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Renesas Electronics Reports Financial Results for the Year Ended December 31, 2017

Tokyo, Japan, February 9, 2018 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results for the year ended December 31, 2017.

Summary of Consolidated Financial Results

| | Year ended December 31, 2017 | |
|--|---|----------------|
| | Billion Yen | % of Net Sales |
| Net sales | 780.3 | 100.0 |
| Sales from semiconductors | 764.4 | |
| Sales from others | 15.8 | |
| Operating income | 78.4 | 10.0 |
| Ordinary income | 75.3 | 9.6 |
| Net income attributable to shareholders of parent company | 77.2 | 9.9 |
| Capital expenditures | 78.5 | |
| Depreciation and others | 108.7 | |
| R&D expenses | 127.0 | |
| | Yen | |
| Exchange rate (USD) | 112 | |
| Exchange rate (EUR) | 127 | |

| | As of December 31, 2017 |
|-----------------------|--------------------------------|
| | Billion Yen |
| Total assets | 1,062.7 |
| Net assets | 511.9 |
| Equity Capital | 507.2 |
| Equity ratio (%) | 47.7 |
| Interest-bearing debt | 229.5 |

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the year ended December 31, 2017

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

Note 4: The consolidated financial statements for the year ended December 31, 2017 reflect a significant revision in allocation of the acquisition cost following the provisional accounting treatment finalized on December 31, 2017 for a business combination of Intersil Corporation which Renesas acquired on February 24, 2017.



Consolidated Financial Results for the Year Ended December 31, 2017

English translation from the original Japanese-language document

February 9, 2018

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <http://www.renesas.com>
 Representative : Bunsei Kure, Representative Director,
 President and CEO
 Contact person : Yoichi Kobayashi, Senior Director
 Corporate Communications Dept.
 Tel. +81 (0)3-6773-3002
 Date of the ordinary general shareholders' meeting (scheduled) : March 29, 2018
 Filing date of Yukashoken Hokokusho (scheduled) : March 29, 2018

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended December 31, 2017

1.1 Consolidated financial results

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to shareholders of parent company | |
|------------------------------|-------------|-----|------------------|-----|-----------------|-----|---|-----|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended December 31, 2017 | 780,261 | --- | 78,400 | --- | 75,288 | --- | 77,196 | --- |
| Year ended December 31, 2016 | 471,031 | --- | 54,711 | --- | 49,986 | --- | 44,119 | --- |

Reference: Comprehensive income for the year ended December 31, 2017: 87,174 million yen (--%)
 Comprehensive income for the year ended December 31, 2016: 40,638 million yen (--%)

| | Net income per share basic | Net income per share diluted | Net income ratio per equity | Ordinary income ratio per total assets | Operating income ratio per sales |
|------------------------------|----------------------------|------------------------------|-----------------------------|--|----------------------------------|
| | Yen | Yen | % | % | % |
| Year ended December 31, 2017 | 46.30 | 46.26 | 16.6 | 8.0 | 10.0 |
| Year ended December 31, 2016 | 26.46 | 26.46 | 11.0 | 6.0 | 11.6 |

Reference: Equity in net income of affiliates of the year ended December 31, 2017: 114 million yen
 Equity in net income of affiliates of the year ended December 31, 2016: 33 million yen

Renesas Electronics Group implemented a change in the fiscal term in which the fiscal year-end changed from March 31 to December 31, starting from the fiscal year 2016. Accordingly, the percent of change from the corresponding period of the previous year is not indicated, since the fiscal year ended December 31, 2017 (January 1, 2017 to December 31, 2017) and the previous fiscal year (April 1, 2016 to December 31, 2016) cover different periods.

[Reference]

The following adjusted change [%] are comparisons of consolidated results for the fiscal year ended December 31, 2017 and the consolidated results listed below are compared with the corresponding period of the previous year (January 1, 2016 to December 31, 2016). (All numbers are in millions of yen)

| | | | |
|-----------|------------------|-----------------|---|
| Net sales | Operating income | Ordinary income | Net income attributable to shareholders of parent company |
| 780,261 | 78,400 | 75,288 | 77,196 |
| +22.1% | +11.3% | +23.0% | +41.9% |

1.2 Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| December 31, 2017 | 1,062,672 | 511,898 | 47.7 | 304.20 |
| December 31, 2016 | 823,054 | 422,393 | 51.0 | 252.03 |

Reference: Equity as of December 31, 2017: 507,152 million yen
Equity as of December 31, 2016: 420,162 million yen

1.3 Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the year |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended December 31, 2017 | 164,222 | (432,635) | 63,243 | 139,545 |
| Year ended December 31, 2016 | 95,882 | (48,911) | (97,161) | 354,287 |

2. Cash dividends

| | Cash dividends per share | | | | | Total dividends during the year | Dividends payout ratio (consolidated) | Dividends ratio per net assets (consolidated) |
|--|-----------------------------|------------------------------|-----------------------------|--------------------|-------|---------------------------------|---------------------------------------|---|
| | 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, 2016 | --- | 0.00 | --- | 0.00 | 0.00 | --- | --- | --- |
| Year ended December 31, 2017 | --- | 0.00 | --- | 0.00 | 0.00 | --- | --- | --- |
| Year ending December 31, 2018 (forecast) | --- | --- | --- | --- | --- | | --- | |

Note: For the year ending December 31, 2018, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2018

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to shareholders of parent company | | Net income per share |
|------------------------------------|-------------|-----|------------------|--------|-----------------|--------|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | yen |
| Three months ending March 31, 2018 | 182,000 | 2.7 | 10,000 | (54.8) | 9,000 | (57.5) | 16,000 | (6.8) | 9.60 |

Note: Change in forecast of consolidated results since the most recently announced forecast: No
Renesas Electronics Group reports its consolidated forecasts on a quarterly basis as substitute for yearly forecasts. For details, please refer to Appendix 1.1.4., "Consolidated Forecasts" on page 4.

4. Others

4.1 Changes in significant subsidiaries for the year ended December 31, 2017

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

(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: No

3. Changes in accounting estimates: No

4. Corrections of prior period errors: No

4.3 Number of shares issued and outstanding (common stock)

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

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

As of December 31, 2016: 1,667,124,490 shares

2. Number of treasury stock

As of December 31, 2017: 2,581 shares

As of December 31, 2016: 2,581 shares

3. Average number of shares issued and outstanding

For the year ended December 31, 2017: 1,667,167,556 shares

For the year ended December 31, 2016: 1,667,121,909 shares

(Reference) Non-consolidated results for the year ended December 31, 2017

Non-consolidated financial results

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---------------------------------|-------------|----|------------------|----|-----------------|----|-------------|----|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended December 31, 2017 | 683,266 | -- | 91,108 | -- | 90,620 | -- | 87,457 | -- |
| Year ended December 31, 2016 | 434,837 | -- | 36,514 | -- | 30,321 | -- | 27,241 | -- |

| | Net income per share: basic | Net income per share: diluted |
|---------------------------------|--------------------------------|----------------------------------|
| | Yen | Yen |
| Year ended December 31, 2017 | 52.46 | 52.41 |
| Year ended December 31, 2016 | 16.34 | 16.34 |

Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| December 31, 2017 | 940,851 | 399,675 | 42.2 | 238.35 |
| December 31, 2016 | 740,756 | 318,895 | 43.0 | 191.27 |

Reference: Equity at the end of the year ended December 31, 2017: 397,364 million yen
Equity at the end of the year ended December 31, 2016: 318,872 million yen

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

Cautionary Statement

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

The Group will hold an earnings conference for institutional investors and analysts on February 9, 2018. The Group plans to post the materials which are provided at the meeting, on the Group’s website on that day.

The consolidated financial statements for the year ended December 31, 2017 reflect a significant revision in allocation of the acquisition cost following the provisional accounting treatment finalized on December 31, 2017 for a business combination. For details, please refer to Appendix 3 “Consolidated Financial Statements, 3.5. Notes to Consolidated Financial Statements” (Business combination).

[APPENDIX]

| | |
|--|----|
| 1. Business Results | 2 |
| 1.1 Analysis of Business Results | 2 |
| 1.2 Consolidated Financial Condition | 3 |
| 1.3 Cash Flows | 4 |
| 1.4 Consolidated Forecasts | 4 |
| 1.5 Dividend Payments | 5 |
| 2. Primary policy for selection of accounting standards | 5 |
| 3. Consolidated Financial Statements | 6 |
| 3.1 Consolidated Balance Sheets | 6 |
| 3.2 Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income | 8 |
| 3.3 Consolidated Statements of Changes in Net Assets | 11 |
| 3.4 Consolidated Statements of Cash Flows | 13 |
| 3.5 Notes to Consolidated Financial Statements | 15 |
| (Basis of Consolidated Financial Statements) | 15 |
| (Notes about Going Concern Assumption) | 15 |
| (Basis of Consolidated Financial Statements) | 15 |
| (Changes in Presentation) | 18 |
| (Consolidated Balance Sheets) | 19 |
| (Consolidated Statements of Operations) | 20 |
| (Consolidated Statements of Changes in Net Assets) | 23 |
| (Financial Instruments) | 24 |
| (Business combination) | 27 |
| (Segment Information) | 30 |
| (Amount per Share Information) | 32 |

1. Business Results

1.1 Analysis of Business Results

The Group implemented a change in the fiscal term in which the fiscal year-end changed from March 31 to December 31, starting from the fiscal year 2016. As a result, the previous consolidated fiscal year, in which the change in fiscal year-end took place, comprised the nine months from April 1, 2016 to December 31, 2016, and the consolidated results listed below are compared with the corresponding period of the previous year (January 1, 2016 to December 31, 2016).

The consolidated financial statements for the year ended December 31, 2017 reflect a significant revision in allocation of the acquisition cost following the provisional accounting treatment finalized on December 31, 2017 for a business combination. For details, please refer to Appendix 3 "Consolidated Financial Statements, 3.5. Notes to Consolidated Financial Statements" (Business combination).

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2017

| | Year ended December 31, 2016 (Jan 1 – Dec 31, 2016) | Year ended December 31, 2017 (Jan 1 – Dec 31, 2017) | Increase (Decrease) | |
|--|---|---|------------------------|----------|
| | Billion yen | Billion yen | Billion yen | % Change |
| Net sales | 638.8 | 780.3 | 141.4 | 22.1 |
| Sales from semiconductors | 620.4 | 764.4 | 144.0 | 23.2 |
| Sales from others | 18.4 | 15.8 | (2.6) | (13.9) |
| Operating income | 70.4 | 78.4 | 8.0 | 11.3 |
| Ordinary income | 61.2 | 75.3 | 14.1 | 23.0 |
| Net income attributable to shareholders of parent company | 54.4 | 77.2 | 22.8 | 41.9 |
| | Yen | Yen | | |
| Exchange rate (USD) | 109 | 112 | - | - |
| Exchange rate (EUR) | 121 | 127 | - | - |

[Net sales]

Consolidated net sales for the year ended December 31, 2017 were 780.3 billion yen, a 22.1% increase year on year. Consolidated sales increased mainly due to dissipation of the impact from the Kumamoto earthquake that occurred in the same period a year ago and the continuing weak yen, in addition to sales of Intersil Corporation (hereafter "Intersil") that started to be recorded as part of the Group's consolidated sales following the completion of the acquisition in February 2017.

[Sales from Semiconductors]

Sales from semiconductors for the year ended December 31, 2017 were 764.4 billion yen, a 23.2% increase year on year.

Following the completion of the acquisition of Intersil in February 2017, the Company integrated Intersil into its operations and reformed its business organization into three business units in April 2017. To align with this change, the Company redefined its semiconductor sales breakdown to: "Automotive," "Industrial" and "Broad-based," the three application categories that constitute the main businesses of the Group, and "Other semiconductors," that constitute the businesses that do not belong to the above three application categories. The sales breakdown is as follows:

Automotive Business: 407.8 billion yen

The Automotive business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising semiconductor devices used in automotive information systems such as navigation systems. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Sales of Automotive business for the year ended December 31, 2017 were 407.8 billion yen, an increase of 16.4% year on year. This is due to increases in sales in both the "Automotive control" and "Automotive information" categories.

Industrial Business: 217.7 billion yen

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

categories.

Sales of Industrial business for the year ended December 31, 2017 were 217.7 billion yen, an increase of 15.7% year on year. While sales in the "Smart infrastructure" category remained flat, sales in both the "Smart factory" and "Smart home" categories increased driven by strong demand for industrial equipment, including FA (factory automation), and air conditioners in China.

Broad-Based Business: 134.0 billion yen

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

Sales of Broad-based business for the year ended December 31, 2017 were 134.0 billion yen, an increase of 75.1% year on year. While the sales in the "General-purpose MCUs" category remained flat, sales in the "General-purpose analog semiconductor devices" category increased following the Intersil acquisition.

Other Semiconductors: 5.0 billion yen

Sales of Other semiconductors include production by commissioning and royalties.

[Sales from others]

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

Sales from others for the year ended December 31, 2017 were 15.8 billion yen, a 13.9% decrease year on year.

[Operating income]

Operating income for the year ended December 31, 2017 was 78.4 billion yen, an 8.0 billion yen increase year on year. This was mainly due to an increase in net sales despite the reduction from recording of amortization of goodwill arising from the acquisition of Intersil.

[Ordinary income]

Ordinary income for the year ended December 31, 2017 was 75.3 billion yen, a 14.1 billion yen increase year on year. This was mainly due to an improvement in non-operating income including foreign exchange gains, in addition to an increase in operating income.

[Net income attributable to shareholders of parent company]

Net income attributable to shareholders of parent company for the year ended December 31, 2017 was 77.2 billion yen, a 22.8 billion yen increase year on year. This was mainly due to an improvement in special income.

1.2 Consolidated Financial Condition

Total Assets, Liabilities and Net assets

| | December 31, 2016 | December 31, 2017 | Increase (Decrease) |
|-----------------------|-------------------|-------------------|------------------------|
| | Billions of yen | Billions of yen | Billions of yen |
| Total assets | 823.1 | 1,062.7 | 239.6 |
| Net assets | 422.4 | 511.9 | 89.5 |
| Equity | 420.2 | 507.2 | 87.0 |
| Equity ratio (%) | 51.0 | 47.7 | (3.3) |
| Interest-bearing debt | 157.3 | 229.5 | 72.2 |
| Debt / Equity ratio | 0.37 | 0.45 | 0.08 |

Total assets at December 31, 2017 were 1,062.7 billion yen, a 239.6 billion yen increase from December 31, 2016. This was mainly due to an increase in total long-term assets including goodwill, developed technology, and long-term prepaid expenses, despite a decrease in cash and deposits mainly resulting from the acquisition of Intersil. Net assets were 511.9 billion yen, an 89.5 billion yen increase from December 31, 2016. This was mainly due to recording of net income attributable to shareholders of parent company in the amount of 77.2 billion yen.

Equity increased by 87.0 billion yen from December 31, 2016 and the equity ratio was 47.7%. Interest-bearing debt increased by 72.2 billion yen from December 31, 2016 mainly due to new financial arrangements aimed at securing long-term operating capital. Consequently, the debt to equity ratio decreased to 0.45.

1.3 Cash Flows

| | Year ended December 31, 2016 (Jan 1 – Dec 31, 2016) | Year ended December 31, 2017 (Jan 1 – Dec 31, 2017) |
|--|---|---|
| | Billions of yen | Billions of yen |
| Net cash provided by (used in) operating activities | 112.9 | 164.2 |
| Net cash provided by (used in) investing activities | (55.4) | (432.6) |
| Free cash flows | 57.5 | (268.4) |
| Net cash provided by (used in) financing activities | (108.8) | 63.2 |
| Cash and cash equivalents at the beginning of period | 405.1 | 354.3 |
| Cash and cash equivalents at the end of period | 354.3 | 139.5 |

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

Net cash provided by operating activities for the year ended December 31, 2017 was 164.2 billion yen. This was mainly due to a recording of income before income taxes in the amount of 84.8 billion yen and adjustment of non-expenditure items including depreciation and amortization, etc. within these income before income taxes.

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

Net cash used in investing activities for the year ended December 31, 2017 was 432.6 billion yen, mainly due to the acquisition of shares of Intersil and the purchase of property, plant and equipment.

The foregoing resulted in negative free cash flows of 268.4 billion yen for the year ended December 31, 2017.

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

Net cash used in financing activities for the year ended December 31, 2017 was 63.2 billion yen. This was mainly due to the execution of the commitment line loan agreement and the term loan agreement with the main financing banks.

1.4 Consolidated Forecasts

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

(For the three months ending March 31, 2018)

(In millions of yen)

| | Net Sales | (Reference) Sales from semiconductors | Operating Income | Ordinary Income | Net Income Attributable to Shareholders of Parent Company |
|---|-----------|---|---------------------|--------------------|---|
| Revised forecasts (February 9, 2018) | 182,000 | 178,650 | 10,000 | 9,000 | 16,000 |
| Reference: Results for the three months ended March 31, 2017 | 177,231 | 172,165 | 22,123 | 21,161 | 17,164 |

While consolidated net sales for the three months ending March 31, 2018 are expected to be 182.0 billion yen, 2.7 percent up year on year, the Group expects the operating income to decrease by 12.1 billion yen year on year, mainly due to increases in depreciation and raw material costs as well as R&D and selling, general and administrative expenses.

The consolidated forecasts for the three months ending March 31, 2018 are calculated at the rate of 107 yen per USD and 132 yen per Euro.

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

1.5 Dividend Payments

While the Group recorded a consolidated net income (net income attributable to shareholders of parent company) for the year ended December 31, 2017, the Group forewent dividend payment for this period. The Group will divert its retained earnings for strategic investment opportunities that will enable the Group to respond to rapid environmental changes to thrive into the global marketplace, and will aim to increase shareholder profit by improving corporate value. In addition, based on a long-term standpoint, the Group aims to realize stable and sustained growth in profits and intends to resume dividend payments.

For the year ending December 31, 2018, whether the Group provides interim and year-end dividend payments remains undecided, and the Group will immediately announce it when the decisions are made.

2. Primary policy for selection of accounting standards

Renesas Electronics Group is planning to adopt International Financial Reporting Standards (IFRS) for its consolidated financial statements from annual securities report for the fiscal year ending December 31, 2018 to increase the international comparability of financial information considering that the Group drives its business globally further, although currently the consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan (JGAAP).

3. Consolidated Financial Statements

3.1 Consolidated Balance Sheets

As of December 31, 2016 and December 31, 2017

(In millions of yen)

| | Prior Fiscal Year (As of December 31, 2016) | Current Fiscal Year (As of December 31, 2017) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 354,569 | 123,320 |
| Notes and accounts receivable-trade | 80,480 | 99,155 |
| Short-term investment securities | - | 16,756 |
| Merchandise and finished goods | 34,432 | 48,430 |
| Work in process | 55,754 | 69,936 |
| Raw materials and supplies | 7,110 | 8,215 |
| Deferred tax assets | 3,579 | 13,365 |
| Accounts receivable-other | 12,721 | 16,637 |
| Other current assets | 9,925 | 7,598 |
| Allowance for doubtful accounts | (71) | (80) |
| Total current assets | 558,499 | 403,332 |
| Long-term assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 204,379 | 212,421 |
| Accumulated depreciation | ※3 (144,487) | ※3 (149,208) |
| Buildings and structures, net | ※1 59,892 | ※1 63,213 |
| Machinery and equipment | 588,694 | 656,681 |
| Accumulated depreciation | ※3 (502,699) | ※3 (520,565) |
| Machinery and equipment, net | ※1 85,995 | ※1 136,116 |
| Vehicles, tools, furniture and fixtures | 105,139 | 120,262 |
| Accumulated depreciation | ※3 (86,179) | ※3 (93,096) |
| Vehicles, tools, furniture and fixtures, net | 18,960 | 27,166 |
| Land | ※1 22,456 | ※1 21,684 |
| Construction in progress | 14,202 | 19,162 |
| Total property, plant and equipment | 201,505 | 267,341 |
| Intangible assets | | |
| Goodwill | - | 172,750 |
| Software | 13,882 | 18,651 |
| Developed technology | 6,626 | 118,038 |
| Other intangible assets | 8,045 | 25,205 |
| Total intangible assets | 28,553 | 334,644 |
| Investments and other assets | | |
| Investment securities | ※2 6,098 | ※2 8,133 |
| Net defined benefit asset | 2,113 | 2,525 |
| Deferred tax assets | 2,263 | 1,177 |
| Long-term prepaid expenses | 21,971 | 42,527 |
| Other assets | 2,411 | 2,993 |
| Allowance for doubtful accounts | (359) | (0) |
| Total investments and other assets | 34,497 | 57,355 |
| Total long-term assets | 264,555 | 659,340 |
| Total assets | 823,054 | 1,062,672 |

(In millions of yen)

| | Prior Fiscal Year (As of December 31, 2016) | Current Fiscal Year (As of December 31, 2017) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Electronically recorded obligations | 11,138 | 19,240 |
| Notes and accounts payable-trade | 74,750 | 78,496 |
| Short-term borrowings | - | ※1 35,000 |
| Current portion of long-term borrowings | - | ※1 12,875 |
| Current portion of lease obligations | ※1 4,481 | 114 |
| Accounts payable-other | 44,652 | 51,605 |
| Accrued expenses | 32,473 | 39,166 |
| Accrued income taxes | 2,309 | 15,920 |
| Provision for product warranties | 287 | 157 |
| Provision for business structure improvement | 2,002 | 2,331 |
| Provision for contingent loss | 220 | 9,096 |
| Provision for loss on disaster | 708 | 2 |
| Provision for sales rebates | - | 1,275 |
| Asset retirement obligations | 22 | 56 |
| Other current liabilities | 12,546 | 16,655 |
| Total current liabilities | 185,588 | 281,988 |
| Long-term liabilities | | |
| Long-term borrowings | ※1 152,568 | ※1 181,396 |
| Lease obligations | 269 | 146 |
| Deferred tax liabilities | 9,198 | 33,419 |
| Provision for business structure improvement | 89 | 210 |
| Net defined benefit liability | 39,571 | 25,171 |
| Asset retirement obligations | 2,645 | 2,537 |
| Other liabilities | 10,733 | 25,907 |
| Total long-term liabilities | 215,073 | 268,786 |
| Total liabilities | 400,661 | 550,774 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 10,000 | 10,022 |
| Capital surplus | 191,919 | 191,941 |
| Retained earnings | 206,345 | 283,541 |
| Treasury stock | (11) | (11) |
| Total shareholders' equity | 408,253 | 485,493 |
| Accumulated other comprehensive income | | |
| Unrealized gains (losses) on securities | 474 | 397 |
| Deferred gains or losses on hedges | 9,012 | - |
| Foreign currency translation adjustments | (3,221) | 7,894 |
| Remeasurements of defined benefit plans | 5,644 | 13,368 |
| Total accumulated other comprehensive income | 11,909 | 21,659 |
| Subscription rights to shares | 23 | 2,311 |
| Non-controlling interests | 2,208 | 2,435 |
| Total net assets | 422,393 | 511,898 |
| Total liabilities and net assets | 823,054 | 1,062,672 |

3.2 Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

3.2.1 Consolidated Statements of Operations

(Nine-month period ended December 31, 2016 and the year ended December 31, 2017)

(In millions of yen)

| | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|--|--|-------------------------------------|
| Net sales | 471,031 | 780,261 |
| Cost of sales | 268,345 | 427,463 |
| Gross profit | 202,686 | 352,798 |
| Selling, general and administrative expenses | 147,975 | 274,398 |
| Operating income | 54,711 | 78,400 |
| Non-operating income | | |
| Interest income | 483 | 519 |
| Dividends income | 70 | 105 |
| Equity in earnings of affiliates | 33 | 114 |
| Reversal of provision for business structure improvement | - | 302 |
| Reversal of allowance for doubtful accounts | - | 341 |
| Settlement received | 200 | - |
| Insurance income | 91 | 106 |
| Other non-operating income | 579 | 574 |
| Total non-operating income | 1,456 | 2,061 |
| Non-operating expenses | | |
| Interest expenses | 1,578 | 1,981 |
| Loss on disposal of long-term assets | 270 | 508 |
| Foreign exchange losses | 2,055 | 1,070 |
| Other non-operating expenses | 2,278 | 1,614 |
| Total non-operating expenses | 6,181 | 5,173 |
| Ordinary income | 49,986 | 75,288 |
| Special income | | |
| Gain on sales of property, plant and equipment | 2,096 | 604 |
| Gain on transfer of business | - | 3,847 |
| Gain on sales of investment securities | 53 | 419 |
| Gain on liquidation of subsidiaries and affiliates | 63 | 63 |
| Insurance Income | - | ※1 10,429 |
| Reversal of provision for contingent loss | 18 | 7 |
| Total special income | 2,230 | 15,369 |

| | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|--|--|-------------------------------------|
| Special loss | | |
| Loss on sales of property, plant and equipment | 37 | 119 |
| Impairment loss | ※2 254 | ※2 1,218 |
| Loss on disaster | ※3 7,915 | - |
| Business structure improvement expenses | ※2, ※4 2,206 | ※2, ※4 4,047 |
| Loss on sales of investment securities | 72 | 1 |
| Provision for contingent loss | 541 | 480 |
| Loss on sales of subsidiaries and affiliates' stocks | 170 | - |
| Total special loss | 11,195 | 5,865 |
| Income before income taxes | 41,021 | 84,792 |
| Income taxes-current | 3,794 | 16,137 |
| Income taxes-deferred | (7,055) | (8,620) |
| Total income taxes | (3,261) | 7,517 |
| Net income | 44,282 | 77,275 |
| Net income attributable to non-controlling interests | 163 | 79 |
| Net income attributable to shareholders of parent company | 44,119 | 77,196 |

3.2.2 Consolidated Statements of Comprehensive Income
(Nine-month period ended December 31, 2016 and the year ended December 31, 2017)
(In millions of yen)

| | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|--|--|-------------------------------------|
| Net income | 44,282 | 77,275 |
| Other comprehensive income | | |
| Unrealized gains (losses) on securities | 135 | (140) |
| Deferred gains (losses) on hedges | 9,012 | (9,012) |
| Foreign currency translation adjustments | (3,228) | 11,277 |
| Remeasurements of defined benefit plans, net of tax | (9,574) | 7,715 |
| Share of other comprehensive income of affiliates accounted for by the equity method | 11 | 59 |
| Total other comprehensive income | (3,644) | 9,899 |
| Comprehensive income | 40,638 | 87,174 |
| Comprehensive income attributable to: | | |
| Shareholders of parent company | 40,683 | 86,946 |
| Non-controlling interests | (45) | 228 |

3.3 Consolidated Statements of Changes in Net Assets (Nine-month period ended December 31, 2016 and the year ended December 31, 2017)

Nine-month period ended December 31, 2016

(In millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the period | 10,000 | 191,919 | 162,226 | (11) | 364,134 |
| Changes during the period | | | | | |
| Net income attributable to shareholders of parent company | | | 44,119 | | 44,119 |
| Net changes other than shareholders' equity | | | | | |
| Total changes during the period | - | - | 44,119 | - | 44,119 |
| Balance at the end of the period | 10,000 | 191,919 | 206,345 | (11) | 408,253 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|-----------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Unrealized gains (losses) on securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the period | 316 | - | (201) | 15,230 | 15,345 | - | 2,260 | 381,739 |
| Changes during the period | | | | | | | | |
| Net income attributable to shareholders of parent company | | | | | | | | 44,119 |
| Net changes other than shareholders' equity | 158 | 9,012 | (3,020) | (9,586) | (3,436) | 23 | (52) | (3,465) |
| Total changes during the period | 158 | 9,012 | (3,020) | (9,586) | (3,436) | 23 | (52) | 40,654 |
| Balance at the end of the period | 474 | 9,012 | (3,221) | 5,644 | 11,909 | 23 | 2,208 | 422,393 |

The year ended December 31, 2017

(In millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the period | 10,000 | 191,919 | 206,345 | (11) | 408,253 |
| Changes during the period | | | | | |
| Net income attributable to shareholders of parent company | | | 77,196 | | 77,196 |
| Issuance of new shares | 22 | 22 | | | 44 |
| Net changes other than shareholders' equity | | | | | |
| Total changes during the period | 22 | 22 | 77,196 | - | 77,240 |
| Balance at the end of the period | 10,022 | 191,941 | 283,541 | (11) | 485,493 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|-----------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Unrealized gains (losses) on securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the period | 474 | 9,012 | (3,221) | 5,644 | 11,909 | 23 | 2,208 | 422,393 |
| Changes during the period | | | | | | | | |
| Net income attributable to shareholders of parent company | | | | | | | | 77,196 |
| Issuance of new shares | | | | | | | | 44 |
| Net changes other than shareholders' equity | (77) | (9,012) | 11,115 | 7,724 | 9,750 | 2,288 | 227 | 12,265 |
| Total changes during the period | (77) | (9,012) | 11,115 | 7,724 | 9,750 | 2,288 | 227 | 89,505 |
| Balance at the end of the period | 397 | - | 7,894 | 13,368 | 21,659 | 2,311 | 2,435 | 511,898 |

3.4 Consolidated Statements of Cash Flows
(Nine-month period ended December 31, 2016 and the year ended December 31, 2017)

(In millions of yen)

| | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|---|--|-------------------------------------|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 41,021 | 84,792 |
| Depreciation and amortization | 35,620 | 76,495 |
| Amortization of long-term prepaid expenses | 9,666 | 14,807 |
| Impairment loss | 254 | 1,218 |
| Amortization of goodwill | - | 17,445 |
| Loss on disaster | 2,584 | - |
| Increase (decrease) in net defined benefit liability | (2,193) | (8,442) |
| Increase (decrease) in provision for business structure improvement | (1,882) | 559 |
| Interest and dividends income | (553) | (624) |
| Insurance income | (91) | (10,528) |
| Interest expenses | 1,578 | 1,981 |
| Equity in (earnings) losses of affiliates | (33) | (114) |
| Loss (gain) on sales of property, plant and equipment | (2,059) | (485) |
| Business structure improvement expenses | 1,276 | 1,769 |
| Loss (gain) on transfer of business | - | (3,847) |
| Decrease (increase) in notes and accounts receivable-trade | 1,343 | (9,839) |
| Decrease (increase) in inventories | 10,404 | (10,528) |
| Decrease (increase) in accounts receivable-other | 187 | (750) |
| Increase (decrease) in notes and accounts payable-trade | (308) | 8,903 |
| Increase (decrease) in accounts payable-other and accrued expenses | 7,060 | (10,745) |
| Increase (decrease) in other current liabilities | 1,254 | 3,270 |
| Other cash provided by (used in) operating activities, net | 955 | 4,454 |
| Subtotal | 106,083 | 159,791 |
| Interest and dividends received | 601 | 676 |
| Proceeds from insurance income | 91 | 11,528 |
| Interest paid | (1,578) | (1,919) |
| Income taxes paid | (6,753) | (3,532) |
| Payments for loss on disaster | (2,562) | (2,322) |
| Net cash provided by (used in) operating activities | 95,882 | 164,222 |

(In millions of yen)

| | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|--|--|-------------------------------------|
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (44,864) | (114,747) |
| Proceeds from sales of property, plant and equipment | 3,391 | 953 |
| Purchase of intangible assets | (9,600) | (8,890) |
| Purchase of long-term prepaid expenses | (1,897) | (4,543) |
| Purchase of investment securities | (526) | (276) |
| Proceeds from sales of investment securities | 498 | 971 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (311,428) |
| Proceeds from sales of subsidiaries and affiliates' stocks | 231 | - |
| Proceeds from transfer of business | 3,631 | 4,940 |
| Other cash provided by (used in) investing activities, net | 225 | 385 |
| Net cash provided by (used in) investing activities | (48,911) | (432,635) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term borrowings | - | 35,000 |
| Proceeds from long-term borrowings | 148,603 | 50,000 |
| Repayment of long-term borrowings | (236,239) | (8,297) |
| Repayments of finance lease obligations | (864) | (356) |
| Repayments of installment payables | (8,621) | (13,104) |
| Other cash provided by (used in) financing activities, net | (40) | - |
| Net cash provided by (used in) financing activities | (97,161) | 63,243 |
| Effect of exchange rate change on cash and cash equivalents | 6,067 | (9,572) |
| Net increase (decrease) in cash and cash equivalents | (44,123) | (214,742) |
| Cash and cash equivalents at the beginning of the year | 398,410 | 354,287 |
| Cash and cash equivalents at the end of the year | 354,287 | 139,545 |

3.5. Notes to Consolidated Financial Statements

(Notes about Going Concern Assumption)

Not applicable

(Basis of Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

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

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

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 accounted for by the equity method: 1

The name of affiliate accounted for by the equity method:

Renesas Easton Co., Ltd.

(2) 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. Change in Consolidated Fiscal Term

As the Group further expands its business activities globally moving forward, the change was intended to simplify comparisons of business performance by synchronizing the fiscal term to match that of other international companies in the same field.

Then at the 14th Ordinary General Shareholders' Meeting held on June 28, 2016, a partial amendment to the Articles of Incorporation was approved and the Group implemented a change of the fiscal term in which the fiscal year-end would change from March 31 to December 31 starting from the fiscal year 2016. The previous fiscal year (fiscal year ending December 31, 2016) in which the transition to the new accounting period took place, comprised the financial results for the nine months from April 1, 2016 to December 31, 2016.

4. 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
The useful lives of principal property, plant and equipment are as follows:

Buildings and structures: 10 to 45 years
Machinery and equipment: 2 to 8 years
Vehicles, tools, furniture and fixtures: 2 to 10 years

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

Software for sales purposes

Amortized using the higher of the amount based on sales in the year as a proportion of total estimated sales over salable periods (not exceeding 3 years) or the amount based on a straight-line basis over the remaining salable period.

Software for internal use

Amortized by the straight-line method mainly over an estimated useful life of 5 years, which is the available term for internal use.

Developed technology

Amortized by the straight-line method based on the useful life (not exceeding 12 years) of the business activities.

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) Cash and cash equivalents on the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits which can be withdrawn at any time and short-term investments with a maturity of 3 months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(8) 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.

(9) Others

1) Accounting for consumption tax

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

2) Adoption of consolidated taxation system

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

(Changes in Presentation)

Consolidated Balance Sheets

“Developed technology”, which was included in “Other” under “Intangible assets” in the previous fiscal year, is presented separately in the current fiscal year because of its materiality. To reflect this change in method of presentation, the amount of 6,626 million yen presented in “Other” in the previous fiscal year is reclassified into “Developed technology”.

Consolidated Statements of Cash Flows

“Increase (decrease) in other current liabilities”, which was included in “Other cash provided by (used in) operating activities, net” under “Net cash provided by (used in) operating activities” in the previous fiscal year, is presented separately in the current fiscal year because of its materiality. In addition, “Increase (decrease) in provision for loss on disaster” and “Payments for extra retirement benefits”, which were presented separately in the previous fiscal year, are included in “Other cash provided by (used in) operating activities, net” under “Net cash provided by (used in) operating activities” from the current fiscal year due to their immateriality.

As a result of this change, the amount of 1,254 million yen presented in “Other cash provided by (used in) operating activities, net” in the previous fiscal year is reclassified into “Increase (decrease) in other current liabilities”. In addition, 708 million yen presented as “Increase (decrease) in provision for loss on disaster” and 638 million yen (negative figure) presented as “Payments for extra retirement benefits” in the previous fiscal year are restated as 70 million yen in “Other cash provided by (used in) operating activities, net” for “Net cash provided by (used in) operating activities”.

(Consolidated Balance Sheets)

*1 Assets pledged as collateral and secured liabilities
(Assets pledged as collateral)

(In millions of yen)

| | As of December 31, 2016 | | As of December 31, 2017 | |
|--------------------------|-------------------------|-----------|-------------------------|-----------|
| Buildings and structures | 46,128 | (45,594) | 43,309 | (43,020) |
| Machinery and equipment | 54,151 | (54,151) | 73,008 | (73,008) |
| Land | 22,226 | (18,532) | 17,929 | (17,311) |
| Total | 122,505 | (118,277) | 134,246 | (133,339) |

(Secured liabilities)

(In millions of yen)

| | As of December 31, 2016 | | As of December 31, 2017 | |
|---|-------------------------|-----------|-------------------------|-----------|
| Short-term borrowings | — | (—) | 35,000 | (35,000) |
| Current portion of long-term borrowings | — | (—) | 2,875 | (2,875) |
| Current portion of lease obligations | 4,344 | (—) | (—) | (—) |
| Long-term borrowings | 152,568 | (152,568) | 148,896 | (148,896) |
| Total | 156,912 | (152,568) | 186,771 | (186,771) |

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

*2 Items below relate to affiliates

(In millions of yen)

| | As of December 31, 2016 | As of December 31, 2017 |
|-------------------------------|-------------------------|-------------------------|
| Investment securities (Stock) | 3,165 | 3,105 |

*3 Accumulated impairment loss was included in accumulated depreciation.

4 Contingent liabilities

(1) Debt guarantees

(In millions of yen)

| As of December 31, 2016 | | As of December 31, 2017 | |
|--|-----|--|-----|
| Guarantees of employees' housing loans | 131 | Guarantees of employees' housing loans | 99 |
| Other | 321 | Other | 312 |
| Total | 452 | Total | 411 |

(2) Others

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.

(Consolidated Statements of Operations)

*1 Insurance income

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

*2 Impairment loss

The details of impairment loss were as follows:

For the year ended December 31, 2016

| Location | Usage | Type |
|--|--------------------------|--|
| Kai-city, Yamanashi-prefecture Showa-town, Nakakoma-county, Yamanashi-prefecture Konan-city, Kochi-prefecture etc. | Assets to be disposed of | Buildings and structures, Land, Construction in progress |
| Taiwan China Mashiki-town, Kamimashiki-county, Kumamoto-prefecture etc. | Idle assets | Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Land |

The Group, in principle, bases its grouping for assessing impairment loss on long-term assets on each company or place of business. 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 value declined significantly. Such loss amounted to 1,060 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 219 million yen, which was included in special loss.

The assets to be disposed of and idle assets amounted to 1,279 million yen for special loss.

In addition, impairment loss includes business structure improvement expenses, which amounted to 1,025 million yen and impairment loss except for business structure improvement expenses, which amounted to 254 million yen.

The components of impairment loss (1,279 million yen) were as follows:

| | (In millions of yen) |
|---|----------------------|
| Buildings and structures | 945 |
| Machinery and equipment | 56 |
| Vehicles, tools, furniture and fixtures | 131 |
| Land | 90 |
| Construction in progress | 57 |
| Total | 1,279 |

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.

For the year ended December 31, 2017

| 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.

*3 Loss on disaster

(Fiscal year ended December 31, 2016)

The loss on disaster was related to the 2016 Kumamoto Earthquake, and the components of the amount of loss on disaster for the year ended December 31, 2016 were as follows:

| | (In millions of yen) |
|--|----------------------|
| Repair cost of fixed assets | 4,355 |
| Fixed costs during the temporary shutdown period of operations | 2,114 |
| Loss on disposal of inventories | 1,835 |
| Other costs | 611 |
| Subtotal | 8,915 |
| Accrued insurance proceeds | (1,000) |
| Total | 7,915 |

(Fiscal year ended December 31, 2017)

None

*4 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. The main items of business structure improvement expenses of previous fiscal year and current fiscal year were relocation/disposal expenses associated with fixed assets.

(Consolidated Statements of Changes in Net Assets)

For the year ended December 31, 2016

1. Shares issued and outstanding / Treasury stock

| | Number of shares at the beginning of the period | Increase | Decrease | Number of shares at the end of the period |
|----------------|---|----------|----------|---|
| Shares issued | | | | |
| Common stock | 1,667,124,490 | — | — | 1,667,124,490 |
| Total | 1,667,124,490 | — | — | 1,667,124,490 |
| Treasury stock | | | | |
| Common stock | 2,581 | — | — | 2,581 |
| Total | 2,581 | — | — | 2,581 |

For the year ended December 31, 2017

1. Shares issued and outstanding / Treasury stock

| | Number of shares at the beginning of the period | Increase | Decrease | Number of shares at the end of the period |
|----------------|---|----------|----------|---|
| Shares issued | | | | |
| Common stock | 1,667,124,490 | 70,000 | — | 1,667,194,490 |
| Total | 1,667,124,490 | 70,000 | — | 1,667,194,490 |
| Treasury stock | | | | |
| Common stock | 2,581 | — | — | 2,581 |
| Total | 2,581 | — | — | 2,581 |

(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.

For details including hedging instruments, hedged items, hedging policy, Method of assessing hedge effectiveness, please refer to the aforementioned Notes to the Basis of Preparing Consolidated Financial Statements, "4 Significant Accounting Policies (8) Hedge Accounting"

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, 2016 and December 31, 2017 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note2)

As of December 31, 2016

(In millions of yen)

| | Carrying value | Fair value | Difference |
|---|----------------|------------|------------|
| (1) Cash and deposits | 354,569 | 354,569 | — |
| (2) Notes and accounts receivable-trade | 80,480 | 80,480 | — |
| (3) Accounts receivable-other | 12,721 | 12,721 | — |
| (4) Long-term investment securities | | | |
| Stocks of affiliates | 3,165 | 2,077 | (1,088) |
| Other securities | 2,816 | 2,816 | — |
| Total assets | 453,751 | 452,663 | (1,088) |
| (5) Electronically recorded obligations | 11,138 | 11,138 | — |
| (6) Notes and accounts payable-trade | 74,750 | 74,750 | — |
| (7) Accounts payable-other | 44,652 | 44,652 | — |
| (8) Accrued income taxes | 2,309 | 2,309 | — |
| (9) Long-term borrowings (including current portion) | 152,568 | 152,039 | (529) |
| (10) Lease obligations (including current portion) | 4,750 | 4,796 | 46 |
| Total liabilities | 290,167 | 289,684 | (483) |
| (11) Derivative transactions (*) | | | |
| Derivatives not subject to hedge accounting | 395 | 395 | — |
| Derivatives subject to hedge accounting | 3,044 | 3,044 | — |
| Total derivative transactions | 3,439 | 3,439 | — |

(*) The values of assets and liabilities arising from derivative transactions are shown at net value. If the net balance of the derivative transactions is a liability, it is shown in parenthesis.

As of December 31, 2017

(In millions of yen)

| | Carrying value | 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 | | | |
| Total assets | 262,538 | 262,359 | (179) |
| (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 |
| Total liabilities | 394,792 | 397,363 | 2,571 |

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.

Note2: Financial instruments for which it is extremely difficult to estimate their fair value in consolidated balance sheets

(In millions of yen)

| | As of December 31, 2016 | As of December 31, 2017 |
|---------------------------|-------------------------|-------------------------|
| Non-marketable securities | 117 | 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.

(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 converted 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).

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

With regard to the acquisition of Intersil which took place on February 24, 2017, the acquisition was accounted for using provisional amounts determined based on reasonable information at the time of creation of quarterly consolidated financial statement since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized and, therefore, the purchase price allocation was still preliminary. The Group has revised the amount of goodwill based on current fiscal year's allocation of determined acquisition cost.

(In millions of yen)

| Modified subjects | Adjustments of goodwill |
|-------------------------------|-------------------------|
| Goodwill (before adjustment) | 316,304 |
| Inventories | (10,029) |
| Property, plant and equipment | (10,326) |
| Intangible assets | (144,037) |
| Deferred tax liabilities | 35,939 |
| Other | 1,786 |
| Total adjustments | (126,667) |
| Goodwill (after adjustment) | 189,637 |

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

(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.

(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.

(Millions of yen)

| | |
|------------------------------|-------|
| Gain on transfer of business | 3,847 |
|------------------------------|-------|

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

(Millions of yen)

| | |
|--------------------------|--------------|
| Current assets | 596 |
| Long-term assets | 516 |
| <u>Total assets</u> | <u>1,112</u> |
| Current liabilities | 14 |
| Long-term liabilities | 5 |
| <u>Total liabilities</u> | <u>19</u> |

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

(Millions of yen)

| | |
|------------------|-------|
| Net sales | 2,096 |
| Operating income | 326 |

(Segment Information)

[Business Segment Information]

(Nine-month period ended December 31, 2016 and the year ended December 31, 2017)

The semiconductor business segment is the sole operating segment of the Group. The information by business segment is therefore omitted.

[Related Information]

Nine-month period ended December 31, 2016

1. Information by product and service

(In millions of yen)

| | Automotive Business | Industrial | Broad-based | Other Semiconductors | Others | Total |
|----------------------------|---------------------|------------|-------------|----------------------|--------|---------|
| Net sales to third parties | 258,410 | 138,793 | 55,573 | 4,421 | 13,834 | 471,031 |

2. Information by region and country

(1) Net sales

(In millions of yen)

| Japan | China | Asia (Excluding China) | Europe | North America | Others | Total |
|---------|--------|------------------------|--------|---------------|--------|---------|
| 213,483 | 75,956 | 67,670 | 66,074 | 45,543 | 2,305 | 471,031 |

[Note] Sales are based on the location of customers and classified by country or region.

(2) Property, plant and equipment

(In millions of yen)

| Japan | Malaysia | China | Asia (Excluding Malaysia and China) | Europe | North America | Total |
|---------|----------|--------|-------------------------------------|--------|---------------|---------|
| 161,272 | 21,275 | 16,853 | 589 | 717 | 799 | 201,505 |

3. Information by major customer

(In millions of yen)

| Name of major customers | Net sales | Name of related segment |
|-------------------------|-----------|-------------------------|
| Ryosan Company, Limited | 65,098 | Semiconductor business |

For the year ended December 31, 2017

1. Information by product and service

(In millions of yen)

| | Automotive Business | Industrial | Broad-based | Other Semiconductors | Others | Total |
|----------------------------|---------------------|------------|-------------|----------------------|--------|---------|
| Net sales to third parties | 407,801 | 217,656 | 134,009 | 4,960 | 15,835 | 780,261 |

2. Information by region and country

(1) Net sales

(In millions of yen)

| Japan | China | Asia (Excluding China) | Europe | North America | Others | Total |
|---------|---------|------------------------|---------|---------------|--------|---------|
| 329,450 | 150,556 | 112,341 | 109,394 | 74,607 | 3,913 | 780,261 |

[Note] Sales are based on the location of customers and classified by country or region.

(2) Property, plant and equipment

(In millions of yen)

| Japan | Malaysia | China | Asia (Excluding Malaysia and China) | Europe | North America | Total |
|---------|----------|--------|-------------------------------------|--------|---------------|---------|
| 186,515 | 34,668 | 32,684 | 649 | 822 | 12,003 | 267,341 |

[Note] Because of the sales of China accounted for 10% or more of total sales we stated it separately from the current fiscal year.

3. Information by major customer

(In millions of yen)

| Name of major customers | Net sales | Name of related segment |
|-------------------------|-----------|-------------------------|
| Ryosan Company, Limited | 106,526 | Semiconductor business |

(Amount per Share Information)

| Item | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|------------------------------------|--|-------------------------------------|
| Net assets per share | 252.03 yen | 304.20 yen |
| Basic net income per share | 26.46 yen | 46.30 yen |
| Net income per share fully diluted | 26.46 yen | 46.26 yen |

Note 1: The basis of calculation for net income per share and net income per share fully diluted was as follows

| Item | Nine-month period ended December 31, 2016 | The year ended December 31, 2017 |
|--|--|-------------------------------------|
| Basic net income per share | | |
| Net income attributable to shareholders of parent company (In millions of yen) | 44,119 | 77,196 |
| Amounts not attributable to common stock (In millions of yen) | — | — |
| Net income attributable to shareholders of parent company attributable to common stock (In millions of yen) | 44,119 | 77,196 |
| Average number of common stock during the fiscal year (Thousands) | 1,667,122 | 1,667,168 |
| | | |
| Net income per share fully diluted | | |
| Net income adjustment attributable to shareholders of parent company (In millions of yen) | — | — |
| Increase in the number of common stock (Thousands) | 76 | 1,615 |
| (Subscription rights to shares (Thousands)) | (76) | (1,615) |
| Brief description of residual shares excluded from diluted earnings per share, because it does not have the dilutive effect. | — | — |

Note 2: The basis of calculation for net assets per share was as follows

| Item | As of December 31, 2016 | As of December 31, 2017 |
|---|----------------------------|----------------------------|
| Total net assets (In millions of yen) | 422,393 | 511,898 |
| Amounts deducted from total net assets (In millions of yen) | 2,231 | 4,746 |
| Subscription rights to shares (In millions of yen) | (23) | (2,311) |
| (Non-controlling interests (In millions of yen)) | (2,208) | (2,435) |
| Net assets attributable to common stock at the end of the year (In millions of yen) | 420,162 | 507,152 |
| The fiscal year-end number of common stock used for the calculation of net assets per share (Thousands) | 1,667,122 | 1,667,192 |

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.

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