

To Shareholders

The 18th Ordinary General Meeting of Shareholders Matters for Internet Disclosure

The 18th Business Period from January 1, 2019 to December 31, 2019

- Stock Acquisition Rights, etc. of the Company p.1
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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

Matters related to Stock Acquisition Rights, etc.**(i) Overview of Stock Acquisition Rights Granted as Stock Options (as of December 31, 2019)**

The overview of the stock acquisition rights the Company has granted as stock options is as follows (as of December 31, 2019).

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)	854	common stock 86,400 shares	600 yen	1 yen	August 2, 2016 ~August 1, 2026
No. 2 of Year 2016 (June 28, 2016)	75	common stock 7,500 shares	None	1 yen	August 2, 2016 ~August 1, 2026
No. 1 of Year 2017 (March 13, 2017)	9,226	common stock 922,600 shares	1,167 yen	1 yen	April 4, 2017 ~April 3, 2027
No. 2 of Year 2017 (March 13, 2017)	14,200	common stock 1,420,000 shares	None	1 yen	April 4, 2017 ~April 3, 2027
No. 3 of Year 2017 (April 26, 2017)	94	common stock 9,400 shares	None	1 yen	May 12, 2017 ~May 11, 2027
No. 4 of Year 2017 (June 27, 2017)	148	common stock 14,800 shares	None	1 yen	July 13, 2017 ~July 12, 2027
No. 5 of Year 2017 (August 29, 2017)	44	common stock 4,400 shares	1,239 yen	1 yen	September 15, 2017 ~September 14, 2027
No. 6 of Year 2017 (August 29, 2017)	215	common stock 21,500 shares	None	1 yen	September 15, 2017 ~September 14, 2027
No. 7 of Year 2017 (September 27, 2017)	353	common stock 35,300 shares	None	1 yen	October 13, 2017 ~October 12, 2027
No. 8 of Year 2017 (December 27, 2017)	525	common stock 52,500 shares	None	1 yen	January 16, 2018 ~January 15, 2028
No. 1 of Year 2018 (March 16, 2018)	13,000	common stock 1,300,000 shares	1,092 yen	1 yen	April 3, 2018 ~April 2, 2028
No. 2 of Year 2018 (March 16, 2018)	20,945	common stock 2,094,500 shares	None	1 yen	April 3, 2018 ~April 2, 2028
No. 3 of Year 2018 (June 27, 2018)	2,589	common stock 258,900 shares	995 yen	1 yen	August 1, 2018 ~July 31, 2028
No. 4 of Year 2018 (June 27, 2018)	1,537	common stock 153,700 shares	None	1 yen	August 1, 2018 ~July 31, 2028
No. 5 of Year 2018 (September 26, 2018)	1,249	common stock 124,900 shares	None	1 yen	November 1, 2018 ~October 31, 2028
No. 2 of Year 2019 (March 25, 2019)	2,321	common stock 232,100 shares	599 yen	1 yen	April 9, 2019 ~ April 8, 2029
No. 3 of Year 2019 (March 25, 2019)	164,573	common stock 16,457,300 shares	None	1 yen	April 9, 2019 ~ April 8, 2029
No. 4 of Year 2019 (April 23, 2019)	467	common stock 46,700 shares	494 yen	1 yen	June 1, 2019 ~May 31, 2029
No. 5 of Year 2019 (April 23, 2019)	8,236	common stock 823,600 shares	None	1 yen	June 1, 2019 ~May 31, 2029
No. 6 of Year 2019 (June 25, 2019)	23,975	common stock 2,397,500 shares	638 yen	1 yen	July 26, 2019 ~ July 25, 2029

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. 7 of Year 2019 (June 25, 2019)	165,340	common stock 16,534,000 shares	None	1 yen	July 26, 2019 ~ July 25, 2029
No. 8 of Year 2019 (July 30, 2019)	15,367	common stock 1,536,700 shares	629 yen	1 yen	August 24, 2019 ~ August 23, 2029
No. 9 of Year 2019 (July 30, 2019)	14,130	common stock 1,413,000 shares	None	1 yen	August 24, 2019 ~ August 23, 2029
No. 10 of Year 2019 (August 27, 2019)	3,448	common stock 344,800 shares	None	1 yen	September 21, 2019 ~ September 20, 2029
No. 11 of Year 2019 (September 24, 2019)	2,286	common stock 228,600 shares	660 yen	1 yen	November 1, 2019 ~ October 31, 2029
No. 12 of Year 2019 (September 24, 2019)	7,329	common stock 732,900 shares	None	1 yen	November 1, 2019 ~ October 31, 2029
No. 13 of Year 2019 (November 26, 2019)	2,048	common stock 204,800 shares	None	1 yen	December 26, 2019 ~ December 25, 2029

- (Note) 1. After a specified period for each stock acquisition right passes, a holder of the stock acquisition rights may exercise the prescribed portion of those rights each time the applicable stock acquisition right vests.
2. If a holder of the stock acquisition rights ceases to be a Director, a Corporate Officer or the like, such holder can exercise any vested portion of the stock acquisition rights only within the thirteen (13) months period starting from the day immediately following the day such holder ceased to hold such position.
3. Regarding the stock acquisition rights granted under "No.1 of Year 2016", "No.1 of Year 2017", "No.5 of Year 2017", "No.1 of Year 2018", "No.3 of Year 2018", "No.2 of Year 2019", "No.4 of Year 2019", "No.6 of Year 2019", "No.8 of Year 2019" and "No.11 of Year 2019", the obligations to make payments based on the above "Amount to be Paid for Stock Acquisition Rights" are offset by the remunerations payable by the Company, and therefore no monetary payments will be required.

(ii) Stock Acquisition Rights Held by Officers of the Company (as of December 31, 2019)

Name (Resolution Date for Issuance)	Holders 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	526	common stock 52,600 shares
No. 1 of Year 2017 (March 13, 2017)	2 directors	678	common stock 67,800 shares
No. 1 of Year 2018 (March 16, 2018)	2 directors	1,587	common stock 158,700 shares
No. 8 of Year 2019 (July 30, 2019)	2 directors	6,675	common stock 667,500 shares

(Note) No stock acquisition rights were granted to Outside Directors and Corporate Auditors.

(iii) Stock Acquisition Rights Granted to the Employees (excluding those Employees who are also Directors of the Company) of the Company during this Business Period (from January 1, 2019 to December 31, 2019)

Name (Resolution Date for Issuance)	Grantees	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 4 of Year 2019 (April 23, 2019)	1 employee	467	common stock 46,700 shares
No. 6 of Year 2019 (June 25, 2019)	576 employees	21,628	common stock 2,162,800 shares
No. 8 of Year 2019 (July 30, 2019)	16 corporate officers 2 employees	8,692	common stock 869,200 shares
No. 9 of Year 2019 (July 30, 2019)	6 corporate officers	5,970	common stock 597,000 shares
No. 11 of Year 2019 (September 24, 2019)	122 employees	1,992	common stock 199,200 shares
No. 12 of Year 2019 (September 24, 2019)	1 corporate officer	495	common stock 49,500 shares

- (Note) 1. 736 of the stock acquisition rights granted under "No.4 of Year 2019" (common stock of 73,600 shares) have lapsed without being exercised within this Business Period.
2. 256 of the stock acquisition rights granted under "No.6 of Year 2019" (common stock of 25,600 shares) have lapsed without being exercised within this Business Period.

(iv) Stock Acquisition Rights Granted to the Directors and Employees of the Company's Subsidiaries during this Business Period (from January 1, 2019 to December 31, 2019)

Name (Resolution Date for Issuance)	Grantees	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 2 of Year 2019 (March 25, 2019)	16 employees	2,321	common stock 232,100 shares
No. 3 of Year 2019 (March 25, 2019)	1,320 employees	164,573	common stock 16,457,300 shares
No. 5 of Year 2019 (April 23, 2019)	34 employees	8,236	common stock 823,600 shares
No. 6 of Year 2019 (June 25, 2019)	4 directors 58 employees	2,347	common stock 234,700 shares
No. 7 of Year 2019 (June 25, 2019)	21 directors 1,863 employees	165,340	common stock 16,534,000 shares
No. 9 of Year 2019 (July 30, 2019)	1 employee	8,160	common stock 816,000 shares
No. 10 of Year 2019 (August 27, 2019)	441 employees	3,448	common stock 344,800 shares
No. 11 of Year 2019 (September 24, 2019)	1 director 10 employees	294	common stock 29,400 shares
No. 12 of Year 2019 (September 24, 2019)	113 employees	6,834	common stock 683,400 shares

Name (Resolution Date for Issuance)	Grantees	Total Number of Stock Acquisition Rights	Type and Number of Company's Stocks to be Issued upon Exercise of Stock Acquisition Rights
No. 13 of Year 2019 (November 26, 2019)	15 employees	2,048	common stock 204,800 shares

- (Note)
1. 36 of the stock acquisition rights granted under "No.2 of Year 2019" (common stock of 3,600 shares) have lapsed without being exercised within this Business Period.
 2. 10,480 of the stock acquisition rights granted under "No.3 of Year 2019" (common stock of 1,048,000 shares) have lapsed without being exercised within this Business Period.
 3. 477 of the stock acquisition rights granted under "No.5 of Year 2019" (common stock of 47,700 shares) have lapsed without being exercised within this Business Period.
 4. 4,678 of the stock acquisition rights granted under "No.7 of Year 2019" (common stock of 467,800 shares) have lapsed without being exercised within this Business Period.
 5. 68 of the stock acquisition rights granted under "No.10 of Year 2019" (common stock of 6,800 shares) have lapsed without being exercised within this Business Period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to Basis of Consolidated Financial Statements

1. Basis for Preparation

The Company and its subsidiaries (hereafter "the Group") prepares the notes to consolidated financial statements in accordance with the International Financial Reporting Standards (hereafter "IFRS") pursuant to Article 120, paragraph 1 of the Regulation on Corporate Accounting. The Group adopts the provision to Article 120, paragraph 1 of the Regulation on Corporate Accounting and omits partial of the disclosures in accordance with IFRS in the notes to consolidated financial statements.

2. Scope of Consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 87

The names of major subsidiaries:

Names of the major consolidated subsidiaries are listed on "1-(7). Principal Subsidiaries (as of December 31, 2019)" in the Business Report and omitted in this part.

Number of subsidiaries decreased by merger and liquidation: 10

Renesas Semiconductor Package & Test Solutions Co., Ltd. and other 9 companies.

The number of subsidiaries increased by acquisition: 49

Integrated Device Technology, Inc. (hereafter "IDT") and other 48 companies.

3. Application of Equity Method

There are no affiliates accounted for by the equity method.

4. Significant Accounting Policies

(1) Financial instruments

a. Financial assets other than derivatives

(a) Initial recognition and measurement

Trade and other receivables are initially recognized at their transaction price on that date, and all other financial assets are initially recognized on the date of the transaction when the Company becomes the contracting party to the financial assets.

At the time of initial recognition, financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value.

(i) Financial assets measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost if both of the following conditions are met or a financial asset measured at fair value in other cases.

· Assets are held within a business model that aims to hold assets to collect contractual cash flows.

· The contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income

· Debt instruments measured at fair value through other comprehensive income

If both of the following conditions are met, financial assets are classified as debt instruments measured at fair value through other comprehensive income.

- Assets are held within a business model whose objective is achieved by both the collection and sale of contractual cash flows.

- The contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

· Equity instruments measured at fair value through other comprehensive income

Of financial assets measured at amortized cost, or financial assets other than debt instruments measured at fair value through other comprehensive income, when an irrevocable election at the time of initial recognition is made, subsequent changes in fair value are recognized in other comprehensive income and such equity instruments are classified as financial assets measured at fair value through other comprehensive income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets measured at amortized cost or financial assets other than those measured at fair value through other comprehensive income are classified into financial assets measured at fair value through profit or loss.

(b) Impairment of financial assets

For impairment of financial assets measured at amortized cost, etc., the Group has decided to recognize an allowance for expected credit losses of financial assets. On each reporting date, the Group assesses whether the credit losses of financial instruments have increased significantly subsequent to initial recognition.

If the credit losses of financial instruments have not increased significantly after initial recognition, the allowance for credit losses of financial instruments is measured at the amount of 12-month expected credit losses, and if the

credit losses of financial instruments have increased significantly after initial recognition, the allowance for credit losses of the financial instruments is measured at the amount of lifetime expected credit losses.

However, for trade receivables, etc., the allowance for credit losses is always measured at the amount of lifetime expected credit losses.

(c) Derecognition

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial asset expire, or if substantially all risks and rewards associated with ownership of the financial assets are transferred as a result of assigning the contractual right to receive cash flows from the financial assets.

b. Financial liabilities other than derivatives

(a) Initial recognition and measurement

At the time of initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. Although all financial liabilities are initially measured at fair value, financial liabilities measured at amortized cost are measured at an amount obtained by deducting directly attributable transaction costs.

(b) Derecognition

The Group derecognizes financial liabilities when they are extinguished, for example when the obligations specified in the contract are discharged, cancelled or expired.

c. Derivatives and hedge accounting

The Group holds derivative financial instruments for the purpose of hedging the risk of exchange rate fluctuations, etc. The Group has a policy of not conducting speculative derivative transactions.

Derivatives are initially recognized at fair value, and related transaction costs are recognized in profit or loss when they are incurred. After the initial recognition, derivatives are remeasured at fair value, and changes in the fair value are accounted for as described below, depending on whether the derivative financial instruments that are designated as hedging instruments meet the requirements for hedge accounting. The Group designates the derivatives that meet the requirements for hedge accounting as hedging instruments and applies hedge accounting. In addition, at the inception of a hedge, the Group formally documents the risk management objective, the relationship between hedging instruments and the hedged items, along with strategies when executing hedging transactions, and the method of assessing hedge effectiveness.

(i) Cash flow hedges

Of gains or losses from hedging instruments, the effective portion of the hedge is recognized in other comprehensive income, and the ineffective portion is recognized in profit or loss.

The amount of hedging instruments that is recorded in other comprehensive income is reclassified to profit or loss at the time when the underlying hedged transactions affect profit or loss. If the hedged items give rise to the recognition of non-financial assets or non-financial liabilities, the amount that is recognized in other comprehensive income is reclassified as an adjustment to the initial carrying amount of non-financial assets or non-financial liabilities.

For cash flow hedges other than the above, the amount is reclassified from other comprehensive income to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if the accumulated amount is a loss and if all or part of the loss is not expected to be recovered in the future, the amount that is not expected to be recovered is immediately reclassified to profit or loss.

When hedge accounting is terminated, this accumulated amount remains in other comprehensive income until the expected future cash flows occur, and if the forecast transaction is no longer expected to occur, this amount is immediately reclassified to profit or loss.

(ii) Derivatives that do not meet requirements for hedge accounting

Changes in fair value are recognized in profit or loss.

(2) Inventories

The acquisition cost of inventories comprises all costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

After the initial recognition, inventories are measured at the lower of cost and net realizable value, but if cost exceeds net realizable value, the inventories are written down to net realizable value. The net realizable value is calculated by deducting the estimated costs of completion and the estimated costs necessary to make the sale from the estimated selling price in the ordinary course of business.

(3) Property, plant and equipment (other than leased assets)

The acquisition cost of property, plant and equipment includes costs directly related to the acquisition of assets, dismantling, disposal and restoration costs and borrowing costs that meet the requirements for capitalization.

The cost model is used in the measurement of property, plant and equipment, and they are presented at the carrying value obtained by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

Except for land and construction in progress, the acquisition cost of each asset after deducting the residual

value is depreciated over the estimated useful life using the straight-line method.

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each fiscal year, and any changes are applied to the period when the estimates are changed and future periods prospectively as a change in the accounting estimate. The impact of the change of these estimates is recognized in the period when the estimates are changed and future periods.

(4) Goodwill and intangible assets (other than leased assets)

a. Goodwill

Any excess of the consideration for acquisition, the non-controlling interests in the acquiree and the fair value of assets of the acquiree that the acquirer previously held over the net amount of identifiable assets and liabilities as of the date of acquisition is recognized as goodwill. Goodwill is not amortized and is presented at cost, less any accumulated impairment losses.

b. Intangible assets

The cost model is used for intangible assets, and they are presented at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at cost at the time of initial recognition and intangible assets acquired in a business combination are measured at fair value as of the date of acquisition.

Internally generated intangible assets are amortized using the straight-line method from the time when they are provided for use in business operations based on an estimated useful life (5 years) that is expected to provide net cash inflow.

Intangible assets with finite useful lives are amortized over their respective estimated useful life using the straight-line method, and an impairment test is performed if any indications of impairment exist. For intangible assets with finite useful lives, their useful lives and amortization method are reviewed at the end of each fiscal year, and if there is a change, it is applied to the period when the estimates are changed and future periods prospectively as a change in the accounting estimate.

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are not amortized, and an impairment test is performed at a certain time each fiscal year or whenever any indication of impairment exists.

(5) Leases

The leased assets for the Group are land, office building, and machinery, equipment and vehicles.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The right-of-use asset is measured at the initial measurement of the lease liability, adjusted by items such as prepaid lease payments, adding costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is depreciated over the lease term on a systemic basis.

Lease payments are apportioned between finance costs and repayment of lease obligation so as to produce a constant interest rate in proportion to the remaining balance of lease obligation. Finance costs are separately presented from the depreciation charge for the right-of-use asset in the consolidated statement of profit or loss.

In addition, lease payments for lease transactions with lease term under 12 months and leases of small-value assets are recognized as expense over the lease term on a straight-line basis.

(6) Impairment of non-financial assets

The Group determines whether there is any indication that an asset (except for inventories, deferred tax assets and assets pertaining to retirement benefits) may be impaired each fiscal year, and if such indication exists, an impairment test is performed. However, for goodwill or intangible assets with indefinite useful lives or that are not yet available for use, an impairment test is performed at a certain time each fiscal year or when any signs of impairment are identified.

In the impairment test, a recoverable amount is estimated, and the carrying amount and the recoverable amount are compared. The recoverable amount of assets, cash-generating units or groups of cash-generating units is calculated at the higher of the value in use and the fair value less costs of disposal. The value in use is calculated by discounting the estimated future cash flows to the present value, using the pre-tax discount rate that reflects the time value of money and risks specific to the asset.

If the recoverable amount of assets, cash-generating units or groups of cash-generating units is lower than the carrying amount as a result of the impairment test, an impairment loss is recognized. When the impairment loss of a cash-generating unit including goodwill is recognized, an allocation is made first to reduce the carrying amount of goodwill that is allocated to the cash-generating unit, and then an allocation is made to proportionally reduce the carrying amount of other assets in the cash-generating unit.

The impairment loss is reversed if there is any indication that the impairment loss recognized in a prior period may no longer exist or may have decreased and if the estimated recoverable amount exceeds the carrying amount. The upper limit of the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years, net of depreciation or amortization. The impairment loss on goodwill is not reversed.

(7) Provisions

The Company recognizes a provision if the Group has assumed a legal or constructive obligation as a result of a past event, if it is probable that an outflow of economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation.

If the time value of the money of the provision is significant, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of the money and risks specific to the liability. The unwinding of the discount amount due to the passage of time are recognized as a finance cost.

(8) Employee benefits

a. Short-term employee benefits

A short-term employee benefit is an employee benefit that will be settled within 12 months from the end of the fiscal year in which the employee renders the related service, and the Group recognizes an amount expected to be paid in exchange for the services rendered during a certain accounting period. Short-term employee benefits in the Group include bonuses and benefits related to paid leave.

Bonuses are recognized as a liability if the Group has a legal or constructive obligation to pay as a result of the provision of service by the employee in the past and if the obligation can be estimated reliably.

b. Post-employment benefits

For post-employment benefit plans, the Group has adopted defined benefit plans and defined contribution plans.

(a) Defined contribution plans

Contributions to defined contribution plans are recognized as an expense when they are incurred unless they are included in inventories or property, plant and equipment.

(b) Defined benefit plans

The net amount of assets or liabilities of the defined benefit plan is the amount obtained by deducting the fair value of the plan assets (including the upper limit of the plan assets and adjustments to minimum funding requirements, if necessary) from the present value of defined benefit obligations, and it is recognized in the consolidated financial statements as an asset or a liability. The defined benefit obligations are calculated using the projected unit credit method, and the present value of defined benefit obligations is calculated by applying a discount rate to the expected payment amount in the future. The discount rate is calculated based on market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period by setting the discount period based on the period until the future expected benefit payment date in each reporting period.

Service costs and net interest expense for the net amount of assets or liabilities related to the defined benefit obligations are recognized in profit or loss. Actuarial gains or losses and fluctuations in the return on the plan assets excluding the portion included in the net interest expense are recognized in other comprehensive income as "Remeasurements of defined benefit plans" in the corresponding period, and are immediately transferred from other components of equity to retained earnings. Past service costs are recognized in profit or loss when the plan is revised or curtailed, or when related restructuring costs or termination benefits are recognized, whichever is earlier.

(9) Foreign currency translation

a. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate or a rate approximate to the spot exchange rate on the date of the transaction. Monetary items denominated in a foreign currency at the end of the reporting period are translated into the functional currency using the closing rate, while non-monetary items denominated in a foreign currency that are measured at historical cost are translated using the exchange rate in effect on the date of the initial transaction, and those that are measured at fair value are translated using the exchange rate in effect on the date when the fair value was calculated.

Exchange differences from translation or settlement are recognized in profit or loss during the period when they arise. However, exchange differences arising from equity instruments and cash flow hedges measured through other comprehensive income are recognized in other comprehensive income.

b. Foreign operations

In preparing the consolidated financial statements, the assets and liabilities of a foreign operation whose functional currency is other than Japanese yen are translated into Japanese yen at the exchange rate as of the closing date of the consolidated financial statements, and profit or loss and cash flows of the foreign operation are translated into Japanese yen at the exchange rate on the date of the transaction or the average exchange rate for the period that is approximate to the exchange rate. Exchange differences are recognized in other comprehensive income, and the cumulative amount thereof is recognized in other components of equity.

On disposal of the entire ownership interest in a foreign operation or part of the interest that results in a loss of control or significant influence, the exchange differences of the foreign operation that were recognized in other comprehensive income and accumulated in equity are reclassified from equity to profit or loss when the related gains or losses on disposal are recognized.

(10) Revenue recognition

The Group recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is recognized when the goods are delivered as the ownership of these goods has been transferred to the customer and the performance obligations are identified at the time of delivery.

Also, revenue is measured at the fair value of the consideration received after deducting discounts, rebates and returns.

(11) Other significant accounting policies

a. Accounting for consumption tax

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

b. Adoption of consolidated taxation system

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

Notes to Change in Accounting Policy

1. Application of IFRS16 “Leases”

The Group has applied International Financial Reporting Standards 16 “Leases” (hereafter “IFRS16”) for the fiscal year ended December 31, 2019.

The Group has applied IFRS16 retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application and did not restate comparative information in accordance with paragraph C5(b) for IFRS16. In addition, the Group has applied the practical expedient permitted in paragraph C3 for IFRS16 and did not apply this Standard to contracts that were not previously identified as leases or containing a lease.

Right-of-use asset has been measured at an amount equal to the lease liability, adjusted only by the amount of accrued lease payments relating to that lease recognized in the statement of financial position as of December 31, 2018 in conformity with paragraph C8(b)(ii) for IFRS16. In the context of transition to IFRS16, 12,682 million yen of right-of-use assets and 13,102 million yen of lease liabilities have been recognized, and the difference of 420 million yen has been recognized as accrued leases payments. The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application of IFRS16 is 1.6%.

The adjustment between the amounts of contracts identified as operating leases in accordance with International Accounting Standard 17 (hereafter “IAS17”) “Leases” as of December 31, 2018, discounted by the lessee’s incremental borrowing rate and the amounts of lease liabilities recognized in the statement of financial position at the date of initial application is as follow.

	(In millions of yen)
Amounts of contracts identified as operating leases in accordance with IAS17 as of December 31, 2018 at the date of initial application	12,792
Amounts discounted by the lessee’s incremental borrowing rate of 1.6%	(754)
Cancellable operating lease contracts	1,064
Finance lease liabilities as of December 31, 2018	2,762
Lease liabilities recognized in the statement of financial position at the date of initial application (January 1, 2019)	15,864

When applying IFRS16, the Group has applied the practical expedient in paragraph C10 for IFRS16 as below for the contracts previously identified as operating leases in accordance with IAS17.

- The Group assesses the leases applying International Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review
- Leases for which the lease term ends within 12 months of the date of initial application are treated as short-term leases.
- Initial direct costs from the measurement of the right-of-use asset at the date of initial application are excluded.
- The Group determines the lease term of the contract which contains options to extend or terminate the lease using hindsight.

2. Application of IFRIC23 “Uncertainty over Income Tax Treatments”

The Group has applied International Financial Reporting Interpretations Committee Interpretation 23 “Uncertainty over Income Tax Treatments” for the fiscal year ended December 31, 2019. In addition, the impact of this application on the financial statements is insignificant.

Notes to Consolidated Statement of Financial Position

1. Assets pledged as collateral and secured liabilities

(Assets pledged as collateral)

	(In millions of yen)
Buildings and structures	38,329
Machinery and equipment	50,872
Land	16,811
Total	106,012

(Note) Other than the above, the share of subsidiary (802,492 million yen) which has been eliminated in consolidation was provided as collateral.

(Secured liabilities)

	(In millions of yen)
Current portion of long-term borrowings	93,170
Long-term borrowings	678,577
Total	771,747

2. Accumulated Depreciation of Property, Plant and Equipment: 851,643 million yen
(Including accumulated impairment loss of property, plant and equipment)

3. Contingent Liabilities:

Guarantees for employees' housing loans: 45 million yen

4. Other Contingent Liabilities:

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, investigation by regulatory authorities and other legal proceedings in various countries.

The Group has recorded provision for loss on litigation in accordance with what can be reasonably estimated for the cases below.

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 Group has been named in the United Kingdom as a defendant in a civil lawsuit related to possible violations of competition law involving smartcard chips brought by purchasers of such products.

The Group's subsidiary in Taiwan may be subject to requests for restitution for environmental pollution associated with a factory in Taiwan owned by the subsidiary's predecessor company.

Notes to Consolidated Statement of Changes in Equity

1. The type and total number of shares issued and outstanding as of December 31, 2019

Common stock	1,710,276,790 shares
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2. The type and number of shares to be acquired upon exercise of the stock options (excluding stock acquisition rights of which the commencement date of exercise period has not yet arrived) as of December 31, 2019

Common stock	47,457,400 shares
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Notes to 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

The Group is exposed to financial risks (credit risk, liquidity risk and market risk) in the process of executing its business activities. Accordingly, the Group regularly monitors the financial risks based on internal management regulations, etc. and takes measures to avoid or reduce the risks as required.

The Group does not engage in derivative transactions for speculative purposes.

(3) Credit risk

Notes and trade receivables are exposed to the credit risk of customers. Conforming to the internal rules for the management of receivables, the Group regularly monitors major customers' credit and manages the due dates of collection and the balance for each customer. Other receivables are exposed to the credit risk of customers, but most of them are settled in the short term. Short-term investments are financial assets invested on a short-time basis, and the Group transacts with highly creditworthy financial institutions. Trade receivables, etc. are regarded

as non-performing if all or part of them cannot be collected or if collection is deemed extremely difficult. The Group does not have any exposure to the significant credit risk of certain customers, and there is no excessive concentration of credit risk that requires special management.

(4) Liquidity risk

The Group is exposed to liquidity risk whereby the performance of payment obligations could become difficult. To limit its exposure to liquidity risk, however, the Group works to maintain fund management through the optimization of capital efficiency due to the efficient management of working capital and the concentrated management of funds by the Company. The Group also manages the liquidity risk by appropriately maintaining liquidity on hand through the timely preparation and updating of the financing plan and taking the external financial environment into account.

(5) Market risk

(a) Foreign currency exchange risk

Foreign currency receivables and obligations arising from the global business development of the Group are exposed to the risk of foreign exchange rate fluctuations. To reduce the risk of foreign exchange rate fluctuations, the Group uses forward exchange contracts, currency options and currency swaps.

(b) Interest rate risk

Although the Group raises funds through borrowings for the purpose of securing funds for long-term working capital and the promotion of growth strategies, the Group is exposed to the risk of interest rate fluctuations because some borrowings are made at floating interest rates. To reduce the risk of changes in the interest paid on borrowings, the Group uses interest rate swaps as required. Accordingly, the Group has decided that the impact of the risk of interest rate fluctuations on the Company is limited and insignificant and does not conduct a sensitivity analysis for interest rate risk.

(c) Stock price risk

The Group has adopted an incentive plan for its employees for the purpose of securing excellent human resources, particularly at subsidiaries. To operate the incentive plan, the Group holds shares and other financial instruments for the long term and is exposed to the risk of changes in their market prices. Please note that, following the introduction of a share-based payment plan (hereafter "the stock option plan"), the incentive plan was abolished and there was no new issuance.

The Group does not conduct a sensitivity analysis for the risk of changes in share prices since the impact of changes in share prices are immaterial.

2. Fair value of financial instruments

(1) Calculation method of fair value

The calculation method of the fair value of financial instruments is as follows.

(a) Cash and cash equivalents, and trade and other receivables

The fair value of these instruments approximates their carrying amount due to short term maturities.

(b) Trade and other payables

For trade and other payables that will mature within a relatively short amount of time, the fair value approximates the carrying amount. The fair value of trade and other payables that will not mature in a short amount of time is calculated by the present value that is discounted by an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.

(c) Securities

If the market price of a security is available in an active market, the securities are measured using this market price and classified as Level 1. If the market price is not available, the fair value is measured mainly by a method based on net assets (method of calculating by making adjustments to the market value as required based on the net assets of the entity that issues shares), etc. and classified as Level 3.

(d) Long-term borrowings and lease obligations

The fair value of long-term borrowings and lease obligations is calculated at the present value that is discounted using an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.

(e) Derivative transactions

The fair value of currency options and currency swaps are calculated based on the price, etc. provide by customers' financial institutions and classified as Level 2.

(f) Bonds

The fair value of bonds acquired due to business combination is calculated by referring to a market price and classified as Level 2.

(g) Other financial assets and liabilities

Time deposits with maturities of more than three months, long-term accounts receivable, security deposits and guarantee deposits received that are measured at amortized cost are classified as Level 2. Because their fair value

approximates their carrying amount, they are omitted from the following table.

(2) Classification of financial instruments measured at fair value by levels

In the fair value hierarchy, financial instruments are classified from Level 1 to Level 3 as follows.

Level 1: Fair value measured using unadjusted quoted prices in the active markets

Level 2: Fair value other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: Fair value calculated by using a valuation technique including inputs that are not based on observable market data

Transfers between the levels in the fair value hierarchy are recognized on the assumption that the transfers occur at the end of each reporting period.

There is no transfer between levels.

(a) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows. Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the table below. Also, leases obligations are not included in the table below.

(In millions of yen)					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowings	771,747	—	776,736	—	776,736
Bonds	12	—	12	—	12
Other payables	16,974	—	16,934	—	16,934
Total	788,733	—	793,682	—	793,682

(b) Financial instruments measured at fair value

The components of financial assets and financial liabilities measured at fair value on a recurring basis that are classified as each level of the fair value hierarchy are as follows.

(In millions of yen)				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investment trust	3,967	—	—	3,967
Unlisted securities	—	—	1,258	1,258
Equity instruments measured at fair value through other comprehensive income				
Unlisted securities	—	—	2,668	2,668
Total	3,967	—	3,926	7,893

Notes to Per Share Information

Net assets per share: 362.90 yen

Net loss per share: 3.49 yen

Other Notes

1. Business Structure Improvement Expenses

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

Please note that those expenses are included in "Other expenses" in the consolidated statement of profit or loss.

2. Impairment Loss

The Group recognized impairment losses for the assets below for the year ended December 31, 2019 and the impairment losses are included in "Other expenses" in the consolidated statement of profit or loss. The breakdown of impairment losses by asset type is as follows.

	(In millions of yen)
	The year ended December 31, 2019
Property, plant and equipment	574
Intangible assets	1,597
Other	85
Total	2,256

3. Business combination

(1) Business combination by acquisition

a. Overview of business combination

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

1) Name and overview of the acquiree

Name of the acquiree: Integrated Device Technology, Inc.

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

2) Date of the acquisition

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

3) Purpose of the Acquisition

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

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

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

The Group has made the decision to acquire IDT, a U.S.-based analog semiconductor supplier, to contribute further towards the growth strategy. IDT is a global enterprise engaged in the development, production, sale, and

provision of services related to analog semiconductor products such as mixed-signal semiconductor solutions particularly for markets related to the data economy such as data center and communication infrastructure that require big-data processing. IDT has annual sales of approximately US\$843 million (approximately 92.7 billion yen at an exchange rate of 110 yen to the dollar, as of March 2018) and an operating profit margin of over 25 percent (Non-GAAP basis).

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

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

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

(ii) Expands business growth opportunities.

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

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

4) Acquisition Method

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

b. Consideration for the acquisition and its breakdown

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

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

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

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

(Note) Goodwill reflects future excess earning power expected from future business development including IDT and synergies between the Company and IDT. No amount of goodwill is expected to be deductible for tax purposes.

d. Expenditure for the acquisition

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

e. Impact on profit of the period on the assumption that the date of the acquisition of IDT was at the beginning of the fiscal year

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

(In millions of yen)

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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 determined by the moving-average method.

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: Currency options, Currency swaps

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	31,460	(31,425)
Structures	3,948	(3,948)
Machinery and equipment	50,098	(50,098)
Land	16,678	(16,525)
Stocks of subsidiaries and affiliates	802,492	—
Total	904,674	(101,995)

(2) Secured liabilities

	(In millions of yen)	
Current portion for long-term borrowings	93,170	(93,170)
Long-term borrowings	683,928	(683,928)
Total	777,098	(777,098)

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

2. Accumulated Depreciation of Property, Plant and Equipment: 631,416 million yen

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

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

4. Contingent Liabilities:

Liabilities for Guarantees

Loan of affiliated companies 13,706 million yen

Guarantees for employees' housing loans 39 million yen

5. Monetary Receivables from and Payables to Affiliated Companies:

Short-term receivable 67,553 million yen

Short-term payable 228,159 million yen

Notes to Statement of Operations

1. Transactions with Affiliated Companies:

Amounts of operating transactions

Net sales 292,747 million yen

Purchases 301,713 million yen

Amounts of non-operating transactions 3,490 million yen

2. Gain on extinguishment of tie-in shares

Due to the absorption-type merger of the Company's consolidated subsidiary, Renesas Semiconductor Package & Test Solutions Co., Ltd.

3. Provision for contingent losses

Provision was provided for compensation or litigation proceedings, etc.

4. Business Structure Improvement Expenses

The Company has continuously 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 (4,605 million yen) are as follows:

	(In millions of yen)
Personnel expenses including the special incentive of early retirement program	4,416
Other	189
Total	4,605

Notes to Statement of Changes in Net Assets

Type and Number of Treasury Stock as of December 31, 2019

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 148,516 million yen. In addition, significant components of deferred tax liabilities were valuation difference of assets acquired by merger, prepaid pension cost, etc.

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 (*3)	Account	Balance as of December 31, 2019 (*3)
Subsidiary	Renesas Semiconductor or Manufacturing Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products (*1)	130,067	Accounts payable-trade	14,697
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2)	—	Deposits received	32,226
Subsidiary	Renesas Electronics Europe GmbH	(Own) Direct 100.0 %	Sales of our products, Consignment of design and development	Sales of products (*1) Money deposited (*2)	95,461 —	Accounts receivable-trade Deposits received	15,838 21,673
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Sales of products (*1)	61,323	Accounts receivable-trade	11,224
Subsidiary	Renesas Electronics Taiwan Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	19,357
Subsidiary	Renesas Semiconductor or Singapore Pte. Ltd.	(Own) Direct 100.0 %	Sales of parts of our products	Money deposited (*2)	—	Deposits received	23,207
Subsidiary	Intersil Luxembourg Sarl	(Own) Indirect 100.0 %	Management of sales companies	Money deposited (*2)	—	Deposits received	31,060
Subsidiary	Integrated Device Technology, Inc.	(Own) Direct 100.0 %	Sales of our products, Manufacturing and development	Money deposited (*2) Underwriting of capital increase (*4)	— 66,228	Deposits received —	25,108 —

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.

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

(*4) The underwriting of capital increase conducted by the subsidiary was entirely subscribed by the Company.

Notes to Per Share Information

Net assets per share: 285.56 yen

Net income per share: 10.29 yen

Other Notes

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

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

The Company implemented the merger of the subsidiary as of January 1, 2019 in accordance with the resolutions.

1. Overview of the transaction

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

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

(ii) Name and business overview of the absorbed company

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

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

(2) Date of the business combination

January 1, 2019

(3) Legal form of the business combination

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

(4) Other matters related to the transaction

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

2. Summary of accounting treatment

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

2. Regarding the Acquisition of IDT

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

Please refer to "Other notes" of "3. Business combination" for more details.

3. Financing Arrangements

The Company has newly entered into a syndicated loan agreement amounting to 897.0 billion yen on January 15, 2019 to refinance other existing term loans, and to finance funds necessary for the acquisition of IDT and working capital as the medium-and-long term funds. Of the above, for the first quarter ended March 31, 2019, the Company and the financial institutions implemented the agreement for term loan with availability period amounting to 698.0 billion yen (Execution date of agreement: March 28, 2019, Repayment Date: March 28, 2024, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions). Furthermore, for the second quarter ended June 30, 2019, the Company and the financial institutions implemented the agreement for term loan amounting to 149.0 billion yen (Execution date of agreement: June 28, 2019, Repayment Date: June 28, 2024, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited) and refinanced the existing loans.