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**Renesas Electronics Reports Financial Results
 for the Second Quarter Ended June 30, 2018**

Tokyo, Japan, July 31, 2018 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results for the six months ended June 30, 2018.

Summary of Consolidated Financial Results

	Three months ended June 30, 2018		Six months ended June 30, 2018	
	Billion Yen	% of Net Sales	Billion Yen	% of Net Sales
Net sales	203.5	100.0	389.4	100.0
Sales from semiconductors	199.1		381.1	
Sales from others	4.4		8.3	
Operating income	23.0	11.3	43.6	11.2
Ordinary income	22.8	11.2	41.5	10.7
Net income attributable to shareholders of parent company	26.1	12.8	49.4	12.7
Capital expenditures (Note 3)	5.0		9.0	
Depreciation and others (Note 4)	31.9		63.6	
R&D expenses	31.1		63.4	
	Yen		Yen	
Exchange rate (USD)	108		109	
Exchange rate (Euro)	131		133	

	As of June 30, 2018
	Billion Yen
Total assets	1,044.3
Net assets	550.6
Equity capital	544.5
Equity ratio (%)	52.1
Interest-bearing debt	231.6

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

Note 2: Consolidated financial results for the six months ended June 30, 2018 have not been reviewed by the auditors. The figures are subject to change based on subsequent events or the auditors' review

Note 3: Capital expenditures refer to the amount of order placed for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the six months ended June 30, 2018.

Note 4: Depreciation and others includes depreciation and amortization of intangible assets, amortization of long-term prepaid expenses and amortization of goodwill in quarterly consolidated statements of cash flows.



Consolidated Financial Results for the Second Quarter Ended June 30, 2018

English translation from the original Japanese-language document

July 31, 2018

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <https://www.renesas.com>
 Representative : Bunsei Kure, Representative Director,
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 Filing date of Shihanki Hokokusho (scheduled) : August 3, 2018

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the six months ended June 30, 2018

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2018	389,398	4.0	43,573	38.1	41,512	36.3	49,426	36.2
Six months ended June 30, 2017	374,553	-	31,560	-	30,456	-	36,281	

Reference: Comprehensive income for the six months ended June 30, 2018: 36,311 million yen (25.9%)
 Comprehensive income for the six months ended June 30, 2017: 28,830 million yen (--%)

	Net income per share basic	Net income per share diluted
	Yen	Yen
Six months ended June 30, 2018	29.64	29.58
Six months ended June 30, 2017	21.76	21.75

1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
June 30, 2018	1,044,336	550,605	52.1
December 31, 2017	1,062,672	511,898	47.7

Reference: Equity as of June 30, 2018: 544,538 million yen
 Equity as of December 31, 2017: 507,152 million yen

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, 2017	Yen ---	Yen 0.00	Yen ---	Yen 0.00	Yen 0.00
Year ending December 31, 2018	---	0.00			
Year ending December 31, 2018 (forecast)			---	---	---

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

3. Forecast of consolidated results for the nine months ending September 30, 2018

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Nine months ending September 30, 2018	565,000	(0.9)	48,000	(15.1)	44,000	(19.9)	51,000	(13.0)	30.59

Note: Change in forecast of consolidated results since the most recently announced forecast: Yes

The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as a substitute for a yearly forecast. For details, please refer to Appendix 1.3. "Consolidated Forecasts" on page 5.

4. Others

4.1 Changes in significant consolidated subsidiaries for the six months ended June 30, 2018: Yes

(Note) For details, please refer to page 6.

4.2 Adoption of special accounting methods for quarterly consolidated financial statements: Yes

(Note) For details, please refer to page 15.

4.3 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 4.3.1: No

3. Changes in accounting estimates: No

4. Corrections of prior period errors: No

4.4 Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding (including treasury stock)

As of June 30, 2018: 1,667,715,990 shares

As of December 31, 2017: 1,667,194,490 shares

2. Number of treasury stock

As of June 30, 2018: 2,581 shares

As of December 31, 2017: 2,581 shares

3. Average number of shares issued and outstanding

For the six months ended June 30, 2018: 1,667,336,009 shares

For the six months ended June 30, 2017: 1,667,151,412 shares

(Note) Information regarding the implementation of audit procedures

These quarterly financial results are not subject to quarterly review procedures.

Cautionary Statement

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

The Group will hold a quarterly earnings conference for institutional investors and analysts on July 31, 2018. The Group plans to post the materials which are provided at the meeting, on the Group’s website on that day.

The consolidated financial statements for the year ended December 31, 2017 reflect a significant revision in allocation of the acquisition cost following the provisional accounting treatment finalized on December 31, 2017 for a business combination. For details, please refer to Appendix 3 “Quarterly Consolidated Financial Statements and Main Notes, 3.4. Notes to Quarterly Consolidated Financial Statements” (Business combinations) on page 16.

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1. Second Quarter Consolidated Financial Results

1.1 Analysis of Business Results

1.1.1 Summary of Consolidated Financial Results for the Six Months Ended June 30, 2018

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	374.6	389.4	14.8	4.0%
Sales from semiconductors	365.7	381.1	15.4	4.2%
Sales from others	8.9	8.3	(0.5)	(6.2%)
Operating income	31.6	43.6	12.0	38.1%
Ordinary income	30.5	41.5	11.1	36.3%
Net income attributable to shareholders of parent company	36.3	49.4	13.1	36.2%
	Yen	Yen		
Exchange rate (USD)	112	109	-	-
Exchange rate (EUR)	122	133	-	-

[Net sales]

Consolidated net sales for the six months ended June 30, 2018 were 389.4 billion yen, a 4.0% increase year on year. Despite the continuing strong yen against the US dollar, consolidated net sales increased mainly due to sales from Intersil Corporation (hereafter "Intersil") that started to be recorded as part of the Group's consolidated sales following the completion of the acquisition in February 2017.

[Operating income]

Operating income for the six months ended June 30, 2018 was 43.6 billion yen, a 12.0 billion yen increase year on year. This was mainly due to the rise in sales from stable increase in demand in both Broad-based business owing to the integration of Intersil, Industrial business.

[Ordinary income]

Ordinary income for the six months ended June 30, 2018 was 41.5 billion yen, a 11.1 billion yen increase year on year. This was mainly due to an increase in operating income.

[Net income attributable to shareholders of parent company]

Net income attributable to shareholders of parent company for the six months ended June 30, 2018 was 49.4 billion yen, a 13.1 billion yen increase year on year. This was mainly due to the increase in ordinary income, the reversal of a partial amount of provision for contingent loss and the temporary decrease in tax expenses owing to the recording of deferred tax assets relating to the merger of U.S.-based subsidiaries.

1.1.2 Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	197.3	203.5	6.2	3.1%
Sales from semiconductors	193.5	199.1	5.6	2.9%
Sales from others	3.8	4.4	0.6	15.3%
Operating income	9.4	23.0	13.5	143.5%
Ordinary income	9.3	22.8	13.5	145.6%
Net income attributable to shareholders of parent company	19.1	26.1	7.0	36.5%
	Yen	Yen		
Exchange rate (USD)	108	108	-	-
Exchange rate (EUR)	133	131	-	-

[Net sales]

Consolidated net sales for the three months ended June 30, 2018 were 203.5 billion yen, a 3.1% increase year on year. This is due to an increase in sales from semiconductors, which is the Group's main line of business.

[Sales from Semiconductors]

Sales from semiconductors for the three months ended June 30, 2018 were 199.1 billion yen, a 2.9% increase year on year.

The sales breakdown for "Automotive", "Industrial" and "Broad-based", and for "Other semiconductors" not belonging to these three categories, is as follows:

Automotive Business: 105.8 billion yen

The Automotive business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising semiconductor devices used in automotive information systems such as navigation systems. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Sales of Automotive business for the three months ended June 30, 2018 were 105.8 billion yen, an increase of 1.7% year on year. This was mainly due to the increase in sales in "Automotive control" despite the decrease in sales in the "Automotive information" category.

Industrial Business: 51.5 billion yen

The Industrial business includes the product categories "Smart factory", "Smart home" and "Smart infrastructure" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.

Sales of Industrial business for the three months ended June 30, 2018 were 51.5 billion yen, an increase of 6.2% year on year. Though "Smart infrastructure" sales decreased, the overall increase was mainly due to the increases in "Smart factory" and "Smart home" sales driven by strong demand for industrial equipment, including FA (factory automation).

Broad-Based Business: 40.8 billion yen

The Broad-based business targets a wide variety of end-market solutions. In this business, the Group mainly supplies "General-purpose MCUs" and "General-purpose analog semiconductor devices".

Sales of Broad-based business for the three months ended June 30, 2018 were 40.8 billion yen, an increase of 2.2% year on year. This was mainly due to the increase sales in the "General-purpose analog semiconductor devices" despite the decrease in sales for the "General-purpose MCUs".

Other Semiconductors: 1.0 billion yen

Sales of Other semiconductors include production by commissioning and royalties.

[Sales from others]

Sales from others includes development and production by commissioning conducted at the Group's design and manufacturing subsidiaries.

Sales from others for the three months ended June 30, 2018 were 4.4 billion yen, an increase of 15.3% year on year.

[Operating income]

Operating income for the three months ended June 30, 2018 was 23.0 billion yen, an increase of 13.5 billion yen year on year. This was mainly due to rise in sales from stable increase in demand in Broad-based business following the integration of Intersil and increase in sales in Automotive and Industrial businesses resulting from the stable demand and cost-containment effects.

[Ordinary income]

Ordinary income for the three months ended June 30, 2018 was 22.8 billion yen, a 13.5 billion yen increase year on year. This was mainly due to an increase in operating income.

[Net income attributable to shareholders of parent company]

Net income attributable to shareholders of parent company for the three months ended June 30, 2018 was 26.1 billion yen, a 7.0 billion yen increase year on year. This was mainly due to the decrease in special income such as insurance income and gains on transfer of business which occurred in the last quarter, despite the increase in ordinary income.

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	March 31, 2018	June 30, 2018	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,016.2	1,044.3	28.1
Net assets	511.2	550.6	39.4
Equity	505.7	544.5	38.8
Equity ratio (%)	49.8	52.1	2.3
Interest-bearing debt	227.0	231.6	4.6
Debt / Equity ratio	0.45	0.43	(0.02)

Total assets at June 30, 2018 were 1,044.3 billion yen, a 28.1 billion yen increase from March 31, 2018. This is mainly due to the recording of income before income taxes which lead to an improvement in the net cash provided by operating activities, increasing cash and deposits. Net assets were 550.6 billion yen, a 39.4 billion yen increase from March 31, 2018. This was mainly due to the recording of net income attributable to shareholders of parent company in the amount of 26.1 billion yen.

Equity increased by 38.8 billion yen from March 31, 2018 and the equity ratio was 52.1%. Interest-bearing debt increased by 4.6 billion yen from March 31, 2018. Consequently, the debt to equity ratio was 0.43.

1.2.2 Cash Flows

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	59.5	47.2
Net cash provided by (used in) investing activities	(28.1)	(15.8)
Free cash flows	31.4	31.4
Net cash provided by (used in) financing activities	(6.1)	1.5
Cash and cash equivalents at the beginning of the period	101.0	124.3
Cash and cash equivalents at the end of the period	126.6	160.3

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

Net cash provided by operating activities for the three months ended June 30, 2018 was 47.2 billion yen. This was mainly due to the recording of income before income taxes in the amount of 28.2 billion yen and an adjustment of non-expenditure items within these income before income taxes including depreciation and amortization, etc.

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

Net cash used in investing activities for the three months ended June 30, 2018 was 15.8 billion yen, mainly due to the purchase of property, plant and equipment.

The foregoing resulted in positive free cash flows of 31.4 billion yen for the three months ended June 30, 2018.

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

Net cash provided by financing activities for the three months ended June 30, 2018 was 1.5 billion yen. This was mainly due to the repayments of the loan agreements and the borrowing resulted from the implementation of the existing commitment line loan agreement with the Company's main financing.

1.3 Consolidated Forecasts

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

(For the nine months ending September 30, 2018)

(In millions of yen)

	Net Sales	(Reference) Sales from semiconductors	Operating Income	Ordinary Income	Net Income Attributable to Shareholders of Parent Company
Previous forecasts	---	---	---	---	---
Revised forecasts (July 31, 2018)	565,000	553,700	48,000	44,000	51,000
Increase (decrease)	---	---	---	---	---
Percent change	---	---	---	---	---
Reference: Corresponding period of the previous year (January 1, 2017 to September 30, 2017)	570,058	557,960	56,542	54,956	58,610

The figures of the consolidated forecasts for the nine months ending September 30, 2018 above are sum of the results of the six months ended June 30, 2018 and the forecasts of the three months ending September 30, 2018. The consolidated forecasts for the third quarter ending September 30, 2018 are calculated at the rate of 108 yen per USD and 130 yen per Euro.

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

2. Others

2.1 Changes in Significant Consolidated Subsidiaries

As of January 1, 2018, Renesas Electronics America Inc. has been excluded from the scope of consolidation due to the merger with Intersil. On January 1, 2018 Intersil merged with Renesas Electronics America Inc. in an absorption-type merger and changed the trade name to Renesas Electronics America Inc.. Renesas Electronics America Inc. is a specified subsidiary of the Group.

From the second quarter, 2 companies have been excluded from the Group due to extinguishment by merger.

3. Quarterly Consolidated Financial Statements and Main Notes

3.1 Quarterly Consolidated Balance Sheets

(In millions of yen)

	Prior Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	123,320	132,126
Notes and accounts receivable-trade	99,155	102,030
Short-term investment securities	16,756	28,722
Merchandise and finished goods	48,430	52,660
Work in process	69,936	77,752
Raw materials and supplies	8,215	8,070
Accounts receivable-other	16,637	7,317
Other current assets	20,963	19,669
Allowance for doubtful accounts	(80)	(54)
Total current assets	403,332	428,292
Long-term assets		
Property, plant and equipment		
Buildings and structures, net	63,213	61,920
Machinery and equipment, net	136,116	135,736
Vehicles, tools, furniture and fixtures, net	27,166	27,742
Land	21,684	21,639
Construction in progress	19,162	12,230
Total property, plant and equipment	267,341	259,267
Intangible assets		
Goodwill	172,750	158,643
Software	18,651	18,455
Developed technology	118,038	107,523
Other intangible assets	25,205	23,174
Total intangible assets	334,644	307,795
Investments and other assets		
Investment securities	8,133	6,088
Long-term prepaid expenses	42,527	35,749
Other assets	6,695	7,145
Total investments and other assets	57,355	48,982
Total long-term assets	659,340	616,044
Total assets	1,062,672	1,044,336

	Prior Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of June 30, 2018)
Liabilities		
Current liabilities		
Electronically recorded obligations	19,240	16,861
Notes and accounts payable-trade	78,496	73,886
Short-term borrowings	35,000	45,000
Current portion of long-term borrowings	12,875	10,000
Current portion of lease obligations	114	91
Accounts payable-other	51,605	42,861
Accrued expenses	39,166	33,722
Accrued income taxes	15,920	6,430
Provision for product warranties	157	201
Provision for business structure improvement	2,331	2,115
Provision for contingent loss	9,096	3,283
Provision for loss on disaster	2	52
Provision for sales rebates	1,275	2,860
Asset retirement obligations	56	22
Other current liabilities	16,655	12,441
Total current liabilities	281,988	249,825
Long-term liabilities		
Long-term borrowings	181,396	176,396
Lease obligations	146	98
Provision for business structure improvement	210	193
Net defined benefit liability	25,171	20,363
Asset retirement obligations	2,537	2,669
Other liabilities	59,326	44,187
Total long-term liabilities	268,786	243,906
Total liabilities	550,774	493,731
Net assets		
Shareholders' equity		
Common stock	10,022	10,323
Capital surplus	191,941	192,242
Retained earnings	283,541	334,271
Treasury stock	(11)	(11)
Total shareholders' equity	485,493	536,825
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	397	385
Foreign currency translation adjustments	7,894	(5,223)
Remeasurements of defined benefit plans	13,368	12,551
Total accumulated other comprehensive income	21,659	7,713
Subscription rights to shares	2,311	3,701
Non-controlling interests	2,435	2,366
Total net assets	511,898	550,605
Total liabilities and net assets	1,062,672	1,044,336

3.2 Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations

(Six months ended June 30, 2017 and June 30, 2018)

(In millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net sales	374,553	389,398
Cost of sales	214,944	208,662
Gross profit	159,609	180,736
Selling, general and administrative expenses	128,049	137,163
Operating income	31,560	43,573
Non-operating income		
Interest income	329	481
Dividends income	15	8
Equity in earnings of affiliates	46	37
Reversal of provision for business structure improvement	302	-
Reversal of allowance for doubtful accounts	341	-
Other non-operating income	400	411
Total non-operating income	1,433	937
Non-operating expenses		
Interest expenses	950	890
Foreign exchange losses	798	924
Other non-operating expenses	789	1,184
Total non-operating expenses	2,537	2,998
Ordinary income	30,456	41,512
Special income		
Gain on sales of property, plant and equipment	253	995
Gain on sales of investment securities	64	-
Reversal of provision for contingent loss	-	*1 6,278
Gain on transfer of business	3,847	-
Insurance income	*2 10,422	-
Total special income	14,586	7,273
Special loss		
Loss on sales of property, plant and equipment	65	22
Impairment loss	184	84
Loss on disaster	-	354
Business structure improvement expenses	*3 3,883	*3 1,090
Loss on sales of investment securities	1	2
Provision for contingent loss	456	795
Total special loss	4,589	2,347
Income before income taxes	40,453	46,438
Income taxes	4,142	(2,966)
Net income	36,311	49,404
Net income attributable to non-controlling interests	30	(22)
Net income attributable to shareholders of parent company	36,281	49,426

Quarterly Consolidated Statements of Comprehensive Income

(Six months ended June 30, 2017 and June 30, 2018)

(In millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net income	36,311	49,404
Other comprehensive income		
Unrealized gains (losses) on securities	122	16
Deferred gains (losses) on hedges	(9,012)	-
Foreign currency translation adjustments	1,448	(13,163)
Remeasurements of defined benefit plans, net of tax	(60)	(819)
Share of other comprehensive income of affiliates accounted for by the equity method	21	(26)
Total other comprehensive income	(7,481)	(13,992)
Comprehensive income	28,830	35,412
Comprehensive income attributable to:		
Shareholders of parent company	28,810	35,480
Non-controlling interests	20	(68)

Quarterly Consolidated Statements of Operations
(Three months ended June 30, 2017 and June 30, 2018)

(In millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	197,322	203,486
Cost of sales	115,390	111,557
Gross profit	81,932	91,929
Selling, general and administrative expenses	72,495	68,954
Operating income	9,437	22,975
Non-operating income		
Interest income	66	231
Dividends income	7	8
Equity in earnings of affiliates	4	21
Foreign exchange gains	435	439
Other non-operating income	271	151
Total non-operating income	783	850
Non-operating expenses		
Interest expenses	510	411
Other non-operating expenses	415	589
Total non-operating expenses	925	1,000
Ordinary income	9,295	22,825
Special income		
Gain on sales of property, plant and equipment	62	961
Gain on sales of investment securities	24	-
Gain on transfer of business	3,847	-
Reversal of provision for contingent loss	-	*1 6,110
Insurance income	*2 10,422	-
Total special income	14,355	7,071
Special loss		
Loss on sales of property, plant and equipment	65	22
Impairment loss	89	79
Loss on disaster	-	354
Business structure improvement expenses	*3 2,099	*3 1,018
Loss on sales of investment securities	-	2
Provision for contingent loss	401	208
Total special loss	2,654	1,683
Income before income taxes	20,996	28,213
Income taxes	1,875	2,110
Net income	19,121	26,103
Net income attributable to non-controlling interests	4	14
Net income attributable to shareholders of parent company	19,117	26,089

Quarterly Consolidated Statements of Comprehensive Income
(Three months ended June 30, 2017 and June 30, 2018)

(In millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	19,121	26,103
Other comprehensive income		
Unrealized gains (losses) on securities	41	38
Foreign currency translation adjustments	2,196	12,706
Remeasurements of defined benefit plans, net of tax	(102)	(610)
Share of other comprehensive income of affiliates accounted for by the equity method	16	(1)
Total other comprehensive income	2,151	12,133
Comprehensive income	21,272	38,236
Comprehensive income attributable to:		
Shareholders of parent company	21,225	38,239
Non-controlling interests	47	(3)

3.3 Quarterly Consolidated Statements of Cash Flows

(Six months ended June 30, 2017 and June 30, 2018)

(In millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	40,453	46,438
Depreciation and amortization	34,925	45,200
Amortization of long-term prepaid expenses	7,006	8,142
Impairment loss	184	84
Amortization of goodwill	6,962	10,219
Increase (decrease) in net defined benefit liability	(4,040)	(5,570)
Increase (decrease) in provision for contingent loss	384	(5,542)
Interest and dividends income	(344)	(489)
Insurance income	(10,509)	(22)
Interest expenses	950	890
Equity in (earnings) losses of affiliates	(46)	(37)
Loss (gain) on sales of property, plant and equipment	(188)	(973)
Decrease (increase) in notes and accounts receivable-trade	(10,391)	(5,248)
Decrease (increase) in inventories	5,845	(13,071)
Decrease (increase) in accounts receivable-other	2,570	5,850
Increase (decrease) in notes and accounts payable-trade	3,149	(6,751)
Increase (decrease) in accounts payable-other and accrued expenses	(17,047)	(6,627)
Increase (decrease) in other current liabilities	3,368	(4,121)
Other cash provided by (used in) operating activities, net	(1,345)	5,592
Subtotal	61,886	73,964
Interest and dividends received	399	537
Proceeds from insurance income	11,509	22
Interest paid	(848)	(858)
Income taxes paid	(2,114)	(11,080)
Payments for loss on disaster	(1,617)	(39)
Net cash provided by (used in) operating activities	69,215	62,546
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(63,277)	(32,696)
Proceeds from sales of property, plant and equipment	434	970
Purchase of intangible assets	(4,354)	(2,754)
Purchase of long-term prepaid expenses	(1,981)	(1,048)
Purchase of investment securities	(77)	(315)
Proceeds from sales of investment securities	336	2,159
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(311,428)	-
Proceeds from transfer of business	4,700	-
Other cash provided by (used in) investing activities, net	249	94
Net cash provided by (used in) investing activities	(375,398)	(33,590)

(In millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	50,000	10,000
Proceeds from long-term borrowings	50,000	-
Repayments of long-term borrowings	(3,075)	(7,875)
Repayments of finance lease obligations	(303)	(55)
Repayments of installment payables	(6,388)	(7,426)
Net cash provided by (used in) financing activities	90,234	(5,356)
Effect of exchange rate change on cash and cash equivalents	(11,709)	(2,803)
Net increase (decrease) in cash and cash equivalents	(227,658)	20,797
Cash and cash equivalents at the beginning of the period	354,287	139,545
Cash and cash equivalents at the end of the period	126,629	160,342

3.4 Notes to Quarterly Consolidated Financial Statements

(Quarterly Consolidated Statements of Operations)

***1. Reversal of provisions on contingent loss**

Regarding the civil lawsuit in the United States related to the alleged patent infringement and trade secret violation in which the Company's subsidiary has been named as a defendant, a partial amount of provision on contingent loss has been reversed for the six months ended June 30, 2018 as well as the three months ended June 30, 2018, after reviewing the estimated amount following the revocation of compensation based on the judgement of the Court of First Instance in addition to reasons stated at the Appellate Court, which was conducted following the retrial order at the Court of First Instance.

***2. Insurance income**

The amount of insurance income for the six months ended June 30, 2017 as well as the three months ended June 30, 2017 was due to the receipt of the insurance related to the 2016 Kumamoto Earthquake.

***3. Business structure improvement expenses**

The Group has reformed businesses and structures of the production to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses.

The main items of business structure improvement expenses were impairment loss and disposal expenses associated with fixed assets for the six months ended June 30, 2017 and relocation/disposal expenses associated with fixed assets for the three months ended June 30, 2017.

In addition, the main items of business structure improvement expenses were personnel expenses, including the special incentive of early retirement program, etc. in addition to relocation/disposal expenses associated with fixed assets for the six months ended June 30, 2018 as well as the three months ended June 30, 2018.

(Notes on Assumption for Going Concern)

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None

(Adoption of Special Accounting Methods for Quarterly Consolidated Financial Statements)

(Calculation of Income Tax Expenses)

Income tax expenses are calculated by multiplying income before income taxes for the second quarter of the fiscal year ending December 31, 2018 by a reasonably estimated effective tax rate expected to be applied against income before income taxes for the fiscal year, including the second quarter, while applying tax effect accounting.

(Business Combinations)

(Significant review of initial allocation of acquisition cost in comparison information)

With regard to the acquisition of Intersil which took place on February 24, 2017, the Group used provisional accounting treatment in the six months ended June 30, 2017 and finalized in the end of the previous fiscal year.

As a result, operating income, ordinary income and income before income taxes decreased by 12,704 million yen respectively, each of net income and net income attributable to shareholders of parent company decreased by 10,768 million yen in the quarterly consolidated financial statements for the six months ended June 30, 2017

(Significant Subsequent Event)

(Transfer of shares of affiliated company accounted for by the equity method, and exclusion from the application of the equity method)

At the Executive Committee held on July 27, 2018, the partial transfer of shares of RENESAS EASTON Co., Ltd (hereafter "RENESAS EASTON"), an affiliated company accounted for by the equity method, has been approved. Following this transfer of shares, the Group plans to exclude RENESAS EASTON from the scope of application of the equity method.

1. Date and reason for transfer of shares

With the purpose of optimizing allocation of management resources, the Group has decided to transfer 2.5 million (expected) shares out of the Group's shares to RENESAS EASTON on August 1, 2018.

2. Outline of the affiliated company accounted for by the equity method

1	Name	RENESAS EASTON Co., Ltd
2	Address	Tokyo, Chiyoda-ku, Kanda Tsukasamachi 2-1
3	Name and title of representative	Hitoshi Ishii, President
4	Business description	Sale of integrated circuit, semiconductor devices, display devices, other electronic components and equipment, design and development of electronic components as well as software development
5	Capital	5,042,670,000 yen
6	Date of establishment	December 23, 1954

3. Number of shares transferred, transferred amount and equity ratio after transfer of shares

(1) Number of shares transferred	2.5 million shares
(2) Expected transferred amount	1,363 million yen
(3) Equity ratio after transfer of shares (expected)	5.54%

4. Prospect

Following the transfer of shares, the Group plans to exclude RENESAS EASTON from the scope of application of the equity method. In addition, the impact on the Group's performance is currently under review.

Forward-Looking Statements

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

About Renesas Electronics Corporation

Renesas Electronics Corporation (TSE: 6723), the world’s number one supplier of microcontrollers, is a premiere supplier of advanced semiconductor solutions including microcontrollers, SoC solutions and a broad-range of analog and power devices. Business operations began as Renesas Electronics Corporation in April 2010 through the integration of NEC Electronics Corporation (TSE:6723) and Renesas Technology Corp., with operations spanning research, development, design, and manufacturing for a wide range of applications. Headquartered in Japan, Renesas Electronics Corporation has subsidiaries in approximately 20 countries worldwide. More information can be found at www.renesas.com.

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