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**Renesas Electronics Reports Financial Results in accordance with IFRS
 for the Year Ended December 31, 2019**

Tokyo, Japan, February 12, 2020 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the year ended December 31, 2019.

Summary of Consolidated Financial Results

	Year ended December 31, 2019	
	Billion Yen	% of Net Sales
Revenue	718.2	100.0
Operating profit	6.8	1.0
Net profit	(5.9)	(0.8)
Capital expenditures (Note 2)	10.8	
Depreciation and others (Note 3)	148.0	
R&D expenses (Note 4)	128.7	
	Yen	
Exchange rate (USD)	109	
Exchange rate (EUR)	123	

	As of December 31, 2019
	Billion Yen
Total assets	1,667.4
Total equity	623.6
Equity attributable to owners of the parent	620.7
Equity ratio attributable to owners of the parent (%)	37.2
Interest-bearing debt	785.9

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the year ended December 31, 2019.

Note 3: Depreciation and others includes depreciation and amortization of intangible assets and amortization of long-term prepaid expenses in consolidated statements of cash flows.

Note 4: Part of R&D expenses have been capitalized and have been recorded as intangible assets. R&D expense which have been recorded as intangible assets are listed here.

Note 5: The allocation of the acquisition costs (PPA: Purchase Price Allocation) for the business combinations with Integrated Device Technology, Inc. ("IDT"), which Renesas acquired on March 30, 2019 (JST), has been revised at the end of the full year ended December 2019. The revised allocation of the acquisition costs are reflected in the consolidated financial figures of FY2019/12.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Year Ended December 31, 2019
English translation from the original Japanese-language document



February 12, 2020

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	:Hidetoshi Shibata, Representative Director, President and CEO
Contact person	:Yoichi Kobayashi, Director Corporate Communications Dept.
Filing date of Yukashoken Hokokusho (scheduled)	:March 27, 2020

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended December 31, 2019

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

	Revenue		Operating profit		Profit before tax from continuing operations		Profit for the year		Profit for the year attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2019	718,243	(5.1)	6,845	(90.0)	257	(99.6)	(5,825)	---	(5,914)	---	(21,624)	---
Year ended December 31, 2018	756,503	(2.9)	68,196	(33.0)	67,723	(31.9)	51,059	(50.0)	50,989	(50.0)	18,201	(83.3)

	Basic earnings per share	Diluted earnings per share	Net income per equity attributable to owners	Profit before tax ratio per net assets	Operating profit ratio per revenue
Year ended December 31, 2019	Yen (3.49)	Yen (3.49)	% (1.0)	% 0.0	% 1.0
Year ended December 31, 2018	30.57	30.50	8.7	6.2	9.0

Reference: Equity in net income of affiliates of the year ended December 31, 2019: -- million yen
Equity in net income of affiliates of the year ended December 31, 2018: 49 million yen

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners	Equity attributable to owners per share
	Million yen	Million yen	Million yen	%	Yen
December 31, 2019	1,667,359	623,615	620,666	37.2	362.90
December 31, 2018	1,055,235	600,968	598,100	56.7	358.49

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2019	201,960	(742,162)	500,466	146,468
Year ended December 31, 2018	172,308	(80,872)	(39,251)	188,820

2. Cash dividends

	Cash dividends per share					Total dividends during the year	Dividends payout ratio (consolidated)	Dividends ratio per net assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
	Yen	Yen	Yen	Yen	Yen			
Year ended December 31, 2018	---	0.00	---	0.00	0.00	---	---	---
Year ended December 31, 2019	---	0.00	---	0.00	0.00	---	---	---
Year ending December 31, 2020 (forecast)	---	---	---	---	---			

Note: For the year ending December 31, 2020, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2020

(% or %pts indicates changes from corresponding period of the previous year)

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%
Forecasts as of February 12, 2020	175,000 to 183,000	16.5 to 21.8	46.0	6.7	15.0	10.2

Note 1: Instead of a forecast for the full year ending December 31, 2020, the group has provided a forecast for the three months ending March 31, 2020, in a range format. For more information, please refer to page 6.

Note 2: Non-GAAP figures are calculated by adjusting or removing non-recurring items and other adjustments from GAAP figures. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore forecasts are provided in non-GAAP base.

4. Others

4.1 Changes in significant subsidiaries for the year ended December 31, 2019

(Changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

(Note) For details, please refer to page 14.

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors

1. Changes in accounting policies with revision of accounting standard: Yes

2. Changes in accounting policies except for 4.2.1: No

3. Changes in accounting estimates: No

4.3 Number of shares issued and outstanding (common stock)

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

As of December 31, 2019: 1,710,276,790 shares

As of December 31, 2018: 1,668,385,390 shares

2. Number of treasury stock

As of December 31, 2019: 2,581 shares

As of December 31, 2018: 2,581 shares

3. Average number of shares issued and outstanding

For the year ended December 31, 2019: 1,694,150,509 shares

For the year ended December 31, 2018: 1,667,716,659 shares

(Reference) Non-consolidated results for the year ended December 31, 2019

Non-consolidated financial results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2019	554,313	(12.2)	34,404	(53.0)	16,932	(75.4)	17,433	(64.6)
Year ended December 31, 2018	631,220	(7.6)	73,243	(19.6)	68,864	(24.0)	49,216	(43.7)

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
Year ended December 31, 2019	10.29	10.13
Year ended December 31, 2018	29.51	29.44

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2019	1,613,679	504,431	30.3	285.56
December 31, 2018	928,277	438,896	46.7	260.07

Reference: Equity at the end of the year ended December 31, 2019: 488,378 million yen

Equity at the end of the year ended December 31, 2018: 433,731 million yen

(Note) Information regarding the implementation of audit procedures
These financial results are not subject to audit review procedures.

Cautionary Statement

The Group discloses its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) starting from the annual securities report for the fiscal year ended December 31, 2018.

The Group will hold an earnings conference for institutional investors and analysts on February 12, 2020. The Group plans to post the materials which are provided at the meeting, on the Group’s website on that day.

The statements with respect to the financial outlook of Renesas Electronics Corporation (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 allocation of the acquisition costs for the business combinations with IDT, which the Group acquired on March 30, 2019, has been revised at the end of the fiscal year ended December 31, 2019. The revised allocation of the acquisition costs are reflected in the Consolidated Financial Statements of the fiscal year ended December 31, 2019. For details, please refer to Appendix 3.5, “Notes to Consolidated Financial Statements (Business Combinations)” on page 18.

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1. Business Results

1.1 Analysis of Business Results

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

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

The consolidated financial statements for the year ended December 31, 2019 reflect a significant revision in allocation of the acquisition cost following the provisional accounting treatment finalized on December 31, 2019 for a business combination. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5. Notes to Consolidated Financial Statements” (Business combinations).

In addition, following the acquisition of IDT in March 2019 and the transition to an organizational structure based on two business units, from the third quarter ended September 30, 2019, the financial figures disclosed have been reformed into two segments: “Automotive Business” and “Industrial/Infrastructure/IoT Business”. Following these changes, the Group will discontinue the disclosure of the “Non-GAAP Revenue from Semiconductors” segment. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5. Notes to Consolidated Financial Statements (Business Segments)”. (Note): For disclosure of Non-GAAP financial measures, the Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

A) Overview of the current financial operation

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2019 (Non-GAAP basis)

	Year ended December 31, 2018 (Jan 1 – Dec 31, 2018)	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue	756.5	718.2	(38.3)	(5.1%)
Automotive	389.7	371.1	(18.5)	(4.8%)
Industrial/Infrastructure/IoT	346.6	329.7	(16.9)	(4.9%)
Non-GAAP Operating Profit	104.0	93.1	(11.0)	(10.6%)
Non-GAAP Operating Margin	13.8%	13.0%	(0.8pt)	---
Automotive	16.2 4.1%	31.0 8.3%	14.8 4.2pts	91.7% ---
Industrial/Infrastructure/IoT	80.5 23.2%	59.1 17.9%	(21.5) (5.3pts)	(26.7%) ---

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

<Non-GAAP Revenue>

Non-GAAP Consolidated revenue for the year ended December 31, 2019 were 718.2 billion yen, a 5.1% decrease year on year. Non-GAAP Consolidated revenue decreased mainly due to weakening demand for focused applications including Automotive and Industrial/Infrastructure/IoT from increasing uncertainties in the global economy.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profit for the year ended December 31, 2019 was 316.3 billion yen, an 18.0 billion yen decrease year on year. This was mainly due to decreases in revenue in both the Automotive and Industrial/Infrastructure/IoT business segments. As a result, non-GAAP gross margin for the year ended December 31, 2019 was 44.0%, a decrease by 0.2 point year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the year ended December 31, 2019 was 93.1 billion yen, an 11.0 billion yen decrease year on year. This was mainly due to decreases in revenue in both the Automotive and Industrial/Infrastructure/IoT business segments. As a result, non-GAAP operating margin for the year ended December 31, 2019 was 13.0%, a decrease by 0.8 point year on year.

The non-GAAP revenue breakdown of the business segments for the year ended December 31, 2019 are as follows:

Automotive Business

The Automotive business includes the product categories “Automotive control,” comprising semiconductor devices for controlling automobile engines and bodies, and “Automotive information,” comprising 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.

Non-GAAP revenue of the Automotive business for the year ended December 31, 2019 was 371.1 billion yen, a decrease of 4.8% year on year. This was due to decreases in sales in both the “Automotive control” and “Automotive information” categories.

Non-GAAP operating profit of the Automotive business for the year ended December 31, 2019 was 31.0 billion yen, a 14.8 billion yen increase year on year, owing to controlling R&D (research and development) and SG&A (selling, general and administrative) expenses despite the decrease in revenue.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT business includes the categories “Industrial”, “Infrastructure” and “IoT” which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.

Non-GAAP revenue of Industrial/Infrastructure/IoT business for the year ended December 31, 2019 was 329.7 billion yen, a decrease of 4.9% year on year. This was due to decreased sales in the “Industrial”, “Infrastructure” and “IoT” categories.

Non-GAAP operating profit for the Industrial/Infrastructure/IoT business for the year ended December 31, 2019 was 59.1 billion yen, a 21.5 billion yen decrease year on year, due to decrease in revenue from the decrease in sales.

B) Reconciliation of Non-GAAP operating profit to IFRS operating profit

The total amount of amortization of purchased intangible assets and fixed assets for the fiscal year ended December 31, 2019, was 47.6 billion yen, and the total amount of stock-based compensation was 12.0 billion yen.

(Billion yen)

	Year ended December 31, 2018 (Jan 1 – Dec 31, 2018)	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)
Non-GAAP gross profit	334.3	316.3
Non-GAAP gross margin	44.2%	44.0%
Amortization of purchased intangible assets and fixed assets	(1.3)	(1.7)
Stock-based compensation	(0.6)	(0.9)
Market value of inventories	—	(11.3)
Other reconciliations in non-recurring expenses and adjustments	—	0.6
IFRS gross profit	332.4	302.9
IFRS gross margin	43.9%	42.2%
Non-GAAP operating profit	104.0	93.1
Non-GAAP operating margin	13.8%	13.0%
Amortization of purchased intangible assets and fixed assets	(17.1)	(47.6)
Stock-based compensation	(5.5)	(12.0)
Market value of inventories	—	(11.3)
Other reconciliations in non-recurring expenses and adjustments	(13.3)	(15.2)
IFRS operating profit	68.2	6.8
IFRS operating margin	9.0%	1.0%

(Note): “Other reconciliations in non-recurring expenses and adjustments” includes the non-recurring items related to acquisitions and other adjustments as well as non-recurring profits or losses.

C) Overview of the current financial operation (GAAP, IFRS basis)

Summary of Consolidated Financial Results for the Year ended December 31, 2019 (IFRS basis)

	Year ended December 31, 2018 (Jan 1 – Dec 31, 2018)	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	756.5	718.2	(38.3)	(5.1%)
Gross Profit	332.4	302.9	(29.5)	(8.9%)
Gross Margin	43.9%	42.2%	(1.8pts)	
Operating Profit	68.2	6.8	(61.4)	(90.0%)
Operating Margin	9.0%	1.0%	(8.1pts)	

1.2 Consolidated Financial Condition

	December 31, 2018	December 31, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,055.2	1,667.4	612.2
Total equity	601.0	623.6	22.6
Equity attributable to owners of the parent	598.1	620.7	22.6
Equity ratio attributable to owners of the parent (%)	56.7	37.2	(19.5)
Interest-bearing debt	195.0	785.9	590.9
Debt / Equity ratio	0.33	1.27	0.94

Total assets at December 31, 2019 were 1,667.4 billion yen, a 612.2 billion yen increase from December 31, 2018. This was mainly due to an increase in goodwill owing to the acquisition of IDT in the three months ended March 30, 2019. Net assets were 623.6 billion yen, a 22.6 billion yen increase from December 31, 2018. This was mainly due to an increase in other components of equity by decrease in deferred gains and losses on hedges.

Equity attributable to owners of the parent increased by 22.6 billion yen from December 31, 2018 and the equity ratio attributable to owners of the parent was 37.2%. Interest-bearing debt increased by 590.9 billion yen from December 31, 2018 due to an increase in borrowings. Consequently, the debt to equity ratio decreased to 1.27.

1.3 Cash Flows

	Year ended December 31, 2018 (Jan 1 – Dec 31, 2018)	Year ended December 31, 2019 (Jan 1 – Dec 31, 2019)
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	172.3	202.0
Net cash provided by (used in) investing activities	(80.9)	(742.2)
Free cash flows	91.4	(540.2)
Net cash provided by (used in) financing activities	(39.3)	500.5
Cash and cash equivalents at the beginning of period	139.5	188.8
Cash and cash equivalents at the end of period	188.8	146.5

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

Net cash provided by operating activities for the year ended December 31, 2019 was 202.0 billion yen. This was mainly due to an adjustment of non-expenditure items including depreciation and amortization, etc. within the income before income taxes as well as a decrease in inventory.

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

Net cash used in investing activities for the year ended December 31, 2019 was 742.2 billion yen. This was mainly due to the acquisition of IDT's shares.

The foregoing resulted in negative free cash flows of 540.2 billion yen for the year ended December 31, 2019.

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

Net cash provided by financing activities for the year ended December 31, 2019 was 500.5 billion yen. This was mainly due to the execution of new term loan agreements with the main financing banks for obtaining funds for the acquisition of IDT and securing long term working capital, as well as repayments of existing term loans.

1.4 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.

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

(For the three months ending March 31, 2020)

	Non-GAAP Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Forecasts as of February 12, 2020	Million yen 175,000 to 183,000	% 46.0	% 15.0
Reference: The first quarter results of the year ended December 31, 2019 (January 1, 2019 to March 31, 2019)	150,259	39.3	4.8

(*1) Non-GAAP figures are calculated by adjusting or removing non-recurring items and other adjustments from GAAP figures. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore, forecasts are provided in non-GAAP base. This adjustment and exclusion include depreciation of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments and costs relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable.

The consolidated forecasts for the first quarter ending March 31, 2020 are calculated at the rate of 109 yen per USD and 121 yen per Euro.

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

1.5 Dividend Payments

The Group forewent dividend payment for this period.

The Group will divert its retained earnings for strategic investment opportunities that will enable the Group to respond to rapid environmental changes to thrive into the global marketplace and will aim to increase shareholder profit by improving corporate value. In addition, based on a long-term standpoint, the Group aims to realize stable and sustained growth in profits and intends to resume divided payments.

For the year ending December 31, 2020, whether the Group provides interim and year-end dividend payments remain undecided, and the Group will immediately announce it when the decisions are made.

2. Primary policy for selection of accounting standards

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

3. Consolidated Financial Statements

3.1 Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	188,820	146,468
Trade and other receivables	79,449	84,459
Inventories	115,440	89,642
Other current financial assets	494	468
Income tax receivables	2,352	4,438
Other current assets	7,069	7,344
Total current assets	<u>393,624</u>	<u>332,819</u>
Non-current assets		
Property, plant and equipment	252,503	232,579
Goodwill	187,230	625,030
Intangible assets	166,524	414,582
Other non-current financial assets	5,973	9,995
Deferred tax assets	44,149	46,404
Other non-current assets	5,232	5,950
Total non-current assets	<u>661,611</u>	<u>1,334,540</u>
Total assets	<u>1,055,235</u>	<u>1,667,359</u>

(In millions of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,233	100,187
Bonds and Borrowings	45,000	93,182
Other current financial liabilities	15,057	4,362
Income tax payables	2,983	7,861
Provisions	7,112	7,521
Other current liabilities	55,384	55,528
Total current liabilities	<u>241,769</u>	<u>268,641</u>
Non-current liabilities		
Trade and other payables	4,403	845
Bonds and Borrowings	147,248	678,577
Other non-current financial liabilities	2,323	10,093
Income tax payables	1,105	4,499
Retirement benefit liabilities	32,752	29,572
Provisions	3,745	3,860
Deferred tax liabilities	18,754	43,257
Other non-current liabilities	2,168	4,400
Total non-current liabilities	<u>212,498</u>	<u>775,103</u>
Total liabilities	<u>454,267</u>	<u>1,043,744</u>
Equity		
Issued capital	10,699	22,213
Share premium	190,074	201,588
Retained earnings	410,652	403,068
Treasury shares	(11)	(11)
Other components of equity	(13,314)	(6,192)
Total equity attributable to owners of the parent	<u>598,100</u>	<u>620,666</u>
Non-controlling interests	2,868	2,949
Total equity	<u>600,968</u>	<u>623,615</u>
Total liabilities and equity	<u>1,055,235</u>	<u>1,667,359</u>

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

Consolidated Statement of Profit or Loss

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Continuing operations		
Revenue	756,503	718,243
Cost of sales	(424,066)	(415,315)
Gross profit	332,437	302,928
Selling, general and administrative expenses	(251,021)	(281,008)
Other income	8,953	2,302
Other expenses	(22,173)	(17,377)
Operating profit or loss	68,196	6,845
Finance income	1,609	2,186
Finance costs	(2,131)	(8,774)
Share of profit of investments accounted for using the equity method	49	—
Profit or loss before tax from continuing operations	67,723	257
Income tax expense	(16,664)	(6,082)
Profit or loss from continuing operations	51,059	(5,825)
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	51,059	(5,825)
Profit or loss attributable to		
Owners of the parent	50,989	(5,914)
Non-controlling interests	70	89
Profit or loss	51,059	(5,825)
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	30.57	(3.49)
Discontinued operations	—	—
Total basic earnings or loss per share	30.57	(3.49)
Diluted earnings or loss per share (yen)		
Continuing operations	30.50	(3.49)
Discontinued operations	—	—
Total diluted earnings or loss per share	30.50	(3.49)

Consolidated Statement of Comprehensive Income

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Profit or loss	51,059	(5,825)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(4,059)	(3,203)
Financial assets measured at fair value through other comprehensive income	(54)	(177)
Share of other comprehensive income of investments accounted for using the equity method	(26)	—
Total of items that will not be reclassified to profit or loss	<u>(4,139)</u>	<u>(3,380)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(14,401)	(18,033)
Changes in fair value of cash flow hedges	(14,318)	5,614
Total of items that may be reclassified subsequently to profit or loss	<u>(28,719)</u>	<u>(12,419)</u>
Total other comprehensive income	<u>(32,858)</u>	<u>(15,799)</u>
Total comprehensive income	<u>18,201</u>	<u>(21,624)</u>
Comprehensive income attributable to		
Owners of the parent	18,248	(21,705)
Non-controlling interests	(47)	81
Total comprehensive income	<u>18,201</u>	<u>(21,624)</u>

3.3 Consolidated Statement of Changes in Equity
(The year ended December 31, 2018)

(In millions of yen)

	Equity attributable to owners of the parent												Total equity	
	Other components of equity										Total	Total equity attributable to owners of the parent		Non-controlling interests
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Changes in fair value of cash flow hedges					
Balance as of January 1, 2018	10,022	189,397	363,542	(11)	2,311	—	(734)	11,206	—	12,783	575,733	2,916	578,649	
Profit	—	—	50,989	—	—	—	—	—	—	—	50,989	70	51,059	
Other comprehensive income	—	—	—	—	—	(4,048)	(80)	(14,295)	(14,318)	(32,741)	(32,741)	(117)	(32,858)	
Total comprehensive income	—	—	50,989	—	—	(4,048)	(80)	(14,295)	(14,318)	(32,741)	18,248	(47)	18,201	
Issue of new shares	677	677	—	—	—	—	—	—	—	—	1,354	—	1,354	
Share-based payments	—	—	—	—	2,854	—	—	—	—	2,854	2,854	—	2,854	
Change of equity method range	—	—	—	—	—	—	(89)	—	—	(89)	(89)	—	(89)	
Transfer to retained earnings	—	—	(3,879)	—	—	4,048	(169)	—	—	3,879	—	—	—	
Other	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)	
Total amount of transactions with owners	677	677	(3,879)	—	2,854	4,048	(258)	—	—	6,644	4,119	(1)	4,118	
Balance as of December 31, 2018	10,699	190,074	410,652	(11)	5,165	—	(1,072)	(3,089)	(14,318)	(13,314)	598,100	2,868	600,968	

(The year ended December 31, 2019)

(In millions of yen)

	Equity attributable to owners of the parent										Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Equity attributable to owners of the parent				Other components of equity								
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Changes in fair value of cash flow hedges	Total			
Balance as of January 1, 2019	10,699	190,074	410,652	(11)	5,165	—	(1,072)	(3,089)	(14,318)	(13,314)	598,100	2,868	600,968
Profit or loss	—	—	(5,914)	—	—	—	—	—	—	—	(5,914)	89	(5,825)
Other comprehensive income	—	—	—	—	—	(3,203)	(177)	(18,025)	5,614	(15,791)	(15,791)	(8)	(15,799)
Total comprehensive income	—	—	(5,914)	—	—	(3,203)	(177)	(18,025)	5,614	(15,791)	(21,705)	81	(21,624)
Issue of new shares	11,514	12,097	—	—	—	—	—	—	—	—	23,611	—	23,611
Share-based payments	—	—	—	—	11,956	—	—	—	—	11,956	11,956	—	11,956
Transfer to retained earnings	—	(583)	(1,670)	—	(1,068)	3,203	118	—	—	2,253	—	—	—
Transfer to non-financial assets	—	—	—	—	—	—	—	—	8,704	8,704	8,704	—	8,704
Total amount of transactions with owners	11,514	11,514	(1,670)	—	10,888	3,203	118	—	8,704	22,913	44,271	—	44,271
Balance as of December 31, 2019	22,213	201,588	403,068	(11)	16,053	—	(1,131)	(21,114)	—	(6,192)	620,666	2,949	623,615

3.4 Consolidated Statement of Cash Flows

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Cash flows from operating activities		
Profit or loss	67,723	257
Depreciation and amortization	112,743	148,026
Impairment loss	1,526	2,256
Finance income and costs	649	5,927
Share of profit of investments accounted for using the equity method	(49)	—
Share-based payments	4,208	11,896
Gain (loss) on sales of non-current assets	(1,025)	(515)
Changes in inventories	6,956	43,967
Changes in trade and other receivables	22,336	9,882
Changes in trade and other payables	(27,999)	(36)
Changes in retirement benefit liabilities	(1,265)	(3,044)
Changes in provisions	(2,055)	411
Changes in other current liabilities	(3,403)	(11,609)
Other	5,433	(962)
Subtotal	185,778	206,456
Interest received	1,485	1,361
Dividend received	48	203
Income taxes paid	(15,003)	(6,060)
Net cash flows from operating activities	172,308	201,960
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,513)	(38,284)
Proceeds from sales of property, plant and equipment	2,248	755
Purchase of intangible assets	(22,361)	(18,084)
Purchase of other financial assets	(766)	(545)
Proceeds from sales of other financial assets	3,175	1,431
Acquisition of subsidiaries	—	(685,831)
Proceeds from sales of subsidiaries and affiliates stocks	1,378	—
Other	(33)	(1,604)
Net cash flows from investing activities	(80,872)	(742,162)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,000	(45,000)
Proceeds from long-term borrowings	—	847,000
Repayments of long-term borrowings	(46,529)	(217,645)
Repayment of lease obligations	(916)	(5,726)
Interest paid	(1,806)	(12,796)
Payments for retirement by purchase of bonds	—	(65,409)
Other	—	42
Net cash flows from financing activities	(39,251)	500,466
Effect of exchange rate changes on cash and cash equivalents	(2,910)	(2,616)
Increase (decrease) in cash and cash equivalents	49,275	(42,352)
Cash and cash equivalents at beginning of the period	139,545	188,820
Cash and cash equivalents at end of the period	188,820	146,468

3.5 Notes to Consolidated Financial Statements

(Notes about Going Concern Assumption)
Not applicable

(Basis for Preparation)

(1) Compliance with IFRS

Because the Group meets the requirements for "Specified Companies Complying with Designated International Accounting Standards" stated in Article 1-2 of Ordinance on Consolidated Financial Statements, the Group has adopted the provisions of Article 93 of the Ordinance. The consolidated financial statements of the Group have been prepared in accordance with IAS34 "Interim Financial Reporting".

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in presentation

(Consolidated Statement of Cash Flows)

"Interest paid", which was disclosed under "Cash flows from operating activities" for the prior fiscal year, has been reclassified to "Cash flows from financing activities" from the current fiscal year due to the increase in its materiality. In order to reflect this change in presentation, Consolidated Statement of Cash Flows for the prior fiscal year has also been reclassified. Consequently, 1,806 million yen of "Interest paid", which was disclosed under "Cash flows from operating activities", has been reclassified to "Cash flows from financing activities".

(Basis of Consolidated Financial Statements)

1. Scope of consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 87

Number of subsidiaries decreased by merger and liquidation: 10

Renesas Semiconductor Package & Test Solutions Co., Ltd. and other 9 companies.

The number of subsidiaries increased by acquisition: 49

Integrated Device Technology, Inc. and other 48 companies

Within the newly consolidated subsidiaries, 7 subsidiaries including Integrated Device Technology, Inc., Integrated Device Technology Malaysia SDN. BHD., etc. are specified subsidiaries.

2. Application of Equity Method

The number of affiliates accounted for by the equity method: 0

Following the partial transfer of the Group's shares of RENESAS EASTON Co., Ltd. on August 1, 2018, the Group has excluded RENESAS EASTON Co., Ltd. from the scope of application of the equity method.

(Significant Accounting Policies)

The significant accounting policies for the consolidated financial statements of the Group are the same with the accounting policies for the prior fiscal year financial statements, with the exceptions as follows.

(1) Application of IFRS16 “Leases”

The Group has applied International Financial Reporting Standards 16 “Leases” (hereafter IFRS16) for the fiscal year ended December 31, 2019.

The Group has applied IFRS16 retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application and did not restate comparative information in accordance with paragraph C5(b) for IFRS16. In addition, the Group has applied the practical expedient permitted in paragraph C3 for IFRS16 and did not apply this Standard to contracts that were not previously identified as leases or containing a lease.

Right-of-use asset has been measured at an amount equal to the lease liability, adjusted only by the amount of accrued lease payments relating to that lease recognized in the statement of financial position as of December 31, 2018 in conformity with paragraph C8(b)(ii) for IFRS16. In the context of transition to IFRS16, 12,682 million yen of right-of-use assets and 13,102 million yen of lease liabilities have been recognized, and the difference of 420 million yen has been recognized as accrued leases payments. The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application of IFRS16 is 1.6%.

The adjustment between the amounts of contracts identified as operating leases in accordance with International Accounting Standard 17 (hereafter IAS17) “Leases” as of December 31, 2018, discounted by the lessee’s incremental borrowing rate and the amounts of lease liabilities recognized in the statement of financial position at the date of initial application is as follow.

	(In millions of yen)
Amounts of contracts identified as operating leases in accordance with IAS17 as of December 31, 2018 at the date of initial application	12,792
Amounts discounted by the lessee’s incremental borrowing rate of 1.6%	(754)
Cancellable operating lease contracts	1,064
Finance lease liabilities as of December 31, 2018	2,762
Lease liabilities recognized in the statement of financial position at the date of initial application (January 1, 2019)	15,864

When applying IFRS16, the Group has applied the practical expedient in paragraph C10 for IFRS16 as below for the contracts previously identified as operating leases in accordance with IAS17.

- The Group assesses the leases applying International Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review
- Leases for which the lease term ends within 12 months of the date of initial application are treated as short-term leases.
- Initial direct costs from the measurement of the right-of-use asset at the date of initial application are excluded.
- The Group determines the lease term of the contract which contains options to extend or terminate the lease using hindsight.

(2) Application of IFRIC23 “Uncertainty over Income Tax Treatments”

The Group has applied International Financial Reporting Interpretations Committee Interpretation 23 “Uncertainty over Income Tax Treatments” for the fiscal year ended December 31, 2019. In addition, the impact of this application on the financial statements is insignificant.

(Business Segments)

(1) Overview of reportable segments

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

The Group consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments.

The Automotive Business includes the product categories "Automotive control", comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information", comprising semiconductor devices used in 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.

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

Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other".

For the fiscal year ended December 31, 2019, the Group has implemented a change in the Group's classification of segments for allocation of management resources and assessment of performance. Following this change, the legacy reported sole operating segment of the Group has been divided into "Automotive Business", "Industrial/Infrastructure/IoT Business", with commissioned development and manufacturing from the Group's design and manufacturing subsidiaries categorized as "Other" for the fiscal year ended December 31, 2019.

The information on reportable segments for the fiscal year ended December 31, 2018 has also been reclassified in accordance with the new classification of reportable segments.

(2) Information on reportable segments

The accounting treatment for reportable segments is in accordance with IFRS. The internal indicators which are used by management when making decisions are the amount which have been adjusted by non-recurring items specified by the Group and other adjustment following a certain set of rules from operating profit in accordance with IFRS.

Segment profit or loss is calculated by deducting "Cost of Sale", "General, Selling and Administrative Expenses" and "Other Expenses" from "Revenue" and adding "Other Income".

The Group's Executive Officers assess the performance after eliminating intragroup transactions, and therefore, there is no transfer between reportable segments.

Information on reportable segments is as follows.

The year ended December 31, 2018

(In millions of yen)

	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	389,683	346,569	20,251	—	756,503	—	756,503
Segment profit or loss	16,165	80,547	1,834	5,498	104,044	(35,848)	68,196
Financial income							1,609
Financial expenses							(2,131)
Profit of investments accounted for using the equity method							49
Profit or loss before tax for the period							67,723
(Other adjustment) Depreciation and amortization	58,842	36,448	356	—	95,646	17,097	112,743

The year ended December 31, 2019

(In millions of yen)

	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	371,145	329,705	17,393	—	718,243	—	718,243
Segment profit or loss	30,984	59,063	1,619	1,398	93,064	(86,219)	6,845
Financial income							2,186
Financial expenses							(8,774)
Profit or loss before tax for the period							257
(Other adjustment) Depreciation and amortization	59,191	41,373	(160)	—	100,404	47,622	148,026

(Note 1) Reportable Segment's allocation of non-recurring items and other specified adjustments deducted or adjusted following a certain set of rules

(Note 2) Non-recurring items and other specified adjustments deducted or adjusted following a certain set of rules

(3) Information on products and services

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

(4) Information on regions and countries

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

a. Revenue from external customers

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Japan	300,530	261,663
China	153,289	150,486
Asia (Excluding China)	106,984	117,959
Europe	125,062	118,990
North America	67,239	66,228
Others	3,399	2,917
Total	756,503	718,243

(Note) Revenue are based on the location of customers and are classified by country or region.

b. Non-current assets

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

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Japan	421,808	811,354
Malaysia	108,607	326,738
Asia (Excluding Malaysia)	29,297	23,591
Europe	694	37,048
North America	45,851	73,460
Total	606,257	1,272,191

(5). Major customers

Revenue from a single external customer accounting for 10% or more of revenue for the year is as follows.

(In millions of yen)

	Name of related reportable segment	The year ended December 31, 2018	The year ended December 31, 2019
Ryosan Company, Limited	Automotive, Industrial/Infrastructure /IoT	94,804	75,146

(Business Combinations)

(1) Business combination by acquisition
(The year ended December 31, 2019)

a. Overview of business combination

The Company resolved at the Meeting of Board of Directors to reach an agreement with IDT, whereby IDT would become a wholly-owned subsidiary of the Company and concluded a merger agreement for the purpose of implementing the acquisition on September 11, 2018. In addition, on March 30, 2019, following the completion of the acquisition, IDT has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Integrated Device Technology, Inc.

Business overview: Development, Manufacturing and Sale of mixed signal analog integrated circuit, etc.

2) Date of the acquisition

March 30, 2019 (Pacific Daylight Time: March 29, 2019)

3) Purpose of the Acquisition

The Group has been executing its growth strategy to thrive as a world-leading embedded solution provider in the rapidly changing global semiconductor market. As the pillars of its growth strategy, the Group is accelerating its focus on the automotive segment, where the Group has maintained a key global position over many years and further growth is anticipated in areas such as autonomous driving and EV/HEV; industrial and infrastructure segments, which are expected to advance with Industry 4.0 and 5G (fifth-generation) wireless communications, as well as the fast-growing IoT segment.

In order to achieve this growth strategy, the Group is working to expand its analog solution lineup and to strengthen its kit solution offerings that combine its world-leading microcontrollers (MCUs), system-on-chips (SoCs) and analog products. In this context, the Group already completed the acquisition of Intersil Corporation (hereafter "Intersil"), a U.S.-based analog semiconductor supplier, in February 2017.

With the Intersil acquisition, the Group enhanced its lineup of power management-related analog devices as well as its ability to deliver kit solutions to customers combining the Group's MCUs/SoCs and analog products from the former Intersil. At the same time, the Group expanded its sales and design-ins outside of Japan and strengthened global management capabilities by absorbing the former Intersil's experienced management team into the Group.

The Group has made the decision to acquire IDT, a U.S.-based analog semiconductor supplier, to contribute further towards the growth strategy. IDT is a global enterprise engaged in the development, production, sale, and provision of services related to analog semiconductor products such as mixed-signal semiconductor solutions particularly for markets related to the data economy such as data center and communication infrastructure that require big-data processing. IDT has annual sales of approximately US\$843 million (approximately 92.7 billion yen at an exchange rate of 110 yen to the dollar, as of March 2018) and an operating profit margin of over 25 percent (Non-GAAP basis).

The main strategic benefits this transaction is expected to bring are: (i) Complementary products expand the Group's solution offerings, and (ii) Expands business growth opportunities. Details are as follows:

(i) Complementary products expand the Group's solution offerings

The acquisition will provide the Group with access to a vast array of robust analog mixed-signal capabilities in embedded systems, including RF, high performance timing, memory interface, real-time interconnect, optical interconnect, wireless power and smart sensors. The combination of these product lines with the Group's advanced MCUs and SoCs and power management ICs enables the Group to offer an integrated solution that supports the increasing demand of high data processing performance. The enriched solution offerings will bring optimal systems from external sensors through analog front end to processors and interfaces.

(ii) Expands business growth opportunities.

IDT's analog mixed-signal products for data sensing, storage and interconnect are key devices that support the growth of data economy. Acquisition of these products enables the Group to extend its reach to fast-growing data economy-related applications including data center and communication infrastructure and strengthens its presence in the industrial and automotive segments.

Welcoming IDT as part of the Group after the Intersil acquisition completed in 2017 is therefore seen as an effective measure to further enhance the Group's competitiveness in fields where the Group is focusing its efforts to strengthen the company's position as a global leader.

4) Acquisition Method

For the purpose of the acquisition, the Group had established a wholly-owned subsidiary (“acquisition subsidiary”) in Delaware, United States that then merged with IDT (in a reverse triangular merger). The surviving company following the merger is IDT. Cash was issued for IDT’s shares as consideration for the merger, and the shares of the acquisition subsidiary owned by the Group was converted into outstanding shares in the surviving company, making the surviving company a wholly-owned subsidiary of the Group.

b. Consideration for the acquisition and its breakdown

		(In millions of yen)
Consideration		Amount
Cash consideration for the acquisition		703,559
Stock options consideration for the acquisition		23,188
Total consideration for the acquisition	A	<u>726,747</u>

Acquisition-related expenses for the business combination were 1,258 million yen, with 885 million yen recorded in “Selling, general and administrative expenses” for the fiscal year ended December 31, 2019.

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

		(In millions of yen)
		Date of acquisition (March 30, 2019)
Current assets		
Cash and cash equivalents		26,326
Trade and other receivables (Note 2)		16,136
Inventories		18,808
Other		786
Total current assets		<u>62,056</u>
Non-current assets		
Property, plant and equipment		19,775
Intangible assets		320,276
Other		11,852
Total non-current assets		<u>351,903</u>
Total assets		413,959
Current liabilities		
Trade and other payables		5,121
Bonds and borrowings (Note 3)		65,262
Other		13,997
Total current liabilities		<u>84,380</u>
Non-current liabilities		
Income tax payables		2,599
Deferred tax liabilities		33,853
Other		3,759
Total non-current liabilities		<u>40,211</u>
Total liabilities		124,591
Net assets	B	<u>289,368</u>
Basis adjustments	C	8,598
Goodwill (Note 4)	A-B+C	<u>445,976</u>

(Note) 1. As of September 30, 2019, 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 PPA allocation is still preliminary. As of December 31, 2019, the provisional fair value has been adjusted based on reasonable information currently available. The Group has revised the amount of goodwill based on current fiscal year's allocation of determined acquisition cost.

	(In millions of yen)
Adjusted items	Adjustments of goodwill
Goodwill (before adjustment)	447,135
Deferred tax liabilities	(1,159)
Total adjustments	(1,159)
Goodwill (after adjustment)	445,976

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

3. The content of bonds and borrowings is bonds. Refer to "Bonds and borrowings" for more details.

4. Goodwill reflects future excess earning power expected from future business development including IDT and synergies between the Company and IDT. No amount of goodwill is expected to be deductible for tax purposes.

d. Expenditure for the acquisition

	(In millions of yen)
Item	Amount
Consideration for acquisition in cash	(703,559)
Cash and cash equivalents held by the acquiree at the time of obtaining control	26,326
Amount of cash paid for the acquisition of subsidiaries	(677,233)
Basis adjustments	(8,598)
Amount of cash paid for the acquisition of subsidiaries (net amount)	(685,831)

e. Impact on profit of the period on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year

Provisional pro forma information (unaudited information) on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year is as follows.

	(In millions of yen)
	The year ended December 31, 2019
Revenue	745,184
Profit or loss	(8,598)

The above information has not been audited. In addition, items such as the amortization of intangible assets on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year were added to the approximate amount of impact. The pro forma information is not necessarily indicative of events that may happen in the future.

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2018	As of December 31, 2019
Notes and trade receivables	76,356	81,473
Other receivables	3,141	3,081
Loss allowance	(48)	(95)
Total	79,449	84,459

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

(Trade and Other Payables)

The components of trade and other payables are as follows.

(In millions of yen)

	As of December 31, 2018	As of December 31, 2019
Trade payables	59,579	64,740
Other payables	41,682	16,974
Electronically recorded obligations	16,323	16,725
Refund liabilities	3,052	2,593
Total	120,636	101,032
Current liabilities	116,233	100,187
Non-current liabilities	4,403	845

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

(Bonds and borrowings)

(1) Bonds

Following the acquisition of IDT, an amount of 588 million USD (65,262 million yen) of convertible bonds issued on November 1, 2015 by IDT (Total amount issued: 374 million USD (41,483 million yen), interest rate: 0.875%, redemption date: November 22, 2022) has been recognized by measuring at fair value in the financial statements for the three months ended March 31, 2019 and retirement by purchase has been performed during the three months ended June 30, 2019.

(2) Borrowings

In order to refinance the existing borrowings to finance partial funds necessary for the acquisition and working capital as the medium-and-long term funds, the Company has entered into a syndicated loan agreement with the total amount of 897,000 million yen on January 15, 2019. During the three months ended March 31, 2019, 698,000 million yen of term loan with availability period (Implementation date: March 28, 2019, Repayment date: March 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions) has been executed. In addition, during the three months ended June 30, 2019, borrowings of 149,000 million yen of term loan (Implementation date: June 28, 2019, Repayment date: June 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited) have been conducted to refinance the existing term loan.

(Revenue)

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

(Selling, General and Administrative Expenses)

The components of selling, general and administrative expenses are as follows.
(The year ended December 31, 2018 and December 31, 2019)

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Research and development expenses	126,535	127,094
Personnel expenses	43,511	46,829
Depreciation and amortization	26,345	59,825
Retirement benefit expenses	3,209	3,215
Other	51,421	44,045
Total	251,021	281,008

(Other Income)

The components of other income are as follows.

(The year ended December 31, 2018 and December 31, 2019)

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Gain on sales of property, plant and equipment	1,070	653
Subsidy income	—	423
Reversal of provision for contingent loss (Note)	6,385	2
Other	1,498	1,224
Total	8,953	2,302

(Note) A partial amount of provision on contingent loss has been reversed for the year ended December 31, 2018, mainly regarding the civil lawsuit in the United States related to the alleged patent infringement and trade secret violation etc. in which the Company's subsidiary has been named as a defendant, 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.

(Other Expenses)

The components of other expenses are as follows.

(The year ended December 31, 2018 and December 31, 2019)

(In millions of yen)

	The year ended December 31, 2018	The year ended December 31, 2019
Business structure improvement expenses (Note 1)	5,655	12,041
Impairment losses (Note 2)	1,526	2,256
Provision for loss on litigation (Note 3)	3,956	784
Compensation expenses (Note 4)	7,652	—
Loss on change of equity (Note 5)	1,273	—
Other	2,111	2,296
Total	22,173	17,377

(Note 1) The Group has reformed businesses and structures of 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 for the year ended December 31, 2018 were personnel expenses such as additional retirement benefits and impairment losses and equipment removal expenses of property, plant and equipment associated with consolidating the operating bases. The main items of business structure improvement expenses for the year ended December 31, 2019 were additional retirement benefits, etc. of the early retirement incentive program.

(Note 2) Impairment losses were mainly idle assets for the year ended December 31, 2018 and software for internal use in overseas subsidiary for the year ended December 31, 2019.

(Note 3) Provision was provided for compensation or litigation proceedings, etc.

(Note 4) Compensation expenses for the current fiscal year were temporary payments due to manufacturing contract revision between the Group and contract manufacturers

(Note 5) Following the partial transfer of the Group's shares of RENESAS EASTON Co., Ltd. on August 1, 2018, the Group excluded RENESAS EASTON Co., Ltd. from the scope of application of the equity method from the three months ended September 30, 2018. Accordingly, the Group recognized loss for the three months ended September 30, 2018 for loss on transfer of shares in addition to loss arising from the fair value evaluation of the Group's residual investment at the time of discontinuation of the equity-method.

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) delivers trusted embedded design innovation with complete semiconductor solutions that enable billions of connected, intelligent devices to enhance the way people work and live—securely and safely. A global leader in microcontrollers, analog, power, and SoC products and integrated platforms, Renesas provides the expertise, quality, and comprehensive solutions for a broad range of Automotive, Industrial, Home Electronics, Office Automation and Information Communication Technology applications to help shape a limitless future. Learn more at renesas.com.