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Renesas Electronics Reports Financial Results for the Year Ended March 31, 2012

Tokyo, Japan, May 9, 2012 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results for the year ended March 31, 2012.

Summary of Consolidated Financial Results

	Year ended March 31, 2012	
	Billion Yen	% of Net Sales
Net sales	883.1	100.0
Sales from semiconductors	786.0	
Sales from others	97.1	
Operating income (loss)	(56.8)	(6.4)
Ordinary income (loss)	(61.2)	(6.9)
Net income (loss)	(62.6)	(7.1)
Capital expenditures	36.5	
Depreciation and others	111.9	
R&D expenses	182.5	
	Yen	
Exchange rate (USD)	79	
Exchange rate (Euro)	109	

	As of March 31, 2012
	Billion Yen
Total assets	858.2
Net assets	226.5
Equity Capital	218.0
Equity ratio (%)	25.4
Interest-bearing debt	258.3

Note 1: All figures are rounded to the nearest 100 million yen.
Note 2: Capital expenditures refer to the amount of order placed for property, plant and equipment (manufacturing equipment).
Note 3: Depreciation and others includes depreciation and amortization expenses and amortization of long-term prepaid expenses in quarterly consolidated statements of cash flows.

Consolidated Financial Results for the Year Ended March 31, 2012

English translation from the original Japanese-language document

May 9, 2012

Company name : **Renesas Electronics Corporation**
Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
Code number : 6723
URL : http://www.renesas.com
Representative : Yasushi Akao, President
Contact person : Taizo Endo, Executive Manager
Corporate Communications Dept
Tel. +81 (0)3-6756-5552
Date of the ordinary general shareholders' meeting (scheduled) : June 26, 2012
Filing date of Yukashoken Hokokusho (scheduled) : June 26, 2012

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for year ended March 31, 2012

1.1 Consolidated financial results

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

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2012	883,112	(22.4)	(56,750)	---	(61,228)	---	(62,600)	---
Year ended March 31, 2011	1,137,898	---	14,524	---	1,033	---	(115,023)	---

Reference: Comprehensive income for the year ended March 31, 2012: (64,516) million yen
Comprehensive income for the year ended March 31, 2011: (121,851) million yen

	Net income (loss) per share basic	Net income (loss) per share diluted	Net income (loss) ratio per equity	Ordinary income (loss) ratio per total assets	Operating income (loss) ratio per sales
	Yen	Yen	%	%	%
Year ended March 31, 2012	(150.08)	---	(25.0)	(6.1)	(6.4)
Year ended March 31, 2011	(275.75)	---	(41.3)	0.1	1.3

Reference: Equity in net income of affiliates of the year ended March 31, 2012: 65 million yen
Equity in net income of affiliates of the year ended March 31, 2011: 759 million yen

1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2012	858,204	226,500	25.4	522.53
March 31, 2011	1,145,048	291,058	24.8	680.27

Reference: Equity as of March 31, 2012: 217,958 million yen
Equity as of March 31, 2011: 283,757 million yen

Note: Equity is equal to "Net assets" excluding "Share subscription rights" and "Minority interests"

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2012	(9,696)	(55,089)	(138,352)	131,946
Year ended March 31, 2011	102,485	(95,764)	132,597	337,289

2. Cash dividends

	Cash dividends per share					Total dividends during the year	Dividends payout ratio (consolidated)	Dividends ratio per net assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
	Yen	Yen	Yen	Yen	Yen			
Year ended March 31, 2012	---	0.00	---	0.00	0.00	---	---	---
Year ended March 31, 2011	---	0.00	---	0.00	0.00	---	---	---
Year ending March 31, 2013 (forecast)	---	---	---	---	---		---	

Note: Cash dividends of the year ending March 31, 2013 have not been decided.

3. Forecast of consolidated results for the year ending March 31, 2013

Renesas Electronics does not present the forecast of consolidated results for the year ending March 31, 2013 at this point in time. For more details, please refer to Appendix 1.1.2. "Consolidated Forecasts for the Fiscal Year Ending March 31, 2013" on page 4.

4. Others

4.1 Changes in significant subsidiaries for the year ended March 31, 2012

(Changes in specified subsidiaries resulting in changes in scope of consolidation): No

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

1. Changes in accounting policies with revision of accounting standard: No
2. Changes in accounting policies except for "Changes in Accounting Policies": No
3. Changes in accounting estimates: No
4. Corrections of prior period errors: No

4.3 Number of shares issued and outstanding (common stock)

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

   As of March 31, 2012: 417,124,490 shares

   As of March 31, 2011: 417,124,490 shares

2. Number of treasury stock

   As of March 31, 2012: 2,548 shares

   As of March 31, 2011: 2,548 shares

3. Average number of shares issued and outstanding

For the year ended March 31, 2012: 417,121,942 shares

For the year ended March 31, 2011: 417,121,942 shares

(Reference) Non-consolidated results for the year ended March 31, 2012

Non-consolidated financial results

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

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2012	733,890	(22.4)	(79,678)	--	(56,186)	--	(46,337)	--
Year ended March 31, 2011	946,043	--	(20,349)	--	(28,954)	--	(113,907)	--

	Net income (loss) per share: basic	Net income (loss) per share: diluted
	Yen	Yen
Year ended March 31, 2012	(111.09)	--
Year ended March 31, 2011	(273.08)	--

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2012	777,964	208,994	26.9	500.98
March 31, 2011	1,009,409	254,837	25.2	610.83

Reference: Equity at the end of the year ended March 31, 2012: 208,968 million yen
Equity at the end of the year ended March 31, 2011: 254,790 million yen

(Note) Information regarding the implementation of audit procedures
These financial statements are under the audit procedures based upon the Financial Instruments and Exchange Act at the time of issuance of this report.

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

[APPENDIX]

1. Business Results

1.1 Analysis of Business Results

1.1.1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2012

	Year ended March 31, 2011	Year ended March 31, 2012	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	1,137.9	883.1	(254.8)	(22.4)
Sales from semiconductors	1,018.9	786.0	(232.8)	(22.9)
Sales from others	119.0	97.1	(22.0)	(18.4)
Operating income (loss)	14.5	(56.8)	(71.3)	-
Ordinary income (loss)	1.0	(61.2)	(62.3)	-
Net income (loss)	(115.0)	(62.6)	52.4	-
	Yen	Yen		
Exchange rate (USD)	86	79	-	-
Exchange rate (EUR)	114	109	-	-

The world economy showed moderate recovery trend during the first half of the fiscal year ended March 31, 2012 ("the fiscal year"). However, overall economy became steadily more sluggish from the second half of the fiscal year affected by intensified financial crisis in Euro zone and decelerated growth of emerging countries mainly in Asia which had underpinned economic growth. Especially, slowdown of China's growth reflecting monetary tightening policy, as well as Thailand's flood had negative impacts on global economy. Whereas in Japan, while demand growth was partially seen in the first half of the fiscal year driven by the recovery from the Great East Japan Earthquake ("the earthquake"), the stagnant global economy and the continuous trend of strong yen heightened concerns about the deterioration in market conditions, which led Japanese economy to stagnate from the second half of the fiscal year.

Under these economic circumstances, as for the semiconductor market in which the Renesas Electronics Group ("the Group") operates as a core business, demand recovery was seen in automotive sector especially for Japanese automakers for the second half of the fiscal year. However, for the other sectors, demand was sluggish overall owing to the stagnant global economy. Particularly, semiconductor demand for PC and PC peripherals and some of the consumer electronics decreased substantially influenced by Thailand's flood and other factors. In addition, semiconductor demand in emerging markets, which had driven the market growth, weakened during the second half of the fiscal year resulting from increased uncertainties in global economy and others.

Consolidated financial results for the year ended March 31, 2012 were as follows.

[Net sales]

Consolidated net sales for the year ended March 31, 2012 were 883.1 billion yen, a decrease by 22.4% year on year. This decrease was mainly caused by the impact of the earthquake and Thailand's flood, a weak demand influenced by stagnant economy mainly in Europe and China and moreover, the stronger yen.

[Sales from Semiconductors]

Sales from semiconductors for the year ended March 31, 2012 were 786.0 billion yen, 22.9% decrease year on year.

The business segment of the Group comprises three product groups; “MCUs”, “Analog & Power Devices” and “SoC (System on Chip) solutions”, and “the other semiconductors” that fit to neither of above three product categories. Sales of respective product groups are as follows:

MCUs: 336.3 billion yen

MCUs mainly include microcontrollers for automotive, industrial systems, microcontrollers used in digital home appliances, white goods, and consumer electronics including game consoles, and microcontrollers for PC and PC peripherals such as hard disc drives.

Sales of MCUs for the year ended March 31, 2012 were 336.3 billion yen, 12.4% decrease year on year. This drop was mainly due to a decline in sales of microcontrollers for PC and PC peripherals, and consumer electronics.

Analog and Power Devices: 243.8 billion yen

Analog and 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, PC and PC peripherals and consumer electronics.

Sales of analog and power devices for the year ended March 31, 2012 were 243.8 billion yen, 22.9% decrease year on year, owing to a decrease in the sales of display driver ICs for PC/LCD TVs, analog IC and discrete for consumer electronics.

SoC solutions: 201.2 billion yen

SoC solutions mainly include semiconductors for mobile handsets, ICs for network equipment, semiconductors for industrial systems, semiconductors for PC 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, 2012 were 201.2 billion yen, 35.5% decrease year on year. This decrease was mainly due to a decline in the semiconductor sales for consumer electronics and mobile handsets.

Other Semiconductors: 4.8 billion yen

Sales of other semiconductors include production by commissioning and royalties.

Sales of other semiconductors for the year ended March 31, 2012 were 4.8 billion yen, 30.6% decrease year on year.

[Sales from others]

Sales from others for the year ended March 31, 2012 were 97.1 billion yen, 18.4% decrease year on year.

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 loss for the year ended March 31, 2012 was 56.8 billion yen, 71.3 billion yen worse year on year, mainly owing to a decrease in sales despite of the Group's efforts to further streamline R&D expenses and to reduce selling, general and administrative expenses.

[Ordinary income (loss)]

Ordinary loss for the year ended March 31, 2012 was 61.2 billion yen, due to non-operating loss of 4.5 billion yen from recording interest expenses, foreign exchange losses and others.

[Net income (loss)]

Net loss for the year ended March 31, 2012 was 62.6 billion yen, mainly due to recording 21.3 billion yen special income including gain on transfer of business and at the same time recording 19.7 billion yen special loss including loss on disaster.

1.1.2. Consolidated Forecasts for the Fiscal Year Ending March 31, 2013

As described in 1.1 Analysis of Business Results "1.1.1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2012", the Group posted 62.6 billion yen net loss as consolidated net sales dropped significantly by approximately 22% year on year for the fiscal year ended March 31, 2012, mainly owing to the impact of the earthquake and Thailand's flood as well as worsen economic conditions mainly in Europe and China, and continuous trend of strong yen. With respect to the recent semiconductor market, after almost one month has passed since the start of the new fiscal year ending March 31, 2013, overall market is still sluggish and uncertainties remain even though some signs of upturns are seen.

Under these circumstances, Renesas Electronics considers it necessary to more closely examine the trends of semiconductor market conditions for a little while, as well as to take into account the impact of the business portfolio review for generation of stable profits which Renesas Electronics has been steadily advancing since the announcement of the business strategy in August 2011.

Therefore, Renesas Electronics does not present the forecast of consolidated results for the year ending March 31, 2013 at this point of time. Renesas Electronics will publicly announce the forecast as soon as it becomes ready for disclosure.

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	March 31, 2011	**March 31, 2012**	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,145.0	858.2	(286.8)
Net assets	291.1	226.5	(64.6)
Equity	283.8	218.0	(65.8)
Equity ratio (%)	24.8	25.4	0.6
Interest-bearing debt	378.2	258.3	(119.9)
Debt / Equity ratio	1.33	1.19	(0.15)

Total assets at March 31, 2012 were 858.2 billion yen, 286.8 billion yen decrease from March 31, 2011 mainly due to the decrease in cash and cash equivalents as a result of the redemption of bonds with share subscription rights and the decrease in trade accounts receivable as well as property, plant and equipment. Net assets were 226.5 billion yen, 64.6 billion yen decrease from March 31, 2011, mainly due to posting 62.6 billion yen net loss for the year ended March 31, 2012.

Equity decreased by 65.8 billion yen from March 31 2011 and equity ratio was 25.4 percent. Interest-bearing debt decreased by 119.9 billion yen from March 31, 2011 owing to the redemption of bonds with share subscription rights in the first quarter of the year ended March 31, 2012. Consequently, debt to equity ratio was 1.19 times.

1.2.2 Cash Flows

	Year ended March 31, 2011	**Year ended March 31, 2012**
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	102.5	(9.7)
Net cash provided by (used in) investing activities	(95.8)	(55.1)
Free cash flows	6.7	(64.8)
Net cash provided by (used in) financing activities	132.6	(138.4)
Cash and cash equivalents at the beginning of period	203.1	337.3
Cash and cash equivalents at the end of period	337.3	131.9

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

Net cash used in operating activities for the year ended March 31, 2012 was 9.7 billion yen. Despite of recording 100.5 billion yen depreciation and amortization, this was more than offset by recording 59.6 billion yen net loss before income taxes and 32.4 billion yen increase in inventories as well as payments for loss on disaster and payments for extra retirement benefits.

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

Net cash used in investing activities for the year ended March 31, 2012 was 55.1 billion yen, mainly arising from the purchase of property, plant and equipment in the amount of 82.7 billion yen partially offset by proceeds from transfer of business and sales of property, plant and equipment.

The foregoing resulted in negative free cash flows of 64.8 billion yen for the year ended March 31, 2012.

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

Net cash used in financing activities for the year ended March 31, 2012 was 138.4 billion yen mainly due to the redemption of bonds with share subscription rights in the first quarter of the year ended March 31, 2012.

Consequently, cash and cash equivalents decreased by 205.3 billion yen and its balance at the end of the period were 131.9 billion yen.

1.3 Policy on Profit Distribution and Dividend Payments

Renesas Electronics distributes part of its earnings to shareholders in the form of dividends, while appropriating retained earnings for the research and development of new products and capital expenditures, and maintaining a durable financial structure capable of generating high earnings to maximize enterprise value. For each dividend period, payment determinations are made with consideration of conditions for consolidated and non-consolidated retained earnings, consolidated income, forecast for income for the next period, and cash flow status.

Renesas Electronics' policy is to distribute surpluses twice a year in the form of interim and year-end dividends. The amount of year-end dividends is decided by the general meeting of shareholders; the amount of interim dividends is decided by the board of directors. In addition, the company's article of incorporation states that, “Based on the decision by the board of directors, September 30 of each year has been set as the date of record and interim dividends may be provided.”

For the year ended March 31, 2012, the Group posted net losses on both consolidated and non-consolidated bases, and accumulated deficits. Accordingly, it suspended payment of dividends for this period.

For the year ending March 31, 2013, whether the Group provides interim and year-end dividend payments remain undecided. The Group will announce its decision on interim and year-end dividend payments when the decisions are made.

1.4 Risk Factors

Renesas Electronics Group's operations and financial results are subject to various risks and uncertainties, including those described below, that could significantly affect the investors' judgments. In addition, the following statements include matters which might not necessarily fall under such significant risks, but are deemed important for investors' judgment from a standpoint of affirmative disclosure. Descriptions about the future in the following are based on what the Group recognizes as of March 31, 2012.

1.4.1 Market Fluctuations

Although the 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 decline in product demand and increase in production and inventory amount, as well as lower sales price. Consequently, market downturns could reduce the Group's sales, as well as lower fab utilization rates, which may in turn result in worsened cost ratios, ultimately leading to deterioration in profits.

1.4.2 Foreign Currency Fluctuations

The operating results and financial position of the 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.

1.4.3 Natural Disasters

Natural disasters such as earthquakes, typhoons, and floods, as well as accidents, acts of terror, infection and other factors beyond the control of the Group could adversely affect the Group's business operation. Especially, as the Group owns key facilities and equipment in areas where earthquakes occur at a frequency higher than the global average, the effects of earthquakes and other events could damage the Group's facilities and equipment and force a halt to manufacturing and other operations, and such events could consequently cause severe damage to the Group's business. The Group sets and manages several preventive plans and Business Continuity Plan which defines countermeasures such as contingency plans and at the same time the Group is subscribed to various insurances; however, these plans and insurances are not guaranteed to cover all the losses and damages incurred.

1.4.4 Competition

The semiconductor industry is extremely competitive, and the Group is exposed to fierce competition from rival companies around the world in areas such as product performance, structure, pricing and quality. To maintain and improve competitiveness, the Group takes various measures including development of leading edge technologies, standardizing design, and cost reduction, but in the event that the Group cannot maintain its competitiveness, 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.

1.4.5 Product Production

<u>a. Production Process Risk</u>

Semiconductor products require extremely complex production processes. In an effort to increase yields (ratio of non-defective products from the materials used), the 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.

<u>b. Procurement of Raw Materials, Components, and Production Facilities</u>

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 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 the business occurred in 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 Group makes an effort to improve the quality of semiconductor products, 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 the Group products were shipped to customers, resulting in the return or exchange of the Group's products, claims for compensatory damages, or discontinuation of the use of the Group's products, which could negatively impact the profits and operating results of the Group. To prepare for such events, the Group has insurance such as 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 Group outsources the manufacture of certain semiconductor products to external foundries (contract manufacturers) 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; however, 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.

1.4.6 Product Sales

a. Reliance on Key Customers

The Group relies on certain key customers for the bulk of its product sales to end customers. The 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 Group receives orders from customers for the development of specific semiconductor products in some cases. There is the possibility that after the Group received orders the customers decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded. There is also the possibility that the customers cancel its 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 to reduce their orders, or to postpone delivery dates. Such changes in production plans, order reductions, postponements and other actions from 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 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.

1.4.7 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.

1.4.8 Retirement benefit obligations

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

1.4.9 Impairment Loss on Fixed Assets

The Group has recorded tangible fixed assets 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 generated by these assets. If these assets do not generate sufficient cash flows, the Group may be forced to recognize impairment loss in their value.

1.4.10 Information Management

The Group has in its possession a great deal of confidential information and personal information relating to its business activities. While such confidential information is managed according to law and 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. In addition, information systems are growing importance in the Group's business activities. Although the Group makes an effort to manage stable operation of information systems, information systems may shut down due to system failures, computer viruses and other factors, which may consequently adversely affect the Group's business.

1.4.11 Environmental Factors

The 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 regulation, and soil pollution. There is the possibility that, regardless of whether there is negligence in its pursuit of business activities, the 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.

1.4.12 Business Activities Worldwide

The Group conducts business worldwide which 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 in overseas markets, which could have a negative impact on the business growth and performance of the Group.

1.4.13 Strategic Alliance and Corporate Acquisition

For business expansion and strengthening of competitiveness, the 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. In addition, it is not guaranteed that strategic alliances and corporate acquisitions would actually yield the results initially anticipated.

1.4.14 Intellectual Property

While the Group seeks to protect its intellectual property, it may not be adequately protected in certain countries and areas. In addition, there are cases that the Group's products are developed, manufactured and sold by using licenses received from third parties. In such cases, there is the possibility that the Group could not receive necessary licenses from third parties, or the Group could only receive licenses under terms and conditions less favorable than before.

1.4.15 Legal Issues

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, investigation by regulatory authorities and other legal proceedings in various countries. In particular, the Group is at present the subject of investigation by regulatory authorities and is a defendant in civil lawsuits related to possible violations of antitrust law in several countries and areas.

The Group's subsidiary in the U.S. had been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving DRAM brought by purchasers of such products. In addition, the U.S. subsidiary is currently in the process of settlement negotiations with certain customers separated from a class action lawsuit brought by those who directly purchased DRAM in the U.S. from the subsidiary, and already settled with the subsidiary.

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 the U.S., Europe and South Korea are the subject of investigations each 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 related to thin-film transistor liquid crystal display (TFT-LCD). Among those, the European Commission imposed fine to multiple LCD panel manufacturers in December 2010. However, the subsidiary of the Group has not been treated as a subject in the procedures. The Group's subsidiary in the U.S. has been named in the U.S. as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law involving TFT-LCD brought by purchasers of such products.

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

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 proceedings 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.

2. Renesas Electronics Group Companies

The Renesas Electronics Group comprises 57 consolidated subsidiaries and 4 equity method affiliates, listed below according to primary business activity.

	Japan	Overseas
Sales Companies	<Consolidated Subsidiary> Renesas Electronics Sales Co., Ltd. <Equity Method Affiliate> RENESAS EASTON Co., Ltd.	<Consolidated Subsidiary> Renesas Electronics (China) Co., Ltd. Renesas Electronics (Shanghai) Co., Ltd. Renesas Electronics Hong Kong Limited Renesas Electronics Taiwan Co., Ltd. Renesas Electronics Korea Co., Ltd. Renesas Electronics Singapore Pte. Ltd. Renesas Electronics Malaysia Sdn. Bhd. Renesas Electronics America, Inc. Renesas Electronics Canada Limited Renesas Electronics Europe Limited (UK) Renesas Electronics Europe GmbH (Germany)
Manufacturing and Engineering Service Companies	<Consolidated Subsidiary> Renesas Northern Japan Semiconductor, Inc. Hokkai Electronics Co., Ltd. Haguro Electronics Co., Ltd. Renesas Yamagata Semiconductor, Inc. Renesas Eastern Japan Semiconductor, Inc. Renesas Kofu Semiconductor, Co., Ltd. Renesas High Components, Inc. Renesas Yanai Semiconductor, Inc. Renesas Kansai Semiconductor Co., Ltd. Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. Renesas Kyushu Semiconductor Corp. Renesas Naka Semiconductor Co., Ltd. Renesas Semiconductor Engineering Corp.	<Consolidated Subsidiary> Shougang Renesas Electronics Co., Ltd. Renesas Semiconductor (Beijing) Co., Ltd. Renesas Semiconductor (Suzhou) Co., Ltd. Renesas Semiconductor Singapore Pte. Ltd. Renesas Semiconductor KL Sdn. Bhd. Renesas Semiconductor (Malaysia) Sdn. Bhd. Renesas Semiconductor (Kedah) Sdn. Bhd. Renesas Semiconductor Technology (Malaysia) Sdn. Bhd.
Design and Application Technologies Companies	<Consolidated Subsidiary> Renesas Micro System Co., Ltd. Renesas Design Corp. Renesas Solutions Corp. Renesas Takasaki Engineering Services Co., Ltd. Renesas Musashi Engineering Services Co., Ltd. Renesas Kitaitami Engineering Services Co., Ltd . <Equity Method Affiliate> Hitachi ULSI Systems Co., Ltd.	<Consolidated Subsidiary> Renesas Semiconductor Design (Beijing) Co., Ltd. Renesas Design Vietnam Co., Ltd. Renesas Semiconductor Design (Malaysia) Sdn. Bhd. Renesas Electronics Brasil-Servicos Ltda.
Business Corporations and Others	<Consolidated Subsidiary> Renesas Mobile Corporation Renesas SP Drivers Inc. <Equity Method Affiliate> Renacentis IT Services Co., Ltd.	<Consolidated Subsidiary> Renesas Design France S.A.S Renesas Mobile Europe Oy Renesas Mobile India Private Limited Renesas Tongxinjishu (Beijing) Co., Ltd. Renesas SP Drivers Taiwan Inc. and 7 companies <Equity Method Affiliate> 1 company

Note: Some of the Renesas Electronics Group' overseas sales companies also engage in design and development.

3. Management Policies

3.1 Management Policies

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

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

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

3.2 Management Targets

Through efforts including steady implementation of structural measures and rapid realization of integration synergies, the Renesas Electronics Group achieved its primary target of an operating profit in the first fiscal year following the merger. On the other hand, the Group could not meet the previously announced target to achieve consolidated net profit in the second fiscal year ended March 31, 2012 affected by the Great East Japan Earthquake and Thailand's flood as well as worsen economic conditions. During the fiscal year ending March 31, 2013, the Group will expedite its efforts to cope with issues described in "3.4 Issues to Address" as well as continuously aim to attain consolidated net profit as early as possible then to achieve two-digit operating profit ratio in the mid-term.

3.3 Mid-term Corporate Strategies

The Renesas Electronics Group is adopting the following measures as mid-term corporate strategies.

3.3.1 Three focused business operations: MCUs, Analog and Power devices, and SoC solutions, with MCUs as the core

The Group will endeavor to achieve further growth in the MCU business, where the Group enjoys the top market share worldwide, as the driving force powering the Group's expansion in overseas markets. At the same time, the Group will strengthen the Analog and Power devices business by expanding the product lineup through integration, working to maximize business synergies with the MCU business, and capturing business opportunities in MCU peripherals. Finally, the Group plans to ensure stable sales volume and profitability of the SoC business by selectively focusing the Group's efforts on key fields and markets where the Group is competitive as well as strengthening the Group's ability to offer system solutions and technical support.

3.3.2 Pursue growth in the global market

The Group aims to grow its business continuously by expanding its market shares in the global market. The Group will work to exploit growth opportunities overseas and further increase the share of the Group's semiconductor sales accounted for by overseas markets by introducing in a timely manner products tailored for emerging markets such as China, where high growth is expected to continue, and bolstering efforts to establish operational structures in high-growth regions. The Group has also identified as strategic business fields where is expected to grow even further, such as the advanced information communications segment and the social and lifestyle environment segment. Positioning those expanding fields including advanced communication, social and lifestyle environment as the Group's major focus target of business, the Group will focus on applications (smart grids, energy efficient household appliances, eco-friendly automobiles, etc.) that realize a "smart society" spanning the above fields, working to strengthen the Group's global marketing and product deployment efforts in these segments.

3.3.3 Reinforce operating foundations to achieve stable growth

To achieve stable growth, in addition to building an optimized organizational structure through the "Three focused business operations: MCUs, Analog and Power devices, and SoC solutions, with MCUs as the core" and "growth in the global markets" mentioned above, the Group is working to build a robust corporate structure that realizes stable growth by radically streamlining the efficiency of management across the board and, in particular, building an flexible production system through further promoting the "fab-network" strategy as well as optimizing manufacturing-related cost to construct a flexible manufacturing structure. Through these efforts, the Group aims to become a reliable partner for its customers and will continue to work to increase corporate value as a strong global semiconductor company delivering continuous growth.

3.4 Issues to Address

The Renesas Electronics Group has implemented management strategies and various measures during the year ended March 31, 2012 to attain following management targets; "rapid recovery from the earthquake and maximizing product supply to customers" during the first half of the period and "reforming its business structure to achieve stable and profitable management base" during the second half of the period. However, as previously described in "1. Business Results 1.1 Analysis of Business Results", consolidated net sales for the year ended March 31, 2012 significantly decreased year on year affected by the earthquake and Thailand's floods as well as stagnant global economy. Therefore, improvement of the Group's business performance has become an urgent matter. Given this circumstance, the Group will put all possible efforts into "achieving sales recovery and growth". At the same time, the Group will continuously expedite its efforts for "reforming its business structure to achieve stable and profitable management base".

3.4.1 Sales Recovery and Growth

As previously described in “1. Business Results 1.1 Analysis of Business Results”, consolidated net sales of the Group for the year ended March 31, 2012 decreased by 22.4% year on year. This decrease was mainly caused by the impacts of the earthquake and Thailand’s floods, continuous trend of strong yen, as well as worsened economic condition affected by prolonged Euro-zone crisis and slowdown of emerging markets including China. Through efforts including holding down expenses and rapid realization of integration synergies since the merger on April 2010, the Group achieved to reduce fixed costs. However, this cost reduction was more than offset by sales decrease, and as a result, the Group recorded 56.8 billion yen operating loss and 62.6 billion yen net loss. While the Group will continuously implement measures for “reforming its business structure to achieve stable and profitable management base”, the Group considers that achievement of sales recovery at the earliest possible timing is vital.

With regard to sales recovery and growth, the Group will put all possible efforts to minimize opportunity loss and expand revenue by establishing production system which promptly correspond to demand trend with carefully capturing the signs of an economic turnaround and market changes. In addition, the Group aims to fully utilize the IT system integrated on April 2012 to achieve more efficient business operation. Moreover, in order to raise the overall sales volume, the Group will work on sales expansion in Asia markets where growth is expected to continue going forward and also sales promotion to overseas customers who are offering many business opportunities with potential growth. As for each business segment, in the MCU business, in order to rapidly recover its sales amount which decreased due to the impacts of the earthquake and Thailand’s floods, the Group will make efforts to better manage business deals, expand sales to most important customers/segments, develop new customers in overseas especially in emerging countries and increase long tail customers*. At the same time, with the aim to establish core competence, the Group will continue to increase product lineups and build sales promotion channel for Smart Analog products as well as accelerate development of front-end MCU. In the Analog and Power Device business, the Group will further reinforce products for automotive and industrial systems to stabilize and expand sales. Also, in order to secure market competitiveness, the Group will strengthen collaboration between design, production and sales departments and promptly increase product lineups, as well as strengthen price competitiveness through lowering production cost by increasing production efficiency. In the SoC business, the Group will make efforts to stabilize sales and secure profitability by focusing management resources on mobile and social/industrial infrastructure related markets, and at the same time the Group will pursue achieving further business deals.

*Long tail customers: Order size of each customer is small, however, customers’ range is broad and relatively stable profitability is expected to be secured.

3.4.2 Reforming its Business Structure to Achieve Stable and Profitable Management Base

The Group's approach has been expanding its businesses and strengthening product competitiveness based on three main product groups, MCUs, Analog and Power Devices, and SoC solutions as well as to strive for thoroughgoing increases in efficiency and cost reduction across all management areas. The Group will take advantage of its experience to recover from the Great East Japan Earthquake not only to redouble its efforts to focus on profitable business, but also to build a solid business structure.

In the MCU business, the Group aims to grow its industry leading worldwide share of roughly 30 percent even further by maintaining continuity and stability of existing businesses centered on major customers in Japan and overseas, as well as by strengthening sales growth of the global market including those in emerging countries through initiatives such as an increase of product lineups for Chinese market and expansion of sales offices in Brazil and India. In the Analog and Power Device business, the Group will aim for even further growth by taking full advantage of synergy with the MCU business, and strengthen this area as its main business focused on power semiconductors and mixed-signal ICs that can secure stable profitability even in adverse market conditions. In the SoC solution business, the Group will move forward even more strongly with market selection and concentration in strategic areas, product groups and market that deserve attention and aim at assuring profitability and growth in those priority areas.

Finally, the Group is performing a thorough review of business portfolio as well as accelerating reforms of manufacturing structures in line with the review of business portfolio. Since manufacturing accounts for a large share of the Group's fixed expenses, as for the frond-end processes, the Group will make use of larger wafers as well as outsource production to overseas foundries, which is also part of the Group's multi-fab strategy of making products at two or more factories. For back-end processes, with the aim of reduction in production cost and risk hedging of foreign currency, the Group will increase the capacities of the own back-end factories mainly in Asia and thus accelerate shifting overseas manufacturing.

3.5 Corporate Social Responsibility

As a responsible corporate citizen, Renesas Electronics recognizes that meeting social responsibility is directly linked to sustainable growth in both enterprise and shareholder value.

CSR Charter

Established on April 1, 2010

Renesas Electronics Group will contribute to furthering the sustainable advancement of society as an enterprise which conducts business that helps build a better future for people around the world by supplying superior semiconductor products powered with advanced technologies and providing customer service that is honest and sincere.
We pledge to conduct our business with integrity beyond legal compliance by acting responsibly as a corporate citizen with high moral values and we will work together with and for the benefit of our stakeholders based on the following guiding principles:

Customer focus

We will provide optimized and high-quality solutions in quick response to customer needs to maximize customer satisfaction and to earn customer trust.

Sound business practices

We will carry out fair, ethical and transparent business practices and convey these practices to all our stakeholders. In addition, we will maximize our corporate value through business practices that allow us to continue to grow.

Friendly working environment

We will respect the personality of individuals. We will promote to create rewarding, safe, and flexible working environment where each person is able to demonstrate his/her best talents and capabilities.

As a global company

We will respect history, culture, custom, and human rights of each country and region and will not practice any forced or child labor. In addition, as a member of the global community, we will implement activities that contribute to the global society.

Environment friendly

We pledge to develop, manufacture and sell semiconductor products respecting the environment and will try to minimize the environmental impact throughout entire product life cycles. We will also participate in harmonizing human and environment with global issues such as climate change and biodiversity through our business activities.

4. Consolidated Financial Statements
4.1 Consolidated Balance Sheets
As of March 31, 2011 and 2012

(In millions of yen)

	March 31, 2011	March 31, 2012
Assets		
Current assets		
Cash and deposits	170,691	111,981
Notes and accounts receivable-trade	137,346	102,556
Short-term investment securities	166,998	20,250
Merchandise and finished goods	45,800	58,189
Work in process	61,193	79,155
Raw materials and supplies	16,378	14,454
Deferred tax assets	1,289	2,173
Accounts receivable-other	37,966	17,405
Other current assets	4,239	3,707
Allowance for doubtful accounts	(237)	(180)
Total current assets	641,663	409,690
Long-term assets		
Property, plant and equipment		
Buildings and structures	294,478	291,009
Accumulated depreciation	*2 (174,870)	*2 (175,060)
Buildings and structures, net	119,608	115,949
Machinery and equipment	793,130	769,191
Accumulated depreciation	*2 (657,424)	*2 (660,772)
Machinery and equipment, net	135,706	108,419
Vehicles, tools, furniture and fixtures	138,544	143,368
Accumulated depreciation	*2 (104,392)	*2 (110,945)
Vehicles, tools, furniture and fixtures, net	34,152	32,423
Land	35,887	36,210
Construction in progress	20,947	14,198
Total property, plant and equipment	346,300	307,199
Intangible assets		
Goodwill	2,485	2,228
Software	28,742	28,626
Other intangible assets	52,003	45,027
Total intangible assets	83,230	75,881
Investments and other assets		
Investment securities	*1 10,635	*1 7,801
Deferred tax assets	2,100	2,373
Prepaid expenses	43,096	38,228
Other assets	*1 18,031	17,494
Allowance for doubtful accounts	(7)	(462)
Total investments and other assets	73,855	65,434
Total long-term assets	503,385	448,514
Total assets	1,145,048	858,204

(In millions of yen)

	March 31, 2011	March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	144,944	148,747
Current portion of bonds with share subscription rights	110,000	—
Short-term borrowings	143,467	168,963
Current portion of long-term borrowings	44,321	33,549
Current portion of lease obligations	8,176	8,256
Accounts payable-other	78,250	43,036
Accrued expenses	55,538	46,418
Accrued income taxes	3,962	5,322
Provision for product warranties	590	385
Provision for loss on guarantees	456	—
Provision for business structure improvement	2,239	781
Provision for contingent loss	*3 399	*3 92
Provision for loss on disaster	46,042	1,051
Asset retirement obligations	404	25
Other current liabilities	6,474	5,429
Total current liabilities	645,262	462,054
Long-term liabilities		
Borrowings	58,192	32,580
Lease obligations	14,073	14,988
Deferred tax liabilities	14,063	11,492
Accrued retirement benefits	84,831	82,128
Provision for contingent loss	*3 1,163	*3 1,148
Asset retirement obligations	5,426	4,644
Other liabilities	30,980	22,670
Total long-term liabilities	208,728	169,650
Total liabilities	853,990	631,704
Net assets		
Shareholders' equity		
Common stock	153,255	153,255
Capital surplus	450,413	450,413
Retained earnings	(297,634)	(360,234)
Treasury stock	(11)	(11)
Total shareholders' equity	306,023	243,423
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	(259)	221
Foreign currency translation adjustments	(22,007)	(25,686)
Total accumulated other comprehensive income	(22,266)	(25,465)
Share subscription rights	48	26
Minority interests	7,253	8,516
Total net assets	291,058	226,500
Total liabilities and net assets	1,145,048	858,204

4.2 Consolidated Statements of Operations
and Consolidated Statements of Comprehensive Income
4.2.1 Consolidated Statements of Operations
For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Net sales	1,137,898	883,112
Cost of sales	745,927	607,334
Gross profit	391,971	275,778
Selling, general and administrative expenses	377,447	332,528
Operating income (loss)	14,524	(56,750)
Non-operating income		
Interest income	553	604
Dividends income	83	77
Equity in earnings of affiliates	759	65
Reversal of provision for business structure improvement	—	1,157
Insurance income	323	1,143
Compensation for damage received	—	834
Other non-operating income	1,927	3,096
Total non-operating income	3,645	6,976
Non-operating expenses		
Interest expenses	3,777	3,876
Foreign exchange losses	5,783	849
Loss on disposal of long-term assets	2,952	1,791
Retirement benefit expenses	2,383	2,386
Other non-operating expenses	2,241	2,552
Total non-operating expenses	17,136	11,454
Ordinary income (loss)	1,033	(61,228)
Special income		
Gain on sales of property, plant and equipment	768	1,127
Gain on negative goodwill	2,159	—
Reversal of provision for contingent loss	1,774	—
Gain on transfer of business	1,192	4,984
Gain on sales of investment securities	320	191
Compensation income	116	1,153
Reversal of provision for loss on disaster	—	13,533
Gain on liquidation of subsidiaries and affiliates	—	343
Gain on sales of subsidiaries and affiliates' stocks	—	11
Total special income	6,329	21,342
Special loss		
Loss on sales of property, plant and equipment	402	101
Impairment loss	36,051	2,594
Loss on disaster	*1 49,504	*1 12,760
Business structure improvement expenses	30,598	2,976
Loss on valuation of investment securities	119	668
Effect of adoption of accounting standard for asset retirement obligations	1,488	—
Provision of allowance for doubtful accounts	—	460
Loss on sales of investment securities	—	152
Loss on liquidation of subsidiaries and affiliates	—	3
Total special losses	118,162	19,714

	The year ended March 31, 2011	The year ended March 31, 2012
Income (loss) before income taxes and minority interests	(110,800)	(59,600)
Income taxes-current	2,885	5,487
Income taxes-deferred	(829)	(3,796)
Total income taxes	2,056	1,691
Income (loss) before minority interests	(112,856)	(61,291)
Minority interests in income (loss) of consolidated subsidiaries	2,167	1,309
Net income (loss)	(115,023)	(62,600)

4.2.2 Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Income (loss) before minority interests	(112,856)	(61,291)
Other comprehensive income		
Unrealized gains (losses) on securities	(239)	483
Foreign currency translation adjustment	(8,744)	(3,713)
Share of other comprehensive income of affiliates accounted for by the equity method	(12)	5
Total other comprehensive income	(8,995)	(3,225)
Comprehensive income	(121,851)	(64,516)
Comprehensive income attributable to		
Shareholders of parent company	(123,624)	(65,799)
Minority interests	1,773	1,283

4.3 Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Shareholders' equity		
Common stock		
Balance at beginning of the period	85,955	153,255
Changes during the period		
Issuance of new shares	67,300	—
Total changes during the period	67,300	—
Balance at end of the period	153,255	153,255
Capital surplus		
Balance at beginning of the period	242,586	450,413
Changes during the period		
Issuance of new shares	67,300	—
Increase by merger	140,527	—
Total changes during the period	207,827	—
Balance at end of the period	450,413	450,413
Retained earnings		
Balance at beginning of the period	(182,611)	(297,634)
Changes during the period		
Net income (loss)	(115,023)	(62,600)
Total changes during the period	(115,023)	(62,600)
Balance at end of the period	(297,634)	(360,234)
Treasury stock		
Balance at beginning of the period	(11)	(11)
Changes during the period		
Purchase of treasury stock	(0)	—
Total changes during the period	(0)	—
Balance at end of the period	(11)	(11)
Total shareholders' equity		
Balance at beginning of the period	145,919	306,023
Changes during the period		
Issuance of new shares	134,600	—
Increase by merger	140,527	—
Net income (loss)	(115,023)	(62,600)
Purchase of treasury stock	(0)	—
Total changes during the period	160,104	(62,600)
Balance at end of the period	306,023	243,423

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Other comprehensive income		
Unrealized gains (losses) on securities		
Balance at beginning of the period	(16)	(259)
Changes during the period		
Net changes other than shareholders' equity	(243)	480
Total changes during the period	(243)	480
Balance at end of year	(259)	221
Foreign currency translation adjustments		
Balance at beginning of the period	(13,649)	(22,007)
Changes during the period		
Net changes other than shareholders' equity	(8,358)	(3,679)
Total changes during the period	(8,358)	(3,679)
Balance at end of year	(22,007)	(25,686)
Total other comprehensive income		
Balance at beginning of the period	(13,665)	(22,266)
Changes during the period		
Net changes other than shareholders' equity	(8,601)	(3,199)
Total changes during the period	(8,601)	(3,199)
Balance at end of year	(22,266)	(25,465)
Share subscription rights		
Balance at beginning of the period	52	48
Changes during the period		
Net changes other than shareholders' equity	(4)	(22)
Total changes during the period	(4)	(22)
Balance at end of the period	48	26
Minority interests		
Balance at beginning of the period	4,032	7,253
Changes during the period		
Net changes other than shareholders' equity	3,221	1,263
Total changes during the period	3,221	1,263
Balance at end of the period	7,253	8,516
Total net assets		
Balance at beginning of the period	136,338	291,058
Changes during the period		
Issuance of new shares	134,600	—
Increase by merger	140,527	—
Net income (loss)	(115,023)	(62,600)
Purchase of treasury stock	(0)	—
Net changes other than shareholders' equity	(5,384)	(1,958)
Total changes during the period	154,720	(64,558)
Balance at end of the period	291,058	226,500

4.4 Consolidated Statements of Cash Flows
For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(110,800)	(59,600)
Depreciation and amortization	103,494	100,451
Amortization of long-term prepaid expenses	11,596	11,428
Impairment loss	36,051	2,594
Loss on disaster	6,187	1,288
Gain on negative goodwill	(2,159)	—
Increase (decrease) in accrued retirement benefits	(8,532)	(1,335)
Increase (decrease) in provision for business structure improvement	505	(931)
Increase (decrease) in provision for contingent loss	(1,807)	(264)
Increase (decrease) in provision for loss on disaster	46,042	(19,214)
Interest and dividends income	(636)	(681)
Insurance income	(323)	(1,143)
Interest expenses	3,777	3,876
Equity in (earnings) losses of affiliates	(759)	(65)
Loss (gain) on sales and valuation of investment securities	(201)	629
Loss (gain) on liquidation of subsidiaries and affiliates	—	(340)
Loss (gain) on sales of property, plant and equipment	(366)	(1,026)
Loss on disposal of long-term assets	2,952	1,791
Business structure improvement expenses	7,895	334
Loss (gain) on transfer of business	(1,192)	(4,984)
Effect of adoption of accounting standard for asset retirement obligations	1,488	—
Decrease (increase) in notes and accounts receivable-trade	39,807	31,365
Decrease (increase) in inventories	(880)	(32,416)
Decrease (increase) in accounts receivable-other	(10,368)	5,741
Increase (decrease) in notes and accounts payable-trade	(35,490)	4,626
Increase (decrease) in accounts payable-other and accrued expenses	27,886	(14,218)
Other cash provided by (used in) operating activities, net	1,794	(1,107)
Subtotal	115,961	26,799
Interest and dividends received	670	739
Proceeds from insurance income	323	17,143
Interest paid	(3,826)	(3,899)
Income taxes paid	(5,450)	(2,931)
Payments for extra retirement benefits	(786)	(20,664)
Payments for loss on litigation and others	(4,407)	(337)
Payments for loss on disaster	—	(26,546)
Net cash provided by (used in) operating activities	102,485	(9,696)

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(77,111)	(82,694)
Proceeds from sales of property, plant and equipment	7,526	26,969
Purchase of intangible assets	(9,875)	(11,169)
Purchase of long-term prepaid expenses	(2,007)	(3,035)
Purchase of investment securities	(465)	(567)
Proceeds from sales of investment securities	649	2,033
Purchase of investments in subsidiary	(649)	—
Proceeds from liquidation of subsidiaries and affiliates	—	939
Proceeds from transfer of business	3,285	11,657
Payments for transfer of business	(17,654)	—
Other cash provided by (used in) investing activities, net	537	778
Net cash provided by (used in) investing activities	(95,764)	(55,089)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	27,377	25,500
Proceeds from long-term borrowings	40,056	7,932
Repayment of long-term borrowings	(53,970)	(44,321)
Redemption of bonds with share subscription rights	—	(110,000)
Proceeds from issuance of common stock	134,600	—
Repayments of finance lease obligations	(8,256)	(8,305)
Repayments of installment payables	(6,853)	(9,158)
Other cash provided by (used in) financing activities, net	(357)	—
Net cash provided by (used in) financing activities	132,597	(138,352)
Effect of exchange rate change on cash and cash equivalents	(5,155)	(2,206)
Net increase (decrease) in cash and cash equivalents	134,163	(205,343)
Cash and cash equivalents at the beginning of the period	91,234	337,289
Increase in cash and cash equivalents resulting from merger	111,892	—
Cash and cash equivalents at the end of the period	337,289	131,946

Notes about Going Concern Assumption

Not applicable

Basis of Consolidated Financial Statements

Items	The year ended March 31, 2012
1. Scope of Consolidation	All subsidiaries are consolidated. Number of consolidated companies of the Group: 57 Names of the major consolidated subsidiaries are listed on "2. Renesas Electronics Group Companies" and omitted in this part. The number of subsidiaries increased by foundation: 2 Renesas Electronics Brasil-Servicos Ltda. and 1 company. Number of subsidiaries decreased by liquidation and stock sales: 2 Nippon Denshi Light Co., Ltd. and 1 company Number of subsidiaries decreased by merger: 1 Renesas System Solutions Korea Co., Ltd. .
2. Application of Equity Method	(1) The number of major affiliates accounted for by the equity method: 4 Names of major affiliates: Renesas Easton Co., Ltd. Hitachi ULSI Systems Co., Ltd. Renacentis IT Services Co., Ltd. and 1 company . The number of subsidiaries decreased by liquidation and stock sales: 2 Xi'an RealMicro System Technology Co., Ltd. Retronix Technologies Inc. (2) The name of affiliates not accounted for by the equity method: The equity method is not applied to Semiconductor Technology Academic Research Center (STARC) 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 account closing in the consolidated closing date of March 31, 2012 are used.
3. Accounting Period of Consolidated Subsidiaries	Of consolidated subsidiaries, the fiscal year-end of Shougang NEC Electronics Co., Ltd. is December 31. Shougang NEC Electronics Co., Ltd. is consolidated by using its financial statements as of its fiscal year-end, and necessary adjustments are made to the financial statements to reflect any significant transactions from January 1 to March 31.

Items	The year ended March 31, 2012
4. Significant Accounting Policies (1) Valuation methods for significant assets	1) Securities Other securities: Marketable securities: Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method. Non-marketable securities: Non-marketable securities classified as other securities are carried at cost or amortized cost determined by the moving-average method. 2) Derivatives Derivative financial instruments are stated at fair value. 3) Inventories Inventories are stated at the lower of cost or market. The costs are stated as follows: Merchandise and finished goods: Custom-made products: Specific identification method Mass products: Average method Work in process: Custom-made products: Specific identification method Mass products: Average method Raw materials and supplies: Raw materials: Average method Supplies: Average method
(2) Depreciation method for significant long-term assets	1) Property, plant and equipment other than leased assets Depreciated principally by the straight-line method. 2) Intangible assets other than leased assets Amortized by the straight-line method. 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. 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. 4) Long-term prepaid expenses Amortized by the straight-line method.
(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. 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.

Items	The year ended March 31, 2012
(3) Basis for significant reserves	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 15 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. 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 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. 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.
(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 have adopted the consolidated taxation system.

Changes in Accounting Policies

Changes in Presentation

The year ended March 31, 2012
(Consolidated Balance Sheets) "Allowance for doubtful accounts" included in the "Other assets" section of investment and other assets in the previous fiscal year is presented independently from the current fiscal year owing to the increase in the monetary significance. In order to reflect the change in presentation, the consolidated balance sheet in the previous fiscal year has been restated to reflect a consistent presentation format. As a result of this change, 18,024 million yen presented as "Other assets" of investment and other assets in the previous fiscal is restated as 7 million yen (negative figure) for "Allowance for doubtful accounts" and 18,031 million yen for "Other assets", respectively. **(Consolidated Statements of Operations)** "Insurance income" included in the "Other non-operating income" in the previous fiscal year exceeds ten percent of total non-operating income and is therefore presented independently from the current fiscal year. In order to reflect the change in presentation, the consolidated statement of operations in the previous fiscal year has been restated to reflect a consistent presentation format. As a result of this change, 2,250 million yen presented as "Other non-operating income" in the previous fiscal is restated as 323 million yen for "Insurance income" and 1,927 million yen for "Other non-operating income", respectively. **(Consolidated Statements of Cash Flows)** "Insurance income" included in "Income (loss) before income taxes and minority interests" of net cash provided by (used in) operating activities in the previous fiscal year is presented separately due to the increase in the monetary significance. As a result of this change in presentation format, "Proceeds from insurance income" beneath of the subtotal of net cash provided by (used in) operating activities" is presented independently. 323 million yen of "Insurance income" and 323 million yen of "proceeds from insurance income" in the previous fiscal year are restated to reflect the change in presentation format. "Net decrease (increase) in time deposits" is presented separately in the previous fiscal year and is included in the "Other cash provided by (used in) investing activities" of net cash provided by (used in) investing activities from the current fiscal year due to the lack of monetary significance. "Net decrease (increase) in time deposits" included in "Other cash provided by (used in) investing activities" in the previous fiscal year is 531 million yen.

Additional Information

The year ended March 31, 2012
(Adoption of “Accounting Standard for Accounting Changes and Error Corrections” and “Guidance on Accounting Standard for Accounting Changes and Error Corrections”) Accounting changes and corrections of prior period errors from the beginning of the fiscal year ended March 31, 2012 reflect the Renesas Groups’ adoption of the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009). **(Effect of Changes in Effective Statutory Tax Rates)** On December 2, 2011, the “Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117 of 2011) were promulgated. As a result of this revision, the effective statutory tax rates applied for the calculations of deferred tax assets and liabilities were changed from 40.5% to 38.01% for temporary differences expected to be reversed in the periods from April 1, 2012 to March 31, 2015 and 35.64% for temporary differences expected to be reversed after April 1, 2015. Consequently, “Income taxes” and “Deferred tax liabilities” for the fiscal year ended March 31, 2012 were decreased by 1,021 million yen, respectively.

Notes

(Consolidated Balance Sheets)

As of March 31, 2011	As of March 31, 2012
*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	*1 The items listed below were for subsidiaries and affiliates (In millions of yen) Investment securities (Stock) 4,826
*2 Accumulated impairment loss was included in accumulated depreciation.	*2 Same as the previous fiscal year
*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 Loss on guarantees (In millions of yen) Guarantees of employees' housing loans 1,281	*3 Contingent liabilities Residual value guarantees under operating lease transactions (In millions of yen) IBJ Leasing Company, Limited 2,591 Sumitomo Mitsui Finance & Leasing Company, Limited 570 BOT LEASE Co., Ltd. 476 Sumishin Panasonic Financial Services Co., Ltd. 386 Total 4,023 Loss on guarantees (In millions of yen) Guarantees of employees' housing loans 1,024 Other 533 Total 1,557
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 has agreed on a settlement with the plaintiffs. The U.S. subsidiary of the Group has already reached settlement of 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	Others The Group's subsidiary in the U.S. had been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving DRAM brought by purchasers of such products. In addition, the U.S. subsidiary is currently in the process of settlement negotiations with certain customers separated from a class action lawsuit brought by those who directly purchased DRAM in the U.S. from the subsidiary, and already settled with the subsidiary. 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 the U.S., Europe and South Korea are the subject of investigations each 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 related to thin-film transistor liquid crystal display (TFT-LCD). Among those, the European Commission imposed fine to multiple LCD panel manufacturers in December 2010. However, the subsidiary of the Group has not been treated as a subject in the procedures. The Group's subsidiary in the U.S. has been named in the U.S. as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law

As of March 31, 2011	As of March 31, 2012
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. In the aforementioned legal proceedings, the Group has recorded estimated losses in the amount of 1,240 million yen in the provision for contingent losses.	involving TFT-LCD brought by purchasers of such products. The Group is the subject of an investigation by the European Commission regarding possible violations of competition law in relation to smartcard chip. In the aforementioned legal proceedings, the Group has recorded estimated losses in the amount of 832 million yen in the provision for contingent losses.

(Consolidated Statements of Operations)

*1 Loss on disaster

The loss on disaster was related to the Great East Japan Earthquake, and the components of the amount of loss on disaster were as follows:

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Fixed costs during the temporary shutdown period of operations	5,919	10,711
Loss on disposal of inventories	7,283	620
Loss on disposal of fixed assets	6,187	590
Repair cost of fixed assets	43,116	177
Loss on cancellation of lease contracts	2,987	101
Other costs	12	561
Sub total	65,504	12,760
Insurance income receivable	(16,000)	—
Total	49,504	12,760

(Consolidated Statements of Changes in Net Assets)

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		—	11,156,100	10,300	—	11,166,400	48

Note 1: The number of shares of 10,300 common stocks was increased 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.

For the year ended March 31, 2012

1. Shares issued and outstanding / Treasury stock

	Numbers of shares as of March 31, 2011	Increase	Decrease	Numbers of shares as of March 31, 2012
Shares issued:				
Common stock	417,124,490	—	—	417,124,490
Total	417,124,490	—	—	417,124,490
Treasury stock:				
Common stock	2,548	—	—	2,548
Total	2,548	—	—	2,548

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, 2012 (In millions of yen)
			Number of shares as of March 31, 2011	Increase	Decrease	Number of shares as of March 31, 2012	
Issuing company	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 *(Note 1)*	Common Stock	11,166,400	—	11,166,400	—	—
	Share subscription rights as stock option	—	—	—	—	—	26
Total		—	11,166,400	—	11,166,400	—	26

Note 1: The number of shares of 11,166,400 common stocks was decreased due to the redemption of Zero Coupon Unsecured Euro Yen Convertible Bonds.

(Financial Instruments)

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 ratings. 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 condition of the issuing companies and consideration of existing business relationship, if any, the Group evaluates 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 plan s and have short-term commitment lines.

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

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. Derivatives subject to hedge accounting were not applicable.

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.

For the year ended March 31, 2012

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 condition of the issuing companies and consideration of existing business relationship, if any, the Group evaluates 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 and lease obligations from finance lease transactions are mainly utilized for capital investments. Their repayment terms are at most 7 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 plan s and have short-term commitment lines.

2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of March 31, 2012 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	111,981	111,981	–
(2) Notes and accounts receivable-trade	102,556	102,556	–
(3) Accounts receivable-other	17,405	17,405	–
(4) Short-term, long-term investment securities			
Stocks of affiliates	4,735	1,925	(2,810)
Other securities	23,000	23,000	–
Total assets	259,677	256,867	(2,810)
(5) Notes and accounts payable-trade	148,747	148,747	–
(6) Short-term borrowings	168,963	168,963	–
(7) Accounts payable-other	43,036	43,036	–
(8) Accrued income taxes	5,322	5,322	–
(9) Long-term borrowings (including current portion)	66,129	64,674	(1,455)
(10) Lease obligations (including current portion)	23,244	22,850	(394)
Total liabilities	455,441	453,592	(1,849)
(11) Derivative transactions(*)	(1,619)	(1,619)	–

(*)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) Long-term borrowings and (10) 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.

(11) Derivative transactions

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. Derivatives subject to hedge accounting are not applicable.

Note 2: Non-marketable securities (316 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.

(Business Combinations)

For the year ended March 31, 2012
Business divestiture

(Business Transfer of Semiconductor Wafer Fabrication Facility in Renesas Electronics America Inc.)

1. Outline of the business divestiture
(1) Name of the transferee
Telefunken Semiconductors International LLC and Timberpine Holdings LLC

(2) Nature of the divested businesses
Wafer fabrication facility in Renesas Electronics America Inc (REA), a wholly owned subsidiary of Renesas.

(3) Main reasons for the divestiture
Renesas Electronics had been considering and implementing various measures to improve manufacturing efficiency by promoting larger wafers, finer process node, and production concentration for its own production capacity. In line with these measures, the company decided to sell REA's facility in Roseville, California, to Telefunken Semiconductors International LLC and Timberpine Holdings LLC, which have been searching for a new manufacturing facility to expand its semiconductor business.

(4) Date of divestiture
May 2, 2011

(5) Overview of transactions including statutory form
Upon the establishment of a wholly owned subsidiary of REA and transfer of wafer fabrication facility and its relevant operation to the subsidiary, REA transferred all of the shares to the transferees.

2. Overview of accounting treatment implemented
(1) Amount of gain on business transfer
There was no discrepancy between consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture.

(2) Appropriate book value of assets and liabilities pertaining to the transferred businesses

	(Millions of yen)
Current assets	2,613
Long-term assets	2,278
Total assets	4,891
Current liabilities	190
Long-term liabilities	—
Total liabilities	190

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statements of operations during the fiscal year ended March 31, 2012.

	(Millions of yen)
Net sales	1,091
Operating income	316

(Sale of High-Power Amplifier Business)

1. Outline of the business divestiture

(1) Name of the buyer

Murata Manufacturing Co., Ltd.

(2) Nature of the divested businesses

High-power amplifier (HPA) business and the business operation of its manufacturing site, the Nagano Device Division (Komoro, Nagano) of Renesas Eastern Japan Semiconductor, Inc. (Renesas Eastern Japan Semiconductor).

(3) Main reasons for the divestiture

With the growing demand for smartphones all over the world and the expansion of the low-end models in the developing countries, the market of mobile phones, which is the major user of power amplifiers, is experiencing a growing trend toward one-stop module and platform solutions that integrate basic communication functions in a device. In particular, the demand is growing for modules that incorporate HPAs with radio frequency (RF) components, such as filters and switches.

Renesas has been mainly supplying power amplifier modules to mobile handset makers. However, in light of these changing business conditions, the company considered the needs to study and implement measures to quickly respond to the demand for a one-stop module that incorporates a front-end module (FEM) to further strengthen the HPA business structure.

After full consideration, Renesas decided to sell the HPA business and the related operation of its manufacturing site.

(4) Date of divestiture

March 1, 2012

(5) Overview of transactions including statutory form

Renesas established a wholly owned subsidiary, Renesas Komoro Semiconductor, Inc. (Renesas Komoro Semiconductor), and as of March 1, 2012, transferred rights and obligations pertaining to its HPA business and the manufacturing operations including the land, building, and other assets relevant to the HPA business to Renesas Komoro Semiconductor. Renesas Eastern Japan Semiconductor also transferred rights and obligations pertaining to the business operation of the Nagano Device Division and its relevant operation to Renesas Komoro Semiconductor.

As of the same date as above, Renesas transferred HPA business and the shares of common stock for Renesas Komoro Semiconductor to Murata Manufacturing by the means of business transfer with cash consideration as well as stock transfer.

2. Overview of accounting treatment implemented

(1) Amount of gain on transfer of business

Difference between consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture were recognized as gain on transfer of business.

	(Millions of yen)
Gain on transfer of business	4,861

(2) Appropriate book value of assets and liabilities pertaining to the transferred businesses

	(Millions of yen)
Current assets	1,258
Long-term assets	5,767
Total assets	7,025
Current liabilities	370
Long-term liabilities	1,062
Total liabilities	1,432

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statements of operations during the fiscal year ended March 31, 2012.

	(Millions of yen)
Net sales	22,772
Operating loss	5,552

(Segment Information)

[Business Segment Information]

For the year ended March 31, 2011 and 2012

The semiconductor business segment is the sole operating segment of the Group. The information by business segment is 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

(In millions of yen)

Name of major customers	Sales Amount	Related Segment
Ryosan Company, Limited	86,114	Semiconductor Business

For the year ended March 31, 2012

1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Other Semiconductors	Others	Total
Sales to third parties	336,347	243,763	201,157	4,766	97,079	883,112

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
484,951	134,351	117,454	88,619	53,974	3,763	883,112

[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
267,897	35,112	3,991	199	307,199

3. Information by major customer

(In millions of yen)

Name of major customers	Sales Amount	Related Segment
Ryosan Company, Limited	102,390	Semiconductor Business

(Amount Per Share Information)

The basis of calculation for net assets as well as net income (loss) per share is as follows:

Items	The year ended March 31, 2011	The year ended March 31, 2012
(1) Net assets per share	680.27yen	522.53yen
(Basis of calculations)		
Total net assets (In millions of yen)	291,058	226,500
Amounts deducted from total net assets (In millions of yen)	7,301	8,542
(Share subscription rights)	(48)	(26)
(Minority interests)	(7,253)	(8,516)
Net assets attributable to common stock at the end of the year (In millions of yen)	283,757	217,958
The fiscal year-end number of common stock used for the calculation of net assets per share (Thousands)	417,122	417,122

Item	The year ended March 31, 2011	The year ended March 31, 2012
(2) Net income (loss) per share	(275.75) yen	(150.08) yen
(Basis of calculations)		
Net income (loss) (In millions of yen)	(115,023)	(62,600)
Amounts not attributable to common stock (In millions of yen)	—	—
Net income (loss) attributable to common stock (In millions of yen)	(115,023)	(62,600)
Average number of common stock during the fiscal year (Thousands)	417,122	417,122
Shares excluded from the computation of net income per share fully diluted due to no 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 11,166,400) 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)	Common stock arising from stock option plan (the number of share subscription rights is 280, the number of shares to be issued is 28,000)

[Note]

Net income per share fully diluted is not presented, owing to net loss per share in the current fiscal year though dilutive shares exist.

(Significant Subsequent Events)

Not applicable

Forward-Looking Statements

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

About Renesas Electronics Corporation

Renesas Electronics Corporation (TSE: 6723), the world's number one supplier of microcontrollers, is a premiere supplier of advanced semiconductor solutions including microcontrollers, SoC solutions and a broad-range of analog and power devices. Business operations began as Renesas Electronics Corporation in April 2010 through the integration of NEC Electronics Corporation (TSE:6723) and Renesas Technology Corp., with operations spanning research, development, design and manufacturing for a wide range of applications. Headquartered in Japan, Renesas Electronics Corporation has subsidiaries in 20 countries worldwide. More information can be found at www.renesas.com.

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