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Renesas Electronics Reports Financial Results for the Second Quarter Ended June 30, 2020

TOKYO, Japan, July 30, 2020 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the six months ended June 30, 2020.

Summary of Consolidated Financial Results

	Three months ended June 30, 2020		Six months ended June 30, 2020	
	Billion Yen	% of Revenue	Billion Yen	% of Revenue
Revenue	166.7	100.0	345.4	100.0
Operating profit	17.3	10.4	30.6	8.8
Profit attributable to owners of the parent	11.9	7.2	23.2	6.7
Capital expenditures (Note 2)	3.9		10.2	
Depreciation and others (Note 3)	34.3		73.2	
R&D expenses (Note 4)	31.4		65.1	
	Yen		Yen	
Exchange rate (USD)	108		109	
Exchange rate (EUR)	118		119	

	As of June 30, 2020
	Billion Yen
Total assets	1,634.5
Total equity	629.4
Equity attributable to owners of the parent	626.5
Equity ratio attributable to owners of the parent (%)	38.3
Interest-bearing debt	740.2

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 June 30, 2020. From the quarter ended March 31, 2020, capital expenditures include Integrated Device Technology, Inc. (hereinafter "IDT")'s investments as well as investments including fixed costs of masks and tools.
Note 3: Depreciation and others includes depreciation of fixed assets, amortization of intangible assets and amortization of 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 Second Quarter Ended June 30, 2020
English translation from the original Japanese-language document

July 30, 2020

Company name	:**Renesas Electronics Corporation**
Stock exchanges on which the shares are listed	:Tokyo Stock Exchange, First Section
Code number	:6723
URL	:https://www.renesas.com
Representative	:Hidetoshi Shibata, Representative Director, President and CEO
Contact person	:Yoichi Kobayashi, Senior Director Corporate Communications Dept. Tel. +81 (0)3-6773-3002
Filing date of Shihanki Hokokusho (scheduled)	:August 5, 2020

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the six months ended June 30, 2020

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)		Profit (loss)		Profit attributable to owners of the parent (loss)		Total comprehensive income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2020	345,415	0.7	30,569	---	29,769	---	23,260	---	23,212	---	(720)	---
Six months ended June 30, 2019	342,884	(11.8)	(12,226)	---	(13,491)	---	(11,023)	---	(11,001)	---	(46,389)	---

	Basic earnings per share (loss)	Diluted earnings per share (loss)
	Yen	Yen
Six months ended June 30, 2020	13.55	13.32
Six months ended June 30, 2019	(6.54)	(6.54)

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	%
June 30, 2020	1,634,504	629,374	626,511	38.3
December 31, 2019	1,668,148	624,404	621,455	37.3

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, 2019	---	0.00	---	0.00	0.00
Year ending December 31, 2020	---	0.00			
Year ending December 31, 2020 (forecast)			---	---	---

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

3. Forecast of consolidated results for the nine months ending September 30, 2020

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Nine months ending September 30, 2020	508,415 to 516,415	(3.4) to (1.9)	46.8	4.7	17.2	5.6

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 6.

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 as a non-GAAP basis.

4. Others

4.1 Changes in significant subsidiaries for the six months ended June 30, 2020: 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: No
2. Changes in accounting policies except for 4.2.1: Yes
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 June 30, 2020: 1,719,396,690 shares
   As of December 31, 2019: 1,710,276,790 shares

2. Number of treasury stock
   As of June 30, 2020: 2,581 shares
   As of December 31, 2019: 2,581 shares

3. Average number of shares issued and outstanding
   Six months ended June 30, 2020: 1,713,078,576 shares
   Six months ended June 30, 2019: 1,681,578,376 shares

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

Cautionary Statement

The Group will hold a quarterly earnings conference for institutional investors and analysts on July 30, 2020. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

The statements with respect to the financial outlook of Renesas Electronics Corporation (hereinafter "the Company") and its consolidated subsidiaries (hereinafter "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 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, cost relating to acquisitions and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

In addition, after 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 discontinued the disclosure of the “Non-GAAP Revenue from Semiconductors” segment. As a result, consolidated financial results from the three months ended March 31, 2019 are listed under the new segments. For details, please refer to Appendix 2 “Condensed Consolidated Financial Statements, 2.5 Notes to Condensed Consolidated Financial Statements (Business Segments)”.

Moreover, the Group finalized provisional accounting treatment for business integration as of the financial year ended December 31, 2019, and for the six months ended June 30, 2019 as well as the three months ended June 30, 2019, the condensed quarterly consolidated financial results reflect significant revised acquisition cost allocation. For details, please refer to Appendix 2. “Condensed Consolidated Financial Statements, 2.5 Notes to Condensed Consolidated Financial Statements (Business Combinations)”.

Furthermore, following the acquisition of IDT and the absorption type merger of IDT with Renesas Electronics America Inc., since January 1, 2020, the Group has begun the integration of business processes and IT systems, etc. as part of the “One Renesas” promotion. With these processes as a momentum, expense classifications have been revised in order to appropriately display the Group’s financial status and business performance. Changes in classifications have been applied retroactively; therefore, the consolidated financial results of the three and six months ended June 30, 2019 have been reclassified. For details, please refer to Appendix 2 “Condensed Consolidated Financial Statements, 2.5 Notes to Condensed Consolidated Financial Statements (Basis for Preparation), (4) Changes in Accounting Policy (Changes of the classification of expenses)”.

(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.

1) Overview of the current financial operation

Summary of Consolidated Financial Results for the Six Months ended June 30, 2020 (Non-GAAP basis)

		Six months ended June 30, 2019 (Jan 1 – Jun 30, 2019)	**Six months ended June 30, 2020** (Jan 1 – Jun 30, 2020)	Increase (Decrease)	
		Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue		342.9	345.4	2.5	0.7%
	Automotive	177.2	166.2	(11.1)	(6.2%)
	Industrial/Infrastructure/IoT	156.9	174.1	17.3	11.0%
Non-GAAP Operating Profit Non-GAAP Operating Margin		34.2 10.0%	63.9 18.5%	29.6 8.5pts	86.6% ---
	Automotive	7.8 4.4%	22.3 13.4%	14.5 9.0pts	185.7% ---
	Industrial/Infrastructure/IoT	25.4 16.2%	43.2 24.8%	17.8 8.6pts	70.1% ---

(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 six months ended June 30, 2020 was 345.4 billion yen, a 0.7% increase year on year. This was mainly due to several factors including a smaller decrease in Renesas’ Automotive business shipment compared to that of the overall automotive industry during the six months ended June 30, 2020, owing to a time lag in the impact from the supply chain despite a slowdown in the global Automotive business as a result of the outbreak of COVID-19 worldwide, as well as an increase in revenue in the Industrial/Infrastructure/IoT business following the recording of IDT’s revenue as Renesas’ consolidated revenue from the completion of the IDT acquisition in March 2019.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the six months ended June 30, 2020 was 163.7 billion yen, a 22.5 billion yen increase year on year. This was mainly due to operating profit being generated ahead of schedule owing to less-than-expected reduction in production compared to the decrease in revenue from the Automotive business, as well as an increase in revenue for the Industrial/Infrastructure/IoT business. As a result, non-GAAP gross margin for the six months ended June 30, 2020 was 47.4%, an increase by 6.2 points year on year.

<Non-GAAP Operating Profit (Margin)>
Non-GAAP operating profit for the six months ended June 30, 2020 was 63.9 billion yen, a 29.6 billion yen increase year on year. This was mainly due to an increase in gross profit as well as reduction of costs, mainly in Selling and General Administrative expenses. As a result, non-GAAP operating margin for the six months ended June 30, 2020 was 18.5%, an increase by 8.5 points year on year.

The non-GAAP revenue breakdown of the business segments for the six months ended June 30, 2020 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 six months ended June 30, 2020 was 166.2 billion yen, a 6.2% decrease year on year. This was mainly due to a decrease in sales in the “Automotive control” category.
Non-GAAP operating profit of the Automotive business for the six months ended June 30, 2020 was 22.3 billion yen, a 14.5 billion yen increase year on year, mainly due to operating profit being generated ahead of schedule owing to less-than-expected reduction in production compared to the decrease in revenue owing to the outbreak of COVID-19, in addition to improvements in gross margin due to product mix improvement as well as a decrease in Selling and General Administration expenses despite a decrease in revenue.

Industrial/Infrastructure/IoT Business
The Industrial/Infrastructure/IoT business includes the categories “Industrial”, “Infrastructure” and “IoT” which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.
Non-GAAP revenue of the Industrial/Infrastructure/IoT business for the six months ended June 30, 2020 was 174.1 billion yen, an 11.0% increase year on year. This was mainly due to increased revenue in the “Infrastructure” and “IoT” categories despite a decrease in revenue in the “Industrial” category.
Non-GAAP operating profit of the Industrial/Infrastructure/IoT business for the six months ended June 30, 2020 was 43.2 billion yen, a 17.8 billion yen increase year on year, due to an increase in profits owing to increases in revenue.

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

(Billion yen)

	Six months ended June 30, 2019 (Jan 1 – Jun 30, 2019)	**Six months ended June 30, 2020** (Jan 1 – Jun 30, 2020)
Non-GAAP gross profit Non-GAAP gross margin	141.2 41.2%	163.7 47.4%
Amortization of purchased intangible assets and depreciation of fixed assets	(0.7)	(0.9)
Stock-based compensation	(0.4)	(0.4)
Market value of inventories	(11.3)	-
Other reconciliations in non-recurring expenses and adjustments	(0.2)	(1.0)
IFRS gross profit IFRS gross margin	128.5 37.5%	161.4 46.7%
Non-GAAP operating profit Non-GAAP operating margin	34.2 10.0%	63.9 18.5%
Amortization of purchased intangible assets and fixed assets	(18.8)	(28.5)
Stock-based compensation	(4.5)	(5.7)
Market value of inventories	(11.3)	-
Other reconciliations in non-recurring expenses and adjustments	(11.9)	0.8
IFRS operating profit IFRS operating margin	(12.2) (3.6%)	30.6 8.8%

(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.

3) Overview of the current financial operation (IFRS basis)

Summary of Consolidated Financial Results for the Six Months ended June 30, 2020 (IFRS basis)

	Six months ended June 30, 2019 (Jan 1 – Jun 30, 2019)	**Six months ended June 30, 2020** (Jan 1 – Jun 30, 2020)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	342.9	345.4	2.5	0.7%
Gross Profit Gross Margin	128.5 37.5%	161.4 46.7%	32.9 9.2pts	25.6% ---
Operating Profit Operating Margin	(12.2) (3.6%)	30.6 8.8%	42.8 12.4pts	--- ---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Total Equity

	As of December 31, 2019	As of June 30, 2020	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,668.1	1,634.5	(33.6)
Total equity	624.4	629.4	5.0
Equity attributable to owners of the parent	621.5	626.5	5.0
Equity ratio attributable to owners of the parent (%)	37.3	38.3	1.0
Interest-bearing debt	785.9	740.2	(45.7)
Debt / Equity ratio	1.26	1.18	(0.08)

Total assets at the six months ended June 30, 2020 were 1,634.5 billion yen, a 33.6 billion yen decrease from the year ended December 31, 2019. This was mainly due to a decrease in fixed assets due to depreciation, as well as a decrease in goodwill owing to fluctuations in the exchange rate. Total equity were 629.4 billion yen, a 5.0 billion yen increase from the year ended December 31, 2019. This was due to an increase in retained earnings despite a decrease in other components of equity owing to a decrease in conversion differences in overseas sales activities following fluctuations in the exchange rate.

Equity attributable to owners of the parent increased by 5.0 billion yen from the year ended December 31, 2019, and the Equity ratio attributable to owners of the parent was 38.3%. In addition to this, Interest-bearing debt decreased by 45.7 billion yen from the year ended December 31, 2019, mainly due to a decrease from debt repayment. Consequently, the debt to equity ratio increased to 1.18.

1.2.2 Cash Flows

	Six months ended June 30, 2019 (Jan 1 – Jun 30, 2019)	Six months ended June 30, 2020 (Jan 1 – Jun 30, 2020)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	75.0	76.6
Net cash provided by (used in) investing activities	(718.2)	(19.8)
Free cash flows	(643.2)	56.8
Net cash provided by (used in) financing activities	573.8	(52.5)
Cash and cash equivalents at the beginning of period	188.8	146.5
Cash and cash equivalents at the end of period	116.5	148.5

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities for the six months ended June 30, 2020 was 76.6 billion yen. This was mainly due to a recording of 29.8 billion yen in income before tax as well as adjustments in non-cash items such as depreciation, despite payments made in trade and other payables and other current liabilities.

(Net cash provided by (used in) investing activities)
Net cash used in investing activities for the six months ended June 30, 2020 was 19.8 billion yen. This was mainly due to the purchase of fixed assets and intangible assets.

The foregoing resulted in positive free cash flows of 56.8 billion yen for the six months ended June 30, 2020.

(Net cash provided by (used in) financing activities)
Net cash used in financing activities for the six months ended June 30, 2020 was 52.5 billion yen. This was mainly due to repayments of long-term borrowings to main financing banks.

1.3 Consolidated Forecasts

The Group reports its consolidated forecasts for the next quarter (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 to better understand the Group's constant business results, figures such as revenue 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 revenue forecast.

(For the nine months ending September 30, 2020)

	Non-GAAP Revenue	**Non-GAAP Gross Margin**	**Non-GAAP Operating Margin**
Previous forecasts	---	---	---
	Million yen	%	%
Revised forecasts (July 30, 2020)	508,415 to 516,415	46.8	17.2
Increase (decrease)	---	---	---
Percent change	---	---	---
Reference: Results of the nine months ended September 30, 2019	526,241	42.1	11.6

(*1) 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 as a non-GAAP basis. This adjustment and exclusion include depreciation of fixed assets, amortization 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 consolidated forecasts for the nine months ending September 30, 2020 are calculated by combining the forecasts for the three months ending September 30, 2020, to the financial results of the six months ended June 30, 2020. The consolidated forecasts for the nine months ending September 30, 2020 are calculated at the rate of 108 yen per USD and 119 yen per Euro.

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

2. Condensed Consolidated Financial Statements

2.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	146,468	148,505
Trade and other receivables	84,459	76,578
Inventories	90,785	101,789
Other current financial assets	468	437
Income tax receivables	4,438	2,792
Other current assets	7,344	8,036
Total current assets	333,962	338,137
Non-current assets		
Property, plant and equipment	232,579	208,237
Goodwill	625,030	614,648
Intangible assets	414,582	409,825
Other non-current financial assets	9,995	8,505
Deferred tax assets	46,050	49,611
Other non-current assets	5,950	5,541
Total non-current assets	1,334,186	1,296,367
Total assets	1,668,148	1,634,504

	As of December 31, 2019	As of June 30, 2020
		(In millions of yen)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	100,187	93,948
Bonds and Borrowings	93,182	93,182
Other current financial liabilities	4,362	4,051
Income tax payables	7,861	10,531
Provisions	7,521	4,224
Other current liabilities	55,528	43,250
Total current liabilities	268,641	249,186
Non-current liabilities		
Trade and other payables	845	28,889
Bonds and Borrowings	678,577	632,507
Other non-current financial liabilities	10,093	10,808
Income tax payables	4,499	4,460
Retirement benefit liabilities	29,572	29,080
Provisions	3,860	3,019
Deferred tax liabilities	43,257	42,852
Other non-current liabilities	4,400	4,329
Total non-current liabilities	775,103	755,944
Total liabilities	1,043,744	1,005,130
Equity		
Issued capital	22,213	25,055
Share premium	201,588	204,430
Retained earnings	403,857	427,863
Treasury shares	(11)	(11)
Other components of equity	(6,192)	(30,826)
Total equity attributable to owners of the parent	621,455	626,511
Non-controlling interests	2,949	2,863
Total equity	624,404	629,374
Total liabilities and equity	1,668,148	1,634,504

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

Condensed Consolidated Statement of Profit or Loss
(Six months ended June 30, 2019 and June 30,2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Continuing operations		
Revenue	342,884	345,415
Cost of sales	(214,360)	(184,010)
Gross profit	128,524	161,405
Selling, general and administrative expenses	(128,396)	(131,479)
Other income	1,293	3,146
Other expenses	(13,647)	(2,503)
Operating profit or loss	(12,226)	30,569
Finance income	2,073	3,296
Finance costs	(3,338)	(4,096)
Profit or loss before tax from continuing operations	(13,491)	29,769
Income taxes	2,468	(6,509)
Profit or loss from continuing operations	(11,023)	23,260
Discontinued operations		
Profit after tax from discontinued operations	—	—
Profit or loss	(11,023)	23,260
Profit or loss attributable to		
Owners of the parent	(11,001)	23,212
Non-controlling interests	(22)	48
Profit or loss	(11,023)	23,260
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	(6.54)	13.55
Discontinued operations	—	—
Total basic earnings or loss per share	(6.54)	13.55
Diluted earnings or loss per share (yen)		
Continuing operations	(6.54)	13.32
Discontinued operations	—	—
Total diluted earnings or loss per share	(6.54)	13.32

Condensed Consolidated Statement of Comprehensive Income
(Six months ended June 30, 2019 and June 30,2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit or loss	(11,023)	23,260
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(1,964)	270
Equity instruments measured at fair value through other comprehensive income	(95)	(434)
Total of items that will not be reclassified to profit or loss	(2,059)	(164)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(38,921)	(23,816)
Changes in fair value of cash flow hedges	5,614	—
Total of items that may be reclassified subsequently to profit or loss	(33,307)	(23,816)
Total other comprehensive income	(35,366)	(23,980)
Total comprehensive income	(46,389)	(720)
Comprehensive income attributable to		
Owners of the parent	(46,310)	(634)
Non-controlling interests	(79)	(86)
Total comprehensive income	(46,389)	(720)

Condensed Consolidated Statement of Profit or Loss
(Three months ended June 30, 2019 and June 30,2020)

(In millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Continuing operations		
Revenue	192,625	166,672
Cost of sales	(119,476)	(87,567)
Gross profit	73,149	79,105
Selling, general and administrative expenses	(71,952)	(63,153)
Other income	640	2,513
Other expenses	(12,693)	(1,209)
Operating profit or loss	(10,856)	17,256
Finance income	1,952	233
Finance costs	(2,668)	(1,898)
Profit or loss before tax from continuing operations	(11,572)	15,591
Income taxes	2,470	(3,689)
Profit or loss from continuing operations	(9,102)	11,902
Discontinued operations		
Profit after tax from discontinued operations	—	—
Profit or loss	(9,102)	11,902
Profit or loss attributable to		
Owners of the parent	(9,092)	11,923
Non-controlling interests	(10)	(21)
Profit or loss	(9,102)	11,902
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	(5.36)	6.95
Discontinued operations	—	—
Total basic earnings or loss per share	(5.36)	6.95
Diluted earnings or loss per share (yen)		
Continuing operations	(5.36)	6.84
Discontinued operations	—	—
Total diluted earnings or loss per share	(5.36)	6.84

Condensed Consolidated Statement of Comprehensive Income
(Three months ended June 30, 2019 and June 30,2020)

(In millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit or loss	(9,102)	11,902
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(854)	4
Equity instruments measured at fair value through other comprehensive income	(366)	(434)
Total of items that will not be reclassified to profit or loss	(1,220)	(430)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(39,673)	(11,207)
Total of items that may be reclassified subsequently to profit or loss	(39,673)	(11,207)
Total other comprehensive income	(40,893)	(11,637)
Total comprehensive income	(49,995)	265
Comprehensive income attributable to		
Owners of the parent	(49,878)	286
Non-controlling interests	(117)	(21)
Total comprehensive income	(49,995)	265

2.3 Condensed Consolidated Statement of Changes in Equity

(Six months ended June 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	Equity instru-ments 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
Impact of changes in accounting policies	—	—	1,192	—	—	—	—	—	—	—	1,192	—	1,192
Balance as of January 1, 2019 after changes in accounting policies	10,699	190,074	411,844	(11)	5,165	—	(1,072)	(3,089)	(14,318)	(13,314)	599,292	2,868	602,160
Loss	—	—	(11,001)	—	—	—	—	—	—	—	(11,001)	(22)	(11,023)
Other comprehensive income	—	—	—	—	—	(1,964)	(95)	(38,864)	5,614	(35,309)	(35,309)	(57)	(35,366)
Total comprehensive income	—	—	(11,001)	—	—	(1,964)	(95)	(38,864)	5,614	(35,309)	(46,310)	(79)	(46,389)
Issue of new shares	8,659	9,232	—	—	—	—	—	—	—	—	17,891	—	17,891
Share-based payments	—	—	—	—	10,078	—	—	—	—	10,078	10,078	—	10,078
Transfer to retained earnings	—	(573)	(1,038)	—	(389)	1,964	36	—	—	1,611	—	—	—
Reclassification to non-financial assets	—	—	—	—	—	—	—	—	8,704	8,704	8,704	—	8,704
Total amount of transactions with owners	8,659	8,659	(1,038)	—	9,689	1,964	36	—	8,704	20,393	36,673	—	36,673
Balance as of June 30, 2019	19,358	198,733	399,805	(11)	14,854	—	(1,131)	(41,953)	—	(28,230)	589,655	2,789	592,444

(Six months ended June 30, 2020)

(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	Equity instru-ments 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, 2020	22,213	201,588	403,857	(11)	16,053	—	(1,131)	(21,114)	—	(6,192)	621,455	2,949	624,404
Profit	—	—	23,212	—	—	—	—	—	—	—	23,212	48	23,260
Other comprehensive income	—	—	—	—	—	270	(434)	(23,682)	—	(23,846)	(23,846)	(134)	(23,980)
Total comprehensive income	—	—	23,212	—	—	270	(434)	(23,682)	—	(23,846)	(634)	(86)	(720)
Issue of new shares	2,842	2,842	—	—	—	—	—	—	—	—	5,684	—	5,684
Share-based payments	—	—	—	—	6	—	—	—	—	6	6	—	6
Transfer to retained earnings	—	—	794	—	(958)	(270)	434	—	—	(794)	—	—	—
Total amount of transactions with owners	2,842	2,842	794	—	(952)	(270)	434	—	—	(788)	5,690	—	5,690
Balance as of June 30, 2020	25,055	204,430	427,863	(11)	15,101	—	(1,131)	(44,796)	—	(30,826)	626,511	2,863	629,374

2.4 Condensed Consolidated Statement of Cash Flows

(Six months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit or loss	(13,491)	29,769
Depreciation and amortization	69,742	73,166
Impairment loss	1,498	580
Finance income and costs	2,315	3,439
Share-based payments	4,318	5,680
Loss (gain) on sales of property, plant and equipment, and intangible assets	(424)	(448)
Changes in inventories	34,113	(11,713)
Changes in trade and other receivables	7,584	7,023
Changes in trade and other payables	(2,603)	(11,182)
Changes in retirement benefit liabilities	(3,319)	(342)
Changes in provisions	2,922	(3,910)
Changes in other current liabilities	(25,421)	(11,869)
Other	(1,271)	(502)
Subtotal	75,963	79,691
Interest received	1,011	183
Dividend received	11	219
Income taxes paid	(1,937)	(3,474)
Net cash flows from operating activities	75,048	76,619
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,291)	(10,487)
Proceeds from sales of property, plant and equipment	460	645
Purchase of intangible assets	(9,943)	(8,426)
Purchase of other financial assets	(265)	(320)
Proceeds from sales of other financial assets	543	304
Acquisition of subsidiaries	(685,831)	—
Other	(918)	(1,489)
Net cash flows from investing activities	(718,245)	(19,773)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(25,000)	—
Proceeds from long-term borrowings	847,000	—
Repayments of long-term borrowings	(171,034)	(46,710)
Repayment of lease liabilities	(2,520)	(2,623)
Interest paid	(9,258)	(3,220)
Payments for retirement by purchase of bonds	(65,409)	—
Other	32	9
Net cash flows from financing activities	573,811	(52,544)
Effect of exchange rate changes on cash and cash equivalents	(2,965)	(2,265)
Increase (decrease) in cash and cash equivalents	(72,351)	2,037
Cash and cash equivalents at beginning of the period	188,820	146,468
Cash and cash equivalents at end of the period	116,469	148,505

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 of the consolidated financial statements of the fiscal year. Therefore, the condensed consolidated financial statements have to be used with the consolidated financial statements from 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) Changes in Accounting Policy (Changes of the classification of expenses)

Following the acquisition of IDT and the subsequent merger of Renesas Electronics America Inc. by IDT, the Company began to integrate its business processes and IT systems from January 1, 2020 for the launch of "One Renesas" operations. In conjunction with the integration, the Company has also decided to revise the classification of expenses in order to better present the financial position and results of operations of the Group.

Royalty expenses paid as technology licensing fees were previously recorded in selling, general and administrative expenses in the past. However, because the percentage of royalty expenses linked to sales revenue has been increasing in recent years, the Company has decided to divide the royalty expenses into those linked to sales revenue and those not linked to sales revenue, and from the first quarter of the current fiscal year, the portion linked to sales revenue has been classified into cost of sales and inventories as manufacturing costs. In addition, the costs incurred by the department at the head office, which oversees IT infrastructure and company-wide system operations, were recorded in selling, general and administrative expenses. However, from the first quarter of the current fiscal year, the Company has changed its method of accounting for the IT costs to be recorded also by cost of sales and inventories as manufacturing costs as well as research and development expenses (selling, general and administrative expenses) to reflect the nature of the expenses, as it is more appropriate to allocate those costs to the beneficiaries who actually use the infrastructure and systems.

The change in accounting policy has been applied retrospectively to the condensed consolidated financial statements for the six months ended June 30, 2019 and three months ended June 30, 2019. As a result of this change, compared with the accounting policy prior to retrospective application, cost of sales for the six months ended June 30, 2020 increased by 4,231 million yen, selling, general and administrative expenses decreased by 3,886 million yen and operating loss and loss before tax from continuing operations increased by 345 million yen, respectively. In addition, cost of sales for the three months ended June 30, 2020 increased 2,431 million yen, selling general and administrative expenses decreased by 2,196 million yen and operating loss before tax from continuing operations increased by 235 million yen, respectively.

Reflecting the cumulative effect on equity at the beginning of the six months ended June 30, 2019, the beginning balance of retained earnings in the condensed consolidated statement of changes in equity after retroactive application increased by 1,192 million yen. This accounting change has no material impact on earnings per share.

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

From the three months ended March 31, 2020, Renesas Electronics America Inc. has been excluded from the scope of consolidation due to the merger with IDT.

Renesas Electronics America Inc. is a specified subsidiary of Renesas Electronics Corporation.

On January 1, 2020 IDT merged with Renesas Electronics America Inc. in an absorption-type merger and changed the trade name to Renesas Electronics America Inc.

No change in the scope of consolidation for the three months ended June 30,2020.

(Notes about Going Concern Assumption)

Not applicable

(Significant Accounting Policies)

Except as stated in "(Basis for Preparation), (4) Changes in Accounting Policy (Changes of the classification of expenses)", 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.

In addition, income taxes for the six months ended June 30, 2020 are calculated using the estimated annual effective tax rate.

(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.
The Company reflects the impact of the COVID-19 to estimates and assumptions (judgment to indication of impairment loss of goodwill and others), which are based on information available and believes to be reasonable at the moment. However, estimates and assumptions which make a significant impact on figures of the condensed consolidated financial statements are same as the prior fiscal year and the three months ended March 31, 2020 in principle.
These estimates and assumptions may be affected depending on the future situations of the spread of the COVID-19.

(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 nine 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". The information on reportable segments for the six months ended June 30, 2019 and three months ended June 30, 2019 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 same as described in "Significant Accounting Policies". The internal indicators which are used by management when making decisions have been adjusted by non -recurring items specified by the Group and other adjustment following a certain set of rules from operating profit in accordance with IFRS. Segment profit or loss is calculated by deducting "Cost of Sale", "General, Selling and Administrative Expenses" and "Other Expenses" from "Revenue" and adding "Other Income". The Group's Executive Officers assess the performance after eliminating intragroup transactions, and therefore, there is no transfer between reportable segments.

Information on reportable segments is as follows.

Six months ended June 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	177,237	156,860	8,787	—	342,884	—	342,884
Segment profit or loss	7,790	25,396	563	500	34,249	(46,475)	(12,226)
Financial income							2,073
Financial expenses							(3,338)
Loss before tax for the period							(13,491)
(Other adjustment) Depreciation and amortization	29,955	20,672	292	—	50,919	18,823	69,742

Six months ended June 30, 2020 (In millions of yen)

	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	166,174	174,122	5,119	—	345,415	—	345,415
Segment profit or loss	22,256	43,198	742	(2,303)	63,893	(33,324)	30,569
Financial income							3,296
Financial expenses							(4,096)
Profit before tax for the period							29,769
(Other adjustment) Depreciation and amortization	24,144	20,200	236	—	44,580	28,586	73,166

Three months ended June 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	94,525	93,523	4,577	—	192,625	—	192,625
Segment profit or loss	6,821	19,555	291	500	27,167	(38,023)	(10,856)
Financial income							1,952
Financial expenses							(2,668)
Loss before tax for the period							(11,572)
(Other adjustment) Depreciation and amortization	14,734	10,791	263	—	25,788	14,652	40,440

Three months ended June 30, 2020 (In millions of yen)

	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	72,626	91,567	2,479	—	166,672	—	166,672
Segment profit or loss	7,861	24,224	440	(2,303)	30,222	(12,966)	17,256
Financial income							233
Financial expenses							(1,898)
Profit before tax for the period							15,591
(Other adjustment) Depreciation and amortization	10,305	10,304	—	—	20,609	13,728	34,337

(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.

(Six months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30,2020
Japan	128,258	123,558
China	72,074	81,540
Asia (Excluding China)	50,675	57,670
Europe	58,740	51,802
North America	31,638	29,557
Others	1,499	1,288
Total	342,884	345,415

(Three months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Three months ended June 30, 2019	Three months ended June 30,2020
Japan	67,482	59,920
China	46,003	42,894
Asia (Excluding China)	30,108	29,994
Europe	30,770	21,788
North America	17,466	11,514
Others	796	562
Total	192,625	166,672

(Note) Revenue are categorized into the country or region based on the location of the customers.

(Business Combinations)

(1) Business combination by acquisition

(The year ended December 31, 2019)

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Integrated Device Technology, Inc.

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

2) Date of the acquisition

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

3) Purpose of the Acquisition

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

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

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

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

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

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

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

(ii) Expands business growth opportunities

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash consideration for the acquisition		703,559
Stock options consideration for the acquisition		23,188
Total consideration for the acquisition	A	726,747

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

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

(In millions of yen)

		Date of acquisition (March 30, 2019)
Current assets		
Cash and cash equivalents		26,326
Trade and other receivables (Note 2)		16,136
Inventories		18,808
Other		786
Total current assets		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		33,853
Other		3,759
Total non-current liabilities		40,211
Total liabilities		124,591
Net assets	B	289,368
Basis adjustments	C	8,598
Goodwill (Note 4)	A-B+C	445,976

(Note) 1. Due to the finalization of the provisional accounting treatment on December 31, 2019 for a business combination, we have reflected the revision of allocation of the acquisition cost to financial results of the six months ended June 30, 2019 and three months ended June 30, 2019 and therefore, the financial statements have been revised retrospectively. As a result, the gross margin of the six and three months ended June 30, 2019 increased 2,054 million yen and operating loss and loss before tax increased 8,109 million yen respectively.
2. The total contract amount is same as the fair value, and there are no receivables that are expected to be unrecoverable.
3. The content of bonds and borrowings is bonds.
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 prior fiscal year is as follows.

(In millions of yen)

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

The above information has not been audited. In addition, items such as the amortization of intangible assets on the assumption that the date of the acquisition of IDT was at the beginning of the prior 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, 2019	As of June 30, 2020
Notes and trade receivables	81,473	72,034
Other receivables	3,081	4,646
Loss allowance	(95)	(102)
Total	84,459	76,578

(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, 2019	As of June 30, 2020
Trade payables	64,740	57,005
Other payables	16,974	49,985
Electronically recorded obligations	16,725	11,397
Refund liabilities	2,593	4,450
Total	101,032	122,837
Current liabilities	100,187	93,948
Non-current liabilities	845	28,889

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

(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.
(Six months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Research and development expenses (Note 1)	63,620	64,338
Personnel expenses	22,574	20,876
Depreciation and amortization (Note 2)	22,862	31,905
Retirement benefit expenses	1,700	1,218
Other	17,640	13,142
Total	128,396	131,479

(Three months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Research and development expenses (Note 1)	33,560	31,053
Personnel expenses	12,046	9,776
Depreciation and amortization (Note 2)	16,515	14,758
Retirement benefit expenses	916	664
Other	8,915	6,902
Total	71,952	63,153

(Note 1) As stated in“(Basis for Preparation) (4) Changes in Accounting Policy (Changes of the classification of expenses),”, research and development expenses for the six and three months ended June 30, 2019 disclosed as comparative information have been revised.
(Note 2) As stated in “(Business Combinations)”, disclosed figures of depreciation and amortization of the six and three months ended June 30, 2019 as comparisons have been revised.

(Other Income)

The components of other income are as follows.

(Six months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Insurance claim income	21	2,313
Gain on sales of property, plant and equipment	514	489
Other	758	344
Total	1,293	3,146

(Three months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Insurance claim income	9	2,313
Gain on sales of property, plant and equipment	209	19
Other	422	181
Total	640	2,513

(Other Expenses)

The components of other expenses are as follows.

(Six months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Business structure improvement expenses (Note)	10,762	1,245
Impairment loss	1,498	580
Other	1,387	678
Total	13,647	2,503

(Three months ended June 30, 2019 and June 30, 2020)

(In millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Business structure improvement expenses (Note)	10,317	293
Impairment loss	1,495	495
Other	881	421
Total	12,693	1,209

(Note) Business structure improvement expenses for the six and three months ended June 30, 2019 include Extra retirement payments and others incurred from Early Retirement Incentive program.

(Subsequent Events)

(Commitment Line Agreement)

The Company has concluded the Commitment Line Agreement for the purpose of securing flexible means of procuring financing in order to meet funding requirements for future business developments and to secure working capital, as well as to improve the stability of the Company's financial base.

Counterparties of agreement	MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited., Resona Bank, Ltd.
Maximum loan amount	75 billion yen
Date of agreement	July 13, 2020
Term of agreement	Two years
Collateral and guarantee	No collateral or guarantees

(Issuance of Stock Acquisition Rights as Stock options)

The Company resolved at the Meeting of Board of Directors held on July 30, 2020 certain subscription items for stock acquisition rights to be issued as stock options for directors, corporate officers and employees of the Company and directors and employees of the subsidiaries. The Company has also determined items regarding taking applications or persons who will receive these stock options.

	Fiscal year 2020 Stock options No.3	Fiscal year 2020 Stock options No.4
Date of resolution	July 30, 2020	
Date of allotment	August 31, 2020	
Category and number of grantees	Director of the Company 1 Corporate officers of the Company 4 Employees of the Company 918 Director of the subsidiaries 1 Employees of the subsidiaries 78	Corporate officers of the Company 4 Directors of the subsidiaries 5 Employees of the subsidiaries 1,548
Number of stock options	11,490	35,898
Type and number of shares	Common stock 1,149,000	Common stock 3,589,800
Exercise price yen per share	1	
Exercise period	From August 31, 2020 to August 30, 2030 (JST)	
Issuance price by the issuance of shares upon the exercise of stock options	To be determined	

	Fiscal year 2020 Stock options No.5	Fiscal year 2020 Stock options No.6
Date of resolution	July 30, 2020	
Date of allotment	August 31, 2020	
Category and number of grantees	Employees of the Company 219 Employees of the subsidiaries 18	Employees of the subsidiaries 143
Number of stock options	4,444	2,214
Type and number of shares	Common stock 444,400	Common stock 221,400
Exercise price yen per share	1	
Exercise period	From September 1, 2020 to August 31, 2030 (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.