

MICRON TECHNOLOGY INC  
Form 10-Q  
June 30, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark  
One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended June 1, 2017

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10658

Micron Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

75-1618004

(State or other jurisdiction of

(IRS Employer  
Identification No.)

incorporation or organization)

8000 S. Federal Way, Boise, Idaho

83716-9632

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(208) 368-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated  
Filer

Accelerated  
Filer

Non-Accelerated Filer

Smaller Reporting  
Company

Emerging Growth  
Company

(Do not check if a smaller  
reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Edgar Filing: MICRON TECHNOLOGY INC - Form 10-Q

Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of outstanding shares of the registrant's common stock as of June 23, 2017, was 1,114,065,834.

---

## Definitions of Commonly Used Terms

As used herein, "we," "our," "us," and similar terms include Micron Technology, Inc. and our consolidated subsidiaries, unless the context indicates otherwise. Abbreviations, terms, or acronyms are commonly used or found in multiple locations throughout this report and include the following:

Term	Definition	Term	Definition
2021 MSAC Term Loan	Variable Rate MSAC Senior Secured Term Loan due 2021	Micron	Micron Technology, Inc. (Parent Company)
2021 MSTW Term Loan	Variable Rate MSTW Senior Secured Term Loan due 2021	MMJ	Micron Memory Japan, Inc.
2022 Term Loan B	Senior Secured Term Loan B due 2022	MMJ Companies	MAI and MMJ
2032 Notes	2032C and 2032D Notes	MMJ Group	MMJ and its subsidiaries
2032C Notes	2.375% Convertible Senior Notes due 2032	MMT	Micron Memory Taiwan Co., Ltd.
2032D Notes	3.125% Convertible Senior Notes due 2032	MSTW	Micron Semiconductor Taiwan Co., Ltd.
2033 Notes	2033E and 2033F Notes	MTTW	Micron Technology Taiwan, Inc.
2033E Notes	1.625% Convertible Senior Notes due 2033	Nanya	Nanya Technology Corporation
2033F Notes	2.125% Convertible Senior Notes due 2033	Qimonda	Qimonda AG
2043G Notes	3.00% Convertible Senior Notes due 2043	R&D	Research and Development
Elpida	Elpida Memory, Inc.	SG&A	Selling, General, and Administrative
IMFT	IM Flash Technologies, LLC	SSD	Solid-State Drive
Inotera	Inotera Memories, Inc.	TAIBOR	Taipei Interbank Offered Rate
Intel	Intel Corporation	Tera Probe	Tera Probe, Inc.
Japan Court	Tokyo District Court	VIE	Variable Interest Entity
MAI	Micron Akita, Inc.		

## Additional Information

Ballistix, Crucial, Elpida, JumpDrive, Lexar, Micron, SpecTek, any associated logos, and all other Micron trademarks are the property of Micron. 3D XPoint is a trademark of Intel in the U.S. and/or other countries. Other product names or trademarks that are not owned by Micron are for identification purposes only and may be the registered or unregistered trademarks of their respective owners.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## MICRON TECHNOLOGY, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions except per share amounts)

(Unaudited)

	Quarter ended		Nine months ended	
	June 1, 2017	June 2, 2016	June 1, 2017	June 2, 2016
Net sales	\$5,566	\$2,898	\$14,184	\$9,182
Cost of goods sold	2,957	2,400	8,860	7,256
Gross margin	2,609	498	5,324	1,926
Selling, general, and administrative	204	148	550	502
Research and development	434	382	1,377	1,206
Restructure and asset impairments	12	—	45	16
Other operating (income) expense, net	(4 )	(5 )	(14 )	2 )
Operating income (loss)	1,963	(27 )	3,366	200
Interest income	10	10	25	33
Interest expense	(153 )	(109 )	(453 )	(302 )
Other non-operating income (expense), net	(83 )	(34 )	(63 )	(44 )
	1,737	(160 )	2,875	(113 )
Income tax (provision) benefit	(92 )	(15 )	(161 )	(16 )
Equity in net income (loss) of equity method investees	2	(40 )	7	24
Net income (loss)	1,647	(215 )	2,721	(105 )
Net (income) attributable to noncontrolling interests	—	—	—	(1 )
Net income (loss) attributable to Micron	\$1,647	\$(215 )	\$2,721	\$(106 )
Earnings (loss) per share				
Basic	\$1.49	\$(0.21 )	\$2.52	\$(0.10 )
Diluted	1.40	(0.21 )	2.38	(0.10 )
Number of shares used in per share calculations				
Basic	1,106	1,036	1,082	1,035
Diluted	1,177	1,036	1,142	1,035

See accompanying notes to consolidated financial statements.

1

---

## MICRON TECHNOLOGY, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(Unaudited)

	Quarter ended		Nine months ended	
	June 1, 2017	June 2, 2016	June 1, 2017	June 2, 2016
Net income (loss)	\$1,647	\$(215)	\$2,721	\$(105)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	11	39	48	(50 )
Gain (loss) on derivatives, net	6	3	(1 )	2
Pension liability adjustments	1	—	—	(5 )
Gain (loss) on investments, net	1	4	—	2
Other comprehensive income (loss)	19	46	47	(51 )
Total comprehensive income (loss)	1,666	(169 )	2,768	(156 )
Comprehensive (income) attributable to noncontrolling interests	—	—	—	(1 )
Comprehensive income (loss) attributable to Micron	\$1,666	\$(169)	\$2,768	\$(157)

See accompanying notes to consolidated financial statements.

2

---

## MICRON TECHNOLOGY, INC.

## CONSOLIDATED BALANCE SHEETS

(in millions except par value amounts)

(Unaudited)

As of	June 1, 2017	September 1, 2016
<b>Assets</b>		
Cash and equivalents	\$4,048	\$ 4,140
Short-term investments	282	258
Receivables	3,497	2,068
Inventories	3,064	2,889
Other current assets	132	140
Total current assets	11,023	9,495
Long-term marketable investments	471	414
Equity method investments	15	1,364
Deferred tax assets	667	657
Property, plant, and equipment, net	19,014	14,686
Intangible assets, net	405	464
Goodwill	1,228	104
Other noncurrent assets	444	356
Total assets	\$33,267	\$ 27,540
<b>Liabilities and equity</b>		
Accounts payable and accrued expenses	\$3,656	\$ 3,879
Deferred income	326	200
Current debt	1,161	756
Total current liabilities	5,143	4,835
Long-term debt	10,485	9,154
Other noncurrent liabilities	595	623
Total liabilities	16,223	14,612
<b>Commitments and contingencies</b>		
Redeemable convertible notes	25	—
<b>Micron shareholders' equity</b>		
Common stock, \$0.10 par value, 3,000 shares authorized, 1,114 shares issued and 1,110 outstanding (1,094 issued and 1,040 outstanding as of September 1, 2016)	111	109
Additional capital	8,222	7,736
Retained earnings	7,893	5,299
Treasury stock, 4 shares held (54 as of September 1, 2016)	(67	) (1,029
Accumulated other comprehensive income (loss)	12	(35
Total Micron shareholders' equity	16,171	12,080
Noncontrolling interests in subsidiaries	848	848
Total equity	17,019	12,928
Total liabilities and equity	\$33,267	\$ 27,540



See accompanying notes to consolidated financial statements.

3

---

## MICRON TECHNOLOGY, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(Unaudited)

Nine months ended	June 1, 2017	June 2, 2016
Cash flows from operating activities		
Net income (loss)	\$2,721	\$(105 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation expense and amortization of intangible assets	2,795	2,266
Amortization of debt discount and other costs	93	94
Stock-based compensation	158	148
Loss on restructure of debt	62	4
Gain on remeasurement of previously-held equity interest in Inotera	(71 )	—
Equity in net (income) loss of equity method investees	(7 )	(24 )
Change in operating assets and liabilities		
Receivables	(1,338 )	468
Inventories	108	(580 )
Accounts payable and accrued expenses	511	3
Payments attributed to intercompany balances with Inotera	(361 )	—
Deferred income taxes, net	80	11
Other	199	(13 )
Net cash provided by operating activities	4,950	2,272
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(3,469 )	(3,894 )
Acquisition of Inotera	(2,634 )	—
Purchases of available-for-sale securities	(943 )	(879 )
Payments to settle hedging activities	(267 )	(107 )
Proceeds from sales and maturities of available-for-sale securities	857	3,189
Proceeds from settlement of hedging activities	146	190
Other	71	(141 )
Net cash provided by (used for) investing activities	(6,239 )	(1,642 )
Cash flows from financing activities		
Proceeds from issuance of debt	3,136	2,166
Proceeds from issuance of stock under equity plans	108	30
Proceeds from equipment sale-leaseback transactions	—	538
Repayments of debt	(1,774 )	(689 )
Payments on equipment purchase contracts	(261 )	(14 )
Cash paid to acquire treasury stock	(35 )	(147 )
Other	33	(181 )
Net cash provided by (used for) financing activities	1,207	1,703
Effect of changes in currency exchange rates on cash and equivalents	(10 )	7
Net increase (decrease) in cash and equivalents	(92 )	2,340
Cash and equivalents at beginning of period	4,140	2,287

Cash and equivalents at end of period	\$4,048	\$4,627
---------------------------------------	---------	---------

See accompanying notes to consolidated financial statements.

4

---

MICRON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts in millions except per share amounts)

(Unaudited)

Business and Basis of Presentation

We are a world leader in innovative memory solutions. Through our global brands – Micro<sup>®</sup>, Crucial<sup>®</sup>, Lexar<sup>®</sup>, and Ballistix<sup>®</sup> – our broad portfolio of high-performance memory technologies, including DRAM, NAND, NOR Flash, and 3D XPoint<sup>™</sup> memory, is transforming how the world uses information. Backed by more than 35 years of technology leadership, our memory solutions enable the world's most innovative computing, consumer, enterprise storage, data center, mobile, embedded, and automotive applications. The accompanying consolidated financial statements include the accounts of Micron and our consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended September 1, 2016. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, consisting of a normal recurring nature, to fairly state the financial information set forth herein. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Fiscal years 2017 and 2016 each contain 52 weeks. All period references are to our fiscal periods unless otherwise indicated. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended September 1, 2016.

Variable Interest Entities

We have interests in entities that are VIEs. If we are the primary beneficiary of a VIE, we are required to consolidate it. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding, financing, and other applicable agreements and circumstances. Our assessments of whether we are the primary beneficiary of our VIEs require significant assumptions and judgments.

Unconsolidated VIEs

Inotera: Prior to our acquisition of the remaining interest in Inotera on December 6, 2016, Inotera was a VIE because of the terms of its supply agreement with us. We had determined that we did not have the power to direct the activities of Inotera that most significantly impacted its economic performance, primarily due to limitations on our governance rights that required the consent of other parties for key operating decisions and due to Inotera's dependence on Nanya for financing and the ability of Inotera to operate in Taiwan. Therefore, we did not consolidate Inotera and we accounted for our interest under the equity method. (See "Acquisition of Inotera" and "Equity Method Investments – Inotera" notes.)

EQUVO: EQUVO HK Limited ("EQUVO"), a special purpose entity, was created to facilitate an equipment sale-leaseback financing transaction between us and a consortium of financial institutions. Neither we nor the

financing entities have an equity interest in EQUVO. EQUVO was a VIE because its equity was not sufficient to permit it to finance its activities without additional support from the financing entities and because the third-party equity holder lacked characteristics of a controlling financial interest. By design, the arrangement with EQUVO was merely a financing vehicle and we did not bear any significant risks from variable interests with EQUVO. Therefore, we had determined that we did not have the power to direct the activities of EQUVO that most significantly impact its economic performance and we did not consolidate EQUVO. In February 2017, we completed all of our obligations under the sale-leaseback financing and no longer have any variable interests in EQUVO.

SC Hiroshima Energy Corporation: SC Hiroshima Energy Corporation ("SCHE") is an entity created to construct and operate a cogeneration, electrical power plant to support our wafer manufacturing facility in Hiroshima, Japan. We do not have an equity interest in SCHE. SCHE is a VIE due to the nature of its tolling agreements with us and our option to purchase SCHE's assets. We do not control the operation and maintenance of the plant, which we have determined are the activities of SCHE that most significantly impact its economic performance. Therefore, we do not consolidate SCHE.

PTI Xi'an: Powertech Technology Inc. Xi'an ("PTI Xi'an") is a wholly-owned subsidiary of Powertech Technology Inc. ("PTI") and was created to provide assembly services to us at our manufacturing site in Xi'an, China. We do not have an equity interest in PTI Xi'an. PTI Xi'an is a VIE because of the terms of its service agreement with us and its dependency on PTI to finance its operations. We have determined that we do not have the power to direct the activities of PTI Xi'an that most significantly impact its economic performance, primarily because we have no governance rights. Therefore, we do not consolidate PTI Xi'an.

#### Consolidated VIE

IMFT: IMFT is a VIE because all of its costs are passed to us and its other member, Intel, through product purchase agreements and because IMFT is dependent upon us or Intel for additional cash requirements. The primary activities of IMFT are driven by the constant introduction of product and process technology. Because we perform a significant majority of the technology development, we have the power to direct its key activities. In addition, IMFT manufactures certain products exclusively for us using our technology. We consolidate IMFT because we have the power to direct the activities of IMFT that most significantly impact its economic performance and because we have the obligation to absorb losses and the right to receive benefits from IMFT that could potentially be significant to it. (See "Equity – Noncontrolling Interests in Subsidiaries – IMFT" note.)

#### Recently Adopted Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04 – Simplifying the Test for Goodwill Impairment, which modified the goodwill impairment test and required an entity to write down the carrying value of goodwill up to the amount by which the carrying amount of a reporting unit exceeded its fair value. We adopted this ASU as of the beginning of the fourth quarter of 2017 in connection with our annual impairment test. The adoption of the ASU itself did not have a material impact on our financial statements.

In March 2016, the FASB issued ASU 2016-09 – Improvements to Employee Share-Based Payment Accounting, which simplified several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, forfeitures, and classification within the statement of cash flows. We adopted this ASU as of the beginning of the first quarter of 2017 and elected to account for forfeitures when they occur, on a modified retrospective basis. As a result of the adoption of this ASU, in the first quarter of 2017, we recognized deferred tax assets of \$325 million for the excess tax benefits that arose directly from tax deductions related to equity compensation greater than amounts recognized for financial reporting and also recognized an increase of an equal amount in the valuation allowance against those deferred tax assets. The adoption did not have any other material impacts on our financial statements.

In April 2015, the FASB issued ASU 2015-05 – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provided additional guidance to customers about whether a cloud computing arrangement included a software license. Under ASU 2015-05, cloud computing arrangements that contain a software license should be accounted for in a manner consistent with the acquisition of other software licenses, otherwise customers should account for the arrangement as a service contract. ASU 2015-05 also removed the requirement to analogize to

ASC 840-10 – Leases, to determine the asset acquired in a software licensing arrangement. We adopted this ASU as of the beginning of the first quarter of 2017 on a prospective basis. The adoption of this ASU did not have a material impact on our financial statements.

In February 2015, the FASB issued ASU 2015-02 – Amendments to the Consolidation Analysis, which amended the consolidation requirements in Accounting Standards Codification 810 – Consolidation. ASU 2015-02 made targeted amendments to the consolidation guidance for VIEs. We adopted this ASU as of the beginning of the first quarter of 2017 under a modified-retrospective approach. The adoption of this ASU did not have an impact on our financial statements.

### Recently Issued Accounting Standards

In November 2016, the FASB issued ASU 2016-18 – Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. This ASU will be effective for us in the first quarter of 2019 with early adoption permitted and requires retrospective adoption. We are evaluating the timing of our adoption of this ASU on our financial statements.

In October 2016, the FASB issued ASU 2016-16 – Intra-Entity Transfers Other Than Inventory, which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU will be effective for us in the first quarter of 2019 with early adoption permitted and requires modified retrospective adoption. We are evaluating the timing and effects of our adoption of this ASU on our financial statements.

In June 2016, the FASB issued ASU 2016-13 – Measurement of Credit Losses on Financial Instruments, which requires a financial asset (or a group of financial assets) measured on the basis of amortized cost to be presented at the net amount expected to be collected. This ASU requires that the income statement reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This ASU requires that credit losses of debt securities designated as available-for-sale be recorded through an allowance for credit losses and limits the credit loss to the amount by which fair value is below amortized cost. This ASU will be effective for us in the first quarter of 2021; however, we are permitted to adopt this ASU as early as the first quarter of 2020. This ASU requires modified retrospective adoption, with prospective adoption for debt securities for which an other-than-temporary impairment had been recognized before the effective date. We are evaluating the timing and effects of our adoption of this ASU on our financial statements.

In February 2016, the FASB issued ASU 2016-02 – Leases, which amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. This ASU will be effective for us in the first quarter of 2020 with early adoption permitted and requires modified retrospective adoption. The adoption of this ASU will result in an increase to our consolidated balance sheets for these right-of-use assets and corresponding liabilities. We are evaluating the timing and other effects of our adoption of this ASU on our financial statements.

In January 2016, the FASB issued ASU 2016-01 – Recognition and Measurement of Financial Assets and Financial Liabilities, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This ASU will be effective for us in the first quarter of 2019 and requires modified retrospective adoption. We are evaluating the effects of our adoption of this ASU on our financial statements.

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under generally accepted accounting principles in the U.S. The core principal of this ASU, as amended, is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. We are required to adopt this ASU in the first quarter of 2019; however, we are permitted to adopt this ASU as early as the first quarter of 2018. This ASU allows for either full retrospective or modified retrospective adoption. We expect that, as a result of the adoption of this ASU, the timing of recognizing revenue from sales of products to our distributors under agreements allowing rights of return



or price protection will be generally earlier than under the existing revenue recognition guidance. After adoption, the impact of this change in any reporting period would be the net effect of changes to revenue recognized as of the beginning and end of each period. Revenue recognized upon resale by our customers with these rights was 19% and 21% of total sales for the third quarter and first nine months of 2017, respectively, and 26% and 24% for the third quarter and first nine months of 2016, respectively. We are evaluating the timing, method, and other effects of our adoption of this ASU on our financial statements.

#### Acquisition of Inotera

Through December 6, 2016, we held a 33% ownership interest in Inotera, now known as Micron Technology Taiwan, Inc. ("MTTW"), Nanya and certain of its affiliates held a 32% ownership interest, and the remaining ownership interest was publicly held. On December 6, 2016, we acquired the 67% remaining interest in Inotera not owned by us (the "Inotera Acquisition") and began consolidating Inotera's operating results. The cash paid for the Inotera Acquisition was funded, in part, with proceeds from the 2021 MSTW Term Loan and the sale of the Micron Shares (as defined below) to Nanya. Inotera manufactures DRAM products at its 300mm wafer fabrication facility in Taoyuan City, Taiwan, and sold such products exclusively to us through supply agreements. SG&A expenses for the first six months of 2017 and for full fiscal 2016 included transaction costs of \$13 million and \$3 million, respectively, incurred in connection with the Inotera Acquisition.

In connection with the Inotera Acquisition, we revalued our previously-held 33% equity interest to its fair value. In determining the fair value, we used various valuation techniques, including the share price of Inotera prior to the announcement of the Inotera Acquisition and discounted cash flow projections using inputs including discount rate and terminal growth rate (Level 3). As a result, we recognized a non-operating gain of \$71 million in the second quarter of 2017.

In connection with the Inotera Acquisition, we sold 58 million shares of our common stock to Nanya (the "Micron Shares") and received cash proceeds of \$986 million. Because the sale of the Micron Shares to Nanya was contemporaneous with, and contingent upon, the closing the Inotera Acquisition, the issuance of the Micron Shares was treated in purchase accounting as a non-cash exchange for a portion of the shares of Inotera held by Nanya. The Micron Shares were issued in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, and subject to certain restrictions on transfers. To reflect the lack of transferability, the fair value of the Micron Shares (based on the trading price of our common stock on the acquisition date) was reduced by a discount of \$81 million, based on the implied volatility derived from traded options on our stock and on the duration of the lack of transferability (Level 2).

We provisionally estimated the fair value of the Inotera assets acquired and liabilities assumed as of the December 6, 2016 acquisition date. In the third quarter of 2017, we incorporated additional information in our analysis about facts and circumstances that existed as of the acquisition date and adjusted our provisional values, which resulted in a decrease in the amount of purchase price allocated to property, plant, and equipment of \$59 million and increases in the amounts allocated to other noncurrent assets of \$13 million, deferred income taxes of \$8 million, and goodwill of \$38 million. The allocation of purchase price to assets acquired and liabilities assumed of Inotera could further change as additional information becomes available. The consideration and provisional valuation of assets acquired and liabilities assumed, as adjusted in the third quarter of 2017, are as follows:

Consideration	
Cash paid for Inotera Acquisition	\$4,099
Less cash received from selling Micron Shares	(986 )
Net cash paid for Inotera Acquisition	3,113
Fair value of our previously-held equity interest in Inotera	1,441
Fair value of Micron Shares exchanged for Inotera shares	995
Other	3
Payments attributed to intercompany balances with Inotera	(361 )
	\$5,191
Assets acquired and liabilities assumed	
Cash and equivalents	\$118
Inventories	285
Other current assets	27
Property, plant, and equipment	3,722
Deferred tax assets	82
Goodwill	1,124
Other noncurrent assets	130
Accounts payable and accrued expenses	(232 )
Debt	(56 )
Other noncurrent liabilities	(9 )
	\$5,191

As a result of the Inotera Acquisition, we expect to experience greater operational flexibility to drive new technology in products manufactured by Inotera, optimize the deployment of our cash flows across our operations, and enhance our ability to adapt our product offerings to changes in market conditions. As a result of these synergies, we allocated goodwill of \$829 million, \$198 million, and \$97 million to CNBU, MBU, and EBU, respectively. Goodwill resulting from the Inotera Acquisition is not deductible for Taiwan corporate income tax purposes; however, it is deductible for Taiwan surtax purposes.

## Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined results of operations as if the Inotera Acquisition had occurred on September 4, 2015. The pro forma financial information includes the accounting effects of the business combination, including adjustments for depreciation of property, plant, and equipment, interest expense, elimination of intercompany activities, and revaluation of inventories. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the Inotera Acquisition occurred on September 4, 2015.

	Quarter ended		Nine months ended	
	June 1, 2017	June 2, 2016	June 1, 2017	June 2, 2016
Net sales	\$5,566	\$2,869	\$14,179	\$9,141
Net income (loss)	1,696	(303 )	2,776	(351 )
Net income (loss) attributable to Micron	1,696	(303 )	2,776	(352 )
Earnings (loss) per share				
Basic	1.53	(0.28 )	2.52	(0.32 )
Diluted	1.44	(0.28 )	2.39	(0.32 )

The unaudited pro forma financial information for 2017 includes our results for the quarter and nine months ended June 1, 2017 (which includes the results of Inotera since our acquisition of Inotera on December 6, 2016), the results of Inotera for the three months ended November 30, 2016, and the adjustments described above. The pro forma information for 2016 includes our results for the quarter and nine months ended June 2, 2016, the results of Inotera for the quarter and nine months ended May 31, 2016, and the adjustments described above.

## Technology Transfer and License Agreements with Nanya

Effective December 6, 2016, under the terms of technology transfer and license agreements, Nanya has options to require us to transfer to Nanya for Nanya's use certain technology and deliverables related to the next DRAM process node generation after our 20nm process node (the "1X Process Node") and the next DRAM process node generation after the 1X Process Node. Under the terms of the agreements, Nanya would pay royalties to us for a license to the transferred technologies based on revenues from products utilizing the technologies, subject to specified caps, and we would also receive an equity interest in Nanya upon the achievement of certain milestones.

## Cash and Investments

Cash and equivalents and the fair values of our available-for-sale investments, which approximated amortized costs, were as follows:

As of	June 1, 2017			September 1, 2016				
	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments <sup>(1)</sup>	Total Fair Value	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments <sup>(1)</sup>	Total Fair Value
Cash	\$2,110	\$ —	\$ —	\$2,110	\$2,258	\$ —	\$ —	\$2,258
Level 1 <sup>(2)</sup>								
Money market funds	1,528	—	—	1,528	1,507	—	—	1,507
Level 2 <sup>(3)</sup>								
Corporate bonds	—	172	256	428	—	142	235	377
Certificates of deposit	380	9	8	397	373	33	—	406
Government securities	6	61	76	143	2	62	82	146
Asset-backed securities	—	4	131	135	—	12	97	109
Commercial paper	24	36	—	60	—	9	—	9
	\$4,048	\$ 282	\$ 471	\$4,801	\$4,140	\$ 258	\$ 414	\$4,812

(1) The maturities of long-term marketable investments range from one to four years.

(2) The fair value of Level 1 securities is measured based on quoted prices in active markets for identical assets.

The fair value of Level 2 securities is measured using information obtained from pricing services, which obtain quoted market prices for similar instruments, non-binding market consensus prices that are corroborated by

(3) observable market data, or various other methodologies, to determine the appropriate value at the measurement date. We perform supplemental analysis to validate information obtained from these pricing services. No adjustments were made to such pricing information as of June 1, 2017.

Proceeds from sales of available-for-sale securities were \$194 million and \$742 million for the third quarter and first nine months of 2017, respectively, and \$902 million and \$1.89 billion for the third quarter and first nine months of 2016, respectively. Gross realized gains and losses from sales of available-for-sale securities were not material for any period presented. As of June 1, 2017, there were no available-for-sale securities that had been in a loss position for longer than 12 months.

Restricted cash, included in other noncurrent assets and excluded from the table above, was \$98 million and \$122 million as of June 1, 2017 and September 1, 2016, respectively.

## Receivables

As of	June 1, September 1,	
	2017	2016
Trade receivables	\$3,188	\$ 1,765
Income and other taxes	90	119
Other	219	184
	\$3,497	\$ 2,068



## Inventories

As of	June 1, 2017	September 1, 2016
Finished goods	\$857	\$ 899
Work in process	1,901	1,761
Raw materials and supplies	306	229
	\$3,064	\$ 2,889

## Property, Plant, and Equipment

As of	September 1, 2016	Additions	Retirements and Other	June 1, 2017
Land	\$ 145	\$ 205	\$ (5 )	\$345
Buildings	6,653	946	(30 )	7,569
Equipment <sup>(1)</sup>	25,910	5,934	(495 )	31,349
Construction in progress <sup>(2)</sup>	475	56	33	564
Software	422	21	(1 )	442
	33,605	7,162	(498 )	40,269
Accumulated depreciation	(18,919 )	(2,714 )	378	(21,255 )
	\$ 14,686	\$ 4,448	\$ (120 )	\$19,014

(1) Included costs related to equipment not placed into service of \$731 million and \$1.47 billion as of June 1, 2017 and September 1, 2016, respectively.

(2) Included building-related construction and tool installation costs for assets not placed into service.

Depreciation expense was \$994 million and \$2.71 billion for the third quarter and first nine months of 2017, respectively, and \$725 million and \$2.18 billion for the third quarter and first nine months of 2016, respectively. In the fourth quarter of 2016, we revised the estimated useful lives of equipment in our DRAM wafer fabrication facilities from five to seven years, which reduced depreciation costs by approximately \$100 million per quarter in 2017.

## Equity Method Investments

As of	June 1, 2017	September 1, 2016
	Investment Ownership Balance Percentage	Investment Ownership Balance Percentage
Inotera	\$— — %	\$1,314 33 %
Tera Probe	— — %	36 40 %
Other	15 Various	14 Various
	\$15	\$1,364

Equity in net income (loss) of equity method investees, net of tax, included the following:

	Quarter ended	Nine months ended	June 2, 2017	June 2, 2016
Inotera	\$—	\$ (19 )	\$ 9	\$ 35
Tera Probe	2	(22 )	(3 )	(16 )
Other	—	1	1	5
	\$ 2	\$ (40 )	\$ 7	\$ 24

#### Inotera

We held a 33% interest in Inotera, a Taiwan DRAM memory company, through December 6, 2016, at which time we acquired the remaining 67% interest in Inotera. Historically, we accounted for our interest in Inotera on a two-month lag under the equity method. As a result of the Inotera Acquisition, we account for Inotera without a lag, consistent with our other wholly-owned subsidiaries.

From January 2013 through December 2015, we purchased all of Inotera's DRAM output under supply agreements at prices reflecting discounts from market prices for our comparable components. After December 2015 and until our acquisition of the remaining interest in Inotera, the price for DRAM products purchased by us was based on a formula that equally shared margin between Inotera and us. We purchased \$504 million of DRAM products from Inotera in the first quarter of 2017 and \$348 million and \$1.05 billion in the third quarter and first nine months of 2016, respectively.

#### Tera Probe

In the third quarter of 2017, we sold our 40% interest in Tera Probe, which provides semiconductor wafer testing and probe services to us and others, in a transaction that included the pending sale of our assembly and test facility located in Akita, Japan. (See "Restructure and Asset Impairments" note.) In the first quarter of 2017 and third quarter of 2016, we recorded impairment charges of \$16 million and \$25 million, respectively, within equity in net income (loss) of equity method investees to write down the carrying value of our investment in Tera Probe to its then fair value based on its trading price (Level 1). We incurred manufacturing costs for services performed by Tera Probe of \$15 million and \$47 million in the third quarter and first nine months of 2017, respectively, and \$19 million and \$58 million in the third quarter and first nine months of 2016, respectively.

#### Intangible Assets and Goodwill

As of	June 1, 2017		September 1, 2016	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortizing assets				
Product and process technology	\$ 756	\$ (459 )	\$ 757	\$ (402 )
Other	1	(1 )	1	—
	757	(460 )	758	(402 )
Non-amortizing assets				
In-process R&D	108	—	108	—



Total intangible assets	\$865	\$ (460 )	\$866	\$ (402 )
Goodwill	\$1,228		\$104	

During the first nine months of 2017 and 2016, we capitalized \$22 million and \$24 million, respectively, for product and process technology with weighted-average useful lives of 10 years. Amortization expense was \$27 million and \$81 million for the third quarter and first nine months of 2017, respectively, and \$30 million and \$90 million for the third quarter and first nine months of 2016, respectively. Expected amortization expense is \$28 million for the remainder of 2017, \$97 million for 2018, \$48 million for 2019, \$31 million for 2020, and \$26 million for 2021.

Accounts Payable and Accrued Expenses

As of	June 1, September 1,	
	2017	2016
Accounts payable	\$1,494	\$ 1,186
Property, plant, and equipment payables	1,096	1,649
Salaries, wages, and benefits	505	289
Customer advances	156	132
Income and other taxes	104	41
Related party payables	—	273
Other	301	309
	\$3,656	\$ 3,879

As of September 1, 2016, related party payables included \$266 million due to Inotera primarily for the purchase of DRAM products.

## Debt

As of	June 1, 2017			September 1, 2016					
	Stated Rate	Effective Rate		Current	Long-Term	Total	Current	Long-Term	Total
MMJ creditor installment payments	N/A	6.52 %		\$ 154	\$ 465	\$ 619	\$ 189	\$ 680	\$ 869
Capital lease obligations	N/A	3.64 %		355	917	1,272	380	1,026	1,406
2021 MSAC senior secured term loan	3.467 %	3.76 %		38	583	621	—	—	—
2021 MSTW senior secured term loan	2.852 %	3.02 %		—	2,643	2,643	—	—	—
2022 senior notes	5.875 %	6.14 %		—	591	591	—	590	590
2022 senior secured term loan B	3.550 %	3.97 %		5	726	731	5	730	735
2023 senior notes	5.250 %	5.43 %		—	991	991	—	990	990
2023 senior secured notes	7.500 %	7.69 %		—	1,238	1,238	—	1,237	1,237
2024 senior notes	5.250 %	5.38 %		—	546	546	—	546	546
2025 senior notes	5.500 %	5.56 %		—	515	515	—	1,139	1,139
2026 senior notes	5.625 %	5.73 %		—	128	128	—	446	446
2032C convertible senior notes <sup>(1)</sup>	2.375 %	5.95 %		—	209	209	—	204	204
2032D convertible senior notes <sup>(1)</sup>	3.125 %	6.33 %		—	157	157	—	154	154
2033E convertible senior notes <sup>(1)</sup>	1.625 %	4.50 %		169	—	169	—	168	168
2033F convertible senior notes <sup>(1)</sup>	2.125 %	4.93 %		276	—	276	—	271	271
2043G convertible senior notes	3.000 %	6.76 %		—	668	668	—	657	657
Other notes payable	2.038 %	2.57 %		164	108	272	182	316	498
				\$ 1,161	\$ 10,485	\$ 11,646	\$ 756	\$ 9,154	\$ 9,910

Since the closing price of our common stock exceeded 130% of the conversion price per share for at least 20 trading days in the 30 trading day period ended on March 31, 2017, these notes are convertible by the holders through the calendar quarter ending June 30, 2017. The closing price of our common stock also exceeded the thresholds for the calendar quarter ended June 30, 2017; therefore, these notes are convertible by the holders through September 30, 2017. The 2033 Notes were classified as current as of June 1, 2017 because the terms of these notes require us to pay cash for the principal amount of any converted notes and holders of these notes had the right to convert their notes as of that date. In addition, the holders of the 2033E Notes can require us to repurchase for cash all or a portion of the 2033E Notes on February 15, 2018.

## Debt Restructure

On April 11, 2017, we repurchased \$631 million of principal amount of our 2025 Notes (carrying value of \$625 million) and \$321 million of principal amount of our 2026 Notes (carrying value of \$318 million) for an aggregate of \$1.00 billion in cash. In connection with the transactions, we recognized a non-operating loss of \$60 million in the third quarter of 2017.

## Capital Lease Obligations

In the third quarter of 2017, we recorded capital lease obligations aggregating \$84 million at a weighted-average effective interest rate of 6.5% and a weighted-average expected term of 5 years. In the first nine months of 2017, we recorded capital lease obligations aggregating \$217 million.



### 2021 MSAC Senior Secured Term Loan

In November 2016, we entered into a five-year variable-rate facility agreement to obtain up to \$800 million of financing, collateralized by certain production equipment. On March 6, 2017 and December 2, 2016, we drew \$175 million and \$450 million, respectively, under the 2021 MSAC Term Loan. On June 5, 2017, subsequent to the end of our third quarter of 2017, we drew the remaining \$175 million under this facility. Interest is payable quarterly at a per annum rate equal to three-month LIBOR plus 2.4%. Principal is payable in 16 equal quarterly installments beginning in March 2018. The 2021 MSAC Term Loan contains covenants which are customary for financings of this type, including negative covenants that limit or restrict our ability to create liens or dispose of the equipment securing the facility agreement. The 2021 MSAC Term Loan also contains a covenant that the ratio of the outstanding loan to the fair value of the equipment collateralizing the loan not exceed 0.8. If such ratio is exceeded, we are required to grant a security interest in additional equipment and/or prepay the 2021 MSAC Term Loan in an amount sufficient to reduce such ratio to 0.8 or less. The 2021 MSAC Term Loan also contains customary events of default which could result in the acceleration of all amounts to be immediately due and payable. The 2021 MSAC Term Loan is guaranteed by Micron.

### 2021 MSTW Senior Secured Term Loan

In connection with the Inotera Acquisition, on December 6, 2016, we drew 80 billion New Taiwan dollars under a collateralized, five-year term loan that bears interest at a variable per annum rate equal to the three-month or six-month TAIBOR, at our option, plus a margin of 2.05%. Principal under the 2021 MSTW Term Loan is payable in six equal semi-annual installments, commencing in June 2019, through December 2021. The 2021 MSTW Term Loan is collateralized by certain assets, including a real estate mortgage on MTTW's main production facility and site, a chattel mortgage over certain equipment of MTTW, all of the stock of our MSTW subsidiary, and the 82% of stock of MTTW owned by MSTW. The 2021 MSTW Term Loan is guaranteed by Micron.

The 2021 MSTW Term Loan contains affirmative and negative covenants, including covenants that limit or restrict our ability to create liens in or dispose of collateral securing obligations under the 2021 MSTW Term Loan, mergers involving MSTW and/or MTTW, loans or guarantees to third parties by MTTW and/or MSTW, and MSTW's and/or MTTW's distribution of cash dividends. The 2021 MSTW Term Loan also contains financial covenants, which are tested semi-annually, as follows:

- MSTW must maintain a consolidated ratio of total liabilities to adjusted EBITDA not higher than 5.5x in 2017 and 2018, and not higher than 4.5x in 2019 through 2021;

- MSTW must maintain adjusted consolidated tangible net worth of not less than 4.0 billion New Taiwan dollars in 2017 and 2018, not less than 6.5 billion New Taiwan dollars in 2019 and 2020, and not less than 12.0 billion New Taiwan dollars in 2021;

- on a consolidated basis, Micron must maintain a ratio of total liabilities to adjusted EBITDA not higher than 3.5x in 2017, not higher than 3.0x in 2018 and 2019, and not higher than 2.5x in 2020 and 2021; and

- on a consolidated basis, Micron must maintain adjusted tangible net worth not less than \$9.0 billion in 2017, not less than \$12.5 billion in 2018 and 2019, and not less than \$16.5 billion in 2020 and 2021.

If MSTW fails to maintain a required financial covenant, the interest rate will be increased by 0.25% until such time as the required financial ratios are maintained. If MSTW's failure continues for two consecutive semi-annual periods, such failure will constitute an event of default that could result in all obligations owed under the 2021 MSTW Term Loan being accelerated to be immediately due and payable. Micron's failure to maintain a required financial covenant will only result in a 0.25% increase to the interest rate but will not constitute an event of default. The 2021 MSTW Term Loan also contains customary events of default.

### Convertible Senior Notes

As of June 1, 2017, the trading price of our common stock was higher than the initial conversion prices of our convertible notes. As a result, the conversion values for these notes exceeded the principal amounts by \$1.77 billion as of June 1, 2017.

### 2022 Senior Secured Term Loan B Repricing Amendment

On April 26, 2017, we amended our 2022 Term Loan B, substantially all of which was treated as a debt modification, to reduce the margins added to the base rate from 2.75% to 1.5% and to the adjusted LIBOR rate from 3.75% to 2.5%. In October 2016, we amended our 2022 Term Loan B, substantially all of which was treated as a debt modification, to reduce the margins added to the base rate from 5.00% to 2.75% and to the adjusted LIBOR rate from 6.00% to 3.75%.

## Contingencies

We have accrued a liability and charged operations for the estimated costs of adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, including those described below. We are currently a party to other legal actions arising from the normal course of business, none of which is expected to have a material adverse effect on our business, results of operations, or financial condition.

## Patent Matters

As is typical in the semiconductor and other high-tech industries, from time to time others have asserted, and may in the future assert, that our products or manufacturing processes infringe their intellectual property rights.

On November 21, 2014, Elm 3DS Innovations, LLC ("Elm") filed a patent infringement action against Micron, MSP, and Micron Consumer Products Group, Inc. in the U.S. District Court for the District of Delaware. On March 27, 2015, Elm filed an amended complaint against the same entities. The amended complaint alleges that unspecified semiconductor products of ours that incorporate multiple stacked die infringe thirteen U.S. patents and seeks damages, attorneys' fees, and costs.

On December 15, 2014, Innovative Memory Solutions, Inc. filed a patent infringement action against Micron in the U.S. District Court for the District of Delaware. The complaint alleges that a variety of our NAND products infringe eight U.S. patents and seeks damages, attorneys' fees, and costs.

On June 24, 2016, the President and Fellows of Harvard University filed a patent infringement action against Micron in the U.S. District Court for the District of Massachusetts. The complaint alleges that a variety of our DRAM products infringe two U.S. patents and seeks damages, injunctive relief, and other unspecified relief.

Among other things, the above lawsuits pertain to certain of our DDR DRAM, DDR2 DRAM, DDR3 DRAM, DDR4 DRAM, SDR SDRAM, PSRAM, RLDRAM, LPDRAM, NAND, and certain other memory products we manufacture, which account for a significant portion of our net sales.

We are unable to predict the outcome of assertions of infringement made against us and therefore cannot estimate the range of possible loss. A determination that our products or manufacturing processes infringe the intellectual property rights of others or entering into a license agreement covering such intellectual property could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing could have a material adverse effect on our business, results of operations, or financial condition.

## Qimonda

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda insolvency proceedings, filed suit against Micron and Micron Semiconductor B.V., our Netherlands subsidiary ("Micron B.V."), in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between Micron B.V. and Qimonda signed in fall 2008 pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera (the "Inotera Shares"), representing approximately 18% of Inotera's outstanding shares as of June 1, 2017 and seeks an order requiring us to re-transfer those shares to the Qimonda estate. The complaint also seeks, among other things, to recover damages for the alleged value of the joint venture relationship with Inotera and to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross-license between us and Qimonda entered into at the same time as the share purchase agreement.





Following a series of hearings with pleadings, arguments, and witnesses on behalf of the Qimonda estate, on March 13, 2014, the Court issued judgments: (1) ordering Micron B.V. to pay approximately \$1 million in respect of certain Inotera shares sold in connection with the original share purchase; (2) ordering Micron B.V. to disclose certain information with respect to any Inotera Shares sold by it to third parties; (3) ordering Micron B.V. to disclose the benefits derived by it from ownership of the Inotera Shares, including in particular, any profits distributed on such shares and all other benefits; (4) denying Qimonda's claims against Micron for any damages relating to the joint venture relationship with Inotera; and (5) determining that Qimonda's obligations under the patent cross-license agreement are canceled. In addition, the Court issued interlocutory judgments ordering, among other things: (1) that Micron B.V. transfer to the Qimonda estate the Inotera Shares still owned by it and pay to the Qimonda estate compensation in an amount to be specified for any Inotera Shares sold to third parties; and (2) that Micron B.V. pay the Qimonda estate as compensation an amount to be specified for benefits derived by it from ownership of the Inotera Shares. The interlocutory judgments have no immediate, enforceable effect on us, and, accordingly, we expect to be able to continue to operate with full control of the Inotera Shares subject to further developments in the case. We have filed a notice of appeal, and the parties have submitted briefs to the appeals court.

We are unable to predict the outcome of the matter and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera Shares or monetary damages, unspecified damages based on the benefits derived by Micron B.V. from the ownership of the Inotera Shares, and/or the termination of the patent cross-license, which could have a material adverse effect on our business, results of operation, or financial condition.

#### Other

In the normal course of business, we are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations, or financial condition.

#### Redeemable Convertible Notes

Under the terms of the indentures governing the 2033 Notes, upon conversion, we would be required to pay cash equal to the lesser of (1) the aggregate principal amount or (2) the conversion value of the notes being converted. To the extent the conversion value exceeds the principal amount, we could pay cash, shares of common stock, or a combination thereof, at our option, for the amount of such excess. The closing price of our common stock met the thresholds for conversion for the calendar quarter ended March 31, 2017; therefore, the 2033 Notes were convertible by the holders as of June 1, 2017. As a result, the 2033 Notes were classified as current debt and the aggregate difference between the principal amount and the carrying value of \$25 million was classified as redeemable convertible notes in the accompanying consolidated balance sheet as of June 1, 2017. The closing price of our common stock did not meet the thresholds for the calendar quarter ended June 30, 2016; therefore, the 2033 Notes were not convertible by the holders as of September 1, 2016. Therefore, as of September 1, 2016, the 2033 Notes had been classified as noncurrent debt and the aggregate difference between the principal amount and the carrying value had been classified as additional capital.

#### Equity

##### Micron Shareholders' Equity

**Treasury Stock:** In connection with the Inotera Acquisition, in the second quarter of 2017, we sold 58 million shares of our common stock to Nanya for \$986 million in cash, of which 54 million shares were issued from treasury stock. As a result, in the second quarter of 2017, treasury stock decreased by \$1.03 billion, while retained earnings decreased by \$104 million for the difference between the carrying value of the treasury stock and its \$925 million fair value.

**Outstanding Capped Calls:** Our capped calls are intended to reduce the effect of potential dilution from our convertible notes and provide for our receipt of cash or shares, at our election, from our counterparties if the trading price of our stock is above strike prices on the expiration dates. As of June 1, 2017, the dollar value of cash or shares that we would receive from our outstanding capped calls upon their expiration dates range from \$0, if the trading price of our stock is below strike prices for all capped calls at expiration, to \$527 million, if the trading price of our stock is at or above the cap prices for all capped calls.

Expiration of Capped Calls: In the third quarter of 2017, we cash-settled a portion of our 2032C and 2032D Capped Calls and received \$125 million, based on the volume-weighted trading stock prices at the expiration dates. In the second quarter of 2017, we share-settled a portion of our 2032C and 2032D Capped Calls and received 4 million shares of our stock, equal to a value of \$67 million, based on the volume-weighted trading stock prices at the expiration dates. The shares received were recorded as treasury stock.

Shareholder Rights Agreement: On January 18, 2017, our shareholders approved a Section 382 Rights Agreement (the "Rights Agreement"), under which our shareholders of record as of the close of business on August 1, 2016 received one right for each share of common stock outstanding, which entitles shareholders to purchase additional shares of our common stock at a significant discount in the event of an ownership change. The Rights Agreement is intended to avoid an ownership change, as defined by Section 382 of the Internal Revenue Code of 1986, as amended, and thereby preserve our current ability to utilize certain net operating loss and credit carryforwards.

#### Noncontrolling Interests in Subsidiaries

As of June 1,  
2017