To Shareholders

The 20th Ordinary General Meeting of Shareholders
Matters for Internet Disclosure

The 20th Business Period from January 1, 2021 to December 31, 2021

- ■ Shares Issued to the Company's Directors as Compensation for Execution of Duties During the Business Period
- ■ 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

Shares Issued to the Company's Directors as Compensation for Execution of Duties During the Business Period

Classification	Class and Number of Shares	Number of persons granted
Directors (excluding Outside Directors)	Shares of common stock 483,700 shares	2
Outside Directors	Shares of common stock 45,400 shares	1

Matters related to Stock Acquisition Rights, etc.

(i) Stock Options Granted as Consideration for Execution of Duties (as of December 31, 2021)

The following is a summary of stock options granted by the Company (as of the end of the Business Period):

Issue Number (Grant Date)	Stock option units	Class and number of shares	Issue price	Exercise price (Per Share)	Exercise period
FY2017 Series 1 (March 13, 2017)	2,355 units	Common stock 235,500 shares	1,167 yen	1 yen	April 4, 2017- April 3, 2027
FY2017 Series 2 (March 13, 2017)	877 units	Common stock 87,700 shares	Free of charge	1 yen	April 4, 2017- April 3, 2027
FY2017 Series 4 (June 27, 2017)	8 units	Common stock 800 shares	Free of charge	1 yen	July 13, 2017- July 12, 2027
FY2018 Series 1 (March 16, 2018)	3,941 units	Common stock 394,100 shares	1,092 yen	1 yen	April 3, 2018- April 2, 2028
FY2018 Series 2 (March 16, 2018)	1,304 units	Common stock 130,400 shares	Free of charge	1 yen	April 3, 2018- April 2, 2028
FY2018 Series 3 (June 27, 2018)	1,498 units	Common stock 149,800 shares	995 yen	1 yen	August 1, 2018- July 31, 2028
FY2018 Series 4 (June 27, 2018)	237 units	Common stock 23,700 shares	Free of charge	1 yen	August 1, 2018- July 31, 2028
FY2018 Series 5 (September 26, 2018)	73 units	Common stock 7,300 shares	Free of charge	1 yen	November 1, 2018- October 31, 2028
FY2019 Series 2 (March 25, 2019)	1,509 units	Common stock 150,900 shares	599 yen	1 yen	April 9, 2019- April 8, 2029
FY2019 Series 3 (March 25, 2019)	15,373 units	Common stock 1,537,300 shares	Free of charge	1 yen	April 9, 2019- April 8, 2029
FY2019 Series 4 (April 23, 2019)	66 units	Common stock 6,600 shares	494 yen	1 yen	June 1, 2019- May 31, 2029
FY2019 Series 5 (April 23, 2019)	4,284 units	Common stock 428,400 shares	Free of charge	1 yen	June 1, 2019- May 31, 2029
FY2019 Series 6 (June 25, 2019)	17,084 units	Common stock 1,708,400 shares	638 yen	1 yen	July 26, 2019 - July 25, 2029

Issue Number (Grant Date)	Stock option units	Class and number of shares	Issue price	Exercise price (Per Share)	Exercise period
FY2019 Series 7 (June 25, 2019)	58,867 units	Common stock 5,886,700 shares	Free of charge	1 yen	July 26, 2019 - July 25, 2029
FY2019 Series 8 (July 30, 2019)	6,792 units	Common stock 679,200 shares	629 yen	1 yen	August 24, 2019 - August 23, 2029
FY2019 Series 9 (July 30, 2019)	10,918 units	Common stock 1,091,800 shares	Free of charge	1 yen	August 24, 2019 - August 23, 2029
FY 2019 Series 10 (August 27, 2019)	828 units	Common stock 82,800 shares	Free of charge	1 yen	September 21, 2019 - September 20, 2029
FY 2019 Series 11 (September 24, 2019)	1,523 units	Common stock 152,300 shares	739 yen	1 yen	November 1, 2019 - October 31, 2029
FY2019 Series 12 (September 24, 2019)	2,474 units	Common stock 247,400 shares	Free of charge	1 yen	November 1, 2019 - October 31, 2029
FY 2019 Series 13 (November 26, 2019)	762 units	Common stock 76,200 shares	Free of charge	1 yen	December 26, 2019 - December 25, 2029
FY2019 Series 14 (December 25, 2019)	742 units	Common stock 74,200 shares	Free of charge	1 yen	February 1, 2020 - January 31, 2030
FY2020 Series 1 (May 26, 2020)	32,623 units	Common stock 3,262,300 shares	550 yen	1 yen	July 1, 2020 - June 30, 2030
FY2020 Series 2 (May 26, 2020)	121,730 units	Common stock 12,173,000 shares	Free of charge	1 yen	July 1, 2020 - June 30, 2030
FY2020 Series 3 (July 30, 2020)	3,811 units	Common stock 381,100 shares	666 yen	1 yen	August 31, 2020 - August 30, 2030
FY2020 Series 4 (July 30, 2020)	2,947 units	Common stock 294,700 shares	Free of charge	1 yen	August 31, 2020 - August 30, 2030
FY2020 Series 5 (July 30, 2020)	4,025 units	Common stock 402,500 shares	666 yen	1 yen	September 1, 2020 - August 30, 2030
FY2020 Series 6 (July 30, 2020)	1,708 units	Common stock 170,800 shares	Free of charge	1 yen	September 1, 2020 - August 30, 2030
FY2020 Series 7 (October 29, 2020)	432 units	Common stock 43,200 shares	927 yen	1 yen	December 1, 2020 - November 30, 2030
FY2020 Series 8 (October 29, 2020)	5,969 units	Common stock 596,900 shares	Free of charge	1 yen	December 1, 2020 - November 30, 2030
FY2021 Series 1 (January 29, 2021)	134 units	Common stock 13,400 shares	1,168 yen	1 yen	February 27, 2021 - February 26, 2031
FY2021 Series 2 (January 29, 2021)	1,986 units	Common stock 198,600 shares	Free of charge	1 yen	February 27, 2021 - February 26, 2031
FY2021 Series 3 (January 29, 2021)	49 units	Common stock 4,900 shares	Free of charge	1 yen	February 27, 2021 - February 26, 2031

(Note) 1. Holders of Stock Options are entitled to exercise a specified percentage of their Stock Options based on a prescribed vesting schedule for each Stock Option.
2. In the event the Stock Option holder loses their position as a Director, Executive Officer, etc. of the Company, the Stock Option holder may exercise Stock Options exercisable at the date of forfeiture only until the day on which 13 months have elapsed from the day following the date of forfeiture.
3. Upon the issuance of the following Stock Options, the payment obligation based on the above issuance price will be offset against the compensation receivable to the Company and there will be no payment of money: FY2017 Series 1, FY2018 Series 3, FY2019 Series 2, Series 4, Series 6, Series 8, Series 11, FY2020 Series 1, Series 3, Series 5, Series 7, and FY 2021 Series 1.

(ii) Stock Options issued to Directors as Compensation for Execution of Duties as of the end of this Business Period

Issue Number (Grant Date)	Grantees	Stock Option Units	Class and number of shares
FY2019 Series 8 (July 30, 2019)	1 Director	3,209 units	Common stock 320,900 shares
FY2020 Series 1 (May 26, 2020)	1 Director	5,771 units	Common stock 577,100 shares
FY2020 Series 2 (May 26, 2020)	1 Director	454 units	Common stock 45,400 shares

(Note) 1. No Stock Options were granted to Outside Directors or Corporate Auditors in Issue FY2019 Series 8 and FY2020 Series 1.
2. The FY2020 series 2 was granted to Outside Directors.

(iii) Stock Options Issued to Employees (excluding those with concurrent Director positions) for Execution of Duties during the Business Period

Issue Number (Grant Date)	Grantees	Stock Option Units	Class and number of shares
FY2021 Series 1 (January 29, 2021)	6 employees	159 units	Common stock 15,900 shares

(Note) As of the end of the Business Period, 25 Stock Options (2,500 shares of common stock) granted in FY2021 Series 1 had expired unexercised.

(iv) Stock Options Issued to Directors and Employees of Subsidiaries for Execution of Duties during the Business Period

Issue Number (Grant Date)	Grantees	Stock Option Units	Class and number of shares
FY2021 Series 2 (January 29, 2021)	52 employees	3,045 units	Common stock 304,500 shares
FY2021 Series 3 (January 29, 2021)	4 employees	132 units	Common stock 13,200 shares

(Note) 1. As of the end of the Business Period, 579 Stock Options (57,900 shares of common stock) granted in FY2021 Series 2 had expired unexercised.
2. As of the end of the Business Period, 56 Stock Options (5,600 shares of common stock) granted in FY2021 Series 3 had expired unexercised.

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: 114
(Number of subsidiaries decreased by merger, liquidation and share transfer:8)
Integrated Device Technology AB and other 7 companies.
(Number of subsidiaries increased by acquisitions and establishments:46)
Dialog Semiconductor Plc (hereafter “Dialog”), Celeno Communications Inc. (hereafter “Celeno”) and other 44 companies.
Of the subsidiaries newly acquired and included in the scope of consolidation, Celeno is a specified subsidiary as defined under Cabinet Office Order on Disclosure of Corporate Affairs. In addition, Dialog changed its company name to Dialog Semiconductor Limited on September 14, 2021.

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, related transaction costs and the difference between the fair value at the time of initial recognition and the transaction price 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, the nature of the risk being hedged 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.

When applying cash flow hedges to currency swap contracts, the portion excluding the currency basis spread is designated as the hedging instruments, and for the currency basis spread portion, the amount of change in fair value is recognized as hedging cost through other components of equity and included in the comprehensive income. The amount accumulated in other components of equity is transferred to profit or loss during the same period in which the cash flows to be hedged affect profit or loss. If the hedged item is the acquisition of a non-financial asset, the amount accumulated in other components of equity will be treated as an adjustment to the initial acquisition cost of the non-financial asset.

When the Group recognizes hedging cost for a derivative transaction entered in order to hedge a time-period related hedged item, it transfers the cumulative costs of hedging accumulated in other components of equity to profit or loss on a systematic and rational basis over the period during which the hedge adjustment from the hedging instrument affects 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.

Sales to specific distributors may be subject to the following various sales promotion programs.

Ship and debit is a program designed to assist specific distributors on their sales to end customers through pricing adjustments. Under this program, the selling prices will be adjusted when the specific distributors sell the products to the end customers. At the time we record sales to the specific distributors, we accrue for refund liabilities and deduct the same amounts from revenue based on the estimate of the variable consideration resulting from the possible application of the ship and debit program upon the future sales by the distributors.

Stock rotation is a program whereby on a semiannual basis, specific distributors are allowed to return, for credit, inventories equal to a certain percentage of their purchases for the previous six months. We accrue for refund liabilities related to the stock rotation program on a quarterly basis and deduct the same amount from revenue.

(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.

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	31,190
Machinery and equipment	36,691
Land	16,628
Total	84,509

(Note) Other than the above, the share of subsidiary (638,826 million yen) which has been eliminated in consolidation was provided as collateral.

(Secured liabilities)

	(In millions of yen)
Current portion of long-term borrowings	120,014
Long-term borrowings	538,441
Total	658,455

2. Accumulated Depreciation of Property, Plant and Equipment: 883,501 million yen
(Including accumulated impairment losses of property, plant and equipment)

3.Guarantees:
Guarantees for employees' housing loans: 26 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, 2021
Common stock 1,943,805,775 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, 2021
Common stock 30,692,900 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 mainly 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 borrowings are made at floating interest rates. To reduce the risk of changes in the interest paid on borrowings and bonds, 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 forward exchange contracts, 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 is calculated by referring to a market price and classified as Level 2.

(g) Contingent consideration

The fair value of the contingent consideration is calculated as the present value of the payments in future using appropriate valuation methods with consideration of the probability of occurrence and classified as Level 3.

(h) 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	659,537	—	661,181	—	661,181
Bonds	154,551	—	154,551	—	154,551
Other payables	59,262	—	58,987	—	58,987
Total	873,350	—	874,719	—	874,719

(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)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	123	—	123
Investment trust	5,475	—	—	5,475
Unlisted securities	—	—	6,018	6,018
Equity instruments measured at fair value through other comprehensive income				
Listed securities	250	—	—	250
Unlisted securities	—	—	2,581	2,581
Total	5,725	123	8,599	14,447
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,550	—	1,550
Contingent consideration	—	—	4,681	4,681
Total	—	1,550	4,681	6,231

Notes to Per Share Information

Equity attributable to owners per share: 595.81 yen

Basic earnings per share: 68.96 yen

Other Notes

1. Business restructuring expenses

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

Business restructuring expenses are included in “Other expenses” in the consolidated statement of profit or loss.

2. Impairment Losses

For the year ended December 31, 2021, impairment losses are mainly recognized in idle assets that are not expected to be used, included in “Other expenses” in the consolidated statement of profit or loss.

The components of assets for which the impairment losses are recorded are as follows.

(In millions of yen)

	The year ended December 31, 2021
Property, plant and equipment	118
Intangible assets	17
Total	135

3. Business Combinations

(Dialog Semiconductor Plc)

a. Overview of business combination

The Company made an acquisition of the entire issued and to be issued share capital of Dialog on August 31, 2021. Following the completion of the acquisition, Dialog has become a wholly-owned subsidiary of the Company (hereafter “the Dialog Acquisition”).

1) Name and overview of the acquiree

Name of the acquiree: Dialog Semiconductor Plc

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

2) Date of the acquisition

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

3) Purpose of the acquisition

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

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

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

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

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

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

Expenses related to the acquisition were 4,589 million yen, which were recorded in “Selling, general and administrative expenses” for the year ended December 31, 2021.

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

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

(Note 1) As of December 31, 2021, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories for which valuation was able to be completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Dialog.

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

(Note 3) The Company has entered into currency options and forward exchange contracts to hedge the foreign exchange risk against EUR-denominated acquisition consideration payments and adopted hedge accounting. The hedging instruments were settled in cash at the fair value on the acquisition date. The basis adjustment is the amount of change in the fair value of the hedging instruments recorded in other comprehensive income on the acquisition date and were added to the amount of goodwill.

(Note 4) Goodwill reflects future excess earning power expected from synergies between the Company and Dialog. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

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

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

Assuming that the date of the acquisition of Dialog was at the beginning of the fiscal year, revenue and profit for the year ended December 31, 2021 would be 1,093,258 million yen and 156,593 million yen, respectively. As of December 31, 2021, the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized. As a result, the adjustments such as amortization of intangible assets are not reflected in the aforementioned revenue and profit figures. The pro forma information is not necessarily indicative of events that may happen in the future.

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

f. Revenue and profit / loss of the acquired company

From the acquisition date to December 31, 2021, the Company recorded the revenue of Dialog of 66,757 million yen and profit of 4,545 million yen in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.

(Celeno Communications Inc.)

a. Overview of business combination

On December 20, 2021, the Company made an acquisition of the entire issued share capital of Celeno, a semiconductor company in the United States which mainly operates its business in Israel. Following the completion of the acquisition, Celeno has become a wholly-owned subsidiary of the Company (hereafter “the Celeno Acquisition”).

1) Name and overview of the acquiree

Name of the acquiree: Celeno Communications Inc.

Business overview: Development and sale of connectivity devices such as Wi-Fi 5, Wi-Fi 6 and IoT chipsets.

2) Date of the acquisition

December 20, 2021.

3) Purpose of the acquisition

Headquartered in Israel, Celeno offers a wide range of wireless communication solutions, including advanced Wi-Fi chipsets and software solutions, for high-performance home networks, smart buildings, enterprise and industrial markets. Its industry’s most compact chipset offerings for Wi-Fi 6 and 6E deliver exceptional Wi-Fi network performance and increased security with low latency and low power consumption. Celeno’s breakthrough Wi-Fi Doppler Imaging technology, a Wi-Fi based, high-resolution imaging technology is ideal for home elderly care and assisted living, home security, safe driving and digital and connected factories. It depicts, tracks and analyzes the motion, behavior and location of people and objects using standard Wi-Fi, eliminating the need for multiple cameras or sensors in home environments and commercial buildings. As the world’s No.1 embedded processor supplier, Renesas offers a breadth of low-power MCU/MPU/SoC processors, wireless ICs, sensors and power management technologies. Celeno’s field-proven Wi-Fi and software capabilities are highly complementary to Renesas. The combination creates a comprehensive, end-to-end embedded solutions for addressing the fast-growing markets for low-power connectivity in IoT, infrastructure, industrial and automotive applications.

In addition to expanding the solution offering, the Celeno Acquisition also increases Renesas' engineering and design scale with Celeno's design center in Israel and by welcoming R&D staff based in Israel, Ukraine, India, China, Taiwan and more. This further strengthens Renesas' global engineering and software development talent base, allowing Renesas to bring more seamless and expanded services to customers around the globe.

4) Acquisition Method

For the purpose of the Celeno Acquisition, Renesas established a wholly-owned subsidiary ("Acquisition Subsidiary") in Delaware, the United States which merged with Celeno in a reverse triangular merger. Celeno was the surviving company following the merger. The Company paid cash to Celeno's shareholders as consideration for the merger. The shares of the Acquisition Subsidiary owned by Renesas were converted into outstanding shares in Celeno, making Celeno a wholly-owned subsidiary of Renesas.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		28,037
Contingent consideration		4,681
Total	A	32,718

Expenses related to the acquisition were 508 million yen, which were recorded in "Selling, general and administrative expenses" for the year ended December 31, 2021.

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

(In millions of yen)

		Date of acquisition (December 20, 2021)
Current assets		
Cash and cash equivalents		267
Trade and other receivables (Note 2)		375
Inventories		3,024
Other		396
Total current assets		4,062
Non-current assets		
Property, plant and equipment		103
Intangible assets		844
Other		2
Total non-current assets		949
Total assets		5,011
Current liabilities		
Trade and other payables		2,715
Bonds and borrowings		2,185
Other		1,586
Total current liabilities		6,486
Non-current liabilities		
Total non-current liabilities		—
Total liabilities		6,486
Net assets	B	(1,475)
Goodwill (Note 3)	A-B	34,193

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

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

(Note 3) Goodwill reflects future excess earning power expected from synergies between the Company and Celeno. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	28,037
Cash and cash equivalents held by the acquiree at the time of obtaining control	(267)
Amount of cash paid for the acquisition of subsidiaries (net amount)	27,770

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

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

Assuming that the date of the acquisition of Celeno was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the year ended December 31, 2021 would not be material.

f. Revenue and profit / loss of the acquired company

For the year ended December 31, 2021, the revenue and profit of Celeno from the acquisition date to the year of December 31, 2021 had no significant impact in the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes $45 million which will be paid when certain conditions related to Celeno’s future product development and mass production progress are met.

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

The level of the fair value hierarchy for the contingent consideration is level 3. Since the fluctuation after the acquisition date of the contingent consideration classified in Level 3 is negligible, the reconciliation table is not presented. Of the amount of change in fair value related to contingent consideration, the portion based on fluctuations in the time value of money is recorded in "financial expenses", and the portion based on fluctuations other than the time value of money is recorded in "other income" or "other expenses".

4. Bonds

On November 19, 2021, the Company has decided to issue senior notes denominated in USD in multiple tranches (One of the tranches of the notes will be green bonds, proceeds from which will be used solely for projects that are expected to contribute to the global environment).The Company issued USD-denominated Senior Notes due 2024 (Green Bonds, Principal amount: USD 500million, Interest rate: 1.543%, Maturity Date: November 26, 2024) and USD-denominated Senior Notes due 2026 (Principal amount: USD 850million, Interest rate: 2.170%, Maturity Date: November 25, 2026) on November 26, 2021, raising a total of USD 1,350 million.

5. Borrowings

To raise a portion of the funds for the Dialog acquisition, the Company entered into a loan agreement (Facilities Agreement) with MUFG Bank, Ltd. and Mizuho Bank, Ltd. with borrowing limit of 735,400 million yen on February 8, 2021.

The Company also has entered into an amendment agreement (the “Amendment Agreement”) with MUFG Bank, Ltd. and Mizuho Bank, Ltd. to partially amend the Facilities Agreement on June 30, 2021. Both net proceeds from the fundraising through the issuance of new shares and Renesas’ cash on hand are appropriated for the funds of the Dialog acquisition. Among the loan facilities, the amount has been amended in the Amendment Agreement. The borrowing limit has been reduced for part of the loan agreement as the planned currency hedge has been completed. Following the Amendment Agreement, the borrowing limit has changed from the initial amount of 735,400 million yen to 665,400 million yen.

On August 31, 2021, the Company had borrowed 270,000 million yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd. under the Amended Agreement with the last repayment date of February 7, 2022, and interest rate of 0.835%.

With the purpose of refinancing 240,000 million yen of the above loans (after the repayment of 30,000 million yen) to mid- to long-term funds, the Company has entered into the syndicate loan agreement (Loan amount: 96,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited., Resona Bank, Limited., Aozora Bank, Ltd., Shinkin Central Bank, The Norinchukin Bank, Bank of America NA Tokyo Branch) and a JBIC loan agreement (Loan amount: 144,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: Japan Bank of International Cooperation) on December 23, 2021. On December 30, 2021, the Company borrowed a total of 240,000 million yen under these agreements and fully repaid the remaining amount of the loans dated August 31, 2021.

6. Issuance of New Shares

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

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. Treatment of Deferred assets

Bond issuance costs are amortized over the period until the bonds are redeemed using the straight-line method.

4. 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.

8) Provision for share-based payments

In order to prepare for the delivery of the Company's shares to directors, executive officers and employees based on rules of share delivery, the Company records provision for share-based payments based on the estimated amount of share delivery obligations at the end of the current fiscal year.

5. 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.

6. Hedge Accounting Method

1) Hedge accounting method

Hedging activities are accounted for under the deferred hedge method in principle. If the currency swaps meet the certain requirements for allocation, the allocation treatment is applied.

2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, Currency options, Currency swaps

Hedged items: Forecasted transaction in foreign currency, Bonds in foreign currency

3) Hedging policy

Based on the Group's internal rules, the Company enters hedge transactions to reduce the foreign exchange risks associated with the 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.

Since currency swaps meet the requirements for the allocation method, the effectiveness evaluation is omitted.

7. Accounting Treatment for Consumption Tax

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

8. 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.

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	27,204	(27,204)
Structures	3,577	(3,577)
Machinery and equipment	36,691	(36,691)
Land	16,587	(16,525)
Shares of subsidiaries and affiliates	638,826	-
Total	722,885	(83,997)

(2) Secured liabilities

(In millions of yen)

Current portion for long-term borrowings	120,001	(120,001)
Long-term borrowings	541,041	(541,041)
Total	661,043	(661,043)

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

2. Accumulated Depreciation of Property, Plant and Equipment: 677,586 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	16,961 million yen
Guarantees for employees' housing loans	26 million yen

5. Monetary Receivables from and Payables to Affiliated Companies:

Short-term receivable	99,611 million yen
Short-term payable	451,615 million yen

Notes to Statement of Operations

1. Transactions with Affiliated Companies:

Amounts of operating transactions	
Net sales	375,101 million yen
Purchases	369,816 million yen
Amounts of non-operating transactions	1,747 million yen

2. Provision for contingent losses

Provision was provided for payments such as compensation or litigation proceedings.

Notes to Statement of Changes in Net Assets

Type and Number of Treasury Shares as of December 31, 2021

Common Stock	2,581 shares

Notes to Tax-Effect Accounting

Significant components of deferred tax assets were loss on valuation of shares of subsidiaries, operating loss carry forwards, and affiliates and others, in view of the possibility of recoverability the company has posted a valuation allowance for 40,781 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 (*3)	Account	Balance as of December 31, 2021 (*3)
Subsidiary	Renesas Semiconductor Manufacturing Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products (*1)	120,409	Accounts payable-trade	13,078
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2)	—	Deposits received	139,216
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)	111,054 —	Accounts receivable-trade Deposits received	22,083 31,715
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Sales of products (*1)	89,901	Accounts receivable-trade	19,804
Subsidiary	Renesas Electronics Singapore Pte. Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	26,591
Subsidiary	Dialog	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2)	—	Deposits received	44,407
Subsidiary	Renesas International Operations Sdn. Bhd.	(Own) Indirect 100.0 %	Management of parts of consignment business of our Group companies	Purchases of products (*1)	86,267	Accounts payable-trade	7,520
Subsidiary	Intersil Luxembourg Sarl	(Own) Indirect 100.0 %	Management of sales companies	Money deposited (*2)	—	Deposits received	32,608
Subsidiary	Intersil Swiss Holding	(Own) Indirect 100.0 %	Management of sales companies	Money deposited (*2)	—	Deposits received	31,918

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 money deposited from subsidiaries was determined by considering the market rate.
(*3) 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: 463.03 yen
Net income per share: 61.73 yen

Other Notes

1. Acquisition of Dialog

The Company made an acquisition of the entire issued and to be issued share capital of Dialog on August 31, 2021. Following the completion of the acquisition, Dialog has become a wholly-owned subsidiary of the Company.

For details, please refer to “Consolidated Financial Statements,” “Other Notes (3. Business Combinations).”

2. Acquisition of Celeno

On December 20, 2021, the Company made an acquisition of the entire issued share capital of Celeno, a semiconductor company in the United States which mainly operates its business in Israel. Following the completion of the acquisition, Celeno has become a wholly-owned subsidiary of the Company

For details, please refer to “Consolidated Financial Statements,” “Other Notes (3. Business Combinations).”

3. Bonds

On November 19, 2021, the Company has decided to issue senior notes denominated in USD in multiple tranches (One of the tranches of the notes will be green bonds, proceeds from which will be used solely for projects that are expected to contribute to the global environment).The Company issued USD-denominated Senior Notes due 2024 (Green Bonds, Principal amount: USD 500million, Interest rate: 1.543%, Maturity Date: November 26, 2024) and USD-denominated Senior Notes due 2026 (Principal amount: USD 850million, Interest rate: 2.170%, Maturity Date: November 25, 2026) on November 26, 2021, raising a total of USD 1,350 million.

4. Borrowings

To raise a portion of the funds for the Dialog acquisition, the Company entered into a loan agreement (Facilities Agreement) with MUFG Bank, Ltd. and Mizuho Bank, Ltd. with borrowing limit of 735,400 million yen on February 8, 2021.

The Company also has entered into an amendment agreement (the “Amendment Agreement”) with MUFG Bank, Ltd. and Mizuho Bank, Ltd. to partially amend the Facilities Agreement on June 30, 2021. Both net proceeds from the fundraising through the issuance of new shares and Renesas’ cash on hand are appropriated for the funds of the Dialog acquisition. Among the loan facilities, the amount has been amended in the Amendment Agreement. The borrowing limit has been reduced for part of the loan agreement as the planned currency hedge has been completed. Following the Amendment Agreement, the borrowing limit has changed from the initial amount of 735,400 million yen to 665,400 million yen.

On August 31, 2021, the Company had borrowed 270,000 million yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd. under the Amended Agreement with the last repayment date of February 7, 2022, and interest rate of 0.835%.

With the purpose of refinancing 240,000 million yen of the above loans (after the repayment of 30,000 million yen) to mid- to long-term funds, the Company has entered into the syndicate loan agreement (Loan amount: 96,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited., Resona Bank, Limited., Aozora Bank, Ltd., Shinkin Central Bank, The Norinchukin Bank, Bank of America NA Tokyo Branch) and a JBIC loan agreement (Loan amount: 144,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: Japan Bank of International Cooperation) on December 23, 2021. On December 30, 2021, the Company borrowed a total of 240,000 million yen under these agreements and fully repaid the remaining amount of the loans dated August 31, 2021.

5. Issuance of New Shares

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