FINANCIAL REPORT 2011

Year Ended March 31, 2011

RENESAS ELECTRONICS CORPORATION

Contents

The following section, **Management's Discussion and Analysis** of Operations, provides an overview of the consolidated financial statements of Renesas Electronics Corporation ("Renesas Electronics") (formerly NEC Electronics Corporation), and its consolidated subsidiaries (together, "the Group"), for the year ended March 31, 2011.

Introduction

Financial Position, Operating Results and Cash Flow Analysis

Forward-looking statements concerning financial position, operating results and cash flow are the Group's judgment as of March 31, 2011.

(1) Significant Accounting Policies and Estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported value of assets and liabilities and the disclosure of contingent assets and liabilities at the fiscal year-end, and the reported amounts of revenues and expenses during the period presented. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable. As a consequence, actual results may differ from these estimates and assumptions.
The Group believes when the following significant accounting policies are used, its estimates and assumptions could have a significant impact on its consolidated financial statements.

1) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts based on the historical writeoff ratio for receivables and any specific doubtful accounts based on a case-by-case determination of collectability. On the basis of information currently available, we consider the allowance for doubtful accounts to be adequate. However, changes in the underlying financial position of our customers, resulting in an impairment of their ability to make payments, may require additional provisions.

2) Inventories

Inventories are valued at the lower of cost or market. Regarding slow-moving and obsolete inventories, the Group writes down such inventories to their estimated market value based on assumptions about future demand and market conditions. If future demand and market conditions are less favorable than those projected, additional inventory write-downs may be required.

3) Impairment of Long-term Assets

The Group assesses whether or not the residual value of long-term assets on the balance sheets can be recovered from future cash flows from those assets, if there are signs of impairment. If sufficient cash flows cannot be generated from these assets, the Group may have to recognize impairment of the carrying value.

4) Investment Securities

Investment securities with a market value are valued at fair value based on the stock market price and other factors at the fiscal year-end. Unrealized gains and losses are included as a component of net assets, and the cost of securities sold is computed using the moving-average method. Investment securities without a market value are valued at cost or amortized cost using the moving-average method. If there is a significant decline in market price or value, the Group recognizes impairment, except when a recovery is expected. There could be extraordinary losses in the future if there is a significant decline in market price or value and no recovery is expected.

5) Deferred Tax Assets

The Group has recorded deferred tax assets resulting from deductible temporary differences and net loss carryforwards, both of which will reduce taxable income in the future. We set up a valuation allowance to reduce deferred tax assets to an amount that is more likely than not to be realized.

We evaluate the necessity of a valuation allowance for each subsidiary based on the information currently available, such as historical income performance, estimates of future taxable income, and estimates of the timing of when temporary differences will reverse.

In the event that some or all of these deferred tax assets are determined to be unrecoverable, the Group records adjustments to deferred tax assets as expenses in the period said judgment was made. Similarly, in the event that deferred tax assets in excess of the net total balance sheet amount are determined to be recoverable, the Group adjusts tax expenses for the period the judgment was made.

6) Retirement and Severance Benefits

The Group records retirement and benefit obligations and costs for employees based on a number of actuarial assumptions, including expected changes in employee numbers in the future, the discount rate, the rate of future salary increases, and the expected rate of return on plan assets. In the event that the aforementioned assumptions change, or differ from actual results, any differences are amortized over the expected average remaining service period of employees.

7) Contingent Liabilities

The Group is involved in several lawsuits and other litigation in which compensation for damages is being sought. At present, we have booked allowances to cover losses associated with these actions in such cases where these losses are reasonably estimable.

8) Provision for Loss on Disaster

In order to provide for costs for removing or restoring assets damaged in the Great East Japan Earthquake, the Group records an estimate of losses based on estimated future expenditures. Furthermore, additional gains or losses may be incurred as reconstruction efforts in the affected regions advance.

(2) Overview of Financial Results

Results for the previous fiscal year, ended March 31, 2010, used for comparison and analysis in the fiscal year ended March 31, 2011 are the simple sum of figures of the former Renesas Technology Corporation and the former NEC Electronics Corporation. "Net sales" and "Sales from semiconductors" of the former Renesas Technology Corporation are reclassified to match the presentation method of the former NEC Electronics Corporation. These figures have not been audited by an independent auditor, and are therefore included here for reference purposes only.

	Year ended March 31, 2011	Year ended March 31, 2010
	Billion yen	Billion yen
Net sales	1,137.9	1,062.4
Sales from semiconductors	1,018.9	942.5
Sales from others	119.0	119.9
Operating income (loss)	14.5	(113.3)
Ordinary income (loss)	1.0	(125.4)
Net income (loss)	(115.0)	(137.8)
	Yen	Yen
Exchange rate (USD)	86	---
Exchange rate (EUR)	114	---

Consolidated financial results for the year ended March 31, 2011 were as follows.

[Net sales]

Consolidated net sales for the year ended March 31, 2011 were 1,137.9 billion yen, an increase of 7.1% year on year. This increase was due to the recovery of the semiconductor market, especially demand growth in emerging countries.

[Sales from semiconductors]

Sales from semiconductors for the year ended March 31, 2011 improved by 8.1% year on year to 1,018.9 billion yen.
The sales figures of “MCUs,” “Analog & Power Devices” and “SoC (System on Chip) Solutions,” the main business of the Group, and the “Other Semiconductors” that fit into none of above three product categories were as follows:

MCUs: 384.1 billion yen

MCUs mainly include automotive microcontrollers, microcontrollers for industrial systems, microcontrollers used in digital home appliances, white goods, and consumer electronics including game consoles, and microcontrollers for PCs and PC peripherals such as hard disc drives.
Sales of MCUs for the year ended March 31, 2011 were 384.1 billion yen, an increase from the previous year. This was mainly due to increases in sales of microcontrollers for automobiles, industrial systems and consumer electronics.

Analog & Power Devices: 316.2 billion yen

Analog & Power Devices consist mainly of power MOSFETs, mixed signal ICs, IGBTs (Insulated Gate Bipolar Transistors), diodes, small signal transistors, display driver ICs, compound semiconductor devices such as optical and microwave devices employed in

automobiles, industrial systems, PCs and PC peripherals and consumer electronics.
Sales of analog and power devices for the year ended March 31, 2011 improved from the previous year to 316.2 billion yen. This was mainly due to an increase in sales of power MOSFETs for automobiles and PC power supplies despite a decrease in sales of display driver ICs for PCs and LCD TVs.

SoC Solutions: 311.7 billion yen

SoC Solutions mainly include semiconductors for mobile handsets, semiconductors for network equipment, semiconductors for industrial systems, semiconductors for PCs and PC peripherals including hard disc drives and USB devices, semiconductors for consumer electronics such as digital home appliances and game consoles, and semiconductors used in automobiles, including car navigation systems.
Sales of SoC solutions for the year ended March 31, 2011 decreased from the previous year to 311.7 billion yen. This drop was mainly due to decline in the sales of semiconductors for PC peripherals and baseband LSIs for mobile handsets, despite a sales increase of semiconductors for industrial systems and ICs for camera-equipped mobile phones.

Other Semiconductors: 6.9 billion yen

Sales of Other Semiconductors include production by commissioning and royalties. Sales of Other Semiconductors for the year ended March 31, 2011 were 6.9 billion yen.

[Sales from others]

Sales from others for the year ended March 31, 2011 were 119.0 billion yen.
Sales from others include non-semiconductor products sold on a resale basis by the Group's sales subsidiaries and development and production by commissioning conducted at the Group's design and manufacturing subsidiaries.

[Operating income (loss)]

Operating income for the year ended March 31, 2011 improved by 127.8 billion yen year on year to 14.5 billion yen. This improvement was mainly owing to increased sales, a decrease in depreciation cost through suppressing capital investments, and streamlining R&D costs through redefining of product portfolio following the merger. As a result of these efforts, the Group attained its target of achieving an operating profit in the first fiscal year following the merger.

[Ordinary income (loss)]

Ordinary income for the year ended March 31, 2011 was 1.0 billion yen, due to a non-operating loss of 13.5 billion yen from recording foreign exchange losses and interest expenses.

[Net income (loss)]

Net loss for the year ended March 31, 2011 was 115.0 billion yen. This loss was mainly due to recording special loss of 111.8 billion yen. The special loss was comprised of impairment loss on long-term assets of 36.1 billion yen, business structure improvement expenses of 30.6 billion yen, and also loss on disaster of 49.5 billion yen from the Great East Japan Earthquake, though the loss was partially compensated with insurance income receivable. The loss on disaster includes repair expenses and disposal loss of fixed-assets.

(3) Financial Position

	March 31, 2011	**(Reference) April 1, 2010 after capital injection**
	Billion yen	Billion yen
Total assets	1,145.0	1,215.4
Net assets	291.1	413.6
Equity	283.8	407.4
Equity ratio (%)	24.8	33.5
Interest-bearing debt	378.2	372.0
Debt / Equity ratio	1.33	0.91

Note: The balance of “April 1, 2010 after capital injection” includes adjustment related to the business combination transaction and 134.6 billion yen of capital increase through third-party allotment on April 1, 2010.

Total assets at March 31, 2011 were 1,145.0 billion yen, a 70.3 billion yen decrease from April 1, 2010, due to impairment loss on property, plant and equipment in the first quarter of the year ended March, 2011, as well as a decrease in the amount of notes and accounts receivable-trade. Net assets were 291.1 billion yen, a 122.6 billion yen decrease from April 1, 2010. This was due to posting net loss of 115.0 billion yen for the year ended March 31, 2011.

Equity decreased by 123.6 billion yen from April 1, 2010, mainly due to posting net loss,and the equity ratio decreased by 8.7 points to 24.8 percent.

Interest-bearing debt increased by 6.3 billion yen from April 1, 2010. Consequently, the debt to equity ratio was 1.33 times, 0.42 points higher than April 1, 2010.

〔Cash Flows〕

	Year ended March 31, 2011
	Billion yen
Net cash provided by (used in) operating activities	102.5
Net cash provided by (used in) investing activities	(95.8)
Free cash flows	6.7
Net cash provided by (used in) financing activities	132.6
Cash and cash equivalents at beginning of period	203.1
Cash and cash equivalents at end of period	337.3

Note: Cash and cash equivalents at beginning of period includes the cash and cash equivalents increased as a result of the merger.

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

Despite recording loss before income taxes and minority interests, net cash provided by operating activities for the year ended March 31, 2011 was 102.5 billion yen, mainly owing to recording depreciation and amortization and a decrease in accounts receivable-trade.

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

Net cash used in investing activities for the year ended March 31, 2011 was 95.8 billion yen, mainly owing to the purchase of property, plant and equipment in the amount of 77.1 billion yen and payments for transfer of business in the amount of 17.7 billion yen.

The foregoing resulted in positive free cash flows of 6.7 billion yen for the year ended March 31, 2011.

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

Net cash provided by financing activities for the year ended March 31, 2011 was 132.6 billion yen, mainly due to capital increase through third-party allotment.

As a result of the above, cash and cash equivalents for the year ended March 31, 2011 totaled 337.3 billion yen, an increase of 134.2 billion yen. This was mainly due to cash flows from financing activities in the amount of 132.6 billion yen through completion of the third-party allotment, in addition to achieving positive free cash flows of 6.7 billion yen.

(4) Effect of Change in Exchange Rates on Foreign Currency

The average annual exchange rate of the Japanese yen against the U.S. dollar during the fiscal year ended March 31, 2011 was stronger compared to the fiscal year ended March 31, 2010. This decreased the yen-denominated amount of U.S. dollar-denominated sales, thereby contributing to decreased earnings. From time to time, we enter into foreign currency forward exchange contracts to reduce exposure to market risks from fluctuations in foreign currency exchange. We recorded a net foreign exchange loss of 5.8 billion yen for the fiscal year ended March 31, 2011. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the fiscal year-end. Revenue and expenses are translated at the average exchange rate for the fiscal year. Adjustments resulting from the translation are accumulated and recorded in “foreign currency translation adjustments” and “minority interests” in the consolidated balance sheets. For details, see Basis of Consolidated Financial Statements.

(5) Liquidity and Capital Resources

The Group’s financial policy is to secure adequate liquidity and capital resources for its operations and to maintain the strength of its balance sheet. In order to secure stable capital resources, Renesas Electronics issued bonds with share subscription rights (zero coupon unsecured yen convertible bonds due 2011) on May 27, 2004 and raised 110.0 billion yen. As of March 31, 2011, the outstanding balance of convertible bonds was 110.0 billion yen. Moreover, on May 27, 2011 the Group redeemed on maturity the said outstanding balance of 110.0 billion yen in bonds.

As of March 31, 2011, the total amount of interest-bearing debt, including bonds, borrowings, and lease obligations, was 378.2 billion yen. As of March 31, 2011, we had 337.3 billion yen in liquidity, including cash and deposits, and short-term investment securities. Moreover, Renesas Electronics has obtained credit ratings from Rating and Investment Information, Inc. (R&I), one of Japan’s major credit rating agencies. As of March 31, 2011, Renesas Electronics’ senior long-term credit and current short-term debt ratings from R&I are BBB and a-2, respectively. As of May 10, 2011, Renesas Electronics’ senior long-term credit rating from R&I was changed to BBB-.

(6) Off-balance Sheet Arrangements

The Group securitizes receivables by selling certain trade receivables to Special Purpose Entities ("SPEs") and others without recourse from time to time. The purpose of these securitization transactions is to enhance asset efficiency. The Group services, administers and collects the securitized trade receivables on behalf of the SPEs and others. The Group's balance of securitized trade receivables was 39.1 billion yen as of March 31, 2011. Furthermore, the Group conducts operating leases as a means of avoiding risks associated with a decline in the value of obsolete production facilities, as well as to stabilize cash flows. As of March 31, 2011, the balance of fees for unexpired leases associated with non-cancelable items under operating lease transactions was 30.1 billion yen.

Risk Factors

Renesas Electronics Group's operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect investors' judgments. The Group recognizes the following as some of the most significant risk factors faced in its business operations as of March 31, 2011.

1) Market Fluctuations

Although the Renesas Electronics Group carefully monitors changes in market conditions, it is difficult to completely avoid the impact of market fluctuations due to economic cycles in countries around the world and changes in the demand for end products. Market downturns, therefore, could lead to sales declines for the Group, as well as lower fab utilization rates, which may in turn result in diminished cost ratios, ultimately leading to a significant deterioration in profits.

2) Foreign Currency Fluctuations

The operating results and financial position of the Renesas Electronics Group are affected by fluctuations in foreign currency exchange markets. The Group takes various measures to reduce risks relating to fluctuations in the foreign currency exchange markets, such as forward exchange contracts. However, significant fluctuations in the exchange rate may impact the yen values of foreign currency-denominated product sales, materials costs, and production costs in factories overseas. In addition, conversion of Renesas Electronics' foreign currency-denominated assets and liabilities, and the foreign currency-denominated financial statements of Renesas Electronics' overseas subsidiaries into Japanese yen for disclosure may also affect the Group's assets and liabilities, as well as earnings and expenses.

3) Countries' Legal Systems and Related Compliance

The Renesas Electronics Group conducts development, production and sales activities all over the world. Consequently, the Group may encounter risks associated with the countries and regions where it operates. Such risks include political and social instability, changes in legal regulations and social policies pertaining to areas such as trade, employment and the environment that impact business development, as well as deterioration in underlying economic conditions.

4) Natural Disasters

Natural disasters such as earthquakes, typhoons, and floods, as well as accidents, acts of terror and other factors beyond the control of the Renesas Electronics Group could severely damage semiconductor manufacturing facilities and other Group-owned facilities. The Renesas Electronics Group owns facilities in areas where earthquakes occur at a frequency higher than the global average. Consequently, the effects of earthquakes and other events could force a halt to manufacturing and other operations. The Renesas Electronics Group is insured against losses and damages relating to earthquakes; however, the insurance may be unable to cover all the losses and damages if the earthquake is extraordinarily severe.

5) Competition

The semiconductor industry is extremely competitive, and the Renesas Electronics Group is exposed to fierce competition from rival companies around the world in areas such as product performance, structure, pricing and quality. To maintain competitiveness, the Renesas Electronics Group takes various measures, including development of leading edge technologies, standardizing design, and cost reduction, but in the event that the Group is not competitive, the Group's market share may decline, which may negatively impact the Group's financial results. Price competition for the purpose of maintaining market share may also lead to sharp declines in the market price of the Group's products. When this cannot be offset by cost reductions, the Group's gross profit margin ratio may decline.

6) Product Production

a. Production Process Risk

Semiconductor products require extremely complex production processes. In an effort to increase yields from the materials used, the Renesas Electronics Group takes steps to properly control production processes and seeks ongoing improvements. However, the emergence of problems in these production processes could lead to worsening yields. This problem, in turn, could trigger shipment delays, reductions in shipment volume or, at worst, the halting of shipments.

b. Procurement of Raw Materials, Components, and Production Facilities

The timely procurement of necessary raw materials, components and production facilities is critical to semiconductor production. To avoid supply problems related to these essential raw materials, components and production facilities, the Renesas Electronics Group works diligently to develop close relationships with multiple suppliers. Some necessary materials, however, are available only from specific suppliers. Consequently, insufficient supply capacity amid tight demand for these materials as well as events including natural disasters, accidents, worsening of business conditions, and withdrawal from business by suppliers could preclude their timely procurement, or may result in sharply higher prices for these essential materials upon procurement.

c. Product Defects, Anomalies and Malfunctions

Although the Renesas Electronics Group makes an effort to improve the quality of semiconductor products and related software, they may contain defects, anomalies or malfunctions that are undetectable at the time of shipment due to increased sophistication of technologies and the diversity of ways in which the Group’s products are used by customers. These defects, anomalies or malfunctions could be discovered after Renesas Electronics Group products are embedded in customers’ end products, resulting in the return or exchange of Renesas Electronics’ products, claims for compensatory damages, or discontinuation of the use of Renesas Electronics’ products, which could negatively impact the profits and operating results of the Group. To prepare for such events, the Renesas Electronics Group has product liability insurance and recall insurance, but it is not guaranteed that the full costs of reimbursements would be covered by these.

d. Risks Associated with Outsourced Production

The Renesas Electronics Group outsources the manufacture of certain semiconductor products to external foundries and other entities. In doing so, the Group selects its trusted outsourcers, rigorously screened in advance based on their technological capabilities, supply capacity, and other relevant traits. This screening notwithstanding, the possibility of delivery delays, product defects and other production-side risks stemming from outsourcers cannot be ruled out completely. In particular, inadequate production capacity among outsourcers could result in the Group being unable to supply enough products amid periods of high product demand.

7) Product Sales

a. Reliance on Key Customers

The Renesas Electronics Group relies on certain key customers for the bulk of its product sales to end customers. A decision by these key customers to cease adoption of the Group’s products, or to dramatically reduce order volume, could negatively impact the Group’s operating results.

b. Changes in Production Plans by Customers of Custom Products

The Renesas Electronics Group receives orders from customers for the development of specific semiconductor products. There is a possibility that the customers may decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded after the Group has started product design work based on their unique specifications. There is also a possibility that the customers may cancel their order if the functions and quality of the product do not meet the customer requirements. Further, the weak sales of end products in which products developed by the Group are embedded may result in customers reducing their orders, or postponing delivery dates. Such changes in production plans, order reductions, postponements and other actions by the customers concerning custom products may cause declines in the Group sales and profitability.

c. Reliance on Authorized Sales Agents

In Japan and Asia, the Renesas Electronics Group sells the majority of its products via independent authorized sales agents, and relies on certain major authorized sales agents for the bulk of these sales. The inability of the Group to provide these authorized sales agents with competitive sales incentives or margins, or to secure sales volumes that the authorized sales agents consider appropriate, could result in a decision by such agents to replace the Group products handled with those of a competitor, which could cause a downturn in the Group sales.

8) Retaining Human Resources

There is fierce competition in the semiconductor industry for talented human resources such as managers, technicians, researchers, and developers. For this reason, there is a risk that the Group may be unable to indefinitely retain talented human resources with adequate backgrounds in science, technology or engineering, particularly in the fields of LSI design and semiconductor manufacturing process technology.

9) Retirement benefit obligations

Retirement benefit obligations and prepaid pension cost recognized by the Renesas Electronics Group are calculated based on the premise of actuarial calculations such as discount rate and expected return on plan assets. It could negatively affect the Group's business, earnings and financial conditions if retirement benefit obligations increase when there is a discrepancy between the premise and result of actuarial calculations due to lower interest rates or declines in the stock market.

10) Impairment Loss on Long-term Assets

The Renesas Electronics Group has recorded property, plant and equipment and many other long-lived assets in its consolidated balance sheet, and when there is an indicator of impairment loss, the Group reviews whether it will be able to recover the recorded residual value of these assets in the form of future cash flows. If these assets do not generate sufficient cash flows, Renesas Electronics and the Renesas Electronics Group may be forced to recognize impairment loss in their value.

11) Information Management

The Renesas Electronics Group has in its possession a great deal of confidential information relating to its business activities. While such confidential information is managed according to internal regulations specifically designed for that purpose, there is always the risk that information may leak due to unforeseen circumstances. Should such an event occur, there is a likelihood that customer confidence and social trust would deteriorate, resulting in a negative effect on the Group's performance.

12) Environmental Factors

The Renesas Electronics Group strives to decrease its environmental impact with respect to diversified and complex environmental issues such as global warming, air pollution, industrial waste, tightening of hazardous substance regulations, and soil pollution. There is the possibility that, regardless of whether there is negligence in its pursuit of business activities, the Renesas Electronics Group could bear legal or social responsibility for environmental problems. Should such an event occur, the burden of expenses for resolution could potentially be high, and the Group could suffer erosion in social trust.

13) Business Activities Conducted Outside Japan

The Renesas Electronics Group implements various measures aimed at expanding business in overseas markets. These efforts can be adversely affected by factors such as barriers to long-term relationships with potential customers and local enterprises; restrictions on investment and imports/exports; tariffs; fair trade regulations; political, social, and economic risks; outbreaks of illness or disease; exchange rate fluctuations; drops in individual consumption or in equipment investment; fluctuations in the prices of goods and land; and rising wage levels. As a result, the Group may fail to achieve its initial targets regarding business expansion in overseas markets, which could have a negative impact on the business growth and performance of the Group.

14) Strategic Alliance and Corporate Acquisition

For business expansion and strengthening of competitiveness, the Renesas Electronics Group may engage in strategic alliances, including joint investments, and corporate acquisitions involving third parties in the areas of R&D on key technologies and products, manufacturing, etc. The Group studies from many aspects the potential of these alliances and acquisitions in terms of return on investment and profitability, but time and money are necessary to achieve integration in areas such as business execution, technology, products, and personnel, and it is possible that these collaborative relationships cannot be sustained due to issues such as differences from the Group’s partners on management strategy in areas such as capital procurement, technology management, and product development, or financial or other business problems the Group’s partners may encounter. It is also possible that strategic alliances and corporate acquisitions may not actually yield the results initially anticipated.

15) Legal Issues

The Renesas Electronics Group is a defendant in multiple civil lawsuits related to intellectual property rights, and is the subject of legal proceedings by regulatory authorities and a defendant in multiple civil lawsuits related to possible violations of antitrust law/competition law. It is possible that the Group will become a party to such legal proceedings in future.

The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving DRAM brought by purchasers of such products. Although a U.S. subsidiary of the Group had been named as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law violations involving DRAM brought by indirect purchasers of such products as well as the Attorneys General of several states in the U.S., it agreed on settlement with plaintiffs. The U.S. subsidiary of the Group has already resolved by settlement class action lawsuits brought by direct purchasers, but it is still in settlement negotiations with several customers who have opted out of such class action lawsuits.

The Group has been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving SRAM brought by purchasers of such products.

The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving flash memory brought by purchasers of such products.

The Group's subsidiaries in North America, Europe and South Korea are the subject of investigations by the U.S. Department of Justice, the Competition Bureau of Canada, the European Commission, and the Korea Fair Trade Commission in connection with possible violations of antitrust law/competition law related to thin-film transistor liquid crystal displays (TFT-LCDs). Among those, the European Commission issued a statement of objections against the parties concerned and entered into formal investigation process in May 2009, and also imposed a fine on multiple LCD panel manufacturers in December 2010. However, the subsidiary of the Group has not received this statement of objections, nor has it been treated as a subject in the following procedures.

The Group is the subject of an investigation by the European Commission regarding possible violations of competition law in relation to smartcard chips.

It is difficult to predict the outcome of the legal proceedings to which the Group is presently a party or to which it may become a party in future. The resolution of such disputes may require considerable time and expense, and it is possible that the Group may be required to pay compensation for damages, possibly resulting in significant adverse effects to the business, performance, and financial condition of the Group.

16) Business Integration

On April 1, 2010, the former NEC Electronics Corporation and the former Renesas

Technology Corp. merged to form Renesas Electronics Corporation. It is possible that the anticipated benefits and synergies from the merger may not be realized, that changes to operating procedures due to the merger could cause confusions, or that unexpected situations arising from the merger could generate costs that are larger-than-expected, which could have a negative impact on the business performance of the Renesas Electronics Group.

FINANCIAL SECTION

1. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements of the Renesas Electronics Corporation ("the Company") and its consolidated subsidiaries (“the Group”) were prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976, “Regulations Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (“Regulations for Consolidated Financial Statements”).

The consolidated financial statements for the previous fiscal year (from April 1, 2009 to March 31, 2010) were prepared in accordance with the Regulations for Consolidated Financial Statements before amendment, whereas the consolidated financial statements for the current fiscal year (from April 1, 2010 to March 31, 2011) were prepared in accordance with the Regulations for Consolidated Financial Statements after amendment.

2. Audit Certification

The consolidated financial statements for the previous fiscal year (from April 1, 2009 to March 31, 2010) and for the current fiscal year (from April 1, 2010 to March 31, 2011) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Section 1, of the Financial Instruments and Exchange Law.

3. Special Measures for Preparing Fairly Stated Financial Statements

The Company is implementing special measures to ensure the fairness of financial statements. These measures involve attaining a thorough understanding of accounting standards and developing a system for addressing changes made to these standards. To this end, the Company has registered with the Financial Accounting Standards Foundation, and participates in seminars held by accounting standard-setters. In addition, we are updating our internal rules and in-house manuals as and when necessary to reflect these special measures.

Consolidated Financial Statements

1. Consolidated Balance Sheets

As of March 31, 2010 and 2011

(In millions of yen)

		March 31, 2010		March 31, 2011
Assets				
Current assets				
Cash and deposits		24,685		170,691
Notes and accounts receivable-trade		63,752		137,346
Short-term investment securities		66,549		166,998
Merchandise and finished goods		13,446		45,800
Work in process		33,411		61,193
Raw materials and supplies		10,192		16,378
Deferred tax assets		324		1,289
Accounts receivable-other		8,860		37,966
Other		3,487		4,239
Allowance for doubtful accounts		(167)		(237)
Total current assets		224,539		641,663
Long-term assets				
Property, plant and equipment				
Buildings and structures		228,432		294,478
Accumulated depreciation	*2	(160,424)	*2	(174,870)
Buildings and structures, net		68,008		119,608
Machinery and equipment		702,430		793,130
Accumulated depreciation	*2	(617,057)	*2	(657,424)
Machinery and equipment, net		85,373		135,706
Vehicles, tools, furniture and fixtures		110,068		138,544
Accumulated depreciation	*2	(93,747)	*2	(104,392)
Vehicles, tools, furniture and fixtures, net		16,321		34,152
Land		14,737		35,887
Construction in progress		13,538		20,947
Total property, plant and equipment		197,977		346,300
Intangible assets				
Goodwill		-		2,485
Software		13,214		28,742
Other		705		52,003
Total intangible assets		13,919		83,230
Investments and other assets				
Investment securities		194	*1	10,635
Deferred tax assets		1,077		2,100
Long-term prepaid expenses		7,196		43,096
Prepaid pension cost		6,658		-
Long-term accounts receivable-other		5,829		-
Other		2,539	*1	18,024
Total investments and other assets		23,493		73,855
Total long-term assets		235,389		503,385
Total assets		459,928		1,145,048

(In millions of yen)

	March 31, 2010	March 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,595	144,944
Current portion of bonds with share subscription rights	-	110,000
Short-term borrowings	2,450	143,467
Current portion of long-term borrowings	3,104	44,321
Current portion of lease obligations	3,223	8,176
Accounts payable-other	21,525	78,250
Accrued expenses	22,709	55,538
Accrued income taxes	2,812	3,962
Provision for product warranties	253	590
Provision for loss on guarantees	-	456
Provision for business structure improvement	-	2,239
Provision for contingent loss	*3 1,545	*3 399
Provision for loss on disaster	-	46,042
Asset retirement obligations	-	404
Other	7,642	6,474
Total current liabilities	139,858	645,262
Long-term liabilities		
Bonds with share subscription rights	110,000	-
Long-term borrowings	11,062	58,192
Lease obligations	11,054	14,073
Deferred tax liabilities	7,097	14,063
Accrued retirement benefits	40,098	84,831
Provision for contingent loss	*3 1,228	*3 1,163
Asset retirement obligations	-	5,426
Other	3,193	30,980
Total long-term liabilities	183,732	208,728
Total liabilities	323,590	853,990
Net assets		
Shareholders' equity		
Common stock	85,955	153,255
Capital surplus	242,586	450,413
Retained earnings	(182,611)	(297,634)
Treasury stock	(11)	(11)
Total shareholders' equity	145,919	306,023
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	(16)	(259)
Foreign currency translation adjustments	(13,649)	(22,007)
Total accumulated other comprehensive income	(13,665)	(22,266)
Share subscription rights	52	48
Minority interests	4,032	7,253
Total net assets	136,338	291,058
Total liabilities and net assets	459,928	1,145,048

See accompanying notes to consolidated financial statements.

2. Consolidated Statements of Operations

For the Years Ended March 31, 2010 and 2011

(In millions of yen)

		The year ended March 31, 2010		The year ended March 31, 2011
Net sales		471,034		1,137,898
Cost of sales	*1	353,781	*1	745,927
Gross profit		117,253		391,971
Selling, general and administrative expenses	*2 *3	166,488	*2 *3	377,447
Operating income (loss)		(49,235)		14,524
Non-operating income				
Interest income		245		553
Dividends income		-		83
Equity in earnings of affiliates		-		759
Compensation income		881		-
Subsidy income		711		-
Other		866		2,250
Total non-operating income		2,703		3,645
Non-operating expenses				
Interest expenses		586		3,777
Loss on valuation of securities		6		-
Foreign exchange losses		937		5,783
Loss on disposal of long-term assets		2,506		2,952
Retirement benefit expenses		2,376		2,383
Other		1,454		2,241
Total non-operating expenses		7,865		17,136
Ordinary income (loss)		(54,397)		1,033
Special income				
Gain on sales of property, plant and equipment	*4	557	*4	768
Gain on negative goodwill		-		2,159
Reversal of provision for contingent loss		9,576		1,774
Gain on sales of subsidiary's stocks		98		-
Gain on liquidation of subsidiary		42		-
Gain on transfer of business		-		1,192
Gain on sales of investment securities		-		320
Compensation income		-		116
Total special income		10,273		6,329
Special loss				
Loss on sales of property, plant and equipment	*5	16	*5	402
Impairment loss	*6	646	*6	36,051
Loss on disaster		-	*7	49,504
Business structure improvement expenses	*8	5,600	*8	30,598
Loss on litigation and others		2,098		-
Loss on sales of investment securities		171		-
Loss on valuation of investment securities		161		119
Effect of adoption of accounting standard for asset retirement obligations		-		1,488
Total special losses		8,692		118,162
Income (loss) before income taxes and minority interests		(52,816)		(110,800)
Income taxes-current		2,245		2,885
Income taxes-deferred		1,871		(829)
Total income taxes		4,116		2,056
Income (loss) before minority interests		-		(112,856)
Minority interests in income (loss) of consolidated subsidiaries		(500)		2,167
Net income (loss)		(56,432)		(115,023)

See accompanying notes to consolidated financial statements.

3. Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2010 and 2011

(In millions of yen)

	The year ended March 31, 2010		The year ended March 31, 2011
Income (loss) before minority interests	-		(112,856)
Other comprehensive income			
Unrealized gains (losses) on securities	-		(239)
Foreign currency translation adjustments	-		(8,744)
Share of other comprehensive income of affiliates accounted for by the equity method	-		(12)
Total other comprehensive income	-	*2	(8,995)
Comprehensive income	-	*1	(121,851)
Comprehensive income attributable to			
shareholders of parent company	-		(123,624)
minority interests	-		1,773

See accompanying notes to consolidated financial statements.

4. Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2010 and 2011

(In millions of yen)

	The year ended March 31, 2010	The year ended March 31, 2011
Shareholders' equity		
Common stock		
Balance at end of previous year	85,955	85,955
Changes during the period		
Issuance of new shares	-	67,300
Total changes during the period	-	67,300
Balance at end of current year	85,955	153,255
Capital surplus		
Balance at end of previous year	242,586	242,586
Changes during the period		
Issuance of new shares	-	67,300
Increased by merger	-	140,527
Total changes during the period	-	207,827
Balance at end of current year	242,586	450,413
Retained earnings		
Balance at end of previous year	(126,179)	(182,611)
Changes during the period		
Net income (loss)	(56,432)	(115,023)
Total changes during the period	(56,432)	(115,023)
Balance at end of current year	(182,611)	(297,634)
Treasury stock		
Balance at end of previous year	(11)	(11)
Changes during the period		
Purchase of treasury stock	(0)	(0)
Total changes during the period	(0)	(0)
Balance at end of current year	(11)	(11)
Total shareholders' equity		
Balance at end of previous year	202,351	145,919
Changes during the period		
Issuance of new shares	-	134,600
Increased by merger	-	140,527
Net income (loss)	(56,432)	(115,023)
Purchase of treasury stock	(0)	(0)
Total changes during the period	(56,432)	160,104
Balance at end of current year	145,919	306,023

(In millions of yen)

	The year ended March 31, 2010	The year ended March 31, 2011
Accumulated other comprehensive income		
Unrealized gains (losses) on securities		
Balance at end of previous year	2	(16)
Changes during the period		
Net changes in items other than shareholders' equity	(18)	(243)
Total changes during the period	(18)	(243)
Balance at end of current year	(16)	(259)
Foreign currency translation adjustments		
Balance at end of previous year	(12,183)	(13,649)
Changes during the period		
Net changes in items other than shareholders' equity	(1,466)	(8,358)
Total changes during the period	(1,466)	(8,358)
Balance at end of current year	(13,649)	(22,007)
Total accumulated other comprehensive income		
Balance at end of previous year	(12,181)	(13,665)
Changes during the period		
Net changes in items other than shareholders' equity	(1,484)	(8,601)
Total changes during the period	(1,484)	(8,601)
Balance at end of current year	(13,665)	(22,266)
Share subscription rights		
Balance at end of previous year	67	52
Changes during the period		
Net changes in items other than shareholders' equity	(15)	(4)
Total changes during the period	(15)	(4)
Balance at end of current year	52	48
Minority interests		
Balance at end of previous year	4,467	4,032
Changes during the period		
Net changes in items other than shareholders' equity	(435)	3,221
Total changes during the period	(435)	3,221
Balance at end of current year	4,032	7,253
Total net assets		
Balance at end of previous year	194,704	136,338
Changes during the period		
Issuance of new shares	-	134,600
Increased by merger	-	140,527
Net income (loss)	(56,432)	(115,023)
Purchase of treasury stock	(0)	(0)
Net changes in items other than shareholders' equity	(1,934)	(5,384)
Total changes during the period	(58,366)	154,720
Balance at end of current year	136,338	291,058

See accompanying notes to consolidated financial statements.

5. Consolidated Statements of Cash Flows

For the Years Ended March 31, 2010 and 2011

(In millions of yen)

		The year ended March 31, 2010	The year ended March 31, 2011
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests		(52,816)	(110,800)
Depreciation and amortization		52,957	103,494
Amortization of long-term prepaid expenses		5,051	11,596
Impairment loss		646	36,051
Loss on disaster		-	6,187
Gain on negative goodwill		-	(2,159)
Increase (decrease) in accrued retirement benefits		5,318	(8,532)
Increase (decrease) in provision for business structure improvement		-	505
Increase (decrease) in provision for contingent loss		(9,595)	(1,807)
Increase (decrease) in provision for loss on disaster		-	46,042
Interest and dividends income		(245)	(636)
Interest expenses		586	3,777
Equity in (earnings) losses of affiliates		-	(759)
Loss (gain) on sales and valuation of investment securities		338	(201)
Loss (gain) on sales of property, plant and equipment		(541)	(366)
Loss on disposal of long-term assets		2,506	2,952
Business structure improvement expenses		3,767	7,895
Loss (gain) on transfer of business		-	(1,192)
Effect of adoption of accounting standard for asset retirement obligations		-	1,488
Loss (gain) on sales of subsidiary's stocks	*4	(98)	-
Loss (gain) on liquidation of subsidiary		(42)	-
Decrease (increase) in notes and accounts receivable-trade		(18,398)	39,807
Decrease (increase) in inventories		5,578	(880)
Decrease (increase) in accounts receivable-other		(1,928)	(10,368)
Increase (decrease) in notes and accounts payable-trade		14,171	(35,490)
Increase (decrease) in accounts payable-other and accrued expenses		1,252	27,886
Increase (decrease) in accrued consumption taxes		1,952	-
Other, net		(1,459)	1,794
Subtotal		9,000	116,284
Interest and dividends received		276	670
Interest paid		(586)	(3,826)
Income taxes paid		(1,020)	(5,450)
Payments for extra retirement benefits		(1,410)	(786)
Payments for loss on litigation and others		-	(4,407)
Net cash provided by (used in) operating activities		6,260	102,485

(In millions of yen)

	The year ended March 31, 2010	The year ended March 31, 2011
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	-	531
Purchase of property, plant and equipment	(59,547)	(77,111)
Proceeds from sales of property, plant and equipment	20,287	7,526
Purchase of intangible assets	(2,174)	(9,875)
Purchase of long-term prepaid expenses	(1,534)	(2,007)
Purchase of investment securities	-	(465)
Proceeds from sales of investment securities	1,229	649
Purchase of investments in subsidiary	-	(649)
Proceeds from transfer of business	-	3,285
Payments for transfer of business	-	*2 (17,654)
Proceeds from sales of investments in subsidiary resulting in change in scope of consolidation	*4 158	86
Other, net	(647)	(80)
Net cash provided by (used in) investing activities	(42,228)	(95,764)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	1,324	27,377
Proceeds from long-term borrowings	15,000	40,056
Repayment of long-term borrowings	(834)	(53,970)
Purchase of treasury stock	(0)	-
Proceeds from issuance of common stock	-	134,600
Repayments of finance lease obligations	(1,939)	(8,256)
Repayments of installment payables	(2,906)	(6,853)
Proceeds from sale-and-leaseback transactions	15,992	-
Other, net	-	(357)
Net cash provided by (used in) financing activities	26,637	132,597
Effect of exchange rate change on cash and cash equivalents	(714)	(5,155)
Net increase (decrease) in cash and cash equivalents	(10,045)	134,163
Cash and cash equivalents at beginning of the period	101,279	91,234
Increase in cash and cash equivalents resulting from merger	-	111,892
Cash and cash equivalents at end of the period	*1 91,234	*1 337,289

See accompanying notes to consolidated financial statements.

Basis of Consolidated Financial Statements

Items	The year ended March 31, 2010	The year ended March 31, 2011
1. Scope of Consolidation	All subsidiaries were consolidated. The number of consolidated companies of the Group: 18 Names of the substantial consolidated subsidiaries: NEC Semiconductors Yamagata, Ltd. NEC Semiconductors Kansai, Ltd. NEC Semiconductors Kyushu 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. NEC Electronics Korea Limited NEC Electronics merged with Renesas Technology Corp. (“Renesas”) as of April 1, 2010, and changed its company name to Renesas Electronics. Accordingly, the subsidiaries above changed their companies’ names as follows: The details of the business combination are described in “Significant Subsequent Events.” Renesas Yamagata Semiconductor Co., Ltd. (former NEC Semiconductors Yamagata, Ltd.) Renesas Kansai Semiconductor Co., Ltd. (former NEC Semiconductors Kansai, Ltd.) Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. (former NEC Semiconductors Kyushu 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.)	All subsidiaries were consolidated. Number of consolidated companies of the Group: 58 Names of the substantial consolidated subsidiaries: Renesas Yamagata Semiconductor Co., Ltd. Renesas Kansai Semiconductor Co., Ltd. Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. Renesas Micro Systems Co., Ltd. Renesas Semiconductor KL Sdn. Renesas Semiconductor Singapore Pte. Ltd. Renesas Electronics Korea Co., Ltd. Renesas Electronics (China) Co., Ltd. Shougang NEC Electronics Co., Ltd. and other 5 companies Names of other substantial consolidated subsidiaries were also mentioned below. Due to the merger with the former Renesas Technology Corp. (“Renesas Technology”), 39 companies are newly consolidated. Moreover, 5 newly established companies are consolidated and 4 companies are excluded from the consolidation of the Group because of the mergers of subsidiaries. Number of subsidiaries increased by the merger with the former Renesas Technology: 39 Renesas Electronics Sales Co., Ltd. Renesas Northern Japan Semiconductor, Inc. Hokkai Electronics Co., Ltd. Haguro Electronics Co., Ltd. Renesas Eastern Japan Semiconductor, Inc. Renesas Kofu Semiconductor, Co., Ltd. Renesas High Components, Inc. Renesas Yanai Semiconductor, Inc. Renesas Kyusyu Semiconductor Corp. Renesas Naka Semiconductor Co., Ltd. Renesas Semiconductor Engineering Corp. Renesas Takasaki Engineering Services Co., Ltd. Renesas Musashi Engineering Services Co., Ltd. Renesas Kitaitami Engineering Services Co., Ltd.

Items	The year ended March 31, 2010	The year ended March 31, 2011
1. Scope of Consolidation	Renesas Electronics Taiwan Co., Ltd. (former NEC Electronics Taiwan Ltd.) Renesas Electronics Korea Co., Ltd. (former NEC Electronics Korea Limited) In addition, NEC Electronics (China) Co,. Ltd. changed its company name to Renesas Electronics (China) Co., Ltd. as of June 12, 2010. The number of the Group's consolidated subsidiaries had decreased by three. The details were as follows: Decreased by liquidation: 2 NEC Fabserve, Ltd. NEC Semiconductors Ireland Limited Decreased by sale: 1 Kinki Bunseki Center, LTD.	Renesas Design Corp. Renesas Solutions Corp. Renesas SP Drivers Inc. Renesas Electronics (Shanghai) Co., Ltd. Renesas Electronics Hong Kong Limited Renesas Electronics Malaysia Sdn. Bhd. Renesas Electronics Canada Limited Renesas Electronics Europe Limited Renesas Semiconductor (Beijing) Co., Ltd. Renesas Semiconductor (Suzhou) Co., Ltd. Renesas Semiconductor (Malaysia) Sdn. Bhd. Renesas Semiconductor (Kedah) Sdn. Bhd. Renesas Semiconductor Technology (Malaysia) Sdn. Bhd. Renesas Semiconductor Design (Beijing) Co., Ltd. Renesas Design Vietnam Co., Ltd. Renesas Semiconductor Design (Malaysia) Sdn. Bhd. Renesas Design France S.A.S Renesas System Solutions Korea Co., Ltd. Renesas SP Drivers Taiwan Inc. and other 6 companies Number of newly established subsidiaries: 5 Renesas Mobile Corp. Renesas Mobile Europe Oy Renesas Mobile India Private Limited Renesas Tongxinjishu (Beijing) Co., Ltd. and 1 other company Number of subsidiaries decreased by the merger: 4

(Before)	(After)
Renesas Technology America Inc.	Absorbed into Renesas Electronics America Inc.
Renesas Technology Europe GmbH	Absorbed into Renesas Electronics Europe GmbH
Renesas Technology Singapore Pte. Ltd.	Absorbed into Renesas Electronics Singapore Pte. Ltd.
Renesas Technology Taiwan Co., Ltd.	Absorbed into Renesas Electronics Taiwan Co., Ltd.

Items	The year ended March 31, 2010	The year ended March 31, 2011
2. Application of Equity Method	————	(1) The number of affiliates accounted for by the equity method : 6 Number of subsidiaries increased by the merger with the former Renesas Technology : 6 The names of major affiliates accounted for by the equity method: Renesas Easton Co., Ltd. Hitachi ULSI Systems Co., Ltd. Renacentis IT Services Co., Ltd. Retronix Technologies Inc. and other 2 companies (2) The name of affiliates not accounted for by the equity method: The equity method is not applied to Semiconductor Leading Edge Technologies, Inc. because net income and retained earnings (both amounts equivalent to what is accounted for by the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on them on an aggregate basis. (3) Of the affiliates accounted for by the equity method, if the closing date differs from that of the consolidated financial statements, the financial statements based on the provisional closing of accounts regarding the consolidated closing date of March 31, 2011 as the closing date are used.
3. Accounting Period of Consolidated Subsidiaries	Of consolidated subsidiaries, the fiscal year-end of Shougang NEC Electronics Co., Ltd. was December 31. Shougang NEC Electronics Co., Ltd. was consolidated by using its financial statements as of its fiscal year-end, and necessary adjustments were made to the financial statements to reflect any significant transactions from January 1 to March 31.	Same as the previous fiscal year

<table>
<tr><th>Items</th><th>The year ended
March 31, 2010</th><th>The year ended
March 31, 2011</th></tr>
<tr><td>4. Significant Accounting Policies
(1) Valuation methods for significant assets</td><td>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</td><td>1) Securities
Other securities:
Marketable securities:
Same as the previous fiscal year
Non-marketable securities :
Same as the previous fiscal year

2) Derivatives
Same as the previous fiscal year

3) Inventories
Same as the previous fiscal year
Merchandise and finished goods :
Custom-made products :
Specific identification method
Mass products :
Average method
Work in process :
Same as the previous fiscal year
Raw materials and supplies :
Average method</td></tr>
</table>

Items	The year ended March 31, 2010	The year ended March 31, 2011
4. Significant Accounting Policies (2) Depreciation method for significant long-term assets	1) Property, plant and equipment other than leased assets Depreciated principally by the declining-balance method. The useful lives of principal property, plant and equipment are as follows: Buildings and structures: 15 to 45 years Machinery and equipment: 4 to 8 years Vehicles, tools, furniture and fixtures: 3 to 5 years	1) Property, plant and equipment other than leased assets Depreciated principally by the straight-line method. The useful lives of principal property, plant and equipment are as follows: Buildings and structures: 15 to 45 years Machinery and equipment: 3 to 8 years Vehicles, tools, furniture and fixtures: 3 to 5 years
	2) Intangible assets other than leased assets Amortized by the straight-line method.	2) Intangible assets other than leased assets Same as the previous fiscal year
	―――――	Software for sales purpose Amortized by the higher of the amount estimated by the straight-line method based on estimated sales quantity over the remaining sales period not exceeding 3 years or the amount based on sales in the year as a proportion of total estimated sales.
	Software for internal use Amortized by the straight-line method over the estimated useful life of five years which is the available term for internal use.	Software for internal use Amortized by the straight-line method over the estimated useful life of 5 years, which is the available term for internal use.
	―――――	Developed Technology Amortized by the straight-line method based on a useful life (not exceeding 10 years) of the business activities.
	3) Leased assets Leased assets under finance leases under which the ownership of the assets is transferred to the lessee Depreciated / amortized in the same way as self-owned long-term assets.	3) Leased assets Leased assets under finance leases under which the ownership of the assets is transferred to the lessee Same as the previous fiscal year
	Leased assets under finance leases other than those under which the ownership of the assets is transferred to the lessee Depreciated / amortized by the straight-line method over the lease term, assuming no residual value. The finance leases other than those under which the ownership of the assets is transferred to the lessee contracted before March 31, 2008 are accounted for as operating lease transactions.	Leased assets under finance leases other than those under which the ownership of the assets is transferred to the lessee Same as the previous fiscal year
	4) Long-term prepaid expenses Amortized by the straight-line method.	4) Long-term prepaid expenses Same as the previous fiscal year

Items	The year ended March 31, 2010	The year ended March 31, 2011
4. Significant Accounting Policies (3) Basis for 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.	1) Allowance for doubtful accounts Same as the previous fiscal year
	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 principally over 15 years. Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods, principally 14 years, starting in the following year after occurrence. Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods, principally 14 years.	2) Accrued retirement benefits Same as the previous fiscal year
	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.	3) Provision for product warranties The Group accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.
	4) Provision for product warranties The Group accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.	4) Provision for loss on guarantees Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Group has taken into account for the deterioration of financial condition.
	―――	5) Provision for business structure improvement Provision for business structure improvement is made for the amount of the estimated losses to be incurred in connection with business structure enhancement and consolidation.
	―――	6) 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 are reasonably estimated considering individual risks associated with each contingency.

Items	The year ended March 31, 2010	The year ended March 31, 2011
4. Significant Accounting Policies (3) Basis for significant reserves	————	7) Provision for loss on disaster Provision for loss on disaster is made for the amount of estimated losses to be incurred in connection with removal or restoration costs for the assets damaged by the Great East Japan Earthquake.
(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 into Japanese yen 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.	Same as the previous fiscal year
(5) Amortization method and term for goodwill	————	Goodwill is amortized by the straight-line method, over reasonable periods not exceeding 20 years.
(6) Cash and cash equivalents on the consolidated statements of cash flows	————	Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits which can be withdrawn at any time and short-term investments with a maturity of 3 months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.
(7) Others	1) Accounting for consumption tax Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. 2) Adoption of consolidated taxation system Renesas Electronics and the subsidiaries in Japan adopt the consolidated taxation system.	1) Accounting for consumption tax Same as the previous fiscal year 2) Adoption of consolidated taxation system Same as the previous fiscal year

Items	The year ended March 31, 2010	The year ended March 31, 2011
5. Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of consolidated subsidiaries are carried at fair value at the time of acquisition.	―――
6. Amortization of goodwill and negative goodwill	None	―――
7. Cash and cash equivalents in the consolidated statements of cash flows	Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.	―――

Changes in Accounting Policies

The year ended March 31, 2010	The year ended March 31, 2011
(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.	―――
―――	**(Changes in the Valuation Methods for Inventories)** Starting from April 1, 2010, the Company and certain subsidiaries in Japan changed the valuation methods for merchandise, finished goods and raw materials from the first-in, first-out method to the average method. On the merger with the former Renesas Technology, the Group adopted the average method with consideration that it is more reasonable to adopt the average method as it would contribute to improvement of cost management and consistency of cost accounting. The effects of this change on the operating results for the fiscal year ended March 31, 2011 were immaterial.
―――	**(Changes in the Depreciation Methods for Depreciable Assets)** Starting from April 1, 2010, the Company and certain subsidiaries in Japan changed the depreciation method for long-term assets from the declining-balance method to the straight-line method. On the merger with the former Renesas Technology, the Group intended to unify its accounting policies. The Group therefore reevaluated its cost allocation method and decided to adopt the straight-line method with consideration that the straight-line method would be more appropriate to present the actual situation of the business, by clarifying the connection between related revenue and depreciation expense. As a result of this change, for the fiscal year ended March 31, 2011, the depreciation expenses decreased by 6,672 million yen and the operating income and ordinary income increased by 6,046 million yen, while loss before income taxes and minority interests decreased by 5,935 million yen as compared with the previous method.
―――	**(Changes in Classification for Royalty Expenses)** Starting from April 1, 2010, the Group changed the classification of royalty expenses, which were paid for research and manufacturing purposes from cost of sales to selling, general and administrative expenses. On the merger with the former Renesas Technology, the Group unified the management departments for royalty expenses, which were previously separated, and the Group reevaluated the nature of royalty expenses. The Group therefore decided to change the classification with consideration that royalty expenses were more relevant to design and research and development of products and that the new classification would be more suitable in presenting the actual situation. As a result of this change, for the fiscal year ended March 31, 2011, cost of sales decreased by 7,249 million yen and selling, general and administrative expenses increased by 7,249 million yen compared with the previous classification. There were no effects on operating income, ordinary income and loss before income taxes and minority interests for the fiscal year ended March 31, 2011.

The year ended March 31, 2010	The year ended March 31, 2011
――――	**(Adoption of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method")** Effective April 1, 2010, the Group adopted the "Accounting Standard for Equity Method of Accounting for Investments" (the Accounting Standards Board of Japan ("ASBJ") Statement No. 16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force (PITF) No. 24, issued on March 10, 2008). The effects of this adoption on operating results for the fiscal year ended March 31, 2011 were immaterial.
――――	**(Adoption of "Accounting Standard for Asset Retirement Obligations")** Effective April 1, 2010, the Group adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). As a result of the adoption, for the fiscal year ended March 31, 2011, operating income and ordinary income decreased by 363 million yen, while loss before income taxes and minority interests increased by 1,851 million yen.
――――	**(Adoption of "Accounting Standard for Business Combinations" and Others)** Effective April 1, 2010, the Group adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

Changes in Presentation

The year ended March 31, 2010	The year ended March 31, 2011
————	**(Consolidated Balance Sheets)** Although “Prepaid pension cost” and “Long-term accounts receivable-other” were presented independently in the previous fiscal year, they were included in “Other” in Investments and other assets in the current fiscal year. The amounts of “Prepaid pension cost” and “Long-term accounts receivable-other” included in “Other” in the current fiscal year were 5,931 million yen and 6,002 million yen, respectively. Although “Provision for business structure improvement” was included in “Other" in current liabilities in the previous fiscal year, it was presented independently in the current fiscal year. The amount of “Provision for business structure improvement” included in “Other" in the previous fiscal year was 517 million yen.
(Consolidated Statement of Operations) “Subsidy income” used to be included in “Other” of non-operating income for the previous fiscal year. The amount exceeded 10 percent of the total amount of non-operating income, so it was presented independently. The amount of “Subsidy income” included in “Other” of non-operating income for the previous fiscal year was 61 million yen.	**(Consolidated Statement of Operations)** Effective April 1, 2010, the Group adopted “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Presentation of Financial Statements” (Cabinet Office Ordinance No. 5, issued on March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008). As a result of the adoption, “Income (loss) before minority interests” was presented in the consolidated statement of operations for the fiscal year ended March 31, 2011. In the previous fiscal year, “Dividends income” was included in “Other” in non-operating income. However, in the current fiscal year, this item was presented independently. The amount of “Dividends income” included in “Other” in the previous fiscal year was 4 million yen.
————	**(Consolidated Statements of Cash Flows)** Although “Increase (decrease) in provision for business structure improvement” was included in “Other” in net cash provided by (used in) operating activities in the previous fiscal year, it was presented independently in the current fiscal year. The amount of “Increase (decrease) in provision for business structure improvement” included in “Other” in net cash provided by (used in) operating activities in the previous fiscal year was 517 million yen. Although “Increase (decrease) in accrued consumption taxes” was presented independently in the previous fiscal year, it was included in “Increase (decrease) in accounts payable-other and accrued expenses” in net cash provided by (used in) operating activities in the current fiscal year. The amount of “Increase (decrease) in accrued consumption taxes” included in “Increase (decrease) in accounts payable-other and accrued expenses” in the current fiscal year was 527 million yen.

Additional Information

The year ended March 31, 2010	The year ended March 31, 2011
————	**(Change of the Residual Value on Property, Plant and Equipment)** Effective April 1, 2010, the Company and some subsidiaries in Japan reviewed the residual value of property, plant and equipment on the merger with Renesas Technology and changed it from 5% of acquisition cost to memorandum price. As a result of this change, depreciation expenses for the current fiscal year ended March 31, 2011 increased by 4,420 million yen, operating income and ordinary income decreased by 4,001 million yen and loss before income taxes and minority income increased by 3,919 million yen.
————	**(Adoption of “Accounting Standard for Presentation of Comprehensive Income”)** Effective April 1, 2010, the Group adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on June 30, 2010). The amounts of accumulated other comprehensive income and total accumulated other comprehensive income for the previous fiscal year represents the amounts of valuation and translation adjustments and total valuation and translation adjustments, respectively.
————	**(Non-Operating Long-term Assets)** The non-operating long-term assets caused by the Great East Japan Earthquake as of March 31, 2011 were as follows: (In millions of yen) Buildings and structures 15,403 Machinery and equipment 17,322 Vehicles, tools, furniture and fixtures 2,634 Land 3,062 Production has resumed as of the date this financial report was filed.

Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

<table>
<tr><th>As of March 31, 2010</th><th>As of March 31, 2011</th></tr>
<tr><td>―――――</td><td>*1 The items listed below were for subsidiaries and affiliates
(In millions of yen)
Investment securities (Stock) 5,984
“Other” in Investments and other assets (Investments in capital) 96</td></tr>
<tr><td>*2 Accumulated impairment loss was included in accumulated depreciation.</td><td>*2 Same as the previous fiscal year</td></tr>
<tr><td>*3 Contingent liabilities
Residual value guarantees under operating lease transactions (In millions of yen)
BOT LEASE Co., Ltd. 3,375
Sumitomo Mitsui Finance & Leasing Company, Limited 2,765
IBJ Leasing Company, Limited 2,419
STB Leasing Co., Ltd. 386
Total 8,945</td><td>*3 Contingent liabilities
Residual value guarantees under operating lease transactions (In millions of yen)
BOT LEASE Co., Ltd. 3,375
IBJ Leasing Company, Limited 2,591
Sumitomo Mitsui Finance & Leasing Company, Limited 570
Sumishin Panasonic Financial Services Co., Ltd. 386
Total 6,922</td></tr>
<tr><td>―――――</td><td>(In millions of yen)
Guarantees of employees’ housing loans 1,281</td></tr>
<tr><td>Others
Although NEC Electronics America, Inc., a subsidiary in the 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 cooperating with and providing information to the European Commission in its investigation of potential violation of the competition laws in the DRAM industry.

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 a formal procedural step. The Group has not yet received this statement of objections.</td><td>Others
The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving DRAM brought by purchasers of such products. Although a U.S. subsidiary of the Group had been named as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law involving DRAM brought by indirect purchasers of such products as well as the Attorneys General of several states in the U.S., it agreed on settlement with plaintiffs. The U.S. subsidiary of the Group has already resolved by settlement class action lawsuits brought by direct purchasers, but it is still in settlement negotiations with several customers who have opted out of such class action lawsuits.

The Group has been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving SRAM brought by purchasers of such products.

The Group has been named in the U.S. and other countries as one of the defendants in multiple antitrust lawsuits related to possible violations of antitrust law/competition law involving flash memory brought by purchasers of such products.

The Group’s subsidiaries in the U.S., Europe and South Korea are the subject of investigations by the U.S. Department of Justice, the Competition Bureau of Canada, the European Commission and the Korea Fair Trade Commission in connection with possible violations of antitrust law/competition law in relation to thin-film transistor liquid crystal displays (TFT-LCDs). Among those, the European Commission issued a statement of objections against the parties concerned and entered into formal investigation process in May 2009, and also imposed a fine on multiple LCD panel manufacturers</td></tr>
</table>

As of March 31, 2010	As of March 31, 2011
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. Of the aforementioned investigations, antitrust lawsuits and settlement negotiations, 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 future. 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. In May 2010, NEC Electronics’ subsidiaries in Europe, together with NEC Corporation, have received the European Commission’s notice communicating its decision to impose fines regarding its investigation in the DRAM industry. Such decision is based on the settlement procedure introduced by the European Commission.	in December 2010. However, the subsidiary of the Group has not received this statement of objections, nor has it been treated as a subject in the following procedures. The Group is the subject of an investigation by the European Commission regarding possible violations of competition law in relation to smartcard chips. In the aforementioned legal proceedings, the Group has recorded estimated losses in the amount of 1,240 million yen in provision for contingent loss.

(Consolidated Statements of Operations)

The year ended March 31, 2010	The year ended March 31, 2011
*1 Inventory balance as of the fiscal year-end Inventory balance as of the fiscal year-end, presented after write-down of book value and the amount of the write-down included in cost of sales, was as follows: (8,115) million yen	*1 Inventory balance as of the fiscal year-end Inventory balance as of the fiscal year-end, presented after write-down of book value and the amount of the write-down included in cost of sales, was as follows: (5,132) million yen
*2 Selling, general and administrative expenses Principal items and amounts (In millions of yen) Personnel expenses 29,888 Research and development expenses 91,652 Retirement benefit expenses 2,880	*2 Selling, general and administrative expenses Principal items and amounts (In millions of yen) Personnel expenses 64,520 Research and development expenses 202,620 Retirement benefit expenses 4,598
*3 Total of research and development expenses (In millions of yen) Research and development expenses included in manufacturing costs and general and administrative expenses 91,652	*3 Total of research and development expenses (In millions of yen) Research and development expenses included in manufacturing costs and general and administrative expenses 202,620
*4 Components of gain on sales of property, plant and equipment Sales of machinery and equipment and others	*4 Components of gain on sales of property, plant and equipment Sales of land, construction in progress, machinery and equipment and others
*5 Components of loss on sales of property, plant and equipment Sales of machinery and equipment and others	*5 Components of loss on sales of property, plant and equipment Sales of machinery and equipment and others

The year ended March 31, 2010

*6 Impairment loss

The details of impairment loss for the fiscal year were as follows:

Location	Usage	Type
Tsuruoka-city, Yamagata-Prefecture	Idle assets	Machinery and equipment and Vehicles, tools, furniture and fixtures
Kusatsu-city, Shiga-Prefecture	Idle assets	Buildings and structures and Vehicles, tools, furniture and fixtures
Iga-city, Mie-Prefecture	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Intangible assets and Leased assets
Ube-city, Yamaguchi-Prefecture	Idle assets	Land
Yanagawa-city, Fukuoka-Prefecture	Assets to be disposed of	Land and Buildings and structures
Kumamoto-city, Kumamoto-Prefecture	Assets to be disposed of	Buildings and structures, Machinery and equipment and Vehicles, tools, furniture and fixtures

The Group, in principle, bases its grouping for assessing impairment loss on long-term assets on each subsidiary or place of business. However, the Group determines whether an asset should be impaired on an individual asset basis when the significant asset is considered idle or when it is to be disposed of.

The Group recognized impairment loss on the asset groups of idle assets which were not expected to be used and the assets to be disposed of, which became idle and useless due to the decision to close the product line by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 2,842 million yen which was included in special loss. The impairment loss above was composed of business structure improvement expenses (2,196 million yen) and impairment loss other than business structure improvement expenses (646 million yen). The components of the amount of impairment loss (2,842 million yen) were as follows:

The year ended March 31, 2011

*6 Impairment loss

The details of impairment loss for the fiscal year were as follows:

Location	Usage	Type
Tsuruoka-city, Yamagata-Prefecture etc.	Business assets	Land, Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Software for internal use, Other intangible assets and Long-term prepaid expenses
United States of America etc.	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Software for internal use and Other intangible assets
Hitachinaka-city, Ibaraki-Prefecture Kumamoto-city, Kumamoto-Prefecture Kai-city Yamanashi-Prefecture Itami-city, Hyogo-Prefecture etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Long-term prepaid expenses and Leased assets

The Group, in principle, bases its grouping for assessing impairment loss on long-term assets on each company or place of business. However, the Group determines whether an asset should be impaired on an individual asset basis when the significant asset is considered idle or when it is to be disposed of.

The Group has formulated a new structural reform plan to build profitable structures as a basic policy by earlier realization of merger synergy and by elimination of inefficiencies.

<table>
<tr><th>The year ended
March 31, 2010</th><th>The year ended
March 31, 2011</th></tr>
<tr><td>(In millions of yen)
Land 416
Buildings and structures 843
Machinery and equipment 1,391
Vehicles, tools, furniture and fixtures 172
Intangible assets 2
Leased assets 18
Total 2,842

The recoverable value of these assets was measured with their net sale value or value in use. The net sale value was reasonably estimated at the appraisal amount less the necessary expenses for disposal. However, the values of assets, which were difficult to sell, were estimated at zero. The discount rate for estimating the value in use was not considered because it was insignificant.</td><td>As a result of the above plan, net book values of business assets with the expectation of lower profitability were reduced to the recoverable values of assets because the sum of undiscounted future cash flows was less than that of book value. Such loss amounted to 29,679 million yen which was included in special loss. The main such impairment was for Tsuruoka-manufacturing plant (Renesas Yamagata Semiconductor Co., Ltd), which amounted to 27,589 million yen.

Also, the Group recognized impairment loss on the assets to be disposed of, which had no business use due to the decision to close or sell the product line by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 8,630 million yen which was included in impairment loss. The main such impairment was for Roseville-manufacturing plant (Renesas Electronics America Inc.), which amounted to 5,930 million yen.

In addition, the Group recognized impairment loss on idle assets by reducing their net book value to the recoverable values of assets. The impairment loss in special loss amounted to 3,362 million yen.

The total impairment loss of business assets, assets to be disposed of, and idle assets amounted to 41,671 million yen.

The impairment loss above was composed of business structure improvement expenses (5,620 million yen) and impairment loss other than business structure improvement expenses (36,051 million yen).

The components of impairment loss (41,671 million yen) were as follows:

(In millions of yen)
Land 309
Buildings and structures 7,586
Machinery and equipment 26,168
Vehicles, tools, furniture and fixtures 4,387
Construction in progress 1,357
Software for internal use 1,372
Other intangible assets 204
Long-term prepaid expenses 217
Leased assets 71
Total 41,671

The recoverable value of these assets was measured at net sale value or value in use. The net sale value was reasonably estimated as the appraisal amount less the necessary expenses for disposal. However, the net sale value of assets which were difficult to sell was estimated at zero. The discount rate used in the determination of the value in use was mainly 6%.</td></tr>
</table>

<table>
<tr><th>The year ended
March 31, 2010</th><th>The year ended
March 31, 2011</th></tr>
<tr><td>――――</td><td>*7 Loss on disaster

The loss on disaster was related to the Great East Japan Earthquake.
The components of loss on disaster were as follows:
(In millions of yen)
Repair cost of long-term assets 43,116
Loss on disposal of inventories 7,283
Loss on disposal of long-term assets 6,187
Fixed costs during the temporary shutdown of operations 5,919
Loss on cancellation of lease contracts 2,987
Other 12
Subtotal 65,504
Insurance income receivable (16,000)
Total 49,504
The main portion of provision for loss on disaster in the consolidated balance sheet was for repair cost of fixed assets and loss on cancellation of lease contracts.</td></tr>
<tr><td>*8 Business structure improvement expenses

The Group completed closing the 6 inch line in the Kawashiri Plant of NEC Semiconductors Kyushu Yamaguchi Ltd. The Group also made the decision to close the Fukuoka Plant which was an assembly line, and had shifted its line to the Oita Plant.

The Group had been shifting development, prototype and manufacturing line for advanced processes from the Sagamihara Plant to the Yamagata area.

In addition, the Group recognized business structure improvement expenses due to the personnel reduction program which had been undertaken since the previous year at certain foreign subsidiaries.

Due to above measures, the Group recognized expenses as follows:

(In millions of yen)
Impairment loss and loss on disposal and sales of equipment 2,771
Expenses for removal of property, plant and equipment 1,710
Personnel expenses 1,119</td><td>*8 Business structure improvement expenses

To achieve sustainable and robust growth, the Group formulated “100-day project,” and through this project, reviewed overall management resources in business activities owned by former NEC Electronics and former Renesas Technology, such as technologies, products, design and development environments, manufacturing, sales, material purchasing and business processes, so that the merger synergies were maximized. Further, the Group formulated measures to attain its business target, and implemented measures for optimizing business portfolio and reforming production structure.

As parts of those measures, the Group implemented enhanced early retirement programs with special additional payments at the Company and all subsidiaries in Japan. At certain foreign subsidiaries, personnel rationalization plans were implemented.

Due to above measures, the Group recognized expenses as follows:

(In millions of yen)
Impairment loss and loss on equipment disposal 7,267
Expenses for removal of property, plant and equipment and other expenses 1,375
Personnel expenses 21,956</td></tr>
</table>

(Consolidated Statements of Comprehensive Income)

For the year ended March 31, 2011

*1 The components of comprehensive income for the fiscal year ended March 31, 2010

	(In millions of yen)
Comprehensive income attributable to	
shareholders of parent company	(57,916)
minority interests	(425)
Total	(58,341)

*2 The components of other comprehensive income for the fiscal year ended March 31, 2010

	(In millions of yen)
Unrealized gains (losses) on securities	(18)
Foreign currency translation adjustments	(1,391)
Total	(1,409)

(Consolidated Statements of Changes in Net Assets)

For the year ended March 31, 2010

1. Shares issued and outstanding / Treasury stock

	Numbers of shares as of March 31, 2009	Increase	Decrease	Numbers of shares as of March 31, 2010
Shares issued:				
Common stock	123,500,000	—	—	123,500,000
Total	123,500,000	—	—	123,500,000
Treasury stock:				
Common stock *(Note)*	2,306	142	—	2,448
Total	2,306	142	—	2,448

Note: The increase in the number of treasury stock (142 common stocks) was due to purchase of less-than-one-unit shares.

2. Share subscription rights

	Breakdown of share subscription rights	Type of shares	Number of shares to be issued				Balance of shares as of March 31, 2010 (In millions of yen)
			Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2010	
Issuing company	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011	Common Stock	11,156,100	—	—	11,156,100	—
	Share subscription rights as stock option	—	—	—	—	—	52
Total		—	—	—	—	—	52

For the year ended March 31, 2011

1. Shares issued and outstanding / Treasury stock

	Numbers of shares as of March 31, 2010	Increase	Decrease	Numbers of shares as of March 31, 2011
Shares issued:				
Common stock *(Note 1)*	123,500,000	293,624,490	—	417,124,490
Total	123,500,000	293,624,490	—	417,124,490
Treasury stock:				
Common stock *(Note 2)*	2,448	100	—	2,548
Total	2,448	100	—	2,548

Note 1: The increase in the number of common stock of 293,624,490 shares was due to the increase of 146,841,500 shares by acquisition of the former Renesas Technology and the issuance of 146,782,990 shares to NEC Corporation, Hitachi Ltd., and Mitsubishi Electric Corporation by third-party allotment both on April 1, 2010.

Note 2: The increase in the number of treasury stock of 100 shares was due to merger with the former Renesas Technology.

2. Share subscription rights

	Breakdown of share subscription rights	Type of shares	Number of shares to be issued				Balance of shares as of March 31, 2011 (In millions of yen)
			Number of shares as of March 31, 2010	Increase	Decrease	Number of shares as of March 31, 2011	
Issuing company	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 *(Note 1)*	Common Stock	11,156,100	10,300	—	11,166,400	—
	Share subscription rights as stock option	—	—	—	—	—	48
Total		—	—	—	—	—	48

Note 1: The increase was the number of shares of 10,300 common stocks was due to an adjustment of the conversion price of the convertible bonds made in connection with the issuance of new shares through third-party allotments.

(Consolidated Statements of Cash Flows)

<table>
<tr><th>The year ended
March 31, 2010</th><th>The year ended
March 31, 2011</th></tr>
<tr><td>*1 Cash and cash equivalents as of the fiscal year-end were reconciled to the accounts reported in the consolidated balance sheets as follows:
(In millions of yen)
Cash and deposits 24,685
Short-term investment securities 66,549
Cash and cash equivalents 91,234</td><td>*1 Cash and cash equivalents as of the fiscal year-end were reconciled to the accounts reported in the consolidated balance sheets as follows:
(In millions of yen)
Cash and deposits 170,691
Time deposits with maturities of more than three months (400)
Short-term investment securities 166,998
Cash and cash equivalents 337,289</td></tr>
<tr><td>―――</td><td>*2 In the fiscal year ended March 31, 2011, the details of assets acquired and liabilities assumed on the transfer of the Wireless Modem Business of Nokia Corporation were as follows:
(In millions of yen)
Current assets 551
Long-term assets 15,991
Goodwill 2,571
Total assets 19,113
Current liabilities 1,459
Total liabilities 1,459</td></tr>
<tr><td>*3 Significant non-cash transactions
(In millions of yen)
Purchases of leased assets under finance lease transactions 26</td><td>*3 Significant non-cash transactions
(In millions of yen)
(1) Purchases of leased assets under finance lease transactions 1,041
(2) Long-term prepaid expenses for installment purchase contract 36,801
(3) Asset retirement obligations recognized 1,884

(4) Merger
The details of assets acquired and liabilities assumed from the former Renesas Technology in the fiscal year ended March 31, 2011 were as follows. In addition, the amount of capital surplus increased by the merger was 140,527 million yen.
(In millions of yen)
Current assets 320,408
Long-term assets 301,384
Total assets 621,792
Current liabilities 337,849
Long-term liabilities 138,126
Total liabilities 475,975</td></tr>
<tr><td>*4 Major components of the assets and liabilities of the company which had been excluded from consolidation due to sale of shares
The Group had sold stocks of Kinki Bunseki Center, LTD. and the company had been excluded from consolidation. The major components of the assets and liabilities of the company, sales amount of the stocks and the proceeds from the sales were as follows:</td><td>―――</td></tr>
</table>

The year ended March 31, 2010	The year ended March 31, 2011
(In millions of yen) Current assets 325 Long-term assets 127 Current liabilities (114) Long-term liabilities (6) Gain on sales of subsidiary's stocks 98 Amount of sales of the stocks 430 Cash and cash equivalents of the company (186) Accounts receivable-other of the sales (86) Net: Proceeds from the sales 158	

(Lease Transactions)

The year ended March 31, 2010	The year ended March 31, 2011
1. Finance lease transactions (Lessees' accounting) Leased assets under finance leases under which the ownership of the assets is transferred to the lessee (1) Leased assets Property, plant and equipment These were principally manufacturing equipments for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures). (2) Methods for depreciation of leased assets Described in "4. Significant Accounting Policies, (2)Methods for depreciation of property, plant and equipment" in Basis of Consolidated Financial Statements Leased assets under finance leases other than those under which the ownership of the assets is transferred to the lessee (1) Leased assets Property, plant and equipment These were principally manufacturing equipments for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures). (2) Methods for depreciation of leased assets Described in "4. Significant Accounting Policies, (2) Methods for depreciation of property, plant and equipment" in Basis of Consolidated Financial Statements Finance leases other than those under which the ownership of the assets is transferred to the lessee contracted before March 31, 2008 were accounted for as operating lease transactions and major components were as follows: 1) Acquisition cost equivalent, accumulated depreciation equivalent, accumulated impairment loss equivalent and balance at the fiscal year-end equivalent in leased assets.	1. Finance lease transactions (Lessees' accounting) Leased assets under finance leases under which the ownership of the assets is transferred to the lessee (1) Leased assets Property, plant and equipment Same as the previous fiscal year (2) Methods for depreciation of leased assets Same as the previous fiscal year Leased assets under finance leases other than those under which the ownership of the assets is transferred to the lessee (1) Leased assets Property, plant and equipment Same as the previous fiscal year (2) Methods for depreciation of leased assets Same as the previous fiscal year 1) Acquisition cost equivalent, accumulated depreciation equivalent, accumulated impairment loss equivalent and balance at the fiscal year-end equivalent in leased assets.

The year ended March 31, 2010 (In millions of yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Accumulated impairment loss equivalent	Balance at the fiscal year-end equivalent
Machinery and equipment	227	152	18	57
Vehicles, tools, furniture and fixtures	540	418	—	122
Total	767	570	18	179

The year ended March 31, 2011 (In millions of yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Accumulated impairment loss equivalent	Balance at the fiscal year-end equivalent
Machinery and equipment	3,687	1,528	71	2,088
Vehicles, tools, furniture and fixtures	720	212	—	508
Total	4,407	1,740	71	2,596

The year ended March 31, 2010	The year ended March 31, 2011
2) Balance equivalent of future lease payments at the fiscal year-end (In millions of yen) Due within one year 136 Due after one year 45 Total 181 Accumulated impairment loss on leased assets 18	2) Balance equivalent of future lease payments at the fiscal year-end and accumulated impairment loss on leased assets (In millions of yen) Due within one year 1,862 Due after one year 845 Total 2,707 Accumulated impairment loss on leased assets 237
3) Payments for leased assets, depreciation expenses equivalent, interest expenses equivalent and impairment loss (In millions of yen) Payments for leased assets 222 Depreciation expenses equivalent 189 Interest expenses equivalent 15 Impairment loss 18	3) Payments for leased assets, reversal of accumulated impairment loss on leased assets, depreciation expenses equivalent, interest expenses equivalent and impairment loss (In millions of yen) Payments for leased assets 3,667 Reversal of accumulated impairment loss on leased assets 303 Depreciation expenses equivalent 3,533 Interest expenses equivalent 113 Impairment loss 71
4) Method for calculating depreciation expenses equivalent Depreciated by the straight-line method over the lease term, assuming no residual value	4) Method for calculating depreciation expenses equivalent Same as the previous fiscal year
5) Method for calculating interest expenses equivalent The difference between the total lease payments and the acquisition cost equivalent of lease property was regarded as interest expenses equivalent. This difference was allocated to the each period by the interest method.	5) Method for calculating interest expenses equivalent Same as the previous fiscal year (Note) Owing to the merger with the former Renesas Technology, the amounts mentioned above increased for the finance lease transactions other than those under which the ownership of the assets is transferred to the lessee contracted on or before March 31, 2008.
2. Operating lease transactions Future lease payments relating to non-cancellable operating lease transactions were as follows: (In millions of yen) Due within one year 16,790 Due after one year 21,201 Total 37,991	2. Operating lease transactions Future lease payments relating to non-cancellable operating lease transactions were as follows: (In millions of yen) Due within one year 16,504 Due after one year 13,640 Total 30,144

(Financial Instruments)

For the year ended March 31, 2010

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 and corporate bonds. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates. The Group's policies prohibit the holding or issuing of 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 receivables, 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 investment securities, the Group deals with banks with high credibility. Regarding long-term investment securities, the securities of the issuing companies, which the Group has relationships with on business terms, 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 business relationships, the Group reexamines the merits of holding the securities.

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

Most of the short-term borrowings are utilized in operations. Most of the 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 plans and have short-term commitment lines, respectively.

(3) Supplemental Explanation of the Fair Value of Financial Instruments

The notional amount of derivative transactions described in the note "Derivative Transactions" does not necessarily indicate market risk involved in derivative transactions.

(4) Concentration of Credit Risks

As of March 31, 2010, 48% of accounts receivables were associated with the major customers.

2. Fair Value of Financial Instruments

The fair value of financial instruments presented in the consolidated balance sheets as of March 31, 2010 was as follows: the table below did not include the financial instruments which were extremely difficult for the Group to estimate their fair value. (Note 2)

(In millions of yen)

	Carrying value	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 investment securities and investment securities			
Other securities	66,611	66,611	—
Total assets	163,908	163,908	—
(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
Total liabilities	239,825	236,975	(2,850)
(12) Derivative transactions(*)	(1,047)	(1,047)	—

(*)The values of assets and liabilities arising from derivative transactions are shown at net value. If the net balance of derivatives is in credit, it is shown in parenthesis.

Note 1: Calculation method for fair value of financial instruments and other materials related to securities and derivative transactions

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

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

(4) Short-term investment securities and 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 the short-term and accordingly, its fair value approximated its book value.

The Group accounted for securities as other securities. The information on other securities classified by holding purpose is described in note "Securities."

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

The fair value was measured at the amount equivalent to their book values because these were settled in the 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 that a 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 discounts rates were considered for both the remaining periods and credit risks.

(12) Derivative transactions

1. Derivatives without hedge accounting

Derivative transactions without hedge accounting were forward foreign exchange contracts. Their fair values were measured based on the forward foreign exchange rate. The notional amounts or notional principals of each type of forward rate transactions at the fiscal year-end are described in “1.Derivative transactions for which hedge accounting had not been adopted” of the note “Derivative Transactions.”

2. Derivatives with hedge accounting

None

Note 2: Non-marketable securities (132 million yen booked on the consolidated balance sheets) are not included in “(4) Short-term investment securities and investment securities, other securities” since the fair value was extremely difficult to estimate. They did not have market value and the future cash flows were difficult to predict.

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

Note 3: The redemption schedule after the fiscal year-end for accounts receivable and securities with maturity dates

(In millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	24,685	-	-	-
Notes and accounts receivable-trade	63,752	-	-	-
Accounts receivable-other	8,860	-	-	-
Short-term investment securities and investment securities				
Other securities with maturity dates				
(1) Bonds (Commercial paper)	13,682	-	-	-
(2) Other	34,000	-	-	-
Total	144,979	-	-	-

Note 4: The repayment schedule for bonds with share subscription rights, long-term borrowings and lease obligations

Described in “Schedule of bonds payable” and “Schedule of borrowings” of Consolidated Supplemental Schedules

(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).

For the year ended March 31, 2011

1. Conditions of Financial Instruments

(1) Policies for Financial Instruments

Regarding fund operation, the Group uses only short-term deposits and financial assets which are relatively safe. Regarding financing, the Group uses mainly borrowings from banks and corporate bonds. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates and interest payments. 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 accounts receivable, the Group regularly monitors major customers' credit and manages due dates of collection and balances for each customer.

The management policies regarding short-term and long-term investment securities are as follows; regarding short-term investment securities, the Group deals with banks with high credit rating. Long-term investment securities, issued by companies with which the Group has business relationships, are exposed to risks of market fluctuations. By regularly monitoring the fair value of the securities, financial conditions of the issuing companies and considering the business relationship, the Group revaluates the merit of holding the securities.

The maturities of notes and accounts payable-trade, accounts payable-other and accrued income taxes are within one year.

Most short-term borrowings are for operating activities. Most long-term borrowings, bonds with share subscription rights and lease obligations from finance lease transactions are utilized for capital investments. Their repayment terms are within 8 years after the fiscal year-end.

The Group enters into forward exchange contracts in order to hedge the risks from exchange rate fluctuations of accounts receivable and accounts payable denominated in foreign currencies and interest rate swaps in order to hedge the risks from interest fluctuations of borrowings.

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, the headquarters and each subsidiary manage them by making financial plans and have short-term commitment lines.

(3) Supplemental Explanation of the Fair Value of Financial Instruments

The notional amount of derivative transactions described in the note "Derivative Transactions" does not necessarily indicate market risk involved in derivative transactions.

2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of March 31, 2011 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note 2)

(In millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	170,691	170,691	—
(2) Notes and accounts receivable-trade	137,346	137,346	—
(3) Accounts receivable-other	37,966	37,966	—
(4) Short-term, long-term investment securities			
Stocks of affiliates	5,264	1,745	(3,519)
Other securities	171,364	171,364	—
Total assets	522,631	519,112	(3,519)
(5) Notes and accounts payable-trade	144,944	144,944	—
(6) Short-term borrowings	143,467	143,467	—
(7) Accounts payable-other	78,250	78,250	—
(8) Accrued income taxes	3,962	3,962	—
(9) Current portion of bonds with share subscription rights	110,000	109,617	(383)
(10) Long-term borrowings (including current portion)	102,513	102,011	(502)
(11) Lease obligations (including current portion)	22,249	22,445	196
Total liabilities	605,385	604,696	(689)
(12) Derivative transactions(*)	(888)	(888)	—

(*)The values of assets and liabilities arising from derivative transactions are shown at net value. If the net balance of the derivative transactions is a liability, it is shown in parenthesis.

Note 1: Calculation method for fair value of financial instruments and other materials related to securities and derivative transactions

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

The fair value was measured at the amounts equivalent to their book values because these were settled in the 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 its book value because it was settled in short-term and its fair value was nearly equal to its book value. The fair value of mutual funds was measured at the price provided by financial institutions.

The Group accounted for securities as other securities. The information on other securities classified by holding purpose is described in the note "Securities."

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

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

(9) Current portion of bonds with share subscription rights

The fair value of bonds with share subscription rights was estimated by the available information that market participants use 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 principal and interest. The discount rates were considered for both the remaining periods and credit risks.

(12) Derivative transactions

1. Derivatives not subject to hedge accounting

Derivative transactions not subject to hedge accounting were forward exchange contracts and interest rate swaps. The fair value of forward exchange contracts was measured at the forward rate, such as foreign exchange rate. The fair value of interest rate swaps was measured at the price presented by financial institutions. The notional amounts or notional principals of each type of forward rate transactions and interest rate swaps at the fiscal year-end were described in “1.Derivative transactions for which hedge accounting had not been adopted” of the note “Derivative Transactions.”

2. Derivatives subject to hedge accounting

None

Note 2: Non-marketable securities (1,005 million yen booked on consolidated balance sheets), which did not have market prices and for which the future cash flows could not be estimated, were not included in “(4) Short-term and long-term investment securities” since it was extremely difficult to estimate their fair value.

Note 3: The redemption schedule after the fiscal year-end for accounts receivable and securities with maturity dates

(In millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	170,691	—	-—	—
Notes and accounts receivable-trade	137,346	—	—	—
Accounts receivable-other	37,966	—	—	—
Short-term investment securities and investment securities				
Other securities with maturity dates				
(1) Bonds (Commercial paper)	2,000	—	—	—
(2) Other	153,300	—	—	—
Total	501,303	—	—	—

Note 4: The repayment schedule for bonds with share subscription rights, long-term borrowings and lease obligations

Described in “Schedule of bonds payable” and “Schedule of borrowings” of Consolidated Supplemental Schedules

(Securities)

As of March 31, 2010

1. Other securities

(In millions of yen)

	Type	Carrying amount	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeded their acquisition cost	Stock	55	24	31
Securities whose carrying value did not exceed their acquisition cost	(1) Stock	7	12	(5)
	(2) Bond	13,682	13,682	—
	(3) Other	52,867	52,867	—
	Subtotal	66,556	66,561	(5)
Total		66,611	66,585	26

(Note) Non-marketable securities (132 million yen booked on consolidated balance sheets) were not included in the table of "1. Other securities" above since the fair value was extremely difficult to estimate. They did not have market value and their future cash flows were difficult to predict.

2. Other securities sold for the year ended March 31, 2010

(In millions of yen)

Type	Sales proceeds	Total gain	Total loss
Stock	1,229	—	171
Total	1,229	—	171

As of March 31, 2011

1. Other securities

(In millions of yen)

	Type	Carrying amount	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeded their acquisition cost	(1) Stock	851	713	138
	(2) Other	2,411	2,279	132
	Subtotal	3,262	2,992	270
Securities whose carrying value did not exceed their acquisition cost	(1) Stock	1,104	1,561	(457)
	(2) Bond	2,000	2,000	—
	(3) Other	164,998	164,998	—
	Subtotal	168,102	168,559	(457)
Total		171,364	171,551	(187)

2. Other securities sold for the fiscal year ended March 31, 2011

(In millions of yen)

Type	Sales proceeds	Total gain	Total loss
(1) Stock	239	226	—
(2) Other	410	94	—
Total	649	320	—

3. Impairment loss recognized on securities

For the fiscal year ended March 31, 2011, the amount of impairment loss recognized on the stock in other securities was 119 million yen. Furthermore, in the event that the fair market value at year-end of marketable securities falls 50% or more below the acquisition cost, impairment loss is recognized for all of the marketable securities whose fair market values at year-end fall 50% or more below the acquisition cost. In the event that fair market value falls approximately 30 to 50% below the acquisition cost, impairment loss of necessary amount is recognized by considering the future recoverability.

(Derivative Transactions)

For the year ended March 31, 2010

1. Derivative transactions for which hedge accounting was not adopted

(1) Currency-related transactions

(In millions of yen)

Classification	Type	As of March 31, 2010			
		Notional amounts	Portion due after one year included herein	Fair value	Unrealized gains (losses)
Non-market transactions	Forward foreign exchange contracts				
	Sale:				
	USD	27,814	—	(730)	(730)
	EUR	3,527	—	33	33
	JPY	133	—	(6)	(6)
	Buy:				
	USD	3,962	1,116	(347)	(347)
	GBP	220	—	3	3
Total		35,656	1,116	(1,047)	(1,047)

Note: Calculation of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on market quotation.

(2) Interest rate-related transactions

None

2. Derivative transactions for which hedge accounting had been adopted

None

For the year ended March 31, 2011

1. Derivative transactions for which hedge accounting was not adopted

(1) Currency-related transactions

(In millions of yen)

Classification	Type	As of March 31, 2011			
		Notional amounts	Portion due after one year included herein	Fair value	Unrealized gains (losses)
Non-market transactions	Forward foreign exchange contracts				
	Sale:				
	USD	27,785	—	(229)	(229)
	EUR	6,313	—	(146)	(146)
	Buy:				
	USD	1,116	—	(202)	(202)
	SGD	183	—	0	0
Total		35,397	—	(577)	(577)

Note: Calculation of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on market quotation.

(2) Interest rate-related transactions

(In millions of yen)

Classification	Type	As of March 31, 2011			
		Notional amounts	Portion due after one year included herein	Fair value	Unrealized gain (loss)
Non-market transactions	Interest rate swaps Pay fixed, receive variable	25,900	10,900	(311)	(311)
Total		25,900	10,900	(311)	(311)

Note: Calculation method of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on the price presented by financial institutions.

2. Derivative transactions for which hedge accounting was adopted

None

(Retirement Benefits)

1. Outline of retirement benefits

The Company and its subsidiaries in Japan have severance indemnity plans, non-contributory defined benefit pension plans and defined contribution plan. In addition, the Company and its subsidiaries in Japan might pay extra retirement benefits.

The plan assets for the defined-benefit pension plans of employees of the former NEC Electronics Corporation ("NEC Electronics") and its subsidiaries continue to be included in the trust account system at NEC Corporation. Benefit obligations recorded in the consolidated financial statements are based on data for employees of the Company. Plan assets are distributed proportional to benefit obligations.

As a result of the merger with the former Renesas Technology, the Company added a new defined-benefit pension plan. Almost all of the participants in this plan are employees of the former Renesas Technology, and its subsidiaries in Japan.

The Company and its subsidiaries in Japan adopt a point-based benefits system, under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification and their performance.

The Company and its subsidiaries in Japan adopt cash balance pension plans. Under the cash balance pension plans, each participant has an account which is credited based on the current base rate of pay, their job classification and interest crediting rate calculated based on the market interest rate.

Certain foreign subsidiaries adopt various retirement benefit plans which are mainly defined contribution plans and also defined benefit plans.

2. Projected benefit obligations

(In millions of yen)

	As of March 31, 2010	As of March 31, 2011
(1) Projected benefit obligation	(148,967)	(284,346)
(2) Plan assets	69,065	158,369
(3) Unfunded projected benefit obligation (1)＋(2)	(79,902)	(125,977)
(4) Unrecognized net projected benefit obligation at transition	11,932	9,549
(5) Unrecognized actuarial gain or loss	44,821	46,662
(6) Unrecognized prior service cost (a reduction of liability)	(10,291)	(9,134)
(7) Net projected benefit obligation recognized in the consolidated balance sheets (3)＋(4)＋(5)＋(6)	(33,440)	(78,900)
(8) Prepaid pension cost	6,658	5,931
(9) Accrued retirement benefit (7)－(8)	(40,098)	(84,831)

Note 1: Some subsidiaries adopted a simplified method in the calculation of projected benefit obligation.
Note 2: Prepaid pension cost was included in "Other" in Investments and other assets in the current fiscal year.

3. Retirement benefit expenses

(In millions of yen)

	For the year ended March 31, 2010	For the year ended March 31, 2011
(1) Service cost	5,351	10,728
(2) Interest cost	3,640	7,122
(3) Expected return on plan assets (deduction)	(1,387)	(4,261)
(4) Amortization of net projected benefit obligation at transition	2,376	2,383
(5) Amortization of actuarial gain or loss	5,293	4,890
(6) Amortization of prior service cost	(1,154)	(1,157)
(7) Retirement benefit expenses (1)＋(2)＋(3)＋(4)＋(5)＋(6)	14,119	19,705
(8) Expenses for defined contribution plans and others	1,623	3,294
(9) Expenses for extra retirement benefit	1,119	21,368
(10) Total (7)＋(8)＋(9)	16,861	44,367

Note: Retirement benefit expenses for subsidiaries adopted a simplified method were included in (1) Service cost.

4. Assumptions used in accounting for the projected benefit obligation

	For the year ended March 31, 2010	For the year ended March 31, 2011
(1) Attribution of projected benefit obligation	Mainly, point-based	Mainly, point-based or straight-line method
(2) Discount rates	Mainly 2.5%	Mainly 2.5%
(3) Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5% or 3.5%
(4) Amortization period of prior service cost (Year)	Mainly 14 years (amortized on a straight-line basis over the employees' estimated average remaining service periods)	Mainly 14 years Same as the previous year
(5) Amortization period of actuarial gain or Loss (Year)	Mainly 14 years (amortized on a straight-line basis over the employees' estimated average remaining service periods, starting in the following year after occurrence)	Mainly 14 years Same as the previous year
(6) Amortization period of net projected benefit obligation at transition (Year)	Mainly 15 years	Mainly 15 years

(Stock-Based Compensation Plans)

For the year ended March 31, 2010

1. The account and gain on reversal of share subscription rights due to forfeiture

Gains on reversal of share subscription rights in “Other” of non-operating income 15 million yen

2. Description of stock options / Changes in the size of stock options

(1) Description of stock options

	2006 Stock Options
Category and number of people to whom stock options were granted	Directors of Renesas Electronics 4 Corporate officers of Renesas Electronics 4 Renesas Electronics’ employees 12 Directors of the subsidiaries 10
Type and number of shares (Note)	Common stock 75,000 shares
Grant date	July 13, 2006
Vesting conditions	Those who hold share subscription rights (“the holders”) must remain directors, corporate officers or employees of Renesas Electronics or the subsidiaries at the date when the holders exercise share subscription rights. During the exercise period, if the holders resign their position above for a reason other than reprimand or dismissal, the holders could exercise their share subscription rights within one year after their resignation. If the holders resign their position above for a reason other than reprimand or dismissal or voluntary termination during the period from July 13, 2006 to July 12, 2008, the holders could exercise their share subscription rights within one year from July 13, 2008.
Vesting period	From July 13, 2006 to July 12, 2008
Exercise period	From July 13, 2008 to July 12, 2012

Note: It is translating into the number of shares.

(2) Changes in the size of stock options

Changes in the size of stock options that existed for the year ended March 31, 2010 were as follows:

The number of stock options is translated into the number of shares.

1) Number of stock options

	2006 Stock Options
Share subscription rights which were not yet vested (Shares)	
As of March 31, 2009	—
Granted	—
Forfeited	—
Vested	—
Balance of options not vested	—
Share subscription rights which had already been vested (Shares)	
As of March 31, 2009	72,000
Vested	—
Exercised	—
Forfeited	16,000
Balance of options not exercised	56,000

2) Per share prices

	2006 Stock Options
Exercise price (Yen)	3,927
Average price per share upon exercise (Yen)	—
Fair value per share at grant date (Yen)	937

3. Method for estimation of the number of stock options vested

The number of vested option was determined by deducting the number of forfeited option from the number of granted option because the date of vesting had already passed.

For the year ended March 31, 2011

1. The account and amount of gain on reversal of share subscription rights due to forfeiture

Gains on reversal of share subscription rights in “Other” of non-operating income: 4 million yen

2. Description of stock options / Changes in the size of stock options

(1) Description of stock options

	2006 Stock Options
Category and number of people to whom stock options were granted	Directors of Renesas Electronics 4 Corporate officers of Renesas Electronics 4 Renesas Electronics’ employees 12 Directors of the subsidiaries 10
Type and number of shares (Note)	Common stock 75,000 shares
Grant date	July 13, 2006
Vesting conditions	Those who hold share subscription rights (“the holders”) must remain directors, corporate officers or employees of Renesas Electronics or the subsidiaries at the date when the holders exercise share subscription rights. During the exercise period, if the holders resign their position above for a reason other than reprimand or dismissal, the holders could exercise their share subscription rights within one year after their resignation. If the holders resign their position above for a reason other than reprimand or dismissal or voluntary termination during the period from July 13, 2006 to July 12, 2008, the holders could exercise their share subscription rights within one year from July 13, 2008.
Vesting period	From July 13, 2006 to July 12, 2008
Exercise period	From July 13, 2008 to July 12, 2012

Note: Stock options are converted into the number of shares.

(2) Changes in the size of stock options

Changes in the size of stock options that existed for the fiscal year ended March 31, 2011 were as follows:

The number of stock options is converted into the number of shares.

1) Number of stock options

	2006 Stock Options
Share subscription rights which were not yet vested (Shares)	
As of March 31, 2010	—
Granted	—
Forfeited	—
Vested	—
Balance of options not vested	—
Share subscription rights which had already been vested (Shares)	
As of March 31, 2010	56,000
Vested	—
Exercised	—
Forfeited	5,000
Balance of options not exercised	51,000

2) Per share prices

	2006 Stock Options
Exercise price (Yen)	3,927
Average price per share upon exercise (Yen)	—
Fair value per share at grant date (Yen)	937

3. Method for estimation of the number of stock options vested

The number of vested options was determined by deducting the number of forfeited options from the number of granted options because the date of vesting had already passed.

(Tax-Effect Accounting)

The year ended March 31, 2010

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

Deferred tax assets	
Operating loss carry forwards	108,514
Accrued retirement benefits	17,195
Research and development expenses	9,910
Inventories	6,042
Long-term assets	6,688
Accrued expenses	5,760
Investments	2,486
Others	6,248
Total deferred tax assets	162,843
Valuation allowance	(161,072)
Total deferred tax assets	1,771
Deferred tax liabilities	
Gain on contribution of securities to retirement benefit trust	(2,646)
Tax on undistributed earnings	(3,374)
Tax deductible reserve	(532)
Unrealized gains (losses) on securities	(11)
Others	(921)
Total deferred tax liabilities	(7,484)
Deferred tax liabilities, net	(5,713)

Net deferred tax liabilities were reflected in the following accounts in the consolidated balance sheet.

(In millions of yen)

Current assets – deferred tax assets	324
Long-term assets – deferred tax assets	1,077
Current liabilities – other	(17)
Long-term liabilities – deferred tax liabilities	(7,097)

The year ended March 31, 2011

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

Deferred tax assets	
Operating loss carry forwards	265,346
Long-term assets	40,601
Accrued retirement benefits	36,072
Provision for loss on disaster	18,647
Accrued expenses	15,419
Inventories	12,817
Research and development expenses	7,522
Tax credits carry forwards	4,776
Investments	3,612
Others	5,929
Total deferred tax assets	410,741
Valuation allowance	(391,527)
Total deferred tax assets	19,214
Deferred tax liabilities	
Valuation difference of assets acquired by merger	(15,646)
Insurance income receivable	(6,480)
Tax on undistributed earnings	(2,685)
Gain on contribution of securities to retirement benefit trust	(2,646)
Tax deductible reserve	(334)
Unrealized gains (losses) on securities	(106)
Others	(2,094)
Total deferred tax liabilities	(29,991)
Deferred tax liabilities, net	(10,777)

Net deferred tax liabilities were reflected in the following accounts in the consolidated balance sheet.

(In millions of yen)

Current assets – deferred tax assets	1,289
Long-term assets – deferred tax assets	2,100
Current liabilities – other	(103)
Long-term liabilities – deferred tax liabilities	(14,063)

The year ended March 31, 2010	The year ended March 31, 2011
2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate was summarized as follows: Statutory tax rate 40.5% (Reconciliation) Changes in valuation allowance (51.7) Foreign tax rate differences 3.5 Undistributed earnings of foreign subsidiaries (3.6) Non-taxable income for tax purposes 5.6 Other (2.1) Effective tax rate after adoption of tax-effect accounting (7.8)	2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate was summarized as follows: Statutory tax rate 40.5% (Reconciliation) Changes in valuation allowance (48.6) Foreign tax rate differences 2.9 Gain on negative goodwill 1.1 Undistributed earnings of foreign subsidiaries 0.9 Other 1.3 Effective tax rate after adoption of tax-effect accounting (1.9)

(Business Combinations)

For the year ended March 31, 2011

Business Combination by Acquisition

1. Summary of the Business Combination
   (1) Name of Acquiree
   Renesas Technology Corp.
   (2) Major Operations of Acquiree
   Development, design, manufacture, sale and service of LSI products such as MCUs, logic devices and analog devices; discrete semiconductor products; and memory products such as SRAM
   (3) Major Reasons for the Business Combination
   As leading semiconductor companies, both the former NEC Electronics and the former Renesas Technology 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, the former NEC Electronics and the former Renesas Technology have merged, in order to further strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction.
   (4) Effective Date of the Business Combination
   April 1, 2010
   (5) Legal Form of the Business Combination
   This was an absorption-type merger with the former NEC Electronics as the surviving company and the former Renesas Technology as the dissolving company.
   (6) Company Name after the Business Combination
   Renesas Electronics Corporation
   (7) Basis for Determination of the Acquiring Company
   Because it issued stocks for a consideration, the former NEC Electronics was generally determined to be the acquiring company. In addition, various factors such as relative ratio of voting rights, composition of the members of Board of Directors and whether there would be significant difference in business scale of both companies were considered.

2. The Term of Acquiree's Operating Results Included in the Consolidated Financial Statements
   From April 1, 2010 to March 31, 2011

3. Acquisition Cost and its Details

(In millions of yen)

Consideration paid for acquisition:	
Fair value of common stocks issued on the date of the business combination	140,527
Expenses directly attributable to the acquisition:	
Advisory fees and others	967
Total Acquisition Cost	141,494

4. Merger Ratio, Calculation Method of the Merger Ratio and Number of Issued Stocks
   (1) Merger Ratio
   Type of issued stock: Common stock
   Ratio (Renesas Technology / NEC Electronics): 1 / 20.5
   (2) Calculation Method of Merger Ratio:
   The merger ratio was considered to be appropriate and decided in consideration of financial conditions of each company, forecast of business, the merits of the business combination and capital injection, the appraisals each company's appraisers made and other factors in a comprehensive manner.
   (3) Number of Issued Stock:
   Common stock: 146,841,500 shares

5. Amount and Accrual Reason for Gain on Negative Goodwill
   (1) Amount of Gain on Negative Goodwill
   2,159 million yen
   (2) Accrual Reason for Gain on Negative Goodwill
   Negative goodwill was recognized because the acquisition cost was less than net amount of acquired assets and liabilities.

6. Amount and Details of Assets and Liabilities Acquired on the Date of the Merger

	(In millions of yen)
Current assets	320,408
Long-term assets	301,384
Total assets	621,792
Current liabilities	337,849
Long-term liabilities	138,126
Total liabilities	475,975

Business Combination by Acquisition

1. Summary of the Business Combination
   (1) Subjected Business's Name and its Business Operations
   Name of Acquiree: Nokia Corporation
   Name of the Business: Wireless Modem Business
   (2) Major Reasons for the Business Combination
   The transfer of the wireless modem business from Nokia enables the Group to provide one-stop mobile platform solutions, supporting an extensive range of modem protocols from GSM to LTE and capable of advanced multimedia processing, by combining (i) technology assets and engineering know-how of Nokia and the Company with (ii) the Group's market-proven multimedia processing and RF technologies. The Company is, through this business transfer, aiming to establish a firm position in the 3G and LTE markets as a global semiconductor company.
   (3) Effective Date of the Business Combination
   November 30, 2010
   (4) Legal Form of the Business Combination
   Transfer of business
   (5) Company Name after the Business Combination
   No change (Renesas Electronics Corporation)

2. Term of Operating Results of Acquired Business for Preparation of the Consolidated Financial Statements
   4 months (From December 1, 2010 to March 31, 2011)

3. Acquisition Cost and Details

	(In millions of yen)
Consideration paid for acquisition:	
Cash	17,138
Expenses directly attributable to the business combination:	
Fees for attorney and others	516
Total Acquisition Cost	17,654

4. The Amount, the Accrual Reason, Amortization Method and Term of Goodwill
   (1) Amount of Goodwill
   2,571 million yen
   (2) Accrual Reason for Goodwill
   Goodwill was recognized because the acquisition cost was more than the net amount of acquired assets and liabilities.
   (3) Amortization Method and Term
   Amortized by the straight-line method over 10 years

5. The Amount and Detail of Assets and Liabilities Acquired on the Date of the Business Combination

	(In millions of yen)
Current assets	551
Long-term assets	15,991
Total assets	16,542
Current liabilities	1,459
Total liabilities	1,459

6. The Amount of Acquired Intangible Assets Other Than Goodwill and Their Amortization Terms

Detail	Amount (In millions of yen)	Amortization term (Years)
Technology assets	7,412	6
Research and development cost in progress	3,345	7
Assessment tool	3,043	7
Other	891	5 - 8

7. The Effect on the Statement of Operations Supposing the Business Combination was Carried Out at the Beginning of this Fiscal Year.
   The effect on operating results for the fiscal year ended March 31, 2011 was immaterial. There is no Audit Certification about the effect on operating results.

Transactions under Common Control

1. Summary of Transaction under Common Control.
   (1) Subjected Business's Name and its Business Operations
      Name of the business: Mobile Multimedia Business
      Business operations: SoC semiconductors business for mobile devices and car navigation systems
   (2) Date of Business Combination
      December 1, 2010
   (3) Legal Type of Business Combination
      A simple absorption-type business split: the Company as split company, Renesas Mobile Corporation (consolidated company of the Company) as succeeding company
   (4) Name of the Corporation after Business Combination
      No change (Renesas Mobile Corporation)
   (5) Overview of the Transactions
      This corporate split will culminate in a global business structure focused exclusively on the Mobile Multimedia Business, which is involved mainly in SoC (System on Chip) operations primarily for mobile devices and car navigation systems. This change will also enable faster business operations and product provision, which will particularly serve to bolster operations in overseas markets.

2. Summary of Adopted Accounting Standard
   This transfer of business has been accounted for as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

（Asset Retirement Obligations）

As of March 31, 2011

Asset retirement obligations recognized on the consolidated financial statements

(1) Outline of Asset Retirement Obligations

Asset retirement obligations were recognized for obligations relating to the restoration of leased real estate (office and plant) to its original state and the removal expenses of asbestos and so forth during the dismantling of company-owned buildings in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos and others.

(2) Computation method for the amount of asset retirement obligations

The amount of asset retirement obligations was computed using an estimated useful life of 2 to 60 years as well as a discount rate of 0.5% to 5.5%.

(3) Increase (decrease) of the amount of asset retirement obligations for the fiscal year ended March 31, 2011

	(In millions of yen)
Balance at beginning of the year（Note）	2,809
Increased by the merger with the former Renesas Technology	2,987
Increased by the acquisition of property, plant and equipment	57
Adjustment over the passage of time	102
Decreased by implementation of asset retirement obligations	(201)
Increase (decrease) in other items	76
Balance at end of the year	5,830

(Note)

The balance at the beginning of the year was attributed to the adoption, effective April 1, 2010, of “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008).

(Segment Information)

[Business Segment Information]

For the year ended March 31, 2010

The operation segment of the Group is focused on only the semiconductor business centering on System LSI. The information by business segment was thereby omitted.

[Geographical Segment Information]

For the year ended March 31, 2010

(In millions of yen)

	Japan	Asia	Europe	North America	Total	Elimination/ Corporate	Consolidated
Ⅰ. Sales and operating income (loss)							
Sales							
(1)Sales to third parties	254,575	120,405	64,239	31,815	471,034	—	471,034
(2)Inter-segment sales and transfers	152,567	46,577	238	12,915	212,297	(212,297)	—
Total sales	407,142	166,982	64,477	44,730	683,331	(212,297)	471,034
Operating expenses	370,561	160,371	63,829	46,153	640,914	(120,645)	520,269
Operating income (loss)	36,581	6,611	648	(1,423)	42,417	(91,652)	(49,235)
Ⅱ. Total assets	294,213	83,358	30,861	31,075	439,507	20,421	459,928

Note 1: Countries and regions were segmented based on their geographical proximity.

2: Major countries and regions other than Japan were as follows:

(1) Asia: China, Indonesia, Malaysia, Republic of Korea, Republic of Singapore and Taiwan

(2) Europe: England, Germany and Ireland

(3) North America: The United States of America

3: The amount of unallocable operating expenses included in “Elimination / Corporate” was 91,652 million yen, which were research and development expenses.

4: The amount of corporate assets included in “Elimination / Corporate” was 126,311 million yen. The main components of the corporate assets were surplus funds (cash and deposits, and short-term securities) of Renesas Electronics, assets for research and development, investment securities and foreign currency translation adjustments.

[Overseas Sales]

For the year ended March 31, 2010

(In millions of yen)

	Asia	Europe	North America	Others	Total
Ⅰ. Overseas sales	136,329	54,828	21,849	1,577	214,583
Ⅱ. Consolidated sales	—	—	—	—	471,034
Ⅲ. Percentages of overseas sales to consolidated sales (%)	29.0	11.7	4.6	0.3	45.6

Note1: Countries and regions were segmented based on their geographical proximity.

2: Major countries and regions other than Japan were as follows:

(1) Asia: China, Republic of Singapore, Taiwan and others

(2) Europe: Germany, England, France and others

(3)North America: The United States of America and Canada

3: Overseas sales represent sales outside of Japan of the Group.

[Business Segment Information]
For the year ended March 31, 2011

The semiconductor business segment, excluding non-custom DRAM, is the sole operating segment of the Group. The information by business segment was therefore omitted.

[Related Information]

For the year ended March 31, 2011

1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Other Semiconductors	Others	Total
Sales to third parties	384,139	316,165	311,689	6,872	119,033	1,137,898

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
619,839	168,967	178,195	102,066	64,567	4,264	1,137,898

[Note] Sales are based on the location of customers and classified by country or region.

(2) Property, plant and equipment

(In millions of yen)

Japan	Asia	Europe	North America	Total
300,790	40,153	2,797	2,560	346,300

3. Information by major customer

Of sales to third parties, there are no customers whose sales consist of more than 10% of net sales in the consolidated statement of operations. The information by major customer was therefore omitted.

(Additional Information)

Effective April 1, 2010, the Group adopted the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued on Mach 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008).

(Related Party Information)

For the year ended March 31, 2010

1. Transactions with related parties

Transactions between Renesas Electronics and related parties

a) The parent company and major corporate shareholders

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations	Ratio of share-holding
Parent company	NEC Corporation	Minato-ward, Tokyo	397,199 million yen	IT Network solution involving manufacturing and sales of computers, network equipment and software	(Owned) Direct 65.02 % Indirect 5.02 %

Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance as of March 31, 2010
Sales of our products and concurrently serving as a board member	Guaranteed	19,323 million yen	—	—

b) The companies which have the common parent company of Renesas Electronics and the subsidiaries of the affiliates of Renesas Electronics

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations	Ratio of Share-holding
Subsidiary of common parent Company	NEC Corporation of America	Texas state, the U.S	2,528 thousand dollars	Service of network equipments, computer peripheral equipments and system integration	—

Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance as of March 31, 2010
Tax sharing agreement and other	—	—	Long-term accounts receivable -other	5,317 million yen

c) Directors and major shareholders of Renesas Electronics

None

2. Notes to the parent company and significant affiliates

(1) Information of the parent company

NEC Corporation, which is listed on the stock exchanges of Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

(2) Information of significant affiliates

None

For the year ended March 31, 2011

1. Transactions with related parties

Transactions between Renesas Electronics and related parties

a) The parent company and major corporate shareholders related to the company submitting consolidated financial statements

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Other affiliated company	Hitachi, Ltd.	Chiyoda-ward, Tokyo	409,129 million yen	Development, production and distribution of products, and provision of services including Information & Telecommunication Systems / Electronic Devices / Power & Industrial Systems / Digital Media & Consumer Products
Other affiliated company	Mitsubishi Electric Corporation	Chiyoda-ward, Tokyo	175,820 million yen	Development, production and distribution of products, and provision of services including Energy and Electric Systems / Industrial Automation Systems / Information and Communication Systems / Electronic Devices / Home Appliances
Other affiliated company	NEC Corporation	Minato-ward, Tokyo	397,199 million yen	IT Network solution involving manufacturing and sales of computers, network equipment and software

Ratio of share-Holding(Owned)	Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance as of March 31, 2011
(Owned) Direct 30.62 %	Sales of our products and concurrently serving as a board member	Acceptance of capital increase *(Note)*	43,065 million yen	—	—
(Owned) Direct 25.05 %	Sales of our products and concurrently serving as a board member	Acceptance of capital increase *(Note)*	35,235 million yen	—	—
(Owned) Direct 16.71 % Indirect 18.75 %	Sales of our products and concurrently serving as a board member	Acceptance of capital increase *(Note)*	56,300 million yen	—	—

(Note) Acceptance of capital increase was acceptance of the third party allotment offered by the Company.

b) Non-consolidated subsidiaries or affiliates related to the company submitting consolidated financial statements

None

c) Companies having the same parent as the company submitting consolidated financial statements and subsidiaries of affiliates

None

d) Directors and major shareholders of the company submitting consolidated financial statements (individuals only)

None

2. Notes to the parent company and significant affiliates

(1) Information of the parent company

None

(2) Information of significant affiliates

None

(Amount Per Share Information)

The year ended March 31, 2010	The year ended March 31, 2011
Net assets per share 1,070.90 yen Basic net income (loss) per share (456.95) yen Diluted net income per share was not described because the Group recorded a net loss for the year ended March 31, 2010, although the Group had potential dilutive shares.	Net assets per share 680.27 yen Basic net income (loss) per share (275.75) yen Diluted net income per share was not described because the Group recorded a net loss for the fiscal year ended March 31, 2011, although the Group had potential dilutive shares.

Note: The basis for calculation of net assets or net income (loss) per share was as follows:

	The year ended March 31, 2010	The year ended March 31, 2011
Net assets per share		
Total net assets (In millions of yen)	136,338	291,058
Amounts deducted from total net assets (In millions of yen)	4,084	7,301
(Share subscription rights)	(52)	(48)
(Minority interests)	(4,032)	(7,253)
Net assets attributable to shares of common stock at the end of the year (In millions of yen)	132,254	283,757
The fiscal year-end number of common stock used for the calculation of net assets per share (Thousands)	123,498	417,122
Net income (loss) per share		
Net income (loss) (In millions of yen)	(56,432)	(115,023)
Amounts not attributable to shares of common stock (In millions of yen)	—	—
Net income (loss) attributable to shares of common stock (In millions of yen)	(56,432)	(115,023)
Average number of shares of common stock during the fiscal year (Thousands)	123,498	417,122
Securities excluded from the computation of diluted net income per share, because they do not have dilutive effects.	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 (the book value of bonds with share subscription rights was 110,000 million yen, the number of shares to be issued was 11,156,100) Common stock arising from stock option plan (the number of share subscription rights was 560, the number of shares to be issued was 56,000) The outline of bonds with share subscription rights is described in "Schedule of bonds payable."	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 (the book value of bonds with share subscription rights was 110,000 million yen, the number of shares to be issued was 11,166,400) Common stock arising from stock option plan (the number of share subscription rights was 510, the number of shares to be issued was 51,000) The outline of bonds with share subscription rights is described in "Schedule of bonds payable."

(Significant Subsequent Events)

The year ended March 31, 2010	The year ended March 31, 2011
1. Merger with Renesas Technology Corp. Having been approved by the Extraordinary General Meetings of Shareholders on February 24, 2010, NEC Electronics merged with Renesas on April 1, 2010, with NEC Electronics as acquirer (surviving company), 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 precuts; and memory products such as SRAM Major Reasons for the Business Combination: As leading semiconductor companies, both NEC Electronics and Renesas 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 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 the members 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 (In millions of yen) Consideration paid for acquisition: Fair value of common stocks issued on the date of business combination: 140,527 Expenses directly attributable to the combination: Advisory fees and others 967 Total acquisition cost 141,494	――――

The year ended March 31, 2010	The year ended March 31, 2011
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 conditions, 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 a 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 share: Common stock Number of issued shares: 146,782,990 Issued price: 917.0 yen per share Total proceeds: 134,600 million yen Capital amounts recorded in shareholders' equity: Amount of Common stock to be increased: 458.5 yen per share Amount of Capital surplus 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 through third party allotment, 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 the 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 the closing price for 30 consecutive operating days beginning 45 days before standard date (September 16, 2009)).	―――――

(Consolidated Supplemental Schedules)

[Schedule of bonds payable]

Company	Description	Date of issuance	Balance at end of previous year (In millions of yen)	Balance at end of current year (In millions of yen)	Interest rate (%)	Collateral	Maturity
Renesas Electronics Corporation	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011	May 27, 2004	110,000	110,000 (110,000)	—	None	May 27, 2011

Note1: Figure in parenthesis of balance at end of current year is the current portion with a maturity of less than one year.
2: Details of bonds with share subscription rights were as follows:

Description	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011
Type of shares to be issued upon exercise of share subscription rights	Common stock
Issue price (Yen)	No charge
Exercise price (Yen)	9,850.9
Total exercise price (In millions of yen)	110,000
Upon exercise of the share subscription rights, the total exercise price to be credited to common stock (In millions of yen)	—
Ratio (%)	100
Exercise period	From June 10, 2004 to May 24, 2011

3: The above bonds were redeemed on May 27, 2011.
4: The redemption schedule of bonds for 5 years subsequent to the fiscal year-end was as follows:

(In millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
110,000	—	—	—	—

[Schedule of borrowings]

Category	Balance at end of previous year (In millions of yen)	Balance at end of current year (In millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	2,450	143,467	1.2	—
Current portion of long-term borrowings	3,104	44,321	1.4	—
Current portion of lease obligations	3,223	8,176	2.8	—
Long-term borrowings (excluding current portion)	11,062	58,192	1.7	From 2012 to 2015
Lease obligations (excluding current portion)	11,054	14,073	2.8	From 2012 to 2019
Other interest-bearing debts				
Accounts payable-other (Accounts payable-installment purchase)	—	9	3.2	—
Long-term liabilities-other (Long-term accounts payable-installment purchase)	—	6	3.2	2012
Total	30,893	268,244	—	—

Note 1: The average interest rate represents the weighted-average rate applicable to the fiscal year-end balance of borrowings etc.
2: The repayment schedules of long-term borrowings, lease obligations and other interest-bearing debts (excluding current portion) for 5 years subsequent to the fiscal year-end were as follows:

(In millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	30,896	18,330	2,166	6,800
Lease obligations	7,213	5,268	1,426	86
Other interest-bearing debts	6	—	—	—

[Detailed schedule of asset retirement obligations]

The amount of asset retirement obligations as of March 31, 2011 was less than 1% of total liabilities and net assets as of March 31, 2011. A detailed schedule was therefore omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

[Other]

(1) Summary of consolidated financial data for each quarter of the fiscal year ended March 31, 2011

	1st Quarter (from April 1, 2010 to June 30, 2010)	2nd Quarter (from July 1, 2010 to September 30, 2010)	3rd Quarter (from October 1, 2010 to December 31, 2010)	4th Quarter (from January 1, 2011 to March 31, 2011)
Net sales (In millions of yen)	292,035	295,433	275,165	275,265
Income (loss) before income taxes and minority interests (In millions of yen)	(32,787)	(6,847)	(15,733)	(55,433)
Net income (loss) (In millions of yen)	(33,066)	(8,175)	(17,578)	(56,204)
Net income (loss) per share (Yen)	(79.27)	(19.60)	(42.14)	(134.74)

(2) Matters subsequent to the fiscal year-end

Nothing to be described

(3) Lawsuits

Described in the note "*3 Contingent Liabilities of Consolidated Balance Sheets"

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Report of Independent Auditors

The Board of Directors
Renesas Electronics Corporation

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets, the consolidated statement of cash flows and the consolidated supplemental schedules of Renesas Electronics Corporation (former NEC Electronics Corporation) for the fiscal year from April 1, 2009 to March 31, 2010, included in "Financial Section." 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 consolidated financial position of Renesas Electronics Corporation (former NEC Electronics Corporation) and consolidated subsidiaries at March 31, 2010, and the consolidated results of their operations and their cash flows for the year then ended 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 that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC

June 25, 2010

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Renesas Electronics Corporation

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the consolidated balance sheets, the consolidated statements of operations, changes in net assets, comprehensive income, and cash flows and the consolidated supplement schedules of Renesas Electronics Corporation for the fiscal year from April 1, 2010 to March 31, 2011, included in "Financial Section". 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 audits.

We conducted our audits 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renesas Electronics Corporation and consolidated subsidiaries at March 31, 2011 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in "Changes in Accounting Policies", the Company changed the depreciation method for long-term assets from the declining-balance method to the straight-line method.
2. As described in "Changes in Accounting Policies", the Company changed the classification of royalty expenses, which were paid for research and manufacturing purpose from cost of sales to selling, general and administrative expenses.

We have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC

June 28, 2011