The following is an English translation of the Notice of the Extraordinary General Meeting of Shareholders of Renesas Electronics Corporation to be held on February 22, 2013, except for translation of the instructions on voting rights and the access map for the place of the meeting in the Notice. The Company provides this translation for your reference and convenience only.

# **Renesas Electronics Corporation**

Securities Code: 6723 1753, Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa

Yasushi Akao Representative Director, President

January 28, 2013

**To Our Shareholders:** 

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

The Extraordinary General Meeting of Shareholders (the "General Meeting") of Renesas Electronics Corporation (the "Company") will be held as follows:

- 1. DATE: February 22, 2013 (Friday) at 10:00 A.M. (Japan Standard Time)
- PLACE: Tamagawa Renaissance City Hall at 1753, Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa, Japan
- 3. AGENDA OF THE GENERAL MEETING:

MATTERS TO BE VOTED UPON:

- (1) Partial Amendment to the Articles of Incorporation (No.1)
- (2) Issuance of New Shares Offered by way of Third Party Allotment
- (3) Partial Amendment to the Articles of Incorporation (No.2)

#### **REFERENCE DOCUMENT FOR THE GENERAL MEETING**

Background to Submission of Proposal No.1 to Proposal No.3

The business environment surrounding the Company has been characterized by significant threats from a series of severe, non-cyclical events which have brought about sudden and far-reaching changes. These include the global financial crisis, natural disasters like the Great East Japan Earthquake and flooding in Thailand two years ago, the current rekindling of the European fiscal crisis and slowdown in China's economy, and the destabilization of relations between Japan and countries in East Asia. Given also the significant influence of the persistently strong yen and the rapid changes in the Japanese consumer equipment market, operating conditions continue to be extremely tough.

Under these operating conditions, the Company has, dating from the April 2010 integration of former NEC Electronics Corporation and former Renesas Technology Corp., successfully implemented a series of measures to realize integration synergies including: reduction of material procurement costs through standardization and high-volume purchasing; improvement of R&D cost efficiency through integration and focusing of technological resources; and SG&A cost reduction, including through focusing sales channels, and integration of IT systems. The Company has also reorganized its production facilities and restructured its business operations to focus on core competences. Nevertheless, the Company recorded large net losses for two years in a row from fiscal 2010. In fiscal 2012, as well, the forecasts a consolidated net loss of JPY 150 billion due to implementation of business and structural measures, as well as a personnel streamlining program. Moreover, there has been a sudden deterioration in the Company's consolidated net assets, leading to concern over a worsening of its financial base.

In July 2012, in a release entitled "Renesas Electronics Announces the Direction of Various Measures to Establish Robust and Profitable Structure", the Company announced a series of measures regarding restructuring of our domestic production sites and an early retirement incentive program, for the implementation of a large reduction in fixed costs and conversion of fixed costs to variable costs and thus, the Company is able to respond to the sudden changes in the business environment. These measures centered on a further large-scale reorganization of its production facilities in Japan and an early retirement incentive program. In October 2012, the Company implemented the early retirement incentive program and additionally the Company and Renesas Eastern Japan Semiconductor, Inc., a wholly owned subsidiary of the Company entered into an agreement with AOI ELECTRONICS CO., LTD. regarding the transfer of all stocks of Renesas High Components, Inc., a wholly owned subsidiary of Renesas Eastern Japan Semiconductor. The transfer was executed in January 2013. Further, from September through October 2012, the Company secured new financing totaling JPY 97 billion from its major shareholders and main banks, which allows the Company to convert short-term debt to long-term debt, thus securing stable long-term funding. These measures ensured the funding necessary to execute current structural reforms.

However, in addition to the measures described above, there is an urgent need to establish a strong financial base to enable a speedy and flexible response to the above described changes in the business

environment and to invest toward future growth as a specialized semiconductor company. Further investments are urgently required in R&D in key areas, Capex, and M&A activities to assist earnings recovery. Firstly, from the viewpoint of the financial base, the Group's cash & its equivalents balance had fallen to JPY 69.6 billion as of September 30, 2012, equivalent to about one month's sales although this is expected to improve as benefits from structural reforms realized and operating cash flows pick up due to earnings recovery. Therefore, bolstering the Company's financial base is still a pressing matter to allow the Company to manage our business flexibly even if there are significant shifts in the market structure during the process of improvement. Secondly, from the viewpoint of growth investment, the Company is a participant in the semiconductor industry, where timely investments for future product differentiation are vital. Giving utmost priority to a stable financial base and continuing to restrict growth investment would be extremely risky in terms of securing future competitiveness including a deterioration of the Group's market share. To address these pressing issues, and to quickly establish a robust framework designed to support the implementation of growth strategies that will allow the Company to prevail amid tough global competition, the Company believes it is of utmost importance to push ahead with radical initiatives driven by rapid management decision-making not constrained by pre-existing frameworks. Accordingly, the Company has started to look more urgently at securing the funding or increased capital necessary to achieve this.

The Company has evaluated a variety of options for securing this increased funding or capitalization. Among them, with respect to borrowing, the Company concluded that additional borrowing from major shareholders and main banks was not realistic, given that the Company received the maximum support available from them. With respect to increased capitalization, the Company determined that it would be difficult to secure the necessary funding/capital through a public offering given the sustained decline in its share price since the Great East Japan Earthquake, the unclear outlook for its operating environment, and a stock market climate that is not conducive to public offerings. The rights offering option looked promising in terms of consideration of the interests of existing minority interest holders. Viewed comprehensively, however, the Company determined that this option could not reasonably be expected to secure sufficient funding/capital within an early time frame, given factors such as the fact that commitment-type rights offerings are not well known in Japan, the liquidity of our shares, and the time expected to take for the process, etc.

This review pointed to a capital increase by way of third party allocation as the best option for rapidly securing the funding/capital required by the Company.

The Company considered multiple foreign and domestic investors as candidates for the allocation and decided to accept the proposal from one of the candidates, The Innovation Network Corporation of Japan ("INCJ"), which proposed to organize a consortium with the Company's business partners (Toyota Motor Corporation, Nissan Motor Co., Ltd., Keihin Corporation, Denso Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation and Yaskawa Electric Corporation, hereinafter collectively "Consortium Companies") to invest funds from INCJ and Consortium Companies.

INCJ was formed in 2010 under the Law on Special Measures for Industrial Revitalization. Its objective is to create next-generation industries that go beyond the conventional industrial categories. It pursues this aim through investment activities involving wide ranging collaboration with industry and other institutions like university research centers. INCJ is a stock company with private and public shareholders, with about 91.02% of shares being held by the Government of Japan.

From the viewpoint of the Company, the proposal from INCJ offered numerous advantages, as follows. (i) Compared to other proposals, the proposal from INCJ will not impose undue restrictions on the Company's business or that of its stakeholders, and compared to the other options for securing this increased funding, it offer a greater probability that the Company will secure the entire amount of the funding required by the Company rapidly and reliably. (ii) The Consortium Companies are all leading players on the global stage in terms of their products, and technical capabilities. Having such shareholders would allow the Company to build longer-lasting and more stable trading and collaborative relationships. Through such close relationships, in addition to offering products that have an edge over those from competitors, as exemplified by MCUs (where the Company has a global No. 1 share), the Company would be able to establish a more cost-competitive, stable supply framework incorporating a multiple-fab approach. The ability to offer a stable supply of high-quality products would differentiate the Company from its competitors, win the trust of its business partners, and provide the competitive edge the Company needs to win further orders from the business partners. Through stable, long-term business relationships with the Consortium Companies, in the course of which the Company will meet their strict product requirements, the Company can expect to realize a further enhancement of its supply capabilities and other business synergies. (iii) INCJ has a deep understanding of how important it is that stable operation of the Company's business continues and the Company continues to invest in growth fields and provide superior products consistently in the future. As a result of a comprehensive review of the above considerations, the Company determined that the proposal from INCJ had the best potential to contribute to improvements in its corporate value and shareholder value from a longer-term perspective, and on December 10, 2012 signed an agreement to issue shares through Third Party Allotment ("Third Party Allotment") to INCJ and the Consortium Companies.

The agreement among the Company, INCJ, and the Consortium Companies includes agreement that, expeditiously after the investment funds paid in, an extraordinary general meeting of shareholders will be convened for the purpose of approving a resolution to appoint candidate directors and candidate auditors nominated by INCJ (provided, however, that upon separate agreement by the Company and INCJ, a proposed resolution appointing said candidates for directors and auditors as well as mutually agreed candidates for directors and auditors will be submitted to the Company's 11<sup>th</sup> ordinary general meeting of shareholders scheduled for June 2013) and that during the period until the execution of the above appointments, INCJ must be consulted in advance and written approval be given by INCJ regarding any matters of a given level of importance pertaining to the business or management of the Company or its subsidiaries (including: changes to the articles of incorporation, etc. of the Company or its subsidiaries;

decisions on holding/submitting resolutions to a general meeting of shareholders; reorganization; issuance of shares, etc.; borrowing from/loans to a third party in excess of JPY 1 billion; undertaking capital investment in excess of JPY 1 billion, and other matters which require approval by the board of directors or management committee).

In accordance with Article 124, Clause 4 of the Companies Act, in order to reflect the will of its shareholders, the Company will grant voting rights in respect of the 11<sup>th</sup> ordinary general meeting of shareholders that is scheduled to take place in June 2013 to shareholders who have acquired common shares after the record date (March 31, 2013) through the issuance of shares for subscription by theThird Party Allotment.

At the General Meeting, the Third Party Allotment, a necessary provision for strong future growth by the Company, will be submitted as Proposal No.2. The Proposal No.1 will be approval of an increase in the total number of shares authorized to be issued set forth in Article 6 of the Articles of Incorporation of the Company, for the purpose of executing the Third Party Allotment. The Proposal No.3 will be approval of a proposal to further increase the total number of shares authorized to be issued after the amendment of the Articles of Incorporation by Proposal No.1, in order to enable dynamic fund raising by capital reinforcement for the purpose of securing the financial resources needed for execution of future business plans.

The Company believes that early establishment of a framework for execution of its growth strategy will be able the Company to prevail in highly competitive global markets. The Company hope that its shareholders will understand the reasons and background of the Third Party Allotment and give the Company the approval of Proposal No.1, Proposal No.2, and Proposal No.3.

## Proposal No. 1: <u>Partial Amendment to the Articles of Incorporation (No.1)</u>

1. Reasons for Amendment

In order to allow for the issuance of the offered shares pursuant to Proposal No.2 "Issuance of New Shares Offered by way of Third Party Allotment", the Company proposes to increase the total number of shares authorized to be issued as set forth in Article 6 of the current Articles of Incorporation of the Company from the current 800 million shares to 1 billion 668 million shares.

Further, the amendment to the Articles of Incorporation under this Proposal is subject to the approval of Proposal No. 2 "Issuance of New Shares Offered by way of Third Party Allotment" as proposed in the original proposal.

2. Details of Amendment

Details of amendment are as follows:

	(Underlined are the amended parts)
Current Provision	Proposed Amendment
Article 6. (Total Number of Shares Authorized to Be	Article 6. (Total Number of Shares Authorized to Be
Issued)	Issued)
The total number of shares authorized to be issued	The total number of shares authorized to be issued
by the Company shall be <u>eight hundred million</u>	by the Company shall be one billion six hundreds and
<u>(800,000,000)</u> .	sixty-eight million (1,668,000,000).

#### Proposal No. 2: Issuance of New Shares Offered by way of Third Party Allotment

1. Reasons for Proposal

As described above in "Background of Submission of Proposal No.1 to Proposal No.3", the Third Party Allotment is proposed for the objective of establishing a financial base to enable the Company to withstand sudden market changes, securing funding for growth investment in R&D in key areas to contribute to earnings recovery, Capex, M&A. Shares are scheduled to be allocated to INCJ (number of shares allocated: 1,152,917,000 shares) and Consortium Companies (Toyota Motor Corporation (number of shares allocated: 41,666,600 shares), Nissan Motor Co., Ltd. (number of shares allocated: 25,000,000 shares), Keihin Corporation (number of shares allocated: 8,333,300 shares), Denso Corporation (number of shares allocated: 8,333,300 shares), Canon Inc. (number of shares allocated: 4,166,600 shares), Nikon Corporation (number of shares allocated: 4,166,600 shares), Panasonic Corporation (number of shares allocated: 4,166,600 shares), Yaskawa Electric Corporation (number of shares allocated: 1,250,000 shares)).

It is planned to use the funds raised from the capital increase by Third Party Allotment for investment in leading-edge process development of MCUs and standardization of development platforms, investment in Capex related to production (sample and volume production), investment in automotive semiconductor solutions, investment in industrial semiconductor solutions, and development investment for rebuilding the Company's management base.

With respect to the amount to be paid pursuant to Proposal No.2 "Issuance of New Shares Offered by way of Third Party Allotment", the Company received a final proposal from INCJ based on the results of its due diligence including a review of the business plan of the Company, such that the issue price will be JPY 120 per share. The Company has engaged in repeated discussions with the expected allottees about this proposal, recognizing an urgent need to strengthen the Company's financial soundness, business foundation and growth capital, and based on consideration of the current circumstances of the Company and the semiconductor industry, along with the possibility of reliably securing the significant amount of capital required, rapidly and at a single time. The Company's evaluation of this proposal was based on comprehensive consideration of various factors, including: (i) relative superiority in comparison with capital proposals from other candidates, (ii) the need to reliably and rapidly secure sufficient growth capital for significant future business development, (iii) the point that implementing a third-party capital increase with the expected allottees would, from a medium- to long-term perspective, be expected to contribute to an increase in corporate and shareholder value, and (iv) the result of a share value assessment of the proposed issue price by a third-party institution engaged by the Company; As a result, because the Company has determined that the Third Party Allotment would also advance the interests of existing shareholders, the executing of the Third Party Allotment at the proposed issue price was reasonable and accordingly the Company's board of directors resolved at a board meeting on December 10, 2012 to approve the issue price of JPY 120 per share.

The issue price of JPY 120 per share is a discount of 59.9% from the Tokyo Stock Exchange closing price of JPY 299 on December 7, 2012, the business day immediately preceding the day on which the Company's board of directors approved the Third Party Allotment, a 58.5% discount on the JPY 289 average closing price for the one month up to the immediately preceding business day, a 58.3% discount on the JPY 288 average closing price for the three months up to the immediately preceding business day, and a 57.1% discount on the JPY 280 average closing price for the six months up to the immediately preceding business day. The number of shares to be issued in the Third Party Allotment will dilute existing voting rights, pertaining to the total number of shares that were issued and outstanding prior to the resolution of the Company's board meeting to undertake a Third Party Allotment, by 299.68% (rounded to two decimal places). The Company believes that in order to realize higher corporate and shareholder value in the medium and long terms, it is necessary to procure the required capital funding reliably, rapidly and in a lump sum. Furthermore, in the context of the INCJ intending to obtain 69.16% (rounded to two decimal places) of voting rights after the Third Party Allotment, becoming the parent company and contributing to management of the business, the Company determined the scale of the dilution arising from the Third Party Allotment after discussions with the expected allottees regarding the amount of investment capital it was necessary to secure. As related above, the capital procured through the Third Party Allotment is scheduled to use for growth investment, thereby contributing to increase sales and the improvement of gross profit margins through improved products, and to the improvement of stronger financial and operating base to be more resistant to severe, non-cyclical fluctuations in the operating environment and the structure of the industry. In the medium and long terms, this can be expected to contribute to corporate and shareholder value. The Company therefore believes that the capital increase through Third Party Allotment will also provide ample value to all existing shareholders and considers the issue conditions to be reasonable.

As described above, although the Company believes the issue conditions of the Third Party Allotment to be reasonable, including the issue price, because the issue price is deemed to be favorable to the expected allottees under Article 199, Clause 3 of the Companies Act and the Japan Securities Dealers Association's "Policy Regarding Treatment of Allotment to Third Parties", and because the increase in the number of shares issued through the Third Party Allotment will significantly dilute the current voting rights of existing shareholders, the issuance of the offered shares and the necessity of the Third Party Allotment for the Company will be submitted for approval at the General Meeting.

The issuance of the offered shares under this Proposal is subject to the approval of Proposal No.1 "Partial Amendment to the Articles of Incorporation (No.1)" as proposed in the original proposal, and the amendment to the Articles of Incorporation proposed therein becoming effective.

#### (Translation)

- 2. Overview of the issuance of the offered shares
- (1) Class and number of the offered shares:

1,250,000,000 common shares

(2) Amount to be paid for the offered shares /shares for subscription:

JPY 120 per share

- (3) Total amount to be paid for the offered shares /shares for subscription: JPY 150,000,000,000
- (4) Matters relating to an increase in capital (*shihonkin*) and capital reserve fund (*shihon-jyunbikin*) to be increased:

Pursuant to Article 445, Clauses 1 through 3 of the Companies Act, half of the capital increase amount limit as calculated according to Article 14, Paragraph (1) of the Ordinance on Accounting of Companies will be capital (*shihonkin*), and the remainder will be capital reserve fund (*shihon-jyunbikin*).

Amount of capital (shihonkin) to be increased:

JPY 60 per share (total: JPY 75,000,000,000)

Amount of capital reserves fund (shihon-jyunbikin) to be increased:

JPY 60 per share (total: JPY 75,000,000,000)

(5) Method of offering:

Third-party allotment

(6) Payment period:

February 23, 2013 to September 30, 2013

(7) Other

Payment will be made on the condition that one of the expected allottees obtains all necessary permits and approvals from the competition authorities of relevant countries with respect to business combination and any others.

#### Partial Amendment to the Articles of Incorporation (No.2) **Proposal No. 3:**

1. Reasons for Amendment

In order to enable the Company to have dynamic fund raising by capital reinforcement for the purpose of securing the financial resources needed for execution of future business plans, the Company proposes to increase the total number of shares authorized to be issued as set forth in Article 6 of the Articles of Incorporation which the amendment to the Articles of Incorporation proposed in Proposal No.1 became effective from 1 billion 668 million shares to 3 billion 400 million shares.

Further, the amendment to the Articles of Incorporation under this Proposal is subject to the total number of the issued shares of the Company being 1 billion 500 million shares or more through the issuance of new shares pursuant to Proposal No. 2 "Issuance of New Shares Offered by way of Third Party Allotment".

2. Details of Amendment

Issued)

Details of amendment are as follows:

(Underlined are the amended parts) Provision After Amendment to the Articles of Proposed Amendment Incorporation (Part 1) Became Effective Article 6. (Total Number of Shares Authorized to Be Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued The total number of shares authorized to be issued

by the Company shall be one billion six hundreds by the Company shall be three billion four hundreds and sixty-eight million (1,668,000,000). million (3,400,000,000).

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