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Renesas Reports Financial Results for the First Quarter Ended March 31, 2024

TOKYO, Japan, April 25, 2024 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the three months ended March 31, 2024.

Summary of Consolidated Financial Results (Note 1)

Summary of Consolidated Financial Results for the three months ended March 31, 2024
(Non-GAAP basis) (Note 2)

	Three months ended March 31, 2024	
	Billion yen	% of Revenue
Revenue	351.8	100.0
Gross profit	199.3	56.7
Operating profit	113.5	32.3
Profit attributable to owners of parent	105.9	30.1
EBITDA (Note 3)	133.8	38.0

Summary of Consolidated Financial Results for the three months ended March 31, 2024
(IFRS basis)

	Three months ended March 31, 2024	
	Billion yen	% of Revenue
Revenue	351.8	100.0
Gross profit	197.5	56.1
Operating profit	77.8	22.1
Profit attributable to owners of parent	79.9	22.7
EBITDA (Note 3)	125.7	35.7

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

(Billion yen)

	Three months ended March 31, 2024
Non-GAAP gross profit Non-GAAP gross margin	199.3 56.7%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(0.3)
Stock-based compensation	(0.5)
Other reconciliation items in non-recurring expenses and adjustments (Note 4)	(1.1)
IFRS gross profit IFRS gross margin	197.5 56.1%
Non-GAAP operating profit Non-GAAP operating margin	113.5 32.3%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(27.6)
Stock-based compensation	(5.6)
Other reconciliation items in non-recurring expenses and adjustments (Note 4)	(2.5)
IFRS operating profit IFRS operating margin	77.8 22.1%

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

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.

Note 3: Operating profit + Depreciation and amortization.

Note 4: "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.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the First Quarter Ended March 31, 2024
English translation from the original Japanese-language document



April 25, 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
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Filing date of Shihanki Hokokusho (scheduled) : May 9, 2024

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended March 31, 2024

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

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2024	351,790	(2.1)	77,836	(36.9)	91,752	(28.2)	80,038	(24.0)	79,866	(24.1)	240,929	101.6
Three months ended March 31, 2023	359,374	3.8	123,265	23.5	127,762	62.3	105,271	75.6	105,211	75.7	119,479	(36.6)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2024	44.90	44.28
Three months ended March 31, 2023	58.50	57.53

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
March 31, 2024	3,233,747	2,202,343	2,198,005	68.0
December 31, 2023	3,167,003	2,005,588	2,001,553	63.2

2. Cash dividends

	Cash dividends per share				
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total
Year ended December 31, 2023	Yen ---	Yen 0.00	Yen ---	Yen 28.00	Yen 28.00
Year ending December 31, 2024	0.00				
Year ending December 31, 2024 (forecast)		---	---	---	---

Note: Change in forecast of cash dividends since the most recently announced forecast: No

3. Forecast of consolidated results for the six months ending June 30, 2024

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Six months ending June 30, 2024	699,290 to 714,290	(4.0) to (1.9)	56.1	(0.7)	31.4	(3.5)

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

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

4. Others

4.1 Changes in significant subsidiaries for the three months ended March 31, 2024: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)

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

4.3 Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding (including treasury stock)
As of March 31, 2024: 1,870,614,885 shares
As of December 31, 2023: 1,958,454,023 shares
2. Number of treasury stock
As of March 31, 2024: 90,885,920 shares
As of December 31, 2023: 181,369,882 shares
3. Average number of shares issued and outstanding
Three months ended March 31, 2024: 1,778,621,860 shares
Three months ended March 31, 2023: 1,798,535,567 shares

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

Cautionary Statement

The Group will hold an earnings conference for institutional investors and analysts on April 25, 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.

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1. Condensed Consolidated Financial Statements
1.1 Condensed Consolidated Statement of Financial Position

	(In millions of yen)	
	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	434,681	231,840
Trade and other receivables	168,991	184,595
Inventories	163,054	171,370
Other current financial assets	4,660	2,261
Income taxes receivable	7,495	15,709
Other current assets	21,792	17,695
Total current assets	<u>800,673</u>	<u>623,470</u>
Non-current assets		
Property, plant and equipment	266,139	307,166
Goodwill	1,362,131	1,453,812
Intangible assets	421,847	417,905
Other non-current financial assets	255,230	364,055
Deferred tax assets	43,385	49,896
Other non-current assets	17,598	17,443
Total non-current assets	<u>2,366,330</u>	<u>2,610,277</u>
Total assets	<u><u>3,167,003</u></u>	<u><u>3,233,747</u></u>

	(In millions of yen)	
	As of December 31, 2023	As of March 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	243,192	264,013
Bonds and borrowings	425,312	291,040
Other current financial liabilities	24,311	35,071
Income taxes payable	41,414	23,274
Provisions	11,215	10,309
Other current liabilities	83,281	74,276
Total current liabilities	828,725	697,983
Non-current liabilities		
Trade and other payables	4,140	4,966
Bonds and borrowings	225,636	222,960
Other non-current financial liabilities	11,371	13,389
Income taxes payable	2,757	3,026
Retirement benefit liability	24,598	24,581
Provisions	3,265	3,330
Deferred tax liabilities	53,528	52,569
Other non-current liabilities	7,395	8,600
Total non-current liabilities	332,690	333,421
Total liabilities	1,161,415	1,031,404
Equity		
Share capital	153,209	153,209
Capital surplus	359,398	259,485
Retained earnings	1,157,236	1,185,254
Treasury shares	(217,691)	(110,015)
Other components of equity	549,401	710,072
Total equity attributable to owners of parent	2,001,553	2,198,005
Non-controlling interests	4,035	4,338
Total equity	2,005,588	2,202,343
Total liabilities and equity	3,167,003	3,233,747

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

Condensed Consolidated Statement of Profit or Loss

(Three months ended March 31, 2023 and March 31, 2024)

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Revenue	359,374	351,790
Cost of sales	(159,263)	(154,327)
Gross profit	200,111	197,463
Selling, general and administrative expenses	(107,623)	(119,869)
Other income	32,539	2,524
Other expenses	(1,762)	(2,282)
Operating profit	123,265	77,836
Finance income	6,265	18,050
Finance costs	(1,768)	(4,134)
Profit before tax	127,762	91,752
Income tax expense	(22,491)	(11,714)
Profit	105,271	80,038
Profit attributable to		
Owners of parent	105,211	79,866
Non-controlling interests	60	172
Profit	105,271	80,038
Earnings per share		
Basic earnings per share (yen)	58.50	44.90
Diluted earnings per share (yen)	57.53	44.28

Condensed Consolidated Statement of Comprehensive Income
(Three months ended March 31, 2023 and March 31, 2024)

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	105,271	80,038
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(34)	(78)
Equity instruments measured at fair value through other comprehensive income	(301)	(2,114)
Total of items that will not be reclassified to profit or loss	(335)	(2,192)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	16,849	172,042
Cash flow hedges	(2,242)	(8,457)
Cost of hedges	(64)	(502)
Total of items that may be reclassified subsequently to profit or loss	14,543	163,083
Total other comprehensive income	14,208	160,891
Total comprehensive income	119,479	240,929
Comprehensive income attributable to		
Owners of parent	119,397	240,618
Non-controlling interests	82	311
Total comprehensive income	119,479	240,929

1.3 Condensed Consolidated Statement of Changes in Equity

(Three months ended March 31, 2023)

(In millions of yen)

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

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2023	395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463
Profit	—	—	—	—	105,211	60	105,271
Other comprehensive income	16,827	(2,242)	(64)	14,186	14,186	22	14,208
Total comprehensive income	16,827	(2,242)	(64)	14,186	119,397	82	119,479
Purchase and disposal of treasury shares	—	—	—	—	2,786	—	2,786
Dividends	—	—	—	—	—	(6)	(6)
Share-based payment transactions	—	—	—	(635)	1,414	—	1,414
Transfer to retained earnings	—	—	—	216	—	—	—
Total transactions with owners	—	—	—	(419)	4,200	(6)	4,194
Balance as of March 31, 2023	412,734	(14,606)	6,436	409,436	1,657,332	3,804	1,661,136

(Three months ended March 31, 2024)

(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, 2024	153,209	359,398	1,157,236	(217,691)	3,106	—	(2,311)
Profit	—	—	79,866	—	—	—	—
Other comprehensive income	—	—	—	—	—	(78)	(2,114)
Total comprehensive income	—	—	79,866	—	—	(78)	(2,114)
Purchase and disposal of treasury shares	—	627	—	3,147	—	—	—
Retirement of treasury shares	—	(104,529)	—	104,529	—	—	—
Dividends	—	—	(49,758)	—	—	—	—
Share-based payment transactions	—	2,629	—	—	(811)	—	—
Transfer to retained earnings	—	1,360	(2,090)	—	—	78	652
Total transactions with owners	—	(99,913)	(51,848)	107,676	(811)	78	652
Balance as of March 31, 2024	153,209	259,485	1,185,254	(110,015)	2,295	—	(3,773)

	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, 2024	564,215	(19,379)	3,770	549,401	2,001,553	4,035	2,005,588
Profit	—	—	—	—	79,866	172	80,038
Other comprehensive income	171,903	(8,457)	(502)	160,752	160,752	139	160,891
Total comprehensive income	171,903	(8,457)	(502)	160,752	240,618	311	240,929
Purchase and disposal of treasury shares	—	—	—	—	3,774	—	3,774
Retirement of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	(49,758)	(8)	(49,766)
Share-based payment transactions	—	—	—	(811)	1,818	—	1,818
Transfer to retained earnings	—	—	—	730	—	—	—
Total transactions with owners	—	—	—	(81)	(44,166)	(8)	(44,174)
Balance as of March 31, 2024	736,118	(27,836)	3,268	710,072	2,198,005	4,338	2,202,343

1.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Cash flows from operating activities		
Profit before tax	127,762	91,752
Depreciation and amortization	45,020	47,854
Impairment losses	693	949
Finance income and finance costs	(3,821)	(3,732)
Share-based payment expenses	4,168	5,633
Insurance claim income	(29,611)	—
Foreign exchange loss (gain)	(118)	(9,001)
Loss (gain) on sales of property, plant and equipment, and intangible assets	(450)	(70)
Decrease (increase) in inventories	387	(4,489)
Decrease (increase) in trade and other receivables	11,829	(7,912)
Decrease (increase) in other financial assets	(3,981)	(4,114)
Increase (decrease) in trade and other payables	(1,270)	1,164
Increase (decrease) in retirement benefit liability	(187)	(405)
Increase (decrease) in provisions	(524)	(1,448)
Increase (decrease) in other current liabilities	(19,997)	(14,979)
Increase (decrease) in other financial liabilities	(1,967)	(358)
Other	2,298	(2,058)
Subtotal	130,231	98,786
Interest received	3,753	6,361
Dividends received	257	270
Proceeds from insurance income	16,278	—
Income taxes paid	(79,116)	(43,013)
Net cash flows from operating activities	71,403	62,404
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,179)	(25,244)
Proceeds from sales of property, plant and equipment	453	262
Purchase of intangible assets	(5,045)	(7,648)
Purchase of other financial assets	(639)	(688)
Proceeds from sales of other financial assets	247	461
Proceeds from insurance income	13,333	—
Proceeds from government grant income	—	844
Payments for long-term loans receivable	—	(75,330)
Other	(3,808)	(2,873)
Net cash flows from investing activities	(17,638)	(110,216)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	30,000
Repayments of long-term borrowings	(30,000)	(182,009)
Dividends paid	—	(47,207)
Repayments of lease liabilities	(502)	(665)
Interest paid	(674)	(323)
Net cash flows from financing activities	(31,176)	(200,204)

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Effect of exchange rate changes on cash and cash equivalents	2,775	45,175
Net increase (decrease) in cash and cash equivalents	25,364	(202,841)
Cash and cash equivalents at beginning of the period	336,068	434,681
Cash and cash equivalents at end of the period	<u>361,432</u>	<u>231,840</u>

1.5 Notes to Condensed Consolidated Financial Statements

(Notes about Going Concern Assumption)

Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

No change in the scope of consolidation for the three months ended March 31, 2024.

(Significant Accounting Policies)

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

In addition, income taxes for the three months ended March 31, 2024 are calculated using the estimated annual effective tax rate.

(Business Segments)

(1) Overview of reportable segments

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

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

(Change of the method for aggregating Reportable Segments)

Due to the Group's organizational changes in the three months ended March 31, 2024, the methodology for aggregating revenue for reportable segments changed from the use of product axis to the use of customer axis. Accordingly, the previously reported segment information for the three months ended March 31, 2023, has been revised using the new methodology in order to be comparable with the segment information for the three months ended March 31, 2024.

(2) Information on reportable segments

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

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

Information on reportable segments is as follows.

Three months ended March 31, 2023

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	159,210	197,830	2,626	—	359,666	(292)	359,374
Segment gross profit	84,731	116,279	1,037	(21)	202,026	(1,915)	200,111
Segment operating profit	57,683	66,236	1,037	(186)	124,770	(1,505)	123,265
Finance income							6,265
Finance costs							(1,768)
Profit before tax							127,762
(Other items)							
Depreciation and amortization	9,201	10,343	—	—	19,544	25,476	45,020

Three months ended March 31, 2024

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	178,154	171,575	2,061	—	351,790	—	351,790
Segment gross profit	93,365	105,610	361	—	199,336	(1,873)	197,463
Segment operating profit	57,352	55,803	361	—	113,516	(35,680)	77,836
Finance income							18,050
Finance costs							(4,134)
Profit before tax							91,752
(Other items)							
Depreciation and amortization	11,232	9,049	—	—	20,281	27,573	47,854

(3) Information on products and services

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

(4) Information on regions and countries

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

(In millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
China	90,609	85,099
Asia (Excluding China)	71,703	81,769
Japan	97,715	80,764
Europe	63,891	61,771
North America	34,211	41,735
Others	1,245	652
Total	359,374	351,790

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

(Business Combinations)

Business combinations that occurred during the three months ended March 31, 2023 and the three months ended March 31, 2024 are as follows. Immaterial business combinations are not included in this disclosure.

Three months ended March 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 Communications Inc. (hereinafter "Celeno")'s future product development and mass production progress are met.

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

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

	(In millions of yen)
	Three months ended March 31, 2023
Beginning balance	1,265
Changes in fair value	(1,232)
Exchange differences	0
Ending balance	33

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

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

(Steradian Semiconductors Private Limited)

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

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

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

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

Three months ended March 31, 2024

(Steradian Semiconductors Private Limited)

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

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

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

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Beginning balance	1,078	586
Changes in fair value	—	(606)
Exchange differences	7	20
Ending balance	1,085	—

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs," and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" or "Other expenses." For the three months ended March 31, 2024, other income of 606 million yen was recorded for the change of fair value.

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

(Pantronics AG)

Contingent consideration includes at most \$61 million which will be paid based on the contract when several certain conditions (milestones) related to Pantronics'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 Pantronics, with consideration of the probability of occurrence.

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

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Beginning balance	—	2,711
Exchange differences	—	86
Ending balance	—	2,797

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

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

	(In millions of yen)	
	As of December 31, 2023	As of March 31, 2024
Notes and trade receivables	160,590	179,419
Other receivables	8,838	5,621
Loss allowance	(437)	(445)
Total	168,991	184,595

(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, 2023	As of March 31, 2024
Trade payables	99,957	96,513
Other payables	51,878	65,581
Electronically recorded obligations	15,332	21,444
Refund liabilities	80,165	85,441
Total	247,332	268,979
Current liabilities	243,192	264,013
Non-current liabilities	4,140	4,966

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

(Bonds and Borrowings)

a. Bonds

Three months ended March 31, 2023
Not applicable.

Three months ended March 31, 2024
Not applicable.

b. Borrowings

Three months ended March 31, 2023
Not applicable.

Three months ended March 31, 2024

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

(Equity and Other Equity Items)

Three months ended March 31, 2023

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

Three months ended March 31, 2024

Based on the resolution at the Board of Directors' meeting held on February 8, 2024, the Company conducted a retirement of 87,839,138 shares on February 29, 2024. In addition, the number of treasury shares decreased by 2,644,824 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 three months ended March 31, 2024. As a result, treasury shares decreased by 107,676 million yen. The amount of treasury shares held was 110,015 million yen as of March 31, 2024.

(Dividends)

(1) Dividend payment amounts
Three months ended March 31, 2023
Not applicable.

Three months ended March 31, 2024

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

(2) Among dividends with a record date that falls under the three months ended March 31, 2024, for those with an effective date is after March 31, 2024

Three months ended March 31, 2023
Not applicable.

Three months ended March 31, 2024
Not applicable.

(Revenue)

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

(Selling, General and Administrative Expenses)

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

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Research and development expenses	53,509	59,964
Depreciation and amortization	26,905	29,164
Personnel expenses	17,922	20,774
Retirement benefit expenses	915	1,114
Other	8,372	8,853
Total	107,623	119,869

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

(Other Income)

The components of other income are as follows.

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Reversal of Impairment losses	—	1,077
Fair value remeasurements on contingent considerations (Note 1)	1,232	606
Insurance claim income (Note 2)	29,611	—
Other	1,696	841
Total	32,539	2,524

(Note) 1. For details, please refer to “Business Combinations.”

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

(Other Expenses)

The components of other expenses are as follows.

	(In millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Impairment losses	693	949
Business restructuring expenses	689	783
Other	380	550
Total	1,762	2,282

(Subsequent Events)

(Grant of share-based payments)

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

The Company resolved the granting of the RSU and PSU for Directors, Corporate Officers, and employees of the Company and the subsidiaries at the Board of Directors held on April 8, 2024.

Date of grant of RSU and PSU	April 8, 2024	
Category and number of grantees	Outside Directors 1 Director and Corporate Officer 1 Corporate Officers 10 Employees of the Company and the subsidiaries 9,164	
Vesting conditions	RSU	To be vested based on time (One third each will be vested after 1 year, 2 years and 3 years from the date of grant, except that all units will be vested after 1 year from the grant date for the Outside Directors)
	PSU	To be vested based on performance (According to the performance achieved, all units will be vested after 3 years from the grant date)
Number of units	RSU	12,315,300
	PSU	1,577,700
	Total	13,893,000

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

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

About Renesas Electronics Corporation

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

(FORWARD-LOOKING STATEMENTS)

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

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