

Semi-Annual Report (Excerpt)

**(The English translation of the “Hanki-Houkokusho” (Excerpt)
for the year ending December 31, 2024)**

Renesas Electronics Corporation

This document is an English translation of the original Semi-Annual Report in Japanese and does not contain the Independent Auditor's Interim Review Report and the Confirmation Letter. The original report has been prepared/disclosed in Japan in accordance with the International Financial Reporting Standards/International Accounting Standards based on Regulation of Terminology, Forms and Preparation Methods of Consolidated Financial Statements and the Financial Instruments and Exchange Act of Japan. This document does not contain or constitute any guarantee or assurance and Renesas will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the original report in Japanese and this document, the original report in Japanese shall prevail.

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【Document Filed】	Semi-Annual Report (“Hanki-Hokokusho”)
【Applicable Law】	Article 24-5-1, Paragraph 1, No.1 in the table of the Financial Instruments and Exchange Act of Japan
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【Fiscal Year】	The Half of 23rd Fiscal Year (from January 1, 2024 to June 30, 2024)
【Company Name】	Renesas Electronics Kabushiki-Kaisha
【Company Name (English) 】	Renesas Electronics Corporation
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【Contact Person】	Hideki Mino, Director, Governance & Compliance Department, Legal Division
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I. Corporate Information

I. Overview of the Company

1. Main Financial Data

Fiscal Year		22nd term Six months ended June 30, 2023	23rd term Six months ended June 30, 2024	22nd term
Accounting Period		from January 1, 2023 to June 30, 2023	from January 1, 2024 to June 30, 2024	from January 1, 2023 to December 31, 2023
Revenue (Second quarter of the financial year)	(Million yen)	728,091 (368,717)	710,597 (358,807)	1,469,415
Interim (current) profit before taxes	(Million yen)	240,581	166,042	422,173
Profit attributable to owners of parent (Second quarter of the financial year)	(Million yen)	195,775 (90,564)	139,632 (59,766)	337,086
Comprehensive income attributable to owners of parent	(Million yen)	396,620	496,185	494,513
Equity attributable to owners of parent	(Million yen)	1,891,457	2,463,184	2,001,553
Total assets	(Million yen)	3,123,503	3,661,634	3,167,003
Basic Earnings per share for the interim (current) period (Second quarter of the financial year)	(Yen)	109.94 (51.36)	78.28 (33.41)	189.77
Diluted earnings per share for the interim (current) period	(Yen)	107.87	77.23	186.07
Ratio of equity attributable to owners of parent	(%)	60.6	67.3	63.2
Cash flow from operating activities	(Million yen)	228,970	201,898	496,627
Cash flow from investing activities	(Million yen)	(52,302)	(287,061)	(267,492)
Cash flow from financing activities	(Million yen)	(115,561)	(136,225)	(181,247)
Balance at end of interim period of Cash and cash equivalents	(Million yen)	458,083	288,358	434,681

(Note) 1. Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS").

- Since the Company prepares condensed interim consolidated financial statements, the Company does not provide Non-consolidated Business Performance Indicators.
- In the 22nd fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the condensed interim consolidated financial statements for the 22nd interim consolidated fiscal year reflect a revision of the allocation of acquisition costs.

2. Business Description

There have been no significant changes to the business operations of Renesas Electronics Corporation (hereinafter “the Company”), its consolidated subsidiaries and affiliate method company (hereinafter collectively “the Group”) during the interim consolidated fiscal period.

The changes in major affiliated companies during the interim consolidated fiscal period are as follows:

- (1) On April 1, 2024, Renesas Engineering Services Co., Ltd. was removed from the scope of consolidation due to its disappearance through a merger.
- (2) With the completion of the acquisition of Transphorm, Inc. (hereinafter “Transphorm”) on June 20, 2024, 6 companies were included in the scope of consolidation and one company was included in the equity method affiliates.
- (3) 2 new companies were included in the scope of consolidation due to the establishment of new companies.
- (4) 2 companies were excluded from the scope of consolidation due to liquidation.

As a result, as of June 30, 2024, the Group consists of the Company, 100 subsidiaries (7 domestic and 93 overseas companies) and 1 equity method affiliate (1 overseas company).

II. Business Conditions

1. Risk Factors of Business and Others

During the current interim consolidated accounting period, there were changes and additions to the “Risk Factors of Business and Others” section of the Annual Securities Report for the previous fiscal year. The item numbers under the headings below correspond to the item numbers of “Risk Factors of Business and Others” in the Annual Securities Report for the previous fiscal year, and such changes and additions are underlined.

Forward-looking statements in the text are based on the judgment of the Group as of the Filing Date.

(7) Strategic Alliance and Corporate Acquisition

For business expansion and strengthening of competitiveness, the Group may engage in strategic alliances, including joint investments, and corporate acquisitions. For example, in August, the Company acquired Altium Limited (hereinafter “Altium”), a U.S software company that was listed on the Australian Stock Exchange. However, it is not certain that the Group will be able to find any suitable potential partner or acquisition target in the future, and even if such suitable partner or acquisition target is found, it may not be possible to reach an agreement on terms acceptable to the Company. Also, even if the Group reaches an agreement with an alliance partner or acquisition target, there is no guarantee that the Group will be able to execute the acquisition because the Group may not be able to raise funds for the acquisition, or it may not be able to obtain shareholder approval of the alliance partner or acquisition target, it may not be able to obtain necessary permits and approvals, or there may be restrictions due to laws and regulations or other reasons.

With regard to such alliances and acquisitions, the Group examines the likely return on investment and profitability from a variety of perspectives. However, in cases where there is a mismatch with the prospective alliance partner or acquisition target in areas of management strategy such as capital procurement, technology management, and product development, or there are financial or other problems affecting the business of the prospective collaboration partner or acquisition target, in addition to the time and expense required for integration of aspects such as business execution, technology, products, personnel, systems and response to antitrust laws and other regulations of the relevant authorities, there is a possibility that the alliance relationship or capital ties will not be sustainable, or in the case of acquisitions, that the anticipated return on investment or profitability cannot be realized. Furthermore, there is a possibility that the anticipated synergies or other advantages cannot be realized due to an inability to retain or secure the main customers or key personnel of the prospective alliance partner or acquisition target. Thus, there is no certainty that an alliance or acquisition will achieve the goals initially anticipated.

(8) Financing

While the Group has been procuring business funds by methods such as borrowing from financial institutions and other sources, and issuance of bonds, in the future it may become necessary to procure additional financing to implement business and investment plans, expand manufacturing capabilities, acquire technologies and services, and repay debts. It is possible that the Group may face limitations on its ability to raise funds due to a variety of reasons, including the fact that the Group may not be able to acquire required financing in a timely manner or may face increasing financing costs due to the worsening business environment in the semiconductor industry, worsening conditions in the financial and stock markets, and changes in the financing policies of lenders. In addition, the Company may also finance acquisitions from financial institutions and other sources when conducting acquisitions. For example, in July 2024, the Company borrowed a total of approximately 938.0 billion yen under a syndicated loan agreement with financial institutions to fund the Acquisition. As a result of borrowing from financial institutions and other sources, the Company will incur interest-bearing debt, and if the Company is unable to implement such borrowing through long-term debt or switch to long-term funds that is expected for the borrowings it has implemented, or if the Company is unable to generate the cash flow it initially anticipated, its financial condition may deteriorate and its credit rating may be lowered, which could also result in increased financing costs and restrictions on the Group's ability to raise capital. In addition, some of the borrowing contracts executed between the Group and some financial institutions stipulate articles of financial covenants. If the Group breaches these articles due to reasons such as a deterioration of the Group's financial condition, the Group may lose the benefit of term on the contract, and it may adversely influence the Group's business performance and financial conditions.

(16) Impairment Loss on Long-term Assets

The Group owns substantial long-term assets, consisting of both property, plant and equipment such as plant facilities and intangible assets such as goodwill obtained through the past acquisition. The acquisition of Altium was completed in August 2024, but the allocation of the acquisition cost has not been completed at this time, and depending on the result of the allocation, a large amount of fixed assets, including goodwill, are expected to be recorded. When there are indications of impairment, the Group examines the possibility of recovering the book value of assets based on the future cash flow to be generated from the assets. It may be necessary to recognize impairment of such assets if insufficient cash flow is generated.

2. Management's Discussion and Analysis of Financial Condition, Operating Results and Cash Flows

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

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

The Group consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. Due to the Group's organizational changes for the three months ended March 31, 2024, the methodology for aggregating revenue for reportable segments changed from the use of product axis to the use of customer axis. Accordingly, the previously reported segment information for the six months ended June 30, 2023, has been revised using the new methodology in order to be comparable with the segment information for the six months ended June 30, 2024. For details, please refer to "Note 4. Business Segments" in the "IV. Accounting Status, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements".

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

(1) Business Results

(i) Overview of the financial operation for the six months ended June 30, 2024 (January 1 – June 30, 2024) (Non-GAAP basis)

(Billion yen)					
	Six months ended June 30, 2023 (January 1 – June 30, 2023)	Six months ended June 30, 2024 (January 1 – June 30, 2024)	Increase (Decrease)		
Non-GAAP Revenue	728.4	710.6	(17.8)	(2.4%)	
Automotive	320.3	368.6	48.3	15.1%	
Industrial/Infrastructure/IoT	402.7	337.8	(64.9)	(16.1%)	
Non-GAAP Gross Profit (%)	413.5 56.8%	402.9 56.7%	(10.6) (0.1pt)	(2.6%) –	
Automotive	168.6 52.6%	195.8 53.1%	27.2 0.5pt	16.1% –	
Industrial/Infrastructure/IoT	242.6 60.3%	205.8 60.9%	(36.8) 0.7pt	(15.2%) –	
Non-GAAP Operating Margin (%)	253.8 34.8%	224.1 31.5%	(29.8) (3.3pts)	(11.7%) –	
Automotive	114.4 35.7%	120.0 32.6%	5.7 (3.1pts)	5.0% –	
Industrial/Infrastructure/IoT	138.2 34.3%	102.8 30.4%	(35.4) (3.9pts)	(25.6%) –	

(Note) 1. For details on the above, please refer to "Note 6. Business Segments" in the "V. Accounting Status, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements".

The financial results for the six months ended June 30, 2024 are as follows:

< Non-GAAP Revenue >

Consolidated non-GAAP revenue for the six months ended June 30, 2024 was 710.6 billion yen, a 17.8 billion yen (2.4%) decrease year on year. This was mainly attributable to the decrease in revenue from the Industrial, Infrastructure, and IoT Business due to the softening of demand and inventory digestion in markets, although revenue from Automotive Business increased due to the effect of yen depreciation.

< Non-GAAP Gross Profit (Margin) >

Non-GAAP gross profit for the six months ended June 30, 2024 was 402.9 billion yen, a 10.6 billion yen (2.6%) decrease year on year. This was due to the decrease in sales revenue from the Industrial, Infrastructure, and IoT Business as mentioned above and the resulting deterioration in the product mix and the production cost increase. As a result, non-GAAP gross margin for the six months ended June 30, 2024 was 56.7%, a decrease by 0.1 points year on year.

< Non-GAAP Operating Profit (Margin) >

Non-GAAP operating profit for the six months ended June 30, 2024 was 224.1 billion yen, a 29.8 billion yen (11.7%)

decrease year on year. This was mainly due to the above-mentioned decrease in gross profit and increase in R&D expenses. As a result, non-GAAP operating margin for the current fiscal year was 31.5%, a decrease by 3.3 points year on year.

The revenue breakdown of the business segments for the six months ended June 30, 2024 are as follows:

Automotive Business

The Automotive Business includes the product categories “Automotive Control,” comprising of semiconductor devices for controlling automobile engines and bodies, and “Automotive Information,” comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as Automotive Information devices such as in-vehicle infotainment (IVI) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Non-GAAP revenue of the Automotive Business for the six months ended June 30, 2024 was 368.6 billion yen, a 48.3 billion yen (15.1%) increase year on year. As mentioned above, this was mainly due to the effect of yen depreciation.

Non-GAAP gross profit of the Automotive Business for the six months ended June 30, 2024 was 195.8 billion yen, a 27.2 billion yen (16.1%) increase year on year. This was due to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the six months ended June 30, 2024 was 120.0 billion yen, a 5.7 billion yen (5.0%) increase year on year. This was mainly attributable to the increase in gross profit as mentioned above, although there was an increase in research and development cost.

Industrial/Infrastructure/IoT Business

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

Non-GAAP revenue of the Industrial/Infrastructure/IoT Business for the six months ended June 30, 2024 was 337.8 billion yen, a 64.9 billion yen (16.1%) decrease year on year. This was due to a decrease in revenue resulting from the softening of demand and inventory digestion mainly in Industrial market as mentioned above, despite the robust demand in Data center market.

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the six months ended June 30, 2024 was 205.8 billion yen, a 36.8 billion yen (15.2%) decrease year on year. This was due to a decrease in revenue and an increase in production costs.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the six months ended June 30, 2024 was 102.8 billion yen, a 35.4 billion yen (25.6%) decrease year on year, due to a decrease in gross margin.

(ii) Reconciliation of Non-GAAP gross profit to IFRS gross profit and Non-GAAP operating profit to IFRS operating profit
(Billion yen)

	Six months ended June 30, 2023 (January 1 – June 30, 2023)	Six months ended June 30, 2024 (January 1 – June 30, 2024)
Non-GAAP gross profit	413.5	402.9
Non-GAAP gross margin	56.8%	56.7%
Reconciliations in Revenue Level (Note 1)	(0.3)	—
Amortization of purchased intangible assets and depreciation of fair value adjustment to property, plant and equipment	(0.5)	(0.5)
Stock-based compensation	(0.7)	(1.2)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(0.7)	(2.7)
IFRS gross profit	411.3	398.4
IFRS gross margin	56.5%	56.1%
Non-GAAP operating profit	253.8	224.1
Non-GAAP operating margin	34.8%	31.5%
Reconciliations in Revenue Level (Note 1)	(0.3)	—
Amortization of purchased intangible assets and depreciation of fair value adjustment to property, plant and equipment	(51.0)	(56.3)
Stock-based compensation	(11.1)	(14.8)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	29.0	(5.4)
IFRS operating profit	220.5	147.6
IFRS operating margin	30.3%	20.8%

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

2. “Other reconciliation items in non-recurring expenses and adjustments” includes the non-recurring items related

to acquisitions and other adjustments as well as non-recurring profits or losses the Group believes to be applicable.

(iii) Overview of the financial operation for the six months ended June 30, 2024 (January 1 – June 30, 2024) (IFRS)
(Billion yen)

	Six months ended June 30, 2023 (January 1 – June 30, 2023)	Six months ended June 30, 2024 (January 1 – June 30, 2024)	Increase (Decrease)	
Revenue	728.1	710.6	(17.5)	(2.4%)
Gross profit (%)	411.3 56.5%	398.4 56.1%	(12.9) (0.4t)	(3.1%) –
Operating profit (%)	220.5 30.3%	147.6 20.8%	(72.9) (9.5pts)	(33.1%) –

(2) Financial Position
Assets, Liabilities and Shareholders' Equity

(Billion yen)

	As of December 31, 2023	As of June 30, 2024	Increase (Decrease)
Total assets	3,167.0	3,661.6	494.6
Total equity	2,005.6	2,467.8	462.2
Equity attributable to owners of parent	2,001.6	2,463.2	461.6
Equity ratio attributable to owners of parent (%)	63.2	67.3	4.1
Interest-bearing liabilities	667.7	619.4	(48.3)
Debt to equity ratio	0.33	0.25	(0.08)

Total assets for the current interim consolidated accounting period amounted to 3,661.6 billion yen, a 494.6 billion yen increase from the end of the previous fiscal year. This was mainly due to an increase in goodwill affected by yen depreciation. Total equity was 2,467.8 billion yen, a 462.2 billion yen increase from the end of the previous fiscal year. Total equity grew mainly due to an increase in other components of equity, such as an increase in exchange differences on translation of foreign operations following fluctuations in the exchange rate as well as an increase in retained earnings through interim profit.

Equity attributable to owners of the parent increased by 461.6 billion yen from the end of the previous fiscal year, and the equity ratio attributable to owners of the parent was 67.3%. In addition, interest-bearing liabilities decreased by 48.3 billion yen from the end of the previous fiscal year, mainly due to the repayment of borrowings, despite an increase resulting from revaluation of bonds. Consequently, the Debt to equity ratio was 0.25.

Cash Flows

(Billion yen)

	Six months ended June 30, 2023 (January 1 – June 30, 2023)	Six months ended June 30, 2024 (January 1 – June 30, 2024)
Net cash provided by (used in) operating activities	229.0	201.9
Net cash provided by (used in) investing activities	(52.3)	(287.1)
Free cash flows (Note)	176.7	(85.2)
Net cash provided by (used in) financing activities	(115.6)	(136.2)
Cash and cash equivalents at the beginning of period	336.1	434.7
Cash and cash equivalents at the end of period	458.1	288.4

(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 six months ended June 30, 2024 was 201.9 billion yen. This was mainly due to a recording of 166.0 billion yen in intermediate 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 current fiscal year was 287.1 billion yen. This was mainly due to the purchase of property, plant, and equipment as well as intangible assets, the loan to Wolfspeed, Inc., and the acquisition of shares in Transphorm.

The foregoing resulted in negative free cash flows of 85.2 billion yen for the six months ended June 30, 2024.

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

Net cash used in financing activities for the current fiscal year was 136.2 billion yen. This was mainly due to repayments of borrowings to main financing banks and payment of dividends.

(3) Business and Financial Challenges to Address

There have been no significant changes to the challenges the Group needs to address during the current interim consolidated accounting period.

(4) Research and Development Activities

The research and development cost for the Group for the six months ended June 30, 2024 was 126.1 billion yen.

The Group's research and development is used in both the Automotive Business and the Industrial/Infrastructure/IoT Business, and it is difficult to allocate the amount strictly to each segment. Therefore, research and development cost by each segment is omitted.

There have been no significant changes in the status of the Group's research and development activities for the six months ended June 30, 2024.

(5) Number of employees

As of June 30, 2024, the number of employees in the Group is 21,585, an increase of 381 compared to the end of the previous fiscal year (December 31, 2023).

Segment-specific information is omitted because the majority of the Group's employees are related to both the Automotive Business and the Industrial/Infrastructure/IoT Business.

The number of employees is the number of persons engaged in work (excluding employees seconded from the Group to outside the Group, but including those seconded from outside the Group to the Group).

(6) Major Facilities

As of the submission date of the Annual Securities Report for the previous fiscal year, specific plans for new installations, disposals, etc., of facilities for the current fiscal year were not determined. However, the Group's capital expenditures for the nine months ending September 30, 2024 have been finalized as follows.

The planned capital expenditures of the Group for the nine months ending September 30, 2024 is 76.0 billion yen. The capital expenditure amount represents the investment decision-based amount for tangible fixed assets (production facilities) and intangible assets for the nine months ending September 30, 2024. The main content relates to the enhancement of production capacity and the strengthening of design and development.

This capital investment is used in both the Automotive Business and the Industrial/Infrastructure/IoT Business, and it is difficult to allocate the amount strictly to each segment. Therefore, capital investment by each segment is omitted.

For the six months ended June 30, 2024, there have been no significant changes to major facilities.

3. Material Operational Contracts, etc.

During the current interim consolidated accounting period, on May 30, 2024, the Company entered into a new syndicated loan agreement (total loan limit: 1 trillion yen) with MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, etc., to fund the acquisition of Altium, which the Company agreed to in February 2024 and completed in August of the same year, and a total of approximately 938.0 billion yen in borrowings was executed.

For details, please refer to "Note 21. Additional Information" in the "IV. Accounting Status, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements".

On June 25, 2024, the Company entered into a new syndicated loan agreement (term loan: 250.0 billion yen and commitment line: 150.0 billion yen) with MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited to refinance existing loans and to secure working capital, and a total of approximately 250.0 billion yen in borrowings was executed.

For details, please refer to "Note 10. Bonds and Borrowings" in the "IV. Accounting Status, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements".

The syndicated loan agreement dated January 15, 2019, with MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, etc., to finance acquisitions and refinance existing loans was terminated on June 28, 2024, upon expiration of the agreement.

III. Status of the Filing Company

1. Stock Information

(1) Total Number of Shares and Related Matters

(i) Total Number of Shares

Type	Total number of authorized shares (Shares)
Common stock	3,400,000,000
Total	3,400,000,000

(ii) Issued Shares

Type	Number of issued shares as of the end of interim accounting period (as of June 30, 2024)	Number of issued shares as of the filing date (as of August 1, 2024)	Names of listed financial instruments exchange, registered or approved financial instruments trading association	Details
Common stock	1,870,614,885	1,870,614,885	Tokyo Stock Exchange (Prime Market)	Shares constituting one unit of shares: 100 shares
Total	1,870,614,885	1,870,614,885	—	—

(2) Status of Stock Acquisition Rights

(i) Description of Stock Option Plan

Not applicable.

(ii) Status of Other Stock Acquisition Rights

Not applicable.

(3) Exercise of Bonds with Stock Acquisition Rights with Moving Strike Clause and Related Matters

Not applicable.

(4) Changes in Total Number of Issued Shares and Capital

Date	Changes in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Changes in share capital (Million yen)	Balance of share capital (Million yen)	Changes in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
January 1, 2024 - June 30, 2024	(87,839,138)	1,870,614,885	—	153,209	—	143,209

(Note) As a result of the cancellation of treasury stock on February 29, 2024, pursuant to the resolution of the Board of Directors on February 8, 2024, in accordance with Article 178 of the Companies Act, the total number of issued shares decreased by 87,839,138 shares.

(5) Status of Major Shareholders

As of June 30, 2024

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	223,628,600	12.48
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	103,281,900	5.76
TOYOTA MOTOR CORPORATION	1, Toyota-cho, Toyota-shi, Aichi	75,015,900	4.18
DENSO CORPORATION	1-1 Showa-cho, Kariya-shi, Aichi	75,015,825	4.18
SSBT CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1, Nihombashi, Chuo-ku, Tokyo)	52,907,862	2.95
JP MOGRAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	37,149,156	2.07

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
GIC PRIVATE LIMITED – C (Standing proxy: MUFG Bank, Ltd.)	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912 (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	33,318,235	1.86
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	30,534,708	1.70
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2, 0107 OSLO 0107 NORWAY (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	28,822,062	1.60
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	23,947,647	1.33
Total	–	683,621,895	38.17

(Note) 1. In addition to the above, the Company owns 80,009,054 shares of treasury stock.

2. Status of major shareholders described above is based on shareholder registry.

3. Shareholding ratio is calculated by excluding treasury stock (80,009,054 shares, 4.27% of the total issued shares).

4. Shareholding ratio is shown by truncating the numbers beyond the third decimal place.

5. BlackRock Japan Co., Ltd. submitted an amendment report to large shareholding report dated May 20, 2024 with joint ownership of BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock Fund Managers Limited, BlackRock (Luxembourg) S.A., BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., and BlackRock Investment Management (UK) Limited., reporting that they jointly own 115,173,371 shares (percentage of shares held: 6.16%) as of May 15, 2024 (the date that the reporting obligation occurred) as follow. However, they are not included in the above Major Shareholders as the Company could not confirm the actual number of shares owned as of June 30, 2024. The contents of the large shareholding report are as follows:

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	27,718,800	1.48
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA, Amsterdam, Netherlands	3,427,075	0.18
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, England	5,050,748	0.27
BlackRock (Luxembourg) S.A.	35A, Avenue JF Kennedy, L-1855, Luxembourg	12,799,800	0.68
BlackRock Asset Management Ireland Limited	1st Floor, Ballsbridge Park 2, Ballsbridge, Dublin, Ireland	15,191,394	0.81
BlackRock Fund Advisors	400 Howard Street, San Francisco, California, USA	28,304,200	1.51
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, California, USA	20,516,120	1.10
BlackRock Investment Management (UK) Limited.	12 Throgmorton Avenue, London, England	2,165,234	0.12

6. FMR LLC submitted a large shareholding report with joint ownership of National Financial Services LLC, as of March 7, 2024, reporting that they jointly own 98,394,012.09 shares (percentage of shares held: 5.26%) as of February 29, 2024 (the date that the reporting obligation occurred) as stated below. However, they are not included in the above Major Shareholders as the Company could not confirm the actual number of shares owned as of June 30, 2024.

The contents of the large shareholding report are as follows:

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, USA	98,355,101.82	5.26
National Financial Services LLC	200 Seaport Blvd, Boston, Massachusetts 02210, USA	38,910,27	0.00

(6) Status of Voting Rights
(i) Issued Shares

As of June 30, 2024

Classification	Number of shares (Shares)	Number of voting rights	Details
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full-voting rights (treasury stock, etc.)	Common stock 80,009,000	—	—
Shares with full-voting rights (others)	Common stock 1,790,402,300	17,766,928,800	17,904,023
Shares constituting less than one unit of shares	Common stock 203,585	1,796,965,800	—
Number of issued shares	1,870,614,885	—	—
Voting rights of all shareholders	—	17,904,023	—

(Note) 1. “Shares with full-voting rights (others)” includes 200 shares (2 voting rights) held in the name of the Japan Securities Depository Center.

2. “Shares constituting less than one unit of shares” includes 54 shares of treasury stock held by the Company.

(ii) Treasury Stock, etc.

As of June 30, 2024

Holder's name	Address of holder	Number of shares held in the name of holder (Shares)	Number of shares held in the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held to the total number of issued shares (%)
Renesas Electronics Corporation	3-2-24, Toyosu, Koto-ku, Tokyo	80,009,000	—	80,009,000	4.27
Total	-	80,009,000	—	80,009,000	4.27

(Note) Treasury stock, etc. is calculated based on the delivery date.

2. Status of Officers

There were no changes in officers during the current interim accounting period after the date of submission of the Annual Securities Report for the previous fiscal year.

IV. Accounting Status

1. Preparation Method of the Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” (hereinafter “IAS 34”) pursuant to the provisions of Article 312 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976, hereinafter “Ordinance on Consolidated Financial Statements”).

The condensed interim consolidated financial statements of the Company are Type-1 interim consolidated financial statements.

2. Audit Certification

The condensed interim consolidated financial statements for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024) and the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024) were reviewed by PricewaterhouseCoopers Japan LLC in accordance with Article 193-2, Section 1, of the Financial Instruments and Exchange Act.

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(In millions of yen)

	Notes	As of December 31, 2023	As of June 30, 2024
Assets			
Current assets			
Cash and cash equivalents		434,681	288,358
Trade and other receivables	8	168,991	202,865
Inventories		163,054	178,060
Other current financial assets	19	4,660	33,772
Income taxes receivable		7,495	16,305
Other current assets		21,792	23,036
Total current assets		<u>800,673</u>	<u>742,396</u>
Non-current assets			
Property, plant and equipment		266,139	337,498
Goodwill	7	1,362,131	1,602,820
Intangible assets		421,847	456,226
Investments accounted for using the equity method		—	50
Other non-current financial assets	19	255,230	468,126
Deferred tax assets		43,385	39,986
Other non-current assets		17,598	14,532
Total non-current assets		<u>2,366,330</u>	<u>2,919,238</u>
Total assets		<u><u>3,167,003</u></u>	<u><u>3,661,634</u></u>

(In millions of yen)

	Notes	As of December 31, 2023	As of June 30, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	9,19	243,192	285,665
Bonds and borrowings	10,19	425,312	131,488
Other current financial liabilities	19	24,311	38,870
Income taxes payable		41,414	39,225
Provisions		11,215	9,089
Other current liabilities		83,281	82,614
Total current liabilities		828,725	586,951
Non-current liabilities			
Trade and other payables	9,19	4,140	32,701
Bonds and borrowings	10,19	225,636	468,657
Other non-current financial liabilities	19	11,371	13,605
Income taxes payable		2,757	2,938
Retirement benefit liability		24,598	24,749
Provisions		3,265	3,147
Deferred tax liabilities		53,528	51,717
Other non-current liabilities		7,395	9,407
Total non-current liabilities		332,690	606,921
Total liabilities		1,161,415	1,193,872
Equity			
Share capital	11	153,209	153,209
Capital surplus	11	359,398	268,892
Retained earnings		1,157,236	1,232,734
Treasury shares	11	(217,691)	(97,071)
Other components of equity		549,401	905,420
Total equity attributable to owners of parent		2,001,553	2,463,184
Non-controlling interests		4,035	4,578
Total equity		2,005,588	2,467,762
Total liabilities and equity		3,167,003	3,661,634

(2) Condensed Interim Consolidated Statement of Profit or Loss and Condensed Interim Consolidated Statement of Comprehensive Income
Condensed Interim Consolidated Statement of Profit or Loss
(Six months ended June 30, 2023 and June 30, 2024)

		(In millions of yen)	
	Notes	Six months ended June 30, 2023	Six months ended June 30, 2024
Revenue	6,13	728,091	710,597
Cost of sales		(316,811)	(312,203)
Gross profit		411,280	398,394
Selling, general and administrative expenses	14	(221,659)	(250,983)
Other income	15	34,919	8,275
Other expenses	16	(4,048)	(8,121)
Operating profit		220,492	147,565
Finance income		23,230	25,003
Finance costs		(3,141)	(6,526)
Profit before tax		240,581	166,042
Income tax expense		(44,562)	(26,254)
Profit		196,019	139,788
Profit attributable to			
Owners of parent		195,775	139,632
Non-controlling interests		244	156
Profit		196,019	139,788
Earnings per share	17		
Basic earnings per share (yen)		109.94	78.28
Diluted earnings per share (yen)		107.87	77.23

Condensed Interim Consolidated Statement of Comprehensive Income
(Six months ended June 30, 2023 and June 30, 2024)

(In millions of yen)

	Notes	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit		196,019	139,788
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(58)	(223)
Equity instruments measured at fair value through other comprehensive income		(464)	(3,215)
Total of items that will not be reclassified to profit or loss		(522)	(3,438)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		223,550	350,781
Cash flow hedges		(23,500)	15,106
Cost of hedges		1,421	(5,501)
Total of items that may be reclassified subsequently to profit or loss		201,471	360,386
Total other comprehensive income		200,949	356,948
Total comprehensive income		396,968	496,736
Comprehensive income attributable to			
Owners of parent		396,620	496,185
Non-controlling interests		348	551
Total comprehensive income		396,968	496,736

Condensed Interim Consolidated Statement of Profit or Loss
(Three months ended June 30, 2023 and June 30, 2024)

(In millions of yen)

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2024
Revenue	6,13	368,717	358,807
Cost of sales		(157,548)	(157,876)
Gross profit		211,169	200,931
Selling, general and administrative expenses	14	(114,036)	(131,114)
Other income	15	2,380	5,751
Other expenses	16	(2,286)	(5,839)
Operating profit		97,227	69,729
Finance income		16,965	7,713
Finance costs		(1,373)	(3,152)
Profit before tax		112,819	74,290
Income tax expense		(22,071)	(14,540)
Profit		90,748	59,750
Profit attributable to			
Owners of parent		90,564	59,766
Non-controlling interests		184	(16)
Profit		90,748	59,750
Earnings per share	17		
Basic earnings per share (yen)		51.36	33.41
Diluted earnings per share (yen)		50.39	33.04

Condensed Interim Consolidated Statement of Comprehensive Income
(Three months ended June 30, 2023 and June 30, 2024)

(In millions of yen)

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit		90,748	59,750
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(24)	(145)
Equity instruments measured at fair value through other comprehensive income		(163)	(1,101)
Total of items that will not be reclassified to profit or loss		(187)	(1,246)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		206,701	178,739
Cash flow hedges		(21,258)	23,563
Cost of hedges		1,485	(4,999)
Total of items that may be reclassified subsequently to profit or loss		186,928	197,303
Total other comprehensive income		186,741	196,057
Total comprehensive income		277,489	255,807
Comprehensive income attributable to			
Owners of parent		277,223	255,567
Non-controlling interests		266	240
Total comprehensive income		277,489	255,807

(3) Condensed Interim Consolidated Statement of Changes in Equity
(Six months ended June 30, 2023)

(In millions of yen)

	Notes	Equity attributable to owners of parent						
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
						Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2023		153,209	348,446	828,582	(192,171)	7,602	—	(1,976)
Profit		—	—	195,775	—	—	—	—
Other comprehensive income		—	—	—	—	—	(58)	(464)
Total comprehensive income		—	—	195,775	—	—	(58)	(464)
Purchase and disposal of treasury shares	11	—	2,531	—	(39,608)	—	—	—
Dividends of surplus		—	—	—	—	—	—	—
Share-based payment transactions		—	(1,189)	—	—	(632)	—	—
Transfer to retained earnings		—	2,755	(3,421)	—	603	58	5
Total transactions with owners		—	4,097	(3,421)	(39,608)	(29)	58	5
Balance as of June 30, 2023		153,209	352,543	1,020,936	(231,779)	7,573	—	(2,435)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity				Total equity attributable to owners of parent		
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2023		395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463
Profit		—	—	—	—	195,775	244	196,019
Other comprehensive income		223,446	(23,500)	1,421	200,845	200,845	104	200,949
Total comprehensive income		223,446	(23,500)	1,421	200,845	396,620	348	396,968
Purchase and disposal of treasury shares	11	—	—	—	—	(37,077)	—	(37,077)
Dividends of surplus		—	—	—	—	—	(6)	(6)
Share-based payment transactions		—	—	—	(632)	(1,821)	—	(1,821)
Transfer to retained earnings		—	—	—	666	—	—	—
Total transactions with owners		—	—	—	34	(38,898)	(6)	(38,904)
Balance as of June 30, 2023		619,353	(35,864)	7,921	596,548	1,891,457	4,070	1,895,527

(Six months ended June 30,2024)

(In millions of yen)

	Notes	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, 2024		153,209	359,398	1,157,236	(217,691)	3,106	—	(2,311)
Profit		—	—	139,632	—	—	—	—
Other comprehensive income		—	—	—	—	—	(223)	(3,215)
Total comprehensive income		—	—	139,632	—	—	(223)	(3,215)
Purchase and disposal of treasury shares	11	—	15,036	—	16,091	—	—	—
Cancelation of treasury shares	11	—	(104,529)	—	104,529	—	—	—
Dividends of surplus	12	—	—	(49,758)	—	—	—	—
Share-based payment transactions		—	(14,544)	—	—	(1,379)	—	—
Transfer to retained earnings		—	13,531	(14,376)	—	(30)	223	652
Total transactions with owners		—	(90,506)	(64,134)	120,620	(1,409)	223	652
Balance as of June 30, 2024		153,209	268,892	1,232,734	(97,071)	1,697	—	(4,874)

	Notes	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Other components of equity							
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total				
Balance as of January 1, 2024		564,215	(19,379)	3,770	549,401	2,001,553	4,035	2,005,588	
Profit		—	—	—	—	139,632	156	139,788	
Other comprehensive income		350,386	15,106	(5,501)	356,553	356,553	395	356,948	
Total comprehensive income		350,386	15,106	(5,501)	356,553	496,185	551	496,736	
Purchase and disposal of treasury shares	11	—	—	—	—	31,127	—	31,127	
Cancelation of treasury shares	11	—	—	—	—	—	—	—	
Dividends of surplus	12	—	—	—	—	(49,758)	(8)	(49,766)	
Share-based payment transactions		—	—	—	(1,379)	(15,923)	—	(15,923)	
Transfer to retained earnings		—	—	—	845	—	—	—	
Total transactions with owners		—	—	—	(534)	(34,554)	(8)	(34,562)	
Balance as of June 30, 2024		914,601	(4,273)	(1,731)	905,420	2,463,184	4,578	2,467,762	

(4) Condensed Interim Consolidated Statement of Cash Flows

(In millions of yen)

	Notes	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities			
Profit before tax		240,581	166,042
Depreciation and amortization		90,445	98,773
Impairment losses		823	965
Finance income and finance costs		(8,598)	(8,487)
Share-based payment expenses		11,083	14,818
Insurance claim income		(30,621)	(1)
Foreign exchange loss (gain)		(7,165)	(3,763)
Loss (gain) on sales of property, plant and equipment, and intangible assets		(679)	(120)
Decrease (increase) in inventories		15,754	(5,639)
Decrease (increase) in trade and other receivables		177	(16,650)
Decrease (increase) in other financial assets		(7,574)	(3,006)
Increase (decrease) in trade and other payables		(8,953)	(6,280)
Increase (decrease) in retirement benefit liability		(406)	(832)
Increase (decrease) in provisions		(771)	(3,016)
Increase (decrease) in other current liabilities		(11,911)	(11,376)
Increase (decrease) in other financial liabilities		(890)	(1,126)
Other		3,272	3,488
Subtotal		<u>284,567</u>	<u>223,790</u>
Interest received		9,174	18,199
Dividends received		269	294
Proceeds from insurance income		17,288	1
Income taxes paid		(82,328)	(40,386)
Net cash flows from operating activities		<u>228,970</u>	<u>201,898</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(39,204)	(68,839)
Proceeds from sales of property, plant and equipment		746	702
Purchase of intangible assets		(12,341)	(18,650)
Purchase of other financial assets		(1,081)	(1,433)
Proceeds from sales of other financial assets		359	907
Payments for acquisitions of subsidiaries		(9,822)	(52,697)
Proceeds from insurance income		13,333	—
Proceeds from government grant income		1,088	4,298
Payments of long-term loans receivable		—	(155,220)
Other		(5,380)	3,871
Net cash flows from investing activities		<u>(52,302)</u>	<u>(287,061)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings	10	—	30,000
Repayments of short-term borrowings	10	—	(30,000)
Proceeds from long-term borrowings	10	—	250,000
Repayments of long-term borrowings		(60,010)	(329,584)
Purchase of treasury shares	11	(50,000)	—
Dividends paid	12	—	(49,702)
Repayments of lease liabilities		(2,876)	(2,977)
Interest paid		(2,658)	(3,959)
Other		(17)	(3)
Net cash flows from financing activities		<u>(115,561)</u>	<u>(136,225)</u>

		(In millions of yen)	
	Notes	Six months ended June 30, 2023	Six months ended June 30, 2024
Effect of exchange rate changes on cash and cash equivalents		60,908	75,065
Net increase (decrease) in cash and cash equivalents		122,015	(146,323)
Cash and cash equivalents at beginning of the period		336,068	434,681
Cash and cash equivalents at end of the period		<u>458,083</u>	<u>288,358</u>

Notes to Condensed Interim Consolidated Financial Statements

1. Reporting Entity

The Company is a public company established under the Companies Act of Japan and domiciled in Japan. The condensed interim consolidated financial statements (from January 1, 2024 to June 30, 2024) of the Group are composed of the Company, its subsidiaries and interests of the Group in its associates. The Group engages in research, development, design, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. For details of the Group's major business, please refer to "Note 6. Business Segments".

The condensed interim consolidated financial statements were approved on August 1, 2024 by Hidetoshi Shibata, Representative Executive Officer, President and CEO, and Shuhei Shinkai, Senior Vice President, Member of the Board and CFO.

2. 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 1-2-2 of the Ordinance on Consolidated Financial Statements, the Group has adopted the provisions of Article 312 of the Ordinance.

The condensed interim consolidated financial statements of the Group have been prepared in accordance with IAS 34. The condensed interim 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 interim consolidated financial statements should be used with the consolidated financial statements for the prior fiscal year.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Material Accounting Policies

The material accounting policies for the condensed interim consolidated financial statements of the Group are the same as the accounting policies applied in preparing the Group's consolidated financial statements for the prior fiscal year.

In addition, income taxes for the six months ended June 30, 2024 are calculated using the estimated annual effective tax rate.

Addition of Accounting Policies

The Group initiated a new loan transaction for the nine months ended September 30, 2023, and adopted the following accounting policy. In cases where the transaction price of a financial instrument differs from its fair value at the initial recognition, and the fair value is determined using unobservable inputs, the difference between the transaction price and fair value is deferred. This difference is recognized in profit or loss either when amortized over the term of the contract using the straight-line method or when the financial instrument is derecognized.

4. Material Accounting Estimates and Judgements

In preparing the condensed interim 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.

In principle, material accounting estimates and judgements reflected in the condensed interim consolidated financial statements are the same as those reflected in the consolidated financial statements for the prior fiscal year.

5. Scope of Consolidation and Application of Equity Method

A. Scope of consolidation

(a) Renesas Engineering Services Co., Ltd. has been excluded from the scope of consolidation as a result of business combination on April 1, 2024.

(b) With the completion of the acquisition of Transphorm, Inc. (hereinafter "Transphorm") on June 20, 2024, 6 companies including the affiliated companies of the company have been newly included in the scope of consolidation.

(c) 2 companies have been newly included in the scope of consolidation due to establishment.

(d) 2 companies have been excluded from the scope of consolidation due to extinction by liquidation.

B. Application of equity method

(a) One company has been newly included in the scope of application of the equity method with the completion of the acquisition of Transphorm on June 20, 2024.

6. Business Segments

(1) Overview of reportable segments

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

The Group mainly consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. The Automotive Business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as automotive information devices such as IVI (In-Vehicle Infotainment) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies MCUs (microcontrollers), SOC (System-On-Chips), analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/IoT Business includes the product categories "Industrial," "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs, SoC, analog semiconductor devices and power semiconductor devices in each of these categories. Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other."

(Change of the method for aggregating Reportable Segments)

Due to the Group's organizational changes in the six months ended June 30, 2024, the methodology for aggregating revenue for reportable segments changed from the use of product axis to the use of customer axis. Accordingly, the previously reported segment information for the six months ended June 30, 2023 has been revised using the new methodology in order to be comparable with the segment information for the six months ended June 30, 2024.

(2) Information on reportable segments

The accounting treatment for the reportable segments is the same as stated in "3. Material Accounting Policies". As for information on the reportable segments, the Group discloses revenue from external customers, segment gross profit, and segment operating profit.

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

Information on reportable segments is as follows.

(Six months ended June 30, 2023)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	320,265	402,674	5,444	—	728,383	(292)	728,091
Segment gross profit	168,617	242,619	2,294	(23)	413,507	(2,227)	411,280
Segment operating profit	114,351	138,170	2,294	(990)	253,825	(33,333)	220,492
Finance income							23,230
Finance costs							(3,141)
Profit before tax							240,581
(Other items)							
Depreciation and amortization	18,399	21,056	—	—	39,455	50,990	90,445

(Six months ended June 30, 2024)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	368,558	337,768	4,271	—	710,597	—	710,597
Segment gross profit	195,799	205,810	1,286	—	402,895	(4,501)	398,394
Segment operating profit	120,018	102,766	1,288	—	224,072	(76,507)	147,565
Finance income							25,003
Finance costs							(6,526)
Profit before tax							166,042
(Other items) Depreciation and amortization	24,039	18,440	—	—	42,479	56,294	98,773

(Three months ended June 30, 2023)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	161,055	204,844	2,818	—	368,717	—	368,717
Segment gross profit	83,886	126,340	1,257	(2)	211,481	(312)	211,169
Segment operating profit	56,668	71,934	1,257	(804)	129,055	(31,828)	97,227
Finance income							16,965
Finance costs							(1,373)
Profit before tax							112,819
(Other items) Depreciation and amortization	9,198	10,713	—	—	19,911	25,514	45,425

(Three months ended June 30, 2024)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	190,404	166,193	2,210	—	358,807	—	358,807
Segment gross profit	102,434	100,200	925	—	203,559	(2,628)	200,931
Segment operating profit	62,666	46,963	927	—	110,556	(40,827)	69,729
Finance income							7,713
Finance costs							(3,152)
Profit before tax							74,290
(Other items) Depreciation and amortization	12,807	9,391	—	—	22,198	28,721	50,919

(3) Information on products and services

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

(4) Information on regions and countries

The components of revenue from external customers by region and country are as follows.

(Six months ended June 30, 2023 and June 30, 2024)

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
China	171,630	184,383
Asia (Excluding Japan and China)	149,470	163,783
Japan	201,661	157,016
Europe	128,620	121,661
North America	73,834	82,536
Others	2,876	1,218
Total	728,091	710,597

(Three months ended June 30, 2023 and June 30, 2024)

	(In millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
China	81,021	99,284
Asia (Excluding Japan and China)	77,767	82,014
Japan	103,946	76,252
Europe	64,729	59,890
North America	39,623	40,801
Others	1,631	566
Total	368,717	358,807

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

7. Business Combinations

Business combinations that occurred during the six months ended June 30, 2023 and the six months ended June 30, 2024 are as follows. Immaterial business combinations are not included in this disclosure.

< Six months ended June 30, 2023 >

(Celeno Communications Inc.)

Contingent consideration includes at most 45 million US dollars which will be paid based on the contract when several certain conditions (milestones) related to Celeno Communications Inc.'s (hereinafter "Celeno") future product development and mass production progress are met.

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

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

	(In millions of yen)
	Six months ended June 30, 2023
Beginning balance	1,265
Settlement	(40)
Changes in fair value	(1,235)
Exchange differences	10
Ending balance	—

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs," and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" or "Other expenses." For the six months ended June 30, 2023, other income of 1,242 million yen and finance costs of 7 million yen were recorded for the change of fair value.

Celeno changed its company name from Celeno Communications Inc. to Renesas Semiconductor Design US Inc. on September 29, 2023.

(Steradian Semiconductors Private Limited)

As of December 31, 2022, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the three months ended March 31, 2023, the Group has completed the purchase price allocation and revised the goodwill amount as follows. Adjustment in consideration for the acquisition is reflected for the three months ended March 31, 2023.

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

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

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

(Panthronics AG)

A. Overview of business combination

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

(a) Name and overview of the acquiree

Name of the acquiree: Panthronics AG

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

(b) Date of the acquisition

June 1, 2023 (Central European Summer Time)

(c) Purpose of the acquisition

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

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

(d) Acquisition Method

Acquisition of shares for cash consideration.

B. Consideration for the acquisition and its breakdown

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

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

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

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

(Note) 1. As of June 30, 2023, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently, the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Panthronics.

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

3. Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Panthronics. No amount of goodwill is expected to be deductible for tax purposes.

D. Payments for acquisition of subsidiaries

	(In millions of yen)
Item	Amount
Consideration for acquisition in cash	9,801
Cash and cash equivalents held by the acquiree at the time of obtaining control	(63)
Amount of cash paid for the acquisition of subsidiaries (net amount)	9,738

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

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

Assuming that the date of the acquisition of Panthronics was at the beginning of the prior interim consolidated fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for six months ended June 30, 2023 would not be material.

F. Revenue and profit / loss of the acquired company

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

G. Contingent consideration

Contingent consideration includes 61 million US dollars which will be paid when certain conditions related to Panthronics's future product development and mass production progress are met.

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

The level of the fair value hierarchy for the contingent consideration is level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Six months ended June 30, 2023
Beginning balance	—
Increase due to the business combination	2,794
Exchange differences	116
Ending balance	2,910

< Six months ended June 30, 2024 >

(Steradian Semiconductors Private Limited)

Contingent consideration includes at most 11 million US dollars which will be paid based on the contract when several certain conditions (milestones) related to Steradian's future product development and mass production progress are met.

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

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Beginning balance	1,078	586
Changes in the fair value	—	(606)
Exchange differences	100	20
Ending balance	1,178	—

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs," and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" or "Other expenses." For the six months ended June 30, 2024, other income of 606 million yen was recorded for the change of fair value.

Steradian changed its company name from Steradian Semiconductors Private Limited to Renesas Design India Private Limited on March 26, 2024.

(Panthronics AG)

Contingent consideration includes at most 61 million US dollars which will be paid when several certain conditions related to Panthronics's future product development and mass production progress are met.

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

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Beginning balance	—	2,711
Increase due to the business combination	2,794	—
Exchange differences	116	265
Ending balance	2,910	2,976

Panthronics changed its company name from Panthronics AG to Renesas Design Austria GmbH on October 12, 2023.

(Transphorm, Inc.)

A. Overview of business combination

On June 20, 2024, the Company completed the acquisition of Transphorm, a semiconductor company headquartered in Goleta, California, USA through the wholly-owned subsidiary of the Company. Following the completion of the acquisition, Transphorm has become a wholly-owned subsidiary of the Company.

(a) Name and overview of the acquiree

Name of the acquiree: Transphorm, Inc.

Business overview: Development and sales of gallium nitride (“GaN”) power semiconductors

(b) Date of the acquisition

June 20, 2024

(c) Purpose of the acquisition

The Company now aims to further expand its wide bandgap portfolio with Transphorm’s expertise in GaN, an emerging material that enables higher switching frequency, lower power losses, and smaller form factors. These benefits empower customers’ systems with greater efficiency, smaller and lighter composition, and lower overall cost. As such, demand for GaN is predicted to grow by more than 50 percent annually, according to an industry study. The Company will implement Transphorm’s auto-qualified GaN technology to develop new enhanced power solution offerings, such as X-in-1 powertrain solutions for EVs, along with computing, energy, industrial and consumer applications.

(d) Acquisition Method

Acquisition of shares for cash consideration through the wholly-owned subsidiary of the Company.

B. Consideration for the acquisition and its breakdown

		(In millions of yen)
	Consideration	Amount
Cash		53,533
Acquisition consideration from Restricted Stock Unit		386
	Total	A 53,919

Expenses related to the acquisition were 309 million yen, which were recorded in “Selling, general and administrative expenses” for the six months ended June 30, 2024.

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

	(In millions of yen)
	Date of acquisition (June 20, 2024)
Current assets	
Cash and cash equivalents	836
Trade and other receivables (Note 2)	478
Inventories	1,555
Other	63
Total current assets	2,932
Non-current assets	
Property, plant and equipment	1,543
Investments accounted for using the equity method	49
Other financial assets	25
Other	56
Total non-current assets	1,673
Total assets	4,605
Current liabilities	
Trade and other payables	1,909
Bonds and borrowings	332
Other financial liabilities	59
Other	1,019
Total current liabilities	3,319

Non-current liabilities		
Bonds and borrowings		2,423
Other		288
Total non-current liabilities		<u>2,711</u>
Total liabilities		6,030
Net assets	B	<u>(1,425)</u>
Goodwill (Note 3)	A-B	<u>55,344</u>

- (Note) 1. As of June 30, 2024, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently, the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Transphorm.
2. The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.
3. Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Transphorm. 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		53,533
Cash and cash equivalents held by the acquiree at the time of obtaining control		(836)
Amount of cash paid for the acquisition of subsidiaries (net amount)		<u>52,697</u>

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 Transphorm was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for six months ended June 30, 2024 would not be material.

F. Revenue and profit / loss of the acquired company

For six months ended June 30, 2024, the revenue and profit of Transform from the acquisition date to June 30, 2024 had no material impact on the consolidated financial statements.

8. Trade and Other Receivables

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2023	As of June 30, 2024
Notes and trade receivables	160,590	196,164
Other receivables	8,838	7,151
Loss allowance	(437)	(450)
Total	168,991	202,865

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

9. Trade and Other Liabilities

The components of trade and other payables are as follows.

(In millions of yen)

	As of December 31, 2023	As of June 30, 2024
Trade payables	99,957	100,731
Other payables	51,878	113,000
Electronically recorded obligations	15,332	21,814
Refund liabilities	80,165	82,821
Total	247,332	318,366
Current liabilities	243,192	285,665
Non-current liabilities	4,140	32,701

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

10. Bonds and Borrowings

(1) Bonds

Six months ended June 30, 2023

Not applicable.

Six months ended June 30, 2024

Not applicable.

(2) Borrowings

Six months ended June 30, 2023

Not applicable.

Six months ended June 30, 2024

In March 2024, the Company executed a short-term borrowing of 30,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited under a commitment line agreement dated January 15, 2019. The borrowing was fully repaid in June 2024.

The Company has entered into a term loan agreement dated June 25, 2024 (Loan amount: 250,000 million yen, Borrowing date: June 28, 2024, Repayment date: June 29, 2029, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited) and has borrowed 250,000 million yen.

11. Capital and other capital items

Six months ended June 30, 2023

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

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

Six months ended June 30, 2024

Based on the resolution at the Board of Directors' meeting held on February 8, 2024, the Company retired its own shares by 87,839,138 shares on February 29, 2024. In addition, the number of treasury shares decreased by 13,521,690 shares, due to disposals of treasury shares and so on based on the exercise of stock options, the vesting of Restricted Stock Unit (RSU) and of Performance Share Unit (PSU) for the six months ended June 30, 2024. Consequently, treasury shares decreased by 120,620 million yen for the six months ended June 30, 2024.

As a result, the treasury shares were 97,071 million yen as of June 30, 2024.

12. Dividends

(1) Dividend payment amounts

Six months ended June 30, 2023

Not applicable.

Six months ended June 30, 2024

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividend
March 26, 2024 Annual general meeting of shareholders	Ordinary shares	49,758	28	December 31, 2023	March 29, 2024	Retained earnings

(2) Among dividends with a record date that falls under the six months ended June 30, 2024, for those with an effective date is after June 30, 2024.

Six months ended June 30, 2023

Not applicable.

Six months ended June 30, 2024

Not applicable.

13. Revenue

All of the revenue arises from contracts with customers. In addition, disaggregation of revenue recognized from contracts with customers is stated in "6. Business segments; (2) Information on reportable segments and (4) Information on regions and countries."

14. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses are as follows.

Six months ended June 30, 2023 and June 30, 2024

(In millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Research and development expenses	111,462	125,944
Depreciation and amortization	53,689	59,491
Personnel expenses	38,179	43,329
Retirement benefit expenses	1,957	2,198
Other	16,372	20,021
Total	221,659	250,983

Three months ended June 30, 2023 and June 30, 2024

(In millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Research and development expenses	57,953	65,980
Depreciation and amortization	26,784	30,327
Personnel expenses	20,257	22,555
Retirement benefit expenses	1,042	1,084
Other	8,000	11,168
Total	114,036	131,114

(Note) Research and development expenses are included in selling, general and administrative expenses. Related expenses such as outsourcing costs, personnel expenses, depreciation and amortization costs and material costs are mainly included in research and development expenses.

15. Other Income

The components of other income are as follows.

Six months ended June 30, 2023 and June 30, 2024

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Proceeds from subsidy (Note 1)	1,363	5,511
Reversal of impairment losses	—	1,077
Fair value remeasurements on contingent considerations (Note 2)	1,242	606
Insurance claim income (Note 3)	30,621	1
Other	1,693	1,080
Total	34,919	8,275

Three months ended June 30, 2023 and June 30, 2024

	(In millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Proceeds from subsidy (Note 1)	1,002	5,116
Gain on sales of property, plant and equipment	246	51
Insurance claim income	1,010	1
Other	122	583
Total	2,380	5,751

(Note) 1. Subsidy income has included government grants received for the acquisition of property, plant and equipment for three months and six months ended June 30, 2024.

2. For details, please refer to "7. Business Combinations."

3. Insurance claim income recognized during the six months ended June 30, 2023 is the amount received related to a fire that occurred at Naka Factory of Renesas Semiconductor Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company, on March 19, 2021. These insurance payments include the amount for loss of profits due to the fire damage.

16. Other Expenses

The components of other expenses are as follows.

Six months ended June 30, 2023 and June 30, 2024

(In millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Loss on reduction of fixed assets	915	4,755
Business structure improvement expenses	1,170	1,093
Impairment losses	823	965
Other	1,140	1,308
Total	4,048	8,121

Three months ended June 30, 2023 and June 30, 2024

(In millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Loss on reduction of fixed assets	915	4,755
Business structure improvement expenses	481	310
Other	890	774
Total	2,286	5,839

17. Earnings Per Share

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

(1) Basic earnings

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	195,775	139,632
Weighted average number of ordinary shares during the year (thousands of shares)	1,780,764	1,783,809
Basic earnings per share (yen)	109.94	78.28
	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	90,564	59,766
Weighted average number of ordinary shares during the year (thousands of shares)	1,763,188	1,788,995
Basic earnings per share (yen)	51.36	33.41

(2) Diluted earnings per share

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	195,775	139,632
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	195,775	139,632
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,780,764	1,783,809
Increase in common stock		
Share acquisition rights (thousands of shares)	13,913	3,759
Restricted Stock Unit (thousands of shares)	20,216	20,488
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,814,893	1,808,055
Diluted earnings per share (yen)	107.87	77.23
	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	90,564	59,766
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	90,564	59,766
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,763,188	1,788,995
Increase in common stock		
Share acquisition rights (thousands of shares)	13,359	3,060
Restricted Stock Unit (thousands of shares)	20,690	16,999
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,797,236	1,809,055
Diluted earnings per share (yen)	50.39	33.04

18. Share-based Payments

The Group has adopted Restricted Stock Unit (RSU) and Performance Share Unit (PSU) from April 2021. The details of RSU and PSU granted for the six months ended June 30, 2024 are as follows.

Date of grant for RSU		January 15, 2024
Category and number of grantees		Employees of the Company and subsidiaries 144
Vesting conditions	RSU	To be vested based on time (One third each will be vested after 1 year, 2 years and 3 years from the date of grant)
Number of units	RSU	652,500

(Note) 1. The common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting. There is no payment from employees at the time of delivering the stock.

2. The fair value of RSU is calculated as 2,461.5 yen based on the Company's stock price on the date of grant.

Date of grant for RSU and PSU		April 8, 2024
Category and number of grantees		Outside Directors 2 Executive Corporate Officers 10 Employees of the Company and subsidiaries 9,143
Vesting conditions	RSU	To be vested based on time (One third each will be vested after 1 year, 2 years and 3 years from the date of grant, except that all units will be vested after 1 year from the grant date for Outside Directors)
	PSU	To be vested based on performance (According to the performance achieved, all units will be vested after 3 years from the grant date)
Number of units	RSU	12,262,000
	PSU	1,547,500
	Total	13,809,500

(Note) 1. The common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting. There is no payment from Outside Directors, Executive Corporate Officers or employees at the time of delivering the stock.

2. The number of units for PSU will be determined based on the number of granted units using factors such as the three-year growth rate of the total shareholder return.

3. The fair value of RSU is 2,761.7 yen, 2,731.7 yen, and 2,702.0 yen for each vesting date, and is calculated by taking into account the market value of the Company's shares and expected dividends based on past dividend history.

4. The fair value of PSU is 3,724.8 yen and is calculated based on the results of comparing the fluctuation rate of the Company's stock with that of stock indexes over a certain period.

Date of grant for RSU		June 20, 2024
Category and number of grantees		Directors of subsidiaries 2 Executive Corporate Officers of subsidiaries 5 Employees of subsidiaries 88
Vesting conditions	RSU	To be vested after a predetermined period of time
Number of units	RSU	309,100

(Note) 1. Based on the agreements regarding the acquisition of Transphorm, the unvested portion of Transphorm's Employee Share Plan Award was replaced by Renesas share plans (RSU) as of the acquisition date.

2. The rights are based on the vesting conditions originally provided by Transphorm.

3. The common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting. There is no payment from Directors, Executive Corporate Officers or employees at the time of delivering the stock.

4. The fair value of RSU is 3,128.0 yen, and is calculated based on the Company's stock price on the date of grant.

19. Financial Instruments

(1) Calculation method of fair value

The calculation method of the fair value of financial instruments is as follows.

(a) Cash and cash equivalents, and trade and other receivables

The fair value of these instruments approximates their carrying amount due to short term maturities.

(b) Trade and other payables

For trade and other payables that will mature within a short amount of time, the fair value approximates the carrying amount. The fair value of trade and other payables that will not mature in a short amount of time is calculated by the present value that is discounted by an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.

(c) Securities

If the market price of a security is available in an active market, the securities are measured using this market price and classified as Level 1. If the market price is not available, the fair value is measured mainly by a method based on net assets (method of calculating by making adjustments to the market value as required based on the net assets of the entity that issues shares) and others, and classified as Level 3.

(d) Loans

The fair value of loans is calculated based on the present value discounted at an interest rate that takes into account credit risk and classified as Level 3.

(e) Long-term borrowings

The fair value of long-term borrowings is calculated at the present value that is discounted using an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.

(f) Derivative transactions

Forward exchange contracts, currency options and currency swaps are calculated based on the price presented by the customers' financial institution and classified as Level 2. In addition, the fair value calculated using unobservable inputs is classified as Level 3.

(g) Bonds

The fair value of bonds is calculated by referring to a market price and classified as Level 2.

(h) Contingent consideration

The fair value of the contingent consideration is calculated as the present value of the payments in the future using appropriate valuation methods with consideration of the probability of occurrence and is classified as Level 3.

(i) Other financial assets and liabilities

Time deposits with maturities of more than three months, long-term accounts receivable, security deposits and guarantee deposits received that are measured at amortized cost are classified as Level 2. Because their fair value approximates their carrying amount, they are omitted from the following table.

(2) Classification of financial instruments measured at fair value by levels

In the fair value hierarchy, financial instruments are classified from Level 1 to Level 3 as follows.

Level 1: Fair value measured using unadjusted quoted prices in the active markets

Level 2: Fair value calculated using observable inputs, either directly or indirectly, other than those classified as Level 1

Level 3: Fair value calculated by using a valuation technique including inputs that are not based on observable market data

Transfers between the levels in the fair value hierarchy are recognized on the assumption that the transfers occur at the end of each reporting period.

A. Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows. Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the table below. Lease liabilities are not included in the following table.

As of December 31, 2023

(In millions of yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowings	459,851	—	458,093	—	458,093
Bonds	191,097	—	191,097	—	191,097
Other payables	51,878	—	51,409	—	51,409
Total	702,826	—	700,599	—	700,599

As of June 30, 2024

(In millions of yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowings	382,983	—	374,821	—	374,821
Bonds	217,162	—	217,162	—	217,162
Other payables	113,000	—	112,952	—	112,952
Total	713,145	—	704,935	—	704,935

B. Financial instruments measured at fair value

The components of financial assets and financial liabilities measured at fair value on a recurring basis that are classified as each level of the fair value hierarchy are as follows.

As of December 31, 2023

	(In millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	30,132	—	30,132
Investment trust	8,124	—	—	8,124
Unlisted securities	—	—	4,052	4,052
Loan receivable	—	—	144,093	144,093
Equity instruments measured at fair value through other comprehensive income				
Listed securities	830	—	—	830
Unlisted securities	—	—	9,878	9,878
Total	8,954	30,132	158,023	197,109
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	15,672	—	15,672
Contingent consideration (Note)	—	—	3,298	3,298
Total	—	15,672	3,298	18,970

As of June 30, 2024

	(In millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	76,040	14,971	91,011
Investment trust	10,330	—	—	10,330
Unlisted securities	—	—	2,931	2,931
Loan receivable	—	—	320,906	320,906
Equity instruments measured at fair value through other comprehensive income				
Listed securities	184	—	—	184
Unlisted securities	—	—	8,773	8,773
Total	10,514	76,040	347,581	434,135
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	30,236	—	30,236
Contingent consideration (Note)	—	—	2,976	2,976
Total	—	30,236	2,976	33,212

(Note) For details, please refer to “Note 7. Business Combinations.”

C. Changes in financial assets that are classified as Level 3 are as follows.

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Financial Assets		
Beginning balance	9,658	158,023
Total gains or losses in the period	1,601	40,316
Profit or loss (Note 1)	609	1,002
Other comprehensive income (Note 2)	992	39,314
Purchases	268	155,340
Settlement	—	(6,098)
Others	9	—
Ending balance	11,536	347,581
Changes in unrealized gains or losses recorded in profit or loss for the balance held at the end of the reporting period (Note 1)	609	1,002

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Financial liabilities		
Beginning balance	2,528	3,298
Total gains or losses in the period	(1,005)	(322)
Profit or loss (Note 3)	(1,005)	(681)
Other comprehensive income (Note 2)	—	359
Settlement	(100)	—
Acquisition due to business combination	2,794	—
Ending balance	4,217	2,976
Changes in unrealized gains or losses recorded in profit or loss for the balance held at the end of the reporting period (Note 3)	227	(95)

(Note) 1. Amounts relate to financial assets measured at fair value through profit or loss and included in “Finance income” and “Finance costs” in the condensed interim consolidated statements of profit or loss.

2. Amounts relate to equity instruments measured at fair value through other comprehensive income and presented in “Equity instruments measured at fair value through other comprehensive income” in the condensed interim consolidated statements of comprehensive income.

3. Amounts relate to financial liabilities measured at fair value through profit or loss and included in “Finance costs”, “Other expenses” and “Other income” in the condensed interim consolidated statements of profit or loss.

4. Financial instruments that are classified as Level 3 consist of derivative assets, unlisted securities, loans, and contingent consideration due to business combination. The measurement results of the fair value are reviewed and approved by an appropriate authorized person. Derivative assets are valued at fair value based on prices quoted by counterparty financial institutions, taking into account the probability of success in corporate acquisitions and other factors. Unlisted securities are mainly investments in funds, and the fair value of the unlisted securities is measured based on the value of net assets as a valuation technique.

The fair value of the loans is calculated based on the present value of future expected cash flows, discounted at interest rates that take into account the period until maturity and credit risk and the performance of the contract. Since these estimates are uncertain, fair value due to changes in material unobservable inputs may increase or decrease.

In addition, the fair value of contingent consideration is measured in consideration of the possibility of achieving developmental milestones and the time value of money. Since these estimates are uncertain, fair value may increase if material unobservable development milestones become more likely to be achieved.

D. The total amount of differences not recognized in profit or loss at the beginning and end of the fiscal year and the changes in these differences are as follows.

	(In millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Financial assets measured at fair value through profit or loss		
Loans		
Beginning balance	—	42,043
Increase		
Increase due to new transactions	—	44,834
Decrease		
Decrease due to amortization	—	(3,059)
Others	—	6,455
Ending balance	—	90,273

20. Contingent Liabilities

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, arbitration, investigation by regulatory authorities and other legal proceedings in various countries.

Though it is difficult to predict the outcome of the legal proceedings to which the Group is presently a party or to which it may become a party in the future, the resolution of such proceedings may require considerable time and expense. There is a possibility that the Group's business, performance, financial condition, cash flow, reputation and creditability may have material adverse effects by the outcome. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Article 92, the Group does not disclose detailed information of the legal proceedings since it is likely to lead the Group to an unfavorable position.

The Group has recorded provision for loss on litigation in accordance with what can be reasonably estimated for the cases below. The Group has also recorded provision for loss litigation in preparation for payments related to lawsuits and damage claims with other companies, in addition to the cases stated below.

(Civil lawsuit related to the alleged patent infringement and trade secret violation)

The Group's subsidiary in the U.S has been named as a defendant in a lawsuit filed in November 2008 in the United States of America District Court for the Eastern District of Texas (hereinafter "the Court of First Instance") related to alleged patent infringement and trade secret violation. The Group's subsidiary filed a notice of appeal with the Court of Appeals for the Federal Circuit (hereinafter "the Court of Second Instance") against the Court of First Instance judgment of June 2016, and in July 2018, the Court of Second Instance rejected the judgement of the Court of First Instance for payment of compensation and conducted the retrial order at the Court of First Instance. After the retrial, in March 2022, the Court of First Instance issued judgement ordering compensation of 48.3 million US dollars. Subsequently, in August 2022, the Group's subsidiary filed an appeal with the Court of Second Instance.

(Indemnification claim related to environmental pollution)

The Group's subsidiary in Taiwan has been subjected to requests for restitution for environmental pollution associated with a factory in Taiwan owned by the subsidiary's predecessor company.

Since June 2004, the Group's subsidiary has been notified that a company reserved its right to seek indemnification from the subsidiary for all costs associated with the remediation of the contamination related to environmental pollution found at a factory in Taiwan owned by the subsidiary's predecessor company, and the costs associated with the lawsuit as well as the costs relating to those retained environmental liabilities in a toxic tort class action lawsuit filed by ex-employees who worked at the factory. Though the Group's subsidiary is not a defendant in the class action lawsuit, the claimant initiated arbitration proceedings against the subsidiary related to all claims arising out of the contamination, including the remediation, the toxic tort claims, and attorneys' fees in December 2017, but afterward, the arbitrator ordered a stay of the arbitration in response to a unilateral request by the claimant.

21. Additional Information

(Acquisition of Altium Limited)

On February 15, 2024, the Company reached an agreement with Altium Limited (hereinafter "Altium"), a global leader in electronics design systems, in which the Company will acquire all outstanding shares of Altium, making Altium a wholly-owned subsidiary of the Company (hereinafter "the Acquisition").

(1) Purpose of the Acquisition

Under its Purpose, "To Make Our Lives Easier", the Company has been expanding its product portfolio of embedded processors, analog, power, and connectivity with an aim to becoming a global leader in embedded semiconductor solutions. Furthermore, the Company has been advancing its digitization strategy that enables enhanced user experience (UX) through cloud-based development.

Altium's history began in 1985 from Australia as the world's first printed-circuit board (PCB) design tool provider. The company has grown into a global market leader with the most well-known PCB software tools in use today.

The acquisition enables two industry leaders to join forces and establish an integrated and open "electronics system design and lifecycle management platform" that allows for collaboration across component, subsystem, and system-level design. The transaction strongly aligns with the Company's digitalization strategy and represents the Company's first material step in bringing enhanced user experience and innovation at the system level for electronics system designers.

The Acquisition strengthens the Company's financial profile and provides shareholders material value by accelerating the Company's digitalization strategy.

(2) Overview of the Company to be acquired

- a. Name: Altium Limited
- b. Address: San Diego, California, USA
- c. Type of business: Development and sales of software tools for PCB design, etc.
- d. Capital: 127,699 thousand US\$ (19,242 million yen, based on an exchange rate of 1 USD = 151 yen)
- e. Established: October 20, 1987

(3) Acquisition Method

Altium is listed on the Australian Securities Exchange. The acquisition will be executed by way of a Scheme of Arrangement (hereinafter "SOA") under the Australian Corporations Act, which is a method of acquiring 100% of the outstanding shares of an Australian listed company and will involve the acquisition of all issued and to be issued common shares of Altium for cash. The companies have entered into a Scheme Implementation Agreement (hereinafter "SIA") which has been unanimously approved by the boards of directors of both companies.

The acquisition will be executed by way of the SOA. Upon approval of the Acquisition Proposal at a shareholder meeting of Altium (approval by a majority of the shareholders present and voting and by a minimum of 75% of votes cast), approval by the Australian courts, and necessary regulatory approvals being obtained from the authorities in relevant countries, and subject to satisfaction of certain other conditions, the Company (or, a wholly-owned subsidiary) will acquire all of the outstanding shares of Altium.

The Company will acquire shares of Altium for a cash price of A\$68.50 per share, (total equity value of approximately A\$9.1 billion (approximately ¥887.9 billion at an exchange rate of 97 yen to the A\$)). The Company plans to finance the transaction with bank loans and cash on hand.

Additionally, the number of shares acquired, acquisition price and ownership before and after acquisition are as follows.

The acquisition price described in c below does not reflect the amount affected by the grant of RSU and PSU described in (7) below.

- a. Shares owned before transfer: 0 shares (Ownership percentage: 0.0%)
 - b. Number of shares acquired: 133,279,432 shares (Note) (Percentage of outstanding shares: 100.0%)
 - c. Acquisition price: Approximately A\$9.1 billion
(approximately ¥887.9 billion at an exchange rate of 97 yen to the A\$)
 - d. Shares acquired after transfer: 133,279,432 shares (Note) (Percentage of outstanding shares: 100.0%)
- (Note) Based on the number of shares on a fully-diluted basis as of February 15, 2024 (reflecting dilutions, etc., that occurred following the stock-related compensation from the said acquisition.) Above figures have been rounded off to the closest whole number.

(4) Schedule

The Company received notification from the Committee on Foreign Investment in the United States ("CFIUS") on July 1, 2024 (PDT) that the investigation of the companies' proposed merger transaction by way of a scheme of arrangement (the "Scheme") is complete and that there are no unresolved national security concerns with respect to the transaction. The approval by CFIUS was the last outstanding regulatory authorization required to complete the transaction. All regulatory approvals required for the Scheme in Australia, Germany, Turkey and the United States have been satisfied.

The acquisition was completed on August 1, 2024 through the wholly-owned subsidiary, by the approval of Altium shareholders, Australian court and relevant regulatory authorities above, as well as the satisfaction of other customary closing conditions.

(5) Execution of the loan agreement (Facilities Agreement)

To provide a portion of the funds for the Acquisition, the Company has entered into a loan agreement (“Facilities Agreement”) on May 30, 2024 as follows.

- a. Borrowing limit: 1 trillion yen
- b. Execution date of agreement: May 30, 2024
- c. Drawdown date: From three business days after the effective date of the Acquisition
- d. Final repayment date: The fifth anniversary of the drawdown date
- e. Major participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Ltd.

(6) Execution of Facilities Agreement

On July 24, 2024, the Company has executed the loan as described below based on the loan agreement described on the above (5).

- a. Total amount of the Loan: 938.0 billion yen
- b. Loan application date: July 19, 2024
- c. Drawdown date: July 24, 2024
- d. Final repayment date: The fifth anniversary of the drawdown date
- e. Major participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Ltd.

(7) Grant of RSU and PSU

The Company has granted RSU and PSU to Altium Directors and Employees as of August 1, 2024 on condition of the acquisition.

Date of grant for RSU and PSU		August 1, 2024
Category and number of grantees		Directors of Altium 2 Employees of Altium 77
Vesting conditions	RSU	To be vested based on time (One third each will be vested after 1 year, 2 years and 3 years from the date of grant)
	PSU	To be vested based on performance (According to the performance achieved, all units will be vested after 3 years from the grant date)
Number of units	RSU	4,088,900
	PSU	68,700
	Total	4,157,600

(Note) 1. Based on the agreements regarding the acquisition of Altium, the unvested portion of Altium’s Employee Share Plan Award was replaced by Renesas share plans (PSU and RSU) as of the acquisition date. In addition, RSU was newly granted to some Altium employees.

2. The rights are based on the vesting conditions originally provided by Altium.

3. The common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting. There is no payment from Directors, or employees at the time of delivering the stock

22. Subsequent Events

On July 24, 2024, the Company executed the loan to provide the funds for the acquisition of Altium based on the loan agreement on May 30, 2024. In addition, on August 1, 2024, the Company completed the acquisition of Altium by acquiring all of the issued and outstanding common stock and common stock to be issued by Altium through the wholly-owned subsidiary.

For details, please refer to "Note 21. Additional Information."

2. Others

(1) Situation after the financial closing date

Not applicable.

(2) Litigation

As stated in "Note 20. Contingent liabilities" in the "IV. Accounting Status, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements".

Part II. Information on Guarantor of the Filing Company

Not applicable.