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Renesas Reports Financial Results for the First Quarter Ended March 31, 2023

TOKYO, Japan, April 27, 2023 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the three months ended March 31, 2023.

Summary of Consolidated Financial Results (Note 1)

	Three months ended March 31, 2023	
	Billion Yen	% of Revenue
Revenue	359.4	100.0
Operating profit	123.3	34.3
Profit attributable to owners of parent	105.2	29.3
Capital expenditures (Note 2)	28.0	
Depreciation and amortization	45.0	
R&D expenses (Note 3)	53.7	
Exchange rate (USD)	Yen 133	
Exchange rate (EUR)	142	

	As of March 31, 2023
	Billion Yen
Total assets	2,840.8
Total equity	1,661.1
Equity attributable to owners of parent	1,657.3
Equity ratio attributable to owners of parent (%)	58.3
Interest-bearing liabilities	741.4

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the three months ended March 31, 2023. However, the investments from Dialog Semiconductor Limited (hereinafter "Dialog") and Celeno Communications Inc. (hereinafter "Celeno") are listed as an input basis.

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

Note 4: The allocation of the acquisition costs for the business combination with Steradian Semiconductors Private Limited (hereinafter "Steradian"), which was completed on October 17, 2022, has been revised during the current fiscal year. This revision to the allocation of the acquisition costs has been reflected in the consolidated financial results for the year ended December 31, 2022.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the First Quarter Ended March 31, 2023
English translation from the original Japanese-language document



April 27, 2023

Company name : **Renesas Electronics Corporation**
Stock exchanges on which the shares are listed : Tokyo Stock Exchange, Prime Market
Code number : 6723
URL : <https://www.renesas.com>
Representative : Hidetoshi Shibata, President and CEO
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Tel. +81 (0)3-6773-3002
Filing date of Shihanki Hokokusho (scheduled) : May 10, 2023

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended March 31, 2023

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

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2023	359,374	3.8	123,265	23.5	127,762	62.3	105,271	75.6	105,211	75.7	119,479	(36.6)
Three months ended March 31, 2022	346,288	---	99,823	---	78,742	---	59,937	---	59,883	---	188,501	---

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2023	58.50	57.53
Three months ended March 31, 2022	30.79	30.20

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
March 31, 2023	2,840,835	1,661,136	1,657,332	58.3
December 31, 2022	2,812,491	1,537,463	1,533,735	54.5

2. Cash dividends

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

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

3. Forecast of consolidated results for the six months ending June 30, 2023

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Six months ending June 30, 2023	712,166 to 727,166	(1.6) to 0.5	55.8	(2.6)	33.3	(5.5)

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. The non-GAAP gross margin and the non-GAAP operating margin forecasts are provided assuming the midpoint in the non-GAAP revenue forecast.

Note 2: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore forecasts are provided on a non-GAAP basis.

4. Others

4.1 Changes in significant subsidiaries for the three months ended March 31, 2023: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)

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

4.3 Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)
As of March 31, 2023: 1,958,454,023 shares
As of December 31, 2022: 1,958,454,023 shares
2. Number of treasury stock
As of March 31, 2023: 158,896,378 shares
As of December 31, 2022: 161,488,167 shares
3. Average number of shares issued and outstanding
Three months ended March 31, 2023: 1,798,535,567 shares
Three months ended March 31, 2022: 1,944,641,915 shares

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on April 27, 2023. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

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

The allocation of the acquisition costs for the business combination with Steradian has been revised during the current fiscal year. This revision to the allocation of the acquisition costs has been reflected in the consolidated financial results for the year ended December 31, 2022. For details, please refer to Appendix 1.5, "Notes to Condensed Consolidated Financial Statements (Business Combinations)" on page 12.

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1. Condensed Consolidated Financial Statements

1.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	336,068	361,432
Trade and other receivables	162,623	152,897
Inventories	187,958	188,239
Other current financial assets	6,688	11,566
Income taxes receivable	4,462	4,023
Other current assets	17,320	17,227
Total current assets	715,119	735,384
Non-current assets		
Property, plant and equipment	208,042	226,119
Goodwill	1,264,275	1,272,332
Intangible assets	488,839	466,899
Other non-current financial assets	84,149	85,282
Deferred tax assets	37,876	40,749
Other non-current assets	14,191	14,070
Total non-current assets	2,097,372	2,105,451
Total assets	2,812,491	2,840,835

	(In millions of yen)	
	As of December 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	222,941	230,899
Bonds and borrowings	120,005	271,792
Other current financial liabilities	13,838	13,085
Income taxes payable	79,025	27,235
Provisions	8,099	7,592
Other current liabilities	81,565	62,829
Total current liabilities	525,473	613,432
Non-current liabilities		
Trade and other payables	3,382	625
Bonds and borrowings	635,738	455,504
Other non-current financial liabilities	11,301	12,665
Income taxes payable	2,551	3,202
Retirement benefit liability	24,102	24,105
Provisions	3,289	3,095
Deferred tax liabilities	63,757	60,971
Other non-current liabilities	5,435	6,100
Total non-current liabilities	749,555	566,267
Total liabilities	1,275,028	1,179,699
Equity		
Share capital	153,209	153,209
Capital surplus	348,446	350,197
Retained earnings	828,582	933,577
Treasury shares	(192,171)	(189,087)
Other components of equity	395,669	409,436
Total equity attributable to owners of parent	1,533,735	1,657,332
Non-controlling interests	3,728	3,804
Total equity	1,537,463	1,661,136
Total liabilities and equity	2,812,491	2,840,835

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

Condensed Consolidated Statement of Profit or Loss

(Three months ended March 31, 2022 and March 31, 2023)

	(In millions of yen)	
	Three months ended March 31, 2022	Three months ended March 31, 2023
Revenue	346,288	359,374
Cost of sales	(148,400)	(159,263)
Gross profit	197,888	200,111
Selling, general and administrative expenses	(94,740)	(107,623)
Other income	5,076	32,539
Other expenses	(8,401)	(1,762)
Operating profit	99,823	123,265
Finance income	142	6,265
Finance costs	(21,223)	(1,768)
Profit before tax	78,742	127,762
Income tax expense	(18,805)	(22,491)
Profit	59,937	105,271
Profit attributable to		
Owners of parent	59,883	105,211
Non-controlling interests	54	60
Profit	59,937	105,271
Earnings per share		
Basic earnings per share (yen)	30.79	58.50
Diluted earnings per share (yen)	30.20	57.53

Condensed Consolidated Statement of Comprehensive Income
(Three months ended March 31, 2022 and March 31, 2023)

	(In millions of yen)	
	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	59,937	105,271
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(110)	(34)
Equity instruments measured at fair value through other comprehensive income	(415)	(301)
Total of items that will not be reclassified to profit or loss	(525)	(335)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	134,986	16,849
Cash flow hedges	(5,924)	(2,242)
Cost of hedges	27	(64)
Total of items that may be reclassified subsequently to profit or loss	129,089	14,543
Total other comprehensive income	128,564	14,208
Total comprehensive income	188,501	119,479
Comprehensive income attributable to		
Owners of parent	188,281	119,397
Non-controlling interests	220	82
Total comprehensive income	188,501	119,479

1.3 Condensed Consolidated Statement of Changes in Equity

(Three months ended March 31, 2022)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2022	147,133	337,989	570,292	(11)	13,270	—	(1,475)
Profit	—	—	59,883	—	—	—	—
Other comprehensive income	—	—	—	—	—	(110)	(415)
Total comprehensive income	—	—	59,883	—	—	(110)	(415)
Issuance of new shares	962	956	—	—	—	—	—
Share-based payment transactions	—	1,615	—	—	634	—	—
Transfer to retained earnings	—	—	17	—	(166)	110	39
Total transactions with owners	962	2,571	17	—	468	110	39
Balance as of March 31, 2022	148,095	340,560	630,192	(11)	13,738	—	(1,851)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2022	83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398
Profit	—	—	—	—	59,883	54	59,937
Other comprehensive income	134,820	(5,924)	27	128,398	128,398	166	128,564
Total comprehensive income	134,820	(5,924)	27	128,398	188,281	220	188,501
Issuance of new shares	—	—	—	—	1,918	—	1,918
Share-based payment transactions	—	—	—	634	2,249	—	2,249
Transfer to retained earnings	—	—	—	(17)	—	—	—
Total transactions with owners	—	—	—	617	4,167	—	4,167
Balance as of March 31, 2022	218,274	(6,342)	(126)	223,693	1,342,529	3,537	1,346,066

(Three months ended March 31, 2023)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2023	153,209	348,446	828,582	(192,171)	7,602	—	(1,976)
Profit	—	—	105,211	—	—	—	—
Other comprehensive income	—	—	—	—	—	(34)	(301)
Total comprehensive income	—	—	105,211	—	—	(34)	(301)
Issuance of new shares	—	(298)	—	3,084	—	—	—
Purchase of treasury shares	—	2,049	—	—	(635)	—	—
Share-based payment transactions	—	—	(216)	—	178	34	4
Transfer to retained earnings	—	—	—	—	—	—	—
Total transactions with owners	—	1,751	(216)	3,084	(457)	34	4
Balance as of March 31, 2023	153,209	350,197	933,577	(189,087)	7,145	—	(2,273)

	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	—	—	—	—	105,211	60	105,271
Other comprehensive income	16,827	(2,242)	(64)	14,186	14,186	22	14,208
Total comprehensive income	16,827	(2,242)	(64)	14,186	119,397	82	119,479
Issuance of new shares	—	—	—	—	2,786	—	2,786
Purchase and disposal of treasury shares	—	—	—	(635)	1,414	—	1,414
Share-based payment transactions	—	—	—	216	—	—	—
Transfer to retained earnings	—	—	—	—	—	(6)	(6)
Total transactions with owners	—	—	—	(419)	4,200	(6)	4,194
Balance as of March 31, 2023	412,734	(14,606)	6,436	409,436	1,657,332	3,804	1,661,136

1.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Cash flows from operating activities		
Profit before tax	78,742	127,762
Depreciation and amortization	44,026	45,020
Impairment losses	5,523	693
Finance income and finance costs	3,533	(3,821)
Share-based payment expenses	4,006	4,168
Insurance claim income	(1,005)	(29,611)
Foreign exchange loss (gain)	15,775	(118)
Loss (gain) on sales of property, plant and equipment, and intangible assets	(59)	(450)
Decrease (increase) in inventories	(13,235)	387
Decrease (increase) in trade and other receivables	(15,088)	11,829
Decrease (increase) in other financial assets	(6,971)	(3,981)
Increase (decrease) in trade and other payables	13,116	(1,270)
Increase (decrease) in retirement benefit liability	(216)	(187)
Increase (decrease) in provisions	(1,688)	(524)
Increase (decrease) in other current liabilities	(13,457)	(19,997)
Increase (decrease) in other financial liabilities	(2,159)	(1,967)
Other	(957)	2,298
Subtotal	109,886	130,231
Interest received	62	3,753
Dividends received	4	257
Proceeds from insurance income	1,005	16,278
Income taxes paid	(21,374)	(79,116)
Net cash flows from operating activities	89,583	71,403
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,343)	(22,179)
Proceeds from sales of property, plant and equipment	94	453
Purchase of intangible assets	(4,640)	(5,045)
Purchase of other financial assets	(2,758)	(639)
Proceeds from sales of other financial assets	761	247
Proceeds from insurance income	—	13,333
Other	(3,336)	(3,808)
Net cash flows from investing activities	(25,222)	(17,638)
Cash flows from financing activities		
Repayments of long-term borrowings	(30,018)	(30,000)
Repayments of lease liabilities	(1,330)	(502)
Interest paid	(705)	(674)
Other	(8)	—
Net cash flows from financing activities	(32,061)	(31,176)
Effect of exchange rate changes on cash and cash equivalents	12,983	2,775
Net increase (decrease) in cash and cash equivalents	45,283	25,364
Cash and cash equivalents at beginning of the period	221,924	336,068
Cash and cash equivalents at end of the period	267,207	361,432

1.5 Notes to Condensed Consolidated Financial Statements

(Notes about Going Concern Assumption)
Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in Presentation

(Condensed Consolidated Statement of Cash Flows)

Within cash flows from operating activities category, “Insurance claim income” and “Proceeds from insurance income,” which were disclosed in “Other” for the three months ended March 31, 2022, have been presented separately for the three months ended March 31, 2023 due to the increase in their materiality.

As a result, in the condensed consolidated statement of cash flows for the three months ended March 31, 2022, “Insurance claim income” of (1,005) million yen and “Proceeds from insurance income” of 1,005 million yen are separately presented under cash flows from operating activities. Consequently, “Subtotal” of cash flows from operating activities has been revised from 110,891 million yen to 109,886 million yen.

In addition, the provisional accounting treatments related to the business combinations have been finalized during the year ended December 31, 2022, and adjustments to the allocation of acquisition cost have been reflected in the consolidated statement of cash flows for the three months ended March 31, 2022.

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

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

(Significant Accounting Policies)

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

In addition, income taxes for the three months ended March 31, 2023 are calculated using the estimated annual effective tax rate.

(Significant Accounting Estimates and Judgments)

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

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

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

(Business Segments)

(1) Overview of reportable segments

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

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

(2) Information on reportable segments

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

Segment gross profit and segment operating profit are internal key performance indicators which are used by management when making decisions and are calculated by excluding the following items from IFRS 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.

Three months ended March 31, 2022

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	153,887	189,829	2,980	—	346,696	(408)	346,288
Segment gross profit	79,707	121,639	810	151	202,307	(4,419)	197,888
Segment operating profit	57,516	75,744	810	1,471	135,541	(35,718)	99,823
Finance income							142
Finance costs							(21,223)
Profit before tax							78,742
(Other items)							
Depreciation and amortization	10,782	8,913	—	—	19,695	24,331	44,026

Three months ended March 31, 2023

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	168,272	188,768	2,626	—	359,666	(292)	359,374
Segment gross profit	88,884	112,126	1,037	(21)	202,026	(1,915)	200,111
Segment operating profit	60,675	63,244	1,037	(186)	124,770	(1,505)	123,265
Finance income							6,265
Finance costs							(1,768)
Profit before tax							127,762
(Other items)							
Depreciation and amortization	9,721	9,823	—	—	19,544	25,476	45,020

(3) Information on products and services

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

(4) Information on regions and countries

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

	(In millions of yen)	
	Three months ended March 31, 2022	Three months ended March 31, 2023
Japan	97,860	97,715
China	90,181	90,609
Asia (Excluding Japan and China)	75,605	71,703
Europe	52,389	63,891
North America	28,943	34,211
Others	1,310	1,245
Total	346,288	359,374

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

(Business Combinations)

Business combinations that occurred during the three months ended March 31, 2022 and the three months ended March 31, 2023 are as follows. Immaterial business combinations are not included in this disclosure.

Three months ended March 31, 2022

(Dialog Semiconductor Plc)

As of December 31, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. As of March 31, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

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

(In millions of yen)	
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 1)	519,618
Inventories	316
Property, plant and equipment	(2,531)
Intangible assets (Note 2)	(146,963)
Other (Non-current assets)	(125)
Other (Current liabilities)	(1,458)
Other financial liabilities	345
Deferred tax liabilities	29,731
Other (Non-current liabilities)	(763)
Total adjustments	(121,448)
Goodwill (after adjustment) (Note 1)	398,170

(Note 1) Goodwill reflects future excess earning power expected from synergies between the Company and Dialog Semiconductor Plc (hereinafter "Dialog"). No amount of goodwill is expected to be deductible for tax purposes.

(Note 2) The amount allocated to intangible assets is mainly composed of developed technology, and the fair value of such intangible assets is measured using the excess earnings method based on assumptions such as future business plans and discount rates.

Dialog changed its company name from Dialog Semiconductor Plc to Dialog Semiconductor Limited on September 14, 2021.

Three months ended March 31, 2023

(Celeno Communications Inc.)

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

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

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

(In millions of yen)		
	Three months ended March 31, 2022	Three months ended March 31, 2023
Beginning balance	4,681	1,265
Changes in fair value	(2,159)	(1,232)
Exchange differences	195	0
Ending balance	2,717	33

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs," and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" and "Other expenses." For the three months ended March 31, 2022, other income of 2,159 million yen was recorded for the change of fair value. For the three months ended March 31, 2023, other income of 1,232 million yen was recorded for the change of fair value.

Due to the finalization of the provisional accounting treatment related to the business combination during the three months ended June 30, 2022, the condensed consolidated financial statements for the three months ended March 31, 2022 have been retrospectively revised to reflect the adjustment of the allocation of acquisition costs. As a result, the impact of the revision on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the three months ended March 31, 2022 is immaterial.

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

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

In addition, the revision has no impact on the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income for the three months ended March 31, 2022.

Contingent consideration includes \$11 million which will be paid when certain conditions related to Steradian's future product development and mass production progress are met.

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

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

(In millions of yen)		
	Three months ended March 31, 2022	Three months ended March 31, 2023
Beginning balance	—	1,078
Exchange differences	—	7
Ending balance	—	1,085

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2022	As of March 31, 2023
Notes and trade receivables	158,242	147,019
Other receivables	4,538	6,159
Loss allowance	(157)	(281)
Total	162,623	152,897

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

(Trade and Other Payables)

The components of trade and other payables are as follows.

(In millions of yen)

	As of December 31, 2022	As of March 31, 2023
Trade payables	105,362	94,526
Other payables	41,206	44,328
Electronically recorded obligations	13,940	17,136
Refund liabilities	65,815	75,534
Total	226,323	231,524
Current liabilities	222,941	230,899
Non-current liabilities	3,382	625

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

(Equity and Other Equity Items)

Three months ended March 31, 2022

Not applicable.

Three months ended March 31, 2023

The number of treasury shares decreased by 2,591,789 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) for the three months ended March 31, 2023. As a result, treasury shares decreased by 3,084 million yen. The amount of treasury shares held was 189,087 million yen as of March 31, 2023.

(Revenue)

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

(Selling, General and Administrative Expenses)

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

(In millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Research and development expenses	45,395	53,509
Depreciation and amortization	25,748	26,905
Personnel expenses	15,655	17,922
Retirement benefit expenses	648	915
Other	7,294	8,372
Total	94,740	107,623

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

(Other Income)

The components of other income are as follows.

(In millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Insurance claim income (Note 1)	1,005	29,611
Fair value remeasurements on contingent considerations (Note 2)	2,159	1,232
Reversal of provision for business restructuring	1,066	27
Other	846	1,669
Total	5,076	32,539

(Note 1) Insurance claim income recognized during the three months ended March 31, 2023 is the amount received related to a fire that occurred at Naka Factory of Renesas Semiconductor Manufacturing Co., Ltd, a wholly owned subsidiary of the Company, on March 19, 2021. This insurance payments include the amount for loss of profits due to the fire damage.

(Note 2) For details, please refer to "Business Combinations."

(Other Expenses)

The components of other expenses are as follows.

(In millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Impairment losses (Note)	5,523	693
Business restructuring expenses	490	689
Provision for loss on litigation	935	—
Other	1,453	380
Total	8,401	1,762

(Note) Impairment losses recognized during the three months ended March 31, 2022 are mainly due to the discontinuation of certain in-process research and development projects.

(Subsequent Events)

(Grant of share-based payments)

The Company introduced Performance Share Unit (PSU) and Restricted Stock Unit (RSU) from April 2021.

The Company resolved the granting of the RSU and PSU for Directors, Corporate Officers, and employees of the Company and the subsidiaries at the Board of Directors held on April 11, 2023.

Date of grant of RSU and PSU		April 11, 2023
Category and number of grantees		Outside Directors 1 Director and Corporate Officer 1 Corporate Officers 11 Employees of the Company and the subsidiaries 5,860
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 the 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	12,339,200
	PSU	1,833,600
	Total	14,172,800

- (Note) 1. Our common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting the rights. There is no payment from Directors, Corporate Officers and employees at the time of delivering the stocks.
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.

About Renesas Electronics Corporation

Renesas Electronics Corporation ([TSE: 6723](#)) empowers a safer, smarter and more sustainable future where technology helps make our lives easier. The leading global provider of microcontrollers, Renesas combines our expertise in embedded processing, analog, power and connectivity to deliver complete semiconductor solutions. These Winning Combinations accelerate time to market for automotive, industrial, infrastructure and IoT applications, enabling billions of connected, intelligent devices that enhance the way people work and live. Learn more at [renesas.com](#). Follow us on [LinkedIn](#), [Facebook](#), [Twitter](#), [YouTube](#), and [Instagram](#).

(FORWARD-LOOKING STATEMENTS)

The statements in this press release with respect to the plans, strategies and financial outlook of Renesas and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. Such forward-looking statements do not represent any guarantee by management of future performance. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “continue,” “endeavor,” “estimate,” “expect,” “initiative,” “intend,” “may,” “plan,” “potential,” “probability,” “project,” “risk,” “seek,” “should,” “strive,” “target,” “will” and similar expressions to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements discuss future expectations, identify strategies, contain projections of our results of operations or financial condition, or state other forward-looking information based on our current expectations, assumptions, estimates and projections about our business and industry, our future business strategies and the environment in which we will operate in the future. Known and unknown risks, uncertainties and other factors could cause our actual results, performance or achievements to differ materially from those contained or implied in any forward-looking statement, including, but not limited to, general economic conditions in our markets, which are primarily Japan, North America, Asia, and Europe; demand for, and competitive pricing pressure on, products and services in the marketplace; ability to continue to win acceptance of products and services in these highly competitive markets; and fluctuations in currency exchange rates, particularly between the yen and the U.S. dollar. Among other factors, downturn of the world economy; deteriorating financial conditions in world markets, or deterioration in domestic and overseas stock markets, may cause actual results to differ from the projected results forecast.

This press release is based on the economic, regulatory, market and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in this presentation, which neither we nor our advisors or representatives are under an obligation to update, revise or affirm.