

Media Contacts

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

Investor Contacts

Yuma Nakanishi
Investor Relations Office
Renesas Electronics Corporation
+81 3-6773-3002
ir@renesas.com

Renesas Reports Financial Results for the Year Ended December 31, 2023

TOKYO, Japan, February 8, 2024 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the year ended December 31, 2023.

Summary of Consolidated Financial Results (Note 1, 4)

	Year ended December 31, 2023	
	Billion Yen	% of Revenue
Revenue	1,469.4	100.0
Operating profit	390.8	26.6
Profit attributable to owners of parent	337.1	22.9
Capital expenditures (Note 2)	75.5	
Depreciation and amortization	186.0	
R&D expenses (Note 3)	233.5	
	Yen	
Exchange rate (USD)	140	
Exchange rate (EUR)	151	

	As of December 31, 2023
	Billion Yen
Total assets	3,167.0
Total equity	2,005.6
Equity attributable to owners of parent	2,001.6
Equity ratio attributable to owners of parent (%)	63.2
Interest-bearing liabilities	667.7

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the year ended December 31, 2023. However, the investments from Dialog Semiconductor Limited (hereinafter "Dialog") and Celeno Communications Inc. (hereinafter "Celeno") are listed as an input basis. It should be noted that as of September 29, 2023, Celeno changed its company name from Celeno Communications Inc. to Renesas Semiconductor Design US Inc.

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") and Panthronics AG (hereinafter "Panthronics") has been revised at the end of three months ended March 31, 2023, and at the end of the three months ended December 31, 2023, respectively. These revisions have been reflected in the consolidated financial results for the year ended December 31, 2022 as well as the consolidated financial results for the three months ended June 30 and September 30, 2023. As of October 12, 2023, Panthronics changed its corporate name to Renesas Design Austria GmbH.

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



February 8, 2024

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 Yukashoken Hokokusho (scheduled) : March 26, 2024
Date of starting payment of dividend (scheduled) : March 29, 2024

(Amounts are rounded to the nearest million yen, unless otherwise noted)

1. Consolidated financial results for the year ended December 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	%
Year ended December 31, 2023	1,469,415	(2.1)	390,766	(7.9)	422,173	16.5	337,311	31.4	337,086	31.4	494,826	(12.6)
Year ended December 31, 2022	1,500,853	51.0	424,153	—	362,282	—	256,770	—	256,615	—	565,969	—

	Basic earnings per share	Diluted earnings per share	Net income per equity attributable to owners	Profit before tax ratio per net assets	Operating profit ratio per revenue
	Yen	Yen	%	%	%
Year ended December 31, 2023	189.77	186.07	19.1	14.1	26.6
Year ended December 31, 2022	137.66	134.84	19.1	13.8	28.3

Note: The Group finalized the provisional accounting treatment for the business combination at the end of the three months ended March 31, 2023, and each figure for the fiscal year ended December 31, 2022 reflects the details of the finalization of the provisional accounting treatment. Due to the revisions to the allocation of the acquisition costs, the percent of change from corresponding period of the previous year for the year ended December 31, 2022 is not stated.

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners	Equity attributable to owners per share
	Million yen	Million yen	Million yen	%	Yen
December 31, 2023	3,167,003	2,005,588	2,001,553	63.2	1,126.31
December 31, 2022	2,812,491	1,537,463	1,533,735	54.5	853.51

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2023	496,627	(267,492)	(181,247)	434,681
Year ended December 31, 2022	479,325	(97,523)	(294,770)	336,068

2. Cash dividends

	Cash dividends per share					Total dividend during the year	Dividends payout ratio (consolidated)	Dividends ratio per assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
	Yen	Yen	Yen	Yen	Yen	---	---	---
Year ended December 31, 2022	---	0.00	---	0.00	0.00	---	---	---
Year ended December 31, 2023	---	0.00	---	28.00	28.00	49,758	14.8	2.8
Year ending December 31, 2024 (forecast)	---	---	---	---	---		---	

Note 1: The amount of the dividend for the year ended December 31, 2023, will be approved by the Group's Ordinary Annual Meeting of Shareholders scheduled for March 2024.

Note 2: For the year ending December 31, 2024, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2024

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Three months ending March 31, 2024	337,500 to 352,500	(6.2) to (2.0)	55.0	(1.2)	30.0	(4.7)

Note 1: The Group reports its consolidated forecast on a quarterly basis 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 full year ended December 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: Yes
 2. Changes in accounting policies except for 4.2.1: No
 3. Changes in accounting estimates: No
- 4.3 Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)

As of December 31, 2023:	1,958,454,023 shares
As of December 31, 2022:	1,958,454,023 shares
 2. Number of treasury stock

As of December 31, 2023:	181,369,882 shares
As of December 31, 2022:	161,488,167 shares
 3. Average number of shares issued and outstanding

Year ended December 31, 2023:	1,776,296,088 shares
Year ended December 31, 2022:	1,864,152,116 shares

(Reference) Non-consolidated results for the year ended December 31, 2023

Non-consolidated financial results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2023	1,065,819	(0.9)	314,758	(10.3)	297,041	6.3	251,871	18.4
Year ended December 31, 2022	1,075,144	39.4	350,991	112.7	279,485	115.2	212,647	86.7

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
December 31, 2023	141.80	139.03
December 31, 2022	114.07	111.73

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2023	2,575,156	1,155,868	44.8	648.97
December 31, 2022	2,553,295	940,437	36.5	498.75

Reference: Equity at the end of the year ended December 31, 2023: 1,152,762 million yen
Equity at the end of the year ended December 31, 2022: 932,835 million yen

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on February 8, 2024. 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, which was completed on October 17, 2022, and for the business combination with Panthronics, which was completed on June 1, 2023, has been revised at the end of three months ended March 31, 2023 and at the end of the three months ended December 31, 2023 respectively. The revised allocation of the acquisition costs has been reflected in the consolidated financial results for the year ended December 31, 2022, as well as the consolidated financial results for the three months ended June 30 and September 30, 2023. For details, please refer to Appendix 3.5, "Notes to Consolidated Financial Statements (Business Combinations)" on page 19.

[APPENDIX]

1. Business Results	2
1.1 Analysis of Business Results	2
1.2 Consolidated Financial Condition	5
1.3 Cash Flows	5
1.4 Consolidated Forecasts	6
1.5 Dividend Payments	6
2. Primary policy for selection of accounting standards	7
3. Consolidated Financial Statements	8
3.1 Consolidated Statement of Financial Position	8
3.2 Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income	10
3.3 Consolidated Statement of Changes in Equity	12
3.4 Consolidated Statement of Cash Flows	14
3.5 Notes to Consolidated Financial Statements	16
(Notes about Going Concern Assumption)	16
(Basis for Preparation)	16
(Basis of Consolidated Financial Statements)	16
(Significant Accounting Policies)	16
(Business Segments)	17
(Business Combinations)	19
(Trade and Other Receivables)	27
(Trade and Other Payables)	27
(Bonds and Borrowings)	27
(Equity and Other Equity Items)	27
(Dividends)	28
(Revenue)	28
(Selling, General and Administrative Expenses)	28
(Other Income)	29
(Other Expenses)	29
(Earnings Per Share)	30
(Subsequent Events)	31

1. Business Results

1.1 Analysis of Business Results

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

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

The Group consists of “Automotive Business” and “Industrial/Infrastructure/IoT Business” and those are the Group’s reportable segments. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5 Notes to Consolidated Financial Statements (Business Segments).”

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

1) Summary of Consolidated Financial Results for the Year ended December 31, 2023 (Non-GAAP basis)

	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)	Year ended December 31, 2023 (Jan 1 – Dec 31, 2023)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue	1,502.7	1,469.7	(33.0)	(2.2%)
Automotive	645.0	695.0	50.0	7.8%
Industrial/Infrastructure/IoT	845.9	764.7	(81.2)	(9.6%)
Non-GAAP Gross Profit	863.2	837.4	(25.7)	(3.0%)
Non-GAAP Gross Margin	57.4%	57.0%	(0.5pt)	---
Automotive	324.4 50.3%	363.2 52.3%	38.8 2.0pts	12.0% ---
Industrial/Infrastructure/IoT	535.3 63.3%	470.8 61.6%	(64.6) (1.7pts)	(12.1%) ---
Non-GAAP Operating Profit	559.4	501.6	(57.7)	(10.3%)
Non-GAAP Operating Margin	37.2%	34.1%	(3.1pts)	---
Automotive	219.2 34.0%	238.7 34.3%	19.5 0.4pt	8.9% ---
Industrial/Infrastructure/IoT	331.8 39.2%	259.0 33.9%	(72.7) (5.3pts)	(21.9%) ---

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

The financial results for the year ended December 31, 2023 are as follows:

<Non-GAAP Revenue>

Consolidated non-GAAP revenue for the year ended December 31, 2023 was 1,469.7 billion yen, a 2.2% decrease year on year. While revenue from the Automotive Business increased driven by the weakening yen, the overall revenue declined mainly due to a decrease in revenue from the Industrial, Infrastructure, and IoT Business, attributable to the softening demand in markets such as PC/mobile phones and consumer electronics.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the year ended December 31, 2023 was 837.4 billion yen, a 25.7 billion yen decrease year on year. This was due to the aforementioned decrease in revenue from the Industrial, Infrastructure, and IoT Business, accompanied by factors such as a deterioration in product mix. As a result, non-GAAP gross margin for the year ended December 31, 2023 was 57.0%, a decrease by 0.5 point year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the year ended December 31, 2023 was 501.6 billion yen, a 57.7 billion yen decrease year on year. This was mainly due to the above-mentioned decrease in gross profit and increase in R&D expenses. As a result, non-GAAP operating margin for the year ended December 31, 2023 was 34.1%, a decrease by 3.1 points year on year.

The revenue breakdown of the business segments for the year ended December 31, 2023 are as follows:

Automotive Business

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

Non-GAAP revenue of the Automotive Business for the year ended December 31, 2023 was 695.0 billion yen, a 7.8% increase year on year. As mentioned earlier, this was mainly due to the yen depreciation effect, and an increase in revenue from products for Advanced Driver-Assistance Systems (ADAS) and xEVs applications.

Non-GAAP gross profit of the Automotive Business for the year ended December 31, 2023 was 363.2 billion yen, a 38.8 billion yen increase year on year. This was mainly due to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the year ended December 31, 2023 was 238.7 billion yen, a 19.5 billion yen increase year on year due to an increase in revenue.

Industrial/Infrastructure/IoT Business

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

Non-GAAP revenue of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2023 was 764.7 billion yen, a 9.6 % decrease year on year. Despite the positive yen depreciation effect, Non-GAAP revenue declined mainly due to a decrease in revenue, attributable to the softening demand in markets such as the PC/mobile phones and consumer electronics as mentioned earlier.

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2023 was 470.8 billion yen, a 64.6 billion yen decrease year on year. This was mainly due to a decrease in revenue.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the year ended December 31, 2023 was 259.0 billion yen, a 72.7 billion yen decrease year on year, mainly due to a decrease in gross profit.

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

(Billion yen)

	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)	Year ended December 31, 2023 (Jan 1 – Dec 31, 2023)
Non-GAAP gross profit	863.2	837.4
Non-GAAP gross margin	57.4%	57.0%
Reconciliations in Revenue Level (Note 1)	(1.8)	(0.3)
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(1.0)	(1.0)
Market valuation of inventories	(1.5)	—
Stock-based compensation	(1.5)	(1.5)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(3.2)	(0.3)
IFRS gross profit	854.0	834.3
IFRS gross margin	56.9%	56.8%
Non-GAAP operating profit	559.4	501.6
Non-GAAP operating margin	37.2%	34.1%
Reconciliations in Revenue Level (Note 1)	(1.8)	(0.3)
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(106.2)	(105.8)
Market valuation of inventories	(1.5)	—
Stock-based compensation	(18.1)	(23.3)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(7.5)	18.5
IFRS operating profit	424.2	390.8
IFRS operating margin	28.3%	26.6%

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

Note 2: "Other reconciliation items in non-recurring expenses and adjustments" includes the non-recurring items related to acquisitions and other adjustments as well as non-recurring profits or losses the Group believes to be applicable.

3) Summary of Consolidated Financial Results for the year ended December 31, 2023 (IFRS basis)

	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)	Year ended December 31, 2023 (Jan 1 – Dec 31, 2023)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	1,500.9	1,469.4	(31.4)	(2.1%)
Gross Profit	854.0	834.3	(19.7)	(2.3%)
Gross Margin	56.9%	56.8%	(0.1 pt)	---
Operating Profit	424.2	390.8	(33.4)	(7.9%)
Operating Margin	28.3%	26.6%	(1.7 pts)	---

1.2 Consolidated Financial Condition

	As of December 31, 2022	As of December 31, 2023	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	2,812.5	3,167.0	354.5
Total equity	1,537.5	2,005.6	468.1
Equity attributable to owners of parent	1,533.7	2,001.6	467.9
Equity ratio attributable to owners of parent (%)	54.5	63.2	8.7
Interest-bearing liabilities	770.0	667.7	(102.3)
Debt to equity ratio	0.50	0.33	(0.17)

Total assets at December 31, 2023 were 3,167.0 billion yen, a 354.5 billion yen increase from December 31, 2022. This was mainly due to an increase in goodwill affected by yen depreciation, etc. Total equity was 2,005.6 billion yen, a 468.1 billion yen increase from December 31, 2022. Despite a decrease resulting from the acquisition of treasury shares, total equity grew mainly due to an increase in other components of equity such as increase in exchange differences on translation of foreign operations following fluctuations in the exchange rate as well as an increase in retained earnings through profit.

Equity attributable to owners of parent increased by 467.9 billion yen from December 31, 2022, and Equity ratio attributable to owners of parent was 63.2%. In addition, Interest-bearing liabilities decreased by 102.3 billion yen from December 31, 2022, mainly due to the repayment of borrowings, despite an increase resulting from revaluation of bonds. Consequently, Debt to equity ratio was 0.33.

The allocation of the acquisition costs for the business combinations has been revised at the end of the three months ended March 31, 2023. The revision to the allocation of the acquisition costs (PPA) has been reflected in the consolidated financial results for the year ended December 31, 2022.

1.3 Cash Flows

	Year ended December 31, 2022 (Jan 1 – Dec 31, 2022)	Year ended December 31, 2023 (Jan 1 – Dec 31, 2023)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	479.3	496.6
Net cash provided by (used in) investing activities	(97.5)	(267.5)
Free cash flows (Note)	381.8	229.1
Net cash provided by (used in) financing activities	(294.8)	(181.2)
Cash and cash equivalents at the beginning of period	221.9	336.1
Cash and cash equivalents at the end of period	336.1	434.7

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

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

Net cash provided by operating activities for the year ended December 31, 2023 was 496.6 billion yen. This was mainly due to a recording of 422.2 billion yen in profit before tax as well as adjustments in non-cash items such as depreciation.

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

Net cash used in investing activities for the year ended December 31, 2023 was 267.5 billion yen. This was mainly due to purchase of property, plant and equipment, payments to Wolfspeed, Inc. for long-term loans receivable, acquisition of shares of Panthronics as well as intangible assets.

The foregoing resulted in positive free cash flows of 229.1 billion yen for the year ended December 31, 2023.

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

Net cash used in financing activities for the year ended December 31, 2023 was 181.2 billion yen. This was mainly due to purchase of treasury shares and repayments of borrowings to main financing banks.

1.4 Consolidated Forecasts

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

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

The gross margin and operating margin forecasts are given assuming the midpoint in the revenue forecast.

(For the three months ending March 31, 2024)

	Non-GAAP Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Previous forecasts	---	---	---
	Million yen	%	%
Forecasts as of February 8, 2024	337,500 to 352,500	55.0	30.0
Increase (decrease)	---	---	---
Percentage change	---	---	---
Reference: The first quarter results of the year ended December 31, 2023	359,666	56.2	34.7

Note: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore, forecasts are provided on a non-GAAP basis. This adjustment and exclusion include step-up depreciation of property, plant and equipment, amortization of intangible assets recognized from acquisitions, other PPA adjustments and stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable.

The consolidated forecasts for the three months ending March 31, 2024 are calculated at the rate of 142 yen per USD and 155 yen per Euro.

The statements with respect to the financial outlook of the Group are forward-looking statements involving risks and uncertainties. The Company cautions you in advance that actual results may vary materially from such forward-looking statements due to several important factors.

1.5 Dividend Payments

From the perspective of maximizing enterprise value, in order to respond to rapid changes in the business environment and thrive in the global marketplace, the Group aims to achieve a durable financial structure by appropriating retained earnings for strategic investments such as research and development of new products and technologies as well as capital expenditures, and to distribute part of its earnings to shareholders. For each dividend period, payment determinations are made with consideration of consolidated and non-consolidated retained earnings, consolidated profits, outlook for profits for the next and future periods, and cash flows status.

As a result of declining business performance due to the deterioration of the business environment surrounding the Group, the Group has continued to withhold dividends since the implementation of the year-end dividend for the fiscal year ended March 31, 2005. However, the Group has established a durable financial structure through measures such as the completion of various structural reforms and growth investments.

In light of these circumstances, as a return to shareholders, the Group has conducted two rounds of buybacks of its own shares totaling 250 billion yen in June 2022 and April 2023. Furthermore, as an additional measure for further return of profits to shareholders, the Group has decided to resume dividend payments. For the fiscal year ended December 31, 2023, the Group plans to distribute a year-end dividend of 28 yen per share. This matter is planned to be proposed at Renesas' Annual General Meeting of Shareholders scheduled for March 2024.

Dividends for the next fiscal year are undecided at this time and will be disclosed as soon as they are determined. The Group will continue to work toward continuous and stable dividends.

2. Primary policy for selection of accounting standards

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

3. Consolidated Financial Statements

3.1 Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	336,068	434,681
Trade and other receivables	162,623	168,991
Inventories	187,958	163,054
Other current financial assets	6,688	4,660
Income taxes receivable	4,462	7,495
Other current assets	17,320	21,792
Total current assets	715,119	800,673
Non-current assets		
Property, plant and equipment	208,042	266,139
Goodwill	1,264,275	1,362,131
Intangible assets	488,839	421,847
Other non-current financial assets	84,149	255,230
Deferred tax assets	37,876	43,385
Other non-current assets	14,191	17,598
Total non-current assets	2,097,372	2,366,330
Total assets	2,812,491	3,167,003

	(In millions of yen)	
	As of December 31, 2022	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	222,941	243,192
Bonds and borrowings	120,005	425,312
Other current financial liabilities	13,838	24,311
Income taxes payable	79,025	41,414
Provisions	8,099	11,215
Other current liabilities	81,565	83,281
Total current liabilities	525,473	828,725
Non-current liabilities		
Trade and other payables	3,382	4,140
Bonds and borrowings	635,738	225,636
Other non-current financial liabilities	11,301	11,371
Income taxes payable	2,551	2,757
Retirement benefit liability	24,102	24,598
Provisions	3,289	3,265
Deferred tax liabilities	63,757	53,528
Other non-current liabilities	5,435	7,395
Total non-current liabilities	749,555	332,690
Total liabilities	1,275,028	1,161,415
Equity		
Share capital	153,209	153,209
Capital surplus	348,446	359,398
Retained earnings	828,582	1,157,236
Treasury shares	(192,171)	(217,691)
Other components of equity	395,669	549,401
Total equity attributable to owners of parent	1,533,735	2,001,553
Non-controlling interests	3,728	4,035
Total equity	1,537,463	2,005,588
Total liabilities and equity	2,812,491	3,167,003

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

Consolidated Statement of Profit or Loss

	(In millions of yen)	
	The year ended December 31, 2022	The year ended December 31, 2023
Revenue	1,500,853	1,469,415
Cost of sales	(646,864)	(635,087)
Gross profit	853,989	834,328
Selling, general and administrative expenses	(426,878)	(466,020)
Other income	17,677	38,404
Other expenses	(20,635)	(15,946)
Operating profit	424,153	390,766
Finance income	1,409	38,142
Finance costs	(63,280)	(6,735)
Profit before tax	362,282	422,173
Income tax expense	(105,512)	(84,862)
Profit	256,770	337,311
Profit attributable to		
Owners of parent	256,615	337,086
Non-controlling interests	155	225
Profit	256,770	337,311
Earnings per share		
Basic earnings per share (yen)	137.66	189.77
Diluted earnings per share (yen)	134.84	186.07

Consolidated Statement of Comprehensive Income

(In millions of yen)

	The year ended December 31, 2022	The year ended December 31, 2023
Profit	256,770	337,311
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1,913	(661)
Equity instruments measured at fair value through other comprehensive income	(130)	(475)
Total of items that will not be reclassified to profit or loss	1,783	(1,136)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	312,709	168,396
Cash flow hedges	(11,946)	(7,015)
Cost of hedges	6,653	(2,730)
Total of items that may be reclassified subsequently to profit or loss	307,416	158,651
Total other comprehensive income	309,199	157,515
Total comprehensive income	565,969	494,826
Comprehensive income attributable to		
Owners of parent	565,558	494,513
Non-controlling interests	411	313
Total comprehensive income	565,969	494,826

3.3 Consolidated Statement of Changes in Equity

(The year ended December 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	—	—	256,615	—	—	—	—
Other comprehensive income	—	—	—	—	—	1,913	(130)
Total comprehensive income	—	—	256,615	—	—	1,913	(130)
Issuance of new shares	6,076	6,040	—	—	—	—	—
Purchase and disposal of treasury shares	—	(442)	—	(192,160)	—	—	—
Share-based payment transactions	—	4,859	—	—	(6,277)	—	—
Transfer to retained earnings	—	—	1,675	—	609	(1,913)	(371)
Total transactions with owners	6,076	10,457	1,675	(192,160)	(5,668)	(1,913)	(371)
Balance as of December 31, 2022	153,209	348,446	828,582	(192,171)	7,602	—	(1,976)

	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	—	—	—	—	256,615	155	256,770
Other comprehensive income	312,453	(11,946)	6,653	308,943	308,943	256	309,199
Total comprehensive income	312,453	(11,946)	6,653	308,943	565,558	411	565,969
Issuance of new shares	—	—	—	—	12,116	—	12,116
Purchase and disposal of treasury shares	—	—	—	—	(192,602)	—	(192,602)
Share-based payment transactions	—	—	—	(6,277)	(1,418)	—	(1,418)
Transfer to retained earnings	—	—	—	(1,675)	—	—	—
Total transactions with owners	—	—	—	(7,952)	(181,904)	—	(181,904)
Balance as of December 31, 2022	395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463

(The year ended December 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	—	—	337,086	—	—	—	—
Other comprehensive income	—	—	—	—	—	(661)	(475)
Total comprehensive income	—	—	337,086	—	—	(661)	(475)
Purchase and disposal of treasury shares	—	2,312	—	(25,520)	—	—	—
Share-based payment transactions	—	1,596	—	—	(5,083)	—	—
Transfer to retained earnings	—	7,044	(8,432)	—	587	661	140
Other	—	—	—	—	—	—	—
Total transactions with owners	—	10,952	(8,432)	(25,520)	(4,496)	661	140
Balance as of December 31, 2023	153,209	359,398	1,157,236	(217,691)	3,106	—	(2,311)

	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	—	—	—	—	337,086	225	337,311
Other comprehensive income	168,308	(7,015)	(2,730)	157,427	157,427	88	157,515
Total comprehensive income	168,308	(7,015)	(2,730)	157,427	494,513	313	494,826
Purchase and disposal of treasury shares	—	—	—	—	(23,208)	—	(23,208)
Share-based payment transactions	—	—	—	(5,083)	(3,487)	—	(3,487)
Transfer to retained earnings	—	—	—	1,388	—	—	—
Other	—	—	—	—	—	(6)	(6)
Total transactions with owners	—	—	—	(3,695)	(26,695)	(6)	(26,701)
Balance as of December 31, 2023	564,215	(19,379)	3,770	549,401	2,001,553	4,035	2,005,588

3.4 Consolidated Statement of Cash Flows

(In millions of yen)

	The year ended December 31, 2022	The year ended December 31, 2023
Cash flows from operating activities		
Profit before tax	362,282	422,173
Depreciation and amortization	186,049	186,009
Impairment losses	7,719	4,872
Finance income and finance costs	9,959	(22,847)
Share-based payment expenses	18,144	23,283
Insurance claim income	(1,467)	(30,665)
Foreign exchange loss (gain)	42,997	(7,589)
Loss (gain) on sales of property, plant and equipment, and intangible assets	(9,583)	(1,337)
Decrease (increase) in inventories	(41,546)	30,070
Decrease (increase) in trade and other receivables	(7,886)	5,126
Decrease (increase) in other financial assets	(29,303)	(6,786)
Increase (decrease) in trade and other payables	13,882	2,438
Increase (decrease) in retirement benefit liability	(4,600)	(303)
Increase (decrease) in provisions	(4,414)	2,112
Increase (decrease) in other current liabilities	(286)	(6,972)
Increase (decrease) in other financial liabilities	(1,454)	(3,987)
Other	(7,826)	(5,773)
Subtotal	532,667	589,824
Interest received	491	25,286
Dividends received	219	388
Proceeds from insurance income	1,467	17,332
Income taxes paid	(55,519)	(136,203)
Net cash flows from operating activities	479,325	496,627
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,135)	(88,223)
Proceeds from sales of property, plant and equipment	10,627	1,783
Purchase of intangible assets	(22,064)	(40,904)
Purchase of other financial assets	(5,602)	(5,548)
Proceeds from sales of other financial assets	1,268	676
Payments for acquisitions of subsidiaries	(6,748)	(9,738)
Payments for settlement of contingent consideration for subsidiary shares	(2,103)	(210)
Proceeds from insurance income	—	13,333
Proceeds from government grant income	—	5,493
Payments for long-term loans receivable	—	(144,150)
Other	(6,766)	(4)
Net cash flows from investing activities	(97,523)	(267,492)
Cash flows from financing activities		
Proceeds from short-term borrowings	50,000	—
Repayments of short-term borrowings	(51,180)	—
Proceeds from long-term borrowings	47,096	—
Repayments of long-term borrowings	(128,767)	(120,015)
Purchase of treasury shares	(200,000)	(50,000)
Repayments of lease liabilities	(5,901)	(5,796)
Interest paid	(5,947)	(5,424)
Other	(71)	(12)
Net cash flows from financing activities	(294,770)	(181,247)

	(In millions of yen)	
	The year ended December 31, 2022	The year ended December 31, 2023
Effect of exchange rate changes on cash and cash equivalents	27,112	50,725
Net increase (decrease) in cash and cash equivalents	114,144	98,613
Cash and cash equivalents at beginning of the period	221,924	336,068
Cash and cash equivalents at end of the period	<u>336,068</u>	<u>434,681</u>

3.5 Notes to Consolidated Financial Statements

(Notes about Going Concern Assumption)
Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

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

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies separately described in "Significant Accounting Policies." Assets and liabilities are measured at a historical cost basis except for items such as financial instruments measured at fair value.

(3) Functional currency and presentation currency

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

(4) Change in Presentation

(Consolidated Statement of Cash Flows)

Within cash flows from operating activities category, "Insurance claim income" and "Proceeds from insurance income," which was disclosed in "Other" for the year ended December 31, 2022, has been presented separately for the year ended December 31, 2023 due to the increase in its materiality.

As a result, in the consolidated statement of cash flows for the year ended December 31, 2022, "Insurance claim income" of (1,467) million yen and "Proceeds from insurance income" of 1,467 million yen are separately presented under cash flows from operating activities. Consequently, "Subtotal" of cash flows from operating activities has been revised from 534,134 million yen to 532,667 million yen.

(Basis of Consolidated Financial Statements)

(1) Scope of consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 95

(Number of subsidiaries decreased mainly due to liquidation: 11)

Intersil (Wuhan) Company Ltd. and other 10 companies.

(Number of subsidiaries increased mainly due to acquisition of shares: 2)

Pantronics AG (hereinafter "Pantronics") and other 1 company.

Pantronics changed its company name to Renesas Design Austria GmbH on October 12, 2023.

(2) Application of Equity Method

There are no affiliates accounted for by the equity method.

(Significant Accounting Policies)

Except as stated below, the significant accounting policies for the consolidated financial statements of the Group are the same with the accounting policies applied in preparing the Group's consolidated financial statements for the prior fiscal year.

Amendments to International Accounting Standard No. 12 "Income Taxes" (hereinafter "IAS 12")

The Group applied the 'International Tax Reform - Pillar Two Model Rules' (Amended IAS 12) for the three months ended June 30, 2023. Based on the exceptions provided in the amended IAS 12, the Group does not recognize deferred tax assets and deferred tax liabilities related to corporate income taxes arising from tax systems that have been established or substantially enacted for the purpose of introducing the second pillar model rules published by the Organization for Economic Cooperation and Development (OECD).

Application of New Accounting Policies

The Group initiated a new loan transaction during the three months ended September 30, 2023, and applied the following accounting policy.

In cases where the transaction price of a financial instrument differs from its fair value at the inception of the transaction, and the fair value is determined using unobservable inputs, the difference between the transaction price and fair value is deferred. This difference is recognized in profit or loss either when amortized over the term of the contract using the straight-line method or when the financial instrument is derecognized.

(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 and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies MCUs, SoC 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.

(The year ended December 31, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	645,040	845,881	11,778	—	1,502,699	(1,846)	1,500,853
Segment gross profit	324,423	535,345	3,394	—	863,162	(9,173)	853,989
Segment operating profit	219,216	331,772	3,394	5,004	559,386	(135,233)	424,153
Finance income							1,409
Finance costs							(63,280)
Profit before tax							362,282
(Other items)							
Depreciation and amortization	42,042	37,790	—	—	79,832	106,217	186,049

(The year ended December 31, 2023)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	695,040	764,707	9,960	—	1,469,707	(292)	1,469,415
Segment gross profit	363,197	470,756	3,482	—	837,435	(3,107)	834,328
Segment operating profit	238,713	259,029	3,482	414	501,638	(110,872)	390,766
Finance income							38,142
Finance costs							(6,735)
Profit before tax							422,173
(Other items)							
Depreciation and amortization	40,492	39,760	—	—	80,252	105,757	186,009

(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.

a. Revenue from external customers

	(In millions of yen)	
	The year ended December 31, 2022	The year ended December 31, 2023
Japan	376,795	376,658
China	424,150	359,069
Asia (Excluding Japan and China)	319,311	310,580
Europe	236,683	261,917
North America	137,815	155,878
Others	6,099	5,313
Total	1,500,853	1,469,415

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

b. Non-current assets

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

	(In millions of yen)	
	The year ended December 31, 2022	The year ended December 31, 2023
Japan	1,586,223	1,705,320
Malaysia	229,101	194,670
North America	66,362	69,518
Europe	41,022	41,943
Asia (Excluding Japan and Malaysia)	38,446	38,666
Others	2	—
Total	1,961,156	2,050,117

(5) Major customers

There was no external customer accounting for 10% or more of revenue in the consolidated statement of profit or loss, and therefore, information is omitted.

(Business Combinations)

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

The year ended December 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. For the year ended December 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 expected synergies with existing business and future excess earning power arising from the acquisition of 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.

(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 year ended December 31, 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 year ended December 31, 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 expected synergies with existing business and future excess earning power arising from the acquisition of Celeno Communications Inc. (hereinafter "Celeno"). No amount of goodwill is expected to be deductible for tax purposes.

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

(Steradian Semiconductors Private Limited.)

a. Overview of business combination

On October 17, 2022, the Company completed the acquisition of Steradian Semiconductors Private Limited. (hereinafter "Steradian"), a fabless semiconductor company providing 4D imaging radar solutions, headquartered in Bengaluru, India. Following the completion of the acquisition, Steradian has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Steradian Semiconductors Private Limited.

Business overview: 4D imaging radar solutions.

2) Date of the acquisition

October 17, 2022.

3) Purpose of the acquisition

Headquartered in Bengaluru, India, Steradian is a start-up founded in 2016 and provides radar solutions that enable highly accurate object recognition and power efficiency in a small chip. Radar is a vital technology for ADAS (Advanced Driver Assistance Systems), which uses a complex combination of various sensors in vehicles to detect objects. Renesas plans to capitalize on the high growth opportunities the automotive radar market offers, by expanding its automotive product portfolio with Steradian's radar technology and extending its reach in the radar market.

The resulting automotive radar solutions will combine the new automotive radar products, Renesas' ADAS SoCs (System-on-Chips) for processing radar signals, power management ICs (PMICs), and timing products together with software for object recognition. Together, these solutions will simplify the design of automotive radar systems and contribute to faster product development.

The combination of Steradian's leading-edge radar technology and engineering talent will boost Renesas' sensing solution offerings in a wide array of applications including industrial systems. Renesas will bring together the best possible device combination and software to meet the growing demand for sensor technology solutions and continue to make engineers' design work easier.

4) Acquisition Method

Acquisition of shares for cash consideration.

b. Consideration for the acquisition and its breakdown

		(In millions of yen)
	Consideration	Amount
Cash		4,971
Fair value of equity interest held just prior to the acquisition date		843
Contingent consideration		1,207
Total	A	7,021

Expenses related to the acquisition were 345 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2022.

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

		(In millions of yen)
		Date of acquisition (October 17, 2022)
Current assets		
Cash and cash equivalents		101
Trade and other receivables (Note 2)		2
Income taxes receivable		19
Other		51
Total current assets		173
Non-current assets		
Property, plant and equipment		19
Intangible assets		5
Deferred tax assets		2
Total non-current assets		26
Total assets		199
Current liabilities		
Trade and other payables		16
Income taxes payable		13
Other		739
Total current liabilities		768
Non-current liabilities		
Retirement benefit liability		5
Other		14
Total non-current liabilities		19
Total liabilities		787
Net assets	B	(588)
Goodwill (Note 3)	A-B	7,609

(Note 1) As of December 31, 2022, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Steradian.

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

(Note 3) Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Steradian. 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	4,971
Cash and cash equivalents held by the acquiree at the time of obtaining control	(101)
Amount of cash paid for the acquisition of subsidiaries (net amount)	4,870

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

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

Assuming that the date of the acquisition of Steradian was at the beginning of the prior fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2022 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2022, the revenue and profit of Steradian from the acquisition date to December 31, 2022 had no significant impact on the consolidated financial statements.

g. Gain on step acquisitions

As a result of revaluing the equity interest (10.64%) of the acquired company held just prior to the acquisition date at fair value on the acquisition date, the Group recognized a gain on step acquisition of 447 million yen. The gain on step acquisition is recorded in Equity instruments measured at fair value through other comprehensive income in the Consolidated Statement of Comprehensive Income.

The year ended December 31, 2023

(Celeno Communications Inc.)

Contingent consideration includes at most \$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.

(In millions of yen)		
	The year ended December 31, 2022	The year ended December 31, 2023
Beginning balance	4,681	1,265
Settlement	(2,205)	(40)
Changes in fair value	(2,201)	(1,235)
Exchange differences	990	10
Ending balance	1,265	—

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 year ended December 31, 2022, other income of 2,464 million yen and finance costs of 263 million yen were recorded for the change of fair value. For the year ended December 31, 2023, other income of 1,242 million yen and finance costs of 7 million yen were recorded for the change of fair value.

(Steradian Semiconductors Private Limited)

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

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

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

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

The 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 impact of the revision on the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended December 31, 2022 is immaterial.

Contingent consideration includes at most \$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)		
	The year ended December 31, 2022	The year ended December 31, 2023
Beginning balance	—	1,078
Increase due to the business combination	1,207	—
Changes in fair value	—	(558)
Exchange differences	(129)	66
Ending balance	1,078	586

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 year ended December 31, 2023, other income of 558 million yen was recorded for the change of fair value.

(Panthronics AG)

a. Overview of business combination

On June 1, 2023, the Company completed the acquisition of Panthronics, a semiconductor company headquartered in Austria, through a wholly-owned subsidiary. Following the completion of the acquisition, Panthronics has become a wholly-owned subsidiary of the Company. Panthronics changed its company name from Panthronics AG to Renesas Design Austria GmbH on October 12, 2023.

1) Name and overview of the acquiree

Name of the acquiree: Panthronics AG.

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

2) Date of the acquisition

June 1, 2023. (Central European Summer Time)

3) Purpose of the acquisition

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

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

4) Acquisition Method

Acquisition of shares for cash consideration via a wholly-owned subsidiary.

b. Consideration for the acquisition and its breakdown

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

Expenses related to the acquisition were 245 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2023.

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

		(In millions of yen)
		Date of acquisition (June 1, 2023)
Current assets		
Cash and cash equivalents		63
Trade and other receivables (Note 2)		662
Inventories		152
Other		44
Total current assets		921
Non-current assets		
Property, plant and equipment		35
Intangible assets		4,872
Other financial assets		9
Deferred tax assets		1,123
Total non-current assets		6,039
Total assets		6,960
Current liabilities		
Trade and other payables		360
Bonds and borrowings		1,893
Other		1,210
Total current liabilities		3,463
Non-current liabilities		
Deferred tax liabilities		1,123
Total non-current liabilities		1,123
Total liabilities		4,586
Net assets	B	(2,374)
Goodwill (Note 3)	A-B	10,221

(Note 1) As of September 30, 2023, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the year ended December 31, 2023, 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 (June 1, 2023)

		(In millions of yen)
Adjusted items	Adjustments of goodwill	
Goodwill (before adjustment) (Note 1)	15,073	
Intangible assets	(4,852)	
Deferred tax assets	(1,123)	
Deferred tax liabilities	1,123	
Total adjustments	(4,852)	
Goodwill (after adjustment) (Note 1)	10,221	

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

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

d. Payments for acquisition of subsidiaries

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

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

Assuming that the date of the acquisition of Panthronics was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2023 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2023, the revenue and profit of Panthronics from the acquisition date to December 31, 2023 had no significant impact on the consolidated financial statements.

g. Contingent consideration

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

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

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

(In millions of yen)		
	The year ended December 31, 2022	The year ended December 31, 2023
Beginning balance	—	—
Increase due to the business combination	—	2,794
Changes in fair value	—	(223)
Exchange differences	—	140
Ending balance	—	2,711

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 year ended December 31, 2023, other income of 223 million yen was 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, 2022	As of December 31, 2023
Notes and trade receivables	158,242	160,590
Other receivables	4,538	8,838
Loss allowance	(157)	(437)
Total	162,623	168,991

(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 December 31, 2023
Trade payables	105,362	99,957
Other payables	41,206	51,878
Electronically recorded obligations	13,940	15,332
Refund liabilities	65,815	80,165
Total	226,323	247,332
Current liabilities	222,941	243,192
Non-current liabilities	3,382	4,140

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

(Bonds and Borrowings)

a. Bonds

The year ended December 31, 2022

Not applicable.

The year ended December 31, 2023

Not applicable.

b. Borrowings

The year ended December 31, 2022

In April 2022, the Company had borrowed 50,000 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 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.). The Company has borrowed a total of 47,096 million yen under these agreements dated June 30, 2022.

The year ended December 31, 2023

Not applicable.

(Equity and Other Equity Items)

The year ended December 31, 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 result, treasury shares increased by 200,000 million yen.

In addition, the number of treasury shares decreased by 6,581,664 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) for the year ended December 31, 2022. As a result, treasury shares decreased by 7,840 million yen.

The amount of treasury shares held was 192,171 million yen as of December 31, 2022.

The year ended December 31, 2023

Based on the resolution at the Board of Directors' meeting held on February 9, 2023, the Company conducted a tender offer to acquire its own shares and purchased 40,453,107 shares from February 10, 2023 to March 10, 2023. As a result, treasury shares increased by 50,000 million yen.

In addition, the number of treasury shares decreased by 20,571,392 shares, due to disposals of treasury shares based on the exercise of stock options, the vesting of Restricted Stock Unit (RSU) and Performance Share Unit (PSU) for the year ended December 31, 2023. As a result, treasury shares decreased by 24,480 million yen.

The amount of treasury shares held was 217,691 million yen as of December 31, 2023.

(Dividends)

(1) Dividend payment amounts

The year ended December 31, 2022

Not applicable.

The year ended December 31, 2023

Not applicable.

(2) Among dividends with a record date that falls under the consolidated fiscal year, for those with an effective date in the subsequent period

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

(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)

	The year ended December 31, 2022	The year ended December 31, 2023
Research and development expenses	205,963	232,777
Depreciation and amortization	111,947	111,504
Personnel expenses	67,569	75,739
Retirement benefit expenses	2,723	4,289
Other	38,676	41,711
Total	426,878	466,020

(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)

	The year ended December 31, 2022	The year ended December 31, 2023
Insurance claim income (Note 1)	1,467	30,665
Fair value remeasurements on contingent considerations (Note 2)	2,464	2,023
Gain on sales of property, plant and equipment (Note 3)	9,749	1,382
Reversal of provision for business restructuring	1,068	—
Other	2,929	4,334
Total	17,677	38,404

(Note 1) Insurance claim income for the year ended December 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."

(Note 3) Gain on sales of property, plant and equipment for the year ended December 31, 2022 is mainly due to the sale of Yamaguchi Factory of Renesas Semiconductor Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, which completed consolidation on June 30, 2022.

(Other Expenses)

The components of other expenses are as follows.

(In millions of yen)

	The year ended December 31, 2022	The year ended December 31, 2023
Business restructuring expenses (Note 1)	3,928	6,740
Impairment losses (Note 2)	7,719	4,872
Loss on disposal of non-current assets	859	1,225
Loss on reduction of non-current assets	—	1,068
Settlement packages (Note 3)	5,488	604
Other	2,641	1,437
Total	20,635	15,946

(Note 1) The Group has reformed its business and structures of production to strengthen its financial basis, and the related expenses are shown as business restructuring expenses. The main items of business restructuring expenses were personnel expenses such as additional retirement benefits and expenses related to disposition of property, plant and equipment associated with consolidating the operating bases.

(Note 2) Impairment losses were mainly due to idle assets for the year ended December 31, 2023, and the discontinuation of certain in-process research and development projects for the year ended December 31, 2022.

(Note 3) Settlements packages are mainly related to past license agreements for the year ended December 31, 2022.

(Earnings Per Share)

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

(1) Basic earnings per share

	The year ended December 31, 2022	The year ended December 31, 2023
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	256,615	337,086
Weighted average number of ordinary shares during the year (thousands of shares)	1,864,152	1,776,296
Basic earnings per share (yen)	137.66	189.77

(2) Diluted earnings per share

	The year ended December 31, 2022	The year ended December 31, 2023
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	256,615	337,086
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	256,615	337,086
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,864,152	1,776,296
Increase in common stock		
Share acquisition rights (thousands of shares)	20,907	10,799
Restricted Stock Unit (thousands of shares)	18,101	24,528
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,903,161	1,811,623
Diluted earnings per share (yen)	134.84	186.07

(Subsequent Events)

(Cancellation of Treasury Shares)

Renesas has resolved at the Meeting of Board of Directors dated February 8, 2024, to cancel treasury shares pursuant to Article 178 of the Companies Act as follows.

(1) Policy for cancellation of treasury stock

Renesas will retain a maximum of approximately 5% of the total number of shares issued and outstanding and, in principle, treasury shares exceeding 5% will be subject to cancellation.

(2) Board of Directors resolution details related to cancellation of treasury stock

- a) Class of shares to be cancelled: Renesas common shares
- b) Number of shares to be cancelled: 87,839,138 shares (approximately 4.5% of shares issued and outstanding)
- c) Scheduled cancellation date: February 29, 2024

After cancellation, the total number of shares issued and outstanding is projected to be 1,870,614,885, and the total number of treasury shares is projected to be 93,530,744. (These numbers are projected based on the total numbers of shares issued and outstanding as well as treasury shares as of December 31, 2023.)

(Acquisition of Transphorm, Inc.)

Renesas entered into a merger agreement to acquire Transphorm, Inc. (hereinafter "Transphorm"), a global leader in GaN (Gallium Nitride) power semiconductors, through a cash transaction via a subsidiary on January 11, 2024.

(1) Purpose of the acquisition

Demand for highly efficient power systems is increasing as building blocks for carbon neutrality. To address this trend, an industry-wide transition toward wide bandgap ("WBG") materials, represented by silicon carbide ("SiC") and GaN, is also being seen. These advanced materials allow a broader range of voltage and switching frequency than conventional silicon-based devices. To build on this momentum, Renesas has announced the establishment of an in-house SiC production line, supported by a 10 year SiC wafer supply agreement.

Through this acquisition, Renesas aims to further expand its WBG portfolio with Transphorm's expertise in GaN, an emerging material that enables higher switching frequency, lower power losses, and smaller form factors. These benefits empower customers' systems with greater efficiency, smaller and lighter composition, and lower overall cost. The Group will implement Transphorm's auto-qualified GaN technology to develop new enhanced power solution offerings, such as X-in-1 powertrain solutions for EVs, along with computing, energy, industrial and consumer applications.

(2) Overview of the acquiree

- a) Name: Transphorm, Inc.
- b) Location: Goleta, California, USA
- c) Business overview: Design and manufacturing of high-performance and highly reliable GaN (Gallium Nitride) semiconductors for high-voltage power conversion applications.

(3) Acquisition Method

Renesas will acquire all outstanding shares of Transphorm's common stock for 5.10 dollars per share in cash, through a subsidiary, representing a premium of approximately 35% to Transphorm's closing price on January 10, 2024, a premium of approximately 56% to the volume weighted average price over the last twelve months and a premium of approximately 78% to the volume weighted average price over the last six months. The total acquisition value amounts to approximately 339 million dollars (equivalent to approximately 49.2 billion yen at an exchange rate of 1 USD = 145 JPY).

(4) Schedule

The acquisition is expected to close in the second half of calendar year 2024, subject to Transphorm stockholder approval, required regulatory clearances and the satisfaction of other customary closing conditions.

About Renesas Electronics Corporation

Renesas Electronics Corporation ([TSE: 6723](https://www.tse-europe.com/quote/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](#).

(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.