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Renesas Reports Financial Results for the Second Quarter Ended June 30, 2023

TOKYO, Japan, July 27, 2023 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the six months ended June 30, 2023.

Summary of Consolidated Financial Results (Note 1)

	Three months ended June 30, 2023		Six months ended June 30, 2023	
	Billion Yen	% of Revenue	Billion Yen	% of Revenue
Revenue	368.7	100.0	728.1	100.0
Operating profit	97.3	26.4	220.5	30.3
Profit attributable to owners of parent	90.6	24.6	195.8	26.9
Capital expenditures (Note 2)	13.9		41.9	
Depreciation and amortization	45.4		90.4	
R&D expenses (Note 3)	58.2		111.8	
	Yen		Yen	
Exchange rate (USD)	135		134	
Exchange rate (EUR)	146		144	

	As of June 30, 2023
	Billion Yen
Total assets	3,122.4
Total equity	1,895.6
Equity attributable to owners of parent	1,891.5
Equity ratio attributable to owners of parent (%)	60.6
Interest-bearing liabilities	733.7

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 three months and six months ended June 30, 2023. 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 combination with Steradian Semiconductors Private Limited (hereinafter "Steradian"), which was completed on October 17, 2022, has been revised at the end of three months ended March 31, 2023. This revision to the allocation of the acquisition costs has been reflected in the consolidated financial results for the year ended December 31, 2022.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Second Quarter Ended June 30, 2023
 English translation from the original Japanese-language document



July 27, 2023

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, Prime Market
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 Filing date of Shihanki Hokokusho (scheduled) : August 3, 2023

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the six months ended June 30, 2023

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	%
Six months ended June 30, 2023	728,091	0.7	220,522	5.0	240,611	63.2	196,049	77.3	195,805	77.3	397,002	(18.4)
Six months ended June 30, 2022	722,908	71.5	210,005	219.8	147,423	190.6	110,575	191.9	110,437	192.9	486,404	285.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2023	109.96	107.89
Six months ended June 30, 2022	56.96	55.82

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
June 30, 2023	3,122,366	1,895,561	1,891,491	60.6
December 31, 2022	2,812,491	1,537,463	1,533,735	54.5

2. Cash dividends

	Cash dividends per share				
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	---	0.00	---	0.00	0.00
Year ending December 31, 2023	---	0.00			
Year ending December 31, 2023 (forecast)			---	---	---

Note: Change in forecast of cash dividends since the most recently announced forecast: No

3. Forecast of consolidated results for the nine months ending September 30, 2023

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Nine months ending September 30, 2023	1,090,883 to 1,105,883	(1.8) to (0.5)	56.7	(1.3)	34.1	(4.1)

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. The 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 six months ended June 30, 2023: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
- 4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors
- Changes in accounting policies with revision of accounting standard: Yes
 - Changes in accounting policies except for 4.2.1: No
 - Changes in accounting estimates: No
- 4.3 Number of shares issued and outstanding (common stock)
- Number of shares issued and outstanding (including treasury stock)

As of June 30, 2023:	1,958,454,023 shares
As of December 31, 2022:	1,958,454,023 shares
 - Number of treasury stock

As of June 30, 2023:	193,208,215 shares
As of December 31, 2022:	161,488,167 shares
 - Average number of shares issued and outstanding

Six months ended June 30, 2023:	1,780,764,049 shares
Six months ended June 30, 2022:	1,938,971,343 shares

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on July 27, 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 combination with Steradian has been revised at the end of three months ended March 31, 2023. This revision to the allocation of the acquisition costs has been reflected in the consolidated financial results for the year ended December 31, 2022. For details, please refer to Appendix 1.5, "Notes to Condensed Consolidated Financial Statements (Business Combinations)" on page 16.

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

	(In millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	336,068	458,083
Trade and other receivables	162,623	176,650
Inventories	187,958	177,938
Other current financial assets	6,688	5,711
Income taxes receivable	4,462	3,113
Other current assets	17,320	16,354
Total current assets	<u>715,119</u>	<u>837,849</u>
Non-current assets		
Property, plant and equipment	208,042	236,507
Goodwill	1,264,275	1,397,446
Intangible assets	488,839	477,905
Other non-current financial assets	84,149	107,542
Deferred tax assets	37,876	50,534
Other non-current assets	14,191	14,583
Total non-current assets	<u>2,097,372</u>	<u>2,284,517</u>
Total assets	<u><u>2,812,491</u></u>	<u><u>3,122,366</u></u>

	(In millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	222,941	227,110
Bonds and borrowings	120,005	389,733
Other current financial liabilities	13,838	31,711
Income taxes payable	79,025	47,878
Provisions	8,099	7,877
Other current liabilities	81,565	74,384
Total current liabilities	525,473	778,693
Non-current liabilities		
Trade and other payables	3,382	664
Bonds and borrowings	635,738	325,580
Other non-current financial liabilities	11,301	19,005
Income taxes payable	2,551	4,434
Retirement benefit liability	24,102	24,499
Provisions	3,289	3,583
Deferred tax liabilities	63,757	63,342
Other non-current liabilities	5,435	7,005
Total non-current liabilities	749,555	448,112
Total liabilities	1,275,028	1,226,805
Equity		
Share capital	153,209	153,209
Capital surplus	348,446	352,543
Retained earnings	828,582	1,020,966
Treasury shares	(192,171)	(231,779)
Other components of equity	395,669	596,552
Total equity attributable to owners of parent	1,533,735	1,891,491
Non-controlling interests	3,728	4,070
Total equity	1,537,463	1,895,561
Total liabilities and equity	2,812,491	3,122,366

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

Condensed Consolidated Statement of Profit or Loss
(Six months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Revenue	722,908	728,091
Cost of sales	(307,122)	(316,811)
Gross profit	415,786	411,280
Selling, general and administrative expenses	(200,744)	(221,629)
Other income	6,207	34,919
Other expenses	(11,244)	(4,048)
Operating profit	210,005	220,522
Finance income	390	23,230
Finance costs	(62,972)	(3,141)
Profit before tax	147,423	240,611
Income tax expense	(36,848)	(44,562)
Profit	110,575	196,049
Profit attributable to		
Owners of parent	110,437	195,805
Non-controlling interests	138	244
Profit	110,575	196,049
Earnings per share		
Basic earnings per share (yen)	56.96	109.96
Diluted earnings per share (yen)	55.82	107.89

Condensed Consolidated Statement of Comprehensive Income
(Six months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	110,575	196,049
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(242)	(58)
Equity instruments measured at fair value through other comprehensive income	(680)	(464)
Total of items that will not be reclassified to profit or loss	(922)	(522)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	391,349	223,554
Cash flow hedges	(12,901)	(23,500)
Cost of hedges	(1,697)	1,421
Total of items that may be reclassified subsequently to profit or loss	376,751	201,475
Total other comprehensive income	375,829	200,953
Total comprehensive income	486,404	397,002
Comprehensive income attributable to		
Owners of parent	485,891	396,654
Non-controlling interests	513	348
Total comprehensive income	486,404	397,002

Condensed Consolidated Statement of Profit or Loss
(Three months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Revenue	376,620	368,717
Cost of sales	(158,722)	(157,548)
Gross profit	217,898	211,169
Selling, general and administrative expenses	(106,004)	(114,006)
Other income	1,131	2,380
Other expenses	(2,843)	(2,286)
Operating profit	110,182	97,257
Finance income	248	16,965
Finance costs	(41,749)	(1,373)
Profit before tax	68,681	112,849
Income tax expense	(18,043)	(22,071)
Profit	50,638	90,778
Profit attributable to		
Owners of parent	50,554	90,594
Non-controlling interests	84	184
Profit	50,638	90,778
Earnings per share		
Basic earnings per share (yen)	26.15	51.38
Diluted earnings per share (yen)	25.67	50.41

Condensed Consolidated Statement of Comprehensive Income
(Three months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	50,638	90,778
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(132)	(24)
Equity instruments measured at fair value through other comprehensive income	(265)	(163)
Total of items that will not be reclassified to profit or loss	(397)	(187)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	256,363	206,705
Cash flow hedges	(6,977)	(21,258)
Cost of hedges	(1,724)	1,485
Total of items that may be reclassified subsequently to profit or loss	247,662	186,932
Total other comprehensive income	247,265	186,745
Total comprehensive income	297,903	277,523
Comprehensive income attributable to		
Owners of parent	297,610	277,257
Non-controlling interests	293	266
Total comprehensive income	297,903	277,523

1.3 Condensed Consolidated Statement of Changes in Equity
(Six months ended June 30, 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	—	—	110,437	—	—	—	—
Other comprehensive income	—	—	—	—	—	(242)	(680)
Total comprehensive income	—	—	110,437	—	—	(242)	(680)
Issuance of new shares	4,208	4,183	—	—	—	—	—
Purchase and disposal of treasury shares	—	(22)	—	(200,000)	—	—	—
Share-based payment transactions	—	2,690	—	—	(1,682)	—	—
Transfer to retained earnings	—	—	(308)	—	20	242	46
Total transactions with owners	4,208	6,851	(308)	(200,000)	(1,662)	242	46
Balance as of June 30, 2022	151,341	344,840	680,421	(200,011)	11,608	—	(2,109)

	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	—	—	—	—	110,437	138	110,575
Other comprehensive income	390,974	(12,901)	(1,697)	375,454	375,454	375	375,829
Total comprehensive income	390,974	(12,901)	(1,697)	375,454	485,891	513	486,404
Issuance of new shares	—	—	—	—	8,391	—	8,391
Purchase and disposal of treasury shares	—	—	—	—	(200,022)	—	(200,022)
Share-based payment transactions	—	—	—	(1,682)	1,008	—	1,008
Transfer to retained earnings	—	—	—	308	—	—	—
Total transactions with owners	—	—	—	(1,374)	(190,623)	—	(190,623)
Balance as of June 30, 2022	474,428	(13,319)	(1,850)	468,758	1,445,349	3,830	1,449,179

(Six months ended June 30, 2023)

(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, 2023	153,209	348,446	828,582	(192,171)	7,602	—	(1,976)
Profit	—	—	195,805	—	—	—	—
Other comprehensive income	—	—	—	—	—	(58)	(464)
Total comprehensive income	—	—	195,805	—	—	(58)	(464)
Purchase and disposal of treasury shares	—	2,531	—	(39,608)	—	—	—
Share-based payment transactions	—	(1,189)	—	—	(632)	—	—
Transfer to retained earnings	—	2,755	(3,421)	—	603	58	5
Other	—	—	—	—	—	—	—
Total transactions with owners	—	4,097	(3,421)	(39,608)	(29)	58	5
Balance as of June 30, 2023	153,209	352,543	1,020,966	(231,779)	7,573	—	(2,435)

	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, 2023	395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463
Profit	—	—	—	—	195,805	244	196,049
Other comprehensive income	223,450	(23,500)	1,421	200,849	200,849	104	200,953
Total comprehensive income	223,450	(23,500)	1,421	200,849	396,654	348	397,002
Purchase and disposal of treasury shares	—	—	—	—	(37,077)	—	(37,077)
Share-based payment transactions	—	—	—	(632)	(1,821)	—	(1,821)
Transfer to retained earnings	—	—	—	666	—	—	—
Other	—	—	—	—	—	(6)	(6)
Total transactions with owners	—	—	—	34	(38,898)	(6)	(38,904)
Balance as of June 30, 2023	619,357	(35,864)	7,921	596,552	1,891,491	4,070	1,895,561

1.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before tax	147,423	240,611
Depreciation and amortization	89,923	90,415
Impairment losses	5,761	823
Finance income and finance costs	6,015	(8,598)
Share-based payment expenses	9,421	11,083
Insurance claim income	(1,005)	(30,621)
Foreign exchange loss (gain)	57,143	(7,165)
Loss (gain) on sales of property, plant and equipment, and intangible assets	(373)	(679)
Decrease (increase) in inventories	(22,978)	15,754
Decrease (increase) in trade and other receivables	(30,669)	177
Decrease (increase) in other financial assets	(16,056)	(7,574)
Increase (decrease) in trade and other payables	24,727	(8,953)
Increase (decrease) in retirement benefit liability	(891)	(406)
Increase (decrease) in provisions	(1,756)	(771)
Increase (decrease) in other current liabilities	(11,789)	(11,911)
Increase (decrease) in other financial liabilities	(1,647)	(890)
Other	(614)	3,272
Subtotal	252,635	284,567
Interest received	168	9,174
Dividends received	132	269
Proceeds from insurance income	1,005	17,288
Income taxes paid	(25,637)	(82,328)
Net cash flows from operating activities	228,303	228,970
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,931)	(39,204)
Proceeds from sales of property, plant and equipment	1,277	746
Purchase of intangible assets	(10,972)	(12,341)
Purchase of other financial assets	(4,083)	(1,081)
Proceeds from sales of other financial assets	911	359
Payments for acquisitions of subsidiaries	(29)	(9,822)
Proceeds from insurance income	—	13,333
Proceeds from government grant income	—	1,088
Other	(5,986)	(5,380)
Net cash flows from investing activities	(49,813)	(52,302)
Cash flows from financing activities		
Proceeds from short-term borrowings	50,000	—
Repayments of short-term borrowings	(11,088)	—
Proceeds from long-term borrowings	47,096	—
Repayments of long-term borrowings	(60,433)	(60,010)
Purchase of treasury shares	(200,000)	(50,000)
Repayments of lease liabilities	(3,916)	(2,876)
Interest paid	(2,838)	(2,658)
Other	(63)	(17)
Net cash flows from financing activities	(181,242)	(115,561)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Effect of exchange rate changes on cash and cash equivalents	28,682	60,908
Net increase (decrease) in cash and cash equivalents	25,930	122,015
Cash and cash equivalents at beginning of the period	221,924	336,068
Cash and cash equivalents at end of the period	<u>247,854</u>	<u>458,083</u>

1.5 Notes to Condensed Consolidated Financial Statements

(Notes about Going Concern Assumption)

Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in Presentation

(Condensed Consolidated Statement of Cash Flows)

Within “Cash flows from operating activities” category, “Insurance claim income” and “Proceeds from insurance income,” which was disclosed in “Other” for the six months ended June 30, 2022, has been presented separately for the six months ended June 30, 2023 due to the increase in its materiality.

As a result, in the condensed consolidated statement of cash flows for the six months ended June 30, 2022, “Insurance claim income” of (1,005) million yen and “Proceeds from insurance income” of 1,005 million yen are separately presented under cash flows from operating activities. Consequently, “Subtotal” of cash flows from operating activities has been revised from 253,640 million yen to 252,635 million yen.

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

Two companies have been excluded from the scope of consolidation due to liquidation for the three months ended March 31, 2023.

A company has been newly included in the scope of consolidation due to the acquisition of Panthronics AG (hereinafter “Panthronics”) for the three months ended June 30, 2023. Four companies have been excluded from the scope of consolidation mainly due to liquidation for the three months ended June 30, 2023.

(Significant Accounting Policies)

Except as stated below, the significant accounting policies for the condensed consolidated financial statements of the Group are the same with the accounting policies applied in preparing the Group’s consolidated financial statements for the prior fiscal year.

In addition, income taxes for the six months ended June 30, 2023 are calculated using the estimated annual effective tax rate.

Amendments to International Accounting Standard No. 12 “Income Taxes” (hereinafter “IAS 12”)

We applied the ‘International Tax Reform - Pillar Two Model Rules’ (Amended IAS 12) for the three months ended June 30, 2023. Based on the exceptions provided in the amended IAS 12, we do not recognize deferred tax assets and deferred tax liabilities related to corporate income taxes arising from tax systems that have been established or substantially enacted for the purpose of introducing the second pillar model rules published by the Organization for Economic Cooperation and Development (OECD).

(Significant Accounting Estimates and Judgments)

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

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

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

(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.

(Six months ended June 30, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	317,657	400,203	5,899	—	723,759	(851)	722,908
Segment gross profit	164,893	256,355	1,637	278	423,163	(7,377)	415,786
Segment operating profit	116,892	160,064	1,636	2,268	280,860	(70,855)	210,005
Finance income							390
Finance costs							(62,972)
Profit before tax							147,423
(Other items)							
Depreciation and amortization	21,428	18,105	—	—	39,533	50,390	89,923

(Six months ended June 30, 2023)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	337,642	385,297	5,444	—	728,383	(292)	728,091
Segment gross profit	176,118	235,118	2,294	(23)	413,507	(2,227)	411,280
Segment operating profit	119,753	132,766	2,294	(990)	253,823	(33,301)	220,522
Finance income							23,230
Finance costs							(3,141)
Profit before tax							240,611
(Other items)							
Depreciation and amortization	19,416	20,041	—	—	39,457	50,958	90,415

(Three months ended June 30, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	163,770	210,374	2,919	—	377,063	(443)	376,620
Segment gross profit	85,186	134,716	827	127	220,856	(2,958)	217,898
Segment operating profit	59,376	84,320	826	797	145,319	(35,137)	110,182
Finance income							248
Finance costs							(41,749)
Profit before tax							68,681
(Other items)							
Depreciation and amortization	10,646	9,192	—	—	19,838	26,059	45,897

(Three months ended June 30, 2023)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	169,370	196,529	2,818	—	368,717	—	368,717
Segment gross profit	87,234	122,992	1,257	(2)	211,481	(312)	211,169
Segment operating profit	59,078	69,522	1,257	(804)	129,053	(31,796)	97,257
Finance income							16,965
Finance costs							(1,373)
Profit before tax							112,849
(Other items)							
Depreciation and amortization	9,695	10,218	—	—	19,913	25,482	45,395

(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.

(Six months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Japan	197,730	201,661
China	196,783	171,630
Asia (Excluding Japan and China)	156,195	149,470
Europe	107,382	128,620
North America	61,945	73,834
Others	2,873	2,876
Total	722,908	728,091

(Three months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Japan	99,870	103,946
China	106,602	81,021
Asia (Excluding Japan and China)	80,590	77,767
Europe	54,993	64,729
North America	33,002	39,623
Others	1,563	1,631
Total	376,620	368,717

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

(Business Combinations)

Business combinations that occurred during the six months ended June 30, 2022 and the six months ended June 30, 2023 are as follows. Immaterial business combinations are not included in this disclosure.

Six months ended June 30, 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 three months ended March 31, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

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

	(In millions of yen)
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 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 Semiconductor Plc (hereinafter "Dialog"). No amount of goodwill is expected to be deductible for tax purposes.

(Note 2) The amount allocated to intangible assets is mainly composed of 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.

Dialog changed its company name from Dialog Semiconductor Plc to Dialog Semiconductor Limited on September 14, 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 the three months ended June 30, 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 six months ended June 30, 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 Communications Inc. (hereinafter "Celeno"). No amount of goodwill is expected to be deductible for tax purposes.

Six months ended June 30, 2023

(Celeno Communications Inc.)

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)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Beginning balance	4,681	1,265
Settlement	—	(40)
Changes in fair value	(2,271)	(1,235)
Exchange differences	624	10
Ending balance	3,034	—

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 factors other than the time value of money is recorded in "Other income" and "Other expenses." For the Six months ended June 30, 2022, other income of 2,271 million yen was recorded for the change of fair value. For the six months ended June 30, 2023, other income of 1,242 million yen and finance costs of 7 million yen were recorded for the change of fair value.

(Steradian Semiconductors Private Limited)

As of December 31, 2022, 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 three months ended March 31, 2023, 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 3 months ended March 31, 2023.

Fair value of assets acquired, liabilities assumed on the acquisition date (October 17, 2022)

	(In millions of yen)	
Adjusted items	Adjustments of goodwill	
Goodwill (before adjustment) (Note)	7,609	
Intangible assets	(1,593)	
Deferred tax liabilities	264	
Adjustment in consideration for the acquisition	88	
Total adjustments	(1,241)	
Goodwill (after adjustment) (Note)	6,368	

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

The condensed consolidated statement of financial position as of December 31, 2022 has been revised upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 1,182 million yen and intangible assets has increased by 1,401 million yen.

In addition, the revision has no impact on the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income for the Six months ended June 30, 2022.

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)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Beginning balance	—	1,078
Exchange differences	—	100
Ending balance	—	1,178

(Panthronics AG)

a. Overview of business combination

On June 1, 2023, the Company completed the acquisition of Panthronics, a semiconductor company headquartered in Austria. Following the completion of the acquisition, Panthronics has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Panthronics AG.

Business overview: Development and sales of semiconductor solutions such as Near-Field Communication (NFC).

2) Date of the acquisition

June 1, 2023. (Central European Summer Time)

3) Purpose of the acquisition

Headquartered in Austria, Panthronics has been offering advanced NFC chipsets and software. NFC has emerged as a de facto standard in the digital economy and touches many aspects of daily life. Fintech, such as mobile point-of-sale (mPoS) terminals and contactless payment, IoT, asset tracking, and wireless charging are highlights of NFC's increasing presence. Acquiring Panthronics' competitive NFC technology will provide Renesas with in-house capability to instantly capture growing and emerging market opportunities for NFC.

Combining Panthronics' NFC technology with Renesas' broad product portfolio and security functions in microcontrollers (MCU) / microprocessors (MPU) will provide Renesas' wide customer base with a multitude of options to create innovative, ready-to-market NFC system solutions.

4) Acquisition Method

Acquisition of shares for cash consideration.

b. Consideration for the acquisition and its breakdown

	Consideration	(In millions of yen)
		Amount
Cash		9,801
Contingent consideration		2,794
Total	A	12,595

Expenses related to the acquisition were 194 million yen, which were recorded in "Selling, general and administrative expenses" for the six months ended June 30, 2023.

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

		(In millions of yen)
		Date of acquisition (June 1, 2023)
		<hr/>
Current assets		
Cash and cash equivalents		63
Trade and other receivables (Note 2)		662
Inventories		152
Other		44
Total current assets		<hr/> 921
Non-current assets		
Property, plant and equipment		35
Intangible assets		20
Other financial assets		9
Total non-current assets		<hr/> 64
Total assets		<hr/> 985
Current liabilities		
Trade and other payables		360
Bonds and borrowings		1,893
Other		1,210
Total current liabilities		<hr/> 3,463
Non-current liabilities		
Total non-current liabilities		<hr/> —
Total liabilities		<hr/> 3,463
Net assets	B	<hr/> (2,478)
Goodwill (Note 3)	A-B	<hr/> <hr/> 15,073

(Note 1) As of June 30, 2023, 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 Panthronics.

(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 Panthronics. 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	9,801	
Cash and cash equivalents held by the acquiree at the time of obtaining control	(63)	
Amount of cash paid for the acquisition of subsidiaries (net amount)	9,738	

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 Panthronics 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 six months ended June 30, 2023 would not be material.

f. Revenue and profit / loss of the acquired company

For six months ended June 30, 2023, the revenue and profit of Panthronics from the acquisition date to June 30, 2023 had no significant impact on the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes \$61 million which will be paid when certain conditions related to Panthronics'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 Panthronics, 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)
	Six months ended June 30, 2022		Six months ended June 30, 2023
Beginning balance	—		—
Increase due to the business combination	—		2,794
Exchange differences	—		116
Ending balance	—		2,910

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2022	As of June 30, 2023
Notes and trade receivables	158,242	170,733
Other receivables	4,538	6,015
Loss allowance	(157)	(98)
Total	162,623	176,650

(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, 2022	As of June 30, 2023
Trade payables	105,362	90,257
Other payables	41,206	41,258
Electronically recorded obligations	13,940	14,835
Refund liabilities	65,815	81,424
Total	226,323	227,774
Current liabilities	222,941	227,110
Non-current liabilities	3,382	664

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

(Bonds and Borrowings)

a. Bonds

Six months ended June 30, 2022

Not applicable.

Six months ended June 30, 2023

Not applicable.

b. Borrowings

Six months ended June 30, 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 June 2022, the Company has entered into a term loan agreement dated June 28, 2022(Loan amount: \$200 million, Borrowing date: June 30, 2023, Repayment date: June 30, 2027, Participating financial institutions: Bank of America NA Tokyo Branch) and a term loan agreement dated June 30, 2023(Loan amount: 20,000 million yen, Borrowing date: June 30, 2023, Repayment date: June 30, 2027, Participating financial institutions: MUFG Bank, Ltd.). As a result, the Company has borrowed a total of 47,096 million yen under these agreements on June 30, 2022.

Six months ended June 30, 2023

Not applicable.

(Equity and Other Equity Items)

Six months ended June 30, 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 consequence, treasury shares increased by 200,000 million yen for the six months ended June 30, 2022.

As a result, the treasury shares was 200,011 million yen as of June 30, 2022.

Six months ended June 30, 2023

Based on the resolution at the Board of Directors' meeting held on February 9, 2023, the Company conducted a tender offer to acquire its own shares and purchased 40,453,107 shares from February 10, 2023 to March 10, 2023. As a consequence, treasury shares increased by 50,000 million yen for the six months ended June 30, 2023. The number of treasury shares decreased by 8,733,135 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) for the six months ended June 30, 2023. As a consequence, treasury shares decreased by 10,392 million yen for the six months ended June 30, 2023.

As a result, the treasury shares was 231,779 million yen as of June 30, 2023.

(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.

(Six months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Research and development expenses	96,630	111,464
Depreciation and amortization	52,909	53,657
Personnel expenses	32,404	38,179
Retirement benefit expenses	1,074	1,957
Other	17,727	16,372
Total	200,744	221,629

(Three months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Research and development expenses	51,235	57,955
Depreciation and amortization	27,161	26,752
Personnel expenses	16,749	20,257
Retirement benefit expenses	426	1,042
Other	10,433	8,000
Total	106,004	114,006

(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.
(Six months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Insurance claim income (Note 1)	1,005	30,621
Proceeds from subsidy	521	1,363
Fair value remeasurements on contingent considerations (Note 2)	2,271	1,242
Reversal of provision for business restructuring	1,068	—
Other	1,342	1,693
Total	6,207	34,919

(Three months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Insurance claim income	—	1,010
Proceeds from subsidy	10	1,002
Gain on sales of property, plant and equipment	432	246
Other	689	122
Total	1,131	2,380

(Note 1) Insurance claim income recognized during the six months ended June 30, 2023 is the amount received related to a fire that occurred at Naka Factory of Renesas Semiconductor Manufacturing Co., Ltd, a wholly owned subsidiary of the Company, on March 19, 2021. This insurance payments include the amount for loss of profits due to the fire damage.
(Note 2) For details, please refer to “Business Combinations.”

(Other Expenses)

The components of other expenses are as follows.
(Six months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Business restructuring expenses	2,433	1,170
Loss on reduction of fixed assets	—	915
Impairment losses (Note)	5,761	823
Provision for loss on litigation	1,072	—
Other	1,978	1,140
Total	11,244	4,048

(Three months ended June 30, 2022 and June 30, 2023)

	(In millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Loss on reduction of fixed assets	—	915
Business structure improvement expenses	1,943	481
Provision for loss on litigation	137	—
Other	763	890
Total	2,843	2,286

(Note) Impairment losses are mainly due to the discontinuation of certain in-process research and development projects for the six months ended June 30, 2022.

(Subsequent Events)

(Loan Agreement to Wolfspeed, Inc.)

The Company has resolved at the Meeting of Board of Directors to reach an agreement (hereinafter “the Loan Agreement”) to loan a total of \$2,000 million (USD) by the Group with Wolfspeed, Inc. (hereinafter “Wolfspeed”), the global leader in silicon carbide technology on July 5, 2023, and the Company has entered into a definitive agreement on the same day.

(1) Purpose of the Loan Agreement

The loan to Wolfspeed by the Group will support Wolfspeed's ongoing U.S. capacity construction projects including the recently announced John Palmour Manufacturing Center for Silicon Carbide (hereinafter “JP”).

The decade-long supply agreement calls for Wolfspeed to provide the Company with 150mm silicon carbide bare and epitaxial wafers scaling in CY2025. The agreement also anticipates supplying the Company with 200mm silicon carbide bare and epitaxial wafers after JP is fully operational.

(2) Overview of the Loan Agreement

a. Lender	Renesas Electronics America Inc.
b. Agreement Date	July 5, 2023
c. Credit Line	\$2,000 million
d. Amount of Initial Loan	\$1,000 million
e. Date of Initial Loan	July 12, 2023
f. Maturity Date	July 5, 2033

The additional loan of \$1,000 million is planned to be executed between January 1, 2024 and December 31, 2024. The additional loan will be executed in the case of request from Wolfspeed, and the loan amount may be reduced upon request from Wolfspeed.

About Renesas Electronics Corporation

Renesas Electronics Corporation ([TSE: 6723](#)) empowers a safer, smarter and more sustainable future where technology helps make our lives easier. The 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.