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Renesas Reports Financial Results for the Third Quarter Ended September 30, 2021

TOKYO, Japan, October 28, 2021 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the nine months ended September 30, 2021.

Summary of Consolidated Financial Results (Note 1)

	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	Billion Yen	% of Revenue	Billion Yen	% of Revenue
Revenue	258.4	100.0	680.0	100.0
Operating profit	53.8	20.8	119.5	17.6
Profit attributable to owners of parent	37.8	14.6	75.5	11.1
Capital expenditures (Note 2)	21.2		71.8	
Depreciation and others	34.4		100.1	
R&D expenses (Note 3)	39.9		107.1	
	Yen		Yen	
Exchange rate (USD)	110		108	
Exchange rate (EUR)	131		129	

	As of September 30, 2021
	Billion Yen
Total assets	2,328.0
Total equity	1,047.1
Equity attributable to owners of parent	1,043.8
Equity ratio attributable to owners of parent (%)	44.8
Interest-bearing liabilities	897.6

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 nine months ended September 30, 2021. However, the investments from the former Integrated Device Technology, Inc. and Dialog Semiconductors Plc (hereinafter Dialog) are listed as an input basis.

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

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Third Quarter Ended September 30, 2021
 English translation from the original Japanese-language document



October 28, 2021

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
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 Filing date of Shihanki Hokokusho (scheduled) : November 11, 2021

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the nine months ended September 30, 2021

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	%
Nine months ended September 30, 2021	679,986	29.7	119,485	149.9	100,781	116.3	75,685	96.6	75,457	96.1	183,386	---
Nine months ended September 30, 2020	524,093	(0.4)	47,818	---	46,592	---	38,488	---	38,471	---	(3,930)	---

	Basic earnings per share	Diluted earnings per share
Nine months ended September 30, 2021	41.61	40.72
Nine months ended September 30, 2020	22.42	21.98

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	%
September 30, 2021	2,327,974	1,047,144	1,043,838	44.8
December 31, 2020	1,608,985	619,661	616,701	38.3

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

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

3. Forecast of consolidated results for the full year ending December 31, 2021

	Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Full year ending December 31 2021	977,986 (±4,000)	36.7 (±0.6)	52.8	5.4	28.8	9.5

Note 1: The Group reports its consolidated forecast for the full year as a range. The revenue forecast is provided assuming the midpoint and the range of the forecast are listed in brackets. The gross margin and the operating margin forecasts are provided assuming the midpoint in the revenue forecast. For details, please refer to Appendix 1.3. "Consolidated Forecasts" on 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. However, the figure provided as revenue is based on IFRS and does not include non-GAAP adjustments.

4. Others

4.1 Changes in significant subsidiaries for the nine months ended September 30, 2021: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors
1. Changes in accounting policies with revision of accounting standard: No
2. Changes in accounting policies except for 4.2.1: No
3. Changes in accounting estimates: No

4.3 Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)
As of September 30, 2021: 1,937,295,290 shares
As of December 31, 2020: 1,731,898,990 shares
2. Number of treasury stock
As of September 30, 2021: 2,581 shares
As of December 31, 2020: 2,581 shares
3. Average number of shares issued and outstanding
Nine months ended September 30, 2021: 1,813,309,523 shares
Nine months ended September 30, 2020: 1,716,107,309 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 October 28, 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.

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

The Group consists of “Automotive Business” and “Industrial/Infrastructure/IoT Business” and those are the Group’s reportable segments. For details, please refer to Appendix 2 “Condensed Consolidated Financial Statements, 2.5 Notes to Condensed Consolidated Financial Statements (Business Segments).”

(Note 1): 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 Nine Months ended September 30, 2021 (Non-GAAP basis)

	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)	Nine months ended September 30, 2021 (Jan 1 – Sep 30, 2021)	Increase (Decrease)	
			Billion yen	% Change
Revenue (Note 2)	524.1	680.0	155.9	29.7%
Automotive	245.7	330.7	84.9	34.6%
Industrial/Infrastructure/IoT	270.8	336.1	65.3	24.1%
Non-GAAP Gross Profit	248.6	358.2	109.6	44.1%
Non-GAAP Gross Margin	47.4%	52.7%	5.2pts	---
Automotive	92.4 37.6%	149.9 45.3%	57.5 7.7pts	62.3% --
Industrial/Infrastructure/IoT	155.4 57.4%	206.2 61.4%	50.8 4.0pts	32.7% ---
Non-GAAP Operating Profit	100.4	197.9	97.5	97.1%
Non-GAAP Operating Margin	19.2%	29.1%	9.9pts	---
Automotive	33.0 13.4%	83.3 25.2%	50.3 11.8pts	152.7% ---
Industrial/Infrastructure/IoT	68.3 25.2%	107.0 31.8%	38.6 6.6pts	56.5% ---

Note 1: For details on the above table, please refer to Appendix 2 “Condensed Consolidated Financial Statements, 2.5. Notes to Condensed Consolidated Financial Statements (Business Segments).”

Note 2: Consolidated revenue for the nine months ended September 30, 2020 and September 30, 2021 are based on IFRS and do not include non-GAAP adjustments.

The financial results for the nine months ended September 30, 2021 are as follows:

<Revenue>

Consolidated revenue for the nine months ended September 30, 2021 was 680.0 billion yen, a 29.7% increase year on year. This was due to an increase in revenue capturing demand expansion in the Industrial/Infrastructure/IoT Business and a sales increase effect from the consolidation of Dialog following the completion of the acquisition on August 31, 2021, in addition to an increase in revenue in the Automotive Business as a result of the recovery from the reduced vehicle production caused by the COVID-19 pandemic mostly during the first half of the fiscal year ended 2020. It should be noted that as of September 14, 2021, Dialog has changed its company name to Dialog Semiconductor Limited.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the nine months ended September 30, 2021 was 358.2 billion yen, a 109.6 billion yen increase year on year. This was mainly due to increases in revenue for both Automotive and Industrial/Infrastructure/IoT Businesses as well as an increase in gross margin mainly from improvements in product mix and the factory utilization rate. As a result, non-GAAP gross margin for the nine months ended September 30, 2021 was 52.7%, an increase by 5.2 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the nine months ended September 30, 2021 was 197.9 billion yen, a 97.5 billion yen increase year on year. This was mainly due to an increase in gross profit as well as an effort to streamline non-GAAP adjusted selling, general and administrative expenses. As a result, non-GAAP operating margin for the nine months ended September 30, 2021 was 29.1%, an increase by 9.9 points year on year.

The revenue breakdown of the business segments for the nine months ended September 30, 2021 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.

Revenue of the Automotive Business for the nine months ended September 30, 2021 was 330.7 billion yen, a 34.6% increase year on year. This was mainly due to increases in sales for both the “Automotive Control” and “Automotive Information” categories following the recovery from the reduced vehicle production.

Non-GAAP gross profit of the Automotive Business for the nine months ended September 30, 2021 was 149.9 billion yen, a 57.5 billion yen increase year on year. This was due to an increase in gross margin mainly from product mix improvements in addition to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the nine months ended September 30, 2021 was 83.3 billion yen, a 50.3 billion yen increase year on year, mainly due to the sales increase effect as well as an increase in gross margin.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT Business includes the categories “Industrial,” “Infrastructure” and “IoT” which support a smart society. The Group mainly supplies MCUs and system-on-chips (SoCs) in each of these categories.

Revenue of the Industrial/Infrastructure/IoT Business for the nine months ended September 30, 2021 was 336.1 billion yen, a 24.1% increase year on year. This was mainly due to an increase in revenues in the “Industrial,” “Infrastructure,” and “IoT” categories in addition to revenue increase from the consolidation of Dialog. Main contributors were devices for factory automation, data centers, mobile phone base stations, and OA devices such as PCs

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the nine months ended September 30, 2021 was 206.2 billion yen, a 50.8 billion yen increase year on year. This was mainly due to an increase in gross margin from product mix improvements in addition to an increase in revenue.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the nine months ended September 30, 2021 was 107.0 billion yen, a 38.6 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

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

(Billion yen)

	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)	Nine months ended September 30, 2021 (Jan 1 – Sep 30, 2021)
Non-GAAP gross profit	248.6	358.2
Non-GAAP gross margin	47.4%	52.7%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(1.2)	(0.6)
Market valuation of inventories	---	(3.9)
Stock-based compensation	(1.0)	(0.9)
Other reconciliation items in non-recurring expenses and adjustments	(0.6)	(15.0)
IFRS gross profit	245.8	337.7
IFRS gross margin	46.9%	49.7%
Non-GAAP operating profit	100.4	197.9
Non-GAAP operating margin	19.2%	29.1%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(42.1)	(41.9)
Market valuation of inventories	---	(3.9)
Stock-based compensation	(11.7)	(10.3)
Other reconciliation items in non-recurring expenses and adjustments	1.2	(22.3)
IFRS operating profit	47.8	119.5
IFRS operating margin	9.1%	17.6%

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 Nine Months ended September 30, 2021 (IFRS basis)

	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)	Nine months ended September 30, 2021 (Jan 1 – Sep 30, 2021)	Increase (Decrease)	
			Billion yen	% Change
	Billion yen	Billion yen	Billion yen	% Change
Revenue	524.1	680.0	155.9	29.7%
Gross Profit	245.8	337.7	91.9	37.4%
Gross Margin	46.9%	49.7%	2.8 pts	---
Operating Profit	47.8	119.5	71.7	149.9%
Operating Margin	9.1%	17.6%	8.4 pts	---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Total Equity

	As of December 31, 2020	As of September 30, 2021	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,609.0	2,328.0	719.0
Total equity	619.7	1,047.1	427.5
Equity attributable to owners of parent	616.7	1,043.8	427.1
Equity ratio attributable to owners of parent (%)	38.3	44.8	6.5
Interest-bearing liabilities	693.7	897.6	203.9
Debt to equity ratio	1.12	0.86	(0.26)

Total assets as of the September 30, 2021 were 2,328.0 billion yen, a 719.0 billion yen increase from December 31, 2020. This was mainly due to an increase in goodwill owing to the acquisition of Dialog. Total equity was 1,047.1 billion yen, a 427.5 billion yen increase from December 31, 2020. This was mainly due to: increases in share capital and capital surplus as a result of the issuance of new shares mainly through public offering; an increase in other components of equity from an increase in exchange differences on translation of foreign operations following fluctuations in the exchange rate; and an increase in retained earnings through profit.

Equity attributable to owners of parent increased by 427.1 billion yen from December 31, 2020, and Equity ratio attributable to owners of parent was 44.8%. In addition, Interest-bearing liabilities increased by 203.9 billion yen from December 31, 2020, mainly due to an increase in borrowings following the acquisition of Dialog. Consequently, Debt to equity ratio was 0.86.

1.2.2 Cash Flows

	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)	Nine months ended September 30, 2021 (Jan 1 – Sep 30, 2021)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	141.5	196.2
Net cash provided by (used in) investing activities	(30.1)	(619.5)
Free cash flows (Note)	111.5	(423.3)
Net cash provided by (used in) financing activities	(78.5)	414.6
Cash and cash equivalents at the beginning of period	146.5	219.8
Cash and cash equivalents at the end of period	175.9	223.0

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

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

Net cash provided by operating activities for the nine months ended September 30, 2021 was 196.2 billion yen. This was mainly due to a recording of 100.8 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 nine months ended September 30, 2021 was 619.5 billion yen. This was mainly due to the acquisition of shares of Dialog.

The foregoing resulted in negative free cash flows of 423.3 billion yen for the nine months ended September 30, 2021.

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

Net cash used in financing activities for the nine months ended September 30, 2021 was 414.6 billion yen. This was mainly due to new borrowings from main financing banks in order to procure funds necessary for the acquisition of Dialog as well as income from the issuance of new shares through public offering.

1.3 Consolidated Forecasts

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

Additionally, in order to provide useful information to better understand the Group's constant business results, figures such as gross margin and operating margin are presented in the non-GAAP format, which excludes or adjusts the non-recurring items related to acquisitions and other adjustments including non-recurring expenses or income from the figures based on GAAP (IFRS based) following a certain set of rules. However, the figure provided as revenue is based on IFRS and does not include non-GAAP adjustments.

The revenue forecast is provided assuming the midpoint and the range of the forecast are listed in brackets. The gross margin and operating margin forecasts are given assuming the midpoint in the revenue forecast.

(For the full year ending December 31, 2021)

	Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Previous forecasts	---	---	---
	Million yen	%	%
Forecasts as of October 28, 2021	977,986 (±4,000)	52.8	28.8
Increase (decrease)	---	---	---
Percentage change	---	---	---
Reference: Results of the full year ended December 31, 2020	715,673	47.3	19.2

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 stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable.

The consolidated forecasts for the full year ending December 31, 2021 are calculated by combining the forecasts for the three months ending December 31, 2021, to the financial results of the nine months ended September 30, 2021. The consolidated forecasts for the full year ending December 31, 2021 are calculated at the rate of 109 yen per USD and 129 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.

1.4 Forecasts of Cash Dividends

For the full year ending December 31, 2021, the Group suspends year-end dividend payment.

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 full year ending December 31, 2021)

Interim Dividend	Year-End Dividend	Annual Dividend
0 Yen	0 Yen	0 Yen

2. Condensed Consolidated Financial Statements

2.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	219,786	222,989
Trade and other receivables	82,318	132,647
Inventories	89,761	135,185
Other current financial assets	605	541
Income taxes receivable	2,190	4,996
Other current assets	8,162	13,333
Subtotal	<u>402,822</u>	<u>509,691</u>
Assets held for sale	—	2,606
Total current assets	<u>402,822</u>	<u>512,297</u>
Non-current assets		
Property, plant and equipment	187,354	193,576
Goodwill	590,459	1,167,663
Intangible assets	364,764	378,988
Other non-current financial assets	18,101	26,398
Deferred tax assets	40,600	44,712
Other non-current assets	4,885	4,340
Total non-current assets	<u>1,206,163</u>	<u>1,815,677</u>
Total assets	<u><u>1,608,985</u></u>	<u><u>2,327,974</u></u>

(In millions of yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	114,235	182,759
Bonds and borrowings	93,181	362,464
Other current financial liabilities	4,036	6,408
Income taxes payable	10,337	23,800
Provisions	6,383	8,762
Other current liabilities	58,873	65,162
Total current liabilities	<u>287,045</u>	<u>649,355</u>
Non-current liabilities		
Trade and other payables	25,177	17,381
Bonds and borrowings	586,563	517,545
Other non-current financial liabilities	10,241	12,121
Income taxes payable	4,084	4,444
Retirement benefit liability	30,012	28,891
Provisions	3,033	3,537
Deferred tax liabilities	38,680	40,497
Other non-current liabilities	4,489	7,059
Total non-current liabilities	<u>702,279</u>	<u>631,475</u>
Total liabilities	<u>989,324</u>	<u>1,280,830</u>
Equity		
Share capital	28,971	144,369
Capital surplus	208,253	333,842
Retained earnings	449,975	525,519
Treasury shares	(11)	(11)
Other components of equity	(70,487)	40,119
Total equity attributable to owners of parent	<u>616,701</u>	<u>1,043,838</u>
Non-controlling interests	2,960	3,306
Total equity	<u>619,661</u>	<u>1,047,144</u>
Total liabilities and equity	<u>1,608,985</u>	<u>2,327,974</u>

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

Condensed Consolidated Statement of Profit or Loss

(Nine months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Revenue	524,093	679,986
Cost of sales	(278,317)	(342,291)
Gross profit	245,776	337,695
Selling, general and administrative expenses	(198,269)	(215,401)
Other income	3,632	5,648
Other expenses	(3,321)	(8,457)
Operating profit	47,818	119,485
Finance income	4,509	3,097
Finance costs	(5,735)	(21,801)
Profit before tax	46,592	100,781
Income tax expense	(8,104)	(25,096)
Profit	38,488	75,685
Profit attributable to		
Owners of parent	38,471	75,457
Non-controlling interests	17	228
Profit	38,488	75,685
Earnings per share		
Basic earnings per share (yen)	22.42	41.61
Diluted earnings per share (yen)	21.98	40.72

Condensed Consolidated Statement of Comprehensive Income
(Nine months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Profit	38,488	75,685
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	260	(138)
Equity instruments measured at fair value through other comprehensive income	(432)	(156)
Total of items that will not be reclassified to profit or loss	(172)	(294)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(42,246)	111,966
Cash flow hedges	—	(3,971)
Total of items that may be reclassified subsequently to profit or loss	(42,246)	107,995
Total other comprehensive income	(42,418)	107,701
Total comprehensive income	(3,930)	183,386
Comprehensive income attributable to		
Owners of parent	(3,841)	183,040
Non-controlling interests	(89)	346
Total comprehensive income	(3,930)	183,386

Condensed Consolidated Statement of Profit or Loss
(Three months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Revenue	178,678	258,433
Cost of sales	(94,307)	(123,424)
Gross profit	84,371	135,009
Selling, general and administrative expenses	(66,790)	(79,969)
Other income	486	1,037
Other expenses	(818)	(2,253)
Operating profit	17,249	53,824
Finance income	1,213	1,667
Finance costs	(1,639)	(5,446)
Profit before tax	16,823	50,045
Income tax expense	(1,595)	(12,239)
Profit	15,228	37,806
Profit attributable to		
Owners of parent	15,259	37,752
Non-controlling interests	(31)	54
Profit	15,228	37,806
Earnings per share		
Basic earnings per share (yen)	8.86	19.50
Diluted earnings per share (yen)	8.69	19.12

Condensed Consolidated Statement of Comprehensive Income
(Three months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Profit	15,228	37,806
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(10)	2
Equity instruments measured at fair value through other comprehensive income	2	(156)
Total of items that will not be reclassified to profit or loss	(8)	(154)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(18,430)	26,788
Cash flow hedges	—	(7,388)
Total of items that may be reclassified subsequently to profit or loss	(18,430)	19,400
Total other comprehensive income	(18,438)	19,246
Total comprehensive income	(3,210)	57,052
Comprehensive income attributable to		
Owners of parent	(3,207)	56,987
Non-controlling interests	(3)	65
Total comprehensive income	(3,210)	57,052

2.3 Condensed Consolidated Statement of Changes in Equity

(Nine months ended September 30, 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	—	—	38,471	—	—	—	—
Other comprehensive income	—	—	—	—	—	260	(432)
Total comprehensive income	—	—	38,471	—	—	260	(432)
Issuance of new shares	4,006	4,006	—	—	—	—	—
Share-based payment transactions	—	—	—	—	3,685	—	—
Transfer to retained earnings	—	—	847	—	(1,019)	(260)	432
Total transactions with owners	4,006	4,006	847	—	2,666	(260)	432
Balance as of September 30, 2020	26,219	205,594	443,175	(11)	18,719	—	(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	—	—	—	38,471	17	38,488
Other comprehensive income	(42,140)	—	(42,312)	(42,312)	(106)	(42,418)
Total comprehensive income	(42,140)	—	(42,312)	(3,841)	(89)	(3,930)
Issuance of new shares	—	—	—	8,012	—	8,012
Share-based payment transactions	—	—	3,685	3,685	—	3,685
Transfer to retained earnings	—	—	(847)	—	—	—
Total transactions with owners	—	—	2,838	11,697	—	11,697
Balance as of September 30, 2020	(63,254)	—	(45,666)	629,311	2,860	632,171

(Nine months ended September 30, 2021)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2021	28,971	208,253	449,975	(11)	15,959	—	(1,131)
Profit	—	—	75,457	—	—	—	—
Other comprehensive income	—	—	—	—	—	(138)	(156)
Total comprehensive income	—	—	75,457	—	—	(138)	(156)
Issuance of new shares	115,398	114,572	—	—	—	—	—
Share-based payment transactions	—	11,017	—	—	(494)	—	—
Transfer to retained earnings	—	—	87	—	(269)	138	44
Reclassification to non-financial assets	—	—	—	—	—	—	—
Total transactions with owners	115,398	125,589	87	—	(763)	138	44
Balance as of September 30, 2021	144,369	333,842	525,519	(11)	15,196	—	(1,243)

	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, 2021	(85,315)	—	(70,487)	616,701	2,960	619,661
Profit	—	—	—	75,457	228	75,685
Other comprehensive income	111,848	(3,971)	107,583	107,583	118	107,701
Total comprehensive income	111,848	(3,971)	107,583	183,040	346	183,386
Issuance of new shares	—	—	—	229,970	—	229,970
Share-based payment transactions	—	—	(494)	10,523	—	10,523
Transfer to retained earnings	—	—	(87)	—	—	—
Reclassification to non-financial assets	—	3,604	3,604	3,604	—	3,604
Total transactions with owners	—	3,604	3,023	244,097	—	244,097
Balance as of September 30, 2021	26,533	(367)	40,119	1,043,838	3,306	1,047,144

2.4 Condensed Consolidated Statement of Cash Flows

(Nine months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Cash flows from operating activities		
Profit before tax	46,592	100,781
Depreciation and amortization	107,706	100,117
Impairment losses	579	70
Finance income and finance costs	5,273	5,220
Share-based payment expenses	11,683	10,327
Foreign exchange loss (gain)	(2,980)	14,936
Loss (gain) on sales of property, plant and equipment, and intangible assets	(559)	(3,482)
Decrease (increase) in inventories	(6,866)	(7,922)
Decrease (increase) in trade and other receivables	4,271	(3,126)
Increase (decrease) in trade and other payables	(8,314)	35,123
Increase (decrease) in retirement benefit liability	(472)	(1,498)
Increase (decrease) in provisions	(3,670)	1,501
Increase (decrease) in other current liabilities	(4,070)	(28,359)
Other	(2,534)	(5,473)
Subtotal	<u>146,639</u>	<u>218,215</u>
Interest received	242	129
Dividends received	212	219
Income taxes paid	(5,562)	(22,343)
Net cash flows from operating activities	<u>141,531</u>	<u>196,220</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,905)	(22,916)
Proceeds from sales of property, plant and equipment	764	3,763
Purchase of intangible assets	(12,595)	(10,070)
Purchase of other financial assets	(448)	(665)
Proceeds from sales of other financial assets	405	481
Payments for acquisition of subsidiaries	—	(587,046)
Other	(2,293)	(3,045)
Net cash flows from investing activities	<u>(30,072)</u>	<u>(619,498)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	—	270,000
Repayments of long-term borrowings	(70,003)	(69,988)
Proceeds from issuance of shares	—	223,799
Payments for share issuance costs	—	(1,179)
Repayments of lease liabilities	(3,720)	(2,595)
Interest paid	(4,785)	(5,393)
Other	13	(16)
Net cash flows from financing activities	<u>(78,495)</u>	<u>414,628</u>
Effect of exchange rate changes on cash and cash equivalents	(3,546)	11,853
Net increase (decrease) in cash and cash equivalents	29,418	3,203
Cash and cash equivalents at beginning of the period	146,468	219,786
Cash and cash equivalents at end of the period	<u>175,886</u>	<u>222,989</u>

2.5 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” (hereafter “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)

“Foreign exchange loss (gain),” which was disclosed in “Other” under “Cash flows from operating activities” for the prior fiscal year, has been presented independently from the current fiscal year due to the increase in its materiality. In order to reflect this change in presentation, Condensed Consolidated Statement of Cash Flows for the prior fiscal year has been reclassified. Consequently, (5,514) million yen of “Other”, which was disclosed under “Cash flows from operating activities,” has been classified to (2,980) million yen of “Foreign exchange loss (gain)” and (2,534) million yen of “Other.”

(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, 2021.

A company has been excluded from the scope of consolidation due to the transfer of the shares for the three months ended June 30, 2021.

43 companies have been newly included in the scope of consolidation due to acquisition of share capital of Dialog Semiconductor Plc (hereinafter “Dialog”). A company has been excluded from the scope of consolidation due to liquidation for the three months ended September 30, 2021.

In addition, Dialog changed its company name to Dialog Semiconductor Limited on September 14, 2021.

(Significant Accounting Policies)

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

In addition, income taxes for the nine months ended September 30, 2021 are calculated using the estimated annual effective tax rate.

(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 impact of the review of these estimates is recognized in the period when the estimates are revised and future periods.

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

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

(Business Segments)

(1) Overview of reportable segments

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

The Group mainly consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. The Automotive Business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising 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 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 (which is the segment profit). The Group added segment gross profit as a disclosure item in the business segments from the three months ended March 31, 2021. This change is reflected to the business segments for the three and nine months ended September 30, 2020.

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

Information on reportable segments is as follows.

Nine months ended September 30, 2020

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	245,725	270,793	7,575	—	524,093	—	524,093
Segment gross profit	92,392	155,395	813	—	248,600	(2,824)	245,776
Segment operating profit	32,960	68,328	880	(1,801)	100,367	(52,549)	47,818
Finance income							4,509
Finance costs							(5,735)
Profit before tax							46,592
(Other adjustments)							
Depreciation and amortization	35,021	30,130	236	—	65,387	42,319	107,706

Nine months ended September 30, 2021

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	330,666	336,100	13,220	—	679,986	—	679,986
Segment gross profit	149,925	206,207	1,679	365	358,176	(20,481)	337,695
Segment operating profit	83,292	106,953	1,678	5,935	197,858	(78,373)	119,485
Finance income							3,097
Finance costs							(21,801)
Profit before tax							100,781
(Other adjustments)							
Depreciation and amortization	32,946	25,185	—	—	58,131	41,986	100,117

Three months ended September 30, 2020

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	79,551	96,671	2,456	—	178,678	—	178,678
Segment gross profit	29,743	55,008	161	—	84,912	(541)	84,371
Segment operating profit	10,704	25,130	138	502	36,474	(19,225)	17,249
Finance income							1,213
Finance costs							(1,639)
Profit before tax							16,823
(Other adjustments) Depreciation and amortization	10,877	9,930	—	—	20,807	13,733	34,540

Three months ended September 30, 2021

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	121,310	132,614	4,509	—	258,433	—	258,433
Segment gross profit	59,637	82,398	593	76	142,704	(7,695)	135,009
Segment operating profit	35,451	47,482	592	341	83,866	(30,042)	53,824
Finance income							1,667
Finance costs							(5,446)
Profit before tax							50,045
(Other adjustments) Depreciation and amortization	10,858	8,909	—	—	19,767	14,626	34,393

(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.

(Nine months ended September 30, 2020 and September 30, 2021)

	(In millions of yen)	
	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Japan	179,103	224,130
China	126,006	150,367
Asia (Excluding Japan and China)	90,616	139,915
Europe	79,687	104,147
North America	46,774	59,047
Others	1,907	2,380
Total	524,093	679,986

(Three months ended September 30, 2020 and September 30, 2021)

	(In millions of yen)	
	Three months ended September 30, 2020	Three months ended September 30, 2021
Japan	55,545	83,444
China	44,466	61,472
Asia (Excluding Japan and China)	32,946	54,075
Europe	27,885	36,839
North America	17,217	21,636
Others	619	967
Total	178,678	258,433

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

(Business Combinations)

(1) Business combination by acquisition

Nine months ended September 30, 2021

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Dialog Semiconductor Plc

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

2) Date of the acquisition

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

3) Purpose of the acquisition

Dialog is an innovative provider of highly-integrated and power-efficient mixed-signal ICs for a broad array of customers within IoT, consumer electronics and high-growth segments of automotive and industrial end-markets. Centered around its low-power and mixed-signal expertise, Dialog brings a wide range of product offerings including battery and power management, power conversion, configurable mixed-signal (CMIC), LED drivers, custom mixed-signal ICs (ASICs) and automotive power management ICs (PMICs), wireless charging technology, and more. Dialog also offers broad and differentiated Bluetooth® Low Energy, 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 Renesas' leadership portfolio in delivering comprehensive solutions to improve performance and efficiency in high-computing electronic systems.

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

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

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

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

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

Expenses related to the acquisition were 4,555 million yen, which were recorded in "Selling, general and administrative expenses" for the nine months ended September 30, 2021.

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

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

(Note 1) As of September 30, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories that valuation was able to be reflected. 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 of Dialog.

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

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

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

d. Payments for acquisition of subsidiaries

(In millions of yen)

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

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

From the acquisition date to September 30, 2021, the Company recorded the revenue of Dialog of 15,078 million yen, profit of 1,167 million yen in the consolidated statement of profit or loss and consolidated statement of comprehensive Income. Assuming that the date of the acquisition of Dialog was at the beginning of the fiscal year, revenue and profit for the nine months ended September 30, 2021 would be 777,765 million yen and 92,886 million yen respectively. As of September 30, 2021, the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized. As a result, the adjustments such as amortization of intangible assets are not reflected in the above consolidated statements. In addition, in order to prepare this information, Dialog's past financial information has been adjusted for significant differences due to the Company's accounting policies.

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2020	As of September 30, 2021
Notes and trade receivables	77,686	129,429
Other receivables	4,751	3,332
Loss allowance	(119)	(114)
Total	82,318	132,647

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

(Assets held for sale and liabilities directly related held for sale)

The Company completed the closure of Shiga Factory (Otsu, Shiga Prefecture, Japan) of Renesas Semiconductor Manufacturing Co., Ltd., a wholly owned subsidiary of Renesas on August 31, 2021, then entered into a real estate sales contract. As of September 30, 2021, the assets were transferred to the assets held for sale.

Since the fair value (planned sale price) after deducting the sale cost exceeds the book value, the asset is measured at the book value. The asset will be sold on October 29, 2021.

(In millions of yen)

	As of December 31, 2020	As of September 30, 2021
Assets held for sale		
Property, plant and equipment	—	2,606
Total	—	2,606

(Trade and Other Payables)

The components of trade and other payables are as follows.

(In millions of yen)

	As of December 31, 2020	As of September 30, 2021
Trade payables	67,008	92,658
Other payables	47,433	66,968
Electronically recorded obligations	7,852	10,538
Refund liabilities	17,119	29,976
Total	139,412	200,140
Current liabilities	114,235	182,759
Non-current liabilities	25,177	17,381

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

(Bonds and borrowings)

To raise a portion of the funds for the acquisition, the Company entered into a loan agreement (Facilities Agreement) with MUFG Bank, Ltd. and Mizuho Bank, Ltd. with borrowing limit of 735,400 million yen on February 8, 2021.

The Company also has entered into an amendment agreement (the "Amendment Agreement") with MUFG Bank, Ltd. and Mizuho Bank, Ltd. to partially amend the Facilities Agreement on June 30, 2021. Both net proceeds from the fundraising through the issuance of new shares and Renesas' cash on hand are appropriated for the funds of the acquisition. Among the loan facilities, the amount has been amended in the Amendment Agreement. The borrowing limit has been reduced for part of the loan agreement as the planned currency hedge has been completed. Following the Amendment Agreement, the borrowing limit has changed from the initial amount of 735,400 million yen to 665,400 million yen.

As of August 31, 2021, the Company had borrowed 270,000 million yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd. under the Amended Agreement. with the last repayment date of February 7, 2022, and interest rate of 0.835%. Furthermore, the funds to be obtained through the Loan is continuously intended to be converted to various long-term funds.

(Equity and Other Equity Items)

Nine months ended September 30, 2021

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

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

As a result, the share capital is 144,369 million yen and the capital surplus is 333,842 million yen as of September 30, 2021.

(Revenue)

All 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.
(Nine months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Research and development expenses	97,206	106,511
Depreciation and amortization	47,027	46,308
Personnel expenses	33,208	37,000
Retirement benefit expenses	1,863	2,068
Other	18,965	23,514
Total	198,269	215,401

(Three months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Research and development expenses	32,868	39,697
Depreciation and amortization	15,122	16,067
Personnel expenses	12,332	12,868
Retirement benefit expenses	645	807
Other	5,823	10,530
Total	66,790	79,969

(Other Income)

The components of other income are as follows.

(Nine months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Gain on sales of property, plant and equipment	602	3,541
Insurance claim income	2,386	460
Other	644	1,647
Total	3,632	5,648

(Three months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Profit from contract cancellation	—	516
Reversal of provision for business restructuring	—	285
Gain on sales of property, plant and equipment	113	41
Government grant income	182	2
Other	191	193
Total	486	1,037

(Other Expenses)

The components of other expenses are as follows.

(Nine months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Provision for loss on litigation	529	4,675
Business restructuring expenses	1,253	1,795
Other	1,539	1,987
Total	3,321	8,457

(Three months ended September 30, 2020 and September 30, 2021)

(In millions of yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021
Business restructuring expenses	8	979
Commitment fee	88	769
Provision for loss on litigation	519	181
Other	203	324
Total	818	2,253

(Additional Information)

Fire outbreak in a wholly-owned manufacturing subsidiary

On March 19, 2021, a fire broke out at a manufacturing line in the N3 Building (300mm line) of Naka Factory (located in Hitachinaka, Ibaraki Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd, a wholly-owned manufacturing subsidiary of the Company. Due to this fire, certain property, plant and equipment such as machinery and equipment and inventories such as work in progress were damaged.

Due to this fire, the Group recorded 16,036 million yen for restoration and repairment costs of property, plant and equipment, disposal costs and reinspection fees of inventories and fixed costs during the shutdown for the nine months ended September 30, 2021. These are included in cost of sales of 15,930 million yen and other expenses of 106 million yen in the condensed consolidated statement of profit or loss. The Group recorded 3,721 million yen for restoration and repairment costs of property, plant and equipment, during the shutdown for the three months ended September 30, 2021. These are included in cost of sales of 3,670 million yen and other expenses of 51 million yen in the condensed consolidated statement of profit or loss. In addition, other payables of the fire related costs are recorded in trade and other payables and other liabilities of 10,292 million yen in the condensed consolidated statement of financial position.

The amounts of loss may change depending on the situation of the repairment of property, plant and equipment and the determination of insurance claim income.

(Subsequent Events)

Acquisition of Stock of Celeno Communications Inc.

On October 28, 2021, the Company has resolved at the Meeting of Board of Directors to acquire all outstanding shares of Celeno Communications Inc. (hereafter "Celeno"), the holding company of Celeno Communications Ltd., a semiconductor company which mainly operates its business in Israel, to make Celeno a wholly-owned subsidiary of the Company (hereafter "the Celeno Acquisition").

1) Purpose of acquisition

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

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

2) Acquisition Method

For the purpose of the Celeno Acquisition, the Company will establish a wholly-owned subsidiary (hereafter "Acquisition Subsidiary") in Delaware, United States that will then merge with Celeno in a reverse triangular merger. The surviving company following the merger will be Celeno. Cash will be paid to Celeno's shareholders as consideration for the merger. The shares of the Acquisition Subsidiary owned by the Company will be converted into outstanding shares of the surviving company, making the surviving company a wholly-owned subsidiary of the Company. The Celeno Acquisition will take effect following approval by Celeno shareholders and the fulfilment of the customary closing conditions pertaining to merger agreements.

The Company will acquire Celeno in an all cash transaction valued at approximately US\$315 million (approximately 35.9 billion yen). In addition to cash payments of approximately US\$270 million (approximately 30.8 billion yen), this includes approximately US\$45 million (approximately 5.1 billion yen) which will be paid upon the satisfaction of certain conditions as set forth in the merger agreement relating to Celeno's future product development and mass production progress.

Note: the exchange rate used is calculated based on the rate of 114 yen per US\$ as of October 25, 2021.

3) Overview of Entities to be Acquired

Overview of Celeno

(1) Name	Celeno Communications Inc.
(2) Address	Dover, Delaware, United States of America
(3) Business description	Holding company
(4) Capital amount	142,207 thousand US\$ (as of the end of December 2020)
(5) Date of foundation / incorporation	March 2005

Overview of Celeno Communications Ltd.

(1) Name	Celeno Communications Ltd.
(2) Address	Ra'anana, Israel
(3) Business description	Development and sales of connectivity devices such as Wi-Fi 5, Wi-Fi 6 and IoT chipsets
(4) Capital amount	Less than one thousand ILS (as of the end of December 2020)
(5) Date of foundation / incorporation	March 2005

4) Schedule

The Celeno Acquisition is expected to close by the end of calendar year 2021, subject to approval by Celeno shareholders and the fulfilment of the customary closing conditions pertaining to merger agreements.

5) Future Outlook

As a result of the Celeno Acquisition, Celeno will become a consolidated subsidiary of the Company. It is expected that the impact on the fiscal 2021 consolidated performance of the Group is in the process of being calculated.

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. A global leader in microcontrollers, analog, power, and SoC products, Renesas provides comprehensive solutions for a broad range of automotive, industrial, infrastructure, and IoT applications that help shape a limitless future. Learn more at [renesas.com](https://www.renesas.com). Follow us on LinkedIn, Facebook, Twitter, YouTube, and Instagram.