

Media Contacts

Kyoko Okamoto
 Renesas Electronics Corporation
 +81 3-6773-3001
 pr@renesas.com

Investor Contacts

Toshio Ninomiya
 Renesas Electronics Corporation
 +81 3-6773-3002
 ir@renesas.com

Renesas Reports Financial Results for the Year Ended December 31, 2021

TOKYO, Japan, February 9, 2022 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the year ended December 31, 2021.

Summary of Consolidated Financial Results (Note 1)

	Year ended December 31, 2021	
	Billion Yen	% of Revenue
Revenue	994.4	100.0
Operating profit	183.6	18.5
Profit attributable to owners of parent	127.3	12.8
Capital expenditures (Note 2)	88.0	
Depreciation and others (Note 3)	136.5	
R&D expenses (Note 4)	156.3	
	Yen	
Exchange rate (USD)	109	
Exchange rate (EUR)	130	

	As of December 31, 2021
	Billion Yen
Total assets	2,406.2
Total equity	1,161.5
Equity attributable to owners of parent	1,158.1
Equity ratio attributable to owners of parent (%)	48.1
Interest-bearing liabilities	830.9

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the year ended December 31, 2021. However, the investments from the former Dialog Semiconductors Plc (hereinafter Dialog) are listed as an input basis.

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

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

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Year Ended December 31, 2021
 English translation from the original Japanese-language document



February 9, 2022

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <https://www.renesas.com>
 Representative : Hidetoshi Shibata, President and CEO
 Contact person : Masayuki Nagayama, Vice President, CEO Office
 Tel. +81 (0)3-6773-3002
 Filing date of Yukashoken Hokokusho (scheduled) : March 30, 2022

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended December 31, 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	%
Year ended December 31, 2021	994,418	38.9	183,601	181.8	152,463	133.8	127,412	178.6	127,261	178.9	165,728	---
Year ended December 31, 2020	715,673	(0.4)	65,142	940.1	65,216	---	45,726	---	45,626	---	(19,228)	---

	Basic earnings per share	Diluted earnings per share	Net income per equity attributable to owners	Profit before tax ratio per net assets	Operating profit ratio per revenue
	Yen	Yen	%	%	%
Year ended December 31, 2021	68.96	67.44	14.3	7.6	18.5
Year ended December 31, 2020	26.54	25.97	7.4	4.0	9.1

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners	Equity attributable to owners per share
	Million yen	Million yen	Million yen	%	Yen
December 31, 2021	2,406,247	1,161,460	1,158,143	48.1	595.8
December 31, 2020	1,608,985	619,661	616,701	38.3	356.1

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2021	307,384	(663,126)	340,915	221,924
Year ended December 31, 2020	223,889	(40,163)	(104,470)	219,786

2. Cash dividends

	Cash dividends per share					Total dividend during the year	Dividends payout ratio (consolidated)	Dividends ratio per assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
Year ended December 31, 2020	Yen ---	Yen 0.00	Yen ---	Yen 0.00	Yen 0.00	---	---	---
Year ending December 31, 2021	---	0.00	---	0.00	0.00	---	---	---
Year ending December 31, 2022 (forecast)	---	---	---	---	---		---	

Note: For the year ending December 31, 2022, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2022

	Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Three months ending March 31, 2022	336,000 (±4,000)	65.0 (±2.0)	55.5	5.3	34.5	8.7

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. The revenue forecast is provided assuming the midpoint and the range of the forecast are listed in brackets. The gross margin and the operating margin forecasts are provided assuming the midpoint in the revenue forecast. For details, please refer to Appendix 1.4 Consolidated Forecasts on page 6.

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

4. Others

4.1 Changes in significant subsidiaries for the full year ended December 31, 2021: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
New: 1 (Company name) Celeno Communications Inc. (hereinafter "Celeno")

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

4.3 Number of shares issued and outstanding (common stock)

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

As of December 31, 2021:	1,943,805,775 shares
As of December 31, 2020:	1,731,898,990 shares

2. Number of treasury stock

As of December 31, 2021:	2,581 shares
As of December 31, 2020:	2,581 shares

3. Average number of shares issued and outstanding

Year ended December 31, 2021:	1,845,523,704 shares
Year ended December 31, 2020:	1,719,344,659 shares

(Reference) Non-consolidated results for the year ended December 31, 2021

Non-consolidated financial results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2021	771,277	36.8	165,006	233.7	129,862	145.8	113,928	140.1
Year ended December 31, 2020	563,908	1.7	49,447	46.2	52,843	223.2	47,458	178.7

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
December 31, 2021	61.73	60.38
December 31, 2020	27.60	27.01

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2021	2,385,940	913,301	37.7	463.03
December 31, 2020	1,628,721	566,100	33.8	317.65

Reference: Equity at the end of the year ended December 31, 2021: 900,032 million yen
 Equity at the end of the year ended December 31, 2020: 550,141 million yen

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on February 9, 2022. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

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

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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 3 “Consolidated Financial Statements, 3.5 Notes to Consolidated Financial Statements (Business Segments).”

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

1) Summary of Consolidated Financial Results for the Year ended December 31, 2021 (Non-GAAP basis)

	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)		Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)		Increase (Decrease)	
	Billion yen		Billion yen		Billion yen	% Change
Revenue	715.7		994.4		278.7	38.9%
Automotive	341.0		462.3		121.3	35.6%
Industrial/Infrastructure/IoT	363.6		515.5		151.9	41.8%
Non-GAAP Gross Profit	338.7		528.9		190.1	56.1%
Non-GAAP Gross Margin	47.3%		53.2%		5.9pts	---
Automotive	128.5		214.6		86.1	67.0%
Industrial/Infrastructure/IoT	209.1		312.3		103.2	49.3%
Non-GAAP Operating Profit	137.5		296.6		159.0	115.6%
Non-GAAP Operating Margin	19.2%		29.8%		10.6pts	---
Automotive	48.4		122.4		74.1	153.2%
Industrial/Infrastructure/IoT	89.7		167.1		77.4	86.3%
	14.2%		26.5%		12.3pts	---
	24.7%		32.4%		7.7pts	---

Note 1: For details on the above table, please refer to Appendix 3 “Consolidated Financial Statements, 3.5. Notes to Consolidated Financial Statements (Business Segments).”

Note 2: Consolidated revenue for the years ended December 31, 2020 and 2021 are based on IFRS and do not include non-GAAP adjustments.

The financial results for the year ended December 31, 2021 are as follows:

<Revenue>

Consolidated revenue for the year ended December 31, 2021 was 994.4 billion yen, a 38.9% increase year on year. This was mainly due 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, in addition 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. 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 year ended December 31, 2021 was 528.9 billion yen, a 190.1 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 year ended December 31, 2021 was 53.2%, an increase by 5.9 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the year ended December 31, 2021 was 296.6 billion yen, a 159.0 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 year ended December 31, 2021 was 29.8%, an increase by 10.6 points year on year.

The revenue breakdown of the business segments for the year ended December 31, 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 in-vehicle infotainment (IVI) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Revenue of the Automotive Business for the year ended December 31, 2021 was 462.3 billion yen, a 35.6% 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 year ended December 31, 2021 was 214.6 billion yen, an 86.1 billion yen increase year on year. This was due to an increase in gross margin mainly from product mix improvements in addition to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the year ended December 31, 2021 was 122.4 billion yen, a 74.1 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

Industrial/Infrastructure/IoT Business

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

Revenue of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2021 was 515.5 billion yen, a 41.8 % 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 year ended December 31, 2021 was 312.3 billion yen, a 103.2 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 year ended December 31, 2021 was 167.1 billion yen, a 77.4 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

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

(Billion yen)

	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)
Non-GAAP gross profit	338.7	528.9
Non-GAAP gross margin	47.3%	53.2%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(1.5)	(0.8)
Market valuation of inventories	---	(13.4)
Stock-based compensation	(1.2)	(1.4)
Other reconciliation items in non-recurring expenses and adjustments	(0.3)	(16.9)
IFRS gross profit	335.7	496.4
IFRS gross margin	46.9%	49.9%
Non-GAAP operating profit	137.5	296.6
Non-GAAP operating margin	19.2%	29.8%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(55.5)	(57.6)
Market valuation of inventories	---	(13.4)
Stock-based compensation	(14.6)	(14.9)
Other reconciliation items in non-recurring expenses and adjustments	(2.4)	(27.1)
IFRS operating profit	65.1	183.6
IFRS operating margin	9.1%	18.5%

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 the Group believes to be applicable.

3) Summary of Consolidated Financial Results for the year ended December 31, 2021 (IFRS basis)

	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	715.7	994.4	278.7	38.9%
Gross Profit	335.7	496.4	160.7	47.9%
Gross Margin	46.9%	49.9%	3.0 pts	---
Operating Profit	65.1	183.6	118.5	181.8%
Operating Margin	9.1%	18.5%	9.4 pts	---

1.2 Consolidated Financial Condition

	As of December 31, 2020	As of December 31, 2021	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,609.0	2,406.2	797.3
Total equity	619.7	1,161.5	541.8
Equity attributable to owners of parent	616.7	1,158.1	541.4
Equity ratio attributable to owners of parent (%)	38.3	48.1	9.8
Interest-bearing liabilities	693.7	830.9	137.2
Debt to equity ratio	1.12	0.72	(0.40)

Total assets at December 31, 2021 were 2,406.2 billion yen, a 797.3 billion yen increase from December 31, 2020. This was mainly due to an increase in goodwill owing to the acquisitions of Dialog and Celeno. Total equity was 1,161.5 billion yen, a 541.8 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 541.4 billion yen from December 31, 2020, and Equity ratio attributable to owners of parent was 48.1%. In addition, Interest-bearing liabilities increased by 137.2 billion yen from December 31, 2020, mainly due to the issuance of bonds. Consequently, Debt to equity ratio was 0.72.

1.3 Cash Flows

	Year ended December 31, 2020 (Jan 1 – Dec 31, 2020)	Year ended December 31, 2021 (Jan 1 – Dec 31, 2021)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	223.9	307.4
Net cash provided by (used in) investing activities	(40.2)	(663.1)
Free cash flows (Note)	183.7	(355.7)
Net cash provided by (used in) financing activities	(104.5)	340.9
Cash and cash equivalents at the beginning of period	146.5	219.8
Cash and cash equivalents at the end of period	219.8	221.9

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

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

Net cash provided by operating activities for the year ended December 31, 2021 was 307.4 billion yen. This was mainly due to a recording of 152.5 billion yen in profit before tax as well as adjustments in non-cash items such as depreciation.

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

Net cash used in investing activities for the year ended December 31, 2021 was 663.1 billion yen. This was mainly due to the acquisitions of shares of Dialog and Celeno.

The foregoing resulted in negative free cash flows of 355.7 billion yen for the year ended December 31, 2021.

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

Net cash provided by financing activities for the year ended December 31, 2021 was 340.9 billion yen. This was mainly due to income from the issuance of new shares mainly through public offering as well as the issuance of bonds.

1.4 Consolidated Forecasts

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

Additionally, in order to provide useful information to better understand the Group's constant business results, figures such as gross margin and operating margin are presented in the non-GAAP format, which excludes or adjusts the non-recurring items related to acquisitions and other adjustments including non-recurring expenses or income from the figures based on GAAP (IFRS) following a certain set of rules. 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 three months ending March 31, 2022)

	Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Previous forecasts	---	---	---
	Million yen	%	%
Forecasts as of February 9, 2022	336,000 (±4,000)	55.5	34.5
Increase (decrease)	---	---	---
Percentage change	---	---	---
Reference: The first quarter results of the year ended December 31, 2021	203,678	50.2	25.8

Note: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore, forecasts are provided 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 three months ending March 31, 2022 are calculated at the rate of 113 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.

1.5 Dividend Payments

The Group forewent dividend payment for this period.

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

For the year ending December 31, 2022, whether the Group provides interim and year-end dividend payments remain undecided, and the Group will make an announcement if any decisions are made.

2. Primary policy for selection of accounting standards

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

3. Consolidated financial statements
3.1 Consolidated Statement of Financial Position

	(In millions of yen)	
	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	219,786	221,924
Trade and other receivables	82,318	140,478
Inventories	89,761	137,925
Other current financial assets	605	737
Income taxes receivable	2,190	4,395
Other current assets	8,162	12,352
Total current assets	402,822	517,811
Non-current assets		
Property, plant and equipment	187,354	195,729
Goodwill	590,459	1,234,600
Intangible assets	364,764	371,969
Other non-current financial assets	18,101	34,633
Deferred tax assets	40,600	42,414
Other non-current assets	4,885	9,091
Total non-current assets	1,206,163	1,888,436
Total assets	1,608,985	2,406,247

	(In millions of yen)	
	As of December 31, 2020	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	114,235	204,330
Bonds and borrowings	93,181	121,105
Other current financial liabilities	4,036	11,505
Income taxes payable	10,337	22,050
Provisions	6,383	11,185
Other current liabilities	58,873	77,235
Total current liabilities	<u>287,045</u>	<u>447,410</u>
Non-current liabilities		
Trade and other payables	25,177	15,100
Bonds and borrowings	586,563	692,983
Other non-current financial liabilities	10,241	11,536
Income taxes payable	4,084	3,792
Retirement benefit liability	30,012	27,926
Provisions	3,033	3,795
Deferred tax liabilities	38,680	36,229
Other non-current liabilities	4,489	6,016
Total non-current liabilities	<u>702,279</u>	<u>797,377</u>
Total liabilities	<u>989,324</u>	<u>1,244,787</u>
Equity		
Share capital	28,971	147,133
Capital surplus	208,253	337,989
Retained earnings	449,975	578,017
Treasury shares	(11)	(11)
Other components of equity	(70,487)	95,015
Total equity attributable to owners of parent	<u>616,701</u>	<u>1,158,143</u>
Non-controlling interests	2,960	3,317
Total equity	<u>619,661</u>	<u>1,161,460</u>
Total liabilities and equity	<u>1,608,985</u>	<u>2,406,247</u>

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

Consolidated Statement of Profit or Loss

	(In millions of yen)	
	The year ended December 31, 2020	The year ended December 31, 2021
Revenue	715,673	994,418
Cost of sales	(379,984)	(498,017)
Gross profit	335,689	496,401
Selling, general and administrative expenses	(266,268)	(307,698)
Other income	4,036	8,031
Other expenses	(8,315)	(13,133)
Operating profit	65,142	183,601
Finance income	7,623	4,140
Finance costs	(7,549)	(35,278)
Profit before tax	65,216	152,463
Income tax expense	(19,490)	(25,051)
Profit	45,726	127,412
Profit attributable to		
Owners of parent	45,626	127,261
Non-controlling interests	100	151
Profit	45,726	127,412
Earnings per share		
Basic earnings per share (yen)	26.54	68.96
Diluted earnings per share (yen)	25.97	67.44

Consolidated Statement of Comprehensive Income

(In millions of yen)

	The year ended December 31, 2020	The year ended December 31, 2021
Profit	45,726	127,412
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(334)	902
Equity instruments measured at fair value through other comprehensive income	(330)	(311)
Total of items that will not be reclassified to profit or loss	(664)	591
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(64,290)	169,312
Cash flow hedges	—	(4,022)
Cost of hedges	—	(153)
Total of items that may be reclassified subsequently to profit or loss	(64,290)	165,137
Total other comprehensive income	(64,954)	165,728
Total comprehensive income	(19,228)	293,140
Comprehensive income attributable to		
Owners of parent	(19,239)	292,783
Non-controlling interests	11	357
Total comprehensive income	(19,228)	293,140

3.3 Consolidated Statement of Changes in Equity
(The year ended December 31, 2020)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2020	22,213	201,588	403,857	(11)	16,053	—	(1,131)
Profit	—	—	45,626	—	—	—	—
Other comprehensive income	—	—	—	—	—	(334)	(330)
Total comprehensive income	—	—	45,626	—	—	(334)	(330)
Issuance of new shares	6,758	6,665	—	—	—	—	—
Share-based payment transactions	—	—	—	—	1,062	—	—
Transfer to retained earnings	—	—	492	—	(1,156)	334	330
Total transactions with owners	6,758	6,665	492	—	(94)	334	330
Balance as of December 31, 2020	28,971	208,253	449,975	(11)	15,959	—	(1,131)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2020	(21,114)	—	—	(6,192)	621,455	2,949	624,404
Profit	—	—	—	—	45,626	100	45,726
Other comprehensive income	(64,201)	—	—	(64,865)	(64,865)	(89)	(64,954)
Total comprehensive income	(64,201)	—	—	(64,865)	(19,239)	11	(19,228)
Issuance of new shares	—	—	—	—	13,423	—	13,423
Share-based payment transactions	—	—	—	1,062	1,062	—	1,062
Transfer to retained earnings	—	—	—	(492)	—	—	—
Total transactions with owners	—	—	—	570	14,485	—	14,485
Balance as of December 31, 2020	(85,315)	—	—	(70,487)	616,701	2,960	619,661

(The year ended December 31, 2021)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2021	28,971	208,253	449,975	(11)	15,959	—	(1,131)
Profit	—	—	127,261	—	—	—	—
Other comprehensive income	—	—	—	—	—	902	(311)
Total comprehensive income	—	—	127,261	—	—	902	(311)
Issuance of new shares	118,162	117,320	—	—	—	—	—
Share-based payment transactions	—	12,416	—	—	(2,843)	—	—
Transfer to retained earnings	—	—	781	—	154	(902)	(33)
Reclassification to non-financial assets	—	—	—	—	—	—	—
Total transactions with owners	118,162	129,736	781	—	(2,689)	(902)	(33)
Balance as of December 31, 2021	147,133	337,989	578,017	(11)	13,270	—	(1,475)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2021	(85,315)	—	—	(70,487)	616,701	2,960	619,661
Profit	—	—	—	—	127,261	151	127,412
Other comprehensive income	169,106	(4,022)	(153)	165,522	165,522	206	165,728
Total comprehensive income	169,106	(4,022)	(153)	165,522	292,783	357	293,140
Issuance of new shares	—	—	—	—	235,482	—	235,482
Share-based payment transactions	—	—	—	(2,843)	9,573	—	9,573
Transfer to retained earnings	—	—	—	(781)	—	—	—
Reclassification to non-financial assets	—	3,604	—	3,604	3,604	—	3,604
Total transactions with owners	—	3,604	—	(20)	248,659	—	248,659
Balance as of December 31, 2021	83,791	(418)	(153)	95,015	1,158,143	3,317	1,161,460

3.4 Consolidated Statement of Cash Flows

(In millions of yen)

	The year ended December 31, 2020	The year ended December 31, 2021
Cash flows from operating activities		
Profit before tax	65,216	152,463
Depreciation and amortization	141,527	136,496
Impairment losses	2,070	135
Finance income and finance costs	5,221	6,973
Share-based payment expenses	14,564	14,899
Foreign exchange loss (gain)	(3,780)	22,861
Loss (gain) on sales of property, plant and equipment, and intangible assets	(717)	(5,557)
Decrease (increase) in inventories	79	(5,552)
Decrease (increase) in trade and other receivables	1,228	(9,237)
Decrease (increase) in other financial assets	(7,413)	(9,699)
Increase (decrease) in trade and other payables	10,192	50,154
Increase (decrease) in retirement benefit liability	194	(2,572)
Increase (decrease) in provisions	(1,713)	3,847
Increase (decrease) in other current liabilities	3,675	(20,435)
Other	2,931	(4,466)
Subtotal	233,274	330,310
Interest received	307	242
Dividends received	240	300
Income taxes paid	(9,932)	(23,468)
Net cash flows from operating activities	223,889	307,384
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,261)	(36,938)
Proceeds from sales of property, plant and equipment	960	8,408
Purchase of intangible assets	(15,925)	(15,408)
Purchase of other financial assets	(568)	(1,416)
Proceeds from sales of other financial assets	430	579
Payments for acquisitions of subsidiaries	—	(614,816)
Other	(2,799)	(3,535)
Net cash flows from investing activities	(40,163)	(663,126)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	270,000
Repayments of short-term borrowings	—	(270,000)
Proceeds from long-term borrowings	—	240,000
Repayments of long-term borrowings	(93,295)	(262,777)
Proceeds from issuance of bonds	—	154,359
Proceeds from issuance of shares	—	223,799
Payments for share issuance costs	—	(1,179)
Repayments of lease liabilities	(4,840)	(4,571)
Interest paid	(6,264)	(8,682)
Other	(71)	(34)
Net cash flows from financing activities	(104,470)	340,915

Effect of exchange rate changes on cash and cash equivalents	(5,938)	16,965
Net increase (decrease) in cash and cash equivalents	73,318	2,138
Cash and cash equivalents at beginning of the period	146,468	219,786
Cash and cash equivalents at end of the period	219,786	221,924

3.5 Notes to Consolidated financial statements

(Notes about Going Concern Assumption)

Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in Presentation

(Consolidated Statement of Cash Flows)

Within "Cash flows from operating activities" category, "Foreign exchange loss (gain)" and "Decrease (increase) in other financial assets," which were disclosed in "Other" for the prior fiscal year, have been presented separately from the current fiscal year due to the increase in its materiality. Also, Loss (gain) on sales and valuation of investment securities, which was disclosed in "Other" for the prior fiscal year, has been classified to "Finance income and finance costs" from the current fiscal year.

In order to reflect those changes in presentation, Consolidated Statement of Cash Flows for the prior fiscal year has been reclassified. Consequently, within "Cash flows from operating activities" category, (10,035) million yen of "Other" has been classified to (3,780) million yen of "Foreign exchange loss (gain)", (7,413) million yen of "Decrease (increase) in other financial assets", 2,931 million yen of "Other" and (1,773) million yen of "Finance income and finance costs."

(Basis of Consolidated Financial Statements)

1. Scope of consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 114

(Number of subsidiaries decreased by merger, liquidation and share transfer:8)

Integrated Device Technology AB and other 7 companies.

(Number of subsidiaries increased by acquisitions and establishments:46)

Dialog Semiconductor Plc (hereafter "Dialog"), Celeno Communications Inc. (hereafter "Celeno") and other 44 companies.

Of the subsidiaries newly acquired and included in the scope of consolidation, Celeno is a specified subsidiary as defined under Cabinet Office Order on Disclosure of Corporate Affairs. In addition, Dialog changed its company name to Dialog Semiconductor Limited on September 14, 2021.

2. Application of Equity Method

There are no affiliates accounted for by the equity method.

(Significant Accounting Policies)

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

(Significant Accounting Estimates and Judgments)

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

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

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

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

(Business Segments)

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available that are 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 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 year ended December 31, 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.

The year ended December 31, 2020

(In millions of yen)

	Reportable Segments		Other	Adjustments (Note 1)	Total	Adjustments (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	341,001	363,609	11,063	—	715,673	—	715,673
Segment gross profit	128,489	209,127	1,122	—	338,738	(3,049)	335,689
Segment profit	48,356	89,702	1,177	(1,697)	137,538	(72,396)	65,142
Finance income							7,623
Finance costs							(7,549)
Profit before tax							65,216
(Other adjustments) Depreciation and amortization	46,174	39,299	236	—	85,709	55,818	141,527

The year ended December 31, 2021

(In millions of yen)

	Reportable Segments		Other	Adjustments (Note 1)	Total	Adjustments (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	462,309	515,547	16,562	—	994,418	—	994,418
Segment gross profit	214,573	312,301	1,992	—	528,866	(32,465)	496,401
Segment profit	122,443	167,071	1,992	5,075	296,581	(112,980)	183,601
Finance income							4,140
Finance costs							(35,278)
Profit before tax							152,463
(Other adjustments) Depreciation and amortization	43,468	35,316	—	—	78,784	57,712	136,496

(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 and non-current assets from external customers by region and country are as follows.

a. Revenue from external customers

(In millions of yen)

	The year ended December 31, 2020	The year ended December 31, 2021
Japan	241,186	314,528
China	168,548	231,059
Asia (Excluding Japan and China)	126,614	213,313
Europe	111,908	148,399
North America	65,048	83,584
Others	2,369	3,535
Total	715,673	994,418

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

b. Non-current assets

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

(In millions of yen)

	The year ended December 31, 2020	The year ended December 31, 2021
Japan	771,228	1,402,065
Malaysia	262,719	242,557
Asia (Excluding Japan and Malaysia)	18,110	22,301
Europe	28,996	46,656
North America	61,524	88,719
Total	1,142,577	1,802,298

(5) Major customers

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

(In millions of yen)

	Name of related reportable segment	The year ended December 31, 2020	The year ended December 31, 2021
Ryosan Company, Limited	Automotive, Industrial/Infrastructure /IoT	73,599	141,325
WT Microelectronics Co.,Ltd.	Automotive, Industrial/Infrastructure /IoT	50,374	127,845

(Business Combinations)

The year ended December 31, 2021

(Dialog Semiconductor Plc)

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Dialog Semiconductor Plc

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

2) Date of the acquisition

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

3) Purpose of the acquisition

Dialog is an innovative provider of highly-integrated and power-efficient mixed-signal ICs for a broad array of customers within IoT, consumer electronics and high-growth segments of automotive and industrial end-markets. Centered around its low-power and mixed-signal expertise, Dialog brings a wide range of product offerings including battery and power management, power conversion, configurable mixed-signal (CMIC), LED drivers, custom mixed-signal ICs (ASICs) and automotive power management ICs (PMICs), wireless charging technology, and more. Dialog also offers broad and differentiated Bluetooth® Low Energy, 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 Dialog acquisition demonstrates Renesas’ continued and unwavering commitment to further advance its solution offering. The complementary nature of the companies’ technological assets and the scale of the combined portfolios will enable Renesas to build more robust and comprehensive solutions to serve high-growth segments of the IoT and automotive markets. Renesas believes there is a compelling strategic for the Dialog acquisition because it:

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

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

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

Bringing together Renesas and Dialog will extend the Group’s reach to a broader customer base and open up additional growth potential in the key growth segments: industrial infrastructure, IoT and automotive. Dialog’s BLE, 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 Dialog 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 4,589 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2021.

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

		(In millions of yen)
		Date of acquisition (August 31, 2021)
Current assets		
Cash and cash equivalents		40,450
Trade and other receivables (Note 2)		39,808
Inventories		34,748
Other		8,842
Total current assets		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 adjustment (Note 3)	C	3,604
Goodwill (Note 4)	A-B+C	519,618

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

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

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

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

d. Payments for acquisition of subsidiaries

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

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

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

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

f. Revenue and profit / loss of the acquired company

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

(Celeno Communications Inc.)

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Celeno Communications Inc.

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

2) Date of the acquisition

December 20, 2021.

3) Purpose of the acquisition

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

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

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

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

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

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

- excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Celeno.
- (Note 2) The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.
- (Note 3) Goodwill reflects future excess earning power expected from synergies between the Company and Celeno. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

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

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

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

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

f. Revenue and profit / loss of the acquired company

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

g. Contingent consideration

Contingent consideration includes \$45 million which will be paid when certain conditions related to Celeno's future product development and mass production progress are met.

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

The level of the fair value hierarchy for the contingent consideration is level 3. Since the fluctuation after the acquisition date of the contingent consideration classified in Level 3 is negligible, the reconciliation table is not presented. Of the amount of change in fair value related to contingent consideration, the portion based on fluctuations in the time value of money is recorded in "financial expenses", and the portion based on fluctuations other than the time value of money is recorded in "other income" or "other expenses".

(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 December 31, 2021
Notes and trade receivables	77,686	136,810
Other receivables	4,751	3,737
Loss allowance	(119)	(69)
Total	82,318	140,478

(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, 2020	As of December 31, 2021
Trade payables	67,008	104,775
Other payables	47,433	59,262
Electronically recorded obligations	7,852	14,808
Refund liabilities	17,119	40,585
Total	139,412	219,430
Current liabilities	114,235	204,330
Non-current liabilities	25,177	15,100

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

(Bonds and Borrowings)

a. Bonds

On November 19, 2021, the Company has decided to issue senior notes denominated in USD in multiple tranches (One of the tranches of the notes will be green bonds, proceeds from which will be used solely for projects that are expected to contribute to the global environment). The Company issued USD-denominated Senior Notes due 2024 (Green Bonds, Principal amount: USD 500million, Interest rate: 1.543%, Term: 3 Years) and USD-denominated Senior Notes due 2026 (Principal amount: USD 850million, Interest rate: 2.170%, Term: 5 Years) on November 26, 2021, raising a total of USD 1,350 million.

b. Borrowings

To raise a portion of the funds for the Dialog 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 Dialog 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.

On 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%.

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

(Equity and Other Equity Items)

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 147,133 million yen and the capital surplus is 337,989 million yen as of December 31, 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.

	(In millions of yen)	
	The year ended December 31, 2020	The year ended December 31, 2021
Research and development expenses	133,237	155,373
Depreciation and amortization	61,982	63,347
Personnel expenses	43,875	53,118
Retirement benefit expenses	2,436	2,780
Other	24,738	33,080
Total	266,268	307,698

(Other Income)

The components of other income are as follows.

	(In millions of yen)	
	The year ended December 31, 2020	The year ended December 31, 2021
Gain on sales of property, plant and equipment	762	5,618
Insurance claim income	2,388	460
Other	886	1,953
Total	4,036	8,031

(Other Expenses)

The components of other expenses are as follows.

	(In millions of yen)	
	The year ended December 31, 2020	The year ended December 31, 2021
Provision for loss on litigation (Note 1)	633	4,737
Business restructuring expenses (Note 2)	4,137	3,934
Impairment losses (Note 3)	2,070	135
Other	1,475	4,327
Total	8,315	13,133

(Note 1) Provision was recorded for payments such as proceedings and compensation.

(Note 2) The Group has reformed businesses and structures of production to strengthen its financial basis, and those related expenses are shown as business restructuring expenses. The main items of business restructuring expenses were personnel expenses such as additional retirement benefits and equipment removal expenses of property, plant and equipment associated with consolidating the operating bases.

(Note 3) Impairment losses are mainly recognized in idle assets that are not expected to be used.

(Earnings Per Share)

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

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

(1) Basic earnings per share

	The year ended December 31, 2020	The year ended December 31, 2021
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	45,626	127,261
Weighted average number of ordinary shares during the year (thousands of shares)	1,719,345	1,845,524
Basic earnings per share (yen)	26.54	68.96

(2) Diluted earnings per share

	The year ended December 31, 2020	The year ended December 31, 2021
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	45,626	127,261
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	45,626	127,261
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,719,345	1,845,524
Increase in common stock		
Increase in ordinary shares due to warrants (thousands of shares)	37,701	35,233
Restricted Stock Unit (thousands of shares)	—	6,239
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,757,045	1,886,996
Diluted earnings per share (yen)	25.97	67.44

(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 18,216 million yen for restoration and repairment costs of property, plant and equipment, disposal costs and reinspection fees of inventories and fixed costs during the shutdown for the year ended December 31, 2021. These are included in cost of sales of 18,108 million yen and other expenses of 108 million yen in the Consolidated Statement of Profit or Loss. In addition, other payables of the fire related costs are recorded in trade and other payables and other liabilities of 6,147 million yen in the Consolidated Statement of Financial Position.

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

(Subsequent Events)
Not applicable.

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. Follow us on LinkedIn, Facebook, Twitter, YouTube, and Instagram.