

**(Translation)**

The following is an English translation of the Notice of the 8th Ordinary General Meeting of Shareholders of Renesas Electronics Corporation to be held on June 25, 2010 (as well as the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements with respect to the 8th Business Period, and report on the results of the audit conducted on such Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors), except for translation of the instructions on voting rights and the access map for the place of the meeting in the Notice. The Company provides this translation for your reference and convenience only.

**Renesas Electronics Corporation**

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

Junshi Yamaguchi  
Chairman

June 3, 2010

**To Our Shareholders:**

**NOTICE OF THE 8TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

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

1. DATE: June 25, 2010 (Friday) at 10:00 A.M. (Japan Standard Time)
2. PLACE: Tamagawa Renaissance City Hall at 1753, Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa, Japan
3. AGENDA OF THE GENERAL MEETING:  
MATTERS TO BE REPORTED UPON
  - (1) Report on the Business Report, Consolidated Financial Statements and the results of the audit conducted on the Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors with respect to the 8th Business Period from April 1, 2009 to March 31, 2010.
  - (2) Report on the Financial Statements with respect to the 8th Business Period from April 1, 2009 to March 31, 2010.

**(Translation)**

MATTERS TO BE VOTED UPON:

- (1) Election of Eleven Directors
- (2) Election of Three Corporate Auditors

(Translation)

**REFERENCE DOCUMENTS FOR THE GENERAL MEETING**

**Proposal No. 1: Election of Eleven Directors**

Upon the close of the General Meeting, the term of office held by all Directors will expire. It is proposed that eleven Directors be elected. The candidates are as follows:

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
1	Junshi Yamaguchi (November 27, 1950)	December 1976 November 2002 June 2003 October 2003 August 2004 June 2005 June 2009 April 2010	Joined NEC Corporation Vice President, Corporate Strategic Planning Unit, the Company Vice President, Corporate Strategic Planning Unit and General Manager, Corporate Communications Division, the Company Senior Vice President and Vice President, Corporate Strategic Planning Unit, the Company Senior Vice President, Vice President, Corporate Strategic Planning Unit and General Manager, Corporate Communications Division, the Company Executive Vice President and Member of the Board, the Company President, the Company Chairman, the Company (to the present)  (Responsibilities) Chairman of General Meeting of Shareholders and the Meeting of Board of Directors.	7,900

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
2	Yasushi Akao (August 7, 1954)	April 1979	Joined Hitachi, Ltd.	0
		April 2003	Deputy General Manager, SOC Division, Renesas Technology Corp. (merged with the Company on April, 2010)	
		October 2003	Deputy General Manager, Corporate Strategy Planning Division, Renesas Technology Corp.	
		April 2004	Managing Officer, and General Manager, Corporate Strategy Planning Division, Renesas Technology Corp.	
		December 2004	Managing Officer, and Deputy Executive General Manager, System Solution Business Group, Renesas Technology Corp.	
		April 2007	Director, and Deputy Executive General Manager, MCU Business Group, Renesas Technology Corp.	
		April 2008	Director, and Executive General Manager, MCU Business Group, Renesas Technology Corp.	
		April 2009	Representative Director and President, Renesas Technology Corp.	
		April 2010	President, the Company (to the present)	
			(Responsibilities) Management of execution of overall business operations, hosting of Executive Committee, Corporate Management Meeting and other important meetings	
			(Important Concurrent Positions) Director General, Reliability Center for Electronic Components of Japan	

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
3	Susumu Furukawa (July 12, 1954)	February 1979 May 1986 November 1991 May 2000 January 2002 February 2004 June 2005 April 2006 April 2008 April 2010	Joined ASCII Corporation Left ASCII Corporation President, Microsoft Co., Ltd. Chairman and CEO, Microsoft Co., Ltd., and Director, Far East Research and Development, Microsoft Corporation Vice President, Consumer Strategy, Microsoft Corporation Vice President, Advanced Strategies and Policy, Microsoft Corporation Vice President, Advanced Strategies and Policy, Microsoft Corporation, and Executive Officer and Chief Technical Officer, Microsoft Co., Ltd. Left Microsoft Corporation and Microsoft Co., Ltd. Professor, Research Institute for Digital Media and Content, Keio University Professor, Graduate School of Media Design, Keio University (to the present) Member of the Board, the Company (to the present)  (Important Concurrent Positions) Professor, Graduate School of Media Design, Keio University	0
4	Toyoaki Nakamura (August 3, 1952)	April 1975 January 2006 April 2007 June 2007	Joined Hitachi, Ltd. General Manager, Finance Department-1, Hitachi, Ltd. Representative Executive Officer, and Senior Vice President and Executive Officer, Hitachi, Ltd. Director, Representative Executive Officer, and Senior Vice President and	0

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
		June 2008	Executive Officer, Hitachi, Ltd. Corporate Auditor (part-time), Renesas Technology Corp. (merged with the Company on April, 2010). Resigned as Corporate Auditor, Renesas Technology Corp.	
		June 2009	Representative Executive Officer, and Senior Vice President and Executive Officer, Hitachi, Ltd. (to the present)	
		April 2010	Member of the Board, the Company (to the present)	
			(Important Concurrent Positions) Representative Executive Officer, and Senior Vice President and Executive Officer, Hitachi, Ltd.	
5	Noritomo Hashimoto (July 30, 1954)	April 1977	Joined Mitsubishi Electric Corporation	
		April 2005	General Manager, LCD Division, Semiconductor & Device Group, Mitsubishi Electric Corporation	
		October 2006	General Manager, Planning & Administration Division, Semiconductor & Device Group, Mitsubishi Electric Corporation	
		April 2008	General Manager, Corporate Human Resources Division, Mitsubishi Electric Corporation	0
		April 2009	Executive Officer, and General Manager, Corporate Human Resources Division, Mitsubishi Electric Corporation	
			Director (part-time), Renesas Technology Corp. (merged with the Company on April, 2010)	
		June 2009	Director, Chairman of the Nomination	

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
		April 2010	Committee, Chairman of the Compensation Committee, Executive Officer, and General Manager, Corporate Human Resources Division, Mitsubishi Electric Corporation (to the present) Member of the Board, the Company (to the present)  (Important Concurrent Positions) Director, Executive Officer, Mitsubishi Electric Corporation	
6	Hajime Matsukura (December 12, 1961)	April 1985 October 2002  April 2005  April 2008  June 2008	Joined NEC Corporation Senior Manager, Corporate Planning Division, NEC Corporation General Manager, Marketing Strategy and Planning Division, NEC Corporation General Manager, Corporate Planning Division, NEC Corporation (to the present) Member of the Board, the Company (to the present)  (Important Concurrent Positions) General Manager, Corporate Planning Division, NEC Corporation	0
7	Kazuaki Ogura (November 28, 1949)	April 1974 April 2004  October 2006  April 2007	Joined Mitsubishi Electric Corporation General Manager, Planning & Administration Department, Public Utility Systems Group, Mitsubishi Electric Corporation Group Senior Vice President, Energy and Industrial Systems, Mitsubishi Electric Corporation General Manager, Corporate Auditing	0

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held	
		April 2009	Division, Mitsubishi Electric Corporation General Manager, Audit Committee		
		May 2009	Office, Mitsubishi Electric Corporation General Manager, Associated Companies		
		October 2009	Division, Mitsubishi Electric Corporation General Manager, Merger Preparation		
			Office, Renesas Technology Corp. (merged with the Company on April, 2010)		
		April 2010	Executive Vice President and Member of the Board, the Company (to the present)		
			(Responsibilities)		
			Matters relating to Internal Audit Office, Finance & Accounting Division and		
			Order Transaction Control Department		
8	Masaki Kato (March 3, 1951)	April 1974	Joined NEC Corporation	6,600	
		November 2002	Associate Vice President, Sales Operations Unit, the Company		
		April 2003	Vice President, NEC Plasma Display Corporation (currently, Pioneer Plasma Display Corporation)		
		October 2004	General Manager, Business Management Division, Plasma Display Business Company, Pioneer Corporation		
		September 2006	Left Pioneer Corporation		
		October 2006	Senior Vice President, the Company		
		June 2009	Executive Vice President and Member of the Board, the Company (to the present)		
			(Responsibilities)		
			Management of important matters relating to production and Corporate		
			Planning Division, General Manager,		



(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
			Corporate Export Control Office, matters relating to Purchasing Division and Information Systems Division	
9	Yoichi Yano (November 20, 1954)	April 1980 November 2002  April 2004  November 2004  September 2006  May 2007  June 2007  April 2008	Joined NEC Corporation General Manager, 4th System LSI Division, 2nd Business Development Operations Unit, the Company Associate Vice President, 4th Systems Operations Unit, the Company Vice President, 4th Systems Operations Unit, the Company Senior Vice President and Vice President, 4th Systems Operations Unit, the Company Executive Vice President and Vice President, Microcomputer Operations Unit, the Company Executive Vice President and Member of the Board, and Vice President, Microcomputer Operations Unit, the Company Dismissal of Vice President, Microcomputer Operations Unit, the Company (to the present)  (Responsibilities) Vice President, Technology Development Unit, matters relating to Intellectual Property Division and Quality Assurance Division	3,400

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
10	Shozo Iwakuma (August 19, 1955)	April 1980 April 2003  June 2004  April 2005  April 2007  April 2009  April 2010	Joined Hitachi, Ltd.  Department Manager, Human Resources Department, Human Resources & General Affairs Division, Renesas Technology Corp. (merged with the Company on April, 2010)  Deputy General Manager, Human Resources & General Affairs Division, Renesas Technology Corp.  General Manager, Human Resources & General Affairs Division, Renesas Technology Corp.  Managing Officer, and General Manager, Human Resources & General Affairs Division, Renesas Technology Corp.  Director, and General Manager, Human Resources & General Affairs Division, Renesas Technology Corp.  Senior Vice President and Member of the Board, the Company (to the present)  (Responsibilities) Matters relating to Legal & Compliance Division and Human Resources & General Affairs Division	0
11	Takashi Niino (September 8, 1954)	April 1977 April 2004  April 2006  April 2008	Joined NEC Corporation  Executive General Manager, 2nd Solutions Sales Operations Unit, NEC Corporation  Executive General Manager, Financial Solutions Operations Unit, NEC Corporation  Associate Senior Vice President, Executive General Manager, Financial	0

**(Translation)**

No.	Name (Date of Birth)	Brief Employment History, Position and Important Concurrent Positions.		Number of the Company's Shares Held
		April 2010	Solutions Operations Unit, NEC Corporation Senior Vice President, NEC Corporation (to the present)  (Important Concurrent Positions) Senior Vice President, NEC Corporation	

- (Note) 1. Mr. Akao concurrently serves as a Director General of Reliability Center for Electronic Components of Japan, with which the Company engages in transactions relating to seminars for a certification of static electricity management technician, etc.
2. Mr. Toyoaki Nakamura concurrently serves as a Representative Executive Officer, and Senior Vice President and Executive Officer of Hitachi, Ltd., with which the Company engages in transactions relating to development and sales of system LSI, etc.
3. Mr. Noritomo Hashimoto concurrently serves as a Director, Executive Officer of Mitsubishi Electric Corporation, with which the Company engages in transactions relating to renting of real estate and providing of services, etc.
4. Except for the notes 1 to 3 above, none of the candidates have a special conflict of interest with the Company.
5. Mr. Toyoaki Nakamura is currently and has been involved in the execution of business (as defined in Item 6, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act; hereinafter the same) of Hitachi, Ltd. during the past 5 years. His position and responsibilities are described in the 'Brief Employment History, Position and Important Concurrent Positions.' section above. Hitachi, Ltd. is "Special Related Party" as defined in Item 19, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
6. Mr. Noritomo Hashimoto is currently and has been involved in the execution of business of Mitsubishi Electric Corporation during the past 5 years. His position and responsibilities are described in the 'Brief Employment History, Position and Important Concurrent Positions.' section above. Mr. Noritomo Hashimoto has received a salary as an employee, etc. during the past 2 years. Mitsubishi Electric Corporation is "Special Related Party" as defined in Item 19, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.
7. Messrs. Hajime Matsukura and Takashi Niino are currently and have been involved in the execution of business of NEC Corporation during the past 5 years. Their positions

**(Translation)**

and responsibilities are described in the 'Brief Employment History, Position and Important Concurrent Positions.' section above. Messrs. Hajime Matsukura and Takashi Niino have received a salary as an employee, etc. during the past 2 years. NEC Corporation is "Special Related Party" as defined in Item 19, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act.

8. Messrs. Susumu Furukawa, Toyooki Nakamura, Noritomo Hashimoto, Hajime Matsukura and Takashi Niino are candidates for outside Directors.

i) The Company selected Mr. Susumu Furukawa as a candidate for outside Director with the expectation that he continues to oversee and check the overall management of the Company from a global perspective by leveraging his extensive experience at Microsoft Corporation and its subsidiary, Microsoft Co., Ltd., and his knowledge, experience and deep insight gained from his career as a Professor of Graduate School of Media Design, Keio University, etc.

Mr. Susumu Furukawa is currently an outside Director of the Company. The term of office of Mr. Susumu Furukawa as an outside Director of the Company will be 3 months at the close of the General Meeting.

ii) Mr. Toyooki Nakamura has extensive experience as a Representative Executive Officer, and Senior Vice President and Executive Officer of Hitachi, Ltd., Mr. Noritomo Hashimoto has extensive experience as a Director, Executive Officer of Mitsubishi Electric Corporation, Mr. Hajime Matsukura has extensive experience as a General Manager, Corporate Planning Division of NEC Corporation, and Mr. Takashi Niino has extensive experience as a Senior Vice President, NEC Corporation. The Company selected these candidates for outside Directors with expectation that they would oversee and check the overall management of the Company by leveraging their extensive knowledge, experience and deep insight gained from their professional careers persuaded for many years as an executive or officer. Messrs. Toyooki Nakamura, Noritomo Hashimoto and Hajime Matsukura are currently outside Directors of the Company. The term of office of Messrs. Toyooki Nakamura and Noritomo Hashimoto as outside Director of the Company will be 3 months and Mr. Hajime Matsukura as outside Director of the Company will be 2 years at the close of the General Meeting.

9. Mr. Toyooki Nakamura is a relative with in the third degree or closer of a person who is involved in execution of business of the Company's Special Related Party.

10. If the new appointment of Mr. Takashi Niino is approved, the Company will enter into a liability limitation agreement with him, limiting his liabilities as defined in Paragraph 1, Article 423 of the Companies Act to the higher of either (i) the amount to be fixed which is not less than 10,000,000 yen or (ii) the minimum liability amount stipulated in

**(Translation)**

the applicable laws and regulations. The Company has already entered into liability limitation agreements with Messrs. Susumu Furukawa, Toyoaki Nakamura, Noritomo Hashimoto and Hajime Matsukura, and if their reappointments are approved, the Company will renew such liability limitation agreements with them.

(Translation)

**Proposal No. 2: Election of Three Corporate Auditors**

Upon the close of the General Meeting, the term of office as Corporate Auditor held by Mr. Yasuyuki Shibata will expire, and Mr. Keiji Suzuki will resign from his office as Corporate Auditor. It is proposed that the number of Board of Corporate Auditors be increased by one member in order to strength auditing system and three Corporate Auditors be elected. The consent of the Board of Corporate Auditors for this Proposal has been obtained.

The candidates are as follows:

No.	Name (Date of Birth)	Brief Employment History, Position, and Important Concurrent Positions.		Number of the Company's Shares Held
1	Michiharu Nakamura (September 9, 1942)	April 1967 June 2001  April 2003  June 2003  April 2004  June 2005  April 2007 June 2008  April 2009  June 2009 March 2010  April 2010	Joined Hitachi, Ltd. Head of the Research and Development Group, Hitachi, Ltd. Director, Hitachi Medical Corporation Director, Renesas Technology Corp. (merged with the Company on April, 2010) Vice President and Executive Officer, Head of the Research and Development Group, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Director, Hitachi Maxell, Ltd. (to the present) Fellow, Hitachi, Ltd. Director, Hitachi, Ltd. (to the present) Resigned as Board Director, Renesas Technology Corp. Corporate Auditor, Renesas Technology Corp. Chairman, Hitachi Medical Corporation Resigned as Corporate Auditor, Renesas Technology Corp. Director, Hitachi Medical Corporation (to	0

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position, and Important Concurrent Positions.		Number of the Company's Shares Held
			the present)  (Important Concurrent Positions) Director, Hitachi, Ltd., Director, Hitachi Medical Corporation, Director, Hitachi Maxell, Ltd.	
2	Yoichiro Yamakawa (July 21, 1941)	April 1966 April 1979  June 2001 December 2002 July 2005 June 2006 June 2008 June 2009	Registered as an Attorney-at-Law Partner, Attorney-at-Law, Koga, Yoshikawa, Yamakawa & Nakagawa (currently, Koga & Partners) (to the present) Director, Sumitomo Mitsui Banking Corporation Director, Sumitomo Mitsui Financial Group, Inc. Director, Dai-ichi Mutual Life Insurance Company (currently, Dai-ichi Life Insurance Company Limited) Statutory Auditor, Nisshin Steel Co., Ltd. (to the present) Statutory Auditor, Daio Paper Corporation (to the present) Resigned as Director, Sumitomo Mitsui Banking Corporation Resigned as Director, Sumitomo Mitsui Financial Group, Inc. Resigned as Director, Dai-ichi Mutual Life Insurance Company (currently, Dai-ichi Life Insurance Company Limited) (Important Concurrent Positions) Partner, Attorney-at-Law, Koga & Partners	0

(Translation)

No.	Name (Date of Birth)	Brief Employment History, Position, and Important Concurrent Positions.		Number of the Company's Shares Held
			Statutory Auditor, Nisshin Steel Co., Ltd. Statutory Auditor, Daio Paper Corporation	
3	Yoshinobu Shimizu (October 26, 1944)	March 1973 July 2001 May 2002 February 2006 March 2006 June 2007 March 2008 March 2010	Registered as a Certified Public Accountant Managing Executive Partner, Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC) Deputy Chief Executive Officer, Ernst & Young ShinNihon Left Ernst & Young ShinNihon Statutory Auditor, Canon Inc. Statutory Auditor, Mitsubishi UFJ Trust and Banking Corporation (to the present) Statutory Auditor, Canon Electronics Inc. Resigned as Statutory Auditor, Canon Inc. Resigned as Statutory Auditor, Canon Electronics Inc.  (Important Concurrent Positions) Statutory Auditor, Mitsubishi UFJ Trust and Banking Corporation	0

- (Note) 1. The candidates have no special conflict of interest with the Company.
2. Mr. Yoichiro Yamakawa is a candidate for outside Corporate Auditor.
- i) The Company selected Mr. Yoichiro Yamakawa as a candidate for the outside Corporate Auditor with the expectation that professional knowledge, extensive experience and deep insight gained as an attorney-at-law for many years become an asset to strengthen the audit system of the Company. Although Mr. Yoichiro Yamakawa has never been involved in management of companies other than by serving as outside Director or outside Corporate Auditor, the Company has judged that he can perform the duties as outside Corporate Auditor for the reasons



**(Translation)**

mentioned above.

- ii) Mr. Yoichiro Yamakawa has been an outside Director of Sumitomo Mitsui Banking Corporation (“SMBC”) until June 2009. In December 2005, SMBC received a recommendation decision issued by the Japanese Fair Trade Commission based on violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade with respect to certain business activities of SMBC. In April 2006, SMBC also received administrative orders issued by the Financial Services Agency of Japan under the Banking Act with respect to such business activities. While Mr. Yoichiro Yamakawa had regularly pointed out the importance of compliance with laws and regulations and promoted awareness thereof at the meetings of the Board of Directors, he worked for a thorough fact finding and investigation to determine the cause of such incidents and promoted formulation of policies to prevent similar incidents and enforcement of compliance and internal control system at the meetings of the Board of Directors after such incidents were reported.
  - iii) Mr. Yoichiro Yamakawa is an outside Corporate Auditor of Nisshin Steel Co., Ltd. (“Nisshin”). In August 2009, Nisshin received a cease and desist order and surcharge payment order from the Japanese Fair Trade Commission based on violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade with respect to certain business activities of Nisshin, and, in September 2009, Nisshin was found guilty in violation of such Act by the Tokyo District Court. While Mr. Yoichiro Yamakawa had regularly pointed out the importance of compliance with laws and regulations and promoted awareness thereof at the meetings of the Board of Corporate Auditors and the Board of Directors, he voiced his opinion about formulation of policies to prevent similar incidents and enforcement of compliance and internal control system at the meetings of the Board of Corporate Auditors and Board of Directors after such incidents were reported.
3. Mr. Yoshinobu Shimizu is a candidate for outside Corporate Auditor.  
The Company selected Mr. Yoshinobu Shimizu as a candidate for the outside Corporate Auditor with the expectation that professional knowledge, extensive experience and deep insight gained as a Certified Public Accountant become an asset to strengthen the audit system of the Company.
  4. Mr. Yoshinobu Shimizu is a relative with in the third degree or closer of a person who is involved in execution of business of the Company’s Special Related Parties.
  5. If the new appointments of Messrs. Yoichiro Yamakawa and Yoshinobu Shimizu are approved, the Company will enter into a liability limitation agreement with each of them, limiting their liabilities as defined in Paragraph 1, Article 423 of the Companies

**(Translation)**

Act to the higher of either (i) the amount to be fixed which is not less than 10,000,000 yen or (ii) the minimum liability amount stipulated in the applicable laws and regulations.

## **Business Report**

(For the Period from April 1, 2009 to March 31, 2010 (the “Period”))

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

#### **(1) Progress and Results of Operations**

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

Although the fiscal year ended March 31, 2010 started out under seriously weak economy exerted by the financial crisis occurred in the fall of 2008, the plunging global economy bottomed out from the recession during the first half of the fiscal year ended March 31, 2010 and saw gradual and yet solid signs of recovery shored up by governments’ economic stimulus measures.

On a regional basis, in the United States, inventory investment, consumer spending and capital investment, etc., all showed signs of recovery. In the European market, although the recovery was weaker than other regions, pickup in export owing to the increased foreign demand pumped up the economy. In China, expanding domestic investment shored up by economic measures strengthened the recovery trend. As for Japan, increase in export brought positive effects on the domestic demand, leading the market to enter gradual recovery. However, there was a significant difference in the pace of economic recovery between emerging countries and developed countries. For example, despite the double-digit economic growth in emerging countries, such as China, developed countries including US, Europe and Japan, still underwent deflationary trend and a harsh employment situation.

Amidst this economic condition, the semiconductor market in which the Company operates experienced gradual recovery of demand, mainly with the semiconductors for digital consumers, PCs, and automotives. Especially demand for semiconductors for low-end model that target emerging countries increased, while demand for semiconductors for high-end market mainly targeting developed countries remained sluggish.

Amidst such a business environment, the Group adopted various strategies to provide fundamental improvement to company structure and accelerate the return to profitability, including policies such as “creation of products and technologies with high competitiveness and growth potential”, “acceleration of reorganization of production structure”, “decreasing fixed costs by creating efficiency in management”, in addition to preparation for the merger with Renesas Technology Corp., which was effected on April 1, 2010.

Firstly with respect to “creation of products and technologies with high competitiveness and growth potential”, resources for development within the Group have been concentrated in product areas associated with a prospect of future global growth, in particular centering on the product groups in energy-efficient and ecologically friendly product markets. The result of these initiatives is that the

Group has expanded our product line-up in the “Ecology Microcontrollers” range which contributes to energy efficiency and the environment. In June 2009, product development was successfully completed for a 32-bit microcontroller including inverter control functions and the like for FA (factory automation) devices, washer/driers, power conditioners and air conditioners which are representative of solar-power systems. In November 2009, product development was successfully completed for an 8-bit microcontroller including power calculation functions for domestic-use smart meters contributing to the creation of a future smart grid society. In May 2009, product development was successfully completed for a world-first LSI which was adapted to the next-generation USB3.0 standard for the interface standard “USB (Universal Serial Bus)” which is widely used in electronic and electrical devices, and in March 2010, cumulative shipments of these products reached 3 million units.

Furthermore since LSI incorporating the Group’s embedded DRAM (eDRAM) technology has been highly evaluated by our customers, during the Period, we have redoubled our efforts to increase sales and expand product for various product markets requiring high image processing functions such as smart phones, 3D image display systems, mobile terminals and the like. In the second half of the period, we commenced mass production of LSI using 40-nanometer generation processing technology for leading-edge processing products which are widely applied mainly in the digital consumer electronics market. The Company is participating in a joint research and development project led by IBM Corporation into next-generation 32-nanometer generation processing technologies. In the Period, the Company is also participating in a joint research and development project for 28-nanometer generation processing technologies.

“Acceleration of reorganization of our production structure” has been implemented by the continuing reorganization of our production structure conducted by the Group since February 2007 for the purpose of bolstering cost competitiveness and improving production efficiency centering on production functions. Firstly with regard to semiconductor wafer processing (front-end process), we brought our original plan forward and, in December 2009, closed the NEC Semiconductors Kyushu and Yamaguchi 6-inch wafer production line, and closed the NEC Electronics America 6-inch wafer production line as originally planned in March 2010. We have concluded and announced a plan in October 2009 to close the NEC Semiconductors Kansai 5-inch wafer production line by March 2012. In addition, with respect to semiconductor assembly and inspection (back-end process), we have actively pursued transfer of such functions to overseas factories, and have concluded and announced a plan in October 2009 to close the Fukuoka Factory of NEC Semiconductors Kyushu and Yamaguchi by September 2011 and consolidate production in the Oita factory of NEC Semiconductors Kyushu and Yamaguchi.

“Decreasing fixed costs by creating efficiency in management” has been implemented by identifying

efficiencies in overall management across the Group in research and development and production, reducing material procurement costs, promoting internal production and optimizing use of personnel to achieve large reductions in fixed costs.

In the context of the currently very harsh semiconductor market, our Company concluded a merger agreement with the Renesas Technology Corp. in December 2009 for the purpose of merging management with that company which is semiconductor company operating in a similar area to the Company, with the aim of increasing company value and shareholder value through further increasing customer satisfaction and further improving our technical capabilities and management base. Thereafter, after obtaining approval in Extraordinary General Meetings of Shareholders at both companies held in February 2010, the merger was concluded on April 1, 2010 to thereby create a new entity named "Renesas Electronics Corporation". Pursuant to the merger, on the same day, the Company executed allocation of shares to third parties being NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation to thereby procure capital to the total sum of 134.6 billion yen for allocation to research and development investment, investment for expansion of overseas sales and costs associated with reformation of business structures.

The Group formed from the new Renesas Electronics Group is striving for further expansion of sales and profit by promoting global growth and promptly realizing management efficiencies by maximizing the synergies created by the merger based on three core products of MCUs, SoC (system on chip), and Analog & Power Devices.

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

2. NEC Semiconductors Kyushu Yamaguchi, Ltd. changed its company name to Renesas Semiconductor Kyushu Yamaguchi, Co., Ltd. on April 1, 2010.

3. NEC Electronics America, Inc. changed its company name to Renesas Electronics America Inc. on April 1, 2010.

4. NEC Semiconductors Kansai, Ltd. changed its company name to Renesas Semiconductor Kansai, Co., Ltd. on April 1, 2010.

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

Consolidated net sales for the fiscal year ended March 31, 2010 were 471.0 billion yen, a decrease of 79.6 billion yen, or 14.5%, from the previous fiscal year.

Sales in all product areas except for automotive and industrial decreased. Especially computing and peripherals, and consumer electronics devices decreased by approximate of more than 25 percent year on year. In addition, the yen became stronger compared to the corresponding period of the previous fiscal year, which contributed to the decrease in net sales.

Consolidated operating loss was 49.2 billion yen, 17.2 billion yen improvement year on year. This was due to significant reduction of fixed cost by streamlining manufacturing-related costs, R&D cost and personnel costs, etc., despite the sharp decline in consolidated net sales year on year.

Consolidated ordinary loss was 54.4 billion yen, 21.8 billion yen improvement year on year. This was due to an improvement in consolidated operating loss year on year.

Consolidated net loss was 56.4 billion yen, 28.6 billion yen improvement year on year.

(Note) Pursuant to the merger with Renesas Technology Corp. as of April 1, 2010, integration of the accounting standards of the Company has been performed by varying the preparation standards for Financial Statements representing settlement of accounts for the third quarter of the Period (the period from October 1, 2009 to December 31, 2009) from accounting principles generally accepted in the United States of America (U.S. GAAP) to accounting principles generally accepted in Japan (Japanese GAAP) for the purpose of suitable performance of financial statement reporting after the merger. Accordingly, the figures stated for the Period (eighth period) are based on Japanese GAAP, and therefore, for reference purpose, the seventh period has also be stated using figures prepared on the basis of Japanese GAAP.

### **(iii) Review of Operations by End-Market Applications**

Consolidated net sales by end-market application broken down into categories according to principal applications and characteristics of semiconductors for the Period are as follows:

#### Communications

Net sales of semiconductors for communications applications decreased 8.8 billion yen (14.5 percent) from the previous year, to 51.7 billion yen. Products such as semiconductors for broadband networking equipment including routers and mobile-phone base stations, and semiconductors for mobile handsets are included in this category.

Sales of semiconductors for broadband networking equipment, ICs for camera-equipped mobile phones and digital baseband ICs all decreased year on year.

#### Computing and Peripherals

Net sales of semiconductors for computing and peripherals applications decreased 22.9 billion yen (26.0 percent) from the previous year, to 64.9 billion yen. Semiconductors for servers, workstations, personal computers and PC peripherals are products included in this category.

Sales of LCD (Liquid Crystal Display) driver ICs for computer monitors and televisions, and LSI chips for DVD (Digital Versatile Disc) drives and Blu-ray disc drives decreased year on year.

### Consumer Electronics

Net sales of semiconductors for the consumer electronics applications decreased 36.9 billion yen (30.5 percent) from the previous year, to 83.9 billion yen. Semiconductors for digital AV equipment and game consoles are products included in this category.

Semiconductors for game consoles dropped significantly and sales of home appliances declined year on year.

### Automotive and Industrial

Net sales of semiconductors for automotive and industrial applications increased 1.2 billion yen (1.2 percent) from the previous year, to 93.4 billion yen. Semiconductors used in automobiles and industrial systems, such as factory automation equipment, are products included in this category.

Sales of automotive microcontrollers increased year on year due to the recovery of automotive market in the second half of the fiscal year.

### Multi-market ICs

Net sales of multi-market ICs decreased 4.4 billion yen (6.1 percent) from the previous year, to 66.5 billion yen. Products such as general purpose microcontrollers, gate arrays and multi-purpose SRAMs are those included in this category.

Although sales of general-purpose microcontrollers increased year on year as a result of an increase in demand due to the market recovery, sales of gate arrays declined year on year.

### Discrete, Optical and Microwave Devices

Net sales of discrete, optical and microwave devices decreased 23.0 billion yen (2.5 percent) from the previous year, to 91.5 billion yen. Discrete devices such as diodes and transistors, optical semiconductors for optical communications equipment and DVD devices, and microwave semiconductors for mobile handsets and other applications are products included in this category.

Sales of discrete semiconductors declined year on year.

### Other

Other net sales decreased 5.6 billion yen (22.7 percent) from the previous year, to 19.1 billion yen. This includes the sales of non-semiconductors products such as color LCDs, sold on a resale basis by sales subsidiaries.

## **(2) Research and Development by the Group**

The Group is actively engaged in the research and development of advanced products and technology in the field of semiconductors to provide the best semiconductor solution to meet its customer's various needs. Major achievements of research and development activities in the Period are as follows:

### **(i) Microcontrollers for Smart Meters to Create a Smart Grid**

The Group has successfully completed product development for an 8-bit microcontroller for "smart meters" for use as domestic high-performance power meters.

Currently, as part of efforts for global environmental protection, countries around the world are attempting to create a "smart grid" for the purpose of optimizing power efficiency by suitable regulation of supply and demand of power by application of information technology (IT). The creation of such smart grid will require conventional mechanical meters to be replaced by the adoption of high-performance smart meters enabling the power supplier to understand power usage periods and usage amount in real time through a communication network with consumers.

The microcontroller successfully completing product development on this occasion concentrates in a single semiconductor chip the main functions required for the development of a smart meter including high-level analog-digital conversion functions, power calculation functions and power quality measurement functions. The product structure enables creation of a line-up of products adapted to meter standards used in regions around the world, focusing primarily on Japan, China and North America to thereby enable worldwide application.

In addition to smart meters, the Group is working toward the creation of a smart grid society by focusing on the development of products and technologies that can be adapted to power conditioners which are required for the connection of solar energy to the power grid of a power company, and therefore have the desire to contribute to the optimization of power usage by society at large.

### **(ii) USB3.0 Compliant Host Controller LSI**

Product development has been successfully completed for a world-first LSI adapted to the next-generation USB3.0 standard for the interface standard "USB (Universal Serial Bus)" which is widely used in connections for electronic and electrical devices.

A USB is the recognized interface standard used for connection of devices such as personal computers and digital consumer electronics with related peripheral devices for data transfer, and the standard is currently widely applied around the world. The LSI which has been developed on this occasion is a host controller LSI for electrical and electronic devices compliant with a USB3.0 standard which is the



next-generation standard to the current USB2.0 standard, and realizes a high-capacity and high-speed data transfer of 5 gigabits per second (more than 10 times the data transfer speed of USB2.0).

In September 2009, the Group acquired a world-first USB3.0 certification for such host controller LSI from the “USB Implementers Forum (USB-IF)” which is the USB specification formulation body, and thereafter commenced to ship product. Going forward, the commencement of sales of USB3.0 compliant personal computers in January 2010 had a bullish effect on product shipments and cumulative shipments reached 3 million units by March 2010.

The Group is expecting increasing application of USB3.0 compliant devices and we are actively seeking to expand sales of the USB 3.0 host controller LSI.

### **(3) Capital Expenditures of the Group**

During this Period, the Group invested a total of 31.4 billion yen in capital expenditures with the aim of expanding facilities for using 300mm wafers and other production facilities in back-end process.

### **(4) Financing Activities of the Group**

During this Period there were no financing activities important enough to require special mention.

(Note) As described in “1-(12)-(ii) Issuance of New Shares by way of Third Party Allotment” section below, the Company newly issued shares by way of third party allotment on April 1, 2010 and raised 134.6 billion yen.

### **(5) Issues to be Addressed by the Group**

#### **(i) Management Policies**

As described in “1-(1)-(i) Overview” section above, completing the merger with Renesas Technology Corp., the newly established Renesas Electronics Corporation commenced business operations on April 1, 2010.

The Group, as new Renesas Electronics Group, sets up the following corporate philosophy, which expresses the Group’s identity and mission, and corporate vision that shows the Group’s target direction. Under these philosophy and vision, Renesas Electronics Group is aiming to increase its business value and shareholders value as the world’s leading semiconductor company by focusing on three areas of technology expertise, MCUs, SoC solutions, and Analog & Power devices.

#### <Corporate Philosophy>

Harnessing its collective expertise in new technologies, Renesas Electronics Group contributes to a world where people and the planet prosper in harmony by realizing our vision and building our future.

<Corporate Vision>

We will be first to respond to customer needs worldwide with our creative power and technology innovations to become a strong, growing semiconductor manufacturer and a trustworthy partner.

**(ii) Issues to be Addressed**

With intensifying global-scale competition and changes in the market structures, the semiconductor market in which Renesas Electronics Group operates is expected to continue to be in a severe situation.

Amidst this business condition, it is essential for the Group, under the corporate philosophy and vision stated above, to achieve growth on a global-scale by attaining merger synergies at an early stage and leveraging resources generated from increased management efficiency for the global businesses. To achieve this goal, the Renesas Electronics Group recognizes the following three issues as tasks the Group needs to address.

As an efficient approach to these tasks, the Renesas Electronics Group will construct common corporate plans within the first hundred days after the merger. In this plan, the Group will decide on the focused business area, complete review of the businesses, and study and decide policies and plans including the fixed-cost reduction measures, respectively for the Group's overall business areas, such as development, manufacturing, sales, information systems, and material procurement. The Renesas Electronics Group will proactively promote this "100-day project" and ensure steady implementation of these policies to address the following significant issues.

(a) Business expansion and strengthening of product competitiveness

Through the merger, the Renesas Electronics Group retains approximately 30 percent of share and is the world's leading supplier in the global MCU market. The Group will utilize this strong competitiveness in the MCU market for the growing Analog & Power businesses to expand sales of Analog & Power devices at an early stage. Specifically, since Analog & Power devices are used together with MCUs, Renesas Electronics Group expects Analog & Power devices to generate great business opportunities in connection with its customers for MCUs. The Group will therefore proactively market its Analog & Power devices by utilizing the extensive merged product lineups, and in the mid-term, plans to efficiently utilize its development resources for product development and strengthen product competitiveness to secure unexplored business chances to expand the Group's sales and profitability.

As for SoC solutions, the Group will concentrate on expanding sales and profit by redefining the Group's focused areas and product lineups based on market scales, growth potential, and competitiveness, and by reconstructing the business portfolio, and strengthening the product competitiveness.

(b) Improve cost competitiveness

To improve its cost-competitiveness, the Group has been promoting structural reforms, such as closing of its manufacturing lines and business integration. However, with the structural changes of the world's economy including rapid progress of globalization and expansion of emerging markets, it is essential for the Group to further reinforce its cost competitiveness.

To address this task, Renesas Electronics Group will proactively promote management efficiency and thorough cost reductions by utilizing merger synergies for the Group's overall business areas, such as design, development, manufacturing, sales, and material procurement. For example, the Group will standardize its design and development platforms, improve fab utilization rates by mutually exploiting the Group's manufacturing facilities, standardize purchasing materials, consolidate various infrastructure systems, and integrate duplicate operations.

(c) Expand global businesses

The Renesas Electronics Group holds approximately 30 percent world leading share in the MCU market. However, most of its share comes from Japan, and the Group only has approximately 20 percent share in the overseas MCU market except for Japan. To rapidly raise its MCU share in such market to 30 percent, the Renesas Electronics Group will engage in various measures on sales, development and manufacturing, etc.

Recently, in the global semiconductor market, expansion of Chinese and other emerging markets have been accelerating rapidly. It is Renesas Electronics Group's key for growth to expand sales and shares, and secure profitability particularly in China and Asian regions that are becoming the world's manufacturing plants. The Group will increasingly focus its management resources on marketing, sales and development in China and Asian regions to expand sales of existing products and to develop products that best suit the local customers demand.

With these measures, the Renesas Electronics Group will increase its overseas semiconductor sales ratio to over 60 percent and expand its sales and profit through global business growth.

We appreciate shareholders' continued support.

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

(In billions of yen except per share figures)

Indices \ Business Period	4th Business Period	5th Business Period	6th Business Period	7th Business Period	8th Business Period
	4/1/05-3/31/06 (U.S. GAAP)	4/1/06-3/31/07 (U.S. GAAP)	4/1/07-3/31/08 (U.S. GAAP)	4/1/08-3/31/09 (Japanese GAAP)	4/1/09-3/31/10 (Japanese GAAP)
Net sales	646.0	692.3	687.7	550.7	471.0
Operating income (loss)	(35.7)	(28.6)	51	(66.4)	(49.2)
Ordinary income (loss)	-	-	-	(76.2)	(54.4)
Net income (loss) before income taxes	(42.4)	(35.4)	(3.3)	(91.5)	(52.8)
Net income (loss)	(98.2)	(41.5)	(16.0)	(85.1)	(56.4)
Net income (loss) per share (yen)	(795.13)	(336.04)	(129.52)	(688.77)	(456.95)
Total assets	745.3	695.9	616.3	488.2	459.9
Net assets	308.3	265.1	227.1	194.7	136.3

- (Note) 1. For the implementation of the merger with Renesas Technology Corp. as of April 1, 2010, integration of the accounting standards of the Company has been performed by varying the preparation standards for Financial Statements representing settlement of accounts for the third quarter of the Period (the period from October 1 2009 to December 31, 2009) from accounting principles generally accepted in the United States of America (U.S. GAAP) to accounting principles generally accepted in Japan (Japanese GAAP) for the purpose of suitable performance of financial statement reporting after the merger. Consequently, the figures stated for the Period (the eighth period) are based on Japanese GAAP, and therefore for the purposes of suitable comparison, the seventh period has also be stated using figures prepared on the basis of Japanese GAAP. For periods including and prior to the sixth period, figures based on Japanese GAAP have not been prepared and previous years are stated using figures based on U.S. GAAP.
2. "Net income (loss) per share" is calculated based on the average number of shares outstanding during each business period.

**(7) Principal Parent Company and Subsidiaries (as of March 31, 2010)****(i) Relationship with Parent Company**

NEC Corporation was the parent company of the Company and held 65.02% of the total voting rights of the Company (80,300,000 shares) during the Period and reserved the right to instruct the exercise of 5.02% of the total voting rights of the Company which are contributed to severance indemnities trust.

The Group has sold system LSIs and other products to NEC Corporation and its affiliates. The Group believed that the use of the high-profile NEC trademark and trade-name for indicating the Group's affiliation with NEC Corporation will contribute to the enhancement of the Group's own brand value, and thus used the NEC trademark and trade-name pursuant to the trademark license agreement between

the Company and NEC Corporation. Additionally, the Company leased its corporate headquarters and part of its offices from NEC Corporation, and outsourced part of its research and development and other affairs to NEC Corporation.

- (Note) 1. Pursuant to the merger with Renesas Technology Corp. as of April 1, 2010, the Company executed a proportional issuance of a total of 146, 841, 500 shares of common stocks to Hitachi, Ltd. and Mitsubishi Electric Corporation which were shareholders in Renesas Technology Corp. Further the Company newly issued a total of 146, 782, 990 shares of common stocks to NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation by way of third party allotment setting the payment date thereof on April 1, 2010. This meant NEC Corporation has not been a parent of the Company due to the fact that the share holding ratio and the voting right ratio of NEC Corporation with respect to the Company is less than a majority.
2. The Company merged with Renesas Technology Corp. as of April 1, 2010 and changed its company name to Renesas Electronics Corporation. In accordance with this, the Group ceased to use NEC trademark and trade-name, with some exceptions on or after the merger.

**(ii) Principal Subsidiaries**

Name of Subsidiaries	Capital (Millions of yen)	Investment Ratio (%)	Main Business
NEC Semiconductors Yamagata, Ltd.	1,000	100	Development, manufacture (front-end process) and sale of integrated circuits and discrete semiconductors
NEC Semiconductors Kansai, Ltd.	1,000	100	Development, manufacture (front-end and back-end process) and sale of integrated circuits and discrete semiconductors
NEC Semiconductors Kyushu Yamaguchi, Ltd.	1,000	100	Manufacture (front-end and back-end process) and sale of integrated circuits
NEC Micro Systems, Ltd.	400	100	Design and development of integrated circuits and software
NEC Electronics America, Inc.	(1,000USD) 380,800	100	Development and manufacture (front-end process) of integrated circuits, and sale of electronic components

Name of Subsidiaries	Capital (Millions of yen)	Investment Ratio (%)	Main Business
NEC Electronics (Europe) GmbH	(1,000Euro) 14,000	100	Sale of electronic components
NEC Semiconductors (Malaysia) Sdn. Bhd.	(1,000RM) 118,237	100	Manufacture (back-end process) and sale of integrated circuits and discrete semiconductors
NEC Semiconductors Singapore Pte. Ltd.	(1,000SGD) 111,000	100	Manufacture (back-end process) and sale of integrated circuits
NEC Electronics Singapore Pte. Ltd.	(1,000SGD) 3,000	100	Sale of electronic components
Shougang NEC Electronics Co., Ltd.	20,750	50.3	Manufacture (front-end and back-end process) and sale of integrated circuits
NEC Electronics (China) Co., Ltd.	(1,000USD) 38,540	100	Design, development and sale of integrated circuits and software
NEC Electronics Hong Kong Limited	(1,000HKD) 2,000	100	Sale of electronic components
NEC Electronics Taiwan Ltd.	(1,000NTD) 100,000	100	Sale of electronic components
NEC Electronics Korea Limited	(1,000KRW) 2,000,000	100	Sale of electronic components

**(iii) Progress of Business Affiliation**

Completing a merger transaction with Renesas Technology Corp., NEC Electronics Corporation changed its company name to Renesas Electronics Corporation as of April 1, 2010. In accordance with this change, the Company's subsidiaries stated in "1-(7)-(ii) Principal Subsidiaries" section above changed (or will change) their status and/or their company names on or after April 1, 2010 as follows:

- (a) NEC Semiconductors Yamagata, Ltd. changed its company name to Renesas Yamagata Semiconductor, Co. Ltd. on April 1, 2010.
- (b) NEC Semiconductors Kansai, Ltd. changed its company name to Renesas Kansai Semiconductor, Co., Ltd. on April 1, 2010.
- (c) NEC Semiconductors Kyushu Yamaguchi, Ltd. changed its company name to Renesas Semiconductor Kyushu Yamaguchi, Co., Ltd. on April 1, 2010.
- (d) NEC Micro Systems, Ltd. changed its company name to Renesas Micro Systems Co., Ltd. on April 1, 2010.

- (e) NEC Electronics invested all shares of Renesas Technology America, Inc., a newly owned subsidiary in accordance with the merger with Renesas Technology Corp. on April 1, 2010 to NEC Electronics America, Inc., and, in consideration of this, received allotment of shares from Renesas Technology America, Inc. Subsequently, NEC Electronics America, Inc. merged with Renesas Technology America, Inc. and changed its company name to Renesas Electronics America Inc.
- (f) NEC Electronics invested all shares of NEC Electronics (Europe) GmbH to Renesas Technology Europe Limited, a newly owned subsidiary in accordance with the merger with Renesas Technology Corp. on April 1, 2010, and in consideration of this, received allotment of shares from Renesas Technology Europe Limited. Renesas Technology Europe Limited changed its company name to Renesas Electronics Europe Limited on April 1, 2010. As a result, NEC Electronics (Europe) GmbH became the indirect subsidiary of Renesas Electronics Corporation. In addition, NEC Electronics (Europe) GmbH changed its company name to Renesas Electronics Europe GmbH on April 1, 2010. Renesas Electronics Europe GmbH is in a process of merger with Renesas Technology Europe GmbH, a subsidiary of Renesas Technology Europe Limited.
- (g) NEC Semiconductors (Malaysia) Sdn. Bhd. changed its company name to Renesas Semiconductor KL Sdn. Bhd. on April 1, 2010.
- (h) NEC Semiconductors Singapore Pte. Ltd. changed its company name to Renesas Semiconductor Singapore Pte. Ltd.
- (i) NEC Electronics Singapore Pte. Ltd. merged with Renesas Technology Singapore Pte. Ltd, a newly owned subsidiary in accordance with the merger with Renesas Technology Corp. on April 1, 2010, and changed its company name to Renesas Electronics Singapore Pte. Ltd.
- (j) Shougang NEC Electronics Co., Ltd. is in a process of changing its company name to Shougang Renesas Electronics Co., Ltd.
- (k) NEC Electronics (China) Co., Ltd. is in a process of changing its company name to Renesas Electronics (China) Co., Ltd.
- (l) NEC Electronics Hong Kong Limited transferred its business operations to Renesas Technology Hong Kong Limited, a newly owned subsidiary in accordance with the merger with Renesas Technology Corp. on April 1, 2010 and ceased its operation. Renesas Technology Hong Kong Limited changed its company name to Renesas Electronics Hong Kong Limited on April 1, 2010.
- (m) NEC Electronics Taiwan, Ltd. merged with Renesas Technology Taiwan, Co., Ltd., a newly owned subsidiary in accordance with the merger with Renesas Technology Corp. on April 1, 2010, and changed its company name to Renesas Electronics Taiwan, Co., Ltd.
- (n) NEC Electronics Korea Limited changed its company name to Renesas Electronics Korea Co., Ltd. on April 1, 2010.

**(iv) Results of Business Affiliation**

There are a total of 18 consolidated subsidiaries as of March 31, 2010, consisting of 5 domestic companies and 13 overseas companies, including the principal subsidiaries set forth in the “1-(7)-(ii) Principal Subsidiaries” section above. The results of operations on a consolidated basis for the Period are set forth in “1-(1)-(ii) Summary of Consolidated Financial Results” section above.

**(v) Important Technical Alliances**

Name of Company	Contents of Alliance
NEC Corporation	Cross licensing of intellectual property rights regarding semiconductor business succeeded on the occasion of the Company’s corporate separation
Freescale Semiconductor, Inc.	Patent cross licensing regarding semiconductors
Texas Instruments Incorporated	Patent cross licensing regarding semiconductors
IBM Corporation	Participation in IBM joint development alliance for advanced fundamental research for leading-edge semiconductor technologies of the future and 32-nanometer and 28-nanometer generation semiconductor process technology

(Note) Agreement concerning cross licensing of intellectual property rights with NEC Corporation was terminated as of March 31, 2010.

**(8) Major Operations of the Group (as of March 31, 2010)**

The Group's main business is research, development, manufacture, sale and provision of services of semiconductors.



**(9) Principal Offices and Plants of the Group (as of March 31, 2010)**

The Company		Registered Office (Kawasaki, Kanagawa), Tamagawa Plant (Kawasaki, Kanagawa), Sagamihara Plant (Sagamihara, Kanagawa)
Subsidiaries	Domestic	NEC Semiconductors Yamagata, Ltd. (Tsuruoka, Yamagata)
		NEC Semiconductors Kansai, Ltd. (Ootsu, Shiga)
		NEC Semiconductors Kyushu Yamaguchi, Ltd. (Kumamoto, Kumamoto)
		NEC Micro Systems, Ltd. (Yokohama, Kanagawa)
	Overseas	NEC Electronics America, Inc. (California, United States of America)
		NEC Electronics (Europe) GmbH (Dusseldorf, Germany)
		NEC Semiconductors (Malaysia) Sdn. Bhd. (Kuala Langat, Malaysia)
		NEC Semiconductors Singapore Pte. Ltd. (Singapore)
		NEC Electronics Singapore Pte. Ltd. (Singapore)
		Shougang NEC Electronics Co., Ltd. (Beijing, China)
		NEC Electronics (China) Co., Ltd. (Beijing, China)
		NEC Electronics Hong Kong Limited (Hong Kong, China)
		NEC Electronics Taiwan Ltd. (Taipei, Taiwan)
		NEC Electronics Korea Limited (Seoul, Korea)

(Note) In accordance with the merger with Renesas Technology Corp. as of April 1, 2010, the Company set up its main office in Chiyoda-ku, Tokyo. The changes to subsidiaries in the above table are described in "1-(7)-(iii) Progress of Business Affiliation" section above.

**(10) Employees of the Group (as of March 31, 2010)**

Number of Employees	Decrease from March 31, 2009
22,071	405

**(11) Major Borrowings of the Group (as of March 31, 2010)**

Lenders	Balance of Borrowings (Millions of yen)
The Yamagata Bank, Ltd.	6,000
The Shiga Bank, Ltd.	4,166

**(12) Other Significant Matters with respect to the Current Status of the Group**

**(i) Merger with Renesas Technology Corp.**

The Company executed the merger agreement with Renesas Technology Corp. on December 15, 2009, the Company being the surviving company and Renesas being the dissolving company, by way of absorption type merger. Having been approved at both companies' Extraordinary General Meetings of Shareholders (including resolution in writing) on February 24, 2010, the Company and Renesas Technology Corp. implemented the merger on April 1, 2010.

In accordance with the merger, the Company succeeded to any and all assets, liabilities, and rights and obligations of Renesas Technology Corp., and newly issued a total of 146,841,500 shares of common stocks derived by multiplying 20.5 to the total number of common stocks of Renesas Technology Corp. held by Hitachi, Ltd. and Mitsubishi Electric Corporation which were shareholders stated or recorded on the latest shareholders register of Renesas Technology Corp. on the day immediately preceding the effective date of the merger, and allotted and delivered to these companies common stocks of the Company at the ratio of 20.5 common stocks of the Company for one (1) common stock of Renesas Technology Corp. held thereby.

Corporate profile after the merger is as follows:

- (a) Company Name: Renesas Electronics Corporation
- (b) Major Operations: Research, development, design, manufacture, sale, and servicing of semiconductor products
- (c) Registered Office: 1753 Shimonumabe, Nakahara-ku, Kawasaki, Kanagawa
- (d) Main Office: 2-6-2, Ootemachi, Chiyoda-ku, Tokyo
- (e) Representative Directors: Chairman, Junshi Yamaguchi  
President, Yasushi Akao
- (f) Capital Stock: 153,255,000,915 yen (including the increase by third-party allotment described in "1-(12)-(ii) Issuance of New Shares Offered by Way of Third Party Allotment" section below)

**(ii) Issuance of New Shares by way of Third Party Allotment**

Pursuant to the approval at the Extraordinary General Meeting of Shareholders on February 24, 2010, the Company issued the following new shares by way of third party allotment setting the payment date

thereof on April 1, 2010.

(a) Class and Number of Shares Issued: 146,782,990 shares of common stocks

(b) Amount Paid: 917 yen per share

(c) Total Amount Paid: 134,600,001,830 yen

(d) Matters Relating to an Increase in Capital (*Shihonkin*)

and Capital Reserve Fund (*Shihon-jyunbikin*):

Amount of capital (*Shihonkin*) to be increased: 458.5 yen per share

Amount of capital reserve fund (*Shihon-jyunbikin*) to be increased: 458.5 yen per share

(e) Allotted Party and Number of Allotted Shares:

NEC Corporation: 61,395,857 shares

Hitachi, Ltd.: 46,962,923 shares

Mitsubishi Electric Corporation: 38,424,210 shares

(Note) The Company resolved at the Meeting of Board of Directors held on December 15, 2009 that, in accordance with Paragraph 4, Article 124 of the Companies Act, all shareholders acquiring Company's shares through allotment and delivery upon the merger described above and shareholders acquiring Company's shares through third party allotment described above may exercise their voting rights at the Eighth Ordinary General Meeting of Shareholders of the Company to be held in June 2010.

## 2. Outline of the Company

### (1) Shares of the Company (as of March 31, 2010)

- (i) **Total Number of Authorized Shares** 400,000,000 shares
- (ii) **Total Number of Shares Issued** 123,497,552 shares  
(excluding 2,448 of Company's own shares)
- (iii) **Number of Shareholders** 15,814 persons

#### (iv) Major Shareholders (top ten)

Name of Shareholders	Number of Shares Held (In thousands of shares)	Percentage of Shares Held
NEC Corporation	80,300	65.02
Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Trust & Banking Co., Ltd. / NEC Corporation pension and severance payments Trust Account)	6,200	5.02
State Street Bank and Trust Company	4,362	3.53
RBC Dexia Investor Services Trust, London - Clients Account	3,653	2.96
State Street Bank and Trust Client Omnibus Account OM02	3,530	2.86
BNY GCM Client Account JPRD AC ISG (FE-AC)	2,046	1.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,370	1.11
The Bank of New York, Treaty JASDEC Account	1,193	0.97
Japan Trustee Services Bank, Ltd. (Trust Account)	1,041	0.84
NEC Electronics Employee Stock Plan	751	0.61

- (Note) 1. Shares less than a thousand are omitted.  
2. Percentage of shares held is calculated excluding 2,448 of Company's own shares.  
3. 6,200,000 shares (percentage of shares held: 5.02%) owned by Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Trust & Banking Co., Ltd./NEC Corporation pension and severance payments Trust Account) were shares that were contributed by NEC Corporation as severance indemnities trusts. The voting rights of such shares will be exercised at the instruction of NEC Corporation.

**(v) Other Important Matters Concerning Shares**

For the implementation of the merger with Renesas Technology Corp. as of April 1, 2010, the Company, pursuant to the approval at the Extraordinary General Meeting of Shareholders held on February 24, 2010, amended its Articles of Incorporation and changed its total number of authorized shares to 800,000,000 shares.

In accordance with this merger, the Company, as of April 1, 2010, newly issued 80,762,825 shares and 66,078,675 shares (total 146,841,500 shares) of common stocks to Hitachi, Ltd. and Mitsubishi Electric Corporation respectively which were shareholders in Renesas Technology Corp.; and further, newly issued 61,395,857 shares, 46,962,923 shares and 38,424,210 shares (total 146,782,990 shares) of common stocks to NEC Corporation, Hitachi, Ltd. and Mitsubishi Electric Corporation by way of third party allotment on the same day. Consequently, the number of shares and percentage of shares held by NEC Corporation, Hitachi, Ltd. and Mitsubishi Electric Corporation as of April 1, 2010 are as follows:

Name of Shareholders	Number of Shares Held (In thousands of shares)	Percentage of Shares Held
NEC Corporation	141,695	33.97
Hitachi, Ltd.	127,725	30.62
Mitsubishi Electric Corporation	104,502	25.05

- (Note)
1. Shares less than a thousand are omitted.
  2. Percentage of shares held is calculated excluding 2,548 of Company's own shares.
  3. NEC Corporation contributed 6,200,000 shares (percentages of shares held: 1.49) to Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Trust & Banking Co., Ltd./NEC Corporation pension and severance payments Trust Account) as severance indemnities trusts. The voting rights of such shares will be exercised at the instruction of NEC Corporation.

**(2) Stock Acquisition Rights, etc. of the Company**

**(i) Stock Acquisition Rights Issued to the Directors and Corporate Auditors of the Company as a Compensation for their Duties (as of March 31, 2010)**

(a) Stock Acquisition Rights Pursuant to the Provisions of Articles 236, 238 and 239 of the Companies Act.

	Number of Stock Acquisition Rights Issued	Class and Number of Shares to be Issued and Transferred	Issue Price of Stock Acquisition Right	Amount to be paid upon Exercise of Stock Acquisition Rights	Exercisable Period
4th Stock Acquisition Rights (Resolved at the 4th General Meeting of Shareholders and the Meeting of the Board of Directors held on 6/27/06)	70	7,000 shares of common stock (100 shares per 1 stock acquisition right)	No charge	3,927 yen per share	7/13/08-7/12/12

**(b) Stock Acquisition Rights Held by the Directors and Corporate Auditors of the Company**

Title	Number of Stock Acquisition Rights Issued	Number of Directors
Directors (excluding outside Directors)	70	2

(Note) No outside Director or Corporate Auditor holds the Stock Acquisition Rights.

**(ii) Other Important Matters Concerning the Stock Acquisition Rights (as of March 31, 2010)**

Stock Acquisition Rights Attached to the Bonds with Stock Acquisition Rights Issued Pursuant to the Provision of Article 341-2 of the former Commercial Code of Japan

	Number of Stock Acquisition Rights Issued	Class and Number of Shares for which Stock Acquisition Rights were Issued	Issue Price of Stock Acquisition Right
Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 (Resolved at the Meeting of the Board of Directors held on 5/10/04)	11,000	11,156,100 shares of common stock	No charge

(Note) The conversion price of the above convertible bonds was adjusted from 9,860.0 yen to 9,850.9 yen in connection with the issuance of new shares by way of third-party allotment on April 1, 2010 as stated in "1-(12)-(ii) Issuance of New Shares by way of Third Party Allotment" section above.

**(3) Directors and Corporate Auditors of the Company**

**(i) Name etc. of Directors and Corporate Auditors of the Company (as of March 31, 2010)**

Name	Position at the Company	Responsibility and Important Concurrent Positions
Junshi Yamaguchi	*President	Management of execution of overall business operations, hosting of Executive Committee, Corporate Management Meeting and other important meetings, matters relating to Internal Auditing Division and Information Systems Division
Yoichi Yano	*Executive Vice President and Member of the Board	Management of important matters relating to automotive business, SoC Business Unit, Microcomputer Business Unit, Discrete and IC Business Unit and Technology Foundation Development Operations Unit, matters relating to Corporate Quality Assurance Division

Masaki Kato	*Executive Vice President and Member of the Board	Management of important matters relating to production and export control, matters relating to Corporate Planning Division, HR & General Affairs Division and Corporate Reengineering Office
Hajime Matsukura	Member of the Board	General Manager, Corporate Planning Division, NEC Corporation Director, NEC Tokin Corporation (outside Director) Director, NEC BIGLOBE, Ltd. (outside Director)
Keiji Suzuki	Corporate Auditor (Full time)	
Hiroki Kawamura	Corporate Auditor (Full time)	
Yasuyuki Shibata	Corporate Auditor	Attorney-at-law
Kaoru Ikenaga	Corporate Auditor	Vice President, NEC Corporation Corporate Auditor, NEC Tokin Corporation (outside Corporate Auditor) Corporate Auditor, NEC Fielding, Ltd. (outside Corporate Auditor)

- (Note)
1. Mr. Hajime Matsukura is outside Director, as stipulated in Item 15, Article 2 of the Companies Act.
  2. Messrs. Hiroki Kawamura, Yasuyuki Shibata and Kaoru Ikenaga are outside Corporate Auditors, as stipulated in Item 16, Article 2 of the Companies Act.
  3. Mr. Hiroki Kawamura was involved in accounting operations at NEC Corporation for many years and was a corporate officer in charge of accounting at an affiliated company of NEC Corporation, and thus has a fair knowledge of finance and accounting.
  4. Mr. Kaoru Ikenaga was involved in accounting operations for many years and was a general manager of Controller Division at NEC Corporation, and thus has a fair knowledge of finance and accounting.
  5. The Directors and Corporate Auditors were changed during the Period as follows:
    - i) At the 7th Ordinary General Meeting of Shareholders held on June 25, 2009, Mr. Masaki Kato was newly elected as a Director.
    - ii) Upon the close of the 7th Ordinary General Meeting of Shareholders held on June 25, 2009, Messrs. Toshio Nakajima, Yoshikazu Inada, Zensuke Matsuda, T.W. Kang and Toshihiko Takahashi have retired as Directors due to expiration of each term of office as Director.
    - iii) Mr. Kaoru Ikenaga retired as Corporate Auditor due to resignation as of March 31, 2010.
  6. Asterisks denote the Directors who have been acting as Corporate Officers. The names of other Corporate Officers (who were not also Directors) as of March 31, 2010 are as follows: Messrs. Hiroshi Sato, Masao Fukuma, Tatsuo Yoshino, Yoshihiko Miura, Yoshirou Miyaji, Kazumi Yamada and Shinichi Iwamoto.
  7. Pursuant to the merger with Renesas Technology Corp., the Directors and Corporate Auditors as of April 1, 2010 are as follows:



Name	Position at the Company	Responsibility and Important Concurrent Positions
Junshi Yamaguchi	*Chairman	Chairman of General Meeting of Shareholders and Meeting of Board of Directors
Yasushi Akao	*President	Management of execution of overall business operations, hosting of Executive Committee, Corporate Management Meeting and other important meetings Director General, Reliability Center for Electronic Components of Japan
Kazuaki Ogura	*Executive Vice President and Member of the Board	Matters relating to Internal Audit Office, Finance & Accounting Division and Order Transaction Control Department
Masaki Kato	*Executive Vice President and Member of the Board	Management of important matters relating to production and Corporate Planning Division, General Manager, Corporate Export Control Office, matters relating to Purchasing Division and Information Systems Division
Yoichi Yano	*Executive Vice President and Member of the Board	Vice President, Technology Development Unit, matters relating to Intellectual Property Division and Quality Assurance Division
Shozo Iwakuma	*Senior Vice President and Member of the Board	Matters relating to Legal & Compliance Division and Human Resources & General Affairs Division
Susumu Furukawa	Member of the Board	Professor, Graduate School of Media Design, Keio University
Toyoaki Nakamura	Member of the Board	Representative Executive Officer, and Senior Vice President and Executive Officer, Hitachi, Ltd.
Nobuhiro Endo	Member of the Board	President (Representative Director), NEC Corporation
Noritomo Hashimoto	Member of the Board	Director, Executive Officer, Mitsubishi Electric Corporation
Hajime Matsukura	Member of the Board	General Manager, Corporate Planning Division, NEC Corporation

Keiji Suzuki	Corporate Auditor (Full time)	
Hiroki Kawamura	Corporate Auditor (Full time)	
Junichiro Nishi	Corporate Auditor (Full time)	
Yasuyuki Shibata	Corporate Auditor	Attorney-at-law

- (Note)
- i) Messrs. Yasushi Akao, Kazuaki Ogura, Shozo Iwakuma, Susumu Furukawa, Toyoaki Nakamura, Nobuhiro Endo and Noritomo Hashimoto were newly elected as Directors and Mr. Junichiro Nishi was newly elected as Corporate Auditor at the Extraordinary General Meeting of Shareholders held on February 24, 2010, and each such Director and Corporate Auditor took his office on April 1, 2010.
  - ii) Messrs. Susumu Furukawa, Toyoaki Nakamura, Nobuhiro Endo, Noritomo Hashimoto and Hajime Matsukura are outside Directors, as stipulated in Item 15, Article 2 of the Companies Act.
  - iii) Messrs. Hiroki Kawamura and Yasuyuki Shibata are outside Corporate Auditors, as stipulated in Item 16, Article 2 of the Companies Act.
  - iv) Asterisks denote the Directors who are acting as Corporate Officers. The names of other Corporate Officers (who are not also Directors) are as follows: Tatsuo Yoshino, Yoshihiko Miura, Shunsuke Hosomi, Yoshirou Miyaji, Kazumi Yamada, Shigeo Mizugaki, Tetsuya Tsurumaru, Shinichi Iwamoto, Hideaki Chagi and Hideo Tsujioka.

**(ii) Remuneration, etc. for Directors and Corporate Auditors**

	Number / Total Amount Paid
Directors	9 persons / 91 million yen (including 3 outside Directors / 13 million yen)
Corporate Auditors	4 persons / 52 million yen (including 3 outside Corporate Auditors / 36 million yen)
Total	13 persons / 143 million yen (including 6 outside Directors and Corporate Auditors / 49 million yen)

- (Note)
1. As of March 31, 2010, there were four (4) Directors (including one (1) outside Director) and four (4) Corporate Auditors (including three (3) outside Corporate Auditors). The number of Directors above includes five (5) Directors (including two (2) outside Directors) who retired upon the close of the 7th Ordinary General Meeting of Shareholders held on June 25, 2009.
  2. The amount of Directors' remuneration does not include the amount paid as salary for employees to those Directors who are also employees.
  3. No bonuses were paid to the Directors. No Stock Acquisition Rights were allotted as stock options to the Directors.
  4. No bonuses were paid to the Corporate Auditors. No Stock Acquisition Rights were allotted as stock options to the Corporate Auditors.
  5. The Company abolished retirement allowance system for Directors and Corporate Auditors at the 4th Ordinary General Meeting of Shareholders held on June 27, 2006; and will pay a reasonable retirement allowance to Directors and Corporate Auditors who had been in office since the conclusion of the 4th Ordinary General Meeting of Shareholders held on June 27, 2006 in recognition of their services to the Company during their term as Director or Corporate Auditor (until the abolishment of the retirement allowance system on the same day) at the time of retirement of each such Director and Corporate Auditor. Based on this, in addition to the amount of remuneration stated above, the Company paid 4 million yen as retirement allowance to one (1) Director who retired during this Period.
  6. The maximum monthly remuneration for Directors as approved at the General Meeting of Shareholders is 20 million yen. (Approved at the 2nd Ordinary General Meeting of

Shareholders held on June 25, 2004.)

7. The maximum monthly remuneration for Corporate Auditors as approved at the General Meeting of Shareholders is 10 million yen. (Approved at the 2nd Ordinary General Meeting of Shareholders held on June 25, 2004.)

**(4) Outside Directors and Corporate Auditors of the Company**

**(i) Important Concurrent Positions of Outside Directors and Outside Corporate Auditors and Relation Between Important Organization of Concurrent Position and the Company**

Title	Name	Important Concurrent Positions
Director	Hajime Matsukura	General Manager, Corporate Planning Division, NEC Corporation Director, NEC Tokin Corporation (outside Director) Director, NEC BIGLOBE, Ltd. (outside Director)
Corporate Auditor	Kaoru Ikenaga	Vice President, NEC Corporation Corporate Auditor, NEC Tokin Corporation (outside Corporate Auditor) Corporate Auditor, NEC Fielding, Ltd. (outside Corporate Auditor)

- (Note)
1. NEC Corporation was, as of March 31, 2010, parent company of the Company and the relationship between NEC Corporation and the Company is described in “1-(7)-(ii) Relationship with Parent Company” section above.
  2. NEC Tokin Corporation, NEC BIGLOBE, Ltd. and NEC Fielding, Ltd. are subsidiaries of NEC Corporation, and the Company has had a business relationship, such as sales of semiconductors, maintenance service of personal computers and Internet services respectively, with each company.
  3. Mr. Kaoru Ikenaga, Corporate Auditor of the Company, is a relative within the third degree or closer of relationship of an employee of NEC Corporation.

**(ii) Principal Activities**

Title	Name	Principal Activities
Director	Hajime Matsukura	Mr. Hajime Matsukura attended 16 of 24 Meetings of Board of Directors during the Period, and made necessary remarks to discussion of proposals based on his wealth of knowledge and experience of business management.
Corporate Auditors	Hiroki Kawamura	(i) Mr. Hiroki Kawamura attended all 24 Meetings of Board of Directors during the Period, and made necessary remarks based on his wealth knowledge and experience of business operations and accounting, so that decisions at the Meetings of Board of Directors were fairly and properly made.  (ii) Mr. Hiroki Kawamura attended all 18 Meetings of Corporate Auditors during the Period. Further, as a full-time Corporate Auditor, based on his wealth knowledge and experience of business operations and accounting, Mr. Hiroki Kawamura (a) explained the contents of the discussion at the Executive Committee, etc. regarding the matters to be placed on the Meetings of Board of Directors, (b) reported the audit status and results thereof, and (c) answered to the questions raised in the Meetings of Corporate Auditors.
	Yasuyuki Shibata	(i) Mr. Yasuyuki Shibata attended 23 of 24 Meetings of Board of Directors during the Period, and made necessary remarks, mainly from the legal viewpoint as an attorney at law, so that decisions at the Meetings of Board of Directors were fairly and properly made.  (ii) Mr. Yasuyuki Shibata attended 17 of 18 Meetings of Corporate Auditors during the Period, and made necessary remarks, mainly from the legal viewpoint as an attorney at law and fair and independent position, for establishing and maintenance of the Company's compliance system and procedural rationality of business integration.

	Kaoru Ikenaga	<p>(i) Mr. Kaoru Ikenaga attended 18 of 24 Meetings of Board of Directors during the Period, and made necessary remarks based on his wealth of knowledge and experience of accounting, so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) Mr. Kaoru Ikenaga attended 17 of 18 Meetings of Corporate Auditors during the Period, and made necessary remarks based on his wealth of knowledge and experience of accounting, for ensuring appropriate accounting procedure.</p>
--	---------------	--

**(iii) Outline of Liability Limitation Agreements**

The Company has entered into liability limitation agreements with Messrs. Hajime Matsukura, Yasuyuki Shibata and Kaoru Ikenaga, respectively, limiting their liabilities as defined in Paragraph 1, Article 423 of the Companies Act, to the minimum liability amount as stipulated in Paragraph 1, Article 427 of the Companies Act.

**(iv) Total Amount of Remuneration, etc. Received from Parent Company or its Subsidiaries (excluding the Company) as a Director or Corporate Auditor thereof in the Period**

3,000,000 yen

**(5) Independent Auditors of the Company**

**(i) Name: Ernst & Young ShinNihon LLC**

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

Classification	Amount (in millions of yen)
(i) The total amount of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditors	274
(ii) Remuneration and other amounts to be paid by the Company to the Independent Auditors for the services stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Act.	209

- (Note) 1. As there is no explicit distinction in the audit contract (entered into by the Company and the Independent Auditors) between the fees for audits based on the Companies Act and the fees for audits based on the Financial Instruments and Exchange Law, and as it is unable to distinguish between these two types of fees, the fees set forth in (ii) above include both of such fees.
2. All ten (10) overseas subsidiaries described in “I-(7)-(ii) Principal Subsidiaries” section above are audited by other Independent Auditors.

**(iii) Non-Audit Services Rendered by the Independent Auditor**

The Company has paid Independent Auditor compensation for the consulting agreement concerning business integration as a service other than those under Paragraph 1, Article 2 of the Certified Public Accountants Act.

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

The Board of Corporate Auditors, by unanimous consent, will dismiss the Independent Auditor when confirmed that the Independent Auditor falls under any item of Paragraph 1, Article 340 of the Companies Act.

In addition, should anything occur to negatively impact the qualifications or independence of the Independent Auditor, making it unlikely that the Independent Auditor will be able to properly perform an audit, the Director will propose, with the consent of the Board of Corporate Auditors, or as requested by the Board of Corporate Auditors, not to reappoint the Independent Auditor at General Meeting of Shareholders.

**(6) Structures for Ensuring Appropriate Execution of Directors' Duties in Conformity with Laws and Regulations and the Articles of Incorporation; and Other Structures to Ensure Appropriate Business Operation**

The Meeting of the Board of Directors made the following resolution with respect to the basic policies for the establishment of structures as set forth in Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act ("Internal Control System").

The basic policies as of March 31, 2010 are as follows:

**(i) Structures for ensuring execution of duties by Directors and employees in conformity with laws and regulations and Articles of Incorporation**

- (a) The 'NEC Electronics Guiding Principles' and the 'NEC Electronics Group Code of Conduct' have been adopted to establish corporate ethics and to ensure compliance with laws and regulations, the Articles of Incorporation of the Company and other internal rules of the Company by its Directors and employees. The NEC Electronics Group has kept informed about and followed these principles.
- (b) Directors and Corporate Officers acknowledge that keeping informed about the 'NEC Electronics Guiding Principles' and the 'NEC Electronics Group Code of Conduct' is one of their principal duties, and take the lead in putting these principles into practice. At the same time; i) the Legal Division carries out practical activities, and ii) the Internal Auditing Division audits the actual state of implementation of such activities, points out problems and offers suggestions for their improvement.

- (c) When important facts regarding compliance with laws and regulations, the Articles of Incorporation or the internal rules of the Company (including but not limited to serious violations thereof) (“compliance”) are found, Directors shall immediately inform the Corporate Auditors of such facts and report them at the Meeting of the Board of Directors without delay.
- (d) Major issues relating to compliance are deliberated and decided by the “CSR Promotion Committee.” The compliance promotion system, awareness-raising programs and other fundamental issues, meanwhile, are ensured under the “NEC Electronics Group Compliance Program,” which is the fundamental company regulations regarding compliance. In addition, NEC Electronics designates compliance promoters in each division and its subsidiaries, and carries out Compliance throughout the NEC Electronics Group.
- (e) The Company has set up ‘NEC Electronics Group Help Lines’ as internal contact points for reports on compliance violation issues for the NEC Electronics Group and its business partners. Furthermore, the Company, upon request from the informant, assures the anonymity of said informant and keeps informed that such informant will never be adversely affected.

**(ii) Matters relating to preservation and management of information related to execution of duties by Directors**

- (a) The minutes of the Meetings of Shareholders and Board of Directors are properly prepared, saved and managed in accordance with the relevant laws and regulations. Other documents pertaining to the duties of Directors and employees, and other books and records are also properly prepared, saved and managed based on the Company’s own fundamental regulations and rules regarding document management.
- (b) Documents related to the execution of duties by Directors are managed so that they are accessible by Directors and Corporate Auditors at any time.
- (c) Trade secrets are properly and strictly managed in accordance with the Company’s own fundamental regulations regarding the management and protection of confidential information.
- (d) Personal information is properly and strictly managed in accordance with the Company’s own fundamental regulations regarding the management and protection of personal information.
- (e) As to information security, the Company has established its own fundamental regulations regarding information security to clarify where the responsibility for information security lies. It has also built an information management and security system to continuously carry out measures for maintaining and improving information security.
- (f) The fundamental issues pertaining to the management and security of confidential and

personal information are deliberated by the “Information Management and Security Committee.” The “Information Management and Security Committee” also designates information management promoters in each division and subsidiary, and carries out compliance with each regulation regarding information management.

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

- (a) The Company has established a risk management framework in line with the Company’s own fundamental regulations regarding risk management. Important matters which are not defined in such regulations and the revisions of such regulations are discussed and resolved at the Executive Committee.
- (b) The above regulations classify company-wide management risks and designate the Corporate Officers and the division responsible for each classified risk category. Each responsible Corporate Officer and division is charged with devising and carrying out measures to prevent their specific category of risk from materializing, as well as preparing countermeasures in case of the actual materialization of risks.
- (c) Understanding and classification of possible risks and management of the division responsible for each risk, is controlled by the Corporate Planning Division. This system is regularly reviewed at the Executive Committee.
- (d) Matters of particular importance to the Company’s risk management are placed on the Board of Directors’ agenda following prior discussion by the Executive Committee.
- (e) When serious risks materialize, the Company sets up a ‘Crisis Countermeasures Committee’ or ‘Emergency Headquarters’ chaired by the President to respond to the situation in accordance with the particular category of risk involved.

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

- (a) The Board of Directors holds ordinary meetings once a month and extraordinary meetings as needed for the sake of quick decision-making.
- (b) The Company has adopted a Corporate Officer System and has Directors not exceeding ten in number. The Board of Directors makes decisions on the important management of the affairs of the Company at the Meeting of the Board of Directors and supervises the execution of duties by the Corporate Officers. However, the important issues of the Company’s management are discussed at the Executive Committee prior to the Meeting of the Board of Directors in order to enhance the Board’s deliberations.
- (c) The Board of Directors decides the mid-term management plan and annual/semiannual budgets, and supervises their execution.
- (d) Execution of duties is flexibly and efficiently performed by Corporate Officers (including Corporate Officers who also act as Directors) in accordance with the office routine



regulations decided by the Board of Directors. Corporate Officers efficiently perform their duties in accordance with the mid-term management plan and annual/semiannual budget decided at the Meeting of the Board of Directors, and report on the progress of the budget implementation at the Corporate Management Meeting.

- (e) Directors make quick decisions regarding the business operations by transferring the authority to Corporate Officers, General Managers and other employees. The authority of Corporate Officers, General Managers and other employees is executed in accordance with the office routine regulations, decision-making and authorization procedures regulations, and other pertinent fundamental regulations.
- (f) Corporate Officers build, operate and improve the information systems for each business operation to ensure efficient execution of their duties.

**(v) Structures for ensuring appropriate operations of NEC Electronics Group**

- (a) The Company's responsible divisions oversee the routine management of subsidiaries based on the 'NEC Electronics Guiding Principle' and the 'NEC Electronics Group Code of Conduct,' while Corporate Auditors instruct and support the subsidiaries regarding the compliance system and other systems to ensure their appropriate operations through hearings of their business reports and investigations of their operations and finances.
- (b) Important matters concerning business operations of the Company's subsidiaries are approved at each subsidiary's General Meeting of Shareholders or Meeting of the Board of Directors. The Company makes decisions (including resolutions at the Meeting of the Board of Directors) based on its own assessment of the seriousness of the issue being decided, then exercises its shareholder's rights directly or indirectly.
- (c) Evaluation, maintenance and improvement of NEC Electronics Group's internal control systems over financial reporting are performed in accordance with the applicable laws of Japan and other countries.
- (d) To ensure appropriate operations of the NEC Electronics Group, the Internal Auditing Division audits the appropriate operations of subsidiaries. In addition, the Company has principal subsidiaries allocate internal auditing staff or divisions, and ensures their cooperation with the Internal Auditing Division and Corporate Auditors of such subsidiaries.
- (e) Examinations of subsidiaries, including visiting audits, are performed by the Corporate Auditors in cooperation with the subsidiaries' own Corporate Auditors to ensure appropriate operations of the NEC Electronics Group.

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

The Company has established the Corporate Auditors Office which is composed of

specialized staff members that assist the Corporate Auditors' audit activities. Any merit evaluations, personnel transfers, reprimands and so on of such specialized staff requires prior consultation with the full-time Corporate Auditors.

**(vii) Structures for Directors' and employees' reporting to Corporate Auditors; and structures relating to other reporting to Corporate Auditors**

- (a) Directors and employees of the Company, in response to the Corporate Auditors' request, report on matters like their execution of duties to the Corporate Auditors.
- (b) General Managers of divisions such as the Internal Auditing Division, Legal Division and Controller Division regularly report on the status of their business execution once a month, quarter, or other term, depending on the specific duty.
- (c) The manager of the internal contact point for reports on compliance violation issues regularly reports the status of its operation to the Corporate Auditors. Furthermore, said manager promptly reports compliance violations by Directors and other important matters to the Corporate Auditors as needed.
- (d) Important authorization documents (such as the minutes, decision records and other documents of important meetings) are reviewed by the Corporate Auditors.

**(viii) Structures for ensuring effective auditing by Corporate Auditors**

- (a) Corporate Auditors shall attend meetings of Board of Directors, and may attend all important meetings of the Company as they deem necessary. Also, the right of Corporate Auditors to access all critical corporate information is guaranteed.
- (b) Independent rooms are provided to the full-time Corporate Auditors.
- (c) Corporate Auditors may obtain, at the Company's cost, expert advice from outside specialists as they deem necessary for their audits.
- (d) Corporate Auditors hold Meetings of Corporate Auditors at least once a month, and exchange information and deliberate on each Corporate Auditor's audit status. They also receive regular reports from independent auditors on their audit activities and exchanges viewpoints on them.
- (e) Regular meetings are held to provide the Corporate Auditors and Directors with the opportunity to exchange viewpoints.

Notes: Pursuant to the merger with Renesas Technology Corp. as of April 1, 2010, the basic policies as stated above were varied at the Meeting of the Board of Directors held on the same day. The basic policies as varied are as follows:

**(i) Structures for ensuring execution of duties by Directors and employees in conformity with laws and regulations and Articles of Incorporation**

- (a) The Directors shall take the lead in complying with the ‘Renesas Electronics Group CSR Charter’ and the ‘Renesas Electronics Group Code of Conduct’ that have been adopted for the purpose of establishing corporate ethics and ensuring compliance with laws and regulations, the Articles of Incorporation and internal rules of the Company by Directors and employees. The Directors shall keep the Company and its subsidiaries (collectively, “Renesas Electronics Group”) informed of such principles and conduct, and shall have Renesas Electronics Group comply with them.
- (b) The Directors shall have Legal & Compliance Division conduct practical activities on keeping informed of the ‘Renesas Electronics CSR Charter’ and the ‘Renesas Electronics Group Code of Conduct’. The Directors shall have Internal Audit Office audit the actual status of implementing such activities, point out problems and offer suggestions for their improvement.
- (c) The Directors and employees shall immediately report to the Corporate Auditors, Executive Committee and Meeting of the Board of Directors about important facts regarding compliance (including but not limited to serious violations of laws and regulations, the Articles of Incorporation or the internal rules of the Company) when they found them. .
- (d) The Directors shall stipulate basic matters such as implementation system and educational programs for compliance in the Renesas Electronics Group’s own fundamental rules of compliance, shall deliberate and resolve important matters regarding compliance at “Internal Control Promotion Committee”, and shall offer training programs and the like for the Renesas Electronics Group to be fully aware of compliance.
- (e) The Directors shall set up ‘Renesas Electronics Group Hot Line’ as internal contact points for Renesas Electronics Group and its business partners to report violations or possible violations of compliance. Furthermore, the Directors shall keep Renesas Electronics Group and its business partners informed that they assure the anonymity of informants upon requests from informants and informants shall never be adversely affected.
- (f) The Directors shall keep away from any antisocial force, shall work closely with external specialized institutions, and shall act resolutely in an organized manner when contacted by it.

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

- (a) The Directors shall properly prepare, preserve and manage minutes of the General Meetings of Shareholders, Meetings of Board of Directors and other documents in

accordance with applicable laws and regulations. The Directors shall also properly prepare, preserve and manage other documents, books and records pertaining to the duties of Directors and employees in accordance with the Company's own fundamental rules of document management.

- (b) The Directors and the Corporate Auditors shall have access to important authorization documents and other documents pertaining to the execution of duties by the Directors at any time.
- (c) The Directors and employees shall properly and strictly manage trade secrets in accordance with the Company's own fundamental rules of management and protection of confidential information. The Directors and employees shall properly and strictly manage personal information in accordance with applicable laws and regulations and the Company's own fundamental rules of management and protection of personal information.
- (d) The Directors shall clarify where the responsibility for information security lies in accordance with the Company's own fundamental rules of information security, shall deliberate basic matters of information management and security at "Information Management and Security Committee", and shall continuously implement measures for maintaining and improving information security.

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

- (a) The Directors shall stipulate basic matters of risk management in the Company's own fundamental rules of risk management, and shall establish a risk management framework in accordance with the rules.
- (b) The Corporate Officers responsible for risk management shall classify company-wide management risks, and shall establish management system for each classified risk in accordance with the Company's own fundamental rules of risk management.
- (c) The Corporate Officers and division managers responsible for classified risk shall strive to minimize loss by developing prevention measures against risk materialization and by developing countermeasures in case of risk materialization.
- (d) The division managers responsible for classified risk shall perform evaluation of risk to comprehend situation at least once a year, and shall report the result to the General Manager of Legal & Compliance Division. The General Manager of Legal & Compliance Division shall compile the evaluation reported by each division manager, shall report, on a periodical basis, to the Corporate Officer responsible for Legal & Compliance Division, and shall consult with Executive Committee, if necessary, in the event that particularly important risk is identified.
- (e) The President and the Corporate Officers shall, depending on its importance, establish an

appropriate organization chaired by themselves, and shall implement appropriate measures in accordance with the Company's own fundamental rules of risk management when serious risk materializes.

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

- (a) The Directors shall hold an ordinary Meeting of the Board of Directors once a month and extraordinary meetings as needed for the sake of quick decision-making.
- (b) The Directors shall adopt a Corporate Officer System, shall make prompt decisions on the important management issues at the Meeting of the Board of Directors, and shall supervise the execution of duties by the Corporate Officers. Furthermore, the important issues for the Company's management shall be discussed at the Executive Committee prior to the Meeting of the Board of Directors in order to enhance the Board's deliberations.
- (c) The Directors shall decide management plans and annual/semiannual budgets at the Meetings of Board of Directors, and shall supervise their execution.
- (d) The Corporate Officers (including Corporate Officers who also act as Directors) shall make quick decisions for the business operation by transferring their authorities to the relevant division managers or other employees. The Corporate Officers, the relevant division managers, and other employees shall execute their authority properly and efficiently in accordance with the Company's own fundamental rules of decision-making and authorization procedures.
- (e) The Corporate Officers (including Corporate Officers who also act as Directors) shall execute their duties quickly and efficiently in accordance with office routine regulations determined by the Meeting of the Board of Directors, and shall periodically confirm the status of execution of management plans and the budget determined at a Meeting of the Board of Directors.
- (f) The Directors shall establish, operate and improve the group-wide information systems for each business operation to ensure efficient execution of their duties.

**(v) Structures for ensuring appropriate operation of Corporate Group**

- (a) The Directors shall have the responsible divisions oversee the routine management of the Company's subsidiaries in accordance with the 'Renesas Electronics CSR Charter', the 'Renesas Electronics Group Code of Conduct' and the Company's own fundamental rules of management of affiliated companies, and shall have the Corporate Auditors instruct and support the subsidiaries for establishing compliance system and other systems to ensure their appropriate operations through hearings of their business reports and investigations of their operations and finances.

- (b) The Directors shall designate important matters concerning business operations of the Company's subsidiaries to be approved at each such subsidiary's General Meeting of Shareholders or Meeting of the Board of Directors. The Directors shall make decisions (including resolutions at the Meeting of the Board of Directors) on the basis of an assessment of the importance of the issue being decided, and then shall exercise the shareholder's rights directly or indirectly.
- (c) The Directors shall perform evaluation, maintenance and improvement of Renesas Electronics Group's Internal Control Systems over financial reporting in accordance with the applicable laws of Japan and other countries, including, but not limited to, the Financial Instruments and Exchange Act.
- (d) The Directors shall have Internal Audit Office audit the Company's subsidiaries, and shall have principal subsidiaries allocate internal auditing staff or divisions and cooperate with the Internal Audit Office and the subsidiaries' own Corporate Auditors to ensure appropriate operations of Renesas Electronics Group.
- (e) The Corporate Auditors shall examine subsidiaries, including visiting audits, and shall exchange opinions and cooperate with the subsidiaries' own Corporate Auditors to ensure appropriate operations of Renesas Electronics Group.

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

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

**(vii) Structures for Directors' and employees' reporting to Corporate Auditors; and structures relating to other reporting to Corporate Auditors**

- (a) The Directors and employees shall, upon requests from the Corporate Auditors, report to the Corporate Auditors on matters such as the execution of their duties.
- (b) The Directors and employees shall report the following issues to the Corporate Auditors or the Board of Corporate Auditor Committee:
  - (i) Matters that possibly cause detrimental damage to Renesas Electronics Group.
  - (ii) Audit plans and results conducted by the Internal Audit Office.
  - (iii) Important matters of compliance (including the status of use of and important reports provided to the Renesas Electronics Group Hot Line).

(iv) Other matters determined in advance between the Corporate Auditors and the Directors.

**(viii) Other structures for ensuring effective auditing by Corporate Auditors**

- (a) The Corporate Auditors shall attend Meetings of the Board of Directors, and may attend important meetings of the Company as they deem necessary. Furthermore, the Directors shall guarantee the right of Corporate Auditors to access important corporate information.
- (b) The Directors shall strive to provide environment required for execution of audits by the Corporate Auditors including rooms exclusively provided to each Corporate Auditor.
- (c) The Board of Corporate Auditor may obtain, at the Company's cost, advice from external specialists as they deem necessary for their audits.
- (d) The Corporate Auditors shall hold Meetings of Board of Corporate Auditor in principle at least once a month, and shall exchange information and deliberate on the status of audits and related matters. The Corporate Auditors also shall receive regular reports from accounting auditors on their audit activities, and shall exchange opinions on them.
- (e) The Corporate Auditors shall hold regular meetings with the Directors, and shall exchange opinions.

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2010)

(Millions of Yen)

Assets		Liabilities and net assets	
<b>Current assets</b>	<b>224,539</b>	Liabilities	
Cash and deposits	24,685	<b>Current liabilities</b>	<b>139,858</b>
Notes and accounts receivable-trade	63,752	Notes and accounts payable-trade	74,595
Short-term investment securities	66,549	Short-term borrowings	2,450
Merchandise and finished goods	13,446	Current portion of long-term borrowings	3,104
Work in process	33,411	Current portion of lease obligations	3,223
Raw materials and supplies	10,192	Accounts payable-other	21,525
Deferred tax assets	324	Accrued expenses	22,709
Accounts receivable-other	8,860	Accrued income taxes	2,812
Other	3,487	Provision for product warranties	253
Allowance for doubtful accounts	(167)	Provision for contingent loss	1,545
<b>Long-term assets</b>	<b>235,389</b>	Other	7,642
<b>Property, plant and equipment</b>	<b>197,977</b>	<b>Long-term liabilities</b>	<b>183,732</b>
Buildings and structures	68,008	Bonds with share subscription rights	110,000
Machinery and equipment	85,373	Long-term borrowings	11,062
Vehicles, tools, furniture and fixtures	16,321	Lease obligations	11,054
Land	14,737	Deferred tax liabilities	7,097
Construction in progress	13,538	Accrued retirement benefits	40,098
<b>Intangible assets</b>	<b>13,919</b>	Provision for contingent loss	1,228
Software	13,214	Other	3,193
Other	705	<b>Total liabilities</b>	<b>323,590</b>
<b>Investments and other assets</b>	<b>23,493</b>	Net assets	
Investment securities	194	<b>Shareholders' equity</b>	<b>145,919</b>
Deferred tax assets	1,077	<b>Common stock</b>	<b>85,955</b>
Long-term prepaid expenses	7,196	<b>Capital surplus</b>	<b>242,586</b>
Prepaid pension cost	6,658	<b>Retained earnings</b>	<b>(182,611)</b>
Long-term accounts receivable-other	5,829	<b>Treasury stock</b>	<b>(11)</b>
Other	2,539	<b>Valuation and translation adjustments</b>	<b>(13,665)</b>
		<b>Unrealized gains (losses) on securities</b>	<b>(16)</b>
		<b>Foreign currency translation adjustments</b>	<b>(13,649)</b>
		<b>Share subscription rights</b>	<b>52</b>
		<b>Minority interests</b>	<b>4,032</b>
		<b>Total net assets</b>	<b>136,338</b>
<b>Total assets</b>	<b>459,928</b>	<b>Total liabilities and net assets</b>	<b>459,928</b>



## CONSOLIDATED STATEMENT OF OPERATIONS

(For the Year Ended March 31, 2010)

(Millions of Yen)

<b>Net sales</b>	<b>471,034</b>
Cost of sales	353,781
<b>Gross profit</b>	<b>117,253</b>
Selling, general and administrative expenses	166,488
<b>Operating loss</b>	<b>49,235</b>
<b>Non-operating income</b>	<b>2,703</b>
Interest income	245
Compensation income	881
Subsidy income	711
Other	866
<b>Non-operating expenses</b>	<b>7,865</b>
Interest expenses	586
Foreign exchange losses	937
Loss on disposal of long-term assets	2,506
Retirement benefit expenses	2,376
Other	1,460
<b>Ordinary loss</b>	<b>54,397</b>
<b>Special income</b>	<b>10,273</b>
Reversal of provision for contingent loss	9,576
Other	697
<b>Special loss</b>	<b>8,692</b>
Business structure improvement expenses	5,600
Loss on litigation and others	2,098
Other	994
<b>Loss before income taxes and minority interests</b>	<b>52,816</b>
Income taxes-current	2,245
Income taxes-deferred	1,871
Minority interests in loss of consolidated subsidiaries	500
<b>Net loss</b>	<b>56,432</b>

## **CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

(For the Year Ended March 31, 2010)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	85,955	242,586	(126,179)	(11)	202,351
Changes of items during the period					
Net income (loss)			(56,432)		(56,432)
Purchase of treasury stock				0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(56,432)	0	(56,432)
Balance at March 31, 2010	85,955	242,586	(182,611)	(11)	145,919

	Valuation and translation adjustments			Share subscription rights	Minority interests	Total net assets
	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2009	2	(12,183)	(12,181)	67	4,467	194,704
Changes of items during the period						
Net income (loss)						(56,432)
Purchase of treasury stock						0
Net changes of items other than shareholders' equity	(18)	(1,466)	(1,484)	(15)	(435)	(1,934)
Total changes of items during the period	(18)	(1,466)	(1,484)	(15)	(435)	(58,366)
Balance at March 31, 2010	(16)	(13,649)	(13,665)	52	4,032	136,338

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Notes to Basis of Consolidated Financial Statements**

#### **1. Scope of Consolidation**

All subsidiaries were consolidated.

The number of consolidated companies of Renesas Electronics (former NEC Electronics) Group (“the Group”): 18

Names of the principal consolidated subsidiaries:

NEC Semiconductors Yamagata, Ltd., NEC Semiconductors Kansai, Ltd., NEC Semiconductors Kyusyu Yamaguchi, Ltd., NEC Micro Systems, Ltd., NEC Electronics America, Inc., NEC Electronics (Europe) GmbH, NEC Semiconductors (Malaysia) Sdn. Bhd., NEC Semiconductors Singapore Pte. Ltd., NEC Electronics Singapore Pte. Ltd., Shougang NEC Electronics Co. Ltd., NEC Electronics (China) Co., Ltd., NEC Electronics Hong Kong Limited, NEC Electronics Taiwan Ltd. and NEC Electronics Korea Limited

NEC Electronics Corporation (“NEC Electronics”) merged with Renesas Technology Corp. (“Renesas”) as of April 1, 2010, and changed its company name to Renesas Electronics Corporation (“Renesas Electronics”). Accordingly, the subsidiaries above changed their companies’ names as follows. Concerning the details of the merger, please refer to “Significant Subsequent Events” section below.

Renesas Yamagata Semiconductor Co., Ltd. (former NEC Semiconductors Yamagata, Ltd.), Renesas Kansai Semiconductor Co., Ltd. (former NEC Semiconductors Kansai, Ltd.), Renesas Semiconductor Kyusyu Yamaguchi Co., Ltd. (former NEC Semiconductors Kyusyu Yamaguchi, Ltd.), Renesas Micro Systems Co., Ltd. (former NEC Micro Systems, Ltd.), Renesas Electronics America Inc. (former NEC Electronics America, Inc.), Renesas Electronics Europe GmbH (former NEC Electronics (Europe) GmbH), Renesas Semiconductor KL Sdn. Bhd. (former NEC Semiconductors (Malaysia) Sdn. Bhd.), Renesas Semiconductor Singapore Pte. Ltd. (former NEC Semiconductors Singapore Pte. Ltd.), Renesas Electronics Singapore Pte. Ltd. (former NEC Electronics Singapore Pte. Ltd.), Renesas Electronics Taiwan Co., Ltd. (former NEC Electronics Taiwan Ltd.) and Renesas Electronics Korea Co., Ltd. (former: NEC Electronics Korea Limited)

The number of the Group’s consolidated subsidiaries had decreased by three. The details were as follows:

Decreased by liquidation: 2

NEC Fabserve, Ltd. and NEC Semiconductors Ireland Limited

Decreased by sales: 1

Kinki Bunseki Center, LTD.

#### **2. Application of Equity Method**

None

#### **3. Significant Accounting Policies**

(1) Valuation methods for assets

## 1) Securities

Other securities:

Marketable securities:

Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost or amortized cost determined by the moving-average method.

## 2) Derivatives

Derivative financial instruments are stated at fair value.

## 3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows;

Merchandise and finished goods:

Custom-made products:

Specific identification method

Mass products:

First-in, first-out method

Work in process:

Custom-made products:

Specific identification method

Mass products:

Average method

Raw materials and supplies:

Raw materials:

First-in, first-out method

Supplies:

Specific identification method

## (2) Methods for depreciation of property, plant and equipment

### 1) Property, plant and equipment other than leased assets

Depreciated principally by the declining-balance method

### 2) Intangible assets other than leased assets

Amortized by the straight-line method

Software for internal use

Amortized by the straight-line method over the estimated useful life of 5 years which is available term for internal use

### 3) Leased assets

Leased assets under finance lease other than those under which the ownerships of the assets are

transferred to the lessee at the end of lease term.

Depreciated / amortized by the straight-line method over the lease term, assuming no residual value.

The finance leases other than those under which the ownerships of the assets are transferred to the lessee contracted before March 31, 2008 are accounted as operating lease transactions.

4) Long-term prepaid expenses

Amortized by the straight-line method

(3) Basis of significant reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experiences for normal receivables and on specific estimate of the collectability of individual receivables from companies in financial difficulty.

2) Accrued retirement benefits

Accrued retirement benefits or prepaid pension cost are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end.

The transitional obligation is amortized on a straight-line basis mainly over 15 years.

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods, mainly 14 years, starting in the following year after incurrence.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods, mainly 14 years.

3) Provision for contingent loss

In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when they have been reasonably estimated considering individual risks associated with each contingency.

4) Provision for products warranties

The Group accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters or historical ratio of warranty costs to net sales.

(4) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the applicable rates of exchange prevailing at the fiscal year-end, and differences arising from the translation are included in the statement of operations. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the applicable rates of exchange prevailing at the fiscal year-end, and all revenue and expense accounts are translated at the average rates of exchange during the period. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in net assets.

(5) Accounting for consumption tax

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

(6) Adoption of consolidated taxation system

Renesas Electronics (former NEC Electronics) and its subsidiaries in Japan adopt the consolidated taxation system.

**4. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

Assets and liabilities of subsidiaries are carried at fair value at the time of acquisition.

**5. Significant Change in Accounting Policies**

(1) Adoption of Partial Amendments to Accounting Standard for Retirement Benefit

Effective March 31, 2010, the Group adopted the “Partial Amendments to Accounting Standard for Retirement Benefit (Part3)” (ASBJ Statement No.19, issued on July 31, 2008). There was no effect on operating results.

**Notes to Consolidated Balance Sheet**

**1. Accumulated Depreciation of Property, plant and equipment** 871,228 million yen

**2. Accumulated Impairment loss of Property, plant and equipment**

Accumulated impairment loss was included in accumulated depreciation.

**3. Guarantees**

Residual value guarantees under operating lease transactions 8,945 million yen

Others

Although NEC Electronics America, Inc., a subsidiary in U.S., has resolved by settlement, class action civil antitrust lawsuits from direct purchasers (customers who had directly purchased DRAM from the Group in the past), it is still in settlement negotiations with several customers who have opted out of such class action lawsuits.

NEC Electronics America, Inc. has also been named as one of the defendants in numerous class action civil lawsuits from indirect purchasers (customers who had purchased products containing DRAM), as well as a number of antitrust lawsuits filed by the Attorneys General of numerous states in the U.S.

Additionally, the Group is fully cooperating with and providing information to the European Commission in its investigation of potential violation of the competition laws in the DRAM industry. If the Group is found to be in violation of the competition laws, fines may be imposed by the European Commission.

The Group is also subject to investigations by the U.S. Department of Justice, the European Commission, the Korea Fair Trade Commission, and the Competition Bureau of Canada in connection with potential antitrust violations in the thin-film transistor liquid crystal display (TFT-LCD) industry. In May 2009, the European Commission has issued a statement of objections against the parties concerned and has entered into the formal investigation process. The Group has not received this statement of objections.

NEC Electronics America, Inc., and NEC Electronics remain defendants in numerous class action civil antitrust lawsuits in the United States and Canada seeking damages for alleged antitrust

violations in the SRAM industry. Among these cases, class action civil antitrust lawsuits in the U.S. are expected to be resolved by settlement.

Although the outcome of the aforementioned investigations, antitrust lawsuits and settlement negotiations is not known at this time, the Group has recorded probable and reasonably estimable losses in the amount of 2,253 million yen in provision for contingent loss related to the DRAM civil lawsuits and settlements in the U.S. and investigations by the European Commission. It is possible that such estimated amount may increase or decrease with the progress of such cases in the futures. No other expenses pertaining to other civil lawsuits and official investigations have been recorded, since the Group's liability for compensation pertaining to such lawsuits and its alleged behavior under such investigations remain undetermined. Consequently, any reasonable estimate of related expenses and losses is not feasible at this time.

### **Notes to Consolidated Statement of Changes in Net Assets**

#### **1. Type and Number of Outstanding Shares as of March 31, 2010**

Common stock	123,500,000 shares
--------------	--------------------

#### **2. Type and Number of Shares to be Issued upon Share Subscription Rights as of March 31, 2010**

Common stock	11,212,100 shares
--------------	-------------------

### **Notes to Financial Instruments**

#### **1. Conditions of Financial Instruments**

##### (1) Policies for financial instruments

Regarding funding operations, the Group uses only short-term deposits and financial assets which are relatively safe. Regarding financing, the Group uses mainly bank borrowings from banks and corporate bonds. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

##### (2) Contents and risks of financial instruments and risk management

Notes and accounts receivable-trade and accounts receivable-other are exposed to credit risks. Conforming to internal rules for management of account receivable, the Group regularly checks major customers' credit and manages due dates of collection and balances by each customer.

The management policies regarding short-term and long-term investment securities are as follows; regarding short-term financial instruments, the Group deals with banks with high credibility. Securities of the issuing companies, which the Group has relations with on business, are exposed to risks of marketable fluctuations. By regularly checking the fair value of the securities, financial conditions of the issuing companies and considering the relationships on business, the Group reexamines the merit of holding the securities.

The maturities of notes and accounts payable-trade are within one year.

Most of short-term borrowings are utilized in operations. Most of long-term borrowings, bonds

with share subscription rights and lease obligations under finance lease transactions are utilized for capital investments. Their repayment terms are within 5 years after the fiscal year-end.

The Group enters into forward exchange contracts in order to hedge the risks from exchange rate fluctuations of account receivables and account payables denominated in foreign currencies.

The Group's policies for managing derivatives are as follows; the Group conforms to internal rules for the management of derivatives and transacts only with major financial institutions to reduce credit risks.

Because accounts payable and borrowings are exposed to liquidity risks, Renesas Electronics and each subsidiary manage them by making financial plan and have short-term commitment lines, respectively.

(3) Concentration of credit risks

As of March 31, 2010, 48% of accounts receivables were arising from the major customers.

**2. Fair Value of Financial Instruments**

The fair values of financial instruments presented in consolidated balance sheet as of March 31, 2010 were as follows; the table below does not include the financial instruments which are extremely difficult for the Group to estimate their fair values. (Note 2)

(Millions of Yen)

	Amounts on consolidated balance sheet (*)	Fair value (*)	Difference
(1) Cash and deposits	24,685	24,685	—
(2) Notes and accounts receivable-trade	63,752	63,752	—
(3) Accounts receivable-other	8,860	8,860	—
(4) Short-term, long-term investment securities			
Other securities	66,611	66,611	—
(5) Notes and accounts payable-trade	(74,595)	(74,595)	—
(6) Short-term borrowings	(2,450)	(2,450)	—
(7) Accounts payable-other	(21,525)	(21,525)	—
(8) Accrued income taxes	(2,812)	(2,812)	—
(9) Bonds with share subscription rights	(110,000)	(107,176)	2,824
(10) Long-term borrowings (including current portion)	(14,166)	(14,074)	92
(11) Lease obligations			



(including current portion)	(14,277)	(14,343)	(66)
(12) Derivative transactions	(1,047)	(1,047)	—

(\*) Liabilities (the credit balances) are shown in parentheses.

The assets and liabilities arising from derivative transactions are presented on a net basis. If the net balance of derivatives is in credit, it is shown in parenthesis.

Note1. Calculation method for fair value of financial instruments and summary of securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (3) Accounts receivable-other

The fair values were measured at the amounts equivalent to their book values because these were settled in short-term and accordingly, their fair values approximated book values.

(4) Short-term and long-term investment securities

The fair value of shares was based on market price. The fair value of bond securities was measured at the amount equivalent to its book value because it was settled in short-term and accordingly, its fair value approximated its book value.

(5) Notes and accounts payable-trade, (6) Short-term borrowings, (7) Accounts payable-other and (8) Accrued income taxes

The fair values were measured at the amount equivalent to their book values because these were settled in short-term and accordingly, their fair values approximated book values.

(9) Bonds with share subscription rights

The fair value of bonds with share subscription rights was estimated by the available premise market participant uses in calculating the price.

(10) Long-term borrowings and (11) Lease obligations

The fair values of long-term borrowings and lease obligations were estimated by discounting the future cash flows which includes both principals and interests. The discount rates were considered both maturities and credit risks.

(12) Derivative transactions

1. Derivatives without hedge accounting

Derivative transactions without hedge accounting were forward exchange contracts. Their fair values were measured based on the forward foreign exchange rate.

2. Derivatives with hedge accounting

None

Note2. Unlisted shares (132 million yen booked on consolidated balance sheet) were not included in

“(4) Short-term and long-term securities, other securities” since they were practically impossible to estimate fair value. They did not have market value and its future cash flows were difficult to be predicted.

The fair value of long-term accounts receivable-other (5,829 million yen booked on consolidated balance sheet) was not presented since it was practically impossible to estimate fair value. It did not have market value and the collection term of its future cash flows were difficult to be predicted.

(Additional Information)

Effective March 31, 2010, the Group adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, issued on March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, issued on March 10, 2008).

### **Per Share Information**

1. Net assets per share	1,070.90 yen
2. Net loss per share	456.95 yen

### **Significant Subsequent Events**

#### **1. Merger with Renesas Technology Corp.**

Having been approved at the Extraordinary General Meeting of Shareholders on February 24, 2010, NEC Electronics Corporation merged with Renesas Technology Corp. on April 1, 2010, with NEC Electronics as acquirer (surviving company), and Renesas as acquiree (dissolving company).

##### (1) Summary of business combination

Name of Acquiree:

Renesas Technology Corp.

Major Operations of Acquiree

Development, design, manufacture, sale and servicing of SoC products such as MCUs, logic devices and analog devices; discrete semiconductor products; and memory products such as SRAM

Major Reasons for the Business Combination:

As leading semiconductor companies, both NEC Electronics and Renesas had provided a wide variety of semiconductor solutions, primarily specializing in microcontroller units (MCUs). In light of fierce global competition and structural changes triggered by the rapid expansion of emerging markets in the semiconductor market, NEC Electronics and Renesas have merged, in order to further strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction.

Effective Date of Business Combination:

April 1, 2010

Legal Form of Combination:

It was absorption-type merger with NEC Electronics as the surviving company and Renesas as the dissolving company.

Company Name after Business Combination:

Renesas Electronics Corporation

Basis for Determination of Accounting Acquirer:

Because of issuing stocks for a consideration, NEC Electronics was generally determined to be the accounting acquirer. In addition, various factors such as relative ratio of voting rights, composition of the Meetings of Board of Directors and whether there would be significant difference in business scale of both companies or not were considered.

(2) Calculation of acquisition cost

Acquisition Cost and its Details

Consideration paid for acquisition:

Fair value of common stocks issued on the date of business combination: 140,527 million yen

Expenses directly attributable to the combination:

Advisory fees and others 967 million yen

---

Total acquisition cost 141,494 million yen

Merger Ratio:

Type of issued shares: Common stock

Ratio (Renesas / NEC Electronics): 1 / 20.5

Calculation Method of Merger Ratio:

The merger ratio was considered to be appropriate and decided in consideration of financial condition, assets and liabilities conditions of each company, forecast of business, the merits of the combination and capital injection, the appraisals each company's appraisers made and other factors in a comprehensive manner.

Number of Issued Stocks: Common stock 146,841,500 shares

**2. Issuance of the Shares by Third Party Allotment**

Renesas Electronics issued the new shares to NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation by way of third party allotment setting the payment date thereof on April 1, 2010.

(1) Method of offering

Third party allotment

(2) Type, number, issue price, total proceeds of the issued shares and capital amounts recorded in shareholders' equity:

Type of issued shares: Common stock

Number of issued shares: 146,782,990 shares

Issue price: 917.0 yen per share

Total proceeds: 134,600 million yen

Capital amounts recorded in shareholders' equity:

Amount of common stock (*Shihonkin*) to be increased: 458.5 yen per share

Amount of capital surplus (*Shihon-joyokin*) to be increased: 458.5 yen per share

(3) Schedule of issue

Date of issue: April 1, 2010

(4) Purpose

The fund was planned to be used for R&D investment to make competitive products in the global markets, investment for promoting overseas sales, improvement of business structure and repayment of interest-bearing debt.

(5) Adjustment of conversion prices of zero coupon unsecured euro yen convertible bonds due 2011

In connection with the issuance of new shares by way of third party allotments, the conversion price was adjusted as follows:

Conversion price before adjustment: 9,860.0 yen

Conversion price after adjustment: 9,850.9 yen

Adjustment date: April 1, 2010

Reason for adjustment:

This adjustment was due to the issue price of new shares of Renesas Electronics common stock (917.0 yen) issued on April 1, 2010 falling below the current market price per share (919.4 yen, as defined in the terms and conditions of the Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011; the average of closing price for 30 consecutive operating days beginning 45 days before standard date (September 16, 2009)).

## **BALANCE SHEET**

(on a non-consolidated basis)

(As of March 31, 2010)

(Millions of Yen)

Assets		Liabilities and net assets	
<b>Current assets</b>	<b>279,295</b>	Liabilities	
Cash and deposits	14,522	<b>Current liabilities</b>	<b>135,389</b>
Notes receivable-trade	68	Notes payable-trade	6
Accounts receivable-trade	53,559	Accounts payable-trade	65,783
Short-term investment securities	66,549	Current portion of lease obligations	1,465
Finished goods	6,187	Accounts payable-other	11,736
Work in process	285	Accrued expenses	10,743
Raw materials and supplies	16,535	Accrued income taxes	276
Prepaid expenses	536	Advances received	370
Short-term loans receivable	105,694	Deposits received	43,855
Accounts receivable-other	15,304	Provision for product warranties	253
Other	57	Other	903
<b>Long-term assets</b>	<b>71,060</b>	<b>Long-term liabilities</b>	<b>120,953</b>
<b>Property, plant and equipment</b>	<b>13,609</b>	Bonds with share subscription rights	110,000
Buildings and structures	3,994	Lease obligations	4,558
Machinery and equipment	5,593	Deferred tax liabilities	2,646
Vehicles, tools, furniture and fixtures	3,123	Accrued retirement benefits	829
Construction in progress	898	Other	2,921
<b>Intangible assets</b>	<b>10,200</b>	<b>Total liabilities</b>	<b>256,343</b>
Software	10,164	Net assets	
Other	36	<b>Shareholders' equity</b>	<b>93,993</b>
<b>Investments and other assets</b>	<b>47,251</b>	<b>Common stock</b>	<b>85,955</b>
Investment securities	145	<b>Capital surplus</b>	<b>257,728</b>
Investments in affiliated companies	38,791	Capital legal reserve	21,489
Long-term prepaid expenses	5,617	Other capital surplus	236,239
Prepaid pension cost	1,269	<b>Retained earnings</b>	<b>(249,679)</b>
Other	1,429	Other retained earnings	(249,679)
		Retained earnings brought forward	(249,679)
		<b>Treasury stock</b>	<b>(11)</b>
		<b>Valuation and translation adjustments</b>	<b>(33)</b>
		Unrealized gains (losses) on securities	(33)
		<b>Share subscription rights</b>	<b>52</b>
		<b>Total net assets</b>	<b>94,013</b>
<b>Total assets</b>	<b>350,355</b>	<b>Total liabilities and net assets</b>	<b>350,355</b>

## **STATEMENT OF OPERATIONS**

(on a non-consolidated basis)  
(For the Year Ended March 31, 2010)

(Millions of Yen)

<b>Net sales</b>	<b>406,480</b>
Cost of sales	324,007
<b>Gross profit</b>	<b>82,473</b>
Selling, general and administrative expenses	151,746
<b>Operating loss</b>	<b>69,273</b>
<b>Non-operating income</b>	<b>1,762</b>
Interest income	1,168
Interest on securities	130
Dividends income	248
Other	215
<b>Non-operating expenses</b>	<b>3,571</b>
Interest expenses	376
Retirement benefit expenses	940
Loss on disposal of long-term assets	914
Foreign exchange losses	382
Other	959
<b>Ordinary loss</b>	<b>71,082</b>
<b>Special income</b>	<b>4,140</b>
Gain on liquidation of subsidiaries	2,321
Reversal of allowance for doubtful accounts	1,598
Other	221
<b>Special loss</b>	<b>3,057</b>
Loss on litigation and others	1,351
Business structure improvement expenses	1,290
Other	416
<b>Loss before income taxes</b>	<b>70,000</b>
Income taxes-current	(4,188)
Income taxes-deferred	(12)
<b>Net loss</b>	<b>65,800</b>

## **STATEMENT OF CHANGES IN NET ASSETS**

(on a non-consolidated basis)  
(For the Year Ended March 31, 2010)

(Millions of Yen)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus		Retained earnings	Treasury stock	
		Capital legal reserve	Other capital surplus	Other retained earnings Retained earnings brought forward		
Balance at March 31, 2009	85,955	21,489	236,239	(183,879)	(11)	159,793
Changes of items during the period						
Net income (loss)				(65,800)		(65,800)
Purchase of treasury stock					0	0
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-	-	(65,800)	0	(65,800)
Balance at March 31, 2010	85,955	21,489	236,239	(249,679)	(11)	93,993

	Valuation and translation adjustments	Share subscription rights	Total net assets
	Unrealized gains (loss) on securities		
Balance at March 31, 2009	(17)	67	159,843
Changes of items during the period			
Net income (loss)			(65,800)
Purchase of treasury stock			0
Net changes of items other than shareholders' equity	(15)	(15)	(30)
Total changes of items during the period	(15)	(15)	(65,830)
Balance at March 31, 2010	(33)	52	94,013

## **NOTES TO FINANCIAL STATEMENTS (on a non-consolidated basis)**

### **Notes to Significant Accounting Policies**

#### **1. Valuation Methods for Assets**

##### 1) Securities

Investments in subsidiaries:

Investments in subsidiaries are carried at cost determined by the moving-average method.

Other securities:

Marketable securities:

Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost or amortized cost determined by the moving-average method.

##### 2) Derivatives

Derivative financial instruments are stated at fair value.

##### 3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows;

Finished goods:

Custom-made products:

Specific identification method

Mass products:

First-in, first-out method

Work in process:

Custom-made products:

Specific identification method

Raw materials:

First-in, first-out method

Supplies:

Specific identification method

#### **2. Methods for Depreciation of Property, plant and equipment**

##### 1) Property, plant and equipment other than leased assets

Depreciated by the declining-balance method

##### 2) Intangible assets

Amortized by the straight-line method

Software for internal use

Amortized by the straight-line method over the estimated useful life of 5 years which is available term for internal use



### 3) Leased assets

Leased assets under finance lease other than those under which the ownerships of the assets are transferred to the lessee at the end of lease term

Depreciated by the straight-line method over the lease term, assuming no residual value

The finance leases other than those under which the ownerships of the assets are transferred to the lessee contracted before March 31, 2008 are accounted as operating lease transactions.

### 4) Long-term prepaid expenses

Amortized by the straight-line method

## 3. Basis of Reserves

### 1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experiences for normal receivables and on specific estimate of the collectability of individual receivables from companies in financial difficulty.

### 2) Accrued retirement benefits (Prepaid pension cost)

Accrued retirement benefits or prepaid pension cost are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end.

Regarding the transitional obligation, the amount succeeded to from NEC Corporation is allocated proportionally and expensed over the year ending March 31, 2015.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods.

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods starting in the following year after incurrence.

### 3) Provision for products warranties

Renesas Electronics accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters or historical ratio of warranty costs to net sales.

## 4. Accounting for Consumption Tax

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

## 5. Adoption of Consolidated Taxation system

Renesas Electronics (former NEC Electronics) adopts the consolidated taxation system.

## Notes to Change in Accounting Policies

### Adoption of Partial Amendments to Accounting Standard for Retirement Benefit

Effective March 31, 2010, Renesas Electronics adopted the "Partial Amendments to Accounting Standard for Retirement Benefit (Part3)" (ASBJ Statement No.19, issued on July 31, 2008). There was no effect on operating results.

### Notes to Balance Sheet

<b>1. Reported amounts were rounded to the nearest one million yen.</b>	
<b>2. Accumulated Depreciation of Property, plant and equipment</b>	65,065 million yen
<b>3. Accumulated Impairment loss of Property, plant and equipment</b>	
Accumulated impairment loss was included in accumulated depreciation.	
<b>4. Guarantees</b>	
Loan to affiliated companies	26,309 million yen
Residual value guarantees under operating lease transactions	7,358 million yen
<b>5. Monetary Receivable from and Payable to Affiliated Companies</b>	
Short-term receivable	147,975 million yen
Long-term receivable	55 million yen
Short-term payable	81,309 million yen
Long-term payable	633 million yen

### Notes to Statement of Operations

<b>1. Reported amounts were rounded to the nearest one million yen.</b>	
<b>2. Transactions with Affiliated Companies</b>	
Amounts of operating transactions	
Net sales	159,119 million yen
Purchases	412,065 million yen
Amounts of non-operating transactions	3,098 million yen

### Notes to Statement of Changes in Net Assets

Type and number of treasury stock as of March 31, 2010	
Common stock	2,448 shares

### Notes to Tax-Effect Accounting

Significant components of deferred tax assets were operating loss carryforwards, loss on revaluation of investments in affiliated companies, R&D expenses, surplus of accrued retirement benefits and others. The amount of allowance for deferred tax assets was 150,759 million yen.

Significant component of deferred tax liabilities was gain on contribution of securities to retirement benefit trust.

### Notes to Long-Term Assets Used under Leases

In addition to long-term assets on the balance sheet, parts of office equipment and production equipment were used under finance lease other than those under which the ownerships of the assets were transferred to the lessee at the end of lease term.

### Notes to Transaction with Related Parties

Parent company and major corporate shareholders: (Millions of Yen)

Attribution	Company name	Ratio of Share-holding	Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance at March 31, 2010
Parent Company	NEC Corporation	(Owned) Direct 65.02 % Indirect 5.02 %	Seles of our products Concurrently serving as a board member	Sales of long-term assets (*1)		Accounts receivable-other	21
				Sales amount	204		
				Gains on sales	31	-	-
				Sales of securities (*1)			
				Sales amount	1,229	-	-
				Losses on sales	171	-	-
Guaranteed	19,323	-	-				

## Subsidiaries:

(Millions of Yen)

Attribution	Company name	Ratio of Share-holding	Relation with related parties	Contents of transaction	Amounts of transaction (*3)(*4)	Account	Balance at March 31, 2010(*3)
Subsidiary	NEC Semiconductors Yamagata, Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1) Loan(*2) Receipt of interests(*2) Guarantee	62,680 48,000 324 10,088	Accounts payable-trade Short-term loans receivable - -	6,665 35,297 - -
Subsidiary	NEC Semiconductors Kansai, Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1) Loan(*2) Receipt of interests(*2) Guarantee	68,211 38,000 188 7,466	Accounts payable-trade Short-term loans receivable - -	6,556 10,083 - -
Subsidiary	NEC Semiconductors Kyushu Yamaguchi, Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1) Loan(*2) Receipt of interests(*2) Guarantee	108,726 55,000 427 8,755	Accounts payable-trade Short-term loans receivable - -	10,133 41,314 - -
Subsidiary	NEC Micro Systems, Ltd	(Own) Direct 100.0 %	Consignment of design and development	Money deposited(*2)	-	Deposits received	4,825
Subsidiary	NEC Fabserve, Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Dividends income	245	-	-
Subsidiary	NEC Electronics America, Inc.	(Own) Direct 100.0 %	Seles of our products, Purchases of parts of our products	Seles of products(*1) Loan(*2)	13,762 247,400	Accounts receivable-trade Short-term loans receivable	3,719 16,674
Subsidiary	NEC Electronics (Europe) GmbH	(Own) Direct 100.0 %	Seles of our products, Consignment of design and development	Seles of products(*1) Money deposited(*2)	28,145 -	Accounts receivable-trade Deposits received	5,763 12,117
Subsidiary	NEC Semiconductors (Malaysia) Sdn. Bhd.	(Own) Direct 100.0 %	Seles of our products, Purchases of parts of our products	Seles of products(*1)	20,775	Accounts receivable-trade	4,706
Subsidiary	NEC Semiconductors Singapore Pte. Ltd.	(Own) Direct 100.0 %	Seles of our products, Purchases of parts of our products	Seles of products(*1) Money deposited (*2)	14,424 -	Accounts receivable-trade Deposits received	3,781 15,342
Subsidiary	Shougang NEC Electronics Co., Ltd.	(Own) Direct 50.3%	Purchases of parts of our products	Loan(*2)	40,900	Short-term loans receivable	2,233
Subsidiary	NEC Electronics Hong Kong Limited	(Own) Direct 100.0 %	Seles of our products	Seles of products(*1) Loan(*2)	30,867 40,000	Accounts receivable-trade Short-term loans receivable	5,986 -

Subsidiaries of common Parent Company: (Millions of Yen)

Attribution	Company name	Ratio of Share-holding	Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance at March 31, 2010
Subsidiary of common Parent Company	NEC TOKIN Corporation	None	Seles of our products	Sales of long-term assets (*1) Sales amount Gains on sales	231 139	Accounts receivable-other -	243 -

(\*1)Price and other transaction conditions were determined under price negotiation.

(\*2)Rate for loan to subsidiaries and money deposited from subsidiaries were determined by considering the market rate. Units for short-term loans of NEC Electronics America, Inc., Shougang NEC Electronics Co., Ltd. and NEC Electronics Hong Kong Limited were in thousands of US dollars.

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

(\*4)“Amounts of transaction” of loan was shown here as loan ceiling.

**Notes to the Per Share Information**

1. Net assets per share 760.82 yen
2. Net loss per share 532.80 yen

**Notes to Significant Subsequent Events**

**1. Merger with Renesas Technology Corp.**

Having been approved at the Extraordinary General Meeting of Shareholders on February 24, 2010, NEC Electronics Corporation merged with Renesas Technology Corp. on April 1, 2010, with NEC Electronics as acquirer (surviving company), and Renesas as acquiree (dissolving company).

(1) Summary of business combination

Name of Acquiree:

Renesas Technology Corp.

Major Operations of Acquiree

Development, design, manufacture, sale and servicing of SoC products such as MCUs, logic devices and analog devices; discrete semiconductor products; and memory products such as SRAM

Major Reasons for the Business Combination:

As leading semiconductor companies, both NEC Electronics and Renesas provide a wide variety of semiconductor solutions, primarily specializing in microcontroller units (MCUs). In light of fierce global competition and structural changes triggered by the rapid expansion of emerging markets in the semiconductor market, NEC Electronics and Renesas have merged, in order to further strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction.

Effective Date of Business Combination:

April 1, 2010

Legal Form of the Combination:

It was absorption-type merger with NEC Electronics as the surviving company and Renesas as the dissolving company.

Company Name after Business Combination:

Renesas Electronics Corporation

Basis for Determination of Accounting acquirer:

Because of issuing stocks for a consideration, NEC Electronics was generally determined to be the accounting acquirer. In addition, various factors such as relative ratio of voting rights, composition of Meetings of the Board of Directors and whether there would be significant difference in business scale of both companies or not were considered.

(2) Calculation of acquisition cost

Acquisition Cost and its Details

Consideration paid for acquisition:

Fair value of common stocks issued on the date of business combination: 140,527 million yen

Expenses directly attributable to the combination:

Advisory fees and others 967 million yen

---

Total acquisition cost 141,494 million yen

Merger Ratio:

Type of issued shares: Common stock

Ratio (Renesas / NEC Electronics): 1 / 20.5

Calculation Method of Merger Ratio:

The merger ratio was considered to be appropriate and decided in consideration of financial condition, assets and liabilities conditions of each company, forecast of business, the merits of the combination and capital injection, the appraisals each company's appraisers made and other factors in a comprehensive manner.

Number of Issued Stocks: Common stock 146,841,500 shares

**2. Issuance of the Shares by Third Party Allotment**

Renesas Electronics issued the new shares to NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation by way of third party allotment setting the payment date thereof on April 1, 2010.

(1) Method of offering

Third party allotment

(2) Type, number, issue price, total proceeds of the issued shares and capital amounts recorded in shareholders' equity:

Type of issued shares: Common stock

Number of issued shares: 146,782,990 shares

Issue price: 917.0 yen per share

Total proceeds: 134,600 million yen

Capital amounts recorded in shareholders' equity:

Amount of common stock (*Shihonkin*) to be increased: 458.5 yen per share

Amount of capital surplus (*Shihon-joyokin*) to be increased: 458.5 yen per share

(3) Schedule of issue

Date of issue: April 1, 2010

(4) Purpose

The fund was planned to be used for R&D investment to make competitive products in the global markets, investment for promoting overseas sales, improvement of business structure and repayment of interest-bearing debt.

(5) Adjustment of conversion prices of zero coupon unsecured euro yen convertible bonds due 2011

In connection with the issuance of new shares by way of third party allotments, the conversion price was adjusted as follows;

Conversion price before adjustment: 9,860.0 yen

Conversion price after adjustment: 9,850.9 yen

Adjustment date: April 1, 2010

Reason for adjustment:

This adjustment was due to the issue price of new shares of Renesas Electronics common stock (917.0 yen) issued on April 1, 2010 falling below the current market price per share (919.4 yen, as defined in the terms and conditions of the Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011; the average of closing price for 30 consecutive operating days beginning 45 days before standard date (September 16, 2009)).

## Report of Independent Auditors

May 7, 2010

The Board of Directors  
Renesas Electronics Corporation

Ernst & Young ShinNihon LLC

---

Kazuya Oki  
Certified Public Accountant  
Designated and Engagement Partner

---

Koki Ito  
Certified Public Accountant  
Designated and Engagement Partner

---

Kazuhiro Ishiguro  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Renesas Electronics Corporation (the “Company”) (former NEC Electronics Corporation) applicable to the fiscal year from April 1, 2009 through March 31, 2010. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Renesas Electronics Corporation (former NEC Electronics Corporation), which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2010 in conformity with accounting principles generally accepted in Japan

### Supplemental Information:

1. As described in “Significant Subsequent Events,” NEC Electronics Corporation merged with Renesas Technology Corp. on April 1, 2010 with NEC Electronics Corporation as acquirer (surviving company), and Renesas Technology Corp. as acquiree (dissolving company).
2. As described in “Significant Subsequent Events,” the Company issued the new shares to NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation by way of third party allotment setting the payment date thereof on April 1, 2010.

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

## Report of Independent Auditors

May 7, 2010

The Board of Directors  
Renesas Electronics Corporation

Ernst & Young ShinNihon LLC

---

Kazuya Oki  
Certified Public Accountant  
Designated and Engagement Partner

---

Koki Ito  
Certified Public Accountant  
Designated and Engagement Partner

---

Kazuhiro Ishiguro  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statement and the related supplementary schedules of Renesas Electronics Corporation (the “Company”) (former NEC Electronics Corporation) applicable to the 8<sup>th</sup> fiscal year from April 1, 2009 through March 31, 2010. These financial statements and the related supplementary schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the related supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Renesas Electronics Corporation (former NEC Electronics Corporation) applicable to the 8<sup>th</sup> fiscal year ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

### Supplemental Information:

1. As described in “Notes to Significant Subsequent Events,” NEC Electronics Corporation merged with Renesas Technology Corp. on April 1, 2010 with NEC Electronics Corporation as acquirer (surviving company), and Renesas Technology Corp. as acquiree (dissolving company).
2. As described in “Notes to Significant Subsequent Events,” the Company issued the new shares to NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation by way of third party allotment setting the payment date thereof on April 1, 2010.

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



## **Audit Report of Board of Corporate Auditors**

Based on audit reports from each Corporate Auditor, and following due discussion at meetings, the Board of Corporate Auditors have prepared this report regarding the execution of the duties of the Board of Directors for the 8<sup>th</sup> fiscal year from April 1, 2009 through March 31, 2010. The Board reports as follows:

### 1. Auditing Method Employed by the Corporate Auditors and Board of Corporate Auditors and the Details

The Board of Corporate Auditors established auditing policies and plans and received reports from each Corporate Auditor on the status of the implementation of audits and the results thereof, as well as reports from Directors and the Independent Auditors regarding the status of execution of their duties, and requested explanations as necessary.

On the basis of the Board of Corporate Auditors Rules established by the Board of Corporate Auditors, and in accordance with the auditing policies and plans, each Corporate Auditor sought mutual understanding with Directors and employees in their efforts to collect information and create an environment for audit, attended meetings of the Board of Directors and other important meetings, and received reports from Directors and employees regarding performance of their duties, requested explanations as necessary, and perused important documents regarding decisions and approvals made, and investigated the status of operations and the financial position at the Group's head office and principal offices of business. The Board of Corporate Auditors also carried out an audit and verification of the contents of Board of Director resolutions relating to the establishment of structures as set forth in Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act, as structures necessary to ensure that the Board of Directors' performance of its duties is in conformity with applicable laws and regulations and the Group's Articles of Incorporation and to otherwise ensure the appropriateness of the business of a Kabushiki Kaisha, as well as structures established pursuant to such resolutions ("Internal Control System"). Regarding the Internal Control System for financial reporting, the Board of Corporate Auditors received the reports from the Directors and the Independent Auditors about assessment and audit and requested explanations as necessary. Regarding the appropriateness and validity of decision making process concerning business combination between NEC Electronics Corporation and Renesas Technology Corp., which they set as priority audit item in the audit plan, the Board of Corporate Auditors as necessary received the reports about consideration of issues concerning the business combination, and carried out an audit and verification of process of resolution for the business combination at extraordinary meeting of the Board of Directors on December 15, 2009, and the appropriateness of agenda and reference documents for Extraordinary General Meeting of Shareholders' on February 24, 2010. Regarding the subsidiaries, the Board of Corporate Auditors sought to achieve a mutual understanding and exchange of information with directors and corporate auditors of the subsidiaries, and, where necessary, visited the subsidiaries, received business reports from the subsidiaries, and examined their operations and assets. Based on the above methods, the Board of Corporate Auditors evaluated the Business Report and supplementary schedules thereto for the 8<sup>th</sup> fiscal year ended March 31, 2010.

In addition, the Board of Corporate Auditors audited and verified whether the Independent Auditors maintained their independence and carried out their audits appropriately, received reports from the Independent Auditors regarding the execution of their duties and, where necessary, requested explanations. Also, the Board of Corporate Auditors received notification from the Independent Auditors to the effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Corporation Accounting Regulations) has been established in accordance with "Quality Control Standards for Auditing" (adopted by the Business Accounting Council on October 28, 2005), etc., and requested explanations as necessary. Based on the above methods, the Board of Corporate Auditors audited the financial statements related to the 8<sup>th</sup> fiscal year ended March 31, 2010 (the balance sheet, the statement of operations, the statement of changes in net assets and notes to the financial statements) and supplementary schedules as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and notes to the consolidated financial statements).

### 2. Results of Audit

#### (1) Results of the Audit on the Business Report, etc.

1. We found that the Business Report and supplementary schedules accurately reflect the conditions of the Group in accordance with applicable laws and regulations and the Articles of Incorporation.
2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of applicable laws and regulations or the Articles of Incorporation were found.

3. We found that the contents of Board of Directors' resolutions concerning the Internal Control System are appropriate. Further, no matter requiring note on our part were found with respect to Director' execution of duties in regards to the Internal Control System.

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

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

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

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

May 10, 2010

Board of Corporate Auditors of Renesas Electronics Corporation

Corporate Auditor (Full-time) Keiji Suzuki (Seal)

Corporate Auditor (Full-time) Hiroki Kawamura (Seal)

Corporate Auditor (Full-time) Junichiro Nishi (Seal)

Corporate Auditor Yasuyuki Shibata (Seal)

Note: Messrs. Hiroki Kawamura and Yasuyuki Shibata are outside Corporate Auditors stipulated in item 16, Article 2, and paragraph 3, Article 335, of the Companies Act in Japan.