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Renesas Electronics Reports Financial Results for the Second Quarter Ended June 30, 2019

Tokyo, Japan, August 6, 2019 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the six months ended June 30, 2019.

Summary of Consolidated Financial Results

	Three months ended June 30, 2019		Six months ended June 30, 2019	
	Billion Yen	% of Net Sales	Billion Yen	% of Net Sales
Revenue	192.6	100.0	342.9	100.0
Revenue from semiconductors	189.0		335.7	
Revenue from others	3.7		7.2	
Operating profit	(2.5)	(1.3)	(3.8)	(1.1)
Net profit	(1.2)	(0.6)	(3.0)	(0.9)
Capital expenditures	2.7		4.6	
Depreciation and others	31.0		60.3	
R&D expenses	32.9		61.2	
	Yen		Yen	
Exchange rate (USD)	111		111	
Exchange rate (Euro)	125		125	

	As of June 30, 2019
	Billion Yen
Total assets	1,673.7
Total equity	599.0
Equity attributable to owners of the parent	596.2
Equity ratio attributable to owners of the parent (%)	35.6
Interest-bearing debt	852.7

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, 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 Second Quarter Ended June 30, 2019
English translation from the original Japanese-language document

August 6, 2019

Company name	:**Renesas Electronics Corporation**
Stock exchanges on which the shares are listed	:Tokyo Stock Exchange, First Section
Code number	:6723
URL	:https://www.renesas.com
Representative	:Hidetoshi Shibata, Representative Director, President and CEO
Contact person	:Yoichi Kobayashi, Senior Director Corporate Communications Dept. Tel. +81 (0)3-6773-3002
Filing date of Shihanki Hokokusho (scheduled)	:August 6, 2019

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the six months ended June 30, 2019

1.1 Consolidated financial results

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

	Revenue		Operating profit (loss)		Profit before tax from continuing operations (loss)		Net Profit (loss)		Net profit attributable to owners of the parent (loss)		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2019	342,884	(11.8)	(3,772)	---	(5,037)	---	(3,033)	---	(3,011)	---	(38,628)	---
Six months ended June 30, 2018	388,909	---	56,134	---	54,733	---	50,172	---	50,185	---	35,012	---

	Basic earnings per share (loss)	Diluted earnings per share (loss)
	Yen	Yen
Six months ended June 30, 2019	(1.79)	(1.79)
Six months ended June 30, 2018	30.10	30.04

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	%
June 30, 2019	1,673,743	599,013	596,224	35.6
December 31, 2018	1,055,235	600,968	598,100	56.7

2. Cash dividends

	Cash dividends per share				
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2018	---	0.00	---	0.00	0.00
Year ending December 31, 2019	---	0.00			
Year ending December 31, 2019 (forecast)			---	---	---

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, 2019

	Non-GAAP Revenue		**Non-GAAP Revenue from Semiconductors**		**Non-GAAP Gross Margin**		**Non－GAAP Operating Margin**	
Nine months ending September 30, 2019	Million yen 526,884 to 534,884	% (7.4) to (6.0)	Million yen 516,407 to 524,407	% (7.2) to (5.8)	% 43.3	%pts (2.1)	% 12.4	%pts (2.5)

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 six months ended June 30, 2019: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
(Note) For details, please refer to page 15.

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 June 30, 2019: 1,700,549,690 shares
   As of December 31, 2018: 1,668,385,390 shares

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

3. Average number of shares issued and outstanding
   Six months ended June 30, 2019: 1,681,578,376 shares
   Six months ended June 30, 2018: 1,667,336,009 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 change to the Group's auditor, and therefore quarterly figures of the year ended in December 31, 2018, provided under IFRS are not reviewed by the previous auditors. However, for each of the quarterly figures of the year ended December 31, 2018 provided under the generally accepted accounting principal in Japan (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 August 6, 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	2
1.1 Analysis of Business Results	2
1.2 Consolidated Financial Condition	4
1.3 Consolidated Forecasts	5
2. Condensed Consolidated Financial Statements	6
2.1 Condensed Consolidated Statement of Financial Position	6
2.2 Condensed Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income	8
2.3 Condensed Consolidated Statement of Changes in Equity	12
2.4 Condensed Consolidated Statement of Cash Flows	14
2.5 Notes to Condensed Consolidated Financial Statements	15
(Basis for Preparation)	15
(Basis of Consolidated Financial Statement)	15
(Notes about Going Concern Assumption)	15
(Significant Accounting Policies)	15
(Significant Accounting Estimates and Judgments)	16
(Business Segments)	17
(Business Combinations)	19
(Trade and Other Receivables)	22
(Trade and Other Payables)	22
(Bonds and borrowings)	23
(Revenue)	23
(Selling, General and Administrative Expenses)	23
(Other Income)	24
(Other Expenses)	24
(Subsequent Events)	25

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 Six Months ended June 30, 2019 (Non-GAAP basis)

	Six months ended June 30, 2018 (Jan 1 – Jun 30, 2018)	**Six months ended June 30, 2019** (Jan 1 – Jun 30, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue	388.9	342.9	(46.0)	(11.8%)
Non-GAAP Revenue from semiconductors	381.0	335.7	(45.3)	(11.9%)
Non-GAAP Gross Profit Non-GAAP Gross Margin	179.4 46.1%	145.4 42.4%	(34.0) (3.7pts)	(19.0%) ---
Non-GAAP Operating Income Non-GAAP Operating Margin	63.1 16.2%	34.6 10.1%	(28.5) (6.1pts)	(45.2%) ---

(Non-GAAP Revenue)
Consolidated non-GAAP revenue for the six months ended June 30, 2019 was 342.9 billion yen, an 11.8% decrease year on year. Consolidated non-GAAP revenue decreased mainly due to deterioration of the market from geopolitical risks and adjustments in the channel inventory.

(Non-GAAP Revenue from Semiconductors)
Non-GAAP revenue from semiconductors for the six months ended June 30, 2019 was 335.7 billion yen, an 11.9% decrease year on year.

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

Automotive Business: 176.5 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 six months ended June 30, 2019 was 176.5 billion yen, a decrease of 10.9% year on year. This was due to decreases in sales in both the “Automotive control” and the “Automotive information” categories.

Industrial Business: 70.5 billion yen
The Industrial business includes the product categories "Smart factory", "Smart home" and "Smart infrastructure" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.

Non-GAAP revenue of Industrial business for the six months ended June 30, 2019 was 70.5 billion yen, a decrease of 31.1% year on year. This was due to decreased sales in “Smart factory”, “Smart home” and “Smart infrastructure” categories.

Broad-Based Business: 60.8 billion yen
The Broad-based business targets a wide variety of end-market solutions. In this business, the Group mainly supplies "General-purpose MCUs " and “General-purpose analog semiconductor devices".

Non-GAAP revenue of Broad-based business for the six months ended June 30, 2019 was 60.8 billion yen, a decrease of 22.9% year on year. This was due to decreased sales revenue in both the “General-purpose MCUs” and the “General-purpose analog semiconductor devices" categories.

Other Semiconductors: 27.9 billion yen
Revenue from other semiconductors includes production by commissioning and royalties as well as business from Integrated Device Technology, Inc. (hereinafter “IDT”).

Non-GAAP revenue from Other Semiconductors for the six months ended June 30, 2019 was 27.9 billion yen, an increase of 26.3 billion yen year on year. This was mainly due to the completion of the acquisition of IDT in March 2019, and the recording of their consolidated sales revenue as Renesas' sales revenue.

<Non-GAAP Gross Profit (Margin)>
Non-GAAP gross profit for the six months ended June 30, 2019 was 145.4 billion yen, a 34.0 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 six months ended June 30, 2019 was 42.4%, a decrease by 3.7 points year on year.

<Non-GAAP Operating Profit (Margin)>
Non-GAAP operating profit for the six months ended June 30, 2019 was 34.6 billion yen, a 28.5 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 six months ended June 30, 2019 was 10.1%, a decrease by 6.1 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 six months ended June 30, 2019, was 9.4 billion yen, while the total amount of stock-based compensation excluded from the Non-GAAP operating profit was 4.5 billion yen.

(Billion yen)

	Six months ended June 30, 2018 (Jan 1 – Jun 30, 2018)	**Six months ended June 30, 2019** (Jan 1 – Jun 30, 2019)
Non-GAAP gross profit Non-GAAP gross margin	179.4 46.1%	145.4 42.4%
Amortization of purchased intangible assets and fixed assets	(0.7)	(1.3)
Stock-based compensation	(0.3)	(0.4)
Market value of inventories	---	(13.0)
Other reconciliations in non-recurring expenses and adjustments	(1.0)	(0.0)
IFRS gross profit IFRS gross margin	177.5 45.7%	130.7 38.1%
Non-GAAP operating profit Non-GAAP operating margin	63.1 16.2%	34.6 10.1%
Amortization of purchased intangible assets and fixed assets	(8.7)	(9.4)
Stock-based compensation	(2.7)	(4.5)
Market value of inventories	---	(13.0)
Other reconciliations in non-recurring expenses and adjustments	4.4	(11.5)
IFRS operating profit IFRS operating margin	56.1 14.4%	(3.8) (1.1%)

(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 Six Months ended June 30, 2019 (IFRS basis)

	Six months ended June 30, 2018 (Jan 1 – Jun 30, 2018)	**Six months ended June 30, 2019** (Jan 1 – Jun 30, 2019)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue Revenue from semiconductors	388.9 381.0	342.9 335.7	(46.0) (45.3)	(11.8%) (11.9%)
Gross Profit Gross Margin	177.5 45.7%	130.7 38.1%	(46.8) ---	(26.4%) ---
Operating Income Operating Margin	56.1 14.4%	(3.8) (1.1%)	(59.9) ---	--- ---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	Year ended December 31, 2018	**Six months ended June 30, 2019**	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,055.2	1,673.7	618.5
Net assets	601.0	599.0	(2.0)
Equity attributable to owners of the parent	598.1	596.2	(1.9)
Equity ratio attributable to owners of the parent (%)	56.7	35.6	(21.1)
Interest-bearing debt	195.0	852.7	657.7
Debt / Equity ratio	0.33	1.43	1.10

Total assets at the six months ended June 30, 2019 were 1,673.7 billion yen, a 618.5 billion yen increase from the year ended December 31, 2018. This was mainly due to an increase in goodwill owing to the acquisition of IDT in the three months ended March 30, 2019. Net assets were 599.0 billion yen, a 2.0 billion yen decrease from the year ended December 31, 2018. This was mainly due to a decrease in other components of equity.

Equity attributable to owners of the parent decreased by 1.9 billion yen from the year ended December 31, 2018, and the Equity ratio attributable to owners of the parent was 35.6%. In addition to this, Interest-bearing debt increased by 657.7 billion yen from the year ended December 31, 2018. Consequently, the debt to equity ratio increased to 1.43.

1.2.2 Cash Flows

	Six months ended June 30, 2018 (Jan 1 – Jun 30, 2018)	**Six months ended June 30, 2019** (Jan 1 – Jun 30, 2019)
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	66.5	75.0
Net cash provided by (used in) investing activities	(43.7)	(718.2)
Free cash flows	22.8	(643.2)
Net cash provided by (used in) financing activities	0.8	573.8
Cash and cash equivalents at the beginning of period	139.5	188.8
Cash and cash equivalents at the end of period	160.3	116.5

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities for the six months ended June 30, 2019 was 75.0 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 six months ended June 30, 2019 was 718.2 billion yen. This was mainly due to the acquisition of IDT's shares.

The foregoing resulted in negative free cash flows of 643.2 billion yen for the six months ended June 30, 2019.

(Net cash provided by (used in) financing activities)
Net cash provided by financing activities for the six months ended June 30, 2019 was 573.8 billion yen. This was mainly due to the execution of new term loan agreements with the main financing banks for obtaining funds for the acquisition of IDT, and to secure finances for long-term operation as well as repayments of existing term loans.

1.3 Consolidated Forecasts

The Group reports its consolidated forecasts 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 nine months ending September 30, 2019)

	Non-GAAP Revenue	**Non-GAAP Revenue from Semiconductors**	**Non-GAAP Gross Margin**	**Non-GAAP Operating Margin**
Previous forecasts	---	---	---	---
	Million yen	Million yen	%	%
Revised forecasts (August 6, 2019)	526,884 to 534,884	516,407 to 524,407	43.3	12.4
Increase (decrease)	---	---	---	---
Percent change	---	---	---	---
Reference: Results of the nine months ended September 30, 2018	568,767	556,582	45.4	14.9

(*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 nine months ending September 30, 2019 are calculated at the rate of 110 yen per USD and 124 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, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	188,820	116,469
Trade and other receivables	79,449	86,130
Inventories	115,440	99,447
Other current financial assets	494	488
Income tax receivables	2,352	2,311
Other current assets	7,069	5,210
Total current assets	393,624	310,055
Non-current assets		
Property, plant and equipment	252,503	249,719
Goodwill	187,230	885,203
Intangible assets	166,524	160,478
Other non-current financial assets	5,973	10,237
Deferred tax assets	44,149	52,337
Other non-current assets	5,232	5,714
Total non-current assets	661,611	1,363,688
Total assets	1,055,235	1,673,743

	As of December 31, 2018	As of June 30, 2019
		(In millions of yen)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	116,233	106,130
Bonds and Borrowings	45,000	113,182
Other current financial liabilities	15,057	5,248
Income tax payables	2,983	3,483
Provisions	7,112	9,853
Other current liabilities	55,384	41,644
Total current liabilities	241,769	279,540
Non-current liabilities		
Trade and other payables	4,403	1,604
Bonds and Borrowings	147,248	724,547
Other non-current financial liabilities	2,323	10,309
Income tax payables	1,105	3,602
Retirement benefit liabilities	32,752	29,202
Provisions	3,745	3,885
Deferred tax liabilities	18,754	17,597
Other non-current liabilities	2,168	4,444
Total non-current liabilities	212,498	795,190
Total liabilities	454,267	1,074,730
Equity		
Issued capital	10,699	19,358
Share premium	190,074	198,733
Retained earnings	410,652	406,603
Treasury shares	(11)	(11)
Other components of equity	(13,314)	(28,459)
Total equity attributable to owners of the parent	598,100	596,224
Non-controlling interests	2,868	2,789
Total equity	600,968	599,013
Total liabilities and equity	1,055,235	1,673,743

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, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Continuing operations		
Revenue	388,909	342,884
Cost of sales	(211,365)	(212,183)
Gross profit	177,544	130,701
Selling, general and administrative expenses	(125,826)	(122,112)
Other income	7,684	1,293
Other expenses	(3,268)	(13,654)
Operating profit or loss	56,134	(3,772)
Finance income	489	2,073
Finance costs	(1,939)	(3,338)
Share of profit of investments accounted for using the equity method	49	—
Profit or loss before tax from continuing operations	54,733	(5,037)
Income tax expense	(4,561)	2,004
Profit or loss from continuing operations	50,172	(3,033)
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	50,172	(3,033)
Profit or loss attributable to		
Owners of the parent	50,185	(3,011)
Non-controlling interests	(13)	(22)
Profit or loss	50,172	(3,033)
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	30.10	(1.79)
Discontinued operations	—	—
Total basic earnings or loss per share	30.10	(1.79)
Diluted earnings or loss per share (yen)		
Continuing operations	30.04	(1.79)
Discontinued operations	—	—
Total diluted earnings or loss per share	30.04	(1.79)

Condensed Consolidated Statement of Comprehensive Income
(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit or loss	50,172	(3,033)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,040)	(1,964)
Financial assets measured at fair value through other comprehensive income	257	(95)
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	(1,809)	(2,059)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(13,351)	(39,150)
Changes in fair value of cash flow hedges	—	5,614
Total of items that may be reclassified subsequently to profit or loss	(13,351)	(33,536)
Total other comprehensive income	(15,160)	(35,595)
Total comprehensive income	35,012	(38,628)
Comprehensive income attributable to		
Owners of the parent	35,071	(38,549)
Non-controlling interests	(59)	(79)
Total comprehensive income	35,012	(38,628)

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

(In millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Continuing operations		
Revenue	203,340	192,625
Cost of sales	(112,515)	(119,099)
Gross profit	90,825	73,526
Selling, general and administrative expenses	(63,097)	(63,978)
Other income	7,222	640
Other expenses	(2,181)	(12,700)
Operating profit or loss	32,769	(2,512)
Finance income	678	1,952
Finance costs	(473)	(2,668)
Share of profit of investments accounted for using the equity method	47	—
Profit or loss before tax from continuing operations	33,021	(3,228)
Income tax expense	(1,461)	2,040
Profit or loss from continuing operations	31,560	(1,188)
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	31,560	(1,188)
Profit or loss attributable to		
Owners of the parent	31,545	(1,178)
Non-controlling interests	15	(10)
Profit or loss	31,560	(1,188)
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	18,92	(0.70)
Discontinued operations	—	—
Total basic earnings or loss per share	18.92	(0.70)
Diluted earnings or loss per share (yen)		
Continuing operations	18.88	(0.70)
Discontinued operations	—	—
Total diluted earnings or loss per share	18.88	(0.70)

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

(In millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit or loss	31,560	(1,188)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(885)	(854)
Financial assets measured at fair value through other comprehensive income	90	(366)
Total of items that will not be reclassified to profit or loss	(795)	(1,220)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	13,706	(39,902)
Total of items that may be reclassified subsequently to profit or loss	13,706	(39,902)
Total other comprehensive income	12,911	(41,122)
Total comprehensive income	44,471	(42,310)
Comprehensive income attributable to		
Owners of the parent	44,473	(42,193)
Non-controlling interests	(2)	(117)
Total comprehensive income	44,471	(42,310)

2.3 Condensed Consolidated Statement of Changes in Equity
(Six months ended June 30, 2018)

(In millions of yen)

	Equity attributable to owners of the parent												
					Other components of equity								
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remea-surements of defined benefit plans	Financial assets measured at fair value through other compre-hensive income	Exchange differences on 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	—	—	50,185	—	—	—	—	—	—	—	50,185	(13)	50,172
Other comprehensive income	—	—	—	—	—	(2,038)	229	(13,305)	—	(15,114)	(15,114)	(46)	(15,160)
Total comprehensive income	—	—	50,185	—	—	(2,038)	229	(13,305)	—	(15,114)	35,071	(59)	35,012
Issue of new shares	301	301	—	—	—	—	—	—	—	—	602	—	602
Share-based payments	—	—	—	—	1,390	—	—	—	—	1,390	1,390	—	1,390
Transfer to retained earnings	—	—	(2,040)	—	—	2,038	2	—	—	2,040	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Total amount of transactions with owners	301	301	(2,040)	—	1,390	2,038	2	—	—	3,430	1,992	(1)	1,991
Balance as of June 30, 2018	10,323	189,698	411,687	(11)	3,701	—	(503)	(2,099)	—	1,099	612,796	2,856	615,652

(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	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	—	—	(3,011)	—	—	—	—	—	—	—	(3,011)	(22)	(3,033)
Other comprehensive income	—	—	—	—	—	(1,964)	(95)	(39,093)	5,614	(35,538)	(35,538)	(57)	(35,595)
Total comprehensive income	—	—	(3,011)	—	—	(1,964)	(95)	(39,093)	5,614	(35,538)	(38,549)	(79)	(38,628)
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 non-financial assets	—	—	—	—	—	—	—	—	8,704	8,704	8,704	—	8,704
Transfer to retained earnings	—	(573)	(1,038)	—	(389)	1,964	36	—	—	1,611	—	—	—
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	406,603	(11)	14,854	—	(1,131)	(42,182)	—	(28,459)	596,224	2,789	599,013

2.4 Condensed Consolidated Statement of Cash Flows

(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit or loss before tax from continuing operations	54,733	(5,037)
Depreciation and amortization	56,339	60,322
Impairment loss	84	1,498
Finance income and costs	526	2,315
Share of profit of investments accounted for using the equity method	(49)	—
Share-based payments	1,992	4,318
Gain (loss) on sales of non-current assets	(973)	(424)
Changes in inventories	(12,930)	35,434
Changes in trade and other receivables	(3,079)	7,584
Changes in trade and other payables	(8,546)	(2,603)
Changes in retirement benefit liabilities	(1,071)	(3,319)
Changes in provisions	(5,230)	2,922
Changes in other current liabilities	(8,432)	(25,421)
Other	3,673	(1,626)
Subtotal	77,037	75,963
Interest and dividend received	537	1,022
Income taxes paid	(11,036)	(1,937)
Net cash flows from operating activities	66,538	75,048
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,825)	(22,291)
Proceeds from sales of property, plant and equipment	970	460
Purchase of intangible assets	(11,833)	(9,943)
Purchase of other financial assets	(315)	(265)
Proceeds from sales of other financial assets	2,161	543
Acquisition of subsidiaries	—	(685,831)
Other	113	(918)
Net cash flows from investing activities	(43,729)	(718,245)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,000	(25,000)
Proceeds from long-term borrowings	—	847,000
Repayments of long-term borrowings	(7,875)	(171,034)
Repayment of lease obligations	(460)	(2,520)
Interest paid	(874)	(9,258)
Payments for retirement by purchase of bonds	—	(65,409)
Other	—	32
Net cash flows from financing activities	791	573,811
Effect of exchange rate changes on cash and cash equivalents	(2,803)	(2,965)
Increase (decrease) in cash and cash equivalents	20,797	(72,351)
Cash and cash equivalents at beginning of the period	139,545	188,820
Cash and cash equivalents at end of the period	160,342	116,469

2.5 Notes to Condensed Consolidated Financial Statements

(Basis for Preparation)

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in presentation

(Condensed Consolidated Statement of Cash Flows)

"Interest paid", which was disclosed under "Cash flows from operating activities" for the prior fiscal year, has been reclassified to "Cash flows from financing activities" from the current fiscal year due to the increase in its materiality. In order to reflect this change in presentation, Condensed Consolidated Statement of Cash Flows for the prior fiscal year has also been reclassified. Consequently, 874 million yen of "Interest paid", which was disclosed under "Cash flows from operating activities", has been reclassified to "Cash flows from financing activities".

(Basis of Consolidated Financial Statements)

Scope of consolidation

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

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

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

(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 six months ended June 30, 2019 are calculated using the estimated annual effective tax rate.

(1) Application of IFRS16 "Leases"

The Group has applied International Financial Reporting Standards 16 "Leases" (hereafter IFRS16) from the three months ended March 31, 2019.

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

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

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

(In millions of yen)

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

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

・The Group assesses the leases applying International Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review

・Leases for which the lease term ends within 12 months of the date of initial application are treated as short-term leases.

・Initial direct costs from the measurement of the right-of-use asset at the date of initial application are excluded.

・The Group determines the lease term of the contract which contains options to extend or terminate the lease using hindsight.

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

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

(Significant Accounting Estimates and Judgments)

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

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

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

(Business Segments)

(1) Overview of reportable segments

The 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.

(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Revenue from external customers	
	Six months ended June 30, 2018	Six months ended June 30, 2019
Automotive Business (Note 1)	198,101	176,451
Industrial Business (Note 2)	102,347	70,484
Broad-Based Business (Note 3)	78,886	60,823
Other Semiconductors	1,678	27,949
Others	7,897	7,177
Total	388,909	342,884

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

(In millions of yen)

	Revenue from external customers	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Automotive Business (Note 1)	105,743	93,019
Industrial Business (Note 2)	51,469	38,691
Broad-Based Business (Note 3)	40,805	30,733
Other Semiconductors	1,034	26,524
Others	4,289	3,658
Total	203,340	192,625

(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.

(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Japan	154,295	128,258
China	81,298	72,074
Asia (Excluding China)	54,893	50,675
Europe	62,824	58,740
North America	33,864	31,638
Others	1,735	1,499
Total	388,909	342,884

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

(In millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Japan	82,749	67,482
China	41,450	46,003
Asia (Excluding China)	29,567	30,108
Europe	31,199	30,770
North America	17,470	17,466
Others	905	796
Total	203,340	192,625

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

(Business Combinations)

(1) Business combination by acquisition

(Six months ended June 30, 2019)

a. Overview of business combination

The Company resolved at the Meeting of Board of Directors to reach an agreement with IDT, whereby IDT 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 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

Consideration		Amount (In millions of yen)
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 1,137 million yen, with 764 million yen recorded in "Selling, general and administrative expenses" for the six months ended June 30, 2019.

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

		(In millions of yen) Date of acquisition (March 30, 2019)
Current assets		
Cash and cash equivalents		26,326
Trade and other receivables (Note 2)		16,136
Inventories		20,474
Other		786
Total current assets		63,722
Non-current assets		
Property, plant and equipment		11,080
Intangible assets		17,063
Other		11,852
Total non-current assets		39,995
Total assets		103,717
Current liabilities		
Trade and other payables		5,121
Bonds and borrowings (Note 3)		65,256
Other		14,003
Total current liabilities		84,380
Non-current liabilities		
Income tax payables		2,599
Deferred tax liabilities		1,904
Other		3,759
Total non-current liabilities		8,262
Total liabilities		92,642
Net assets	B	11,075
Basis adjustments	C	8,598
Goodwill (Note 4)	A-B+C	724,270

(Note 1) As of June 30, 2019, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. As 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. In addition, as of June 30, 2019, as a result of the adjustment to the provisional fair value, the amount of goodwill at the acquisition day has been increased by 651 million yen.

(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)

	Six months ended June 30, 2019
Revenue	369,825

The pro forma information does not receive audit certification. In addition, as of June 30, 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 acquisition day 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 June 30, 2019
Notes and trade receivables	76,356	81,213
Other receivables	3,141	5,174
Allowance for credit losses	(48)	(257)
Total	79,449	86,130

(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 June 30, 2019
Trade payables	59,579	55,707
Other payables	41,682	34,528
Electronically recorded obligations	16,323	14,291
Refund liabilities	3,052	3,208
Total	120,636	107,734
Current liabilities	116,233	106,130
Non-current liabilities	4,403	1,604

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

(Bonds and borrowings)

(1) Bonds

Following the acquisition of IDT, an amount of 586 million USD (65,039 million yen) of convertible bonds issued on November 1, 2015 by IDT (Total amount issued: 374 million USD (41,483 million yen), interest rate: 0.875%, redemption date: November 22, 2022) has been recognized by measuring at fair value in the financial statements for the three months ended March 31, 2019 and retirement by purchase has been performed during the three months ended June 30, 2019.

(2) Borrowings

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

(Revenue)

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.

(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Research and development expenses	64,078	60,271
Personnel expenses	22,457	23,028
Depreciation	13,168	14,476
Retirement benefit expenses	1,533	1,700
Other	24,590	22,637
Total	125,826	122,112

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

(In millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Research and development expenses	31,252	32,003
Personnel expenses	12,180	12,274
Depreciation	6,437	7,284
Retirement benefit expenses	800	916
Other	12,428	11,501
Total	63,097	63,978

(Other Income)

The components of other income are as follows.

(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Reversal of provision for contingent loss (Note)	6,278	—
Gain on sales of property, plant and equipment	995	514
Other	411	779
Total	7,684	1,293

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

(In millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Reversal of provision for contingent loss (Note)	6,110	—
Gain on sales of property, plant and equipment	961	209
Other	151	431
Total	7,222	640

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

(Other Expenses)

The components of other expenses are as follows.

(Six months ended June 30, 2018 and June 30, 2019)

(In millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Business structure improvement expenses (Note)	1,492	10,762
Loss on litigation	795	—
Other	981	2,892
Total	3,268	13,654

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

(In millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Business structure improvement expenses (Note)	1,391	10,317
Other	790	2,383
Total	2,181	12,700

(Note) The Group has reformed businesses and structures of production to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses. The main items of business structure improvement expenses for the six months ended June 30, 2018 as well as the three months ended June 30, 2018 were personnel expenses such as additional retirement benefits and impairment losses and equipment removal expenses of property, plant and equipment associated with consolidating the operating bases. The main items of business structure improvement expenses for the six months ended June 30, 2019 as well as the three months ended June 30, 2019 were additional retirement benefits, etc. of the early retirement incentive program.

(Subsequent Events)

The Company resolved at the Meeting of Board of Directors held on July 30, 2019 certain subscription items for stock acquisition rights to be issued as stock options for directors, corporate officers and employees of the Company. The Company has also determined items regarding taking applications or persons who will receive these stock options.

	Fiscal year 2019 Stock options No.8	Fiscal year 2019 Stock options No.9
Date of resolution	July 30, 2019	
Date of allotment	August 23, 2019	
Category and number of grantees	Directors of the Company 2 Corporate officers of the Company 8 Employees of the Company 2	Corporate officers of the Company 4
Number of stock options	15,367	14,130
Type and number of shares	Common stock 1,536,700	Common stock 1,413,000
Exercise price yen per share	1	
Exercise period	From August 24, 2019 to August 23, 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.