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Renesas Electronics Reports Financial Results for the Year Ended December 31, 2020

TOKYO, Japan, February 10, 2021 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the year ended December 31, 2020.

Summary of Consolidated Financial Results (Note 1)

	Year ended December 31, 2020	
	Billion Yen	% of Revenue
Revenue	715.7	100.0
Operating profit	65.1	9.1
Profit attributable to owners of parent	45.6	6.4
Capital expenditures (Note 2)	22.2	
Depreciation and others (Note 3)	141.5	
R&D expenses (Note 4)	135.1	
	Yen	
Exchange rate (USD)	107	
Exchange rate (EUR)	121	

	As of December 31, 2020
	Billion Yen
Total assets	1,609.0
Total equity	619.7
Equity attributable to owners of parent	616.7
Equity ratio attributable to owners of parent (%)	38.3
Interest-bearing liabilities	693.7

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, 2020. From the quarter ended March 31, 2020, capital expenditures include former Integrated Device Technology, Inc. (hereinafter "IDT")'s investments as well as investments including fixed costs of masks and tools.

Note 3: Depreciation and others includes depreciation of property, plant and equipment, amortization of intangible assets and amortization of long-term prepaid expenses in consolidated statements of cash flows.

Note 4: R&D expenses includes capitalized R&D expenses recorded as intangible assets.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Year Ended December 31, 2020
 English translation from the original Japanese-language document



February 10, 2021

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <https://www.renesas.com>
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 Filing date of Yukashoken Hokokusho (scheduled) : March 31, 2021

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended December 31, 2020

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

	Revenue		Operating profit		Profit (loss) before tax		Profit (loss)		Profit (loss) attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2020	715,673	(0.4)	65,142	940.1	65,216	---	45,726	---	45,626	---	(19,228)	---
Year ended December 31, 2019	718,243	(5.1)	6,263	---	(325)	---	(6,228)	---	(6,317)	---	(22,027)	---

	Basic earnings (loss) per share	Diluted earnings (loss) 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, 2020	26.54	25.97	7.4	4.0	9.1
Year ended December 31, 2019	(3.73)	(3.73)	(1.0)	(0.0)	0.9

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, 2020	1,608,985	619,661	616,701	38.3	356.1
December 31, 2019	1,668,148	624,404	621,455	37.3	363.4

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, 2020	223,889	(40,163)	(104,470)	219,786
Year ended December 31, 2019	201,960	(742,162)	500,466	146,468

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, 2019	---	0.00	---	0.00	0.00	---	---	---
Year ended December 31, 2020	---	0.00	---	0.00	0.00	---	---	---
Year ending December 31, 2021 (forecast)	---	---	---	---	---		---	

Note: For the year ending December 31, 2021, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2021

	Non-GAAP Revenue		Non-GAAP Gross Margin			Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts	
Three months ending March 31, 2021	197,000 to 205,000	10.2 to 14.7	48.5	1.2	22.0	3.2	

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. For details, please refer to Appendix 1.4. "Consolidated Forecasts" page 6.

Note 2: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP 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 year ended December 31, 2020: Yes

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Exclusion: 2 (Company name) Renesas Electronics America Inc., IDT Singapore Pte. Ltd.

Renesas Electronics America Inc. which was a specified subsidiary of the Group has been excluded from the scope of consolidation upon merger into IDT on January 1, 2020. IDT took an absorption-type merger with Renesas Electronics America Inc. and changed the trade name to Renesas Electronics America Inc..

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: Yes

3. Changes in accounting estimates: No

(Note) For details, please refer to page 14.

4.3 Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury stock)

As of December 31, 2020: 1,731,898,990 shares

As of December 31, 2019: 1,710,276,790 shares

2. Number of treasury stock

As of December 31, 2020: 2,581 shares

As of December 31, 2019: 2,581 shares

3. Average number of shares issued and outstanding

Year ended December 31, 2020: 1,719,344,659 shares

Year ended December 31, 2019: 1,694,150,509 shares

(Reference) Non-consolidated results for the year ended December 31, 2020**Non-consolidated financial results**

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2020	563,908	1.7	49,447	46.2	52,843	223.2	47,458	178.7
Year ended December 31, 2019	554,313	(12.2)	33,822	(53.8)	16,349	(76.3)	17,029	(65.4)

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
December 31, 2020	27.60	27.01
December 31, 2019	10.05	9.90

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2020	1,628,721	566,100	33.8	317.65
December 31, 2019	1,614,467	505,219	30.3	286.02

Reference: Equity at the end of the year ended December 31, 2020: 550,141 million yen
Equity at the end of the year ended December 31, 2019: 489,167 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 10, 2021. 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.

[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	14
(Notes about Going Concern Assumption)	14
(Basis for Preparation)	14
(Basis of Consolidated Financial Statements)	14
(Significant Accounting Policies)	14
(Significant Accounting Estimates and Judgments)	14
(Business Segments)	16
(Business Combinations)	18
(Trade and Other Receivables)	21
(Trade and Other Payables)	21
(Bonds and Borrowings)	21
(Revenue)	21
(Selling, General and Administrative Expenses)	22
(Other Income)	22
(Other Expenses)	22
(Per Share Information)	23
(Subsequent Events)	24

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 the “Non-GAAP” financial measures) and those under IFRS.

Non-GAAP operating profit is operating profit under IFRS (hereinafter “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, cost relating to acquisitions and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

In addition, after acquisition of IDT in March 2019 and the transition to an organizational structure based on two business units, the financial figures disclosed have been reformed into two segments: “Automotive Business” and “Industrial/Infrastructure/IoT Business” from the third quarter ended September 30, 2019. Following these changes, the Group discontinued the disclosure of the “Non-GAAP Revenue from Semiconductors” segment. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5 Notes to Consolidated Financial Statements (Business Segments).”

Furthermore, following the acquisition of IDT and the absorption-type merger of IDT with Renesas Electronics America Inc., since January 1, 2020, the Group has begun the integration of business processes and IT systems, etc. as part of the “One Renesas” promotion. With these processes as a momentum, expense classifications have been revised in order to appropriately display the Group’s financial status and business performance. Changes in classifications have been applied retroactively; therefore, the consolidated financial results of the year ended December 31, 2019 have been reclassified. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5 Notes to Consolidated Financial Statements (Basis for Preparation), (4) Changes in Accounting Policy (Changes of the classification of expenses).”

(Note): For disclosure of Non-GAAP financial measures, 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, 2020 (Non-GAAP basis)

	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue	718.2	715.7	(2.6)	(0.4%)
Automotive	371.1	341.0	(30.1)	(8.1%)
Industrial/Infrastructure/IoT	329.7	363.6	33.9	10.3%
Non-GAAP Operating Profit	92.5	137.5	45.1	48.7%
Non-GAAP Operating Margin	12.9%	19.2%	6.3pts	---
Automotive	31.0	48.4	17.4	56.1%
Industrial/Infrastructure/IoT	59.1	89.7	30.6	51.9%
	17.9%	24.7%	6.8pts	---

Note: For details on the above, 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, 2020 are as follows:

<Non-GAAP Revenue>

Consolidated non-GAAP revenue for the year ended December 31, 2020 was 715.7 billion yen, a 0.4% decrease year on year. This was due to a reduction in vehicle production as a result of the COVID-19 pandemic, resulting in a decrease in revenue in the Automotive business, despite an increase in revenue in the Industrial/Infrastructure/IoT business. This results from the steady performance of Infrastructure and IoT revenues in addition to the recording of 12 months’ worth of IDT’s revenue as Renesas’ consolidated revenue in comparison to the recording of 9 months’ worth of IDT’s revenue at the year ended December 31, 2019.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the year ended December 31, 2020 was 338.7 billion yen, a 30.6 billion yen increase year on year. This was mainly due to the effects of sales increases in the profitable Industrial/Infrastructure/IoT business as well as reduction of fixed costs. As a result, non-GAAP gross margin for the year ended December 31, 2020 was 47.3%, an increase by 4.4 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the year ended December 31, 2020 was 137.5 billion yen, a 45.1 billion yen increase year on year. This was mainly due to an increase in gross profit as well as optimization of costs, mainly in selling, general and

administrative expenses. As a result, non-GAAP operating margin for the year ended December 31, 2020 was 19.2%, an increase by 6.3 points year on year.

The non-GAAP revenue breakdown of the business segments for the year ended December 31, 2020 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 IVI (in-vehicle infotainment) 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, 2020 was 341.0 billion yen, an 8.1% decrease year on year. This was mainly due to a decrease in sales in the "Automotive control" category owing to the reduction in vehicle production.

Non-GAAP operating profit of the Automotive business for the year ended December 31, 2020 was 48.4 billion yen, a 17.4 billion yen increase year on year. This was mainly due to an increase in gross margin owing to improvements to the product mix as well as a decrease in selling, general and administrative expenses despite a decrease in revenue.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT business includes the categories "Industrial," "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.

Non-GAAP revenue of the Industrial/Infrastructure/IoT business for the year ended December 31, 2020 was 363.6 billion yen, a 10.3% increase year on year. This was mainly due to revenue increase effects following the completion of the IDT acquisition in March 2019 and increased revenue in the "Infrastructure" category, mainly in data centers, and the "IoT" category, in OA devices for PCs which have seen increased demands owing to remote work and remote learning.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT business for the year ended December 31, 2020 was 89.7 billion yen, a 30.6 billion yen increase year on year, due to a sales increase effect as well as an increase in profits owing to increases in gross margin.

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

(Billion yen)

	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)
Non-GAAP gross profit	308.1	338.7
Non-GAAP gross margin	42.9%	47.3%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(1.7)	(1.5)
Stock-based compensation	(0.9)	(1.2)
Market value of inventories	(11.3)	-
Other reconciliation items in non-recurring expenses and adjustments	0.6	(0.3)
IFRS gross profit	294.8	335.7
IFRS gross margin	41.0%	46.9%
Non-GAAP operating profit	92.5	137.5
Non-GAAP operating margin	12.9%	19.2%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(47.6)	(55.5)
Stock-based compensation	(12.0)	(14.6)
Market value of inventories	(11.3)	-
Other reconciliation items in non-recurring expenses and adjustments	(15.2)	(2.4)
IFRS operating profit	6.3	65.1
IFRS operating margin	0.9%	9.1%

(Note): "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.

3) Summary of Consolidated Financial Results for the Year ended December 31, 2020 (IFRS basis)

	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	718.2	715.7	(2.6)	(0.4%)
Gross Profit	294.8	335.7	40.9	13.9%
Gross Margin	41.0%	46.9%	5.9pts	---
Operating Profit	6.3	65.1	58.9	940.1%
Operating Margin	0.9%	9.1%	8.2pts	---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Total Equity

	As of December 31, 2019	As of December 31, 2020	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,668.1	1,609.0	(59.1)
Total equity	624.4	619.7	(4.7)
Equity attributable to owners of parent	621.5	616.7	(4.7)
Equity ratio attributable to owners of parent (%)	37.3	38.3	1.0
Interest-bearing liabilities	785.9	693.7	(92.2)
Debt to equity ratio	1.26	1.12	(0.14)

Total assets at December 31, 2020 were 1,609.0 billion yen, a 59.1 billion yen decrease from December 31, 2019. This was mainly due to decreases in property, plant and equipment and intangible assets due to depreciation, as well as a decrease in goodwill owing to fluctuations in the exchange rate. Total equity was 619.7 billion yen, a 4.7 billion yen decrease from December 31, 2019. This was mainly due to a decrease in other components of equity owing to a decrease in exchange differences on translation of foreign operations following fluctuations in the exchange despite an increase in retained earnings.

Equity attributable to owners of parent decreased by 4.7 billion yen from December 31, 2019, and Equity ratio attributable to owners of parent was 38.3%. In addition, Interest-bearing liabilities decreased by 92.2 billion yen from December 31, 2019, mainly due to a decrease from debt repayment. Consequently, Debt to equity ratio was 1.12.

1.3 Cash Flows

	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	202.0	223.9
Net cash provided by (used in) investing activities	(742.2)	(40.2)
Free cash flows	(540.2)	183.7
Net cash provided by (used in) financing activities	500.5	(104.5)
Cash and cash equivalents at the beginning of period	188.8	146.5
Cash and cash equivalents at the end of period	146.5	219.8

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

Net cash provided by operating activities for the year ended December 31, 2020 was 223.9 billion yen. This was mainly due to a recording of 65.2 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, 2020 was 40.2 billion yen. This was mainly due to the purchase of property, plant and equipment and intangible assets.

The foregoing resulted in positive free cash flows of 183.7 billion yen for the year ended December 31, 2020.

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

Net cash used in financing activities for the year ended December 31, 2020 was 104.5 billion yen. This was mainly due to 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 revenue and gross 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 income or loss from the figures based on GAAP (IFRS based) following a certain set of rules. The gross margin and operating margin forecasts are provided assuming the midpoint in the revenue forecast.

(For the three months ending March 31, 2021)

	Non-GAAP Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
	Million yen	%	%
Forecasts as of February 10, 2021	197,000 to 205,000	48.5	22.0
Reference: The first quarter results of the year ended December 31, 2020	178,743	47.3	18.8

Note: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP 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 as 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 costs relating to acquisitions, 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, 2021 are calculated at the rate of 103 yen per USD and 125 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.

The Group will divert its retained earnings for strategic investment opportunities that will enable the Group to respond to rapid environmental changes in order to thrive in the global marketplace, thus increasing shareholder profit by improving corporate value. Based on a long-term standpoint, the Group aims to realize stable and sustained growth in profits to allow dividends to be reinstated.

For the year ending December 31, 2021, whether the Group provides interim and year-end dividend payments remain undecided, and the Group will immediately announce it when the decisions are made.

2. Primary policy for selection of accounting standards

The Group has adopted 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, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	146,468	219,786
Trade and other receivables	84,459	82,318
Inventories	90,785	89,761
Other current financial assets	468	605
Income taxes receivable	4,438	2,190
Other current assets	7,344	8,162
Total current assets	<u>333,962</u>	<u>402,822</u>
Non-current assets		
Property, plant and equipment	232,579	187,354
Goodwill	625,030	590,459
Intangible assets	414,582	364,764
Other non-current financial assets	9,995	18,101
Deferred tax assets	46,050	40,600
Other non-current assets	5,950	4,885
Total non-current assets	<u>1,334,186</u>	<u>1,206,163</u>
Total assets	<u>1,668,148</u>	<u>1,608,985</u>

(In millions of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	100,187	114,235
Bonds and borrowings	93,182	93,181
Other current financial liabilities	4,362	4,036
Income taxes payable	7,861	10,337
Provisions	7,521	6,383
Other current liabilities	55,528	58,873
Total current liabilities	<u>268,641</u>	<u>287,045</u>
Non-current liabilities		
Trade and other payables	845	25,177
Bonds and borrowings	678,577	586,563
Other non-current financial liabilities	10,093	10,241
Income taxes payable	4,499	4,084
Retirement benefit liability	29,572	30,012
Provisions	3,860	3,033
Deferred tax liabilities	43,257	38,680
Other non-current liabilities	4,400	4,489
Total non-current liabilities	<u>775,103</u>	<u>702,279</u>
Total liabilities	<u>1,043,744</u>	<u>989,324</u>
Equity		
Share capital	22,213	28,971
Capital surplus	201,588	208,253
Retained earnings	403,857	449,975
Treasury shares	(11)	(11)
Other components of equity	(6,192)	(70,487)
Total equity attributable to owners of parent	<u>621,455</u>	<u>616,701</u>
Non-controlling interests	<u>2,949</u>	<u>2,960</u>
Total equity	<u>624,404</u>	<u>619,661</u>
Total liabilities and equity	<u>1,668,148</u>	<u>1,608,985</u>

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, 2019	The year ended December 31, 2020
Continuing operations		
Revenue	718,243	715,673
Cost of sales	(423,451)	(379,984)
Gross profit	294,792	335,689
Selling, general and administrative expenses	(273,454)	(266,268)
Other income	2,302	4,036
Other expenses	(17,377)	(8,315)
Operating profit	6,263	65,142
Finance income	2,186	7,623
Finance costs	(8,774)	(7,549)
Profit (loss) before tax	(325)	65,216
Income tax expense	(5,903)	(19,490)
Profit (loss) from continuing operations	(6,228)	45,726
Discontinued operations		
Profit after tax from discontinued operations	—	—
Profit (loss)	(6,228)	45,726
Profit (loss) attributable to		
Owners of parent	(6,317)	45,626
Non-controlling interests	89	100
Profit (loss)	(6,228)	45,726
Earnings (loss) per share		
Basic earnings (loss) per share (yen)		
Continuing operations	(3.73)	26.54
Discontinued operations	—	—
Total basic earnings (loss) per share	(3.73)	26.54
Diluted earnings (loss) per share (yen)		
Continuing operations	(3.73)	25.97
Discontinued operations	—	—
Total diluted earnings (loss) per share	(3.73)	25.97

Consolidated Statement of Comprehensive Income

(In millions of yen)

	The year ended December 31, 2019	The year ended December 31, 2020
Profit (loss)	(6,228)	45,726
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(3,203)	(334)
Equity instruments measured at fair value through other comprehensive income	(177)	(330)
Total of items that will not be reclassified to profit or loss	(3,380)	(664)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(18,033)	(64,290)
Cash flow hedges	5,614	—
Total of items that may be reclassified subsequently to profit or loss	(12,419)	(64,290)
Total other comprehensive income	(15,799)	(64,954)
Total comprehensive income	(22,027)	(19,228)
Comprehensive income attributable to		
Owners of parent	(22,108)	(19,239)
Non-controlling interests	81	11
Total comprehensive income	(22,027)	(19,228)

3.3 Consolidated Statement of Changes in Equity

(The year ended December 31, 2019)

(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, 2019	10,699	190,074	410,652	(11)	5,165	—	(1,072)
Effects of changes in accounting policies	—	—	1,192	—	—	—	—
Balance as of January 1, 2019 after changes in accounting policies	10,699	190,074	411,844	(11)	5,165	—	(1,072)
Profit (loss)	—	—	(6,317)	—	—	—	—
Other comprehensive income	—	—	—	—	—	(3,203)	(177)
Total comprehensive income	—	—	(6,317)	—	—	(3,203)	(177)
Issuance of new shares	11,514	12,097	—	—	—	—	—
Share-based payment transactions	—	—	—	—	11,956	—	—
Transfer to retained earnings	—	(583)	(1,670)	—	(1,068)	3,203	118
Reclassification to non-financial assets	—	—	—	—	—	—	—
Total transactions with owners	11,514	11,514	(1,670)	—	10,888	3,203	118
Balance as of December 31, 2019	22,213	201,588	403,857	(11)	16,053	—	(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	Total			
Balance as of January 1, 2019	(3,089)	(14,318)	(13,314)	598,100	2,868	600,968
Effects of changes in accounting policies	—	—	—	1,192	—	1,192
Balance as of January 1, 2019 after changes in accounting policies	(3,089)	(14,318)	(13,314)	599,292	2,868	602,160
Profit (loss)	—	—	—	(6,317)	89	(6,228)
Other comprehensive income	(18,025)	5,614	(15,791)	(15,791)	(8)	(15,799)
Total comprehensive income	(18,025)	5,614	(15,791)	(22,108)	81	(22,027)
Issuance of new shares	—	—	—	23,611	—	23,611
Share-based payment transactions	—	—	11,956	11,956	—	11,956
Transfer to retained earnings	—	—	2,253	—	—	—
Reclassification to non-financial assets	—	8,704	8,704	8,704	—	8,704
Total transactions with owners	—	8,704	22,913	44,271	—	44,271
Balance as of December 31, 2019	(21,114)	—	(6,192)	621,455	2,949	624,404

(The year ended December 31, 2020)

(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, 2020	22,213	201,588	403,857	(11)	16,053	—	(1,131)
Profit	—	—	45,626	—	—	—	—
Other comprehensive income	—	—	—	—	—	(334)	(330)
Total comprehensive income	—	—	45,626	—	—	(334)	(330)
Issuance of new shares	6,758	6,665	—	—	—	—	—
Share-based payment transactions	—	—	—	—	1,062	—	—
Transfer to retained earnings	—	—	492	—	(1,156)	334	330
Total transactions with owners	6,758	6,665	492	—	(94)	334	330
Balance as of December 31, 2020	28,971	208,253	449,975	(11)	15,959	—	(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	Total			
Balance as of January 1, 2020	(21,114)	—	(6,192)	621,455	2,949	624,404
Profit	—	—	—	45,626	100	45,726
Other comprehensive income	(64,201)	—	(64,865)	(64,865)	(89)	(64,954)
Total comprehensive income	(64,201)	—	(64,865)	(19,239)	11	(19,228)
Issuance of new shares	—	—	—	13,423	—	13,423
Share-based payment transactions	—	—	1,062	1,062	—	1,062
Transfer to retained earnings	—	—	(492)	—	—	—
Total transactions with owners	—	—	570	14,485	—	14,485
Balance as of December 31, 2020	(85,315)	—	(70,487)	616,701	2,960	619,661

3.4 Consolidated Statement of Cash Flows

(In millions of yen)

	The year ended December 31, 2019	The year ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before tax	(325)	65,216
Depreciation and amortization	148,026	141,527
Impairment losses	2,256	2,070
Finance income and finance costs	5,927	6,994
Share-based payment expenses	11,896	14,564
Loss (gain) on sales of property, plant and equipment, and intangible assets	(515)	(717)
Decrease (increase) in inventories	44,549	79
Decrease (increase) in trade and other receivables	9,882	1,228
Increase (decrease) in trade and other payables	(36)	10,192
Increase (decrease) in retirement benefit liability	(3,044)	194
Increase (decrease) in provisions	411	(1,713)
Increase (decrease) in other current liabilities	(11,609)	3,675
Other	(962)	(10,035)
Subtotal	206,456	233,274
Interest received	1,326	307
Dividends received	238	240
Income taxes paid	(6,060)	(9,932)
Net cash flows from operating activities	201,960	223,889
Cash flows from investing activities		
Purchase of property, plant and equipment	(38,284)	(22,261)
Proceeds from sales of property, plant and equipment	755	960
Purchase of intangible assets	(18,084)	(15,925)
Purchase of other financial assets	(545)	(568)
Proceeds from sales of other financial assets	1,431	430
Purchase of shares of subsidiaries	(685,831)	—
Other	(1,604)	(2,799)
Net cash flows from investing activities	(742,162)	(40,163)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(45,000)	—
Proceeds from long-term borrowings	847,000	—
Repayments of long-term borrowings	(217,645)	(93,295)
Repayments of lease liabilities	(5,726)	(4,840)
Interest paid	(12,796)	(6,264)
Payments for retirement by purchase of bonds	(65,409)	—
Other	42	(71)
Net cash flows from financing activities	500,466	(104,470)
Effect of exchange rate changes on cash and cash equivalents	(2,616)	(5,938)
Net increase (decrease) in cash and cash equivalents	(42,352)	73,318
Cash and cash equivalents at beginning of the period	188,820	146,468
Cash and cash equivalents at end of the period	146,468	219,786

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) Changes in Accounting Policy (Changes of the classification of expenses)

Following the acquisition of IDT and the absorption type merger of Renesas Electronics America Inc. by IDT, the Company began to integrate its business processes and IT systems from January 1, 2020 for the launch of “One Renesas” operations. In conjunction with the integration, the Company has also decided to revise the classification of expenses in order to better present the financial position and results of operations of the Group.

Royalty expenses paid as technology licensing fees were recorded in selling, general and administrative expenses in the past. However, because the percentage of royalty expenses linked to sales revenue has been increasing in recent years, the Company has decided to divide the royalty expenses into those linked to sales revenue and those not linked to sales revenue, and from the first quarter of the current fiscal year, the portion linked to sales revenue has been classified into cost of sales and inventories as manufacturing costs. In addition, the costs incurred by the department at the head office, which oversees IT infrastructure and company-wide system operations, were previously recorded in selling, general and administrative expenses. However, from the first quarter of the current fiscal year, the Company has changed its method of accounting for the IT costs to be recorded in cost of sales and inventories as manufacturing costs as well as research and development expenses (selling, general and administrative expenses) to reflect the nature of the expenses, as it is more appropriate to allocate those costs to the beneficiaries who actually use the infrastructure and systems.

The change in accounting policy has been applied retrospectively to the consolidated financial statements for the year ended December 31, 2019. As a result of this change, compared with the accounting policy prior to retrospective application, cost of sales for the year ended December 31, 2019 increased by 8,136 million yen, selling, general and administrative expenses decreased by 7,554 million yen and operating profit and profit before tax decreased by 582 million yen, respectively.

Reflecting the cumulative effect on equity at the beginning of the year ended December 31, 2019, the beginning balance of retained earnings in the consolidated statement of changes in equity after retroactive application increased by 1,192 million yen. This accounting change has no material impact on earnings per share.

(Basis of Consolidated Financial Statements)

1. Scope of consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 76

(Number of subsidiaries decreased by merger and liquidation:11)

Renesas Electronics America Inc. (*) and other 10 companies.

(*) Renesas Electronics America Inc. has been excluded from the scope of consolidation upon merger into IDT on January 1, 2020. Renesas Electronics America Inc. was a specified subsidiary of the Group. IDT took an absorption-type merger with Renesas Electronics America Inc. and changed the trade name to Renesas Electronics America Inc..

2. Application of Equity Method

There are no affiliates accounted for by the equity method.

(Significant Accounting Policies)

Except as stated in “(Basis for Preparation), (4) Changes in Accounting Policy (Changes of the classification of expenses),” the significant accounting policies for the consolidated financial statements of the Group are the same with the accounting policies for the prior fiscal year financial statements.

(Significant Accounting Estimates and Judgments)

In preparing the consolidated financial statements, management of the Group is required to make judgments, 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 impact of the review of these estimates is recognized in the period when the estimates are revised and future periods.

The Company reflects the impact of COVID-19 to estimates and assumptions (impairment test of goodwill and collectability of deferred tax assets, etc.), which are based on information available and believes to be reasonable at the moment.

These estimates and assumptions may be affected depending on the future situations 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 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 microcontrollers (MCUs), system-on-chips (SoCs), 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 reportable segments is same as described in "Significant Accounting Policies." The internal indicators which are used by management when making decisions have been adjusted by non-recurring items specified by the Group and other adjustments following a certain set of rules from operating profit in accordance with IFRS. Segment profit or loss is calculated by deducting "Cost of Sale," "Selling, General and Administrative Expenses" and "Other Expenses" from "Revenue" and adding "Other Income." The Group's Executive Officers assess the performance after eliminating intragroup transactions, and therefore, there is no transfer between reportable segments.

Information on reportable segments is as follows.

The year ended December 31, 2019

(In millions of yen)

	Reportable Segments		Other	Adjustments (Note 1)	Total	Adjustments (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	371,145	329,705	17,393	—	718,243	—	718,243
Segment profit or loss	30,984	59,063	1,037	1,398	92,482	(86,219)	6,263
Finance income							2,186
Finance costs							(8,774)
Loss before tax							(325)
(Other adjustments)							
Depreciation and amortization	59,191	41,373	(160)	—	100,404	47,622	148,026

The year ended December 31, 2020

(In millions of yen)

	Reportable Segments		Other	Adjustments (Note 1)	Total	Adjustments (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	341,001	363,609	11,063	—	715,673	—	715,673
Segment profit or loss	48,356	89,702	1,177	(1,697)	137,538	(72,396)	65,142
Finance income							7,623
Finance costs							(7,549)
Profit before tax							65,216
(Other adjustments)							
Depreciation and amortization	46,174	39,299	236	—	85,709	55,818	141,527

(Note 1) Reportable Segment's allocation of non-recurring items and other specified adjustments deducted or adjusted following a certain set of rules.

(Note 2) Non-recurring items and other specified adjustments deducted or adjusted following a certain set of rules.

(3) Information on products and services

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

(4) Information on regions and countries

The components of revenue and non-current assets from external customers by region and country are as follows.

a. Revenue from external customers

(In millions of yen)

	The year ended December 31, 2019	The year ended December 31, 2020
Japan	261,663	241,186
China	150,486	168,548
Asia (Excluding China)	117,959	126,614
Europe	118,990	111,908
North America	66,228	65,048
Others	2,917	2,369
Total	718,243	715,673

(Note) Revenue 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, 2019	The year ended December 31, 2020
Japan	811,354	771,228
Malaysia	326,738	262,719
Asia (Excluding Malaysia)	23,591	18,110
Europe	37,048	28,996
North America	73,460	61,524
Total	1,272,191	1,142,577

(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, 2019	The year ended December 31, 2020
Ryosan Company, Limited	Automotive, Industrial/Infrastructure /IoT	75,146	73,599

(Business Combinations)

(1) Business combination by acquisition (The year ended December 31, 2019)

a. Overview of business combination

The Company resolved at the Meeting of Board of Directors to reach an agreement with IDT, whereby IDT would become a wholly-owned subsidiary of the Company and concluded a merger agreement for the purpose of implementing the acquisition on September 11, 2018. In addition, on March 30, 2019, following the completion of the acquisition, IDT has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Integrated Device Technology, Inc.

Business overview: Development, Manufacturing and Sale of mixed signal analog integrated circuit, etc.

2) Date of the acquisition

March 30, 2019 (Pacific Daylight Time: March 29, 2019)

3) Purpose of the Acquisition

The Group has been executing its growth strategy to thrive as a world-leading embedded solution provider in the rapidly changing global semiconductor market. As the pillars of its growth strategy, the Group is accelerating its focus on the automotive segment, where the Group has maintained a key global position over many years and further growth is anticipated in areas such as autonomous driving and EV/HEV; industrial and infrastructure segments, which are expected to advance with Industry 4.0 and 5G (fifth-generation) wireless communications, as well as the fast-growing IoT segment.

In order to achieve this growth strategy, the Group is working to expand its analog solution lineup and to strengthen its kit solution offerings that combine its world-leading microcontrollers (MCUs), system-on-chips (SoCs) and analog products. In this context, the Group already completed the acquisition of Intersil Corporation (hereafter "Intersil"), a U.S.-based analog semiconductor supplier, in February 2017.

With the Intersil acquisition, the Group enhanced its lineup of power management-related analog devices as well as its ability to deliver kit solutions to customers combining the Group's MCUs/SoCs and analog products from the former Intersil. At the same time, the Group expanded its sales and design-ins outside of Japan and strengthened global management capabilities by absorbing the former Intersil's experienced management team into the Group.

The Group has made the decision to acquire IDT, a U.S.-based analog semiconductor supplier, to contribute further towards the growth strategy. IDT is a global enterprise engaged in the development, production, sale, and provision of services related to analog semiconductor products such as mixed-signal semiconductor solutions particularly for markets related to the data economy such as data center and communication infrastructure that require big-data processing. IDT has annual sales of approximately US\$843 million (approximately 92.7 billion yen at an exchange rate of 110 yen to the dollar, as of March 2018) and an operating profit margin of over 25 percent (Non-GAAP basis).

The main strategic benefits this transaction is expected to bring are: (i) Complementary products expand the Group's solution offerings, and (ii) Expands business growth opportunities. Details are as follows:

(i) Complementary products expand the Group's solution offerings

The acquisition will provide the Group with access to a vast array of robust analog mixed-signal capabilities in embedded systems, including RF, high performance timing, memory interface, real-time interconnect, optical interconnect, wireless power and smart sensors. The combination of these product lines with the Group's advanced MCUs and SoCs and power management ICs enables the Group to offer an integrated solution that supports the increasing demand of high data processing performance. The enriched solution offerings will bring optimal systems from external sensors through analog front end to processors and interfaces.

(ii) Expands business growth opportunities

IDT's analog mixed-signal products for data sensing, storage and interconnect are key devices that support the growth of data economy. Acquisition of these products enables the Group to extend its reach to fast-growing data economy-related applications including data center and communication infrastructure and strengthens its presence in the industrial and automotive segments.

Welcoming IDT as part of the Group after the Intersil acquisition completed in 2017 is therefore seen as an effective measure to further enhance the Group's competitiveness in fields where the Group is focusing its efforts to strengthen the company's position as a global leader.

4) Acquisition Method

For the purpose of the acquisition, the Group had established a wholly-owned subsidiary (“acquisition subsidiary”) in Delaware, United States that then merged with IDT (in a reverse triangular merger). The surviving company following the merger is IDT. Cash was issued for IDT’s shares as consideration for the merger, and the shares of the acquisition subsidiary owned by the Group was converted into outstanding shares in the surviving company, making the surviving company a wholly-owned subsidiary of the Group.

b. Consideration for the acquisition and its breakdown

		(In millions of yen)
Consideration		Amount
Cash consideration for the acquisition		703,559
Stock options consideration for the acquisition		23,188
Total consideration for the acquisition	A	<u>726,747</u>

Acquisition-related expenses for the business combination were 1,258 million yen, with 885 million yen recorded in “Selling, general and administrative expenses” for the year ended December 31, 2019.

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

		(In millions of yen)
		Date of acquisition (March 30, 2019)
Current assets		
Cash and cash equivalents		26,326
Trade and other receivables (Note 1)		16,136
Inventories		18,808
Other		786
Total current assets		<u>62,056</u>
Non-current assets		
Property, plant and equipment		19,775
Intangible assets		320,276
Other		11,852
Total non-current assets		<u>351,903</u>
Total assets		<u>413,959</u>
Current liabilities		
Trade and other payables		5,121
Bonds and borrowings (Note 2)		65,262
Other		13,997
Total current liabilities		<u>84,380</u>
Non-current liabilities		
Income taxes payable		2,599
Deferred tax liabilities		33,853
Other		3,759
Total non-current liabilities		<u>40,211</u>
Total liabilities		<u>124,591</u>
Net assets	B	<u>289,368</u>
Basis adjustments	C	8,598
Goodwill (Note 3)	A-B+C	<u>445,976</u>

- (Note) 1. The total contract amount is same as the fair value, and there are no receivables that are expected to be unrecoverable.
2. The content of bonds and borrowings is bonds. Refer to “Bonds and Borrowings” for more details.
3. Goodwill reflects future excess earning power expected from future business development including IDT and synergies between the Company and IDT. No amount of goodwill is expected to be deductible for tax purposes.

d. Expenditure for the acquisition

(In millions of yen)	
Item	Amount
Consideration for acquisition in cash	(703,559)
Cash and cash equivalents held by the acquiree at the time of obtaining control	26,326
Amount of cash paid for the acquisition of subsidiaries	(677,233)
Basis adjustments	(8,598)
Amount of cash paid for the acquisition of subsidiaries (net amount)	(685,831)

e. Impact on profit of the period on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year

Provisional pro forma information (unaudited information) on the assumption that the date of the acquisition of IDT was at the beginning of the prior fiscal year is as follows.

(In millions of yen)	
	The year ended December 31, 2019
Revenue	745,184
Loss	(8,598)

The above information has not been audited. In addition, items such as the amortization of intangible assets on the assumption that the date of the acquisition of IDT was at the beginning of the prior fiscal year were added to the approximate amount of impact. The pro forma information is not necessarily indicative of events that may happen in the future.

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2019	As of December 31, 2020
Notes and trade receivables	81,473	77,686
Other receivables	3,081	4,751
Loss allowance	(95)	(119)
Total	84,459	82,318

(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, 2019	As of December 31, 2020
Trade payables	64,740	67,008
Other payables	16,974	47,433
Electronically recorded obligations	16,725	7,852
Refund liabilities	2,593	17,119
Total	101,032	139,412
Current liabilities	100,187	114,235
Non-current liabilities	845	25,177

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

(Bonds and Borrowings)

(1) Bonds

Following the acquisition of IDT, an amount of 588 million USD (65,262 million yen) of convertible bonds issued on November 1, 2015 by IDT (Total amount issued: 374 million USD (41,483 million yen), interest rate: 0.875%, redemption date: November 22, 2022) has been recognized by measuring at fair value in the financial statements and retirement by purchase has been performed during the year ended December 31, 2019.

(2) Borrowings

In order to refinance the existing borrowings to finance partial funds necessary for the acquisition and working capital as the medium-and-long term funds, the Company has entered into a syndicated loan agreement with the total amount of 897,000 million yen on January 15, 2019. During the year ended December 31, 2019, 698,000 million yen of term loan with availability period (Implementation date: March 28, 2019, Repayment date: March 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions) has been executed. In addition, during the year ended December 31, 2019, borrowings of 149,000 million yen of term loan (Implementation date: June 28, 2019, Repayment date: June 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited) have been conducted to refinance the existing term loan.

(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, 2019	The year ended December 31, 2020
Research and development expenses (Note)	133,165	133,237
Depreciation and amortization	56,437	61,982
Personnel expenses	45,994	43,875
Retirement benefit expenses	3,215	2,436
Other	34,643	24,738
Total	273,454	266,268

(Note) As stated in “(Basis for Preparation) (4) Changes in Accounting Policy (Changes of the classification of expenses),” research and development expenses for the year ended December 31, 2019 disclosed as comparative information have been revised.

(Other Income)

The components of other income are as follows.

(In millions of yen)

	The year ended December 31, 2019	The year ended December 31, 2020
Insurance claim income	34	2,388
Gain on sales of property, plant and equipment	653	762
Government grant income	423	384
Other	1,192	502
Total	2,302	4,036

(Other Expenses)

The components of other expenses are as follows.

(In millions of yen)

	The year ended December 31, 2019	The year ended December 31, 2020
Business restructuring expenses (Note 1)	12,041	4,137
Impairment losses (Note 2)	2,256	2,070
Other	3,080	2,108
Total	17,377	8,315

(Note 1) The Group has reformed businesses and structures of production to strengthen its financial basis, and those related expenses are shown as business restructuring expenses. The main items of business restructuring expenses for the year ended December 31, 2019 were additional retirement benefits of the early retirement incentive program. The main items of business restructuring expenses for the year ended December 31, 2020 were personnel expenses such as additional retirement benefits and equipment removal expenses of property, plant and equipment associated with consolidating the operating bases.

(Note 2) Impairment losses were mainly software for internal use in overseas subsidiary for the year ended December 31, 2019 and idle assets for the year ended December 31, 2020.

(Per Share Information)

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

(1) Basic earnings (loss) per share

	The year ended December 31, 2019	The year ended December 31, 2020
Profit (loss) attributable to owners of parent used for the calculation of basic earnings per share (million yen)	(6,317)	45,626
Profit (loss) from continuing operations (million yen)	(6,317)	45,626
Profit from discontinued operations (million yen)	—	—
Weighted average number of ordinary shares during the year (thousands of shares)	1,694,151	1,719,345
Basic earnings (loss) per share (yen)	(3.73)	26.54
Continuing operations (yen)	(3.73)	26.54
Discontinued operations (yen)	—	—

(2) Diluted earnings (loss) per share

	The year ended December 31, 2019	The year ended December 31, 2020
Profit (loss) attributable to owners of parent used for the calculation of basic earnings per share (million yen)	(6,317)	45,626
Adjustments on earnings (million yen)	—	—
Profit (loss) used for the calculation of diluted earnings per share (million yen)	(6,317)	45,626
Profit (loss) from continuing operations (million yen)	(6,317)	45,626
Profit from discontinued operations (million yen)	—	—
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,694,151	1,719,345
Increase in ordinary shares due to warrants (thousands of shares)	—	37,701
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,694,151	1,757,045
Diluted earnings (loss) per share (yen)	(3.73)	25.97
Continuing operations (yen)	(3.73)	25.97
Discontinued operations (yen)	—	—

(Note) 1. The diluted loss per share for the fiscal year ended December 31, 2019 is the same amount as the basic loss per share due to the absence of residual equity with a dilutive effect.

2. For the fiscal year ended December 31, 2019, since the warrants the Company issues do not have a dilutive effect, these are not included in the calculation for diluted loss per share (yen).

(Subsequent Events)

Acquisition of Stock of Dialog Semiconductor Plc (hereafter "Dialog").

On February 8, 2021, the Company has reached an agreement with Dialog in the UK, on the terms of a recommended all-cash acquisition by the Company of the entire issued and to be issued share capital of Dialog, thereby making Dialog a wholly-owned subsidiary of the Company (the "Acquisition").

1) 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 (BLE), WiFi 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 the Company's leadership portfolio in delivering comprehensive solutions to improve performance and efficiency in high-computing electronic systems.

The Acquisition demonstrates the Company's 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 the Company to build more robust and comprehensive solutions to serve high-growth segments of the IoT and automotive markets.

2) Overview of the acquiree

(1) Name	Dialog Semiconductor Plc
(2) Address	100 Longwater Avenue, Reading, RG2 6GP, United Kingdom
(3) Business description	Development, manufacturing and sales of analog ICs such as mixed-signal devices
(4) Capital amount	14,253 thousand USD (As of September 2020)
(5) Date of foundation / incorporation	February 1998

3) Acquisition Method

The Company will implement a scheme of arrangement pursuant to UK law. The scheme of arrangement is a method of acquisition whereby, with the agreement of Dialog, the Acquisition will be executed by obtaining approvals from Dialog shareholders and the Court. Through this method, the Company will acquire 100% of the issued and to be issued share capital of Dialog.

The Acquisition needs to be approved by an affirmative vote of a majority of the shareholders in attendance at a meeting of shareholders convened by the Court and the number of the voting rights held by such shareholders who approve the Acquisition needs to represent 75% or more of the total number of voting rights. In addition, approval must be obtained from the Court following the necessary regulatory clearances from the relevant countries including United States, China and Germany.

Number of shares to be acquired, acquisition price, and share ownership before and after the Acquisition are as follows.

(1) Number of shares owned before the Acquisition	0 share (Ownership ratio: 0.0%)
(2) Number of shares to be acquired	72,387,613 shares (Note) (Ratio to the number of issued shares: 100.0%)
(3) Acquisition Value	Approximately EUR 4,886 million (approximately 615.7 billion yen, calculated at 126 yen per euro)
(4) Number of shares owned after the Acquisition	72,387,613 shares (Ratio to the number of issued shares: 100.0%)

Note: The number of shares is on a fully-diluted basis as of December 31, 2020

4) Schedule

With the aforementioned conditions, the Acquisition is expected to become effective by the end of the fiscal year ending December 31, 2021.

5) Execution of Loan Agreement in relation to the Acquisition

To procure the funds for the Acquisition, the Company entered into a loan agreement (Facilities Agreement) as described below on February 8, 2021.

(1) Borrowing limit	735.4 billion yen
(2) Execution date of agreement	February 8, 2021
(3) Period of loan execution	From the execution date of the Facilities Agreement until February 3, 2022
(4) Repayment date	February 7, 2022
(5) Participating financial institutions	MUFG Bank, Ltd. and Mizuho Bank, Ltd.

6) Filing of Shelf Registration Statement for the Issuance of New Shares

To enable the Company to flexibly issue new shares to procure a portion of the funds for the Acquisition, the Company has filed the Shelf Registration Statement in Japan for the issuance of new shares as follows on February 8, 2021.

(1) Class of Securities to be offered	Shares of common stock of the Company
(2) Scheduled Issue Period	For one year from the scheduled effective date of the Shelf Registration (From February 24, 2021 to February 23, 2022)
(3) Scheduled Issue Amount	Up to 270 billion yen
(4) Offering Method	To be determined
(5) Use of Proceeds	To procure the funds for the Acquisition, or for repayment of the borrowing conducted to procure the fund for the Acquisition
(6) Underwriters	To be determined

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) delivers trusted embedded design innovation with complete semiconductor solutions that enable billions of connected, intelligent devices to enhance the way people work and live—securely and safely. A global leader in microcontrollers, analog, power, and SoC products and integrated platforms, Renesas provides the expertise, quality, and comprehensive solutions for a broad range of Automotive, Industrial, Home Electronics, Office Automation and Information Communication Technology applications to help shape a limitless future. Learn more at renesas.com.