new directors from different professional backgrounds, with women now representing a quarter of the Board.

The foundation of Arm's DEI strategy is to integrate DEI practices into everything the Company does in service of Arm's business strategy. The DEI strategy is comprised of four key pillars: people, culture, leadership, and partnerships. Arm's overarching aim is to hire, support, and empower talent from all backgrounds throughout the employee life cycle, embodying Core Beliefs and inclusive actions on a daily basis, leading internally and externally with DEI as a business, people, and culture imperative, and utilising DEI as a strategic enabler across the Arm ecosystem and beyond.

The integration of Diversity, Equity and Inclusion ('DEI') considerations across the Company's formal and informal efforts, and progress thereon, is actively discussed at Board meetings.

As in the previous year, every Arm employee was rated on their commitment to DEI as part of the annual review process. Employees must perform based on Arm's Core Beliefs and must have an "active" rating in contribution to Arm's DEI strategy to be eligible for a promotion. Due to the continued progress made, an "advanced" rating has been added to recognise and acknowledge individuals that lead or make a significant contribution to systemic integration and embed DEI practices and ways of working within Arm, our ecosystem and communities. Arm's expectation is for all employees to have at least an "active" rating. In addition to the "advanced" rating, Arm's employees and People Managers were asked to document accountabilities and objectives relating to activating DEI behaviours and practices across the Company.

To maintain oversight of the Company's DEI agenda and progress, the Board received regular updates on Arm's DEI initiatives and activities as led by the Executive Committee. Further details of Arm's DEI initiatives are provided in section (d) impact of the Company's operations on the community and environment of this Section 172 statement.

IPO – Employee Participation and RSUs

Prior to the IPO, Restricted Share Units ('RSUs') were granted to Arm employees subject to a restriction on trading for six months after the IPO. In anticipation of the IPO, with the oversight of the Board, senior management also directly interacted with employees about the impact of the IPO. This included senior management informing employees about their employee share management and updates to Arm's governance policies, particularly in respect to the Insider Trading Policy governing when employees can trade Arm shares.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

s.172(1)(c) The need to foster the Company's business relationships with suppliers, customers and others

The Company has established or updated various group policies addressing Arm's practices and requirements with respect to environmental protection, responsible sourcing, human rights, labour standards and ethics, diversity, and compliance. These policies are further detailed in Arm's Code of Conduct for Suppliers and its Modern Slavery Statement, which is available on Arm's website: Sustainability | Modern Slavery Statement – Arm. Further details of the various policies formally considered and approved by the Board in anticipation of the IPO are provided within the Corporate Governance Statement.

Supplier Code of Conduct & Group Procurement

As a technology leader, Arm's business practices reflect its core values of fairness, openness, and integrity. This is how Arm is governed, how its people are treated, how Arm engages with local communities, and how Arm transacts business across its value chain. The Company expects all its suppliers to act with the same fairness, honesty and integrity in all aspects of their business. Therefore, the Arm Supplier Code of Conduct articulates the ethical, social, and environmental standard which the Company applies to itself Arm's suppliers globally.

Arm requires suppliers who are registered on its Source-to-Pay platform to accept and comply with the Arm Supplier Code of Conduct. Arm also reserves the right to undertake audits against the requirements of the Supplier Code of Conduct, including on-site visits. Where checks do not meet Arm's requirements, the Company is committed to working with its suppliers to achieve sustainable improvements. Arm's Anti-Bribery & Anti-Corruption Policy details its approach and commitment to Anti-Bribery & Anti-Corruption standards and how the Company expects Arm's suppliers to act and ensure that its standards are continually achieved. Arm expects its suppliers to comply with all applicable legal and ethical standards. They must equally be committed to preventing bribery and corruption in any form, including, but not limited to facilitation of payments, extortion, money laundering and other illegal or unethical gratuities or payments.

Engagement

In FYE24, Arm continued to engage with its suppliers, customers and partners to ensure these values were embedded across its global organisation and the Arm ecosystem. Arm's active engagement with and feedback received from these critical stakeholders foster a continual process of improving Arm's product offerings and licensing model. This supports Arm's aim to realise its vision of building the future of computing, on Arm. Together. For everyone.

Partners and customers

Arm offered regular, structured review meetings with its partners, including key customers, in the form of strategic management reviews and technical reviews, and regular calls with customer account teams. Arm's Technical Support for its customers is industry-leading, with a 95% Typical Customer Satisfaction Score for Arm Technical Support. In August 2023, Arm hosted its Arm Partner Meeting as an opportunity to build face-to-face connections with customers. In November 2023, Arm organised a range of Tech Symposia events in seven cities across Asia Pacific, with Executive Committee members attending, allowing customers and other key industry players and experts to come together to foster meaningful partnerships. Details of the Executive Committee's engagements were provided to the Board to allow the Board to monitor continuous stakeholder engagement by the Arm Group. Further customer and stakeholder engagement is regularly enabled through Arm's "Tech Talks" series, whereby leading Arm experts together with strategic customers of Arm jointly deliver panels, workshops and online sessions to share technological insights and best practice across Arm's ecosystem.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

Suppliers

To foster DEI and transparency within Arm's ecosystem, Arm has developed a "Responsible Procurement strategy" to support the UN Sustainable Development Goals by working with Arm's suppliers. This strategy is designed to enable Arm to purchase products, goods and/or services that are legal and in compliance with applicable regulations, and to be transparent, fair, environmentally and socially responsible, and ethical. During FYE23, a third party conducted a maturity assessment of this strategy and subsequently trained the Procurement team to have meaningful conversations with suppliers on carbon emission reductions, other environmental considerations, social impact, and DEI. The emphasis on meaningful conversations with suppliers continued throughout FYE24. Arm's US suppliers are required to define their federally prescribed diversity category. This feeds into Arm's supplier review and determination of the level of Arm's supplier diversity spend. To minimise its environmental impact, Arm has committed to a 42% reduction in supply-chain carbon, which is supported by its work with CDP (formerly the Carbon Disclosure Project) Supply Chain.

Through the CDP Supply Chain questionnaire, which Arm issued to its top 500 Suppliers, the Company has gathered carbon emissions data covering 59% of its annual spend. This allows Arm to engage in discussions with suppliers who contribute most to Arm's Scope 3 category 1 and 2 carbon emissions to understand what they are doing themselves to reduce their own carbon footprint and to identify opportunities to work together to reduce those emissions. Further details on Arm's climate and sustainability work are provided within the Climate-related Financial Disclosure and the Environment section below.

s.172(1)(d) The impact of the Company's operations on the community and environment

Community

'Team Arm' is the Company's employee community engagement program, designed for Arm's people to take action on the UN Global Goals for Sustainable Development, in partnership with charitable organisations. Everyone at Arm can use half a day each month of company time to volunteer. In FYE24 1,079 colleagues (14.2% of eligible Arm employees and contractors) have recorded over 10,000 volunteering hours. Team Arm's ongoing volunteering survey reported that 64.1% of colleagues who have volunteered "feel that Arm's senior leadership encourages colleagues to volunteer." Team Arm volunteering activities across Arm's global offices included setting up housing for refugees in Chandler, Arizona with Gathering Humanity, teaching children about coding through Arm's Primary School Outreach Program in Cambridge and Manchester, UK, and a robotics workshop with FIRST Tech Challenge in Sophia Antipolis, France. Arm has re-launched its mentoring partnership through 2024 with Na'amal, a non-profit that helps refugees based in locations including Kenya and Ethiopia secure remote work.

Arm collaborates with organisations that encourage underrepresented people to pursue careers in science, technology, engineering, and mathematics ('STEM'). Through Arm's partnership with INROADS, a non-profit organisation creating pathways to careers for ethnically diverse high school and college students in the US, Arm recruits interns and graduates to join its teams to build a more diverse and inclusive workplace.

Arm is also invested in the empowerment of young people to enable them to develop their capabilities and confidence in order to become the innovators and leaders of tomorrow. In FYE24, Arm supported the Micro:bit Educational Foundation through sponsorship of an outreach project for UK primary schools. "Project Next Gen" will upskill teachers and encourage young people to hone their STEM and coding skills. Arm's Developer Ecosystems and ML teams are providing pro-bono technical support to the project.

To maintain oversight of the Company's community engagement, the Board received regular updates on these activities as part of its corporate governance briefings, mentioned above.

Arm Education

The mission of Arm Education is to help close the education, skills and research gaps in Computer Engineering and STEM. To assist with this, Arm co-announced a new global initiative known as the Semiconductor Education Alliance in July 2023, with support from partners including Arduino, Cadence, Cornell University, the Semiconductor Research Corporation, STMicroelectronics, Synopsys, Taiwan Semiconductor Research Institute, the All-India Council for Technical Education, and the University of Southampton.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

By bringing together stakeholders across industry, academia and government, the Semiconductor Education Alliance addresses the challenges of finding talent and upskilling the existing workforce by offering education programs and initiatives, preparing competency frameworks, accelerated educational, training pathways, resources, and services to build and support future talent pools.

Environment

Arm recognises that its day-to-day activities have an impact on the environment and considers environmental management to be an integral part of good business practice.

In response to the climate crisis, Arm has committed to cutting its absolute GHG (Greenhouse Gas) emissions by 50% from a FYE20 baseline across all emissions sources (scopes 1, 2, and the six categories of scope 3 relevant to Arm) by FYE30 in line with a 1.5°C climate pathway and the Paris Agreement. This is our net zero commitment. At the point of net zero, after achieving our absolute reduction commitment, we will use carbon removal offsets to balance remaining GHG emissions.

We have set individual targets to deliver our net zero GHG reduction commitment by 2030, including:

- To source 100% of electricity consumption from renewable sources by end FYE23 and become RE100. And to maintain this position post FYE23 to FYE30.
- To reduce absolute emissions from supply chain by 42% by FYE30
- To reduce absolute emissions from business travel by 7% by FYE30

We publicly report progress towards our net zero target each year in our Sustainable Business Report.

Arm's Sustainability Committee, with delegated authority from the Board, reviews Arm's carbon and energy performance against its targets and considers future targets. The Committee meets quarterly and is chaired by the Head of Sustainability, and reports into the Executive Committee via the Chief People Officer. As reported in Arm's Sustainable Business Report for FYE23, the Company achieved an 87% reduction in GHG emissions versus its FYE20 baseline as well as 100% renewable electricity consumption. FYE24 progress towards our carbon reduction targets will be reported in the next Arm Sustainable Business Report.

Arm has set individual absolute carbon reduction targets across key impact areas of all scopes to deliver this net zero commitment. To support the achievement of these targets, Arm also delivers initiatives to empower its employees and support its supply chain partners to make low-carbon, sustainable choices, and promotes innovation in tech-based carbon-removal solutions. For example, in March 2023, Arm entered into a new partnership with Carbon13, an organisation designed to support new ventures that aim to deliver carbon emissions reductions.

Arm aims to engage with its stakeholders to help meet its targets by increasing awareness of its environmental policy with employees, contractors, external suppliers and customers to encourage their adoption of environmental best practices and offering training to employees. These efforts are directed by the Company's Sustainability Committee, as further detailed within the Corporate Governance Statement.

Further details of some of Arm's sustainability initiatives including some environmental initiatives are provided in section (c) Company's business relationships with suppliers, customers and others of this Section 172 statement.

Arm Holdings plc

Strategic Report (continued)

Section 172(1) statement (continued)

s.172(f) the need to act fairly as between members of the Company

Shareholder Engagement as a listed company

Following the IPO, the Company is now a public limited company with securities listed on the Nasdaq Global Select Market. The Company qualifies as a "controlled company" under the Nasdaq Rule 5615, with SBG being a controlling shareholder with an indirect shareholding of around 90% as at 31 March 2024. SBG has the right to designate a number of candidates for election to the Board depending on its and its controlled affiliates' level of ownership from time to time. By virtue of such representation at the Board level, SBG benefits from direct interaction and engagement with the Board and the Executive Committee, ensuring that its views and interests are considered fairly during Board meetings. However, despite SBG's position as controlling shareholder, Arm is run for the benefit of all its shareholders. The Board embraces transparency and inclusivity in its decision-making and wider shareholder communication, and actively engages with the Company's collective shareholder base through various forums. Arm's Board is committed to maintaining regular shareholder interaction and communication to understand shareholders' interest and concerns. This allows the Company to align the strategic discussions of its Board and decisions on Arm's strategy, operations and policies with the expectations of its shareholders.

In FYE24, Arm's discussions with its shareholders focussed on fostering understanding of the progress of Arm's long-term strategy, and its evolving revenue composition and increased licensing revenue driven by investment in Artificial Intelligence. Key engagements between the Board and Executive Committee with the Company's shareholders, potential shareholders and financial analysts included meetings and conference calls prior to the IPO, Board and senior management attendance at Arm's quarterly earnings calls, conferences and non-deal roadshows after the IPO, such as the Morgan Stanley TMT Conference in March 2024, as well as the provision of comprehensive investor information about Arm and relevant matters of interest on Arm's website, including quarterly results, Annual Reports and investor presentations: <https://investors.arm.com/>.

Arm Holdings plc

Strategic Report (continued)

Climate-related Financial Disclosure

This is Arm's first year reporting on climate-related matters under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. We have complied with requirements 'a' through to 'h' of the regulations. It is our intention to continue building on the work undertaken to identify and quantify climate-related matters and we recognise there are opportunities to further develop our modelling approach, risk mitigation actions and disclosure of metrics and targets.

We are working to reduce our own GHG emissions to achieve net zero by 2030. Our net zero commitment is to reduce GHG emissions by 50% from a FYE20 baseline across all emissions sources (scopes 1, 2, and the six categories of scope 3 relevant to Arm) by FYE2030 in line with a 1.5°C climate pathway and the Paris Agreement.

Governance

The Arm Board has delegated authority for sustainability-related issues including climate-related risks and opportunities, to two subsets of our Executive Committee ('EC'), Arm's Sustainability Committee and Arm's Risk Review Committee. As noted in the Corporate Governance Report, there is a corporate governance framework in place. As part of this, there is a subsidiary governance policy setting out the framework for the wider Arm Group, which facilitates reporting to the EC on matters such as climate-related matters.

The Sustainability Committee has delegated authority from the Board for making decisions on sustainability matters, including climate-related matters, and is composed of senior executives and other senior individuals representing sustainability, finance, legal, strategy, technology, and people (HR). Arm's Sustainability Committee meets quarterly and is chaired by the Head of Sustainability, and reports into the EC via the Chief People Office. The Sustainability Committee inputs as necessary to the Risk Review Committee on identified climate-related risks and opportunities.

The Sustainability Committee is supported by the Sustainability team, which reviews Arm's carbon and energy performance against targets and considers future targets. The Sustainability team reports to the Chief People Officer, who also represents the People and Workplace teams, which are responsible for specific carbon-related areas (travel, commuting, and energy) within our sustainability strategy.

Responsibility for the organisation-wide risk management framework has been delegated to the Risk Review Committee, a subset of the Arm EC, which identifies and assesses the key risks to the business. Each corporate risk has an executive owner, and they are supported by subject matter experts within the business where necessary. Climate-related risks and impacts are captured in several existing corporate risks and during FYE24, a separate climate-related risk was added to Arm's corporate risk register (encompassing physical and transition risks and their impact on our operations and business model), with our Chief People Officer nominated as the executive owner.

The Sustainability Committee and the Risk Review Committee report to Arm's Board at appropriate junctures throughout the year, with the Arm Board retaining ultimate responsibility for these matters. Arm's Board has reviewed and approved this climate-related disclosure as part of its annual review and approval of Arm's Annual Report and Accounts.

Further information on how the Board interacts with the EC can be found within the Corporate Governance Report.

Arm Holdings plc

Strategic Report (continued)

Climate-related Financial Disclosure (continued)

Risk Management

During FYE24, we used third party support to help identify the potential climate-related risks and opportunities that may affect our business. A new long list of climate risks and opportunities was created, based on our existing corporate risk register, existing and emerging regulation, such as the EU's 'Right to Repair' legislation, as well as our knowledge of our business and industry more widely. To determine the potential materiality of these climate risks, the impact and likelihood of each risk and opportunity was assessed against Arm's corporate risk management framework to provide a final materiality score.

Senior stakeholders from across the business reviewed the long list of climate-related risks and opportunities during a risk validation workshop. A shortlist of material risks and opportunities was determined by assessing the potential impact to Arm's business and likelihood of the risk occurring. The validated shortlist was then taken forward for quantification and inclusion in the climate scenario analysis and financial modelling.

A separate climate-related risk was added to our corporate risk register during FYE24, in addition to being present in other business strategy risks where changes to the technology landscape due to regulation, economic and political shifts are assessed. During FYE25, our corporate risk register will be reviewed against the shortlist of climate-related risks and opportunities. This will be reviewed annually by the Risk Review Committee, or following any major business transformation, including an assessment of the potential impact of any existing or emerging regulation. Going forward, the impact assessment of existing risks and opportunities will be developed iteratively, and new methodologies defined to quantify the impact of any additional material risks identified as needed.

Climate Risk Strategy

As this is Arm's first year reporting on climate-related matters under the CFD Regulations, we focused on identifying a shortlist of material climate-related risks and opportunities that could have a material financial impact on the business over the short, medium and long-term. Subsequently, we performed climate scenario analysis and financial impact quantification of these risks and opportunities. Arm is a global business, operating across multiple sectors and geographies. Our IP is used in a vast range of products and industries which therefore indirectly exposes Arm to, and simultaneously has the potential to insulate Arm from, a broad range of climate-related risks and opportunities.

As part of the identification and assessment process, we considered Arm's exposure to a varied range of risks including i) physical risks in our own operations and wider value chain, ii) existing and emerging regulations across the breadth of industries that our IP products serve, iii) changes to consumer preferences due to more climate conscious behaviour and iv) technology changes to support the transition to a lower-carbon economy. Following the risk identification process (described in the Risk Management section), a shortlist of seven climate-related risks and opportunities was identified, including two physical risks, four transition risks and one opportunity. Due to the nature of Arm's business model as an IP company generating revenue through licence fees and royalties, most of the identified material risks and opportunities are indirect in nature. Any macro-economic changes resulting from the global transition to a low carbon economy, response to climatic events or long-term shifts will likely have a direct impact lower down the value chain on our customers and the products they produce and sell containing Arm IP, which in turn could indirectly affect our costs and revenues, in either positive or negative directions.

Following our identification and assessment of climate-related risks and opportunities, we consider Arm's business to be resilient to the physical and transition risks under different climate scenarios. We will continue to review these risks and the mitigating actions Arm can take to manage climate-related risks. We have considered the impact of Arm's material climate risks and opportunities and do not currently consider there to be a climate-related impact on our financial statements.

Arm Holdings plc

Strategic Report (continued)

Climate-related Financial Disclosure (continued)

Climate scenario analysis

We used a range of sources as part of the climate scenario analysis, including the Network for Greening the Financial System (NGFS), International Energy Agency (IEA), and the IPCC's Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs). These scenarios provide plausible projections of future macro-economic and environmental states, based on key trends and inputs such as differing macroeconomic drivers and techno-economic outcomes and are not designed to deliver precise forecasts. With the support of an enlisted third party, we assessed the shortlist of seven prioritised climate-related risks and opportunities over short, medium and long-term horizons against the following scenarios.

1. Optimistic 'net zero' scenario: Associated with ~1.5-2°C global warming, which closely maps to the IPCC's representative concentration pathway RCP2.6 and shared socioeconomic pathway SSP1. This scenario assumes all necessary climate policies are implemented sufficiently to achieve global net zero greenhouse gas emissions by 2050 and subsequently limit global warming to 1.5°C. Therefore, under such a scenario, we expect transition risks, driven by changes in policy, markets and consumer behaviour, to have a much greater impact on society and our business than physical risks.
2. 'Current policies' scenario: Associated with 3°C+ global warming, which closely maps to the IPCC's representative concentration pathway RCP8.5 and shared socioeconomic pathway SSP5. This scenario assumes that some climate policies are implemented, but some additional warming is still experienced. Therefore, under such a scenario, we expect physical risks driven by longer-term weather changes to have a greater impact on society and our business than transition risks.

In line with the CFD requirements and leading practice, we assessed the impact of these two climate scenarios on our current business model and strategy. Due to the nature of Arm's business model and the indirect impact climate change is expected to have on the company, quantification of the financial impact of the climate risks and opportunities is limited in this initial year of disclosure and impact is instead described qualitatively where there have been constraints in data availability or uncertainty over causality and attribution. The financial impacts of the climate-related risks and opportunities have been assessed assuming that no actions or measures are taken by Arm to mitigate the risk.

These scenarios have been considered over three defined time horizons: short-term (present - 2030s), medium-term (2040s) and long-term (2050s). These time horizons have been selected as most relevant to Arm and the markets in which we operate. The short-term 2030 horizon is critical as this aligns with Arm's own 2030 net zero carbon emissions commitment and targets, as well as Arm's financial planning cycle. The medium- to long-term time periods are outside of Arm's typical planning cycles, but reflect the period in which climate risks and opportunities are expected to affect the business, including future legislative changes within key customer markets and are consistent with national and market net zero targets and commitments.

The table below provides a description of the material climate-related risks and opportunities for which financial quantification was conducted, along with an indication of the time horizon when the estimated full impact of each risk and opportunity is expected to occur. The table provides a summary of the potential financial impacts to Arm, as well as potential impact ratings reflecting the impact of the two different scenarios on Arm. These impact ratings are informed by both the quantitative and qualitative assessments of each potential financial impact to Arm under the current business model and strategy. Each risk and opportunity has been treated as a mutually exclusive event and the results are global in scope. Two further shortlisted climate-related risks and opportunities were identified for which financial quantification was not conducted. These risks and opportunities are discussed qualitatively below. Undertaking this detailed climate risk assessment has enabled us to understand our exposure, vulnerability and identify potential mitigation measures to climate-related risks.

Arm Holdings plc

Strategic Report (continued)

Climate-related Financial Disclosure (continued)

The climate scenario analysis conducted is underpinned by the below key assumptions and estimates:

- Conducting climate scenario analysis requires forecasting financial data, to do this we have used internal financial projections in the short- to medium-term, supplemented with GDP growth in the medium- to longer-term.
- The financial data used included operational costs and revenue from royalty payments. Revenue from licence fees was not considered as part of the analysis.
- Climate-related risks and opportunities have been modelled as mutually exclusive to capture their individual impact.
- Climate-related risks and opportunities have been modelled in nominal terms with no social discount factor applied.
- Arm's business model remains static.

The climate scenario analysis undertaken has identified key areas that Arm can build on in future disclosures, recognising our assessment of climate risks and opportunities will be an iterative process. Our aim is to take critical learnings from this exercise forward and define future actions to enable more quantitative assessment. We will review the outputs of the climate scenario analysis to understand how we can integrate the outputs into the business decision making processes.

Arm Holdings plc

Strategic Report (continued)

Climate-related risk or opportunity	Time Horizon	Risk description	Potential financial impact	Potential impact rating			Mitigating actions
				Year	Net Zero (1.5-2°C)	Current policies (3+°C)	
Physical Risk: Increased intensity, duration and frequency of extreme weather events, flooding and heat on operations	Long term	- Direct impacts due to acute extreme weather events, such as extreme winds, wildfires and storms, and flooding causing damage to Arm's assets and their contents. - Direct and indirect impacts from chronic extreme heat or cold temperatures, causing increased operational costs (direct) as well as impact on employees' thermal comfort and wellbeing (indirect).	- Almost all of Arm's assets, including offices and data centres, are leased. Therefore, potential climate-induced damage costs are limited to the insurance excess for loss of asset contents. Further potential financial impact could occur from decant and relocation costs. - If additional energy was required to heat or cool Arm's offices, there could be an increase in operational costs. - Loss of revenue could occur in case of prolonged periods of server/data centre downtime. - Loss of revenue could also occur if employees working from home were affected by heatwaves, causing productivity losses due to insufficient cooling of domestic properties.	2030	Low	Low	- Risk response plans are in place to mitigate the potential impact on our operations from acute extreme weather events, including site crisis response plans and business continuity plans. - Continuing to enhance our understanding of climate hazard exposure risks through conducting periodic climate scenario analysis and assessment. - Arm employees are able to work remotely, so access to the office is not required for the majority of employees to conduct their work. Arm is replicating facilities for onsite lab work, providing additional resilience. - All data on Arm servers are backed up on another server to mitigate potential financial impacts, such as potential impact on revenue. - Continue with our strategy of minimising dependency on data centres, by migrating workloads to be cloud capable.
				2040	Low	Low	
				2050	Low	Low	

Arm Holdings plc

Strategic Report (continued)

Climate-related risk or opportunity	Time Horizon	Risk description	Potential financial impact	Potential impact rating			Mitigating actions
				Year	Net Zero (1.5-2°C)	Current policies (3+°C)	
Transitional Risk: Legal and Reputational: Legal risks from litigation or non-compliance with the climate-related laws and current regulations	Medium term	There is a risk that there will be an increase in legal spend required to respond to evolving climate-related legal matters. This could include litigation and class action, non-compliance risks due to emerging regulation, including reporting requirements, or associated reputational damage.	- Potential direct and indirect financial impact from climate-related legal or, within that, litigation spend, for example potential class action made against Arm or one of our critical customers. The direct impact would be a potential increase in legal expenses, and the indirect impact would be potential decrease in royalty payments (revenue loss) following litigation against one of Arm's critical customers. Arm does not provide generalised indemnity to its customers for general litigation/ class actions made against them. - Non-compliance fines might be relevant if Arm fails to comply with climate regulation or climate-related disclosure requirements, which is considered unlikely as regulatory requirements are being tracked by Arm. - Increased scrutiny following litigation or non-compliance could result in additional costs as Arm implements mitigation measures. Additionally, there could be an increase in legal expenses incurred as part of the implementation measures, as more resource is dedicated to the topic.	2030	Low	Low	- Continue to work towards and transparently report progress against our pathway to our external commitment to net zero by 2030. - Clearly communicate our carbon removal offset ambitions and strategy. - Continue to seek independent limited assurance over our Scope 1 and 2 emissions and consider how we can expand this scope of assurance activities. - Keep track of emerging regulation and requirements, including through engagement with external consultants, partners and trade associations to understand how they apply to Arm. - Continue to comply with all current regulation and prioritise resourcing relevant teams to support compliance
				2040	Low	Low	
				2050	Low	Low	

Arm Holdings plc

Strategic Report (continued)

Climate-related risk or opportunity	Time Horizon	Risk description	Potential financial impact	Potential impact rating			Mitigating actions
				Year	Net Zero (1.5-2°C)	Current policies (3+°C)	
Transitional Risk: Policy: increased lifetime of devices driven by e-waste regulation and/or climate conscious behaviour	Medium term	Potential for increased climate regulation and/or increasing climate conscious behaviour that could drive a move to longer product lifetimes and lower refresh rates.	- Financial impact could occur from the loss of royalty payments due to reduced end-customer demand and therefore production of electronics (specifically higher-value smartphones, wearables and large screen computers) resulting from the increased lifetime of the products leading to lower refresh rates. This could be driven either from shifting end-customer behaviour towards climate consciousness or regulation such as the EU's Right to Repair legislation. - Please see the Opportunity section in this table for discussion of the potential revenue opportunity for devices with higher power- and energy-efficiency driven by changing customer preferences.	2030	Medium	Low	- Utilise the outputs from the detailed climate scenario analysis, for example understanding which sectors our critical customers serve could be impacted by emerging regulation, to inform business planning and decision making. - Track emerging regulation and requirements, considering how they apply to Arm, or how their direct application to Arm customers could potentially indirectly impact Arm. - Explore the development of necessary technology solutions for increased product lifetimes. - Track the balance of the potential downside revenue impact due to reduced refresh rates driven by consumer preference and e-waste regulations, versus potential upside revenue impact predictions for higher royalty revenues for premium devices driven by continuing consumer preferences for technology advances (rather than device longevity). - Track the potential revenue upside impact of increasing device resale market, particularly for lower-value devices, driven by e-waste regulation and changing climate-related end-customer preferences. - Track the potential revenue upside created by new market opportunities to serve the need for compute solutions for longer-life devices.
				2040	Medium	Low	
				2050	Medium	Low	

Arm Holdings plc

Strategic Report (continued)

Climate-related risk or opportunity	Time Horizon	Risk description	Potential financial impact	Potential impact rating			Mitigating actions
				Year	Net Zero (1.5-2°C)	Current policies (3+°C)	
Transitional Risk: Market Restriction of revenue streams due to changing end-customer preferences	Medium term	Climate conscious end-customers change their purchasing behaviour, moving to buy from more sustainable companies, thereby moving royalty revenue from an Arm customer to another manufacturer – either another Arm customer or a non-Arm alternative	- Changing end-customer preferences driven by climate conscious behaviour could result in potential financial impacts to Arm through revenue loss. The end-customer may opt to purchase from Arm customers with stronger sustainability credentials and move away from the customers with poor sustainability credentials. However, the switch is unlikely to impact revenue to Arm due to breadth of participation in target markets. - If the end-customer opted to purchase from a non-Arm supplied businesses as a result of climate conscious consumer behaviour, the potential financial impact to Arm would be a reduction in received royalty payments (revenue loss). The likelihood and impact of end-customers moving to non-Arm supplied business will vary by Line of Business in line with our differing share of the market across sectors.	2030	Low	Low	- Continue to work towards and report progress against our pathway to net zero by 2030. - We recognise our power and energy-efficient IP products could support our customers' transition plans. - Ensure we integrate outputs from the detailed climate scenario analysis into any future business transition planning and evolve our sustainability strategy.
				2040	Low	Low	
				2050	Low	Low	

Arm Holdings plc

Strategic Report (continued)

Climate-related risk or opportunity	Time Horizon	Risk description	Potential financial impact	Potential impact rating			Mitigating actions
				Year	Net Zero (1.5-2°C)	Current policies (3+°C)	
Opportunity: Increase in revenue from shifting market preferences towards climate-conscious consumerism	Medium term	Potential increased demand for Arm products due to shifts in customer or end-customer preferences towards lower-impact products and services.	- As our own customers and end-customers seek products with strong sustainability and energy efficiency credentials, demand for Arm products that are more energy efficient compared to alternatives may increase, therefore resulting in a potential increase in royalty revenue. - Arm's IP is pervasive in a wide range of technology markets, including products and services considered to be lower-impact, such as smart city infrastructure and electric vehicles, for which there may be greater demand in the future as part of the transition to a low-carbon world. - Arm is perceived in most markets as the low-power alternative to provide compute for a wide range of technology needs and this is part of the semiconductor supply chain's climate risk mitigation plans.	2030	Medium	Low	- Understand the climate transition plans of our customers to ensure we keep pace with their compliance and product roadmap requirements. - Continue to review our ecosystem to understand which customers operate in sectors that offer lower-impact products and services.
				2040	Medium	Low	
				2050	High	Medium	

Arm Holdings plc

Strategic Report (continued)

Climate-related Financial Disclosure (continued)

Two further climate-related risks and opportunities were identified in the shortlist but not taken forward for financial quantification due to limited data availability and supporting evidence. Firstly, supply chain disruptions caused by acute and chronic physical climate change impacts could affect Arm in the long-term, as extreme weather events, such as storms, floods, wildfires and drought may cause direct damage to our suppliers' operations or assets, our customers' operations and assets, or our customers' supply chain. This could result in disruption to the services and products supplied to Arm or a (temporary) disruption to our customers' operations. The financial impact of any climate-induced damage to our suppliers' operations is not expected to be material as Arm's supplier-related costs are relatively low and revenue generation is independent from day-to-day operations. Disruption to Arm's customers and their supply chains could result in a reduction of chip/semiconductor production, and therefore a potential decrease in units sold and our revenue generation. The financial impact of such disruption is also expected to be low because Arm's customers' manufacturing occurs across multiple locations, providing alternative contingency locations. While we don't expect this risk to result in a material financial impact on Arm, we will continue to build internal capabilities and knowledge in understanding and mitigating climate risk in our supply chain and work more closely with our customers and partners in our value chain to support a multi-location fabrication strategy and understand the mitigation measures in place at critical sites. We will also look to support our customers' and partners' assessments of their own climate-related risks across their supply chains, and have in place sufficient mitigation measures and contingency plans to ensure a resilient supply chain.

Secondly, changing costs of semiconductor production could impact Arm in the short-term as climate-related reductions in the availability and supply of resources, such as energy and water, increase their price and the overall costs of manufacturing. This could result in a potential loss in revenue from a decrease in Arm's customers' production of semiconductors, or from a related unfavourable renegotiation of royalty price or licensing agreement with customers. The correlation of impact to customers, and to Arm in turn, is currently uncertain, however the impact is not expected to be material due to the indirectness and interdependencies of the risk. We recognise that cyclical nature of semiconductor production and develop our business plans accordingly. Arm relies on customers to have assessed their own climate-related risks across their supply chain and have in place sufficient mitigation measures and contingency plans to ensure a secure supply chain. Arm will look to engage with our customers to further understand their business strategies and the impact of climate matters on these. There is an opportunity for Arm to share any climate-related information that could be useful in customers' and value chain partners' decision making or planning processes.

Metrics & Targets

We are reviewing our approach to setting targets and key performance indicators, to assess our progress towards managing climate-related risks and opportunities, in relation to the CFD requirements and wider regulatory landscape. As a first step to mitigating climate change, we have set targets and key performance indicators to manage and measure our progress in relation to reducing our organisational impact on climate change. These are shared below.

In response to the climate crisis, Arm has committed to cutting its absolute GHG (Greenhouse Gas) emissions by 50% from a FYE20 baseline across all emissions sources (scopes 1, 2, and the six categories of scope 3 relevant to Arm) by FYE2030 in line with a 1.5°C climate pathway and the Paris Agreement. This is our net zero commitment. At the point of net zero, after achieving our absolute reduction commitment, we will use carbon removal offsets to balance remaining GHG emissions.

To support the achievement of these targets, Arm also delivers initiatives to empower its employees and support its supply chain partners to make low-carbon, sustainable choices, and promotes innovation in tech-based carbon-removal solutions.

Arm Holdings plc

Strategic Report (continued)

Climate-related Financial Disclosure (continued)

To support the delivery of our 2030 net zero commitment, we intend to:

- Continue to procure 100% renewable electricity, after achieving this for the first time in FYE23.
- Achieve a 7% absolute reduction in emissions from business travel by FYE30 against a FYE20 baseline.
- Achieve a 42% absolute reduction in our supply chain emissions by FYE30 against a FYE20 baseline.

Progress towards these targets is measured on an annual basis, using the following key performance indicators:

- GHG emissions from all emissions sources (scopes 1, 2, and the six categories of scope 3 relevant to Arm) measured in tCO₂e (measured according to the GHG Protocol).
- Energy use (electricity) measured in MWh.
- Energy use (electricity) from renewable sources measured in MWh.

As reported in Arm's Sustainable Business Report for FYE23, the Company achieved an 87% reduction in GHG emissions versus its FYE20 baseline as well as 100% renewable electricity consumption. FYE24 progress towards our carbon reduction targets will be reported in the next Arm Sustainable Business Report.

Further information on Arm's energy and fuel use, and associated emissions, for FYE24 can be found in the Streamlined Energy and Carbon Report (SECR) within the Directors' Report and under s.172(1)(c).

Arm Holdings plc

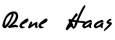
Strategic Report (continued)

Going concern

The company reported an operating profit of \$200 million and net cash from operating activities of \$833 million for the year ended 31 March 2024 and at 31 March 2024 had no external debt finance, net current assets of \$2,494 million and a cash and cash equivalents balance of \$1,925 million.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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R Haas

Chief Executive Officer

Date: 29 May 2024

Arm Holdings plc

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2024.

Future developments

Details of future developments can be found in the Strategic Report.

Events after the balance sheet date

Details of significant events after the balance sheet date are disclosed in note 35.

Research and development

Development of IP is at the heart of the Group's activities and the majority of the Group's workforce is employed in engineering activities. Within this, research and development (R&D) is of major importance and, as part of its research activities, the Group collaborates closely with universities worldwide.

Key areas of product development include the development of further energy-efficient, high-performance processors, with particular focus on accelerating nascent AI algorithms. In addition, the Group will continue to develop and deliver tools, graphics processors, system IP and subsystems to enable its customers to design and program SoCs (Systems on Chip).

The income statement charge for the year ended 31 March 2024 for R&D was \$1,923 million (2023: \$1,209 million).

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts to hedge foreign currency exchange rate risk.

The majority of interest-bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Group's principal financial assets are bank balances, and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of expected credit losses.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Other than certain balances with Arm China (note 36), the Group has no other significant individual concentrations of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Group's policy is to maintain balances of cash and cash equivalents, and short and long-term deposits and similar instruments, such that the highly liquid resources exceed the Group's projected cash outflows at all times.

Arm Holdings plc

Directors' Report (continued)

Dividends

During the year ended 31 March 2024 there was a distribution in specie of \$12 million (note 14). No other dividends were declared or paid in the year ended 31 March 2023.

Directors

The directors, who served during the year and up to the date of approval of the financial statements, unless stated otherwise, were as follows:

A Fadell	(appointed 17 August 2023)
J Sine	(appointed 25 July 2023)
K Dykstra	(appointed 17 August 2023)
M Son	(appointed 17 August 2023)
P Jacobs	(appointed 17 August 2023)
R Fisher	(appointed 17 August 2023)
R Haas	(appointed 25 July 2023)
R Schooler	(appointed 17 August 2023)
A Rajah	(resigned 25 July 2023)
R Grisenthwaite	(resigned 25 July 2023)

Directors' indemnities

The Company made qualifying third-party indemnity provisions for the benefit of its directors (which extends to the performance of any duties as a director of an associated company) subject to the conditions set out in the Companies Act 2006 and these remain in force at the date of this report.

Employees

Employee involvement in the Company is encouraged to achieve a common awareness on the part of all employees of the financial and economic factors that affect the performance of the Company. Further details of the Company's employee engagement activities have been provided in the Section 172(1) statement.

The Company is committed to employment policies regarding applications for employment, continuing employment, training, career development and promotion, which follow best practice, appropriately consider aptitudes and abilities and are based on equal opportunities for all employees, irrespective of gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age.

Engagement with suppliers, customers and others

Information in respect of how the Group engages with suppliers, customers and others is contained within the Corporate Governance Report.

Arm Holdings plc

Directors' Report (continued)

Streamlined Energy and Carbon Report (SECR)

This report focuses on the Energy and Carbon indicators mandated by the SECR. The reporting period is the year ended 31 March 2024. We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

During the year ended 31 March 2024, Arm Holdings plc became the ultimate parent company of the Arm Group and was re-registered from a private company to a public company. In accordance with UK SECR, the Arm Group now reports separately upon its global emission and energy use data in addition to that for its UK and offshore operations as previously disclosed. Comparative disclosure has been provided where data is available to the Group without undue cost or effort.

Energy usage

	Current reporting year (Year ended 31 March 2024)		Comparison reporting year (Year ended 31 March 2023)	
Energy use (kWh)	UK and offshore	Global (excluding UK and offshore)	UK and offshore (Restated)	Global (excluding UK and offshore)
Natural Gas (Scope 1)	3,968,782	618,209	3,926,364	587,281
Transport - Fuel used in company-owned vehicles (Scope 1) (a)	N/A	N/A	N/A	N/A
Electricity (Scope 2)	29,002,551	26,146,324	25,424,660	23,764,330
Transport - Fuel used for business mileage in employee-owned vehicles (Scope 3) (b)	195,527	228,769	139,112	N/A (c)
Total	33,166,860	26,993,302	29,490,136	24,351,611

Carbon emissions

	Current reporting year (Year ended 31 March 2024)		Comparison reporting year (Year ended 31 March 2023)	
CO ₂ emissions (tCO ₂ e)	UK and offshore	Global (excluding UK and offshore)	UK and offshore (Restated)	Global (excluding UK and offshore)
Emissions from combustion of natural gas (Scope 1)	726	116	717	110
Emissions from combustion of fuel for transport purposes in company-owned vehicles (Scope 1) (d)	0	0	0	0
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 - market based) (e)	0	0	0	0
Emissions from business travel in employee-owned vehicles where the company is responsible for purchasing the fuel (Scope 3) (b)	47	56	34	N/A (c)
Total	773	172	751	110

Arm Holdings plc

Directors' Report (continued)

Streamlined Energy and Carbon Report (SECR) (continued)

Intensity ratio - emissions per employee

CO ₂ emissions (tCO ₂ e)	Current reporting year (Year ended 31 March 2024)		Comparison reporting year (Year ended 31 March 2023)	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Emissions per full time employee (tCO ₂ e/FTE)	0.02	0.03	0.01	N/A (c)

Notes:

- (a) Arm has a fleet of four EV vehicles. The Group has no mechanism to collect mileage data for these vehicles.
 (b) Excludes hire vehicles used for business mileage. The Group has no mechanism to collect hire vehicle mileage data.
 (c) Global figure was not collected in FYE23 in this format as Arm was subject to reporting UK and offshore data only under SECR as a private company.
 (d) Arm has a fleet of four EV vehicles so emissions are 0 for Scope 1 transport emissions.
 (e) All sites are on renewable electricity tariffs or used renewable electricity credits and therefore market based Scope 2 emissions are zero.

Restatement of comparatives

Electricity usage in kWh has been amended following an assurance process completed subsequent to the previous annual report being issued, and gas oil usage in kWh is no longer reported under SECR to align with the regulations. As a result of these changes, total UK and offshore energy usage in kWh for the year ended 31 March 2023 became 29,490,136 kWh from the previously reported 31,882,575 kWh.

Carbon emissions in tCO₂e Scope 1 natural gas are restated as location-based to align with the GHG Protocol. This was previously reported as nil tCO₂e.

Methodology

Energy usage figures are based on data from all sites and include electricity, gas and transport fuel (Scope 1 and 3). Output is in kilowatt hours (kWh).

Carbon emissions figures are calculated in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition) and outputs are in tCO₂e using the most up-to-date conversions factors (2023) from the Department of Business, Energy & Industrial Strategy (BEIS) and EPA (2023 and 2024). Carbon emission figures are based on market-based figures for Scope 2. We have followed the 2019 UK Government environmental reporting guidance. Arm uses a Sustainability Reporting portal by Ecometrica to calculate emission figures.

Source	Energy usage methodology	Carbon emissions methodology
Natural gas	Natural gas usage in kWh from invoices/ meter readings. Input into Ecometrica portal. Natural gas use is estimated based on floor areas for small shared offices where actual usage figures cannot be provided by the landlord.	Calculated using the Ecometrica portal based on the GHG Protocol and BEIS carbon emissions conversion factors
Transport - Scope 1	We do not have mechanisms to collect mileage and therefore kWh, from our four owned/leased fleet vehicles (which are all EV).	We do not have mechanisms to collect mileage and therefore CO ₂ e from our four owned/leased fleet vehicles - however they are all EV.

Arm Holdings plc

Directors' Report (continued)

Streamlined Energy and Carbon Report (SECR) (continued)

Source	Energy usage methodology	Carbon emissions methodology
Transport - Scope 3	KWh data for personal vehicle mileage is calculated using BEIS 2023 conversion factors from the SECR tab. Average car unknown fuel factor kWh/mile x miles = kWh. Mileage is from expenses report.	CO ₂ e data for business travel by employees in own vehicles is calculated using BEIS 2023 conversion factors from the Passenger vehicles tab. Average car, unknown fuel kgCO ₂ e/mile x miles = kgCO ₂ e (or tCO ₂ e). Excludes hire vehicle emissions as we do not have a mechanism to collect mileage. Hire vehicle emissions are also accounted for in Scope 3 procurement category 1 as spend
Electricity	Electricity usage in kWh is input into Ecometrica platform. Electricity use is estimated based on floor areas for small shared offices where actual usage figures cannot be provided by the landlord.	Calculated using the Ecometrica portal based on the GHG Protocol and BEIS carbon emissions conversion factors

Energy use data is based on actual usage data available as of year end + 20 days. If actual usage data is not available for month 12 by this deadline the usage for the outstanding month is estimated. The estimation methodology is documented for each site and recorded in the Ecometrica platform. The method used is based on the most appropriate estimation methodology for the site depending on its location and therefore climate variability.

Trends

As can be seen from the tables above, the Group's energy consumption has increased across all categories between FYE23 and FYE24. Vehicle travel increased significantly with the return of more face to face meetings and events. Electricity use in premises also increased with a continued return to office by employees. However, the tables also show that despite the Group's increase in energy consumption between FYE23 and FYE24 its carbon emissions did not increase at the same rate. This is mainly due to the continued use of renewable energy across the UK and Global estate.

Environmental performance

Arm has committed to cutting its absolute GHG emissions by 50% from a FYE20 baseline across all emissions sources (scopes 1, 2, and the six categories of scope 3 relevant to Arm) by FYE30 in line with a 1.5°C climate pathway and the Paris Agreement. This is our net zero commitment. At the point of net zero, after achieving our absolute reduction commitment, we will use carbon removal offsets to balance remaining GHG emissions.

To support the delivery of our 2030 net zero commitment, we intend to:

- Continue to procure 100% renewable electricity, after achieving this for the first time in FYE23.
- Achieve a 7% absolute reduction in emissions from business travel by FYE30 against a FYE20 baseline.
- Achieve a 42% absolute reduction in our supply chain emissions by FYE30 against a FYE20 baseline.

We publicly report progress towards our net zero target each year. As reported in Arm's Sustainable Business Report for FYE23, the Company achieved an 87% reduction in GHG emissions versus its FYE20 baseline as well as 100% renewable electricity consumption. As the SECR data is a small subset of our total footprint it is not a representative indicator of progress towards our net zero target which covers our full emissions footprint. FYE24 progress towards our carbon reduction targets will be reported for the first time in the next Arm Sustainable Business Report. This will include final assured energy use and associated emissions data to limited assurance.

Arm Holdings plc

Directors' Report (continued)

Auditor

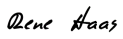
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's and the Group's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's and the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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R Haas

Chief Executive Officer

Date: 29 May 2024

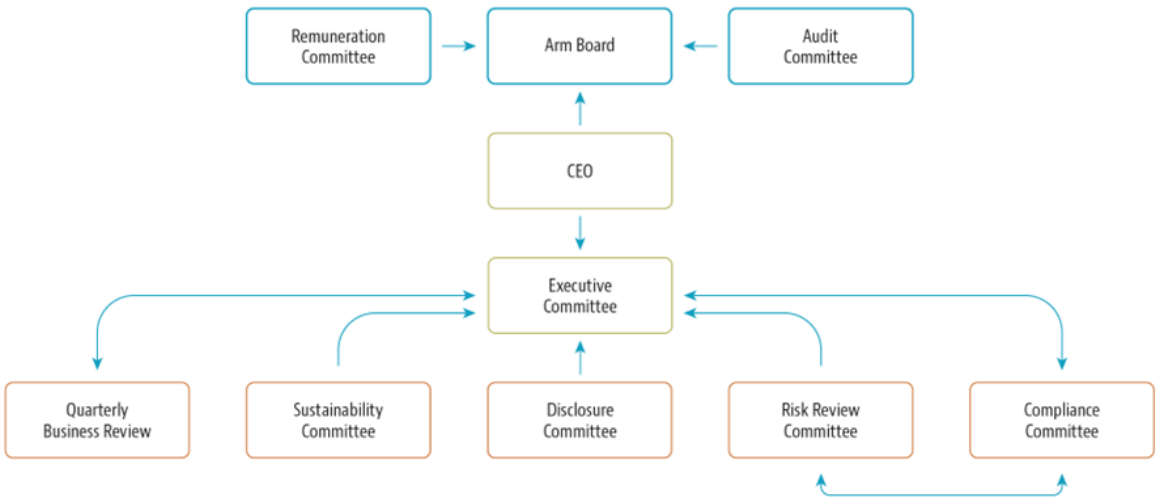
Arm Holdings plc

Corporate Governance Report

The Company successfully listed on the Nasdaq Global Select Market ('Nasdaq') on 14 September 2023 (the 'IPO'). In preparation for the IPO: the Company changed its name from Arm Holdings Limited to Arm Holdings plc, was re-registered from a private company to a public company; and was inserted as the ultimate parent company of the Arm Group. Further details of the pre-IPO reorganisation of the Arm group of companies are provided within the Strategic Report under the Section 172 statement.

Following the IPO, the Company qualifies as a foreign private issuer (an 'FPI') and a controlled company, as a result of SoftBank Group Corp.'s ('SBG') shareholding, within the meaning of US securities laws and the listing rules of the Nasdaq (the 'Nasdaq Rules').

Overview



The Board

The Company is managed under the direction of the Board of Directors, whose primary responsibility is to protect and promote the best interests of the Company by providing advice, counsel and oversight to the Board Committees and senior management. The Board oversees the management of Arm and is responsible for the success of the Arm Group with the goal of building and maintaining a successful business over the long-term, including optimising long-term financial returns for the benefit of the Company's members.

Certain Arm Group matters are reserved to the Board including the approval of overall strategy, structure and capital, financial reporting and controls, acquisitions, material contracts and investments, board membership, group policies, stakeholder governance and material litigation. The list of Board reserved matters was revised and formally adopted during FYE24. The updates were implemented to better enable the reporting and escalation of matters to the Board, and its general oversight of strategic and operational matters, in the context of the IPO and its impact on the future of the business.

Corporate Governance Framework

To set out its refreshed corporate governance structure in the context of the IPO, during FYE24 the Company and other members of the Arm Group adopted the Arm Group Governance Framework (the 'Framework') comprised of the Corporate Governance Principles which provide additional guidance to the Board on its management, decision-making and processes, Articles of Association and Committee Charters. The structure is also reflected in the various Arm Group governance policy documents including the Code of Conduct (as required by the Nasdaq Rules) and the Subsidiary Governance Policy. The Code of Conduct supports the Board in managing the business in a way that is consistent with responsible business practices and Arm's Core Beliefs. The Subsidiary Governance Policy sets out the overarching corporate governance principles and framework for the wider Arm Group, to enable the effective management of Arm Group subsidiaries on a global basis.

Arm Holdings plc

Corporate Governance Report (continued)

Corporate Governance Framework (continued)

Prior to the IPO and since FYE19, Arm Limited (now a wholly-owned subsidiary of the Company but, until the pre-IPO reorganisation, the parent company of the Arm Group) has been applying and reporting against The Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles'). However, now that the Company is the parent company for the Arm Group, and given its public status, the Company does not consider the Wates Principles to be an appropriate basis for its current governance framework. This is because the Board considers that the Framework, together with the requirements of the UK Companies Act 2006 ('CA 2006'), the US securities laws and the Nasdaq Rules, itself provides a sufficiently robust set of governance guardrails within which the Company has established prudent governance processes and procedures. Further, the Board has not formally adopted a corporate governance code because it considers the applicable requirements of the Nasdaq Rules to be akin to a formal code.

In anticipation of the IPO, the Company's priority was ensuring that its proposed Framework provided an effective corporate governance structure in compliance with the US securities laws, the Nasdaq Rules and the CA 2006. As part of this, all of the Directors received a thorough induction and onboarding to support them in fulfilling their responsibilities as Directors and to ensure their familiarity with the Framework, particularly given the Board's role as the principal governance body of the Arm Group and its responsibility in overseeing the Code of Conduct.

Division of Responsibility

While the Board as a whole is the principal governance body for the global Arm Group, certain individual Board members undertake clearly-defined activities on behalf of the Board. As part of the Framework, the Board delegates authority to the CEO and the Executive Committee to deal with the day-to-day management of the Company and the strategic management of the Arm Group. The CEO is also chiefly responsible for the interface with stakeholders and provides a Corporate Governance Briefing with an emphasis on stakeholder engagement at each scheduled Board meeting – please see the Section 172 statement within the Strategic Report for further detail on stakeholder engagement. The Board also delegates other matters to its standing board committees, the Remuneration Committee and the Audit Committee. The Remuneration Committee and Audit Committee each report on their activities to the full Board via their chairperson and provide periodic updates; they are governed by their respective charters, both of which were refreshed during FYE24.

The roles of Board Chair and CEO remain separate, and there is an appropriate division of responsibility, accountability and decision-making within the Board.

In respect of each such delegation, however, the Board is cognisant that ultimate responsibility for these matters remains with the Board as a whole.

US Listing Requirements

Material Differences

Following the Nasdaq listing, as an FPI, the Company is permitted to follow home practices in respect of certain corporate governance arrangements in lieu of the Nasdaq Rules and, where this is the case, Arm is required to disclose a summary of any material differences between the home country corporate governance practices followed and those under the Nasdaq Rules. Arm's Corporate Governance Framework, outlined in more detail below, is primarily based on the Nasdaq Rules but also conforms to the requirements of the CA 2006. Separately, as Arm also qualifies as a "controlled company", it is exempt from complying with certain other corporate governance requirements under the Nasdaq rules, details of which are further outlined below. As a Foreign Private Issuer, Rule 5615(a)(3) permits the Company to follow home practices rather than the Nasdaq rules in respect of certain corporate governance arrangements.

Arm Holdings plc

Corporate Governance Report (continued)

US Listing Requirements (continued)

The material differences between the home country corporate governance practices which Arm follows and those under the Nasdaq Rules are set out in the following table:

<u>Nasdaq Rules</u>	<u>Arm Practices</u>
Pursuant to Rule 5605(b)(2), Independent Directors must have regularly scheduled meetings at which only Independent Directors are present at least twice a year.	There is no requirement for such meetings to be held under UK company law. The Company acknowledges that this is best practice and affords Independent Directors the opportunity to meet as and when they desire.
Pursuant to Rule 5610, FPIs must disclose waivers of the code of conduct for directors or executive officers within four business days by distributing a press release or filing a Form 6 K with the US Securities and Exchange Commission (the 'SEC').	It is the Company's expectation that waivers of the Code of Conduct will rarely be requested or granted. Approved waivers for members of the board of directors and executive officers can only be granted by the board of directors or the Audit Committee and must be disclosed by the Company as required by law or regulation (noting that there is no such requirement under UK company law applicable to Arm). No waiver will be given if such a waiver would violate applicable laws or regulations.
Under Rule 5620(b), the Company must solicit proxies and provide proxy statements for all shareholder meetings, and must provide copies of such proxy solicitation to the Nasdaq.	Relying on its exemption as an FPI, the Company follows UK company law with respect to the documentation required for shareholder meetings. Given the Company's shareholder base, the Company is satisfied that the use of UK company law compliant documentation is sufficient for these purposes.
Rule 5630 requires the Audit Committee or another independent body of the board of directors to conduct appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis.	The process for review and oversight of related party transactions is determined on a case-by-case basis depending on the identity of the related party, the terms and the value of the transaction. Subject to the provisions of the Shareholder Governance Agreement with SBG applicable to transactions with SBG and its affiliates (which includes exceptions and different review and approval procedures for certain types of transactions), under the Company's Related Party Transactions Policy, if a transaction has been identified as a related party transaction, including any transaction that was not a related party transaction when originally consummated or any transaction that was not initially identified as a related party transaction prior to consummation, the related party transaction must be approved or ratified by the Audit Committee of our Board of Directors. The Company also has in place arrangements as required under the provisions of the CA 2006, including in relation to directors' interests and certain transactions with directors. For example, as part of the decision-making process of the Board, the Board considers any potential conflicts of interest in the ordinary course of the Board's activities, as with the impact of its decision-making processes on key stakeholders.

Arm Holdings plc

Corporate Governance Report (continued)

US Listing Requirements (continued)

<u>Nasdaq Rules</u>	<u>Arm Practices</u>
As further detailed in Rule 5635 (and subject to certain exceptions), shareholder approval is required prior to an issuance of securities in connection with: (i) certain acquisitions of the stock or assets of another company; (ii) the establishment or material amendment of a stock option or purchase plan or equity-based compensation plan in which officers, directors, employees or consultants may participate; (iii) a change of control; and (iv) non-public offerings of securities representing 20% or more of the common equity or voting power of the issuer if the offering is made at price lower than the minimum price specified in Rule 5635(d).	The Company follows the CA 2006 with respect to circumstances in which shareholder approval is or is not required. In particular, the CA 2006 has specific rules around share repurchases, authority to allot shares and the disapplication of pre-emption rights for existing shareholders.

As a Controlled Company, Rule 5615(c)(2) permits the Company to avail itself of exemptions relating to the following Nasdaq corporate governance requirements:

<u>Nasdaq Rules</u>	<u>Arm Practices</u>
Rule 5605(b) states that a majority of the board of directors must be Independent Directors.	As a Controlled Company, the Company has elected to not have a board consisting of a majority of Independent Directors. Further, the Company has also elected not to adhere to the UK corporate governance code and accordingly there is no mandatory UK requirement relating to board independence. The Board has four Independent Directors.
Under Rule 5605(d)(1), the compensation committee charter must specify the compensation committee's responsibility for determining, or recommending to the board of directors for determination, the compensation of the chief executive officer and all other executive officers of the Company.	The Company has established a compensation committee (the "Remuneration Committee") and adopted a Remuneration Committee charter. The charter of the Remuneration Committee provides the Remuneration Committee with the responsibility of recommending the compensation of the Company's Chief Executive Officer to the board of directors for determination. Equity compensation of other executive officers is determined as between the Chief Executive Officer and the Remuneration Committee.
Under Rule 5605(d)(2), the Company must have a compensation committee solely composed of Independent Directors.	The Remuneration Committee is comprised of independent and non-independent directors and not solely Independent Directors. This is because the Company is satisfied that the fair judgement, and consequently decision-making, of the non-Independent Directors will not be altered by the fact that they are not independent.
Rule 5605(e) provides that director nominees must be selected or recommended for the Board's selection either (i) by a nominations committee composed solely of Independent Directors or (ii) by vote of the majority of the Board's Independent Directors in a vote in which only Independent Directors participate.	As a Controlled Company, the Company has elected not to have a nominations committee nor are nominations selected or recommended solely by Independent Directors. Instead, Board appointments are selected or approved by the full Board.

Arm Holdings plc

Corporate Governance Report (continued)

Board Composition

The Board is composed of eight directors:

Masayoshi Son

Masayoshi Son has served as a Director and Chairman of the Arm Group since September 2016. Mr. Son founded SBG in September 1981 and has been its Chairman and Chief Executive Officer since February 1986. Founded initially as a PC software distribution business, SBG and its portfolio of companies have expanded to cover a range of technologies, including advanced telecommunications, internet services, AI, smart robotics, and IoT. Mr. Son has overseen investments in some of the world's fastest-growing technology companies. Mr. Son serves in various capacities within SBG's portfolio of companies, including SoftBank Corp. (Japanese Telecommunication Operator), having acted as its Chairman since 2015 and served as its Chairman and Chief Executive Officer from 2006 to 2015. Mr. Son has also served as Honorary Chairman of the Broadband Association in Japan.

Mr. Son was selected to serve on the Board of Directors because of his vast executive leadership experience, including through his service as Chairman and Chief Executive Officer of SBG, a large international public company and Arm's controlling shareholder, along with his significant expertise in technology and innovation.

Mr. Son is the Chair of the Remuneration Committee.

Rene Haas

Rene Haas has served as the Chief Executive Officer and as a Director since February 2022. Prior to being appointed as Chief Executive Officer, Mr. Haas served as President of the IP Product Group (IPG) from January 2017. Under his leadership, Mr. Haas transformed IPG to focus on key solutions for vertical markets with a more diversified product portfolio and increased investment in the software ecosystem. In addition to his role as Chief Executive Officer, Mr. Haas has served on the boards of Arm China and SBG since December 2016 and June 2023, respectively. Mr. Haas also provides certain advisory and consulting services to SBG and currently serves on the boards of Arm Technology (China) Co. Ltd and SBG. Mr. Haas joined the Company in October 2013 as Vice President of Strategic Alliances and two years later was appointed to the Executive Committee and named Arm's Chief Commercial Officer in charge of global sales and marketing. Before joining the Company, Mr. Haas held several applications management, applications engineering and product engineering roles, including seven years at NVIDIA as Vice President and General Manager of its computing products business. Prior to NVIDIA, Mr. Haas held executive roles at Scintera Networks and Tensilica. Mr. Haas earned his Bachelor of Science in Electrical and Electronics Engineering from Clarkson University and is a graduate of the Stanford University Graduate School of Business Executive Education Program.

Mr. Haas was selected to serve on the Board of Directors due to his knowledge of the business as the Chief Executive Officer and his extensive experience in the semiconductor industry.

Karen Dykstra

Karen Dykstra has served as a Director of the Board of Directors since September 2022. From June 2023 to November 2023, Ms. Dykstra served as Chief Financial Officer of VMware, Inc. Ms. Dykstra previously served as Chief Financial and Administrative Officer, and as Chief Financial Officer, of AOL, Inc., a web portal and online service provider. Prior to joining AOL, Inc., Ms. Dykstra was a Partner at Plainfield Asset Management LLC ('Plainfield'), where she served as Chief Operating Officer, Chief Financial Officer and a director of Plainfield Direct LLC, Plainfield's business development company. Previously, she spent over 25 years with Automatic Data Processing, Inc., a provider of human capital management solutions to employers, serving most recently as Chief Financial Officer, and prior thereto as Vice President—Finance, Corporate Controller, and in other capacities. Ms. Dykstra currently serves on the board of Gartner, Inc. and is a former director of VMware, Inc., Crane Co., AOL, Inc. and Boston Properties, Inc.

Ms. Dykstra was selected to serve on the Board of Directors due to her broad executive management experience and financial expertise as the Chief Financial Officer of multiple global companies and her experience from serving on the board of directors of other companies in the technology industry.

Ms. Dykstra is the chair of the Audit Committee.

Arm Holdings plc

Corporate Governance Report (continued)

Board Composition (continued)

Anthony Fadell

Anthony Fadell has served as a Director of the Board of Directors since September 2022. Mr. Fadell is an active investor and entrepreneur with over 30 years of experience in founding companies and designing consumer products. He is the Principal at the Build Collective, an investment and advisory firm that invests in deep tech startups. Currently, the Build Collective is working with startups on over 200 innovative technologies. Mr. Fadell is the founder and former Chief Executive Officer of Nest, a major pioneer in the IoT space. He was Senior Vice President of Apple's iPod division and led the team that created the first 18 generations of the iPod and the first three generations of the iPhone. Mr. Fadell also served as an Advisor to the Chief Executive Officer at Apple. Throughout his career, Mr. Fadell has authored more than 300 patents. He is also a New York Times bestselling author of BUILD: An Unorthodox Guide to Making Things Worth Making. Mr. Fadell currently serves on the boards of Concerto Management, Inc., Concerto Management EU, SAS, and Orionis Biosciences, Inc.

Mr. Fadell was selected to serve on the Board of Directors due to his extensive experience in a range of technology companies as well as his significant leadership experience, including serving as the founder and Chief Executive Officer of a leader in the IoT space, and his in-depth knowledge of the technology industry.

Jeffrey Sine

Jeffrey Sine has served as a Director of the Board of Directors since September 2022. Mr. Sine is the Co-Founder and Partner of The Raine Group LLC, a global merchant bank focused on technology, media, and communications. Prior to founding The Raine Group LLC, he served as Vice Chairman and Global Head of Technology, Media & Telecom Investment Banking at UBS Investment Bank. Mr. Sine was a Managing Director at Morgan Stanley and an attorney at Sullivan & Cromwell in New York and London. Mr. Sine currently serves on the boards of many portfolio companies and subsidiaries of The Raine Group LLC. He also serves on the boards of National Public Radio, TelevisaUnivision, ITHAKA, Educational Testing Service, American University and The Manhattan Theatre Club.

Mr. Sine was selected to serve on the Board of Directors due to his significant experience as a leader and director of multiple global companies with international operations as well as his capital markets and financial experience from his tenure at global financial institutions.

Mr. Sine is a member of the Remuneration Committee.

Paul Jacobs

Paul Jacobs, PhD has served as a Director of the Board of Directors since December 2022. Dr. Jacobs has been the Chief Executive Officer and a director of Globalstar, Inc. since August 2023. He is the Chairman, and until April 2024 also held the position of Chief Executive Officer, of Virewirx Inc. (formerly known as XCOM Labs), which he founded in 2018 to develop high performance wireless technologies and applications. Prior to founding XCOM Labs, Dr. Jacobs served as the Chief Executive Officer and Executive Chairman of Qualcomm Inc., where he spearheaded the company's efforts to develop and commercialise fundamental mobile technology breakthroughs that fuelled the wireless internet and smartphone revolutions. Dr. Jacobs is a prolific inventor with over 80 US patents granted or pending in the field of wireless technology and devices. Dr. Jacobs currently also serves as a director of Dropbox, Inc., Global Star, Inc., Virewirx Inc., Get Heal, Inc., and the NBA Board of Governors. He earned a B.S. in Electrical Engineering and Computer Science, M.S. in Electrical Engineering, and Ph.D. in Electrical Engineering and Computer Science from the University of California, Berkeley. He founded the Jacobs Institute for Design Innovation at the University of California, Berkeley. Dr. Jacobs is a member of the National Academy of Engineering and a Fellow of the American Academy of Arts and Sciences.

Dr. Jacobs was selected to serve on the Board of Directors based on his experience as the leader and board member of multiple global companies, as well as his innovation and business experience with companies in, and his in-depth knowledge of, the technology sector.

Arm Holdings plc

Corporate Governance Report (continued)

Board Composition (continued)

Rosemary Schooler

Rosemary Schooler has served as a Director of the Board of Directors since December 2022. Ms. Schooler has over 30 years of experience in the global technology industry. She most recently served as Corporate Vice President and General Manager of Data Center and AI Sales for Intel Corporation. During her 33-year career at Intel, Ms. Schooler managed and oversaw sales and corporate strategy for the company's IoT business. Ms. Schooler also held vice president and general manager positions at a number of Intel start-up initiatives in the embedded/IoT, networking and storage businesses, including architecture, product development and customer success efforts. In her networking role, Ms. Schooler led industry transforming initiatives, including Network Function Virtualization and technologies such as Data Plane Development Kit. Ms. Schooler has supported industry efforts, including ATIS and TIA, as well as non-profits, including the National Center for Women in Technology. She was previously a director for Cloudera and currently serves on the board of directors for Zurn Water Solutions and Densify. Ms. Schooler earned a B.S. in ceramic science and engineering from Penn State University.

Ms. Schooler was selected to serve on the Board of Directors due to her expansive knowledge of corporate strategy and strategic planning and vast experience as a leader in the technology industry.

Ms. Schooler is a member of the Audit Committee and the Remuneration Committee.

Ronald Fisher

Ronald Fisher has served as a Director of the Board of Directors since March 2018. Mr. Fisher is a Senior Advisor at SoftBank Investment Advisors. Mr. Fisher joined SoftBank Group in 1995 and was the founder and Managing Partner of SoftBank Capital. Mr. Fisher joined the Board of SoftBank Group in 1997 and was Vice Chairman from 2017 to 2022. Mr. Fisher also serves on the boards of several of SBG's portfolio companies. Mr. Fisher has more than 40 years of experience of working with high-growth and turnaround technology companies. Prior to joining SoftBank Group, Mr. Fisher was the Chief Executive Officer of Phoenix Technologies Ltd., the leading developer and marketer of system software products for personal computers, from 1990 to 1995. Mr. Fisher joined Phoenix from Interactive Systems Corporation, a UNIX software company that was purchased by the Eastman Kodak Company in 1988. Mr. Fisher served for five years as President, initially as Chief Operating Officer and then Chief Executive Officer at Interactive Systems. Mr. Fisher earned an MBA from Columbia University and a Bachelor of Commerce from the University of Witwatersrand in South Africa.

Mr. Fisher was selected to serve on the Board of Directors due to his extensive business, operational and management experience in the technology industry.

Mr. Fisher is a member of the Audit Committee and the Remuneration Committee.

Board Diversity and Independence

Board Diversity

Diversity plays a key role in how the Company operates and upholds a thriving Arm community. Arm has made significant progress since the beginning of its Diversity, Equity and Inclusion ('DEI') journey and acknowledges there is still a long road ahead. As noted within the Strategic Report under the Section 172 statement in further detail, this year, Arm updated its organisational objectives and introduced DEI targets for FYE24 including an increase in gender and racial/ethnic diversity by the end of FYE24 when compared to the start of FYE24.

The foundation of Arm's DEI Strategy is to integrate diversity practices into everything it does to effectively collaborate across teams and regions, innovate with ecosystem partners, and be impactful leaders, managers, and individuals, as further detailed within the Strategic Report under the Section 172 statement. One example of this involves ensuring, and maintaining, a more efficient and inclusive recruitment process with the Company's DEI team focussing on laying the groundwork for gender selection criteria to be implemented within the online recruitment platform.

Prior to the appointment of the new Board members, the Company undertook a fulsome review of the composition of the Board and the skills and qualifications necessary to lead the company going forward.

Arm Holdings plc

Corporate Governance Report (continued)

Board Diversity and Independence (continued)

The Board considered diversity of experience and expertise as well as gender, racial and ethnic diversity. The Company believes that the diversity of viewpoints and collective experience of its directors makes the Board well positioned to lead Arm into the future. There is increasing gender diversity in the Company's leadership through these new appointments, with a quarter of the current Board identifying as female. This reflects the Company's focus on improving gender diversity in leadership positions and throughout the organisation. Furthermore, the directors are from a variety of nationalities and backgrounds, including members of Japanese and American nationality/origin.

The Nasdaq Rule 5605(f)(2) requires a foreign private issuer to have, or disclose why it does not have, at least two members of its board of directors who are diverse (as defined in the Nasdaq Rule 5605(f)(2)), including at least one diverse director who self-identifies as female (the "Diverse Board Representation Rule"). The following matrix has been prepared in accordance with the guidance issued by the Nasdaq.

Board Diversity Matrix				
Country of Principal Executive Offices	United Kingdom			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	8			
Part I: Gender Identity	Female	Male	Non-Binary	Did Not Disclose Gender
Directors	2	3	0	3
Part II: Demographic Background				
LGBTQ+	0			
Underrepresented in Home Country Jurisdiction	0			
Did Not Disclose Demographic Background	3			

As can be seen from the matrix, the Company is in compliance with the Diverse Board Representation Rule as it has more than two diverse directors including at least one who self-identifies as female.

New director surveys were introduced in FYE23 consisting of a skills self-assessment to align each director's qualifications, skills and experiences with those identified by the Company as being important for an effective board, an "Open Dialogue" survey to enable effective corporate governance and meaningful board interactions, and a logistics and scheduling survey to assist with the scheduling of upcoming board of directors meetings. These surveys continue to be of benefit to reviewing Board composition and successful Board management.

Board Independence

The Board of Directors has affirmatively determined that none of Ms. Dykstra, Mr. Fadell, Ms. Schooler and Dr. Jacobs have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of director and that each of these directors is "independent" as that term is defined under the the Nasdaq Rules. The Board will make this affirmative determination annually to confirm that each independent director meets the standards for independence as defined by applicable law and the Nasdaq Rules. In addition, there are no family relationships among any of the directors or senior management.

Arm Holdings plc

Corporate Governance Report (continued)

Purpose, values and culture

The Nasdaq Rules require that US listed companies adopt and disclose a code of conduct for directors, officers and employees that complies with the definition of "code of ethics" set out in section 406 of the Sarbanes-Oxley Act of 2002.

In September 2023, Arm updated its Code of Conduct highlighting its commitment to its Core Beliefs, outlined below, to operating transparently with the highest ethical standards, and to creating an inclusive environment in which representation matters, people are valued, diverse perspectives are heard, and everyone's skills are fully utilised:

1. "Do great things – Working at pace, embracing challenges, finding a way";
2. "We, not I – Win together, not alone"; and
3. "Be your brilliant self – Skilful individuality, performance and inclusion".

The management and business of Arm is guided and based on the Code of Conduct, which is foundational to Arm's "North Star". In compliance with section 406 of the Sarbanes-Oxley Act, the Code of Conduct promotes, among other things, honest and ethical conduct, fair, accurate and timely disclosure and compliance with applicable laws and regulations. The Code of Conduct contains mechanisms for enforcement, protection of individuals reporting questionable behaviour, clear and objective standards for compliance and a fair process for determining violations. All employees, directors, contractors and agents of the Company and the Arm Group required to comply with the Code of Conduct. There were no amendments to, or waivers of, the Code of Conduct during FYE24.

On a day-to-day basis, the Board has delegated authority to the Executive Committee to ensure that the Code of Conduct and other policies govern the Company's activities, and to the Compliance team to administer and interpret the Code of Conduct. Regular training is also provided on the Code of Conduct to ensure all directors, officers and employees understand expectations.

In FYE24, Arm set out a "North Star" to clarify its strategic direction and create a single expression that portrays what it is working towards:

Building the future of computing, on Arm. Together. For everyone.

As the Code of Conduct encapsulates Arms values as well as being an embodiment of how it operates, the Framework was designed with these values in mind and to ensure that these flow through every step of, and decision in relation to, the corporate governance structure. To reinforce this approach, all employees, directors and officers when planning to take action are strongly encouraged to ask themselves the following:

1. Does my action follow our Code, our policies, any applicable rules, regulations or laws?
2. Does my action follow our Core Beliefs?
3. Could I defend my action if it were reported on the front page of the newspaper?

Arm believes that these core concepts are translated into the expected behaviours for all employees, directors, contractors and agents to the benefit of all of Arm's stakeholders.

In advance of each Board meeting, the CEO and Chief Legal Officer prepare a board pack that includes a briefing paper on the application of director duties, a Stakeholder Engagement Report and other pre-read materials supplied by relevant management teams. The Stakeholder Engagement Report details key updates, communications and initiatives with strategic suppliers, employees and public organisations in particular governmental and intergovernmental bodies, trade associations and NGOs – please see the Section 172 statement within the Strategic Report for further detail on stakeholder engagement. In addition to highlighting Arm's commitment to stakeholder engagement, the preparation of these board packs allows the Company to ensure effective and robust decision-making by the Board and to provide clarity over its responsibilities and relevant considerations, when making decisions.

The Code of Conduct is available on the Company's website, together with various other key governance documents.

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Corporate Governance Report (continued)

Audit Committee

In accordance with the Nasdaq Rules and as an FPI, the Company is required to have an audit committee that satisfies the requirements of Nasdaq Rule 5605(c). Pursuant to Rule 5605(c)(2), Rule 10A-3 of the US Securities Exchange Act of 1934, as amended, and the phase-in provisions of the Nasdaq Rules applicable to new public companies, the Audit Committee satisfies the independence requirements as the Board has affirmatively determined that Ms. Dykstra and Ms. Schooler are each an Independent Director with Mr. Fisher being permitted to serve on the Audit Committee until one year from the date of effectiveness of the registration statement, with financial or accounting experience appropriate for the role and that Ms. Dykstra is an “audit committee financial expert” as defined by applicable SEC rules, with all members being financially literate. The Nasdaq Rules define “financially literate” as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

The Audit Committee oversees the corporate accounting and financial reporting process, the performance and effectiveness of the Company's internal audit function and the system of internal controls established by the Board as well as assisting in the review of the Company's financial statements. The Audit Committee is governed by the Audit Committee Charter that complies with the Nasdaq Rules.

The key responsibilities of the Audit Committee are set out in the Audit Committee Charter, which is available on the Company's website, and include:

- the appointment, review, remuneration, retention and the termination of the independent auditor, including the UK statutory auditor;
- review of the independence and performance of the auditor;
- consideration, in consultation with management, of the integrity of the accounting and financial reporting processes and controls of the Company;
- review and discuss with management and the independent auditor the Company's interim and annual financial statements prior to filing or distribution, including the UK statutory accounts and the UK annual report and the matters required to be discussed by applicable accounting standards;
- review and critically monitor the design, implementation and effectiveness of an internal audit function for the Company, including its purpose, staffing, organisation, responsibilities, budget and performance. In March 2023, the Audit Committee and the Board discussed the internal audit plan for FYE2024 with its focus being on Sarbanes-Oxley Act readiness and customer committed compliance;
- review and discuss with management the adequacy and effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures, including those related to the security of its information systems and risk assessment and risk management;
- in discussion with management, the internal auditor and the independent auditor, assessment of the Company's significant financial risk exposures and the steps management has taken to mitigate those exposures, including risk assessment, management and reporting policies and actions taken to mitigate such risks;
- review and discuss with management and the independent auditor those risks that are likely to have a material impact on the Company's financial statements or disclosures;
- review the effectiveness of the system for monitoring compliance with risk management policies, laws and regulations, including, among others, export controls, the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and other applicable anti-corruption laws, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- the scope and quality of the Company's environmental, social and governance ('ESG') metrics and public disclosures, its sustainability strategy and ESG risks;
- conduct or authorise investigations into any matters within the committee's scope of responsibility, as necessary or appropriate; and

Arm Holdings plc

Corporate Governance Report (continued)

Audit Committee (continued)

- periodic review, discussion and evaluation of the Audit Committee's and individual members' performance.

The Audit Committee meets as often as one or more members of the Audit Committee deem necessary, but no less frequently than quarterly, and meets at least once a year with the independent auditor.

Remuneration Committee

While the Company is not required to have a Compensation Committee owing to its status as a Controlled Company and an FPI under the Nasdaq Rules, the Company has established a Remuneration Committee in line with market practice in the UK. The Remuneration Committee is responsible for making recommendations to the Board on CEO remuneration and performance, reviewing the directors' remuneration report and remuneration policy, aligning incentives and rewards with the Company's culture and administering equity remuneration plans, similar to that of a Compensation Committee.

The key responsibilities of the Remuneration Committee are set out in the Remuneration Committee Charter, which is available on the Company's website, and include:

- reviewing and making recommendations to the Board on the corporate and personal performance criteria, goals and objectives upon which the CEO's remuneration will be based, the amount of such remuneration and whether such incentives are appropriately aligned to the Company's performance and market practices and trends;
- evaluating the annual performance of the CEO under previously established corporate and personal performance criteria, goals and objectives and recommend to the Board the approval of such remuneration based on this evaluation;
- reviewing and recommending to the Board the approval of the directors' remuneration report (subject to a shareholder advisory vote at the Company's annual general meetings);
- reviewing and recommending to the Board, with respect to the CEO, any employment agreement, separation arrangement, change in control agreement, severance protection plan, change in control provision affecting any element of remuneration and benefits and other compensatory agreements or plans, including any supplemental retirement benefits and the perquisites provided during and after employment;
- making recommendations to the Board regarding any incentive and equity remuneration plans relating to the CEO and oversee the administration of such plans;
- periodic review and assessment of the Company's overall remuneration philosophy, policies and plans in light of risk management considerations;
- overseeing communication and engagement, in coordination with the Board, on executive remuneration matters with shareholders and their advisors;
- periodic review, discussion and evaluation of the committee's and individual members' performance; and
- ensuring that any other reporting provisions regarding disclosure of remuneration information in accordance with applicable laws and regulations are fulfilled.

The Remuneration Committee meets as often as one or more members of the Remuneration Committee deem necessary, but no less than annually.

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Corporate Governance Report (continued)

Executive Committee

The Executive Committee, which is comprised of the CEO and members of senior management who are each appointed to the Executive Committee by the CEO, is the core management team for the Arm Group and acts under delegated authority from the Board. The Executive Committee supports the CEO in discharging his responsibility for strategic and commercial matters delegated by the Board and the boards of Arm Group subsidiaries. It is also responsible for the Company's day-to-day functioning.

The Executive Committee meets monthly and has established several sub-committees:

- *Sustainability Committee:*
 - The Sustainability Committee is responsible for decision-making on environmental and social topics. Reporting to the Executive Committee and composed of senior executives and other senior individuals representing sustainability, legal, strategy, technology, and people (HR), it meets to review the approach and drive engagement with the Company's sustainability strategy.
 - It plays a significant role in ensuring consistency across activities with the principles of the climate change strategy and is responsible for assessing and considering environmental and climate-related issues.
 - The Sustainability Committee meets quarterly.

Please refer to Arm's Sustainable Business Report for further detail on the activities of the Sustainability Committee and to part (d) *The impact of the Company's operations on the community and environment* of the Section 172 statement within the Strategic Report.

- *Compliance Committee*
 - The Compliance Committee is responsible for monitoring and ensuring compliance with the Company's system of internal controls and overseeing compliance throughout the business with all regulations and standards.
 - It ensures all necessary compliance issues, such as trading requirements, security policies, and environmental processes, are resolved appropriately according to the needs of the business.
 - The Compliance Committee is also responsible for administering and interpreting the Code of Conduct including the approval of waivers, if any.
 - Compliance with the Company's insider trading policies and procedures, governing dealings in securities of the Company by directors, senior management and employees, falls within the remit of the Compliance Committee.
- *Risk Review Committee*
 - The Risk Review Committee is responsible for risk management policies and assisting with overseeing the Company's risk management framework. This includes analysing emerging risks and identifying plans to mitigate potential impacts.
 - Areas that are currently undergoing assessment are the ESG practices. The Company's stakeholder engagement programme assists the Company in taking into account risks and opportunities identified by key stakeholders.
- *Disclosure Committee*
 - The Disclosure Committee is responsible for implementing and maintaining procedures and controls in relation to the identification, treatment and disclosure of inside information.
 - The Disclosure Committee reports to the Executive Committee.

Arm Holdings plc

Corporate Governance Report (continued)

Disclosure Controls and Procedures

The Sarbanes-Oxley Act requires, among other things, that the Company maintains effective disclosure controls and procedures and internal control over financial reporting. The Board and the Audit Committee are committed to having a strong internal control environment and understand the benefit that a comprehensive and well-designed set of controls has on ensuring the reliability of financial statements.

Furthermore, internal controls are continuously monitored. During the fiscal years ended 31 March 2022 and 2021, the Company identified certain material deficiencies likely to affect its internal controls over financial reporting relating to information technology general controls and the information systems. The Company has developed robust action plans and is in the process of implementing remediation actions. The Company is also prepared to take additional actions, such as implementing and enhancing internal controls and procedures and hiring additional accounting or internal audit staff, if required and depending on whether any further material weaknesses or significant control deficiencies are identified following the next evaluation of the disclosure controls and procedures.

Arm Holdings plc

Directors' Remuneration

Remuneration Committee Chair's Annual Statement

Dear Shareholders,

I am delighted to present the first Directors' Remuneration Report for the Company for the year ended 31 March 2024 ('FYE24'). I am pleased also to present Arm's first Directors' Remuneration Policy ('Policy') for your approval. The full Policy, as set out in this report, will be submitted to shareholders for approval at our 2024 AGM.

This has been a transformational year for Arm, in which we listed on the Nasdaq, and saw Arm's valuation appreciate by more than 120% to \$128bn on 31 March 2024. This is reflective of the Company's robust financial performance and investors' increasing expectations regarding Arm's opportunity to monetise AI. Arm's IPO was the largest IPO globally in 2023. Since then Arm has beaten analysts' expectations, and raised guidance every quarter. This strong growth was driven by much stronger licensing revenue as more companies wanted access to Arm's latest technologies to build chips for the coming wave of AI-enabled products, and higher royalty revenue as Armv9 gained share in smartphones and in data centre servers.

Overview of the Remuneration Philosophy and Remuneration Policy

We invite you to read more about our pay structure, policy and pay for performance below. The Remuneration Committee believes that the remuneration package offered to the Chief Executive Officer ('CEO'), the sole Executive Director currently, is appropriate and competitive relative to industry leading peers, reflective of Arm's ambition to attract the highest calibre global talent.

In developing the Remuneration Policy for the CEO, the Remuneration Committee has sought to be competitive with US standards reflecting the Company's key competitors for executive and other talent, the Company's listing on the Nasdaq and the US-location of its CEO.

The Company has implemented best market practice features and governance safeguards in relation to the pension, shareholding principles, variable incentive design and clawback provisions. The Company also took into consideration broader market trends, global benchmarking and sector market practice in designing remuneration structures.

Workforce Compensation

The Remuneration Committee has carefully considered pay for the CEO in the context of wider Executive remuneration arrangements and workforce pay structures more broadly. As part of its responsibilities and in conjunction with the Policy to be put to shareholders, the Remuneration Committee considered workforce compensation including salaries and equity awards.

Remuneration Committee Activities

During the period since listing, the Remuneration Committee has been focused on ensuring the pay structures at Arm are aligned with the Company's growth ambitions.

The Board of Directors reviewed Non-Executive Director compensation relative to benchmarks and deemed the structure and quantum to continue to be appropriate for FYE25.

The Board of Directors reviewed CEO compensation and identified adjustments to the Long Term Incentive to ensure the structure remains appropriate for FYE25. The value of the annual Performance Share Unit ('PSU') award will be increased to 14x salary (with maximum vesting at 17.5x salary) and going forward a portion of the award will vest based on TSR performance relative to the S&P 500 IT Sector Index.

Arm has recently announced that with effect from the start of FYE25, the Company is simplifying the employee reward structure and moving to a base salary and Restricted Share Unit ('RSU') structure going forward. As part of the change, the Committee approved that future employee equity awards will vest over a 4-year period. Base salaries were increased to reflect the removal of bonus as well as a one-time increase to the annual RSU award. This is a positive development for employees that has been generally well received, and enables everyone to share in the value created by Arm's success as we grow and meet our strategic objectives.

Arm Holdings plc

Directors' Remuneration (continued)

Remuneration Committee Activities (continued)

On a quarterly basis, the Board of Directors receives an engagement report from Management detailing significant updates, communications and initiatives with key stakeholders, including employees. The content of this stakeholder engagement report allows the Company to ensure effective and robust decision-making by the Board of Directors and to provide clarity over its responsibilities and relevant considerations, when making decisions.

FYE24 Performance and Remuneration Outcomes

The Company's remuneration plans ensure the strong performance during the year results in above target value delivered to the Executive Director. I am pleased this demonstrates the high degree of alignment we strive for. The performance measures reflected in the Company's performance based remuneration plans for the year included Revenue, Non-GAAP Operating Income and strategic measures reflecting key product and solution development milestones, commercial achievements and internal organisation metrics. The Company's revenues for the year ended 31 March 2024 increased to \$3,233 million and Non-GAAP Operating Income for the year ended 31 March 2024 was \$1,408 million, resulting in financial performance achievement of 79% of a possible 100% under both the Bonus and Performance Share Plan. This is combined with strong delivery against our strategic measures during the year, resulting in Company performance of 117% out of a possible 150% under the Bonus Plan and 155% out of a possible 200% under the Performance Share Plan for the year.

Annual bonus

Annual bonus performance during the year was measured against both financial and strategic measures. We awarded Mr. Haas, the CEO, an annual bonus of \$2,468k, paid in May 2024. This is reflective of the Corporate performance achievement relative to the performance measures (determined to be 117%), and the Remuneration Committee's assessment of his personal performance leading to a maximum personal performance multiplier of 1.25x and therefore a total payout at 146% of target.

Equity awards

During the year ended 31 March 2024 Mr. Haas, the CEO, received an award of \$13,500k in Performance Share Units ('PSUs'). This award will vest annually over three years, in the range of 0% - 200% subject to achievement of financial and strategic measures detailed in the Remuneration Report.

PSU performance during the year was measured against both financial and strategic measures. We determined PSU performance for the year to be 155%.

Awards made prior to listing were awarded as a dollar amount and were converted to RSUs based on the IPO price of \$51 as set out at the time of the award. For the CEO, this conversion was applied to his FYE24 annual award.

Discretion

The Remuneration Committee reviewed the appropriateness of the outcomes of both the annual bonus and long-term incentives in light of both the relevant performance targets and wider internal and external considerations across the respective measurement periods.

For payments and vesting with respect to FYE24 performance achievement, it was agreed that the outcomes were appropriate and that no adjustments were required. Therefore, no discretion has been exercised in respect of payments to the Executive Director for FYE24 performance.

As per the new Policy, the Remuneration Committee continues to reserve discretion to vary the amount of any component in the package up to the limits set out in the Policy in relation to any new Executive Directors.

The full details of the FYE24 remuneration paid to directors and the basis for its determination are set out within the section entitled Directors' Remuneration Report below.

Arm Holdings plc

Directors' Remuneration (continued)

Looking Forward

Over the coming year, in addition to our normal Remuneration Committee duties, we will continue to focus on implementing our remuneration framework and strategy as we move forward following our successful listing on the Nasdaq.

Masayoshi Son,
Remuneration Committee Chair
29 May 2024

Arm Holdings plc

Directors' Remuneration (continued)

Directors' Remuneration Policy

Subject to approval by shareholders, this Remuneration Policy ('Policy') will apply to the Company's Executive and Non-Executive Directors from 11 September 2024. It is intended that the Policy will remain in place for a period of three years from the effective date, unless the Remuneration Committee of the Company's Board of Directors (the 'Remuneration Committee') decides to seek approval by shareholders for an amended policy.

The Policy was developed over the course of 2023 and early 2024 and is the Company's first remuneration policy since re-listing. The Remuneration Committee undertook a comprehensive review of arrangements and provided oversight and advice on its development, including reviewing and recommending to the Board of Directors the appropriate structure and amount of remuneration for Non-Executive Directors. Input was received from Company management and Mercer (Mercer Limited and Mercer (US) Inc.), as Remuneration Committee Advisors who provided external benchmarking and guidance on market and best practice. Conflicts of interest were suitably mitigated, and specifically the CEO is never present when their own remuneration is discussed.

Remuneration policy table – Executive Directors

This table applies to any Executive Director. Currently, the only Executive Director is the Chief Executive Officer ('CEO'), but this Policy will apply to any future Executive Directors appointed to the Board of Directors. The Company's fiscal year (FYE) runs from 1 April to 31 March.

The Company's approach to executive remuneration is to attract and retain the highest calibre talent from the global technology industry. The Remuneration Committee has developed the CEO package to be competitive with US standards reflecting the location of our key competitors for executive and other talent, the listing of our ADSs on the Nasdaq and the US-location of our CEO.

Base Salary	
Purpose and link to strategy	To provide fixed remuneration to the Executive Director to reflect the responsibilities of the role. To attract and retain the highest calibre talent from the global technology industry, including within the context of our growth aspirations.
Operation	The Executive Director's salary is reviewed annually by the Remuneration Committee and any increase or adjustment is usually applied from 1 April of each year. When reviewing the Executive Director's salary, the Remuneration Committee will take into account the general market movements, salary levels for comparable roles in comparable companies, the performance of the Company and the individual and any changes to the scope and/or responsibility of the role.
Maximum	There is no defined maximum salary. The salary and any increases are determined by the Remuneration Committee based on the factors described above.
Performance conditions	N/A
Benefits	
Purpose and link to strategy	To provide competitive benefits that enable our people's wellbeing. Benefits align with the wider workforce and reflect those commonly available in the Executive Director's home country.

Arm Holdings plc

Directors' Remuneration (continued)

Operation	Benefits provided to the Executive Director includes vacation, health coverage and insurance, accident and disability insurance and group life insurance. The Executive Director is also eligible to receive benefits offered to the wider workforce within their home country. Situation-specific taxable benefits may be provided as may be required in the interests of the Company's business such as, but not limited to, company paid car or telephone, car allowance, memberships, directors and officers indemnification and insurance cover, and tax return preparation and advice. Executive Directors may receive other benefits that are judged to be cost-effective and appropriate in terms of the individual's role, time and/or security. Where applicable, we may provide housing or relocation allowances, travel allowance and expenses, tax equalisation or other expatriate benefits and where necessary some or all of these benefits may be grossed up for taxes. Other benefits may be provided if the Remuneration Committee considers it appropriate, in its discretion. Any reasonable business-related expenses, in line with the Company's expenses policy from time to time, may be reimbursed, including any taxes payable if reimbursement is determined to be a taxable benefit. Where necessary some or all expenses may be grossed up for taxes.
Maximum	Reasonable market cost of providing the benefits. The Remuneration Committee shall have the discretion to introduce new benefits where these are introduced for the wider workforce, where it concludes that it is in the interests of the Company to do so, or which are considered necessary or desirable to support the executive in the execution of their duties, having regard to the particular circumstances of the individual. There is no overall defined maximum level of benefit.
Performance conditions	N/A
Pension	
Purpose and link to strategy	Enables the Executive Director to save for retirement and ensures their overall remuneration is competitive.
Operation	The Executive Director is invited to participate in the pension arrangements in their local market and will receive the same level of contributions as other employees in that market. The Company may make payments of defined contribution pension contributions and pension allowances, which can either be made directly to the pension scheme or in cash via payroll. In the US, employees including the Executive Director may contribute into the Company's 401(k) Savings Plan, and the Company matches 100% up to the first 6% of employee contributions. A portion of the Executive Director's contributions will be matched each pay period subject to annual IRS limits. The Company does not set aside or accrue any amounts to provide pension, retirement or similar benefits to executives.
Maximum	The maximum percentage may not exceed the workforce rate. The Remuneration Committee has discretion to consider the relevant workforce rate including consideration of the relevant jurisdiction.
Performance conditions	N/A
Annual Bonus	
Purpose and link to strategy	The purpose of the Arm Annual Bonus Plan is to incentivise the Executive Director towards achieving stretching short-term goals based on the Company's strategy.

Arm Holdings plc

Directors' Remuneration (continued)

Operation	The Remuneration Committee sets the performance conditions towards the beginning of each fiscal year with the relevant weightings, which are communicated to the Executive Director. The Remuneration Committee assesses performance at the end of the fiscal year against these targets. Any amount is fully paid in cash. The Remuneration Committee retains the right to exercise its discretion in the event that the formulaic outturn of the bonus does not reflect the Company or individual's overall performance.
Maximum	The maximum is 125% of salary for target performance. The plan may then pay up to 200% of target depending on performance, plus any individual performance multiplier of up to 1.25x (312.5% of salary).
Performance conditions	The performance conditions may include financial targets (including for example revenue and/or profit targets) and strategic measures, and/or any other measures that the Remuneration Committee considers appropriate, in its discretion. At least 50% of the performance conditions in any year will be financial targets. The exact measures, weightings, thresholds for vesting and targets are determined by the Remuneration Committee each year taking into account the Company's key strategic priorities and any other priorities which the Remuneration Committee considers are important, in its discretion, for the Executive Director to prioritise. No amounts are paid for below threshold performance. Maximum payment requires stretching levels of outperformance.
Equity Awards	
Purpose and link to strategy	To incentivise the Executive Director towards achieving long-term goals based on the Company's strategy and to align their remuneration with shareholder interests.
Operation	The Executive Director is granted equity awards annually which can take the form of restricted share units ('RSUs'), performance share units ('PSUs'), dividend equivalent rights, restricted shares, options or share appreciation rights ('SARs') (or other forms of awards) under the Arm Holdings 2023 Omnibus Incentive Plan (the 'Omnibus Incentive Plan') or successor plans. The Remuneration Committee will determine, in its discretion, the vesting and, if relevant, the performance conditions applicable to the awards of the Executive Director. Annual Awards to the Executive Director will vest over at least three years, subject to the Executive Director remaining in employment and subject to any performance conditions being met. Market price share options would have an overall life cycle of 10 years. Dividend equivalents may be paid on RSUs or PSUs to the extent that the awards vest. For the fiscal year year ending 31 March 2025, awards will be made in the form of PSUs and it is anticipated that PSUs will form the majority or entirety of awards for the Executive Director in future years. The Remuneration Committee retains the right to exercise its discretion in the event that the formulaic outturn of the performance measures does not reflect the Company or individual's overall performance. The Executive Director may also participate in any all employee share purchase plan or share option plan that is adopted by the Company on the same terms and conditions as other employees.

Arm Holdings plc

Directors' Remuneration (continued)

Maximum	The maximum initial target value of the Annual Awards will be 14 times base salary (assessed at the time of grant). Awards may then vest up to 125% of the target value based on satisfaction of stretching performance conditions.
Performance conditions	The performance conditions may include financial targets (including for example revenue and profit targets, or relative or absolute total shareholder return or earnings per share targets) and strategic measures. These will be set over a three year period and tested annually in relation to the relevant tranche and/or at the end of the three year performance period. The exact measures, weightings, thresholds for vesting and targets are determined by the Remuneration Committee, in its discretion, each year taking into account the Company's key strategic priorities. The targets will, where relevant, be determined in accordance with the Company's annual budget. No amounts are paid for below threshold performance. The Committee shall determine the extent to which the performance measures have been met and may make adjustments to the targets in the event that the Committee determines this is appropriate. Adjusted targets will be no less challenging as those originally set.

Remuneration policy table – Non-Executive Directors

This table applies to any Non-Executive Director, other than for Mr. Son (who is not currently paid by the Company). The Company's fiscal year ('FYE') runs from 1 April to 31 March.

Fees	
Purpose and link to strategy	To provide a fixed remuneration to the Non-Executive Director to reflect their responsibilities and to attract high calibre talent to the Board of Directors. The Non-Executive Chair's fee (where paid) will typically be determined by the other members of the Remuneration Committee, and the Board is responsible for determining all other Non-Executive Director fees.
Operation	Non-Executive Director fees will consist of an annual cash retainer. In addition, each Non-Executive Director will receive a fee per meeting of the Board of Directors. Members of the Audit Committee and the Remuneration Committee, as well as the chairs of each committee, will receive a separate annual fee in cash. The Non-Executive Chair typically receives an annual cash retainer. However, Mr. Son has waived his eligibility and does not receive any remuneration from the Company. These fees will normally be paid quarterly. For the fiscal year ended 31 March 2025, Non-Executive Directors will receive an annual cash retainer of \$80,000. In addition, each Non-Executive Director will receive a cash fee of \$5,000 per meeting of the Board. Members of the Audit Committee and the Remuneration Committee will receive \$15,000 and \$10,000, respectively, in cash annually. The chairs of the Audit Committee and Remuneration Committee will receive \$30,000 and \$20,000, respectively in cash annually. As stated above, Mr. Son (the current Remuneration Committee Chair) does not receive any remuneration from the Company. Fees are reviewed on a regular basis and determined by reference to fee levels in the US market, taking into account the expected time commitment and responsibilities involved. Non-Executive Directors will be reimbursed for expenses properly incurred in connection with the performance of their duties as a director, including, but not limited to, reasonable travel expenses.

Arm Holdings plc

Directors' Remuneration (continued)

Maximum	Fees are set at an appropriate level taking into account the factors outlined in this table. Any Non-Executive Director who performs services which, in the opinion of the Board of Directors on recommendation from the Remuneration Committee, are outside the scope of the ordinary duties of a director, may be paid additional fees which will be disclosed in the applicable Annual Report on Remuneration.
Performance conditions	None.
Equity Awards	
Purpose and link to strategy	To provide a fixed remuneration to the Non-Executive Directors to reflect their responsibilities and to attract high calibre talent to the Board of Directors whilst being linked to shareholder experience.
Operation	Non-Executive Directors will receive an annual award of restricted stock units. The amount of the award is determined by the Board of Directors following recommendations from the Remuneration Committee. The Non-Executive Chair is typically eligible for an annual award. However, Mr. Son has waived his eligibility and does not receive any remuneration from the Company. The awards are not subject to performance conditions. The awards are subject to a 12-month vesting period. Non-Executive Directors are permitted to delay the vesting of their awards for up to 12 additional months.
Maximum	The maximum is determined by the Board of Directors (on recommendation from the Remuneration Committee). The current value of RSUs awarded to each Non-Executive Director (other than Mr. Son) for the fiscal year ended 31 March 2025 is equivalent to \$220,000.
Performance conditions	None.
Shareholding requirements	The Company has shareholding principles set out in its Corporate Governance Principles which is separate to (and are not part of) the Policy. The shareholding principles are summarised below.

Notes to the Policy Table

Shareholding principles

Members of the Executive Committee, including the CEO as the sole Executive Director, have five years from the later of (a) the Company's initial public offering (the 'IPO'); (b) the start of employment; and (c) appointment to the Board of Directors, to obtain and maintain the required level of shareholding. The holding requirement is 1,000% of base salary for the CEO. Vested ADSs and unvested time-based RSUs will count towards the holding requirement. If the required holding level is not reached within the required timeframe, subject to the discretion of the Remuneration Committee, an Executive Director must retain 100% of their net ADSs.

Non-Executive Directors have five years from the later of (a) the IPO and (b) appointment to the Board of Directors, to obtain and maintain the required level of shareholding. Vested ADSs and unvested time-based RSUs will count towards the holding requirement. If the required holding level is not reached within the required timeframe, subject to the discretion of the Remuneration Committee, a Non-Executive Director must retain 100% of their net ADSs. The holding requirement is 300% of the Non-Executive Director's annual cash retainer.

Legacy Commitments

Awards were granted under the 2022 RSU Plan prior to the implementation of this Policy. Awards under the 2022 RSU Plan will continue to vest and be paid out to the Executive Director subject to the performance conditions. These awards were granted before the IPO and are detailed in the Prospectus related to the IPO filed with the US Securities and Exchange Commission on 14 September 2023. No further awards will be granted under the 2022 RSU Plan.

Arm Holdings plc

Directors' Remuneration (continued)

Discretion

The Remuneration Committee will operate the Arm Annual Bonus Plan, the Omnibus Plan and the Prior Plans in accordance with the relevant plans rules and in accordance with any applicable rules and legislation (where applicable). The Remuneration Committee retains discretion within the provisions of the applicable rules and the remuneration policy over a number of items, including but not limited to:

- Who receives awards;
- The size of awards;
- Treatment of leavers;
- Treatment of outstanding awards upon a change of control;
- Adjustments in certain circumstances, mostly corporate events e.g. corporate reorganisation;
- Setting performance conditions, targets and thresholds; and
- The application of malus and clawback (subject to the Company's Clawback Policy).

For individuals other than Board members or the CEO, certain elements of the discretions above are delegated to the CEO (and their designees) in accordance with the terms of the Remuneration Committee Charter.

Selection of performance measures

The Remuneration Committee sets stretching and realistic performance targets, taking into account the Company's strategic priorities and key drivers of future shareholder value.

The performance measures for the annual bonus and PSUs are chosen to support the Company's strategy. The Remuneration Committee believes it is appropriate to use a balance between financial targets and strategic objectives. The Remuneration Committee annually reviews the measures, weightings and targets to ensure they remain relevant and stretching for the Company.

Clawback Policy

The following disclosure of a registrant's action to recover erroneously awarded compensation has been prepared in line with 20-F requirements.

Pursuant to Rule 10D-1 under the Exchange Act and the Nasdaq Rule 5608, on 15 November 2023, the Company adopted a Clawback Policy providing that the Company will recover reasonably promptly the amount of erroneously awarded incentive-based compensation from any "Executive Officer" (as such term is defined in Rule 10D-1 under the Exchange Act and the Nasdaq Rule 5608) in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

During the year ended 31 March 2024 the Company was not required to recoup any compensation awarded under the Clawback Policy.

External appointments

Mr. Haas is a director of SoftBank Group Corp. ('SoftBank'), the Company's indirect controlling shareholder, and is a party to an agreement pursuant to which he provides certain advisory and consulting services to SoftBank. Mr. Son is the Chair and CEO of SoftBank. Both Mr. Haas and Mr. Son receive remuneration for their roles with SoftBank as determined by SoftBank.

Executive Directors may take up to 2 external appointments with the agreement of the Board and may receive remuneration for these roles.

Arm Holdings plc

Directors' Remuneration (continued)

Approach to recruitment remuneration

Directors will be remunerated in accordance with the Policy (including the maximums), except as set out in this section. The maximum initial target level of ongoing variable remuneration which may be awarded on recruitment to an Executive Director is 15.25 times the base salary.

Newly hired Executive Directors may be eligible for a pro-rated annual bonus award if they join part way through the plan period.

If the Remuneration Committee considers it appropriate, in its discretion, in connection with the hiring of an Executive Director, the Company may provide for a sign-on, retention or similar bonus to the Executive Director as compensation for awards that were forfeited due to leaving their previous employer. This would be based on reasonable evidence of the awards and the awards would generally take account of the form, timing and expected value of the forfeited award. If the Remuneration Committee considers it appropriate, in its discretion, the newly hired executive may also receive a top-up award in connection with their recruitment to the Company. In no event will the Remuneration Committee intend to pay more than it believes is necessary to secure the required talent.

If an Executive Director is relocating in order to take up their position, the Company may pay such reasonable relocation costs as the Remuneration Committee considers appropriate, in its discretion. The Remuneration Committee may, in its discretion, also make payments to cover reasonable other miscellaneous expenses including, but not limited to, housing, tax, immigration support, legal fees and/or other amounts.

If an internal candidate is promoted to the Board of Directors, the legacy terms and conditions relating to outstanding incentive awards would normally be honoured.

New Non-Executive Directors that are hired will be provided remuneration in line with that of the Company's current Non-Executive Directors.

Service Contracts and payments for loss of office

Executive Director

The CEO has a current employment agreement with an indefinite term, unless it is terminated by the Company or the Executive Director with prior notice. The Company may terminate the CEO's employment for cause, at any time, without advance notice of severance (except for accrued remuneration or where required by applicable law). Cause includes typical bad-leaver events, such as where the CEO has committed gross misconduct or negligence. The Company may terminate the CEO's employment without cause with 30 days' advance notice. The CEO is required to give the Company 60 days' advance notice and a reasonable cure period if they wish to terminate their employment for good reason, which generally includes a significant diminution of their authority, duties or responsibilities or a material reduction in their salary, annual or long-term incentive opportunity or other monetary compensation.

If the CEO's employment is terminated by the Company without cause or by the CEO for good reason, in either case, then, subject to the CEO's execution of an effective severance and release agreement and continued compliance with their restrictive covenants obligations, the CEO is entitled to severance pay in the form of 12 months' base salary, payable in 12 equal monthly instalments following the date of termination for the period until alternative employment is found.

In the event of a change in control of the Company, the CEO has the right, but not the obligation, to terminate their employment and may, subject to the Remuneration Committee's discretion, become entitled to the severance pay benefit described above, subject to their execution of an effective severance and release agreement and continued compliance with their restrictive covenants obligations.

In the unfortunate event that the CEO's employment is terminated due to death, the severance entitlement described above will be paid to the designated beneficiary of the Executive Director. The CEO has no set contractual entitlements upon disability, though the Remuneration Committee may in its absolute discretion determine that the CEO may receive compensation payments if the CEO ceases employment as a result of disability.

If the CEO's employment is terminated for cause, the CEO will have no severance entitlement.

Arm Holdings plc

Directors' Remuneration (continued)

Service Contracts and payments for loss of office (continued)

The CEO is subject to certain restrictive covenant obligations, including confidentiality, non-competition, non-solicitation, non-recruiting and non-disparagement covenants, subject to applicable law.

The Company may pay any statutory entitlements or requirements under local law. The Company may make payments to settle or compromise claims in connection with termination of employment, where the Remuneration Committee consider it in the best interests of the Company, in its discretion. The Company may pay any legal and/or professional fees as required or customary in local markets. The Company may pay out any accrued but untaken holiday.

Executive Directors may be provided certain benefits after departure at the Remuneration Committee's discretion. Benefits may include, but are not limited to, medical coverage, home security, tax return preparation assistance, legal expenses, and/or outplacement or relocation costs.

Any future Executive Directors may be engaged by the Company with such terms relating to the termination of employment as the Remuneration Committee agrees in its sole discretion, based on the specific circumstances and location of the individual.

The Remuneration Committee retains the discretion to make payments in connection with an Executive Director's loss of office or employment, which may be in addition to contractual and statutory entitlements.

The Executive Director's service contract is available for inspection at the Company's registered office.

Non-Executive Director

Non-Executive Directors do not receive any benefits or payment upon removal or resignation from their respective position as directors (except for accrued remuneration or where required by applicable law).

Annual Bonus

An Executive Director, as with other eligible participants, has no automatic right to receive payment of an annual bonus if they are not in employment on 31 March of the relevant fiscal year (unless the Remuneration Committee determines otherwise, in its discretion).

Share Plans

The treatment of leavers under the share plans is set out below:

Omnibus Plan

An Executive Director will forfeit all outstanding awards that have not yet vested at the time of termination. If the termination is due to exceptional circumstances (such as for example injury, disability, ill-health or death) or in other circumstances permitted under the rules of the Omnibus Plan, the Remuneration Committee has the sole discretion to determine that all or a portion of such Executive Director's unvested awards will vest with effect from the termination date, or it may determine that a cash payment will be made to the Executive Director. Subject to the original award level, the quantum of such vesting and/or cash payment is at the absolute discretion of the Remuneration Committee. In the case of PSUs, the Remuneration Committee will take into account its assessment of performance achieved to date.

If the Executive Director is terminated without cause within 18 months of a change of control, any outstanding awards will be accelerated.

2022 RSU Plan

Generally, outstanding awards granted under the 2022 RSU Plan will be forfeited on the date the Executive Director ceases to be an eligible employee or Executive Director for any reason whatsoever under the 2022 RSU Plan (including, e.g., in connection with the termination of his or her employment or service as an Executive Director), except that if the cessation to be an eligible employee or Executive Director in question is due to reasons such as ill-health, injury, disability or death, the Remuneration Committee may vest all or a portion of that participant's awards, in its discretion.

Arm Holdings plc

Directors' Remuneration (continued)

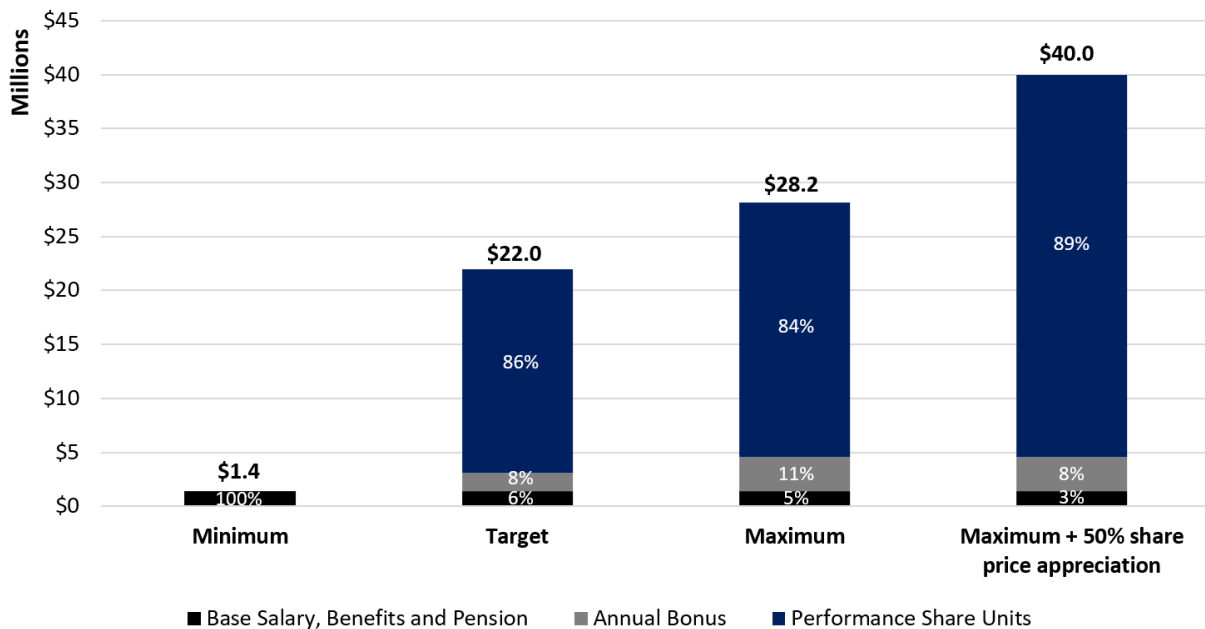
Amendments to the Remuneration Policy

The Remuneration Committee acknowledges that remuneration arrangements may need updating in order to comply with any new regulations which become applicable to the Company. The Remuneration Committee reserves the right to make changes to the Policy in order to comply with any such regulatory requirements which apply to the Company including any changes required under the UK Corporate Governance Code or for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment. Where there is substantial change, the Remuneration Committee would consult with shareholders prior to presenting a revised policy for shareholder approval.

Illustration of application of remuneration policy

The chart below sets forth the potential application of the remuneration policy for the Executive Director for the year ending 31 March 2025. This shows hypothetical values of the remuneration package in line with the Policy above and includes base salary, pension, benefits and incentives. The chart provides an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component. These charts are intended as a simple illustration only and capture the full value of the three year PSU award; actual outcomes may differ from those presented.

The Remuneration Committee believes the value delivered at maximum appropriately reflects the stretch performance goals required across financial, strategic and Total Shareholder Return measures to deliver the maximum bonus and PSU scenario. By design, these goals provide significant alignment to shareholder value creation in both the long and short term. There will be no payment under any strategic measure that is not achieved in full.



Arm Holdings plc

Directors' Remuneration (continued)

	Base Salary, Benefits and Pension	Annual Bonus	Performance Share Units
Minimum	This includes: • Base salary with effect from 1 April 2024 • Benefits as they applied on 31 March 2024 • Pension	Performance is below threshold on each metric – no pay-out	Performance is below threshold on each metric – no vesting
Target	As above	Performance is in line with expectations – 100% of target (i.e. 125% of salary)	Performance is in line with expectations – grant of 14 times base salary vests at 100%
Maximum	As above	Maximum performance is achieved for each metric – 187.5% of target	Maximum performance is achieved for each metric – 125% vests of original grant
Maximum plus 50% share price appreciation	As above	As above	As above plus 50% increase in share price during the performance period

Consideration of employment conditions elsewhere in the company

The Committee has responsibility to periodically review the Company's overall remuneration philosophy, policies and plans for employees in order to support our decision-making for executive pay.

The remuneration policy for senior executives and other employees is based on similar principles to that for the Executive Director. For Executive Committee roles below Executive Director level, packages are cascaded and adjusted taking into account the scale, scope and external benchmarks of the role. For roles below the Executive Committee the Company additionally takes into account the geography in which the role operates.

The Company adopts a consistent approach in respect of base salary and benefits across the organisation. Executive Directors and other senior managers have a greater emphasis on variable incentives compared to other employees.

When considering and determining the remuneration under this Policy, the Committee takes into account pay and policies related to the wider employee population, particularly in the market where the Executive Director is based.

The Committee does not formally consult with staff about the Director's Remuneration Policy. However, the Chief People Officer and VP Reward regularly attend Committee meetings by invitation and are able to share information about wider workforce engagement including feedback from employee surveys and other relevant employee sentiment.

Consideration of shareholder views

The Remuneration Committee and the Company will take the views of key institutional investors into account in shaping this Remuneration Policy and its implementation. Shareholder views will be considered when evaluating and setting executive remuneration strategy. The Remuneration Committee commits to consulting with key shareholders prior to any significant changes to this policy.

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Directors' Remuneration (continued)

Directors' Remuneration Report

The following Annual Remuneration Report reflects the full fiscal year ended 31 March 2024. While the full year disclosure is not technically required due to Arm's listing on the Nasdaq occurring during the year, the Remuneration Committee believes presenting the full year position enables a more complete understanding and will simplify future year on year comparisons. Remuneration disclosures for the previous fiscal year ended 31 March 2023, which predated Arm's listing, are not provided in this year's report.

Single Figure Table – Executive Directors [audited]

The table below summarises the total remuneration earned by the sole Executive Director of the Company, in respect of his employment with the Company for the fiscal year ending 31 March 2024.

	\$000	Salary	Taxable Benefits	Pension	Total Fixed Remuneration	Annual Bonus	Special Bonus	Prior Plans	Total Variable Remuneration	Total
Rene Haas	2024	1,350	19	14	1,383	2,468	20,000	46,282	68,750	70,133

Notes:

- **Taxable Benefits:** The Company operates a benefits scheme through which the Executive Director is entitled to participate. The scheme offers a range of benefits (not all of which are taxable) which include: vacation; medical, dental and vision coverage and insurance; accident and disability insurance, group life insurance and EAP. The Taxable Benefit figure above includes group life insurance, a one-time taxable travel benefit and tax compliance advice provided by the Company.
- **Annual Bonus:** For FYE24, This includes the annual bonus of \$2,468k to be paid in May 2024. During FYE24 the Executive Director also received an IPO cash award of \$20,000k shown in the Special Bonus column above, the performance condition for which was the occurrence of the IPO and so it was paid out in cash shortly following the IPO.
- **Prior Plans:** This amount includes the one-time IPO award and the one-time AEP award which vested during FYE24, related to the occurrence of the IPO during FYE24, and Tranche 1 of the FYE24 annual award which will vest in May 2024. Pursuant to the one-time IPO award under the 2022 RSU Plan and the AEP award, which vested in full following achievement of the valuation hurdle, the Executive Director acquired 392,157 and 79,811 ADSs respectively with a fair market value at vest of \$20,988k and \$11,303k respectively. Pursuant to Tranche 1 of the FYE24 annual award which will vest in May 2024, the Executive Director acquired 123,087 ADSs with a fair market value at vest of \$13,991k.

Bonus outcomes for year ended 31 March 2024 [audited]

The annual bonus is determined based on a scorecard of metrics, details of which are set out below.

Performance Condition	Measure	Weighting	Threshold (0%)	Target (100%)	Overall achievement	Outcome (% of overall max)
Financial: Target achievement (100% payment)	Revenue	50%	\$2,876m	\$3,295m	\$3,233 / 42.6%	85%
	Non-GAAP Operating Income	50%	\$1,268m	\$1,459m	\$1,408 / 36.6%	73%
Strategic: Stretch (up to additional 50%)	Strategic business initiatives	40%	Delivery of solutions and achievement of major design wins / key client adoption equally weighted across the four Lines of Business		29%	73%
	Organisation	10%	Delivery of operating model changes and increase in gender and racial/ethnic representation.		8.8%	88%

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Directors' Remuneration (continued)

Bonus outcomes for year ended 31 March 2024 [audited] (continued)

The Company was successful in meeting a majority of the strategic business initiatives that will be key in delivering long-term growth. This included important product achievements with new processors in the Client & Infrastructure markets achieving significant generation-on-generation performance improvements, and releases of new safety-enabled Automotive Enhanced processors & edge AI accelerators for the Autonomous and IoT markets. The Company also introduced its first Neoverse CSS offering for data centres, and achieved key partner design wins across all four Lines of Business.

As a result of the above achievement, the Company was deemed to have achieved 117% of target under the Company scorecard (78% of the maximum 150% Company performance). The Executive Director's individual performance multiplier was determined by the Board of Directors to be 1.25, resulting in a bonus of 146% of target bonus (183% of salary) or \$2,468k.

Share award outcomes in respect of the fiscal year ended 31 March 2024 [audited]

One Time Executive Award

Prior to IPO, the CEO was granted an award under the 2022 RSU Plan with a value of \$20 million, which was settled by the delivery of 392,157 ADSs (each representing one ordinary share) based on the IPO price of \$51 per ADS. The single performance condition was the occurrence of the IPO, and so this became fully vested and the ADSs were released shortly following the IPO. However, the award is subject to a 12-month holding period.

FYE24 Annual Award

The Company granted an award under the 2022 RSU Plan. This vests in tranches over 3 years (30% in year 1 and year 2 and 40% in year 3). The performance conditions for tranche 1 (i.e. 30%) of the award granted in FYE24 are set out below.

Performance Condition	Measure	Weighting	Threshold (0%)	Target (100%)	Overall achievement	Outcome (% of overall max)
Financial: Target achievement (100% payment)	Revenue	50%	\$2,876m	\$3,295m	\$3,233 / 42.6%	85%
	Non-GAAP Operating Income	50%	\$1,268m	\$1,459m	\$1,408 / 36.6%	73%
Strategic: Stretch (up to additional 100%)	Strategic business initiatives	80%	Delivery of solutions and achievement of major design wins / key client adoption equally weighted across the four Lines of Business		58%	73%
	Organisation	20%	Delivery of operating model changes and increase in gender and racial/ethnic representation.		17.6%	88%

The Company was successful in meeting a majority of the strategic business initiatives that will be key in delivering long-term growth, as described under Bonus outcomes for year ended 31 March 2024.

As a result of the above achievement, the Company was deemed to have achieved 155% of target (78% of the maximum 200% Company performance). The first tranche of the PSUs awarded in May 2023 therefore vested in May 2024 at 155%.

Arm Holdings plc

Directors' Remuneration (continued)

Single Figure Table – Non-Executive Directors

The table below summarises the total remuneration earned by each Non-Executive Director of the Company, in respect of their service to the Company for the fiscal years ending 31 March 2024.

\$000		Fees	Taxable Benefits	Total Fixed Remuneration	Prior Plans	Total Variable Remuneration	Total
Masayoshi Son	2024	0	0	0	0	0	0
Karen Dykstra	2024	135	0	135	220	220	355
Anthony Fadell	2024	85	0	85	220	220	305
Jeffrey Sine	2024	115	0	115	220	220	335
Paul Jacobs	2024	105	0	105	220	220	325
Rosemary Schooler	2024	121	0	121	220	220	341
Ronald Fisher	2024	130	0	130	220	220	350

Notes:

- Mr. Fisher has served as a Director of our Board of Directors since March 2018, and has been remunerated for his Arm role since 1 April 2024. Ms. Dykstra, Mr. Fadell and Mr. Sine have served as a Director of our Board of Directors since September 2022. Dr. Jacobs and Ms. Schooler have served as a Director of our Board of Directors since December 2022.
- Fees in the table above relate to the annual retainer, committee fees and meeting fees.
- In line with policy, Non-Executive Directors do not receive any Taxable Benefits.
- Prior Plans: Pursuant to the Arm Non-Executive Directors RSU Award Plan, RSUs were awarded to Non-Executive Directors in May 2023, in respect of their service during FYE2024, which vested on 15 May 2024.
- The Non-Executive Directors did not receive any pension contributions.

Scheme interests granted in period

This table sets out the awards granted to the Executive Director:

	Award type	Grant date	No. of shares under award	Face value (\$000)	Threshold performance (% shares delivered)	End of performance period
Rene Haas	PSU	23 May 2023	264,706	27,000	—%	31 March 2026

Notes:

- The Executive Director received a FYE24 annual award of PSUs pursuant to the 2022 RSU Plan. This was an award of 10x salary (\$13,500k) which will vest between 0%-200% over a three year period subject to achievement of performance conditions. Executive Awards made prior to listing were awarded as a dollar amount and were converted to PSUs based on the IPO price of \$51 as set out at the time of the award. The final vest under the award will be 15 May 2026, reflective of performance for the period to 31 March 2026.

Arm Holdings plc

Directors' Remuneration (continued)

This table sets out the awards granted to the Non-Executive Directors:

	Award type	Grant date	No. of shares under award	Face value (\$000)	Threshold performance (% shares delivered)	End of performance period
Masayoshi Son	—	0	0	—	0	—
Karen Dykstra	RSU	22 May 2023	5,301	220	100%	15 May 2024
Anthony Fadell	RSU	22 May 2023	5,301	220	100%	15 May 2024
Jeffrey Sine	RSU	22 May 2023	5,301	220	100%	15 May 2024
Paul Jacobs	RSU	22 May 2023	5,301	220	100%	15 May 2024
Rosemary Schooler	RSU	22 May 2023	5,301	220	100%	15 May 2024
Ronald Fisher	RSU	29 August 2023	5,301	220	100%	15 May 2024

Notes:

- The Non-Executive Directors received a FYE24 annual award of RSUs pursuant to the Arm Non-Executive Directors RSU Award Plan. In line with the Directors' Remuneration Policy, this was an award of \$220k which will vest in May 2024. Awards made prior to listing were awarded using a per share value of \$41.50 based on an independent valuation.

Payments for loss of office and payments to past directors [audited]

No payments for loss of office or to past directors were made during the year.

Directors' beneficial shareholdings and share interests [audited]

	Unconditionally owned shares	Scheme interests subject to performance conditions	Scheme interests subject to holding period	Unvested RSUs	Total
*					
Rene Haas	36,912	264,706	185,686	—	487,304
Masayoshi Son	—	—	—	—	—
Karen Dykstra	—	—	—	5,301	5,301
Anthony Fadell	—	—	—	5,301	5,301
Jeffrey Sine	—	—	—	5,301	5,301
Paul Jacobs	—	—	—	5,301	5,301
Rosemary Schooler	—	—	—	5,301	5,301
Ronald Fisher	—	—	—	5,301	5,301

* The directors do not have any outstanding options.

Notes:

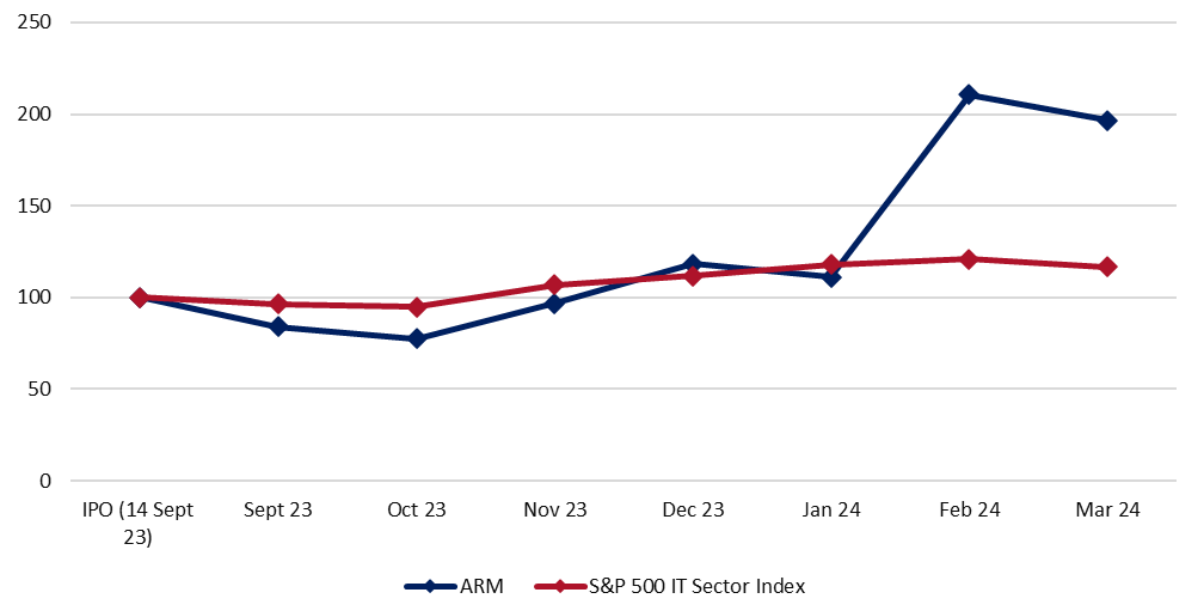
- The information in the table above is reflective of the position as at 31 March 2024.
- The CEO is required to hold Arm ADSs to an equivalent of 1,000% of their base salary. Based on the 20 trading day average close price for the period to 31 March 2024 (\$131.94), the value of the CEO's unconditionally owned shares combined with scheme interests subject to holding period is greater than 2,100% of base salary.
- Non-Executive Directors are required to hold Arm ADSs to an equivalent of 300% of their annual cash retainer (\$240k). Based on the 20 trading day average close price for the period to 31 March 2024 (\$131.94), the value of the Non-Executive Directors unvested RSUs is 874% of their annual cash retainer.

Arm Holdings plc

Directors' Remuneration (continued)

Performance graph

ARM shares began trading on the Nasdaq on 14 September 2023. The Total Shareholder Return ('TSR') graph represents the value at 31 March 2024 of \$100 invested in ARM on 14 September 2023, compared with the value of \$100 invested in the S&P 500 IT Sector Index. This index is considered the most relevant and appropriate comparator index for the Company, incorporating organisations our shareholders would be likely to consider for their investments. It is also the index to be used in the future Performance Share Plan design.



CEO remuneration

The table below shows the total remuneration received by the chief executive for the fiscal year ended 31 March 2024. The Company has not disclosed for years prior to Arm’s listing on the Nasdaq.

\$000	Year ended 31 March 2024
CEO single figure	70,133
Annual bonus as % of max	78%
PSUs as % of max	78%

Percentage change in remuneration

As this is the year’s first publication since IPO there is no percentage change data to disclose. From next year, we will publish the percentage change year on year in salary, benefits and annual bonus for each director and that of the Company's employees as a whole from the fiscal years ending 31 March 2024 onwards.

CEO pay ratio

The table below sets out the ratios of the total remuneration of the Company's US based CEO (as per the single figure table) to the 25th, 50th and 75th percentiles of the UK full-time equivalent employee. This is the first year that the Company has been required to report this information.

Arm Holdings plc

Directors' Remuneration (continued)

Total remuneration

Year	Option	CEO (\$000)	Employee remuneration (\$000)			Pay ratio		
			P25	P50	P75	P25	P50	P75
To 31 March 2024	B	70,133	268	343	568	262:1	204:1	123:1

Base salary

Year	Option	CEO (\$000)	Employee remuneration (\$000)			Pay ratio		
			P25	P50	P75	P25	P50	P75
To 31 March 2024	B	1,350	90	104	143	15:1	13:1	9:1

The comparison with UK employees is specified by the regulations. UK employees comprise approximately 45% of our total employee population. The regulations provide flexibility to adopt one of three methods of calculation. We have chosen Option B; this uses the most recent UK Gender Pay Gap data to identify the three employees that represent our 25th, 50th and 75th percentile employees. This data is readily available and provides consistency with the UK Gender Pay Gap disclosures. The day by reference to which the Company determined the 25th, 50th and 75th percentile employees was therefore 5 April 2023. The total remuneration for these individuals has then been calculated based on all components of pay for the 12 months to 31 March 2024, which includes base salary, pension and benefits, bonus and RSUs awarded. The Employee and CEO values for this year also include the one-time AEP equity award which vested during the year in full having met the valuation hurdle in the period following IPO. For the purposes of this comparison, and average the GBP to USD exchange rate for the 12 months to 31 March 2024 has been applied to the Employee values. No applicable components of pay have been omitted. Further, the Company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for Arm's UK employees when taken as a whole.

Employees globally receive an annual grant of RSU awards. This enables everyone to share in the value created and to be rewarded for their contribution to delivering Arm's growth ambitions. Arm is committed to being a great place to work, with employee engagement well above external benchmarks.

The CEO is eligible to participate in the Company's annual bonus and receives an annual award of PSUs, in line with other members of the Executive Committee. The value of these variable pay awards is affected by performance delivered and, in the case of the PSUs, share price movement. During the year, the CEO also received a one-time Special Bonus and one-time IPO equity award vested, both of which were contingent to the achievement of the Company's IPO. These are one-off factors and as such the CEO's total pay is higher than we would typically expect. We anticipate that the ratio will be lower next year and then build as the new PSU awards begin to vest, subject to performance.

Relative importance of spend on pay

The table below shows the remuneration paid to all employees of the group and relevant distributions made to shareholders. Employee remuneration is deemed to exclude social security costs and includes \$826 million in remuneration relating to share-based compensation as reported in note 9 of the consolidated financial statements. No cash dividends were paid during the period. As this is the Company's first remuneration report, there is no year-on-year comparison to disclose, the Company will disclose this from next year's remuneration report.

	Year ended 31 March 2024 (\$m)
Dividends in respect of fiscal year	—
Total employee remuneration	1,920

Arm Holdings plc

Directors' Remuneration (continued)

Implementation of remuneration policy in fiscal year ending 31 March 2025

Details of how the Remuneration Policy will be implemented for the next fiscal year are set out below:

Base Salary

During the year, in conjunction with the design of the Remuneration Policy, the Remuneration Committee reviewed the base salary for the CEO. The Remuneration Committee did not propose any increase and as such the CEO's base salary will remain at \$1,350k. The Remuneration Committee will continue to review this on an on-going basis. The average workforce rate increase was 13.4%.

Pension

The CEO's participates in the Company's 401(k) Savings Plan and receives a match of up to 6% of the employee contribution in line with the workforce rate. The CEO's estimated 401(k) employer match is \$14k.

Annual Bonus

The Remuneration Committee set the target annual bonus at 125% of salary for the CEO with up to 187.5% of this amount being paid for maximum levels of performance. The award will be subject to the Company's attainment of goals relating to Revenue (50% weighting) and the Non-GAAP Operating Income (50% weighting). Any payment above target will be subject to the Company's achievement of goals relating to Strategic Priorities through a modifier of 1x - 1.5x. For reasons of commercial sensitivity, these Strategic Priorities will be disclosed retrospectively in the next Remuneration Report for the year ending 31 March 2025. An individual performance multiplier of up to 1.25x is then applied to the company performance outcome. The Remuneration Committee will have overall discretion to adjust the formulaic outcome based on the company's overall performance for the year. Any pay-out will be subject to our Clawback Policy.

Equity Awards

The CEO will be granted a PSU award which will have an initial target value of 14 times base salary. The maximum opportunity will be 125% of grant. 75% of the award will be measured over three one-year performance periods (25% attributed to each year) subject to the attainment of goals relating to:

- Revenue (25%)
- Non-GAAP Operating Income (25%)
- Strategic Priorities (up to 2x modifier to financial performance)

25% of the award will be subject to Relative TSR measured over the full three-year performance period. TSR will be measured relative to the S&P 500 IT Sector Index.

At the end of each year, performance will be assessed against the financial and strategic measures. At the end of the three-year performance period Relative TSR achievement will be measured. 0% of the TSR portion will vest if TSR is at or below the 25th percentile of the index and 200% if TSR is at or above the 75th percentile of the index with linear interpolation for intermediate levels of performance.

0% to 200% of the PSUs attributed to each year will vest annually, with the Year 3 vest combining this and the portion attributed to Relative TSR.

PSUs will be subject to our Clawback Policy.

The Remuneration Committee believes the salary multiple delivered at maximum appropriately reflects the sustained stretch performance required across financial and strategic measures to deliver the maximum vesting scenario. By design, these goals provide significant alignment to shareholder value creation in both the long and short term. There will be no payment attributed to any strategic measure that is not achieved in full.

Arm Holdings plc

Directors' Remuneration (continued)

Non-Executive Director fees

During the year, in conjunction with the design of the Remuneration Policy, the Remuneration Committee reviewed the Non-Executive Director fees. No increases are proposed and as such fees remain unchanged as summarised below:

	Fees (\$)
Non-Executive Director: Annual Cash Retainer	\$80,000
Board of Directors meeting attendance	\$5,000 per meeting
Audit Committee Chair	\$30,000
Remuneration Committee Chair	\$20,000
Audit Committee Members	\$15,000
Remuneration Committee members	\$10,000

As a reminder, Mr. Son does not receive any remuneration from the Company.

Remuneration Committee

Our remuneration committee oversees our remuneration policies, plans and benefits programs. Our remuneration committee is responsible for, among other things:

- reviewing and making recommendations to our Board of Directors related to our remuneration plans and equity-based plans;
- reviewing and making recommendations to our Board of Directors concerning the overall remuneration philosophy, policies and plans of the Company;
- reviewing and making recommendations to our Board of Directors regarding the performance goals and objectives relevant to the remuneration of our Chief Executive Officer;
- evaluating and making recommendations to our Board of Directors regarding the performance of our Chief Executive Officer under the previously established performance criteria, goals and objectives, and evaluating and making recommendations to our Board of Directors regarding total remuneration for our Chief Executive Officer;
- reviewing and making recommendations to our Board of Directors regarding the remuneration to be paid to our non-executive directors;
- reviewing and recommending to our Board of Directors the approval of the directors' remuneration report, which shall be subject to a shareholder advisory vote at the Company's annual general meeting each year;
- selecting and retaining a remuneration consultant; and
- such other matters that are specifically delegated to the remuneration committee by our Board of Directors from time to time.

Our remuneration committee consists of Mr. Son, Mr. Fisher, Mr. Sine and Ms. Schooler, with Mr. Son serving as chair.

The Remuneration Committee meets as often as one or more members of the Remuneration Committee deem necessary, but no less than annually.

The CEO, Company Secretary and such other executives as the Remuneration Committee deems appropriate may attend the Committee meetings by invitation and assist the Committee in the execution of its objectives, except when issues relating to their own compensation are discussed.

No director is involved in deciding his or her own remuneration. While it is the Remuneration Committee's responsibility to exercise independent judgement, the Remuneration Committee does request advice from management and professional advisors, so as to be informed on the internal and external environment.

Arm Holdings plc

Directors' Remuneration (continued)

External advisors to the Remuneration Committee

Mercer (Mercer Limited and Mercer (US) Inc.) is appointed as the Remuneration Committee advisors and provided material assistance to the Committee during the year in its consideration of matters related to directors' remuneration. Mercer have been advisors on reward matters in various capacities (to both the Remuneration Committee and management) since being selected following a formal tender process in 2014 when Arm was previously listed on the London Stock Exchange. Mercer's fees totalled £305k (\$383k) for the period from IPO to 31 March 2024.

Mercer Limited is a signatory to the UK Remuneration Consultants Group Code of Conduct and abides by its principles of independence and transparency. In addition to supporting the Remuneration Committee, Mercer also provides advice on remuneration and benefits for the wider workforce.

Both the Remuneration Committee and the Board of Directors were satisfied with the objectivity and independence of Mercer's advice. They ensured that the team from Mercer which provided the assistance had no affiliations with the Company that might compromise its independence.

Approval

The Directors' Remuneration Report has been approved by the Board, and signed on its behalf by Rene Haas, Chief Executive Officer.

Arm Holdings plc

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

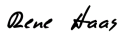
Arm Holdings plc

Directors' Responsibilities Statement (continued)

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Approved by the Board of Directors and signed on its behalf by:

DocuSigned by:

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R Haas

Chief Executive Officer

Date: 29 May 2024

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Arm Holdings plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- notes to the consolidated financial statements 1 to 37; and
- notes to the parent company financial statements 38 to 44.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was revenue recognition for material long-term revenue arrangements.
Materiality	The materiality that we used for the group financial statements was \$32.0 million. Materiality was set on the basis of 4.3% of normalised profit before tax. See section 6.1 for more details.
Scoping	The scope of the group audit includes the primary trading company and holding company which are registered in the UK, and the performance of specified audit procedures on certain balances in other entities of the group which combined contribute 98% of the group's revenue, 86% of the group's profit before tax and 80% of net assets.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- testing the arithmetic accuracy of management's models, including agreement to the most recent Board approved budgets and forecasts;
- challenging the assumptions in these forecasts by:
 - reading analyst reports, industry data and other external information and comparing these with management's estimates;
 - comparing forecast revenue with the Group's order book and historical performance;
 - considering potential macro-economic impacts on the forecasts as a consequence of the current geo-political environment;
 - assessing the sensitivity of the headroom to key assumptions used in management's forecasts;
 - considering if any additional facts or information have become available since the date of the management assessment;
- evaluating the historical accuracy of forecasts prepared by management;
- evaluating the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

5.1. Revenue Recognition for Material Long Term Revenue Arrangements

Key audit matter description	The group routinely enters into material long-term revenue arrangements that involve multiple performance obligations consisting of products and services such as intellectual property licenses, early access rights, software licenses, support, training, professional and design services, and non-standard performance obligations that may be contract or customer specific. Determining the appropriate revenue recognition for these material long-term revenue arrangements involves significant judgments made by management, including the identification of performance obligations and the apportionment of the transaction price that should be allocated to those performance obligations, both of which impact the amount and timing of revenue recognition. Specifically, judgments were required when identifying the performance obligations in a given contract. In material long-term revenue contracts, this is due to the inclusion of complex terms and conditions that may entitle the customer to non-standard products and services, as well as products and services that may be available in future periods or are otherwise implied based on forward looking and historical information. Judgments were likewise required in determining the standalone selling price of certain performance obligations and allocating the transaction price thereto. This is due to a lack of observable standalone selling prices for the group's products and services as well as the inclusion of non-standard offerings for which the standalone selling price must be estimated. Accordingly, performing audit procedures related to material long-term revenue contracts required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals in our firm having expertise in revenue recognition. The group recognised licence revenue of \$1.4bn (2023: \$1.0bn). The accounting policy is described in note 3.
How the scope of our audit responded to the key audit matter	Our audit procedures related to management's evaluation regarding identification of the performance obligation and the allocation of the transaction price included the following, among others. For material long-term revenue contracts with customers, we: • Obtained and read the contract, including master agreements, amendments, purchase and sales order agreements, and related contracts. • Discussed with revenue recognition specialist on complex technical accounting matters. • Requested and obtained responses to confirmation requests regarding the completeness of contract terms directly from the group's customers. If a response was not received, we performed alternative procedures including obtaining internal sales certifications to ensure no additional agreements existed. • Evaluated management's identification of performance obligations by performing the following: – Comparing the products and services identified in the contract to the performance obligations identified by management. – Obtaining an understanding of the group's products and services, which includes inspecting product roadmaps and other marketing materials. – For any purchase options, obtaining and evaluating management's material right analysis. – As needed, inquiring of the group's operational personnel, to understand the nature of the contract, its business purpose, and identified performance obligations. • We assessed the allocation of the transaction price to performance obligations by performing the following: – Evaluated the reasonableness of the group's methodologies and inputs used to establish estimated standalone selling prices by obtaining an understanding of the nature of the products and services and testing the underlying data. – Compared the transaction price determined by management to the transaction price in the customer contracts. – Reperformed the allocation of the transaction price to each performance obligation to test the accuracy of management's allocation of transaction price to performance obligations by: * Tracing and agreeing observable standalone selling prices to the supporting analyses, and * Recalculating the allocation using a combination of methods when the residual approach is used.
Key observations	We are satisfied that management has determined the revenue recognition of material long-term arrangements in line with IFRS 15.

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

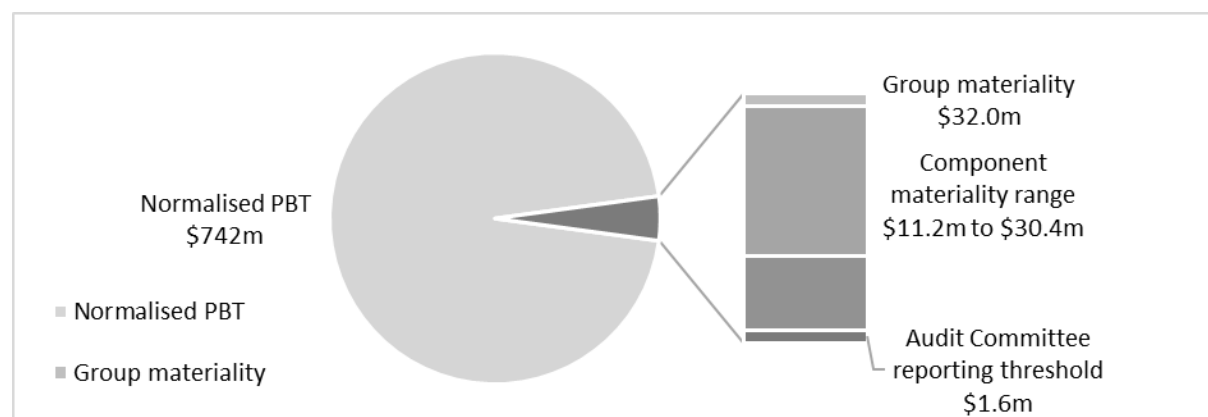
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	\$32.0 million	\$28.8 million
Basis for determining materiality	The materiality that we used for the Group financial statements was \$32.0m which was determined on the basis of 4.3% of profit before tax, adjusted for social security expenses on share-based payments (\$372m) and one-off IPO costs (\$41.5m). In determining materiality, we have considered supporting benchmarks such as revenue and net assets. Our materiality represents 1% of revenue, and 0.6% of net assets.	A factor of 1% of net assets was used and capped to 90% of Group materiality.
Rationale for the benchmark applied	We have considered the users of the financial statements when selecting the appropriate benchmark. Earnings-based metrics tend to be of more interest to the analyst and investor-based communities. A key focus of shareholders is profit before tax and expected future earnings. The adjustments relate to items we consider one-off in nature and not reflective of the underlying performance of the business.	We have used net assets in determining materiality as it reflects the nature of the parent company as a holding company and its contribution to the Group performance.



Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our past experience of the group and our risk assessment, including our assessment of the group's overall control environment. Further discussion regarding the control environment is included in section 7.2. We also considered the value and number of corrected and uncorrected misstatements in the previous year, as well as the likelihood of these recurring in the current year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$1.6 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

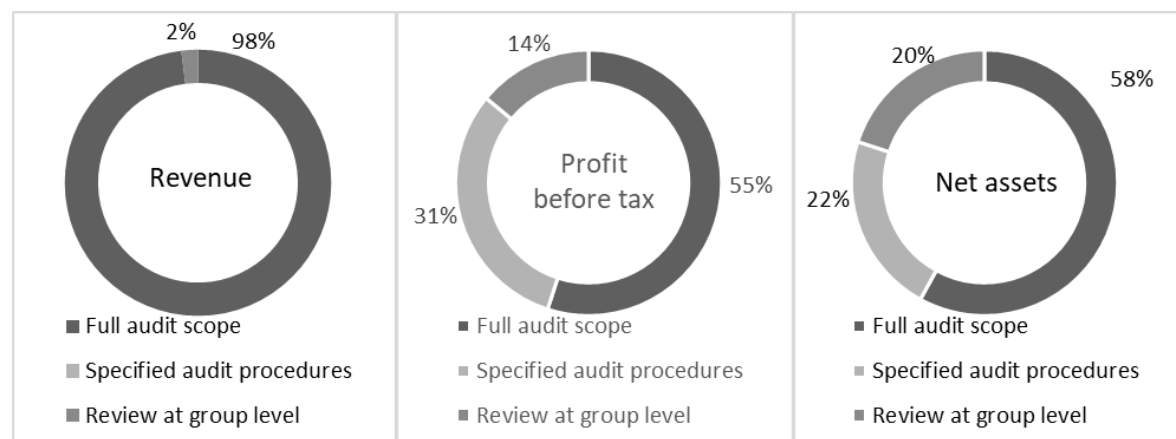
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Two components within the UK were subject to full scope audits (including the parent holding company) and seven components within the UK, US, France, Israel and India were subject to specified audit procedures on balances including operating costs and investments.

Our audit work on the ten components was executed at levels of component materiality applicable to each individual entity which were lower than Group materiality and ranged from \$11.2 million to \$30.4 million.

Our components within the scope of our audit represent 98% of the Group's revenue, 86% of the Group's profit before tax, and 80% of the Group's net assets.

At the group entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures.



Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

7.2. Our consideration of the control environment

We have obtained an understanding of the business process controls to inform our risk assessment, including controls over the financial reporting process revenue and IT controls over the ERP system. Management is in the process of remediating known deficiencies; refer to the Disclosure Controls and Procedures section of Corporate Governance report on page 46 where management has described the control environment and identified deficiencies in IT controls. We have not relied on controls, and we therefore adopted a fully substantive approach.

7.3. Our consideration of climate-related risks

Climate change and the transition to a low carbon economy ("climate change") were considered in our audit where they have the potential to directly or indirectly impact key judgements and estimates within the financial statements. Management has disclosed their climate risk considerations in note 3 primarily in relation to the key judgements and estimates in the assessment of the carrying value of non-current assets. The key judgements and estimates included in the financial statements incorporate actions and strategies, to the extent they have been approved and can be reliably estimated in accordance with the Group's accounting policies. With the involvement of our ESG specialists, we assessed this disclosure by performing inquiries with management and independent industry research, and we did not identify any climate related material risks of misstatement. We also considered whether information included in the climate related disclosures in the Annual Report were materially consistent with our understanding of the business, and the financial statements.

7.4. Working with other auditors

Due to geographical locations of the group, we instruct the US member firm, Deloitte & Touche LLP, to perform testing on certain group balances as an extension of the group audit team. We directed, supervised and reviewed the testing performed through both virtual and in-person frequent communication.

We utilised a component audit team, Deloitte Touche Tohmatsu Certified Public Accountants LLP, for testing of revenue related balances in the People's Republic of China due to geographical restrictions. Appropriate direction, review and supervision of the component team was performed. Frequent calls and meetings (including in-person meetings) were held between the group audit team and component audit team. A review of the component engagement file was performed by a senior member of the group audit team virtual and local component audit close meetings were attended.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

11.1. Identifying and assessing potential risks related to irregularities (continued)

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition of material long-term revenue arrangements. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that

do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified Revenue recognition of material long-term revenue arrangements as key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee, in-house legal counsel and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

Arm Holdings plc

Independent Auditor's Report to the Members of Arm Holdings plc (continued)

12. Opinions on other matters prescribed by the Companies Act 2006 (continued)

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

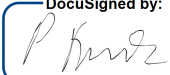
13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

 90AE71C7F449493...

Paul Franek FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

London, United Kingdom

Date: 29 May 2024

Arm Holdings plc**Consolidated Income Statement**
For the year ended 31 March 2024

		2024	2023
	Note	\$m	\$m
Revenue	5	3,233	2,679
Cost of sales		(151)	(110)
Gross profit		3,082	2,569
Research and development costs	7	(1,923)	(1,209)
Selling, general and administrative expenses		(955)	(804)
Impairment of investments and other assets	7	(4)	(3)
Operating profit		200	553
Finance income	10	121	45
Finance costs	11	(10)	(8)
Share of results of associates	21	1	1
Profit before tax		312	591
Tax	12	(113)	(138)
Profit for the year		199	453
Earnings per share attributable to ordinary shareholders			
Basic earnings per share	15	0.19	0.44
Diluted earning per share	15	0.19	0.44

All profit for the year is attributable to the owners of the Company and all activities relate to continuing operations.

Arm Holdings plc**Consolidated Statement of Comprehensive Income**
For the year ended 31 March 2024

		2024	2023
	Note	\$m	\$m
Profit for the year		199	453
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		5	(29)
Share of results of associates	21	(3)	(1)
Cash flow hedges - fair value gains in the year	34	8	6
Cash flow hedges - (losses)/gains transferred to the income statement	34	(18)	5
Deferred tax on cash flow hedges		2	(3)
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods		(6)	(22)
Items that will not be reclassified subsequently to profit or loss:			
Investment revaluation	34	(5)	(46)
Deferred tax on investment revaluation	25	3	7
Other comprehensive expense that may not be reclassified to profit or loss in subsequent periods		(2)	(39)
Other comprehensive expense for the year net of tax		(8)	(61)
Total comprehensive income for the year		191	392

Total comprehensive income for the year is attributable to the owners of the Company.

Arm Holdings plc**Consolidated Balance Sheet (Registered Number: 11299879)****As at 31 March 2024**

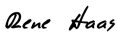
			(Restated) ¹
		2024	2023
	Note	\$m	\$m
Non-current assets			
Goodwill	16	1,611	1,606
Other intangible assets	17	152	138
Property, plant and equipment	18	191	177
Right-of-use assets	19	218	204
Investments in associates	21	120	116
Investments	22	625	599
Contract assets	23	240	116
Income tax receivable		30	19
Trade and other receivables	24	199	147
Financial assets held at fair value through profit and loss	34	32	31
Deferred tax assets	25	437	173
		<u>3,855</u>	<u>3,326</u>
Current assets			
Inventories		2	2
Contract assets	23	336	154
Trade and other receivables	24	928	1,154
Current tax assets		1	1
Deposits	30	1,000	661
Cash and cash equivalents	30	1,925	1,556
Derivative financial instruments	34	4	10
		<u>4,196</u>	<u>3,538</u>
Total assets		<u>8,051</u>	<u>6,864</u>
Current liabilities			
Trade and other payables	26	1,300	585
Current tax liabilities		162	172
Lease liabilities	19	31	27
Contract liabilities	33	198	293
Provisions	27	7	52
Derivative financial instruments	34	4	1
		<u>1,702</u>	<u>1,130</u>
Net current assets		<u>2,494</u>	<u>2,408</u>

¹ Equity balances as of 31 March 2023 are restated to reflect a corporate reorganisation completed during the current fiscal period. The historical consolidated financial statements of the Group were retrospectively adjusted for the change in reporting entity. Additional detail is provided in note 13.

Arm Holdings plc**Consolidated Balance Sheet (Registered Number: 11299879) (continued)****As at 31 March 2024**

	Note	2024 \$m	2023 \$m
Non-current liabilities			
Trade and other payables	26	93	65
Deferred tax liabilities	25	56	248
Lease liabilities	19	197	188
Provisions	27	10	11
Contract liabilities	33	717	807
Liability for share-based payments	31	—	256
		<u>1,073</u>	<u>1,575</u>
Total liabilities		<u>2,775</u>	<u>2,705</u>
Net assets		<u>5,276</u>	<u>4,159</u>
Equity attributable to owners of the Company			
Share capital	28, 29	1	—
Merger reserve	29	(51,947)	1,024
Share-based payments	9, 29, 31	1,432	281
Capital redemption reserve	29	1	—
Translation reserve	29	425	420
Investment revaluation reserve	29	315	317
Cash flow hedge reserve	34	—	8
Retained earnings	29	55,049	2,109
Total equity		<u>5,276</u>	<u>4,159</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 May 2024 and were signed on its behalf by:

DocuSigned by:

 F1F09375F1BE489...
 R Haas
 Chief Executive Officer

Arm Holdings plc**Consolidated Statement of Changes in Equity****For the year ended 31 March 2024**

Equity attributable to equity holders of the Company												
	Note	Share capital (Restated) \$m	Share premium account (Restated) \$m	Own shares (Restated) \$m	Merger reserve (Restated) \$m	Share-based payments \$m	Capital redemption reserve \$m	Translation reserve \$m	Investment revaluation reserve \$m	Cash flow hedge reserve \$m	Retained earnings \$m	Total equity \$m
Balance at 1 April 2022		—	—	—	1,024	99	—	449	356	—	1,656	3,584
Profit for the year		—	—	—	—	—	—	—	—	—	453	453
Other comprehensive income/(expense) for the year:												
Currency translation adjustment		—	—	—	—	—	—	(29)	—	—	—	(29)
Share of results of associates	21	—	—	—	—	—	—	—	—	—	(1)	(1)
Investment revaluation		—	—	—	—	—	—	—	(46)	—	—	(46)
Deferred tax on investment revaluation	25	—	—	—	—	—	—	—	7	—	—	7
Cash flow hedges - fair value gains in the year		—	—	—	—	—	—	—	—	6	—	6
Cash flow hedges - gains transferred to the income statement		—	—	—	—	—	—	—	—	5	—	5
Deferred tax on cash flow hedges	25	—	—	—	—	—	—	—	—	(3)	—	(3)
Other movements ¹		—	—	—	—	(1)	—	—	—	—	1	—
Total comprehensive income/(expense) for the year		—	—	—	—	(1)	—	(29)	(39)	8	453	392
Share-based compensation	31	—	—	—	—	169	—	—	—	—	—	169
Tax on share-based compensation	12, 25	—	—	—	—	14	—	—	—	—	—	14
Balance at 31 March 2023		—	—	—	1,024	281	—	420	317	8	2,109	4,159

¹ Other movements arise from rounding adjustments following the change in presentation from \$1,000's to \$1,000,000's.

Arm Holdings plc**Consolidated Statement of Changes in Equity (continued)****For the year ended 31 March 2024**

		Equity attributable to equity holders of the Company										
		Share capital	Share premium account	Own shares	Merger reserve	Share-based payments	Capital redemption reserve	Translation reserve	Investment revaluation reserve	Cash flow hedge reserve	Retained earnings	
	Note	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 April 2023		—	—	—	1,024	281	—	420	317	8	2,109	4,159
Profit for the year		—	—	—	—	—	—	—	—	—	199	199
Other comprehensive income/(expense) for the year:												
Currency translation adjustment		—	—	—	—	—	—	5	—	—	—	5
Share of results of associates	21	—	—	—	—	—	—	—	—	—	(3)	(3)
Investment revaluation		—	—	—	—	—	—	—	(5)	—	—	(5)
Deferred tax on investment revaluation	25	—	—	—	—	—	—	—	3	—	—	3
Cash flow hedges - fair value gains in the year	34	—	—	—	—	—	—	—	—	8	—	8
Cash flow hedges - losses transferred to the income statement		—	—	—	—	—	—	—	—	(18)	—	(18)
Deferred tax on cash flow hedges	25	—	—	—	—	—	—	—	—	2	—	2
Total comprehensive income/(expense) for the year		—	—	—	—	—	—	5	(2)	(8)	196	191
Distribution in specie	14	—	—	—	—	—	—	—	—	—	(12)	(12)
Share-based compensation	31	—	—	—	—	793	—	—	—	—	—	793
Tax on share-based compensation	12, 25	—	—	—	—	358	—	—	—	—	—	358
Tax withholding on vested shares from share-based payment arrangements		—	—	—	—	—	—	—	—	—	(213)	(213)
Issuance of new shares/share for share	13	1	—	—	52,971	—	—	—	—	—	—	52,972
Bonus issue of shares	13	52,970	—	—	(52,970)	—	—	—	—	—	—	—
Capital reduction	13	(52,969)	—	—	—	—	—	—	—	—	52,969	—
Redesignation of post reduction shares and capital	13	(1)	—	—	—	—	1	—	—	—	—	—
Recognition of consolidated merger reserve	13	—	—	—	(52,972)	—	—	—	—	—	—	(52,972)
Balance at 31 March 2024		1	—	—	(51,947)	1,432	1	425	315	—	55,049	5,276

Arm Holdings plc**Consolidated Statement of Cash Flows****For the year ended 31 March 2024**

		2024	2023
	Note	\$m	\$m
Net cash from operating activities	30	833	749
Investing activities			
Interest received		116	35
Distributions from investments	34	3	—
Purchases of property, plant and equipment		(81)	(74)
Purchases of intangible assets		(84)	(69)
Investments in associates		—	(2)
Purchases of trading investments		(32)	(12)
Proceeds from maturity of deposits	30	425	1,081
Investments in deposits	30	(765)	(1,110)
Long-term loans granted		(4)	(2)
Net cash used in investing activities		(422)	(153)
Financing activities			
Payments on lease liabilities	30	(45)	(31)
Net cash used in financing activities		(45)	(31)
Net increase in cash and cash equivalents		366	565
Cash and cash equivalents at beginning of year		1,556	1,006
Effect of foreign exchange rate changes		3	(15)
Cash and cash equivalents at the end of the year		1,925	1,556

Arm Holdings plc

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1 General information

Arm Holdings plc (the 'Company') is a public Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is 110 Fulbourn Road, Cambridge, CB1 9NJ.

The principal activities of Arm Holdings plc and its subsidiaries (the 'Group', 'Arm Group', 'Arm') and the nature of the Group's operations are disclosed in the Directors' Report and the Strategic Report on pages 28 and 2 respectively.

The Group is ultimately controlled by SoftBank Group Corp., a company registered in Japan. The Group consists of Arm Holdings plc and its subsidiaries as set out in note 41.

The Company's shares were admitted to trading on the Nasdaq, a market operated by Nasdaq Inc., on 14 September 2023. These financial statements are the Company's first subsequent to its admission to the Nasdaq. In connection with the admission to the Nasdaq, the Group undertook a group reorganisation of its corporate structure which resulted in the Company becoming the parent holding company of the Group. Prior to the reorganisation the parent company for these financial statements was Arm Limited. The transaction was accounted for as a capital reorganisation rather than a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In a capital reorganisation, the consolidated financial statements of the Group reflect the predecessor carrying amounts of Arm Limited with comparative information of Arm Limited presented for all periods since no substantive economic changes have occurred.

During the year, there were changes to the composition of the Group due to voluntary liquidation of certain companies and these are disclosed in note 13.

For the year ending 31 March 2024 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies:

Subsidiary name	Companies House registration number
Arm Asia Investment G.P. Limited	10194528
Arm Finance Overseas Limited	05375817
Arm Technology Investments 2 Limited	12115783
Arm Technology Investments Limited	09195191
Arm UK Holdings Limited	05376033
Simulity Labs Limited	06910401

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

2 Adoption of new and revised standards

New and amended IFRS standards that are effective for the current year

The Group has adopted the following new and amended standards during the year, which have had no material impact on the financial statements:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

IFRS 17 (including the June 2020 amendments to IFRS 17)

IFRS 17 replaces IFRS 4 (Insurance Contracts). IFRS 17 applies to all types of insurance contract, regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

IFRS 17 became effective for annual periods beginning on or after 1 January 2023, which corresponds to these Group financial statements for fiscal year ending 31 March 2024. Comparative figures are required and therefore certain historical transactions may have been within the scope of IFRS 17 which required careful consideration by management.

As a result of management's assessment, there has been no material impact on the Group's financial statements for either the fiscal year ended 31 March 2024 nor 31 March 2023.

Amendments to IAS 1

In February 2021, the IASB issued amendments to IAS 1 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.

The Group has revisited its accounting policy information disclosures to ensure consistency with the amended requirements.

Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

The amendments to IAS 8 for definition of accounting estimates do not have a material impact on the Group's financial statements.

Amendments to IAS 12

Initial recognition exemption

In May 2021, the Board issued amendments to IAS 12 Income Taxes, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Arm Holdings plc
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2024

2 Adoption of new and revised standards (continued)

Amendments to IAS 12 (continued)

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Note 25 reflects the impact of these amendments on the Group's consolidated financial statements for the fiscal year ended 31 March 2024. These adjustments were recognised prospectively on the basis that both the gross and net impact upon the Group's consolidated balance sheet was immaterial. The adjustment to the opening deferred tax liability in connection with the Group's lease liabilities was \$12 million and the closing balance was \$17 million. The adjustment to the opening deferred tax asset in connection with the Group's right of use assets was \$12 million and the closing balance was \$18 million.

Pillar Two

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. As of 31 March 2024 the Group has applied the exemption to not recognise any deferred tax relating to top-up tax arising from the Pillar Two legislation. Further detail on the impact of the Pillar Two legislation on the group is disclosed in note 12.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current; and Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements
Amendments to IAS 21	Lack of exchangeability
IFRS 18	Presentation and Disclosure in Financial Statements

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

This amendment to IAS 1 becomes effective for annual periods beginning on or after 1 January 2024, which corresponds to the Group's financial statements for fiscal year ending 31 March 2025.

The key changes introduced by the amendments include the specification that for a liability to be classed as non-current, the right to defer settlement must exist at the end of the reporting period, that the classification as non-current is not affected by management intentions or expectations, and a clarification that only covenants an entity must comply with on or before the reporting period affect classification.

For the fiscal year ended 31 March 2024, all liabilities were classified based upon their contractual obligations and the Group held no liabilities which were subject to covenants. While management will carefully consider the impact of the amendments on any future liabilities, the amendments are not anticipated to have a material impact on the Group's financial statements.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

2 Adoption of new and revised standards (continued)

IFRS 16 - Lease Liability in a Sale and Leaseback

This amendment to IFRS 16 becomes effective for annual periods beginning on or after 1 January 2024, which corresponds to the Group's financial statements for fiscal year ending 31 March 2025.

The new requirements impact how an entity participating as the seller in a sale and lease back transaction would recognise a potential gain or loss relating to the partial or full termination of a lease.

The Group has not participated in any sale and leaseback transactions during the current or comparative periods. The amendments are not anticipated to have a material impact on the Group's financial statements.

IAS 7 and IFRS 7 - Disclosure requirements

These amendments to IAS 7 and IFRS 7 become effective for annual periods beginning on or after 1 January 2024, which corresponds to the Group's financial statements for fiscal year ending 31 March 2025.

On adoption, the Group must disclose the effects of supplier finance arrangements on its liabilities, cash flows and exposure to liquidity risk. This includes pertinent terms and conditions, the carrying amounts of relevant financial liabilities, the carrying amount and classification of corresponding liabilities which have been settled via finance, and a comparison of due dates.

There is transition relief provided, including relief regarding comparative information. Management are currently assessing the impact of these amendments upon the Group, however, a material impact is not anticipated.

IAS 21 - Lack of exchangeability

This amendment to IFRS 16 becomes effective for annual periods beginning on or after 1 January 2025, which corresponds to the Group's financial statements for fiscal year ending 31 March 2026.

The Group is not exposed to currencies which may be considered to include a lack of exchangeability in the usual course of business. Therefore the amendments are not anticipated to have a material impact on the Group's financial statements or application of its material accounting policies.

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 (Presentation of Financial of Statements) and becomes effective for annual periods beginning on or after 1 January 2027, which corresponds to the Group's financial statements for fiscal year ending 31 March 2028.

The standard is expected to introduce a significant change to the presentation of financial performance through the introduction of three key requirements:

- Changes to the consolidated income statement to include three defined categories for income and expenses; reported as operating, investing and financing. There is also a requirement to provide new defined subtotals, including operating profit.
- A requirement to disclose explanations for any inclusion of entity-specific measures that are related to the income statement, referred to as management-defined performance measures.
- Guidance on how to organise information and whether to provide it in the primary financial statements or in the notes. There is additional requirement to provide further transparency in disclosure of operating expenses.

With publication in the first quarter of 2024, management are in the early stages of assessing the impact of IFRS 18 on these financial statements. Given the significant nature of the presentational changes introduced by IFRS 18, and a requirement for comparative restatement, it is not management's intention to apply early application.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRSs). The consolidated financial statements have been prepared on the historical cost basis, in accordance with those parts of the Companies Act 2006 that are applicable to companies that prepare consolidated financial statements in accordance with IFRS, except for the revaluation of certain financial instruments that are measured at fair value.

The consolidated financial statements are presented in US dollars, which is the Group's reporting currency, and rounded to the nearest \$1,000,000.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates made and judgements applied and their effect are disclosed in note 4.

Going concern

The company reported an operating profit of \$200 million and net cash from operating activities of \$833 million for the year ended 31 March 2024 and at 31 March 2024 had no external debt finance, net current assets of \$2,494 million and a cash and cash equivalents balance of \$1,925 million.

On 21 September 2023, 769,029,000 shares of Arm were used as collateral against an \$8.5 billion margin loan held by Kronos I (UK) Limited a wholly owned subsidiary within the SoftBank Group.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Impact of climate change upon the financial statements

The Group's consolidated financial statements are prepared with consideration of both physical and transition risks resulting from climate change. In conjunction with the report on climate-related financial disclosure contained within the Strategic Report, and the Group's ambition to achieve net zero by 2030, a review has been performed in the areas that are deemed most at-risk of being impacted by climate change.

Management considered the useful economic life of non-current assets with respect to Arm's transition to net zero and concluded that the estimates and judgements applied, as set out in the Group's accounting policies, remain appropriate. The impact of materialising physical risks upon the Group's tangible and intangible assets are considered at each balance sheet date during the review for impairment indicators as set out in the Group's accounting policies.

Having assessed the material climate risks and opportunities relevant to the Group, management do not currently consider there to be a material climate-related impact on the financial statements.

In the case of going concern, the directors believe the Group to be resilient to the physical and transition risks under different climate scenarios and that these scenarios do not present any identifiable risk to the assumption of going concern.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. In accordance with IFRS 3 'Business combinations', acquisitions are accounted for using the acquisition method where the Group is identified as having the role of 'acquirer' and the consideration transferred is demonstrably at fair value. Under the acquisition method, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement and statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. The 'Business combinations – acquisition accounting' policy provides further detail on the application of the acquisition method.

The combination of entities under common control are outside the scope of IFRS 3. In the absence of specific guidance for common control business combinations under IFRS the Group applied common practice and used the pooling of interests method to account for the business combination.

Under the pooling of interests method the Group applies an accounting policy choice to recognise the assets and liabilities of the acquired entities at their carrying values as reflected in the Group balance sheet of the original parent company (rather than the carrying values as reflected in the acquired entities' own individual accounts). The effect of this accounting policy choice is that any fair value adjustments and goodwill arising on the original acquisition are carried over to these Group accounts when the pooling of interests method is applied for a common control business combination. For business combinations in the prior period accounted for using the pooling of interests method there was no difference between the carrying value of the assets and liabilities of the acquired entities in their own individual accounts and the carrying values in the Group balance sheet of the original parent company.

For the consolidated financial statements, the adoption of the pooling of interests method presents Arm Holdings plc as if it had always been the parent undertaking of the entities acquired; the income statement and the statement of comprehensive income reflect the results of the entities acquired for the full period and comparatives are presented as if the entities had always been combined.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in the income statement is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (that is reclassified to the income statement or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 'Financial Instruments', when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Business combinations – acquisition accounting

When the acquisition method of accounting is applied to a business combination the consideration transferred is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Where consideration is deferred and payable to ex-shareholders who are employees of the Group, an assessment is made as to whether the amounts transferred should be accounted for as contingent consideration or as post-business combination remuneration. If payment is contingent on future employment then the deferred consideration is always accounted for as post-business combination remuneration and recognised in the income statement in accordance with IAS 19 'Employee Benefits'. If the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit (CGU), or groups of cash-generating units, that the Group expect to benefit from the business combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. CGUs or group of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGUs may be impaired. If the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a CGU or group of CGUs, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Where instruments are held via instruments other than ordinary shares, these are stated at fair value.

Under the equity method, investments in associates are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in associates are accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the income statement in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investments in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not held by the Group.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

In the individual accounts of the Company, interests in joint ventures and associates are stated at historic cost less accumulated impairment losses. Where investments are held via instruments other than ordinary shares, these are stated at fair value.

Revenue

The Group recognises revenues for the transfer of products or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products or services. The principle is achieved through the following five-step approach:

- Identification of the contract with the customer;
- Identification of the performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Group satisfies a performance obligation.

Revenue for the Group's major product offerings consists of the following:

Licence and Other Revenue

- Intellectual property licence — The Group generally licences IP under non-exclusive licence agreements that provide usage rights for specific applications for a finite or perpetual term. These licences are made available electronically to address the customer-specific business requirements. These arrangements generally have distinct performance obligations that consist of transferring the licenced IPs, version extensions of architecture IP or releases of IPs, and support services. Support services consist of a stand-ready obligation to provide technical support, patches, and bug fixes over the support term. Revenue allocated to the IP licence is recognised at a point in time upon the delivery or beginning of licence term, whichever is later. Revenue allocated to distinct version extensions of architecture IP or releases of IP, excluding when-and-if-available minor updates over support term, are recognised at a point in time upon the delivery or beginning of licence term, whichever is later.

Certain licence agreements provide customers with the right to access a library of current and future IPs on an unlimited basis over the contractual period depending on the terms of the applicable contract. These licensing arrangements represent stand-ready obligations in that the delivery of the underlying IPs is within the control of the customer and the extent of use in any given period does not diminish the remaining performance

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

obligations. The contract consideration related to these arrangements is recognised ratably over the term of the contract in line with when the control of the performance obligations is transferred.

- Software sales, including development systems — Sales of software, including development systems, which are not specifically designed for a given licence (such as off-the-shelf software), are recognised upon delivery when control has been transferred and the customer can begin to use and benefit from the licence.
- Professional services — Services (such as training and professional and design services) that the Group provides, which are not essential to the functionality of the IP, are separately stated and priced in the contract and accounted for separately. Training revenue is recognised as services are performed. Revenue from professional and design services are recognised over time using the input method based on engineering labour hours expended to date relative to the estimated total effort required. For such professional and design services, the Group has an enforceable right to payment for performance completed to date, which includes a reasonable profit margin and the performance of such services does not create an asset with an alternative use.
- Support and maintenance — Support and maintenance is a stand-ready obligation to the customer that is both provided and consumed simultaneously. Revenue is recognised on a straight-line basis over the period for which support and maintenance is contractually agreed pursuant to the licence.

Royalty Revenue

For certain IP licence agreements, royalties are collected on products that incorporate the Group's IP. Royalties are recognised on an accrual basis in the quarter in which the customer ships their products, based on the Group's technology that it contains. This estimation process for the royalty revenue accrual is based off of many data points utilising reported customer sales estimates considering sales trends and judgement for several key attributes, including industry estimates of expected shipments, the mix of products sold, the percentage of markets using our products, and average selling price. Adjustments to revenues are required in subsequent periods to reflect changes in estimates as new information becomes available, primarily resulting from actual amounts subsequently reported by the licensees in the period following the accrual.

Significant Judgments

– Identification of the Contract with the Customer

The Group accounts for a contract as a revenue contract when all of the following criteria are met:

- The contract has been approved (either in writing, orally or in accordance with other customary business practices) by the parties to the contract, and the parties are committed to perform their respective obligations;
- The Group can identify each party's rights regarding goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;
- Contracts have commercial substance; and
- It is probable that the Group will collect substantially all the consideration to which it will be entitled, in exchange for the goods or services to be transferred to the customer.

The Group sometimes enters into multiple contracts with the same customer that are treated, for accounting purposes, as one contract if the contracts are entered into at, or near, the same time and are interrelated. Judgment is required in evaluating whether various contracts are interrelated, which includes considerations as to whether they were negotiated as a package with a single commercial objective, whether the amount of consideration on one contract is dependent on the performance of the other contract, or if some, or all, obligations in the contracts constitute a single performance obligation.

New arrangements with existing customers can be based on either a new contract or the modification of prior contracts. The Group's judgment in making this determination considers whether there is a connection between the new arrangement and the pre-existing contracts, whether the services under the new

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

arrangement are highly interrelated with the products and services provided under prior contracts, and how the products and services under the new arrangement are priced.

The Group sometimes enters into non-cancellable and non-refundable committed funds arrangement from customers, where the parties have ongoing negotiations. Judgment is required in evaluating whether all rights and obligations of the arrangement are determined and enforceable.

Judgment is also required in determining whether collectability of substantially all of the consideration is probable. The Group assesses this through credit checks, past payment history or based on outstanding payments.

– Identification of the Performance Obligations

Customer contracts often include various products and services as outlined in the summary of major product groups above. Typically, these products and services qualify as separate performance obligations, and a portion of the contractual value is allocated to them. Judgment is required, however, in determining whether a good or service is considered a separate performance obligation.

When selling licences or services, the Group frequently grants customers the choice to acquire additional rights, goods or services (for example, renewals of offerings, version extensions through term renewals, additional future products, or additional volumes of purchased licence). The Group also utilises forward looking information such as product roadmaps and other marketing materials in identifying performance obligations for IPs or version extensions of architecture IP under development or future products, and in determining if implicit promises or material rights exist in certain long-term contracts.

In a typical licensing arrangement, the Group either licences implementation IP or architecture IP. When implementation IP is licenced, the Group promises to provide all developed and undeveloped IP over the licence term based on the subscription package selected by the customer. Products are delivered to the customer based on the Group's product roadmap and each IP is generally identified as a separate performance obligation. The undeveloped IP in the contract also includes an implied promise to deliver implementation IP that will be developed and become available during the contract term but is not on the product roadmap at contract inception.

When architecture IP is licenced, the Group promises to provide the available architecture IPs as well as all future version extensions of the architecture IP over the contract term which could range from 3 to 20 years. These version extensions may take one of two forms:

- Specified version extensions that are expected to be released over the next 2-3 years and are identified in the Group's product roadmap, or;
- Implicit version extensions that the Group believes, based on historical data, will be developed in the period beyond the years covered by the product roadmap and will be delivered to the customer as and when released.

These version extensions represent promises to deliver distinct products and have a discernable release pattern, based on the Group's established practice every year over the licence term. When version extensions of architecture IP are promised along with a licence to available architecture IP, a portion of the overall transaction price is allocated to the available architecture licence while the remaining portion relating to future extensions is deferred until those extensions are delivered and become available for use.

Amounts allocated to the IP licence including version extensions of an architecture licence or releases of an implementation licence are each recognised at a point in time upon the delivery or beginning of licence term, whichever is later.

– Determination of Transaction Price

The Group applies judgment when determining the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer. This includes estimates as to whether, and to what extent, subsequent concessions or payments may be granted to customers, which release customers

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

from their obligations to pay contractual fees. In this judgment, historical trends are considered with respect to both the specific customer and broader Group trends. The Group estimates the transaction price based on the amount expected to be received for transferring the promised goods or services in the contract. Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. The transaction price also excludes amounts collected on behalf of third parties such as sales taxes. The Group's revenue arrangements generally do not include variable consideration other than royalties. Where minimum royalties are agreed with customers and there is no uncertainty of their receipt, the amount is allocated to performance obligations as a part of the transaction price.

The Group considers relevant facts and circumstances in assessing whether a contract contains a significant financing component. The Group has not identified significant financing components in its material revenue arrangements executed during the financial year.

– Allocation of Transaction Price

Judgment is required when estimating standalone selling prices ('SSPs'). There is also judgment involved in determining whether the pricing of certain performance obligations is highly variable or uncertain.

Other than support and maintenance, SSPs are usually not directly observable for the Group's products and services because the Group generally does not sell its products or services on a standalone basis. When separately stated, contractual pricing is highly variable. The Group estimates the SSPs so that the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer. The Group allocates royalties entirely to the licences that give rise to them. When estimating a SSP, the Group considers available information and maximises the use of observable inputs such as renewal pricing history for the Group's standardised support and professional service offerings.

For offerings that have highly variable or uncertain pricing and lack substantial direct costs to estimate based on a cost-plus margin approach, the transaction price is allocated by applying a residual approach. This is on the basis that the Group has identified SSP for other performance obligations in the same arrangement. If two or more goods or services in a contract have highly variable or uncertain pricing, then the Group applies a combination of methods to allocate transaction price, including utilising list prices, contract prices, and engineering effort estimates to develop future IPs, for initial allocation of residual amount of transaction price within such products.

For Arm Total Access arrangements, the Group establishes a separate performance obligation for implicit rights of future products upon contract execution and allocates the total transaction price to each performance obligation based on the price roadmap.

For customer agreements related to long-term licensing of architecture IP, the Group allocates the contract value to each of the performance obligations based on an estimate of the engineering efforts required to deliver the initial version of the IP as well as related future versions, including enhancements and upgrades.

The SSPs of material rights depend on the probability of option exercise. In estimating these probabilities, judgement is utilised when considering historical exercise patterns. The SSPs are reviewed annually or whenever facts and circumstances significantly change. These changes are applied prospectively.

Revenue from Arm China

Arm Technology (China) Co. Limited ('Arm China') acts as the Group's exclusive IP distributor in the People's Republic of China, which, for the purposes of these financial statements, includes the Hong Kong Special Administrative Region and the Macau Special Administrative Region, but excludes Taiwan (collectively referred to as the 'PRC'), under the intellectual property licensing arrangement ('IPLA') and subsequent amendments. Arm China directly contracts with end customers with discretion in establishing pricing to sublicense specified IP and Arm Total Access Packages. The Group's responsibility under the IPLA is to facilitate delivery of a good or service to the end customer in accordance with detailed instructions and other specifications from Arm China. In these cases, Arm China is the customer for the Group. As such, revenue presented by the Group is the

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

net amount calculated as a percentage of licence and royalty fees earned by Arm China from sub-licence arrangements entered into with end customers. The Group applies the royalty exception, under which revenue is recognised when the subsequent sale or usage occurs, assuming control of the licence to which the royalty relates has transferred to the customer. Where the revenue is derived as a percentage of the licence fee of Arm China, the Group categorises that portion as licence revenue while the other portion, which represents the Group's share of Arm China's royalties, is categorised as royalties.

Contract Balances and Receivables

The Group recognises accounts receivable in full when it has the contractual right to invoice the customer and begins satisfying the performance obligations over the term of the contract. Judgment is required to determine whether a right to consideration is unconditional and thus qualifies as a receivable. Contract assets are recognised as the performance obligations are satisfied and the Group does not have the contractual right to invoice. Typically, the Group invoices a portion of the fees for IP licences up front on the effective date of the contract and satisfies a considerable portion of performance obligations. Accrued royalties are included in accounts receivable, net on the Consolidated Balance Sheets. Contract liabilities primarily reflect invoices due, or payments received, in advance of revenue recognition. Periodic fixed fees for software support services, and other multi-period agreements are typically invoiced in advance.

Customer deposits primarily relate to payments received from customers which could be refundable pursuant to the terms of the contract and are in other current liabilities on the Consolidated Balance Sheets.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Group has determined that its contracts generally do not include a significant financing component. The primary purpose of the Group's invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, such as invoicing at the beginning of a licence term with revenue recognised over the contract period, and not to receive financing from customers. All potential financing fees were considered insignificant in the context of the Group's contracts.

Allowance for Current Expected Credit Losses

Trade receivables are stated at their net realisable value. The allowance for credit losses reflects the Group's best estimate of expected credit losses of the receivable portfolio determined on the basis of historical experience, current information, and forecasts of future economic conditions. In developing the estimate for expected credit losses, accounts receivable is segmented into pools of assets depending on market (China versus international) and delinquency status, and fixed reserve percentages are established for each pool of accounts receivables. To determine the reserve percentages for each pool of accounts receivables, the Group considers its historical experience with certain customers and customer types, regulatory and legal environments, country and political risk, and other relevant current and future forecasted macroeconomic factors. These credit risk indicators are monitored on a quarterly basis to determine whether there are any changes in the economic environment that would indicate the established reserve percentages should be adjusted and are considered on a regional basis to reflect more geographic-specific metrics. Please refer to *note 24 - Trade and Other Receivables*, for the summary of the movement in the allowance for current expected credit losses.

Additionally, write-offs and recoveries of customer receivables are tracked against collections on a quarterly basis to determine whether the reserve percentages remain appropriate. When management becomes aware of certain customer-specific factors that impact credit risk, specific allowances for these known troubled accounts are recorded. Accounts receivables are written off after all reasonable means to collect the full amount (including litigation, where appropriate) are exhausted. For the fiscal years ended March 31, 2024, 2023, and 2022, write-offs and recoveries of customer receivables were immaterial to the consolidated financial statements.

The Group recognises an allowance for losses on contract assets based on a similar approach used for receivables under the current expected credit loss model. As of March 31, 2024 and 2023, the loss allowance for contract assets was immaterial.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Own shares

Own shares represent the shares of the parent company Arm Holdings plc that are held in treasury or by the Employee Benefit Trust ('EBT'). Own shares are recorded at cost and deducted from equity.

The assets and liabilities of the trust are included in the consolidated financial statements. The costs of the trust are included in the results of the Group. The shares held by the trust are excluded from the calculation of earnings per share.

Share-based payments

By analogy to the criteria for recognition of a liability under IAS 37, share-based payments are classified as either cash-settled or equity-settled in their entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense 'true-up' to reflect the appropriate charge for the method of settlement now considered probable.

(a) Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments, including restricted stock units ('RSUs'), at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Where the Group has share-based payments schemes where the settlement under different scenarios may be settled in either equity or cash, the Group evaluates the most likely vesting scenario at the end of each reporting period and applies the relevant accounting policy.

(b) Cash-settled share-based payments

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Under the arrangement certain non-market based vesting conditions linked to Group strategic objectives also affect the value of the award; measurement of the liability reflects the best estimate of the amount to settle the liability taking account of these non-market based vesting conditions.

(c) Social security on share-based payments

In some jurisdictions, the Group is required to pay social security contributions (or similar taxes) on the share-based payments when the employees receive the RSUs. The amount of the contributions depends on the market value of the shares at that time and the applicable tax rate.

The Group accrues for these social security contributions as a liability, based on the best estimate of the future payments. The liability is remeasured at each reporting date and at settlement date, with any changes recognised in profit or loss.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Leases

(a) The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers and small items of office furniture). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

In determining the lease term the Group assesses whether it is reasonably certain to exercise, or not to exercise options to extend or terminate a lease. This assessment is made at the start of the lease and is reassessed if significant events or changes in circumstances occur that are within the Group's control.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated balance sheet.

When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on a risk-free rate adjusted for the effect of the Group's credit risk. The Group made use of certain estimates when determining the incremental borrowing rate to discount lease liabilities. This involved using certain statistical models to calculate the finance spread and default risk the Group is subject to. The entire balance of the right-of-use assets and lease liabilities are exposed to this area of estimation.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative SSP of the lease component and the aggregate SSP of the non-lease components.

(b) The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Foreign currencies

- (a) Functional and presentation currency. The functional currency of each Group entity is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollars, which is the presentation currency of the Group and Company.
- (b) Transactions and balances. Transactions denominated in foreign currencies have been translated into the functional currency of each Group entity at actual rates of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at closing rates of exchange at the balance sheet date. Exchange differences have been included in sales, general and administrative expenses.
- (c) Group Companies. The results and financial positions of all Group entities (none of which has the currency of a hyperinflationary economy) with functional currency that is not sterling are translated as follows:
 - i) Assets and liabilities for each balance sheet presented are translated at the closing rates of exchange at the balance sheet date.
 - ii) Income and expenses for each profit and loss presented are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.
 - iii) All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity in translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Government grants

Grants in respect of specific research and development projects are recognised as receivable when there is reasonable assurance that they will be received and the conditions to obtain them have been complied with. Grants are credited to the income statement in the same period as the related research and development costs for which the grant is compensating.

Operating profit

The Group's operating profit is stated before recognising the share of results of associates, finance income, finance costs and any loss or gain on the disposal of a subsidiary or associate.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Taxation

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates individual positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The benefit of UK research and development is recognised under the UK's Research and Development Expenditure Credit (RDEC) scheme. The benefit is recorded as income included in profit before tax, netted against research and development expenses as the RDEC is of the nature of a government grant.

Deferred taxes are computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using tax rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future tax profits will arise against which the temporary differences will be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset, where the taxation authority permits a single net payment.

In 2013, a decision to elect into the UK patent box regime was made. The UK patent box regime seeks to tax all profits attributable to patented technology at a reduced rate of 10%. As patent box profits are taxed at 10% and other profits are taxed at UK statutory rates, deferred tax assets and liabilities are measured using the average rates expected to apply on realisation or settlement.

The Group recognises liabilities for anticipated tax audit issues based on best estimates of potential additional taxes payable. Provisions are calculated individually based upon advice received from tax advisers and relevant correspondence received from tax authorities. Provisions are reassessed by management at each period end date based upon any relevant new information received. Where the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Arm Holdings plc
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2024

3 Material accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and any recognised impairment loss. The cost of property, plant and equipment is their purchase cost, together with any costs directly attributable to bringing the asset to its working condition for its intended use. External costs and internal costs are capitalised to the extent they enhance the future economic benefit of the asset.

Assets in the course of construction are carried at cost less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 - 10 years or over the remaining term of the lease, whichever is shorter
Machinery and equipment	3 - 6 years
Fixtures, fittings and vehicles	3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets under the course of construction or are yet to be brought into their intended use or condition are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, such as computer software and purchased patents and licences to use technology, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation is recognised so as to write off the cost of assets (other than assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Patents and licences	3 – 11 years
Computer software	3 – 5 years

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised so as to write off the value of assets over their useful lives, using the straight-line method, on the following bases:

Developed technology	1– 8 years
Customer relationships	1 – 6 years
In-process research and development	1 - 5 years

In accordance with IFRS, intangible assets under construction are not amortised until deemed available for use.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****3 Material accounting policies (continued)****Research and development expenditure**

All ongoing research expenditure is expensed in the period in which it is incurred. Where a product is technically feasible, future economic benefits are probable, production and sale are intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete the project, development costs are capitalised and amortised on a straight-line basis over the estimated useful life of the respective product. The Group believes its current process for developing products is essentially completed concurrently with the establishment of technological feasibility which is evidenced by a working model. Accordingly, development costs incurred after the establishment of technological feasibility have not been significant and, therefore, no costs have been capitalised to date.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Any collaborative agreement whereby a third party agrees to partially fund the Group's research and development is recognised over the period of the agreement as a credit within research and development expenses.

Cash, cash equivalents and deposits

Cash and cash equivalents include cash on hand, short-term deposits and money market funds with original maturities of three months or less that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents, excluding money market funds, are stated at cost, which approximates fair value because of the short-term maturity of those instruments. Money market funds are measured at fair value through profit and loss in accordance with the policy on financial instruments below.

Deposits relate to deposits with a maturity of between three and 12 months.

Financial instruments**(a) Recognition and derecognition**

Financial instruments, comprising financial assets and financial liabilities, are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Group continues to recognise the financial asset to the extent of its continuing involvement. Financial assets are also derecognised when they are written off. Financial assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

(b) Classification and measurement

Financial assets and liabilities are initially measured at fair value, inclusive of transaction costs directly attributable to the acquisition or issue of the financial instrument, with the exception of trade receivables which are measured at their transaction price, determined in accordance with the Group's accounting policies for revenue.

Subsequently, measurement depends on the financial assets/liabilities classification as follows:

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

Non-equity financial assets are classified as FVTPL if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale.

Specifically, the Group's currency exchange contracts and embedded derivatives fall within this category. Embedded derivatives relate to foreign exchange agreements implicit in sales contracts that are denominated in a currency that is not the functional currency of either party. Gains or losses arising from changes in the fair value of financial assets at FVTPL are presented in the income statement within selling, general and administrative expenses in the period in which they arise.

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

Non-equity financial assets are classified as FVTOCI where they arise from contracts that give rise to contractual cash flows which are solely principal and interest and which are held in a business model that realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs.

At the end of each reporting period they are remeasured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the revaluation reserve, except for the recognition in the income statement of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses.

When these assets are derecognised, the cumulative gain or loss is reclassified from equity to the income statement.

Equity investments not held for trading purposes are designated, via an irrevocable election, as at FVTOCI where they are considered strategic to the Group. Such designation is made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the revaluation reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

- Financial assets measured at amortised cost

Financial assets are held at amortised cost when they arise from contracts that give rise to contractual cash flows which are solely principal and interest and are held in a business model that mainly holds the assets to collect contractual cash flows.

Financial assets measured at amortised cost that are not purchased or originated credit impaired are measured at amortised cost using the effective interest method. For those purchased or originated credit impaired, the Group applies the credit-adjusted effective interest rate since initial recognition. These assets are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (that is gross carrying amount less loss allowance). Interest income is included in finance income in the income statement.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

3 Material accounting policies (continued)

- Financial liabilities at amortised cost

Financial liabilities, except those designated as at FVTPL, are stated at amortised cost using the effective interest method. Interest is included in finance costs in the income statement.

- Financial liabilities designated as at FVTPL

The Group has irrevocably designated certain financial liabilities as at FVTPL on initial recognition because they are managed and their performance is evaluated on a fair value basis and information is provided internally on that basis to the Group's key management personnel.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Arm management regarded financial guarantees as insurance contracts and elected to apply IFRS 4 on a contract-by-contract basis prior to adoption of IFRS 17. On adoption of IFRS 17 financial guarantees previously regarded as insurance contracts are considered within the scope of IFRS 17 and fair valued in accordance with IFRS 9.

Cash flow hedges

The Group designates foreign exchange forward contracts as cash flow hedges, where these hedge the Group's exposure to variability in cash flows arising from highly probable forecast transactions.

Gains and losses arising from changes in the fair value of foreign exchange forwards designated as cash flow hedges are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. The Group designates the full change in the fair value of the forward contract as the hedging instrument.

Where the hedged forecast transaction relates to a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income and accumulated in the cash flow hedge reserve are transferred from the hedging reserve and included in the initial carrying amount of that item. Otherwise they are reclassified to profit or loss in the same period when the hedged transaction item affects profit or loss.

Share capital

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount of the outflow can be reliably estimated.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and key sources of estimation uncertainty for the Group are discussed below.

Critical judgements in applying the Group's accounting policies

The preparation of financial statements also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a significant degree of judgement that are significant to these financial statements.

Key sources of estimation uncertainty

Valuation of investments in early-stage unquoted companies

The Group classifies all of its equity investments which are not subsidiaries or associates as financial assets at fair value through OCI. These investments are initially recognised at fair value and subsequently carried at fair value. On 31 March 2024 the carrying amount of such investments was \$618 million (2023: \$593 million) as presented in note 22. For investments in early-stage unquoted companies, where there is often less financial and forecast information available and no positive cashflows, Arm considers that fair value based on observable market inputs in the form of the most recent investment event by Arm or a third party is the best estimate of fair value. Judgement is applied to determine the continued relevance of historic investment events by considering the specific circumstances of each investment, the time period that has passed since the last investment event, sale and liquidity rights of shares held and external environmental factors such as market movements that could indicate it is no longer materially accurate to rely on the last observable transaction for current fair value measurement.

On 31 March 2024 the carrying value of Arm's investment in Ampere Computing Holdings LLC ("Ampere") was \$390 million (2023: \$390 million). Estimating the increase or decrease in the fair value of Ampere involves reference to broad indicators of value change, such as relevant stock market indices, resulting in a valuation range of \$350 million to \$439 million. After considering these broad indicators, management concluded that the best estimate of fair value as at 31 March 2024 is \$390 million.

Measurement of deferred tax and Patent Box

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The appropriate rates applied in measurement are as a result of estimation factors based on the information available at the time. As new information arises or changes in other factors arise, this will impact the future measurement basis.

Deferred tax liabilities of \$212 million (2023: \$219 million) (note 25) have been measured using a best estimate of the anticipated qualifying apportionment of what will qualify for UK Patent Box tax rates at the point of settlement. This estimate is based on the information available at this fiscal year end and the measurement will remain subject to change as a result of future commercial decisions that could impact the estimate of qualifying revenues that fall under the UK Patent Box regime.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****4 Critical accounting judgements and key sources of estimation uncertainty (continued)****Recognition of deferred tax assets**

Deferred tax assets are recognised to the extent that there are either taxable temporary differences or that it is probable that sufficient future taxable profits will arise against which these deductible temporary differences can be utilised. As at 31 March 2024, the Group's operations in the US include a deferred tax asset of \$415 million (2023: \$164 million) and operations in the UK include a deferred tax asset of \$257 million (2023: \$82 million) which incorporates tax losses, R&D tax credits and other deductible temporary differences. The increase in deferred tax assets in both the US and UK is due to the significant windfall gain on the vesting of the Group's employee share awards following its IPO, this significant deduction was an aberration rather than a continuing condition. The Group has performed an assessment of recovery of deferred tax assets and for these respective entities, the Group has forecasted future taxable profits and considers that it is probable that sufficient future taxable profits will arise against which these deductible temporary differences can be utilised.

In arriving at these forecasts, the Group has reviewed the Group-level budgets and forecasts and the ability of those entities to generate future income from developing and commercialising products and the scheduling of reversal of deductible temporary differences. Deferred tax assets are recognised on the basis there is sufficient forecast future taxable profits arising from royalties on current products and pipeline assets. For the UK, losses are forecast to be utilised within four years. For the US, recognised deferred taxes on losses and R&D tax credits are forecast to be utilised within ten years. It is considered that these sources of income are sufficiently predictable to support these recognition periods. Assessing the availability of future taxable income to support recognition of deferred tax assets relies upon the Group's forecasts and changes in these will impact recoverability of deferred tax assets. To the extent that there are neither taxable temporary differences nor sufficient taxable profits, no deferred tax asset is recognised and details of unrecognised deferred tax assets are included in note 25.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****5 Revenue**

An analysis of the Group's revenue is as follows:

	Note	2024	2023
		\$m	\$m
Licence and other revenue		1,431	1,004
Royalty revenue		1,802	1,675
Total revenue		3,233	2,679
Finance income	10	121	45
		3,354	2,724

Transaction price allocated to unsatisfied performance obligations of long-term contracts

Remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognised as revenue in future periods.

The Group has elected to exclude potential future royalty receipts from the disclosure of remaining performance obligations. In certain arrangements, the Group's right to consideration may not correspond directly with the performance of obligations. Revenue recognition occurs upon delivery or beginning of license term, whichever is later. Accordingly, the analysis between time bands below has been estimated, but the final timing may differ from these estimates.

In the absence of sufficient information, where the timing of satisfaction of the remaining performance obligations is dependent on a customer's action, the transaction price allocated to such performance obligation is included in the more than 2 years category unless contract or option expiration aligns with an earlier period or category.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is as follows:

	2024	2023
	\$m	\$m
Within 1 year	690	396
Between 1 and 2 years	341	186
More than 2 years	1,453	1,130
	2,484	1,712

As of 31 March 2024, the aggregate transaction price allocated to remaining performance obligations was \$2,484 million, which includes \$1 million of non-cancellable and non-refundable committed funds received from certain customers, where the parties are in negotiations regarding the enforceable rights and obligations of the arrangement.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****6 Operating segments**

The Company has determined its Chief Executive Officer as its chief operating decision maker. The Company's Chief Executive Officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making resource allocation decisions. Accordingly, the Company has determined that it operates as a single operating and reportable segment.

Revenue from external customers by product and service is presented in note 5.

Revenue by geographical region is allocated to individual countries based on the principal headquarters of customers. The geographical locations are not necessarily indicative of the country in which the customer sells products containing the Company's technology IP. The following table summarises information pertaining to revenue from customers based on the principal headquarter address by geographic regions:

	2024	2023
	\$m	\$m
United States of America	1,413	1,088
PRC	697	657
Taiwan	522	359
Republic of Korea	308	241
Other countries	293	334
Total revenue	<u>3,233</u>	<u>2,679</u>

For the fiscal year ended 31 March 2024, the Company had 3 (2023: 3) customers that collectively represented 42% of total revenue (2023: 44%), with the single largest customer accounting for 21% of total revenue (2023: 24%), the second largest accounting for 11% of total revenue (2023: 11%) and the third largest customer accounting for 10% of total revenue (2023: 9%). No other customer represented 10% or more of total revenue for all periods presented.

The customer with the largest total receivables balance represented 23% of total receivables as of 31 March 2024, the second largest represented 13% of total receivables, the third largest represented 11% of total receivables and the fourth largest represented 10% of total receivables. As of 31 March 2023, the customer with the largest total receivables balance represented 40% of total receivables. No other customer represented 10% or more of receivables as of 31 March 2024 or 31 March 2023.

The following table summarises the non-current assets of the Group by geographical location. For the purpose of this table, non-current assets exclude: financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts. Goodwill is attributed to countries where acquired business operated at the time of acquisition; all other assets are attributed to the countries where they were acquired.

	2024	2023
	\$m	\$m
United States of America	1,330	1,323
United Kingdom	689	661
Other countries	92	84
Israel	60	57
Total	<u>2,171</u>	<u>2,125</u>

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****7 Profit for the year**

Profit for the year has been arrived at after charging/(crediting):

	Note	2024	2023
		\$m	\$m
Net foreign exchange (gains)/losses		(17)	2
Depreciation of property, plant and equipment	18	71	74
Depreciation of right-of-use assets	19	35	32
Loss on disposal of property, plant and equipment		2	3
Amortisation of intangible assets	17	87	93
Government grants – research and development expenditure credit ¹		(138)	(83)
Reversal of trade receivables specific provision		—	(22)
Reversal of expected credit loss recognised on trade receivables		—	(12)
Restructuring		—	1
Gain on disposal of trade and net assets	36	—	(4)
Share-based payment charge	9	826	437
Impairment credit recognised on other receivables		(4)	(5)

During the year ended 31 March 2022, the Group received a grant from Innovate UK for works connected to the creation of a new centrally secured technology platform prototype. The credit to the income statement in the year ended 31 March 2024 in respect of this grant amounted to \$nil (2023: \$3 million). The maximum total value of this contract was \$41 million. The grant term expired during the year ended 31 March 2024 and is no longer available.

¹ Treated as a reduction to research and development costs, presented net in the profit and loss account.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****8 Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	2024	2023
	\$m	\$m
Fees payable to the Company's auditor and their associates for the audit of the Company's and the Group's annual accounts	8	3
Fees payable to the Company's auditor and their associates for other services to the Group:		
Other audit related	1	7
Total audit fees	9	10
 Audited related assurance	 —	 1
	9	11

Fees payable to the Company's auditor and their associates for the audit of the Company's and the Group's annual accounts includes the audit conducted under The Public Company Accounting Oversight Board ('PCAOB') standards.

Other audit related includes fees payable to the Company's auditor and their associates for the audit of the Group's reporting to its ultimate parent undertaking, other reviews conducted under PCAOB and fees in respect of the audit of the Company's subsidiaries.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****9 Staff costs**

The average monthly number of employees (including executive directors) was:

	2024	2023
	No.	No.
Engineering	5,255	4,628
Non-engineering	1,302	1,273
Total	6,557	5,901

Their aggregate remuneration comprised:

	Note	2024	2023
		\$m	\$m
Wages and salaries		997	873
Social security costs		497	134
Other pension costs	32	97	78
		1,591	1,085
Equity-settled share-based payments	31	795	180
Cash-settled share-based payments	31	31	257
Total employee benefit expense		2,417	1,522

The increase in social security costs against the comparative period corresponds to taxes payable in respect of equity-settled share-based payment arrangements following the successful IPO of the Group.

10 Finance income

	Note	2024	2023
		\$m	\$m
Interest income from deposits and cash and cash equivalents		115	42
Gain on convertible loan receivable measured at FVTPL	34	1	2
Dividends received from equity investments designated as at FVTOCI	22	5	1
Total finance income		121	45

Interest income has increased in the year ended 31 March 2024 due to increased cash and deposits held and higher rates of interest.

11 Finance costs

	Note	2024	2023
		\$m	\$m
Interest on lease liabilities	19	7	6
Other finance costs		3	2
Total finance costs		10	8

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****12 Tax**

	2024	2023
	\$m	\$m
Analysis of charge to profit or loss in the year:		
Current tax:		
Current tax on profits for the year	238	182
Adjustments in respect of prior years	(5)	(1)
Total current tax	<u>233</u>	<u>181</u>
Deferred tax:		
Origination and reversal of temporary differences	(123)	(37)
Adjustment in respect of prior years	3	(6)
Total deferred tax	<u>(120)</u>	<u>(43)</u>
Income tax expense	<u>113</u>	<u>138</u>
Tax credited directly to equity		
Deferred tax credit on outstanding share options and awards	(143)	(14)
Deferred tax benefit on vested share awards	(156)	—
Current tax benefit on vested share awards	(59)	—
Total tax credited directly to equity	<u>(358)</u>	<u>(14)</u>
Tax (credited)/charged directly to other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges	(2)	3
Fair value gain on investments in equity instruments designated as at FVTOCI	(3)	(7)
Total tax credited directly to other comprehensive income	<u>(5)</u>	<u>(4)</u>

The tax charge for the year was different from the standard rate of corporation tax in the UK, as explained below:

	2024	2023
	\$m	\$m
Profit before tax	312	591
Profit before tax at the corporation tax rate of 25% (2023: 19%)	78	112
Effects of:		
Adjustments in respect of prior years	(2)	(7)
Adjustments in respect of foreign tax rates	(10)	—
Research and development tax credits	(71)	(30)
Current impact of UK patent box regime	(61)	(22)
Deferred tax assets not recognised	6	(4)
Foreign withholding tax	117	79
Non deductible share-based compensation expense	41	—
Provision for adjustments in respect of transfer pricing	7	7
Other ¹	8	3
Total taxation	<u>113</u>	<u>138</u>

¹ Includes expenditure permanently disallowable for tax purposes and additional tax payable on income

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****12 Tax (continued)**

In 2021, the UK Government enacted legislation to increase the main rate of UK statutory Corporation Tax to 25% from 1 April 2023. The actual effective UK tax rate of the Company is reduced from the main rate due to the application of the UK patent box regime.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Uncertain tax positions

As a complex international business, the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross border transfer pricing and other international tax matters.

Uncertain tax positions are assessed and measured either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes. This assessment requires a degree of management judgement which is based on current interpretation of legislation, management experience and professional advice.

Within the consolidated balance sheet at 31 March 2024 are current tax liabilities of \$162 million (2023: \$172 million), after offset of tax assets and liabilities arising in the same tax jurisdiction, which include a provision of \$43 million (2023: \$38 million) relating to uncertain tax positions. Included within this provision is \$16 million (2023: \$14 million) relating to interest and penalties on uncertain tax positions. Until the tax audits are finally concluded with the relevant tax authorities it is possible that amounts ultimately paid will be different from the amounts provided. The Group estimates the range of reasonably possible outcomes relating to uncertain tax positions to be from \$13 million to \$52 million.

Factors affecting future tax charges

As a group with worldwide operations Arm is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms. On 11 July 2023, the UK enacted legislation to introduce a global minimum effective tax rate of 15%, and similar legislation has also been enacted by Japan and other relevant jurisdictions in which the group operates. As well as the global minimum tax rule, the UK legislation implements a domestic minimum top-up tax, effective for accounting periods beginning on or after 31 December 2023.

A Pillar Two Effective Tax Rate ('ETR') is calculated for every jurisdiction in which the Softbank Group operates and Pillar Two Income Taxes will arise in respect of each jurisdiction when the Pillar Two ETR is less than 15%. Pillar Two Income Taxes could be payable in Japan (by the ultimate parent entity), the UK (under the UK domestic top-up tax), or the local jurisdiction if it has introduced a Qualifying Domestic Minimum Top-up Tax. Arm is continuing to monitor potential impacts as further guidance is published by the OECD and territories implement legislation to enact the Pillar Two rules.

An initial assessment by Arm's ultimate parent company of the Pillar Two impact to the Arm Group based on Arm and the wider Softbank Group's financial data for the year ended 31 March 2024 indicated no Pillar Two Income Taxes arise for most jurisdictions in which the Arm Group operates. It is anticipated that Arm may, in some jurisdictions, incur additional tax liabilities, and given the uncertainty related to the tax position in other entities within the Softbank Group, this could have an impact on Arm's future tax positions.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

13 Corporate reorganisation

In September 2023, the Company completed a board approved corporate reorganisation which involved (1) the shareholders of Arm Limited exchanging each of the ordinary shares held by them in Arm Limited for newly issued ordinary shares of Arm Holdings Limited; and (2) the re-registration of Arm Holdings Limited as a public limited company under the laws of England and Wales at which time its name was changed to Arm Holdings plc. This corporate reorganisation was solely for the purpose of reorganising the Company's corporate structure, in which Arm Limited became a wholly owned subsidiary of the holding company, Arm Holdings plc.

This transfer of equity resulted in the issuance of ordinary shares of Arm Holdings plc to shareholders in the same class and the same number of ordinary shares as their previous shareholding in Arm Limited. As a result of the corporate reorganisation between entities under common control, the historical consolidated financial statements of the Company were retrospectively adjusted for the change in reporting entity. Therefore, the historical consolidated financial statements of Arm Limited became the historical consolidated financial statements of Arm Holdings plc as of the date of the corporate reorganisation, with exception to the equity balances explained below.

Consolidated equity reserves

As Arm Holdings plc became the parent for these consolidated financial statements, the consolidated equity reserves of the Group are restated to reflect the statutory share capital of the Company as though it had always been the parent. The opening share capital and share premium balances for the earliest comparative period, being 1 April 2022, were restated to reflect the balances of Arm Holdings plc on that date. The difference is recognised as a merger reserve on consolidation and is distinct to the merger reserve generated in the Company as a result of the steps below. Further analysis on the consolidated merger reserve is provided in note 29.

Steps plan

The corporate reorganisation was completed through the execution of a steps plan of several transactions throughout current fiscal period ended 31 March 2024, impacting both the consolidated and Company financial statements. Key aspects of the steps plan include:

- Arm Holdings plc sub-divided its share capital of 100 ordinary shares of £1 into 100,000 ordinary shares of £0.001.
- Arm Limited distributed the 100,000 shares it held in Arm Holdings plc to Kronos II LLC ('Kronos'). Kronos and SVF Holdco (UK) Limited ('SVF') transferred 1,025,234,000 shares held in Arm Limited to Arm Holdings plc in exchange for 1,025,134,000 new shares issued to Kronos by Arm Holdings plc. These shares together with the initial 100,000 share capital of Arm Holdings plc are the "Post Reduction Shares". In accordance with section 612 of the Companies Act 2006, the premium over the par value of the consideration shares issued by Arm Holdings plc in exchange for 100% of the issued share capital of Arm Limited was credited to a merger reserve.
- Arm Holdings plc capitalised all but \$1 million of the merger reserve to undertake a bonus issue of ordinary shares and then undertook a capital reduction to cancel the bonus shares and create distributable reserves from the bonus issue.
- Arm Holdings plc capitalised the remaining balance of its merger reserve by undertaking a bonus issue of 1,025,234,000 ordinary shares to Kronos and SVF in proportion of their respective holding in Arm Holdings plc.
- Arm Holdings plc converted the Post Reduction Shares into deferred shares which were immediately bought by Arm Holdings plc for nominal consideration and then cancelled creating a Capital Redemption Reserve.

As a result of the above, Arm Limited transferred its share-based payment obligations to Arm Holdings plc, who will be responsible for settlement of share-based payment awards as explained in the Company accounting policies in note 38.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

13 Corporate reorganisation (continued)

A summary of changes in subsidiaries during the current and previous fiscal year is presented below.

Year ended 31 March 2024:

The following subsidiaries were formed during the year ended 31 March 2024:

- the Arm Employee Benefit Trust; and
- Arm Holdings Limited (Jersey registered).

The following subsidiary was voluntarily liquidated during the year ended 31 March 2024:

- Arm Holdings Limited (Jersey registered).

Year ended 31 March 2023:

The following subsidiaries were voluntarily liquidated during the year ended 31 March 2023:

- WigWag Networks India Private Limited;
- UK1937 Limited; and
- Allinea Software GmbH.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****14 Dividends**

In August 2023, the Group distributed its receivable related to the sale of the IoT business (Pelion IoT platform) to the majority shareholder of the Group, which represented a distribution of \$12 million.

No dividends were declared or paid in the year ended 31 March 2023.

15 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust, which are treated as treasury shares.

In calculating the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent restricted stock units granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

The calculation of the basic and diluted earnings per share is based on the following data:

	2024	2023
	\$m	\$m
Earnings		
Earnings for the purposes of both basic and diluted earnings per share being net profit attributable to owners of the Company	<u>199</u>	<u>453</u>
	2024	2023
	No.	No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,027,443,122</u>	<u>1,025,234,000</u>
Effect of dilutive potential ordinary shares:		
Restricted stock units	<u>24,570,992</u>	<u>1,480,052</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,052,014,114</u>	<u>1,026,714,052</u>

The weighted average number of shares has been adjusted in the current and comparative periods to take into account the share split and capital reorganisation that took place during the current year. Additional information is provided in note 13.

The following table presents securities that were excluded from the computation of diluted earnings/(loss) per ordinary share because the effect of including the securities would have been anti-dilutive:

	2024	2023
	No.	No.
Number of shares		
Restricted stock units	254,189	17,516,708
Performance stock units	<u>633,168</u>	<u>—</u>
	<u>887,357</u>	<u>17,516,708</u>

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****16 Goodwill**

	\$m
Cost	
At 1 April 2022	1,623
Exchange differences	(17)
At 31 March 2023	1,606
Exchange differences	5
At 31 March 2024	1,611
Accumulated impairment losses	
At 1 April 2022	—
At 31 March 2023	—
At 31 March 2024	—
Carrying amount	
At 31 March 2024	1,611
At 31 March 2023	1,606
At 1 April 2022	1,623

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the single Arm CGU is determined from the market fair value given Arm's publicly listed status. As at 31 March 2024 Arm's ADR closing price was \$124.99 equating to a market fair value of \$130,131 million.

The directors are confident that the amount of goodwill is not impaired and that the use of market fair value as an input to assessing its recoverable amount is appropriate. The directors carried out a sensitivity analysis of market fair value volatility and as an input to assessment of impairment of goodwill. The directors are satisfied that there is no impairment of the \$1,611 million carrying value of goodwill.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****17 Other intangible assets**

	Patents and licences \$m	Developed technology \$m	Customer relationships \$m
Cost			
At 1 April 2022	178	166	7
Additions	—	—	—
Transfers	—	—	—
Disposals	—	(4)	(5)
Exchange differences	—	(7)	—
At 31 March 2023	178	155	2
Additions	34	—	—
Transfers	—	—	—
Disposals	(32)	—	—
Exchange differences	—	2	—
At 31 March 2024	180	157	2
Amortisation and impairment			
At 1 April 2022	157	157	6
Charge for the year	12	4	1
Disposals	—	(4)	(5)
Exchange differences	—	(6)	—
At 31 March 2023	169	151	2
Charge for the year	8	4	—
Disposals	(32)	—	—
Exchange differences	—	2	—
Transfers	—	—	—
At 31 March 2024	145	157	2
Carrying amount			
At 31 March 2024	35	—	—
At 31 March 2023	9	4	—
At 1 April 2022	21	9	1
Average remaining useful life	5.6 years	0.1 years	—

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****17 Other intangible assets (continued)**

	Computer software (Restated)¹	Intangible assets under construction	In-process research and development	Total
	\$m	\$m	\$m	\$m
Cost				
At 1 April 2022	257	30	34	672
Additions	22	5	—	27
Transfers	35	(35)	—	—
Disposals	(8)	—	—	(17)
Exchange differences	—	—	—	(7)
At 31 March 2023	306	—	34	675
Additions	68	1	—	103
Transfers	(4)	—	—	(4)
Disposals	(40)	—	(34)	(106)
Exchange differences	—	—	—	2
At 31 March 2024	330	1	—	670
Amortisation and impairment				
At 1 April 2022	113	—	34	467
Charge for the year	76	—	—	93
Disposals	(8)	—	—	(17)
Exchange differences	—	—	—	(6)
At 31 March 2023	181	—	34	537
Charge for the year	74	—	—	86
Disposals	(40)	—	(34)	(106)
Exchange differences	—	—	—	2
Transfers	(1)	—	—	(1)
At 31 March 2024	214	—	—	518
Carrying amount				
At 31 March 2024	116	1	—	152
At 31 March 2023	125	—	—	138
At 1 April 2022	144	30	—	205
Average remaining useful life	2.8 years	—	—	

All amortisation on intangible assets is charged to the income statement in either cost of sales, research and development costs or selling, general and administrative costs as dependent upon the nature of the asset.

¹ The historical cost and amortisation of computer software has been restated to reflect a historical understatement of these balances by \$51 million. The restatement is represented as an increase to both cost and amortisation at 1 April 2022 of \$13 million and a reduction against disposals for the fiscal year ended 31 March 2023 of \$38 million. The net impact of this restatement on the carrying amount of other intangible assets and therefore the balance sheet was \$nil at 1 April 2022, 31 March 2023 and 31 March 2024.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****18 Property, plant and equipment**

	Leasehold improve- ments \$m	Machinery and equipment \$m	Fixtures, fittings and vehicles \$m	Assets under construction \$m	Total \$m
Cost					
At 1 April 2022	173	254	52	—	479
Additions	1	72	1	—	74
Disposals	(19)	(19)	(2)	—	(40)
Exchange differences	(2)	(2)	2	—	(2)
At 31 March 2023	153	305	53	—	511
Additions	1	62	2	18	83
Transfers	1	15	(9)	(3)	4
Disposals	(4)	(16)	(9)	—	(29)
Exchange differences	4	—	1	—	5
At 31 March 2024	155	366	38	15	574
Depreciation					
At 1 April 2022	86	176	36	—	298
Charge for the year	18	49	7	—	74
Disposals	(15)	(19)	(2)	—	(36)
Exchange differences	(2)	(1)	1	—	(2)
At 31 March 2023	87	205	42	—	334
Charge for the year	16	51	4	—	71
Transfers	—	7	(6)	—	1
Disposals	(4)	(16)	(7)	—	(27)
Exchange differences	3	—	1	—	4
At 31 March 2024	102	247	34	—	383
Carrying amount					
At 31 March 2024	53	119	4	15	191
At 31 March 2023	66	100	11	—	177
At 1 April 2022	87	78	16	—	181

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****19 Leases****(a) Right-of-use assets**

The carrying amount of the Group's right-of-use assets is set out below:

	Property	IT equipment and other assets	Total
	\$m	\$m	\$m
At 1 April 2023	186	18	204
Additions ¹	26	23	49
Depreciation charge for the year	(22)	(13)	(35)
At 31 March 2024	190	28	218

¹Additions comprise increases to right-of-use assets as a result of entering into new leases and upwards remeasurement of existing leases arising from lease extensions or reassessments and increases to lease payments.

The Group leases several assets including property, vehicles and IT equipment. Rental contracts are typically made for a fixed period of 2 to 25 years (2023: 2 to 25 years). In respect of the UK property portfolio there is commonly a right to negotiate replacement leases on expiry, by virtue of the Landlord and Tenant Act 1954. Subsequent to 31 March 2024, the Group renewed two of the leases for its global headquarters with an approximate value of \$19 million.

(b) Lease liabilities

The carrying amount of lease liabilities at 31 March 2024 is set out below:

	Property	IT equipment and other assets	Total
	\$m	\$m	\$m
Current	21	10	31
Non-current	184	13	197
	205	23	228

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****19 Leases (continued)****(b) Lease liabilities (continued)**

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 March 2024 and the contractual maturity date. Note 30 includes cash flows for the year ended 31 March 2024 and year ended 31 March 2023.

	Within 1 year	Between 1 and 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m
Property	27	83	141	251
IT equipment and other assets	11	14	—	25
	<u>38</u>	<u>97</u>	<u>141</u>	<u>276</u>

Certain lease payments are not recognised as a liability. This arises when the Group continues to pay rents and occupy properties after the lease has expired.

Payments made under such leases are expensed on a straight-line basis. As of 31 March 2024, the Company had 1 lease signed but not yet commenced, with a lease value of approximately \$15 million and a lease term expiring in 2036.

Amounts paid for short-term and low value leases not included within the lease liability are immaterial.

(c) Impact on the consolidated income statement

	2024 \$m	2023 \$m
Depreciation charge of right-of-use assets		
Property	22	21
IT equipment and other assets	13	11
	<u>35</u>	<u>32</u>
 Interest expense	 7	 6
Revenue from sublease	2	2

20 Subsidiaries

The Group consists of a parent company, Arm Holdings plc, incorporated in the United Kingdom, and a number of subsidiaries held directly and indirectly by Arm Holdings plc, which operate and are incorporated around the world. Note 41 to the Company's separate financial statements lists details of the interests in subsidiaries.

All subsidiaries are owned 100% by the Group. There are no non-controlling interests in the Group's subsidiaries. There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****21 Associates**

	Acetone Limited	Other	Total
	\$m	\$m	\$m
At 1 April 2022	87	27	114
Investments:			
– financed by cash	—	2	2
– conversion of loan receivable to preferred shares	—	5	5
Share of results for the year	(2)	3	1
Fair valuation loss on associate held at fair value	—	(2)	(2)
Impairment of investment in associate	—	(4)	(4)
At 31 March 2023	85	31	116
Investments:			
– conversion of loan receivable to preferred shares	—	4	4
Share of results for the year	1	—	1
Share of OCI for the year	(3)	—	(3)
Fair valuation gain on associates held at fair value	—	3	3
Impairment of investment in associate	(4)	—	(4)
Investments in associate previously classified as loans receivable	—	3	3
At 31 March 2024	79	41	120

The conversion of loan receivable to preferred shares of \$4 million in the year ended 31 March 2024 (2023: \$5 million) relates to a related party of the Group - refer to note 36 for further details.

	2024	2023
	\$m	\$m
Equity investments in associates	120	116
Loans to associates net of expected credit losses	—	—
Total	120	116

Share of results of associates

The Group recognises its share of results first against the equity investment, then, if there are additional share of results to record, against any loans to associates. The share of results was recorded as follows:

	2024	2023
	\$m	\$m
Equity investments in associates	1	1
Total share of results for the year	1	1

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****21 Associates (continued)**

Details of the Group's associates at 31 March 2024 are as follows:

Name	Place of incorporation and principal place of business	Principal activity	Holding	Proportion of ownership interest	Proportion of voting power held
				%	%
Accelerator Advisory Limited	Mills & Reeve LLP, Botanic House, 100 Hills Road, Cambridge, CB2 1PH, United Kingdom	Technology accelerator	Ordinary shares	32.1	32.1
Acetone Limited	PO Box 500, Grand Cayman, KY1-1106, Cayman Islands	Holding Company of Arm China	Ordinary shares ¹	10.0	-
Arduino SA	Corso San Gottardo 6A, 6830 Chiasso, Switzerland	Computer programming activities	Preferred shares ²	15.7	15.7
Arm IOT Fund LP (Taiwan)	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Investor in early-stage IoT ventures	Contributed capital ³	25.8	25.8
Cerfe Labs, Inc.	9401 Honeycomb Drive, Austin, Texas, 78737-1132, United States	Development of CeRam memory technology	Preferred shares	30.0	30.0
DeepTech Labs Fund 1 LP	School House, Purbeck Road, Cambridge, CB2 8EB, United Kingdom	Investor in post-Seed DeepTech startups	Contributed capital	42.9	42.9
Linaro Limited	Harston Mill, Harston, Cambridge, CB22 7GG, United Kingdom	Software engineering collaboration	None ⁴	25.0	25.0

All the above investments are owned indirectly by the Company.

¹ The Group is considered to have significant influence over Acetone Limited.² The Group is considered to have significant influence over the entity by way of a material loan to Arduino SA and by influence over the entity's board of directors. The investment in Arduino SA is held at fair value.³ The Group is considered to have significant influence over Arm IOT Fund LP (Taiwan) by virtue of the composition of the fund's board of directors.⁴ The Group is one of four Core Members of Linaro Limited; the Core Members jointly control the business.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****21 Associates (continued)**

The Group's material associates are accounted for using the equity method in these consolidated financial statements as set out in the accounting policies note 3.

Acetone Limited

As at 31 March 2024, the net assets of Acetone Limited were \$894 million (2023: \$908 million) (all of which relates to its investment in 48.2% of Arm China).

The summarised financial information detailed below illustrates Group's investment in Acetone Limited. The information below is based on Acetone Limited's financial statements prepared in accordance with IFRS.

	\$m
Non-current assets	894
Equity	894
Group's share in equity – 10%	89
Adjustment to fair value	(6)
Impairment	(4)
Group's carrying amount of the investment	79

The summarised statement of comprehensive income of Acetone Limited for the year ended 31 March 2024 was as follows:

	\$m
Profit for the year (continuing operations)	14
Other comprehensive expense	(28)
Total comprehensive expense for the year (continuing operations)	(14)
Group's share of total comprehensive expense for the year – 10%	(1)

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****22 Investments**

	2024	2023
	\$m	\$m
Investments in equity instruments designated as FVTOCI		
Unlisted shares	618	593
Loans receivable carried at amortised cost		
Loans to other entities	7	6
Total investments	<u>625</u>	<u>599</u>

Unlisted shares represent either direct or indirect, through a capital fund, investments in unlisted early-stage development enterprises that are generating value for shareholders through research and development activities.

Equity securities designated as FVTOCI

Ambiq Micro, Inc.
 Ampere Computing Holdings LLC
 Blu Wireless Technology Limited
 Cambridge Innovation Capital II LP
 Cambridge Innovation Capital Limited
 Catapult Ventures I, LP
 China Walden Ventures Investments II, L.P.
 China Walden Ventures Investments III, L.P.
 DeepTech Labs Fund 1 LP
 HOPU-ARM Holding Company Limited
 HOPU-ARM Innovation Fund, L.P.
 Kigen (UK) Limited
 PragmatIC Semiconductor Limited
 Raspberry Pi Limited
 Shanghai Walden Venture Capital Enterprise
 SiPearl SAS
 Spin Memory, Inc.
 SWIM.AI, Inc.
 Triad Semiconductor, Inc.

During the year ended 31 March 2024, the Group acquired \$5 million (€4 million) new Series A Preferred shares in SiPearl SAS by converting existing trade receivables from SiPearl SAS.

During the year ended 31 March 2024, the Group acquired a minority stake in Kigen (UK) Limited by investing \$10 million paid in cash in exchange for preference shares of Kigen (UK) Limited.

During the year ended 31 March 2024, the Group acquired a minority stake in Raspberry Pi Limited by investing \$20 million paid in cash in exchange for ordinary shares of Raspberry Pi Limited.

All investments held by the Group are considered to be long term to enable ecosystem growth, and are non-current assets. The Group has designated all investments in shares to be measured at FVTOCI. The distributions received in respect of these investments are disclosed in note 10.

The total amount of financial commitments to existing investees of the Group not provided for in the financial statements was \$20 million (2023: \$22 million). Further information on the loans to associates is contained in note 36.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****23 Contract assets**

	2024	2023
	\$m	\$m
Contract assets	576	271
Less: Loss allowance	—	(1)
Net contract assets	<u>576</u>	<u>270</u>
Current	336	154
Non-current	<u>240</u>	<u>116</u>
	<u>576</u>	<u>270</u>

A reconciliation of the movement in contract assets is set out below:

	\$m
Balance at 1 April 2022	267
Performance obligations satisfied during the period	253
Transfers in the period from contract assets to trade receivables	<u>(250)</u>
Balance at 31 March 2023	270
Performance obligations satisfied during the period	663
Transfers in the period from contract assets to trade receivables	<u>(358)</u>
Movement in loss allowance	<u>1</u>
Balance at 31 March 2024	<u>576</u>

Revenue recognised from prior performance obligations

Revenue recognised for the fiscal year ended 31 March 2024 from performance obligations satisfied (or partially satisfied) in previous periods was \$1,867 million (2023: \$1,705 million). These amounts primarily represent usage-based royalties related to licences for which control transferred in a prior period.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****24 Trade and other receivables**

	2024	2023
	\$m	\$m
Current assets		
Trade receivables	403	623
Less: Loss allowance	(3)	(3)
Net trade receivables	400	620
Other receivables	100	106
Prepayments	49	51
Accrued income	379	377
	928	1,154
Non-current assets		
Other receivables	184	139
Prepayments	15	8
	199	147
Current	928	1,154
Non-current	199	147
	1,127	1,301

Accrued income relates to accrued royalties receivable in respect of sales made by third parties of products that incorporate the Group's IP.

\$60 million (2023: \$56 million) of non-current other receivables and \$nil (2023: \$9 million) of current other receivables relate to payments made to a single customer, which are intended to be unwound as a consideration payable against future royalty revenue payments from the customer to Arm. Recovery of the payments is estimated to be highly probable but the assessment remains subject to future events.

Trade receivables

Trade receivables disclosed above are classified as financial assets measured at amortised cost.

Note 34 includes details on the Group's approach to mitigating credit risk in relation to trade receivables and other counterparties.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****24 Trade and other receivables (continued)**

Movement in the loss allowance in respect of trade receivables:

	2024	2023
	\$m	\$m
Balance at 1 April	3	40
Reversal of trade receivables specific provision	—	(22)
Reversal of expected credit loss recognised on trade receivables	—	(12)
Amounts written off during the year as uncollectible	—	(3)
Balance at 31 March	<u>3</u>	<u>3</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Other than certain balances with Arm China (note 36), the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Ageing of impaired trade receivables:

	2024	2023
	\$m	\$m
Not yet past due	—	1
1-30 days	—	—
31-90 days	1	—
91-180 days	—	2
181-365 days	—	—
Over 1 year	2	—
	<u>3</u>	<u>3</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****25 Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate relevant to each tax jurisdiction.

The movement on the deferred tax balance is shown below:

	2024	2023
	\$m	\$m
At 1 April 2023	(75)	(138)
Income statement credit	120	43
Credit to other comprehensive income	5	4
Credit to reserves	299	14
Transfers from current tax assets	33	3
Exchange differences	(1)	(1)
At 31 March 2024	<u>381</u>	<u>(75)</u>

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction as permitted by IAS 12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Fixed assets	Tax losses and R&D tax credits carried forward	Share-based payments
	\$m	\$m	\$m
Deferred tax assets			
At 1 April 2022	17	122	14
Movement from current tax assets	—	3	—
Income statement credit/(charge)	8	14	39
Movement through reserves	—	—	14
Exchange differences	—	—	—
At 31 March 2023	<u>25</u>	<u>139</u>	<u>67</u>
Offsetting of deferred tax liabilities			
At 31 March 2023 (after offsetting)			
At 1 April 2023	25	139	67
Adjusted opening	—	—	—
Reclassification	(1)	—	—
Movement from current tax assets	—	33	—
Income statement credit	4	68	42
Movement through reserves	—	156	143
Exchange differences	—	—	—
At 31 March 2024	<u>28</u>	<u>396</u>	<u>252</u>

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****25 Deferred tax (continued)**

	Temporary differences relating to liabilities	Lease liability	Total
	\$m	\$m	\$m
Deferred tax assets			
At 1 April 2022	45	—	198
Movement from current tax assets	—	—	3
Income statement credit/(charge)	(16)	—	45
Movement through reserves	—	—	14
Exchange differences	(1)	—	(1)
At 31 March 2023	28	—	259
Offsetting of deferred tax liabilities			(86)
At 31 March 2023 (after offsetting)			173
At 1 April 2023	28	—	259
Adjusted opening	—	12	12
Reclassification	—	1	—
Movement from current tax assets	—	—	33
Income statement credit	—	5	119
Movement through reserves	—	—	299
Exchange differences	(1)	—	(1)
At 31 March 2024	27	18	721
Offsetting of deferred tax liabilities			(284)
At 31 March 2024 (after offsetting)			437

The deferred tax asset to be recovered after more than one year, prior to offsetting, is \$476 million (2023: \$170 million).

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****25 Deferred tax (continued)**

	Acquired intangible assets	Investments and subsidiaries	Contract liabilities
	\$m	\$m	\$m
Deferred tax liabilities			
At 1 April 2022	5	107	224
Income statement charge/(credit)	—	7	(5)
Charge/(credit) to other comprehensive income	—	(7)	—
At 31 March 2023	5	107	219
Offsetting of deferred tax assets			
At 31 March 2023 (after offsetting)			
At 1 April 2023	5	107	219
Adjusted opening	—	—	—
Income statement (credit)/charge	—	(3)	(7)
Credit to other comprehensive income	—	(2)	—
At 31 March 2024	5	102	212

	Other	Right of use asset	Total
	\$m	\$	\$m
Deferred tax liabilities			
At 1 April 2022	—	—	336
Income statement charge/(credit)	—	—	2
Charge/(credit) to other comprehensive income	3	—	(4)
At 31 March 2023	3	—	334
Offsetting of deferred tax assets			(86)
At 31 March 2023 (after offsetting)			248
At 1 April 2023	3	—	334
Adjusted opening	—	12	12
Income statement (credit)/charge	4	5	(1)
Credit to other comprehensive income	(3)	—	(5)
At 31 March 2024	4	17	340
Offsetting of deferred tax assets			(284)
At 31 March 2024 (after offsetting)			56

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****25 Deferred tax (continued)**

The deferred tax liability due after more than one year, prior to offsetting, is \$310 million (2023: \$312 million).

Deferred tax assets have been partially recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because it is not probable that the unrecognised portion of these assets will be recovered.

The amount of deferred tax assets unrecognised at 31 March 2024 was \$12 million (2023: \$16 million). The unrecognised deferred tax assets relate to losses and US state research and development tax credits. The losses and credits may remain unutilised due to restrictions imposed by local tax legislation and availability of relevant future profits.

The Group unrecognised deferred tax balance relates to \$28 million of UK losses with no expiry date, \$6 million of US state research and development credits which expire between 2033 and 2044, \$2 million of US State operating losses and \$3 million of US state capital losses which expire by 2028.

No deferred tax has been recognised in respect of a further \$66 million (2023: \$94 million) of unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of these differences and either it is possible that such differences will not reverse in the foreseeable future or no tax is payable on the reversal.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****26 Trade and other payables**

	2024	2023
	\$m	\$m
Current liabilities		
Trade payables	26	82
Other taxation and social security	831	19
Employee related accruals	284	336
Accruals and other payables	159	148
	<u>1,300</u>	<u>585</u>
Non-current liabilities		
Employee related accruals	20	44
Other taxation and social security	38	—
Accruals and other payables	35	21
	<u>93</u>	<u>65</u>
	<u>1,393</u>	<u>650</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is within 30 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, insignificant interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

The increase in amounts payable for other taxation and social security against the comparative period corresponds to taxes payable in respect of equity-settled share-based payment arrangements following the successful IPO of the Group. These taxes are due to be settled in the subsequent quarter and arise from vested RSUs.

27 Provisions

	2024	2023
	\$m	\$m
Dilapidations provision	10	10
Legal provision	—	45
IDR provision	2	2
Warranty provision	2	3
Severance provision	1	1
Other provision	2	2
	<u>17</u>	<u>63</u>
Current	7	52
Non-current	10	11
	<u>17</u>	<u>63</u>

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****27 Provisions (continued)**

	Dilapidations provision	Legal provision	IDR provision	
	\$m	\$m	\$m	
At 1 April 2023	10	45	2	
Additional provision	—	—	—	
Utilisation of provision	—	(5)	—	
Reversal of provision	—	(40)	—	
At 31 March 2024	10	—	2	

	Warranty provision	Severance provision	Other provision	Total
	\$m	\$m	\$m	\$m
At 1 April 2023	3	1	2	63
Additional provision	—	1	2	3
Utilisation of provision	(1)	(1)	(2)	(9)
Reversal of provision	—	—	—	(40)
At 31 March 2024	2	1	2	17

The dilapidations provision relates to costs to be incurred in returning leased assets to their original state at the end of the lease. The expected cash outflows of the dilapidations provision ranges between 1 to 20 years, which aligns with the individual maturities of the Group's lease liabilities.

The legal provisions in the prior year related to litigation settlements and expected litigations were fully reversed in the year ended 31 March 2024.

The Indemnités de Départ à la Retraite (IDR) provision relates to French retirement provisions. IAS 19 disclosures have not been made as the scheme is immaterial.

The warranty provision relates to estimated engineering staff costs to resolve any post-sale issues raised by customers during the warranty period. Estimation of warranty costs is over a four-year period.

The severance provision relates to additional termination benefits payable to certain of the Group's former employees subject to conditions.

28 Share capital**Number of shares authorised, issued and fully paid**

	2024		2023	
	No.	\$m	(Restated)	
	No.	\$m	No.	\$m
Ordinary shares of £1 each	—	—	100	—
Ordinary shares of £0.001 each	1,040,933,947	1	—	—

Share capital as at 31 March 2023 is restated to reflect a corporate reorganisation completed during the current fiscal period. The historical consolidated financial statements of the Group were retrospectively adjusted for the change in reporting entity. Additional detail is provided in note 13.

Rights, preferences and restrictions

There is a single class of ordinary shares which carry no right to fixed income. There are no restrictions on the distribution of dividends and the repayment of capital.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****29 Capital and reserves****Share capital**

Called up share capital represents the nominal value of shares that have been issued.

The share capital presented reflects the share capital structure of Arm Holdings plc as if it had been the parent of the Group during the current period and all comparative periods.

Share premium account

The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Own shares

The reserve relates to shares held by the Employee Benefit Trust ('EBT') and shares held by the Company as "treasury shares".

The shares held by the EBT were held in order to satisfy share grants to employees. At 31 March 2024, the EBT held 603,450 ordinary shares (31 March 2023: nil). The market value of shares held by EBT on 31 March 2024 is \$75 million.

Merger reserve

This reserve is distinct from the merger reserve reflected in the Company's separate financial statements as detailed in note 44.

(\$52,387) million (2023: \$584 million) arose on consolidation following a capital reorganisation, accounted for under common control, of Arm Holdings plc as the parent company of the Group in 2023. The consolidated reserves of the Group were adjusted on reorganisation to reflect the statutory share capital of the Company as if it had always existed, with the difference between this and the previously recognised share capital of Arm Limited being recognised within equity as a merger reserve. Additional detail in respect of this reorganisation is provided in note 13.

\$440 million (2023: \$440 million) relates to the premium on shares issued in part consideration for the acquisition of Artisan Components, Inc. by Arm Holdings plc (now known as SVF Holdco (UK) Limited) in 2004. This was credited to reserves on consolidation in accordance with Section 121 of the Companies Act 1985. Arm Limited acquired Artisan Components, Inc. in 2005 under a common control business combination, accounted for using the pooling of interests method. As a result, the reserve now arises in the consolidated Arm Holdings plc Group.

Share-based payments

The share-based payments reserve includes the cumulative equity-settled share-based payment expense in respect of the RSU scheme net of any associated current and deferred taxes. See note 31.

Capital redemption reserve

A non-distributable reserve into which amounts are transferred following the redemption or purchase of own shares. This reserve was created as part of the capital reorganisation that took place during August 2023.

The nominal value of shares cancelled is transferred from share capital to the capital redemption reserves.

Translation reserve

The translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations (which relate to subsidiaries only) from their functional currency into the Group's presentational currency, being US dollar, and translation of goodwill denominated in foreign currencies into US dollars.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

29 Capital and reserves (continued)

Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amounts of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction affects the profit or loss.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses, net of dividends paid.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****30 Notes to cash flow statement****Reconciliation of net cash from operating activities**

	2024	2023
	\$m	\$m
Profit for the year	199	453
Adjustments for:		
Share of gains of associates	(1)	(1)
Finance income	(121)	(45)
Finance costs	10	8
Share-based payments	826	437
Gain on derivatives	(1)	(9)
Income tax expense	113	138
Depreciation of property, plant and equipment	71	74
Depreciation of right-of-use assets	35	32
Amortisation of intangible assets	86	93
Gain on sale of other assets (note 36)	—	(4)
Impairment of investment in associate	4	—
Impairment credit recognised on other receivables	(4)	(5)
Loss on disposal of tangible assets	2	3
Movement in provisions	(46)	(2)
Operating cash flows before movements in working capital	<u>1,173</u>	<u>1,172</u>
Increase in contract assets	(306)	(2)
Decrease in contract liabilities	(185)	(26)
Decrease in receivables	126	127
Increase/(decrease) in payables	<u>212</u>	<u>(361)</u>
Cash generated by operations	<u>1,020</u>	<u>910</u>
Income taxes paid	<u>(187)</u>	<u>(161)</u>
Net cash from operating activities	<u>833</u>	<u>749</u>

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****30 Notes to cash flow statement (continued)**

	2024	2023
	\$m	\$m
Cash and cash equivalents		
Cash at bank	179	124
Short term deposit	—	47
Money market funds	1,743	1,383
Restricted cash	3	2
	1,925	1,556
Deposits	1,000	661

Cash and cash equivalents include cash on hand, short-term deposits and money market funds with original maturities of three months or less that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents, excluding money market funds, are stated at cost, which approximates fair value because of the short-term maturity of those instruments. Money market funds are measured at fair value through profit and loss in accordance with the Group's accounting policy on financial instruments.

Deposits relate to deposits with a maturity of between three and 12 months.

The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet as shown above.

Reconciliation of movements in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Total
	\$m
At 1 April 2022	260
New leases and lease amendments	16
Principal payments on lease liabilities	(36)
Early terminations in period	(18)
Accrued interest	6
Foreign exchange differences	(13)
At 31 March 2023	215
 New leases and lease amendments	 49
Principal payments on lease liabilities	(45)
Early terminations in period	—
Accrued interest	7
Foreign exchange differences	2
At 31 March 2024	228

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

31 Share-based payments

At 31 March 2024, the Group had the following share-based payment arrangements:

(a) Restricted stock unit plan – All Employee Plan ('2019 AEP')

In December 2019, a share-based payment arrangement was put in place for all employees of the Group. Employees may elect not to participate in the scheme. The 2019 AEP could vest upon the occurrence of one of various liquidity events comprising (1) a change in control of Arm Holdings plc, (2) an IPO, and (3) the passage of time. No amounts are paid or payable by the recipient on receipt of the RSUs. The RSUs carry neither rights to dividends nor voting rights.

Awards are forfeited if the employee leaves the Group before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 7.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

As a result of the IPO, all RSUs previously issued under the 2019 AEP were settled in ordinary shares of the Company except for those awards granted to employees of Arm Technologies Israel Limited which were cash-settled.

These awards are measured in accordance with IFRS 2. RSUs were priced using a Monte Carlo simulation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the RSU).

During the previous year ended 31 March 2023, Arm Group's remuneration committee modified the terms of the 2019 AEP to accelerate the vesting for certain employees affected by restructuring activities. The affected participants of the plan were provided the option to i) settle all unvested RSUs for a cash payment equivalent to the product of (a) a fixed amount as determined by Arm Group's Remuneration Committee (b) 50% of the number of RSUs held by the participant, or ii) retain the RSUs until they vest pursuant to the original vesting terms. The Group accounted for this acceleration as a modification of vesting in connection with settlement which resulted in the recognition of incremental share-based compensation expense. This resulted in total cash payment of \$16 million to employees subject to restructuring upon exiting the business.

Details of the RSUs outstanding during the year are as follows.

	Awards
Outstanding at 31 March 2023	11,455,864
Granted during the year	2,603
Settled during the period	(11,217,653)
Forfeited during the year	(240,814)
Outstanding at 31 March 2024	—

The weighted average grant date fair value for awards granted during the year was \$50.20. The weighted average exercise price was \$nil.

In addition to the above vested shares, 140,900 awards were settled in cash during the year based on the market price of \$129 per share.

(b) Executive IPO Plan ('2019 EIP')

In April 2020, a share-based payment arrangement was put in place for the Company's Executive Committee. The 2019 EIP could vest upon the occurrence of one of various liquidity events comprising (1) a change in control of the Company, (2) an IPO, and (3) the passage of time. No amounts are paid or payable by the recipient on receipt of the RSUs. The RSUs carry neither rights to dividends nor voting rights.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

31 Share-based payments (continued)

(b) Executive IPO Plan ('2019 EIP') (continued)

Awards are forfeited if the participant leaves the Group before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards does not assume forfeitures.

As a result of the IPO, all RSUs previously issued under the 2019 EIP were settled in ordinary shares of the Company.

These awards are measured in accordance with IFRS 2. RSUs were priced using a Monte Carlo simulation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the RSU).

In September 2022, the Group modified the 2019 EIP plan to remove all market conditions associated with the awards. All other material terms of the 2019 EIP plan, including required service remained unchanged as a result of this modification.

In December 2022, the Company's board of directors approved the replacement of 2019 EIP RSUs originally issued to a member of the Company's Executive Committee in exchange for customised Executive Awards under the 2022 RSU plan disclosed below in 'Executive Awards Granted under the 2022 RSU Plan'. Modification accounting is applied for this replacement, the incremental fair value in addition to the grant-date fair value of the original award is recognised over the remaining modified vesting period. The incremental fair value is the difference between the fair value of the replacement award and the net fair value of the cancelled award, both measured at the date on which the replacement award is issued.

Details of the RSUs outstanding during the year are as follows.

	Awards
Outstanding at 31 March 2023	192,999
Granted during the year	—
Settled during the period	(192,999)
Forfeited during the year	—
Outstanding at 31 March 2024	—

No awards were granted during the year and the weighted average exercise price was \$nil.

(c) Arm Limited RSU Award Plan ('2022 RSU Plan')

In June 2022, the Group adopted the 2022 RSU Plan for all employees. Employees may elect not to participate in the scheme. The RSUs require continuous service through the vesting date and vest upon the passage of time (annual graded vesting) over 3 years. The Group may choose to settle such RSUs in cash or in shares by tranche.

Awards are forfeited if the employee leaves the Group before the RSUs vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 7.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

As of 31 March 2023, the Group accounted for the compensation plan, except for certain units expected to be settled by cash, as an equity-settled share-based payment transaction. For the units expected to be settled by cash, the Company accounted for them as a cash-settled share-based payment transaction.

The fair value of the RSUs accounted as an equity-settled share-based payment transaction is measured by taking into account the lack of marketability to a calculated entity valuation at the time of grant while the fair value of the RSUs accounted as a cash-settled share-based payment transaction is measured quarterly. At 31 March 2024, the liability recorded for share-based payments was \$nil (2023: \$235 million). The value of the awards that have vested, but are unpaid, as at 31 March 2024 is \$nil million (2023: \$228 million).

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****31 Share-based payments (continued)****(c) Arm Limited RSU Award Plan ('2022 RSU Plan') (continued)**

In November 2022, the Group issued two types of Executive Awards under the 2022 RSU Plan to certain members of the Company's Executive Committee, referred to as Annual Awards and One-time Launch Awards. The Executive Awards entitle executive officers to a fixed amount of cash or, after initial public offering, ordinary shares. Annual awards consist of a portion only subject to time-based vesting and a portion subject to performance-based and time-based vesting conditions over 3 years. These awards were granted at a value of \$41 million (2023: \$22 million). One-time launch awards are only subject to time-based vesting condition over 3 years and were granted at a value of \$3 million (2023: \$25 million).

The Group also granted Executive Awards with customised vesting schedules to certain executive officers. The customised executive awards could vest upon the occurrence of one of various liquidity events comprising (1) a change in control of the Company, (2) an IPO, and (3) the passage of time. These awards are settled at the fixed collective cash amount of \$55 million prior to the occurrence of a liquidity event.

In connection with the IPO, all Executive Awards previously issued under the 2022 RSU Plan were converted into a variable number of shares based on the IPO price of \$51.00 per ADS. This change resulted in an issuance of 2,491,899 RSUs equal to the fixed monetary amount of all Executive Awards outstanding under the 2022 RSU Plan.

At 31 March 2024, the amounts recorded as liabilities for share-based payments was \$nil (2023: \$18 million).

Details of the RSUs outstanding during the year for 2022 RSU Plan are as follows.

	Awards
Outstanding at 31 March 2023	11,129,734
Granted during the year	17,134,484
Settled during the period ⁽¹⁾	(6,751,502)
Forfeited during the year	(631,500)
Executive Awards conversion	2,491,899
Outstanding at 31 March 2024	<u>23,373,115</u>

⁽¹⁾ Includes 351,022 liability-classified awards vested and settled in cash during the year ended 31 March 2024.

The weighted average grant date fair value for awards granted during the year was \$43.66. The weighted average exercise price was \$nil.

(d) The Arm Non-Executive Directors RSU Award Plan ('NED Plan')

In September 2022, the Group established the NED Plan for non-executive directors. The RSU awards issued under the NED Plan (the 'NED Awards') are subject to time-based vesting and continued service of the non-executive directors. The NED Plan allows for either cash or share settlement of the awards at the discretion of Arm Group's Remuneration Committee. As of 31 March 2024, the Group accounted for the compensation plan as an equity-settled share-based payment transaction (2023: cash-settled share-based payment transaction).

The number of RSUs granted and outstanding for the year ended 31 March 2024 was 31,806 (2023: 13,340).

At 31 March 2024, \$nil million was recorded as a liability (2023: \$1 million). The value of the awards that have vested, but are unpaid, as at 31 March 2024 is \$nil million (2023: \$1 million).

(e) Omnibus Incentive Plan

In August 2023, the Company's board of directors adopted the Omnibus Incentive Plan (the 'Omnibus Incentive Plan') which became effective in September 2023. The Omnibus Incentive Plan allows for the grant of incentive awards to employees, executive directors, and non-employees, including non-employee directors and consultants of the Group.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****31 Share-based payments (continued)****(e) Omnibus Incentive Plan (continued)**

Participants may elect not to participate in the plan. Vesting conditions applicable to awards may be based on continued service (annual graded vesting), achievement of company, business unit or other performance objectives, or such other criteria as the Remuneration Committee may establish.

In October 2023, the Group started to grant RSUs and PSUs under the Omnibus Incentive Plan to employees, including executives of the Group. The RSUs and PSUs granted neither carry rights to dividends nor voting rights until the shares are issued or transferred to the recipient. The Omnibus Incentive Plan allows for either cash or share settlement of the awards by tranche, if applicable, at the discretion of the Remuneration Committee. At the time of issuance, the Group intended to settle the RSUs and PSUs in shares at the vesting date and such awards are accounted for as equity-classified awards.

Awards are forfeited if the employee leaves the Group before the awards vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 7.0% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

The fair value of the RSUs accounted as an equity-settled share-based payment transaction is measured using the closing ADS price of the Company on the date of grant.

Details of the RSUs outstanding during the year are as follows.

	Awards
Outstanding at 31 March 2023	—
Granted during the year	1,957,636
Settled during the period	(50,784)
Forfeited during the year	(11,105)
Outstanding at 31 March 2024	<u>1,895,747</u>

The weighted average grant date fair value for awards granted during the year was \$68.17. The weighted average exercise price was \$nil.

(f) Phantom Share Scheme (cash-settled)

In April 2017, a cash-settled share-based payment arrangement was put in place for certain of the Group's employees who are members of the Executive Committee. Under this arrangement the employees were granted a cash award annually on 1 April which vests over a three-year service period. The cash amount, which the employee is entitled to receive if employed at the end of the three-year period, is directly linked to the percentage change in share price of the Group's ultimate parent undertaking, SoftBank Group Corp., and is also linked to certain other Group strategic performance conditions. The Group strategic performance conditions are non-market-based vesting conditions by nature, as a result they do not affect the calculation of the fair value of the award at each reporting date.

The Group strategic performance conditions are operational in nature; they measure performance in areas such as product development, customer wins and market share across different technologies and markets. The measures are linked directly to the Group's strategic objectives, rather than any financial measures, and they are not linked to any change in the share price of the ultimate parent undertaking.

The weighted average fair value of the awards was previously measured at each reporting date using the Black-Scholes model. Expected volatility and dividend yield was based on the historical share price volatility and dividend yield of SoftBank Group Corp. over the past five years.

All awards related to this scheme had vested as at 31 March 2023 and were fully paid as at 31 March 2024. Therefore measurement using the Black-Scholes model was not applicable.

Arm Holdings plc
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 March 2024

31 Share-based payments (continued)

Liability for share-based payments	2024	2023
	\$m	\$m
2019 AEP	—	1
2022 RSU Plan	—	253
NED Plan	—	1
Phantom Share Scheme	—	1
	<u>—</u>	<u>256</u>

For details of the related expense recognised in the income statement, see note 9.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****32 Retirement benefit schemes**

The Group contributes to defined contribution plans substantially covering all employees in Europe and the US and to government pension schemes for employees in Japan, South Korea, Taiwan, PR China, Israel and India. The Group has an obligation to contribute to these plans based upon various fixed percentages of employee compensation, and such contributions are expensed as incurred. The assets of these plans are held separately from those of the Group in funds.

The total cost charged to the income statement for the year of \$97 million (2023: \$78 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2024, contributions of \$12 million (2023: \$10 million) due in respect of the current reporting period had not been paid over to the schemes.

33 Contract liabilities

	2024	2023
	\$m	\$m
Amounts related to contracts	915	1,100
Current	198	293
Non-current	717	807
	915	1,100

A reconciliation of the movement in contract liabilities is set out below:

	\$m
Balance at 1 April 2022	1,126
Cash received in advance of performance obligations	209
Amounts included in contract liabilities that were recognised as revenue during the period:	
of which included in the opening balance	(128)
of which not included in the opening balance	(106)
Disposal (Forge Linaro)	(1)
Balance at 31 March 2023	1,100
Cash received in advance of performance obligations	198
Amounts included in contract liabilities that were recognised as revenue during the period:	
of which included in the opening balance	(226)
of which not included in the opening balance	(157)
Balance at 31 March 2024	915

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments****(a) Classification of financial instruments**

		2024			
	Note	Amortised Cost \$m	FVTPL \$m	FVTOCI \$m	Total \$m
Current assets					
Cash, cash equivalents and deposits	30	1,182	1,743	—	2,925
Accounts receivable (net of loss allowance)	24	400	—	—	400
Contract assets	23	336	—	—	336
Other receivables	24	100	—	—	100
Derivative financial instruments	34	—	—	4	4
Current financial assets		2,018	1,743	4	3,765
Non-current assets					
Loans and receivables	22	7	—	—	7
Other receivables	24	184	—	—	184
Contract assets	23	240	—	—	240
Convertible loan receivable	34	—	32	—	32
Unlisted equity securities	22	—	—	618	618
Investments in associates	34	—	—	33	33
Non-current financial assets		431	32	651	1,114
Total financial assets		2,449	1,775	655	4,879
Current liabilities					
Accounts payable	26	26	—	—	26
Accrued and other liabilities	26	112	—	—	112
Lease liabilities	19	31	—	—	31
Derivative financial instruments	34	—	—	4	4
Current financial liabilities		169	—	4	173
Non-current liabilities					
Accrued and other liabilities	26	35	—	—	35
Lease liabilities	19	197	—	—	197
Non-current financial liabilities		232	—	—	232
Total financial liabilities		401	—	4	405

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(a) Classification of financial instruments (continued)**

		2023 (Restated)			
	Note	Amortised Cost \$m	FVTPL \$m	FVTOCI \$m	Total \$m
Current assets					
Cash, cash equivalents and deposits ¹	30	834	1,383	—	2,217
Accounts receivable (net of loss allowance)	24	620	—	—	620
Contract assets	23	154	—	—	154
Other receivables	24	106	—	—	106
Derivative financial instruments ²	34	—	—	10	10
Current financial assets		1,714	1,383	10	3,107
Non-current assets					
Loans and receivables	22	6	—	—	6
Other receivables	24	139	—	—	139
Contract assets	23	116	—	—	116
Convertible loan receivable	34	—	31	—	31
Unlisted equity securities	22	—	—	593	593
Investments in associates	34	—	—	29	29
Non-current financial assets		261	31	622	914
Total financial assets		1,975	1,414	632	4,021
Current liabilities					
Accounts payable	26	82	—	—	82
Accrued and other liabilities	26	102	—	—	102
Lease liabilities	19	27	—	—	27
Derivative financial instruments	34	—	—	1	1
Current financial liabilities		211	—	1	212
Non-current liabilities					
Accrued and other liabilities	26	22	—	—	22
Lease liabilities	19	188	—	—	188
Non-current financial liabilities		210	—	—	210
Total financial liabilities		421	—	1	422

¹ The analysis of cash, cash equivalents and deposits has been restated to recognise money market funds as being measured at fair value through profit and loss in accordance with the Group's accounting policies. Section (b) below is also restated to reflect money market funds as being Level 1 within the fair value hierarchy.

² The analysis of derivative financial instruments has been restated to recognise formally designated cash flow hedging instruments with hedge accounting applied as being measured at fair value through other comprehensive income in accordance with the Group's accounting policies.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(b) Valuation of financial instruments Valuation hierarchy**

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value, by level of fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Level 2 assets are valued by discounting future cash flows using externally sourced market yield curves, including interest rate curves and foreign exchange rates from highly liquid markets.

For level 3 assets and liabilities:

- The fair value of investment funds is measured using the latest net asset value of the fund available as at the balance sheet date, and
- For the Group's investments in unquoted entities, where there are often no current earnings, no short-term future earnings or positive cash flows, it is often difficult to make reliable cash flow forecasts. The Group also consider the fair value estimates based entirely on observable market data are of greater reliability than those based on assumptions. Given these circumstances, the price of recent investment is typically considered to be the best input to derive fair value at the date of investment. As a result, the price of recent investment, by the Group or a third party, is typically used as the de facto starting position for any fair value assessment made by the Group, albeit taking into account the following factors:
 - the period of time for which it remains appropriate to use the price of the most recent investment; and
 - A company's equity structure, especially where it involves different class rights in a sale or liquidity event.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(b) Valuation of financial instruments Valuation hierarchy (continued)**

At 31 March 2024	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets					
Convertible loan receivable	34	—	—	32	32
Derivative financial instruments	34	—	4	—	4
Financial assets at fair value through other comprehensive income (FVTOCI)					
Unlisted equity securities	22	—	—	618	618
Investments in associates	34	—	—	33	33
Money market funds	30	1,743	—	—	1,743
Total financial assets		1,743	4	683	2,430
Financial liabilities					
Derivative financial instruments	34	—	4	—	4
Total financial liabilities		—	4	—	4
At 31 March 2023 (Restated)					
		Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets					
Convertible loan receivable	34	—	—	31	31
Derivative financial instruments	34	—	10	—	10
Financial assets at fair value through other comprehensive income (FVTOCI)					
Unlisted equity securities	22	—	—	593	593
Investments in associates	34	—	—	29	29
Money market funds	30	1,383	—	—	1,383
Total financial assets		1,383	10	653	2,046
Financial liabilities					
Derivative financial instruments	34	—	1	—	1
Total financial liabilities		—	1	—	1

Unlisted equity securities

The estimated fair value of the unlisted equity investments approximates to cost less any permanent diminution in value (based on management's estimate of forecast profitability and achievement of set objectives by the relevant entity), except where independent valuation information is obtained, for example through the occurrence of funding or other transactions in the relevant entity's equity instruments. Any change to the fair value is recognised as part of other comprehensive income.

Investments in associates

Interests in joint ventures and associates are typically accounted for under the equity method and are not represented as financial instruments under IFRS 9. Where investments are held via instruments other than ordinary shares, these are stated at fair value and are disclosed in this note.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****Financial guarantee contracts**

In March 2022, a wholly owned United Kingdom subsidiary of SoftBank, Kronos I (UK) Limited ('Kronos'), was created for the purpose of SoftBank arranging a non-recourse facility agreement (the 'Facility Agreement') with J.P. Morgan SE as Facility Agent to be secured by its equity interest in the Company. SoftBank pledged its ownership interest in the Company by transferring such interest to an entity that sits between Kronos and the Company, and SoftBank has no further obligation under the Facility Agreement. In September 2023, prior to the closing of the Company's IPO, SoftBank paid the Facility Agreement and the Company's Undertaking and Guarantee were terminated.

Convertible loan receivable

On 8 December 2021, the Group acquired unsecured convertible notes with an initial principal amount of \$29 million in Ampere Computing Holdings LLC. Interest accrues at a 5.0% annual rate, compounded monthly. Unless earlier converted, all unpaid principal plus accrued and unpaid interest matures in June 2026.

At 31 March 2024, the Group had convertible loans with a carrying value of \$32 million (2023: \$31 million).

Fair value measurements using significant unobservable inputs (level 3)

	Convertible loan receivable	Investments in associates	Unlisted equity securities	Total
	\$m	\$m	\$m	\$m
At 1 April 2023	31	29	593	653
Additions - cash	—	—	31	31
Additions - conversion of trade receivable	—	—	5	5
Distributions	—	—	(3)	(3)
Movement previously recognised in other comprehensive income	—	(3)	—	(3)
Revaluation gains recognised in income	1	—	—	1
Revaluation gains/(losses) recognised in other comprehensive income	—	3	(8)	(5)
Converted into preferred shares	—	4	—	4
At 31 March 2024	32	33	618	683

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(c) Maturity of financial liabilities**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant, with exception to lease liabilities which are discounted over the term of the lease.

	Less than one year \$m	Between one and two years \$m	Over two years \$m
At 31 March 2024			
Trade payables	26	—	—
Accrued and other liabilities	112	21	14
Lease liabilities	38	34	204

	Less than one year \$m	Between one and two years \$m	Over two years \$m
At 31 March 2023			
Trade payables	82	—	—
Accrued and other liabilities	101	21	2
Lease liabilities	32	27	203

Loans and receivables

At 31 March 2024, the Group had loans receivable from associates with a carrying value of \$nil (2023: \$nil) which are subject to an impairment. See note 36 for further details. At 31 March 2024, the Group had loans receivable from other parties with a carrying value of \$7 million (2023: \$7 million).

The Group had no borrowings during the year ended 31 March 2024 (2023: \$nil).

The effective interest rate on short-term deposits and similar instruments outstanding at 31 March 2024 was 5.57% (2023: 5.02%) and these deposits have an average maturity of 122 days (2023: 119 days).

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(d) Risk management of financial instruments**

The Group is exposed to financial risks, including those relating to the fluctuation in foreign exchange and interest rates, the risk of counterparty credit default, and being unable to meet liabilities as they fall due.

Financial risk management is carried out under policies approved and delegated by the Board of Directors.

Foreign exchange risk

The Group is exposed to foreign exchange risk in the following ways:

- transactional exposure that arises on revenues and expenses where these are denominated in a currency other than the functional currency of the transacting entity. The Group mitigates a proportion of this risk through the use of currency forward contracts which are primarily for the purchase of GBP from USD;
- translational exposure arising on the revaluation of net investments in the consolidated Group accounts, where these are not denominated in US dollar; and
- loans to subsidiaries in currencies other than the Group's functional currency.

The impact of 10% depreciation of USD against GBP is as follows:

	2024		2023	
	Income gain/(loss)	Equity gain/(loss)	Income gain/(loss)	Equity gain/(loss)
	\$m	\$m	\$m	\$m
10% depreciation of GBP against USD (2023: 10%)	53	(69)	15	(31)

The movements stated reflects the impact to profit or to other comprehensive income after tax.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(d) Risk management of financial instruments (continued)****Interest rate risk**

The Group is exposed to interest rate risk arising on interest-bearing assets that it holds, including cash and cash equivalents, deposits, and similar instruments and loan receivables.

The impact of 1% decrease in interest rates is as follows:

	2024		2023	
	Income gain/(loss)	Equity gain/(loss)	Income gain/(loss)	Equity gain/(loss)
	\$m	\$m	\$m	\$m
1% decrease in interest rates (2023: 1%)	(20)	—	(16)	—

The movements stated reflects the impact to profit or to other comprehensive income after tax.

Credit risk

The Group is exposed to credit risk arising from cash and cash equivalents, deposits, derivative financial instruments and trade and other receivables. The Group's maximum exposure to credit risk is limited to the carrying amount of these assets.

For cash and deposit investments and derivative contracts, the Group holds positions with an approved list of investment grade rated counterparties and monitors the exposures and counterparty credit risk on a regular basis.

For trade and other receivables, the credit risk is managed through the use of mitigating controls including the use of credit checks on customers.

Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss (ECL) allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. Expected loss rates are intended to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The Group has determined that market borrowing rates (across a range of jurisdictions in which the Group's customers operate) and a risk multiplier linked to debt ageing are the most relevant variables in determining ECL rates.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****(d) Risk management of financial instruments (continued)****Expected credit losses (continued)**

Management's assessment of determining ECL rates is dependent on jurisdiction, and the relevant expected loss rates are as follows:

Ageing (days)	Expected loss rate	Expected loss rate
	China	Rest of World
0-30	0.00%	0.00%
31-60	0.00%	0.00%
61-90	0.00%	0.00%
91-180	2.44%	0.08%
181-365	2.44%	0.23%
> 365	100.00%	100.00%

Certain trade receivables balances have been assigned a nil% loss rate regardless of ageing. This is based on specific factors affecting the trading relationship that indicate that the Group's credit risk is negligible.

The Group's overall expected credit loss in respect of trade receivables at 31 March 2024 was \$3 million (2023: \$3 million). For the movement in the loss allowance in respect of trade receivables, refer to note 24.

The Group has reviewed other balances which are also subject to impairment requirements of IFRS 9, including contract assets and cash and cash equivalents, and there was no identified impairment loss at 31 March 2024 (2023: \$nil).

At 31 March 2024, the customer with the largest total receivables balance represented 23% of total receivables as of 31 March 2024, the second largest represented 13% of total receivables, the third largest represented 11% of total receivables and the fourth largest represented 10% of total receivables. As of 31 March 2023, the customer with the largest total receivables balance represented 40% of total receivables. No other customer represented 10% or more of receivables as of 31 March 2024 or 31 March 2023.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group finances its liquidity position through a combination of retained profits, and holding of cash and cash equivalents.

The Group monitors a rolling forecast of its liquidity requirements against cash balances to ensure sufficient headroom is maintained against expected operational cashflows.

Cash flow hedge

Derivatives are used to hedge exposure to market risks arising in relation to foreign exchange, all of which are formally designated hedging instruments with hedge accounting applied.

The fair value and notional amounts of derivatives analysed by hedge type are shown below:

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****34 Financial instruments (continued)****Derivatives designated as hedging instruments (continued)**

	2024			
	Asset		Liability	
	Fair Value	Notional	Fair Value	Notional
	\$m	\$m	\$m	\$m
Cash flow hedges				
Foreign exchange forward contracts	4	177	(4)	742

	2023			
	Asset		Liability	
	Fair Value	Notional	Fair Value	Notional
	\$m	\$m	\$m	\$m
Cash flow hedges				
Foreign exchange forward contracts	10	336	(1)	75

This table analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

	Less than three months	Between three months and six months	Between six months and one year
	\$m	\$m	\$m
At 31 March 2024			
Foreign exchange forward contracts designated as cash flow hedges			
Nominal amount	658	166	95
Weighted av. forward rate (USD/GBP)	1.263	1.256	1.264
At 31 March 2023 (Restated)			
Foreign exchange forward contracts designated as cash flow hedges			
Nominal amount	197	128	86
Weighted av. forward rate (USD/GBP)	1.198	1.220	1.225

There are no foreign exchange forward contracts not qualifying as hedges during the year ended 31 March 2024. The net loss on foreign exchange forward contracts not qualifying as hedges in the fiscal year ended 31 March 2023 amounted to a loss of \$30 million, of which \$30 million loss was fully realised.

Hedge effectiveness testing on all relationships is performed at each reporting date. Whilst the critical terms matching of the Group's hedge relationships means that any ineffectiveness should be minimal, it can be driven by factors such as material changes in credit risk, or changes in the timings of the hedged cash flows.

In the fiscal year ended 31 March 2024, there were no occasions where hedges exceeded forecasted exposures, therefore no hedge discontinuation took place. All hedge relationships where the underlying exposure is still anticipated to occur continue to exhibit a strong economic hedge relationship as the changes in fair value of hypothetical hedged items is materially offset by the changes in the fair value of hedging instruments.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

35 Events after the balance sheet date

Group and Company

On 21 May 2024, Arm Technology Investments 2 Limited, an indirect wholly owned subsidiary of the Arm Group, entered into a cornerstone investment agreement with Raspberry Pi Holdings plc ('Raspberry Pi'), which announced its intention to conduct an initial public offering of its ordinary shares ('Raspberry Pi IPO') on 15 May 2024. Arm has agreed to purchase \$35 million of Raspberry Pi's ordinary shares in the Raspberry Pi IPO, subject to customary conditions.

Arm Holdings plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2024

36 Related party transactions

The Company has taken advantage of the available exemption from disclosing transactions with other companies within the Group that are wholly owned. Related party transactions and balances with companies related by virtue of common control in the group headed by the ultimate parent company, SoftBank Group Corp. or by virtue of the Group's significant influence over that company, are as follows:

Transactions with associates and SoftBank Group companies

Arm Technology (China) Co. Limited

The Group disposed of its 48.2% shareholding in Arm Technology (China) Co. Limited ('Arm China') to Acetone Limited, another subsidiary of SoftBank Group Corp., on 28 March 2022. Since 28 March 2022 the Group's 10% equity investment in Acetone has been reflected as an associate in the Group's financial statements. See note 21 for further detail.

Subsequent to the disposal of the Group's controlling interest in Arm China in 2018, a substantial proportion of customer contracts previously held by the former China subsidiary were novated to Arm China; under such contracts the Group is entitled to a share of revenue earned by Arm China. Where contracts were not novated from the former China subsidiary to Arm China, the Group had an obligation to share a proportion of the revenue with Arm China.

Under the terms of the joint venture agreement Arm has recognised share of revenues amounting to \$671 million during the year ended 31 March 2024 (2023: \$649 million). During the year ended 31 March 2024, the Group incurred costs of \$74 million from Arm China under the terms of the joint venture agreement, of which a majority of costs relate to direct and indirect staff costs (2023: \$64 million).

At 31 March 2024, the Group was owed a net receivable of \$176 million (\$181 million receivable less \$5 million payable) by Arm China (2023: net receivable of \$387 million comprising of \$401 million receivable less \$14 million payable), and had a \$106 million contract liability balance (2023: \$103 million).

Of the balance due from Arm China at 31 March 2024, \$nil (2023: \$nil) had been provided for. During the year ended 31 March 2024 there was a net charge to the income statement of \$nil (2023: \$14 million credit).

During the year ended 31 March 2024, the Group leased assets to Arm China. The Group recognised revenue of \$2 million from the leased assets (2023: \$2 million), and this is included within the Group's share of revenues noted above.

Companies related by virtue of common control in the SoftBank Group

During the year ended 31 March 2024, the Group had transactions with other companies within the SoftBank Group that generated revenues of \$4 million (2023: \$1 million). As at 31 March 2024, \$1 million (2023: \$1 million) was owed to the Group by members of the SoftBank Group. At 31 March 2024 contract assets with members of the SoftBank Group totalled \$3 million (2023: \$nil). At 31 March 2024 contract liabilities with members of the SoftBank Group totalled \$2 million (2023: \$2 million). These transactions were in the ordinary course of business on an arm's length basis.

During the year ended 31 March 2024, the Group invested \$10 million to acquire a minority stake in Kigen (UK) Limited, a company under common control of the SoftBank Group. Refer to note 22 for further details.

During the year ended 31 March 2022, the Group entered into a financial guarantee contract with another company within the SoftBank Group. This financial guarantee arrangement ceased during the year ended 31 March 2024. Refer to note 34 for further details.

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****36 Related party transactions (continued)****Linaro Limited**

During the year ended 31 March 2024, the Group incurred subscription and other costs of \$11 million from Linaro Limited ('Linaro'), an associated company of the Group (2023: \$9 million). As at 31 March 2024, \$1 million (2023: \$1 million) was owed to Linaro.

During the year ended 31 March 2023 the Group sold the trade and net assets relating to the Arm Forge Software business to Linaro for consideration of \$4 million, resulting in a realised gain on disposal of \$4 million recognised in selling, general and administrative expenses in the year ended 31 March 2023. As at 31 March 2024 consideration of \$3 million (2023: \$4 million) was held as a receivable balance, with \$1 million recognised in current assets (2023: \$1 million) and \$2 million (2023: \$3 million) (after discounting to present value) recognised in non-current assets.

In conjunction with the sale, the parties also entered into an IP licensing agreement whereby Linaro received a licence to use certain of the Group's IP, and Linaro agreed to provide certain support and maintenance services for certain customer contracts not transferred as part of the sale.

Loans to related parties

During the year ended 31 March 2022, the Group provided a 4-year loan of \$3 million to Cerfe Labs, Inc., an associate entity, at a rate comparable to the average commercial rate of interest. This loan was credit impaired in full as at 31 March 2024 and as at 31 March 2023.

At 31 March 2024 the Group had a loan receivable with Arduino SA, an associate entity, of \$16 million (2023: \$19 million) which was credit impaired in full as at 31 March 2024 and as at 31 March 2023. During the year ended 31 March 2024 the Group converted \$4 million (2023: \$5 million) into equity and recognised \$4 million (2023: \$5 million) reversal of impairment loss and \$4 million (2023: \$5 million) increase to investments in associates.

The Group is guarantor for a \$5 million credit facility available to Arduino SA. The guarantee expiry date is 26 January 2025. At 31 March 2024 no claims have been made against the guarantee (2023: none).

Companies related due to significant influence of key management personnel

The Group engaged Raine Securities LLC ('Raine'), an entity under the significant influence of a director of the Company, for certain advisory services in connection with the IPO. During the year ended 31 March 2024, the Group incurred costs of \$11 million, of which \$5 million was reimbursed by the underwriters for the IPO. During the year ended 31 March 2023, under a separate agreement with Raine, the Group incurred costs of \$3 million. At 31 March 2024 \$nil was included in accruals and other payables (2023: \$3 million).

Arm Holdings plc**Notes to the Consolidated Financial Statements (continued)****For the year ended 31 March 2024****36 Related party transactions (continued)****Remuneration of key management personnel**

The aggregate remuneration of the key management personnel of the Group is set out below:

	2024	2023
	\$m	\$m
Short-term employee benefits	35	27
Termination benefits	—	13
Employer social security	6	4
Share-based payments	73	28
	<u>114</u>	<u>72</u>

Employer social security relates to the attributable expense of employer payroll taxes on short-term employee benefits, termination benefits and share-based payments.

The total amounts for directors' remuneration in respect of qualifying services were as follows:

	2024	2023
	\$m	\$m
Salaries, fees, bonuses and benefits in kind	25	17
Amounts receivable under long-term incentive schemes	48	9
	<u>73</u>	<u>26</u>

One director (2023: one) had accrued benefits during the year ended 31 March 2024 under a money purchase pension scheme as a result of their services to the Group.

Included above in the amounts receivable under long-term incentive schemes are amounts recognised in the year attributable to directors under cash-settled and equity-settled share-based payments arrangements (refer to note 31 for further details).

37 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Kronos II LLC, a company registered in Delaware, United States of America. The Company's ultimate parent undertaking and controlling party is considered to be SoftBank Group Corp., a company registered in Japan.

SoftBank Group Corp. heads both the largest and smallest group of undertakings, including Arm Holdings plc, for which consolidated financial statements are prepared. The registered office of SoftBank Group Corp. is 1-9-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7303, Japan. Copies of the ultimate parent's consolidated financial statements are available from this address.

Arm Holdings plc

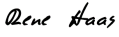
Company Balance Sheet (Registered Number: 11299879)

As at 31 March 2024

	Note	2024 \$m	2023 \$m
Non-current assets			
Investments in subsidiaries	41	53,002	—
		<u>53,002</u>	<u>—</u>
Current assets			
Trade and other receivables	42	501	—
Cash and cash equivalents		4	—
		<u>505</u>	<u>—</u>
Total assets		<u>53,507</u>	<u>—</u>
Current liabilities			
Trade and other payables		4	—
		<u>4</u>	<u>—</u>
Net current assets		<u>501</u>	<u>—</u>
Total liabilities		<u>4</u>	<u>—</u>
Net assets		<u>53,503</u>	<u>—</u>
Equity			
Share capital	28, 29	1	—
Share-based payments	29, 31	526	—
Merger reserve	44	1	—
Capital reserve	29	1	—
Retained earnings	29	52,974	—
Total equity		<u>53,503</u>	<u>—</u>

The Company reported a profit for the fiscal year ended 31 March 2024 of \$5 million (2023: \$nil).

The financial statements were authorised for issue by the Board of Directors on 29 May 2024 and were signed on its behalf by:

DocuSigned by:

 F1F09375F1BE489...
 R Haas

Chief Executive Officer

Arm Holdings plc
Company Statement of Changes in Equity
For the Year Ended 31 March 2024

	Share capital	Share-based payments	Merger reserve	Capital redemption reserve	Retained earnings	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 April 2022	—	—	—	—	—	—
Result for the year	—	—	—	—	—	—
Other comprehensive income for the year	—	—	—	—	—	—
Balance at 31 March 2023	—	—	—	—	—	—
Balance at 1 April 2023	—	—	—	—	—	—
Profit for the year	—	—	—	—	5	5
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	5	5
Share-based compensation	—	526	—	—	—	526
Exchange of shares	1	—	52,971	—	—	52,972
Bonus issue of shares	52,970	—	(52,970)	—	—	—
Capital reduction	(52,969)	—	—	—	52,969	—
Buy back of the redesigned post reduction shares & cancellation of the capital redemption reserve	(1)	—	—	1	—	—
Balance at 31 March 2024	1	526	1	1	52,974	53,503

Arm Holdings plc

Notes to the Company Financial Statements

For the year ended 31 March 2024

38 Significant accounting policies

Basis of preparation

The figures presented in respect of the Company's individual financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and the Companies Act 2006. The Company financial statements have been prepared on the historical cost basis. In accordance with FRS 102 the following exemptions from the disclosure requirements have been applied in the preparation of the Company financial statements and, where relevant, equivalent disclosures have been made in these consolidated financial statements:

- From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- From the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), 12.29A and 12.30 as the information is provided in the consolidated financial statements.
- From disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein;
- From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these financial statements. Notably because of the Company's cash position of \$4 million, and total net assets of \$53,503 million, as at 31 March 2024. Refer to note 3 'Basis of preparation' of the consolidated financial statements for further details of the Group assessment. Thus, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Change in presentational and functional currency

As a result of the Company becoming the holding company of the Arm Group, the functional currency of the Company changed from pound sterling ('GBP') to the US Dollar ('USD') on 1 April 2023 to be consistent with the Group.

In accordance with FRS 102 paragraph 30.14, the change in functional currency has been applied prospectively from 1 April 2023.

The Company also changed its presentational currency from GBP to USD from 1 April 2023 with retrospective application on comparative figures.

Comparative figures in the statement of changes in equity have been re-presented to reflect the currency rate of transactions in foreign currencies at the average rate for the period. The balance sheet has been re-presented to reflect currency rate of transactions in foreign currencies at the closing balance sheet date rates of exchange.

Translation adjustments and cumulative translation adjustments have been presented as if the Company had also used USD as the presentation currency for the comparative figures.

Foreign currencies

The functional and presentation currency of the Company is the US Dollar.

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates of exchange at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

Arm Holdings plc**Notes to the Company Financial Statements (continued)****For the year ended 31 March 2024****38 Significant accounting policies (continued)****Investment in subsidiaries**

Shares in group companies are stated at cost less any amounts written off to reflect an impairment.

Shares held by employee benefit trusts

The Arm Employee Benefit Trust purchases and holds shares to satisfy performance shares granted and other share awards. The assets and liabilities of the trust are included in the consolidated and Company financial statements. The book value of shares held is deducted from equity. The costs of the trust are included in the results of the Group and Company. The shares held by the trust are excluded from the calculation of earnings per share.

Share-based payments

The Group operates an equity settled share-based compensation plan for the employees of subsidiary undertakings using the Company's equity instruments. The fair value of the compensation given in respect of this share-based compensation plan is recognised as a capital contribution to the Company's subsidiary undertakings over the vesting period. The capital contribution is reduced by any payments received or receivable from subsidiary undertakings in respect of these share-based payments.

This plan was previously operated by the former parent of the Arm Group, Arm Limited. On 25 August 2023, as part of the pre-listing reorganisation of the Arm Group, the obligation to settle the share-based payment awards was transferred from Arm Limited to the Company.

The Company applies the permissions of FRS 102, Section 26, paragraph 16, to measure the share-based payment expense on the basis of a reasonable allocation of the expense for the group, calculated in accordance IFRS 2 - Share-based Payment. There is no change in the intrinsic or fair value of the awards granted to participants. Consequently, consistent with the requirements of IFRS 2.28(c), as there is no incremental fair value provided with the replacement awards, the consolidated financial statements will reflect a continuation of the share-based payment accounting previously applied in Arm Limited's consolidated financial statements. The movements in the Company's share-based payments equity reserve reflect those which would have occurred in Arm Limited prior to transfer.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is recognised on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing differences.

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Arm Holdings plc**Notes to the Company Financial Statements (continued)****For the year ended 31 March 2024****39 Critical accounting judgements and key sources of estimation uncertainty****Estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. There are no areas involving estimation uncertainty that are significant to these financial statements.

Critical accounting judgements

The preparation of financial statements also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a significant degree of judgement that are significant to these financial statements.

40 Profit for the year

As permitted by s408 of the Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the parent company. The profit/loss attributable to the Company is disclosed in a footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements. The directors' remuneration is disclosed in note 36 to the consolidated financial statements.

The average monthly number of employees, including executive directors, was nil. The remuneration for employees, including executive directors, was nil.

41 Investment in subsidiaries

	\$m
Cost	
At 1 April 2023	—
Additions	52,972
Share-based payment transactions	30
At 31 March 2024	<u>53,002</u>
Provision for impairment	
At 1 April 2023	—
At 31 March 2024	<u>—</u>
Net book value	
At 31 March 2024	<u>53,002</u>
At 31 March 2023	<u>—</u>

As part of the corporate reorganisation during 2023, the Company acquired 100% of all issued and outstanding shares of Arm Limited via a share for share exchange agreement. Refer to note 13 for further detail.

Additions via share-based payment transactions relate to equity-settled share-based payments granted to the employees of subsidiary companies during the year. Refer to note 43 for further detail.

Arm Holdings plc**Notes to the Company Financial Statements (continued)****For the year ended 31 March 2024****41 Investment in subsidiaries (continued)**

Details of the Company's subsidiaries at 31 March 2024 are shown below. All investments are indirectly held, with 100% ownership of a single class of ordinary shares, unless otherwise shown.

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Employee Benefit Trust ¹	44 Esplanade, St. Helier, JE4 9WG, Jersey	Trustee of employee benefit trust	100 %
Advanced RISC Machines Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Allinea Software Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Allinea Software, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Software sales	100 %
Apical Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Engineering and sales support	100 %
Arm Asia Investment G.P. Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Arm Belgium Services BV	Mechelsesteenweg 277, 1800 Vilvoorde, Belgium	Administration	100 %
Arm Canada, Inc	c/o Baker McKenzie LLP, 181 Bay Street, Toronto, ON M5J 2T3, Canada	Administration	100 %
Arm Denmark Aps	Ragnagade 7, 2100 Copenhagen, Denmark	Development of IoT	100 %
Arm Embedded Technologies Private Limited	Bagmane WTC-SEZ, Citrine Block, 4th Floor, Marathahalli Outer Ring Road, Mahadevapura, Bangalore, 560048, India	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Finance Overseas Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm France SAS	732 avenue de Roumanille, Bâtiment B, 06410 Biot, France	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Germany GmbH	Bretonischer Ring 16, D-85630 Grasbrunn, Germany	Marketing of RISC-based microprocessor IP. Marketing and research and development of microcontroller tools	100 %
Arm Germany d.o.o.	Obrtna Cesta 18, SI-8310, Sentjernej, Slovenia	Marketing of RISC-based microprocessor IP. Marketing and research and development of microcontroller tools	100 %
Arm Holdings US, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100 %
Arm Hungary KFT	H-1082 Budapest, Futo u.45, Hungary	Development of system IP	100 %

Arm Holdings plc**Notes to the Company Financial Statements (continued)****For the year ended 31 March 2024****41 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm IP Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Ireland Limited	2nd Floor Lyrr Building, Mervue Industrial Estate, Galway, H91 THP4, Ireland	Development of system IP	100 %
Arm KK	Shinyokohama Square Bldg. 17F, 2-3-12 Shin-Yokohama, Kohoku-Ku, Yokohama-Shi, Kanagawa 222-0033, Japan	Marketing of RISC-based microprocessor IP	100 %
Arm Korea Limited	7th Floor Kyungdong Building, 4-4 Sunae-dong, Bundang-gu, Seongnam-si, Gyeonggi-do 463-020, South Korea	Marketing of RISC-based microprocessor IP	100 %
Arm Norway AS	Olav Tryggvassons gt. 39-41, 7011 Trondheim, Norway	Research and development of graphics IP	100 %
Arm PIPD Holdings One, LLC	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100 %
Arm PIPD Holdings Two, LLC	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100 %
Arm Poland Sp. z.o.o	ul. Żelazna 2, 40-851 Katowice, Poland	Research and development of RISC-based microprocessors IP	100 %
Arm Sweden AB	Emdalavägen 6, SE-223 69 Lund, Sweden	Research and development of graphics IP	100 %
Arm Sansa Holdings, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100 %
Arm Taiwan Limited	9F., NO.55,57, Zhouzi St., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Marketing, research and development of RISC-based microprocessors and physical IP	100 %
Arm Technologies Israel Limited	24 Zarhin Street, POB 4334, Ra'anana, 4366249, Israel	Development of system IP	100 %
Arm Technology Investments Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm Technology Investments 2 Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100 %
Arm Technology Investments, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Investment company	100 %
Arm UK Holdings Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Holding company	100 %

Arm Holdings plc**Notes to the Company Financial Statements (continued)****For the year ended 31 March 2024****41 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
ChaoLogix, Inc.	CT Corporation System 1200 South Pine Island Road Plantation, FL 95134-1358, USA	Dormant	100 %
ChaoLogix USA, LLC	CT Corporation System 1200 South Pine Island Road Plantation, FL 95134-1358, USA	Dormant	100 %
Keil Software, Inc.	CT Corporation System, 1999 Bryan St., STE 900, Dallas, TX 75201	Dormant	100 %
Mistbase AB	c/o Arm Sweden AB, Emdalavägen 6, 223 69 Lund Sweden	Dormant	100 %
Arm Chuangxin (Shanghai) Technology Co., Ltd	10-11 F, Two IFC, 8 Century Avenue China (Shanghai) Pilot Free Trade Zone Shanghai, 200120, China	Provision of IT Equipment to Arm China	100 %
Simulity Labs Limited	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100 %
Sunrise Micro Devices, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100 %
WigWag, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100 %

1. Investment owned directly by the Company.

42 Trade and other receivables

	2024	2023
	\$m	\$m
Current assets		
Prepayments	5	—
Amounts due from Group undertakings	496	—
	<u>501</u>	<u>—</u>
Current	501	—
Non-current	<u>—</u>	<u>—</u>
	<u>501</u>	<u>—</u>

Arm Holdings plc**Notes to the Company Financial Statements (continued)****For the year ended 31 March 2024****43 Share-based payments**

The Group operates an equity settled share-based compensation plan for the employees of subsidiary undertakings using the Company's equity instruments. This plan was previously operated by the former parent of the Arm Group, Arm Limited. On 25 August 2023, as part of the pre-listing reorganisation of the Arm Group, the obligation to settle the share-based payment awards was transferred from Arm Limited to the Company. Further detail is provided within the Company's accounting policies, note 38.

A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the methods of settlement is provided in note 31 of the consolidated financial statements.

Total outstanding number of awards as of 31 March 2024 was 25,300,668 and further detail is provided in note 31 of the consolidated financial statements.

44 Capital and reserves

See note 29 to the Group accounts for descriptions on the nature and purpose of share capital, the capital redemption reserve and retained earnings.

Merger reserve

In accordance with section 612 of the Companies Act 2006, the premium over the par value of the consideration shares issued in exchange for 100% of the issued share capital of Arm Limited, occurring as part of the corporate reorganisation completed in the year ended 31 March 2024, has been credited to a merger reserve instead of share premium. In the same year, the Company capitalised all but \$1 million of the merger reserve to undertake a bonus issue of ordinary shares and then undertook a capital reduction.