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**Renesas Electronics Reports Financial Results in accordance with IFRS
 for the Year Ended December 31, 2018**

Tokyo, Japan, March 28, 2019 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results in accordance with IFRS for the year ended December 31, 2018.

Summary of Consolidated Financial Results

	Year ended December 31, 2018	
	Billion Yen	% of Net Sales
Revenue	756.5	100.0
Revenue from semiconductors	740.3	
Revenue from others	16.2	
Operating profit	68.2	9.0
Profit for the year	51.1	6.7
Capital expenditures	17.6	
Depreciation and others	112.7	
R&D expenses	127.9	
	Yen	
Exchange rate (USD)	110	
Exchange rate (EUR)	131	

	As of December 31, 2018
	Billion Yen
Total assets	1,055.2
Total equity	601.0
Equity	598.1
Equity ratio (%)	56.7
Interest-bearing debt	195.0

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

Note 2: Capital expenditures refer to the amount of capital for property, plant and equipment (manufacturing equipment) and intangible assets based on the amount of investment decisions made during the year ended December 31, 2018.

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



Consolidated Financial Results for the Year Ended December 31, 2018

English translation from the original Japanese-language document

March 28, 2019

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <https://www.renesas.com>
 Representative : Bunsei Kure, Representative Director,
 President and CEO
 Contact person : Yoichi Kobayashi, Senior Director
 Corporate Communications Dept.
 Tel. +81 (0)3-6773-3002
 Date of the ordinary general shareholders' meeting : March 20, 2019
 Filing date of Yukashoken Hokokusho : March 28, 2019

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended December 31, 2018

1.1 Consolidated financial results

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

	Revenue		Operating profit		Profit before tax from continuing operations		Profit for the year		Profit for the year attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2018	756,503	(2.9)	68,196	(33.0)	67,723	(31.9)	51,059	(50.0)	50,989	(50.0)	18,201	(83.3)
Year ended December 31, 2017	779,255	---	101,856	---	99,508	---	102,107	---	102,025	---	108,821	---

	Basic earnings per share	Diluted earnings per share	Net income per equity attributable to owners	Profit before tax ratio per net assets	Operating profit ratio per revenue
Year ended December 31, 2018	Yen 30.57	Yen 30.50	% 8.7	% 6.2	% 9.0
Year ended December 31, 2017	61.20	61.14	19.6	9.9	13.1

Reference: Equity in net income of affiliates of the year ended December 31, 2018: 49 million yen
 Equity in net income of affiliates of the year ended December 31, 2017: 216 million yen

1.2 Consolidated financial position

	Total assets	Total equity	Equity attributable to owners	Ratio of equity attributable to owners	Equity attributable to owners per share
	Million yen	Million yen	Million yen	%	Yen
December 31, 2018	1,055,235	600,968	598,100	56.7	358.49
December 31, 2017	1,136,000	578,649	575,733	50.7	345.33

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2018	170,502	(80,872)	(37,445)	188,820
Year ended December 31, 2017	173,649	(453,905)	75,086	139,545

2. Cash dividends

	Cash dividends per share					Total dividends during the year	Dividends payout ratio (consolidated)	Dividends ratio per net assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
Year ended December 31, 2017	Yen ---	Yen 0.00	Yen ---	Yen 0.00	Yen 0.00	---	---	---
Year ended December 31, 2018	---	0.00	---	0.00	0.00	---	---	---
Year ending December 31, 2019 (forecast)	---	---	---	---	---		---	

Note: For the year ending December 31, 2019, whether the Group provides dividend payments remains undecided.

3. Forecast of consolidated results for the three months ending March 31, 2019

(% or %pts indicates changes from corresponding period of the previous year)

	Non-GAAP Revenue		Non-GAAP Revenue from Semiconductors		Non-GAAP Gross Margin		Non-GAAP Operating Margin	
	Million yen	%	Million yen	%	%	%pts	%	%
Forecasts as of February 8, 2019	149,500 to 157,500	(19.4) to (15.1)	146,000 to 154,000	(19.8) to (15.4)	39.0	(8.0)	4.5	(11.5)

Note 1: Instead of a forecast for the full year ending December 31, 2019, the group has provided a forecast for the three months ending March 31, 2019, in a range format. For more information, please refer to page 4

Note 2: Non-GAAP figures are calculated by adjusting or removing non-recurring items and other adjustments from GAAP figures. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore forecasts are provided in non-GAAP base.

4. Others

4.1 Changes in significant subsidiaries for the year ended December 31, 2018

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

(Note) For details, please refer to page 14.

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors

1. Changes in accounting policies with revision of accounting standard: No

2. Changes in accounting policies except for 4.2.1: No

3. Changes in accounting estimates: No

4.3 Number of shares issued and outstanding (common stock)

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

As of December 31, 2018: 1,668,385,390 shares

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

2. Number of treasury stock

As of December 31, 2018: 2,581 shares

As of December 31, 2017: 2,581 shares

3. Average number of shares issued and outstanding

For the year ended December 31, 2018: 1,667,716,659 shares

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

(Reference) Non-consolidated results for the year ended December 31, 2018

Non-consolidated financial results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2018	631,220	(7.6)	73,243	(19.6)	68,864	(24.0)	49,216	(43.7)
Year ended December 31, 2017	683,266	--	91,108	--	90,620	--	87,457	--

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
Year ended December 31, 2018	29.51	29.44
Year ended December 31, 2017	52.46	52.41

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2018	928,277	438,896	46.7	260.07
December 31, 2017	937,490	399,675	42.4	238.35

Reference: Equity at the end of the year ended December 31, 2018: 433,731 million yen
Equity at the end of the year ended December 31, 2017: 397,364 million yen

(Note) Information regarding the implementation of audit procedures

These financial results are not subject to audit review procedures.

(Note) The Group discloses its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") starting from the annual securities report for the fiscal year ended December 31, 2018. Also, the Group already disclosed its consolidated financial results for the fiscal year ended December 31, 2018 based on the generally accepted accounting practice of Japan (Japanese GAAP) on February 8, 2019.

Cautionary Statement

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

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1. Business Results

1.1 Analysis of Business Results

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2018

	Year ended December 31, 2017 (Jan 1 – Dec 31, 2017)	Year ended December 31, 2018 (Jan 1 – Dec 31, 2018)	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Revenue	779.3	756.5	(22.8)	(2.9)
Revenue from semiconductors	766.5	740.3	(26.2)	(3.4)
Other revenue	12.7	16.2	3.4	26.9
Operating profit	101.9	68.2	(33.7)	(33.0)
Profit for the year	102.1	51.1	(51.0)	(50.0)
	Yen	Yen		
Exchange rate (USD)	112	110	-	-
Exchange rate (EUR)	127	131	-	-

(Revenue)

Consolidated revenue for the year ended December 31, 2018 were 756.5 billion yen, a 2.9% decrease year on year. Consolidated revenue decreased 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 last financial year.

(Revenue from Semiconductors)

Revenue from semiconductors for the year ended December 31, 2018 were 740.3 billion yen, a 3.4% decrease year on year.

The revenue breakdown for “Automotive”, “Industrial” and “Broad-based”, and for “Other semiconductors” not belonging to these three categories, is as follows:

Automotive Business: 398.4 billion yen

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

Revenue of Automotive business for the year ended December 31, 2018 were 398.4 billion yen, a decrease of 3.6% year on year. This was due to decreases in sales in both the “Automotive control” and “Automotive information” categories.

Industrial Business: 187.2 billion yen

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

Revenue of Industrial business for the year ended December 31, 2018 were 187.2 billion yen, a decrease of 4.8% year on year. This was due to decreases sales in “Smart factory”, “Smart home” and “Smart infrastructure” categories.

Broad-Based Business: 151.3 billion yen

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

Revenue of Broad-based business for the year ended December 31, 2018 were 151.3 billion yen, a decrease of 0.3% year on year. While the sales in the “General-purpose MCUs” category decreased, sales in the “General-purpose analog semiconductor devices” category increased.

Other Semiconductors: 3.4 billion yen

Revenue of Other semiconductors include production by commissioning and royalties.

(Other revenue)

Other revenue includes development and production by commissioning conducted at the Group’s design and manufacturing subsidiaries.

Other revenue for the year ended December 31, 2018 were 16.2 billion yen, a 26.9% increase year on year.

(Operating profit)

Operating profit for the year ended December 31, 2018 was 68.2 billion yen, a 33.7 billion yen decrease year on year. This was mainly due to decreases in sales for the Automotive and Industrial businesses, as well as a temporary increase in cost relating to payments caused by a revision in the production agreement with an outsourcing foundry.

(Profit for the year)

Profit for the year ended December 31, 2018 was 51.1 billion yen, a 51.0 billion yen decrease year on year. This was mainly due to a decrease in operating income, in addition to a temporary decrease in tax owing to a recording of deferred tax assets from the consolidation between one of the Group's American subsidiaries causing an increase in tax costs in comparison to the year ended December 31, 2017.

1.2 Consolidated Financial Condition

Total Assets, Liabilities and Net assets

	December 31, 2017	December 31, 2018	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,136.0	1,055.2	(80.8)
Net assets	578.6	601.0	22.4
Equity	575.7	598.1	22.4
Equity ratio (%)	50.7	56.7	6.0
Interest-bearing debt	231.1	195.0	(36.1)
Debt / Equity ratio	0.40	0.33	(0.07)

Total assets at December 31, 2018 were 1,055.2 billion yen, an 80.8 billion yen decrease from December 31, 2017. This was mainly due to a decrease in fixed assets and intangible assets owing to depreciation. Net assets were 601.0 billion yen, a 22.4 billion yen increase from December 31, 2017. This was mainly due to recording of profit for the year attributable to owners of the parent in the amount of 51.0 billion yen despite the decrease in other items of owner's equity.

Equity increased by 22.4 billion yen from December 31, 2017 and the equity ratio was 56.7%. Interest-bearing debt decreased by 36.1 billion yen from December 31, 2017. Consequently, the debt to equity ratio decreased to 0.33.

1.3 Cash Flows

	Year ended December 31, 2017 (Jan 1 – Dec 31, 2017)	Year ended December 31, 2018 (Jan 1 – Dec 31, 2018)
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	173.6	170.5
Net cash provided by (used in) investing activities	(453.9)	(80.9)
Free cash flows	(280.3)	89.6
Net cash provided by (used in) financing activities	75.1	(37.4)
Cash and cash equivalents at the beginning of period	354.3	139.5
Cash and cash equivalents at the end of period	139.5	188.8

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

Net cash provided by operating activities for the year ended December 31, 2018 was 170.5 billion yen. This was mainly due to a recording of income before income taxes in the amount of 67.7 billion yen and an adjustment of non-expenditure items including depreciation and amortization, etc. within the income before income taxes, despite payments made for trade payables and other payable assets as well as corporate income tax.

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

Net cash used in investing activities for the year ended December 31, 2018 was 80.9 billion yen. This was mainly due to a recording of fixed assets expenditures.

The foregoing resulted in positive free cash flows of 89.6 billion yen for the year ended December 31, 2018.

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

Net cash used in financing activities for the year ended December 31, 2018 was 37.4 billion yen. This was mainly due to the execution of the term loan agreement with the main financing banks.

Consequently, cash and cash equivalents at the end the year ended December 31, 2018 were 188.8 billion yen, a 49.3 billion yen increase compared to the year ended December 31, 2017.

1.4 Consolidated Forecasts

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

Further, starting from the consolidated forecasts for the three months ending March 31, 2019, the Group will present its financial forecasts as a range. Additionally, in order to provide useful information that will help to better understand the Group's constant business results, figures such as sales, semiconductor sales and gross margin will be presented in the non-GAAP format, which excludes the non-recurring items related to acquisitions and other adjustments removed as non-recurring expenses or income. The gross margin and operating margin forecasts are given assuming the midpoint in the net sales forecast.

(For the three months ending March 31, 2019)

	Non-GAAP Revenue	Non-GAAP Revenue from Semiconductors	Non-GAAP Gross Margin	Non-GAAP Operating Margin
Forecasts as of February 8, 2019	Million yen 149,500 to 157,500	Million yen 146,000 to 154,000	% 39.0	% 4.5
Reference: The first quarter results of the year ended December 31, 2017 (January 1, 2017 to March 31, 2017)	185,569	181,961	47.0	16.0

(*1) Non-GAAP figures are calculated by adjusting or removing non-recurring items and other adjustments from GAAP figures. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore, forecasts are provided in non-GAAP base. This adjustment and exclusion include depreciation of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments and costs relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable.

The consolidated forecasts for the first quarter ending March 31, 2019 are calculated at the rate of 109 yen per USD and 124 yen per Euro.

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

1.5 Dividend Payments

While the Group recorded a consolidated net income (profit for the year attributable to owners of the parent) for the year ended December 31, 2018, the Group forewent dividend payment for this period.

The Group will divert its retained earnings for strategic investment opportunities that will enable the Group to respond to rapid environmental changes to thrive into the global marketplace and will aim to increase shareholder profit by improving corporate value. In addition, based on a long-term standpoint, the Group aims to realize stable and sustained growth in profits and intends to resume dividend payments.

For the year ending December 31, 2019, whether the Group provides interim and year-end dividend payments remain undecided, and the Group will immediately announce it when the decisions are made.

2. Primary policy for selection of accounting standards

The Group has adopted IFRS for its consolidated financial statements from annual securities report for the fiscal year ended December 31, 2018 to increase the international comparability of financial information considering that the Group drives its business globally further, although currently the consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan (JGAAP).

3. Consolidated Financial Statements

3.1 Consolidated Statement of Financial Position

(In millions of yen)

	Date of transition to IFRS (January 1, 2017)	As of December 31, 2017	As of December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	354,287	139,545	188,820
Trade and other receivables	84,630	104,262	79,449
Inventories	95,027	123,700	115,440
Other current financial assets	3,721	1,782	494
Income tax receivables	2,340	4,158	2,352
Other current assets	12,512	14,902	7,069
Subtotal	<u>552,517</u>	<u>388,349</u>	<u>393,624</u>
Assets held for sale	103	—	—
Total current assets	<u>552,620</u>	<u>388,349</u>	<u>393,624</u>
Non-current assets			
Property, plant and equipment	211,527	278,087	252,503
Goodwill	—	190,603	187,230
Intangible assets	49,461	202,402	166,524
Investments accounted for using the equity method	3,583	3,634	—
Other non-current financial assets	4,307	6,651	5,973
Deferred tax assets	46,793	60,195	44,149
Other non-current assets	4,950	6,079	5,232
Total non-current assets	<u>320,621</u>	<u>747,651</u>	<u>661,611</u>
Total assets	<u>873,241</u>	<u>1,136,000</u>	<u>1,055,235</u>

(In millions of yen)

	Date of transition to IFRS (January 1, 2017)	As of December 31, 2017	As of December 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	136,109	156,783	116,233
Borrowings	—	47,875	45,000
Other current financial liabilities	5,357	827	15,057
Income tax payables	1,171	13,423	2,983
Provisions	3,042	10,225	7,112
Other current liabilities	49,212	59,539	55,384
Total current liabilities	194,891	288,672	241,769
Non-current liabilities			
Trade and other payables	6,968	16,966	4,403
Borrowings	151,705	180,584	147,248
Other non-current financial liabilities	2,908	2,099	2,323
Income tax payables	—	5,426	1,105
Retirement benefit liabilities	40,638	34,289	32,752
Provisions	3,000	2,997	3,745
Deferred tax liabilities	142	23,677	18,754
Other non-current liabilities	2,745	2,641	2,168
Total non-current liabilities	208,106	268,679	212,498
Total liabilities	402,997	557,351	454,267
Equity			
Issued capital	10,000	10,022	10,699
Share premium	189,375	189,397	190,074
Retained earnings	259,980	363,542	410,652
Treasury shares	(11)	(11)	(11)
Other components of equity	8,229	12,783	(13,314)
Total equity attributable to owners of the parent	467,573	575,733	598,100
Non-controlling interests	2,671	2,916	2,868
Total equity	470,244	578,649	600,968
Total liabilities and equity	873,241	1,136,000	1,055,235

3.2 Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	(In millions of yen)	
	The year ended December 31, 2017	The year ended December 31, 2018
Continuing operations		
Revenue	779,255	756,503
Cost of sales	(425,135)	(424,066)
Gross profit	354,120	332,437
Selling, general and administrative expenses	(258,145)	(251,021)
Other income	12,339	8,953
Other expenses	(6,458)	(22,173)
Operating profit	101,856	68,196
Finance income	711	1,609
Finance costs	(3,275)	(2,131)
Share of profit of investments accounted for using the equity method	216	49
Profit before tax from continuing operations	99,508	67,723
Income tax expense	(1,256)	(16,664)
Profit for the year from continuing operations	98,252	51,059
Discontinued operations		
Profit after tax for the year from discontinued operations	3,855	—
Profit for the year	102,107	51,059
Profit for the year attributable to		
Owners of the parent	102,025	50,989
Non-controlling interests	82	70
Profit for the year	102,107	51,059
Earnings per share		
Basic earnings per share (yen)		
Continuing operations	58.88	30.57
Discontinued operations	2.31	—
Total basic earnings per share	61.20	30.57
Diluted earnings per share (yen)		
Continuing operations	58.83	30.50
Discontinued operations	2.31	—
Total diluted earnings per share	61.14	30.50

Consolidated Statement of Comprehensive Income

(In millions of yen)

	The year ended December 31, 2017	The year ended December 31, 2018
Profit for the year	102,107	51,059
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	1,272	(4,059)
Financial assets measured at fair value through other comprehensive income	278	(54)
Share of other comprehensive income of investments accounted for using the equity method	59	(26)
Total of items that will not be reclassified to profit or loss	<u>1,609</u>	<u>(4,139)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	11,370	(14,401)
Changes in fair value of cash flow hedges	<u>(6,265)</u>	<u>(14,318)</u>
Total of items that may be reclassified subsequently to profit or loss	<u>5,105</u>	<u>(28,719)</u>
Total other comprehensive income	<u>6,714</u>	<u>(32,858)</u>
Total comprehensive income for the year	<u><u>108,821</u></u>	<u><u>18,201</u></u>
Comprehensive income for the year attributable to		
Owners of the parent	108,575	18,248
Non-controlling interests	246	(47)
Total comprehensive income for the year	<u><u>108,821</u></u>	<u><u>18,201</u></u>

3.3 Consolidated Statement of Changes in Equity

The year ended December 31, 2017

(In millions of yen)

	Equity attributable to owners of the parent												Total equity	
	Other components of equity											Total equity attributable to owners of the parents		Non-controlling interests
	Issued capital	Share premium	Retained earnings	Treasury shares	Warrants	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on transition of foreign operations	Changes in fair value of cash flow hedges	Total				
Balance as of January 1, 2017	10,000	189,375	259,980	(11)	23	—	(806)	—	9,012	8,229	467,573	2,671	470,244	
Profit for the year	—	—	102,025	—	—	—	—	—	—	—	102,025	82	102,107	
Other comprehensive income	—	—	—	—	—	1,268	341	11,206	(6,265)	6,550	6,550	164	6,714	
Total comprehensive income for the year	—	—	102,025	—	—	1,268	341	11,206	(6,265)	6,550	108,575	246	108,821	
Issue of new shares	22	22	—	—	—	—	—	—	—	—	44	—	44	
Share-based payments	—	—	—	—	2,288	—	—	—	—	2,288	2,288	—	2,288	
Transfer to retained earnings	—	—	1,537	—	—	(1,268)	(269)	—	—	(1,537)	—	—	—	
Reclassification to non-financial assets	—	—	—	—	—	—	—	—	(2,747)	(2,747)	(2,747)	—	(2,747)	
Other	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)	
Total amount of transactions with owners	22	22	1,537	—	2,288	(1,268)	(269)	—	(2,747)	(1,996)	(415)	(1)	(416)	
Balance as of December 31, 2017	10,022	189,397	363,542	(11)	2,311	—	(734)	11,206	—	12,783	575,733	2,916	578,649	

The year ended December 31, 2018

(In millions of yen)

	Equity attributable to owners of the parent												Total equity
	Other components of equity												
	Issued capital	Share premium	Retained earnings	Treasury shares	Warrants	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on transition of foreign operations	Changes in fair value of cash flow hedges	Total	Total equity attributable to owners of the parents	Non-controlling interests	
Balance as of January 1, 2018	10,022	189,397	363,542	(11)	2,311	—	(734)	11,206	—	12,783	575,733	2,916	578,649
Profit for the year	—	—	50,989	—	—	—	—	—	—	—	50,989	70	51,059
Other comprehensive income	—	—	—	—	—	(4,048)	(80)	(14,295)	(14,318)	(32,741)	(32,741)	(117)	(32,858)
Total comprehensive income for the year	—	—	50,989	—	—	(4,048)	(80)	(14,295)	(14,318)	(32,741)	18,248	(47)	18,201
Issue of new shares	677	677	—	—	—	—	—	—	—	—	1,354	—	1,354
Share-based payments	—	—	—	—	2,854	—	—	—	—	2,854	2,854	—	2,854
Change of equity method range	—	—	—	—	—	—	(89)	—	—	(89)	(89)	—	(89)
Transfer to retained earnings	—	—	(3,879)	—	—	4,048	(169)	—	—	3,879	—	—	—
Reclassification to non-financial assets	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Total amount of transactions with owners	677	677	(3,879)	—	2,854	4,048	(258)	—	—	6,644	4,119	(1)	4,118
Balance as of December 31, 2018	10,699	190,074	410,652	(11)	5,165	—	(1,072)	(3,089)	(14,318)	(13,314)	598,100	2,868	600,968

3.4 Consolidated Statement of Cash Flows

(In millions of yen)

	The year ended December 31, 2017	The year ended December 31, 2018
Cash flows from operating activities		
Profit before tax from continuing operations	99,508	67,723
Profit before tax from discontinued operations	4,145	—
Depreciation and amortization	97,119	112,743
Impairment loss	1,218	1,526
Finance income and costs	1,581	649
Share of profit of investments accounted for using the equity method	(216)	(49)
Gain (loss) on sales of non-current assets	(485)	(1,025)
Changes in inventories	(9,916)	6,956
Changes in trade and other receivables	(9,468)	22,336
Changes in trade and other payables	(6,261)	(27,999)
Changes in retirement benefit liabilities	(7,703)	(1,265)
Changes in provisions	(894)	(2,055)
Other	9,786	6,238
Subtotal	178,414	185,778
Interest received	628	1,485
Dividends received	48	48
Interest paid	(1,950)	(1,806)
Income taxes paid	(3,491)	(15,003)
Net cash flows from operating activities	173,649	170,502
Cash flows from investing activities		
Purchase of property, plant and equipment	(120,675)	(64,513)
Proceeds from sales of property, plant and equipment	850	2,248
Purchase of intangible assets	(27,308)	(22,361)
Purchase of other financial assets	(276)	(766)
Proceeds from sales of other financial assets	971	3,175
Acquisition of subsidiaries	(311,428)	—
Proceeds from sales of investments accounted for using the equity method	—	1,378
Proceeds from transfer of business	4,940	—
Other	(979)	(33)
Net cash flows from investing activities	(453,905)	(80,872)

	(In millions of yen)	
	The year ended December 31, 2017	The year ended December 31, 2018
Cash flows from financing activities		
Net change in short-term borrowings	35,000	10,000
Proceeds from long-term borrowings	50,000	—
Repayments of long-term borrowings	(8,297)	(46,529)
Repayment of lease obligations	(1,617)	(916)
Net cash flows from financing activities	75,086	(37,445)
Effect of exchange rate changes on cash and cash equivalents	(9,572)	(2,910)
Increase (decrease) in cash and cash equivalents	(214,742)	49,275
Cash and cash equivalents at beginning of year	354,287	139,545
Cash and cash equivalents at end of year	139,545	188,820

3.5 Notes to Consolidated Financial Statements

(Notes about Going Concern Assumption)

Not applicable

(Basis for Preparation)

1. Compliance with IFRS and first-time adoption

Because the Group meets the requirements for “Specified Companies Complying with Designated International Accounting Standards” stated in Article 1-2 of Ordinance on Consolidated Financial Statements, the Group has adopted the provisions of Article 93 of the Ordinance. The consolidated financial statements of the Group have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

The Group has adopted IFRS for the first time in preparing its consolidated financial statements for the year ended December 31, 2018 and the date of transition to IFRS is January 1, 2017. The impacts of the transition to IFRS and the comparative year on financial position, financial performance and cash flows are described in “Note 4. Transition to IFRS”.

Except for the provisions of IFRS that are not adopted early and exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereafter “IFRS1”), the accounting policies of the Group comply with IFRS effective as of December 31, 2018. The exemptions adopted are stated in “Note 4. Transition to IFRS”.

2. Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies separately described in “Significant Accounting Policies.” Assets and liabilities are measured at a historical cost basis unless otherwise stated.

3. Functional currency and presentation currency

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

(Basis of Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 48

Number of subsidiaries decreased by merger, assignment and liquidation: 3

Renesas Electronics America Inc. (*) and other 2 companies.

The number of subsidiaries increased by acquisition and foundation: 1

(*) On January 1, 2018 Renesas Electronics America Inc. merged with former Intersil in an absorption-type merger and became extinguished. Former Intersil then changed the trade name to Renesas Electronics America Inc.. Renesas Electronics America Inc. is a specified subsidiary of the Group.

2. Application of Equity Method

The number of affiliates accounted for by the equity method: 0

Following the partial transfer of the Group’s shares of RENESAS EASTON Co., Ltd. on August 1, 2018, the Group has excluded RENESAS EASTON Co., Ltd. from the scope of application of the equity method.

(Significant Accounting Policies)

Refer to Financial Report for the fiscal year ended December 31, 2018 “Financial Section 3. Significant Accounting Policies”

(Additional information)

1. Regarding the Acquisition of Stock of Integrated Device Technology, Inc. (hereafter "IDT"). The Company 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 a merger agreement for the purpose of implementing the acquisition on September 11, 2018.

1) Purpose of the Acquisition

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

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

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

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

The main strategic benefits this transaction is expected to bring are: (1) Complementary products expand the Group's solution offerings, and (2) Expands business growth opportunities. Details are as follows:

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

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

(2) Expands business growth opportunities.

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

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

2) Overview of the acquiree

(1) Name	Integrated Device Technology, Inc.
(2) Address	6024 Silver Creek Valley Road, San Jose, CA 95138 USA
(3) Type of business	Development, manufacturing and sale of analog integrated circuits including mixed-signal solutions
(4) Capital	2,752,914 thousand US\$ (As of March 2018)
(5) Established	May 1980

3) Acquisition Method

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

Number of shares to be acquired, acquisition price, and share ownership before and after acquisition are as follows.

(1) Shares owned before transfer	0 share (Ownership percentage: 0.0%)
(2) Number of shares to be acquired	135,840,094 shares (Note 1) (Percentage of outstanding shares: 100.0%)
(3) Acquisition price	Approximately US\$6,700 million (approximately ¥733.0 billion at an exchange rate of 110 yen to the dollar)
(4) Shares owned after transfer	135,840,094 shares (Ownership percentage: 100.0%)

Note 1: Based on the number of shares on a fully-diluted basis as of September 11, 2018 (reflecting dilutions, etc., that occurred following the stock-related compensation from the said acquisition). Above figures have been rounded off to the closest whole number.

4) Schedule

(1) The company Board approval	September 11, 2018
(2) IDT Board approval	August 30, 2018 (Pacific Daylight Time)
(3) Conclusion of merger agreement	September 11, 2018
(4) IDT General Shareholders approval of the merger agreement	January 15, 2019 (Pacific Standard Time)
(5) Effective date of merger	March 30, 2019 (Pacific Daylight Time: March 29, 2019) expected the completion of the acquisition

Note: The conclusion of the transaction is subject to regulatory approvals and other customary closing conditions in the U.S and other countries.

2. Execution of Syndicated Loan Agreement (Financing of the above acquisition)

To finance a portion of the funds necessary for the acquisition of IDT, on October 11, 2018, the Company entered into a term loan agreement. Recently, the Company has terminated this term loan agreement and with the intention to refinance other existing term loan, and to finance funds necessary for the acquisition of IDT and working capital as the medium-and-long term funds, the Company has newly entered into a syndicated loan agreement on January 15, 2019 as below.

(1) Total amount: 897.0 billion yen

(2) Loan type:

- (A) Term loan with availability period: 698.0 billion yen
- (B) Term loan: 149.0 billion yen
- (C) Commitment line loan: 50.0 billion yen

(3) Execution date of agreement: January 15, 2019

(4) Availability/Commitment period:

- (A) Term loan with availability period: From the day four business days prior to the completion date of acquisition of IDT until December 11, 2019
- (B) Term loan: -
- (C) Commitment line: Five years from the date of drawdown of (B) Term loan

(5) Repayment Date:

- (A) Term loan with availability: Date that is five years from the date of initial drawdown of this loan
- (B) Term loan: Date that is five years from the date of drawdown of this loan
- (C) Commitment line: Date designated by the Company that is within six months from each drawdown

(6) Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions

Note: The initial drawdown of (A) Term loan with availability period and the drawdown of (B) Term loan are scheduled to occur in the first half of the fiscal year ending December 31, 2019.

(Business Segments)

1. Overview of reportable segments

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

2. Information on products and services

Revenue from external customers by product and service is as follows.

(In millions of yen)

	Revenue from external customers	
	The year ended December 31, 2017	The year ended December 31, 2018
Automotive Business (Note 1)	413,082	398,351
Industrial Business (Note 2)	196,614	187,229
Broad-Based Business (Note 3)	151,854	151,343
Other Semiconductors	4,960	3,408
Others	12,745	16,172
Total	779,255	756,503

(Note 1) 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.

(Note 2) 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.

(Note 3) 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".

3. Information on regions and countries

The components of revenue from external customers and non-current assets by region and country are as follows.

a. Revenue from external customers

(In millions of yen)

	The year ended December 31, 2017	The year ended December 31, 2018
Japan	326,328	300,530
China	150,527	153,289
Asia (Excluding China)	112,274	106,984
Europe	109,393	125,062
North America	76,820	67,239
Others	3,913	3,399
Total	779,255	756,503

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

b. Non-current assets

Non-current assets include property, plant and equipment, goodwill and intangible assets.

(In millions of yen)

	Date of transition to IFRS (January 1, 2017)	As of December 31, 2017	As of December 31, 2018
Japan	217,095	454,669	421,808
Malaysia	22,097	127,824	108,607
Asia (Excluding Malaysia)	20,212	36,111	29,297
Europe	756	872	694
North America	828	51,616	45,851
Total	260,988	671,092	606,257

4. Major customers

Revenue from a single external customer accounting for 10% or more of revenue for the year is as follows.

(In millions of yen)

	The year ended December 31, 2017	The year ended December 31, 2018
Ryosan Company, Limited	106,526	94,804

(Earnings Per Share)

Basic earnings per share attributable to owners of the parent and diluted earnings per share are as follows.

1. Basic earnings per share

	The year ended December 31, 2017	The year ended December 31, 2018
Profit for the year attributable to owners of the parent used for the calculation of basic earnings per share (million yen)	102,025	50,989
Profit from continuing operations (million yen)	98,170	50,989
Profit from discontinued operations (million yen)	3,855	—
Weighted average number of ordinary shares during the year (thousands of shares)	1,667,168	1,667,717
Basic earnings per share (yen)	61.20	30.57
Continuing operations (yen)	58.88	30.57
Discontinued operations (yen)	2.31	—

2. Diluted earnings per share

	The year ended December 31, 2017	The year ended December 31, 2018
Profit for the year attributable to owners of the parent used for the calculation of basic earnings per share (million yen)	102,025	50,989
Adjustments on earnings (million yen)	—	—
Profit for the year used for the calculation of diluted earnings per share (million yen)	102,025	50,989
Profit from continuing operations (million yen)	98,170	50,989
Profit from discontinued operations (million yen)	3,855	—
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,667,168	1,667,717
Increase in ordinary shares due to warrants (thousands of shares)	1,615	4,043
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,668,783	1,671,759
Diluted earnings per share (yen)	61.14	30.50
Continuing operations (yen)	58.83	30.50
Discontinued operations (yen)	2.31	—

(Subsequent Events)

1. Issuance of Stock Acquisition Rights as Stock Options

The Company resolved at the Meeting of Board of Directors held on March 25, 2019 certain subscription items for stock acquisition rights to be issued as stock options for a corporate officer of Renesas and directors (excluding outside directors), corporate officers and employees of IDT and its subsidiaries. The Company has also determined items regarding taking applications or persons who will receive these stock options.

The details are as below.

Fiscal year 2019 Stock options No.1

	No.1
Date of resolution *	March 25, 2019
Category and number of grantees *	Directors 1 Corporate officers 3 Employees of IDT 1 (all of them are scheduled to retire before the allotment date of the stock options)
Number of stock options *	111,049 (Note 1)
Type and number of shares *	Common stock 11,104,900 (Note 1)
Exercise price yen per share *	1
Exercise period *	April 9, 2019 (JST) only
Issuance price by the issuance of shares upon the exercise of stock options *	(Note 2)
Conditions for exercise *	(Note 3)
Transfer of stock acquisition rights *	Approval by resolution of the board of directors' meeting is required for acquisition of stock acquisition rights by transfer.
Issuance of stock acquisition rights on reorganization *	(Note 5)

* All information is described in accordance with the resolution, since the allotment date of the stock options has not come at the date when the financial statements were authorized for issue.

Note 1:

The type of shares to be acquired upon exercise of the stock options shall be shares of common stock of the Company, and the number of shares to be acquired upon exercise of one stock option (hereafter the "Number of Shares to be Granted") shall be 100 shares.

However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the number of shares to be granted shall be adjusted using the following formula with respect to the stock options that have not been exercised at the time of such stock split or stock consolidation:

$$(\text{Number of shares to be granted after adjustment}) = (\text{Number of shares to be granted before adjustment}) \times (\text{Ratio of stock split or stock consolidation})$$

In addition to the above, if, 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 shares to be granted in other situations, the Company may appropriately adjust the number of shares to be granted to a reasonable extent. Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

Note 2:

(1) The issuance price per share by the issuance of shares upon the exercise of the stock options will be calculated by dividing the total amount of issuance price added the payable amount about exercise of the stock options by the total number of shares to be acquired upon exercise of stock options described in above.

(2) 1) The amount of capital stock to be increased by the issuance of shares upon the exercise of the stock options will be one-half of the maximum amount of increase of capital stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Rules of Japan, and any amount less than one Japanese yen resulting from the calculation will be rounded up to the nearest Japanese yen.

2) The amount of capital surplus to be increased by the issuance of shares upon the exercise of the stock options will be the amount obtained by subtracting the amount of capital stock to be increased described in 1) above from the maximum amount of increase of capital stock, etc. described in 1) above.

Note 3:

(1) The stock option holder may not exercise their stock options during the period of one year from the immediate following day of the allotment date.

(2) The stock option holder shall be in the position of director, corporate officer, auditor, executive officer or employee of the Company or its subsidiaries (hereafter the "Exercise Qualification") at the time of exercise of the stock options.

Note 4:

If any of the following proposals is approved at a shareholders' meeting of the Company (or, if a resolution of a shareholders' meeting is not required, resolved at a board of directors' meeting of the Company), the Company may acquire all of the stock options at no cost on a date separately designated by the board of directors of the Company.

(i) proposal for approval of a merger agreement providing that the Company be dissolved;

(ii) proposal for approval of a company split agreement or company split plan providing that the Company be split;

(iii) proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

(iv) proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act of Japan;

(v) proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;

(vi) proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock options, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the shareholders' meeting;

(vii) proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock options (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share); and

(viii) proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act of Japan.

Note 5:

If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, hereafter a "Reorganization"), in each case stock options of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item (8) of the Companies Act of Japan (collectively, hereafter the "Reorganized Company") will be delivered to the stock option holder holding the stock options that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereafter) (hereafter the "Outstanding Stock Options") on the following conditions, in which case, the Outstanding Stock Options will be terminated; provided, however, that this shall apply only if the delivery of stock options by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

- (1) Number of stock options of the Reorganized Company for delivery:
The stock option holders will each receive delivery of stock options of the Reorganized Company in the same number as the number of the Outstanding Stock Options held thereby.
- (2) Type of shares of the Reorganized Company for delivery upon exercise of the stock options:
Common stock of the Reorganized Company
- (3) Number of shares of the Reorganized Company for delivery upon exercise of the stock options:
This will be determined in accordance with “Note 1” above after considering the terms and conditions of the Reorganization, etc.
- (4) Amount of assets to be contributed upon exercise of the stock options:
The contribution to be made upon exercise of the stock options to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock options, by the number of shares of the Reorganized Company underlying the stock options to be determined pursuant to (3) above.
- (5) Exercise period of the stock options:
The exercise period of the stock options will be from the later of the commencement date of the period set out in “Exercise period” above in which the stock options are exercisable or the effective date of the Reorganization through the expiration date of the period set out in “Exercise period” above in which the stock options are exercisable.
- (6) Matters relating to capital stock or capital surplus to be increased by the issuance of new shares upon exercise of the stock options:
In accordance with “Note 2” above.
- (7) Restrictions on acquiring the stock options by means of transfer:
Acquiring stock options by means of a transfer requires approval of the board of directors of the Reorganized Company.
- (8) Acquisition terms of stock options:
In accordance with “Note 4” above.
- (9) Other conditions for exercise of the stock options:
This will be determined in accordance with “Note 3” above.

Fiscal year 2019 Stock options No.2 and No.3

	No.2	No.3
Date of resolution *	March 25, 2019	
Category and number of grantees *	Employees of IDT's subsidiaries 16	Corporate officer of the Company 1 Directors of IDT 1 Employees of IDT 663 Employees of IDT's subsidiaries 659
Number of stock options *	2,850 (Note 1)	511,419 (Note 1)
Type and number of shares *	Common stock 285,000 (Note 1)	Common stock 51,141,900 (Note 1)
Exercise price yen per share *	1	
Exercise period *	From April 9, 2019 to April 8, 2029 (JST)	
Issuance price by the issuance of shares upon the exercise of stock options *	(Note 2)	
Conditions for exercise *	(Note 3)	
Transfer of stock acquisition rights *	Approval by resolution of the board of directors' meeting is required for acquisition of stock acquisition rights by transfer.	
Issuance of stock acquisition rights on reorganization *	(Note 5)	

* All information is described in accordance with the resolution, since the allotment date of the stock options has not come at the date when the financial statements were authorized for issue.

Note 1:

The type of shares to be acquired upon exercise of the stock options shall be shares of common stock of the Company, and the number of shares to be acquired upon exercise of one stock option (hereafter the "Number of Shares to be Granted") shall be 100 shares.

However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the number of shares to be granted shall be adjusted using the following formula with respect to the stock options that have not been exercised at the time of such stock split or stock consolidation:

$$(\text{Number of shares to be granted after adjustment}) = (\text{Number of shares to be granted before adjustment}) \times (\text{Ratio of stock split or stock consolidation})$$

In addition to the above, if, 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 shares to be granted in other situations, the Company may appropriately adjust the number of shares to be granted to a reasonable extent. Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

Note 2:

(1) The issuance price per share by the issuance of shares upon the exercise of the stock options will be calculated by dividing the total amount of issuance price added the payable amount about exercise of the stock options by the total number of shares to be acquired upon exercise of stock options described in above.

(2) 1) The amount of capital stock to be increased by the issuance of shares upon the exercise of the stock options will be one-half of the maximum amount of increase of capital stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Rules of Japan, and any amount less than one Japanese yen resulting from the calculation will be rounded up to the nearest Japanese yen.

2) The amount of capital surplus to be increased by the issuance of shares upon the exercise of the stock options will be the amount obtained by subtracting the amount of capital stock to be increased described in 1) above from the maximum amount of increase of capital stock, etc. described in 1) above.

Note 3:

(1) The stock option holder shall be in the position of director, corporate officer, auditor, executive officer or employee of the Company or its subsidiaries (hereafter the "Exercise Qualification") at the time of exercise of the stock options.

(2) Notwithstanding (1) and (2) above, if the stock option holder loses their Exercise Qualification (other than loss due to death), the stock option holder may exercise their stock options only within a period of 13 months after the immediate following day of the day of loss of the Exercise Qualification.

(3) Notwithstanding (1) and (2) above, if the stock option holder dies, the stock options may be succeeded to by one (and only one) of the heirs of the stock option holder (hereafter the "Rights Successor"). In this case, the Rights Successor may exercise the stock options in a lump sum and only before the day that is six months after the day immediately following the day on which the stock option holder dies (and only if during the period provided for in "Exercise period" above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock options.

(4) If the stock option holder waives the stock options, the stock option holder may not exercise such stock options.

(5) The stock options allotment agreement between the Company and the stock option holder may provide other conditions not stipulated above.

Note 4:

If any of the following proposals is approved at a shareholders' meeting of the Company (or, if a resolution of a shareholders' meeting is not required, resolved at a board of directors' meeting of the Company), the Company may acquire all of the stock options at no cost on a date separately designated by the board of directors of the Company.

(i) proposal for approval of a merger agreement providing that the Company be dissolved;

(ii) proposal for approval of a company split agreement or company split plan providing that the Company be split;

(iii) proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

(iv) proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act of Japan;

(v) proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company's approval;

(vi) proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock options, the acquisition of such class of shares through transfer requires the Company's approval, or a provision that the Company may acquire all of such class of shares by resolution of the shareholders' meeting;

(vii) proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock options (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share); and

(viii) proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act of Japan.

Note 5:

If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, hereafter a "Reorganization"), in each case stock options of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item (8) of the Companies Act of Japan (collectively, hereafter the "Reorganized Company") will be delivered to the stock option holder holding the stock options that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereafter) (hereafter the "Outstanding

Stock Options”) on the following conditions, in which case, the Outstanding Stock Options will be terminated; provided, however, that this shall apply only if the delivery of stock options by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Number of stock options of the Reorganized Company for delivery:

The stock option holders will each receive delivery of stock options of the Reorganized Company in the same number as the number of the Outstanding Stock Options held thereby.

(2) Type of shares of the Reorganized Company for delivery upon exercise of the stock options:

Common stock of the Reorganized Company

(3) Number of shares of the Reorganized Company for delivery upon exercise of the stock options:

This will be determined in accordance with “Note 1” above after considering the terms and conditions of the Reorganization, etc.

(4) Amount of assets to be contributed upon exercise of the stock options:

The contribution to be made upon exercise of the stock options to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock options, by the number of shares of the Reorganized Company underlying the stock options to be determined pursuant to (3) above.

(5) Exercise period of the stock options:

The exercise period of the stock options will be from the later of the commencement date of the period set out in “Exercise period” above in which the stock options are exercisable or the effective date of the Reorganization through the expiration date of the period set out in “Exercise period” above in which the stock options are exercisable.

(6) Matters relating to capital stock or capital surplus to be increased by the issuance of new shares upon exercise of the stock options:

In accordance with “Note 2” above.

(7) Restrictions on acquiring the stock options by means of transfer:

Acquiring stock options by means of a transfer requires approval of the board of directors of the Reorganized Company.

(8) Acquisition terms of stock options:

In accordance with “Note 4” above.

(9) Other conditions for exercise of the stock options:

This will be determined in accordance with “Note 3” above.

2. Acquisition of Own Shares

The Company has resolved at the Meeting of Board of Directors held on March 25, 2019 to authorize an acquisition of own shares up to a prescribed limit pursuant to the Article 156 of the Corporate Law of Japan as applied pursuant to Article 165, §3 of the same.

1) Reasons for acquisition of own shares

To enhance shareholder returns and capital efficiency and to carry out flexible financial operation in response to changes in the business environment.

2) Details of acquisition

(1) Type of shares to be acquired: Common stock of Renesas

(2) Total number of shares that may be acquired: Up to 20,000,000 shares

(1.20* percent of the total number of shares issued, excluding treasury stock)

*The figure is rounded to two decimal places.

(3) Total amount of purchase price: Up to 10.0 billion yen

(4) Period for share acquisition: From March 26, 2019 to March 25, 2020 (one year)

4. Transition to IFRS

(First-time Adoption)

The Group has adopted IFRS for the fiscal year ended December 31, 2018. The most recent consolidated financial statements prepared in accordance with JGAAP are those for the fiscal year ended December 31, 2017, and the date of transition to IFRS is January 1, 2017.

IFRS 1 requires the retrospective application of IFRS for entities that adopt IFRS for the first time, in principle, but permits the voluntary application of certain standards, and includes exemptions to retrospective application and mandatory exceptions to retrospective application.

Of the exemptions from retrospective application set in IFRS 1, the Group has adopted the following exemptions.

- Business combinations

The Group has elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that were conducted before the date of transition. As a result, the amount of goodwill arising from business combinations before the date of transition is determined based on the carrying amount in accordance with JGAAP.

- Exchange differences on translation of foreign operations

For the accumulated exchange differences of foreign operations, the Group has elected not to apply IAS 21 “The Effects of Changes in Foreign Exchange Rates” retrospectively. As a result, the accumulated exchange differences of foreign operations on the date of transition are deemed to be zero, and the entire amount is reclassified to retained earnings.

- Designation of financial instruments that were recognized before the date of transition

The Group has designated financial instruments in accordance with IFRS 9 based on the facts and circumstances existing as of the date of transition to IFRS.

- Application of the practical expedient in IFRS 15

Under IFRS 15, a first-time adopter of IFRS can choose not to restate contracts that were completed at the beginning of the earliest period presented and contracts that were modified before the beginning of the earliest period presented. The Group applies to the practical expedient and does not restate contracts that were completed as of January 1, 2017 as the earliest IFRS reporting period presented and contracts that were modified before the beginning of the earliest period presented.

As the mandatory exceptions from the retrospective application of IFRS 1, the retrospective application of IFRS is prohibited for “estimations,” “derecognition of financial assets and financial liabilities” and “non-controlling interests,” etc., and the Group applies IFRS for these items prospectively into the future from the date of transition.

The impacts of the transition from JGAAP to IFRS on the financial position, operating results and cash flows are as follows. On the adjustment sheet, items that do not have an impact on retained earnings or comprehensive income are included and presented in “Reclassification”, and items that have an impact on retained earnings or comprehensive income are included and presented in “Differences in recognition and measurement.”

(1) Reconciliations of equity as of the date of transition to IFRS (January 1, 2017)

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	354,569	(282)	—	354,287	a	Cash and cash equivalents
Notes and accounts receivable-trade	80,480	4,450	(300)	84,630	b	Trade and other receivables
Merchandise and finished goods	34,432	60,745	(150)	95,027	c	Inventories
Work in process	55,754	(55,754)	—	—	c	
Raw materials and supplies	7,110	(7,110)	—	—	c, g	
Deferred tax assets	3,579	(3,579)	—	—	l	
Accounts receivable-other	12,721	(12,721)	—	—	b, e	
Other current assets	9,925	(9,925)	—	—	a, e	
Allowance for doubtful accounts	(71)	71	—	—	b	
		3,721	—	3,721	a	Other current financial assets
		2,340	—	2,340	e	Income tax receivables
		12,346	166	12,512	e	Other current assets
Subtotal	558,499	(5,698)	(284)	552,517		Subtotal
		103	—	103	f	Assets held for sale
Total current assets	558,499	(5,595)	(284)	552,620		Total current assets
Long-term assets						Non-current assets
Property, plant and equipment	201,505	2,016	8,006	211,527	g	Property, plant and equipment
Intangible assets	28,553	16,673	4,235	49,461	i	Intangible assets
Investments and other assets						
Investment securities	6,098	(2,933)	418	3,583	j	Investments accounted for using the equity method
		4,307	—	4,307	k	Other non-current financial assets
Net defined benefit asset	2,113	—	(2,113)	—	v	
Deferred tax assets	2,263	3,579	40,951	46,793	l	Deferred tax assets
Long-term prepaid expenses	21,971	(21,971)	—	—	m, i	
Other assets	2,411	(2,411)	—	—	k, m	
Allowance for doubtful accounts	(359)	359	—	—	k	
		5,976	(1,026)	4,950	m	Other non-current assets
Total long-term assets	264,555	5,595	50,471	320,621		Total non-current assets
Total assets	823,054	—	50,187	873,241		Total assets

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current liabilities
Electronically recorded obligations	11,138	124,971	—	136,109	n	Trade and other payables
Notes and accounts payable-trade	74,750	(74,750)	—	—	n	
Current portion of lease obligations	4,481	(4,481)	—	—	p	
Accounts payable-other	44,652	(44,652)	—	—	n, s	
Accrued expenses	32,473	(32,473)	—	—	s	
Accrued income taxes	2,309	(2,309)	—	—	q	
Provision for product warranties	287	(287)	—	—	r	
Provision for business structure improvement	2,002	(2,002)	—	—	r	
Provision for contingent loss	220	(220)	—	—	r	
Provision for loss on disaster	708	(708)	—	—	r	
Asset retirement obligations	22	(22)	—	—	r	
Other current liabilities	12,546	(12,546)	—	—	l, n, s	
		4,481	876	5,357	g, p	Other current financial liabilities
		1,153	18	1,171	q	Income tax payables
		3,239	(197)	3,042	r	Provisions
		39,803	9,409	49,212	q, s	Other current liabilities
Total current liabilities	185,588	(803)	10,106	194,891		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term borrowings	152,568	—	(863)	151,705	m, t	Borrowings
Lease obligations	269	(269)	—	—	u	
		569	2,339	2,908	g, u	Other non-current financial liabilities
Provision for business structure improvement	89	(89)	—	—	w	
Net defined benefit liability	39,571	812	255	40,638	v	Retirement benefit liabilities
Asset retirement obligations	2,645	(2,645)	—	—	w	
		2,734	266	3,000	w	Provisions
Deferred tax liabilities	9,198	803	(9,859)	142	l	Deferred tax liabilities
Other liabilities	10,733	(10,733)	—	—	u,v,x,y	
		2,653	92	2,745	x	Other non-current liabilities
		6,968	—	6,968	y	Trade and other payables
Total long-term liabilities	215,073	803	(7,770)	208,106		Total non-current liabilities
Total liabilities	400,661	—	2,336	402,997		Total liabilities

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net assets						Equity
Common stock	10,000	—	—	10,000		Issued capital
Capital surplus	191,919	—	(2,544)	189,375	aa	Share premium
Retained earnings	206,345	—	53,635	259,980	ab	Retained earnings
Treasury stock	(11)	—	—	(11)		Treasury shares
Total accumulated other comprehensive income	11,909	23	(3,703)	8,229	v, ac	Other components of equity
Warrants	23	(23)	—	—	ac	
	420,185	—	47,388	467,573		Total equity attributable to owners of the parent
Non-controlling interests	2,208	—	463	2,671		Non-controlling interests
Total net assets	422,393	—	47,851	470,244		Total equity
Total liabilities and net assets	823,054	—	50,187	873,241		Total liabilities and equity

(2) Reconciliations of equity as of December 31, 2017

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	123,320	16,225	—	139,545	a, d	Cash and cash equivalents
Notes and accounts receivable-trade	99,155	5,107	—	104,262	b	Trade and other receivables
Short-term investment securities	16,756	(16,756)	—	—	d	
Merchandise and finished goods	48,430	75,456	(186)	123,700	c	Inventories
Work in process	69,936	(69,936)	—	—	c	
Raw materials and supplies	8,215	(8,215)	—	—	c, g	
Accounts receivable-other	16,637	(16,637)	—	—	b, e	
Other current assets	7,598	(7,598)	—	—	a, e	
Allowance for doubtful accounts	(80)	80			b	
		1,782	—	1,782	a	Other current financial assets
		4,158	—	4,158	e	Income tax receivables
		14,889	13	14,902	e	Other current assets
Total current assets	389,967	(1,445)	(173)	388,349		Total current assets
Long-term assets						Non-current assets
Property, plant and equipment	267,341	2,695	8,051	278,087	g	Property, plant and equipment
		172,750	17,853	190,603	h	Goodwill
Intangible assets	334,644	(136,690)	4,448	202,402	h, i	Intangible assets
Investments and other assets						
Investment securities	8,133	(5,028)	529	3,634	a, j	Investments accounted for using the equity method
		6,651	—	6,651	k	Other non-current financial assets
Net defined benefit asset	2,525	—	(2,525)	—	v	
Deferred tax assets	3,344	—	56,851	60,195	l	Deferred tax assets
Long-term prepaid expenses	42,527	(42,527)	—	—	m, i	
Other assets	2,993	(2,993)	—	—	k, m	
		7,109	(1,030)	6,079	m	Other non-current assets
Total long-term assets	661,507	1,967	84,177	747,651		Total non-current assets
Total assets	1,051,474	522	84,004	1,136,000		Total assets

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current Liabilities
Electronically recorded obligations	19,240	136,397	1,146	156,783	n	Trade and other payables
Notes and accounts payable-trade	78,496	(78,496)	—	—	n	
Short-term borrowings	35,000	12,875	—	47,875	o	Borrowings
Current portion of long-term borrowings	12,875	(12,875)	—	—	o	
Current portion of lease obligations	114	(114)	—	—	p	
Accounts payable-other	51,605	(51,605)	—	—	n, s	
Accrued expenses	39,166	(39,166)	—	—	s	
Accrued income taxes	15,920	(15,920)	—	—	q	
Provision for product warranties	157	(157)	—	—	r	
Provision for business structure improvement	2,331	(2,331)	—	—	r	
Provision for contingent loss	9,096	(9,096)	—	—	r	
Provision for loss on disaster	2	(2)	—	—	r	
Provision for sales rebates	1,275	(1,275)	—	—	n	
Asset retirement obligations	56	(56)	—	—	r	
Other current liabilities	16,048	(16,048)	—	—	l, n, s	
		114	713	827	g, p	Other current financial liabilities
		13,405	18	13,423	q	Income tax payables
		11,642	(1,417)	10,225	r	Provisions
		53,230	6,309	59,539	q, s	Other current liabilities
Total current liabilities	281,381	522	6,769	288,672		Total current liabilities

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Long-term borrowings	181,396	—	(812)	180,584	m, t	Borrowings
Lease obligations	146	(146)	—	—	u	
		446	1,653	2,099	g, u	Other non-current financial liabilities
Provision for business structure improvement	210	(210)	—	—	w	
Net defined benefit liability	25,171	633	8,485	34,289	v	Retirement benefit liabilities
Asset retirement obligations	2,537	(2,537)	—	—	w	
		2,747	250	2,997	w	Provisions
Deferred tax liabilities	22,828	—	849	23,677	l	Deferred tax liabilities
Other liabilities	25,907	(25,907)	—	—	u, v, x y, z	
		2,582	59	2,641	x	Other non-current liabilities
		16,966	—	16,966	y	Trade and other payables
		5,426	—	5,426	z	Income tax payables
Total long-term liabilities	258,195	—	10,484	268,679		Total non-current liabilities
Total liabilities	539,576	522	17,253	557,351		Total liabilities
Net assets						Equity
Common stock	10,022	—	—	10,022		Issued capital
Capital surplus	191,941	—	(2,544)	189,397	aa	Share premium
Retained earnings	283,541	—	80,001	363,542	ab	Retained earnings
Treasury stock	(11)	—	—	(11)		Treasury shares
Total accumulated other comprehensive income	21,659	2,311	(11,187)	12,783	v, ac	Other components of equity
Warrants	2,311	(2,311)	—	—	ac	
	509,463	—	66,270	575,733		Total equity attributable to owners of the parent
Non-controlling interests	2,435	—	481	2,916		Non-controlling interests
Total net assets	511,898	—	66,751	578,649		Total equity
Total liabilities and net assets	1,051,474	522	84,004	1,136,000		Total liabilities and equity

(3) Reconciliations of profit or loss and comprehensive income for the previous fiscal year (from January 1, 2017 to December 31, 2017)

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	780,261	(3,117)	2,111	779,255	A	Revenue
Cost of sales	(427,463)	2,697	(369)	(425,135)	B, F	Cost of sales
Gross profit	352,798	(420)	1,742	354,120		Gross profit
Selling, general and administrative expenses	(274,398)	(70)	16,323	(258,145)	A,B,F	Selling, general and administrative expenses
		12,339	—	12,339	C	Other income
		(7,887)	1,429	(6,458)	C	Other expenses
Operating income	78,400	3,962	19,494	101,856		Operating profit
Non-operating income	2,061	(2,061)	—	—	C	
Non-operating expenses	(5,173)	5,173	—	—	C	
Special income	15,369	(15,369)	—	—	C	
Special loss	(5,865)	5,865	—	—	C	
		1,130	(419)	711	C,G	Finance income
		(3,052)	(223)	(3,275)	C	Finance costs
		114	102	216	C	Share of profit of investments accounted for using the equity method
Income before income taxes	84,792	(4,238)	18,954	99,508		Profit before tax from continuing operations
Total income taxes	(7,517)	383	5,878	(1,256)	D	Income tax expense
	77,275	(3,855)	24,832	98,252		Profit for the year from continuing operations
		3,855	—	3,855	E	Profit after tax for the year from discontinued operations
Net income	77,275	—	24,832	102,107		Profit for the year
						Profit for the year attributable to
Net income attributable to shareholders of parent company	77,196	—	24,829	102,025		Owners of the parent
Net income attributable to non-controlling interests	79	—	3	82		Non-controlling interests

(In millions of yen)

Accounts under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of tax	7,715	—	(6,443)	1,272	F	Remeasurements of defined benefit plans
Unrealized gains (losses) on securities	(140)	—	418	278	G	Financial assets measured at fair value through other comprehensive income
Share of other comprehensive income of affiliates accounted for by the equity method	59	—	—	59		Share of other comprehensive income of investments accounted for using the equity method
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	11,277	—	93	11,370		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	(9,012)	—	2,747	(6,265)	H	Changes in fair value of cash flow hedges
Total other comprehensive income	9,899	—	(3,185)	6,714		Total other comprehensive income
Comprehensive income	87,174	—	21,647	108,821		Total comprehensive income for the year
						Comprehensive income for the year attributable to
Comprehensive income attributable to shareholders of parent company	86,946	—	21,629	108,575		Owners of the parent
Comprehensive income attributable to non-controlling interests	228	—	18	246		Non-controlling interests

(4) The major details of adjustments for differences between JGAAP and IFRS in the adjustment sheet above are as follows.

(Notes to adjustments to equity)

(a) Other current financial assets

(Reclassification)

Time deposits with a deposit term of more than three months that were included in cash and deposits in JGAAP are presented as "Other current financial assets" in IFRS. Derivative assets that were included in other current assets in JGAAP are presented as "Other current financial assets" in IFRS. Investment securities for sale within one year that were included in investment securities in JGAAP are presented as "Other current financial assets" in IFRS.

(b) Trade and other receivables

(Reclassification)

Some accounts receivable-other and allowance for doubtful accounts (current assets) that were presented separately in JGAAP are included and presented in "Trade and other receivables" in IFRS.

(c) Inventories

(Reclassification)

Merchandise and finished goods, work in progress, and raw materials and supplies that were presented separately in JGAAP are presented en bloc as "Inventories" in IFRS.

(d) Cash and cash equivalents

(Reclassification)

Investment securities matured within three months that were included in short-term investment securities in JGAAP are presented as "Cash and cash equivalents" in IFRS.

(e) Other current assets

(Reclassification)

Some accounts receivable-other and other current assets that were presented separately in JGAAP are presented as "Other current assets" in IFRS. Also, corporate tax receivables that were included in receivable-other in JGAAP are presented as "Income tax receivables" in IFRS.

(f) Assets held for sale

(Reclassification)

Current assets that are very likely to be sold and available for immediate sale in their present condition are presented as "Assets held for sale".

(g) Property, plant and equipment

(Reclassification)

Spare parts, etc. that were included in raw materials and supplies in JGAAP are presented as "Property, plant and equipment" in IFRS.

(Recognition and measurement)

Low-value long-term assets that were accounted for as an expense in JGAAP are recorded as "Property, plant and equipment" in IFRS because they qualify for capitalization. Expenses for leased facilities that were accounted for evenly as an expense over a certain period in JGAAP are recorded as "Property, plant and equipment", "Other current financial liabilities" and "Other non-current financial liabilities" in IFRS because they meet the requirements for finance leases.

(h) Goodwill

(Reclassification)

Goodwill that was accounted for as an intangible asset in JGAAP are presented separately as "Goodwill" in IFRS.

(Recognition and measurement)

While amortization of goodwill was recognized over certain periods in JGAAP, the amount of goodwill increases because amortization is not recognized in IFRS.

(i) Intangible assets

(Reclassification)

Technical resources, etc. that were included in long-term prepaid expenses in JGAAP are recorded as "Intangible assets" in IFRS.

(Recognition and measurement)

Some development expenses that were accounted for as an expense in JGAAP are recorded as “Intangible assets” in IFRS because they meet the requirements for capitalization.

(j) Investments accounted for using the equity method

(Reclassification)

While investments accounted for using the equity method were included and presented in investment securities in JGAAP, they are presented separately as “Investments accounted for using the equity method” in IFRS.

(Recognition and measurement)

Immaterial subsidiaries to which the equity method should be applied were excluded from the scope of the equity method in JGAAP, but they are included in the scope of the equity method in IFRS. Accordingly, “Investments accounted for using the equity method” have increased.

(k) Other non-current financial assets

(Reclassification)

Allowance for doubtful accounts (long-term assets), and long-term accounts receivable and guarantee deposits paid, etc. included in other of investments and other assets, which were presented separately in JGAAP, are included and presented in “Other non-current financial assets” in IFRS.

(l) Deferred tax assets and deferred tax liabilities

(Reclassification)

Regarding deferred tax assets and deferred tax liabilities that were presented as a current item in JGAAP, their entire amounts are presented as a non-current item in IFRS.

(Recognition and measurement)

While tax effects associated with the elimination of unrealized profits or losses were calculated using the seller’s effective tax rate in JGAAP, they are calculated using the purchaser’s effective tax rate in IFRS.

In addition, “Deferred tax assets” and “Deferred tax liabilities” have been adjusted as a result of the generation of temporary differences arising from adjustments of differences to other IFRS, the re-examination of the recoverability of all deferred tax assets and the changes in the net amount of deferred tax assets and deferred tax liabilities.

(m) Other non-current assets

(Reclassification)

The assets other than technical resources, etc. included in long-term prepaid expenses that were presented separately in JGAAP are included and presented in “Other non-current assets” in IFRS.

(Recognition and measurement)

While borrowing fees were capitalized as long-term prepaid expenses and amortized over the amortization period in JGAAP, “Other non-current assets” and “Borrowings” (non-current liabilities) have decreased because these transaction costs are deducted from directly-attributable financial liabilities measured at amortized cost and expensed at amortized cost using the effective interest method in IFRS.

(n) Trade and other payables (current liabilities)

(Reclassification)

Electronically recorded obligations, notes, accounts payable-trade and accounts payable-other, etc. that were presented separately in JGAAP are included and presented in “Trade and other payables” (current liabilities) in IFRS.

(Recognition and measurement)

While sales revenue was deferred in some transactions that consideration amount has not been determined yet at the point of sales in JGAAP, “Trade and payables” (current liabilities) has increased because sales revenue is recognized at the point of sales, the consideration amount that expects to be refunded to the customer is estimated, and refund liability is recognized in IFRS.

(o) Borrowings (current liabilities)

(Reclassification)

The current portion of long-term borrowings that was presented separately in JGAAP is included and presented as “Borrowings” (current liabilities) in IFRS.

- (p) Other current financial liabilities
(Reclassification)
The current portion of lease obligations that was presented separately in JGAAP is presented as “Other current financial liabilities” in IFRS.
- (q) Income tax payables (current liabilities)
(Reclassification)
Size-based business taxes, etc. that were included in accrued income taxes in JGAAP are included and presented in “Other current liabilities” in IFRS.
- (r) Provisions (current liabilities)
(Reclassification)
The provisions for loss contingencies (current liabilities) and business structure improvement (current liabilities), etc. that were presented separately in JGAAP are presented separately as “Provisions” (current liabilities) in IFRS.
(Recognition and measurement)
While expected future expenses that meet certain requirements were recognized as a provision in JGAAP, provisions that do not meet the recognition requirements in IFRS are revoked.
- (s) Other current liabilities
(Reclassification)
Accrued expenses, etc. that were presented separately in JGAAP are presented as “Other current liabilities” in IFRS.
(Recognition and measurement)
Because unused paid leave not recognized in JGAAP is recognized as an obligation in IFRS, “Other current liabilities” have increased. While sales revenue was deferred and recorded as part of other current liabilities in some transactions that consideration amount has not been determined yet at the point of sales in JGAAP, “Other current liabilities” have decreased since the amount of variable consideration is estimated at the point of sales and sales revenue is recognized in IFRS.
- (t) Borrowings (non-current liabilities)
(Reclassification)
“Long-term borrowings” that were presented separately in JGAAP are presented as “Borrowings” (non-current liabilities) in IFRS.
- (u) Other non-current financial liabilities
(Reclassification)
Lease obligations (long-term liabilities), etc. that were presented separately in JGAAP are presented as “Other non-current financial liabilities” in IFRS.
- (v) Retirement benefit liabilities
(Reclassification)
Pension contributions that were accounted for as part of other long-term liabilities in JGAAP are included and presented in “Retirement benefit liabilities” in IFRS because they meet the requirements for the defined benefit plan.
(Recognition and measurement)
In JGAAP, actuarial differences and prior service costs were recognized in other comprehensive income when they were generated and accounted for as an expense using the straight-line method over a certain number of years within the average remaining service years of employees, and interest cost and the expected return on plan assets were recognized in profit or loss. In IFRS, remeasurements of defined benefit plans including actuarial differences are recognized in other comprehensive income when they occur and are immediately reclassified to “Retained earnings,” and prior service costs are recognized in profit or loss en bloc when they occur. Regarding net interest cost, the amount obtained by multiplying the net defined benefit asset (liability) by a discount rate is recognized in profit or loss.
The net defined benefit asset is limited to the asset ceiling if the defined benefit plan is in surplus in IFRS and if there are minimum funding requirements, assets are decreased or liabilities are increased to the extent to which the net defined benefit asset will not become available as either the reduction of future contributions to be paid to the plan or the return of future contributions. Accordingly, these adjustments are recognized in other comprehensive income and are immediately reclassified to “Retained earnings.”

- (w) Provisions (non-current liabilities)
(Reclassification)
Asset retirement obligations (long-term liabilities) and the provision for business structure improvement (long-term liabilities) that were presented separately in JGAAP are presented as “Provisions” (non-current liabilities) in IFRS.
- (x) Other non-current liabilities
(Reclassification)
Liabilities other than long-term accounts payable – other stated in “Trade and other payables” (non-current liabilities) and “Income tax payable” (non-current liabilities) that were included in other of long-term liabilities in JGAAP are presented as “Other non-current liabilities” in IFRS.
- (y) Trade and other payables (non-current liabilities)
(Reclassification)
Long-term accounts payable – other included in other of long-term liabilities that were presented separately in JGAAP are presented as “Trade and other payables” (non-current liabilities) in IFRS.
- (z) Income tax payables (non-current liabilities)
(Reclassification)
Accrued income taxes included in other of long-term liabilities that were presented separately in JGAAP are presented in “Income tax payables” (non-current liabilities) in IFRS.
- (aa) Share premium
(Recognition and measurement)
Although share issue expense was accounted for as an expense when incurred in JGAAP, it is accounted for as a deduction item from “Share premium” in IFRS.

(ab) Retained earnings

(Recognition and measurement)

The impacts of the application of IFRS on retained earnings are as follows (figures in parentheses indicate decreases).

	Date of transition to IFRS (January 1, 2017)	As of December 31, 2017
Adjustments to property, plant and equipment	4,525	5,435
Adjustments to intangible assets	4,235	4,448
Adjustments to unused paid leave	(9,659)	(8,634)
Adjustments to retirement benefit liabilities	2,884	2,108
Adjustments to deferred tax assets/liabilities	50,813	55,947
Adjustments to share issue cost	2,544	2,544
Adjustments to financial assets	1,273	1,124
Adjustments to goodwill	—	17,670
Adjustments to provisions	197	1,432
Adjustments to exchange differences on translation of foreign operations	(3,306)	(3,306)
Adjustments to revenue from contracts with customers	—	1,212
Other	129	21
Total adjustment to retained earnings	53,635	80,001

(ac) Other components of equity

(Reclassification)

Warrants that were presented separately in JGAAP are included and presented as “Other components of equity” in IFRS.

(Recognition and measurement)

The entire amount of accumulated exchange difference on translation of overseas subsidiaries in JGAAP is reclassified to “Retained earnings” on the date of transition in IFRS.

Gains or losses on sales of equity instruments and impairment losses were recognized in profit or loss in JGAAP, but in IFRS, for equity instruments measured at fair value through other comprehensive income, the amount of changes in the fair value is recognized in “other comprehensive income” and reclassified to “Retained earnings” at the time of derecognition.

(Notes to adjustments to profit or loss and comprehensive income)

(A) Revenue

(Reclassification)

While some rebates were presented in selling, general and administrative expenses in JGAAP, they are deducted from "Revenue" in IFRS.

(Recognition and measurement)

While sales revenue was deferred in some transactions that consideration amount has not been determined yet at the point of sales in JGAAP, the sale revenue has been adjusted because the amount of variable consideration is estimated at the point of sales and sales revenue is recognized in IFRS.

(B) Cost of sales and selling, general and administrative expenses

(Recognition and measurement)

Unused paid leave was not recognized in JGAAP, but "Cost of sales" and "Selling, general and administrative expenses" have been adjusted since unused paid leave is recognized as an expense in IFRS

Amortization of goodwill was recognized over certain periods in JGAAP, but "Selling, general and administrative expenses" has been adjusted because amortization of goodwill is not recognized in IFRS.

(C) Other income, other expenses, finance income, finance costs and share of profit of investments accounted for using the equity method

(Reclassification)

For those items that were classified into non-operating income, non-operating expenses, special income and special losses in JGAAP, finance-related items (interest income, dividends income, interest expenses and foreign exchange gains or losses, etc.) are presented as "Finance income" or "Finance costs," and the other items are presented in "Other income," "Other expenses," "Share of profit or loss of investments accounted for using the equity method", etc. according to the nature of each item in IFRS.

(Recognition and measurement)

Future expenses that met the requirements were recognized as provisions in JGAAP, but provisions that do not meet the recognition requirements are revoked in IFRS. As a result, "Other expenses" has been adjusted.

(D) Income tax expense

(Recognition and measurement)

As a result of examining the recoverability of deferred tax assets based on IFRS, "Income tax expense" has been adjusted.

(E) Profit for the year from discontinued operations

(Reclassification)

Discontinued operations are presented separately in IFRS, and income, expenses and income tax relating to discontinued operations are presented collectively as "Profit for the year from discontinued operations" by differentiating them from continuing operations.

(F) Remeasurements of defined benefit plans

(Recognition and measurement)

In JGAAP, actuarial differences and prior service costs were recognized in other comprehensive income when they occurred and accounted for as an expense over a certain number of years within the average remaining service years of employees using the straight-line method. Interest costs and the expected return on plan assets were recognized in profit or loss.

In IFRS, remeasurements of defined benefit plans including actuarial differences are recognized in other comprehensive income when they occur and immediately reclassified to "Retained earnings," and prior service costs are recognized in profit or loss en bloc when they occur and recorded as an expense in "Cost of sales" and "Selling, general and administrative expenses". For the net interest expense, the amount obtained by multiplying the net defined benefit asset (liability) by a discount rate is recognized in profit or loss.

The net defined benefit asset is limited to the asset ceiling if the defined benefit plan is in surplus in IFRS, and if there are minimum funding requirements, assets are decreased or liabilities are increased to the extent to which the net defined benefit asset will not become available as either the reduction of future contributions to be paid to the plan or the return of future contributions. Accordingly, these adjustments are recognized in other comprehensive income and immediately reclassified to "Retained earnings."

(G) Equity instruments measured at fair value through other comprehensive income
(Recognition and measurement)

Gains or losses on sales of equity instruments and impairment losses were recognized in profit or loss in JGAAP, but in IFRS, for equity instruments measured at fair value through other comprehensive income, the amount of changes in the fair value is recognized in “other comprehensive income” and reclassified to “Retained earnings” at the time of derecognition.

(H) Cash flow hedges
(Recognition and measurement)

When the amount accumulated in retained earnings related to cash flow hedges in JGAAP is basis adjusted to the carrying amount of the non-financial asset or non-financial liability, it's recorded in other comprehensive income in accordance with reclassification adjustments, but is not recognized in “other comprehensive income” in IFRS because they do not meet the requirements for reclassification adjustments.

(5) Adjustments to cash flows in the previous fiscal year (from January 1, 2017 to December 31, 2017)

While installment payments in the case where technical resources, etc. were acquired through installment transactions were classified into cash flows from financing activities in accordance with the provisions of JGAAP, they are classified into cash flows from investing activities in IFRS. As a result, cash flows from investing activities have decreased by 13,104 million yen, and cash flows from financing activities have increased by the same amount.

Of the payments for the acquisition of low-value assets and major replacement parts etc. that were classified into cash flows from operating activities in JGAAP, those payments for the acquisition of low-value assets and major replacement parts etc. that were recognized as property, plant and equipment in IFRS are classified into cash flows from investing activities. As a result, cash flows from operating activities have increased by 5,926 million yen, and cash flows from investing activities have decreased by the same amount.

Of the payments for research and development that were classified into cash flows from operating activities in JGAAP, those payments for research and development that meet the recognition requirements for intangible assets in IFRS are classified into cash flows from investing activities. As a result, cash flows from operating activities have increased by 2,135 million yen, and cash flows from investing activities have decreased by the same amount.

Forward-Looking Statements

The statements in this press release with respect to the plans, strategies and financial outlook of Renesas Electronics Corporation and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results may differ materially from such forward-looking statements due to several important factors including, but not limited to, general economic conditions in our markets, which are primarily Japan, North America, Asia, and Europe; demand for, and competitive pricing pressure on, products and services in the marketplace; ability to continue to win acceptance of products and services in these highly competitive markets; and fluctuations in currency exchange rates, particularly between the yen and the U.S. dollar. Among other factors, downturn of the world economy; deteriorating financial conditions in world markets, or deterioration in domestic and overseas stock markets, may cause actual results to differ from the projected results forecast.

About Renesas Electronics Corporation

Renesas Electronics Corporation (TSE: 6723) delivers trusted embedded design innovation with complete semiconductor solutions that enable billions of connected, intelligent devices to enhance the way people work and live—securely and safely. A global leader in microcontrollers, analog, power, and SoC products and integrated platforms, Renesas provides the expertise, quality, and comprehensive solutions for a broad range of Automotive, Industrial, Home Electronics, Office Automation and Information Communication Technology applications to help shape a limitless future. Learn more at renesas.com.

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