Public Relations

Renesas Electronics Corporation
+81 3-6773-3001
pr@renesas.com

Investor Relations

Renesas Electronics Corporation
+81 3-6773-3002
ir@renesas.com

Renesas Electronics Reports Financial Results for the Third Quarter Ended September 30, 2019

Tokyo, Japan, November 7, 2019 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the nine months ended September 30, 2019.

Summary of Consolidated Financial Results

	Three months ended September 30, 2019		Nine months ended September 30, 2019	
	Billion Yen	% of Net Sales	Billion Yen	% of Net Sales
Revenue	183.4	100.0	526.2	100.0
Operating profit	7.9	4.3	(4.2)	(0.8)
Net profit	3.8	2.1	(7.4)	(1.4)
Capital expenditures	2.9		7.4	
Depreciation and others	39.3		109.3	
R&D expenses	32.7		93.9	
	Yen		Yen	
Exchange rate (USD)	108		110	
Exchange rate (Euro)	121		124	

	As of September 30, 2019
	Billion Yen
Total assets	1,666.0
Total equity	596.6
Equity attributable to owners of the parent	593.8
Equity ratio attributable to owners of the parent (%)	35.6
Interest-bearing debt	828.8

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 quarter ended September 30, 2019.
Note 3: Depreciation and others includes depreciation and amortization of intangible assets and long- term prepaid expenses in consolidated statements of cash flows.
Note 4: R&D expenses includes a partially capitalized R&D expenses recorded as intangible assets.
Note 5: The allocation of the acquisition costs for the business combinations with Integrated Device Technology, Inc. (hereinafter "IDT"), which the Group acquired on March 30, 2019, has been revised at the end of the nine months ended September 30, 2019. The revised allocation of the acquisition costs are reflected in the Quarterly Consolidated Financial Statements of the nine months ended September 30, 2019.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Third Quarter Ended September 30, 2019
English translation from the original Japanese-language document

November 7, 2019

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. Tel. +81 (0)3-6773-3002
Filing date of Shihanki Hokokusho (scheduled)	:November 7, 2019

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the nine months ended September 30, 2019

1.1 Consolidated financial results

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

	Revenue		Operating profit (loss)		Profit before tax from continuing operations (loss)		Net Profit (loss)		Net profit attributable to owners of the parent (loss)		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2019	526,241	(7.5)	(4,245)	---	(6,679)	---	(7,409)	---	(7,411)	---	(44,766)	---
Nine months ended September 30, 2018	568,767	---	69,262	---	69,381	---	61,976	---	61,961	---	55,169	---

	Basic earnings per share (loss)	Diluted earnings per share (loss)
	Yen	Yen
Nine months ended September 30, 2019	(4.39)	(4.39)
Nine months ended September 30, 2018	37.16	37.07

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
September 30, 2019	1,666,000	596,565	593,779	35.6
December 31, 2018	1,055,235	600,968	598,100	56.7

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
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2018	---	0.00	---	0.00	0.00
Year ending December 31, 2019	---	0.00	---		
Year ending December 31, 2019 (forecast)				0.00	0.00

(Note): Change in forecast of cash dividends since the most recently announced forecast: Yes

3. Forecast of consolidated results for the full year ending December 31, 2019

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non－GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Full year ending December 31, 2019	708,741 to 716,741	(6.3) to (5.3)	43.7	(0.4)	12.3	(1.5)

Note 1: Change in forecast of consolidated results since the most recently announced forecast: Yes

Note 2: The Group reports its consolidated forecast in a range format. For details, please refer to Appendix 1.3. "Consolidated Forecasts" page 6.

Note 3: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore forecasts are provided in non-GAAP base.

4. Others

4.1 Changes in significant subsidiaries for the nine months ended September 30, 2019: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
(Note): For details, please refer to page 16.

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 September 30, 2019: 1,706,408,990 shares
   As of December 31, 2018: 1,668,385,390 shares

2. Number of treasury stock
   As of September 30, 2019: 2,581 shares
   As of December 31, 2018: 2,581 shares

3. Average number of shares issued and outstanding
   Nine months ended September 30, 2019: 1,689,257,809 shares
   Nine months ended September 30, 2018: 1,667,523,753 shares

(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 (hereinafter “IFRS”) starting from the annual securities report for the fiscal year ended December 31, 2018.

As of the first quarter ended March 31, 2019, there has been a change to the Group’s auditor, and therefore quarterly figures of the year ended in December 31, 2018, provided under IFRS are not reviewed by the previous auditors. However, for each of the quarterly figures of the year ended December 31, 2018 provided under the generally accepted accounting principal in Japan (hereinafter “J-GAAP”) have been reviewed by the Group’s previous auditor.

The Group will hold a quarterly earnings conference for institutional investors and analysts on November 7, 2019. 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 Integrated Device Technology, Inc. (hereinafter “IDT”), which the Group acquired on March 30, 2019, has been revised at the end of the nine months ended September 30, 2019. The revised allocation of the acquisition costs are reflected in the Quarterly Consolidated Financial Statements of the nine months ended September 30, 2019. For details, please refer to Appendix 2.5, “Notes to Quarterly Consolidated Financial Statements (Business Combinations)” on page 21.

[APPENDIX]

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 allocation of the acquisition costs for business combinations has been revised at the end of the nine months ended September 30, 2019. The revised allocation of the acquisition costs are reflected in the Quarterly Consolidated Financial Statements of the nine months ended September 30, 2019. For details, please refer to Appendix 2 "Condensed Consolidated Financial Statements, 2.5. Notes to Condensed 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 2 "Condensed Consolidated Financial Statements, 2.5. Notes to Condensed 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 Nine Months ended September 30, 2019 (Non-GAAP basis)

		Nine months ended September 30, 2018 (Jan 1 – Sep 30, 2018)	**Nine months ended September 30, 2019** (Jan 1 – Sep 30, 2019)	Increase (Decrease)	
		Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue		568.8	526.2	(42.5)	(7.5%)
	Automotive	287.7	270.4	(17.3)	(6.0%)
	Industrial/Infrastructure/IoT	266.1	242.7	(23.3)	(8.8%)
Non-GAAP Operating Profit Non-GAAP Operating Margin		84.6 14.9%	61.5 11.7%	(23.1) (3.2pts)	(27.3%) ---
	Automotive	23.4 8.1%	18.0 6.7%	(5.5) (1.5pts)	(23.3%) ---
	Industrial/Infrastructure/IoT	64.8 24.4%	41.2 17.0%	(23.6) (7.4pts)	(36.4%) ---

(Note): For details on the above, please refer to Appendix 2 "Condensed Consolidated Financial Statements, 2.5. Notes to Condensed Consolidated Financial Statements (Business Segments).

<Non-GAAP Revenue>

Consolidated non-GAAP revenue for the nine months ended September 30, 2019 was 526.2 billion yen, a 7.5% decrease year on year. Consolidated non-GAAP revenue decreased mainly due to weakening demand in China as well as channel inventory adjustment mainly in the Industrial business, owing to the increasing uncertainties in the macroeconomic environment.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profit for the nine months ended September 30, 2019 was 227.9 billion yen, a 30.5 billion yen decrease year on year. This was mainly due to a decrease in revenue as well as reduced production to continue maintaining inventory to an optimal level. As a result, non-GAAP gross profit for the nine months ended September 30, 2019 was 43.3%, a decrease by 2.1 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the nine months ended September 30, 2019 was 61.5 billion yen, a 23.1 billion yen decrease year on year. This was mainly due to a decrease in gross profit despite controlling R&D and SG&A expenses. As a result, non-GAAP operating margin for the nine months ended September 30, 2019 was 11.7%, a decrease by 3.2 points year on year.

The non-GAAP revenue breakdown of the business segments for the nine months ended September 30, 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 nine months ended September 30, 2019 was 270.4 billion yen, a decrease of 6.0% year on year. This was due to decreases in sales in both the "Automotive control" and the "Automotive information" categories.

Non-GAAP Operating Profit of the Automotive business for the nine months ended September 30, 2019 was 18.0 billion yen, a 5.5 billion yen decrease year on year. This was due to lower revenue owing to the decrease in sales.

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 the Industrial/Infrastructure/IoT business for the nine months ended September 30, 2019 was 242.7 billion yen, a decrease of 8.8% year on year. This was due to decreased sales in "Industrial", "Infrastructure" and "IoT" categories.

Non-GAAP Operating Profit of the Industrial/Infrastructure/IoT business for the nine months ended September 30, 2019 was 41.2 billion yen, a 23.6 billion yen decrease year on year. This was due to lower revenue owing to the decrease in sales.

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

The total amount of depreciation of intangible assets amortized in the nine months ended September 30, 2019, was 33.5 billion yen, while the total amount of stock-based compensation excluded from the Non-GAAP operating profit was 8.1 billion yen.

(Billion yen)

	Nine months ended September 30, 2018 (Jan 1 – Sep 30, 2018)	**Nine months ended September 30, 2019** (Jan 1 – Sep 30, 2019)
Non-GAAP gross profit Non-GAAP gross margin	258.4 45.4%	227.9 43.3%
Amortization of purchased intangible assets and fixed assets	(1.0)	(1.4)
Stock-based compensation	(0.4)	(0.6)
Market value of inventories	---	(11.3)
Other reconciliations in non-recurring expenses and adjustments	(0.5)	(0.5)
IFRS gross profit IFRS gross margin	256.5 45.1%	214.0 40.7%
Non-GAAP operating profit Non-GAAP operating margin	84.6 14.9%	61.5 11.7%
Amortization of purchased intangible assets and fixed assets	(12.8)	(33.5)
Stock-based compensation	(4.0)	(8.1)
Market value of inventories	---	(11.3)
Other reconciliations in non-recurring expenses and adjustments	1.5	(12.8)
IFRS operating profit IFRS operating margin	69.3 12.2%	(4.2) (0.8%)

(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 Nine Months ended September 30, 2019 (IFRS basis)

	Nine months ended September 30, 2018 (Jan 1 – Sep 30, 2018)	**Nine months ended September 30, 2019** (Jan 1 – Sep 30, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	568.8	526.2	(42.5)	(7.5%)
Gross Profit	256.5	214.0	(42.5)	(16.6%)
Gross Margin	45.1%	40.7%	---	---
Operating Profit	69.3	(4.2)	(73.5)	---
Operating Margin	12.2%	(0.8%)	---	---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	As of December 31, 2018	As of September 30, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,055.2	1,666.0	610.8
Net assets	601.0	596.6	(4.4)
Equity attributable to owners of the parent	598.1	593.8	(4.3)
Equity ratio attributable to owners of the parent (%)	56.7	35.6	(21.1)
Interest-bearing debt	195.0	828.8	633.8
Debt / Equity ratio	0.33	1.40	1.07

Total assets at as of September 30, 2019 were 1,666.0 billion yen, a 610.8 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 596.6 billion yen, a 4.4 billion yen decrease from December 31, 2018. This was mainly due to a decrease in other components of equity.

Equity attributable to owners of the parent decreased by 4.3 billion yen from December 31, 2018, and the Equity ratio attributable to owners of the parent was 35.6%. In addition to this, Interest-bearing debt increased by 633.8 billion yen from December 31, 2018. Consequently, the debt to equity ratio increased to 1.40.

1.2.2 Cash Flows

	Nine months ended September 30, 2018 (Jan 1 – Sep 30, 2018)	Nine months ended September 30, 2019 (Jan 1 – Sep 30, 2019)
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	111.1	122.8
Net cash provided by (used in) investing activities	(64.8)	(730.1)
Free cash flows	46.3	(607.3)
Net cash provided by (used in) financing activities	(2.5)	547.5
Cash and cash equivalents at beginning of the period	139.5	188.8
Cash and cash equivalents at end of the period	184.5	124.3

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities for the nine months ended September 30, 2019 was 122.8 billion yen. This was mainly due to adjustments in non-cash items such as depreciation and amortization, while recording net loss before income taxes.

(Net cash provided by (used in) investing activities)
Net cash used in investing activities for the nine months ended September 30, 2019 was 730.1 billion yen. This was mainly due to the acquisition of IDT’s shares.

The foregoing resulted in negative free cash flows of 607.3 billion yen for the nine months ended September 30, 2019.

(Net cash provided by (used in) financing activities)
Net cash provided by financing activities for the nine months ended September 30, 2019 was 547.5 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 to secure finances for long-term operation as well as repayments of existing term loans.

1.3 Consolidated Forecasts

The Group reports its consolidated forecasts as a range 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 full year ending December 31, 2019)

	Non-GAAP Revenue	**Non-GAAP Gross Margin**	**Non-GAAP Operating Margin**
Previous forecasts	---	---	---
Revised forecasts (November 7, 2019)	Million yen 708,741 to 716,741	% 43.7	% 12.3
Increase (decrease)	---	---	---
Percent change	---	---	---
Reference: Results of the full year ended December 31, 2018	756,503	44.2	13.8

(Note): Non-GAAP figures are calculated by removing adjusting non-recurring items and other adjustments from GAAP figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore, forecasts are provided in non-GAAP base. This adjustment and exclusion include depreciation of intangible assets recognized from acquisitions, other PPA 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 figures of the consolidated forecasts for the full year ending December 31, 2019 above are sum of the results of the nine-month period ended September 30, 2019 and the forecasts of the three months ending December 31, 2019. The consolidated forecasts for the full year ending December 31, 2019 are calculated at the rate of 109 yen per USD and 122 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.

1.4 Forecasts of Cash Dividends

For the full year ending December 31, 2019, the Group suspends year-end dividend payment.

The Group will divert its retained earnings for strategic investment opportunities that will enable the Group to respond to rapid environmental changes to thrive in the global marketplace and will aim to increase shareholder profit by improving corporate value. Based on a long-term standpoint, the Group aims to realize stable and sustained growth in profits to allow dividends to be reinstated.

(For the full year ending December 31, 2019)

Interim Dividend	Year-End Dividend	Annual Dividend
0 Yen	0 Yen	0 Yen

2. Condensed Consolidated Financial Statements

2.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	188,820	124,330
Trade and other receivables	79,449	80,869
Inventories	115,440	94,227
Other current financial assets	494	431
Income tax receivables	2,352	3,098
Other current assets	7,069	9,049
Total current assets	393,624	312,004
Non-current assets		
Property, plant and equipment	252,503	242,204
Goodwill	187,230	616,801
Intangible assets	166,524	427,741
Other non-current financial assets	5,973	9,684
Deferred tax assets	44,149	52,218
Other non-current assets	5,232	5,348
Total non-current assets	661,611	1,353,996
Total assets	1,055,235	1,666,000

(In millions of yen)

	As of December 31, 2018	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,233	92,185
Bonds and Borrowings	45,000	113,182
Other current financial liabilities	15,057	4,685
Income tax payables	2,983	4,118
Provisions	7,112	7,285
Other current liabilities	55,384	47,436
Total current liabilities	241,769	268,891
Non-current liabilities		
Trade and other payables	4,403	502
Bonds and Borrowings	147,248	701,549
Other non-current financial liabilities	2,323	9,979
Income tax payables	1,105	3,532
Retirement benefit liabilities	32,752	28,560
Provisions	3,745	3,813
Deferred tax liabilities	18,754	48,491
Other non-current liabilities	2,168	4,118
Total non-current liabilities	212,498	800,544
Total liabilities	454,267	1,069,435
Equity		
Issued capital	10,699	21,019
Share premium	190,074	200,394
Retained earnings	410,652	402,493
Treasury shares	(11)	(11)
Other components of equity	(13,314)	(30,116)
Total equity attributable to owners of the parent	598,100	593,779
Non-controlling interests	2,868	2,786
Total equity	600,968	596,565
Total liabilities and equity	1,055,235	1,666,000

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

Condensed Consolidated Statement of Profit or Loss

(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Continuing operations		
Revenue	568,767	526,241
Cost of sales	(312,278)	(312,247)
Gross profit	256,489	213,994
Selling, general and administrative expenses	(186,406)	(204,655)
Other income	7,958	1,641
Other expenses	(8,779)	(15,225)
Operating profit or loss	69,262	(4,245)
Finance income	1,623	3,006
Finance costs	(1,553)	(5,440)
Share of profit of investments accounted for using the equity method	49	—
Profit or loss before tax from continuing operations	69,381	(6,679)
Income tax expense	(7,405)	(730)
Profit or loss from continuing operations	61,976	(7,409)
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	61,976	(7,409)
Profit or loss attributable to		
Owners of the parent	61,961	(7,411)
Non-controlling interests	15	2
Profit or loss	61,976	(7,409)
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	37.16	(4.39)
Discontinued operations	—	—
Total basic earnings or loss per share	37.16	(4.39)
Diluted earnings or loss per share (yen)		
Continuing operations	37.07	(4.39)
Discontinued operations	—	—
Total diluted earnings or loss per share	37.07	(4.39)

Condensed Consolidated Statement of Comprehensive Income
(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit or loss	61,976	(7,409)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,981)	(2,210)
Financial assets measured at fair value through other comprehensive income	359	(120)
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	(2,648)	(2,330)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(1,574)	(40,641)
Changes in fair value of cash flow hedges	(2,585)	5,614
Total of items that may be reclassified subsequently to profit or loss	(4,159)	(35,027)
Total other comprehensive income	(6,807)	(37,357)
Total comprehensive income	55,169	(44,766)
Comprehensive income attributable to		
Owners of the parent	55,195	(44,684)
Non-controlling interests	(26)	(82)
Total comprehensive income	55,169	(44,766)

Condensed Consolidated Statement of Profit or Loss
(Three months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Continuing operations		
Revenue	179,858	183,357
Cost of sales	(100,913)	(101,923)
Gross profit	78,945	81,434
Selling, general and administrative expenses	(60,580)	(72,400)
Other income	274	348
Other expenses	(5,511)	(1,456)
Operating profit or loss	13,128	7,926
Finance income	2,058	933
Finance costs	(538)	(2,102)
Profit or loss before tax from continuing operations	14,648	6,757
Income tax expense	(2,844)	(2,972)
Profit or loss from continuing operations	11,804	3,785
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	11,804	3,785
Profit or loss attributable to		
Owners of the parent	11,776	3,761
Non-controlling interests	28	24
Profit or loss	11,804	3,785
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	7.06	2.21
Discontinued operations	—	—
Total basic earnings or loss per share	7.06	2.21
Diluted earnings or loss per share (yen)		
Continuing operations	7.05	2.17
Discontinued operations	—	—
Total diluted earnings or loss per share	7.05	2.17

Condensed Consolidated Statement of Comprehensive Income
(Three months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Profit or loss	11,804	3,785
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(941)	(246)
Financial assets measured at fair value through other comprehensive income	102	(25)
Total of items that will not be reclassified to profit or loss	(839)	(271)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	11,777	(1,730)
Changes in fair value of cash flow hedges	(2,585)	—
Total of items that may be reclassified subsequently to profit or loss	9,192	(1,730)
Total other comprehensive income	8,353	(2,001)
Total comprehensive income	20,157	1,784
Comprehensive income attributable to		
Owners of the parent	20,124	1,787
Non-controlling interests	33	(3)
Total comprehensive income	20,157	1,784

2.3 Condensed Consolidated Statement of Changes in Equity

(Nine months ended September 30, 2018)

(In millions of yen)

	Equity attributable to owners of the parent												
					Other components of equity								
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remea-surements of defined benefit plans	Financial assets measured at fair value through other compre-hensive income	Exchange differences on translation of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
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	—	—	61,961	—	—	—	—	—	—	—	61,961	15	61,976
Other comprehensive income	—	—	—	—	—	(2,981)	333	(1,533)	(2,585)	(6,766)	(6,766)	(41)	(6,807)
Total comprehensive income	—	—	61,961	—	—	(2,981)	333	(1,533)	(2,585)	(6,766)	55,195	(26)	55,169
Issue of new shares	467	467	—	—	—	—	—	—	—	—	934	—	934
Share-based payments	—	—	—	—	2,150	—	—	—	—	2,150	2,150	—	2,150
Change of equity method range	—	—	—	—	—	—	(89)	—	—	(89)	(89)	—	(89)
Transfer to retained earnings	—	—	(2,841)	—	—	2,981	(140)	—	—	2,841	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Total amount of transactions with owners	467	467	(2,841)	—	2,150	2,981	(229)	—	—	4,902	2,995	(1)	2,994
Balance as of September 30, 2018	10,489	189,864	422,662	(11)	4,461	—	(630)	9,673	(2,585)	10,919	633,923	2,889	636,812

(Nine months ended September 30, 2019)

(In millions of yen)

	Equity attributable to owners of the parent												
					Other components of equity								
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remea-surements of defined benefit plans	Financial assets measured at fair value through other compre-hensive income	Exchange differences on translation of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
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	—	—	(7,411)	—	—	—	—	—	—	—	(7,411)	2	(7,409)
Other comprehensive income	—	—	—	—	—	(2,210)	(120)	(40,557)	5,614	(37,273)	(37,273)	(84)	(37,357)
Total comprehensive income	—	—	(7,411)	—	—	(2,210)	(120)	(40,557)	5,614	(37,273)	(44,684)	(82)	(44,766)
Issue of new shares	10,320	10,893	—	—	—	—	—	—	—	—	21,213	—	21,213
Share-based payments	—	—	—	—	10,446	—	—	—	—	10,446	10,446	—	10,446
Transfer to non-financial assets	—	—	—	—	—	—	—	—	8,704	8,704	8,704	—	8,704
Transfer to retained earnings	—	(573)	(748)	—	(950)	2,210	61	—	—	1,321	—	—	—
Total amount of transactions with owners	10,320	10,320	(748)	—	9,496	2,210	61	—	8,704	20,471	40,363	—	40,363
Balance as of September 30, 2019	21,019	200,394	402,493	(11)	14,661	—	(1,131)	(43,646)	—	(30,116)	593,779	2,786	596,565

2.4 Condensed Consolidated Statement of Cash Flows
(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Cash flows from operating activities		
Profit or loss before tax from continuing operations	69,381	(6,679)
Depreciation and amortization	84,548	109,925
Impairment loss	813	1,583
Finance income and costs	619	4,030
Share of profit of investments accounted for using the equity method	(49)	—
Share-based payments	3,084	8,000
Gain (loss) on sales of non-current assets	(1,006)	(426)
Changes in inventories	(15,357)	38,642
Changes in trade and other receivables	13,222	11,074
Changes in trade and other payables	(16,462)	(11,211)
Changes in retirement benefit liabilities	(1,168)	(3,767)
Changes in provisions	(4,637)	341
Changes in other current liabilities	(6,605)	(19,310)
Other	(1,353)	(4,751)
Subtotal	125,030	126,821
Interest and dividend received	977	1,399
Income taxes paid	(14,923)	(5,422)
Net cash flows from operating activities	111,084	122,798
Cash flows from investing activities		
Purchase of property, plant and equipment	(52,306)	(29,804)
Proceeds from sales of property, plant and equipment	1,070	500
Purchase of intangible assets	(18,050)	(14,596)
Purchase of other financial assets	(440)	(348)
Proceeds from sales of other financial assets	2,844	1,221
Acquisition of subsidiaries	—	(685,831)
Proceeds from sales of subsidiaries and affiliates stocks	1,378	—
Other	741	(1,213)
Net cash flows from investing activities	(64,763)	(730,071)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,000	(25,000)
Proceeds from long-term borrowings	—	847,000
Repayments of long-term borrowings	(10,452)	(194,352)
Repayment of lease obligations	(686)	(3,764)
Interest paid	(1,356)	(11,034)
Payments for retirement by purchase of bonds	—	(65,409)
Other	—	38
Net cash flows from financing activities	(2,494)	547,479
Effect of exchange rate changes on cash and cash equivalents	1,151	(4,696)
Increase (decrease) in cash and cash equivalents	44,978	(64,490)
Cash and cash equivalents at beginning of the period	139,545	188,820
Cash and cash equivalents at end of the period	184,523	124,330

2.5 Notes to Condensed Consolidated Financial Statements

(Basis for Preparation)

(1) Compliance with IFRS

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

The condensed consolidated financial statements do not contain all of the information required for the annual consolidated financial statements, and to be used in conjunction with the consolidated financial statements of the prior fiscal year.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in presentation

(Condensed 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, Condensed Consolidated Statement of Cash Flows for the prior fiscal year has also been reclassified. Consequently, 1,356 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)

Scope of consolidation

For the three months ended March 31, 2019, due to acquisition, 49 companies have been newly included to the scope of consolidation and Renesas Semiconductor Package & Test Solutions Co., Ltd. and 1 other company have been excluded from the scope of consolidation as a result of business combination.

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

For the three months ended June 30, 2019, 4 companies have been excluded from the scope of consolidation due to extinguishment by business combination.

For the three months ended September 30, 2019, 3 companies have been excluded from the scope of consolidation due to extinguishment by liquidation.

(Notes about Going Concern Assumption)

Not applicable

(Significant Accounting Policies)

The significant accounting policies for the condensed 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.

In addition, income taxes for the nine months ended September 30, 2019 are calculated using the estimated annual effective tax rate.

(1) Application of IFRS16 “Leases”

The Group has applied International Financial Reporting Standards 16 “Leases” (hereafter IFRS16) from the three months ended March 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). In addition, the Group has applied the practical expedient permitted in paragraph C3 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). 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 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” from the three months ended March 31, 2019. In addition, the impact of this application on the financial statements is insignificant.

(Significant Accounting Estimates and Judgments)

In preparing the condensed consolidated financial statements, management of the Group is required to make judgments, accounting estimates and assumptions that could have an impact on the application of accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on the best judgment of management, taking into account various factors that are deemed reasonable on the closing date in light of past experience and available information. However, figures based on these estimates and assumptions may differ from the actual results due to their nature.

Estimates and underlying assumptions are reviewed continuously. The impact of the review of these estimates is recognized in the period when the estimates are revised and future periods.

Estimates and assumptions that could have a significant impact on the figures in the condensed consolidated financial statements are the same with those stated in the prior fiscal year financial statements.

(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".

From the three months ended September 30, 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" from the three months ended September 30, 2019.

The information on reportable segments for the nine months ended September 30, 2018 and the three months ended September 30, 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 non-GAAP operating profit which have been adjusted by non-recurring items specified by the Group and other adjustment following a certain set of rules from revenues 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.

Nine months ended September 30, 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	287,677	266,068	15,022	—	568,767	—	568,767
Segment profit or loss	23,442	64,834	1,000	(4,678)	84,598	(15,336)	69,262
Financial income							1,623
Financial expenses							(1,553)
Profit of investments accounted for using the equity method							49
Profit or loss before tax for the period							69,381
(Other adjustment) Depreciation and amortization	43,828	27,656	250	—	71,734	12,814	84,548

Nine months ended September 30, 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	270,372	242,720	13,149	—	526,241	—	526,241
Segment profit or loss	17,980	41,248	1,804	500	61,532	(65,777)	(4,245)
Financial income							3,006
Financial expenses							(5,440)
Profit or loss before tax for the period							(6,679)
(Other adjustment) Depreciation and amortization	44,451	31,006	293	—	75,750	33,545	109,295

(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

Three months ended September 30, 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	93,561	81,030	5,267	—	179,858	—	179,858
Segment profit or loss	3,831	16,920	111	637	21,499	(8,371)	13,128
Financial income							2,058
Financial expenses							(538)
Profit or loss before tax for the period							14,648
(Other adjustment) Depreciation and amortization	15,028	8,918	102	—	24,048	4,161	28,209

Three months ended September 30, 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	93,135	85,860	4,362	—	183,357	—	183,357
Segment profit or loss	10,190	15,851	898	—	26,939	(19,013)	7,926
Financial income							933
Financial expenses							(2,102)
Profit or loss before tax for the period							6,757
(Other adjustment) Depreciation and amortization	14,496	10,335	0	—	24,831	14,469	39,300

(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.

(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Japan	222,772	193,315
China	117,389	116,018
Asia (Excluding China)	80,129	78,840
Europe	95,027	87,224
North America	50,857	48,533
Others	2,593	2,311
Total	568,767	526,241

(Three months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Japan	68,477	65,057
China	36,091	43,944
Asia (Excluding China)	25,236	28,165
Europe	32,203	28,484
North America	16,993	16,895
Others	858	812
Total	179,858	183,357

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

(Business Combinations)

(1) Business combination by acquisition

(Nine months ended September 30, 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	726,747

.
Acquisition-related expenses for the business combination were 1,175 million yen, with 802 million yen recorded in "Selling, general and administrative expenses" for the nine months ended September 30, 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		62,056
Non-current assets		
Property, plant and equipment		19,775
Intangible assets		320,276
Other		11,852
Total non-current assets		351,903
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		84,380
Non-current liabilities		
Income tax payables		2,599
Deferred tax liabilities		35,012
Other		3,759
Total non-current liabilities		41,370
Total liabilities		125,750
Net assets	B	288,209
Basis adjustments	C	8,598
Goodwill (Note 4)	A-B+C	447,135

(Note 1) As of June 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 purchase price allocation is still preliminary. As of September 30, 2019, the provisional fair value has been adjusted based on reasonable information currently available. The Group continues to use provisional accounting treatment since the purchase price allocation is still under consideration.

(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment)	724,270
Inventories	1,666
Property, plant and equipment	(8,695)
Intangible assets	(303,213)
Deferred tax liabilities	33,108
Total adjustments	(277,134)
Goodwill (after adjustment)	447,135

(Note 2) The total contract amount is same as the fair value, and there are no receivables that are expected to be unrecoverable.
(Note 3) The content of bonds and borrowings is bonds. Refer to “Bonds and borrowings” for more details.
(Note 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)

	Nine months ended September 30, 2019
Revenue	553,182
Profit or loss	(10,182)

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 September 30, 2019
Notes and trade receivables	76,356	78,272
Other receivables	3,141	2,731
Allowance for credit losses	(48)	(134)
Total	79,449	80,869

(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 September 30, 2019
Trade payables	59,579	55,157
Other payables	41,682	20,465
Electronically recorded obligations	16,323	13,684
Refund liabilities	3,052	3,381
Total	120,636	92,687
Current liabilities	116,233	92,185
Non-current liabilities	4,403	502

(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 586 million USD (65,039 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.

(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Research and development expenses	95,480	92,716
Personnel expenses	33,525	35,355
Depreciation and amortization	19,658	41,546
Retirement benefit expenses	2,369	2,416
Other	35,374	32,622
Total	186,406	204,655

(Three months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Research and development expenses	31,402	32,402
Personnel expenses	11,068	12,327
Depreciation and amortization	6,490	16,989
Retirement benefit expenses	836	716
Other	10,784	9,966
Total	60,580	72,400

(Other Income)

The components of other income are as follows.

(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Reversal of provision for contingent loss (Note)	6,309	—
Gain on sales of property, plant and equipment	1,029	542
Other	620	1,099
Total	7,958	1,641

(Three months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Subsidy income	—	142
Insurance income	141	—
Other	133	206
Total	274	348

(Note) A partial amount of provision on contingent loss has been reversed for the nine months ended September 30, 2018 as well as the three months ended September 30, 2018, mainly regarding the civil lawsuit in the United Stated 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.

(Nine months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Business structure improvement expenses (Note 1)	4,089	11,489
Other	4,690	3,736
Total	8,779	15,225

(Three months ended September 30, 2018 and September 30, 2019)

(In millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Business structure improvement expenses (Note 1)	2,597	727
Loss on change in equity (Note 2)	1,273	—
Other	1,641	729
Total	5,511	1,456

(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 nine months ended September 30, 2018 as well as the three months ended September 30, 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 nine months ended September 30, 2019 as well as the three months ended September 30, 2019 were additional retirement benefits, etc. of the early retirement incentive program.

(Note 2) 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.