To Shareholders

The 16th Ordinary General Meeting of Shareholders
Matters for Internet Disclosure

The 16th Business Period from January 1, 2017 to December 31, 2017

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The abovementioned items are disclosed to shareholders on Renesas Electronics Corporation's Website (http://www.renesas.com) in accordance with laws and regulation as well as Article 16 of Renesas Electronics Corporation's Articles of Incorporation

Renesas Electronics Corporation

Stock Acquisition Rights, etc. of the Company

1.Overview of Stock Acquisition Rights Granted as Stock Options (as of December 31, 2017)

The overview of the stock acquisition rights Renesas Electronics Corporation (the "Company") granted as stock options as of December 31, 2017 is as follows.

Name (Resolution Date for Issuance)	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights	Amount to be Paid for Stock Acquisition Rights	Exercise Price (per share)	Exercise Period
No. 1 of Year 2016 (June 28, 2016)	1,920	common stock 192,000 shares	600 yen	1 yen	August 2, 2016 ~August 1, 2026
No. 2 of Year 2016 (June 28, 2016)	150	common stock 15,000 shares	None	1 yen	August 2, 2016 ~August 1, 2026
No. 1 of Year 2017 (March 13, 2017)	14,615	common stock 1,461,500 shares	1,167 yen	1 yen	April 4, 2017 ~April 3, 2027
No. 2 of Year 2017 (March 13, 2017)	40,937	common stock 4,093,700 shares	None	1 yen	April 4, 2017 ~April 3, 2027
No. 3 of Year 2017 (April 26, 2017)	309	common stock 30,900 shares	None	1 yen	May 12, 2017 ~May 11, 2027
No. 4 of Year 2017 (June 27, 2017)	522	common stock 52,200 shares	None	1 yen	July 13, 2017 ~July 12, 2027
No. 5 of Year 2017 (August 29, 2017)	138	common stock 13,800 shares	1,239 yen	1 yen	September 15, 2017 ~September 14, 2027
No. 6 of Year 2017 (August 29, 2017)	842	common stock 84,200 shares	None	1 yen	September 15, 2017 ~September 14, 2027
No. 7 of Year 2017 (September 27, 2017)	940	common stock 94,000 shares	None	1 yen	October 13, 2017 ~October 12, 2027

(Note) 1. A person granted of stock acquisition rights may exercise the prescribed portion of those rights respectively each time after the day set for each stock acquisition rights.

2. If a person granted of stock acquisition rights ceases to be a board member, a corporate officer or the like, the person can exercise any vested portion of the stock acquisition rights only for thirteen (13) months from such date.

3. Regarding the stock acquisition rights granted under "No.1 of Year 2016", "No.1 of Year 2017" and "No.5 of Year 2017", the debt for the amount to be paid for issuance of stock acquisition rights is offset by the remuneration to the Company and there is no monetary payment.

2. Stock Acquisition Rights Held by Officers of the Company (as of December 31, 2017)

Name (Resolution Date for Issuance)	A Holder of Stock Acquisition Rights	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of the Stock Acquisition Rights
No. 1 of Year 2016 (June 28, 2016)	2 directors	1,043	common stock 104,300 shares
No. 1 of Year 2017 (March 13, 2017)	2 directors	1,341	common stock 134,100 shares

(Note) Outside directors and corporate auditors do not have any stock acquisition rights.

3. Stock Acquisition Rights Granted to the Employees (excluding those Employees who are also Directors of the Company) of the Company during this Period (from January 1, 2017 to December 31, 2017)

Name (Resolution Date for Issuance)	A Person Granted of Stock Acquisition Rights	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 1 of Year 2017 (March 13, 2017)	8 corporate officers 342 employees	9,381	common stock 938,100 shares
No. 2 of Year 2017 (March 13, 2017)	3 corporate officers	7,476	common stock 747,600 shares

(Note) The stock acquisition rights granted under "No.1 of Year 2017", 426 of such rights (common stock of 42,600 shares) have lapsed without being exercised until the end of this Period.

4. Stock Acquisition Rights Granted to the Employees of the Company's Subsidiaries during this Period

Name (Resolution Date for Issuance)	A Person of Company's Subsidiary Granted of Stock Acquisition Rights	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 1 of Year 2017 (March 13, 2017)	4 corporate officers 205 employees	4,319	common stock 431,900 shares
No. 2 of Year 2017 (March 13, 2017)	16 corporate officers 685 employees	34,098	common stock 3,409,800 shares
No. 3 of Year 2017 (April 26, 2017)	7 employees	309	common stock 30,900 shares
No. 4 of Year 2017 (June 27, 2017)	13 employees	522	common stock 52,200 shares
No. 5 of Year 2017 (August 29, 2017)	2 employees	138	common stock 13,800 shares
No. 6 of Year 2017 (August 29, 2017)	18 employees	842	common stock 84,200 shares
No. 7 of Year 2017 (September 27, 2017)	16 employees	940	common stock 94,000 shares

(Note) The stock acquisition rights granted under "No.2 of Year 2017", 613 of such rights (common stock of 61,300 shares) have lapsed without being exercised until the end of this Period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Notes to Basis of Consolidated Financial Statements

1. Scope of Consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 50

The names of major subsidiaries:
Names of the major consolidated subsidiaries are listed on “1-(7). Principal Subsidiaries (as of December 31, 2017)” in the Business Report and omitted in this part.

Number of subsidiaries decreased by merger, assignment and liquidation: 5
Renesas System Design Co., Ltd. and other 4 companies.

The number of subsidiaries increased by acquisition and foundation: 25
The main new consolidated subsidiaries are as follows:
Intersil Corporation (hereafter “Intersil”)
Intersil International Operations Sdn. Bhd.
Intersil Luxembourg S.a.r.l
Furthermore, Intersil International Operations Sdn. Bhd. and Intersil Luxembourg S.a.r.l are specified subsidiaries.

2. Application of Equity Method

(1) The number of affiliates and the name of major affiliates, accounted for by the equity method.

The number of affiliates accounted for by the equity method: 1

The name of affiliate accounted for by the equity method:
Renesas Easton Co., Ltd.

(2) Significant items to be noted in the procedure for applying the equity method:
Of the affiliate accounted for by the equity method, because the closing date differs from that of the consolidated financial statements, the financial statements prepared with the provisional closing date of December 31, 2017 (same as that of consolidated financial statements) are used.

3. Significant Accounting Policies

(1) Valuation methods for significant assets

1) Securities
Other securities:
Marketable securities:
Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:
Non-marketable securities classified as other securities are carried at cost.

2) Derivatives
Derivative financial instruments are stated at the fair value.

3) Inventories
Inventories are stated at the lower of cost or market. The costs are stated as follows:
Merchandise and finished goods:
Custom-made products: Specific identification method
Mass products: Average method
Work in process:
Custom-made products: Specific identification method
Mass products: Average method
Raw materials and supplies: Mainly average method

(2) Depreciation and amortization method for significant long-term assets

1) Property, plant and equipment other than leased assets
Depreciated principally by the straight-line method

2) Intangible assets other than leased assets
Amortized by the straight-line method

3) Leased assets
Leased assets under finance leases under which the ownership of the assets is transferred to the lessee
Depreciated / amortized in the same way as self-owned long-term assets.
Leased assets under finance leases other than those under which the ownership of the assets is transferred to the lessee
Depreciated / amortized by the straight-line method over the lease term, assuming no residual value.
Other than those under which the ownership of the assets is transferred to the lessee, the finance leases which started the lease transactions on or before March 31, 2008 are accounted for as operating lease transactions.

4) Long-term prepaid expenses
Amortized by the straight-line method

(3) Basis of significant reserves

1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided based on past experience for normal receivables and using a specific estimate of the collectability of individual receivables from companies in financial difficulty.

2) Provision for product warranties
The Group accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.

3) Provision for loss on guarantees
Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Group has taken into account for the deterioration of financial conditions.

4) Provision for business structure improvement
Provision for business structure improvement is made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.

5) Provision for contingent loss
In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when they are reasonably estimated considering individual risks associated with each contingency.

6) Provision for sales rebates
Provision for sales rebates is made for the estimated amount based on historical rebate rates in order to prepare for any expenditure on sales rebates.

(4) Accounting treatment for retirement benefits

1) Method of attributing expected benefit to periods
The method of attributing expected benefit to periods to estimate the asset or liability for retirement benefits is based on a benefit formula basis.

2) Actuarial gains and losses and prior service costs
Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly over 12 years), starting in the following year after its occurrence.
Prior service costs are amortized as incurred on a straight-line basis over the employee's estimated average remaining service periods (mainly over 11 years).

(5) Foreign currency translation

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the applicable rates of exchange prevailing at the fiscal year-end, and differences arising from the translation are included in the statement of operations. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the applicable year-end rates of exchange, and all revenue and expense accounts are translated at the average rates of exchange prevailing during the period. Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests in net assets.

(6) Amortization method and term for goodwill

Goodwill is amortized by the straight-line method for over reasonable periods not exceeding 20 years.

(7) Hedge accounting

1) Hedge accounting method

Hedging activities are accounted for with deferred hedge accounting.

2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange contracts, Currency options, Currency swaps, Foreign currency deposit

Hedging items: Forecast transaction in foreign currency

3) Hedging policy

Based on the Group's internal rules, the Company applies hedge accounting to reduce the risk of foreign exchange fluctuations associated with hedging items.

4) Assessment of hedge effectiveness

The effectiveness of the hedging is evaluated by comparing the accumulated cash flow of the hedging instruments with that of the hedging items.

(8) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(9) Adoption of consolidated taxation system

The Company and its subsidiaries in Japan adopt the consolidated taxation system.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

(Assets pledged as collateral)

		(In millions of yen)
Buildings and structures	43,309	(43,020)
Machinery and equipment	73,008	(73,008)
Land	17,929	(17,311)
Total	134,246	(133,339)

(Secured liabilities)

		(In millions of yen)
Short-term borrowings	35,000	(35,000)
Current portion of long-term borrowings	2,875	(2,875)
Long-term borrowings	148,896	(148,896)
Total	186,771	(186,771)

*Amounts in parenthesis represent assets pledged as collateral and secured liabilities related to factory properties.

2. Accumulated Depreciation of Property, Plant and Equipment: 762,869 million yen

3. Accumulated Impairment Loss of Property, Plant and Equipment:

Accumulated impairment loss was included in accumulated depreciation of property, plant and equipment.

4. Contingent Liabilities:

Guarantees for employees' housing loans: 99 million yen
Other guarantees: 312 million yen

Other Contingent Liabilities:

The Group has been named as one of the defendants in civil lawsuits in Canada and the United Kingdom related to the alleged violations of the competition law involving smartcard chips.

The Company's subsidiary has been named as a defendant in a civil lawsuit in the United States related to the alleged patent infringement and trade secret violation. The amount of 79 million USD (8,884 million yen) has been included in "Provision for contingent loss" for the part which can be reasonably estimated based on current available information. However, the estimated amount may possibly increase or decrease in accordance with the development of the lawsuit.

There is a potential indemnification claim against the Company's subsidiary in Taiwan related to environmental pollution occurred at the transferred factory.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and Number of Outstanding Shares as of December 31, 2017

Common Stock	1,667,194,490 shares

2. Type and Number of shares for purpose of the share subscription rights to shares (Excluded stock acquisition rights of which the commencement date of exercise period has not yet arrived) as of December 31, 2017.

Common Stock	6,037,300 shares

Notes to Financial Instruments

1. Conditions of Financial Instruments

(1) Policies for Financial Instruments

Regarding fund operation, the Group uses only short-term deposits and financial assets which are relatively safe. Regarding financing, the Group uses mainly borrowings from banks. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates and interest payments. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

(2) Contents and Risks of Financial Instruments and Risk Management

Notes and accounts receivable-trade and accounts receivable-other are exposed to credit risks. Conforming to internal rules for management of accounts receivable, the Group regularly monitors major customers' credit and manages due dates of collection and balances for each customer.

The management policies regarding short-term and long-term investment securities are as follows; regarding short-term investment securities, the Group deals with banks with high credit rating. Long-term investment securities, issued by companies with which the Group has business relationships, are exposed to risks of market fluctuations. By regularly monitoring the fair value of the securities, financial condition of the issuing companies and consideration of existing business relationship, if any, the Group evaluates the merit of holding the securities.

The maturities of electronically recorded obligations, notes and accounts payable-trade, accounts payable-other and accrued income taxes are within one year.

Most borrowings and lease obligations from finance lease transactions are mainly utilized for working capital and capital investments. Their repayment terms are at most 6 years after the fiscal year-end. Certain borrowings with variable interest rates are exposed to interest rate fluctuation risk. In addition, certain contracts include financial covenants.

The Group enters into forward exchange contracts in order to hedge the risks from exchange rate fluctuations of accounts receivable and accounts payable denominated in foreign currencies and interest rate swaps in order to hedge the risks from interest fluctuations of borrowings.

The Group's policies for managing derivatives are as follows: the Group conforms to internal rules for the management of derivatives and transacts only with major financial institutions to reduce credit risks.

Because accounts payable and borrowings are exposed to liquidity risks, the headquarters and each subsidiary manage them by making financial plans.

2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of December 31, 2017 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note 2)

(In millions of yen)

	Amounts on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	123,320	123,320	—
(2) Notes and accounts receivable-trade	99,155	99,155	—
(3) Accounts receivable-other	16,637	16,637	—
(4) Short-term and long-term investment securities	3,105	2,926	(179)
Stocks of affiliates	20,321	20,321	—
Other securities			
(5) Electronically recorded obligations	(19,240)	(19,240)	—
(6) Notes and accounts payable-trade	(78,496)	(78,496)	—
(7) Short-term borrowings	(35,000)	(35,000)	—
(8) Accounts payable-other	(51,605)	(51,605)	—
(9) Accrued income taxes	(15,920)	(15,920)	—
(10) Long-term borrowings (including current portion)	(194,271)	(196,821)	(2,550)
(11) Lease obligations (including current portion)	(260)	(281)	(21)

Note1: Calculation method for fair value of financial instruments and other materials related to securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (3) Accounts receivable-other

The fair value was measured at the amounts equivalent to their book values because these were settled in the short-term and accordingly, their fair values approximated book values.

(4) Short-term and long-term investment securities

The fair value of shares was based on market price. The fair value of bond securities was measured at its book value because it was settled in short-term and its fair value was nearly equal to its book value. The fair value of mutual funds was measured at the price provided by financial institutions.

(5) Electronically recorded obligations, (6) Notes and accounts payable-trade, (7) Short-term borrowings, (8) Accounts payable-other and (9) Accrued income taxes

The fair value was measured at the amount equivalent to their book values because these were settled in the short-term and accordingly, their fair values approximated book values.

(10) Long-term borrowings and (11) Lease obligations

The fair values of long-term borrowings and lease obligations were estimated by discounting the future cash flows which includes both principal and interest. The discount rates were considered for both the remaining periods and credit risks.

Note 2. Financial instruments for which it is extremely difficult to estimate their fair value

(In millions of yen)

	Amounts on consolidated balance sheet
Non-marketable securities	1,463

Non-marketable securities which did not have market prices and for which the future cash flows could not be estimated, were not included in “(4) Short-term and long-term investment securities” since it was extremely difficult to estimate their fair value.

Per Share Information

1. Net assets per share: 304.20 yen
Net income per share: 46.30 yen

Other Notes

1. Insurance income

Due to the receipt of the insurance related to the 2016 Kumamoto Earthquake

2. Business Structure Improvement Expenses

The Group has reformed businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses.

3. Impairment Loss

The details of impairment loss for the fiscal year were as follows:

Location	Usage	Type
Kai-city, Yamanashi-prefecture Taiwan etc.	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Land, Software, Other intangible assets, Long-term prepaid expenses
China Mashiki-town, Kamimashiki-county Kumamoto-prefecture etc.	Idle assets	Buildings and structures, Machinery and equipment, Land

The Group classifies its business assets based on division of management accounting, with relation in manufacturing process taken into account. However, the Group determines whether an asset should be impaired on an individual asset basis when the significant asset is considered idle or when it is to be disposed of.

The Group recognized impairment loss on assets to be transferred for the purpose of reforming the production structure for the establishment of a robust and profitable structure, and assets to be disposed of, which had no business use due to a decision to close or sell the product line by reducing their net book values to their recoverable values because their fair values declined significantly. Such loss amounted to 2,561 million yen, which was included in special loss.

Also, the Group recognized impairment loss on idle assets with no business use by reducing their net book values to their recoverable values because their fair values declined significantly. Such loss amounted to 354 million yen, which was included in special loss.

The assets to be disposed of and idle assets amounted to 2,915 million yen for special loss.

In addition, impairment loss includes business structure improvement expenses, which amounted to 1,697 million yen and impairment loss except for business structure improvement expenses, which amounted to 1,218 million yen.

The components of impairment loss (2,915 million yen) were as follows:

(In millions of yen)

Buildings and structures	767
Machinery and equipment	228
Vehicles, tools, furniture and fixtures	768
Land	1,113
Software	14
Other intangible assets	1
Long-term prepaid expenses	24
Total	2,915

The recoverable value of these assets was measured at net sale value or value in use. The net sale value was reasonably estimated as the appraisal amount less the necessary expenses for disposal. However, the net sale value of assets which were difficult to sell was estimated at zero.

Notes of business combination

(Business combination)

(Acquisition of Stock of Intersil)

The Company resolved at the Meeting of Board of Directors to reach an agreement with Intersil, whereby Intersil would become a wholly-owned subsidiary of the Company, and concluded merger agreements for the purpose of implementing the acquisition on September 13, 2016.

Intersil became a wholly-owned subsidiary of the Company through the acquisition of stock of Intersil on February 24, 2017.

1. Summary of Acquisition

(1) Name of Acquiree and Business Description

Name of Acquiree: Intersil Corporation

Business Description: Development, manufacture and sale of power management IC and high performance analog integrated circuits

(2) Major Reasons for Acquisition

The Company has carried out structural reforms aimed at building a corporation capable of maintaining stable and sustainable profitability during the volatile fluctuations of the semiconductor market. Having successfully attained a measure of financial stability through these efforts, the Company is embarking on a new growth strategy to ensure its ability to thrive in the global market. The decision to acquire Intersil was made in order to accelerate the realization of this growth strategy.

The acquisition of Intersil is expected to (1) bolster the lineup of power management-related analog devices, key devices essential to future growth in our strategic focus domains, (2) enhance the ability to deliver to customers solutions such as kits combining microcontrollers (MCUs) and high-precision analog products from Intersil, (3) expand sales and design-ins outside of Japan, and (4) strengthen global management capabilities by welcoming Intersil's management team with broad management expertise to the Group. The acquisition is therefore seen as an effective measure to enhance the Company's competitiveness in fields where it is focusing its efforts to boost sales and profits, and strengthening the Company's position as a global leader.

(3) Date of Acquisition

February 24, 2017

(4) Legal Form of Acquisition

The Company established, for the purpose of the acquisition, a wholly-owned subsidiary (hereafter, the "acquisition subsidiary") in Delaware, in the United States, that then merged with Intersil. The surviving company following the merger has become Intersil. A cash payment was made for Intersil's shares as consideration for the merger, and the shares of the acquisition subsidiary owned by the Company were converted into outstanding shares in the surviving company, making the surviving company a wholly owned subsidiary of the Company.

(5) Company Name after Acquisition

Intersil Corporation

2. Period for which business results of acquiree included in Consolidated Statement of Operations

From February 25, 2017 to December 31, 2017

3. Consideration Transferred for the Acquisition

	(In millions of yen)
Consideration transferred-Cash	345,394
Total	345,394

Note: The part of amount conversed by exchange contract rate is included in acquisition cost.

4. Main items of Acquisition Related Costs

Advisory fees and commissions to lawyers and financial institutions: 1,021 million yen

(Note) This amount is attributable to both previous fiscal year (524 million yen) and current fiscal year (497 million yen).

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5. Goodwill arising from the acquisition, reason for the recognition of goodwill, and amortization method and period

① Goodwill arising from the acquisition

189,637 million yen

② Reason for the recognition of goodwill

The goodwill arising from the acquisition is mainly attributed to the expected future benefits to be generated through the synergies resulting not only from the increasing sales opportunities led by Intersil's complementary product portfolio and markets, but also from the cost reduction led by rendering new embedded solution services and expanding the business foundations of both companies.

③ Amortization method and period

Goodwill is being amortized by the straight-line method over 9 years.

6. Breakdown and amounts of transferred assets and liabilities on acquisition day

	(In millions of yen)
Current assets	63,966
Long-term assets	165,569
Total assets	229,535
Current liabilities	39,265
Long-term liabilities	30,550
Total liabilities	69,815

7. Method for calculation and approximate amount of Impact on the current fiscal year's consolidated statement of operation on the assumption that the business combination was completed on the beginning of current consolidated fiscal year.

	(In millions of yen)
Sales	9,521
Operating income	(4,544)
Net income attributable to shareholders of parent company	(4,219)

The approximate amount of impact was calculated as the difference between sales and profit (or loss) information on the assumption that the business combination was completed on the beginning of current fiscal year; and sales and profit (or loss) information from the acquisition company's statement of operation.

In addition, the amortization of goodwill and intangible assets at the beginning of current fiscal year was added to the approximate amount of impact.

The notes above have not been audited

8. Breakdown and weighted average amortization period of the amount and main asset types allocated as intangible assets other than goodwill.

(In millions of yen)

Type	Amount	Weighted average amortization period
Developed technology	122,803	10 years
Customer-related assets	14,408	14 years
In-process R&D assets	4,277	---
Other	2,549	---
Total	144,037	---

(Note) We plan to amortize In-process R&D assets over the usable period but it is not indicated in weighted average amortization period because this development has not completed for the fiscal year ended December 31, 2017.

(Consolidated subsidiary business divestiture)

Regarding the transfer of one of the Group's consolidated subsidiary, namely Renesas Semiconductor Package & Test Solution Co., Ltd. businesses including electronics engineering and manufacturing service of electronic control boards for use in various industrial equipment and other semiconductor manufacturing equipment; and development, manufacturing and sale of image recognition systems; the Group signed an agreement with Hitachi Maxell, Ltd. (Now Maxell Holdings, Ltd.) in January 1, 2017 and completed the transfer of business in May 1, 2017.

Business divestiture

1. Outline of the business divestiture

(1) Name of the buyer

Hitachi Maxell, Ltd. (Now Maxell Holdings, Ltd.)

(2) Nature of the divested businesses

The electronics engineering and manufacturing service of electronic control boards for use in various industrial equipment and other semiconductor manufacturing equipment; and development, manufacturing and sale of image recognition systems of Renesas Semiconductor Package & Test Solutions Co., Ltd., the Company's wholly owned subsidiary

(3) Main reasons for the divestiture

Although the above businesses continue to generate profit, they are not strategically aligned with the Company Group business direction, which center around the design, development, manufacturing, and sale of semiconductor devices and solutions. Accordingly, the Company had been searching for a partner capable of growing and generating synergy effects from these businesses.

After carefully considering a candidate buyer from the viewpoint of potential future growth of the businesses and synergies with them, the Company decided to sell the businesses to Hitachi Maxell, Ltd. (Now Maxell Holdings, Ltd.), which has heretofore pursued a corporate policy aimed at boosting its manufacturing capabilities and intends to utilize these businesses to further expand its own businesses.

(4) Date of divestiture

May 1, 2017

(5) Overview of transactions including statutory form

Renesas Semiconductor Package & Test Solutions Co., Ltd. established a wholly owned subsidiary, through an absorption-type separation (Kyushu-bunkatsu) and transferred the new shares of common stock for the new company by the means of stock transfer with cash consideration.

2. Overview of accounting treatment implemented

(1) Amount of Gain on transfer of business

Difference between consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture were recognized as Gain on transfer of business for the consolidated statements of operations.

	(In millions of yen)
Gain on transfer of business	3,847

(2) Appropriate book value of assets and liabilities pertaining to the transferred businesses

(In millions of yen)

Current assets	596
Long-term assets	516
Total assets	1,112
Current liabilities	14
Long-term liabilities	5
Total liabilities	19

Approximate amount of income pertaining to divested businesses recorded in the consolidated statements of operations

(In millions of yen)

Net sales	2,096
Operating income	326

NOTES TO FINANCIAL STATEMENTS (on a non-consolidated basis)

All figures are rounded to the nearest 1 million yen.

Notes to Significant Accounting Policies

1. Valuation Methods for Assets

1) Securities

Stocks of subsidiaries and affiliates:

These stocks are carried at cost determined by the moving-average method.

Other securities:

Marketable securities:

Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost.

2) Derivatives

Derivative financial instruments are stated at the fair value.

3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows;

Finished goods:

Custom-made products:

Specific identification method

Mass products:

Average method

Work in process:

Custom-made products:

Specific identification method

Mass products:

Average method

Raw materials and supplies:

Average method as principal method

2. Depreciation and Amortization Method for Long-term Assets

1) Property, plant and equipment other than leased assets

Depreciated by the straight-line method

2) Intangible assets

Amortized by the straight-line method

3) Leased assets

Leased assets under finance leases under which the ownership of the assets is transferred to the lessee

Depreciated/Amortized in the same way as self-owned long-term assets

Leased assets under finance leases other than those under which ownership of the assets is transferred to the lessee

Amortized by the straight-line method over the lease term, assuming no residual value.

4) Long-term prepaid expenses

Amortized by straight-line method

3. Basis of Reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experiences for normal receivables and on an individual estimate of the collectability of receivables from companies in financial difficulty.

2) Accrued retirement benefits

Accrued retirement benefits or prepaid pension cost are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end.

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods. The amortization starts from the following year of the gains and losses recognized.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods.

3) Provision for products warranties

The Company accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.

4) Provision for loss on guarantees

Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Company has taken into account for the deterioration of financial conditions.

5) Provision for business structure improvement

Provision for business structure improvement is made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.

6) Provision for contingent loss

In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when they are reasonably estimated considering individual risks associated with each contingency.

4. Accounting Treatment for Retirement Benefits

Accounting treatments for actuarial gains and losses and prior service costs differ from those applied by the consolidated financial statements.

5. Hedge Accounting Method

1) Hedge accounting method

Hedging activities are accounted for with deferred hedge accounting.

2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange contracts, Currency options, Currency swaps, Foreign currency deposit

Hedged items: Forecast transaction in foreign currency

3) Hedging policy

Based on the Group's internal rules, the Company applies hedge accounting to reduce the risk of foreign exchange fluctuations associated with hedged items.

4) Assessment of hedge effectiveness

The effectiveness of the hedging is evaluated by comparing the accumulated cash flow of the hedging instruments with that of the hedged items.

6. Accounting Treatment for Consumption Tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

7. Adoption of Consolidated Taxation System

The Company adopts the consolidated taxation system.

Notes to Balance Sheet

1. Assets Pledged as Collateral and Secured liabilities

(1) Assets pledged as collateral

		(In millions of yen)
Buildings	20,978	(20,691)
Structures	2,616	(2,615)
Machinery and equipment	42,825	(42,825)
Land	12,515	(12,011)
Total	78,935	(78,143)

(2) Secured liabilities

		(In millions of yen)
Short-term borrowings	35,000	(35,000)
Current portion of long-time borrowings	2,875	(2,875)
Long-term borrowings	148,896	(148,896)
Total	186,771	(186,771)

*Amounts in parenthesis represent assets pledged as collateral and secured liabilities related to factory properties.

2. Accumulated Depreciation of Property, Plant and Equipment: 193,486 million yen

3. Accumulated Impairment Loss of Property, Plant and Equipment:

Accumulated impairment loss was included in accumulated depreciation of property, plant and equipment.

4. Contingent Liabilities:

Liabilities for Guarantees

Loan of affiliated companies	16,741 million yen
Guarantees for employees' housing loans	85 million yen

5. Monetary Receivables from and Payables to Affiliated Companies:

Short-term receivable	140,502 million yen
Short-term payable	160,726 million yen

Notes to Statement of Operations

1. Transactions with Affiliated Companies:

Amounts of operating transactions	
Net sales	411,231 million yen
Purchases	512,676 million yen
Amounts of non-operating transactions	2,299 million yen

2. Insurance income

Due to the receipt of the insurance related to the 2016 Kumamoto Earthquake

3. Business Structure Improvement Expenses

The Company has reformed businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses.

The details of business structure improvement expenses (2,165 millions of yen) were as follows:

	(In millions of yen)
Impairment loss and expenses for the reorganization of the design and development sites etc.	2,052
Other	113
Total	2,165

Notes to Statement of Changes in Net Assets

Type and Number of Treasury Stock as of December 31, 2017

Common Stock 2,581 shares

Notes to Tax-Effect Accounting

Significant components of deferred tax assets were operating loss carry forwards, loss on valuation of stocks of subsidiaries and affiliates and others, in view of the possibility of recoverability the company has posted a valuation reserve for 219,787 million yen. In addition, significant components of deferred tax liabilities were valuation difference of assets acquired by merger.

Notes to Transactions with Related Parties

Subsidiaries, affiliates and others: (In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (*4)	Account	Balance as of December 31 2017(*4)
Subsidiary	Renesas Semiconductor Manufacturing Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1)	163,202	Accounts payable-trade	19,345
						Deposits received	19,376
				Money deposited (*2)	—		
Subsidiary	Renesas Semiconductor Package & Test Solutions Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1)	43,182	Accounts payable-trade	9,475
				Loan(*2)	31,000	Short-term loans receivable	25,947
				Acceptance of collateral(*3)	51,114	—	—
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products, Consignment of design and development	Sales of products(*1)	68,159	Accounts receivable-trade	10,785
Subsidiary	Renesas Electronics Europe GmbH	(Own) Indirect 100.0 %	Sales of our products, Consignment of design and development	Sales of products(*1)	100,886	Accounts receivable-trade	17,892
				Money deposited (*2)	—	Deposits received	11,237
Subsidiary	Renesas Electronics Taiwan Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	18,002
Subsidiary	Renesas Semiconductor Singapore Pte. Ltd.	(Own) Direct 100.0 %	Sales of parts of our products	Money deposited (*2)	—	Deposits received	22,261
Subsidiary	Renesas Electronics Shanghai Co., Ltd.	(Own) Direct 100.0 %	Sales of parts of our products	Loan(*2)	16,529	Short-term loans receivable	9,942
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Sales of products(*1)	82,402	Accounts receivable-trade	16,993
				Money deposited (*2)	—	Deposits received	10,395
Subsidiary	Intersil Corporation	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Guarantees (*4)	16,472		
					—	—	—

Terms and conditions of transactions and polices on deciding terms and conditions

(*1) Price and other transaction conditions were determined based on a price negotiation.

(*2) Rate for loan to subsidiaries and money deposited from subsidiaries was determined by considering the market rate. Amount of transaction for loan described above was loan ceiling.

(*3) Collateral in connection with the Company's borrowing from financial institutions was provided.

For details, please refer to “Notes to Balance Sheet, 1. Assets Pledged as Collateral and Secured liabilities”

(*4) Guarantees of lawsuits against subsidiaries and borrowing from banks etc.

(*5) Consumption tax and other taxes were not included in the amounts of transaction. Consumption tax and other taxes were included in the balances.

Notes to Per Share Information

Net assets per share: 238.35 yen

Net income per share: 52.46 yen

Other Notes

Regarding Acquisition of Stock of Intersil Corporation

The Company resolved at the Meeting of Board of Directors to reach an agreement with Intersil Corporation (hereafter “Intersil”), whereby Intersil would become a wholly-owned subsidiary of the Company, and concluded merger agreements for the purpose of implementing the acquisition on September 13, 2016.Intersil became a wholly-owned subsidiary of the Company through the acquisition of stock of Intersil on February 24, 2017. For details, please refer to the Notes to consolidated financial statements “Notes of business combination” .