To Shareholders

The 19th Ordinary General Meeting of Shareholders Matters for Internet Disclosure

The 19th Business Period from January 1, 2020 to December 31, 2020

■ Stock Acquisition Rights, etc. of the Company
■ Notes to Consolidated Financial Statements
■ Notes to Non-Consolidated Financial Statements

The abovementioned items are disclosed to shareholders on Renesas Electronics Corporation’s Website (http://www.renesas.com) in accordance with laws and regulation as well as Article 16 of Renesas Electronics Corporation’s Articles of Incorporation

Renesas Electronics Corporation

Matters related to Stock Acquisition Rights, etc.

(i) Overview of Stock Acquisition Rights Granted as Stock Options (as of December 31, 2020)

The overview of the stock acquisition rights the Company has granted as stock options is as follows (as of December 31, 2020).

Name (Resolution Date for Issuance)	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights	Amount to be Paid for Stock Acquisition Rights	Exercise Price (per share)	Exercise Period
No. 1 of Year 2016 (June 28, 2016)	387	common stock 38,700 shares	600 yen	1 yen	August 2, 2016 ~August 1, 2026
No. 1 of Year 2017 (March 13, 2017)	3,468	common stock 346,800 shares	1,167 yen	1 yen	April 4, 2017 ~April 3, 2027
No. 2 of Year 2017 (March 13, 2017)	1,617	common stock 161,700 shares	None	1 yen	April 4, 2017 ~April 3, 2027
No. 4 of Year 2017 (June 27, 2017)	8	common stock 800 shares	None	1 yen	July 13, 2017 ~July 12, 2027
No. 8 of Year 2017 (December 27, 2017)	147	common stock 14,700	None	1 yen	January 16, 2018 ~January 15, 2028
No. 1 of Year 2018 (March 16, 2018)	9,722	common stock 972,200 shares	1,092 yen	1 yen	April 3, 2018 ~April 2, 2028
No. 2 of Year 2018 (March 16, 2018)	11,301	common stock 1,130,100 shares	None	1 yen	April 3, 2018 ~April 2, 2028
No. 3 of Year 2018 (June 27, 2018)	2,096	common stock 209,600 shares	995 yen	1 yen	August 1, 2018 ~July 31, 2028
No. 4 of Year 2018 (June 27, 2018)	761	common stock 76,100 shares	None	1 yen	August 1, 2018 ~July 31, 2028
No. 5 of Year 2018 (September 26, 2018)	547	common stock 54,700 shares	None	1 yen	November 1, 2018 ~October 31, 2028
No. 2 of Year 2019 (March 25, 2019)	1,654	common stock 165,400 shares	599 yen	1 yen	April 9, 2019 ~ April 8, 2029
No. 3 of Year 2019 (March 25, 2019)	56,244	common stock 5,624,400 shares	None	1 yen	April 9, 2019 ~ April 8, 2029
No. 4 of Year 2019 (April 23, 2019)	66	common stock 6,600 shares	494 yen	1 yen	June 1, 2019 ~May 31, 2029
No. 5 of Year 2019 (April 23, 2019)	6,139	common stock 613,900 shares	None	1 yen	June 1, 2019 ~May 31, 2029
No. 6 of Year 2019 (June 25, 2019)	20,854	common stock 2,085,400 shares	638 yen	1 yen	July 26, 2019 ~ July 25, 2029
No. 7 of Year 2019 (June 25, 2019)	104,173	common stock 10,417,300 shares	None	1 yen	July 26, 2019 ~ July 25, 2029
No. 8 of Year 2019 (July 30, 2019)	12,103	common stock 1,210,300 shares	629 yen	1 yen	August 24, 2019 ~ August 23, 2029
No. 9 of Year 2019 (July 30, 2019)	12,390	common stock 1,239,000 shares	None	1 yen	August 24, 2019 ~ August 23, 2029
No. 10 of Year 2019 (August 27, 2019)	1,958	common stock 195,800 shares	None	1 yen	September 21, 2019 ~ September 20, 2029

Name (Resolution Date for Issuance)	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights	Amount to be Paid for Stock Acquisition Rights	Exercise Price (per share)	Exercise Period
No. 11 of Year 2019 (September 24, 2019)	1,885	common stock 188,500 shares	660 yen	1 yen	November 1, 2019 ~ October 31, 2029
No. 12 of Year 2019 (September 24, 2019)	4,995	common stock 499,500 shares	None	1 yen	November 1, 2019 ~ October 31, 2029
No. 13 of Year 2019 (November 26, 2019	1,315	common stock 131,500 shares	None	1 yen	December 26, 2019 ~ December 25, 2029
No. 14 of Year 2019 (December 25, 2019)	1,450	common stock 145,000 shares	None	1 yen	February 1, 2020 ~ January 31, 2030
No. 1 of Year 2020 (May 26, 2020)	41,071	common stock 4,107,100	550 yen	1 yen	July 1, 2020 ~ June 30, 2030
No. 2 of Year 2020 (May 26, 2020)	173,912	common stock 17,391,200	None	1 yen	July 1, 2020 ~ June 30, 2030
No 3 of Year 2020 (July 30, 2020)	5,857	common stock 585,700	666 yen	1 yen	August 31, 2020 ~ August 30, 2030
No. 4 of Year 2020 (July 30, 2020)	6,605	common stock 660,500	None	1 yen	August 31, 2020 ~ August 30, 2030
No. 5 of Year 2020 (July 30, 2020)	4,444	common stock 444,400	666 yen	1 yen	September 1, 2020 ~ August 30, 2030
No. 6 of Year 2020 (July 30, 2020)	2,210	common stock 221,000	None	1 yen	September 1, 2020 ~ August 30, 2030
No. 7 of Year 2020 (October 29, 2020)	490	common stook 49,000	927 yen	1 yen	December 1, 2020 ~ November 30, 2030
No. 8 of Year 2020 (October 29, 2020)	9,657	common stock 965,700	None	1 yen	December 1, 2020 ~ November 30, 2030

(Note) 1. After a specified period for each stock acquisition right passes, a holder of the stock acquisition rights may exercise the prescribed portion of those rights each time the applicable stock acquisition right vests.

2. If a holder of the stock acquisition rights ceases to be a Director, a Corporate Officer or the like, such holder can exercise any vested portion of the stock acquisition rights only within the thirteen (13) months period starting from the day immediately following the day such holder ceased to hold such position.

3. Regarding the stock acquisition rights granted under "No.1 of Year 2016", "No.1 of Year 2017", "No.1 of Year 2018", "No.3 of Year 2018", "No.2 of Year 2019", "No.4 of Year 2019", "No.6 of Year 2019", "No.8 of Year 2019", "No.11 of Year 2019", "No.1 of Year 2020", "No.3 of Year 2020", "No.5 of Year 2020" and "No.7 of Year 2020", the obligations to make payments based on the above "Amount to be Paid for Stock Acquisition Rights" are offset by the remunerations payable by the Company, and therefore no monetary payments will be required.

(ii) Stock Acquisition Rights Held by Officers of the Company (as of December 31, 2020)

Name (Resolution Date for Issuance)	Holders of Stock Acquisition Rights	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of the Stock Acquisition Rights
No. 1 of Year 2016 (June 28, 2016)	1 director	387	common stock 38,700 shares

No. 1 of Year 2017 (March 13, 2017)	1 director	166	common stock 16,600 shares
No. 1 of Year 2018 (March 16, 2018)	2 directors	1,439	common stock 143,900 shares
No. 8 of Year 2019 (July 30, 2019)	2 directors	6,217	common stock 621,700 shares
No. 1 of Year 2020 (May 26, 2020)	2 directors	6,906	common stock 690,600 shares
No. 2 of Year 2020 (May 26, 2020)	2 directors	908	common stock 90,800 shares

(Note) 1. No grant of stock acquisition right to outside director and corporate auditor for “No.1 of Year 2016”, “No.2 of Year 2017”, “No.1 of Year 2018”, “No. 8 of Year 2019” and “No.1 of Year 2020”.

2. “No.2 of Year 2020” is a grant to Outside Directors.

(iii) Stock Acquisition Rights Granted to the Employees (excluding those Employees who are also Directors of the Company) of the Company during this Business Period (from January 1, 2020 to December 31, 2020)

Name (Resolution Date for Issuance)	Grantees	Total Number of Stock Acquisition Rights	Type and Number of Company’s Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 1 of Year 2020 (May 26, 2020)	6 Corporate Officers 467 employees	33,223	common stock 3,322,300 shares
No. 2 of Year 2020 (May 26, 2020)	2 Corporate Officers	20,967	common stock 2,096,700 shares
No. 3 of Year 2020 (July 30, 2020)	4 Corporate officers 916 employees	10,593	common stock 1,059,300 shares
No. 4 of Year 2020 (July 30, 2020)	4 Corporate officers	456	common stock 45,600 shares
No. 5 of Year 2020 (July 30, 2020)	219 employees	4,154	common stock 415,400 shares
No. 7 of Year 2020 (October 29, 2020)	3 employees	490	common stock 49,000 shares

(Note) 1. 900 of the stock acquisition rights granted under “No.1 of Year 2020” (common stock of 90,000 shares) have lapsed without being exercised by the end of this Business Period.

2. 2 of the stock acquisition rights granted under “No.3 of Year 2020” (common stock of 200 shares) have lapsed without being exercised by the end of this Business Period.

(iv) Stock Acquisition Rights Granted to the Directors and Employees of the Company’s Subsidiaries during this Business Period (from January 1, 2020 to December 31, 2020)

Name (Resolution Date for Issuance)	Grantees	Total Number of Stock Acquisition Rights	Type and Number of Company’s Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 14 of Year 2019 (December 25, 2019)	23 employees	2,100	common stock 210,000 shares
No. 1 of Year 2020 (May 26, 2020)	2 directors 31 employees	1,868	common stock 186,800 shares

Name (Resolution Date for Issuance)	Grantees	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 2 of Year 2020 (May 26, 2020)	12 directors 1,857 employees	158,924	common stock 15,892,400 shares
No. 3 of Year 2020 (July 30, 2020)	1 director 77 employees	519	common stock 51,900 shares
No. 4 of Year 2020 (July 30, 2020)	5 directors 1,537 employees	35,325	common stock 3,532,500 shares
No. 5 of Year 2020 (July 30, 2020)	18 employees	290	common stock 29,000 shares
No. 6 of Year 2020 (July 30, 2020)	143 employees	2,214	common stock 221,400 shares
No. 8 of Year 2020 (October 29, 2020)	104 employees	9,657	common stock 965,700 shares

(Note)
1. 333 of the stock acquisition rights granted under "No.14 of Year 2019" (common stock of 33,300 shares) have lapsed without being exercised by the end of this Business Period.
2. 26 of the stock acquisition rights granted under "No.1 of Year 2020" (common stock of 2,600 shares) have lapsed without being exercised by the end of this Business Period.
3. 6,447 of the stock acquisition rights granted under "No.2 of Year 2020" (common stock of 644,700 shares) have lapsed without being exercised by the end of this Business Period.
4. 21 of the stock acquisition rights granted under "No. 4 of Year 2020" (common stock of 2,100 shares) have lapsed without being exercised by the end of this Business Period.
5. 4 of the stock acquisition rights granted under "No.6 of Year 2020" (common stock of 400 shares) have lapsed without being exercised by the end of this Business Period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Notes to Basis of Consolidated Financial Statements
1. Basis for Preparation
Renesas Electronics Corporation (hereafter “the Company”) and its subsidiaries (hereafter “the Group”) prepare the notes to consolidated financial statements in accordance with the International Financial Reporting Standards (hereafter “IFRS”) pursuant to Article 120, paragraph 1 of the Regulation on Corporate Accounting. The Group adopts the provision to Article 120, paragraph 1 of the Regulation on Corporate Accounting and omits certain disclosures required by IFRS in the notes to consolidated financial statements.

2. Scope of Consolidation
All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 76

The names of major subsidiaries:
Names of the major consolidated subsidiaries are listed on “1-(7). Principal Subsidiaries (as of December 31, 2020)” in the Business Report and omitted in this part.

(Number of subsidiaries decreased by merger and liquidation: 11)

Renesas Electronics America Inc. (*) and other 10 companies.
(*) Renesas Electronics America Inc. has been excluded from the scope of consolidation upon merger into Integrated Device Technology, Inc. (hereafter “IDT”) on January 1, 2020. Renesas Electronics America Inc. was a specified subsidiary of the Group. IDT took an absorption type merger with Renesas Electronics America Inc. and changed the trade name to Renesas Electronics America Inc.

3. Application of Equity Method
There are no affiliates accounted for by the equity method.

4. Significant Accounting Policies
(1) Financial instruments

a. Financial assets other than derivatives

(a) Initial recognition and measurement

Trade and other receivables are initially recognized at their transaction price on that date, and all other financial assets are initially recognized on the date of the transaction when the Company becomes the contracting party to the financial assets.

At the time of initial recognition, financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value.

(i) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met or otherwise classified as financial assets measured at fair value.

・Assets are held within a business model that aims to hold assets to collect contractual cash flows.

・The contract terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income

・Debt instruments measured at fair value through other comprehensive income

If both of the following conditions are met, financial assets are classified as debt instruments measured at fair value through other comprehensive income.

- Assets are held within a business model whose objective is achieved by both the collection and sale of contractual cash flows.
- The contract terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

・Equity instruments measured at fair value through other comprehensive income

Of financial assets measured at amortized cost, or financial assets other than debt instruments measured at fair value through other comprehensive income, when an irrevocable election at the time of initial recognition is made, subsequent changes in fair value are recognized in other comprehensive income and such equity instruments are classified as financial assets measured at fair value through other comprehensive income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets that do not meet the criteria for either (i) or (ii) above are classified into financial assets measured at fair value through profit or loss.

(b) Impairment of financial assets

For impairment of financial assets measured at amortized cost, the Group has decided to recognize an allowance for expected credit losses of financial assets. On each reporting date, the Group assesses whether the credit losses of the financial instruments have increased significantly subsequent to the initial recognition.

If the credit losses of the financial instruments have not increased significantly after the initial recognition, the allowance for credit losses of the financial instruments is measured at the amount of 12-month expected credit losses, and if the credit losses of the financial instruments have increased significantly after the initial recognition, the allowance for credit losses of the financial instruments is measured at the amount of lifetime expected credit losses.

However, for trade receivables, etc., the allowance for credit losses is always measured at the amount of lifetime expected credit losses.

(c) Derecognition

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial assets expire, or if substantially all risks and rewards associated with ownership of the financial assets are transferred as a result of assigning the contractual right to receive cash flows from the financial assets.

b. Financial liabilities other than derivatives

(a) Initial recognition and measurement

At the time of initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. Although all financial liabilities are initially measured at fair value, financial liabilities measured at amortized cost are measured at an amount obtained by deducting directly attributable transaction costs.

(b) Derecognition

The Group derecognizes financial liabilities when they are extinguished, for example when their obligations specified in the contract are discharged, cancelled or expired.

c. Derivatives and hedge accounting

The Group holds derivative financial instruments for the purpose of hedging the risk of exchange rate fluctuations, etc. The Group has a policy of not conducting speculative derivative transactions.

Derivatives are initially recognized at fair value, and related transaction costs are recognized in profit or loss when they are incurred. After the initial recognition, derivatives are remeasured at fair value, and changes in the fair value are accounted for as described below, depending on whether the derivative financial instruments that are designated as hedging instruments meet the requirements for hedge accounting. The Group designates the derivatives that meet the requirements for hedge accounting as hedging instruments and applies hedge accounting. In addition, at the inception of a hedge, the Group formally documents the risk management objective, the relationship between hedging instruments and the hedged items, along with strategies when executing hedging transactions, and the method of assessing hedge effectiveness.

(i) Cash flow hedges

Of gains or losses from hedging instruments, the effective portion of the hedge is recognized in other comprehensive income, and the ineffective portion is recognized in profit or loss.

The amount of hedging instruments that is recorded in other comprehensive income is reclassified to profit or loss at the time when the underlying hedged transactions affect profit or loss. If the hedged items give rise to the recognition of non-financial assets or non-financial liabilities, the amount that is recognized in other comprehensive income is reclassified as an adjustment to the initial carrying amount of non-financial assets or non-financial liabilities.

For cash flow hedges other than the above, the amount is reclassified from other comprehensive income to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if the accumulated amount is a loss and if all or part of the loss is not expected to be recovered in the future, the amount that is not expected to be recovered is immediately reclassified to profit or loss.

When hedge accounting is terminated, this accumulated amount remains in other comprehensive income until the expected future cash flows occur, and if the forecast transaction is no longer expected to occur, this amount is immediately reclassified to profit or loss.

(ii) Derivatives that do not meet requirements for hedge accounting

Changes in fair value are recognized in profit or loss.

(2) Inventories

The acquisition cost of inventories comprises all costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

After the initial recognition, inventories are measured at the lower of cost and net realizable value, but if cost exceeds net realizable value, the inventories are written down to net realizable value. The net realizable value is calculated by deducting the estimated costs of completion and the estimated costs necessary to make the sale from the estimated selling price in the ordinary course of business.

(3) Property, plant and equipment (other than leased assets)

The acquisition cost of property, plant and equipment includes costs directly related to the acquisition of assets, dismantling, disposal and restoration costs and borrowing costs that meet the requirements for capitalization.

The cost model is used in the measurement of property, plant and equipment, and they are presented at the carrying value obtained by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

Except for land and construction in progress, the acquisition cost of each asset after deducting the residual value is depreciated over the estimated useful life using the straight-line method.

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each fiscal year, and any changes are applied to the period when the estimates are changed and future periods prospectively as a change in the accounting estimate. The impact of the change of these estimates is recognized in the period when the estimates are changed and future periods.

(4) Goodwill and intangible assets

a. Goodwill

Any excess of the consideration for acquisition, the non-controlling interests in the acquiree and the fair value of assets of the acquiree that the acquirer previously held over the net amount of identifiable assets and liabilities as of the date of acquisition is recognized as goodwill. Goodwill is not amortized and is presented at cost, less any accumulated impairment losses.

b. Intangible assets

The cost model is used for intangible assets, and they are presented at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at cost at the time of initial recognition and intangible assets acquired in a business combination are measured at fair value as of the date of acquisition.

Internally generated intangible assets are amortized using the straight-line method from the time when they are provided for use in business operations based on an estimated useful life (5 years) that is expected to provide net cash inflow.

Intangible assets with finite useful lives are amortized over their respective estimated useful life using the straight-line method, etc. and an impairment test is performed if any indications of impairment exist. For intangible assets with finite useful lives, their useful lives and amortization method are reviewed at the end of each fiscal year, and if there is a change, it is applied to the period when the estimates are changed and future periods prospectively as a change in the accounting estimate.

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are not amortized, and an impairment test is performed at a certain time each fiscal year and whenever any indication of impairment exists.

(5) Leases

The leased assets for the Group are land, office building, and machinery, equipment and vehicles.

The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The right-of-use assets are measured at the initial measurement of the lease liabilities, adjusted by items such as prepaid lease payments, adding costs to be incurred by the lessee in restoring the underlying assets to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated over the lease term on a systemic basis.

Lease payments are apportioned between finance costs and repayments of lease liabilities so as to produce a constant interest rate in proportion to the remaining balance of lease liabilities. Finance costs are separately presented from the depreciation charge for the right-of-use assets in the consolidated statement of profit or loss.

In addition, lease payments for lease transactions with lease term under 12 months and leases of small-value assets are recognized as expense over the lease term on a straight-line basis.

(6) Impairment of non-financial assets

The Company determines whether there is any indication that assets (except for inventories, deferred tax assets and assets pertaining to retirement benefits) may be impaired each fiscal year, and if such indication exists, an impairment test is performed. However, for goodwill or intangible assets with indefinite useful lives or that are not yet available for use, an impairment test is performed at a certain time each fiscal year or when any signs of impairment are identified.

In the impairment test, a recoverable amount is estimated, and the carrying amount and the recoverable amount are compared. The recoverable amount of assets, cash-generating units or groups of cash-generating units is calculated at the higher of the value in use and the fair value less costs of disposal. The value in use is calculated by discounting the estimated future cash flows to the present value, using the pre-tax discount rate that reflects the time value of money and risks specific to the asset.

If the recoverable amount of assets, cash-generating units or groups of cash-generating units is lower than the carrying amount as a result of the impairment test, an impairment loss is recognized. When the impairment loss of a cash-generating unit including goodwill is recognized, an allocation is made first to reduce the carrying amount of goodwill that is allocated to the cash-generating unit, and then an allocation is made to proportionally reduce the carrying amount of other assets in the cash-generating unit.

The impairment loss is reversed if there is any indication that the impairment loss recognized in a prior period may no longer exist or may have decreased and if the estimated recoverable amount exceeds the carrying amount. The upper limit of the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years, net of depreciation or amortization. The impairment loss on goodwill is not reversed.

(7) Provisions

The Company recognizes a provision if the Group has assumed a legal or constructive obligation as a result of a past event, if it is probable that an outflow of economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation.

If the time value of the money of the provision is significant, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of the money and risks specific to the liability. The unwinding of the discount amount due to the passage of time are recognized as a finance cost.

(8) Employee benefits

a. Short-term employee benefits

A short-term employee benefit is an employee benefit that will be settled within 12 months from the end of the fiscal year in which the employee renders the related service, and the Group recognizes an amount expected to be paid in exchange for the services rendered during a certain accounting period. Short-term employee benefits in the Group include bonuses and benefits related to paid leave.

Bonuses are recognized as a liability if the Group has a legal or constructive obligation to pay as a result of the provision of service by the employee in the past and if the obligation can be estimated reliably.

b. Post-employment benefits

For post-employment benefit plans, the Group has adopted defined benefit plans and defined contribution plans.

(a) Defined contribution plans

Contributions to defined contribution plans are recognized as an expense when they are incurred unless they are included in inventories or property, plant and equipment.

(b) Defined benefit plans

The net amount of assets or liabilities of the defined benefit plan is the amount obtained by deducting the fair value of the plan assets (including the upper limit of the plan assets and adjustments to minimum funding requirements, if necessary) from the present value of defined benefit obligations, and it is recognized in the consolidated financial statements as an asset or a liability. The defined benefit obligations are calculated using the projected unit credit method, and the present value of defined benefit obligations is calculated by applying a discount rate to the expected payment amount in the future. The discount rate is calculated based on market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period by setting the discount period based on the period until the future expected benefit payment date in each reporting period.

Service costs and net interest expense for the net amount of assets or liabilities related to the defined benefit obligations are recognized in profit or loss. Actuarial gains or losses and fluctuations in the return on the plan assets excluding the portion included in the net interest expense are recognized in other comprehensive income as “Remeasurements of defined benefit plans” in the corresponding period and are immediately transferred from other components of equity to retained earnings. Past service costs are recognized in profit or loss when the plan is revised or curtailed, or when related restructuring costs or termination benefits are recognized, whichever is earlier.

(9) Foreign currency translation

a. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate or a rate approximate to the spot exchange rate on the date of the transaction. Monetary items denominated in a foreign currency at the end of the reporting period are translated into the functional currency using the closing rate, while non-monetary items denominated in a foreign currency that are measured at historical cost are translated using the exchange rate in effect on the date of the initial transaction, and those that are measured at fair value are translated using the exchange rate in effect on the date when the fair value was calculated.

Exchange differences from translation or settlement are recognized in profit or loss during the period when they arise. However, exchange differences arising from equity instruments and cash flow hedges measured through other comprehensive income are recognized in other comprehensive income.

b. Foreign operations

In preparing the consolidated financial statements, the assets and liabilities of a foreign operation whose functional currency is other than Japanese yen are translated into Japanese yen at the exchange rate as of the closing date of the consolidated financial statements, and profit or loss and cash flows of the foreign operation are translated into Japanese yen at the exchange rate on the date of the transaction or the average exchange rate for the period that is approximate to the exchange rate. Exchange differences are recognized in other comprehensive income, and the cumulative amount thereof is recognized in other components of equity.

On disposal of the entire ownership interest in a foreign operation or part of the interest that results in a loss of control or significant influence, the exchange differences of the foreign operation that were recognized in other comprehensive income and accumulated in equity are reclassified from equity to profit or loss when the related gains or losses on disposal are recognized.

(10) Revenue recognition

The Group recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is mainly recognized when the goods are delivered as the ownership of these goods has been transferred to the customer and the performance obligations are identified at the time of delivery.

Also, revenue is measured at the fair value of the consideration received after deducting discounts, rebates and returns.

(11) Other significant accounting policies

a. Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

b. Adoption of consolidated taxation system

The Company and its subsidiaries in Japan adopt the consolidated taxation system.

Notes to Change in Accounting Policy

Following the acquisition of IDT and the absorption type merger of Renesas Electronics America Inc. by IDT, the Company began to integrate its business processes and IT systems from January 1, 2020 for the launch of “One Renesas” operations. In conjunction with the integration, the Company has also decided to revise the classification of expenses in order to better present the financial position and results of operations of the Group.

Royalty expenses paid as technology licensing fees were recorded in selling, general and administrative expenses in the past. However, because the percentage of royalty expenses linked to sales revenue has been increasing in recent years, the Company has decided to divide the royalty expenses into those linked to sales revenue and those not linked to sales revenue and from the current fiscal year, the portion linked to sales revenue has been classified into cost of sales and inventories as manufacturing costs. In addition, the costs incurred by the department at the head office, which oversees IT infrastructure and company-wide system operations, were previously recorded in selling, general and administrative expenses. However, from the current fiscal year, the Company has changed its method of accounting for the IT costs to be recorded in cost of sales and inventories as manufacturing costs as well as research and development expenses (selling, general and administrative expenses) to reflect the nature of the expenses, as it is more appropriate to allocate those costs to the beneficiaries who actually use the infrastructure and systems.

The change in accounting policy has been applied retrospectively to the consolidated financial statements. Due to the cumulative effect of this change, the beginning balance of retained earnings in the consolidated statement of changes in equity after retroactive application increased by 789 million yen. This accounting change has no material impact on earnings per share.

Additional Information

In preparing the consolidated financial statements, management of the Group makes judgments, accounting estimates and assumptions that impacted 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.

The Group reflects the impact of COVID-19 to estimates and assumptions (impairment test of goodwill and collectability of deferred tax assets, etc.), which are based on information available and believes to be reasonable at the moment.

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

Notes to Consolidated Statement of Financial Position

1. Assets pledged as collateral and secured liabilities

(Assets pledged as collateral)

	(In millions of yen)
Buildings and structures	35,480
Machinery and equipment	33,708
Land	16,720
Total	85,908

(Note) Other than the above, the share of subsidiary (1,148,461 million yen) which has been eliminated in consolidation was provided as collateral.

(Secured liabilities)

	(In millions of yen)
Current portion of long-term borrowings	93,170
Long-term borrowings	586,563
Total	679,733

2. Accumulated Depreciation of Property, Plant and Equipment: 893,851 million yen
(Including accumulated impairment losses of property, plant and equipment)

3.Guarantees:

Guarantees for employees' housing loans: 36 million yen

4. Other:

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, investigation by regulatory authorities and other legal proceedings in various countries. The Group has recorded provision for loss on litigation in accordance with what can be reasonably estimated for the cases below.

The Group's subsidiary has been named as a defendant in a civil lawsuit in the United States related to the alleged patent infringement and trade secret violation.

The Group has been named in the United Kingdom as a defendant in civil lawsuits related to possible violations of competition law involving smartcard chips brought by purchasers of such products.

The Group's subsidiary in Taiwan may be subject to requests for restitution for environmental pollution associated with a factory in Taiwan owned by the subsidiary's predecessor company.

Notes to Consolidated Statement of Changes in Equity

1. The type and total number of shares issued and outstanding as of December 31, 2020
   Common stock 1,731,898,990 shares

2. The type and number of shares to be acquired upon exercise of the stock options (excluding share acquisition rights of which the commencement date of exercise period has not yet arrived) as of December 31, 2020
   Common stock 49,952,600 shares

Notes to Financial Instruments

1. Situations of financial instruments

(1) Policies for Financial Instruments

Regarding fund operation, the Group uses only short-term deposits and financial assets which are relatively safe. Regarding financing, the Group uses mainly borrowings from banks. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates and interest payments. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

(2) Contents and Risks of Financial Instruments and Risk Management

The Group is exposed to financial risks (credit risk, liquidity risk and market risk) in the process of executing its business activities. Accordingly, the Group regularly monitors the financial risks based on internal management regulations, etc. and takes measures to avoid or reduce the risks as required.

The Group does not engage in derivative transactions for speculative purposes.

(3) Credit risk

Notes and trade receivables are exposed to the credit risk of customers. Conforming to the internal rules for the management of receivables, the Group regularly monitors major customers' credit and manages the due dates of collection and the balance for each customer. Other receivables are exposed to the credit risk of customers, but most of them are settled in the short term. Short-term investments are financial assets invested on a short-time basis, and the Group transacts with highly creditworthy financial institutions. Trade receivables, etc. are regarded as non-performing if all or part of them cannot be collected or if collection is deemed extremely difficult. The Group does not have any exposure to the significant credit risk of certain customers, and there is no excessive concentration of credit risk that requires special management.

(4) Liquidity risk

The Group is exposed to liquidity risk whereby the performance of payment obligations could become difficult. To limit its exposure to liquidity risk, however, the Group works to maintain fund management through the optimization of capital efficiency through the efficient management of working capital and the central management of funds by the Company. The Group also manages the liquidity risk by appropriately maintaining liquidity on hand through the timely preparation and updating of the financing plan and taking the external financial environment into account.

(5) Market risk

(a) Foreign currency exchange risk

Foreign currency receivables and obligations arising from the global business development of the Group are exposed to the risk of foreign exchange rate fluctuations. To reduce the risk of foreign exchange rate fluctuations, the Group uses currency options and currency swaps.

(b) Interest rate risk

Although the Group raises funds through borrowings for the purpose of securing funds for long-term working capital and the promotion of growth strategies, the Group is exposed to the risk of interest rate fluctuations because some borrowings are made at floating interest rates. To reduce the risk of changes in the interest paid on borrowings, the Group uses interest rate swaps as required. Accordingly, the Group has decided that the impact of the risk of interest rate fluctuations on the Company is limited and insignificant and does not conduct a sensitivity analysis for interest rate risk.

(c) Stock price risk

The Group has adopted an incentive plan for its employees for the purpose of securing excellent human resources, particularly at subsidiaries. To operate the incentive plan, the Group holds shares and other financial instruments for the long term and is exposed to the risk of changes in their market prices. Please note that, following the introduction of a share-based payment plan (hereafter “the stock option plan”), the incentive plan was abolished and there was no new issuance.

The Group does not conduct a sensitivity analysis for the risk of changes in share prices since the impact of changes in share prices are immaterial.

2. Fair value of financial instruments

(1) Calculation method of fair value

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

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

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

(b) Trade and other payables

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

(c) Securities

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

(d) Long-term borrowings

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

(e) Derivative transactions

The fair value of currency options and currency swaps are calculated based on the price, etc. provide by customers’ financial institutions and classified as Level 2.

(f) Bonds

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

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

(2) Classification of financial instruments measured at fair value by levels
In the fair value hierarchy, financial instruments are classified from Level 1 to Level 3 as follows.
Level 1: Fair value measured using unadjusted quoted prices in the active markets
Level 2: Fair value other than quoted prices included within Level 1 that are observable, either directly or indirectly
Level 3: Fair value calculated by using a valuation technique including inputs that are not based on observable market data
Transfers between the levels in the fair value hierarchy are recognized on the assumption that the transfers occur at the end of each reporting period.
There is no transfer between the levels.

(a) Financial instruments measured at amortized cost
The carrying amount and the fair value of financial instruments measured at amortized cost are as follows. Other payables are included in "Trade and other payables" in the consolidated statement of financial position. Financial instruments measured at fair value, financial instruments whose carrying amount closely approximates fair value and lease liabilities are not included in the table below.

(In millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	679,733	—	680,962	—	680,962
Bonds	11	—	11	—	11
Other payables	47,433	—	46,736	—	46,736
Total	727,177	—	727,709	—	727,709

(b) Financial instruments measured at fair value
The components of financial instruments measured at fair value on a recurring basis that are classified as each level of the fair value hierarchy are as follows.
Investment trust and unlisted securities are included in "Other financial assets" in the consolidated statement of financial position.

(In millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investment trust	4,160	—	—	4,160
Unlisted securities	—	—	2,498	2,498
Financial assets measured at fair value through other comprehensive income				
Unlisted securities	—	—	2,242	2,242
Total	4,160	—	4,740	8,900

Notes to Per Share Information

Equity attributable to owners per share: 356.08 yen
Basic earnings per share: 26.54 yen

Significant Subsequent Events

Acquisition of Stock of Dialog Semiconductor Plc (hereafter "Dialog").

On February 8, 2021, the Company has reached an agreement with Dialog in the UK, on the terms of a recommended all-cash acquisition by the Company of the entire issued and to be issued share capital of Dialog, thereby making Dialog a wholly-owned subsidiary of the Company (the "Acquisition").

1) 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 (BLE), 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 the Company's leadership portfolio in delivering comprehensive solutions to improve performance and efficiency in high-computing electronic systems.

The Acquisition demonstrates the Company's 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 the Company to build more robust and comprehensive solutions to serve high-growth segments of the IoT and automotive markets.

2) Overview of the acquiree

(1) Name	Dialog Semiconductor Plc
(2) Address	100 Longwater Avenue, Reading, RG2 6GP, United Kingdom
(3) Business description	Development, manufacturing and sales of analog ICs such as mixed-signal devices
(4) Capital amount	14,253 thousand USD (As of September 2020)
(5) Date of foundation / incorporation	February 1998

3) Acquisition Method

The Company will implement a scheme of arrangement pursuant to UK law. The scheme of arrangement is a method of acquisition whereby, with the agreement of Dialog, the Acquisition will be executed by obtaining approvals from Dialog shareholders and the Court. Through this method, the Company will acquire 100% of the issued and to be issued share capital of Dialog.

The Acquisition needs to be approved by an affirmative vote of a majority of the shareholders in attendance at a meeting of shareholders convened by the Court and the number of the voting rights held by such shareholders who approve the Acquisition needs to represent 75% or more of the total number of voting rights. In addition, approval must be obtained from the Court following the necessary regulatory clearances from the relevant countries including United States, China and Germany.

Number of shares to be acquired, acquisition price, and share ownership before and after the Acquisition are as follows.

(1) Number of shares owned before the Acquisition	0 share (Ownership ratio: 0.0%)
(2) Number of shares to be acquired	72,387,613 shares (Note) (Ratio to the number of issued shares: 100.0%)
(3) Acquisition Value	Approximately EUR 4,886 million (approximately 615.7 billion yen, calculated at 126 yen per euro)
(4) Number of shares owned after the Acquisition	72,387,613 shares (Ratio to the number of issued shares: 100.0%)

Note: The number of shares is on a fully-diluted basis as of December 31, 2020

4) Schedule

With the aforementioned conditions, the Acquisition is expected to become effective by the end of the fiscal year ending December 31, 2021.

5) Execution of Loan Agreement in relation to the Acquisition

To procure the funds for the Acquisition, the Company entered into a loan agreement (Facilities Agreement) as described below on February 8, 2021.

(1) Borrowing limit	735.4 billion yen
(2) Execution date of agreement	February 8, 2021
(3) Period of loan execution	From the execution date of the Facilities Agreement until February 3, 2022
(4) Repayment date	February 7 , 2022
(5) Participating financial institutions	MUFG Bank, Ltd. and Mizuho Bank, Ltd.

6) Filing of Shelf Registration Statement for the Issuance of New Shares
To enable the Company to flexibly issue new shares to procure a portion of the funds for the Acquisition, the Company has filed the Shelf Registration Statement in Japan for the issuance of new shares as follows on February 8, 2021.

(1) Class of Securities to be offered	Shares of common stock of the Company
(2) Scheduled Issue Period	For one year from the scheduled effective date of the Shelf Registration (From February 24, 2021 to February 23, 2022)
(3) Scheduled Issue Amount	Up to 270 billion yen
(4) Offering Method	To be determined
(5) Use of Proceeds	To procure the funds for the Acquisition, or for repayment of the borrowing conducted to procure the fund for the Acquisition
(6) Underwriters	To be determined

Other Notes

1. Business Restructuring Expenses

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

Please note that business restructuring expenses are included in “Other expenses” in the consolidated statement of profit or loss.

2. Impairment Losses

The Group recorded idle assets in impairment losses for the year ended December 31, 2020. Impairment losses are included in “Other expenses” in the consolidated statement of profit or loss.

The breakdown of impairment losses by asset type is as follows.

Property, plant and equipment: 2,070 million yen

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

All figures are rounded to the nearest 1 million yen.

Notes to Significant Accounting Policies

1. Valuation Methods for Assets

1) Securities

Shares of subsidiaries and affiliates:

These shares are carried at cost determined by the moving-average method.

Other securities:

Marketable securities:

Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

2) Derivatives

Derivative financial instruments are stated at the fair value.

3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows;

Finished goods:

Custom-made products:

Specific identification method

Mass products:

Average method

Work in process:

Custom-made products:

Specific identification method

Mass products:

Average method

Raw materials and supplies:

Average method as principal method

2. Depreciation and Amortization Method for Non-current assets

1) Property, plant and equipment other than leased assets

Depreciated by the straight-line method

2) Intangible assets

Amortized by the straight-line method

3) Leased assets

Leased assets under finance leases under which the ownership of the assets is transferred to the lessee

Depreciated in the same way as self-owned Non-current assets.

Leased assets under finance leases other than those under which ownership of the assets is transferred to the lessee

Amortized by the straight-line method over the lease term, assuming no residual value.

4) Long-term prepaid expenses

Amortized by straight-line method, etc.

3. Basis of Allowances and Provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experiences for normal receivables and on an individual estimate of the collectability for receivables from companies in financial difficulty.

2) Provision for retirement benefits

Provision for retirement benefits or prepaid pension costs is recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end.

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods. The amortization starts from the following year of the gains and losses recognized.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods.

3) Provision for products warranties
The Company accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.

4) Provision for loss on guarantees
Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Company has taken into account for the deterioration of financial conditions.

5) Provision for business restructuring
Provision for business restructuring is made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.

6) Provision for contingent loss
In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when a provision is made at the reasonably estimated amount with a consideration of individual risks associated with each contingency.

7) Provision for sales rebates
The Company records estimated amount of rebate calculated based on the actual rebate rate, etc. as provision for sales rebates in order to prepare for the expenditure of the future sales rebates.

4. Accounting Treatment for Retirement Benefits
Accounting treatment for actuarial gains and losses and prior service costs differ from those applied in the consolidated financial statements.

5. Hedge Accounting Method
1) Hedge accounting method
Hedging activities are accounted for under the deferred hedge method.

2) Hedging instruments and hedged items
Hedging instruments: Forward exchange contracts, Currency options, Currency swaps
Hedged items: Forecasted transaction in foreign currency

3) Hedging policy
Based on the Group's internal rules, the Company applies hedge accounting to reduce the risk of foreign exchange fluctuations associated with hedged items.

4) Assessment of hedge effectiveness
The effectiveness of the hedging is evaluated by comparing the accumulated cash flow of the hedging instruments with that of the hedged items.

6. Accounting Treatment for Consumption Tax
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

7. Adoption of Consolidated Taxation System
Consolidated taxation system is adopted.

The Company has not applied the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set forth in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 issued March 31, 2020) to the items for which the non-consolidated taxation system was revised in line with the shift from the consolidated taxation system to the group tax sharing system, which was created under "Act on Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and posted the amounts of deferred tax assets and deferred tax liabilities based on the provisions of tax laws before the revision.

Changes in Accounting Policy (Changes of the classification of expenses)

Following the acquisition of Integrated Device Technology, Inc. (hereafter "IDT") and the absorption type merger of Renesas Electronics America Inc. by IDT, the Company began to integrate its business processes and IT systems from January 1, 2020 for the launch of "One Renesas" operations. In conjunction with the integration, the Company has also decided to revise the classification of expenses in order to better present the financial position and results of operations of the Group. For details, please refer to "Consolidated Financial Statements," "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Notes to Change in Accounting Policy)."

Additional Information

In preparing the Non-consolidated financial statements, management of the Company makes judgments, accounting estimates and assumptions that impacted 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.

The Company reflects the impact of COVID-19 to estimates and assumptions (collectability of deferred tax assets, etc.), which are based on information available and believes to be reasonable at the moment.

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

Notes to Balance Sheet

1. Assets Pledged as Collateral and Secured liabilities

(1) Assets pledged as collateral

(In millions of yen)

Buildings	29,097	(29,097)
Structures	3,712	(3,712)
Machinery and equipment	33,393	(33,393)
Land	16,587	(16,525)
Shares of subsidiaries and affiliates	1,148,461	—
Total	1,231,250	(82,727)

(2) Secured liabilities

(In millions of yen)

Current portion for long-term borrowings	93,170	(93,170)
Long-term borrowings	590,633	(590,633)
Total	683,803	(683,803)

*Amounts in parenthesis represent assets pledged as collateral and secured liabilities related to factory properties.

2. Accumulated Depreciation of Property, Plant and Equipment: 659,456 million yen

3. Accumulated Impairment Losses of Property, Plant and Equipment:

Accumulated impairment losses are included in accumulated depreciation of property, plant and equipment.

4. Guarantees:

Liabilities for Guarantee

Loan of affiliated companies	17,587 million yen
Guarantees for employees' housing loans	32 million yen

5. Monetary Receivables from and Payables to Affiliated Companies:

Short-term receivable	63,734 million yen
Short-term payable	244,270 million yen

Notes to Statement of Operations

1. Transactions with Affiliated Companies:

Amounts of operating transactions	
Net sales	273,634 million yen
Purchases	317,253 million yen
Amounts of non-operating transactions	1,761 million yen

2. Insurance claim income

In regard to the payment of provision for contingent, insurance income received from the insurance company is recorded.

3. Business Restructuring Expenses

The Company has continuously reformed its businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business restructuring expenses.

The details of business restructuring expenses (793 million yen) are as follows:

(In millions of yen)

Impairment losses and expenses from the reformation of the operating bases	779
Other	14
Total	793

4. Provision for contingent losses

Provision was provided for compensation or litigation proceedings, etc.

Notes to Statement of Changes in Net Assets

Type and Number of Treasury Shares as of December 31, 2020

Common Stock	2,581 shares

Notes to Tax-Effect Accounting

Significant components of deferred tax assets were operating loss carry forwards, loss on valuation of shares of subsidiaries and affiliates and others, in view of the possibility of recoverability the company has posted a valuation allowance for 101,642 million yen.

In addition, significant components of deferred tax liabilities were valuation difference of assets acquired by merger, prepaid pension costs, etc.

Notes to Transactions with Related Parties

Subsidiaries, affiliates and others: (In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (*4)	Account	Balance as of December 31, 2020 (*4)
Subsidiary	Renesas Semiconductor Manufacturing Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products (*1)	119,662	Accounts payable-trade	14,518
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2) Liabilities for guarantee (*3)	— 17,573	Deposits received —	49,048 —
Subsidiary	Renesas Electronics Europe GmbH	(Own) Direct 100.0 %	Sales of our products, Consignment of design and development	Sales of products (*1) Money deposited (*2)	89,543 —	Accounts receivable-trade Deposits received	17,398 24,861
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Sales of products (*1)	63,803	Accounts receivable-trade	10,390
Subsidiary	Renesas Electronics Taiwan Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	18,570
Subsidiary	Renesas Electronics Singapore Pte. Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	21,021
Subsidiary	Renesas International Operations Sdn. Bhd.	(Own) Indirect 100.0 %	Management of parts of consignment business of our Group companies	Purchases of products (*1)	52,494	Accounts payable-trade	4,399
Subsidiary	Intersil Luxembourg Sarl	(Own) Indirect 100.0 %	Management of sales companies	Money deposited (*2)	—	Deposits received	37,105

Terms and conditions of transactions and polices on deciding terms and conditions

(*1) Price and other transaction conditions were determined based on a price negotiation.

(*2) Rate for loan to subsidiaries and money deposited from subsidiaries was determined by considering the market rate.

(*3) Liabilities for guarantee are conducted in regard to consignment manufacturing of subsidiaries and general fund operation.
(*4) Consumption tax and other taxes were not included in the amounts of transaction. Consumption tax and other taxes were included in the balances.

Notes to Per Share Information

Net assets per share: 317.65 yen
Net income per share: 27.60 yen

Significant Subsequent Events

Acquisition of Stock of Dialog Semiconductor Plc (hereafter "Dialog").

On February 8, 2021, the Company has reached an agreement with Dialog in the UK, on the terms of a recommended all-cash acquisition by the Company of the entire issued and to be issued share capital of Dialog, thereby making Dialog a wholly-owned subsidiary of the Company (the "Acquisition").

In addition, to procure the funds for the Acquisition, the Company entered into a loan agreement and filed the Shelf Registration Statement in Japan for the issuance of new shares.

For details, please refer to "Consolidated Financial Statements" "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Significant Subsequent Events)."