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Renesas Reports Financial Results for the Third Quarter Ended September 30, 2022

TOKYO, Japan, October 26, 2022 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the nine months ended September 30, 2022.

Summary of Consolidated Financial Results (Note 1)

	Three months ended September 30, 2022		Nine months ended September 30, 2022	
	Billion Yen	% of Revenue	Billion Yen	% of Revenue
Revenue	387.1	100.0	1,110.0	100.0
Operating profit	117.9	30.5	327.9	29.5
Profit attributable to owners of parent	74.7	19.3	185.2	16.7
Capital expenditures (Note 2)	19.8		200.3	
Depreciation and amortization	48.0		137.9	
R&D expenses (Note 3)	53.1		150.1	
Exchange rate (USD)	Yen 135		Yen 125	
Exchange rate (EUR)	139		135	

	As of September 30, 2022
	Billion Yen
Total assets	3,013.3
Total equity	1,654.2
Equity attributable to owners of parent	1,650.2
Equity ratio attributable to owners of parent (%)	54.8
Interest-bearing liabilities	820.4

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 and nine months ended September 30, 2022. However, the investments from the former Dialog Semiconductors Plc (hereinafter "Dialog") and Celeno Communications Inc. (hereinafter "Celeno") are listed as an input basis. It should be noted that as of September 14, 2021, Dialog has changed its company name to Dialog Semiconductor Limited.

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 combinations with Dialog has been revised at the end of the three months ended March 31, 2022 and for the business combinations with Celeno at the end of the three months ended June 30, 2022. The revised allocation of the acquisition costs (PPA) has been reflected in the consolidated financial results for the year ended December 31, 2021 and for the three months ended March 31, 2022.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Third Quarter Ended September 30, 2022
English translation from the original Japanese-language document



October 26, 2022

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
Contact person	: Fujiko Yamaguchi, Vice President, IR Office
	Tel. +81 (0)3-6773-3002
Filing date of Shihanki Hokokusho (scheduled)	: November 4, 2022

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the nine months ended September 30, 2022

1.1 Consolidated financial results

(% of change from corresponding period of the previous year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2022	1,110,040	63.3	327,942	180.0	243,102	147.0	185,438	151.3	185,153	151.7	687,261	278.7
Nine months ended September 30, 2021	679,861	---	117,124	---	98,427	---	73,792	---	73,564	---	181,460	---

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2022	98.07	96.21
Nine months ended September 30, 2021	40.57	39.70

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
September 30, 2022	3,013,317	1,654,206	1,650,201	54.8
December 31, 2021	2,426,301	1,153,398	1,150,081	47.4

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, 2021	Yen ---	Yen 0.00	Yen ---	Yen 0.00	Yen 0.00
Year ending December 31, 2022	---	0.00	---		
Year ending December 31, 2022 (forecast)				0.00	0.00

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

3. Forecast of consolidated results for the full year ending December 31, 2022

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Full year ending December 31, 2022	1,492,373 to 1,500,373	50.1 to 50.9	56.9	3.8	36.2	6.3

Note 1: The Group reports its consolidated forecast for the full year 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 nine months ended September 30, 2022: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors

1. Changes in accounting policies with revision of accounting standard: No
2. Changes in accounting policies except for 4.2.1: No
3. Changes in accounting estimates: No

4.3 Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury stock)
 - As of September 30, 2022: 1,957,677,423 shares
 - As of December 31, 2021: 1,943,805,775 shares
2. Number of treasury stock
 - As of September 30, 2022: 168,069,831 shares
 - As of December 31, 2021: 2,581 shares
3. Average number of shares issued and outstanding
 - Nine months ended September 30, 2022: 1,888,006,185 shares
 - Nine months ended September 30, 2021: 1,813,309,523 shares

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on October 26, 2022. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

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

The allocation of the acquisition costs for the business combinations with Dialog has been revised at the end of the three months ended March 31, 2022, and for the business combinations with Celeno at the end of the three months ended June 30, 2022. The revised allocation of the acquisition costs (PPA) has been reflected in the consolidated financial results for the year ended December 31, 2021 and for the three months ended March 31, 2022. For details, please refer to Appendix 1.5, "Notes to Quarterly Consolidated Financial Statements (Business Combinations)" on page 16.

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1. Condensed Consolidated Financial Statements

1.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	221,924	310,116
Trade and other receivables	140,478	178,887
Inventories	137,759	190,657
Other current financial assets	737	2,669
Income taxes receivable	4,395	6,379
Other current assets	12,352	20,568
Total current assets	517,645	709,276
Non-current assets		
Property, plant and equipment	198,165	209,056
Goodwill	1,089,452	1,373,889
Intangible assets	534,778	557,195
Other non-current financial assets	34,633	90,459
Deferred tax assets	42,537	59,530
Other non-current assets	9,091	13,912
Total non-current assets	1,908,656	2,304,041
Total assets	2,426,301	3,013,317

	(In millions of yen)	
	As of December 31, 2021	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	204,330	245,061
Bonds and borrowings	121,105	120,026
Other current financial liabilities	11,595	35,487
Income taxes payable	22,050	54,379
Provisions	11,185	10,700
Other current liabilities	75,623	75,702
Total current liabilities	445,888	541,355
Non-current liabilities		
Trade and other payables	15,100	7,148
Bonds and borrowings	692,983	684,243
Other non-current financial liabilities	11,868	14,655
Income taxes payable	3,792	4,843
Retirement benefit liability	27,926	27,714
Provisions	3,795	3,606
Deferred tax liabilities	65,788	69,924
Other non-current liabilities	5,763	5,623
Total non-current liabilities	827,015	817,756
Total liabilities	1,272,903	1,359,111
Equity		
Share capital	147,133	152,967
Capital surplus	337,989	349,879
Retained earnings	570,292	755,072
Treasury shares	(11)	(200,011)
Other components of equity	94,678	592,294
Total equity attributable to owners of parent	1,150,081	1,650,201
Non-controlling interests	3,317	4,005
Total equity	1,153,398	1,654,206
Total liabilities and equity	2,426,301	3,013,317

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

Condensed Consolidated Statement of Profit or Loss

(Nine months ended September 30, 2021 and September 30, 2022)

	(In millions of yen)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Revenue	679,861	1,110,040
Cost of sales	(342,204)	(474,293)
Gross profit	337,657	635,747
Selling, general and administrative expenses	(217,724)	(309,872)
Other income	5,648	15,679
Other expenses	(8,457)	(13,612)
Operating profit	117,124	327,942
Finance income	3,097	649
Finance costs	(21,794)	(85,489)
Profit before tax	98,427	243,102
Income tax expense	(24,635)	(57,664)
Profit	73,792	185,438
Profit attributable to		
Owners of parent	73,564	185,153
Non-controlling interests	228	285
Profit	73,792	185,438
Earnings per share		
Basic earnings per share (yen)	40.57	98.07
Diluted earnings per share (yen)	39.70	96.21

Condensed Consolidated Statement of Comprehensive Income
(Nine months ended September 30, 2021 and September 30, 2022)

(In millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	73,792	185,438
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(138)	(267)
Equity instruments measured at fair value through other comprehensive income	(156)	(638)
Total of items that will not be reclassified to profit or loss	(294)	(905)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	111,933	531,773
Cash flow hedges	(3,971)	(34,018)
Cost of hedges	—	4,973
Total of items that may be reclassified subsequently to profit or loss	107,962	502,728
Total other comprehensive income	107,668	501,823
Total comprehensive income	181,460	687,261
Comprehensive income attributable to		
Owners of parent	181,114	686,573
Non-controlling interests	346	688
Total comprehensive income	181,460	687,261

Condensed Consolidated Statement of Profit or Loss
(Three months ended September 30, 2021 and September 30, 2022)

	(In millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Revenue	258,308	387,132
Cost of sales	(123,337)	(167,171)
Gross profit	134,971	219,961
Selling, general and administrative expenses	(82,292)	(109,128)
Other income	1,037	9,472
Other expenses	(2,253)	(2,368)
Operating profit	51,463	117,937
Finance income	1,667	259
Finance costs	(5,439)	(22,517)
Profit before tax	47,691	95,679
Income tax expense	(11,778)	(20,816)
Profit	35,913	74,863
Profit attributable to		
Owners of parent	35,859	74,716
Non-controlling interests	54	147
Profit	35,913	74,863
Earnings per share		
Basic earnings per share (yen)	18.53	41.79
Diluted earnings per share (yen)	18.16	41.14

Condensed Consolidated Statement of Comprehensive Income
(Three months ended September 30, 2021 and September 30, 2022)

(In millions of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Profit	35,913	74,863
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2	(25)
Equity instruments measured at fair value through other comprehensive income	(156)	42
Total of items that will not be reclassified to profit or loss	(154)	17
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	26,755	140,424
Cash flow hedges	(7,388)	(21,117)
Cost of hedges	—	6,670
Total of items that may be reclassified subsequently to profit or loss	19,367	125,977
Total other comprehensive income	19,213	125,994
Total comprehensive income	55,126	200,857
Comprehensive income attributable to		
Owners of parent	55,061	200,682
Non-controlling interests	65	175
Total comprehensive income	55,126	200,857

1.3 Condensed Consolidated Statement of Changes in Equity
(Nine months ended September 30, 2021)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2021	28,971	208,253	449,975	(11)	15,959	—	(1,131)
Profit	—	—	73,564	—	—	—	—
Other comprehensive income	—	—	—	—	—	(138)	(156)
Total comprehensive income	—	—	73,564	—	—	(138)	(156)
Issuance of new shares	115,398	114,572	—	—	—	—	—
Share-based payment transactions	—	11,017	—	—	(494)	—	—
Transfer to retained earnings	—	—	87	—	(269)	138	44
Reclassification to non-financial assets	—	—	—	—	—	—	—
Total transactions with owners	115,398	125,589	87	—	(763)	138	44
Balance as of September 30, 2021	144,369	333,842	523,626	(11)	15,196	—	(1,243)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2021	(85,315)	—	—	(70,487)	616,701	2,960	619,661
Profit	—	—	—	—	73,564	228	73,792
Other comprehensive income	111,815	(3,971)	—	107,550	107,550	118	107,668
Total comprehensive income	111,815	(3,971)	—	107,550	181,114	346	181,460
Issuance of new shares	—	—	—	—	229,970	—	229,970
Share-based payment transactions	—	—	—	(494)	10,523	—	10,523
Transfer to retained earnings	—	—	—	(87)	—	—	—
Reclassification to non-financial assets	—	3,604	—	3,604	3,604	—	3,604
Total transactions with owners	—	3,604	—	3,023	244,097	—	244,097
Balance as of September 30, 2021	26,500	(367)	—	40,086	1,041,912	3,306	1,045,218

(Nine months ended September 30, 2022)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2022	147,133	337,989	570,292	(11)	13,270	—	(1,475)
Profit	—	—	185,153	—	—	—	—
Other comprehensive income	—	—	—	—	—	(267)	(638)
Total comprehensive income	—	—	185,153	—	—	(267)	(638)
Issuance of new shares	5,834	5,799	—	—	—	—	—
Purchase of treasury shares	—	(22)	—	(200,000)	—	—	—
Share-based payment transactions	—	6,113	—	—	(4,144)	—	—
Transfer to retained earnings	—	—	(373)	—	20	267	53
Total transactions with owners	5,834	11,890	(373)	(200,000)	(4,124)	267	53
Balance as of September 30, 2022	152,967	349,879	755,072	(200,011)	9,146	—	(2,060)

	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	—	—	—	—	185,153	285	185,438
Other comprehensive income	531,370	(34,018)	4,973	501,420	501,420	403	501,823
Total comprehensive income	531,370	(34,018)	4,973	501,420	686,573	688	687,261
Issuance of new shares	—	—	—	—	11,633	—	11,633
Purchase of treasury shares	—	—	—	—	(200,022)	—	(200,022)
Share-based payment transactions	—	—	—	(4,144)	1,969	—	1,969
Transfer to retained earnings	—	—	—	340	(33)	—	(33)
Total transactions with owners	—	—	—	(3,804)	(186,453)	—	(186,453)
Balance as of September 30, 2022	614,824	(34,436)	4,820	592,294	1,650,201	4,005	1,654,206

1.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Cash flows from operating activities		
Profit before tax	98,427	243,102
Depreciation and amortization	102,460	137,894
Impairment losses	70	7,132
Finance income and finance costs	2,466	9,290
Share-based payment expenses	10,327	13,598
Foreign exchange loss (gain)	14,955	73,291
Loss (gain) on sales of property, plant and equipment, and intangible assets	(3,482)	(9,047)
Decrease (increase) in inventories	(7,714)	(36,518)
Decrease (increase) in trade and other receivables	(3,126)	(15,472)
Decrease (increase) in other financial assets	(3,073)	(20,608)
Increase (decrease) in trade and other payables	35,123	32,627
Increase (decrease) in retirement benefit liability	(1,498)	(1,207)
Increase (decrease) in provisions	1,501	(2,297)
Increase (decrease) in other current liabilities	(29,907)	(8,432)
Increase (decrease) in other financial liabilities	—	(1,163)
Other	1,686	(6,665)
Subtotal	218,215	415,525
Interest received	129	404
Dividends received	219	146
Income taxes paid	(22,343)	(42,907)
Net cash flows from operating activities	196,220	373,168
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,916)	(48,974)
Proceeds from sales of property, plant and equipment	3,763	10,007
Purchase of intangible assets	(10,070)	(16,105)
Purchase of other financial assets	(665)	(5,195)
Proceeds from sales of other financial assets	481	1,044
Payments for acquisitions of subsidiaries	(587,046)	(1,878)
Other	(3,045)	(7,162)
Net cash flows from investing activities	(619,498)	(68,263)
Cash flows from financing activities		
Proceeds from short-term borrowings	270,000	50,000
Repayments of short-term borrowings	—	(51,136)
Proceeds from long-term borrowings	—	47,096
Repayments of long-term borrowings	(69,988)	(98,760)
Proceeds from issuance of shares	223,799	—
Payments for share issuance costs	(1,179)	—
Purchase of treasury shares	—	(200,000)
Repayments of lease liabilities	(2,595)	(5,371)
Interest paid	(5,393)	(3,496)
Other	(16)	(73)
Net cash flows from financing activities	414,628	(261,740)

	(In millions of yen)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Effect of exchange rate changes on cash and cash equivalents	11,853	45,027
Net increase (decrease) in cash and cash equivalents	3,203	88,192
Cash and cash equivalents at beginning of the period	219,786	221,924
Cash and cash equivalents at end of the period	<u>222,989</u>	<u>310,116</u>

1.5 Notes to Condensed Consolidated Financial Statements

(Notes about Going Concern Assumption)
Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in Presentation

(Condensed Consolidated Statement of Cash Flows)

Within "Cash flows from operating activities" category, "Decrease (increase) in other financial assets," which was disclosed in "Other" for the nine months ended September 30, 2021, has been presented separately for the nine months ended September 30, 2022 due to the increase in its materiality. Also, Loss (gain) on sales and valuation of investment securities, which was disclosed in "Other" for the nine months ended September 30, 2021, has been classified to "Finance income and finance costs" for the nine months ended September 30, 2022.

In order to reflect those changes in presentation, Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2021 has been reclassified. Consequently, within "Cash flows from operating activities" category, (5,473) million yen of "Other" has been classified to (3,073) million yen of "Decrease (increase) in other financial assets", 347 million yen of "Other" and (2,747) million yen of "Finance income and finance costs."

For the three months ended March 31, 2022, the Group has completed the purchase price allocation. Therefore, Condensed Consolidated Statement of Cash Flows for the nine months ended September 2021 has been revised.

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

A company has been excluded from the scope of consolidation due to liquidation for the three months ended March 31, 2022.

No change in the scope of consolidation for the three months ended June 30, 2022.

Two companies have been newly included in the scope of consolidation mainly due to acquisition. Eight companies have been excluded from the scope of consolidation mainly due to liquidation for the three months ended September 30, 2022.

(Significant Accounting Policies)

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

In addition, income taxes for the nine months ended September 30, 2022 are calculated using the estimated annual effective tax rate.

(Significant Accounting Estimates and Judgments)

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

Estimates and underlying assumptions are reviewed continuously. The 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.

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

(Business Segments)

(1) Overview of reportable segments

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

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

(2) Information on reportable segments

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

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

Information on reportable segments is as follows.

(Nine months ended September 30, 2021)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	330,666	336,100	13,220	—	679,986	(125)	679,861
Segment gross profit	149,925	206,207	1,679	365	358,176	(20,519)	337,657
Segment operating profit	83,292	106,953	1,678	5,935	197,858	(80,734)	117,124
Finance income							3,097
Finance costs							(21,794)
Profit before tax							98,427
(Other items)							
Depreciation and amortization	32,946	25,185	—	—	58,131	44,329	102,460

(Nine months ended September 30, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	475,438	627,014	8,921	—	1,111,373	(1,333)	1,110,040
Segment gross profit	242,610	398,502	2,478	479	644,069	(8,322)	635,747
Segment operating profit	166,568	251,509	2,478	3,139	423,694	(95,752)	327,942
Finance income							649
Finance costs							(85,489)
Profit before tax							243,102
(Other items)							
Depreciation and amortization	31,990	28,066	—	—	60,056	77,838	137,894

(Three months ended September 30, 2021)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	121,310	132,614	4,509	—	258,433	(125)	258,308
Segment gross profit	59,637	82,398	593	76	142,704	(7,733)	134,971
Segment operating profit	35,451	47,482	592	341	83,866	(32,403)	51,463
Finance income							1,667
Finance costs							(5,439)
Profit before tax							47,691
(Other items) Depreciation and amortization	10,858	8,909	—	—	19,767	16,969	36,736

(Three months ended September 30, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	157,781	226,811	3,022	—	387,614	(482)	387,132
Segment gross profit	77,717	142,147	841	201	220,906	(945)	219,961
Segment operating profit	49,676	91,445	842	871	142,834	(24,897)	117,937
Finance income							259
Finance costs							(22,517)
Profit before tax							95,679
(Other items) Depreciation and amortization	10,562	9,961	—	—	20,523	27,448	47,971

(3) Information on products and services

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

(4) Information on regions and countries

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

(Nine months ended September 30, 2021 and September 30, 2022)

	(In millions of yen)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Japan	224,130	290,156
China	150,367	308,941
Asia (Excluding Japan and China)	139,915	240,346
Europe	104,022	167,474
North America	59,047	98,624
Others	2,380	4,499
Total	679,861	1,110,040

(Three months ended September 30, 2021 and September 30, 2022)

	(In millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Japan	83,444	92,426
China	61,472	112,158
Asia (Excluding Japan and China)	54,075	84,151
Europe	36,714	60,092
North America	21,636	36,679
Others	967	1,626
Total	258,308	387,132

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

(Business Combinations)

Business combinations that occurred during nine months ended September 30, 2021 and nine months ended September 30, 2022 are as follows. Immaterial business combinations are not included in this disclosure.

Nine months ended September 30, 2021

(Dialog Semiconductor Plc)

a. Overview of business combination

The Company made an acquisition of the entire issued and to be issued share capital of Dialog Semiconductor Plc (hereinafter "Dialog") on August 31, 2021. Following the completion of the acquisition, Dialog has become a wholly-owned subsidiary of the Company (hereinafter "the Dialog Acquisition"). In addition, Dialog changed its company name to Dialog Semiconductor Limited on September 14, 2021.

1) Name and overview of the acquiree

Name of the acquiree: Dialog Semiconductor Plc

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

2) Date of the acquisition

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

3) Purpose of the acquisition

Dialog is an innovative provider of highly-integrated and power-efficient mixed-signal ICs for a broad array of customers within IoT, consumer electronics and high-growth segments of automotive and industrial end-markets. Centered around its low-power and mixed-signal expertise, Dialog brings a wide range of product offerings including battery and power management, power conversion, configurable mixed-signal (CMIC), LED drivers, custom mixed-signal ICs (ASICs) and automotive power management ICs (PMICs), wireless charging technology, and more. Dialog also offers broad and differentiated Bluetooth® Low Energy, WiFi and audio system-on-chips (SoCs) that deliver advanced connectivity for a wide range of applications; from smart home/building automation, wearables, to connected medical. All these systems complement and expand Renesas' leadership portfolio in delivering comprehensive solutions to improve performance and efficiency in high-computing electronic systems.

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

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

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

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

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

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

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

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

(Note 1) As of September 30, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories for which the valuation was able to be completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Dialog.

- (Note 2) The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.
- (Note 3) The Company has entered into currency options and forward exchange contracts to hedge the foreign exchange risk against EUR-denominated acquisition consideration payments and adopted hedge accounting. The hedging instruments were settled in cash at the fair value on the acquisition date. The basis adjustment is the amount of change in the fair value of the hedging instruments recorded in other comprehensive income on the acquisition date and were added to the amount of goodwill.
- (Note 4) Goodwill reflects future excess earning power expected from synergies between the Company and Dialog. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

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

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

From the acquisition date to September 30, 2021, the Company recorded the revenue of Dialog of 15,078 million yen, profit of 1,167 million yen in the consolidated statement of profit or loss and consolidated statement of comprehensive income. Assuming that the date of the acquisition of Dialog was at the beginning of the fiscal year, revenue and profit for the nine months ended September 30, 2021 would be 777,765 million yen and 92,886 million yen respectively. As of September 30, 2021, the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized. As a result, the adjustments such as amortization of intangible assets are not reflected in the aforementioned revenue and profit figures.

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

Nine months ended September 30, 2022

(Dialog Semiconductor Plc)

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

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

(In millions of yen)	
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	519,618
Inventories	316
Property, plant and equipment	(2,531)
Intangible assets	(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)	398,170

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

Condensed Consolidated Statement of Financial Position as of December 31, 2021 has been revised retrospectively upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 127,106 million yen and retained earnings has decreased by 7,725 million yen. On the other hand, property, plant and equipment, intangible assets, and deferred tax liabilities have increased by 2,436 million yen, 144,165 million yen, and 29,150 million yen, respectively.

In addition, operating profit has decreased by 2,361 million yen and profit has decreased by 1,893 million yen on the Condensed Consolidated Statement of Profit or Loss for the nine months ended September 30, 2021. Total comprehensive income has decreased by 1,926 million yen on the Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2021.

(Celeno Communications Inc.)

As of December 31, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted. For the three months ended June 30, 2022, the Group has completed the purchase price allocation and revised the goodwill amount as follows. Adjustment in consideration for the acquisition is reflected for the six months ended June 30, 2022.

Fair value of assets acquired and liabilities assumed on the acquisition date (December 20, 2021)

(In millions of yen)	
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	34,193
Inventories	166
Intangible assets	(18,644)
Deferred tax liabilities	409
Adjustment in consideration for the acquisition (Cash)	26
Total adjustments	(18,043)
Goodwill (after adjustment) (Note)	16,150

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

Condensed Consolidated Statement of Financial Position as of December 31, 2021 has been revised retrospectively upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 18,042 million yen and intangible assets has increased by 18,644 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 nine months ended September 30, 2021.

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

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

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

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Beginning balance	—	4,681
Changes in fair value	—	(2,118)
Exchange differences	—	946
Ending balance	—	3,509

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 other than the time value of money is recorded in "other income" and "finance costs". For the nine months ended September 30, 2022, other income of 2,371 million yen and finance costs of 253 million yen were recorded for the change of fair value.

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2021	As of September 30, 2022
Notes and trade receivables	136,810	175,580
Other receivables	3,737	3,657
Loss allowance	(69)	(350)
Total	140,478	178,887

(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, 2021	As of September 30, 2022
Trade payables	104,775	114,423
Other payables	59,262	44,407
Electronically recorded obligations	14,808	11,430
Refund liabilities	40,585	81,949
Total	219,430	252,209
Current liabilities	204,330	245,061
Non-current liabilities	15,100	7,148

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

(Bonds and Borrowings)

a. Bonds

Nine months ended September 30, 2021

Not applicable.

Nine months ended September 30, 2022

Not applicable.

b. Borrowings

Nine months ended September 30, 2021

On August 31, 2021, the Company had borrowed 270,000 million yen under a term loan agreement (Borrowing date: August 31, 2021, Repayment date: February 7, 2022, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd.) to raise a portion of the funds for the Dialog Acquisition.

Nine months ended September 30, 2022

In April 2022, the Company had borrowed 500,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited. under a commitment line agreement dated January 15, 2019. In July 2022, the Company has fully repaid this borrowing.

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

(Equity and Other Equity Items)

Nine months ended September 30, 2021

Based on the resolution at the Board of Directors' meeting held on May 28, 2021, the Company issued 192,252,800 shares through a public offering with the payment due date on June 15, 2021 and 2,067,600 shares of common stock through a third-party allotment with the payment due date of June 28, 2021. As a consequence, share capital increased by 111,899 million yen and capital surplus increased by 111,092 million yen for the nine months ended September 30, 2021.

As a result, the share capital was 144,369 million yen and the capital surplus was 322,842 million yen as of September 30, 2021.

Nine months ended September 30, 2022

Based on the resolution at the Board of Directors' meeting held on April 27, 2022, the Company conducted a tender offer to acquire its own shares and purchased 168,067,250 shares from April 28, 2022 to May 31, 2022. As a consequence, treasury shares increased by 200,000 million yen.

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

(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.

(Nine months ended September 30, 2021 and September 30, 2022)

	(In millions of yen)	
	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Research and development expenses	106,252	149,656
Depreciation and amortization	48,890	81,890
Personnel expenses	37,000	49,308
Retirement benefit expenses	2,068	1,717
Other	23,514	27,301
Total	217,724	309,872

(Three months ended September 30, 2021 and September 30, 2022)

	(In millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Research and development expenses	39,438	53,026
Depreciation and amortization	18,649	28,981
Personnel expenses	12,868	16,904
Retirement benefit expenses	807	643
Other	10,530	9,574
Total	82,292	109,128

(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.

(Nine months ended September 30, 2021 and September 30, 2022)

(In millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Gain on sales of property, plant and equipment	3,541	9,200
Fair value remeasurements on contingent considerations (Note)	—	2,371
Insurance claim income	460	1,455
Reversal of provision for business restructuring	689	1,068
Other	958	1,585
Total	5,648	15,679

(Three months ended September 30, 2021 and September 30, 2022)

(In millions of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Gain on sales of property, plant and equipment	41	8,675
Profit from contract cancellation	516	—
Reversal of provision for business restructuring	285	—
Other	195	797
Total	1,037	9,472

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

(Other Expenses)

The components of other expenses are as follows.

(Nine months ended September 30, 2021 and September 30, 2022)

(In millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Impairment losses (Note)	70	7,132
Business restructuring expenses	1,795	3,095
Provision for loss on litigation	4,675	1,029
Other	1,917	2,356
Total	8,457	13,612

(Three months ended September 30, 2021 and September 30, 2022)

(In millions of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Impairment losses	9	1,371
Business restructuring expenses	979	662
Commitment fee	769	19
Other	496	316
Total	2,253	2,368

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

(Additional Information)

Fire outbreak in a wholly-owned manufacturing subsidiary

On March 19, 2021, a fire broke out at a manufacturing line of Naka Factory (located in Hitachinaka, Ibaraki Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd, a wholly-owned manufacturing subsidiary of the Company.

Due to this fire, the Group recorded 16,036 million yen for restoration and repairment costs of property, plant and equipment, disposal costs and reinspection fees of inventories and fixed costs during the shutdown for the nine months ended September 30, 2021. These are included in cost of sales of 15,930 million yen and other expenses of 106 million yen in the Condensed Consolidated Statement of Profit or Loss. The Group recorded 3,721 million yen for restoration and repairment costs of property, plant and equipment, disposal costs and reinspection fees of inventories and fixed costs during the shutdown for the three months ended September 30, 2021. These are included in cost of sales of 3,670 million yen and other expenses of 51 million yen in the Condensed Consolidated Statement of Profit or Loss. In addition, other payables of the fire related costs are recorded in trade and other payables and other liabilities of 6,147 million yen in the Consolidated Statement of Financial Position as of December 31, 2021.

The Group recorded 942 million yen for restoration and repairment costs of property, plant and equipment for the nine months ended September 30, 2022. These are included in cost of sales in the Condensed Consolidated Statement of Profit or Loss. In addition, the Group received part of fire insurance payments and recorded in other income for the nine months ended September 30, 2022.

(Subsequent Events)

Not applicable.

Forward-Looking Statements

The statements in this press release with respect to the plans, strategies and financial outlook of Renesas Electronics Corporation and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to several important factors including, but not limited to, general economic conditions in our markets, which are primarily Japan, North America, Asia, and Europe; demand for, and competitive pricing pressure on, products and services in the marketplace; ability to continue to win acceptance of products and services in these highly competitive markets; and fluctuations in currency exchange rates, particularly between the yen and the U.S. dollar. Among other factors, downturn of the world economy; deteriorating financial conditions in world markets, or deterioration in domestic and overseas stock markets, may cause actual results to differ from the projected results forecast.

About Renesas Electronics Corporation

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