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**Renesas Electronics Reports Financial Results
 for the Third Quarter Ended September 30, 2018**

Tokyo, Japan, October 31, 2018 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results for the nine months ended September 30, 2018.

Summary of Consolidated Financial Results

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	Billion Yen	% of Net Sales	Billion Yen	% of Net Sales
Net sales	180.2	100.0	569.6	100.0
Sales from semiconductors	175.6		556.7	
Sales from others	4.6		12.9	
Operating income	13.1	7.3	56.7	9.9
Ordinary income	14.4	8.0	55.9	9.8
Net income attributable to shareholders of parent company	7.6	4.2	57.0	10.0
Capital expenditures (Note 3)	4.1		13.1	
Depreciation and others (Note 4)	32.0		95.5	
R&D expenses	31.0		94.3	
Exchange rate (USD)	Yen 111		Yen 110	
Exchange rate (Euro)	129		131	

	As of September 30, 2018
	Billion Yen
Total assets	1,042.9
Net assets	566.8
Equity capital	560.0
Equity ratio (%)	53.7
Interest-bearing debt	229.0

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

Note 2: Consolidated financial results for the nine months ended September 30, 2018 have not been reviewed by the auditors. The figures are subject to change based on subsequent events or the auditor's review

Note 3: Capital expenditures refer to the amount of order placed for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the nine months ended September 30, 2018.

Note 4: Depreciation and others includes depreciation and amortization of intangible assets, amortization of long-term prepaid expenses and amortization of goodwill in quarterly consolidated statements of cash flows.

Consolidated Financial Results for the Third Quarter Ended September 30, 2018

English translation from the original Japanese-language document



October 31, 2018

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <https://www.renesas.com>
 Representative : Bunsei Kure, Representative Director,
 President and CEO
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 Tel. +81 (0)3-6773-3002
 Filing date of Shihanki Hokokusho (scheduled) : November 2, 2018

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the nine months ended September 30, 2018

1.1 Consolidated financial results

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2018	569,624	(0.1)	56,666	0.2	55,900	1.7	56,991	(2.8)
Nine months ended September 30, 2017	570,058	-	56,542	-	54,956	-	58,610	-

Reference: Comprehensive income for the nine months ended September 30, 2018: 51,301 million yen (-9.0%)
 Comprehensive income for the nine months ended September 30, 2017: 56,395 million yen (-%)

	Net income per share basic	Net income per share diluted
	Yen	Yen
Nine months ended September 30, 2018	34.18	34.10
Nine months ended September 30, 2017	35.16	35.15

1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
September 30, 2018	1,042,937	566,825	53.7
December 31, 2017	1,062,672	511,898	47.7

Reference: Equity as of September 30, 2018: 559,961 million yen
 Equity as of December 31, 2017: 507,152 million yen

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
Year ended December 31, 2017	Yen ---	Yen 0.00	Yen ---	Yen 0.00	Yen 0.00
Year ending December 31, 2018	---	0.00	---		
Year ending December 31, 2018 (forecast)			---	0.00	0.00

Note: Change in forecast of cash dividends since the most recently announced forecast: Yes
For details, please refer to Appendix 1.4. "Forecasts of Cash Dividends" on page 5.

3. Forecast of consolidated results for the year ending December 31, 2018

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Year ending December 31, 2018	754,600	(3.3)	59,200	(24.5)	57,100	(24.2)	58,600	(24.1)	35.14

Note: Change in forecast of consolidated results since the most recently announced forecast: Yes
For details, please refer to Appendix 1.3. "Consolidated Forecasts" on page 5.

4. Others

4.1 Changes in significant consolidated subsidiaries for the nine months ended

September 30, 2018: Yes

(Note) For details, please refer to page 6.

4.2 Adoption of special accounting methods for quarterly consolidated financial statements: Yes

(Note) For details, please refer to page 15.

4.3 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 4.3.1: No
3. Changes in accounting estimates: No
4. Corrections of prior period errors: No

4.4 Number of shares issued and outstanding (common stock)

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

As of September 30, 2018: 1,668,004,890 shares

As of December 31, 2017: 1,667,194,490 shares

2. Number of treasury stock

As of September 30, 2018: 2,581 shares

As of December 31, 2017: 2,581 shares

3. Average number of shares issued and outstanding

For the nine months ended September 30, 2018: 1,667,523,753 shares

For the nine months ended September 30, 2017: 1,667,161,689 shares

(Note) Information regarding the implementation of audit procedures

These quarterly financial results are not subject to quarterly review procedures.

Cautionary Statement

The statements with respect to the financial outlook of Renesas Electronics Corporation (hereafter “the Company”) and its consolidated subsidiaries (hereafter “the Group”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to changes in several important factors.

The Group will hold a quarterly earnings conference for institutional investors and analysts on October 31, 2018. The Group plans to post the materials which are provided at the meeting, on the Group’s website on that day.

The consolidated financial statements for the year ended December 31, 2017 reflect a significant revision in allocation of the acquisition cost following the provisional accounting treatment finalized on December 31, 2017 for a business combination. For details, please refer to Appendix 3 “Quarterly Consolidated Financial Statements and Main Notes, 3.4. Notes to Quarterly Consolidated Financial Statements” (Business combinations) on page 16.

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1. Third Quarter Consolidated Financial Results

1.1 Analysis of Business Results

1.1.1 Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2018

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	570.1	569.6	(0.4)	(0.1%)
Sales from semiconductors	558.0	556.7	(1.3)	(0.2%)
Sales from others	12.1	12.9	0.8	6.8%
Operating income	56.5	56.7	0.1	0.2%
Ordinary income	55.0	55.9	0.9	1.7%
Net income attributable to shareholders of parent company	58.6	57.0	(1.6)	(2.8%)
	Yen	Yen		
Exchange rate (USD)	112	110	-	-
Exchange rate (EUR)	125	131	-	-

(Net sales)

Consolidated net sales for the nine months ended September 30, 2018 were 569.6 billion yen, a 0.1% decrease year on year. Despite the continuing strong yen against the US dollar and consolidated net sales decreased, consolidated net sales remained almost flat mainly due to sales from Intersil Corporation (hereafter "Intersil") that started to be recorded as part of the Group's consolidated sales following the completion of the acquisition in February 2017.

(Operating income)

Operating income for the nine months ended September 30, 2018 was 56.7 billion yen, which remained almost flat year on year.

(Ordinary income)

Ordinary income for the nine months ended September 30, 2018 was 55.9 billion yen, a 0.9 billion yen increase year on year. This was mainly due to the increase in non-operating income such as foreign exchange gains.

(Net income attributable to shareholders of parent company)

Net income attributable to shareholders of parent company for the nine months ended September 30, 2018 was 57.0 billion yen, a 1.6 billion yen decrease year on year. This was mainly due to the decrease in special income, while tax expenses owing to the recording of deferred tax assets relating to the merger of U.S.-based subsidiaries decreased in comparison to the previous year.

1.1.2 Summary of Consolidated Financial Results for the Three Months Ended September 30, 2018

	Three months ended September 30, 2017	Three months ended September 30, 2018	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	195.5	180.2	(15.3)	(7.8%)
Sales from semiconductors	192.3	175.6	(16.7)	(8.7%)
Sales from others	3.2	4.6	1.4	42.4%
Operating income	25.0	13.1	(11.9)	(47.6%)
Ordinary income	24.5	14.4	(10.1)	(41.3%)
Net income attributable to shareholders of parent company	22.3	7.6	(14.8)	(66.1%)
	Yen	Yen		
Exchange rate (USD)	111	111	-	-
Exchange rate (EUR)	130	129	-	-

(Net sales)

Consolidated net sales for the three months ended September 30, 2018 were 180.2 billion yen, a 7.8% decrease year on year. This is due to the decrease in sales from semiconductors, which is the Group's main line of business.

(Sales from Semiconductors)

Sales from semiconductors for the three months ended September 30, 2018 were 175.6 billion yen, an 8.7% decrease year on year.

The sales breakdown for "Automotive", "Industrial" and "Broad-based", and for "Other semiconductors" not belonging to these three categories, is as follows:

Automotive Business: 95.8 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.

Sales of Automotive business for the three months ended September 30, 2018 were 95.8 billion yen, a decrease of 5.8% year on year. This was mainly due to the decrease in sales in the "Automotive control" category as well as the "Automotive information" category.

Industrial Business: 41.8 billion yen

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

Sales of Industrial business for the three months ended September 30, 2018 were 41.8 billion yen, a decrease of 13.8% year on year. This is mainly due to decrease in demand, leading to the decrease in sales in "Smart factory", "Smart home" and "Smart infrastructure".

Broad-Based Business: 37.3 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".

Sales of Broad-based business for the three months ended September 30, 2018 were 37.3 billion yen, a decrease of 9.6% year on year. This was mainly due to the decrease in sales in the "General-purpose MCUs" as well as the "General-purpose analog semiconductor devices".

Other Semiconductors: 0.7 billion yen

Sales of Other semiconductors include production by commissioning and royalties.

(Sales from others)

Sales from others includes development and production by commissioning conducted at the Group's design and manufacturing subsidiaries.

Sales from others for the three months ended September 30, 2018 were 4.6 billion yen, an increase of 42.4% year on year.

(Operating income)

Operating income for the three months ended September 30, 2018 was 13.1 billion yen, a decrease of 11.9 billion yen year on year. This was primarily due to fall in sales, mainly from the Automotive business and the Industrial business.

(Ordinary income)

Ordinary income for the three months ended September 30, 2018 was 14.4 billion yen, a 10.1 billion yen decrease year on year. This was mainly due to the decrease in operating income from the fall in sales.

(Net income attributable to shareholders of parent company)

Net income attributable to shareholders of parent company for the three months ended September 30, 2018 was 7.6 billion yen, a 14.8 billion yen decrease year on year. This was mainly due to the recording of special loss including business structure improvement expenses, in addition to the decrease in ordinary income.

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	June 30, 2018	September 30, 2018	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,044.3	1,042.9	(1.4)
Net assets	550.6	566.8	16.2
Equity	544.5	560.0	15.5
Equity ratio (%)	52.1	53.7	1.6
Interest-bearing debt	231.6	229.0	(2.6)
Debt / Equity ratio	0.43	0.41	(0.02)

Total assets at September 30, 2018 were 1,042.9 billion yen, a 1.4 billion yen decrease from June 30, 2018. Net assets were 566.8 billion yen, a 16.2 billion yen increase from June 30, 2018. This was mainly due to the recording of net income attributable to shareholders of parent company in the amount of 7.6 billion yen.

Equity increased by 15.5 billion yen from June 30, 2018 and the equity ratio was 53.7%. Interest-bearing debt decreased by 2.6 billion yen from June 30, 2018. Consequently, the debt to equity ratio was 0.41.

1.2.2 Cash Flows

	Three months ended September 30, 2017	Three months ended September 30, 2018
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	44.0	41.6
Net cash provided by (used in) investing activities	(26.2)	(14.5)
Free cash flows	17.8	27.1
Net cash provided by (used in) financing activities	(21.0)	(6.8)
Cash and cash equivalents at the beginning of the period	126.6	160.3
Cash and cash equivalents at the end of the period	124.4	184.5

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

Net cash provided by operating activities for the three months ended September 30, 2018 was 41.6 billion yen. This was mainly due to the recording of income before income taxes in the amount of 10.6 billion yen and an adjustment of non-expenditure items within these income before income taxes including depreciation and amortization, etc.

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

Net cash used in investing activities for the three months ended September 30, 2018 was 14.5 billion yen, mainly due to the purchase of property, plant and equipment.

The foregoing resulted in positive free cash flows of 27.1 billion yen for the three months ended September 30, 2018.

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

Net cash used in financing activities for the three months ended September 30, 2018 was 6.8 billion yen. This was mainly due to the repayments of the loan agreements with the Company's main banks.

1.3 Consolidated Forecasts

The Group reports its consolidated forecasts on a quarterly basis (cumulative quarters) because of the difficulty of forecasting full-year results with high accuracy due to the short-term volatility of the semiconductor market.

(For the year ending December 31, 2018)

(In millions of yen)

	Net Sales	(Reference) Sales from semiconductors	Operating Income	Ordinary Income	Net Income Attributable to Shareholders of Parent Company
Previous forecasts	---	---	---	---	---
Revised forecasts (October 31, 2018)	754,600	737,800	59,200	57,100	58,600
Increase (decrease)	---	---	---	---	---
Percent change	---	---	---	---	---
Reference: Corresponding period of the previous year (January 1, 2017 to December 31, 2017)	780,261	764,399	78,400	75,288	77,196

The figures of the consolidated forecasts for the year ending December 31, 2018 above are sum of the results of the nine months ended September 30, 2018 and the forecasts of the three months ending December 31, 2018. The consolidated forecasts for the fourth quarter ending December 31, 2018 are calculated at the rate of 110 yen per USD and 130 yen per Euro.

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

1.4 Forecasts of Cash Dividends

For the year ending December 31, 2018, while the Group expects to post net income (net income attributable to shareholders of parent company), the Group suspends year-end dividend payment for this period.

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

(For the year ending December 31, 2018)

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

2. Others

2.1 Changes in Significant Consolidated Subsidiaries

Starting from the first quarter ended March 31, 2018, Renesas Electronics America Inc. has been excluded from the scope of consolidation. On January 1, 2018 Intersil merged with Renesas Electronics America Inc. in an absorption-type merger and changed the trade name to Renesas Electronics America Inc. Renesas Electronics America Inc. is a specified subsidiary of the Group.

Starting from the second quarter ended June 30, 2018, two companies have been excluded from the Group due to extinguishment by merger.

Following the partial transfer of the Group's shares of RENESAS EASTON Co., Ltd., the Group excluded RENESAS EASTON Co., Ltd. from the scope of application of the equity method from the third quarter ended September 30, 2018. In addition, a new subsidiary has been established for the purpose of Integrated Device Technology, Inc. (hereafter "IDT") acquisition and included in the scope of consolidation.

3. Quarterly Consolidated Financial Statements and Main Notes

3.1 Quarterly Consolidated Balance Sheets

(In millions of yen)

	Prior Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	123,320	157,789
Notes and accounts receivable-trade	99,155	87,814
Short-term investment securities	16,756	27,251
Merchandise and finished goods	48,430	53,904
Work in process	69,936	79,049
Raw materials and supplies	8,215	8,592
Accounts receivable-other	16,637	7,164
Other current assets	20,963	22,631
Allowance for doubtful accounts	(80)	(53)
Total current assets	403,332	444,141
Long-term assets		
Property, plant and equipment		
Buildings and structures, net	63,213	60,624
Machinery and equipment, net	136,116	128,833
Vehicles, tools, furniture and fixtures, net	27,166	27,072
Land	21,684	21,092
Construction in progress	19,162	13,533
Total property, plant and equipment	267,341	251,154
Intangible assets		
Goodwill	172,750	157,676
Software	18,651	17,829
Developed technology	118,038	106,253
Other intangible assets	25,205	23,057
Total intangible assets	334,644	304,815
Investments and other assets		
Investment securities	8,133	3,432
Long-term prepaid expenses	42,527	32,019
Other assets	6,695	7,376
Total investments and other assets	57,355	42,827
Total long-term assets	659,340	598,796
Total assets	1,062,672	1,042,937

(In millions of yen)

	Prior Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of September 30, 2018)
Liabilities		
Current liabilities		
Electronically recorded obligations	19,240	15,421
Notes and accounts payable-trade	78,496	65,806
Short-term borrowings	35,000	45,000
Current portion of long-term borrowings	12,875	10,000
Current portion of lease obligations	114	82
Accounts payable-other	51,605	39,807
Accrued expenses	39,166	33,388
Accrued income taxes	15,920	2,618
Provision for product warranties	157	229
Provision for business structure improvement	2,331	2,009
Provision for contingent loss	9,096	3,973
Provision for loss on disaster	2	19
Provision for sales rebates	1,275	3,419
Asset retirement obligations	56	23
Other current liabilities	16,655	16,264
Total current liabilities	281,988	238,058
Long-term liabilities		
Long-term borrowings	181,396	173,819
Lease obligations	146	83
Provision for business structure improvement	210	199
Net defined benefit liability	25,171	18,386
Asset retirement obligations	2,537	2,684
Other liabilities	59,326	42,883
Total long-term liabilities	268,786	238,054
Total liabilities	550,774	476,112
Net assets		
Shareholders' equity		
Common stock	10,022	10,489
Capital surplus	191,941	192,408
Retained earnings	283,541	341,075
Treasury stock	(11)	(11)
Total shareholders' equity	485,493	543,961
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	397	525
Deferred gains or losses on hedges	-	(2,585)
Foreign currency translation adjustments	7,894	5,742
Remeasurements of defined benefit plans	13,368	12,318
Total accumulated other comprehensive income	21,659	16,000
Subscription rights to shares	2,311	4,461
Non-controlling interests	2,435	2,403
Total net assets	511,898	566,825
Total liabilities and net assets	1,062,672	1,042,937

3.2 Quarterly Consolidated Statements of Operations and Comprehensive Income

Quarterly Consolidated Statements of Operations

(Nine months ended September 30, 2017 and September 30, 2018)

(In millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Net sales	570,058	569,624
Cost of sales	317,443	309,351
Gross profit	252,615	260,273
Selling, general and administrative expenses	196,073	203,607
Operating income	56,542	56,666
Non-operating income		
Interest income	392	919
Dividends income	28	15
Equity in earnings of affiliates	66	37
Foreign exchange gains	-	689
Reversal of provision for business structure improvement	302	-
Reversal of allowance for doubtful accounts	341	-
Other non-operating income	517	494
Total non-operating income	1,646	2,154
Non-operating expenses		
Interest expenses	1,505	1,366
Foreign exchange losses	581	-
Other non-operating expenses	1,146	1,554
Total non-operating expenses	3,232	2,920
Ordinary income	54,956	55,900
Special income		
Gain on sales of property, plant and equipment	531	1,029
Gain on sales of investment securities	138	273
Reversal of provision for contingent loss	6	*1 6,309
Gain on transfer of business	3,847	-
Insurance income	*2 10,422	139
Total special income	14,944	7,750
Special loss		
Loss on sales of property, plant and equipment	118	23
Impairment loss	185	813
Loss on disaster	-	354
Loss on sales of investment securities	1	2
Loss on sales of subsidiaries and affiliates' stocks	-	457
Business structure improvement expenses	*3 3,980	*3 3,558
Provision for contingent loss	451	1,432
Total special loss	4,735	6,639
Income before income taxes	65,165	57,011
Income taxes	6,515	10
Net income	58,650	57,001
Net income attributable to non-controlling interests	40	10
Net income attributable to shareholders of parent company	58,610	56,991

Quarterly Consolidated Statements of Comprehensive Income

(Nine months ended September 30, 2017 and September 30, 2018)

(In millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Net income	58,650	57,001
Other comprehensive income		
Unrealized gains (losses) on securities	130	243
Deferred gains (losses) on hedges	(9,012)	(2,585)
Foreign currency translation adjustments	6,963	(2,193)
Remeasurements of defined benefit plans, net of tax	(377)	(1,050)
Share of other comprehensive income of affiliates accounted for by the equity method	41	(115)
Total other comprehensive income	(2,255)	(5,700)
Comprehensive income	56,395	51,301
Comprehensive income attributable to:		
Shareholders of parent company	56,314	51,332
Non-controlling interests	81	(31)

Quarterly Consolidated Statements of Operations
(Three months ended September 30, 2017 and September 30, 2018)

(In millions of yen)

	Three months ended September 30, 2017	Three months ended September 30, 2018
Net sales	195,505	180,226
Cost of sales	102,499	100,689
Gross profit	93,006	79,537
Selling, general and administrative expenses	68,024	66,444
Operating income	24,982	13,093
Non-operating income		
Interest income	63	438
Dividends income	13	7
Equity in earnings of affiliates	20	-
Foreign exchange gains	217	1,613
Other non-operating income	117	83
Total non-operating income	430	2,141
Non-operating expenses		
Interest expenses	555	476
Other non-operating expenses	357	370
Total non-operating expenses	912	846
Ordinary income	24,500	14,388
Special income		
Gain on sales of property, plant and equipment	278	34
Gain on sales of investment securities	74	273
Reversal of provision for contingent loss	11	31
Insurance income	-	139
Total special income	363	477
Special loss		
Loss on sales of property, plant and equipment	53	1
Impairment loss	1	729
Loss on sales of subsidiaries and affiliates' stocks	-	457
Business structure improvement expenses	*3 97	*3 2,468
Provision for contingent loss	-	637
Total special loss	151	4,292
Income before income taxes	24,712	10,573
Income taxes	2,373	2,976
Net income	22,339	7,597
Net income attributable to non-controlling interests	10	32
Net income attributable to shareholders of parent company	22,329	7,565

Quarterly Consolidated Statements of Comprehensive Income
(Three months ended September 30, 2017 and September 30, 2018)

(In millions of yen)

	Three months ended September 30, 2017	Three months ended September 30, 2018
Net income	22,339	7,597
Other comprehensive income		
Unrealized gains (losses) on securities	8	227
Deferred gains (losses) on hedges	-	(2,585)
Foreign currency translation adjustments	5,515	10,970
Remeasurements of defined benefit plans, net of tax	(317)	(231)
Share of other comprehensive income of affiliates accounted for by the equity method	20	(89)
Total other comprehensive income	5,226	8,292
Comprehensive income	27,565	15,889
Comprehensive income attributable to:		
Shareholders of parent company	27,504	15,852
Non-controlling interests	61	37

3.3 Quarterly Consolidated Statements of Cash Flows

(Nine months ended September 30, 2017 and September 30, 2018)

(In millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	65,165	57,011
Depreciation and amortization	55,075	67,915
Amortization of long-term prepaid expenses	10,797	12,192
Impairment loss	185	813
Amortization of goodwill	12,158	15,405
Increase (decrease) in net defined benefit liability	(6,352)	(7,981)
Increase (decrease) in provision for contingent loss	372	(4,950)
Interest and dividends income	(420)	(934)
Insurance income	(10,521)	(163)
Interest expenses	1,505	1,366
Equity in (earnings) losses of affiliates	(66)	(37)
Loss (gain) on sales of property, plant and equipment	(413)	(1,006)
Business structure improvement expenses	1,751	2,119
Decrease (increase) in notes and accounts receivable-trade	(4,088)	10,618
Decrease (increase) in inventories	(5,065)	(15,417)
Decrease (increase) in accounts receivable-other	2,780	5,784
Increase (decrease) in notes and accounts payable-trade	4,583	(16,338)
Increase (decrease) in accounts payable-other and accrued expenses	(21,894)	(6,275)
Increase (decrease) in other current liabilities	6,684	(1,602)
Other cash provided by (used in) operating activities, net	(3,630)	873
Subtotal	108,606	119,393
Interest and dividends received	475	977
Proceeds from insurance income	11,521	163
Interest paid	(1,416)	(1,332)
Income taxes paid	(3,633)	(14,972)
Payments for loss on disaster	(2,314)	(98)
Net cash provided by (used in) operating activities	113,239	104,131
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(86,701)	(48,257)
Proceeds from sales of property, plant and equipment	891	1,070
Purchase of intangible assets	(7,186)	(3,501)
Purchase of long-term prepaid expenses	(2,924)	(1,359)
Purchase of investment securities	(154)	(440)
Proceeds from sales of investment securities	707	2,844
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(311,428)	-
Proceeds from sales of subsidiaries and affiliates stocks	-	1,378
Proceeds from transfer of business	4,940	-
Other cash provided by (used in) investing activities, net	222	159
Net cash provided by (used in) investing activities	(401,633)	(48,106)

(In millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	35,000	10,000
Proceeds from long-term borrowings	50,000	-
Repayments of long-term borrowings	(5,797)	(10,452)
Repayments of finance lease obligations	(327)	(80)
Repayments of installment payables	(9,624)	(11,666)
Net cash provided by (used in) financing activities	69,252	(12,198)
Effect of exchange rate change on cash and cash equivalents	(10,730)	1,151
Net increase (decrease) in cash and cash equivalents	(229,872)	44,978
Cash and cash equivalents at the beginning of the period	354,287	139,545
Cash and cash equivalents at the end of the period	124,415	184,523

3.4 Notes to Quarterly Consolidated Financial Statements

(Quarterly Consolidated Statements of Operations)

***1. Reversal of provisions on contingent loss**

Regarding the civil lawsuit in the United States related to the alleged patent infringement and trade secret violation in which the Company's subsidiary has been named as a defendant, a partial amount of provision on contingent loss has been reversed for the nine months ended September 30, 2018, 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.

***2. Insurance income**

The amount of insurance income for the nine months ended September 30, 2017 was due to the receipt of the insurance related to the 2016 Kumamoto Earthquake.

***3. Business structure improvement expenses**

The Group has been reforming the businesses and structures of the 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 were impairment loss and disposal expenses associated with fixed assets for the nine months ended September 30, 2017 and relocation/disposal expenses associated with fixed assets for the three months ended September 30, 2017.

In addition, the main items of business structure improvement expenses were personnel expenses, including the special incentive of early retirement program, etc. in addition to relocation/disposal expenses associated with fixed assets for the nine months ended September 30, 2018 as well as the three months ended September 30, 2018.

(Notes on Assumption for Going Concern)

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None

(Adoption of Special Accounting Methods for Quarterly Consolidated Financial Statements)

(Calculation of Income Tax Expenses)

Income tax expenses are calculated by multiplying income before income taxes for the third quarter of the fiscal year ending December 31, 2018 by a reasonably estimated effective tax rate expected to be applied against income before income taxes for the fiscal year, including the third quarter, while applying tax effect accounting.

(Business Combinations)

(Significant review of initial allocation of acquisition cost in comparison information)

With regard to the acquisition of Intersil that was completed on February 24, 2017, while the Group adopted provisional accounting treatment during the third quarter of the previous fiscal year, the accounting method has been finalized at the end of the previous consolidated fiscal year.

As a result, in the quarterly consolidated financial statements for the nine months ended September 30, 2017: operating income increased by 283 million yen; both ordinary income and income before income taxes increased by 456 million yen, respectively; and both net income and net income attributable to shareholders of parent company increased by 343 million yen.

(Additional information)

(Regarding the Acquisition of Stock of IDT)

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 merger agreements for the purpose of implementing the acquisition on September 11, 2018.

1. Purpose of the Acquisition

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

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

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

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

The main strategic benefits this transaction is expected to bring are: (1) Complementary products expand the Group's solution offerings, and (2) Expands business growth opportunities. Details are as follows:

(1) 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.

(2) 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.

2. Overview of the acquiree

(1) Name	Integrated Device Technology, Inc.
(2) Address	6024 Silver Creek Valley Road, San Jose, CA 95138 USA
(3) Type of business	Development, manufacturing and sale of analog integrated circuits including mixed-signal solutions
(4) Capital	2,752,914 thousand US\$ (As of March 2018)
(5) Established	May 1980

3. Acquisition Method

For the purpose of the acquisition, the Group will establish a wholly-owned subsidiary ("acquisition subsidiary") in Delaware, United States that will then merge with IDT (in a reverse triangular merger). The surviving company following the merger will be IDT. Cash will be issued for IDT's shares as consideration for the merger, and the shares of the acquisition subsidiary owned by the Group will be converted into outstanding shares in the surviving company, making the surviving company a wholly-owned subsidiary of the Group.

Number of shares to be acquired, acquisition price, and share ownership before and after acquisition are as follows.

(1) Shares owned before transfer	0 share (Ownership percentage: 0.0%)
(2) Number of shares to be acquired	135,840,094 (Note 1) shares (Percentage of outstanding shares: 100.0%)
(3) Acquisition price	Approximately US\$6,700 million (approximately ¥733 billion at an exchange rate of 110 yen to the dollar)
(4) Shares owned after transfer	135,840,094 shares (Ownership percentage: 100.0%)

Note 1: Based on the number of shares on a fully-diluted basis as of September 11, 2018 (reflecting dilutions, etc., that occurred following the stock-related compensation from the said acquisition). Above figures have been rounded off to the closest whole number.

4. Schedule

(1) The company Board approval	September 11, 2018
(2) IDT Board approval	August 30, 2018 (Pacific Daylight Time)
(3) Conclusion of merger agreement	September 11, 2018
(4) IDT General Shareholders approval of the merger agreement	Fourth quarter of CY2018 or first quarter of CY2019 (expected)
(5) Effective date of merger	Within the first half of the fiscal year ending December 31, 2019 (expected)

Note: The conclusion of the transaction is subject to regulatory approvals and other customary closing conditions in the U.S and other countries.

5. Financing

Current cash reserves in addition to the proceeds from bank loan with major banks are expected to be sufficient to cover the purchase price, therefore the Company does not intend to raise equity finance including issuance of new shares for this transaction.

To finance a portion of the funds necessary for the acquisition of IDT, the Company entered into a term loan agreement on October 11, 2018 as described below. In addition, the Company plans to refinance the funded portion from the term loan agreement to long-term borrowings.

Overview of the term loan agreement

(1) Borrowing limit:	¥728 billion
(2) Execution date of agreement:	October 11, 2018
(3) Period of loan execution:	From four business days prior to the execution date of acquisition until December 11, 2019.
(4) Repayment date:	The day after 12 months from the initial execution of the loan.
(5) Participating financial institutions:	MUFG Bank, Ltd., Mizuho Bank, Ltd.

(Significant Subsequent Events)

(Business combination between the Company and the Company's consolidated subsidiary, Renesas Semiconductor Package & Test Solutions Co., Ltd.)

At the Meeting of Board of Directors on October 31, 2018, the Company resolved and concluded business combination agreements for the absorption-type merger with the Company's consolidated subsidiary, namely Renesas Semiconductor Package & Test Solutions Co., Ltd.

1. Overview of the transaction

(1) Name and overview of business of combined company or business

(i) Name of the surviving company: Renesas Electronics Corporation

(ii) Name and business overview of the absorbed company

Name of the absorbed company: Renesas Semiconductor Package & Test Solutions Co., Ltd.

Business overview of the absorbed company: Development, design, manufacture and sale of semiconductor devices, integrated circuits and other electronic components.

(2) Date of the business combination

January 1, 2019 (planned)

(3) Legal form of the business combination

An absorption-type merger, with the Company as the surviving company and Renesas Semiconductor Package & Test Solutions Co., Ltd. as the extinguished company.

(4) Other matters related to the transaction

The Company aims to simplify organization and decision-making process as well as accelerate consistent decision-making in the semiconductor industry. Therefore, the Company has decided to conduct an absorption-type merger with Renesas Semiconductor Package & Test Solutions Co., Ltd., administration of the back-end manufacturing business.

2. Summary of accounting treatment

The business combination will be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 September 13, 2013).

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), the world’s number one supplier of microcontrollers, is a premiere supplier of advanced semiconductor solutions including microcontrollers, SoC solutions and a broad-range of analog and power devices. Business operations began as Renesas Electronics Corporation in April 2010 through the integration of NEC Electronics Corporation (TSE:6723) and Renesas Technology Corp., with operations spanning research, development, design, and manufacturing for a wide range of applications. Headquartered in Japan, Renesas Electronics Corporation has subsidiaries in approximately 20 countries worldwide. More information can be found at www.renesas.com.

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