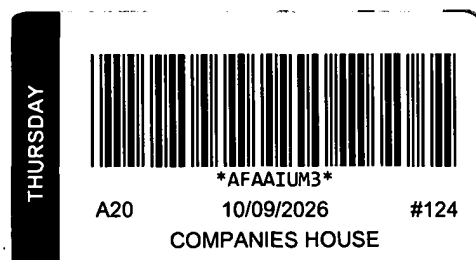


(Registered Number: 02557590)

Arm Limited
Annual Report and Financial Statements
For the year ended 31 March 2026



Arm Limited

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Arm Limited Strategic Report

The directors present their Strategic Report for Arm Limited ('the Company', 'Arm') for the year ended 31 March 2026. The Company is a wholly owned subsidiary of Arm Holdings plc, which is the ultimate parent company of the Arm Group, being Arm Holdings plc and its subsidiaries.

Financial and non-financial highlights

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

	2026	2025
	\$m	\$m
Revenue	4,918	4,003
Total operating costs	4,197	3,177
Profit before tax	715	789
Net assets	3,344	3,078

	2026	2025
Number of extant Arm Total Access licences	56	44
Number of extant Arm Flexible Access licences	329	314
Average employees for the Company	3,765	3,346

Review of the business

The principal operations and activities of the Company are the licensing, marketing, research and development of CPU design intellectual property ('IP'), graphics processing unit IP, systems IP, compute subsystems ('CSS') and associated software, tools and other related services. In March 2026, Arm extended its offerings to include production silicon products with the introduction of the Arm AGI CPU.

The Company's revenues for the year ended 31 March 2026 were \$4,918 million (2025: \$4,003 million) comprising income from licensing Arm's technology designs, royalty fees on chips containing Arm's designs and the sale of development tools and services. Licence and other revenue increased primarily driven by continued strong demand for Arm IP, as well as fluctuations in timing and size of multiple high-value licence agreements and contributions from backlog into the current period from arrangements entered into in prior periods. Royalty revenue increased driven by an improved mix of products with higher royalty rates per chip, such as Armv9 technology.

Total operating costs for the year ended 31 March 2026 were \$4,197 million (2025: \$3,177 million). The following are key impacts for the year ended 31 March 2026 that, in combination, have resulted in a net increase in operating costs:

- Increases in research and development expenses related to investments in next generation products;
- Increases in salaries and related expenses as a result of headcount growth from hiring and higher share-based compensation costs; and
- Cloud services, IT expenses, engineering expenses, depreciation and amortisation, which was partially offset by an increase in research and development tax credits.

Profit before tax for the year ended 31 March 2026 was \$715 million (2025: \$789 million).

At 31 March 2026, the Company had total cash, short- and long-term deposits of \$2,881 million (2025: \$2,125 million) and total net assets of \$3,344 million (2025: \$3,078 million). The increase in total cash and deposits is primarily driven by cash generated from net income, proceeds from investing activities throughout the period, offset by greater investment in property, plant and equipment, intangible assets and changes in working capital through the normal course of business.

Arm Limited

Strategic Report (continued)

Future developments

The Company'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 Company intends to enter into licence agreements with new customers and to increase the range of new products supplied to existing customers. The Company continues to evaluate opportunities, potential investments and technical partnerships to develop new technologies and advanced products, and thereby expand beyond individual design IP elements to providing additional, more complete systems. This includes custom chips for specific applications, including, without limitation, RTL-based CSSs, GDSII-based CSSs, chiplets or complete chip solutions. For example, in March 2026, Arm announced the expansion of its compute platform into production silicon products with the introduction of the Arm AGI CPU. Relationships will continue to be established with vendors of third-party tools and software providers, to ensure that their products will operate with Arm's products.

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 Company. Performance of these metrics is considered both in the Review of the business above and this section. The Company's strategy enables key growth drivers that are measured on a regular basis.

Building the base of licences that will drive future royalties: The Company mainly licenses 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 2026, the Company saw continued 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, increased intensity of research and development ('R&D') investments from customers as they develop AI-enabled chips, increased deployments of Arm-based chips in data centres and new high-value licence agreements with customers. Arm considers the number of extant Arm Total Access and Arm Flexible Access licences as a key performance indicator as it represents the increasing collaboration between Arm and its customers, which could be a leading indicator to more chips being designed with Arm's products and, accordingly, more recurring royalty revenue in the future, improving long-term market share. As at 31 March 2026, the number of extant Arm Total Access licences was 56 (2025: 44) and extant Arm Flexible Access licences was 329 (2025: 314).

Investing in the Company's people and systems: the Company's people help design and deliver Arm's products to its customers, and support the ecosystem of companies which brings that technology to market. Arm's goal is to attract talent from graduates to seasoned industry experts. Arm invests in its people, developing them and providing a supportive culture to maximise their capability and potential. During the year ended 31 March 2026, the Company had an average of 3,765 employees (2025: 3,346). The growth in employees from the prior year reflects the Company's continued investments in developing AI-capable CPUs and related products.

Impact of geopolitical events on Arm's business performance

Ongoing conflicts around the globe, such as the war in Ukraine and conflicts in the Middle East, have had little direct impact on the business performance of the Company in the fiscal year ended 31 March 2026. The semiconductor industry can also be indirectly impacted through the disruption of global supply chains, increased cost of energy and raw materials and the potential impact to consumer confidence around the world. The continuing evolution of global trade policies, and uncertainty in trade relations between the US and the People's Republic of China, including the Hong Kong Special Administrative Region and the Macau Special Administrative Region, but excluding Taiwan (the 'PRC') and other major US trade partners, has caused, and could continue to cause, market disruptions and supply chain constraints. Given the concentration of semiconductor manufacturing in East Asia (particularly in Taiwan), any potential escalation in geopolitical tensions in Asia, particularly with respect to Taiwan, could significantly disrupt existing semiconductor chip manufacturing and increase the prospect of increased interruption to the semiconductor chip supply across the world. Arm continues to monitor the long-term demand for its products and will adjust its strategy accordingly.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties

The Company'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 Company are:

Arm faces intense competition and any change in the industry business dynamic may lead to loss of market share and/or reduction in value of Arm's products

The Company'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, value-added features that drive selling prices, and consumer demand for end-products.

The demand for new products, including those manufactured through third-party foundry partners and contract manufacturers, may be difficult to accurately predict

Manufacturing next-generation process technologies, such as the Arm AGI CPU, involves significant risks, including production timing delays, lower-than-anticipated manufacturing yields, and product defects and errors. Arm may inaccurately estimate demand or customers change orders, which may result in excess inventory or a failure to meet customer demand or achieve expected time to market. Qualification time for new products, customers anticipating product transitions, channel partners reducing channel inventory of prior architectures ahead of new product introductions, and customers delaying their adoption of new architectures may impact Arm's revenue. Arm may be unable to sell multiple product architectures at the same time. Arm's failure to execute architectural transitions as planned for any reason has and may in the future negatively impact Arm's financial results.

Arm's entry into production silicon exposes it to new manufacturing, supply chain, and inventory risks that differ materially from Arm's traditional IP licensing business. These include dependence on third-party foundry partners and contract manufacturers, the potential for manufacturing defects or quality control issues, significant upfront capital commitments and purchase obligations, inventory management challenges, complex supply chain dependencies on memory suppliers, supply chain disruptions, price volatility in manufacturing inputs and increased working capital requirements.

Arm's development of production silicon products, such as the Arm AGI CPU, compute subsystems ('CSS'), chiplets, complete end chip solutions, and other more integrated compute products may subject Arm to new or enhanced risks

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. This has resulted in Arm allocating resources to, and exploring, new markets and/or different products and solutions for existing and prospective customers in various end markets. Arm intends to continue allocating resources and engaging with its ecosystem partners to explore the viability and development of new products. Any products or solutions that constitute an entry into new markets or offerings of different solutions may be unsuccessful for any number of reasons.

As with any company entering a new market or offering new products or solutions, Arm will compete with companies that have a more established presence, long-standing customer relationships and established brand awareness or may have significantly greater resources dedicated to such markets and solutions than Arm. Further, Arm's customers may prefer to continue integrating Arm's IP components in their products and solutions, and, therefore, Arm's more integrated compute products may not be adopted by customers on Arm's expected timeline or at all.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

To the extent any such developments in Arm's product offerings, and other future changes to Arm's products and services, create real or perceived conflicts with companies that are important to Arm's business, such customers or partners may terminate or materially reduce their relationship with Arm, seek alternative architectures or products from competitors, develop their own proprietary architectures, withhold sensitive roadmap information, reduce collaboration, challenge Arm's pricing models or demand more favourable terms, or pursue legal action. Arm may also be subject to greater regulatory scrutiny.

Failure to adequately fund research and development efforts may materially impair Arm's ability to compete effectively

To remain competitive, Arm must continue to innovate and develop new products, applications and enhancements to existing products and services, particularly as next-generation technology is adopted by market participants. Allocating and maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the evolving demands of the market is essential to Arm's continued success.

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

In the year ended 31 March 2026, Arm derived approximately 57% of total net revenue from its top five customers (including Arm China and SoftBank Group Corp.) (2025: 56%). 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 Company may be involved in litigation and intellectual property disputes

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 Arm 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.

Arm maintains and supports an active programme to protect its intellectual property, primarily through the filing of patent applications. The Arm 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 is 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 is involved in pending litigation, including, but not limited to, lawsuits with Qualcomm Inc. and Qualcomm Technologies, Inc. (together 'Qualcomm') and Nuvia, Inc. ('Nuvia'). 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 alleging that, inter alia, Qualcomm and Nuvia breached the termination provisions of Nuvia's Architecture Licence Agreement (the 'Nuvia ALA') with Arm by failing to destroy technology Nuvia developed under the Nuvia ALA, which Arm terminated in March 2022 based on Nuvia's failure to obtain Arm's consent to the assignment of the Nuvia ALA to Qualcomm.

Arm's complaint sought, among other things, specific performance of the Nuvia ALA termination provisions to require Qualcomm and Nuvia to stop using and to destroy the relevant Nuvia technology, and to stop their improper use of Arm's trademarks with their related products. The claims were tried to a jury in December 2024. The jury failed to reach a complete verdict on the three issues presented to it. The jury concluded that certain technology was licensed to Qualcomm under the Qualcomm licence and that Qualcomm had not breached the Nuvia ALA but failed to reach a verdict on whether Nuvia breached the Nuvia ALA.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

Both parties filed post-trial motions seeking judgement as a matter of law, and Arm also sought a new trial on the issues that were tried. On 30 September 2025, the Court affirmed the jury verdict on the issues on which it reached a conclusion and granted Qualcomm judgement as a matter of law in its favour to conclude that Nuvia did not breach the Nuvia ALA. Arm have filed an appeal with the United States Court of Appeals for the Third Circuit, which is currently pending.

On 18 April 2024, Qualcomm brought a new action in Delaware against Arm Holdings plc asserting claims that were rejected for inclusion in the original action. In this new action, Qualcomm asserted that Arm failed to satisfy certain delivery obligations under the Qualcomm ALA. On 16 December 2024, Qualcomm amended its complaint to add allegations relating to an Arm notice of breach of the Qualcomm ALA and related tort and anti-competition claims. In 2025, Qualcomm amended its complaint again to add claims relating to an alleged breach of Qualcomm's Technology Licence Agreement.

On 7 January 2026, Qualcomm's motion seeking to add the Company, Arm Holdings plc's wholly-owned subsidiary through which Arm has historically conducted its business, to the April 2024 lawsuit was denied. Subsequently, Qualcomm filed a separate lawsuit against the Company seeking to make the April 2024 lawsuit's allegations against the Company. In March 2026, the lawsuit against the Company was consolidated with the April 2024 lawsuit against Arm Holdings plc. On 30 March 2026, Qualcomm filed an amended complaint against only the Company seeking to add another breach of contract claim. Arm have moved to strike this new claim. Arm disagrees with the assertions made by Qualcomm (as referred to above) and intend to vigorously defend against them. The case is expected to go to trial in the fourth calendar quarter of 2026.

Further, Arm is subject to antitrust laws and regulations in multiple jurisdictions, which could and has from time to time subjected it to investigations by antitrust regulators.

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

Arm could become a victim of a cyber-attack, security breaches or similar incidents to defraud the Company

Security breaches, computer malware, phishing and cyber-attacks have become more prevalent and sophisticated in recent years, including targeted attacks driven by AI tools. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These increasing threats are being driven by a variety of sources, including nation-state sponsored espionage and hacking activities, industrial espionage, organised crime, advanced persistent threat actors, and hacking by groups and individuals. Bad actors may penetrate security controls and misappropriate or compromise confidential information, including that of employees or third parties. Arm's increased usage of AI internally may create new attack surfaces or methods for bad actors and may increase the risk of unintended transmission of proprietary information. These attacks may create system disruptions or cause shutdowns. These actors may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in Arm's products. For portions of Arm's IT infrastructure, including business management and communication software products, Arm 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 Arm's systems. Actual or perceived breaches of security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about Arm, its partners, customers or third parties could expose Arm 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.

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

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 significant effort 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.

Arm recognises that the risk of a security breach or other cyber incident cannot be fully eliminated and therefore has 24/7 detect and response capabilities, should a cyber-attack materialise. This allows Arm 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.

Arm relies on its management team and may have difficulty in attracting and retaining qualified talent, which could harm Arm's business

Arm's future success depends largely upon the continued service of key management and key technical talent, and on the ability to continue to identify, attract, retain and motivate them. The Arm Group is particularly dependent on its senior management team, including Mr. Haas, its Chief Executive Officer, Mr. Child, its Chief Financial Officer, Mr. Collins, its Chief Legal Officer, Mr. Grisenthwaite, its Chief Architect, and other key employees. In April 2026, Mr. Haas was appointed as Chief Executive Officer of SoftBank Group International ('SBGI'), which manages certain portfolio companies of the Group's controlling shareholder, SoftBank Group Corp. Mr. Haas's role at SBGI is expected to be limited and part-time. Mr. Haas will continue to serve as Arm's Chief Executive Officer and a member of Arm Holdings plc's Board of Directors. This strategic appointment seeks to strengthen the integration between Arm and certain portfolio companies of its controlling shareholder, SoftBank Group Corp., focusing on accelerating artificial intelligence and semiconductor strategies. Although policies and procedures are in place to address any conflict of interest between Arm, SoftBank Group Corp. and/or any of its affiliates, this arrangement may lead to competing demands for Mr. Haas's time and attention, and may have an adverse effect on the Arm Group's business and subject it to increased legal, governance, accounting, regulatory, operational risks and unforeseen conflicts.

In addition, implementing the Company's business strategy requires specialised engineering and other talent, as Arm's revenues are highly dependent on technological and product innovations. The market for talent in the industry is very competitive. A number of competitors for talent are significantly larger than the Company and may be able to offer compensation in excess of what Arm is able to offer.

Further, both existing and evolving immigration laws in certain countries can make it more difficult for the Company 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 talent across engineering and management teams.

Arm 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 Company'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:

Arm Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

- 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;
- 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 Arm's business and have a negative impact on revenues. For example, the recent resurgence and escalation of trade conflicts between the US and China and other major US trade partners may 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.

Further, the US and UK have trade and national security policies regarding exports to China and certain countries that the US Government suspects are supplying the PRC of technology with potential advanced compute, AI, advanced node semiconductor applications, or military uses that would require Arm to obtain export licenses for certain processors, which can be difficult to obtain. Although Arm's inability to sell such high-performance computing ('HPC') or advanced compute processors into China has not had a material impact on Arm's business to date, future restrictions on sales of our products into China could have a material adverse impact on Arm's business.

Arm has installed a compliance program to ensure adherence to various trade laws. Combined with customer need for certainty, Arm has been able to address customer demand by licensing other CPU cores that do not exceed the HPC performance or advanced compute export control thresholds but yet still present a compelling solution.

Arm's business and operating results could be affected by global economic conditions and events outside of its control

Arm could be impacted by adverse changes in global economic conditions, including fluctuating inflation and interest rates, a sustained global semiconductor shortage, supply chain disruptions and any disruptions of international trade relationships, or new or continued conflicts. Arm is also vulnerable to events outside of its control, including extreme weather events, power loss, telecommunications failures, public health crises, political instability, geopolitical turmoil, any sanctions, export controls or other restrictions. Such events or changes in global economic conditions could also materially adversely affect Arm's ability to operate and supply products to its customers. Due to economic uncertainties in many of Arm's key markets, customers of Arm and their customers may delay, suspend or reduce their purchases and investments or delay payment to Arm. Economic conditions may continue to deteriorate in the future which could result in reduced demand for Arm's products and decreased licensing fees and royalty revenue.

Arm Limited

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 2026 ('FYE26').

Throughout FYE26, 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 Report found at page 19. The Board regularly addresses the topic of stakeholder engagement, including at Board meetings. 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 whilst maintaining appropriate governance and risk oversight.

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

Culture and Organisational Changes

In Q1 FYE26, Arm's new 10x Mindset was launched to better align with Arm's strategy and foster a high challenge, high support culture. In Q3, to further progress on Arm's strategy, Arm's four Lines of Business were consolidated into three Business Units focused on Cloud AI, Physical AI and Edge AI.

Customer Engagement Model

Arm previously implemented a new three-tier customer engagement model in FYE25, aiming to optimise customer interaction and deliver greater value to customers. As part of this, Arm remodelled its dedicated customer teams to focus on building stronger alliances and deeper partner relationships. During FYE26, Arm continued to elevate and develop partner support capabilities, defining strategic priorities to drive impact throughout FYE26 and into FYE27, which included supporting Arm's next-generation products and advancing Arm's self-service capabilities.

Approach to Stakeholder Engagement

The Company's approach to stakeholder engagement is consistent with the overall approach for the Arm Group.

The Board monitors stakeholder engagement activities carried out by dedicated teams that manage relationships with customers, partners, investors, governments, communities, and Arm's people to ensure that those stakeholders' 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 of Arm Holdings plc ('PLC') and the Company maintain oversight of Arm's wide-ranging stakeholder engagement activities, they have delegated day-to-day responsibility for stakeholder engagement to the Arm Leadership Team (formerly known as the Executive Committee).

The Arm Leadership Team comprises of Arm's Chief Executive Officer (the 'CEO') and members of senior management who are each appointed to the Arm Leadership Team by the CEO. To allow the Board to monitor stakeholder activities, it receives regular extensive updates from the Arm Leadership Team (which includes members of the Board) including in the form of Board 'pre-reads' ahead of Board meetings.

Arm's key stakeholders include its shareholders, people, suppliers, customers, investors, partners, governments and the local communities in which it operates. Engaging actively and meaningfully with these groups, and genuinely caring about their interests and success, lies at the heart of Arm's culture and its 10x Mindset.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

This Mindset was newly introduced in FYE26 to better drive Arm's strategy and foster a high challenge, high support culture. Replacing Arm's Core Beliefs, the 10x Mindset is underpinned by ten key factors which encourage its people to reimagine what it means to work individually and together, and to think bigger and aim higher, working with urgency to deliver Arm's strategy as One Arm. Arm's 10x Mindset has also been anchored in Arm's updated Code of Conduct. Please refer to the Corporate Governance Report on page 19 for further details.

Arm's business is stronger because its boards and management understand how Arm's strategy impacts stakeholders, and because these values are embedded across its global organisation. Key engagements with Arm's people in FYE26 included Arm's Quarterly Business Updates ('QBUs') where the CEO and the Arm Leadership Team updated the business on financial and business performance, strategic developments and other group news. In addition, regular Q&A sessions were hosted and led by members of the Arm Leadership Team (acting under their delegation from the PLC board and the Board). Arm also conducted its annual Life at Arm survey to assess engagement and identify areas to improve the experience of its people. Supplier and partner engagement, guided by Arm's Supplier Code of Conduct, included regular review meetings with partners and Arm's first Supplier Summit in FYE26, and was further reflected in Arm's continuous focus on its 'Responsible Procurement Strategy' and conversations with suppliers about their carbon footprint, as further detailed under s.172(1)(c) below.

As a result of the Board's monitoring and oversight of these engagement activities, 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 Report.

Standards of Business Conduct

To maintain high standards of business conduct through the leadership and oversight of the Board, the Company supports PLC in maintaining, reviewing and monitoring engagement with a number of compliance policies to ensure they remain relevant to Arm, its people and partners, and compliant with applicable legislation. These policies include the Code of Conduct, which underpins Arm's operation as an employer, partner and as a business. PLC's board has established the standards set forth in the Code of Conduct and, directly or through the Chief Compliance Officer, oversees and monitors its compliance. The Company forms part of that reporting framework and thereby supports PLC with maintaining these standards. During FYE26, Arm's Code of Conduct was updated to align it with Arm's newly introduced 10x Mindset and to ensure that it accurately reflects the risks applicable to Arm in the ever-evolving environment it operates in.

s.172(1)(b) The interests of the Company's employees

Culture, 10x Mindset and Feedback

The Board recognises the crucial importance of the Company's workforce and their perspective, which the Company demonstrates through its People Strategy, including its 10x Mindset. This is anchored in Arm being a high challenge, high support working environment; ensuring everyone's work is valued, that the Company has a welcoming and inclusive culture that allows individuals to make a full contribution to its success, rewarding individuals competitively and equitably, and fostering an environment which encourages career progression and continuous development. To continue advancing these ambitions, the Arm Strategy Meeting took place in September 2025 with 130 of Arm's senior leaders from across the Arm Group attending to discuss and align on the Arm Group's strategy and to build networks across teams. Arm also held several global conferences, such as the Global Commercial Conference and the Global Engineering Conference, which brought together over 260 and 1,200 attendees across the Arm Group, respectively. Throughout FYE26, Arm continued to hold "Big Picture" events designed to introduce new joiners at Arm to Arm's culture and business strategies, and to provide an opportunity to network.

The launch of the 10x Mindset in particular has been central to Arm's ambitions with respect to its people. To support the implementation of the 10x Mindset, Arm introduced the 10x Series, a series of development modules, intended to deepen understanding of the 10x Mindset across the Arm Group.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

The Arm Leadership Team also released videos, set up a dedicated SharePoint hub, introduced manager collaboration sessions and Ask Me Anything sessions, and encouraged all Groups to have conversations and engage with the 10x Mindset. Throughout FYE26, Arm has been focused on embedding the 10x Mindset across all stages of the people lifecycle, from hiring, onboarding and developing talent to impact assessments and promotion decisions.

Arm's people are encouraged to report concerns and raise questions through multiple channels including via ongoing Q&A sessions with members of the Arm Leadership Team, including with the CEO, and other senior leadership. Arm also holds company-wide QBUs which continue to be attended by over 4,000 individuals from across Arm, reflecting continuous interest and engagement amongst Arm's people with Arm's strategy and performance. During these sessions, the Arm Leadership Team provides updates on business performance, strategy and important aspects of life at Arm such as reward and Arm's culture. QBUs also include Q&A sessions allowing people from across the Arm Group to raise questions directly with, and to hear answers directly from, the Arm Leadership Team.

Other channels for Arm's people to raise concerns or issues include reporting directly to their manager, the People Team via the Hub, via the Ethics and Compliance Team or through an anonymous, global 'Raise a Concern Helpline' which is available to everyone at Arm.

As in previous years, the Arm Leadership Team was keen to visit as many Arm offices as possible throughout FYE26. Offices visited by the Arm Leadership Team included: in EMEA, Budapest, Cambridge, Galway, Lund, Manchester, Munich, Sophia Antipolis and Trondheim; in APAC, Bengaluru, Shanghai, Taipei and Yokohama; and in the US, Austin and San Jose. Arm also opened several new offices in FYE26 to support a growing workforce and enhance the experience of its people. These spaces are designed to support collaboration and productivity, and to help attract and retain talent. They have been developed in line with Arm's Inclusive Design Guide, supporting accessibility and inclusion across the organisation.

This year, Arm'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%, reflecting continued strong sustainable engagement. 96% of Arm's people reported they were proud to work for Arm. In 2025, Arm was also ranked as the number one Best Place to Work out of a list of the UK's largest companies (those with over 1,000 people). The Best Places to Work list is compiled annually by Glassdoor, based on reviews shared by current and former colleagues, and is a great recognition of the culture being built at Arm. Arm also celebrated its inclusion in the 2025 TIME100 Most Influential Companies list, serving as a powerful recognition of Arm's role in the AI and technology transformation.

These continuous engagements and interactions 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 people. The Board regularly and extensively monitors and considers its people's views gathered through the workforce interactions described above, reporting to PLC as required.

Performance Management

Following changes to the 'myImpact' process in FYE25, Arm has continued to manage performance by ensuring that everyone has at least one annual goals conversation and a development conversation with their manager anchored in the 10x Mindset.

Health and Wellbeing

Arm is continuously looking to improve the health and wellbeing of its people. The safety and welfare of its people, as well as contractors and visitors, remain key priorities and shared responsibilities across its global workspaces. Arm seeks to promote physical, mental and financial wellbeing by offering a wide range of in-person and virtual services, supported by campaigns that raise awareness of key wellbeing topics. In FYE26, Arm's new Reward Hub was launched across its global organisation, which is intended to enable people across the Arm Group to understand and access the complete portfolio of wellbeing services available within Arm or through external benefits providers, including the partnership with Walking on Earth ('WONE'), a global wellbeing platform which supports proactive mental wellbeing, the Employee Assistance Program ('EAP'), and Genius Within, which supports individuals who identify as neurodiverse.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

Arm also organises specialist trainings, such as a 3-module program on building team resilience as part of the 10x Series, and a quarterly coordinated 'Day of Care', where everyone in Arm takes the same additional days off work to focus on their wellbeing, as well as mental and physical health awareness campaigns such as 'Movember'. Details of the Company's wellbeing initiatives and campaigns were regularly relayed to the PLC board, thus ensuring its continuous oversight of Arm's people engagement and allowing it to monitor progress made in improving workers' health across Arm's global organisation.

Culture and Organisational Changes

As mentioned under s.172(1)(a) above, during Q1 FYE26, Arm's new 10x Mindset was launched to better align with Arm's strategy and foster a high challenge, high support culture. In Q3, to further progress Arm's strategy, Arm's four Lines of Business were consolidated into three Business Units focused on Cloud AI, Physical AI and Edge AI.

Equity and Inclusion

Arm knows that diverse teams drive innovation and creativity, excel at solving complex problems and make better decisions. The Company and PLC, along with the Arm Leadership Team, are committed to fostering a culture of inclusion at Arm in which representation matters, its people are valued, different perspectives are heard and everyone's skills are fully utilised.

Further details of Arm's people initiatives are provided in section (d) *The impact of the Company's operations on the community and environment* of this Section 172 statement.

Remuneration

Arm introduced its Employee Stock Purchase Plan ('ESPP') in September 2024, providing another way to remunerate its people by providing those eligible with the opportunity to purchase shares or American Depositary Shares ('ADSs') at a discounted price. In FYE26, the first purchase period under the ESPP was completed.

Arm also launched its new global Reward Hub, marking the first time that every region across Arm's global organisation has access to an online tool showing individuals' total compensation and benefit information in a single place.

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

Arm 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 for FYE25, as approved by PLC's board, which is available on Arm's website at arm.com/company/sustainability/read-our-reports. Further details of the various Arm policies are provided within the Corporate Governance Report and are also available on Arm's website at arm.com/company/policies.

Engagement

In FYE26, Arm continued to engage with its suppliers, customers and partners to ensure its 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 continuing 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

During FYE26, Arm continued to recognise the importance of adapting its customer engagement model to better serve its customers, having implemented a new three-tier system in FYE25 to optimise interactions and value delivery.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

Building on this framework during FYE26, Arm's three-tier coverage model continued to deliver strong results by optimising interactions and value delivery. The dedicated teams set up during FYE25 to strengthen partner relationships with a number of customers have continued to enable Arm to tailor support methods to the strategic needs of its partners throughout FYE26, allowing Arm to systematically recognise and prioritise their needs.

Arm continues to offer regular, structured review meetings with its partners, including key customers, in the form of strategic management reviews and technical reviews, as well as regular calls with customer account teams. In August 2025, Arm hosted its 35th Annual Partner Meeting ('APM') as an opportunity to continue to build and develop face-to-face relationships with customers.

Throughout the year, Arm organised a range of Tech Symposia events, with Arm Leadership Team members and other senior managers attending, allowing customers, investors and other key industry players and experts to come together to foster meaningful partnerships. Details of the Arm Leadership Team's engagements were provided to the PLC board to allow it to monitor continuous stakeholder engagement by the Arm Group.

In addition to events, Arm diligently monitors key performance metrics to drive continuous improvement of its partner experience. This involves a systematic analysis of customer feedback, support interactions, and product usage data to identify areas for enhancement. By measuring customer satisfaction scores, net promoter scores, and retention rates, Arm gains valuable insights into the customer journey. This data-driven approach allows Arm to make informed decisions, tailor its services to better meet customer needs, and implement changes that lead to higher quality standards. The results of such metrics are provided to, and discussed with, the PLC board.

Suppliers

Arm's Procurement Transformation programme, which was implemented in FYE25, is focused on delivering increased controls and compliance and ensuring the ongoing delivery of value throughout the supply chain. During FYE26, a new tail-spend master vendor solution was launched to streamline supplier set-up and payment for Arm's low-spend suppliers. Furthermore, Arm's supply chain risk management tool was further expanded to additional suppliers.

As a technology leader, Arm's business practices reflect its core values of fairness, honesty 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. Arm expects all of 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 and to all of Arm's suppliers globally. Throughout FYE26, Arm continued embedding the processes, controls, performance, risk management and general practices contained within the Arm Supplier Code of Conduct across its business. This included ensuring that Arm continued to evolve its supplier performance and relationship management capabilities, which enable it to be vigilant and actively consider steps that could be taken to mitigate key risks.

Arm continues to apply mandatory third-party verified self-assessments against the Arm Supplier Code of Conduct for select suppliers providing certain types of products, goods and or services, or for specific spend thresholds. Arm also reserves the right to undertake audits of suppliers in accordance with 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 requires its suppliers to comply with all applicable legal and ethical standards. During FYE26, the Board received a briefing on the new corporate criminal offence for failing to prevent fraud by associated persons under the Economic Corporate Crime and Transparency Act ('ECCTA') 2023, which came into force on 1 September 2025.

Arm's suppliers 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.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

To foster 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 in compliance with applicable regulations, and which are transparent, fair, ethical, environmentally friendly and socially responsible.

The emphasis on meaningful conversations with suppliers continued throughout FYE26. Arm Procurement held its first Supplier Summit in Q2, which focused on how Arm can collaborate with its most critical suppliers to drive forward progress on Arm's sustainability strategy. Over 130 representatives from 75 suppliers attended keynote presentations, panel discussions, and breakout sessions. Building on the success of this summit and to maintain the momentum established through this initiative, Arm is in the process of organising a second supplier summit alongside an award programme recognising ESG impacts.

Based on the annual CDP Supply Chain questionnaire, which Arm issued to 242 suppliers in FYE26, Arm has gathered carbon emissions data covering 93% of its annual spend in relation to FYE25. This has enabled Arm, including the Company, to start engaging in discussions with suppliers who contribute most to Arm's Scope 3 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.

Whilst PLC oversees sustainability-related matters such as these and has delegated authority to Arm's Sustainability Committee to set sustainability targets and review Arm's performance against these, to maintain oversight of the Company's sustainability-related matters, the Board receives regular updates on these activities as part of its Board pre-reads mentioned above. Further details on Arm's climate and sustainability work are provided in Arm's FYE25 Sustainable Business Report available on Arm's website at arm.com/company/sustainability.

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

Community

'Team Arm' is Arm's community volunteering and giving program, designed for Arm's people to act on social and environmental causes, delivered in partnership with charitable organisations. Everyone at Arm can use half a day each month of company time to volunteer.

During FYE25, Arm launched a group-wide year-long campaign – the 'One Million Minutes' campaign – designed to boost the wellbeing of Arm's people, thus supporting productivity and helping to maintain Arm's high-performance culture. The One Million Minutes campaign challenged colleagues to collectively track one million minutes of volunteering time for Arm's local communities. This ambitious goal was reached three months early in June 2025, having supported over 300 charities.

Arm continued to encourage its people to volunteer so as to exceed its original goal. By the end of the campaign in September 2025, 3,346 volunteers across the Arm Group had spent a total of 1,380,000 minutes working with charitable organisations, reflecting a 111% increase in volunteering time and a 194% increase in the number of volunteers compared against the same period in FYE25.

Team Arm has a strategic focus on supporting young people from underserved and underrepresented backgrounds to build their knowledge and enthusiasm for science, technology, engineering and mathematics ('STEM').

Key partnerships supporting Team Arm's strategic focus in FYE26 included FIRST Robotics, the Micro:bit Educational Foundation (a not-for-profit organisation supporting children to engage with digital technology), Uptree (a careers network for sixth-form students in the UK) and the Cambridge Science Centre.

In June 2025, Team Arm's partner FIRST, a global robotics community, hosted their UK Championship at the Copperbox Arena in London. More than 500 students from 64 teams competed, supported by 25 Arm volunteers, with Arm's Chief People Officer and executive sponsor addressing the attendees in person. FIRST Global reported that Arm's funding enabled six Equity and Access grants reaching around 100 students, most of which were awarded to economically disadvantaged teams.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

In FYE26, Team Arm also supported the delivery of the Aston Martin Aramco Formula One Team's 'Make a Mark' event. Alongside Cognizant, Xerox, Citi and Elemis, Arm welcomed over 300 students to the Aston Martin Technology Campus for two days. This included guiding 200 students aged 14 to 17 through a session on gesture-recognition AI using Micro:bits and a session delivered by FIRST, which asked students to use hardware, software, teamwork and innovation skills during a robotics challenge, with both sessions supported by Team Arm Volunteers.

To maintain oversight of the Company's community engagement, the Board received regular updates on these activities as part of its stakeholder engagement materials, as mentioned below.

Arm Education

The mission of Arm Education and Academic Engagements is to help close the education, skills and research gaps in Computer Engineering, Informatics and STEM for the benefit of the scholarship and wider society. By drawing on Arm's technological expertise, innovation and partner ecosystem, it provides content, training, connections, technologies and know-how to help teachers, researchers and learners achieve their objectives. To assist with this, Arm continued its Semiconductor Education Alliance, which addresses the challenges of finding talent and upskilling the existing workforce by offering education programmes and initiatives, preparing competency frameworks, training pathways, resources, and services to build and support future talent pools. Arm also unveiled the Arm EducateAI Coalition through which it works with partners to deliver AI education, training and opportunities to students and teachers in support of the White House AI Pledge, which Arm signed alongside 100 other organisations.

Moreover, the Arm School Program has provided training on the effective use of physical computing in the classroom to over 10,000 teachers through partnerships with organisations including India's Central Board for Secondary Education, the Computer Science Teachers' Association in the US, the Computing At School organisation in the UK and free-to-access online courses on EdX.org.

Environment

Arm's sustainability performance focuses on social and environmental impact, working collaboratively with a wide range of partners. Arm aims to reduce the environmental impact of its operations and enable the technology ecosystem to do more with less through its power-efficient compute platform. Arm's 2030 carbon reduction goal guides its operational efforts, and Arm is committed to environmental transparency across its value chain.

Arm has committed to cutting its absolute Greenhouse Gas ('GHG') emissions by 50% by FYE30 from a FYE20 baseline across all emissions sources (Scopes 1 and 2, and the six categories of Scope 3 relevant to Arm) in line with a 1.5°C climate pathway and the Paris Agreement. Arm's Sustainability Committee, with delegated authority from the PLC board, reviews Arm's carbon and energy performance against its targets and considers future targets. The Committee meets annually, is chaired by the Head of Sustainability, and reports into the Arm Leadership Team via the Chief People Officer.

Arm has set individual targets in FYE20 to meet this carbon emissions reduction target by 2030, including:

- Sourcing 100% of electricity consumption from renewable sources by the end of FYE23 to achieve Arm's RE100 commitment; and to maintain this position post FYE23 to FYE30. Since FYE23, 100% of Arm's electricity consumption has come from renewable sources;
- Achieve a 7% absolute reduction in emissions from business travel by FYE30 against a FYE20 baseline; and
- Achieve a 42% absolute reduction in its supply chain emissions by FYE30 against a FYE20 baseline.

Arm Limited

Strategic Report (continued)

Section 172 statement (continued)

As reported in Arm's Sustainable Business Report for FYE25, Arm achieved a 76% reduction in emissions versus its 2020 baseline as well as a 100% usage of renewable electricity. Further details on Arm's climate-related financial disclosures are provided in its Sustainable Business Report available at arm.com/company/sustainability.

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

Arm aims to engage with its stakeholders to help meet its targets by increasing awareness of its environmental policy with its people, contractors, external suppliers and customers to encourage their adoption of environmental best practices.

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

s.172(1)(f) The need to act fairly as between members of the Company

Shareholder Engagement

Given the various corporate governance arrangements put in place to support PLC as the principal governance body for the global Arm Group, the Company, as a wholly owned subsidiary of PLC, benefits from: (i) the flow of information, updates and reporting between the PLC board and the Board, and (ii) the direct interaction and engagement from PLC regarding the wider stakeholders, and including the Company's subsidiary entities, to ensure that their views, concerns and interests are considered by the Board during decision-making processes.

Going concern

The Company reported an operating profit of \$545 million and profit before tax of \$715 million for the year ended 31 March 2026 and at 31 March 2026 had no external debt finance, net current assets of \$2,284 million and a cash and cash equivalents balance of \$2,031 million.

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. 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:

Signed by:

Jason Child

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J Child

Chief Financial Officer

Date: 26 May 2026

Arm Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2026.

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 31.

Research and development

Development of IP is at the heart of the Company's activities and the majority of the Company'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 Company collaborates closely with universities worldwide.

Arm's engineers are involved in researching and developing new versions of processor cores, specialist processors, such as graphics IP and AI accelerators, System IP, and compute subsystem technology as well as related software and tools applications. Management continually evaluates opportunities to innovate and develop new products and services to meet market demand and new market opportunities including the development of production silicon products, such as the Arm AGI CPU, CSS, chiplets, complete chip solutions and other more integrated compute products. Arm intends to continue allocating resources to, and exploring, new markets and/or different products and solutions for existing and prospective customers in various end markets.

The income statement charge for the year ended 31 March 2026 for R&D was \$3,021 million (2025: \$2,192 million).

Financial risk management objectives and policies

The Company's financial risk management is carried out under policies approved and authority delegated by the Board of Directors and the Arm Group. The main financial risks faced by the Company and management of these risks include market risk (foreign exchange, interest rate, inflation, share price), credit risk and liquidity risk.

Market risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates, interest rates, inflation rates and share price movements. The Company uses foreign exchange forward contracts to hedge foreign currency exchange rate risk and does not use derivative financial instruments for speculative purposes.

Credit risk

The Company's principal financial assets are cash and deposits, and trade and other receivables. It is exposed to credit risk on these balances to the extent a counterparty or customer does not meet its obligations under agreements in place.

The Company's credit risk on cash and deposit assets is managed through financial policies which require these assets to be held with approved investment grade counterparties. The Company has counterparty credit limits in place to minimise the concentration of risk and monitors the exposure, credit rating, outlook and credit default swap levels of these counterparties on a regular basis.

The Company's credit exposure on trade receivables is managed with various mitigating controls, including credit checks. Other than certain balances with Arm China (note 32), the Company has no significant individual concentrations of credit risk. The amounts presented in the balance sheet are net of expected credit losses.

Arm Limited

Directors' Report (continued)

Liquidity risk

The Company would be exposed to liquidity risk if it were unable to meet financial obligations, as they fall due, arising from a lack of available funds.

The Company manages its liquidity risk by continually monitoring short and longer term cash flow forecasts. Cash is held in highly liquid instruments, such as money market funds, to ensure there is sufficient cash available to meet obligations as they fall due.

Dividends

No dividends were declared or paid in either of the fiscal years ended 31 March 2026 or 31 March 2025.

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:

C Eaton
J Child
R Grisenthwaite
S Collins

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 Company engages with suppliers, customers and others is contained within the Strategic and Corporate Governance Reports.

Political donations

No political donations or contributions to political parties, as defined under the Companies Act 2006, were made during the fiscal year.

Streamlined Energy and Carbon Report ('SECR')

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require large companies to provide streamlined energy and carbon reporting ('SECR') in their annual report.

The Company is a qualifying subsidiary of Arm Holdings plc and has taken the exemption, under Paragraph 20A, part 7A of Schedule 7 of the legislation, to not disclose this information in the Company annual report. The relevant disclosures are presented within Arm Holdings plc's Directors' Report.

Arm Limited

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 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 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:

Signed by:
Jason Child
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J Child

Chief Financial Officer

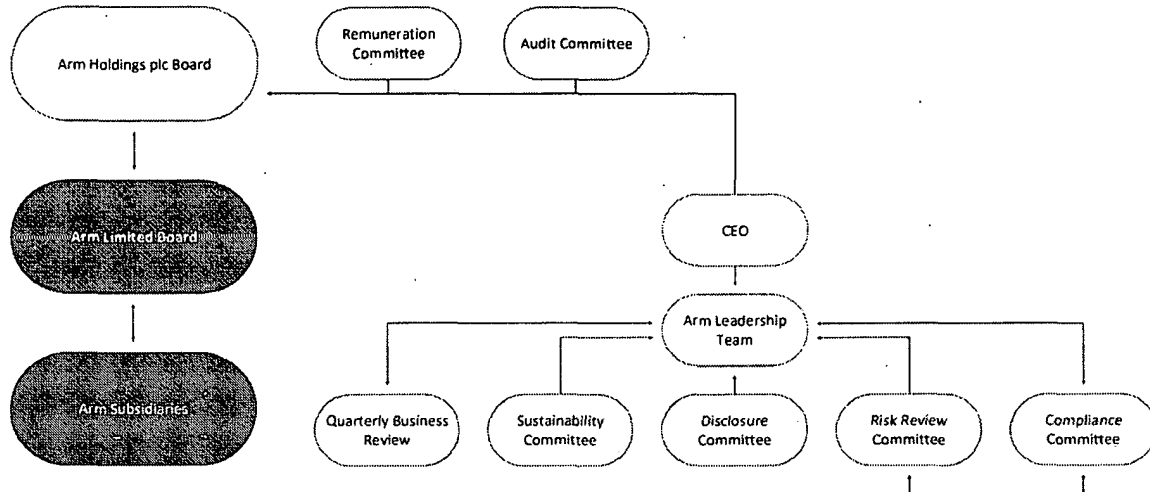
Date: 26 May 2026

Arm Limited

Corporate Governance Report

The Company is the principal subsidiary within the Arm Group, playing a key role within the Arm governance framework.

Overview



The Board

The Company is managed under the direction of the Board of Directors (the 'Board'), whose primary responsibility is to protect and promote the best interests of the Company by providing advice, counsel and oversight and management of the activities of the Company and its subsidiary entities. The approval of the composition of the Board, and the nomination of the directors on the Board, is a matter reserved to PLC. The Board consists of members of the Arm Leadership Team.

The Board ensures alignment of decision-making with PLC, including by reference to the Arm Group operational procedures, policies and reporting requirements, whilst preserving the validity of the Board itself and the Company's subsidiary entities' boards. Furthermore, the Board oversees the management of the Company and is responsible for its success, 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 sole shareholder.

During FYE26, the Company continued to ensure that the Board had the requisite skills, experience and diversity appropriate for a wholly owned subsidiary engaged in the Company's activities.

Corporate Governance Framework

The Board provides oversight and management of the activities of the Company and its subsidiary entities. The governance of PLC, the Company and other members of the Arm Group is set out in the Arm Group Governance Framework (the 'Framework') comprised of the Corporate Governance Principles, Articles of Association and, where appropriate, Committee Charters. The structure is also reflected in the various Arm Group governance policy documents including a code of conduct (the 'Code of Conduct') (as required by the Nasdaq Rules) and a subsidiary governance policy (the 'Subsidiary Governance Policy'). The Code of Conduct supports PLC, and in turn the Board, in managing the business in a way that is consistent with responsible business practices and Arm's 10x Mindset. 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.

PLC and the Company consider that the Framework, together with the requirements of the UK Companies Act 2006 ('CA 2006'), US securities laws and the Nasdaq Rules, together provide a sufficiently robust set of governance guardrails within which PLC and the Company have established prudent governance processes and procedures and therefore Arm has not formally adopted a corporate governance code. It also considers the applicable requirements of the Nasdaq Rules to be akin to a formal code.

Arm Limited

Corporate Governance Report (continued)

As part of the Framework, and where appropriate, the Board delegates certain reserved matters relating to overarching strategic and operational decisions to PLC and the Arm Leadership Team. In addition, the Board delegates to nominated groups or individuals certain specific powers or decisions and/or day-to-day operations, whilst continuing to maintain oversight of delegated matters. The PLC board continues to periodically review the list of PLC-reserved matters to ensure it remains in line with its management of the business.

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

The Directors receive training on an ad hoc basis to support them in fulfilling their responsibilities as Directors and to ensure their familiarity with the Framework. The Directors also receive periodic training to maintain their awareness of the CA 2006.

Board Composition

As at the end of FYE26, the Board is composed of four directors, three of whom were appointed in 2023 and one of whom was appointed in 2024. The Board consists of members of the Arm Leadership Team.

Board Diversity

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

The Company believes that the diversity of viewpoints and collective experience of its Directors makes the Board well positioned to manage the activities of the Company and its subsidiary entities.

New director surveys, introduced in FYE23, consist 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, 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.

Purpose, values and culture

The management and business of Arm is guided and based on the Code of Conduct, which is foundational to Arm's 'North Star' of building the future of computing, on Arm. Together. For everyone. In FYE26, Arm launched its new '10x Mindset' framework reflecting an updated set of guiding principles underpinning the Code of Conduct and laying a new foundation for how Arm and its people act and deliver in view of the continuous transformation of Arm. Replacing Arm's Core Beliefs, the 10x Mindset sets clear expectations for Arm and its people across the Arm Group. Underpinned by ten key factors, the 10x Mindset aims to encourage Arm and its people to reimagine what it means to work individually and together, and for everyone at Arm to ask themselves, "What would it take to make this 10 times better?" These ten driving principles comprise the following:

1. **Passion for the mission:** internalise the strategy. Care deeply about our technology, products, customers and impact.
2. **Deliver as One Arm:** understand the connections and complexities beyond your function. Collaboration isn't always consensus.
3. **Build extraordinary teams:** hold a high bar – give and seek candid feedback. Build connected, supportive, diverse and inclusive teams that are greater than the sum of their parts.
4. **Challenge skilfully:** challenge respectfully when things don't make sense and back yourself. Value independent thinking. Discuss openly, listen, then drive the decision quickly.
5. **Root out inefficiencies:** actively eliminate inefficiencies, simplify, and stay laser-focused on what really matters, whilst respecting any unmoveable constraints.
6. **Relentlessly push boundaries:** always ask, "How can this be better?" "How will we win?" Know when to balance delivery with perfection.

Arm Limited

Corporate Governance Report (continued)

7. **Move with urgency and find a way:** be comfortable with speed, uncertainty and the unexpected. Have a strong bias for action.
8. **Own it:** be accountable for the outcome; don't wait for instructions. Bring solutions, not problems.
9. **Be decisive in ambiguity and change:** find the common threads and translate vague ideas into concrete execution plans to create focus.
10. **Optimise for endurance and resilience:** navigate continuous pace and intensity, optimising your own energy levels to sustain momentum for the long term.

Following the replacement of Arm's Core Beliefs with the 10x Mindset, the Code of Conduct was updated during FYE26 to reflect the 10x Mindset, alongside a broader overall refreshment of the Code to modernise its language, strengthen accountability and inclusion, and introduce clearer guidance on ethics, safety and responsible innovation. Throughout FYE26, Arm's Code of Conduct highlighted its commitment to the 10x Mindset 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.

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 are required to comply with the Code of Conduct.

Arm's 'North Star' continues to guide 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 Arm's 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:

- Does this action comply with our Code of Conduct, policies, and any relevant laws or regulations?
- Is it in line with the 10x Mindset?
- Would I be comfortable if my decision or action were made public on the front page of a 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, a board pack is prepared that includes a briefing paper setting out key information such as, to the extent applicable, the application of director duties, relevant business update documentation including stakeholder engagement materials and other pre-read materials supplied by relevant management teams. The stakeholder engagement materials detail key updates, communications and initiatives with strategic suppliers, employees and public organisations, in particular governmental and intergovernmental bodies, trade associations and non-governmental organisations ('NGOs') – please see the Section 172 statement within the Strategic Report for further details 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 at investors.arm.com/governance/overview-documentation, together with various other key governance documents.

Arm Limited

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. 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 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.

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.

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;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; 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:

Signed by:
Jason Child
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J Child
Chief Financial Officer
Date: 26 May 2026

Arm Limited

Independent Auditor's Report to the Members of Arm Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Arm Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 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, 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.

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 company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the relevance and reliability of the underlying data used in the going concern assessment, including the significance of the company within the Arm Holdings group ('group') and as the main trading company;
- evaluating the company's current year performance;
- assessing management's assumptions used in the forecast, including linkage to the group's business model and operations, and evaluating other external information such as industry data for corroborative or contradictory evidence;
- assessing the historical accuracy of forecasts prepared by management for the group; and
- evaluating of the company's disclosures on going concern against the requirements of IAS 1.

Arm Limited

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

Conclusions relating to going concern (continued)

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 company's ability to continue as a going concern for a period of at least 12 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.

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.

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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

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.

Arm Limited

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key 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; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud is in significant assumptions applied for material long-term revenue arrangements that involve multiple performance obligations consisting of products and services such as intellectual property licenses, implicit rights to future products, early access rights, software licenses, support, training, professional and design services, and other non-standard performance obligations that may be contract or customer specific. This includes the evaluation of contract terms, identification of performance obligations and the allocation of the transaction price where the assumptions are more susceptible to management bias either due to limited support available or non-standard terms.

For those material long-term revenue contracts with customers, including related parties, we:

- tested the effectiveness of controls the Company has in place to review customer revenue contracts to identify performance obligations and allocate the transaction price to performance obligations;
- obtained and read the contracts;
- consulted with a revenue specialist on complex technical accounting matters, as appropriate;
- obtained and evaluated the company's technical accounting position for each such contract;
- evaluated management's identification of performance obligations; and
- assessed the allocation of the transaction price to performance obligations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- Reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Enquiring of management, internal audit, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- Reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Arm Limited

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

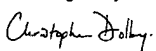
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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:

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Christopher Dolby (Senior statutory auditor)

For and on behalf of Deloitte LLP

London, United Kingdom

Date: 26 May 2026

Arm Limited
Income Statement
For the year ended 31 March 2026

		2026	2025
	Note	\$m	\$m
Revenue	5	4,918	4,003
Cost of sales	6	(176)	(152)
Gross profit		4,742	3,851
Research and development expenses	6	(3,021)	(2,192)
Selling, general and administrative expenses	6	(1,176)	(985)
Operating profit		545	674
Finance income	9	91	127
Finance costs	10	(26)	(12)
Gain/(loss) on business divestitures	6	105	—
Profit before tax		715	789
Tax	11	(178)	(158)
Profit for the year		537	631

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

Arm Limited

Statement of Comprehensive Income

For the year ended 31 March 2026

	Note	2026 \$m	2025 \$m
Profit for the year		537	631
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges - fair value gains/(losses) in the year	30	8	9
Cash flow hedges - (gains)/losses transferred to the income statement		(23)	(4)
Deferred tax on cash flow hedges		4	(1)
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods		(11)	4
Items that will not be reclassified subsequently to profit or loss:			
Investment revaluation	30	24	(2)
Deferred tax on investment revaluation	22	(1)	1
Other comprehensive income/(expense) that may not be reclassified to profit or loss in subsequent periods		23	(1)
Other comprehensive income/(expense) for the year net of tax		12	3
Total comprehensive income for the year		549	634

Total comprehensive income for the year is attributable to the owners of the Company and all activities relate to continuing operations.

Arm Limited

Balance Sheet (Registered Number: 02557590)

As at 31 March 2026

	Note	2026 \$m	2025 \$m
Non-current assets			
Intangible assets	13	284	205
Property, plant and equipment	14	349	181
Right-of-use assets	15	269	251
Investments in subsidiaries	16	651	570
Investments in associates	17	3	36
Other investments	18	74	60
Contract assets	19	320	346
Trade and other receivables	20	219	198
Tax assets		—	5
Deferred tax assets	22	69	43
		<u>2,238</u>	<u>1,895</u>
Current assets			
Inventories		2	2
Contract assets	19	977	642
Trade and other receivables	20	1,586	1,318
Intercompany loans receivable		8	—
Deposits	21	850	740
Cash and cash equivalents	21	2,031	1,385
Derivative financial instruments	30	—	7
		<u>5,454</u>	<u>4,094</u>
Total assets		<u>7,692</u>	<u>5,989</u>
Current liabilities			
Trade and other payables	23	1,989	1,534
Intercompany loans payable		750	—
Current tax liabilities		95	113
Lease liabilities	15	30	18
Contract liabilities	25	293	209
Provisions	26	3	2
Derivative financial instruments	30	10	2
		<u>3,170</u>	<u>1,878</u>
Net current assets		<u>2,284</u>	<u>2,216</u>
Non-current liabilities			
Trade and other payables	23	140	67
Lease liabilities	15	274	251
Provisions	26	12	13
Contract liabilities	25	752	702
		<u>1,178</u>	<u>1,033</u>
Total liabilities		<u>4,348</u>	<u>2,911</u>
Net assets		<u>3,344</u>	<u>3,078</u>

Arm Limited

Balance Sheet (Registered Number: 02557590) (continued)

As at 31 March 2026

	Note	2026 \$m	2025 \$m
Equity			
Share capital	24, 27	1	1
Share premium account	27	583	583
Share-based payments	27, 28	150	147
Other reserves	27	47	47
Cash flow hedge reserve	27	(7)	4
Investment revaluation reserve	27	43	20
Retained earnings	27	2,527	2,276
Total equity		3,344	3,078

The financial statements were authorised for issue by the Board of Directors on 26 May 2026 and were signed on its behalf by:

Signed by:

Jason Child

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J Child

Chief Financial Officer

Arm Limited

Statement of Changes in Equity

For the year ended 31 March 2026

	Note	Share capital \$m	Share premium account \$m	Share-based payments \$m	Other reserves \$m	Cash flow hedge reserve \$m	Investment revaluation reserve \$m	Retained earnings \$m	Total equity \$m
Balance at 1 April 2024		1	583	165	47	—	21	1,661	2,478
Profit/(loss) for the year		—	—	—	—	—	—	631	631
Other comprehensive income/(expense) for the year:									
Investment revaluation	30	—	—	—	—	—	(2)	—	(2)
Deferred tax on investment revaluation	22	—	—	—	—	—	1	—	1
Cash flow hedge - fair value gains/(losses) in the year		—	—	—	—	9	—	—	9
Cash flow hedge - (gains)/losses transferred to the income statement		—	—	—	—	(4)	—	—	(4)
Deferred tax on cash flow hedges	22	—	—	—	—	(1)	—	—	(1)
Total comprehensive income/(expense) for the year		—	—	—	—	4	(1)	631	634
Tax withholding on vested shares from share-based payment arrangements		—	—	—	—	—	—	(16)	(16)
Deferred tax on share-based compensation	22	—	—	(18)	—	—	—	—	(18)
Balance at 31 March 2025		1	583	147	47	4	20	2,276	3,078

Arm Limited

Statement of Changes in Equity (continued)

For the year ended 31 March 2026

	Note	Share capital \$m	Share premium account \$m	Share-based payments \$m	Other reserves \$m	Cash flow hedge reserve \$m	Investment revaluation reserve \$m	Retained earnings \$m	Total equity \$m
Balance at 1 April 2025		1	583	147	47	4	20	2,276	3,078
Profit/(loss) for the year		—	—	—	—	—	—	537	537
Other comprehensive income/(expense) for the year:									
Investment revaluation	30	—	—	—	—	—	24	—	24
Deferred tax on investment revaluation	22	—	—	—	—	—	(1)	—	(1)
Cash flow hedge - fair value gains/(losses) in the year		—	—	—	—	8	—	—	8
Cash flow hedge - (gains)/losses transferred to the income statement		—	—	—	—	(23)	—	—	(23)
Deferred tax on cash flow hedges	22	—	—	—	—	4	—	—	4
Total comprehensive income/(expense) for the year		—	—	—	—	(11)	23	537	549
Tax withholding on vested shares from share-based payment arrangements		—	—	—	—	—	—	(286)	(286)
Deferred tax on share-based compensation	22	—	—	3	—	—	—	—	3
Balance at 31 March 2026		1	583	150	47	(7)	43	2,527	3,344

Arm Limited

Notes to the Financial Statements

For the year ended 31 March 2026

1 General information

Arm Limited (the 'Company') is a private 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 the Company and the nature of the Company's operations are disclosed in the Strategic Report and the Directors' Report on pages 1 and 16 respectively.

The Company is ultimately controlled by SoftBank Group Corp., a company registered in Japan.

2 Adoption of new and revised standards

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

The Company has adopted the following amended standard during the year, which has had no material impact on the financial statements:

Amendments to IAS 21	Lack of exchangeability
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IAS 21 - Lack of exchangeability

This amendment to IAS 21 became effective for annual periods beginning on or after 1 January 2025, which corresponds to these financial statements for fiscal year ended 31 March 2026.

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

New and revised IFRS standards in issue but not yet effective

The Company has taken exemption from disclosure under FRS 101 of new and revised IFRS standards that have been issued but are not yet effective in accordance with paragraphs 30 to 31 of IAS 8.

3 Material accounting policies

The principal accounting policies applied in the preparation of these 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 Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The 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 financial statements in accordance with IFRS, except for the revaluation of certain financial instruments that are measured at fair value.

The Company financial statements are presented in United States ('US') dollars, which is the Company's functional currency, and rounded to the nearest million.

The preparation of the Company financial statements in accordance with FRS 101 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.

In accordance with FRS 101 the following exemptions from the disclosure requirements of IFRS have been applied in the preparation of these financial statements:

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

- details required by paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (being the number and weighted average exercise prices of Restricted Stock Units (RSUs), and how the fair value of goods or services received was determined);
- the requirement to publish a cash flow statement and related cash flow information, in accordance with IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements';
- disclosure of the objectives, policies and processes for managing capital, in accordance with IAS 1 'Presentation of Financial Statements';
- inclusion of an explicit and unreserved statement of compliance with IFRS, in accordance with IAS 1 'Presentation of Financial Statements';
- disclosure of key management compensation, in accordance with IAS 24 'Related Party Disclosures';
- the requirements to disclose related party transactions entered into between two or more members of a group as required in IAS 24 'Related Party Disclosures';
- disclosure of the nature and extent of risks arising on financial instruments and the effect on the income statement, in accordance with IFRS 7 'Financial Instruments';
- disclosure of the future impact of new IFRSs in issue but not yet effective at the balance sheet date, in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- comparative period reconciliations for share capital, investments, intangible fixed assets and property, plant and equipment;
- disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities, in accordance with IFRS 13 'Fair Value Measurement';
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets' on the basis equivalent disclosures are included in the consolidated financial statements of Arm Holdings plc; and
- the requirements of paragraphs 118 and 120 to 122 of IFRS 15 'Revenue from Contracts with Customers'.

The financial statements of the Company are consolidated in the financial statements of Arm Holdings plc which are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ. The Company therefore takes advantage of the exemption available under paragraph 4 of IFRS 10 'Consolidated Financial Statements' from the presentation of consolidated financial statements.

Going concern

The Company reported an operating profit of \$545 million and profit before tax of \$715 million for the year ended 31 March 2026 and at 31 March 2026 had no external debt finance, net current assets of \$2,284 million and a cash and cash equivalents balance of \$2,031 million.

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. 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 Company's 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 of the Company's immediate parent undertaking, Arm Holdings plc, and the Company's ambition to achieve its carbon emission reduction targets 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 carbon emission reduction targets and concluded that the estimates and judgements applied, as set out in the Company's accounting policies, remain appropriate. The impact of materialising physical risks upon the Company's tangible and intangible assets are considered at each balance sheet date during the review for impairment indicators as set out in the Company's accounting policies.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

Having assessed the climate risks and opportunities most significant to the Company, 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 Company 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.

Goodwill

Purchased goodwill, being the difference between the fair value of consideration and the fair value of net assets acquired, is capitalised and recorded within intangible assets.

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 Company expects 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. The 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.

Investments in associates

Interests in joint ventures and associates are stated at historical cost less accumulated impairment losses. Where investments are held via instruments other than ordinary shares, these are stated at fair value.

Revenue

The Company recognises revenues for the transfer of products or services to customers in an amount that reflects the consideration to which the Company 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 Company satisfies a performance obligation.

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

Licence and Other Revenue

- Intellectual property licence – The Company generally licenses 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 licensed 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.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

Where arrangements include royalty buydowns or upfront minimum royalty commitments, the Company treats them as fixed contract consideration under licensing revenue. 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 obligations. The contract consideration related to these arrangements is recognised rateably over the term of the contract in line with when the control of the performance obligations is transferred.

Certain subscription licence agreements include unspecified future IPs that are provided on a when-and-if-available basis, representing a stand-ready obligation. The contract consideration allocated to the stand-ready obligation is recognised on a rateable basis over the term of the contract, commencing upon the later of the effective date of the agreement and the transfer of the initial available IP licence.

- 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 Company 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 is recognised over time using an input method based on engineering labour hours expended to date relative to the estimated total effort required. For such professional and design services, the Company 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. In certain arrangements, the Company also provides customers with professional and design services, as a stand-ready obligation, that are recognised on a rateable basis over the term of the contract.
- 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.
- Third party arrangements – In certain arrangements, the Company arranges for third parties to provide products or services to customers. Revenue is recognised on a gross basis when the Company controls the product or service, and on a net margin basis when it acts as an agent. In agent arrangements, control passes directly from the third party to the customer, and the Company bears no inventory or performance risk.

Royalty Revenue

For most IP licence agreements, royalties are collected on products that incorporate the Company's IP. The Company 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. Accordingly, royalties are recognised on an accrual basis in the quarter in which the customer ships their products, based on the Company's technology that it contains. This estimation process for the royalty revenue accrual is based on a combination of methodologies, including the use of historical sales trends and macroeconomic factors for predictive analysis, the analysis of customer royalty reports and their sales trends and forecasts, as well as data and forecasts from third-party industry research providers. Data considered includes revenue, unit shipments, average selling price, product mix, market share and market penetration. Adjustments to revenue 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, including royalty audit resolutions.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

Remaining Performance Obligations

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 Company has elected to exclude potential future royalty receipts from the disclosure of remaining performance obligations. In certain arrangements, the Company's right to consideration may not correspond directly with the performance of obligations.

Significant Judgements

– Identification of the Contract with the Customer

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

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

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

Judgement is also required in determining whether collectability of substantially all of the consideration is probable. The Company 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. Judgement is required, however, in determining whether a good or service is considered a separate performance obligation.

When selling licences or services, the Company 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).

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

The Company 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 Company either licenses implementation IP or architecture IP. When implementation IP is licensed, the Company promises to provide all developed and undeveloped IP over the licence term based on the terms of the contract entered into by the customer. Products are delivered to the customer based on the Company's product roadmap and each IP is generally identified as a separate performance obligation.

In a subscription contract, 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. Undeveloped IPs are identified as a single performance obligation.

When architecture IP is licensed, the Company 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 three to 20 years. These version extensions may take one of two forms:

- Specified version extensions that are expected to be released over the next two to three years and are identified in the Company's product roadmap; or
- Implicit version extensions that the Company 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 discernible release pattern, based on the Company'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 Company applies judgement 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 from their obligations to pay contractual fees.

In this judgement, historical trends are considered with respect to both the specific customer and broader Company trends. The Company 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 Company. The transaction price also excludes amounts collected on behalf of third parties such as sales taxes. The Company's revenue arrangements may include variable consideration, including 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 Company considers relevant facts and circumstances in assessing whether a contract contains a significant financing component. Based on the nature of the Company's revenue arrangements, payment terms generally do not provide a significant financing benefit to either the customer or the Company.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****3 Material accounting policies (continued)**

A significant financing component is identified only where contract-specific facts and circumstances indicate that the timing of payments differs significantly from the transfer of goods or services. In such cases, the Company adjusts the transaction price to reflect the time value of money.

– *Allocation of Transaction Price*

Judgement is required when estimating standalone selling prices ('SSPs'). There is also judgement 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 Company's products and services because the Company generally does not sell its products or services on a standalone basis. The Company estimates the SSPs so that the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer. When estimating an SSP, the Company considers available information and maximises the use of observable inputs such as renewal pricing history for the Company'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 using relative SSP derived using the residual approach. This is on the basis that the Company 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 Company 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 Company 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 Company 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 Company'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 Company'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 Company.

As such, revenue presented by the Company is the 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 Company 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 Company categorises that portion as licence revenue while the other portion, which represents the Company's share of Arm China's royalties, is categorised as royalties.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

Contract Balances and Receivables

The Company 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. Judgement 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 Company does not have the contractual right to invoice. Typically, the Company 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 balance sheet. 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 balance sheet.

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 Company has determined that its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, and not to provide or obtain financing. Financing components have generally been insignificant in the context of the Company's contracts; however, where a significant financing component exists, it is separately identified and accounted for.

Allowance for Current Expected Credit Losses

Trade receivables are stated at their net realisable value. The allowance for credit losses reflects the Company'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 Company 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 20 - 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 31 March 2026, 2025, and 2024, write-offs and recoveries of customer receivables were immaterial to the financial statements.

The Company 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 31 March 2026 and 2025, the loss allowance for contract assets was immaterial.

Arm Limited
Notes to the Financial Statements (continued)
For the year ended 31 March 2026

3 Material accounting policies (continued)

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

The Company's immediate parent undertaking, Arm Holdings plc, operates an equity-settled share-based compensation plan (the 'RSU' scheme) for the employees of its subsidiary undertakings, which includes the Company, using its own equity instruments. The Company receives services from employees as consideration for equity instruments of Arm Holdings plc. Employee stock purchase plans ('ESPPs') operated by Arm Holdings plc for the employees of its subsidiary undertakings are also classified as equity-settled share-based payment arrangements. Accumulated payroll contributions for share purchases withheld from employees who participate in ESPPs are recognised as a liability until either (a) the shares are issued or (b) the employee withdraws from the scheme and is refunded.

The fair value of the compensation given in respect of this share-based compensation plan and the ESPPs is recognised as a capital contribution from Arm Holdings plc to the Company over the vesting period. The capital contribution is reduced by any payments paid by, or outstanding from, the Company to Arm Holdings plc in respect of these 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') and ESPPs, at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of the number of equity instruments in Arm Holdings plc that will eventually vest. At each reporting date, the Company 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 Company has share-based payments schemes where the settlement under different scenarios may be settled in either equity or cash, the Company evaluates the most likely vesting scenario at the end of each reporting period and applies the relevant accounting policy.

For certain share-based payment transactions with a net settlement feature for withholding tax obligations, the Company classifies the full award as equity-settled. Cash paid to relevant tax authorities on behalf of employees is recognised as a deduction from equity.

(b) Social security on share-based payments

The Company 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 Company 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company 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 coffee machines). For these leases, the Company 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 Company 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 Company'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 balance sheet.

When the interest rate implicit in the lease is not readily determinable, the Company estimates the incremental borrowing rate based on a risk-free rate adjusted for the effect of Arm's credit risk. The Company 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 Company 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

The Company 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); or
- 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 Company 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 the lease term and the 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 Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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

The Company 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 Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative standalone selling price ('SSP') of the lease component and the aggregate SSP of the non-lease components.

Foreign currencies

- (a) Functional and presentation currency. The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The financial statements are presented in US dollars, which is the presentation currency of the Company.
- (b) Transactions and balances. Transactions denominated in foreign currencies have been translated into the functional currency of the Company 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 selling, general and administrative expenses.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

3 Material accounting policies (continued)

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 expenses for which the grant is compensating.

Operating profit

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

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 other paid leave in the period.

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 Company in respect of services provided by employees up to the reporting date.

Taxation

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. 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 Company 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 profits attributable to patented technology at a reduced rate of 10%. As patent box profits are taxed at 10% and other profits and losses are taxed at UK statutory rates, deferred tax assets and liabilities are measured using the average rates expected to apply on realisation or settlement.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****3 Material accounting policies (continued)**

The Company 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.

Property, plant and equipment

Property, plant and equipment is stated at historical 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 to 10 years or over the remaining term of the lease, whichever is shorter
Machinery and equipment	3 to 7 years
Fixtures, fittings and motor vehicles	3 to 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 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 to 11 years
Computer software	3 to 5 years

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

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 to 8 years
Customer relationships	1 to 6 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 Company 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 Company 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

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 Company believes its current process for developing marketable products is essentially completed concurrently with the establishment of technological feasibility which is evidenced by a working model. Accordingly, development costs, for marketable products, incurred after the establishment of technological feasibility have not been significant and, therefore, no such costs have been capitalised to date. Other internally generated intangibles are disclosed in accordance with IAS 38 'Intangible Assets'.

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 Company'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 balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company 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 Company 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 balance sheet when, and only when, the Company 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

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 Company'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 Company'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 Company. 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 Company 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

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

A financial liability is measured at FVTPL where it is classified as *held-for-trading*, it is a derivative or it is designated as such on initial recognition. Financial liabilities FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the income statement.

Cash flow hedges

The Company designates foreign exchange forward contracts as cash flow hedges, where these hedge the Company'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 Company 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.

Dividends

Distributions to owners of the Company are not recognised in the income statement under IFRS but are disclosed as a component of the movement in equity. A liability is recorded for a dividend when the dividend is approved by the Company's shareholders. Interim dividends are recognised as a distribution when paid.

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 Company 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 Company are discussed below.

Critical judgements in applying the Company'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 Company classifies all of its unlisted 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 2026 the carrying amount of such investments was \$63 million (2025: \$53 million) as presented in note 18. 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.

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 or changes in other factors arise, this will impact the future measurement basis.

Deferred tax liabilities of \$213 million (2025: \$206 million) (note 22) 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 financial 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. Deferred tax assets of \$89 million (2025: \$67 million) have been measured at the UK Patent Box rate of 10%, the Company's best estimate of the rate applicable at the point of settlement. This estimate is based on historical data and the method of calculation of the proportion of profits or losses taxed at the Patent Box rate. A 1% variance in the rate applied would give an adjustment to the deferred tax assets of \$9 million.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

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 2026, the Company's deferred tax asset of \$285 million (2025: \$252 million) includes tax losses, R&D tax credits and other deductible temporary differences. The Company has performed an assessment of recovery of deferred tax assets using 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.

The Company's losses and R&D tax credits are forecast to be utilised within four years. The tax losses created in the fiscal year ended 31 March 2024 resulted from the IPO and are not expected to recur, and it is considered that future 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 forecasts of the Company's taxable profits 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 22.

5 Revenue

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

	Note	2026 \$m	2025 \$m
Licence and other revenue		2,305	1,834
Royalty revenue		2,613	2,169
Total revenue		4,918	4,003
Finance income	9	91	127
		5,009	4,130

Geographical information

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:

	2026 \$m	2025 \$m
United States of America	1,762	1,716
PRC ¹	873	748
Japan	823	296
Taiwan	694	629
Republic of Korea	392	324
Other countries	374	290
Total Revenue	4,918	4,003

¹ 'PRC' means the People's Republic of China, including the Hong Kong Special Administrative Region and the Macau Special Administrative Region, but excluding Taiwan.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****6 Profit for the year**

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

	Note	2026	2025
		\$m	\$m
Net foreign exchange (gains)/losses		1	(3)
Depreciation of property, plant and equipment	14	56	43
Depreciation of right-of-use assets	15	35	18
Amortisation of intangible assets	13	98	85
Cost of inventories recognised as expense		5	1
Government grants – research and development expenditure credit		(164)	(128)
Expected credit loss recognised on trade receivables	20	12	17
Restructuring		1	—
(Gain)/loss on business divestiture	6	(105)	—
Share-based payment charge	28	456	375
Impairment credit recognised on other receivables	32	(17)	—

Divestitures

On 26 August 2025, Arm completed the sale of its Artisan foundation IP business, consisting of standard cell libraries, memory compilers, and general-purpose I/Os to Cadence Design Systems, Inc. ('Cadence') pursuant to the terms of the definitive agreement entered into in April 2025.

For the fiscal year ended 31 March 2026, the Company recognised a pre-tax gain on business divestiture of \$105 million in the income statement. This transaction did not meet the criteria for presentation as discontinued operations as it did not represent a separate major line of business or geographical area of operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

In connection with the sale, Arm entered into a transition services agreement pursuant to which Arm and Cadence are providing certain transition support services to each other for a period of up to 18 months following completion of the sale. The estimated amounts of the transition services are not expected to be material.

7 Auditor's remuneration

Total Auditor's fees of \$12 million (2025: \$12 million) have been incurred by the Arm Group relating to the audit of Arm Holdings plc and its subsidiaries, which include the Company.

Of these fees, management consider audit fees attributable to the Company to be less than \$1 million (2025: less than \$1 million). Arm Holdings plc has not sought compensation from the Company for these fees, therefore these amounts are not included within operating expenses. Fees payable to the Company's auditor and their associates for non-audit services to the Company are not disclosed because the consolidated financial statements of Arm Holdings plc disclose such fees on a consolidated basis.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****8 Staff costs**

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

	2026	2025
	No.	No.
Engineering	3,028	2,646
Non-engineering	737	700
Total	3,765	3,346

Their aggregate remuneration comprised:

	Note	2026	2025
		\$m	\$m
Wages and salaries		487	399
Social security costs		192	185
Other pension costs	29	84	72
Of which capitalised in the period		(8)	—
		755	656
Equity-settled share-based payments	28	460	375
Of which capitalised in the period		(4)	—
Total employee benefit expense		1,211	1,031

9 Finance income

	Note	2026	2025
		\$m	\$m
Interest income from deposits and cash and cash equivalents		85	110
Intercompany dividend income		5	16
Dividends received from equity investments designated as at FVTOCI	18	1	1
Total finance income		91	127

10 Finance costs

	Note	2026	2025
		\$m	\$m
Interest on lease liabilities	15	12	6
Other finance costs		14	6
Total finance costs		26	12

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****11 Tax**

	2026 \$m	2025 \$m
Analysis of charge to profit or loss in the year:		
Current tax:		
Current tax on profits for the year	182	149
Adjustments in respect of prior years	—	1
Total current tax	<u>182</u>	<u>150</u>
Deferred tax:		
Origination and reversal of temporary differences	(1)	4
Adjustment in respect of prior years	(3)	4
Total deferred tax	<u>(4)</u>	<u>8</u>
Income tax expense	<u>178</u>	<u>158</u>
Tax credited directly to equity		
Deferred tax (credit)/expense on outstanding share options and awards	(3)	38
Deferred tax benefit on vested share awards	—	(20)
Total tax (credited)/charged directly to equity	<u>(3)</u>	<u>18</u>
Tax charged/(credited) directly to other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges	(4)	1
Fair value gain on investments in equity instruments designated as at FVTOCI	1	(1)
Total tax (credited)/charged directly to other comprehensive income	<u>(3)</u>	<u>—</u>

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****11 Tax (continued)**

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

	2026	2025
	\$m	\$m
Profit before tax	715	789
Profit before tax at the corporation tax rate of 25%	179	197
Effects of:		
Adjustments in respect of prior years	(3)	5
Research and development tax credits	(1)	(1)
Current impact of UK patent box regime	(89)	(136)
Foreign withholding tax	85	96
Group relief for nil consideration	—	(2)
Other	7	(1)
Total taxation	178	158

The Organisation for Economic Co-Operation and Development ('OECD') reached agreement among various countries to implement a minimum 15% rate on certain multinational enterprises, commonly referred to as Pillar Two. In July 2023, the UK enacted legislation to implement the OECD framework for Pillar Two, part of which went into effect from 1 January 2024.

The Company recognised no charge in respect of Pillar Two taxes for the fiscal year ended 31 March 2026 (2025: no charge).

The Company has applied the exemption not to recognise any deferred tax relating to top-up tax arising from the Pillar Two legislation in accordance with IAS 12 'Income Taxes', para 88A.

12 Dividends

No dividends were declared in the fiscal year ended 31 March 2026 by the Company to its parent company, Arm Holdings plc (2025: no dividends declared).

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****13 Intangible assets**

	Goodwill	Patents and licences	Acquired intangibles	Computer software	Intangible assets under construction	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Cost						
At 1 April 2025	58	146	25	343	—	572
Additions	—	1	—	163	13	177
Disposals	—	(101)	(6)	(66)	—	(173)
Transfers	—	(1)	—	1	—	—
At 31 March 2026	58	45	19	441	13	576
Amortisation and impairment						
At 1 April 2025	—	117	25	225	—	367
Charge for the year	—	7	—	91	—	98
Disposals	—	(101)	(6)	(66)	—	(173)
At 31 March 2026	—	23	19	250	—	292
Carrying amount						
At 31 March 2026	58	22	—	191	13	284
At 31 March 2025	58	29	—	118	—	205

The Company tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. This assessment was completed effective as at 31 March 2026 and the directors are confident that the underlying trade and assets remain in use and that the amount of goodwill is not impaired.

All amortisation on intangible assets is charged to the income statement in either cost of sales, research and development expenses or selling, general and administrative expenses as dependent upon the nature of the asset.

Included in the table above are internally generated intangible assets with a carrying amount of \$22 million at 31 March 2026 (2025: \$21 million). Of which, \$12 million are classified within computer software and \$10 million within intangible assets under construction. (2025: all internally generated assets were classified within computer software.) The change in carrying amount during the fiscal year arose from additions of \$12 million (2025: \$nil) and amortisation charged of \$11 million (2025: \$12 million).

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

14 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 2025	87	255	13	27	382
Additions	17	119	3	85	224
Disposals	—	(1)	—	—	(1)
Transfers	1	23	—	(24)	—
At 31 March 2026	105	396	16	88	605
Depreciation					
At 1 April 2025	60	130	11	—	201
Charge for the year	9	46	1	—	56
Disposals	—	(1)	—	—	(1)
At 31 March 2026	69	175	12	—	256
Carrying amount					
At 31 March 2026	36	221	4	88	349
At 31 March 2025	27	125	2	27	181

15 Leases

(a) Right-of-use assets

The carrying amount of the Company's right-of-use assets are set out below:

	Property \$m	IT equipment \$m	Total \$m
At 1 April 2025	230	21	251
Additions ¹	7	45	52
Depreciation charge for the year	(16)	(19)	(35)
Other movements ²	1	—	1
At 31 March 2026	222	47	269

¹ Additions 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.

² Other movements relate to terminated leases and downward remeasurements of right-of-use assets arising from reduction or reassessments of lease terms and decreases in lease payments.

The Company leases multiple assets across the UK including property and IT equipment. Rental contracts are typically made for a fixed period of two to 25 years (2025: two 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.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****15 Leases (continued)****(b) Lease liabilities**

The carrying amount of lease liabilities at 31 March 2026 are set out below:

	Property	IT equipment	Total
	\$m	\$m	\$m
Current	12	18	30
Non-current	246	28	274
	<u>258</u>	<u>46</u>	<u>304</u>

It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms.

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 March 2026 and the contractual maturity date.

	Within 1 year	Between 1 and 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m
Property	17	91	245	353
IT equipment	18	30	—	48
	<u>35</u>	<u>121</u>	<u>245</u>	<u>401</u>

Certain lease payments are not recognised as a liability. This arises when the Company 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 2026, the Company had two leases signed but not yet commenced with a lease value of approximately \$29 million and lease terms expiring in 2033.

Amounts paid for short-term and low value leases not included within the lease liability are immaterial.

The table below details changes in the Company's lease liabilities, including both cash and non-cash changes for the year ended 31 March 2026 and year ended 31 March 2025.

	Total \$m
At 1 April 2024	157
New leases and lease amendments	122
Principal payments on lease liabilities	(24)
Interest	6
Foreign exchange differences	8
At 31 March 2025	<u>269</u>
New leases and lease amendments	52
Principal payments on lease liabilities	(35)
Interest	12
Foreign exchange differences	6
At 31 March 2026	<u>304</u>

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

15 Leases (continued)

(c) Impact on the income statement

	2026	2025
	\$m	\$m
Depreciation charge of right-of-use assets		
Property	16	11
IT equipment	19	7
	<u>35</u>	<u>18</u>
 Interest expense	 12	 6

16 Investment in subsidiaries

	\$m
Cost	
At 1 April 2025	1,823
Capital contributions	81
At 31 March 2026	<u>1,904</u>
 Provision for impairment	
At 1 April 2025	1,253
At 31 March 2026	<u>1,253</u>
 Net book value	
At 31 March 2026	<u>651</u>
At 31 March 2025	<u>570</u>

Details of the Company's subsidiaries at 31 March 2026 are shown below. All investments are indirectly held, with 100% ownership of a single class of ordinary shares, unless otherwise shown.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****16 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Advanced RISC Machines Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Dormant	100%
Apical Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	IP sales	100%
Arm Asia Investment G.P. Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm Belgium Services BV ¹	Mechelsesteenweg 277, 1800 Vilvoorde, Belgium	Administration	100%
Arm Canada, Inc ¹	c/o Baker McKenzie LLP, 181 Bay Street, Toronto, ON M5J 2T3, Canada	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Chuangxin (Shanghai) Technology Co., Ltd ¹	Rooms 5301-5312, Unit 2, Floor 52 and Rooms 5401-5412, Unit 2, Floor 54, Building 1, No. 175 Longyao Road, Xuhui District, Shanghai, China	Marketing of RISC-based microprocessor IP	100%
Arm Denmark ApS ¹	c/o Woods Nordport Arhusgade 118, 2150 Nordhavn, Denmark	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Embedded Technologies Private Limited	Bagmane Constellation Business Park, Building Taurus-4 North Tower, Doddanekkundi Village, Bengaluru, 560048, India	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Finance Overseas Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm France SAS ¹	732 Avenue de Roumanille, 06410 Biot, Sophia Antipolis, France	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Germany d.o.o.	Obrtna Cesta 18, SL-8310, Sentjernej, Slovenia	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Germany GmbH ¹	Einsteinring 30, D-85609 Aschheim, Germany	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Holdings US, Inc. ¹	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Holding company	100%
Arm Hungary KFT ¹	1095 Budapest, Lechner Ödön fasor 10. B. ép, Hungary	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm IP Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm Ireland Limited ¹	Floor 2, Building Two, Crown Square, Monivea Road, Galway, H91 CX7A, Ireland	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm K.K. ¹	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 Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****16 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
Arm Korea Limited ¹	7th Floor KyungDong Building 4, SunaeRo 46 BeonGil, BunDangGu, SeongNamSi, GyeonGiDo, Korea 13595, South Korea	Marketing of RISC-based microprocessor IP	100%
Arm Malaysia Technology Sdn. Bhd. ¹	c/o B & M Consultancy Services Sdn. Bhd., Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur 59200, Malaysia	Administration	100%
Arm Norway AS ¹	Olav Tryggvassons gt. 39-41, 7011 Trondheim, Norway	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Operations Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Administration	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. ¹	ul.Piekna 18, 00-549 Warsaw, Poland	Marketing, research and development of RISC-based microprocessors and physical 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 Sweden AB ¹	Emdalavägen 6, SE-223 69 Lund, Sweden	Research and development of graphics IP	100%
Arm Taiwan Limited ¹	9F., NO.55,57, Zhouzi St., Neihu Dist., Taipei City 11493, Taiwan (R.O.C.)	Marketing, research and development of RISC-based microprocessors and physical IP	100%
Arm Technologies Israel Limited	24 Alexander Street, Ra'anana, 4366249, Israel	Development of system IP	100%
Arm Technology Investments Limited ¹	110 Fulbourn Road, Cambridge, CB1 9NJ, UK	Investment company	100%
Arm Technology Investments 2 Limited ¹	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, 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 Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****16 Investment in subsidiaries (continued)**

Name	Address of the registered office	Principal activity	Proportion of shares held
ChaoLogix USA, LLC	CT Corporation System 1200 South Pine Island Road Plantation, FL 95134-1358, USA	Dormant	100%
ChaoLogix, Inc.	CT Corporation System 1200 South Pine Island Road Plantation, FL 95134-1358, USA	Dormant	100%
Keil Software, Inc.	c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA	Dormant	100%
Mistbase AB	c/o Arm Sweden AB, Emdalavägen 6, SE-223-69 Lund, Sweden	Dormant	100%
Spark Merger Sub, Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, USA	Holding company	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.**17 Associates**

	\$m
At 1 April 2025	36
Fair valuation gain/(loss) on associates held at fair value	17
Return of capital ¹	(50)
At 31 March 2026	<u>3</u>

Details of the Company's associates at 31 March 2026 are as follows:

Name	Address of the registered office	Principal place of business	Principal activity	Holding	Proportion of ownership interest %	Proportion of voting power held %
Acetone Limited	PO Box 500, Grand Cayman, KY1-1106, Cayman Islands	Grand Cayman, Cayman Islands	Holding Company of Arm China	Ordinary shares ²	10.0	–
Cerfe Labs, Inc.	9401 Honeycomb Drive, Austin, Texas, 78737-1132, United States	Austin, United States	Development of CeRam memory technology	Preferred shares	30.0	30.0

¹ Return of capital relates wholly to the receipt of liquidation proceeds from Arduino SA ('Arduino'). Further detail is provided in note 32.² The Company is considered to have significant influence over Acetone Limited.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****17 Associates (continued)**

During the fiscal year ended 31 March 2026, Arduino SA and Linaro Limited ceased to be associates of the Company following the loss of significant influence, in accordance with IAS 28 'Investments in Associates and Joint Ventures'. There were no recognised gains or losses upon loss of significant influence. Further detail is provided in note 32.

18 Other investments

	2026 \$m	2025 \$m
Investments in equity instruments designated as FVTOCI		
Listed shares	4	—
Unlisted shares	63	53
	<u>67</u>	<u>53</u>
Loans receivable carried at amortised cost		
Loans to other entities	7	7
Total investments	<u>74</u>	<u>60</u>

Listed shares represent direct investments in publicly traded companies. 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.

The fair value of these investments varies with the type of investment held. Direct investments are measured approximate to cost, except where external factors provide better evidence for valuation. Indirect investments are valued as a proportion of the fund's net asset value ('NAV'). All investments held by the Company are considered to be long-term to enable ecosystem growth, and are non-current assets. The Company has designated all investments in shares to be measured at FVTOCI.

The investments below constitute significant holdings in undertakings other than subsidiary undertakings in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

Name	Address of the registered office	Principal activity	Holding	Proportion of ownership interest by share class	Proportion of voting power held
SiPearl SAS	38 Rue Jean Mermoz, 78600, Maisons-Laffitte, France	Microprocessor development	Series A	32.3%	19.4%

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

19 Contract assets

	2026	2025
	\$m	\$m
Contract assets	1,297	988
Current	977	642
Non-current	320	346
	1,297	988

A reconciliation of the movement in contract assets is set out below:

	\$m
Balance at 1 April 2025	988
Performance obligations satisfied during the period	1,436
Transfers in the period from contract assets to trade receivables	(1,127)
Balance at 31 March 2026	1,297

Revenue recognised from prior performance obligations

Revenue recognised for the fiscal year ended 31 March 2026 from performance obligations satisfied (or partially satisfied) in previous periods was \$2,621 million (2025: \$2,180 million). These amounts primarily represent usage-based royalties related to licences for which control transferred in a prior period.

20 Trade and other receivables

	2026	2025
	\$m	\$m
Current assets		
Trade receivables	760	657
Loss allowance	(31)	(20)
Net trade receivables	729	637
Prepayments	127	94
Accrued income	568	463
Amounts due from Group undertakings	21	11
Other receivables	141	113
	1,586	1,318
Non-current assets		
Prepayments	50	48
Other receivables	169	150
	219	198
Current	1,586	1,318
Non-current	219	198
	1,805	1,516

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****20 Trade and other receivables (continued)**

Accrued income relates to accrued royalties receivable in respect of sales made by third parties of products that incorporate Arm's IP. \$49 million (2025: \$55 million) of non-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.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

21 Cash and cash equivalents

	2026	2025
	\$m	\$m
Cash and cash equivalents		
Cash at bank	2	1
Short term deposit	150	10
Money market funds	1,879	1,374
	<u>2,031</u>	<u>1,385</u>
Deposits	850	740

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 Company's accounting policy on financial instruments.

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

22 Deferred tax

The movement of the deferred tax account is shown below:

	2026	2025
	\$m	\$m
At 1 April	43	39
Income statement credit/(charge)	4	(8)
Reclassification from current tax	30	30
Foreign exchange differences	(14)	—
Credit/(charge) to other comprehensive income	3	—
Credit/(charge) to reserves	3	(18)
At 31 March	<u>69</u>	<u>43</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.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****22 Deferred tax (continued)**

	Fixed assets	Tax losses and R&D tax credits carried forward	Share- based payments	Other	Temporary differences relating to liabilities	Total
	\$m	\$m	\$m		\$m	\$m
Deferred tax assets						
At 1 April 2024	23	154	78	—	3	258
Income statement credit/(charge)	(5)	1	(14)	—	—	(18)
Movement from current tax assets	—	30	—	—	—	30
Movement through reserves	—	—	(18)	—	—	(18)
At 31 March 2025	18	185	46	—	3	252
Offsetting of deferred tax liabilities						(209)
At 31 March 2025 (after offsetting)						43
At 1 April 2025	18	185	46	—	3	252
Income statement credit/(charge)	5	(21)	14	(1)	—	(3)
Movement from current tax assets	—	30	—	—	—	30
Movement through reserves	—	—	3	—	—	3
Credit/(charge) to other comprehensive income	—	—	—	3	—	3
At 31 March 2026	23	194	63	2	3	285
Offsetting of deferred tax liabilities						(216)
At 31 March 2026 (after offsetting)						69

The deferred tax asset to be recovered after more than one year is \$237 million (2025: \$213 million). Deferred tax assets have been partially recognised in respect of tax losses 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 2026 was \$11 million (2025: \$11 million). This is made up of \$37 million of UK trading losses and \$6 million of UK capital losses with no expiry date.

	Investments	Contract liabilities	Other	Total
	\$m	\$m	\$m	\$m
Deferred tax liabilities				
At 1 April 2024	3	212	4	219
Income statement (credit)/charge	—	(6)	(4)	(10)
(Credit)/charge to other comprehensive income	(1)	—	1	—
At 31 March 2025	2	206	1	209
Offsetting of deferred tax assets				(209)
At 31 March 2025 (after offsetting)				—
At 1 April 2025	2	206	1	209
Income statement (credit)/charge	—	(7)	—	(7)
(Credit)/charge to other comprehensive income	1	—	(1)	—
Exchange differences	—	14	—	14
At 31 March 2026	3	213	—	216
Offsetting of deferred tax assets				(216)
At 31 March 2026 (after offsetting)				—

The deferred tax liability to be recovered after more than one year is \$209 million (2025: \$202 million).

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

23 Trade and other payables

	2026 \$m	2025 \$m
Current liabilities		
Trade payables	68	47
Amounts owed to Group undertakings	1,552	1,150
Other taxation and social security	151	183
Employee related accruals	35	31
Accruals and other payables	183	123
	<u>1,989</u>	<u>1,534</u>
Non-current liabilities		
Employee related accruals	13	10
Other taxation and social security	29	16
Accruals and other payables	98	41
	<u>140</u>	<u>67</u>
Current	1,989	1,534
Non-current	140	67
	<u>2,129</u>	<u>1,601</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 Company 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.

24 Share capital

Number of shares authorised, issued and fully paid

	2026		2025	
	No. '000	\$m	No. '000	\$m
Ordinary shares of £0.001 each	<u>1,025,234</u>	<u>1</u>	<u>1,025,234</u>	<u>1</u>

No changes in the ordinary share capital of the Company arose throughout the fiscal year.

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, subject to sufficient distributable reserves.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****25 Contract liabilities**

	2026	2025
	\$m	\$m
Amounts related to contracts	1,045	911
Current	293	209
Non-current	752	702
	1,045	911

A reconciliation of the movement in contract liabilities is set out below:

	\$m
Balance at 1 April 2025	911
Cash received in advance of performance	581
Amounts included in contract liabilities that was recognised as revenue during the period:	
of which included in the opening balance	(149)
of which not included in the opening balance	(298)
Balance at 31 March 2026	1,045

26 Provisions

	2026	2025
	\$m	\$m
Dilapidations provision	12	13
Other provision	3	2
	15	15
Current	3	2
Non-current	12	13
	15	15

	Dilapidations provision	Legal provision	Other provision	Total
	\$m	\$m	\$m	\$m
At 1 April 2025	13	—	2	15
Additional provision in the year	—	6	8	14
Utilisation of provision	(1)	(6)	(7)	(14)
At 31 March 2026	12	—	3	15

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 one to 20 years, which aligns with the individual maturities of the Company's lease liabilities.

Other provisions include expected costs to be incurred in respect of relocation and ex-gratia expenses which may arise in the ordinary course of business.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

26 Provisions (continued)

Contingent liabilities

The Company, as a member of the Arm Group, is involved in a certain number of proceedings and litigation cases during the normal course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available. A liability is accrued only where an adverse outcome is probable, as a result of a past event, and the amount of any future loss can be reasonably estimated.

Commitments

In the normal course of business, the Company contracts with various third-party service providers for systems and services to perform certain day-to-day business activities. The Company enters into non-cancellable purchase commitments for cloud computing web services, data centres, software, licence and services. As of 31 March 2026, the Company had outstanding non-cancellable purchase obligations of approximately \$976 million (2025: \$752 million), not recognised on the balance sheet, for periods through to 2030 (2025: 2035).

27 Capital and reserves

Share capital

Called up share capital represents the nominal value of shares that have been issued.

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.

Share-based payments

The share-based payments reserve includes deferred tax assets recognised on unvested restricted stock units and share-based compensation provided by the Company on behalf of certain subsidiaries recognised as a capital contribution.

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 tax. Cumulative gains/losses are 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.

Other reserves

Other reserves relate to the unrealised profit arising in 2005 on the Company's sale of its investment in Arm, Inc.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

28 Share-based payments

For details of the aggregate expense recognised in the income statement in connection with share-based payments, see note 8. In addition, \$4 million of share-based payment expense was capitalised in the period ended 31 March 2026 (2025: \$nil).

The Company's immediate parent undertaking, Arm Holdings plc, operates an equity-settled share-based compensation plan for the employees of its subsidiary undertakings, which includes the Company, using its own equity instruments. The fair value of the compensation given in respect of this share-based compensation plan is recognised as a capital contribution from Arm Holdings plc to the Company over the vesting period. The capital contribution is reduced by any payments paid by, or outstanding from, the Company to Arm Holdings plc in respect of these share-based payments.

This plan was previously operated by the Company as the former parent of the Arm Group. 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 the Company to Arm Holdings plc.

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 below.

Arm Holdings plc includes the Company in its consolidated financial statements which are prepared in accordance with International Financial Reporting Standards as adopted by the UK, and as they include equivalent disclosures, the Company has taken exemptions available under FRS 101 in respect of details required by paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments' (details of the number and weighted average exercise prices of Restricted Stock Units (RSUs), and how the fair value of goods or services received was determined).

During the year ended 31 March 2026, the Company had, or was party to, the following group share-based payment arrangements:

(a) Arm Limited RSU Award Plan ('2022 RSU Plan')

In June 2022, the Company 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 three years. The Arm Group may choose to settle such RSUs in cash or in shares by tranche.

The 2022 RSU Plan was superseded by the Omnibus Incentive Plan in September 2023. All outstanding awards under the 2022 RSU Plan are now accounted for as equity-settled share-based payment transactions. The fair values of the RSUs granted were measured by reference to the entity's valuation at the time of grant, adjusted to reflect the lack of marketability. All such grants were made prior to the ADSs of Arm Holdings plc being admitted to trading on the Nasdaq.

Awards are forfeited if the employee leaves the Company 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 5.0% per annum (2025: 5.0%) prior to vesting, with subsequent adjustments to reflect actual experience.

In November 2022, the Company issued two types of Executive Awards under the 2022 RSU Plan to certain members of the Arm Leadership Team (formerly known as the Executive Committee), referred to as Annual Awards and One-time Launch Awards. The Executive Awards entitled 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 three years.

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.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

28 Share-based payments (continued)

(b) Omnibus Incentive Plan

In August 2023, Arm Holdings plc's Board of Directors adopted the Arm Holdings plc 2023 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 Arm Holdings plc and its subsidiaries.

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, Arm Holdings plc started to grant RSUs and PSUs under the Omnibus Incentive Plan to employees of Arm Limited, including executives of the Arm 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, Arm Holdings plc intended to settle the RSUs and PSUs in shares at the vesting date and such awards are accounted for as equity-classified awards.

During both the current and previous year, Arm Holdings plc granted PSUs with Relative Total Shareholder Return ('TSR') as the performance measure under this Omnibus Incentive Plan. PSUs granted with TSR as the performance measure are measured over a three-year performance period relative to the S&P 500 IT Sector Index and have the potential to vest between 0% and 200% of the original award amount depending on the relative TSR achievement.

To determine the grant date fair value of the market conditions component of the awards with Relative TSR-based performance measures, a Monte Carlo simulation model is used. The Company recognises share-based payment expense for the market-based TSR awards over the requisite service period based on the grant date fair value.

Both RSU and PSU awards are forfeited if the employee leaves the Company 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 5.0% per annum (2025: 5.0%) prior to vesting, with subsequent adjustments to reflect actual experience.

The fair value of the RSUs accounted for as an equity-settled share-based payment transaction is measured using the closing ADS price of Arm Holdings plc on the date of grant.

(c) Employee Stock Purchase Plan

In August 2024 and September 2024, Arm Holdings plc's Board of Directors adopted and its shareholders approved, respectively, Arm Group's 2024 Employee Stock Purchase Plan ('ESPP'). The maximum number of shares that may be granted under the ESPP is equal to the number of shares available for issuance under the Omnibus Incentive Plan, and each share granted under the ESPP reduces the number of shares available for issuance under the Omnibus Incentive Plan and its sub-plans by one share.

The ESPP provides for one or more offering periods, and each offering will be for any period of between six and 24 calendar months as determined by the Arm Group's Remuneration Committee. Subject to any limitations contained therein, the ESPP allows eligible employees to purchase Arm Holdings plc's ordinary shares or ADSs through payroll deductions of up to 10% of eligible compensation, subject to a cap of \$25,000 per year (as calculated based on applicable tax rules). Eligible employees may be granted ESPP options to acquire ordinary shares or ADSs at a fixed price, which may be set at a discount of up to 15% of the lesser of (1) the fair market value of the ordinary shares or ADSs on the day before the offering period start date or (2) the fair market value of the ordinary shares or ADSs on the day before the purchase date at the end of the offering period. The fair value of this ESPP discount is determined using a Black-Scholes valuation model.

Employees may withdraw from the ESPP during specified periods and receive a full refund of accumulated payroll contributions. Employees who cease working at the Company during an offering period are treated as withdrawing from the ESPP.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

29 Retirement benefit schemes

The Company contributes to defined contribution plans substantially covering all employees. The Company 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 Company in funds.

The total cost charged to the income statement for the year of \$84 million (2025: \$72 million) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. As at 31 March 2026, contributions of \$nil (2025: \$6 million) due in respect of the current reporting period had not been paid over to the schemes.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****30 Financial instruments****Exemptions taken in applying FRS 101**

With exception to the application of FRS 101 (para. A2.7) for the disclosure of those financial instruments measured at fair value in accordance with the requirements arising from The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), the Company has taken the following exemptions under FRS 101 from these financial statements:

- disclosure of the objectives, policies and processes for managing capital, in accordance with IAS 1 'Presentation of Financial Statements';
- disclosure of the nature and extent of risks arising on financial instruments and the effect on the income statement, in accordance with IFRS 7 'Financial Instruments'; and
- disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities, in accordance with IFRS 13 'Fair Value Measurement'.

(a) Classification of financial instruments

	Note	2026			
		Amortised Cost \$m	FVTPL \$m	FVTOCI \$m	Total \$m
Current assets					
Cash, cash equivalents and deposits	21	1,002	1,879	—	2,881
Accounts receivable (net of loss allowance)	20	729	—	—	729
Intercompany loans receivable		8	—	—	8
Contract assets	19	977	—	—	977
Other receivables	20	16	—	—	16
Current financial assets		2,732	1,879	—	4,611
Non-current assets					
Loans and receivables	18	7	—	—	7
Other receivables	20	1	—	—	1
Contract assets	19	320	—	—	320
Listed equity securities	18	—	—	4	4
Unlisted equity securities	18	—	—	63	63
Non-current financial assets		328	—	67	395
Total financial assets		3,060	1,879	67	5,006
Current liabilities					
Accounts payable	23	68	—	—	68
Intercompany loans payable		750	—	—	750
Accrued and other liabilities	23	182	—	—	182
Lease liabilities	15	30	—	—	30
Derivative financial instruments	30	—	—	10	10
Current financial liabilities		1,030	—	10	1,040
Non-current liabilities					
Accrued and other liabilities	23	98	—	—	98
Lease liabilities	15	274	—	—	274
Non-current financial liabilities		372	—	—	372
Total financial liabilities		1,402	—	10	1,412

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

30 Financial instruments (continued)

(a) Classification of financial instruments (continued)

	Note	Amortised Cost \$m	2025 (Restated)		Total \$m
			FVTPL \$m	FVTOCI \$m	
Current assets					
Cash, cash equivalents and deposits	21	751	1,374	—	2,125
Accounts receivable (net of loss allowance)	20	637	—	—	637
Contract assets	19	642	—	—	642
Other receivables ¹	20	15	—	—	15
Derivative financial instruments	30	—	—	7	7
Current financial assets		2,045	1,374	7	3,426
Non-current assets					
Loans and receivables	18	7	—	—	7
Other receivables ¹	20	1	—	—	1
Contract assets	19	346	—	—	346
Unlisted equity securities	18	—	—	53	53
Investments in associates	30	—	—	33	33
Non-current financial assets		354	—	86	440
Total financial assets		2,399	1,374	93	3,866
Current liabilities					
Accounts payable	23	47	—	—	47
Accrued and other liabilities	23	116	—	—	116
Lease liabilities	15	18	—	—	18
Derivative financial instruments	30	—	—	2	2
Current financial liabilities		181	—	2	183
Non-current liabilities					
Accrued and other liabilities ²	23	41	—	—	41
Lease liabilities	15	251	—	—	251
Non-current financial liabilities		292	—	—	292
Total financial liabilities		473	—	2	475

¹ The analysis of other receivables has been restated to exclude non-financial assets previously included in the balance.

² Accrued and other liabilities has been adjusted for rounding.

(b) Valuation of financial instruments measured at fair value

Money market funds

The fair value of money market funds is determined based on publicly available net asset values ('NAVs') published by the fund administrators, reflecting the market price of the underlying instruments.

Derivative financial instruments

The fair value of foreign exchange forward contracts is derived from prevailing forward exchange rates at the measurement date, sourced from active and liquid markets, and the original forward rate entered into.

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****30 Financial instruments (continued)****(b) Valuation of financial instruments measured at fair value (continued)****Listed equity securities**

Where publicly traded in an active market, the estimated fair value of equity investments is determined with reference to their observable market price at the measurement date. Any change to the fair value is recognised as part of other comprehensive income.

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 stated at historic cost less accumulated impairment losses 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.

Fair value measurements using significant unobservable inputs (level 3)

The following financial instruments relevant to FRS 101 (para. A2.7) are classified as level 3 in applying IFRS 13's fair value hierarchy. Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

	Investments in associates	Unlisted equity securities	Total
	\$m	\$m	\$m
At 1 April 2025	33	53	86
Additions - IP for equity	—	8	8
Transfer in hierarchy (Level 3 to Level 1)	—	(4)	(4)
Revaluation gains/(losses) recognised in other comprehensive income	17	7	24
Return of capital	(50)	—	(50)
Other movements	—	(1)	(1)
At 31 March 2026	—	63	63

For the above level 3 assets:

- 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 Company'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 Company 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 the most recent investment event is typically considered to be the best input to derive fair value at the date of investment. As a result, the price of the most recent investment event, by the Company or a third party, is typically used as the de facto starting position for any fair value assessment made by the Company, after 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 Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

31 Events after the balance sheet date

In April 2026, the Company entered into an amendment with a cloud computing web services provider to increase the total purchase commitment by \$305 million through 2029.

32 Related party transactions

The Company has taken advantage of the available exemption from disclosing transactions with other companies within the Arm Group, as defined by note 16, that are wholly owned. Transactions with Arm Holdings plc are also exempted by virtue of the Company being a wholly owned subsidiary. 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 Company's significant influence over that company, are as follows:

Transactions with associates and SoftBank Group companies

Arm Technology (China) Co. Limited

The Company 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 Company's 10% equity investment in Acetone Limited has been reflected as an associate in the Company's financial statements. See note 17 for further detail.

Subsequent to the disposal of the Company'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 Company 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 Company had an obligation to share a proportion of the revenue with Arm China.

Under the terms of the joint venture agreement the Company recognised revenues amounting to \$790 million during the year ended 31 March 2026 (2025: \$669 million). During the year ended 31 March 2026, the Company incurred costs of \$63 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 (2025: \$59 million).

At 31 March 2026, the Company had an amount due of \$276 million (\$296 million receivable less \$20 million payable) from Arm China (2025: amount due of \$285 million comprising of \$295 million receivable less \$10 million payable), and had a \$54 million contract liability balance (2025: \$104 million).

Of the balance due from Arm China at 31 March 2026, \$28 million (2025: \$16 million) had been provided for. During the year ended 31 March 2026 there was a net charge to the income statement of \$12 million (2025: \$16 million) in respect of this provision.

Companies related by virtue of common control in the SoftBank Group

During the years ended 31 March 2025 and 2026, the Company entered into related party transactions with a subsidiary of SoftBank Group Corp. relating to licensing and service arrangements under a consulting agreement with SoftBank Group (the 'Consulting Agreement'). Pursuant to statements of work entered into under the Consulting Agreement during the year ended 31 March 2025, and amended during the year ended 31 March 2026, the Company may earn fees for services provided. During the year ended 31 March 2026, the Company recognised revenue under these arrangements of \$704 million (2025: \$145 million). At 31 March 2026 the Company held a contract asset with the subsidiary of SoftBank Group of \$646 million (2025: \$145 million).

In November 2025, SoftBank Group acquired all of the outstanding equity interests of Ampere Computing Holdings LLC ('Ampere'). Since its acquisition by SoftBank in November 2025, the Company recognised revenue of \$2 million for the period ended 31 March 2026. At 31 March 2026 the Company had \$5 million contract liabilities related to contracts with Ampere. Effective March 2026, the Company entered into a development agreement with Ampere (the 'Ampere Development Agreement'), enabling Ampere to provide development services to the Company under one or more statements of work. For the period ended 31 March 2026, the Company did not recognise any costs under the Ampere Development Agreement.

Arm Limited

Notes to the Financial Statements (continued)

For the year ended 31 March 2026

32 Related party transactions (continued)

The Company had revenue transactions with other companies by virtue of common control by SoftBank Group. For the years ended 31 March 2026 and 31 March 2025, the Company did not recognise material revenue or other income from other companies controlled by SoftBank Group. At 31 March 2026 and 31 March 2025 the Company did not have accounts receivable, contract assets, or contract liabilities balances on revenue or other income transactions with other companies by virtue of common control by SoftBank Group.

Linaro Limited

The Company resigned as a member of Linaro Limited ('Linaro') and no longer has significant influence in Linaro effective 1 December 2025, therefore Linaro is no longer considered a related party. Linaro continues to be a service partner to the Company.

During the year ended 31 March 2026, prior to resignation, the Company incurred subscription and other costs of \$6 million from Linaro (2025: \$10 million). At 31 March 2025, \$1 million was owed to Linaro.

During the year ended 31 March 2023 the Company 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 2026, the total unpaid purchase consideration remains in current and non-current assets on the Company's balance sheet; however, Linaro is no longer considered a related party. As at 31 March 2025, consideration of \$2 million was held as a receivable balance, with \$1 million recognised in current assets and \$1 million (after discounting to present value) recognised in non-current assets.

Loans to related parties

During the year ended 31 March 2022, the Company provided a 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 2026 and as at 31 March 2025.

At 31 March 2025 the Company had a loan receivable of \$17 million from Arduino SA ('Arduino'), previously an associate entity, that was fully impaired. During the year ended 31 March 2026, the Company recognised a reversal for the impairment with respect to its loan receivable from Arduino of \$17 million. In October 2025 the Company received \$17 million for the full repayment of the loan from Arduino in connection with Arduino's acquisition by a third party. Additionally, in December 2025, the Company received \$50 million in liquidation proceeds from Arduino. Following repayment of the loan, the Company no longer considered itself to hold significant influence over the entity and, as a result, Arduino ceased to be an associate entity in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

At 31 March 2025 the Company was guarantor for a \$5 million credit facility available to Arduino. The guarantee was terminated in November 2025, and the Company was released from all obligations. At 31 March 2026 the Company had no remaining obligations under the guarantee and no claims were made prior to termination (2025: none).

Arm Limited**Notes to the Financial Statements (continued)****For the year ended 31 March 2026****32 Related party transactions (continued)****Directors' remuneration**

The serving directors of the Company at 31 March 2026 are executives of Arm Holdings plc, which is the Company's immediate parent undertaking. The allocation of total remuneration for these directors, in determining their qualifying services as statutory directors of Arm Limited, was considered to materially relate to their services as executives of the Arm Group. On this basis, their remuneration is not included in the disclosure of directors below.

The amount of remuneration paid by the Arm Group in respect of the directors of Arm Holdings plc is instead disclosed below.

	2026	2025
	\$m	\$m
Salaries, fees, bonuses and benefits in kind	6	4
Amounts receivable under long-term incentive schemes	57	22
	<u>63</u>	<u>26</u>

In respect of the highest paid director:

	2026	2025
	\$m	\$m
Salaries, fees, bonuses and benefits in kind	5	4
Amounts receivable under long-term incentive schemes	56	21
	<u>61</u>	<u>25</u>

One director of Arm Holdings plc (2025: one) had accrued benefits during the year ended 31 March 2026 under a money purchase pension scheme as a result of their services to the Arm Group.

Included above in the amounts receivable under long-term incentive schemes are amounts recognised in the year attributable to directors of Arm Holdings plc under equity-settled share-based payments arrangements (refer to note 28 for further details).

33 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Arm Holdings plc, a company registered in England and Wales. 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 the largest group of undertakings, including Arm Limited, for which consolidated financial statements are prepared. The registered office of SoftBank Group Corp. is 1-7-1 Kaigan, Minato-ku, Tokyo 105-7529, Japan. Copies of the ultimate parent's consolidated financial statements are available from this address.

Arm Holdings plc heads the smallest group of undertakings, including Arm Limited, for which consolidated financial statements are prepared. Copies of Arm Holdings plc's consolidated financial statements are publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ.