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Renesas Reports Financial Results for the Year Ended December 31, 2022

TOKYO, Japan, February 9, 2023 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the year ended December 31, 2022.

Summary of Consolidated Financial Results (Note 1)

	Year ended December 31, 2022	
	Billion Yen	% of Revenue
Revenue	1,500.9	100.0
Operating profit	424.2	28.3
Profit attributable to owners of parent	256.6	17.1
Capital expenditures (Note 2)	216.4	
Depreciation and amortization	186.0	
R&D expenses (Note 3)	206.7	
	Yen	
Exchange rate (USD)	130	
Exchange rate (EUR)	137	

	As of December 31, 2022
	Billion Yen
Total assets	2,812.3
Total equity	1,537.5
Equity attributable to owners of parent	1,533.8
Equity ratio attributable to owners of parent (%)	54.5
Interest-bearing liabilities	770.0

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 year ended December 31, 2022. However, the investments from Dialog Semiconductor Limited (hereinafter "Dialog") and Celeno Communications Inc. (hereinafter "Celeno") are listed as an input basis.

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

Note 4: The allocation of the acquisition costs for the business combinations with Dialog and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the year ended December 31, 2021 and for the three months ended March 31, 2022.

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



February 9, 2023

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, Prime Market
 Code number : 6723
 URL : <https://www.renesas.com>
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 Filing date of Yukashoken Hokokusho (scheduled) : March 30, 2023

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended December 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	%
Year ended December 31, 2022	1,500,853	51.0	424,170	144.0	362,299	153.9	256,787	114.5	256,632	114.7	565,984	98.5
Year ended December 31, 2021	993,908	---	173,827	---	142,718	---	119,687	---	119,536	---	285,078	---

	Basic earnings per share	Diluted earnings per share	Net income per equity attributable to owners	Profit before tax ratio per net assets	Operating profit ratio per revenue
	Yen	Yen	%	%	%
Year ended December 31, 2022	137.67	134.85	19.1	13.8	28.3
Year ended December 31, 2021	64.77	63.35	13.5	7.1	17.5

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners	Equity attributable to owners per share
	Million yen	Million yen	Million yen	%	Yen
December 31, 2022	2,812,272	1,537,478	1,533,750	54.5	853.52
December 31, 2021	2,426,301	1,153,398	1,150,081	47.4	591.67

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2022	479,325	(97,523)	(294,770)	336,068
Year ended December 31, 2021	307,384	(663,126)	340,915	221,924

2. Cash dividends

	Cash dividends per share					Total dividend during the year	Dividends payout ratio (consolidated)	Dividends ratio per assets (consolidated)
	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	---	0.00	---	0.00	0.00	---	---	---
Year ending December 31, 2023 (forecast)	---	---	---	---	---		---	

Note: For the year ending December 31, 2023, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2023

	Non-GAAP Revenue		Non-GAAP Gross Margin			Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts	
Three months ending March 31, 2023	347,500 to 362,500	0.2 to 4.6	54.5	-3.9	32.5	-6.6	

Note 1: The Group reports its consolidated forecast on a quarterly basis as substitute for a yearly forecast in a range format. The non-GAAP gross margin and the non-GAAP operating margin forecasts are provided assuming the midpoint in the non-GAAP 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.

4. Others

4.1 Changes in significant subsidiaries for the full year ended December 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
1. Changes in accounting policies with revision of accounting standard: No
2. Changes in accounting policies except for 4.2.1: No
3. Changes in accounting estimates: No

4.3 Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)
As of December 31, 2022: 1,958,454,023 shares
As of December 31, 2021: 1,943,805,775 shares

2. Number of treasury stock
 As of December 31, 2022: 161,488,167 shares
 As of December 31, 2021: 2,581 shares
3. Average number of shares issued and outstanding
 Year ended December 31, 2022: 1,864,152,116 shares
 Year ended December 31, 2021: 1,845,523,704 shares

(Reference) Non-consolidated results for the year ended December 31, 2022

Non-consolidated financial results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2022	1,075,144	39.4	350,991	112.7	279,485	115.2	212,647	86.7
Year ended December 31, 2021	771,277	36.8	165,006	233.7	129,862	145.8	113,928	140.1

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
December 31, 2022	114.07	111.73
December 31, 2021	61.73	60.38

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2022	2,553,295	940,437	36.5	498.75
December 31, 2021	2,385,940	913,301	37.7	463.03

Reference: Equity at the end of the year ended December 31, 2022: 932,835 million yen
 Equity at the end of the year ended December 31, 2021: 900,032 million yen

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on February 9, 2023. 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 and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the year ended December 31, 2021 and for the three months ended March 31, 2022. For details, please refer to Appendix 1.5, "Notes to Consolidated Financial Statements (Business Combinations)" on page 18.

[APPENDIX]

1. Business Results	2
1.1 Analysis of Business Results	2
1.2 Consolidated Financial Condition	5
1.3 Cash Flows	5
1.4 Consolidated Forecasts	6
1.5 Dividend Payments	6
2. Primary policy for selection of accounting standards	6
3. Consolidated Financial Statements	7
3.1 Consolidated Statement of Financial Position	7
3.2 Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income	9
3.3 Consolidated Statement of Changes in Equity	11
3.4 Consolidated Statement of Cash Flows	13
3.5 Notes to Consolidated Financial Statements	15
(Notes about Going Concern Assumption)	15
(Basis for Preparation)	15
(Basis of Consolidated Financial Statements)	15
(Significant Accounting Policies)	15
(Significant Accounting Estimates and Judgments)	15
(Business Segments)	16
(Business Combinations)	18
(Trade and Other Receivables)	28
(Trade and Other Payables)	28
(Bonds and Borrowings)	28
(Equity and Other Equity Items)	29
(Revenue)	29
(Selling, General and Administrative Expenses)	29
(Other Income)	30
(Other Expenses)	30
(Earnings Per Share)	30
(Additional Information)	31
(Subsequent Events)	31

1. Business Results

1.1 Analysis of Business Results

The Group discloses consolidated business results in terms of both its internal measures which the management relies upon in making decisions (hereinafter “Non-GAAP”) and those under IFRS.

Non-GAAP revenue, Non-GAAP gross profit and Non-GAAP operating profit are revenue, gross profit and operating profit under IFRS (hereinafter “IFRS revenue,” “IFRS gross profit” and “IFRS operating profit”) after excluding or adjusting non-recurring items and other adjustments following a certain set of rules. The Group believes providing non-GAAP forecasts will help to better understand the Group’s constant business results. Non-recurring items include depreciation of intangible assets recognized from acquisitions, other purchase price allocation (hereinafter “PPA”) adjustments and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

The Group consists of “Automotive Business” and “Industrial/Infrastructure/IoT Business” and those are the Group’s reportable segments. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5 Notes to Consolidated Financial Statements (Business Segments).”

(Note): For non-GAAP disclosure, the Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

1) Summary of Consolidated Financial Results for the Year ended December 31, 2022 (Non-GAAP basis)

	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue	994.4	1,502.7	508.3	51.1%
Automotive	462.3	645.0	182.7	39.5%
Industrial/Infrastructure/IoT	515.5	845.9	330.3	64.1%
Non-GAAP Gross Profit	528.9	863.2	334.3	63.2%
Non-GAAP Gross Margin	53.2%	57.4%	4.3pts	---
Automotive	214.6 46.4%	324.4 50.3%	109.9 3.9pts	51.2% ---
Industrial/Infrastructure/IoT	312.3 60.6%	535.3 63.3%	223.0 2.7pts	71.4% ---
Non-GAAP Operating Profit	296.6	559.4	262.8	88.6%
Non-GAAP Operating Margin	29.8%	37.2%	7.4pts	---
Automotive	122.4 26.5%	219.2 34.0%	96.8 7.5pts	79.0% ---
Industrial/Infrastructure/IoT	167.1 32.4%	331.8 39.2%	164.7 6.8pts	98.6% ---

Note: For details on the above table, please refer to Appendix 3 “Consolidated Financial Statements, 3.5. Notes to Consolidated Financial Statements (Business Segments).”

The financial results for the year ended December 31, 2022 are as follows:

<Non-GAAP Revenue>

Consolidated non-GAAP revenue for the year ended December 31, 2022 was 1,502.7 billion yen, a 51.1% increase year on year. This was mainly due to a sales increase effect from the consolidation of Dialog acquired on August 31, 2021 and yen depreciation, in addition to an increase in revenue in the Automotive Business supported by continued growth in semiconductor contents per vehicle as well as an increase in revenue in the Industrial/Infrastructure/IoT Business from demand expansion in the infrastructure market such as datacenters.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the year ended December 31, 2022 was 863.2 billion yen, a 334.3 billion yen increase year on year. This was mainly due to above-mentioned increases in Automotive and Industrial/Infrastructure/IoT Business revenue as well as an increase in gross margin mainly from improvements in product mix. As a result, non-GAAP gross margin for the year ended December 31, 2022 was 57.4%, an increase by 4.3 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the year ended December 31, 2022 was 559.4 billion yen, a 262.8 billion yen increase year on year. This was mainly due to an increase in gross profit as well as an effort to streamline business operations. As a result, non-GAAP operating margin for the year ended December 31, 2022 was 37.2%, an increase by 7.4 points year on year.

The revenue breakdown of the business segments for the year ended December 31, 2022 are as follows:

Automotive Business

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 in-vehicle infotainment (IVI) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Non-GAAP revenue of the Automotive Business for the year ended December 31, 2022 was 645.0 billion yen, a 39.5% increase year on year. This was mainly due to yen depreciation in addition to increases in sales for both the “Automotive Control” and “Automotive Information” categories following the growth of semiconductor contents per vehicle.

Non-GAAP gross profit of the Automotive Business for the year ended December 31, 2022 was 324.4 billion yen, an 109.9 billion yen increase year on year. This was due to an increase in gross margin mainly from product mix improvements in addition to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the year ended December 31, 2022 was 219.2 billion yen, a 96.8 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT Business includes the categories “Industrial,” “Infrastructure” and “IoT” which support a smart society. The Group mainly supplies MCUs, SoCs and analog semiconductor in each of these categories.

Non-GAAP revenue of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2022 was 845.9 billion yen, a 64.1 % increase year on year. This was mainly due to a revenue increase from Dialog consolidation and yen depreciation in addition to an increase in revenues in the “Industrial,” “Infrastructure,” and “IoT” categories. Main contributors were devices for factory automation, PC/mobile, and datacenters.

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2022 was 535.3 billion yen, a 223.0 billion yen increase year on year. This was mainly due to an increase in gross margin from product mix improvements in addition to increased revenue.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2022 was 331.8 billion yen, a 164.7 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

2) Reconciliation of Non-GAAP gross profit to IFRS gross profit and Non-GAAP operating profit to IFRS operating profit

(Billion yen)

	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)
Non-GAAP gross profit	528.9	863.2
Non-GAAP gross margin	53.2%	57.4%
Reconciliations in Revenue Level (Note 1)	(0.5)	(1.8)
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(0.9)	(1.0)
Market valuation of inventories	(13.1)	(1.5)
Stock-based compensation	(1.4)	(1.5)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(16.9)	(3.2)
IFRS gross profit	496.1	854.0
IFRS gross margin	49.9%	56.9%
Non-GAAP operating profit	296.6	559.4
Non-GAAP operating margin	29.8%	37.2%
Reconciliations in Revenue Level (Note 1)	(0.5)	(1.8)
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(67.3)	(106.2)
Market valuation of inventories	(13.1)	(1.5)
Stock-based compensation	(14.9)	(18.1)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(27.0)	(7.5)
IFRS operating profit	173.8	424.2
IFRS operating margin	17.5%	28.3%

Note 1: Non-GAAP adjustments have been applied to the revenue following the implementation of PPA.

Note 2: "Other reconciliation items in non-recurring expenses and adjustments" includes the non-recurring items related to acquisitions and other adjustments as well as non-recurring profits or losses the Group believes to be applicable.

3) Summary of Consolidated Financial Results for the year ended December 31, 2022 (IFRS basis)

	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	993.9	1,500.9	506.9	51.0%
Gross Profit	496.1	854.0	357.9	72.1%
Gross Margin	49.9%	56.9%	7.0 pts	---
Operating Profit	173.8	424.2	250.3	144.0%
Operating Margin	17.5%	28.3%	10.8 pts	---

1.2 Consolidated Financial Condition

	As of December 31, 2021	As of December 31, 2022	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	2,426.3	2,812.3	386.0
Total equity	1,153.4	1,537.5	384.1
Equity attributable to owners of parent	1,150.1	1,533.8	383.7
Equity ratio attributable to owners of parent (%)	47.4	54.5	7.1
Interest-bearing liabilities	831.3	770.0	(61.3)
Debt to equity ratio	0.72	0.50	(0.22)

Total assets at December 31, 2022 were 2,812.3 billion yen, a 386.0 billion yen increase from December 31, 2021. This was mainly due to an increase in accounts receivable from revenue growth and an increase in goodwill affected by yen depreciation. Total equity was 1,537.5 billion yen, a 384.1 billion yen increase from December 31, 2021. Despite a decrease resulting from the acquisition of treasury shares, total equity grew mainly due to an increase in other components of equity such as increase in exchange differences on translation of foreign operations following fluctuations in the exchange rate as well as an increase in retained earnings through profit.

Equity attributable to owners of parent increased by 383.7 billion yen from December 31, 2021, and Equity ratio attributable to owners of parent was 54.5%. In addition, Interest-bearing liabilities decreased by 61.3 billion yen from December 31, 2021, mainly due to the repayment of borrowings. Consequently, Debt to equity ratio was 0.5.

The allocation of the acquisition costs for the business combinations with Dialog and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the year ended December 31, 2021.

1.3 Cash Flows

	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	307.4	479.3
Net cash provided by (used in) investing activities	(663.1)	(97.5)
Free cash flows (Note)	(355.7)	381.8
Net cash provided by (used in) financing activities	340.9	(294.8)
Cash and cash equivalents at the beginning of period	219.8	221.9
Cash and cash equivalents at the end of period	221.9	336.1

Note: As defined as a total of net cash flows provided by (used in) operating and investing activities.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities for the year ended December 31, 2022 was 479.3 billion yen. This was mainly due to a recording of 362.3 billion yen in profit before tax as well as adjustments in non-cash items such as depreciation.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the year ended December 31, 2022 was 97.5 billion yen. This was mainly due to purchase of property, plant and equipment as well as intangible assets.

The foregoing resulted in positive free cash flows of 381.8 billion yen for the year ended December 31, 2022.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities for the year ended December 31, 2022 was 294.8 billion yen. This was mainly due to purchase of treasury shares and repayments of borrowings to main financing banks.

1.4 Consolidated Forecasts

The Group reports its consolidated forecasts on a quarterly basis as a range because of the difficulty of forecasting full-year results with high accuracy due to the short-term volatility of the semiconductor market.

Additionally, in order to provide useful information to better understand the Group's constant business results, figures such as gross margin and operating margin are presented in the non-GAAP format, which excludes or adjusts the non-recurring items related to acquisitions and other adjustments including non-recurring expenses or income from the figures based on GAAP (IFRS) following a certain set of rules.

The gross margin and operating margin forecasts are given assuming the midpoint in the revenue forecast.

(For the three months ending March 31, 2023)

	Non-GAAP Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Previous forecasts	---	---	---
	Million yen	%	%
Forecasts as of February 9, 2023	347,500 to 362,500	54.5	32.5
Increase (decrease)	---	---	---
Percentage change	---	---	---
Reference: The first quarter results of the year ended December 31, 2022	346,696	58.4	39.1

Note: 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. This adjustment and exclusion include depreciation of property, plant and equipment, amortization of intangible assets recognized from acquisitions, other PPA adjustments and stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable.

The consolidated forecasts for the three months ending March 31, 2023 are calculated at the rate of 130 yen per USD and 140 yen per Euro.

The statements with respect to the financial outlook of the Group are forward-looking statements involving risks and uncertainties. The Company cautions you in advance that actual results may vary materially from such forward-looking statements due to several important factors.

1.5 Dividend Payments

The Group forewent dividend payment for this period.

With an aim to increase shareholder profit by improving corporate value, the Group diverts its retained earnings for strategic investment opportunities that will enable the Group to respond to rapid environmental changes and thrive in the global marketplace. On the other hand, as part of its management resource and capital allocation policy, the Group considers shareholder return as one of its key measures, alongside strategic investments. For the year ended December 31, 2022, to respond to the growing interest of shareholders in profit returns and having established necessary financial basis, the Group returned profits to shareholders through acquisition of treasury shares.

For the year ending December 31, 2023, whether the Group provides interim and year-end dividend payments remain undecided, and the Group will make an announcement if any decisions are made.

2. Primary policy for selection of accounting standards

The Group has adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements from annual securities report for the fiscal year ended December 31, 2018 to increase the international comparability of financial information considering that the Group drives its business globally further.

3. Consolidated Financial Statements
3.1 Consolidated Statement of Financial Position

	(In millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	221,924	336,068
Trade and other receivables	140,478	162,623
Inventories	137,759	187,958
Other current financial assets	737	6,688
Income taxes receivable	4,395	4,462
Other current assets	12,352	17,320
Total current assets	<u>517,645</u>	<u>715,119</u>
Non-current assets		
Property, plant and equipment	198,165	208,042
Goodwill	1,089,452	1,265,457
Intangible assets	534,778	487,438
Other non-current financial assets	34,633	84,149
Deferred tax assets	42,537	37,876
Other non-current assets	9,091	14,191
Total non-current assets	<u>1,908,656</u>	<u>2,097,153</u>
Total assets	<u><u>2,426,301</u></u>	<u><u>2,812,272</u></u>

	(In millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	204,330	222,941
Bonds and borrowings	121,105	120,005
Other current financial liabilities	11,595	13,838
Income taxes payable	22,050	79,025
Provisions	11,185	8,099
Other current liabilities	75,623	81,565
Total current liabilities	445,888	525,473
Non-current liabilities		
Trade and other payables	15,100	3,382
Bonds and borrowings	692,983	635,738
Other non-current financial liabilities	11,868	11,301
Income taxes payable	3,792	2,551
Retirement benefit liability	27,926	24,102
Provisions	3,795	3,289
Deferred tax liabilities	65,788	63,523
Other non-current liabilities	5,763	5,435
Total non-current liabilities	827,015	749,321
Total liabilities	1,272,903	1,274,794
Equity		
Share capital	147,133	153,209
Capital surplus	337,989	348,446
Retained earnings	570,292	828,599
Treasury shares	(11)	(192,171)
Other components of equity	94,678	395,667
Total equity attributable to owners of parent	1,150,081	1,533,750
Non-controlling interests	3,317	3,728
Total equity	1,153,398	1,537,478
Total liabilities and equity	2,426,301	2,812,272

3.2 Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	(In millions of yen)	
	The year ended December 31, 2021	The year ended December 31, 2022
Revenue	993,908	1,500,853
Cost of sales	(497,780)	(646,864)
Gross profit	496,128	853,989
Selling, general and administrative expenses	(317,199)	(426,861)
Other income	8,031	17,677
Other expenses	(13,133)	(20,635)
Operating profit	173,827	424,170
Finance income	4,140	1,409
Finance costs	(35,249)	(63,280)
Profit before tax	142,718	362,299
Income tax expense	(23,031)	(105,512)
Profit	119,687	256,787
Profit attributable to		
Owners of parent	119,536	256,632
Non-controlling interests	151	155
Profit	119,687	256,787
Earnings per share		
Basic earnings per share (yen)	64.77	137.67
Diluted earnings per share (yen)	63.35	134.85

Consolidated Statement of Comprehensive Income

(In millions of yen)

	The year ended December 31, 2021	The year ended December 31, 2022
Profit	119,687	256,787
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	902	1,913
Equity instruments measured at fair value through other comprehensive income	(311)	(130)
Total of items that will not be reclassified to profit or loss	591	1,783
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	168,975	312,707
Cash flow hedges	(4,022)	(11,946)
Cost of hedges	(153)	6,653
Total of items that may be reclassified subsequently to profit or loss	164,800	307,414
Total other comprehensive income	165,391	309,197
Total comprehensive income	285,078	565,984
Comprehensive income attributable to		
Owners of parent	284,721	565,573
Non-controlling interests	357	411
Total comprehensive income	285,078	565,984

3.3 Consolidated Statement of Changes in Equity
(The year ended December 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	—	—	119,536	—	—	—	—
Other comprehensive income	—	—	—	—	—	902	(311)
Total comprehensive income	—	—	119,536	—	—	902	(311)
Issuance of new shares	118,162	117,320	—	—	—	—	—
Share-based payment transactions	—	12,416	—	—	(2,843)	—	—
Transfer to retained earnings	—	—	781	—	154	(902)	(33)
Reclassification to non-financial assets	—	—	—	—	—	—	—
Total transactions with owners	118,162	129,736	781	—	(2,689)	(902)	(33)
Balance as of December 31, 2021	147,133	337,989	570,292	(11)	13,270	—	(1,475)

	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	—	—	—	—	119,536	151	119,687
Other comprehensive income	168,769	(4,022)	(153)	165,185	165,185	206	165,391
Total comprehensive income	168,769	(4,022)	(153)	165,185	284,721	357	285,078
Issuance of new shares	—	—	—	—	235,482	—	235,482
Share-based payment transactions	—	—	—	(2,843)	9,573	—	9,573
Transfer to retained earnings	—	—	—	(781)	—	—	—
Reclassification to non-financial assets	—	3,604	—	3,604	3,604	—	3,604
Total transactions with owners	—	3,604	—	(20)	248,659	—	248,659
Balance as of December 31, 2021	83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398

(The year ended December 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	570,292	(11)	13,270	—	(1,475)
Profit	—	—	256,632	—	—	—	—
Other comprehensive income	—	—	—	—	—	1,913	(130)
Total comprehensive income	—	—	256,632	—	—	1,913	(130)
Issuance of new shares	6,076	6,040	—	—	—	—	—
Purchase of treasury shares	—	(442)	—	(192,160)	—	—	—
Share-based payment transactions	—	4,859	—	—	(6,277)	—	—
Transfer to retained earnings	—	—	1,675	—	609	(1,913)	(371)
Total transactions with owners	6,076	10,457	1,675	(192,160)	(5,668)	(1,913)	(371)
Balance as of December 31, 2022	153,209	348,446	828,599	(192,171)	7,602	—	(1,976)

	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	83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398
Profit	—	—	—	—	256,632	155	256,787
Other comprehensive income	312,451	(11,946)	6,653	308,941	308,941	256	309,197
Total comprehensive income	312,451	(11,946)	6,653	308,941	565,573	411	565,984
Issuance of new shares	—	—	—	—	12,116	—	12,116
Purchase and disposal of treasury shares	—	—	—	—	(192,602)	—	(192,602)
Share-based payment transactions	—	—	—	(6,277)	(1,418)	—	(1,418)
Transfer to retained earnings	—	—	—	(1,675)	—	—	—
Total transactions with owners	—	—	—	(7,952)	(181,904)	—	(181,904)
Balance as of December 31, 2022	395,905	(12,364)	6,500	395,667	1,533,750	3,728	1,537,478

3.4 Consolidated Statement of Cash Flows

(In millions of yen)

	The year ended December 31, 2021	The year ended December 31, 2022
Cash flows from operating activities		
Profit before tax	142,718	362,299
Depreciation and amortization	146,047	186,032
Impairment losses	135	7,719
Finance income and finance costs	6,944	9,959
Share-based payment expenses	14,899	18,144
Foreign exchange loss (gain)	23,761	42,997
Loss (gain) on sales of property, plant and equipment, and intangible assets	(5,557)	(9,583)
Decrease (increase) in inventories	(6,253)	(41,546)
Decrease (increase) in trade and other receivables	(9,512)	(7,886)
Decrease (increase) in other financial assets	(9,699)	(29,303)
Increase (decrease) in trade and other payables	50,413	13,882
Increase (decrease) in retirement benefit liability	(2,560)	(4,600)
Increase (decrease) in provisions	3,845	(4,414)
Increase (decrease) in other current liabilities	(20,225)	(286)
Increase (decrease) in other financial liabilities	4,681	(1,454)
Other	(9,327)	(7,826)
Subtotal	330,310	534,134
Interest received	242	491
Dividends received	300	219
Income taxes paid	(23,468)	(55,519)
Net cash flows from operating activities	307,384	479,325
Cash flows from investing activities		
Purchase of property, plant and equipment	(36,938)	(66,135)
Proceeds from sales of property, plant and equipment	8,408	10,627
Purchase of intangible assets	(15,408)	(22,064)
Purchase of other financial assets	(1,416)	(5,602)
Proceeds from sales of other financial assets	579	1,268
Payments for acquisitions of subsidiaries	(614,816)	(6,748)
Payments for acquisitions of subsidiaries for the contingent consideration.	—	(2,103)
Other	(3,535)	(6,766)
Net cash flows from investing activities	(663,126)	(97,523)
Cash flows from financing activities		
Proceeds from short-term borrowings	270,000	50,000
Repayments of short-term borrowings	(270,000)	(51,180)
Proceeds from long-term borrowings	240,000	47,096
Repayments of long-term borrowings	(262,777)	(128,767)
Proceeds from issuance of bonds	154,359	—
Proceeds from issuance of shares	223,799	—
Payments for share issuance costs	(1,179)	—
Purchase of treasury shares	—	(200,000)
Repayments of lease liabilities	(4,571)	(5,901)
Interest paid	(8,682)	(5,947)
Other	(34)	(71)
Net cash flows from financing activities	340,915	(294,770)

	(In millions of yen)	
	The year ended December 31, 2021	The year ended December 31, 2022
Effect of exchange rate changes on cash and cash equivalents	16,965	27,112
Net increase (decrease) in cash and cash equivalents	2,138	114,144
Cash and cash equivalents at beginning of the period	219,786	221,924
Cash and cash equivalents at end of the period	<u>221,924</u>	<u>336,068</u>

3.5 Notes to 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 consolidated financial statements of the Group have been prepared in accordance with IFRS.

(2) Basis of measurement

In the 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 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

(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 year ended December 31, 2021, has been presented separately for the year ended December 31, 2022 due to the increase in its materiality.

In order to reflect this change in presentation, Consolidated Statement of Cash Flows for the year ended December 31, 2021 has been reclassified. Consequently, within “Cash flows from operating activities” category, (4,466) million yen of “Other” has been classified to 4,681 million yen of “Decrease (increase) in other financial assets”, (9,147) million yen of “Other.”

For the year ended December 31, 2022, the Group has completed the purchase price allocation. Therefore, Consolidated Statement of Cash Flows for the year ended December 31, 2021 has been revised.

(Basis of Consolidated Financial Statements)

Scope of consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 104

(Number of subsidiaries decreased mainly due to liquidation:13)

Integrated Device Technology Ireland Holding, Ltd and other 12 companies.

(Number of subsidiaries increased mainly due to acquisitions:3)

Steradian Semiconductors Private Limited (hereinafter “Steradian”) and other 2 companies.

(Significant Accounting Policies)

The significant accounting policies for the 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.

(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.

The Group considers the impact of the spread of COVID-19 when making estimates and assumptions (such as judgments regarding the potential impairment of goodwill and collectability of deferred tax assets), to a reasonable extent based on available information.

These estimates and assumptions may be affected depending on the future events of the spread of COVID-19.

(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 revenue, 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.

(The year ended December 31, 2021)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	462,309	515,547	16,562	—	994,418	(510)	993,908
Segment gross profit	214,573	312,301	1,992	—	528,866	(32,738)	496,128
Segment operating profit	122,443	167,071	1,992	5,075	296,581	(122,754)	173,827
Finance income							4,140
Finance costs							(35,249)
Profit before tax							142,718
(Other items)							
Depreciation and amortization	43,468	35,316	—	—	78,784	67,263	146,047

(The year ended December 31, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	645,040	845,881	11,778	—	1,502,699	(1,846)	1,500,853
Segment gross profit	324,423	535,345	3,394	—	863,162	(9,173)	853,989
Segment operating profit	219,216	331,772	3,394	5,004	559,386	(135,216)	424,170
Finance income							1,409
Finance costs							(63,280)
Profit before tax							362,299
(Other items)							
Depreciation and amortization	42,042	37,790	—	—	79,832	106,200	186,032

(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.

a. Revenue from external customers

(In millions of yen)

	The year ended December 31, 2021	The year ended December 31, 2022
Japan	314,528	376,795
China	231,059	424,150
Asia (Excluding Japan and China)	213,313	319,311
Europe	147,889	236,683
North America	83,584	137,815
Others	3,535	6,099
Total	993,908	1,500,853

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

b. Non-current assets

Non-current assets include property, plant and equipment, goodwill and intangible assets.

(In millions of yen)

	The year ended December 31, 2021	The year ended December 31, 2022
Japan	1,422,162	1,587,405
Malaysia	242,557	229,101
Asia (Excluding Japan and Malaysia)	22,301	37,045
Europe	46,656	41,022
North America	88,719	66,362
Others	—	2
Total	1,822,395	1,960,937

(5) Major customers

Revenue from a single external customer accounting for 10% or more of revenue is as follows.

(In millions of yen)

	Name of related reportable segment	The year ended December 31, 2021	The year ended December 31, 2022
Ryosan Company, Limited	Automotive, Industrial/Infrastructure /IoT	141,325	—
WT Microelectronics Co.,Ltd.	Automotive, Industrial/Infrastructure /IoT	127,845	—

(Note) For the year ended December 31, 2022, there were no transactions with a single external customer accounting for 10% or more of revenue and therefore, the amount of revenue is omitted from the above table.

(Business Combinations)

Business combinations that occurred during the year ended December 31, 2021 and the year ended December 31, 2022 are as follows. Immaterial business combinations are not included in this disclosure.

The year ended December 31, 2021

(Dialog Semiconductor Plc)

a. Overview of business combination

The Company made an acquisition of the entire issued and to be issued share capital of Dialog Semiconductor Plc (hereinafter "Dialog") on August 31, 2021. Following the completion of the acquisition, Dialog has become a wholly-owned subsidiary of the Company (hereinafter "the Dialog Acquisition").

1) Name and overview of the acquiree

Name of the acquiree: Dialog Semiconductor Plc

Business overview: Development, manufacturing and sales of analog ICs such as mixed-signal devices.

2) Date of the acquisition

August 31, 2021. (LONDON, United Kingdom: August 30, 2021)

3) Purpose of the acquisition

Dialog is an innovative provider of highly-integrated and power-efficient mixed-signal ICs for a broad array of customers within IoT, consumer electronics and high-growth segments of automotive and industrial end-markets. Centered around its low-power and mixed-signal expertise, Dialog brings a wide range of product offerings including battery and power management, power conversion, configurable mixed-signal (CMIC), LED drivers, custom mixed-signal ICs (ASICs) and automotive power management ICs (PMICs), wireless charging technology, and more. Dialog also offers broad and differentiated Bluetooth® Low Energy, Wi-Fi and audio system-on-chips (SoCs) that deliver advanced connectivity for a wide range of applications; from smart home/building automation, wearables, to connected medical. All these systems complement and expand Renesas' leadership portfolio in delivering comprehensive solutions to improve performance and efficiency in high-computing electronic systems.

The Dialog acquisition demonstrates Renesas' continued and unwavering commitment to further advance its solution offering. The complementary nature of the companies' technological assets and the scale of the combined portfolios will enable Renesas to build more robust and comprehensive solutions to serve high-growth segments of the IoT and automotive markets. Renesas believes there is a compelling strategic rationale for the Dialog acquisition because it:

(i) Scales Renesas' IoT sector capabilities with Dialog's low-power technologies

Dialog has a differentiated portfolio of low-power mixed-signal products, decades of experience in developing custom and configurable solutions for the world's largest customers and expertise in low-power connectivity that are highly complementary to Renesas. The Dialog acquisition of these low-power technologies enhances Renesas' product portfolio and expands horizons in addressing high-growth markets in the IoT field.

(ii) Unlocks further differentiation to Renesas system solution with connectivity

Bringing together Renesas and Dialog will extend the Group's reach to a broader customer base and open up additional growth potential in the key growth segments: industrial infrastructure, IoT and automotive. Dialog's BLE, Wi-Fi and audio SoCs are highly complementary to Renesas' microcontroller (MCU)-based solutions. Combining Dialog's innovative low-power Wi-Fi and Bluetooth® SoC and expertise with Renesas' technologies will enable Renesas to further differentiate its system solution offering and extend its footprint in high-growth segments, including contactless IoT applications for smart home/building automation and healthcare. Renesas' automotive solutions will also be enriched with connectivity for a wide range of security and safety applications.

4) Acquisition Method

Renesas implemented a scheme of arrangement pursuant to UK law. The scheme of arrangement is a method of acquisition whereby with the agreement of Dialog, the Dialog acquisition can be executed by obtaining approvals from Dialog shareholders and the Court.

b. Consideration for the acquisition and its breakdown

		(In millions of yen)
Consideration		Amount
Cash		623,892
Restricted stock units		7,183
Total	A	<u>631,075</u>

Expenses related to the acquisition were 4,589 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2021.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In millions of yen)
		Date of acquisition (August 31, 2021)
Current assets		
Cash and cash equivalents		40,450
Trade and other receivables (Note 2)		39,808
Inventories		34,748
Other		8,842
Total current assets		<u>123,848</u>
Non-current assets		
Property, plant and equipment		10,771
Intangible assets		40,303
Other		2,376
Total non-current assets		<u>53,450</u>
Total assets		<u>177,298</u>
Current liabilities		
Trade and other payables		14,825
Other		36,848
Total current liabilities		<u>51,673</u>
Non-current liabilities		
Other non-current financial liabilities		2,881
Deferred tax liabilities		4,445
Other		3,238
Total non-current liabilities		<u>10,564</u>
Total liabilities		<u>62,237</u>
Net assets	B	<u>115,061</u>
Basis adjustment (Note 3)	C	<u>3,604</u>
Goodwill (Note 4)	A-B+C	<u>519,618</u>

(Note 1) As of December 31, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories for which the valuation was able to be completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Dialog.

(Note 2) The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

(Note 3) The Company has entered into currency options and forward exchange contracts to hedge the foreign exchange risk against EUR-denominated acquisition consideration payments and adopted hedge accounting. The hedging instruments were settled in cash at the fair value on the acquisition date. The basis adjustment is the amount of change in the fair value of the hedging instruments recorded in other comprehensive income on the acquisition date and were added to the amount of goodwill.

(Note 4) Goodwill reflects future excess earning power expected from synergies between the Company and Dialog. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

	(In millions of yen)
Item	Amount
Consideration for acquisition in cash	623,892
Cash and cash equivalents held by the acquiree at the time of obtaining control	(40,450)
Amount of cash paid for the acquisition of subsidiaries	583,442
Basis adjustment	3,604
Amount of cash paid for the acquisition of subsidiaries (net amount)	587,046

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the prior fiscal year (unaudited information)

Assuming that the date of the acquisition of Dialog was at the beginning of the prior fiscal year, revenue and profit for the year ended December 31, 2021 would be 1,093,258 million yen and 156,593 million yen, respectively. As of December 31, 2021, the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized. As a result, the adjustments such as amortization of intangible assets are not reflected in the aforementioned revenue and profit figures. The pro forma information is not necessarily indicative of events that may happen in the future.

In addition, in order to prepare this information, Dialog's past financial information has been adjusted for significant differences to comply with the Company's accounting policies.

f. Revenue and profit / loss of the acquired company

From the acquisition date to December 31, 2021, the Company recorded the revenue of Dialog of 66,757 million yen and profit of 4,545 million yen in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.

(Celeno Communications Inc.)

a. Overview of business combination

On December 20, 2021, the Company made an acquisition of the entire issued share capital of Celeno Communications Inc. (hereinafter "Celeno"), a semiconductor company in the United States of America which mainly operates its business in Israel. Following the completion of the acquisition, Celeno has become a wholly-owned subsidiary of the Company (hereinafter "the Celeno Acquisition").

1) Name and overview of the acquiree

Name of the acquiree: Celeno Communications Inc.

Business overview: Development and sale of connectivity devices such as Wi-Fi 5, Wi-Fi 6 and IoT chipsets.

2) Date of the acquisition

December 20, 2021.

3) Purpose of the acquisition

Headquartered in Israel, Celeno offers a wide range of wireless communication solutions, including advanced Wi-Fi chipsets and software solutions, for high-performance home networks, smart buildings, enterprise and industrial markets. Its industry's most compact chipset offerings for Wi-Fi 6 and 6E deliver exceptional Wi-Fi network performance and increased security with low latency and low power consumption. Celeno's breakthrough Wi-Fi Doppler Imaging technology, a Wi-Fi based, high-resolution imaging technology is ideal for home elderly care and assisted living, home security, safe driving and digital and connected factories. It depicts, tracks and analyzes the motion, behavior and location of people and objects using standard Wi-Fi, eliminating the need for multiple cameras or sensors in home environments and commercial buildings. As the world's No.1 embedded processor supplier, Renesas offers a breadth of low-power MCU/MPU/SoC processors, wireless ICs, sensors and power management technologies. Celeno's field-proven Wi-Fi and software capabilities are highly complementary to Renesas. The combination creates a comprehensive, end-to-end embedded solutions for addressing the fast-growing markets for low-power connectivity in IoT, infrastructure, industrial and automotive applications.

In addition to expanding the solution offering, the Celeno Acquisition also increases Renesas' engineering and design scale with Celeno's design center in Israel and by welcoming R&D staff based in Israel, Ukraine, India, China, Taiwan and more. This further strengthens Renesas' global engineering and software development talent base, allowing Renesas to bring more seamless and expanded services to customers around the globe.

4) Acquisition Method

For the purpose of the Celeno Acquisition, Renesas established a wholly-owned subsidiary ("Acquisition Subsidiary") in Delaware, the United States of America which merged with Celeno in a reverse triangular merger. Celeno was the surviving company following the merger. The Company paid cash to Celeno's shareholders as consideration for the merger. The shares of the Acquisition Subsidiary owned by Renesas were converted into outstanding shares in Celeno, making Celeno a wholly-owned subsidiary of Renesas.

b. Consideration for the acquisition and its breakdown

		(In millions of yen)
Consideration		Amount
Cash		28,037
Contingent consideration		4,681
Total	A	<u>32,718</u>

Expenses related to the acquisition were 508 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2021.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In millions of yen)
		Date of acquisition (December 20, 2021)
Current assets		
Cash and cash equivalents		267
Trade and other receivables (Note 2)		375
Inventories		3,024
Other		396
Total current assets		<u>4,062</u>
Non-current assets		
Property, plant and equipment		103
Intangible assets		844
Other		2
Total non-current assets		<u>949</u>
Total assets		5,011
Current liabilities		
Trade and other payables		2,715
Bonds and borrowings		2,185
Other		1,586
Total current liabilities		<u>6,486</u>
Non-current liabilities		
Total non-current liabilities		<u>—</u>
Total liabilities		6,486
Net assets	B	<u>(1,475)</u>
Goodwill (Note 3)	A-B	<u>34,193</u>

(Note 1) As of December 31 the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories for which the valuation was able to be completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Celeno.

(Note 2) The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

(Note 3) Goodwill reflects future excess earning power expected from synergies between the Company and Celeno. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

		(In millions of yen)
Item	Amount	
Consideration for acquisition in cash	28,037	
Cash and cash equivalents held by the acquiree at the time of obtaining control	(267)	
Amount of cash paid for the acquisition of subsidiaries (net amount)	<u>27,770</u>	

The acquisition consideration may change due to price adjustments in response to changes in working capital.

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the prior fiscal year (unaudited information)

Assuming that the date of the acquisition of Celeno was at the beginning of the prior fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2021 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2021, the revenue and profit of Celeno from the acquisition date to the year of December 31, 2021 had no significant impact in the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes \$45 million which will be paid when certain conditions related to Celeno's future product development and mass production progress are 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. Since the fluctuation after the acquisition date of the contingent consideration classified in Level 3 is negligible, the reconciliation table is not presented. 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".

The year ended December 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 for. For the year ended December 31, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

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

(In millions of yen)	
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 1)	519,618
Inventories	316
Property, plant and equipment	(2,531)
Intangible assets (Note 2)	(146,963)
Other (Non-current assets)	(125)
Other (Current liabilities)	(1,458)
Other financial liabilities	345
Deferred tax liabilities	29,731
Other (Non-current liabilities)	(763)
Total adjustments	(121,448)
Goodwill (after adjustment) (Note 1)	398,170

(Note 1) Goodwill reflects future excess earning power expected from synergies between the Company and Dialog. No amount of goodwill is expected to be deductible for tax purposes.

(Note 2) The amount allocated to intangible assets is mainly developed technology, and the fair value of such intangible assets is measured using the excess earnings method based on assumptions such as future business plans and discount rates.

Consolidated Statement of Financial Position as of December 31, 2021 has been revised retrospectively upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 127,106 million yen and retained earnings has decreased by 7,725 million yen. Property, plant and equipment, intangible assets, and deferred tax liabilities have increased by 2,436 million yen, 144,165 million yen, and 29,150 million yen, respectively.

In addition, operating profit has decreased by 9,774 million yen and profit has decreased by 7,725 million yen in the Consolidated Statement of Profit or Loss for year ended December 31, 2021. Total comprehensive income has decreased by 8,062 million yen in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2021.

(Celeno Communications Inc.)

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 for. For the year ended December 31, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows. Adjustment in consideration for the acquisition is reflected for the year ended December 31, 2022.

Fair value of assets acquired and liabilities assumed on the acquisition date (December 20, 2021)
(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	34,193
Inventories	166
Intangible assets	(18,644)
Deferred tax liabilities	409
Adjustment in consideration for the acquisition (Cash)	26
Total adjustments	(18,043)
Goodwill (after adjustment) (Note)	16,150

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

Consolidated Statement of Financial Position as of December 31, 2021 has been revised retrospectively upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 18,042 million yen and intangible assets has increased by 18,644 million yen.

In addition, the impact of the revision on the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income for the year ended December 31, 2021 is immaterial.

Contingent consideration includes \$45 million which will be paid based on the contract when several certain conditions (milestones) related to Celeno's future product development and mass production progress are 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.

	(In millions of yen)	
	The year ended December 31, 2021	The year ended December 31, 2022
Beginning balance	—	4,681
Settlement	—	(2,205)
Changes in fair value	—	(2,201)
Exchange differences	—	990
Ending balance	—	1,265

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs", and the fluctuated amount due to other than the time value of money is recorded in "Other income" and "Other expenses." For the year ended December 31, 2022, other income of 2,464 million yen and finance costs of 263 million yen were recorded for the change of fair value.

(Steradian Semiconductors Private Limited.)

a. Overview of business combination

On October 17, 2022, the Company completed the acquisition of Steradian, a fabless semiconductor company providing 4D imaging radar solutions, headquartered in Bengaluru, India. Following the completion of the acquisition, Steradian has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Steradian Semiconductors Private Limited.

Business overview: 4D imaging radar solutions.

2) Date of the acquisition

October 17, 2022.

3) Purpose of the acquisition

Headquartered in Bengaluru, India, Steradian is a start-up founded in 2016 and provides radar solutions that enable highly accurate object recognition and power efficiency in a small chip. Radar is a vital technology for ADAS (Advanced Driver Assistance Systems), which uses a complex combination of various sensors in vehicles to detect objects. Renesas plans to capitalize on the high growth opportunities the automotive radar market offers, by expanding its automotive product portfolio with Steradian's radar technology and extending its reach in the radar market.

The resulting automotive radar solutions will combine the new automotive radar products, Renesas' ADAS SoCs (System-on-Chips) for processing radar signals, power management ICs (PMICs), and timing products together with software for object recognition. Together, these solutions will simplify the design of automotive radar systems and contribute to faster product development.

The combination of Steradian's leading-edge radar technology and engineering talent will boost Renesas' sensing solution offerings in a wide array of applications including industrial systems. Renesas will bring together the best possible device combination and software to meet the growing demand for sensor technology solutions and continue to make engineers' design work easier.

4) Acquisition Method

Acquisition of shares for cash consideration.

b. Consideration for the acquisition and its breakdown

Consideration	(In millions of yen)	
	Amount	
Cash		4,971
Fair value of equity interest held just prior to the acquisition date		843
Contingent consideration		1,207
Total	A	7,021

Expenses related to the acquisition were 345 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2022.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In millions of yen)
		Date of acquisition (October 17, 2022)
Current assets		
Cash and cash equivalents		101
Trade and other receivables (Note 2)		2
Income taxes receivable		19
Other		51
Total current assets		173
Non-current assets		
Property, plant and equipment		19
Intangible assets		5
Deferred tax assets		2
Total non-current assets		26
Total assets		199
Current liabilities		
Trade and other payables		16
Income taxes payable		13
Other		739
Total current liabilities		768
Non-current liabilities		
Retirement benefit liability		5
Other		14
Total non-current liabilities		19
Total liabilities		787
Net assets	B	(588)
Goodwill (Note 3)	A-B	7,609

(Note 1) As of December 31, 2022, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Steradian.

(Note 2) The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

(Note 3) Goodwill reflects future excess earning power expected from synergies between the Company and Steradian. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

		(In millions of yen)
Item	Amount	
Consideration for acquisition in cash	4,971	
Cash and cash equivalents held by the acquiree at the time of obtaining control	(101)	
Amount of cash paid for the acquisition of subsidiaries (net amount)	4,870	

The acquisition consideration may change due to price adjustments in response to changes in working capital.

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Steradian was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2022 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2022, the revenue and profit of Steradian from the acquisition date to December 31, 2022 had no significant impact on the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes \$11 million which will be paid when certain conditions related to Steradian's future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Steradian, 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.

			(In millions of yen)
		The year ended December 31, 2021	The year ended December 31, 2022
Beginning balance	—	—	
Increase due to the business combination	—	1,207	
Exchange differences	—	(129)	
Ending balance	—	1,078	

h. Gain on step acquisitions

As a result of revaluing the equity interest (10.64%) of the acquired company held just prior to the acquisition date at fair value on the acquisition date, the Group recognized a gain on step acquisition of 447 million yen. The gain on step acquisition is recorded in Equity instruments measured at fair value through other comprehensive income in the Consolidated Statement of Comprehensive Income.

(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 December 31, 2022
Notes and trade receivables	136,810	158,242
Other receivables	3,737	4,538
Loss allowance	(69)	(157)
Total	140,478	162,623

(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 December 31, 2022
Trade payables	104,775	105,362
Other payables	59,262	41,206
Electronically recorded obligations	14,808	13,940
Refund liabilities	40,585	65,815
Total	219,430	226,323
Current liabilities	204,330	222,941
Non-current liabilities	15,100	3,382

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

(Bonds and Borrowings)

a. Bonds

The year ended December 31, 2021

On November 19, 2021, the Company has decided to issue senior notes denominated in USD in multiple tranches (One of the tranches of the notes will be green bonds, proceeds from which will be used solely for projects that are expected to contribute to the global environment). The Company issued USD-denominated Senior Notes due 2024 (Green Bonds, Principal amount: USD 500million, Interest rate: 1.543%, Maturity Date: November 26, 2024) and USD-denominated Senior Notes due 2026 (Principal amount: USD 850million, Interest rate: 2.170%, Maturity Date: November 25, 2026) on November 26, 2021, raising a total of USD 1,350 million.

The year ended December 31, 2022

Not applicable.

b. Borrowings

The year ended December 31, 2021

On August 31, 2021, the Company had borrowed 270,000 million yen under a term loan agreement (Borrowing date: August 31, 2021, Repayment date: February 7, 2022, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd.) to raise a portion of the funds for the Dialog Acquisition.

With the purpose of refinancing 240,000 million yen of the above loans (after the repayment of 30,000 million yen) to mid- to long-term funds, on December 23, 2021, the Company has entered into the syndicate loan agreement (Loan amount: 96,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited., Resona Bank, Limited., Aozora Bank, Ltd., Shinkin Central Bank, The Norinchukin Bank, Bank of America NA Tokyo Branch) and a JBIC loan agreement (Loan amount: 144,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: Japan Bank of International Cooperation). On December 30, 2021, the Company borrowed a total of 240,000 million yen under these agreements and fully repaid the remaining amount of the loans dated August 31, 2021.

The year ended December 31, 2022

In April 2022, the Company had borrowed 50,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited. under a commitment line agreement dated January 15, 2019. In July 2022, the Company has fully repaid this borrowing.

In June 2022, the Company entered into a term loan agreement dated June 28, 2022 (Loan amount: \$200 million, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: Bank of America NA Tokyo Branch) and a term loan agreement dated June 30, 2022 (Loan amount: 20,000 million yen, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: MUFG Bank, Ltd.). The Company has borrowed a total of 47,096 million yen under these agreements dated June 30, 2022.

(Equity and Other Equity Items)

The year ended December 31, 2021

Based on the resolution at the Board of Directors' meeting held on May 28, 2021, the Company issued 192,252,800 shares through a public offering with the payment due date on June 15, 2021 and 2,067,600 shares of common stock through a third-party allotment with the payment due date of June 28, 2021.

As a result, share capital increased by 111,899 million yen and capital surplus increased by 111,092 million yen.

As a result, the share capital is 147,133 million yen and the capital surplus is 337,989 million yen as of December 31, 2021.

The year ended December 31, 2022

Based on the resolution at the Board of Directors' meeting held on April 27, 2022, the Company conducted a tender offer to acquire its own shares and purchased 168,067,250 shares from April 28, 2022 to May 31, 2022. As a result, treasury shares increased by 200,000 million yen.

In addition, the number of treasury shares decreased by 6,581,664 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) for the year ended December 31, 2022.

As a result, treasury shares decreased by 7,840 million yen.

The amount of treasury shares held was 192,171 million yen as of December 31, 2022.

(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)	
	The year ended December 31, 2021	The year ended December 31, 2022
Research and development expenses	154,330	205,963
Depreciation and amortization	73,856	111,930
Personnel expenses	53,118	67,569
Retirement benefit expenses	2,780	2,723
Other	33,115	38,676
Total	317,199	426,861

(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)

	The year ended December 31, 2021	The year ended December 31, 2022
Gain on sales of property, plant and equipment (Note 1)	5,618	9,749
Fair value remeasurements on contingent considerations (Note 2)	—	2,464
Insurance claim income	460	1,467
Reversal of provision for business restructuring	684	1,068
Other	1,269	2,929
Total	8,031	17,677

(Note 1) Gain on sales of property, plant and equipment for the year ended December 31, 2022 is mainly due to the sale of Yamaguchi Factory (Ube, Yamaguchi Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, which completed consolidation on June 30, 2022.

(Note 2) For details, please refer to "Business Combinations."

(Other Expenses)

The components of other expenses are as follows.

(In millions of yen)

	The year ended December 31, 2021	The year ended December 31, 2022
Impairment losses (Note 1)	135	7,719
Settlement packages (Note 2)	327	5,488
Business restructuring expenses (Note 3)	3,934	3,928
Provision for loss on litigation (Note 4)	4,737	14
Other	4,000	3,486
Total	13,133	20,635

(Note 1) Impairment losses are mainly due to the discontinuation of certain in-process research and development projects.

(Note 2) Settlements packages are mainly related to past license agreements for the year ended December 31, 2022.

(Note 3) The Group has reformed its business and structures of production to strengthen its financial basis, and the related expenses are shown as business restructuring expenses. The main items of business restructuring expenses were personnel expenses such as additional retirement benefits and expenses related to disposition of property, plant and equipment associated with consolidating the operating bases.

(Note 4) Provision for loss on litigation is recorded for the payment of lawsuits and compensation.

(Earnings Per Share)

Basic earnings per share attributable to owners of parent and diluted earnings per share are as follows.

(1) Basic earnings per share

	The year ended December 31, 2021	The year ended December 31, 2022
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	119,536	256,632
Weighted average number of ordinary shares during the year (thousands of shares)	1,845,524	1,864,152
Basic earnings per share (yen)	64.77	137.67

(2) Diluted earnings per share

	The year ended December 31, 2021	The year ended December 31, 2022
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	119,536	256,632
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	119,536	256,632
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,845,524	1,864,152
Increase in common stock		
Share acquisition rights (thousands of shares)	35,233	20,907
Restricted Stock Unit (thousands of shares)	6,239	18,101
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,886,996	1,903,161
Diluted earnings per share (yen)	63.35	134.85

(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 18,216 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 year ended December 31, 2022. These are included in cost of sales of 18,108 million yen and other expenses of 108 million yen in the Consolidated Statement of Profit or Loss. In addition, 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 as of December 31, 2021.

The Group recorded 942 million yen for restoration and repairment costs of property, plant and equipment for the year ended December 31, 2022. These are included in cost of sales in the Consolidated Statement of Profit or Loss. In addition, the Group received part of fire insurance payments and recorded the amount received as "Other income" for the year ended December 31, 2022. The remaining part of fire insurance payments is scheduled to be received in the next consolidated fiscal year.

(Subsequent Events)

Not applicable.

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](#).

(FORWARD-LOOKING STATEMENTS)

The statements in this press release with respect to the plans, strategies and financial outlook of Renesas and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. Such forward-looking statements do not represent any guarantee by management of future performance. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “continue,” “endeavor,” “estimate,” “expect,” “initiative,” “intend,” “may,” “plan,” “potential,” “probability,” “project,” “risk,” “seek,” “should,” “strive,” “target,” “will” and similar expressions to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements discuss future expectations, identify strategies, contain projections of our results of operations or financial condition, or state other forward-looking information based on our current expectations, assumptions, estimates and projections about our business and industry, our future business strategies and the environment in which we will operate in the future. Known and unknown risks, uncertainties and other factors could cause our actual results, performance or achievements to differ materially from those contained or implied in any forward-looking statement, 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.

This press release is based on the economic, regulatory, market and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in this presentation, which neither we nor our advisors or representatives are under an obligation to update, revise or affirm.