

The following is an English translation of the Notice of the 17th Ordinary General Meeting of Shareholders of Renesas Electronics Corporation to be held on March 20, 2019 (as well as the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements with respect to the 17th Business Period, and report on the results of the audit conducted on such Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors), except for translation of the instructions on voting rights and the access map for the place of the meeting in the Notice, and is provided for your reference and convenience only. Should there be any inconsistency between this translation and the official Japanese original, the latter shall prevail.

## **Renesas Electronics Corporation**

Securities Code: 6723  
3-2-24 Toyosu, Koto-ku,  
Tokyo

Tetsuya Tsurumaru  
Representative Director,  
Chairman

March 5, 2019

### **To Our Shareholders:**

#### **NOTICE OF THE 17TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The Seventeenth Ordinary General Meeting of Shareholders (this “General Meeting”) of Renesas Electronics Corporation (the “Company”) will be held as follows:

1. DATE: March 20, 2019 (Wednesday) at 10:00 A.M. (Japan Standard Time)  
(The reception will begin at 9:30 A.M.)
2. PLACE: Toyosu Civic Center Hall, 5F, at 2-18, Toyosu 2-chome, Koto-ku, Tokyo, Japan
3. AGENDA OF THE GENERAL MEETING:

#### **MATTERS TO BE REPORTED UPON**

Report on the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements, and report on the results of the audit conducted on the Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors with respect to the 17th Business Period from January 1, 2018 to December 31, 2018.

MATTERS TO BE VOTED UPON:

- (1) Election of Seven (7) Directors
- (2) Election of Accounting Auditor
- (3) Grant of stock acquisition rights as stock options by applying special conditions under the California State Securities Law to the Company's and its subsidiaries' directors, corporate officers and employees residing in the State of California, U.S.A.

Please note that souvenirs will not be provided to the attendees at this General Meeting. We would appreciate your understanding.

- Notes on Stock Acquisition Rights, etc. of the Company of the Business report, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are disclosed on the Company's website (<https://www.renesas.com/jp/ja/about/ir.html>) in accordance with Article 16 of its Articles of Incorporation, so they are not included in this notice.
- If revisions are made to the Reference Documents for this General Meeting, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements, the Company will inform you on its website (<https://www.renesas.com/jp/ja/about/ir.html>).

## REFERENCE DOCUMENTS FOR THIS GENERAL MEETING

### **Proposal No. 1: Election of Seven (7) Directors**

The terms of office held by all five (5) Directors will expire at the conclusion of this General Meeting.

Accordingly, it is proposed that seven (7) Directors be elected, by adding two (2) Outside Directors in order to strengthen management supervision function and further improve management transparency.

Furthermore, in order to enhance objectivity and transparency to the decision of the candidates for Directors, we have established the Nomination Committee, which consists of three (3) members including two (2) Independent Outside Directors and is chaired by an Independent Outside Director. The candidates were deliberated by the Nomination Committee and approved by the Board of Directors.

The candidates are as follows:

| No. | Name (Age)  | Current Position of the Company                             | Years served as Director | Attendance at Meeting of the Board of Directors |
|-----|---|---|--------------------------|---|
| 1   | Tetsuya Tsurumaru (64)<br><Reappointment>   | Representative Director,<br>Chairman                        | 6 years and<br>9 months  | 100%<br>(18 times out of<br>18 times)           |
| 2   | Bunsei Kure (62)<br><Reappointment>   | Representative Director,<br>President and CEO               | 2 years and<br>9 months  | 94%<br>(17 times out of<br>18 times)            |
| 3   | Hidetoshi Shibata (46)<br><Reappointment>   | Executive Vice President,<br>Member of the Board and<br>CFO | 3 years and<br>8 months  | 100%<br>(14 times out of<br>14 times)           |
| 4   | Tetsuro Toyoda (56)<br><Reappointment><br><Outside Director><br><Independent Director>    | Member of the Board   | 5 years and<br>1 month   | 94%<br>(17 times out of<br>18 times)            |
| 5   | Jiro Iwasaki (73)<br><Reappointment><br><Outside Director><br><Independent Director>      | Member of the Board   | 2 years and<br>9 months  | 100%<br>(18 times out of<br>18 times)           |
| 6   | Kyoko Okumiya (62)<br><New appointment><br><Outside Director><br><Independent Director>   | -   | -                        | -   |
| 7   | Yukiko Nakagawa (54)<br><New appointment><br><Outside Director><br><Independent Director> | -   | -                        | -   |

(Note) 1. The Years served as Director for Mr. Hidetoshi Shibata indicated the total years served by him as Director in the past. Also, the attendance at Meeting of the Board of Directors for Mr. Hidetoshi Shibata indicated his attendance at Meeting of the Board of Directors held after his assumption of office as Director on March 29, 2018.

2. Ms. Kyoko Okumiya and Ms. Yukiko Nakagawa are candidates for female Directors.

| No.   | Name   | Brief Employment History, Position, Responsibility and Important Concurrent Positions   |  |
|---|--|---|--|
| 1   | Tetsuya Tsurumaru<br><Reappointment><br>Date of Birth:<br>August 29, 1954<br>Number of the Company's<br>Shares Held:<br>9,900<br>Attendance at meeting of the<br>Board of Directors:<br>18 times out of 18 times<br>(100%) | April 1979<br>April 2003<br>April 2006<br>April 2008<br>April 2010<br>April 2011<br>June 2012<br>February 2013<br>June 2013<br>December 2015<br>June 2016 | Joined Hitachi, Ltd.<br>General Manager, Naka Factory, MCU & SOC<br>Business Unit, Renesas Technology Corp.<br>(currently, Renesas Electronics Corporation)<br>General Manager, Strategic Production Planning<br>Division, Production and Technology Unit, Renesas<br>Technology Corp.<br>Managing Officer, and Executive General Manager,<br>Production and Technology Unit, Renesas<br>Technology Corp.<br>Senior Vice President, and Associate Chief of<br>Production and Technology Unit, the Company<br>Senior Vice President, and Chief of Production and<br>Technology Unit, the Company<br>Member of the Board, Senior Vice President, the<br>Company<br>Representative Director, President, the Company<br>Representative Director, President and COO, the<br>Company<br>Representative Director, President and CEO, the<br>Company<br>Representative Director, Chairman, the Company<br>(to the present) |
| <p><b>【Reasons for selectin as a candidate for Director】</b></p> <p>The Company selected this candidate for Director with expectation that he would increase the corporate value by enhancing global capability for semiconductor solutions and strengthen the decision-making function of the Board of Directors, leveraging the leadership with abundant knowledge, experiences and achievements based on his work and management experiences in the semiconductor business for nearly 40 years. He has served as Director for 6 years and 9 months at the closure of this General Meeting.</p> |  |   |  |

| No.  | Name  | Brief Employment History, Position, Responsibility and Important Concurrent Positions  |  |
|--|---|--|--|
| 2  | Bunsei Kure<br><Reappointment><br>Date of Birth:<br>May 20, 1956<br>Number of the Company's<br>Shares Held:<br>53,200<br>Attendance at Meeting of<br>the Board of Directors:<br>17 times out of 18 times<br>(94%) | April 1979<br><br>May 2000<br><br>January 2001<br><br>May 2003<br><br>December 2007<br>June 2008<br><br>April 2013<br>June 2013<br><br>June 2014<br><br>June 2015<br><br>April 2016<br>June 2016 | Joined the Industrial Bank of Japan, Limited<br>(currently, Mizuho Bank, Ltd.)<br>Joined GE Capital Japan as Managing Director of<br>Business Development Division<br>Joined GE Fleet Services Corporation as Managing<br>Executive Officer<br>Representative Director, President and CEO, GE<br>Fleet Service Corporation<br>Joined Calsonic Kansei Corporation as Adviser<br>Representative Director, President and CEO,<br>Calsonic Kansei Corporation<br>Joined Nidec Corporation as Special Adviser<br>Member of the Board, Executive Vice President,<br>Nidec Corporation<br>Representative Director, Executive Vice President<br>and COO, Nidec Corporation<br>Representative Director, Executive Vice President,<br>Nidec Corporation<br>Joined the Company as Executive Adviser to CEO<br>Representative Director, President and CEO, the<br>Company (to the present) |
| <p><b>【Reasons for selection as a candidate for Director】</b></p> <p>The Company selected this candidate for Director with expectation that he would increase the corporate value by enhancing global capability for semiconductor solutions and strengthen the decision-making function of the Board of Directors, leveraging the leadership with abundant knowledge, experiences and achievements based on his service as Director at a wide variety of global companies. He has served as Director for 2 years and 9 months at the closure of this General Meeting.</p> |   |  |  |

| No.   | Name   | Brief Employment History, Position, Responsibility and Important Concurrent Positions   |   |
|---|--|---|---|
| 3   | Hidetoshi Shibata<br><Reappointment><br>Date of Birth:<br>November 16, 1972<br>Number of the Company's<br>Shares Held:<br>2,500<br>Attendance of Meeting of<br>the Board of Directors:<br>14 times out of 14 times<br>(100%) | April 1995<br>August 2001<br>August 2004<br>October 2007<br>September 2009<br>June 2012<br>October 2013<br>November 2013<br>June 2016<br>March 2018 | Joined Central Japan Railway Company<br>Joined MKS Partners Limited as Principal<br>Partner, MKS Partners Limited<br>Joined Global Private Equity, Merrill Lynch Japan<br>Securities Co., Ltd as Managing Director<br>Joined Investment Group, Innovation Network<br>Corporation of Japan (currently, Japan Investment<br>Corporation) as Managing Director<br>Executive Managing Director, Investment Group,<br>Innovation Network Corporation of Japan (currently,<br>Japan Investment Corporation)<br>Member of the Board, the Company<br>Executive Vice President, Member of the Board and<br>CFO, the Company<br>Executive Vice President and CFO, the Company<br>Executive Vice President, Member of the Board and<br>CFO, the Company (to the present) |
| <p><b>【Reasons for selection as a candidate for Director】</b></p> <p>The Company selected this candidate for Director with expectation that he would increase the corporate value by enhancing global capability for semiconductor solutions and strengthen the decision-making function of the Board of Directors, leveraging the leadership with abundant knowledge, experiences and achievements based on his management experiences at global and various companies. He has served as Director for a combined total of 3 years and 8 months at the closure of this General Meeting.</p> |  |   |   |

| No.  | Name  | Brief Employment History, Position, Responsibility and Important Concurrent Positions   |   |
|--|---|---|---|
| 4  | <p>Tetsuro Toyoda<br/>&lt;Reappointment&gt;<br/>&lt;Outside Director&gt;<br/>&lt;Independent Director&gt;<br/>Date of Birth:<br/>November 10, 1962<br/>Number of the Company's<br/>Shares Held:<br/>0<br/>Attendance of Meeting of<br/>the Board of Directors:<br/>17 times out of 18 times<br/>(94%)</p> | <p>April 1986<br/><br/>July 2001<br/>May 2008<br/><br/>September 2009<br/><br/>June 2012<br/><br/>June 2013<br/><br/>February 2014<br/><br/>June 2016<br/><br/>September 2018</p> | <p>Joined Tokio Marine and Fire Insurance Co., Ltd. (currently, Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.)<br/>Joined MKS Partners Limited as Partner<br/>Joined Deloitte Tohmatsu FAS Co., Ltd. (currently, Deloitte Tohmatsu Financial Advisory LLC) as Senior Advisor<br/>Joined Innovation Network Corporation of Japan (currently, Japan Investment Corporation) as Managing Director<br/>Executive Managing Director, Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation)<br/>Senior Executive Managing Director, Innovation Network Corporation of Japan (currently, Japan Investment Corporation)<br/>Outside Member of the Board, the Company (to the present)<br/>Co-Chief Investment Officer, Member of the Board, Head of Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation)<br/>Co-Chief Investment Officer, Member of the Board, Head of Investment Group, INCJ, Ltd. (to the present)</p> <p>(Important Concurrent Position)<br/>Co-Chief Investment Officer, Member of the Board, Head of Investment Group, INCJ, Ltd.</p> |
| <p><b>【Reasons for selection as a candidate for Outside Director】</b><br/>Mr. Tetsuro Toyoda currently serves as Co-Chief Investment Officer and Member of the Board of INJC, Ltd. and before that served as Co-Chief Investment Officer and the Member of the Board of Innovation Network Corporation of Japan (currently, Japan Investment Corporation). The Company selected this candidate for Outside Director with expectation that he would oversee and check the overall management of the Company and thereby strengthen the decision-making function of the Board of Directors by leveraging his extensive knowledge, experience and deep insight gained from his career in wide-ranging investment business at these companies. He has served as Outside Director for 5 years and 1 month at the closure of this General Meeting.</p> |   |   |   |

| No.   | Name   | Brief Employment History, Position, Responsibility and Important Concurrent Positions   |   |
|---|--|---|---|
| 5   | Jiro Iwasaki<br><Reappointment><br><Outside Director><br><Independent Director><br>Date of Birth:<br>December 6, 1945<br>Number of the Company's<br>Shares Held:<br>0<br>Attendance of Meeting of<br>the Board of Directors:<br>18 times out of 18 times<br>(100%) | April 1974<br><br>June 1996<br><br>June 1998<br><br>June 2006<br><br>March 2008<br><br>October 2008<br><br>June 2009<br><br>March 2011<br><br>April 2011<br><br>March 2015<br>April 2015<br><br>March 2016<br><br>June 2016 | Joined Tokyo Denki Kagaku Kogyo K.K. (currently, TDK Corporation)<br><br>Director, General Manager of Human Resources, TDK Corporation<br><br>Director and Senior Vice President, Executive Officer of Recording Media & Solutions Business Group, TDK Corporation<br><br>Director and Executive Vice President, Senior Executive Officer of Administration Group, TDK Corporation<br><br>Audit and Supervisory Board Member, GCA Savvian Group Corporation (currently, GCA Corporation)<br><br>Outside Director, JVC KENWOOD Holdings, Inc. (currently, JVC KENWOOD Corporation)<br><br>Director and Senior Vice President, Executive Officer of Strategic Human Resources and Administration Division, JVC KENWOOD Holdings, Inc.<br><br>Audit and Supervisory Board Member, SBS Holdings, Inc.<br><br>Professor at Teikyo University, Faculty of Economics/Department of Business Administration<br><br>Outside Director, SBS Holdings, Inc. (to the present)<br><br>Audit and Supervisory Board Member (Full-time), GCA Savvian Corporation (currently, GCA Corporation)<br><br>Outside Director (Full-time Audit and Supervisory Committee Member), GCA Savvian Corporation (to the present)<br><br>Outside Member of the Board, the Company (to the present)<br><br>(Important Concurrent Position)<br>Outside Director (Full-time Audit and Supervisory Committee Member), GCA Corporation<br>Outside Director, SBS Holdings, Inc. |
| <p><b>【Reasons for selection as a candidate for Outside Director】</b></p> <p>Mr. Jiro Iwasaki has served as Director at plural companies for a long time and thus possesses experiences in business operations. He currently serves as Outside Director (Full-time Audit and Supervisory Committee Member) etc. at other companies. The Company selected this candidate for Outside Director with expectation that he would oversee and check the overall management of the Company and thereby strengthen the decision-making function of the Board of Directors by leveraging his extensive knowledge, experience and deep insight gained from the above career. He has served as Outside Director for 2 years and 9 months at the closure of this General Meeting.</p> |  |   |   |



| No.  | Name   | Brief Employment History, Position, Responsibility and Important Concurrent Positions |   |
|--|--|---|---|
| 6  | Kyoko Okumiya<br><New appointment><br><Outside Director><br><Independent Director><br>Date of Birth:<br>June 2, 1956<br>Number of the Company's<br>Shares Held:<br>0<br>Attendance of Meeting of<br>the Board of Directors:<br>N/A | April 1984<br>April 2001<br>June 2014<br>June 2014<br>June 2018<br>June 2018          | Registered as an Attorney-at-Law<br>Partner, Attorney-at-Law, Tanabe & Partners Law Office (to the present)<br>Audit & Supervisory Board Member, NEC Corporation<br>Outside Director, Morinaga Milk Industry Co., Ltd. (to the present)<br>Outside Director, The Bank of Yokohama, Ltd. (to the present)<br>Audit & Supervisory Board Member, Toshiba Tec Corporation (to the present)<br><br>(Important Concurrent Positions)<br>Partner, Attorney-at-Law, Tanabe & Partners Law Office<br>Outside Director, Morinaga Milk Industry Co., Ltd.<br>Outside Director, The Bank of Yokohama, Ltd.<br>Audit & Supervisory Board Member, Toshiba Tec Corporation |
| <p><b>【Reasons for selection as a candidate for Outside Director】</b></p> <p>Ms. Kyoko Okumiya has been acting as a lawyer for many years and served as Outside Director or Outside Corporate Auditor at several companies for a long time. The Company selected this candidate for Outside Director with expectation that she would oversee and check the overall management of the Company and thereby strengthen the decision-making function of the Board of Directors by leveraging her extensive knowledge, experience and deep insight gained from the above career and the perspective of promoting female success although she has never been involved in the company management other than becoming an Outside Director or an Outside Corporate Auditor.</p> |  |   |   |

| No.   | Name   | Brief Employment History, Position, Responsibility and Important Concurrent Positions |  |
|---|--|---|--|
| 7   | Yukiko Nakagawa<br><New appointment><br><Outside Director><br><Independent Director><br>Date of Birth:<br>June 3, 1964<br>Number of the Company's<br>Shares Held:<br>0<br>Attendance of Meeting of<br>the Board of Directors:<br>N/A | April 1988<br><br>October 2006<br><br>September 2014<br>April 2016<br><br>June 2018   | Joined Mitsui Trust Bank, Limited (currently, Sumitomo Mitsui Trust Bank, Limited)<br>Personnel Director, Toshiba-GE Turbine Services Corporation<br>Personnel Director, Mizkan Holdings Co., Ltd<br>Professor, the Graduate School of Business Design, Rikkyo University (to the present)<br>Outside Director, EDION Corporation (to the present).<br><br>(Important Concurrent Positions)<br>Professor, the Graduate School of Business Design, Rikkyo University<br>Outside Director, EDION Corporation |
| <p><b>【Reasons for selection as a candidate for Outside Director】</b></p> <p>Ms. Yukiko Nakagawa has engaged in a wide range of business operations mainly in human resources at international financial institutions and operating companies. The Company selected this candidate for an Outside Director with expectation that she would oversee and check the overall management of the Company and thereby strengthen the decision-making function of the Board of Directors by leveraging her extensive knowledge, experience and deep insight gained from the above career and the perspective of promoting female success.</p> |  |   |  |

- (Note) 1. INCJ, Ltd., where Mr. Tetsuro Toyoda has a concurrent position, is a principal shareholder of the Company owning 33.37 percent of voting rights.
2. Except as described in Note 1 above, none of the candidates have any special interest in the Company.
3. In addition to what is described for in the “Brief Employment History, Position, Responsibility and Important Concurrent Positions” section above, responsibilities in the Company of each candidate who is currently a Director of the Company are described in the Business Report (p.28).
4. Ms. Yukiko Nakagawa’s registered family name is Yukiko Schreiber.
5. Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki, Ms. Kyoko Okumiya and Ms. Yukiko Nakagawa are candidates for Outside Directors.
6. The Company has notified the Tokyo Stock Exchange of Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki as Independent Executives stipulated under the regulations of the Tokyo Stock Exchange. If the reappointments of Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki are approved, the Company will continue this notification. Also, if the appointments of Ms. Kyoko Okumiya and Ms. Yukiko Nakagawa are approved, the Company will notify the Tokyo Stock Exchange of Ms. Kyoko Okumiya and Ms. Yukiko Nakagawa as the said Independent Executives.
7. Special notes on Ms. Kyoko Okumiya being an Outside Director are as follows:
- (1) NEC Corporation, which she served as Audit & Supervisory Board Member from June 2014 to June 2018, was recognized by the Japan Fair Trade Commission for having violated Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (“Antimonopoly Act”) with respect to transactions with Tokyo Electric Power Co., Inc. (currently, Tokyo Electric

Power Company Holdings, Incorporated) on telecommunications equipment for electric power systems in July 2016. Also, in February 2017, NEC Corporation received the cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission for activities in violation of the Antimonopoly Act with respect to transactions for wireless digital emergency firefighting equipment, and with respect to transactions for hybrid optical communication equipment and transmission line equipment for Chubu Electric Power Co., Inc. Although some of these acts continued for about six (6) months after her appointment as Audit & Supervisory Board Member, after recognizing these facts, she requested the legal and internal audit divisions to investigate the reasons etc. as Audit & Supervisory Board Member and confirmed the result, and furthermore, made opinions and suggestions to the Board of Directors to make further measures to prevent reoccurrence and compliance and confirmed implementation of such measures.

- (2) Morinaga Milk Industry Co., Ltd., which she has served as Outside Director since June 2014, leaked its customer information due to unauthorized access to its health food online order site in April 2018. She confirmed the results of surveys conducted by the third-party organization, and furthermore, made suggestions to the Board of Directors to make further efforts to prevent reoccurrence and compliance, and worked to prevent recurrence.
8. The Company has already entered into liability limitation agreements with Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki, limiting his liabilities as defined in Paragraph 1, Article 423 of the Companies Act to the minimum liability amount specified in the Company's Articles of Incorporation, and if their reappointments are approved, the Company will renew such liability limitation agreements with them. Also, if the appointments of Ms. Kyoko Okumiya and Ms. Yukiko Nakagawa are approved, the Company will enter into the similar liability limitation agreements with them.

**Proposal No. 2: Election of Accounting Auditor**

Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, will retire at the conclusion of this General Meeting due to the expiration of its term of office.

Accordingly, it is proposed that PricewaterhouseCoopers Aarata LLC be newly elected as the Accounting Auditor, based on the decision of the Board of Corporate Auditors.

**1. Reason why the Board of Corporate Auditors has elected PricewaterhouseCoopers Aarata LLC as Accounting Auditor candidate instead of Ernst & Young ShinNihon LLC**

Since the Company has appointed Ernst & Young ShinNihon LLC as Accounting Auditor for a long term, the Company thought that it should reevaluate and reconsider the Accounting Auditor, and the Board of Corporate Auditors considered multiple audit corporations, including PricewaterhouseCoopers Aarata LLC, in accordance with the Company's accounting auditor evaluation and selection criteria.

As a result, the Board of Corporate Auditors has judged that PricewaterhouseCoopers Aarata LLC is eligible as the Company's new Accounting Auditor, because it has expertise, independence and quality management required as its Accounting Auditor as well as has a system to audit its group's global business activities in a uniform manner. In addition, due to change of the Accounting Auditor, it is expected further improvements in the reliability of our financial information through audits with different viewpoints and methods.

**2. Outline of the candidate for Accounting Auditor**

|   |   |  |     |
|---|---|--|-----|
| Name                                      | PricewaterhouseCoopers Aarata LLC                         |  |     |
| Office                                    | Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo |  |     |
| History                                   | June, 2006<br>July, 2015<br>July, 2016                    | PricewaterhouseCoopers Aarata established<br>Renamed PwC Aarata institution<br>Converted to a limited liability audit corporation, changed corporate name to PricewaterhouseCoopers Aarata LLC |     |
| Overview                                  | Capital stock   | 1,000 million yen (as of December 31, 2018)  |     |
|   | Number of employees                                       | Partners   | 145 |
|   |   | Certificated Public Accountants  | 931 |
| Accounting assistants/All subjects passed |   | 566  |     |
| U.S. CPAs and other professional staffs   |   | 908  |     |
| Clerical staffs                           |   | 612  |     |
| Total                                     | 3,162   |  |     |
|   | (as of December 31, 2018)                                 |  |     |
|   | Number of clients   | 2,357 (as of June 30, 2018)  |     |

(Note) In the last year, the candidate for Accounting Auditor received remuneration for advisory services from the Company.

**Proposal No. 3:** Grant of stock acquisition rights as stock options by applying special conditions under the California State Securities Law to the Company's and its subsidiaries' directors, corporate officers and employees residing in the State of California, U.S.A.

The Company has granted stock acquisition rights (the "Stock Acquisition Right(s)") to Directors (excluding Outside Directors), Corporate Officers and employees of the Company and its subsidiaries as "stock compensation type stock options" in order to increase the stock price and increase the willingness to contribute to the corporate value by sharing the benefits of rising stock prices and the risks of falling stock prices with the Company's shareholders. The Company considers that grant of Stock Acquisition Rights for residents abroad does not fall under the category of favorable issue that requires a special resolution at a general meeting of shareholders under the Companies Act of Japan, because it does not require payment of money but has the aspect of consideration for the provision of labor services, and because the Company can enjoy the appropriate benefits in terms of the effect of improving motivation to work, etc.

However, when granting Stock Acquisition Rights to residents abroad, securities laws and other laws and regulations of the country in which the subject residents are to be applied in addition to the Japanese laws, and procedures such as application for permission may be required for the authorities. In the same way, when granting Stock Acquisition Rights to residents of the State of California, U.S.A which exceeds a certain number of persons, procedures such as license from the authorities and disclosure are required in principal. However, the approval of a majority of the voting rights of our shareholders present allows grant of Stock Acquisition Rights to be exempted from registration under the California Corporate Securities Law of 1968, as it may be amended from time to time (the "California State Securities Law").

In order to facilitate the grant of such Stock Acquisition Rights, it is proposed that the Company be authorized to grant the Stock Acquisition Rights to Directors (excluding Outside Directors), corporate officers and employees of the Company and its subsidiaries who are residents of the State of California, U.S.A. by applying special conditions under the California State Securities Law.

In addition, the approval based on this Proposal shall extend to the Stock Acquisition Rights issued within twelve (12) months before and after this General Meeting.

**1. Outline of Stock Acquisition Rights**

- (1) Persons to whom Stock Acquisition Rights will be allotted

Directors (excluding Outside Directors), Corporate Officers and employees of the Company and its subsidiaries who reside in the State of California, U.S.A. (the "Grantee(s)").

- (2) Total number of Stock Acquisition Rights to be allotted

The maximum number of Stock Acquisition Rights to be allotted will be 647,100.

- (3) Class and number of stocks to be allotted upon exercise of Stock Acquisition Rights

The class of stocks to be allotted upon exercise of the Stock Acquisition Rights shall be the Company's common stocks, and the number of stocks to be allotted upon exercise of each Stock Acquisition Rights (the "Number of Stocks to be Granted") shall be 100 shares. However, in the case

of a stock split (including gratuitous allotment of common stocks; the same applies to all stock splits hereinafter) or stock consolidation of the Company's common stocks by the Company on or after the allotment date, the Number of Stocks to be Granted shall be adjusted using the following formula with respect to the Stock Acquisition Rights that have not been exercised at the time of such stock split or stock consolidation:

(Adjusted Number of Stocks to be Granted)

= (Number of Stocks to be Granted before adjustment) × (Ratio of stock split or stock consolidation)

In addition to the above, if, on or after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Stocks to be Granted in other situations, the Company may appropriately adjust the Number of Stocks to be Granted to a reasonable extent. Fraction less than one (1) share generated as a result of the adjustment shall be rounded down.

(4) Amount of assets to be contributed upon exercise of the Stock Acquisition Rights

The contribution to be made upon exercise of the Stock Acquisition Rights shall be made for cash, and the amount of the assets to be contributed upon exercise of each Stock Acquisition Rights shall be obtained by multiplying one (1) Japanese yen (the "Exercise Amount"), which is the amount per stock to be delivered upon exercise of such Stock Acquisition Rights, by the Number of Stocks to be Granted.

(5) Exercise period of Stock Acquisition Rights

The period shall be determined by the Meeting of the Board of Directors within the range of ten (10) years from the following day after Stock Acquisition Rights are granted (the "Exercise Period").

However, unless a shorter exercise period applies under the Stock Acquisition Rights Allotment Agreement (the "Agreement"), the vested Stock Acquisition Rights granted to the Grantees shall remain exercisable (subject to any applicable restrictions) (i) until the expiration of the period commencing on the date the Stock Acquisition Right first is no longer subject to a substantial risk of forfeiture for U.S. federal income tax purposes and ending on December 31 of the calendar year in which the Stock Acquisition Right first is no longer subject to such substantial risk of forfeiture, or (ii) if determined by the Meeting of the Board of Directors of the Company in its sole discretion, until the fifteenth (15th) day of the third (3rd) month following the end of the calendar year in which the Stock Acquisition Right first is no longer subject to a substantial risk of forfeiture, or if later, the fifteenth (15th) day of the third (3rd) month following the end of the taxable year of the Company in which the Stock Acquisition Right first is no longer subject to such substantial risk of forfeiture (the "Short-Term Deferral Period").

(6) Restrictions on acquisition of Stock Acquisition Rights by transfer

Acquisition of Stock Acquisition Rights by transfer requires the approval of the Meeting of the Company's Board of Directors.

(7) Conditions of execution of Stock Acquisition Rights

(i) The Grantees shall be in the position of Director, Corporate Officer, Corporate Auditor, Executive

Officer or employee of the Company or its subsidiaries (the “Exercise Qualification”) at the time of exercise of Stock Acquisition Rights.

- (ii) If the Grantees lose their Exercise Qualification (other than loss due to their death), they may exercise their Stock Acquisition Rights only within the period of thirteen (13) months after the immediate following day of the day of loss of the Exercise Qualification (only if during the Exercise Period).
- (iii) If the Grantees die, their Stock Acquisition Rights may be succeeded to by only one (1) of their heirs (the “Rights Successors”). In this case, the Rights Successors may exercise the Stock Acquisition Rights in a lump sum and only before the day that is six (6) months after the day immediately following the day on which the Grantees die (only if during the Exercise Period). If the Rights Successors die, their heirs may not further succeed to the Stock Acquisition Rights.
- (iv) If the Grantees waive the Stock Acquisition Rights, they not exercise such Stock Acquisition Rights.

(8) Other items of Stock Acquisition Rights

Other items of Stock Acquisition Rights shall be determined by the Meeting of the Company’s Board of Directors which resolves subscription requirements etc. of Stock Acquisition Rights.

**2. Special terms under the California State Securities Law**

- (1) (i) No Stock Acquisition Rights shall be granted and no stock shall be delivered or sold to the Grantees who are, are expected to be or become subject to U.S taxes (the “U.S. Taxpayers”), unless such grant, delivery and sale is in compliance with U.S. federal securities laws and any applicable U.S. state securities laws, and (ii) stocks acquired by U.S. Taxpayers pursuant to the exercise of Stock Acquisition Rights may only be resold in compliance with the registration requirements or an applicable exemption from the registration requirements of the U.S. Securities Act of 1933.
- (2) Notwithstanding any provision of the Agreement or the detailed rules relating to the Stock Acquisition Rights to the contrary, the Stock Acquisition Rights granted to the Grantees shall be subject to the following additional limitations, terms and conditions:
  - (i) each Stock Acquisition Right shall be granted in accordance with Rule 701 of the U.S. Securities Act of 1933 (the “Rule 701”), unless such grant is in compliance with the registration requirements or an applicable exemption from the registration requirements of the U.S. Securities Act of 1933;
  - (ii) the Stock Acquisition Rights shall not be granted more than ten (10) years after the date on which the Agreement is approved by the Meeting of the Board of Directors or the date on which this General Meeting is held, whichever is earlier;
  - (iii) in the event that the Grantees’ employment with the Company or its subsidiaries terminates due to their death or disability, such Grantees’ Stock Acquisition Rights which vest as of the termination date of the said employment shall remain exercisable (subject to any applicable dealing restrictions or other securities law restrictions) for at least six (6) months following the

said termination date (or, if earlier, the expiration of the Exercise period), and thereafter, such Stock Acquisition Rights shall immediately lapse and automatically be cancelled; provided, however, that if such post-termination exercise period would exceed the Short-Term Deferral Period, then, in lieu of such exercise period, (i) each Stock Acquisition Right held by such Grantees as of the termination date, to the extent that on such date (a) such Stock Acquisition Right is vested and (b) the fair market value of the shares underlying such Stock Acquisition Right exceeds the exercise price of such Stock Acquisition Right on such date, shall be automatically exercised subject to full payment of the Exercise Amount by the termination date, and (ii) all other Stock Acquisition Rights held by such Grantees, to the extent not automatically exercised as provided herein, shall immediately lapse and automatically be cancelled;

- (vi) in the event that the Grantees' employment with the Company or its subsidiaries terminates due to any reason other than death, disability or any cause attributable to the Grantees, such Grantees' Stock Acquisition Rights which vest as of the said termination date, shall remain exercisable (subject to any applicable dealing restrictions or other securities law restrictions) for at least thirty (30) days following the said termination date (or, if earlier, the expiration of the Exercise Period), and thereafter, such Stock Acquisition Rights shall immediately lapse and automatically be cancelled;
- (v) the Stock Acquisition Rights shall be non-transferable except to the extent of a transfer by will, laws of descent and distribution, to a revocable trust, or as permitted by Rule 701; and
- (vi) the number of the Grantees shall not exceed thirty-five (35) unless grant of the Stock Acquisition Rights under special conditions by applying the California Corporate Securities Law is approved by holders of a majority of the outstanding securities of the Company entitled to vote by the later of (a) within twelve (12) months before or after the date the Agreement is adopted by the Meeting of the Company's Board of Directors, or (b) prior to or within twelve (12) months of the grant of any Stock Acquisition Rights under the Agreement in the State of California, U.S.A.

(3) Notwithstanding the paragraph 2 (2) above, the Stock Acquisition Rights may be granted under the Agreement to any Grantees in accordance with any other registration exemption permitted under California securities laws or by qualification under such laws, subject to such conditions as required by such laws.

-end



## **Business Report**

(For the period from January 1, 2018 to December 31, 2018 (this “Business Period”))

### **1. Overview of Operations of the Group**

#### **(1) Business Progress and Results**

##### **(i) Overview**

For this Business Period, the uncertainty over the world economy increased despite continued moderate growth. While the U.S. economy remained steady based on the strong private consumption and corporate capital investment in plant and equipment, other regional economies experienced a slowdown due to the impact of trade friction and Brexit (withdrawal of the U.K. from the European Union). Especially in China, the sales at retail decelerated remarkably, and sales of high-priced products such as automobiles and home appliances have fallen from the previous year.

As for the semiconductor market which is the Group's business sector, while the semiconductor market for automotive and industrial equipment showed a high growth rate in the first half of this Business Period, the deceleration appeared due to the influence of the overall slowdown in production of electronic equipment and inventory reduction on the backdrop of the uncertain future of market conditions in the latter half of this Business Period.

Under these business environments, the Group worked together aggressively to achieve goals such as “Expanding and Strengthening of Business Portfolio to Accelerate the Leap to the Growth Stage” and “Continuous Optimization of the Manufacturing Structure” with the aim of growing stable and sustainable in the rapidly changing and global competitive semiconductor market and becoming the number one semiconductor solution company in the focused business sectors.

First, with regard to “Expanding and Strengthening of Business Portfolio to Accelerate the Leap to the Growth Stage”, the Group strategically and intensively invested its management resources into focus areas for which the Group can fully exhibit its strengths and achieve the stable and sustainable growth in the global marketplace, through both organic approach (approach in which the Group expands and strengthens its own existing businesses) and inorganic approach (approach in which the Group takes advantages of strategic alliances with other companies or in which the Group purchases other companies). In particular, in the business fields for automotive, industrial equipment and broad-based use that the Group is focusing on, the Group developed and offered a number of highly profitable products and technologies that meet market needs, by utilizing of its competitive advantage at maximum, and received a high evaluation from the market. In addition, in order to strengthen the Group's solution offerings and expanding business growth opportunities by acquiring complementary products and technology, the Company agreed to acquire Integrated Device Technology, Inc. (headquartered in the State of California, U.S.A.) (“IDT”), a U.S.-listed company that provides analog IC products for the growing data economy related markets, whereby it will make IDT a wholly-owned subsidiary of the Company, and proceeded preparations for its implementation. In connection with this acquisition, the Company changed a part of the use of funds for third-party share issuance executed by the Company as of September 30, 2013, for

the purpose of allocating it for the Company's acquisition funds.

Next, with regard to “Continuous Optimization of Manufacturing Structure”, in order to build a production system that can respond flexibly and efficiently to customers' needs of the world, the Group improved the productivity of factories through innovative approach by utilizing AI (Artificial Intelligence). Also, the Group reviewed production system of the Company and domestic production subsidiaries and decided to integrate some functions of Renesas Semiconductor Manufacturing Co., Ltd., specializing front-end operation (semiconductor wafer processing), and Renesas Semiconductor Package & Test Solutions Co., Ltd., specializing back-end operation (semiconductor device assembly and testing process), into the Company. In addition, the Group closed the Kochi Factory of Renesas Semiconductor Manufacturing Co., Ltd., and also decided to close the Yamaguchi Factory and to consolidate of some production lines of Shiga Factory of Renesas Semiconductor Manufacturing Co., Ltd., within around next 2 years to 3 years or so, due to the difficulty to maintain profitability.

In addition, as part of strengthening the foundation that supports the Group's global business operations, the Group continued to reorganize and consolidate the Group companies, including the former Intersil Corporation (“Former Intersil”) and its subsidiaries, which the Company acquired in the previous business period. Also, the Group addressed the improvement of various operation processes for total optimization, and, in order to improve the international comparability of financial information in the capital market, promoted the preparation of the introduction of International Financial Reporting Standards (IFRS) scheduled to be applied arbitrarily from the financial statements in Annual Securities Report for this Business Period. Meanwhile, the major shareholders of the Company have completed selling to foreign and domestic investors their shares of the Company equivalent to approximately sixteen 16% of total number of issued shares of the Company. As a result, in addition to the past, this improved the liquidity of our stocks and expanded our investor base.

## **(ii) Summary of Consolidated Financial Results**

Consolidated financial results of the Group for this Business Period were as follows.

### **Consolidated Net sales**

Consolidated net sales for this Business Period were 757.4 billion yen, a 2.9% decrease year on year. This was mainly due to weakening demand for focused applications including automotive and industrial from increasing uncertainties in the global economy, as well as the continuing efforts to reduce channel inventory which built up during the previous business period, leading to a decrease in sales.

Following the completion of the acquisition of Former Intersil in February 2017, the Group integrated Former Intersil into its operations and reformed its business organization into three (3) business units in April 2017. The consolidated net sales of the Group are composed of the main product groups, “Automotive Business,” “Industrial Business” and “Broad-based Business,” three (3) application categories that constitute the main businesses of the Group, and “Other Semiconductors Business,” that constitutes the businesses that do not belong to the above three (3) application categories and “Sales from Others” that fit into neither of the above product categories. Sales of respective areas were as follows:

**(Automotive Business)**

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

Sales of Automotive Business for this Business Period were 398.5 billion yen, a decrease of 3.4% year on year. This was due to decreases in sales in both the “Automotive control” and “Automotive information” categories.

**(Industrial Business)**

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 this Business Period were 187.2 billion yen, a decrease of 4.7% year on year. This was due to decreases sales in all of “Smart factory”, “Smart home” and “Smart infrastructure” categories.

**(Broad-Based Business)**

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 this Business Period were 151.3 billion yen, an increase of 0.6% year on year. This was due to sales in the “General-purpose analog semiconductor devices" category increased, while the sales in the “General-purpose MCUs” category decreased.

**(Other Semiconductors Business)**

Sales of Other Semiconductors Business include production by commissioning and royalties.

Sales of Other Semiconductors Business for this Business Period were 3.4 billion yen.

**(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 this Business Period were 16.9 billion yen, a 6.3% increase year on year.

**Consolidated Operating Income**

Consolidated operating income for this Business Period was 66.8 billion yen, an 11.6 billion yen decrease year on year. This was mainly due to a decrease in sales for the Automotive Business and Industrial Business.

**Consolidated Ordinary Income**

Consolidated ordinary income for this Business Period was 65.1 billion yen, a 10.2 billion yen decrease year on year. This was mainly due to a decrease in operating income.

**Consolidated Net Income attributable to shareholders of parent company**

Consolidated net income attributable to shareholders of parent company for this Business Period was 54.6 billion yen, a 22.6 billion yen decrease year on year. This was mainly due to a temporary increase in cost payments caused by any revision of the production agreement with an outsourcing foundry.

As above, the Group recorded a consolidated net income (net income attributable to shareholders of parent company) for this Business Period, but the Group forewent dividend payment for this Business Period. The Group will spend the internal reserve on strategic investment opportunities in order to correspond the rapidly environmental changes for surviving global competition, also dealing with improvement for the corporate value to increase shareholders' profit. We will continue to exert our efforts for further improvement of profitability and stabilization of the business toward the resumption of dividends from a long-term perspective. In this regard, we respectfully ask for our shareholders' continuous understanding and support.

**(2) Issues to be Addressed by the Group**

As indicated in the "1. (1) Business Progress and Results" section, during this Business Period, the Group, as a result of unified efforts to implement "Expanding and Strengthening of Business Portfolio to Accelerate the Leap to the Growth Stage" and "Continuous Optimization of the Manufacturing Structure", brought the establishment of a stable financial base clearly into view, although the net sales declined compared with the previous business period.

Nevertheless, the Group believes that it must make continuous improvements of product mix and maintain further growth and expand earnings in order to come thrive in the rapidly changing fiercely competitive semiconductor industry and continue to meet the expectations of all stakeholders.

To achieve this goal, the Group will implement efforts of the following themes.

**(i) Expanding and Strengthening of Business Portfolio to Accelerate the Leap to the Growth Stage**

In order to make the leap to the growth stage and achieve stable earnings growth, the Group will accelerate efforts to expand and strengthen its business portfolio, through both organic and inorganic approaches, in its focus areas including automotive, industrial, and broad-based, where the Group possesses global strengths and is competitive.

First, efforts based on an organic approach will include ongoing efforts to further optimize the business structure, and research and development (R&D), while at the same time to deal with the accelerating changes in the Group's business portfolio and areas of technology development accompanying the acquisition of Former Intersil. To achieve stable earnings growth in the focus areas, the Group will regularly analyze and evaluate the business environment in terms of markets, customers, competitors, etc., in each of these focus areas. At the same time, the Group will review its business portfolio from the standpoint of competitiveness and profitability, implement selection and concentration of business domains and products.

With regard to efforts based on an inorganic approach, in addition to Former Intersil acquired in the previous business period, the Company entered into a contract to acquire IDT and make it a wholly owned subsidiary of the Company. In addition to completing the acquisition promptly from now on, the Group will maximize synergies by strengthening solution proposal capability by acquiring highly complementary products and technologies, expanding sales routes while fusing development technologies and products, and by building a global manufacturing system based on the production models of both group companies, and it will exert its efforts to expand and strengthen its business in the focus areas.

### **(ii) Continuous Optimization of the Manufacturing Structure**

The Group has implemented a wide-ranging optimization of its manufacturing structure through the "Reform Plan" that the Company has been working on from 2013 to 2015 to survive in the global semiconductor market with its rapid and extreme changes and competition. Moving forward, the Group will continue to make further improvements to make the production structure more efficient, while also putting in place a flexible production system capable of meeting the requirements of customers worldwide.

Specifically, some of the Group's production facilities have continued to operate by using equipment or manufacturing processes that are not as efficient as newer equipment. Therefore, moving forward, the Group will continue unceasingly its optimization of the manufacturing structure, with the goal of further improvement in production efficiency and reduced cost.

In addition, during this Business Period, the Company also made capital investment focusing on equipment renovation, etc. in order to secure the proper production capacity of the Group's focus products and improve efficiency. Moving forward, the Group will continue capital investment in its facilities to support highly competitive production processes and smart factories, while also outsourcing some production, as it pushes forward with efforts to build a manufacturing structure capable of responding flexibly to customer demand.

### **(3) Research and Development of the Group**

#### **(i) Promote intelligence to endpoints through SOTB™ process technology which creates new markets and "e-AI solution" evolving with DRP technology and contribute to the spread of IoT**

In recent IoT (Internet of Things) equipment, which is becoming increasingly popular, solving power supply problems such as battery replacement and charging is one of the challenges. While promoting low power consumption of products, the Group developed an embedded controller dedicated to energy harvesting that eliminates the need for batteries.

This controller, by adopting SOTB™ (Silicon On Thin Buried Oxide) (Note 1) process technology originated by the Group, realizes extreme reduction of both active and standby power consumption, which has typically been a trade-off. These extreme low power levels of the SOTB-based embedded controller enables IoT devices to operate by using a slight amount of harvesting ambient energy sources such as light, vibration, and flow, without any batteries. This will give rise to a new market of maintenance-free connected IoT sensing devices with endpoint intelligence for applications in various areas, such as

acquisition of biological information from fitness cloths and shoes, installation of sensor devices monitoring soil at farms, management of public infrastructure by using vibration sensing of buildings.

Also, in recent years, movement to utilize AI for IoT devices has become active, but there are several problems such as difficulty transferring large amounts of sensor data to the cloud for processing, and delays waiting for AI judgments to be transferred back from the cloud. To solve these problems, the Group has focused on “e-AI (embedded-Artificial Intelligence)”, which implements AI technology at the end of the network (endpoint), as one of the focusing technologies and provided e-AI solution that realizes the evolution of embedded devices. In addition to the e-AI solution using current and vibration waveforms with relatively small amount of data so far, the Group has developed the microprocessor “RZ/A2M” which makes it possible to realize micro-processing that can be processed in real time on the embedded device side without raising the AI processing of image data with a large amount of information to the cloud.

This product incorporates the Group’s exclusive DRP (Dynamically Reconfigurable Processor)(Note 2). Although this DRP is a semiconductor hardware, it can instantly change the configuration of the arithmetic circuit with software, so it combines high performance of hardware and flexibility of software. This enables biometric authentication using fingerprints or iris scans, and high-speed scanning by handheld scanners and solves several issues associated with cloud-based approaches, such as the difficulty of achieving real-time performance, assuring privacy, and maintaining security.

In addition to innovative SOTB™ process technology, the Group will promote “Intelligence to Endpoint” which makes smart devices at the end of IoT's network by evolving the e-AI solution and contribute to wider spread of IoT.

- (Note) 1. SOTB™: This is the unique SOTB process technology originated by the Group. An oxide film (BOX: buried oxide) is buried under a thin silicon layer on the wafer substrate. As no impurities are doped to the thin silicon layer which makes it possible to maintain stable operation at low voltages, the devices can deliver high computing performance with excellent power efficiency. At the same time, the potential of the silicon substrate below the BOX layer is controlled to reduce leakage currents and further suppress standby power consumption.
2. DRP: A hardware intellectual property (IP) module originated by the Group which is capable of dynamically changing the configuration of its processing circuit from one clock cycle to the next.

**(ii) Accelerate commercialization of autonomous vehicles by providing end-to-end solutions such as state-of-the-art vehicle control microcomputer adopting 28 nanometer process technology and SoC for image recognition**

While technological development for autonomous vehicles is progressing rapidly, the realization requires control functions that are fundamental to "running, turning and stopping" of vehicles as well as recognition functions of people and goods, and communication functions. The Group has provided end-

to-end solutions, which cover from sensing function to vehicle control function, for ADAS (Advanced Driver Assistance System) and autonomous vehicles. The Group announced and launched the sample shipment of the industry's first automotive control microcontroller “RH850/E2x Series”, using a 28 nanometer (nm) (Note 1) process technology.

The greatest feature of this product is, compared to the earlier 40nm MCUs, to achieve approximately three (3) times higher performance at the same power level. This will enable to develop next-generation fuel-efficient engines, as well as to improve the efficiency and realize miniaturization of motors and inverters used in EV (Electric Vehicles) and PHEV (Plug-in Hybrid Electric Vehicles). In addition to that, by adopting the Group’s proprietary SG-MONOS (Note 2) technology, the Group succeeded in incorporating large capacity memory into flash memory. This makes it possible to update the program by OTA (Over The Air) (Note 3) even during driving, and to apply a control program with higher safety according to the situation even in the autonomous driving era.

In developing the automated driving system, advanced sensing processing that recognizes the surrounding environment in real time is required, and the method is expected to be computer vision performance using AI processing. The Group developed new SoC “R-Car V3H” that embeds dedicated circuits which recognize the AI processing with industry-leading high speed and low power levels, targeting image recognition (smart cameras).

In automotive business, the Group aims to provide practical and realistic semiconductor solutions that can be embedded in mass-produced vehicles with popular price. For that reason, the Group is seeking an optimal balance between product performance and low power consumption so that it not only fulfills the performance of processing image signals at high speed but also can be embedded in a housing for vehicle that is exposed to direct sunlight and prone to high temperature. By using AI dedicated circuits to meet the needs of these markets, the Group succeeded in combining tasks that were in a trade-off relationship between advanced computer vision processing and low power level. As the Group can realize product development that is more scalable through providing this product and "R-Car V3M", one grade below this product, which is suitable for driving support functions such as emergency automatic braking, the Group can respond flexibly to developments and demands of customers.

The Group will accelerate the practical application of automated driving and contribute to the creation of a safer automobile society through the development of advanced technologies and the provision of high-quality solutions that can be embedded on mass-produced vehicles.

(Note) 1. Nanometer: One nanometer is one billionth of a meter.

2. SG-MONOS: MONOS is an abbreviated name of “Metal-Oxide-Nitride-Oxide-Silicon”, a structure in which each transistor in the flash cell consists of three layers—oxide, nitride, and oxide—on a silicon base, with a metal control gate at the top. Based on the track record in MONOS technology, the Group successfully developed the new technology “SG-MONOS” by developing a split-gate (SG) structure which divide gate electrodes into two sections. The new technology realizes MCUs with high reliability, high speed and low power consumption.

3. OTA: This is the system which enables drivers to update or upgrade the OS and other software for automobiles via the wireless network

#### (4) Capital Investment etc. of the Group

The total amount of capital investment by the Group (on the investment decision basis) was 17.6 billion yen during this Business Period. This was mainly used with the aim of investment for renewing the manufacturing equipment at production facilities etc.

#### (5) Financing Activities of the Group

As indicated in the “1. (1) Business Progress and Results” section, to finance a portion of the funds necessary for the acquisition of IDT, the Company entered into a term loan agreement but did not execute borrowing during this Business Period. With the intention to refinance the acquisition loan and existing term loan as the medium-and-long term funds, the Company has newly entered into a syndicated loan agreement (total amount: 897 billion yen) in January 2019.

As of the end of this Business Period, debt with interest of the Group was 192.8 billion yen, a 36.8 billion yen decrease from the end of the previous business period.

The Company did not issue new shares or corporate bonds in this Business Period.

#### (6) Changes in the Results of Financial Position and Profit and Loss (Consolidated)

(In billions of yen except per share figures)

| Business Period<br>Indices                                | 13th Business Period<br>(4/1/14-3/31/15) | 14th Business Period<br>(4/1/15-3/31/16) | 15th Business Period<br>(4/1/16-12/31/16) | 16th Business Period<br>(1/1/17-12/31/17) | 17th Business Period<br>(1/1/18-12/31/18) |
|---|--|--|---|---|---|
| Net sales   | 791.1                                    | 693.3                                    | 471.0                                     | 780.3                                     | 757.4                                     |
| Operating income  | 104.4                                    | 103.8                                    | 54.7                                      | 78.4                                      | 66.8                                      |
| Ordinary income   | 105.3                                    | 102.1                                    | 50.0                                      | 75.3                                      | 65.1                                      |
| Income before income taxes                                | 94.1                                     | 90.8                                     | 41.0                                      | 84.8                                      | 55.6                                      |
| Net income attributable to shareholders of parent company | 82.4                                     | 86.3                                     | 44.1                                      | 77.2                                      | 54.6                                      |
| Net income per share (yen)                                | 49.41                                    | 51.76                                    | 26.46                                     | 46.3                                      | 32.74                                     |
| Total assets  | 840.1                                    | 849.4                                    | 823.1                                     | 1,051.5                                   | 967.8                                     |
| Net assets  | 311.9                                    | 381.7                                    | 422.4                                     | 511.9                                     | 531.6                                     |

- (Note) 1. “Net income per share” is calculated based on the average number of shares outstanding during each business period.
2. As to 15th Business Period, it comprises nine (9) months from April 1, 2016 to December 31, 2016 due to the change of the fiscal term.



**(7) Principal Subsidiaries (as of December 31, 2018)**

| Company Name |  | Capital<br>(Millions of yen) | Investment<br>Ratio (%) | Main Business   | Location                 |
|--------------|--|------------------------------|-------------------------|---|--------------------------|
| Japan        | Renesas Semiconductor Manufacturing Co., Ltd.            | 100                          | 100.0                   | Manufacture of semiconductors (front-end process)               | Hitachinaka-shi, Ibaraki |
|              | Renesas Semiconductor Package & Test Solutions Co., Ltd. | 100                          | 100.0                   | Manufacture of semiconductors (back-end process)                | Takasaki-shi, Gunma      |
| Overseas     | Renesas Electronics America Inc.                         | (1,000 USD)<br>1,379         | 100.0                   | Design, development and sale of semiconductors in the U.S.A.    | California, U.S.A.       |
|              | Renesas Electronics Europe GmbH                          | (1,000 Euro)<br>14,000       | *100.0                  | Design, development and sale of semiconductors in Europe        | Dusseldorf, Germany      |
|              | Renesas Electronics Hong Kong Limited                    | (1,000 HKD)<br>15,000        | 100.0                   | Sale of semiconductors in Hong Kong                             | Hong Kong, China         |
|              | Renesas Electronics Taiwan Co., Ltd.                     | (1,000 NTD)<br>170,800       | 100.0                   | Sale of semiconductors in Taiwan                                | Taipei, Taiwan           |
|              | Renesas Electronics Singapore Pte. Ltd.                  | (1,000 USD)<br>32,287        | 100.0                   | Sale of semiconductors in ASEAN, India, Oceania and Middle East | Singapore                |

- (Note) 1. There are a total of 48 consolidated subsidiaries as of December 31, 2018, consisting of 4 domestic companies and 44 overseas companies, including the principal subsidiaries described above.
2. An asterisk denotes the figures which include the indirect ownership. Renesas Electronics Europe GmbH became a wholly owned subsidiary of the Company, after the Company acquired its entire equity interests on January 1, 2019.
3. Former Intersil Corporation, a wholly owned subsidiary of the Company, merged Renesas Electronics America Inc., a wholly owned subsidiary of the Company, on January 1, 2018 and changed its company name to Renesas Electronics America Inc.
4. The Company merged Renesas Semiconductor Package & Test Solutions Co., Ltd., a wholly owned subsidiary, on January 1, 2019.
5. There is no “Specific wholly owned subsidiary” which comes under Item 4, Article 118 of Ordinance for Enforcement of the Companies Act.
6. Following the share transfer by the Company on August 1, 2018, the Company has excluded RENESAS EASTON Co., Ltd. from the scope of application of the equity method.

**(8) Main Business of the Group (as of December 31, 2018)**

The Group conducts, as a semiconductor manufacturer, design, development, manufacture, sale and provision of services of semiconductors with focus on products for automotive, industrial and broad-based applications.

**(9) Principal Offices and Plants of the Group (as of December 31, 2018)****(i) The Company**

| Indices                       | Location                             |
|-------------------------------|--------------------------------------|
| Headquarters                  | Koto-ku, Tokyo                       |
| Research and Development Base | Musashi Site (Kodaira-shi, Tokyo)    |
|                               | Takasaki Site (Takasaki-shi, Gunma)  |
|                               | Naka Site (Hitachinaka-shi, Ibaraki) |

(Note) The Yonezawa Factory (Yonezawa-shi, Yamagata), Oita Factory (Nakatsu-shi, Oita) and the Nishiki Factory (Kuma-gun, Kumamoto) of Renesas Semiconductor Package & Test Solutions Co., Ltd., a wholly owned subsidiary of the Company, became the Company's production bases on January 1, 2019, after the Company merged it.

**(ii) Subsidiaries**

Principal subsidiaries and their locations are described in "1-(7) Principal Subsidiaries" above.

**(10) Employees of the Group (as of December 31, 2018)**

| Number of Employees | Decrease from December 31, 2017 |
|---------------------|---------------------------------|
| 19,546              | 967                             |

- (Note) 1. The above figure is the number of permanent employees (including employees temporarily transferred from outside Group to the Group, and excluding employees temporarily transferred from the Group to outside Group), and the number of temporary employees is excluded.
2. As the production volume declined, the number of employees declined by 967 compared to the end of the previous business period, mainly at the overseas subsidiaries.

**(11) Major Borrowings of the Group (as of December 31, 2018)**

| Lenders                             | Balance of Borrowings<br>(Millions of yen) |
|-------------------------------------|--|
| MUFG Bank, Ltd                      | 96,371                                     |
| Mizuho Bank, Ltd.                   | 57,822                                     |
| Sumitomo Mitsui Trust Bank, Limited | 38,548                                     |

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd on April 1, 2018.

## 2. Overview of the Company

### (1) Matters related to the Company's Shares (as of December 31, 2018)

- (i) **Total Number of Shares Authorized to be Issued** 3,400,000,000 shares
- (ii) **Total Number of Shares Issued** 1,668,382,809 shares  
(excluding treasury stock of 2,581 shares)
- (iii) **Number of Shareholders** 49,582

#### (iv) Major Shareholders

| Name of Shareholders   | Number of Shares Held<br>(shares) | Percentage of Shares Held<br>(%) |
|--|-----------------------------------|----------------------------------|
| INCJ, Ltd.   | 556,842,175                       | 33.37                            |
| GIC PRIVATE LIMITED-C  | 96,703,200                        | 5.79                             |
| DENSO Corporation  | 83,359,725                        | 4.99                             |
| Mitsubishi Electric Corporation  | 75,706,885                        | 4.53                             |
| Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Mitsui Trust Bank, Limited/NEC Corporation pension and severance payments Trust Account) | 71,779,857                        | 4.30                             |
| Hitachi, Ltd.  | 61,990,548                        | 3.71                             |
| Toyota Motor Corporation   | 50,015,900                        | 2.99                             |
| GIC PRIVATE LIMITED-H  | 31,882,100                        | 1.91                             |
| Japan Trustee Services Bank, Ltd. (Trust Account)  | 23,517,600                        | 1.40                             |
| BNYM RE FMSF-FRANKLIN MUTUAL GLO DISCOVERY FD  | 23,512,917                        | 1.40                             |

- (Note) 1. Percentage of shares held is calculated excluding 2,581 shares of treasury stock.
2. Percentage of shares held is calculated by truncating the numbers beyond the third decimal place.
3. INCJ, Ltd., was incorporated as a result of the incorporation-type company split from Japan Investment Corporation (formerly, Innovation Network Corporation of Japan) and succeeded all of the Company's shares on September 21, 2018.
4. 71,779,857 shares (percentage of shares held: 4.30%) owned by Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Mitsui Trust Bank, Limited/NEC Corporation pension and severance payments Trust Account) were shares that were contributed by NEC Corporation as severance indemnities trusts. The voting rights of such shares will be exercised at the instruction of NEC Corporation.

**(2) Matters related to Directors and Corporate Auditors****(i) Name, etc. of Directors and Corporate Auditors (as of December 31, 2018)**

| Name               | Position at the Company                                | Responsibility and Important Concurrent Positions  |
|--------------------|--|--|
| Tetsuya Tsurumaru  | *Representative Director and Chairman                  | Management of important matters relating to the business; chairman of General Meeting of Shareholders and Meeting of Board of Directors; and matters relating to Internal Audit Office                                       |
| Bunsei Kure        | *Representative Director, President and CEO            | Management of important matters relating to the overall business; hosting of Executive Committee, Corporate Management Meeting and other important meetings; and matters relating to Quality Assurance Division              |
| Hidetoshi Shibata  | *Executive Vice President, Member of the Board and CFO | Matters relating to Corporate Planning Unit  |
| Tetsuro Toyoda     | Member of the Board                                    | Co-Chief Investment Officer, Member of the Board, Head of Investment Group, INCJ, Ltd.   |
| Jiro Iwasaki       | Member of the Board                                    | Outside Director (Full-time Audit and Supervisory Committee Member), GCA Corporation<br>Outside Director, SBS Holdings, Inc.   |
| Kazuki Fukuda      | Corporate Auditor (Full time)                          |  |
| Kazuyoshi Yamazaki | Corporate Auditor                                      | Representative, Yamazaki Law Office  |
| Noboru Yamamoto    | Corporate Auditor                                      | Representative Director, Representative Partner & CEO, XIB Capital Partners, Inc.<br>Outside Director, Hitachi Koki Co., Ltd.<br>Senior Advisor, CLSA Capital Partners K.K.<br>Outside Director, TSUBAKI NAKASHIMA CO., LTD. |
| Takeshi Sekine     | Corporate Auditor                                      | Senior Executive Managing Director, Business Management Group, Japan Investment Corporation  |

- (Note) 1. Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki are Outside Directors, as stipulated in Item 15, Article 2 of the Companies Act.
2. Mr. Kazuki Fukuda, Mr. Kazuyoshi Yamazaki, Mr. Noboru Yamamoto and Mr. Takeshi Sekine are Outside Corporate Auditors, as stipulated in Item 16, Article 2 of the Companies Act.
3. The Company has notified Tokyo Stock Exchange, Inc., on which the Company lists its shares, of Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki, who are Outside Directors, and Mr. Kazuyoshi Yamazaki, Mr. Noboru Yamamoto and Mr. Takeshi Sekine, who are Outside Corporate Auditors, as Independent Executives who will have no conflict of interests with the Company's general shareholders.

4. Mr. Kazuki Fukuda, a Corporate Auditor, was involved in accounting operation for many years at NEC Corporation etc. and thus has considerable knowledge of finance and accounting. Mr. Takeshi Sekine, a Corporate Auditor, is certified public accountants and have considerable knowledge of finance and accounting.
5. The Members of the Board were changed during this Business Period as follows:
  - (i) At the 16th Ordinary General Meeting of Shareholders held on March 29, 2018, Mr. Hidetoshi Shibata was newly elected and took office as Member of the Board.
  - (ii) Upon the closure of the 16th Ordinary General Meeting of Shareholders held on March 29, 2018, Mr. Kenichi Hattori retired from its position as Member of the Board due to expiration of the term of office.
6. The Corporate Auditors were changed during this Business Period as follows:
  - (i) At the 16th Ordinary General Meeting of Shareholders held on March 29, 2018, Mr. Noboru Yamamoto was newly elected and took office as Corporate Auditor.
  - (ii) Upon the closure of the 16th Ordinary General Meeting of Shareholders held on March 29, 2018, Mr. Yoshinobu Shimizu retired from its position as Corporate Auditor due to expiration of the term of office.
7. Mr. Tetsuro Toyoda, an outside Director, was concurrently in charge of Co-Chief Investment Officer, Member of the Board, Head of Investment Group, former Innovation Network Corporation of Japan. However, as INCJ, Ltd. was established as a result of the incorporation-type company split from Innovation Network Corporation of Japan, he retired his position and took office as Co-Chief Investment Officer, Member of the Board, Head of Investment Group, INCJ, Ltd as of September 21, 2018. On the same day, former Innovation Network Corporation of Japan changed its company name to Japan Investment Corporation.
8. INCJ, Ltd., where Mr. Tetsuro Toyoda, an Outside Director, concurrently hold the position, is a major shareholder of the Company owing 33.37% of Company's share. Japan Investment Corporation, where Mr. Takeshi Sekine, an Outside Corporate Auditor, owns all shares of INCJ, Ltd.
9. Mr. Kazuyoshi Yamazaki, an Outside Corporate Auditor, took office as Outside Director of G Holdings Corporation on January 1, 2019.
10. The Company adopts a corporate officer system and asterisks denote the Directors who have been acting as Corporate Officers. The names of other Corporate Officers (who are not Directors) as of January 1, 2019 are as follows:

| Name               | Position at the Company  | Responsibility   |
|--------------------|--------------------------|--|
| Yoshikazu Yokota   | Executive Vice President | Matters relating to Industrial Solution Business Unit                        |
| Masahiko Nozaki    | Executive Vice President | Matters relating to Production and Technology Unit                           |
| Manabu Kawashima   | Executive Vice President | Matters relating to Supply Chain Management Unit                             |
| Necip Sayiner      | Executive Vice President | Matters relating to Broad-based Solution Business Unit                       |
| Hiroataka Yamanami | Executive Vice President | Matters relating to Organization Development Unit                            |
| Shingo Yamamoto    | Executive Vice President | Matters relating to Automotive Solution Business Unit                        |
| Michael Hannawald  | Senior Vice President    | Matters relating to Industrial Solution Business Unit (Industrial Marketing) |

| Name              | Position at the Company | Responsibility  |
|-------------------|-------------------------|---|
| Tomomitsu Maoka   | Senior Vice President   | Matters relating to China Business Unit   |
| Hiroto Nitta      | Senior Vice President   | Matter relating to Broad-based Solution Business Unit (Broad-based MCU & Marketing) |
| Shinichi Yoshioka | Senior Vice President   | Matters relating to Automotive Solution Business Unit (Automotive Solution, CTO)    |
| Olav Schulte      | Senior Vice President   | Matters relating to Automotive Solution Business Unit (Automotive Business)         |

### (ii) Outline of Liability Limitation Agreements

Pursuant to the Articles of Incorporation of the Company, the Company executed liability limitation agreements with Mr. Tetsuro Toyoda and Mr. Jiro Iwasaki, who are Outside Directors, and Mr. Kazuyoshi Yamazaki, Mr. Noboru Yamamoto and Mr. Takeshi Sekine, who are Outside Corporate Auditors respectively, limiting their liabilities for damages as defined in Paragraph 1, Article 423 of the Companies Act. The liability limitation under such agreements is the minimum liability amount stipulated in the Articles of Incorporation of the Company.

### (iii) Remuneration, etc. for Directors and Corporate Auditors for this Business Period

| Classification     | Number/Total Amount Paid  |
|--------------------|---|
| Directors          | 4 persons/363 million yen<br>(including 1 Outside Director / 12 million yen)        |
| Corporate Auditors | 4 persons/32 million yen<br>(including 4 Outside Corporate Auditors/32 million yen) |
| Total              | 8 persons/395 million yen<br>(including 4 Outside officers/44 million yen)          |

- (Note)
- As of the end of this Business Period, there were five (5) Directors (including two (2) Outside Directors) and four (4) Corporate Auditors (all were Outside Corporate Auditors).
  - The amount of remuneration of Directors (excluding the Outside Directors) above includes below.
    - The total amount recorded as expenses in this Business Period for bonuses: 190 million yen
    - The total amount recorded as expenses in this Business Period for the stock acquisition rights granted as equity-incentive stock options: 78 million yen
  - The amount of Directors' remuneration above does not include the amount paid as salary for employees to those Directors who are also employees of the Company.
  - The maximum yearly remuneration for Directors as approved at the General Meeting of Shareholders is 2 billion yen, including 400 million yen for Outside Directors. (Approved at the Ordinary General Meeting of Shareholders held on March 29, 2018)
  - The maximum monthly remuneration for Corporate Auditors as approved at the General Meeting of Shareholders is 12 million yen. (Approved at the Extraordinary General Meeting of Shareholders held on February 24, 2010)

**(3) Matters related to Outside Directors and Outside Corporate Auditors****(i) Important Concurrent Positions of Outside Directors and Outside Corporate Auditors and Relation Between Organizations where they hold Important Concurrent Positions and the Company (as of December 31, 2018)**

Important concurrent positions and relation between organizations where they hold important concurrent positions and the Company are described in “2-(3)-(i) Name, etc. of Directors and Corporate Auditors of the Company” above.

**(ii) Principal Activities during this Business Period**

| Title    | Name           | Principal Activities  |
|----------|----------------|---|
| Director | Tetsuro Toyoda | He attended 17 of 18 meetings of Board of Directors held during this Business Period, and made necessary remarks to discussion of proposals based on his extensive knowledge, experience and deep insight mainly gained from his career in wide investment business at INCJ, Ltd. and former Innovation Network Corporation of Japan. |
|          | Jiro Iwasaki   | He attended all 18 meetings of Board of Directors held during this Business Period, and made necessary remarks to discussion of proposals based on his extensive knowledge, experience and deep insight mainly gained from his career engaged in business operation in the variety of corporations for many years.                    |

| Title             | Name               | Principal Activities   |
|-------------------|--------------------|--|
| Corporate Auditor | Kazuki Fukuda      | <p>(i) He attended all 18 meetings of Board of Directors held during this Business Period, and made necessary remarks mainly based on his wealth of knowledge of business operations and accounting, so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) He attended all 15 meetings of Corporate Auditors held during this Business Period. Further, as a full-time Corporate Auditor, mainly based on his wealth of knowledge of business operations and accounting, he (a) explained the contents of the discussion at the Executive Committee, etc. regarding the matters to be presented to the Meetings of Board of Directors, (b) reported the audit status and results thereof, and (c) answered the questions to the part-time Corporate Auditors.</p> |
| Corporate Auditor | Kazuyoshi Yamazaki | <p>(i) He attended all 18 meetings of Board of Directors held during this Business Period, and mainly from legal point of view as an attorney-at-law, made necessary remarks for ensuring procedures in accordance with the laws and regulations so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) He attended all 15 meetings of Corporate Auditors held during this Business Period, and from independent and fair position and from legal point of view as an attorney-at-law, made necessary remarks regarding establishment and maintenance of the Company's compliance system, etc.</p>   |



| Title | Name            | Principal Activities  |
|-------|-----------------|---|
|       | Noboru Yamamoto | <p>(i) He attended all 14 meetings of Board of Directors held since the appointment of Corporate Auditor in March 2018, and made necessary remarks mainly based on his extensive knowledge, experience and deep insight gained from his career in global financial institution and operating company, so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) He attended all 15 meetings of Corporate Auditors held since the appointment of Corporate Auditor in March 2018, and based on his extensive knowledge, experience and deep insight gained from his career in global financial institution and operating company, made necessary remarks regarding improvement of governance of global management, etc.</p> |
|       | Takeshi Sekine  | <p>(i) He attended 17 of 18 meetings of Board of Directors held during this Period, and mainly from accounting point of view as a certified public accountant, made necessary remarks on finance and accounting procedures so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) He attended all 15 meetings of Corporate Auditors held during this Business Period, and based on his specialized knowledge, experience and deep insight as a certified public accountant, made necessary remarks for ensuring appropriate accounting procedures, etc.</p>   |

(Note) In addition to the above meetings of Board of Directors, there were four (4) written resolutions pursuant to Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company, which shall be deemed that the resolution of meeting of Board of Directors has been made.

**(4) Accounting Auditors****(i) Accounting Auditor's Name:** Ernst & Young ShinNihon LLC

(Note) Former ShinNihon LLC, an Accounting Auditor of the Company, changed the company name to Ernst & Young ShinNihon LLC on July 1, 2018.

**(ii) Remuneration and Other Amounts to be Paid to the Independent Auditors for this Business Period:**

| Classification   | Amount<br>(in millions of yen) |
|--|--------------------------------|
| (i) The total amount of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditors   | 230                            |
| (ii) Remuneration and other amounts to be paid by the Company to the Independent Auditors for the services stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Act. | 128                            |

- (Note) 1. As a result of getting necessary documents and being reported by the Directors, relevant departments and Accounting Auditor as well as studying audit plan for this Business Period and the previous business period, status of actual audit and the appropriateness of the estimated remuneration amount, the Board of Corporate Auditors agreed to the above amount.
2. As there is no explicit distinction in the audit contract (entered into between the Company and the Accounting Auditor) between the fees for audits under the Companies Act and the fees for audits based on the Financial Instruments and Exchange Law, and as it is unable to distinguish between these two (2) types of fees, the fees set forth in (ii) above include both of such fees.
3. All overseas subsidiaries described in "1-(7) Principal Subsidiaries" above were audited by other audit corporations.

**(iii) Non-Audit Services Rendered by Accounting Auditor**

The Company paid the Accounting Auditor any compensation for the preliminary survey service and the services relating to provision of information, advice, and issuance of comfort letters etc. for planning to adopt the IFRS as services other than those under Paragraph 1, Article 2 of the Certified Public Accountants Act (Non-Audit Services).

**(iv) Policy Regarding Decision to Either Dismiss or Not Reappoint Accounting Auditor**

The Board of Corporate Auditors, by unanimous consent, will dismiss the Accounting Auditor when confirmed that the Accounting Auditor falls under any item of Paragraph 1, Article 340 of the Companies Act. In addition, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, making it unlikely that the Accounting Auditor will be able to properly perform an audit, the Board of Corporate Auditors will propose to dismiss or not to reappoint the Accounting Auditor at General Meeting of Shareholders.

**(5) Systems Necessary to Ensure the Properness of Operations of the Company and Operational Status of these Systems**

The meeting of the Board of Directors made the resolution with respect to the basic policies for the development of systems set forth in Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (the “Internal Control System”). Those summaries are as follows.

As to the operation status of the Internal Control System during this Business Period, related important matters were deliberated in the Internal Control Promotion Committee that was held four (4) times with CEO as a chairman, and an annual plan of the basic policies and an operational status were monitored and supervised by the said Committee. Also, the Group promoted compliance education and, in Japan, carried out CSR Compliance Education for FY 2018 by using IT system in October and November, 2018. Further, after confirming that the Internal Control System works effectively based on the evaluation of its operation in the Executive Committee, such results were reported to the Meeting of the Board of Directors.

**(i) Systems Necessary to ensure that the execution of duties by Directors, Corporate Officers and employees (hereinafter “Members, etc.”) complies with laws and regulations and Articles of Incorporation**

- The Directors shall take the lead in complying with the “Renesas Electronics Group CSR Charter” and the “Renesas Electronics Group Code of Conduct” that have been adopted for the purpose of establishing corporate ethics and ensuring compliance with laws and regulations, the Articles of Incorporation and internal rules of the Company by Members, etc. The Directors shall keep the Members, etc. of the Company and its subsidiaries (collectively, “Renesas Electronics Group”) informed of such rules, and shall have Renesas Electronics Group comply with them.
- The Directors shall stipulate basic matters such as implementation system and educational programs for compliance in “Global Rule for Compliance Management within the Renesas Group”, shall oblige attendees to deliberate and resolve matters regarding compliance at “Internal Control Promotion Committee”, and shall offer training programs and the like for the Renesas Electronics Group to be fully aware of compliance.
- The Directors shall set up “Renesas Electronics Group Hot Line” as internal contact points for Renesas Electronics Group and its business partners to report violations or possible violations of compliance. Furthermore, the Directors shall keep Renesas Electronics Group and its business partners informed that they assure the anonymity of informants upon requests from informants and informants shall never be adversely affected.
- The Directors shall keep away from any antisocial force, shall work closely with external specialized institutions, and shall act resolutely in an organized manner when contacted by it.

**(ii) Systems for properly preserving and managing information related to execution of duties by Directors**

The Directors shall properly prepare, preserve and manage minutes of the General Meetings of Shareholders, Meetings of Board of Directors and other documents in accordance with applicable laws and regulations. The Directors shall also properly prepare, preserve and manage other

documents, books and records pertaining to the duties of Members, etc. in accordance with “Basic Rule of Document Management and Retention”.

**(iii) Rules and other systems regarding risk management for loss**

- The Directors shall stipulate basic matters of risk management in the Company’s own fundamental rules of risk and crisis management, and shall establish a risk management framework in accordance with the rules.
- The Corporate Officers and division managers responsible for classified risk shall strive to minimize loss by developing prevention measures against risk materialization and by developing countermeasures in case of risk materialization.
- The Corporate Officers shall, depending on its importance, establish an appropriate organization chaired by themselves, and shall implement appropriate measures in accordance with the Company’s own fundamental rules of risk and crisis management when serious risk materializes.

**(iv) Systems for ensuring efficient execution of duties by Directors**

- The Directors shall hold an ordinary Meeting of the Board of Directors once a month and extraordinary meetings as needed for the sake of quick decision-making.
- The Directors shall adopt a Corporate Officer System, shall make prompt decisions on the important management issues at the Meeting of the Board of Directors, and shall supervise the execution of duties by the Corporate Officers. Furthermore, the important issues for the Company’s management shall be discussed at the Executive Committee prior to the Meeting of the Board of Directors in order to enhance the Board’s deliberations.
- The Corporate Officers (including Corporate Officers who also act as Directors) shall make quick decisions for the business operation by transferring their authorities to the relevant division managers or other employees. The Corporate Officers, the relevant division managers, and other employees shall execute their authority properly and efficiently in accordance with “Basic Rules of Ringi Approval”.
- The Corporate Officers (including Corporate Officers who also act as Directors) shall execute their duties quickly and efficiently in accordance with office routine regulations determined by the Meeting of the Board of Directors, and shall periodically confirm the status of execution of management plans and the budget determined at a Meeting of the Board of Directors.

**(v) Systems necessary to ensure appropriate operation of Corporate Group**

- The Directors shall guide and support the subsidiaries to establish the Group-wide compliance system in accordance with the “Renesas Electronics CSR Charter”, “Renesas Electronics Group Code of Conduct” and “Global Rule for Compliance Management within the Renesas Group”.
- The Directors shall constantly oversee, guide and support the Company’s subsidiaries through the divisions responsible for the business and supervision of the subsidiaries and have the matters

relating to the execution of duties by directors of the subsidiaries periodically reported, in accordance with “Basic Rule of Operation and Management of Affiliate Companies”.

- The Directors shall, through a division responsible for risk management, have the subsidiaries establish rules for risk and crisis management, and, make contact lists and action plans in emergency.
- The Directors shall, through the divisions responsible for the business and supervision of the subsidiaries of the Company, have Internal Audit Office audit the Group, and shall have principal subsidiaries allocate internal auditing staff or divisions and cooperate with the Internal Audit Office and the subsidiaries’ own Corporate Auditors to ensure appropriate operations of Renesas Electronics Group.

**(vi) Matters relating to employees assigned to assist Corporate Auditors and independence of such employees from Directors etc.**

The Directors shall establish the Corporate Auditors Office composed of specialized staff for the purpose of assisting the Corporate Auditors’ audit activities. Any evaluation, personnel transfer, reprimand and the like of such specialized staff shall require prior consultation with the full-time Corporate Auditors, and such staff shall not be directed or supervised by the Directors for duties to assist the Corporate Auditors.

**(vii) Systems for Members, etc. of the Group, corporate auditors of the Company’s subsidiaries etc. to report to Corporate Auditors**

Members, etc. of the Group shall, upon requests from the Corporate Auditors, report to the Corporate Auditors on matters such as the execution of their duties.

**(viii) Other systems necessary to ensure effective auditing by Corporate Auditors**

- The Corporate Auditors shall attend Meetings of the Board of Directors, and may attend important meetings of the Company as they deem necessary. Furthermore, the Directors shall guarantee the right of Corporate Auditors to access important corporate information.
- The Corporate Auditors shall hold Meetings of Board of Corporate Auditor in principle at least once a month, and shall exchange information and deliberate on the status of audits and related matters. The Corporate Auditors also shall receive regular reports from accounting auditors on their audit activities, and shall exchange opinions on them.

## CONSOLIDATED BALANCE SHEET

(As of December 31, 2018)

(In millions of yen)

| Assets                                  |                | Liabilities and net assets                    |                 |
|---|----------------|---|-----------------|
| Accounts                                | Amount         | Accounts                                      | Amount          |
| <b>Current assets</b>                   | <b>396,186</b> | <b>Liabilities</b>                            |                 |
| Cash and deposits                       | 185,651        | <b>Current liabilities</b>                    | <b>231,442</b>  |
| Notes and accounts receivable-trade     | 76,356         | Electronically recorded obligations           | 13,091          |
| Short-term investment securities        | 3,661          | Notes and accounts payable-trade              | 59,579          |
| Merchandise and finished goods          | 37,193         | Short-term borrowings                         | 45,000          |
| Work in process                         | 72,822         | Current portion of lease obligations          | 72              |
| Raw materials and supplies              | 8,024          | Accounts payable-other                        | 39,176          |
| Accounts receivable-other               | 8,562          | Accrued expenses                              | 38,639          |
| Other current assets                    | 3,965          | Accrued income taxes                          | 4,584           |
| Allowance for doubtful accounts         | (48)           | Provision for product warranties              | 206             |
| <b>Long-term assets</b>                 | <b>571,604</b> | Provision for business structure improvement  | 1,057           |
| <b>Property, plant and equipment</b>    | <b>242,609</b> | Provision for contingent loss                 | 5,286           |
| Buildings and structures                | 59,278         | Provision for loss on disaster                | 3               |
| Machinery and equipment                 | 122,208        | Provision for sales rebates                   | 2,570           |
| Vehicles, tools, furniture and fixtures | 25,945         | Asset retirement obligations                  | 43              |
| Land                                    | 20,387         | Other current liabilities                     | 22,136          |
| Construction in progress                | 14,791         | <b>Long-term liabilities</b>                  | <b>204,790</b>  |
| <b>Intangible assets</b>                | <b>288,284</b> | Long-term borrowings                          | 147,742         |
| Goodwill                                | 148,913        | Lease obligations                             | 66              |
| Software                                | 17,837         | Deferred tax liabilities                      | 19,237          |
| Developed technology                    | 99,879         | Provision for business structure improvement  | 188             |
| Other intangible assets                 | 21,655         | Provision for contingent loss                 | 600             |
| <b>Investments and other assets</b>     | <b>40,711</b>  | Net defined benefit liability                 | 25,943          |
| Investment securities                   | 2,981          | Asset retirement obligations                  | 2,732           |
| Net defined benefit asset               | 3,221          | Other liabilities                             | 8,282           |
| Deferred tax assets                     | 2,793          | <b>Total liabilities</b>                      | <b>436,232</b>  |
| Long-term prepaid expenses              | 28,520         | <b>Net assets</b>                             |                 |
| Other assets                            | 3,196          | <b>Shareholders' equity</b>                   | <b>541,985</b>  |
|   |                | <b>Common stock</b>                           | <b>10,699</b>   |
|   |                | <b>Capital surplus</b>                        | <b>192,618</b>  |
|   |                | <b>Retained earnings</b>                      | <b>338,679</b>  |
|   |                | <b>Treasury stock</b>                         | <b>(11)</b>     |
|   |                | <b>Accumulated other comprehensive income</b> | <b>(17,983)</b> |
|   |                | Unrealized gains (losses) on securities       | 72              |
|   |                | Deferred gains or losses on hedges            | (14,318)        |
|   |                | Foreign currency translation adjustments      | (6,363)         |
|   |                | Remeasurements of defined benefit plans       | 2,626           |
|   |                | <b>Subscription rights to shares</b>          | <b>5,165</b>    |
|   |                | <b>Non-controlling interests</b>              | <b>2,391</b>    |
|   |                | <b>Total net assets</b>                       | <b>531,558</b>  |
| <b>Total assets</b>                     | <b>967,790</b> | <b>Total liabilities and net assets</b>       | <b>967,790</b>  |

## CONSOLIDATED STATEMENT OF OPERATIONS

(The Year Ended December 31, 2018)

(In millions of yen)

| Accounts   | Amount         |
|--|----------------|
| <b>Net sales</b>   | <b>757,360</b> |
| <b>Cost of sales</b>   | <b>420,743</b> |
| <b>Gross profit</b>  | <b>336,617</b> |
| <b>Selling, general and administrative expenses</b>              | <b>269,833</b> |
| <b>Operating income</b>  | <b>66,784</b>  |
| <b>Non-operating income</b>                                      | <b>2,634</b>   |
| Interest income  | 1,391          |
| Subsidy income   | 294            |
| Other non-operating income                                       | 949            |
| <b>Non-operating expenses</b>                                    | <b>4,288</b>   |
| Interest expenses  | 1,782          |
| Loss on disposal of long-term assets                             | 671            |
| Commission for syndicate loan                                    | 451            |
| Other non-operating expenses                                     | 1,384          |
| <b>Ordinary income</b>   | <b>65,130</b>  |
| <b>Special income</b>  | <b>8,224</b>   |
| Gain on sales of property, plant and equipment                   | 1,070          |
| Reversal of provision for contingent loss                        | 6,385          |
| Other special income   | 769            |
| <b>Special loss</b>  | <b>17,708</b>  |
| Business structure improvement expenses                          | 4,230          |
| Provision for contingent loss                                    | 3,432          |
| Compensation expenses  | 7,652          |
| Other special loss   | 2,394          |
| <b>Income before income taxes</b>                                | <b>55,646</b>  |
| Income taxes-current   | 4,805          |
| Income taxes-deferred  | (3,819)        |
| <b>Net income</b>  | <b>54,660</b>  |
| <b>Net income attributable to non-controlling interests</b>      | <b>65</b>      |
| <b>Net income attributable to shareholders of parent company</b> | <b>54,595</b>  |

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
(The Year Ended December 31, 2018)

(In millions of yen)

|   | Shareholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the period                    | 10,022               | 191,941         | 283,541           | (11)           | 485,493                    |
| Cumulative effects of changes in accounting policies      |                      |                 | 1,304             |                | 1,304                      |
| Restated balance  | 10,022               | 191,941         | 284,845           | (11)           | 486,797                    |
| Changes during the period                                 |                      |                 |                   |                |                            |
| Net income attributable to shareholders of parent company |                      |                 | 54,595            |                | 54,595                     |
| Issuance of new shares                                    | 677                  | 677             |                   |                | 1,354                      |
| Change of scope of equity method                          |                      |                 | (761)             |                | (761)                      |
| Net changes other than shareholders' equity               |                      |                 |                   |                |                            |
| Total changes during the period                           | 677                  | 677             | 53,834            | -              | 55,188                     |
| Balance at the end of the period                          | 10,699               | 192,618         | 338,679           | (11)           | 541,985                    |

|   | Valuation and translation adjustments   |                                   |  |   |  | 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                    | 397                                     | -                                 | 7,894                                    | 13,368                                  | 21,659                                       | 2,311                         | 2,435                     | 511,898          |
| Cumulative effects of changes in accounting policies      |   |                                   |  |   |  |                               |                           | 1,304            |
| Restated balance  | 397                                     | -                                 | 7,894                                    | 13,368                                  | 21,659                                       | 2,311                         | 2,435                     | 513,202          |
| Changes during the period                                 |   |                                   |  |   |  |                               |                           |                  |
| Net income attributable to shareholders of parent company |   |                                   |  |   |  |                               |                           | 54,595           |
| Issuance of new shares                                    |   |                                   |  |   |  |                               |                           | 1,354            |
| Change of scope of equity method                          |   |                                   |  |   |  |                               |                           | (761)            |
| Net changes other than shareholders' equity               | (325)                                   | (14,318)                          | (14,257)                                 | (10,742)                                | (39,642)                                     | 2,854                         | (44)                      | (36,832)         |
| Total changes during the period                           | (325)                                   | (14,318)                          | (14,257)                                 | (10,742)                                | (39,642)                                     | 2,854                         | (44)                      | 18,356           |
| Balance at the end of the period                          | 72                                      | (14,318)                          | (6,363)                                  | 2,626                                   | (17,983)                                     | 5,165                         | 2,391                     | 531,558          |



## NON-CONSOLIDATED BALANCE SHEET

(As of December 31, 2018)

(In millions of yen)

| Assets                                |                | Liabilities and net assets                   |                 |
|---------------------------------------|----------------|--|-----------------|
| Accounts                              | Amount         | Accounts                                     | Amount          |
| <b>Current assets</b>                 | <b>325,701</b> | Liabilities                                  |                 |
| Cash and deposits                     | 137,529        | <b>Current liabilities</b>                   | <b>320,029</b>  |
| Accounts receivable-trade             | 59,518         | Electronically recorded obligations          | 8,759           |
| Finished goods                        | 25,261         | Accounts payable-trade                       | 75,884          |
| Work in process                       | 41,152         | Short-term borrowings                        | 45,000          |
| Raw materials and supplies            | 1,131          | Current portion of lease obligations         | 1               |
| Prepaid expenses                      | 1,456          | Accounts payable-other                       | 34,174          |
| Short-term loan receivable            | 34,595         | Accrued expenses                             | 17,274          |
| Accounts receivable-other             | 24,844         | Accrued income taxes                         | 2,897           |
| Other current assets                  | 216            | Advances received                            | 1,220           |
| <b>Long-term assets</b>               | <b>602,576</b> | Deposits received                            | 115,053         |
| <b>Property, plant and equipment</b>  | <b>112,824</b> | Provision for product warranties             | 149             |
| Buildings                             | 25,190         | Provision for business structure improvement | 89              |
| Structures                            | 2,580          | Provision for contingent loss                | 2,834           |
| Machinery and equipment               | 46,660         | Asset retirement obligation                  | 20              |
| Vehicles                              | 67             | Other current liabilities                    | 16,675          |
| Tools, furniture and fixtures         | 13,816         | <b>Long-term liabilities</b>                 | <b>169,352</b>  |
| Land                                  | 14,303         | Long-term borrowings                         | 147,742         |
| Construction in progress              | 10,209         | Lease obligations                            | 2               |
| <b>Intangible assets</b>              | <b>20,274</b>  | Accrued retirement benefits                  | 14,421          |
| Software                              | 15,017         | Provision for contingent loss                | 600             |
| Other intangible assets               | 5,258          | Asset retirement obligations                 | 1,884           |
| <b>Investments and other assets</b>   | <b>469,477</b> | Other liabilities                            | 4,703           |
| Investment securities                 | 370            | <b>Total liabilities</b>                     | <b>489,381</b>  |
| Stocks of subsidiaries and affiliates | 432,096        | Net assets                                   |                 |
| Long-term prepaid expenses            | 27,901         | <b>Shareholders' equity</b>                  | <b>447,918</b>  |
| Prepaid pension cost                  | 2,979          | <b>Common stock</b>                          | <b>10,699</b>   |
| Deferred tax assets                   | 5,067          | <b>Capital surplus</b>                       | <b>207,761</b>  |
| Other assets                          | 1,064          | Capital legal reserve                        | 699             |
| Allowance for doubtful accounts       | (0)            | Other capital surplus                        | 207,061         |
|                                       |                | <b>Retained earnings</b>                     | <b>229,468</b>  |
|                                       |                | Other retained earnings                      | 229,468         |
|                                       |                | Retained earnings brought forward            | 229,468         |
|                                       |                | <b>Treasury stock</b>                        | <b>(11)</b>     |
|                                       |                | <b>Valuation and translation adjustments</b> | <b>(14,186)</b> |
|                                       |                | Unrealized gains (losses) on securities      | 131             |
|                                       |                | Deferred gains or losses on hedges           | (14,318)        |
|                                       |                | <b>Subscription rights to shares</b>         | <b>5,165</b>    |
|                                       |                | <b>Total net assets</b>                      | <b>438,896</b>  |
| <b>Total assets</b>                   | <b>928,277</b> | <b>Total liabilities and net assets</b>      | <b>928,277</b>  |

## NON-CONSOLIDATED STATEMENT OF OPERATIONS

(The Year Ended December 31, 2018)

(In millions of yen)

| Accounts   | Amount         |
|--|----------------|
| <b>Net sales</b>   | <b>631,220</b> |
| Cost of sales  | 379,586        |
| <b>Gross profit</b>  | <b>251,634</b> |
| Selling, general and administrative expenses                   | 178,391        |
| <b>Operating income</b>  | <b>73,243</b>  |
| <b>Non-operating income</b>                                    | <b>1,444</b>   |
| Interest income  | 1,289          |
| Dividends income   | 48             |
| Other non-operating income                                     | 107            |
| <b>Non-operating expenses</b>                                  | <b>5,822</b>   |
| Interest expenses  | 3,327          |
| Foreign exchange loss  | 1,090          |
| Other non-operating expenses                                   | 1,406          |
| <b>Ordinary income</b>   | <b>68,864</b>  |
| <b>Special income</b>  | <b>2,096</b>   |
| Gain on sales of property, plant and equipment                 | 973            |
| Gain on sales of shares of subsidiaries and affiliates' stocks | 803            |
| Other special income   | 320            |
| <b>Special loss</b>  | <b>13,957</b>  |
| Compensation expenses  | 7,652          |
| Provision for contingent loss                                  | 3,432          |
| Business structure improvement expenses                        | 2,652          |
| Other special loss   | 222            |
| <b>Income before income taxes</b>                              | <b>57,003</b>  |
| Income taxes-current   | 8,555          |
| Income taxes-deferred  | (768)          |
| <b>Net income</b>  | <b>49,216</b>  |

(Translation)

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(The Year Ended December 31, 2018)

(In millions of yen)

|   | Shareholders' equity |                       |                       |                       |  |                | Total Shareholders' equity |
|---|----------------------|-----------------------|-----------------------|-----------------------|--|----------------|----------------------------|
|   | Common stock         | Capital surplus       |                       |                       | Retained earnings  | Treasury stock |                            |
|   |                      | Capital legal reserve | Other capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward |                |                            |
| Balance at the beginning of the period      | 10,022               | 22                    | 207,061               | 207,083               | 180,253  | (11)           | 397,346                    |
| Changes during the period                   |                      |                       |                       |                       |  |                |                            |
| Issuance of new shares                      | 678                  | 678                   |                       | 678                   |  |                | 1,355                      |
| Net income                                  |                      |                       |                       |                       | 49,216   |                | 49,216                     |
| Net changes other than shareholders' equity |                      |                       |                       |                       |  |                |                            |
| Total changes during the period             | 678                  | 678                   | -                     | 678                   | 49,216   | -              | 50,571                     |
| Balance at the end of the period            | 10,699               | 699                   | 207,061               | 207,761               | 229,468  | (11)           | 447,918                    |

|   | Valuation and translation adjustments   |                                   |  | Subscription rights to shares | Total net assets |
|---|---|-----------------------------------|--|-------------------------------|------------------|
|   | Unrealized gains (losses) on securities | Deferred gains (losses) on hedges | Total of valuation and translation adjustments |                               |                  |
| Balance at the beginning of the period      | 18                                      | -                                 | 18   | 2,311                         | 399,675          |
| Changes during the period                   |   |                                   |  |                               |                  |
| Issuance of new shares                      |   |                                   |  |                               | 1,355            |
| Net income                                  |   |                                   |  |                               | 49,216           |
| Net changes other than shareholders' equity | 114                                     | (14,318)                          | (14,204)                                       | 2,854                         | (11,350)         |
| Total changes during the period             | 114                                     | (14,318)                          | (14,204)                                       | 2,854                         | 39,221           |
| Balance at the end of the period            | 131                                     | (14,318)                          | (14,186)                                       | 5,165                         | 438,896          |

[Translation]

**Independent Auditor's Report**

February 13, 2019

The Board of Directors  
Renesas Electronics Corporation

Ernst & Young ShinNihon LLC

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Noriaki Kenmochi  
Certified Public Accountant  
Designated and Engagement Partner

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Toshiyuki Matsumoto  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Renesas Electronics Corporation (the "Company") applicable to the fiscal year from January 1, 2018 through December 31, 2018.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Renesas Electronics group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended December 31, 2018 in conformity with accounting principles generally accepted in Japan.

**Emphasis of Matter**

As stated in Consolidated Financial Statements the Company has resolved at the Meeting of Board of Directors to reach an agreement with Integrated Device Technology, Inc. (hereafter "IDT"), whereby IDT will become a wholly-owned subsidiary of the Company and concluded merger agreements for the purpose of implementing the acquisition on September 11, 2018.

**Conflicts of Interest**

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[Translation]

## Independent Auditor's Report

February 13, 2019

The Board of Directors  
Renesas Electronics Corporation

Ernst & Young ShinNihon LLC

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Noriaki Kenmochi  
Certified Public Accountant  
Designated and Engagement Partner

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Toshiyuki Matsumoto  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Renesas Electronics Corporation (the "Company") applicable to the 17<sup>th</sup> fiscal year from January 1, 2018 through December 31, 2018.

### Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Renesas Electronics Corporation applicable to the 17<sup>th</sup> fiscal year ended December 31, 2018 in conformity with accounting principles generally accepted in Japan.

### Emphasis of Matter

As stated in Financial Statements the Company has resolved at the Meeting of Board of Directors to reach an agreement with IDT, whereby IDT will become a wholly-owned subsidiary of the Company and concluded merger agreements for the purpose of implementing the acquisition on September 11, 2018.

### Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

### Audit Report of Board of Corporate Auditors

The Board of Corporate Auditors, after deliberating the contents, prepares this audit report regarding the execution of the duties by Directors for the 17<sup>th</sup> fiscal year from January 1, 2018 through December 31, 2018 based on the audit reports from each Corporate Auditor, and reports as follows.

1. Auditing Method Employed by the Corporate Auditors and Board of Corporate Auditors and the Details
  - (1) The Board of Corporate Auditors established auditing policies and plans and received reports from each Corporate Auditor on the status of the implementation of audits and the results thereof, as well as reports from Directors and the Independent Auditors regarding the status of execution of their duties, and requested explanations as necessary.
  - (2) On the basis of the Board of Corporate Auditors Rules established by the Board of Corporate Auditors, and in accordance with the auditing policies and plans, each Corporate Auditor sought mutual understanding with Directors, corporate officers, and employees in their efforts to collect information and create an environment for audit, as well as conducted an audit as follows.
    1. Attended meetings of the Board of Directors and other important meetings, and received reports from Directors, corporate officers, and employees regarding performance of their duties, requested explanations as necessary, and perused important documents regarding decisions and approvals made, and investigated the status of operations and the financial position at the Group's head office and principal offices of business. Also, regarding the subsidiaries, the Board of Corporate Auditors sought to achieve a mutual understanding and exchanged information with directors and corporate auditors of the subsidiaries, and, where necessary, visited the subsidiaries, received business reports from the subsidiaries, and examined their operations and assets.
    2. The Board of Corporate Auditors received the periodical reports from the Directors, corporate officers, and employees about its framework and operation status of (i) the contents of the Board of Director's resolutions on establishment of systems as set forth in Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act, as systems necessary to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation and to otherwise ensure the appropriateness of the business of a Kabushiki Kaisha and its subsidiaries, as stated in the Business Report, and (ii) the systems established pursuant to such resolution ("Internal Control System"); requested explanations as necessary; and provided opinions on those.
    3. Regarding the Internal Control System for financial reporting, the Board of Corporate Auditors received the reports from the Directors and the Independent Auditors about its assessment and audit and requested explanations as necessary.
    4. The Board of Corporate Auditors audited and verified whether the Independent Auditors maintained their independence and carried out their audits appropriately, received reports from the Independent Auditors regarding the execution of their duties and, where necessary, requested explanations. Also, the Board of Corporate Auditors received notification from the Independent Auditors to the effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Corporation Accounting Regulations) has been established in accordance with "Quality Control Standards for Auditing" (adopted by the Business Accounting Council on October 28, 2005), etc., and requested explanations as necessary.

Based on the above methods, the Board of Corporate Auditors audited the Business Report and supplementary schedules thereto for the 17<sup>th</sup> fiscal year ended December 31, 2018, the financial statements related to the 17<sup>th</sup> fiscal year ended December 31, 2018 (the balance sheet, the statement of operations, the statement of changes in net assets and notes to the financial statements) and supplementary schedules as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and notes to the consolidated financial statements).

2. Results of Audit
  - (1) Results of the Audit on the Business Report, etc.
    1. We found that the Business Report and supplementary schedules accurately reflect the conditions of the Group in accordance with applicable laws and regulations and the Articles of Incorporation.
    2. No inappropriate conducts concerning the execution of duties by Directors or material facts in violation of applicable laws and regulations or the Articles of Incorporation were found.
    3. We found that the contents of Board of Directors' resolutions concerning the Internal Control System were appropriate. Further, no material defects were found with respect to the information provided in the Business Report, or Director' execution of duties in regards to the Internal Control System.

(2) Results of the Audit on the Consolidated Financial Statements

We found that the methods and the results of the audit conducted by the Independent Auditors, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of the Audit on the Financial Statements and Supplementary Schedules

We found that the methods and the results of the audits conducted by the Independent Auditors, Ernst & Young ShinNihon LLC, are appropriate.

February 13, 2019

Board of Corporate Auditors of Renesas Electronics Corporation

Corporate Auditor (Full-time) Kazuki Fukuda (Seal)

Corporate Auditor Kazuyoshi Yamazaki (Seal)

Corporate Auditor Noboru Yamamoto (Seal)

Corporate Auditor Takeshi Sekine (Seal)

Note: Messrs. Kazuki Fukuda, Kazuyoshi Yamazaki, Noboru Yamamoto and Takeshi Sekine are outside Corporate Auditors stipulated in item 16, Article 2, and paragraph 3, Article 335 of the Companies Act.