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Renesas Electronics Reports Financial Results for the First Quarter Ended March 31, 2020

Tokyo, Japan, April 27, 2020 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the three months ended March 31, 2020.

Summary of Consolidated Financial Results

	Three months ended March 31, 2020	
	Billion Yen	% of Net Sales
Revenue	178.7	100.0
Operating profit	13.3	7.4
Profit attributable to the owners of the parent	11.3	6.3
Capital expenditures (Note 3)	6.3	
Depreciation and others	38.8	
R&D expenses (Note 4)	33.7	
	Yen	
Exchange rate (USD)	110	
Exchange rate (EUR)	121	

	As of March 31, 2020
	Billion Yen
Total assets	1,657.8
Total equity	627.3
Equity attributable to owners of the parent	624.4
Equity ratio attributable to owners of the parent (%)	37.7
Interest-bearing debt	764.2

Note 1: All figures are rounded to the nearest 100 million yen.
Note 2: Following the acquisition of Integrated Device Technology, Inc. (hereinafter "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.
Note 3: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the quarter ended March 31, 2020. From the quarter ended March 31, 2020, capital expenditures include IDT's investments as well as investments including fixed costs of masks and tools.
Note 4: R&D expenses includes a partially capitalized R&D expenses recorded as intangible assets.

RENESAS ELECTRONICS CORPORATION
Consolidated Financial Results for the First Quarter Ended March 31, 2020
English translation from the original Japanese-language document

April 27, 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)	:May 12, 2020

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended March 31, 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)		Net Profit (loss)		Net profit attributable to owners of the parent (loss)		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2020	178,743	19.0	13,313	---	14,178	---	11,358	---	11,289	---	(985)	---
Three months ended March 31, 2019	150,259	(19.0)	(1,370)	---	(1,919)	---	(1,921)	---	(1,909)	---	3,606	---

	Basic earnings per share (loss)	Diluted earnings per share (loss)
	Yen	Yen
Three months ended March 31, 2020	6.60	6.49
Three months ended March 31, 2019	(1.14)	(1.14)

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners
	Million yen	Million yen	Million yen	%
March 31, 2020	1,657,785	627,327	624,443	37.7
March 31, 2019	1,668,148	624,404	621,455	37.3

2. Cash dividends

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

Note: Change in forecast of cash dividends since the most recently announced forecast: Yes
For details, please refer to Appendix 1.4. "Forecasts of Cash Dividends" on page 7.

3. Forecast of consolidated results for the six months ending June 30, 2020

Due to the uncertainty of impacts from the worldwide COVID-19 pandemic to Renesas' business, it is difficult to make a reasonable calculation of the financial forecasts at this current time. For this reason, consolidated financial forecasts for the six months ending June 30, 2020 remain undetermined.

4. Others

4.1 Changes in significant subsidiaries for the three months ended March 31, 2020: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
(Note) For details, please refer to page 15.

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors
1. Changes in accounting policies with revision of accounting standard: 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 March 31, 2020: 1,711,187,090 shares
   As of December 31, 2019: 1,710,276,790 shares

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

3. Average number of shares issued and outstanding
   Three months ended March 31, 2020: 1,710,788,376 shares
   Three months ended March 31, 2019: 1,668,427,976 shares

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

Cautionary Statement

The Group will hold a quarterly earnings conference for institutional investors and analysts on April 27, 2020. The Group plans to post the materials which are provided at the meeting, on the Group's website on that day.

[APPENDIX]

1. Business Results

1.1 Analysis of Business Results

The Group discloses consolidated business results in terms of both its internal measures which the management relies upon in making decisions (hereinafter the “Non-GAAP” financial measures) and measures 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 figures will help to better understand the Group’s constant business results. Non-recurring items include depreciation of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments, cost relating to acquisitions and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

In addition, following the acquisition of IDT in March 2019 and the transition to an organizational structure based on two business units, from the third quarter ended September 30, 2019, the financial figures disclosed have been reformed into two segments: “Automotive Business” and “Industrial/Infrastructure/IoT Business”. Following these changes, the Group will discontinue the disclosure of the “Non-GAAP Revenue from Semiconductors” segment. Following these changes, consolidated financial results for the three months ended March 31, 2019 are listed under the new segments. For details, please refer to Appendix 2 “Condensed Consolidated Financial Statements, 2.5 Notes to Condensed Consolidated Financial Statements (Business Segments)”.

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 year ended December 31, 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) Change in presentation (Changes in Accounting Policy for the classification of expenses)”.

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

1) Overview of the current financial operation

Summary of Consolidated Financial Results for the Three Months ended March 31, 2020 (Non-GAAP basis)

		Three months ended March 31, 2019 (Jan 1 – Mar 31, 2019)	**Three months ended March 31, 2020** (Jan 1 – Mar 31, 2020)	Increase (Decrease)	
		Billion yen	Billion yen	Billion yen	% Change
Non-GAAP Revenue		150.3	178.7	28.5	19.0%
	Automotive	82.7	93.5	10.8	13.1%
	Industrial/Infrastructure/IoT	63.3	82.6	19.2	30.3%
Non-GAAP Operating Profit Non-GAAP Operating Margin		7.1 4.7%	33.7 18.8%	26.6 14.1pts	375.4% ---
	Automotive	1.0 1.2%	14.4 15.4%	13.4 14.2pts	1,385.6% ---
	Industrial/Infrastructure/IoT	5.8 9.2%	19.0 23.0%	13.1 13.8pts	224.8% ---

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

<Non-GAAP Revenue>

Consolidated non-GAAP revenue for the three months ended March 31, 2020 was 178.7 billion yen, a 19.0% increase year on year. Despite concerns of a slowdown in the global economy following the spread of the novel coronavirus, consolidated non-GAAP revenue increased mainly due to the recording of IDT revenue in the Group’s consolidated financial results following the completion of its acquisition in March 31, 2019, and there was no impact from inventory adjustments in the three months ended March 31, 2020, owing to the channel inventory level adjustment during the three months ended March 31, 2019 concluded.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the three months ended March 31, 2020 was 84.5 billion yen, a 27.2 billion yen increase year on year. This was mainly due to increases in revenue in both the Automotive and Industrial/Infrastructure/IoT business segments. As a result, non-GAAP gross margin for the three months ended March 31, 2020 was 47.3%, an increase by 9.2 points year on year.

<Non-GAAP Operating Profit (Margin)>
Non-GAAP operating profit for the three months ended March 31, 2020 was 33.7 billion yen, a 26.6 billion yen increase year on year. This was mainly due to increases in revenue in both the Automotive and Industrial/Infrastructure/IoT business segments. As a result, non-GAAP operating margin for the year ended March 31, 2020 was 18.8%, an increase by 14.1 points year on year.

The non-GAAP revenue breakdown of the business segments for the three months ended March 31, 2020 are as follows:

Automotive Business
The Automotive business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising semiconductor devices used in automotive information systems such as navigation systems. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.
Non-GAAP revenue of the Automotive business for the three months ended March 31, 2020 was 93.5 billion yen, a 13.1% increase year on year. This was due to increases in sales in both the "Automotive control" and "Automotive information" categories.
Non-GAAP operating profits of the Automotive business for the three months ended March 31, 2020 was 14.4 billion yen, a 13.4 billion yen increase year on year, due to an increase in profits owing to increases in sales.

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 business for the three months ended March 31, 2020 was 82.6 billion yen, a 30.3% increase year on year. This was due to increased sales in the "Infrastructure" and "IoT" categories despite the decrease in revenue in the "Industrial" category.
Non-GAAP operating profits of the Industrial business for the three months ended March 31, 2020 was 19.0 billion yen, a 13.1 billion yen increase year on year, due to an increase in profits owing to increases in sales.

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

The total amount of depreciation of intangible assets amortized in the three months ended March 31, 2020, was14.9 billion yen, while the total amount of stock-based compensation excluded from the Non-GAAP operating profit was 3.9 billion yen.

(Billion yen)

	Three months ended March 31, 2019 (Jan 1 – Mar 31, 2019)	**Three months ended March 31, 2020** (Jan 1 – Mar 31, 2020)
Non-GAAP gross profit Non-GAAP gross margin	57.2 38.1%	84.5 47.3%
Amortization of purchased intangible assets and fixed assets	(0.3)	(0.6)
Stock-based compensation	(0.2)	(0.3)
Other reconciliations in non-recurring expenses and adjustments	(1.3)	(1.3)
IFRS gross profit IFRS gross margin	55.4 36.9%	82.3 46.0%
Non-GAAP operating profit Non-GAAP operating margin	7.1 4.7%	33.7 18.8%
Amortization of purchased intangible assets and fixed assets	(4.2)	(14.9)
Stock-based compensation	(1.6)	(3.9)
Other reconciliations in non-recurring expenses and adjustments	(2.7)	(1.6)
IFRS operating profit IFRS operating margin	(1.4) (0.9%)	13.3 7.4%

(Note): "Other reconciliations in non-recurring expenses and adjustments" includes non-recurring items related to acquisitions and other adjustments as well as non-recurring profits or losses.

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

Summary of Consolidated Financial Results for the Three Months ended March 31, 2020 (IFRS basis)

	Three months ended March 31, 2019 (Jan 1 – Mar 31, 2019)	**Three months ended March 31, 2020** (Jan 1 – Mar 31, 2020)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	150.3	178.7	28.5	19.0%
Gross Profit Gross Margin	55.4 36.9%	82.3 46.0%	26.9 9.2pts	48.6%
Operating Profit Operating Margin	(1.4) (0.9%)	13.3 7.4%	14.7 8.4pts	---

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Total equity

	December 31, 2019	March 31, 2020	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,668.1	1,657.8	(10.3)
Total equity	624.4	627.3	2.9
Equity attributable to owners of the parent	621.5	624.4	2.9
Equity ratio attributable to owners of the parent (%)	37.3	37.7	0.4
Interest-bearing debt	785.9	764.2	(21.7)
Debt / Equity ratio	1.26	1.22	(0.04)

Total assets at March 31, 2020 were 1,657.8 billion yen, a 10.3 billion yen decrease from December 31, 2019. This was mainly due to a decrease in tangible fixed assets due to depreciation. Total equity were 627.3 billion yen, a 2.9 billion yen increase from December 31, 2019. This was mainly due to an increase in retained earnings despite the decrease in other components of equity owing to the decrease in conversion differences between domestic and overseas sales activities following exchange rate fluctuations.

Equity attributable to owners of the parent increased by 2.9 billion yen from December 31, 2019, resulting in the equity ratio attributable to owners of the parent to be 37.7%. Interest-bearing debt decreased by 21.7 billion yen from December 31, 2019 due to a decrease in debt repayment. Consequently, the debt to equity ratio increased to 1.22.

1.2.2 Cash Flows

	Three months ended March 31, 2019 (Jan 1 – Mar 31, 2019)	**Three months ended March 31, 2020** (Jan 1 – Mar 31, 2020)
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	20.7	28.7
Net cash provided by (used in) investing activities	(702.1)	(10.1)
Free cash flows	(681.4)	18.7
Net cash provided by (used in) financing activities	689.4	(26.6)
Cash and cash equivalents at the beginning of period	188.8	146.5
Cash and cash equivalents at the end of period	196.7	136.9

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities for the three months ended March 31, 2020 was 28.7 billion yen. This was mainly due to a recording of income before tax of 14.2 billion yen as well as adjustments in non-cash items such as depreciation, despite payments in operating debt and current liabilities.

(Net cash provided by (used in) investing activities)
Net cash used in investing activities for the three months ended March 31, 2020 was 10.1 billion yen. This was mainly due to the acquisition of tangible and intangible fixed assets.

The foregoing resulted in positive free cash flows of 18.7 billion yen for the three months ended March 31, 2020.

(Net cash provided by (used in) financing activities)
Net cash used in financing activities for the three months ended March 31, 2020 was 26.6 billion yen. This was mainly due to repayments made to the main financing banks.

1.3 Consolidated Forecasts

Due to the uncertainty of impacts from the worldwide COVID-19 pandemic to Renesas' business, it is difficult to make a reasonable calculation of the financial forecasts at this current time. For this reason, consolidated financial forecasts for the six months ending June 30, 2020 remain undetermined.

1.4 Forecasts of Cash Dividends

For the six months ending June 30, 2020, the Group will forego interim dividend payment for this period due to the current business environment.

For the year ending December 31, 2020, whether the Group provides year-end dividend payments remain undecided, and the Group will immediately announce it when the decisions are made.

(For the year ending December 31, 2020)

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

2. Condensed Consolidated Financial Statements

2.1 Condensed Consolidated Statement of Financial Position

(In millions of yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	146,468	136,936
Trade and other receivables	84,459	80,508
Inventories	90,785	95,720
Other current financial assets	468	460
Income tax receivables	4,438	3,537
Other current assets	7,344	4,946
Total current assets	333,962	322,107
Non-current assets		
Property, plant and equipment	232,579	220,349
Goodwill	625,030	620,866
Intangible assets	414,582	430,340
Other non-current financial assets	9,995	9,356
Deferred tax assets	46,050	49,808
Other non-current assets	5,950	4,959
Total non-current assets	1,334,186	1,335,678
Total assets	1,668,148	1,657,785

(In millions of yen)

	As of December 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	100,187	95,500
Bonds and Borrowings	93,182	93,182
Other current financial liabilities	4,362	4,430
Income tax payables	7,861	8,329
Provisions	7,521	4,882
Other current liabilities	55,528	43,172
Total current liabilities	268,641	249,495
Non-current liabilities		
Trade and other payables	845	29,476
Bonds and Borrowings	678,577	655,479
Other non-current financial liabilities	10,093	11,373
Income tax payables	4,499	4,489
Retirement benefit liabilities	29,572	29,202
Provisions	3,860	3,072
Deferred tax liabilities	43,257	44,288
Other non-current liabilities	4,400	3,584
Total non-current liabilities	775,103	780,963
Total liabilities	1,043,744	1,030,458
Equity		
Issued capital	22,213	22,512
Share premium	201,588	201,887
Retained earnings	403,857	415,643
Treasury shares	(11)	(11)
Other components of equity	(6,192)	(15,588)
Total equity attributable to owners of the parent	621,455	624,443
Non-controlling interests	2,949	2,884
Total equity	624,404	627,327
Total liabilities and equity	1,668,148	1,657,785

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

Condensed Consolidated Statement of Profit or Loss

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Continuing operations		
Revenue	150,259	178,743
Cost of sales	(94,884)	(96,443)
Gross profit	55,375	82,300
Selling, general and administrative expenses	(56,444)	(68,326)
Other income	653	633
Other expenses	(954)	(1,294)
Operating profit or loss	(1,370)	13,313
Finance income	608	3,063
Finance costs	(1,157)	(2,198)
Profit or loss before tax from continuing operations	(1,919)	14,178
Income tax expense	(2)	(2,820)
Profit or loss from continuing operations	(1,921)	11,358
Discontinued operations		
Profit after tax for the year from discontinued operations	—	—
Profit or loss	(1,921)	11,358
Profit or loss attributable to		
Owners of the parent	(1,909)	11,289
Non-controlling interests	(12)	69
Profit or loss	(1,921)	11,358
Earnings or loss per share		
Basic earnings or loss per share (yen)		
Continuing operations	(1.14)	6.60
Discontinued operations	—	—
Total basic earnings or loss per share	(1.14)	6.60
Diluted earnings or loss per share (yen)		
Continuing operations	(1.14)	6.49
Discontinued operations	—	—
Total diluted earnings or loss per share	(1.14)	6.49

Condensed Consolidated Statement of Comprehensive Income

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Profit or loss	(1,921)	11,358
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(1,110)	266
Equity instruments measured at fair value through other comprehensive income	271	—
Total of items that will not be reclassified to profit or loss	(839)	266
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	752	(12,609)
Changes in fair value of cash flow hedges	5,614	—
Total of items that may be reclassified subsequently to profit or loss	6,366	(12,609)
Total other comprehensive income	5,527	(12,343)
Total comprehensive income	3,606	(985)
Comprehensive income attributable to		
Owners of the parent	3,568	(920)
Non-controlling interests	38	(65)
Total comprehensive income	3,606	(985)

2.3 Condensed Consolidated Statement of Changes in Equity

(Three months ended March 31, 2019)

(In millions of yen)

	Equity attributable to owners of the parent												
					Other components of equity								
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2019	10,699	190,074	410,652	(11)	5,165	—	(1,072)	(3,089)	(14,318)	(13,314)	598,100	2,868	600,968
Impact of changes in accounting policies	—	—	1,192	—	—	—	—	—	—	—	1,192	—	1,192
Balance as of January 1, 2019 after changes in accounting policies	10,699	190,074	411,844	(11)	5,165	—	(1,072)	(3,089)	(14,318)	(13,314)	599,292	2,868	602,160
Loss	—	—	(1,909)	—	—	—	—	—	—	—	(1,909)	(12)	(1,921)
Other comprehensive income	—	—	—	—	—	(1,110)	271	702	5,614	5,477	5,477	50	5,527
Total comprehensive income	—	—	(1,909)	—	—	(1,110)	271	702	5,614	5,477	3,568	38	3,606
Issue of new shares	25	25	—	—	—	—	—	—	—	—	50	—	50
Share-based payments	—	—	—	—	24,615	—	—	—	—	24,615	24,615	—	24,615
Transfer to retained earnings	—	—	(1,166)	—	—	1,110	56	—	—	1,166	—	—	—
Reclassification to non-financial assets	—	—	—	—	—	—	—	—	8,704	8,704	8,704	—	8,704
Total amount of transactions with owners	25	25	(1,166)	—	24,615	1,110	56	—	8,704	34,485	33,369	—	33,369
Balance as of March 31, 2019	10,724	190,099	408,769	(11)	29,780	—	(745)	(2,387)	—	26,648	636,229	2,906	639,135

(Three months ended March 31, 2020)

(In millions of yen)

	Equity attributable to owners of the parent												
					Other components of equity								
	Issued capital	Share premium	Retained earnings	Treasury shares	Stock acquisition rights	Remea-surements of defined benefit plans	Equity instru-ments measured at fair value through other compre-hensive income	Exchange differences on translation of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2020	22,213	201,588	403,857	(11)	16,053	—	(1,131)	(21,114)	—	(6,192)	621,455	2,949	624,404
Profit	—	—	11,289	—	—	—	—	—	—	—	11,289	69	11,358
Other comprehensive income	—	—	—	—	—	266	—	(12,475)	—	(12,209)	(12,209)	(134)	(12,343)
Total comprehensive income	—	—	11,289	—	—	266	—	(12,475)	—	(12,209)	(920)	(65)	(985)
Issue of new shares	299	299	—	—	—	—	—	—	—	—	598	—	598
Share-based payments	—	—	—	—	3,310	—	—	—	—	3,310	3,310	—	3,310
Transfer to retained earnings	—	—	497	—	(231)	(266)	—	—	—	(497)	—	—	—
Total amount of transactions with owners	299	299	497	—	3,079	(266)	—	—	—	2,813	3,908	—	3,908
Balance as of March 31, 2020	22,512	201,887	415,643	(11)	19,132	—	(1,131)	(33,589)	—	(15,588)	624,443	2,884	627,327

2.4 Condensed Consolidated Statement of Cash Flows

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Cash flows from operating activities		
Profit or loss	(1,919)	14,178
Depreciation and amortization	29,302	38,829
Impairment loss	3	85
Finance income and costs	62	1,576
Share-based payments	1,477	3,904
Gain (loss) on sales of non-current assets	(241)	(430)
Changes in inventories	6,234	(6,698)
Changes in trade and other receivables	13,557	3,158
Changes in trade and other payables	(5,367)	(7,785)
Changes in retirement benefit liabilities	(333)	(128)
Changes in provisions	188	(3,301)
Changes in other current liabilities	(16,087)	(11,832)
Other	(4,672)	(255)
Subtotal	22,204	31,301
Interest received	604	192
Dividend received	5	210
Income taxes paid	(2,117)	(2,974)
Net cash flows from operating activities	20,696	28,729
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,481)	(5,599)
Proceeds from sales of property, plant and equipment	261	626
Purchase of intangible assets	(4,815)	(4,189)
Purchase of other financial assets	(210)	(192)
Proceeds from sales of other financial assets	243	126
Acquisition of subsidiaries	(685,831)	—
Other	(253)	(846)
Net cash flows from investing activities	(702,086)	(10,074)
Cash flows from financing activities		
Proceeds from long-term borrowings	698,000	—
Repayments of long-term borrowings	—	(23,418)
Repayment of lease obligations	(1,260)	(1,465)
Interest paid	(7,349)	(1,678)
Other	—	1
Net cash flows from financing activities	689,391	(26,560)
Effect of exchange rate changes on cash and cash equivalents	(76)	(1,627)
Increase (decrease) in cash and cash equivalents	7,925	(9,532)
Cash and cash equivalents at beginning of the period	188,820	146,468
Cash and cash equivalents at end of the period	196,745	136,936

2.5 Notes to Condensed Consolidated Financial Statements

(Basis for Preparation)

(1) Compliance with IFRS

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

The condensed consolidated financial statements do not contain all of the information required for the annual consolidated financial.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Change in presentation (Changes in Accounting Policy for 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 first quarter of the prior fiscal year. As a result of this change, compared with the accounting policy prior to retrospective application, cost of sales in that period increased by 1,800 million yen, selling, general and administrative expenses decreased by 1,690 million yen and operating loss and loss before tax from continuing operations increased by 110 million yen, respectively.

Reflecting the cumulative effect on equity at the beginning of the first quarter of the prior fiscal year, 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 Consolidated Financial Statements)

Scope of consolidation

For 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.

(Notes about Going Concern Assumption)

Not applicable

(Significant Accounting Policies)

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

In addition, income taxes for the three months ended March 31, 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.

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

(Business Segments)

(1) Overview of reportable segments

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

The Group consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments.

The Automotive Business includes the product categories "Automotive control", comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information", comprising semiconductor devices used in automotive information systems such as navigation systems. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/IoT Business includes the product categories "Industrial", "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories. Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other".

From the nine months ended September 30, 2019, the Group has implemented a change in the Group's classification of segments for allocation of management resources and assessment of performance. Following this change, the legacy reported sole operating segment of the Group has been divided into "Automotive Business", "Industrial/Infrastructure/IoT Business", with commissioned development and manufacturing from the Group's design and manufacturing subsidiaries categorized as "Other". The information on reportable segments for the three months ended March 31, 2019 has also been reclassified in accordance with the new classification of reportable segments.

(2) Information on reportable segments

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

Information on reportable segments is as follows.

Three months ended March 31, 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	82,712	63,337	4,210	—	150,259	—	150,259
Segment profit or loss	969	5,841	272	—	7,082	(8,452)	(1,370)
Financial income							608
Financial expenses							(1,157)
Profit or loss before tax for the period							(1,919)
(Other adjustment) Depreciation and amortization	15,221	9,880	30	—	25,131	4,171	29,302

Three months ended March 31, 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	93,548	82,555	2,640	—	178,743	—	178,743
Segment profit or loss	14,395	18,974	302	—	33,671	(20,358)	13,313
Financial income							3,063
Financial expenses							(2,198)
Profit or loss before tax for the period							14,178
(Other adjustment) Depreciation and amortization	13,839	9,896	236	—	23,971	14,858	38,829

(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.

Revenue from external customers

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31,2020
Japan	60,776	63,638
China	26,071	38,646
Asia (Excluding China)	20,567	27,676
Europe	27,970	30,014
North America	14,172	18,043
Others	703	726
Total	150,259	178,743

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

(Business Combinations)

(1) Business combination by acquisition

(The year ended December 31, 2019)

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Integrated Device Technology, Inc.

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

2) Date of the acquisition

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

3) Purpose of the Acquisition

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

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

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

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

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

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

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

(ii) Expands business growth opportunities.

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

(In millions of yen)

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

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

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

(In millions of yen)

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

(Note) 1. The provisional accounting treatment finalized on December 31, 2019 for a business combination.
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 March 31, 2020
Notes and trade receivables	81,473	76,522
Other receivables	3,081	4,078
Loss allowance	(95)	(92)
Total	84,459	80,508

(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 March 31, 2020
Trade payables	64,740	58,363
Other payables	16,974	51,045
Electronically recorded obligations	16,725	11,331
Refund liabilities	2,593	4,237
Total	101,032	124,976
Current liabilities	100,187	95,500
Non-current liabilities	845	29,476

(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.

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Research and development expenses (Note)	30,060	33,285
Personnel expenses	10,528	11,100
Depreciation and amortization	6,347	17,147
Retirement benefit expenses	784	554
Other	8,725	6,240
Total	56,444	68,326

(Note) As stated in“(Basis for Preparation), (4) Change in presentation (Changes in Accounting Policy for the classification of expenses)”, research and development expenses for the three months ended March 31, 2019 disclosed as comparative information has been revised.

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

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Gain on sales of property, plant and equipment	305	470
Subsidy income	182	59
Other	166	104
Total	653	633

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

(In millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Business structure improvement expenses	445	952
Other	509	342
Total	954	1,294

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.