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**Renesas Electronics Reports Financial Results
 for the Third Quarter Ended September 30, 2020**

TOKYO, Japan, October 29, 2020 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the nine months ended September 30, 2020.

Summary of Consolidated Financial Results (Note 1)

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	Billion Yen	% of Revenue	Billion Yen	% of Revenue
Revenue	178.7	100.0	524.1	100.0
Operating profit	17.2	9.7	47.8	9.1
Profit attributable to owners of parent	15.3	8.5	38.5	7.3
Capital expenditures (Note 2)	4.6		14.8	
Depreciation and others (Note 3)	34.5		107.7	
R&D expenses (Note 4)	33.4		98.5	
	Yen		Yen	
Exchange rate (USD)	107		108	
Exchange rate (EUR)	123		121	

	As of September 30, 2020
	Billion Yen
Total assets	1,620.4
Total equity	632.2
Equity attributable to owners of parent	629.3
Equity ratio attributable to owners of parent (%)	38.8
Interest-bearing liabilities	717.1

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the quarter ended September 30, 2020. From the quarter ended March 31, 2020, capital expenditures include Integrated Device Technology, Inc. (hereinafter "IDT")'s investments as well as investments including fixed costs of masks and tools.

Note 3: Depreciation and others includes depreciation of property, plant and equipment, amortization of intangible assets and amortization of long-term prepaid expenses in consolidated statements of cash flows.

Note 4: R&D expenses includes a partially capitalized R&D expenses recorded as intangible assets.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the Third Quarter Ended September 30, 2020
 English translation from the original Japanese-language document



October 29, 2020

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

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the nine months ended September 30, 2020

1.1 Consolidated financial results

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

	Revenue		Operating profit (loss)		Profit before tax from continuing operations (loss)		Profit (loss)		Profit attributable to owners of parent (loss)		Total comprehensive income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2020	524,093	(0.4)	47,818	---	46,592	---	38,488	---	38,471	---	(3,930)	---
Nine months ended September 30, 2019	526,241	(7.5)	(4,174)	---	(6,608)	---	(6,965)	---	(6,967)	---	(44,305)	---

	Basic earnings per share (loss)	Diluted earnings per share (loss)
Nine months ended September 30, 2020	Yen 22.42	Yen 21.98
Nine months ended September 30, 2019	(4.12)	(4.12)

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Equity ratio attributable to owners of parent
	Million yen	Million yen	Million yen	%
September 30, 2020	1,620,426	632,171	629,311	38.8
December 31, 2019	1,668,148	624,404	621,455	37.3

2. Cash dividends

	Cash dividends per share				
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total
Year ended December 31, 2019	Yen ---	Yen 0.00	Yen ---	Yen 0.00	Yen 0.00
Year ending December 31, 2020	---	0.00	---		
Year ending December 31, 2020 (forecast)				0.00	0.00

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

3. Forecast of consolidated results for the full year ending December 31, 2020

	Non-GAAP Revenue		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	%	%pts	%	%pts
Full year ending December 31, 2020	707,093 to 715,093	(1.6) to (0.4)	47.3	4.4	19.0	6.1

Note 1: The Group reports its consolidated forecast on a quarterly basis (cumulative quarters) as substitute for a yearly forecast in a range format. For details, please refer to Appendix 1.3. "Consolidated Forecasts" page 6.

Note 2: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore forecasts are provided as a non-GAAP basis.

4. Others

4.1 Changes in significant subsidiaries for the nine months ended September 30, 2020: Yes

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

(Note) For details, please refer to page 16.

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors

1. Changes in accounting policies with revision of accounting standard: No

2. Changes in accounting policies except for 4.2.1: Yes

3. Changes in accounting estimates: No

4.3 Number of shares issued and outstanding (common stock)

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

As of September 30, 2020: 1,723,201,290 shares

As of December 31, 2019: 1,710,276,790 shares

2. Number of treasury stock

As of September 30, 2020: 2,581 shares

As of December 31, 2019: 2,581 shares

3. Average number of shares issued and outstanding

Nine months ended September 30, 2020: 1,716,107,309 shares

Nine months ended September 30, 2019: 1,689,257,809 shares

(Note) Information regarding the implementation of audit procedures.

These financial results are not subject to quarterly review procedures by the independent auditor.

Cautionary Statement

The Group will hold a quarterly earnings conference for institutional investors and analysts on October 29, 2020. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

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

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1. Business Results

1.1 Analysis of Business Results

The Group discloses consolidated business results in terms of both its internal measures which the management relies upon in making decisions (hereinafter the “Non-GAAP” financial measures) and those under IFRS.

Non-GAAP operating profit is operating profit under IFRS (hereinafter “IFRS operating profit”) after excluding or adjusting non-recurring items and other adjustments following a certain set of rules. The Group believes providing non-GAAP forecasts will help to better understand the Group’s constant business results. Non-recurring items include depreciation of intangible assets recognized from acquisitions, other purchase price allocation (hereinafter “PPA”) adjustments, cost relating to acquisitions and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

In addition, after acquisition of IDT in March 2019 and the transition to an organizational structure based on two business units, the financial figures disclosed have been reformed into two segments: “Automotive Business” and “Industrial/Infrastructure/IoT Business” from the third quarter ended September 30, 2019. Following these changes, the Group discontinued the disclosure of the “Non-GAAP Revenue from Semiconductors” segment. For details, please refer to Appendix 2 “Condensed Consolidated Financial Statements, 2.5 Notes to Condensed Consolidated Financial Statements (Business Segments)”.

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

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

(Note): For disclosure of Non-GAAP financial measures, the Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

1) Summary of Consolidated Financial Results for the Nine Months ended September 30, 2020 (Non-GAAP basis)

	Nine months ended September 30, 2019 (Jan 1 – Sep 30, 2019)	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)	Increase (Decrease)	
			Billion yen	% Change
Non-GAAP Revenue	526.2	524.1	(2.1)	(0.4%)
Automotive	270.4	245.7	(24.6)	(9.1%)
Industrial/Infrastructure/IoT	242.7	270.8	28.1	11.6%
Non-GAAP Operating Profit	61.1	100.4	39.3	64.3%
Non-GAAP Operating Margin	11.6%	19.2%	7.5pts	---
Automotive	18.0 6.7%	33.0 13.4%	15.0 6.8pts	83.3% ---
Industrial/Infrastructure/IoT	41.2 17.0%	68.3 25.2%	27.1 8.2pts	65.7% ---

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

The financial results for the nine months ended September 30, 2020 are as follows:

<Non-GAAP Revenue>

Consolidated non-GAAP revenue for the nine months ended September 30, 2020 was 524.1 billion yen, a 0.4% decrease year on year. This was mainly due to a reduction in vehicle production as a result of the outbreak of COVID-19, resulting in a decrease in revenue in the Automotive business, despite an increase in revenue in the Industrial/Infrastructure/IoT business following the recording of IDT’s revenue as Renesas’ consolidated revenue from the completion of the IDT acquisition in March 2019.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the nine months ended September 30, 2020 was 248.6 billion yen, a 27.0 billion yen increase

year on year. This was mainly due to the effects of sales increases in the Industrial/Infrastructure/IoT business as well as reduction of fixed costs. As a result, non-GAAP gross margin for the nine months ended September 30, 2020 was 47.4%, an increase by 5.3 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the nine months ended September 30, 2020 was 100.4 billion yen, a 39.3 billion yen increase year on year. This was mainly due to an increase in gross profit as well as optimization of costs, mainly in selling, general and administrative expenses. As a result, non-GAAP operating margin for the nine months ended September 30, 2020 was 19.2%, an increase by 7.5 points year on year.

The non-GAAP revenue breakdown of the business segments for the nine months ended September 30, 2020 are as follows:

Automotive Business

The Automotive business includes the product categories “Automotive control,” comprising semiconductor devices for controlling automobile engines and bodies, and “Automotive information,” comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as automotive information devices such as IVI (in-vehicle infotainment) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Non-GAAP revenue of the Automotive business for the nine months ended September 30, 2020 was 245.7 billion yen, a 9.1% decrease year on year. This was mainly due to a decrease in sales in the “Automotive control” category owing to the slowdown in the automotive business resulting from the reduction in vehicle production.

Non-GAAP operating profit of the Automotive business for the nine months ended September 30, 2020 was 33.0 billion yen, a 15.0 billion yen increase year on year. This was mainly due to an increase in gross margin owing to improvements to the product mix as well as a decrease in selling, general and administrative expenses despite a decrease in revenue.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT business includes the categories “Industrial”, “Infrastructure” and “IoT” which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories.

Non-GAAP revenue of the Industrial/Infrastructure/IoT business for the nine months ended September 30, 2020 was 270.8 billion yen, an 11.6% increase year on year. This was mainly due to revenue increase effects following the completion of the IDT acquisition in March 2019 and increased revenue in the “Infrastructure” category, mainly in data centers, and the “IoT” category, in OA devices for PCs which have seen increased demands owing to remote work and remote learning.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT business for the nine months ended September 30, 2020 was 68.3 billion yen, a 27.1 billion yen increase year on year, due to an increase in profits owing to increases in revenue.

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

(Billion yen)

	Nine months ended September 30, 2019 (Jan 1 – Sep 30, 2019)	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)
Non-GAAP gross profit	221.6	248.6
Non-GAAP gross margin	42.1%	47.4%
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(1.1)	(1.2)
Stock-based compensation	(0.6)	(1.0)
Market value of inventories	(11.3)	-
Other reconciliations in non-recurring expenses and adjustments	(0.5)	(0.6)
IFRS gross profit	208.1	245.8
IFRS gross margin	39.5%	46.9%
Non-GAAP operating profit	61.1	100.4
Non-GAAP operating margin	11.6%	19.2%
Amortization of purchased intangible assets and property, plant and equipment	(33.1)	(42.1)
Stock-based compensation	(8.1)	(11.7)
Market value of inventories	(11.3)	-
Other reconciliations in non-recurring expenses and adjustments	(12.7)	1.2
IFRS operating profit	(4.2)	47.8
IFRS operating margin	(0.8%)	9.1%

(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.

3) Summary of Consolidated Financial Results for the Nine Months ended September 30, 2020 (IFRS basis)

	Nine months ended September 30, 2019 (Jan 1 – Sep 30, 2019)	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	526.2	524.1	(2.1)	(0.4%)
Gross Profit	208.1	245.8	37.7	18.1%
Gross Margin	39.5%	46.9%	7.4pts	---
Operating Profit	(4.2)	47.8	52.0	---
Operating Margin	(0.8%)	9.1%	9.9pts	---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Total Equity

	As of December 31, 2019	As of September 30, 2020	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,668.1	1,620.4	(47.7)
Total equity	624.4	632.2	7.8
Equity attributable to owners of parent	621.5	629.3	7.9
Equity ratio attributable to owners of parent (%)	37.3	38.8	1.5
Interest-bearing liabilities	785.9	717.1	(68.8)
Debt to equity ratio	1.26	1.14	(0.12)

Total assets at the nine months ended September 30, 2020 were 1,620.4 billion yen, a 47.7 billion yen decrease from the year ended December 31, 2019. This was mainly due to decreases in property, plant and equipment and intangible assets due to depreciation, as well as a decrease in goodwill owing to fluctuations in the exchange rate. Total equity was 632.2 billion yen, a 7.8 billion yen increase from the year ended December 31, 2019. This was due to an increase in retained earnings despite a decrease in other components of equity owing to a decrease in exchange differences on translation of foreign operations following fluctuations in the exchange rate.

Equity attributable to owners of parent increased by 7.9 billion yen from the year ended December 31, 2019, and Equity ratio attributable to owners of parent was 38.8%. In addition to this, Interest-bearing liabilities decreased by 68.8 billion yen from the year ended December 31, 2019, mainly due to a decrease from debt repayment. Consequently, Debt to equity ratio was 1.14.

1.2.2 Cash Flows

	Nine months ended September 30, 2019 (Jan 1 – Sep 30, 2019)	Nine months ended September 30, 2020 (Jan 1 – Sep 30, 2020)
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	122.8	141.5
Net cash provided by (used in) investing activities	(730.1)	(30.1)
Free cash flows	(607.3)	111.5
Net cash provided by (used in) financing activities	547.5	(78.5)
Cash and cash equivalents at the beginning of period	188.8	146.5
Cash and cash equivalents at the end of period	124.3	175.9

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

Net cash provided by operating activities for the nine months ended September 30, 2020 was 141.5 billion yen. This was mainly due to a recording of 46.6 billion yen in profit before tax as well as adjustments in non-cash items such as depreciation, despite payments made in trade and other payables and other current liabilities.

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

Net cash used in investing activities for the nine months ended September 30, 2020 was 30.1 billion yen. This was mainly due to the purchase of property, plant and equipment and intangible assets.

The foregoing resulted in positive free cash flows of 111.5 billion yen for the nine months ended September 30, 2020.

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

Net cash used in financing activities for the nine months ended September 30, 2020 was 78.5 billion yen. This was mainly due to repayments of long-term borrowings to main financing banks.

1.3 Consolidated Forecasts

The Group reports its consolidated forecasts for the full year as a range because of the difficulty of forecasting results with high accuracy due to the short-term volatility of the semiconductor market.

Additionally, in order to provide useful information to better understand the Group's constant business results, figures such as revenue and gross margin are presented in the non-GAAP format, which excludes or adjusts the non-recurring items related to acquisitions and other adjustments including non-recurring income or loss from the figures based on GAAP (IFRS based) following a certain set of rules. The gross margin and operating margin forecasts are provided assuming the midpoint in the revenue forecast.

(For the full year ending December 31, 2020)

	Non-GAAP Revenue	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Previous forecasts	---	---	---
	Million yen	%	%
Revised forecasts (October 29, 2020)	707,093 to 715,093	47.3	19.0
Increase (decrease)	---	---	---
Percent change	---	---	---
Reference: Results of the full year ended December 31, 2019	718,243	42.9	12.9

Note: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore, forecasts are provided as a non-GAAP basis. This adjustment and exclusion include depreciation of property, plant and equipment, amortization of intangible assets recognized from acquisitions, other PPA adjustments and costs relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable.

The consolidated forecasts for the full year ending December 31, 2020 are calculated by combining the forecasts for the three months ending December 31, 2020, to the financial results of the nine months ended September 30, 2020. The consolidated forecasts for the full year ending September 30, 2020 are calculated at the rate of 107 yen per USD and 121 yen per Euro.

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

1.4 Forecasts of Cash Dividends

For the full year ending December 31, 2020, the Group suspends year-end dividend payment.

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

(For the full year ending December 31, 2020)

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

2. Condensed Consolidated Financial Statements
2.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	146,468	175,886
Trade and other receivables	84,459	79,311
Inventories	90,785	96,877
Other current financial assets	468	433
Income taxes receivable	4,438	2,506
Other current assets	7,344	6,864
Total current assets	<u>333,962</u>	<u>361,877</u>
Non-current assets		
Property, plant and equipment	232,579	198,852
Goodwill	625,030	603,581
Intangible assets	414,582	386,670
Other non-current financial assets	9,995	13,312
Deferred tax assets	46,050	50,462
Other non-current assets	5,950	5,672
Total non-current assets	<u>1,334,186</u>	<u>1,258,549</u>
Total assets	<u>1,668,148</u>	<u>1,620,426</u>

(In millions of yen)

	As of December 31, 2019	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	100,187	95,259
Bonds and borrowings	93,182	93,182
Other current financial liabilities	4,362	3,919
Income taxes payable	7,861	10,466
Provisions	7,521	4,451
Other current liabilities	55,528	51,173
Total current liabilities	<u>268,641</u>	<u>258,450</u>
Non-current liabilities		
Trade and other payables	845	27,496
Bonds and borrowings	678,577	609,535
Other non-current financial liabilities	10,093	10,740
Income taxes payable	4,499	4,375
Retirement benefit liability	29,572	29,138
Provisions	3,860	3,030
Deferred tax liabilities	43,257	41,045
Other non-current liabilities	4,400	4,446
Total non-current liabilities	<u>775,103</u>	<u>729,805</u>
Total liabilities	<u>1,043,744</u>	<u>988,255</u>
Equity		
Share capital	22,213	26,219
Capital surplus	201,588	205,594
Retained earnings	403,857	443,175
Treasury shares	(11)	(11)
Other components of equity	(6,192)	(45,666)
Total equity attributable to owners of parent	<u>621,455</u>	<u>629,311</u>
Non-controlling interests	2,949	2,860
Total equity	<u>624,404</u>	<u>632,171</u>
Total liabilities and equity	<u>1,668,148</u>	<u>1,620,426</u>

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

Condensed Consolidated Statement of Profit or Loss

(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Continuing operations		
Revenue	526,241	524,093
Cost of sales	(318,178)	(278,317)
Gross profit	208,063	245,776
Selling, general and administrative expenses	(198,772)	(198,269)
Other income	1,641	3,632
Other expenses	(15,106)	(3,321)
Operating profit or loss	(4,174)	47,818
Finance income	3,006	4,509
Finance costs	(5,440)	(5,735)
Profit or loss before tax from continuing operations	(6,608)	46,592
Income tax expense	(357)	(8,104)
Profit or loss from continuing operations	(6,965)	38,488
Discontinued operations		
Profit after tax from discontinued operations	—	—
Profit or loss	(6,965)	38,488
Profit or loss attributable to		
Owners of parent	(6,967)	38,471
Non-controlling interests	2	17
Profit or loss	(6,965)	38,488
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	(4.12)	22.42
Discontinued operations	—	—
Total basic earnings or loss per share	(4.12)	22.42
Diluted earnings or loss per share (yen)		
Continuing operations	(4.12)	21.98
Discontinued operations	—	—
Total diluted earnings or loss per share	(4.12)	21.98

Condensed Consolidated Statement of Comprehensive Income
(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Profit or loss	(6,965)	38,488
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,210)	260
Equity instruments measured at fair value through other comprehensive income	(120)	(432)
Total of items that will not be reclassified to profit or loss	(2,330)	(172)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(40,624)	(42,246)
Cash flow hedges	5,614	—
Total of items that may be reclassified subsequently to profit or loss	(35,010)	(42,246)
Total other comprehensive income	(37,340)	(42,418)
Total comprehensive income	(44,305)	(3,930)
Comprehensive income attributable to		
Owners of parent	(44,223)	(3,841)
Non-controlling interests	(82)	(89)
Total comprehensive income	(44,305)	(3,930)

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

(In millions of yen)

	Three months ended September 30, 2019	Three months ended September 30, 2020
Continuing operations		
Revenue	183,357	178,678
Cost of sales	(103,818)	(94,307)
Gross profit	79,539	84,371
Selling, general and administrative expenses	(70,376)	(66,790)
Other income	348	486
Other expenses	(1,459)	(818)
Operating profit	8,052	17,249
Finance income	933	1,213
Finance costs	(2,102)	(1,639)
Profit or loss before tax from continuing operations	6,883	16,823
Income tax expense	(2,825)	(1,595)
Profit from continuing operations	4,058	15,228
Discontinued operations		
Profit after tax from discontinued operations	—	—
Profit	4,058	15,228
Profit or loss attributable to		
Owners of parent	4,034	15,259
Non-controlling interests	24	(31)
Profit	4,058	15,228
Earnings per share		
Basic earnings per share (yen)		
Continuing operations	2.37	8.86
Discontinued operations	—	—
Total basic earnings per share	2.37	8.86
Diluted earnings per share (yen)		
Continuing operations	2.33	8.69
Discontinued operations	—	—
Total diluted earnings or loss per share	2.33	8.69

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

(In millions of yen)

	Three months ended September 30, 2019	Three months ended September 30, 2020
Profit	4,058	15,228
Other comprehensive income		
Items that will not be reclassified to profit		
Remeasurements of defined benefit plans	(246)	(10)
Equity instruments measured at fair value through other comprehensive income	(25)	2
Total of items that will not be reclassified to profit or loss	(271)	(8)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(1,703)	(18,430)
Total of items that may be reclassified subsequently to profit or loss	(1,703)	(18,430)
Total other comprehensive income	(1,974)	(18,438)
Total comprehensive income	<u>2,084</u>	<u>(3,210)</u>
Comprehensive income attributable to		
Owners of parent	2,087	(3,207)
Non-controlling interests	(3)	(3)
Total comprehensive income	<u>2,084</u>	<u>(3,210)</u>

2.3 Condensed Consolidated Statement of Changes in Equity
(Nine months ended September 30, 2019)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2019	10,699	190,074	410,652	(11)	5,165	—	(1,072)
Effects of changes in accounting policies	—	—	1,192	—	—	—	—
Balance as of January 1, 2019 after changes in accounting policies	10,699	190,074	411,844	(11)	5,165	—	(1,072)
Profit or Loss	—	—	(6,967)	—	—	—	—
Other comprehensive income	—	—	—	—	—	(2,210)	(120)
Total comprehensive income	—	—	(6,967)	—	—	(2,210)	(120)
Issuance of new shares	10,320	10,893	—	—	—	—	—
Share-based payment transactions	—	—	—	—	10,446	—	—
Transfer to retained earnings	—	(573)	(748)	—	(950)	2,210	61
Reclassification to non-financial assets	—	—	—	—	—	—	—
Total transactions with owners	10,320	10,320	(748)	—	9,496	2,210	61
Balance as of September 30, 2019	21,019	200,394	404,129	(11)	14,661	—	(1,131)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2019	(3,089)	(14,318)	(13,314)	598,100	2,868	600,968
Effects of changes in accounting policies	—	—	—	1,192	—	1,192
Balance as of January 1, 2019 after changes in accounting policies	(3,089)	(14,318)	(13,314)	599,292	2,868	602,160
Profit or Loss	—	—	—	(6,967)	2	(6,965)
Other comprehensive income	(40,540)	5,614	(37,256)	(37,256)	(84)	(37,340)
Total comprehensive income	(40,540)	5,614	(37,256)	(44,223)	(82)	(44,305)
Issuance of new shares	—	—	—	21,213	—	21,213
Share-based payment transactions	—	—	10,446	10,446	—	10,446
Transfer to retained earnings	—	—	1,321	—	—	—
Reclassification to non-financial assets	—	8,704	8,704	8,704	—	8,704
Total transactions with owners	—	8,704	20,471	40,363	—	40,363
Balance as of September 30, 2019	(43,629)	—	(30,099)	595,432	2,786	598,218

(Nine months ended September 30, 2020)

(In millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2020	22,213	201,588	403,857	(11)	16,053	—	(1,131)
Profit	—	—	38,471	—	—	—	—
Other comprehensive income	—	—	—	—	—	260	(432)
Total comprehensive income	—	—	38,471	—	—	260	(432)
Issuance of new shares	4,006	4,006	—	—	—	—	—
Share-based payment transactions	—	—	—	—	3,685	—	—
Transfer to retained earnings	—	—	847	—	(1,019)	(260)	432
Total transactions with owners	4,006	4,006	847	—	2,666	(260)	432
Balance as of September 30, 2020	26,219	205,594	443,175	(11)	18,719	—	(1,131)

	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance as of January 1, 2020	(21,114)	—	(6,192)	621,455	2,949	624,404
Profit	—	—	—	38,471	17	38,488
Other comprehensive income	(42,140)	—	(42,312)	(42,312)	(106)	(42,418)
Total comprehensive income	(42,140)	—	(42,312)	(3,841)	(89)	(3,930)
Issuance of new shares	—	—	—	8,012	—	8,012
Share-based payment transactions	—	—	3,685	3,685	—	3,685
Transfer to retained earnings	—	—	(847)	—	—	—
Total transactions with owners	—	—	2,838	11,697	—	11,697
Balance as of September 30, 2020	(63,254)	—	(45,666)	629,311	2,860	632,171

2.4 Condensed Consolidated Statement of Cash Flows

(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Cash flows from operating activities		
Profit or loss before tax	(6,608)	46,592
Depreciation and amortization	108,815	107,706
Impairment losses	1,583	579
Finance income and finance costs	4,030	5,273
Share-based payment expenses	8,000	11,683
Loss (gain) on sales of property, plant and equipment, and intangible assets	(426)	(559)
Decrease (increase) in inventories	39,091	(6,866)
Decrease (increase) in trade and other receivables	11,074	4,271
Increase (decrease) in trade and other payables	(11,211)	(8,314)
Increase (decrease) in retirement benefit liability	(3,767)	(472)
Increase (decrease) in provisions	341	(3,670)
Increase (decrease) in other current liabilities	(19,310)	(4,070)
Other	(4,791)	(5,514)
Subtotal	<u>126,821</u>	<u>146,639</u>
Interest received	1,195	242
Dividends received	204	212
Income taxes paid	(5,422)	(5,562)
Net cash flows from operating activities	<u>122,798</u>	<u>141,531</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,804)	(15,905)
Proceeds from sales of property, plant and equipment	500	764
Purchase of intangible assets	(14,596)	(12,595)
Purchase of other financial assets	(348)	(448)
Proceeds from sales of other financial assets	1,221	405
Purchase of shares of subsidiaries	(685,831)	—
Other	(1,213)	(2,293)
Net cash flows from investing activities	<u>(730,071)</u>	<u>(30,072)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(25,000)	—
Proceeds from long-term borrowings	847,000	—
Repayments of long-term borrowings	(194,352)	(70,003)
Repayments of lease liabilities	(3,764)	(3,720)
Interest paid	(11,034)	(4,785)
Payments for retirement by purchase of bonds	(65,409)	—
Other	38	13
Net cash flows from financing activities	<u>547,479</u>	<u>(78,495)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,696)	(3,546)
Net increase (decrease) in cash and cash equivalents	(64,490)	29,418
Cash and cash equivalents at beginning of the period	188,820	146,468
Cash and cash equivalents at end of the period	<u>124,330</u>	<u>175,886</u>

2.5 Notes to Condensed Consolidated Financial Statements

(Basis for Preparation)

(1) Compliance with IFRS

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

The condensed consolidated financial statements do not contain all of the information required of the consolidated financial statements of the fiscal year. Therefore, the condensed consolidated financial statements have to be used with the consolidated financial statements from the prior fiscal year.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Changes in Accounting Policy (Changes of the classification of expenses)

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

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

The change in accounting policy has been applied retrospectively to the condensed consolidated financial statements for the nine months ended September 30, 2019 and three months ended September 30, 2019. As a result of this change, compared with the accounting policy prior to retrospective application, cost of sales for the nine months ended September 30, 2019 increased by 6,260 million yen, selling, general and administrative expenses decreased by 5,811 million yen and operating loss and loss before tax from continuing operations increased by 449 million yen, respectively. In addition, cost of sales for the three months ended September 30, 2019 increased 2,029 million yen, selling, general and administrative expenses decreased by 1,925 million yen and operating profit and operating profit before tax from continuing operations decreased by 104 million yen, respectively.

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

(Basis of Condensed Consolidated Financial Statements)

Scope of consolidation

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

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

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

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

Two companies have been excluded from the scope of consolidation for the three months ended September 30, 2020 due to the merger.

(Notes about Going Concern Assumption)

Not applicable

(Significant Accounting Policies)

Except as stated in “(Basis for Preparation), (4) Changes in Accounting Policy (Changes of the classification of expenses)”, the significant accounting policies for the condensed consolidated financial statements of the Group are the same with the accounting policies for the prior fiscal year financial statements.

In addition, income tax expense for the nine months ended September 30, 2020 are calculated using the estimated annual effective tax rate.

(Significant Accounting Estimates and Judgments)

In preparing the condensed consolidated financial statements, management of the Group is required to make judgments, accounting estimates and assumptions that could have an impact on the application of accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. These estimates and assumptions

are based on the best judgment of management, taking into account various factors that are deemed reasonable on the closing date in light of past experience and available information. However, figures based on these estimates and assumptions may differ from the actual results due to their nature.

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

The Company reflects the impact of COVID-19 to estimates and assumptions (judgment to indication of impairment losses of goodwill and others), which are based on information available and believes to be reasonable at the moment.

These estimates and assumptions may be affected depending on the future situations of the spread of COVID-19.

(Business Segments)

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available that is evaluated regularly by the Board of Directors to determine the allocation of management resources and assess performance.

The Group consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. The Automotive business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as automotive information devices such as IVI (in-vehicle infotainment) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/IoT Business includes the product categories "Industrial", "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories. Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other".

(2) Information on reportable segments

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

Information on reportable segments is as follows.

Nine months ended September 30, 2019

(In millions of yen)

	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	270,372	242,720	13,149	—	526,241	—	526,241
Segment profit or loss	17,980	41,247	1,360	500	61,087	(65,261)	(4,174)
Finance income							3,006
Finance costs							(5,440)
Loss before tax							(6,608)
(Other adjustment) Depreciation and amortization	44,451	31,006	293	—	75,750	33,065	108,815

Nine months ended September 30, 2020

(In millions of yen)

	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	245,725	270,793	7,575	—	524,093	—	524,093
Segment profit or loss	32,960	68,328	880	(1,801)	100,367	(52,549)	47,818
Finance income							4,509
Finance costs							(5,735)
Profit before tax							46,592
(Other adjustment) Depreciation and amortization	35,021	30,130	236	—	65,387	42,319	107,706

Three months ended September 30, 2019							(In millions of yen)
	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	93,135	85,860	4,362	—	183,357	—	183,357
Segment profit or loss	10,190	15,851	797	—	26,838	(18,786)	8,052
Finance income							933
Finance costs							(2,102)
Profit before tax							6,883
(Other adjustment) Depreciation and amortization	14,496	10,335	0	—	24,831	14,242	39,073

Three months ended September 30, 2020							(In millions of yen)
	Reportable Segments		Other	Adjustment (Note 1)	Total	Adjustment (Note 2)	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	79,551	96,671	2,456	—	178,678	—	178,678
Segment profit or loss	10,704	25,130	138	502	36,474	(19,225)	17,249
Finance income							1,213
Finance costs							(1,639)
Profit before tax							16,823
(Other adjustment) Depreciation and amortization	10,877	9,930	—	—	20,807	13,733	34,540

(Note 1) Reportable Segment's allocation of non-recurring items and other specified adjustments deducted or adjusted following a certain set of rules.

(Note 2) Non-recurring items and other specified adjustments deducted or adjusted following a certain set of rules.

(3) Information on products and services

Information on products and services is the same with information on reportable segments and therefore, omitted from this section.

(4) Information on regions and countries

The components of revenue from external customers by region and country are as follows.
(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30,2020
Japan	193,315	179,103
China	116,018	126,006
Asia (Excluding China)	78,840	90,616
Europe	87,224	79,687
North America	48,533	46,774
Others	2,311	1,907
Total	526,241	524,093

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

(In millions of yen)

	Three months ended September 30, 2019	Three months ended September 30,2020
Japan	65,057	55,545
China	43,944	44,466
Asia (Excluding China)	28,165	32,946
Europe	28,484	27,885
North America	16,895	17,217
Others	812	619
Total	183,357	178,678

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

(Business Combinations)

(1) Business combination by acquisition

(The year ended December 31, 2019)

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Integrated Device Technology, Inc.

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

2) Date of the acquisition

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

3) Purpose of the Acquisition

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

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

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

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

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

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

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

(ii) Expands business growth opportunities

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

		(In millions of yen)
Consideration		Amount
Cash consideration for the acquisition		703,559
Stock options consideration for the acquisition		23,188
Total consideration for the acquisition	A	<u>726,747</u>

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

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

		(In millions of yen)
		Date of acquisition (March 30, 2019)
Current assets		
Cash and cash equivalents		26,326
Trade and other receivables (Note 2)		16,136
Inventories		18,808
Other		786
Total current assets		<u>62,056</u>
Non-current assets		
Property, plant and equipment		19,775
Intangible assets		320,276
Other		11,852
Total non-current assets		<u>351,903</u>
Total assets		<u>413,959</u>
Current liabilities		
Trade and other payables		5,121
Bonds and borrowings (Note 3)		65,262
Other		13,997
Total current liabilities		<u>84,380</u>
Non-current liabilities		
Income taxes payable		2,599
Deferred tax liabilities		33,853
Other		3,759
Total non-current liabilities		<u>40,211</u>
Total liabilities		<u>124,591</u>
Net assets	B	<u>289,368</u>
Basis adjustments	C	8,598
Goodwill (Note 4)	A-B+C	<u>445,976</u>

- (Note) 1. Due to the finalization of the provisional accounting treatment on December 31, 2019 for a business combination, we have reflected the revision of allocation of the acquisition cost to financial results of the nine months ended September 30, 2019 and three months ended September 30, 2019 and therefore, the financial statements have been revised retrospectively. As a result, the gross profit of the nine months ended September 30, 2019 increased 329 million yen and operating loss and loss before tax decreased 520 million yen respectively. In addition, the gross profit of the three months ended September 30, 2019 increased 134 million yen and operating profit and profit before tax increased 230 million yen respectively.
2. The total contract amount is same as the fair value, and there are no receivables that are expected to be unrecoverable.
3. The content of bonds and borrowings is bonds.
4. Goodwill reflects future excess earning power expected from future business development including IDT and synergies between the Company and IDT. No amount of goodwill is expected to be deductible for tax purposes.

d. Expenditure for the acquisition

(In millions of yen)	
Item	Amount
Consideration for acquisition in cash	(703,559)
Cash and cash equivalents held by the acquiree at the time of obtaining control	26,326
Amount of cash paid for the acquisition of subsidiaries	(677,233)
Basis adjustments	(8,598)
Amount of cash paid for the acquisition of subsidiaries (net amount)	(685,831)

- e. Impact on profit of the period on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year
 Provisional pro forma information (unaudited information) on the assumption that the date of the acquisition of IDT was at the beginning of the prior fiscal year is as follows.

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

The above information has not been audited. In addition, items such as the amortization of intangible assets on the assumption that the date of the acquisition of IDT was at the beginning of the prior fiscal year were added to the approximate amount of impact. The pro forma information is not necessarily indicative of events that may happen in the future.

(Trade and Other Receivables)

The components of trade and other receivables are as follows.

(In millions of yen)

	As of December 31, 2019	As of September 30, 2020
Notes and trade receivables	81,473	75,490
Other receivables	3,081	3,931
Loss allowance	(95)	(110)
Total	84,459	79,311

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

(Trade and Other Payables)

The components of trade and other payables are as follows.

(In millions of yen)

	As of December 31, 2019	As of September 30, 2020
Trade payables	64,740	53,106
Other payables	16,974	47,997
Electronically recorded obligations	16,725	10,166
Refund liabilities	2,593	11,486
Total	101,032	122,755
Current liabilities	100,187	95,259
Non-current liabilities	845	27,496

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

(Revenue)

All of the revenue arises from contracts with customers. In addition, disaggregation of revenue recognized from contracts with customers are stated in "Business segments, (2) Information on reportable segments and (4) Information on regions and countries".

(Selling, General and Administrative Expenses)

The components of selling, general and administrative expenses are as follows.

(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Research and development expenses (Note 1)	97,272	97,206
Personnel expenses	34,710	33,208
Depreciation and amortization (Note 2)	38,993	47,027
Retirement benefit expenses	2,416	1,863
Other	25,381	18,965
Total	198,772	198,269

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

(In millions of yen)

	Three months ended September 30, 2019	Three months ended September 30, 2020
Research and development expenses (Note 1)	33,652	32,868
Personnel expenses	12,136	12,332
Depreciation and amortization (Note 2)	16,131	15,122
Retirement benefit expenses	716	645
Other	7,741	5,823
Total	70,376	66,790

(Note 1) As stated in“(Basis for Preparation) (4) Changes in Accounting Policy (Changes of the classification of expenses)”, research and development expenses for the nine and three months ended September 30, 2019 disclosed as comparative information have been revised.

(Note 2) As stated in“(Business Combinations)”, disclosed figures of depreciation and amortization of the nine and three months ended September 30, 2019 as comparisons have been revised.

(Other Income)

The components of other income are as follows.

(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Insurance claim income	21	2,386
Gain on sales of property, plant and equipment	542	602
Other	1,078	644
Total	1,641	3,632

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

(In millions of yen)

	Three months ended September 30, 2019	Three months ended September 30, 2020
Subsidy income	142	182
Gain on sales of property, plant and equipment	28	113
Other	178	191
Total	348	486

(Other Expenses)

The components of other expenses are as follows.

(Nine months ended September 30, 2019 and September 30, 2020)

(In millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Business restructuring expenses (Note)	11,489	1,253
Other	3,617	2,068
Total	15,106	3,321

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

(In millions of yen)

	Three months ended September 30, 2019	Three months ended September 30, 2020
Provision for loss on litigation	133	519
Business restructuring expenses (Note)	727	8
Other	599	291
Total	1,459	818

(Note) Business restructuring expenses for the nine and three months ended September 30, 2019 include Extra retirement payments and others incurred from Early Retirement Incentive program.

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](https://www.renesas.com).