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Renesas Reports Financial Results for the First Quarter Ended March 31, 2022

TOKYO, Japan, April 27, 2022 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the three months ended March 31, 2022.

Summary of Consolidated Financial Results (Note 1)

	Three months ended March 31, 2022	
	Billion Yen	% of Revenue
Revenue	346.7	100.0
Operating profit	100.1	28.9
Profit attributable to owners of parent	59.8	17.2
Capital expenditures (Note 2)	31.9	
Depreciation and amortization	43.3	
R&D expenses (Note 3)	45.6	
	Yen	
Exchange rate (USD)	115	
Exchange rate (EUR)	130	

	As of March 31, 2022
	Billion Yen
Total assets	2,598.4
Total equity	1,349.2
Equity attributable to owners of parent	1,345.7
Equity ratio attributable to owners of parent (%)	51.8
Interest-bearing liabilities	810.5

Note 1: All figures are rounded to the nearest 100 million yen.

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the three months ended March 31, 2022. However, the investments from the Dialog Semiconductors Plc (hereinafter "Dialog") and Celeno Communications Inc. (hereinafter "Celeno") are listed as an input basis. It should be noted that as of September 14, 2021, Dialog has changed its company name to Dialog Semiconductor Limited.

Note 3: R&D expenses includes capitalized R&D expenses recorded as intangible assets.

Note 4: The allocation of the acquisition costs for the business combinations with Dialog, which the Group acquired on August 31, 2021, has been revised at the end of the three months ended March 31, 2022. The revised allocation of the acquisition costs (Purchase Price Allocation, hereinafter "PPA") are reflected in the consolidated financial results for the year ended December 31, 2021.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the First Quarter Ended March 31, 2022
 English translation from the original Japanese-language document



April 27, 2022

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 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, Prime Market
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 Filing date of Shihanki Hokokusho (scheduled) : May 12, 2022

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended March 31, 2022

1.1 Consolidated financial results (% of change from corresponding period of the previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2022	346,696	70.2	100,077	231.5	78,996	348.2	59,838	333.4	59,784	335.9	190,173	93.1
Three months ended March 31, 2021	203,678	14.0	30,191	126.8	17,624	24.3	13,806	21.6	13,714	21.5	98,475	---

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2022	30.74	30.15
Three months ended March 31, 2021	7.92	7.75

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
March 31, 2022	2,598,417	1,349,247	1,345,710	51.8
December 31, 2021	2,426,193	1,154,907	1,151,590	47.5

2. Cash dividends

	Cash dividends per share				
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	---	0.00	---	0.00	0.00
Year ending December 31, 2022	---				
Year ending December 31, 2022 (forecast)		0.00	---	---	---

Note: Change in forecast of cash dividends since the most recently announced forecast: Yes

3. Forecast of consolidated results for the six months ending June 30, 2022

	Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Six months ending June 30 2022	721,696 (±4,000)	71.2 (±0.9)	57.9	6.8	37.7	10.7

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. The revenue forecast is provided assuming the midpoint and the range of the forecast are listed in brackets. The gross margin and the operating margin forecasts are provided assuming the midpoint in the revenue forecast.

Note 2: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore forecasts are provided on a non-GAAP basis. However, the figure provided as revenue is based on IFRS and does not include non-GAAP adjustments.

4. Others

- 4.1 Changes in significant subsidiaries for the three months ended March 31, 2022: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
- 4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors
- Changes in accounting policies with revision of accounting standard: No
 - Changes in accounting policies except for 4.2.1: No
 - Changes in accounting estimates: No
- 4.3 Number of shares issued and outstanding (common stock)
- Number of shares issued and outstanding (including treasury stock)

As of March 31, 2022:	1,945,692,637 shares
As of December 31, 2021:	1,943,805,775 shares
 - Number of treasury stock

As of March 31, 2022:	2,581 shares
As of December 31, 2021:	2,581 shares
 - Average number of shares issued and outstanding

Three months ended March 31, 2022:	1,944,641,915 shares
Three months ended March 31, 2021:	1,732,607,242 shares

(Note) Information regarding the implementation of audit procedures: These financial results are not subject to quarterly review procedures by the independent auditor.

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on April 27, 2022. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

The statements with respect to the financial outlook of Renesas Electronics Corporation (hereinafter "the Company") and its consolidated subsidiaries (hereinafter "the Group") are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to changes in several important factors.

The allocation of the acquisition costs for the business combinations with Dialog, which the Group acquired on August 31, 2021, has been revised at the end of the three months ended March 31, 2022. The revised allocation of the acquisition costs (Purchase Price Allocation, hereinafter "PPA") are reflected in the consolidated financial results for the year ended December 31, 2021. For details, please refer to Appendix 1.5, "Notes to Quarterly Consolidated Financial Statements (Business Combinations)" on page 12.

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1. Condensed Consolidated Financial Statements
1.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	221,924	267,207
Trade and other receivables	140,478	162,589
Inventories	137,925	154,766
Other current financial assets	737	552
Income taxes receivable	4,395	3,744
Other current assets	12,352	13,253
Total current assets	<u>517,811</u>	<u>602,111</u>
Non-current assets		
Property, plant and equipment	198,165	200,778
Goodwill	1,107,819	1,178,804
Intangible assets	516,134	512,889
Other non-current financial assets	34,633	46,021
Deferred tax assets	42,540	47,922
Other non-current assets	9,091	9,892
Total non-current assets	<u>1,908,382</u>	<u>1,996,306</u>
Total assets	<u>2,426,193</u>	<u>2,598,417</u>

	(In millions of yen)	
	As of December 31, 2021	As of March 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	204,330	217,802
Bonds and borrowings	121,105	121,158
Other current financial liabilities	11,595	11,341
Income taxes payable	22,050	24,958
Provisions	11,185	9,712
Other current liabilities	77,235	64,277
Total current liabilities	<u>447,500</u>	<u>449,248</u>
Non-current liabilities		
Trade and other payables	15,100	13,067
Bonds and borrowings	692,983	673,198
Other non-current financial liabilities	11,868	10,647
Income taxes payable	3,792	4,071
Retirement benefit liability	27,926	28,194
Provisions	3,795	4,062
Deferred tax liabilities	62,306	61,060
Other non-current liabilities	6,016	5,623
Total non-current liabilities	<u>823,786</u>	<u>799,922</u>
Total liabilities	<u>1,271,286</u>	<u>1,249,170</u>
Equity		
Share capital	147,133	148,095
Capital surplus	337,989	340,560
Retained earnings	570,437	630,238
Treasury shares	(11)	(11)
Other components of equity	96,042	226,828
Total equity attributable to owners of parent	<u>1,151,590</u>	<u>1,345,710</u>
Non-controlling interests	3,317	3,537
Total equity	<u>1,154,907</u>	<u>1,349,247</u>
Total liabilities and equity	<u>2,426,193</u>	<u>2,598,417</u>

1.2 Condensed Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Profit or Loss

(Three months ended March 31, 2021 and March 31, 2022)

	(In millions of yen)	
	Three months ended March 31, 2021	Three months ended March 31, 2022
Revenue	203,678	346,696
Cost of sales	(105,923)	(149,258)
Gross profit	97,755	197,438
Selling, general and administrative expenses	(65,830)	(94,036)
Other income	3,155	5,076
Other expenses	(4,889)	(8,401)
Operating profit	30,191	100,077
Finance income	1,618	142
Finance costs	(14,185)	(21,223)
Profit before tax	17,624	78,996
Income tax expense	(3,818)	(19,158)
Profit	13,806	59,838
Profit attributable to		
Owners of parent	13,714	59,784
Non-controlling interests	92	54
Profit	13,806	59,838
Earnings per share		
Basic earnings per share (yen)	7.92	30.74
Diluted earnings per share (yen)	7.75	30.15

Condensed Consolidated Statement of Comprehensive Income
(Three months ended March 31, 2021 and March 31, 2022)

(In millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	13,806	59,838
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(98)	(110)
Equity instruments measured at fair value through other comprehensive income	—	(415)
Total of items that will not be reclassified to profit or loss	(98)	(525)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	84,766	136,757
Cash flow hedges	1	(5,924)
Cost of hedges	—	27
Total of items that may be reclassified subsequently to profit or loss	84,767	130,860
Total other comprehensive income	84,669	130,335
Total comprehensive income	98,475	190,173
Comprehensive income attributable to		
Owners of parent	98,275	189,953
Non-controlling interests	200	220
Total comprehensive income	98,475	190,173

1.3 Condensed Consolidated Statement of Changes in Equity
(Three months ended March 31, 2021)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2021	28,971	208,253	449,975	(11)	15,959	—	(1,131)
Profit	—	—	13,714	—	—	—	—
Other comprehensive income	—	—	—	—	—	(98)	—
Total comprehensive income	—	—	13,714	—	—	(98)	—
Issuance of new shares	350	347	—	—	—	—	—
Share-based payment transactions	—	—	—	—	2,301	—	—
Transfer to retained earnings	—	—	(92)	—	(6)	98	—
Total transactions with owners	350	347	(92)	—	2,295	98	—
Balance as of March 31, 2021	29,321	208,600	463,597	(11)	18,254	—	(1,131)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2021	(85,315)	—	—	(70,487)	616,701	2,960	619,661
Profit	—	—	—	—	13,714	92	13,806
Other comprehensive income	84,658	1	—	84,561	84,561	108	84,669
Total comprehensive income	84,658	1	—	84,561	98,275	200	98,475
Issuance of new shares	—	—	—	—	697	—	697
Share-based payment transactions	—	—	—	2,301	2,301	—	2,301
Transfer to retained earnings	—	—	—	92	—	—	—
Total transactions with owners	—	—	—	2,393	2,998	—	2,998
Balance as of March 31, 2021	(657)	1	—	16,467	717,974	3,160	721,134

(Three months ended March 31, 2022)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2022	147,133	337,989	570,437	(11)	13,270	—	(1,475)
Profit	—	—	59,784	—	—	—	—
Other comprehensive income	—	—	—	—	—	(110)	(415)
Total comprehensive income	—	—	59,784	—	—	(110)	(415)
Issuance of new shares	962	956	—	—	—	—	—
Share-based payment transactions	—	1,615	—	—	634	—	—
Transfer to retained earnings	—	—	17	—	(166)	110	39
Total transactions with owners	962	2,571	17	—	468	110	39
Balance as of March 31, 2022	148,095	340,560	630,238	(11)	13,738	—	(1,851)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2022	84,818	(418)	(153)	96,042	1,151,590	3,317	1,154,907
Profit	—	—	—	—	59,784	54	59,838
Other comprehensive income	136,591	(5,924)	27	130,169	130,169	166	130,335
Total comprehensive income	136,591	(5,924)	27	130,169	189,953	220	190,173
Issuance of new shares	—	—	—	—	1,918	—	1,918
Share-based payment transactions	—	—	—	634	2,249	—	2,249
Transfer to retained earnings	—	—	—	(17)	—	—	—
Total transactions with owners	—	—	—	617	4,167	—	4,167
Balance as of March 31, 2022	221,409	(6,342)	(126)	226,828	1,345,710	3,537	1,349,247

1.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Cash flows from operating activities		
Profit before tax	17,624	78,996
Depreciation and amortization	32,470	43,322
Impairment losses	—	5,523
Finance income and finance costs	179	3,533
Share-based payment expenses	2,998	4,006
Foreign exchange loss (gain)	10,397	17,465
Loss (gain) on sales of property, plant and equipment, and intangible assets	(2,655)	(59)
Decrease (increase) in inventories	5,024	(12,384)
Decrease (increase) in trade and other receivables	(9,682)	(15,088)
Decrease (increase) in other financial assets	(2,496)	(6,971)
Increase (decrease) in trade and other payables	7,754	13,116
Increase (decrease) in retirement benefit liability	(679)	(216)
Increase (decrease) in provisions	2,200	(1,688)
Increase (decrease) in other current liabilities	(11,414)	(13,612)
Increase (decrease) in other financial liabilities	—	(2,159)
Other	5,057	(2,893)
Subtotal	56,777	110,891
Interest received	63	62
Dividends received	201	4
Income taxes paid	(9,759)	(21,374)
Net cash flows from operating activities	47,282	89,583
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,608)	(15,343)
Proceeds from sales of property, plant and equipment	2,743	94
Purchase of intangible assets	(2,323)	(4,640)
Purchase of other financial assets	(1,536)	(2,758)
Proceeds from sales of other financial assets	233	761
Other	(608)	(3,336)
Net cash flows from investing activities	(6,099)	(25,222)
Cash flows from financing activities		
Repayments of long-term borrowings	(23,293)	(30,018)
Repayments of lease liabilities	(950)	(1,330)
Interest paid	(1,441)	(705)
Other	(2)	(8)
Net cash flows from financing activities	(25,686)	(32,061)
Effect of exchange rate changes on cash and cash equivalents	8,344	12,983
Net increase (decrease) in cash and cash equivalents	23,841	45,283
Cash and cash equivalents at beginning of the period	219,786	221,924
Cash and cash equivalents at end of the period	243,627	267,207

1.5 Notes to Condensed Consolidated Financial Statements

(Notes about Going Concern Assumption)
Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

Because the Group meets the requirements for "Specified Companies Complying with Designated International Accounting Standards" stated in Article 1-2 of Ordinance on Consolidated Financial Statements, the Group has adopted the provisions of Article 93 of the Ordinance. The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" (hereinafter "IAS 34").

The condensed consolidated financial statements do not contain all of the information that would be required on consolidated financial statements for a fiscal year. Therefore, the condensed consolidated financial statements should be used with the consolidated financial statements for the prior fiscal year.

(2) Basis of measurement

In the condensed consolidated financial statements of the Group, assets and liabilities are measured at a historical cost basis except for items such as financial instruments measured at fair value.

(3) Functional currency and presentation currency

The condensed consolidated financial statements are presented in Japanese yen (rounded to the nearest million yen), which is the functional currency of the Company.

(4) Change in Presentation

(Condensed Consolidated Statement of Cash Flows)

Within "Cash flows from operating activities" category, "Decrease (increase) in other financial assets," which was disclosed in "Other" for the three months ended March 31, 2021, has been presented separately for the three months ended March 31, 2022 due to the increase in its materiality. Also, Loss (gain) on sales and valuation of investment securities, which was disclosed in "Other" for the three months ended March 31, 2021, has been classified to "Finance income and finance costs" for the three months ended March 31, 2022.

In order to reflect those changes in presentation, Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2021 has been reclassified. Consequently, within "Cash flows from operating activities" category, 1,207 million yen of "Other" has been classified to (2,496) million yen of "Decrease (increase) in other financial assets", 5,057 million yen of "Other" and (1,354) million yen of "Finance income and finance costs."

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

A company has been excluded from the scope of consolidation due to liquidation for the three months ended March 31, 2022.

(Significant Accounting Policies)

The significant accounting policies for the condensed consolidated financial statements of the Group are the same with the accounting policies applied in preparing the Group's consolidated financial statements for the prior fiscal year.

In addition, income taxes for the three months ended March 31, 2022 are calculated using the estimated annual effective tax rate.

(Significant Accounting Estimates and Judgments)

In preparing the consolidated financial statements, management of the Group makes judgements, accounting estimates and assumptions that could have an impact on the application of accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on the best judgment of management, taking into account various factors that are deemed reasonable on the closing date in light of past experience and available information. However, figures based on these estimates and assumptions may differ from the actual results due to their nature.

Estimates and underlying assumptions are reviewed continuously. The results of the review of these estimates are reflected in the period when the estimates are revised and for the future periods.

Estimates and assumptions that could have a significant impact on the figures in the condensed consolidated financial statements are the same with those stated in the Group's consolidated financial statements for the prior fiscal year.

The Group reflects the impact of the spread of COVID-19 to estimates and assumptions (such as judgment to indication of impairment of goodwill and collectability of deferred tax assets), to a reasonable extent based on available information.

(Business Segments)

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available that is evaluated regularly by the Board of Directors to determine the allocation of management resources and assess performance.

The Group mainly consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. The Automotive Business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as automotive information devices such as IVI (In-Vehicle Infotainment) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies MCUs (microcontrollers), SOC (System-On-Chips) analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/IoT Business includes the product categories "Industrial," "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories. Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other."

(2) Information on reportable segments

The accounting treatment for the reportable segments is same as described in "Significant Accounting Policies." As for information on the reportable segments, the Group discloses revenue from external customers, segment gross profit, and segment operating profit.

Segment gross profit and segment operating profit are internal key performance indicators which are used by management when making decisions and are calculated by excluding the following items from IFRS gross profit and operating profit (Adjustments 2): amortization of certain tangible and intangible assets related to business combinations; certain share-based payment expenses; and other non-recurring items. Other non-recurring items include costs related to acquisitions and gains and losses the Group believes to be appropriate for deduction. However, certain other non-recurring items the Group believes to be covered by each reportable segment are included in segment gross profit and segment operating profit of each reportable segment (Adjustments 1). The Group's Executive Officers assess the performance after eliminating intragroup transactions, and therefore, there are no transfers between the reportable segments included within the segment results.

Information on reportable segments is as follows.

Three months ended March 31, 2021

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	103,248	96,605	3,825	—	203,678	—	203,678
Segment gross profit	43,818	57,788	415	196	102,217	(4,462)	97,755
Segment operating profit	22,791	24,888	414	4,514	52,607	(22,416)	30,191
Finance income							1,618
Finance costs							(14,185)
Profit before tax							17,624
(Other items)							
Depreciation and amortization	11,123	8,069	—	—	19,192	13,278	32,470

Three months ended March 31, 2022

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	153,887	189,829	2,980	—	346,696	—	346,696
Segment gross profit	79,707	121,639	810	151	202,307	(4,869)	197,438
Segment operating profit	57,516	75,682	810	1,471	135,479	(35,402)	100,077
Finance income							142
Finance costs							(21,223)
Profit before tax							78,996
(Other items)							
Depreciation and amortization	10,754	9,003	—	—	19,757	23,565	43,322

(3) Information on products and services

Information on products and services is the same with information on the reportable segments and therefore, omitted from this section.

(4) Information on regions and countries

The components of revenue from external customers by region and country are as follows.

(In millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Japan	71,071	97,860
China	40,245	90,181
Asia (Excluding Japan and China)	39,189	75,605
Europe	33,758	52,797
North America	18,770	28,943
Others	645	1,310
Total	203,678	346,696

(Note) Revenues are categorized into the country or region based on the location of the customers.

(Business Combinations)
Three months ended March 31, 2022

(Dialog Semiconductor Plc)

As of December 31, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted. As of March 31, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

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

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	519,618
Inventories	316
Property, plant and equipment	(2,531)
Intangible assets	(146,963)
Other (Non-current assets)	(125)
Other (Current liabilities)	86
Other financial liabilities	345
Deferred tax liabilities	27,735
Total adjustments	(121,137)
Goodwill (after adjustment) (Note)	398,481

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

Condensed Consolidated Statement of Financial Position as of December 31, 2021 has been revised upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 126,781 million yen and retained earnings has decreased by 7,580 million yen. On the other hand, property, plant and equipment, intangible assets and deferred tax liabilities have increased by 2,436 million yen, 144,165 million yen and 26,077 million yen, respectively. In addition, the revision has no impact on the Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2021.

It should be noted that as of September 14, 2021, Dialog has changed its company name to Dialog Semiconductor Limited.

(Celeno Communications Inc.)

Contingent consideration includes \$45 million which will be paid based on the contract when several certain conditions (milestones) related to Celeno Communications Inc. (hereinafter "Celeno")'s future product development and mass production progress are met. As of March 31, 2022, none of the conditions has been met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Celeno, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

	Three months ended March 31, 2021	Three months ended March 31, 2022
Beginning balance	—	4,681
Changes in fair value	—	(2,159)
Exchange differences	—	195
Ending balance	—	2,717

Of the amount of change in fair value related to contingent consideration, the portion based on fluctuations in the time value of money is recorded in "financial expenses", and the portion based on fluctuations other than the time value of money is recorded in "other income" or "other expenses". For the three months ended March 31, 2021, other income of 2,159 million yen was recorded for the change of fair value.

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2021	As of March 31, 2022
Notes and trade receivables	136,810	158,005
Other receivables	3,737	4,703
Loss allowance	(69)	(119)
Total	140,478	162,589

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

(Trade and Other Payables)

The components of trade and other payables are as follows.

(In millions of yen)

	As of December 31, 2021	As of March 31, 2022
Trade payables	104,775	105,580
Other payables	59,262	51,317
Electronically recorded obligations	14,808	12,335
Refund liabilities	40,585	61,637
Total	219,430	230,869
Current liabilities	204,330	217,802
Non-current liabilities	15,100	13,067

(Note) Trade and other payables are classified as financial liabilities measured at amortized cost.

(Revenue)

All of the revenue arises from contracts with customers. In addition, disaggregation of revenue recognized from contracts with customers are stated in "Business segments, (2) Information on reportable segments and (4) Information on regions and countries."

(Selling, General and Administrative Expenses)

The components of selling, general and administrative expenses are as follows.

(In millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Research and development expenses	32,952	45,457
Depreciation and amortization	14,670	24,982
Personnel expenses	10,866	15,655
Retirement benefit expenses	600	648
Other	6,742	7,294
Total	65,830	94,036

(Note) Research and development expenses are included in selling, general and administrative expenses. Related expenses such as outsourcing costs, personnel expenses, depreciation costs and material costs are mainly included in research and development expenses.

(Other Income)

The components of other income are as follows.

(In millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Fair value remeasurements on contingent considerations (Note)	—	2,159
Reversal of provision for business restructuring	—	1,066
Insurance claim income	24	1,005
Gain on sales of property, plant and equipment	2,693	93
Other	438	753
Total	3,155	5,076

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

(Other Expenses)

The components of other expenses are as follows.

(In millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Impairment losses (Note)	—	5,523
Provision for loss on litigation	3,827	935
Other	1,062	1,943
Total	4,889	8,401

(Note) Impairment losses are mainly due to the discontinuation of certain in-process research and development projects.

(Additional Information)

Fire outbreak in a wholly-owned manufacturing subsidiary

On March 19, 2021, a fire broke out at a manufacturing line of Naka Factory (located in Hitachinaka, Ibaraki Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd, a wholly-owned manufacturing subsidiary of the Company. Due to this fire, the Group recorded 2,235 million yen for restoration and repairment costs of property, plant and equipment, disposal costs and reinspection fees of inventories and fixed costs during the shutdown for the three months ended March 31, 2021. These are included in cost of sales of 2,218 million yen and other expenses of 17 million yen in the Condensed Consolidated Statement of Profit or Loss. Other payables of the fire related costs are recorded in trade and other payables and other liabilities of 6,147 million yen in the Consolidated Statement of Financial Position.

The Group recorded 749 million yen for restoration and repairment costs of property, plant and equipment for the three months ended March 31, 2022. These are included in cost of sales in the Condensed Consolidated Statement of Profit or Loss. In addition, the Group received part of fire insurance payments and recorded in “Other income” for the three months ended March 31, 2022.

(Subsequent Events)

(Grant of share-based payments)

The Company introduced Performance Share Unit (PSU) and Restricted Stock Unit (RSU) from April 2021.

The Company resolved the granting of the RSU and PSU for Directors, Corporate Officers, and employees of the Company and the subsidiaries at the Board of Directors held on April 14, 2022.

Date of grant of RSU and PSU		April 14, 2022
Category and number of grantees		Outside Directors 2 Director and Corporate Officer 1 Corporate Officers 10 Employees of the Company and the subsidiaries 3,597
Vesting conditions	RSU	To be vested based on time (One third each will be vested after 1 year, 2 years and 3 years from the date of grant, except that all units will be vested after 1 year from the grant date for the Outside Directors)
	PSU	To be vested based on performance (According to the performance achieved, all units will be vested after 3 years from the grant date)
Number of units	RSU	9,834,500
	PSU	1,379,600
	Total	11,214,100

(Note) 1. Our common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting the rights.

There is no payment from Directors, Corporate Officers and employees at the time of delivering the stocks.

2. The number of units for PSU will be determined based on the number of granted units using factors such as the three-year growth rate of the total shareholder return.

Forward-Looking Statements

The statements in this press release with respect to the plans, strategies and financial outlook of Renesas Electronics Corporation and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to several important factors including, but not limited to, general economic conditions in our markets, which are primarily Japan, North America, Asia, and Europe; demand for, and competitive pricing pressure on, products and services in the marketplace; ability to continue to win acceptance of products and services in these highly competitive markets; and fluctuations in currency exchange rates, particularly between the yen and the U.S. dollar. Among other factors, downturn of the world economy; deteriorating financial conditions in world markets, or deterioration in domestic and overseas stock markets, may cause actual results to differ from the projected results forecast.

About Renesas Electronics Corporation

Renesas Electronics Corporation ([TSE: 6723](#)) empowers a safer, smarter and more sustainable future where technology helps make our lives easier. A leading global provider of microcontrollers, Renesas combines our expertise in embedded processing, analog, power and connectivity to deliver complete semiconductor solutions. These Winning Combinations accelerate time to market for automotive, industrial, infrastructure and IoT applications, enabling billions of connected, intelligent devices that enhance the way people work and live. Learn more at [renesas.com](https://www.renesas.com). Follow us on [LinkedIn](#), [Facebook](#), [Twitter](#), [YouTube](#), and [Instagram](#).