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Renesas Electronics Reports Financial Results for the First Quarter Ended March 31, 2019

Tokyo, Japan, May 14, 2019 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the three months ended March 31, 2019.

Summary of Consolidated Financial Results

	Three months ended March 31, 2019	
	Billion Yen	% of Net Sales
Revenue	150.3	100.0
Revenue from semiconductors	146.7	
Revenue from others	3.5	
Operating profit	(1.3)	(0.8)
Net profit	(1.8)	(1.2)
Capital expenditures	1.9	
Depreciation and others	29.3	
R&D expenses	28.8	
	Yen	
Exchange rate (USD)	111	
Exchange rate (EUR)	126	

	As of March 31, 2019
	Billion Yen
Total assets	1,843.2
Total equity	638.0
Equity attributable to owners of the parent	635.1
Equity ratio attributable to owners of the parent (%)	34.5
Interest-bearing debt	965.1

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 March 31, 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.

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

May 14, 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	:Bunsei Kure, Representative Director, President and CEO
Contact person	:Yoichi Kobayashi, Senior Director Corporate Communications Dept. Tel. +81 (0)3-6773-3002
Filing date of Shihanki Hokokusho (scheduled)	:May 14, 2019

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended March 31, 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	%
Three months ended March 31, 2019	150,259	(19.0)	(1,260)	---	(1,809)	---	(1,845)	---	(1,833)	---	3,682	---
Three months ended March 31, 2018	185,569	---	23,365	---	21,712	---	18,612	---	18,640	---	(9,459)	---

	Basic earnings per share (loss)	Diluted earnings per share (loss)
	Yen	Yen
Three months ended March 31, 2019	(1.10)	(1.10)
Three months ended March 31, 2018	11.18	11.16

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
March 31, 2019	1,843,229	638,019	635,113	34.5
March 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	---				
Year ending December 31, 2019 (forecast)		0.00	---	---	---

Note: Change in forecast of cash dividends since the most recently announced forecast: Yes
For details, please refer to Appendix 1.4. "Forecasts of Cash Dividends" on page 6.

3. Forecast of consolidated results for the six months ending June 30, 2019

	Non-GAAP Revenue		Non-GAAP Revenue from Semiconductors		Non-GAAP Gross Margin		Non−GAAP Operating Margin	
	Million yen	%	Million yen	%	%	%pts	%	%
Six months ending June 30, 2019	335,259 to 343,259	(11.7) to (13.8)	328,240 to 336,240	(11.8) to (13.9)	41.6	(4.5)	7.4	(8.8)

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. For details, please refer to Appendix 1.3. "Consolidated Forecasts" page 5.

Note 2: 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 three months ended March 31, 2019: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
(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 March 31, 2019: 1,668,438,390 shares
   As of December 31, 2018: 1,668,385,390 shares

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

3. Average number of shares issued and outstanding
   Three months ended March 31, 2019: 1,668,427,976 shares
   Three months ended March 31, 2018: 1,667,192,776 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 ("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 changed 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 (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 May 14, 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.

[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 income is operating income under IFRS (hereinafter “IFRS operating income”) 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 PPA (purchase price allocation) adjustments, cost relating to acquisitions and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

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 Three Months ended March 31, 2019 (Non-GAAP basis)

	Three months ended March 31, 2018 (Jan 1 – Mar 31, 2018)	**Three months ended March 31, 2019** (Jan 1 – Mar 31, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue	185.6	150.3	(35.3)	(19.0%)
Non-GAAP Revenue from semiconductors	182.0	146.7	(35.2)	(19.4%)
Non-GAAP Gross Profit Non-GAAP Gross Margin	88.1 47.5%	59.0 39.3%	(29.1) (8.2%)	(33.0%) ---
Non-GAAP Operating Income Non-GAAP Operating Margin	30.1 16.2%	7.2 4.8%	(22.9) (11.4%)	(76.1%) ---

(Non-GAAP Revenue)

Consolidated non-GAAP revenue for the three months ended March 31, 2019 was 150.3 billion yen, a 19.0% decrease year on year. Consolidated non-GAAP revenue decreased mainly due to weakening demand in China and adjustments in the channel inventory surrounding Industrial products.

(Non-GAAP Revenue from Semiconductors)

Non-GAAP revenue from semiconductors for the three months ended March 31, 2019 was 146.7 billion yen, a 19.4% decrease year on year.

The non-GAAP revenue breakdown for “Automotive”, “Industrial” and “Broad-based” is as follows:

Automotive Business: 83.4 billion yen

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

Non-GAAP revenue of Automotive business for the three months ended March 31, 2019 was 83.4 billion yen, a decrease of 9.7% year on year. This was due to decreases in sales in both the “Automotive control” and “Automotive information” categories.

Industrial Business: 31.8 billion yen

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

Non-GAAP revenue of Industrial business for the three months ended March 31, 2019 was 31.8 billion yen, a decrease of 37.5% year on year. This was due to decreased sales in “Smart factory”, “Smart home” and “Smart infrastructure” categories.

Broad-Based Business: 30.1 billion yen

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

Non-GAAP revenue of Broad-based business for the three months ended March 31, 2019 was 30.1 billion yen, a decrease of 21.0% year on year. This is due to decreased sales in the “General-purpose MCUs” category and the “General-purpose analog semiconductor devices" category.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profit for the three months ended March 31, 2019 was 59.0 billion yen, a 29.1 billion yen decrease year on year. This was due to a decrease in sales revenue as well as reduced production to continue maintaining inventory to an optimal level. As a result, non-GAAP gross margin for the three months ended March 31, 2019 was 39.3%, a decrease by 8.2 points year on year.

<Non-GAAP Operating Profit (Margin)>
Non-GAAP operating profit for the three months ended March 31, 2019 was 7.2 billion yen, a 22.9 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 three months ended March 31, 2019 was 4.8%, a decrease by 11.4 points year on year.

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

The total amount of depreciation of intangible assets amortized in the three months ended March 31, 2019, was 4.2 billion yen, while the total amount of stock-based compensation excluded from the Non-GAAP operating profit was 1.6 billion yen.

(Billion yen)

	Three months ended March 31, 2018 (Jan 1 – Mar 31, 2018)	**Three months ended March 31, 2019** (Jan 1 – Mar 31, 2019)
Non-GAAP gross profit Non-GAAP gross margin	88.1 47.5%	59.0 39.3%
Amortization of purchased intangible assets and fixed assets	(0.3)	(0.3)
Stock-based compensation	(0.1)	(0.2)
Other reconciliations in non-recurring expenses and adjustments	(0.9)	(1.3)
IFRS gross profit IFRS gross margin	86.7 46.7%	57.2 38.1%
Non-GAAP operating profit Non-GAAP operating margin	30.1 16.2%	7.2 4.8%
Amortization of purchased intangible assets and fixed assets	(4.5)	(4.2)
Stock-based compensation	(1.2)	(1.6)
Other reconciliations in non-recurring expenses and adjustments	(1.0)	(2.7)
IFRS operating profit IFRS operating margin	23.4 12.6%	(1.3) (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 (IFRS basis)

Summary of Consolidated Financial Results for the Three Months ended March 31, 2019 (IFRS basis)

	Three months ended March 31, 2018 (Jan 1 – Mar 31, 2018)	**Three months ended March 31, 2019** (Jan 1 – Mar 31, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue Revenue from semiconductors	185.6 182.0	150.3 146.7	(35.3) (35.2)	(19.0%) (19.4%)
Gross Profit Gross Margin	86.7 46.7%	57.2 38.1%	(29.5) ---	(34.1%) ---
Operating Income Operating Margin	23.4 12.6%	(1.3) (0.8%)	(24.6) ---	--- ---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	December 31, 2018	March 31, 2019	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,055.2	1,843.2	788.0
Net assets	601.0	638.0	37.0
Equity attributable to owners of the parent	598.1	635.1	37.0
Equity ratio attributable to owners of the parent (%)	56.7	34.5	(22.2)
Interest-bearing debt	195.0	965.1	770.1
Debt / Equity ratio	0.33	1.52	1.19

Total assets at March 31, 2019 were 1,843.2 billion yen, a 788.0 billion yen increase from December 31, 2018. This was mainly due to an increase in goodwill owing to the acquisition of Integrated Device Technology, Inc. (hereafter "IDT"). Net assets were 638.0 billion yen, a 37.0 billion yen increase from December 31, 2018. This was mainly due to an increase in other components of equity.

Equity attributable to owners of the parent increased by 37.0 billion yen from December 31, 2018. However, the Equity ratio attributable to owners of the parent was 34.5% due to an increase in borrowings relating to the IDT acquisition. Interest-bearing debt increased by 770.1 billion yen from December 31, 2018. Consequently, the debt to equity ratio increased to 1.52.

1.2.2 Cash Flows

	Three months ended March 31, 2018 (Jan 1 – Mar 31, 2018)	**Three months ended March 31, 2019** (Jan 1 – Mar 31, 2019)
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	17.9	20.0
Net cash provided by (used in) investing activities	(24.5)	(702.1)
Free cash flows	(6.6)	(682.1)
Net cash provided by (used in) financing activities	(2.7)	690.1
Cash and cash equivalents at the beginning of period	139.5	188.8
Cash and cash equivalents at the end of period	124.3	196.7

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities for the three months ended March 31, 2019 was 20.0 billion yen. This was mainly due to adjustments in non-cash items such as depreciation, while recording net loss before income taxes.

(Net cash provided by (used in) investing activities)
Net cash used in investing activities for the three months ended March 31, 2019 was 702.1 billion yen. This was mainly due to the acquisition of IDT stocks.

The foregoing resulted in negative free cash flows of 682.1 billion yen for the three months ended March 31, 2019.

(Net cash provided by (used in) financing activities)
Net cash provided by financing activities for the three months ended March 31, 2019 was 690.1 billion yen. This was mainly due to the execution of the term loan agreement with the main financing banks to secure finances for the acquisition of IDT.

1.3 Consolidated Forecasts

The Group reports its consolidated forecasts on a quarterly basis (cumulative quarters) 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 sales, semiconductor sales and gross 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 six months ending June 30, 2019)

	Non-GAAP Revenue	**Non-GAAP Revenue from Semiconductors**	**Non-GAAP Gross Margin**	**Non-GAAP Operating Margin**
Previous forecasts	---	---	---	---
Revised forecasts (May 14, 2019)	Million yen 335,259 to 343,259	Million yen 328,240 to 336,240	% 41.6	% 7.4
Increase (decrease)	---	---	---	---
Percent change	---	---	---	---
Reference: Results of the six months ended June 30, 2018	388,909	381,012	46.1	16.2

(*1) 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 (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 second quarter ending June 30, 2019 are calculated at the rate of 110 yen per USD and 125 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

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. However, for the six months ending June 30, 2019, the Group will forego interim dividend payment for this period.

For the year ending December 31, 2019, whether the Group provides year-end dividend payments remain undecided, and the Group will immediately announce it when the decisions are made.

(For the year ending December 31, 2019)

Interim Dividend	Year-End Dividend	Annual Dividend
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 March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	188,820	196,745
Trade and other receivables	79,449	83,613
Inventories	115,440	129,776
Other current financial assets	494	492
Income tax receivables	2,352	4,241
Other current assets	7,069	8,676
Total current assets	393,624	423,543
Non-current assets		
Property, plant and equipment	252,503	266,207
Goodwill	187,230	910,832
Intangible assets	166,524	175,053
Other non-current financial assets	5,973	10,984
Deferred tax assets	44,149	51,233
Other non-current assets	5,232	5,377
Total non-current assets	661,611	1,419,686
Total assets	1,055,235	1,843,229

(In millions of yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,233	110,268
Bonds and Borrowings	45,000	203,209
Other current financial liabilities	15,057	5,815
Income tax payables	2,983	5,166
Provisions	7,112	7,071
Other current liabilities	55,384	51,353
Total current liabilities	241,769	382,882
Non-current liabilities		
Trade and other payables	4,403	1,830
Bonds and Borrowings	147,248	745,410
Other non-current financial liabilities	2,323	11,240
Income tax payables	1,105	3,709
Retirement benefit liabilities	32,752	32,335
Provisions	3,745	3,746
Deferred tax liabilities	18,754	19,717
Other non-current liabilities	2,168	4,341
Total non-current liabilities	212,498	822,328
Total liabilities	454,267	1,205,210
Equity		
Issued capital	10,699	10,724
Share premium	190,074	190,099
Retained earnings	410,652	407,653
Treasury shares	(11)	(11)
Other components of equity	(13,314)	26,648
Total equity attributable to owners of the parent	598,100	635,113
Non-controlling interests	2,868	2,906
Total equity	600,968	638,019
Total liabilities and equity	1,055,235	1,843,229

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

Condensed Consolidated Statement of Profit or Loss

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Continuing operations		
Revenue	185,569	150,259
Cost of sales	(98,850)	(93,084)
Gross profit	86,719	57,175
Selling, general and administrative expenses	(62,729)	(58,134)
Other income	462	653
Other expenses	(1,087)	(954)
Operating profit or loss	23,365	(1,260)
Finance income	250	608
Finance costs	(1,905)	(1,157)
Share of profit of investments accounted for using the equity method	2	—
Profit or loss before tax from continuing operations	21,712	(1,809)
Income tax expense	(3,100)	(36)
Profit or loss from continuing operations	18,612	(1,845)
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	18,612	(1,845)
Profit or loss attributable to		
Owners of the parent	18,640	(1,833)
Non-controlling interests	(28)	(12)
Profit or loss	18,612	(1,845)
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	11.18	(1.10)
Discontinued operations	—	—
Total basic earnings or loss per share	11.18	(1.10)
Diluted earnings or loss per share (yen)		
Continuing operations	11.16	(1.10)
Discontinued operations	—	—
Total diluted earnings or loss per share	11.16	(1.10)

Condensed Consolidated Statement of Comprehensive Income

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit or loss	18,612	(1,845)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(1,155)	(1,110)
Financial assets measured at fair value through other comprehensive income	167	271
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	(1,014)	(839)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(27,057)	752
Changes in fair value of cash flow hedges	—	5,614
Total of items that may be reclassified subsequently to profit or loss	(27,057)	6,366
Total other comprehensive income	(28,071)	5,527
Total comprehensive income	(9,459)	3,682
Comprehensive income attributable to		
Owners of the parent	(9,402)	3,644
Non-controlling interests	(57)	38
Total comprehensive income	(9,459)	3,682

2.3 Condensed Consolidated Statement of Changes in Equity

Three months ended March 31, 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 transition of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parents	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	—	—	18,640	—	—	—	—	—	—	—	18,640	(28)	18,612
Other comprehensive income	—	—	—	—	—	(1,153)	139	(27,028)	—	(28,042)	(28,042)	(29)	(28,071)
Total comprehensive income	—	—	18,640	—	—	(1,153)	139	(27,028)	—	(28,042)	(9,402)	(57)	(9,459)
Share-based payments	—	1	—	—	807	—	—	—	—	807	808	—	808
Transfer to retained earnings	—	—	(1,153)	—	—	1,153	—	—	—	1,153	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Total amount of transactions with owners	—	1	(1,153)	—	807	1,153	—	—	—	1,960	808	(1)	807
Balance as of March 31, 2018	10,022	189,398	381,029	(11)	3,118	—	(595)	(15,822)	—	(13,299)	567,139	2,858	569,997

Three months ended March 31, 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 transition of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parents	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
Loss	—	—	(1,833)	—	—	—	—	—	—	—	(1,833)	(12)	(1,845)
Other comprehensive income	—	—	—	—	—	(1,110)	271	702	5,614	5,477	5,477	50	5,527
Total comprehensive income	—	—	(1,833)	—	—	(1,110)	271	702	5,614	5,477	3,644	38	3,682
Issue of new shares	25	25	—	—	—	—	—	—	—	—	50	—	50
Share-based payments	—	—	—	—	24,615	—	—	—	—	24,615	24,615	—	24,615
Transfer to non-financial assets	—	—	—	—	—	—	—	—	8,704	8,704	8,704	—	8,704
Transfer to retained earnings	—	—	(1,166)	—	—	1,110	56	—	—	1,166	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	—	—
Total amount of transactions with owners	25	25	(1,166)	—	24,615	1,110	56	—	8,704	34,485	33,369	—	33,369
Balance as of March 31, 2019	10,724	190,099	407,653	(11)	29,780	—	(745)	(2,387)	—	26,648	635,113	2,906	638,019

2.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Cash flows from operating activities		
Profit or loss before tax from continuing operations	21,712	(1,809)
Depreciation and amortization	28,165	29,302
Impairment loss	5	3
Finance income and costs	292	62
Share of profit of investments accounted for using the equity method	(2)	—
Share-based payments	807	1,477
Gain (loss) on sales of non-current assets	(34)	(241)
Changes in inventories	(14,536)	6,124
Changes in trade and other receivables	4,971	13,557
Changes in trade and other payables	(4,041)	(5,367)
Changes in retirement benefit liabilities	(590)	(333)
Changes in provisions	339	188
Changes in other current liabilities	(9,551)	(16,087)
Other	(68)	(4,672)
Subtotal	27,469	22,204
Interest received	252	609
Interest paid	(470)	(681)
Income taxes paid	(9,312)	(2,117)
Net cash flows from operating activities	17,939	20,015
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,411)	(11,481)
Proceeds from sales of property, plant and equipment	48	261
Purchase of intangible assets	(6,161)	(4,815)
Purchase of other financial assets	(273)	(210)
Proceeds from sales of other financial assets	1,567	243
Acquisition of subsidiaries	—	(685,831)
Other	(293)	(253)
Net cash flows from investing activities	(24,523)	(702,086)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	698,000
Repayments of long-term borrowings	(2,500)	—
Repayment of lease obligations	(231)	(1,260)
Payment of borrowing cost	—	(6,668)
Net cash flows from financing activities	(2,731)	690,072
Effect of exchange rate changes on cash and cash equivalents	(5,943)	(76)
Increase (decrease) in cash and cash equivalents	(15,258)	7,925
Cash and cash equivalents at beginning of the period	139,545	188,820
Cash and cash equivalents at end of the period	124,287	196,745

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.

(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.

(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 three months ended March 31, 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 semiconductor business segment is the sole operating segment of the Group. Information by reportable segment is therefore omitted.

(2) Information on products and services

Revenue from external customers by product and service is as follows.

(In millions of yen)

	Revenue from external customers	
	Three months ended March 31, 2018	Three months ended March 31, 2019
Automotive Business (Note 1)	92,358	83,432
Industrial Business (Note 2)	50,878	31,793
Broad-Based Business (Note 3)	38,081	30,090
Other Semiconductors	644	1,425
Others	3,608	3,519
Total	185,569	150,259

(Note 1) 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.

(Note 2) The Industrial business includes the product categories "Smart factory", "Smart home" and "Smart infrastructure" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.

(Note 3) The Broad-based business targets a wide variety of end-market solutions. In this business, the Group mainly supplies "General-purpose MCUs" and "General-purpose analog semiconductor devices".

(3) Information on regions and countries

The components of revenue from external customers and non-current assets by region and country are as follows.

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Japan	71,546	60,776
China	39,848	26,071
Asia (Excluding China)	25,326	20,567
Europe	31,625	27,970
North America	16,394	14,172
Others	830	703
Total	185,569	150,259

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

(Business Combinations)

(1) Business combination by acquisition

The three months ended March 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 will 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, 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

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Acquisition-related expenses for the business combination were 1,108 million yen, with 709 million yen recorded in "Selling, general and administrative expenses" for the three months ended March 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		20,474
Other		786
Total current assets		63,722
Non-current assets		
Property, plant and equipment		11,080
Intangible assets		17,333
Other		11,852
Total non-current assets		40,265
Total assets		103,987
Current liabilities		
Trade and other payables		5,121
Bonds and borrowings (Note 3)		65,039
Other		13,839
Total current liabilities		83,999
Non-current liabilities		
Income tax payables		2,599
Deferred tax liabilities		1,904
Other		3,759
Total non-current liabilities		8,262
Total liabilities		92,261
Net assets	B	11,726
Basis adjustments	C	8,598
Goodwill (Note 4)	A-B+C	723,619

(Note 1) As of March 31, 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 a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed, and currently the revaluation of inventories and long-term assets and the additional recognition of the identifiable intangible assets other than goodwill have not been completed.

(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)

	Three months ended March 31, 2019
Revenue	177,200

The pro forma information does not receive audit certification. In addition, as of March 31, 2018, 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 to goodwill and intangible assets, etc. is still preliminary. The information regarding the impact on the profit of the period with the amortization of intangible assets added on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year is therefore omitted.

(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 March 31, 2019
Notes and trade receivables	76,356	79,166
Other receivables	3,141	4,566
Allowance for credit losses	(48)	(119)
Total	79,449	83,613

(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 March 31, 2019
Trade payables	59,579	58,744
Other payables	41,682	33,770
Electronically recorded obligations	16,323	15,629
Refund liabilities	3,052	3,955
Total	120,636	112,098
Current liabilities	116,233	110,268
Non-current liabilities	4,403	1,830

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

(Bonds and borrowings)

(1) Bonds

Following the acquisition of IDT, convertible bonds issued on November 11, 2015 by IDT (Total amount issued: 374 million USD (41,483 million yen), interest rate: 0.875%, redemption date: November 22, 2022) have been recognized in the financial statements for the three months ended March 31, 2019. The carrying amount of the bonds is 586 million USD (65,039 million yen), which has been measured at fair value. The Group plans to buy back the above bonds within the three months ended June 30, 2019.

(2) Borrowings

In order to finance funds necessary for the acquisition of IDT and working capital as the medium-and-long term funds, the Company has entered into a syndicated loan agreement on January 15, 2019 as below.

(a) Total amount:	698.0 billion yen
(b) Implementation date:	March 28, 2019
(c) Repayment date:	March 28, 2024
(d) Participating financial institutions:	MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions

(Revenue)
Disaggregation of revenue recognized from contracts with customers are stated in “Business segments, (2) Information on products and services and (3) Information on regions and countries”. Also, all of the revenue arises from contracts with customers.

(Selling, General and Administrative Expenses)
The components of selling, general and administrative expenses are as follows.

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Research and development expenses	32,826	28,268
Personnel expenses	10,277	10,754
Depreciation	6,731	7,192
Retirement benefit expenses	733	784
Other	12,162	11,136
Total	62,729	58,134

(Other Income)
The components of other income are as follows.

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Gain on sales of property, plant and equipment	34	305
Reversal of provision for contingent loss	168	—
Subsidy income	66	182
Other	194	166
Total	462	653

(Other Expenses)
The components of other expenses are as follows.

(In millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Business structure improvement expenses	101	445
Loss on litigation	587	—
Other	399	509
Total	1,087	954

(Subsequent Events)

1. Implementation of Early Retirement Incentive Program.
(1) Reasons and Overview:
The Group has been continuously optimizing resource allocation to focus market as well as improving working efficiency in order to achieve a business structure with the ability to generate profit stably and continuously in the volatile semiconductor market. As part of this effort, this time, the Group decided to implement "Career Change Support Program" (additional severance payment as well as re-employment support) as an option for Japan domestic indirect employees who request a shift in career outside of the Group or a second life. The date of retirement is planned to be on June 30, 2019.

(2) Estimated loss
The loss arises from this program is difficult to be reasonably estimated at the time of reporting.

2. Issuance of Stock Acquisition Rights as Stock Options
The Company resolved at the Meeting of Board of Directors held on April 23, 2019 certain subscription items for stock acquisition rights to be issued as stock options for corporate officers and employees of Renesas and its subsidiaries. The Company has also determined items regarding taking applications or persons who will receive these stock options.

The details are as below.

Fiscal year 2019 Stock options No.4 and No.5

	No.4	No.5
Date of resolution	April 23, 2019	
Date of allotment	May 31, 2019	
Category and number of grantees	Employee of the Company 1	Corporate officer of the Company 1 Corporate officer of subsidiaries 1 Employees of subsidiaries 32
Number of stock options	1,203	12,848
Type and number of shares	Common stock 120,300	Common stock 1,284,800
Exercise price yen per share	1	
Exercise period	From June 1, 2019 to May 31, 2029 (JST)	
Issuance price by the issuance of shares upon the exercise of stock options	To be determined	

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.