FINANCIAL REPORT 2013
Year Ended March 31, 2013

Renesas Electronics Corporation

Contents

The following section, **Management's Discussion and Analysis** of Operations, provides an overview of the consolidated financial statements of Renesas Electronics Corporation ("Renesas Electronics") (formerly NEC Electronics Corporation), and its consolidated subsidiaries (together, "the Group"), for the year ended March 31, 2013.

Introduction

Financial Position, Operating Results and Cash Flow Analysis

Forward-looking statements concerning financial position, operating results and cash flow are the Group's judgment as of March 31, 2013.

(1) Significant Accounting Policies and Estimates

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

1) Allowance for Doubtful Accounts

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

2) Inventories

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

3) Impairment of Long-term Assets

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

4) Investment Securities

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

5) Deferred Tax Assets

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

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

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

6) Retirement and Severance Benefits

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

7) Contingent Liabilities

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

8) Provision for Loss on Disaster

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

(2) Overview of Financial Results

	Year ended March 31, 2012	**Year ended March 31, 2013**	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	% Change
Net sales	883.1	785.8	(97.3)	(11.0)
Sales from semiconductors	786.0	724.7	(61.4)	(7.8)
Sales from others	97.1	61.1	(36.0)	(37.1)
Operating income (loss)	(56.8)	(23.2)	33.5	-
Ordinary income (loss)	(61.2)	(26.9)	34.4	-
Net income (loss)	(62.6)	(167.6)	(105.0)	-
	Yen	Yen		
Exchange rate (USD)	79	82	-	-
Exchange rate (EUR)	109	106	-	-

[Net sales]

Consolidated net sales for the year ended March 31, 2013 were 785.8 billion yen, a decrease of 11.0% year on year. This decrease was mainly caused by a continued stagnant economy, mainly in Europe and China, business downsizing in accordance with a reconsideration of our business portfolio, and a decrease in sales to Japanese manufacturers, our main customers.

[Sales from Semiconductors]

Sales from semiconductors for the year ended March 31, 2013 were 724.7 billion yen, 7.8% decrease year on year.

The semiconductor business segment of the Group comprises three product groups; "MCUs", "Analog & Power Devices" and "SoC (System on Chip) solutions," and "Other Semiconductors" that are not included in any of the above three product categories. Sales of the respective product groups are as follows:

MCUs: 305.2 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, 2013 were 305.2 billion yen, a 9.3% decrease year on year. This drop was mainly due to a decline in sales of microcontrollers for industrial systems as well as PC and PC peripherals.

Analog & Power Devices: 235.2 billion yen

Analog & Power Devices mainly consist 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 & Power Devices for the year ended March 31, 2013 were 235.2 billion yen, a 3.5% decrease year on year, owing to a sales decrease of display driver ICs for PC/LCD TVs, as well as analog IC and discrete products for consumer electronics, despite a sales increase for mid/small sized display driver ICs, and power semiconductors for automotive.

SoC solutions: 173.5 billion yen

SoC solutions mainly consist of semiconductors used in automotive applications such as car navigation systems, semiconductors for industrial systems, semiconductors for consumer electronics such as digital home appliances and game consoles, semiconductors for PC and PC peripherals such as hard disc drives and USB devices, and semiconductors for communications such as network equipment and mobile handsets.

Sales of SoC solutions for the year ended March 31, 2013 were 173.5 billion yen, a 13.7% decrease year on year. This decrease was mainly due to a decline in the semiconductor sales for PC peripherals and mobile handsets.

Other Semiconductors: 10.8 billion yen

Sales of other semiconductors include production by commissioning and royalties.

Sales of other semiconductors for the year ended March 31, 2013 were 10.8 billion yen, a 125.9% increase year on year.

[Sales from others]

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 by the Group's design and manufacturing subsidiaries.

Sales from others for the year ended March 31, 2013 were 61.1 billion yen, a 37.1% decrease year on year.

[Operating income (loss)]

Operating loss for the year ended March 31, 2013 was 23.2 billion yen, an improvement of 33.5 billion yen year on year, mainly owing to cost reduction measures, such as streamlining of R&D and SGA expenses, offset by a decrease in sales.

[Ordinary income (loss)]

Ordinary loss for the year ended March 31, 2013 was 26.9 billion yen, which was included a non-operating loss of 3.6 billion yen deriving from interest expenses of 4.7 billion yen.

[Net income (loss)]

Net loss for the year ended March 31, 2013 was 167.6 billion yen, mainly due to business structure improvement expenses of 127.1 billion yen recorded as a special loss.

(3) Financial Position

〔Total Assets, Liabilities and Net Assets〕

	March 31, 2012	March 31, 2013	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	858.2	669.1	(189.1)
Net assets	226.5	77.9	(148.6)
Equity	218.0	66.7	(151.2)
Equity ratio (%)	25.4	10.0	(15.4)
Interest-bearing debt	258.3	306.4	48.0
Debt / Equity ratio	1.19	4.59	3.41

Total assets as of March 31, 2013 were 669.1 billion yen, a 189.1 billion yen decrease from March 31, 2012 mainly due to a decrease of cash and cash equivalents as well as tangible and intangible fixed assets. Net assets were 77.9 billion yen, a 148.6 billion yen decrease from March 31, 2012, mainly due to a net loss of 167.6 billion yen recorded for the year ended March 31, 2013.

Equity decreased by 151.2 billion yen from March 31 2012, and the equity ratio was 10.0 percent. Interest-bearing debt increased by 48.0 billion yen from March 31, 2012 mainly due to the financing used for the structural reforms. Consequently, the debt to equity ratio rose to 4.59.

〔Cash Flows〕

	Year ended March 31, 2012	Year ended March 31, 2013
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	(9.7)	(54.1)
Net cash provided by (used in) investing activities	(55.1)	(43.2)
Free cash flows	(64.8)	(97.3)
Net cash provided by (used in) financing activities	(138.4)	36.8
Cash and cash equivalents at the beginning of period	337.3	131.9
Cash and cash equivalents at the end of period	131.9	77.7

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

Net cash used in operating activities for the year ended March 31, 2013 was 54.1 billion yen mainly due to a loss before income taxes and minority interests of 157.8 billion yen as well as payments for the early retirement program offset by depreciation and amortization of 91.1 billion yen.

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

Net cash used in investing activities for the year ended March 31, 2013 was 43.2 billion yen, mainly due to the purchase of property, plant and equipment in the amount of 46.3 billion yen.

The foregoing resulted in negative free cash flows of 97.3 billion yen for the year ended March 31, 2013.

(Net cash provided by (used in) financing activities)
Net cash provided by financing activities for the year ended March 31, 2013 was 36.8 billion yen mainly due to the financing used for the structural reforms.

Consequently, cash and cash equivalents decreased by 54.2 billion yen and the balance at the end of the period was 77.7 billion yen.

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

The average annual exchange rate of the Japanese yen against the U.S. dollar during the fiscal year ended March 31, 2013 was weaker compared with the fiscal year ended March 31, 2012. This increased the yen-denominated amount of U.S. dollar-denominated sales, thereby contributing to increased earnings. From time to time, we enter into foreign currency forward exchange contracts to reduce exposure to market risks from fluctuations in foreign currency exchange rates. We recorded a net foreign exchange gain of 0.7 billion yen as non-operating income for the fiscal year ended March 31, 2013. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates in effect at the fiscal year-end. Revenue and expenses are translated at the average exchange rates for the fiscal year. Adjustments resulting from the translation are accumulated and recorded in "foreign currency translation adjustments" and "minority interests" in the consolidated balance sheets. For details, see Basis of Consolidated Financial Statements.

(5) Liquidity and Capital Resources

The Group's financial policy is to secure adequate liquidity and capital resources for its operations and to maintain a strong balance sheet.
In October 2012, the Group obtained financing totaling 97 billion yen from its major shareholders: NEC Corporation, Hitachi, Ltd., and Mitsubishi Electric Corporation, as well as its main financing banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, and Mitsubishi UFJ Trust and Banking Corporation. Also, the Group executed a syndicated loan agreement with its main financing banks as arrangers to secure the long-term stabilization fund, converting total short-term debt of 161.1 billion yen to long-term debt. As of March 31, 2013, the total amount of

interest-bearing debt, including borrowings and lease obligations, was 306.4 billion yen. As of March 31, 2013, we had 77.7 billion yen in liquidity, including cash and deposits, and short-term investment securities.

(6) Off-balance Sheet Arrangements

The Group securitizes receivables by selling certain trade receivables from time to time. The purpose of these securitization transactions is to enhance asset efficiency. The Group's balance of securitized trade receivables was 28.1 billion yen as of March 31, 2013.
Furthermore, the Group conducts operating leases as a means of avoiding risks associated with a decline in the value of obsolete production facilities, as well as to stabilize cash flows. As of March 31, 2013, the balance of lease obligations for unexpired non-cancelable operating lease transactions was 19.6 billion yen.

Risk Factors

Renesas Electronics Group's operations and financial results are subject to various risks and uncertainties, including those described below, that could significantly affect 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, 2013.

1） Market Fluctuations

Semiconductor market fluctuations, which are caused by such factors as economic cycles in each region and shifts in demand of end customers, affect the Group. 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 amounts, as well as lower sales prices. 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.

2） *Fluctuations in foreign exchange and interest rates*

The Group engages in business activities in all parts of the world and in a wide range of currencies. As a result our consolidated business results and financial condition are affected by fluctuations in foreign exchange rates. To reduce these effects of exchange rate fluctuations, the Group implements a variety of measures, including entering into exchange rate futures contracts. However, it is still possible for our sales volume in foreign currencies, our materials costs in foreign currencies, our production costs at overseas manufacturing sites, and other items to be influenced if exchange rates change significantly. Also, the Renesas Group assets, liabilities, income, and costs can change greatly by showing our foreign currency denominated assets and debts converted to amounts in Japanese yen, and these can also change when financial statements in foreign currencies at our overseas subsidiaries are converted to and presented in Japanese yen.

Furthermore, since costs and the values of assets and debts associated with Renesas Group business operation are influenced by fluctuations in interest rates, it is also possible for Renesas Group businesses, performance, and financial condition to be adversely influenced by these fluctuations.

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.

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.

5） Implementation of Management Strategies and Structural Measures

The Group is implementing a variety of business strategies (such as strengthening our microcontroller, Analog & Power device businesses and accelerating our selection and concentration of SoC solutions) and structural measures (such as production structural reforms and workforce reforms) to strengthen the foundations of our profitability. However, due to changes in economic conditions and the business environment, factors whose future is uncertain, and unforeseeable factors, it is possible that some of those reforms may become difficult to carry out and others may not achieve the originally planned results. Furthermore, additional structural reform costs may arise. Thus these issues may adversely influence Renesas Group performance and financial condition.

6） 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.

7） 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.

8） Financing

While the Group has been procuring business funds by methods such as borrowing from financial institutions and other sources, in the future it may become necessary to procure additional financing to implement business and investment plans, expand manufacturing capabilities, acquire technologies and services, and repay debts. It is possible that the Renesas Group may face limitations on its ability to raise funds due to a variety of reasons, including the fact that the Group may not be able to acquire required financing in a timely manner or may face increasing financing costs due to the worsening business environment in the semiconductor industry, worsening conditions in the financial and stock markets, and changes in the lending policies of lenders. In addition, some of the borrowing contracts executed between the Group and some financial institutions stipulate articles of financial covenants. If the Group breaches these articles due to worsened financial base of the Group etc., the Group may lose the benefit of term on the contract, and it may adversely influence the Group's business performance and financial conditions.

9）Dilution of Stock

Based on a decision at the Meeting of the Board of Directors held on December 10, 2012, which was subject to conditions such as approval at the Extraordinary General meeting of Shareholders on February 22, 2013, the expected issuing of 1,250,000,000 shares of Renesas common stock allocated to the companies in the consortium led by the Innovation Network Corporation of Japan will result in a dilution, by allocation of new shares to a third party, of the existing Renesas stock by a ratio of 299.67% (rounded to two decimal places) relative to December 10, 2012, total number of issued shares in Renesas Electronics Corporation of 417,124,490 shares. (This will result in a dilution ratio of 299.68% (rounded to two decimal places) of the total voting rights of 4,171,167 votes as of March 31, 2013.) As a result, it may decrease existing shareholders' proportion of voting rights, Earnings Per Share and Book-value Per Share, and, it may adversely influence Renesas Group share price. Third Party Allotment was approved by the extraordinary resolution at the Extraordinary General Meeting of Shareholders held on February 22, 2013.

10）Notes on Additional Financing

After implementing of the allocation of new shares to a third party based on a decision at the Meeting of the Board of Directors held on December 10, 2012, we received an offer from the Innovation Network Corporation of Japan that they are willing to provide additional investments or loans with an upper limit of 50 billion yen. Currently, no specific details regarding the timing of or conditions associated with these additional investments or loans have been determined, and there is no guarantee that these additional investments or loans will actually be implemented. If investments occur based on this offer, further dilution of existing stock will occur and this may adversely impact existing shareholders. Also, if loans are made under this offer, Renesas' outstanding interest-bearing debt will increase and this may impose restrictions on some of our business activities. Furthermore, if fluctuations in interest rates occur in the future, Renesas Group businesses, performance, and financial condition may be adversely affected.

11）Notes on the Fact that this Expected Recipient of Allocation will Become both the Largest Shareholder and the Parent Company and Other Items

It is expected that, due to the allocation of new shares to a third party based on the decision at the Meeting of the Board of Directors held on December 10, 2012, the proportion of voting rights held in association with Renesas stock held by the Innovation Network Corporation of Japan, which is the expected recipient of the allocation, will be 69.16% (rounded to two decimal places) of the total voting rights. Also, in the investment contract related to this allocation of new shares to a third party concluded between Renesas and the expected recipient of this allocation, the two parties have agreed to, among other items, the following. First, quickly after completion of payment related to this allocation of new shares to a third party, an extraordinary general meeting of shareholders shall be called to pass a resolution appointing candidate board members and candidate auditors proposed by the Innovation Network Corporation of Japan. (However, if both parties conclude a separate agreement, a proposal to appoint both candidate board members and candidates auditors as well as candidate board members and candidates auditors agreed to by both parties shall be submitted at the regular Renesas stockholders' meeting to be held in June 2013.) Second, certain substantive matters relating to the management or business of either Renesas itself or its subsidiaries require approval, in advance and in writing, from the Innovation Network Corporation of Japan. (These matters include but are not limited to changes to the articles of incorporation or other documents relating to Renesas itself or its subsidiaries, holding a shareholders or adopting a proposals, reorganization of the company structure, issuing stock or other financial instruments, borrowing or lending amounts of 1 billion yen or more, capital investments of 1 billion yen or more, and any items decided at a board meeting or management council meeting.) As a result, we expect that the Innovation Network Corporation of Japan will exert a powerful influence over the management of the Renesas Group.

Also, there is no guarantee that the approach the Innovation Network Corporation of Japan will take to Renesas Group management policies, or that the interests of the Innovation Network Corporation of Japan will match those of our other shareholders, and it is possible that the approach the Innovation Network Corporation of Japan takes to the Group management policies, or the exercise of voting rights associated with Renesas stock by the Innovation Network Corporation of Japan, will have significant influences on Renesas Group business operations.

12） Rapid Technological Evolutions and Other Issues

The semiconductor market in which the Group does business is characterized by rapid technological changes and rapid evolution of technological standards. Therefore, if the Group is not able to carry out appropriate research and development, Renesas Group businesses, performance, and financial condition may all be adversely affected by product obsolescence and the appearance of competing products.

13）Product Production

a. Production Process Risk

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.

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

The timely procurement of necessary raw materials, components and production facilities is critical to semiconductor production. To avoid supply problems related to these essential raw materials, components and production facilities, the 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. 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.

14） Product Quality

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.

15）Product Sales

a. Reliance on Key Customers

The Group relies on certain key customers for the bulk of its product sales to customers. The decision by these key customers to cease adoption of the Group's products, or to dramatically reduce order volumes, 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.

16）Securing Human Resources

The Renesas Group works hard to secure superior human resources for management, technology development, sales, and other areas when deploying business operations. However, since such superbly talented people are of limited number, there is fierce competition in the acquisition of human resources. Under the current conditions, it may not be possible for the Group to secure the talented human resources it requires.

17）Retirement Benefit Obligations

The retirement benefit obligations and prepaid pension expenses that the Group budgets are calculated based on actuarial assumptions, such as discount rates and expected rates of returns on assets. However, the Group performance and financial condition may be adversely affected either if discrepancies between actuarial assumptions and business performance arise due to changing interest rates or a fall in the stock market and retirement benefit obligations increase or our pension assets decrease and there is an increase in the pension funding deficit in the retirement benefit obligations system.

18） 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.

19） Information Systems

Information systems are growing importance in the Group's business activities. Although the Group makes an effort to manage stable operation of information systems, there is a likelihood that customer confidence and social trust would deteriorate, resulting in a negative effect on the Group's performance, if there is a significant problem with the Group's information systems caused by factors such as natural disasters, accidents, computer viruses and unauthorized accesses.

20） 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.

21） Legal Restrictions

The Group is subject to a variety of legal restrictions in the various countries and regions in which we operate. These include requirements for approval for businesses and investments, export restrictions, customs duties and tariffs, accounting standards and taxation, and environment laws. Moving forward, it is possible that Renesas Group businesses, performance, and financial condition may be adversely affected by increased costs and restrictions on business activities associated with the strengthening of local laws.

22） 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.

23） 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.

24） 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.

Although 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, the subsidiary has reached a settlement with the plaintiffs.

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.

Although the Group had been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving flash memory brought by purchasers of such products, the plaintiffs have withdrawn such multiple civil lawsuits.

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 related to thin-film transistor liquid crystal displays (TFT-LCDs). Among those, the European Commission imposed a fine on multiple TFT-LCD 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-LCDs 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 chips.
It is difficult to predict the outcome of the legal proceedings to which the Group is presently a party or to which it may become a party in future. The resolution of such 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.

FINANCIAL SECTION

1. Basis of Preparation of the Consolidated Financial Statements

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

2. Audit Certification

The consolidated financial statements for the current fiscal year (from April 1, 2012 to March 31, 2013) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Section 1, of the Financial Instruments and Exchange Law.

3. Special Measures for Preparing Fairly Stated Financial Statements

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

Consolidated Financial Statements

1. Consolidated Balance Sheets

As of March 31, 2012 and 2013

(In millions of yen)

	Prior Fiscal Year (As of March 31, 2012)	Current Fiscal Year (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	111,981	78,072
Notes and accounts receivable-trade	102,556	78,075
Short-term investment securities	20,250	—
Merchandise and finished goods	58,189	68,411
Work in process	79,155	70,196
Raw materials and supplies	14,454	12,742
Deferred tax assets	2,173	1,603
Accounts receivable-other	17,405	13,496
Other current assets	3,707	3,964
Allowance for doubtful accounts	(180)	(184)
Total current assets	409,690	326,375
Long-term assets		
Property, plant and equipment		
Buildings and structures	291,009	289,479
Accumulated depreciation	*3 (175,060)	*3 (187,029)
Buildings and structures, net	115,949	*1 102,450
Machinery and equipment	769,191	768,012
Accumulated depreciation	*3 (660,772)	*3 (694,213)
Machinery and equipment, net	108,419	*1 73,799
Vehicles, tools, furniture and fixtures	143,368	134,979
Accumulated depreciation	*3 (110,945)	*3 (110,651)
Vehicles, tools, furniture and fixtures, net	32,423	*1 24,328
Land	36,210	*1 35,262
Construction in progress	14,198	*1 6,773
Total property, plant and equipment	307,199	242,612
Intangible assets		
Goodwill	2,228	—
Software	28,626	16,179
Other intangible assets	45,027	27,725
Total intangible assets	75,881	43,904
Investments and other assets		
Investment securities	*2 7,801	*2 8,063
Deferred tax assets	2,373	2,450
Long-term prepaid expenses	38,228	29,333
Other assets	17,494	16,368
Allowance for doubtful accounts	(462)	(1)
Total investments and other assets	65,434	56,213
Total long-term assets	448,514	342,729
Total assets	858,204	669,104

(In millions of yen)

	Prior Fiscal Year (As of March 31, 2012)	Current Fiscal Year (As of March 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	148,747	99,153
Short-term borrowings	168,963	1,000
Current portion of long-term borrowings	33,549	*1 25,514
Current portion of lease obligations	8,256	*1 6,416
Accounts payable-other	43,036	64,392
Accrued expenses	46,418	20,126
Accrued income taxes	5,322	6,443
Provision for product warranties	385	466
Provision for business structure improvement	781	1,128
Provision for contingent loss	92	7
Provision for loss on disaster	1,051	—
Asset retirement obligations	25	331
Other current liabilities	5,429	3,618
Total current liabilities	462,054	228,594
Long-term liabilities		
Long-term borrowings	32,580	*1 264,656
Lease obligations	14,988	*1 8,795
Deferred tax liabilities	11,492	11,476
Accrued retirement benefits	82,128	58,810
Provision for contingent loss	*4 1,148	—
Asset retirement obligations	4,644	4,491
Other liabilities	22,670	14,358
Total long-term liabilities	169,650	362,586
Total liabilities	631,704	591,180
Net assets		
Shareholders' equity		
Common stock	153,255	153,255
Capital surplus	450,413	450,413
Retained earnings	(360,234)	(527,815)
Treasury stock	(11)	(11)
Total shareholders' equity	243,423	75,842
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	221	308
Foreign currency translation adjustments	(25,686)	(9,406)
Total accumulated other comprehensive income	(25,465)	(9,098)
Share subscription rights	26	—
Minority interests	8,516	11,180
Total net assets	226,500	77,924
Total liabilities and net assets	858,204	669,104

See accompanying notes to consolidated financial statements.

2. Consolidated Statements of Operations

For the Years Ended March 31, 2012 and 2013

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Net sales	883,112	785,764
Cost of sales	*1 607,334	*1 542,877
Gross profit	275,778	242,887
Selling, general and administrative expenses	*2 *3 332,528	*2 *3 266,104
Operating income (loss)	(56,750)	(23,217)
Non-operating income		
Interest income	604	204
Dividends income	77	62
Equity in earnings of affiliates	65	40
Foreign exchange gains	—	729
Reversal of provision for business structure improvement	1,157	271
Insurance income	1,143	2,583
Compensation for damage received	834	—
Reversal of provision for contingent loss	372	1,068
Other non-operating income	2,724	1,993
Total non-operating income	6,976	6,950
Non-operating expenses		
Interest expenses	3,876	4,720
Foreign exchange losses	849	—
Loss on disposal of long-term assets	1,791	1,017
Retirement benefit expenses	2,386	2,139
Other non-operating expenses	2,552	2,719
Total non-operating expenses	11,454	10,595
Ordinary income (loss)	(61,228)	(26,862)
Special income		
Gain on sales of property, plant and equipment	*4 1,127	*4 604
Gain on transfer of business	*5 4,984	*5 35
Gain on sales of investment securities	191	2,294
Compensation income	1,153	—
Reversal of provision for loss on disaster	13,533	—
Gain on liquidation of subsidiaries and affiliates	343	70
Gain on sales of subsidiaries and affiliates' stocks	11	—
Total special income	21,342	3,003
Special loss		
Loss on sales of property, plant and equipment	*6 101	*6 30
Impairment loss	*7 2,594	*7 4,767
Loss on disaster	*8 12,760	—
Business structure improvement expenses	*9 2,976	*7 *9 127,104
Loss on valuation of investment securities	668	10
Provision of allowance for doubtful accounts	460	—
Loss on sales of investment securities	152	17
Loss on liquidation of subsidiaries and affiliates	3	869
Settlement package	—	890

	The year ended March 31, 2012	The year ended March 31, 2013
Loss on transfer of business	—	207
Total special loss	19,714	133,894
Income (loss) before income taxes and minority interests	(59,600)	(157,753)
Income taxes-current	5,487	6,983
Income taxes-deferred	(3,796)	494
Total income taxes	1,691	7,477
Income (loss) before minority interests	(61,291)	(165,230)
Minority interests in income (loss) of consolidated subsidiaries	1,309	2,351
Net income (loss)	(62,600)	(167,581)

See accompanying notes to consolidated financial statements.

3. Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2012 and 2013

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Income (loss) before minority interests	(61,291)	(165,230)
Other comprehensive income		
Unrealized gains (losses) on securities	483	76
Foreign currency translation adjustments	(3,713)	16,601
Share of other comprehensive income of affiliates accounted for by the equity method	5	11
Total other comprehensive income	*1 (3,225)	*1 16,688
Comprehensive income	(64,516)	(148,542)
Comprehensive income attributable to:		
Shareholders of parent company	(65,799)	(151,214)
Minority interests	1,283	2,672

See accompanying notes to consolidated financial statements.

4. Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2012 and 2013

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Shareholders' equity		
Common stock		
Balance at the beginning of the period	153,255	153,255
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	153,255	153,255
Capital surplus		
Balance at the beginning of the period	450,413	450,413
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	450,413	450,413
Retained earnings		
Balance at the beginning of the period	(297,634)	(360,234)
Changes during the period		
Net income (loss)	(62,600)	(167,581)
Total changes during the period	(62,600)	(167,581)
Balance at the end of the period	(360,234)	(527,815)
Treasury stock		
Balance at the beginning of the period	(11)	(11)
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	(11)	(11)
Total shareholders' equity		
Balance at the beginning of the period	306,023	243,423
Changes during the period		
Net income (loss)	(62,600)	(167,581)
Total changes during the period	(62,600)	(167,581)
Balance at the end of the period	243,423	75,842

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Accumulated other comprehensive income		
Unrealized gains (losses) on securities		
Balance at the beginning of the period	(259)	221
Changes during the period		
Net changes other than shareholders' equity	480	87
Total changes during the period	480	87
Balance at the end of year	221	308
Foreign currency translation adjustments		
Balance at the beginning of the period	(22,007)	(25,686)
Changes during the period		
Net changes other than shareholders' equity	(3,679)	16,280
Total changes during the period	(3,679)	16,280
Balance at the end of year	(25,686)	(9,406)
Total accumulated other comprehensive income		
Balance at the beginning of the period	(22,266)	(25,465)
Changes during the period		
Net changes other than shareholders' equity	(3,199)	16,367
Total changes during the period	(3,199)	16,367
Balance at the end of year	(25,465)	(9,098)
Share subscription rights		
Balance at the beginning of the period	48	26
Changes during the period		
Net changes other than shareholders' equity	(22)	(26)
Total changes during the period	(22)	(26)
Balance at the end of the period	26	—
Minority interests		
Balance at the beginning of the period	7,253	8,516
Changes during the period		
Net changes other than shareholders' equity	1,263	2,664
Total changes during the period	1,263	2,664
Balance at the end of the period	8,516	11,180
Total net assets		
Balance at the beginning of the period	291,058	226,500
Changes during the period		
Net income (loss)	(62,600)	(167,581)
Net changes other than shareholders' equity	(1,958)	19,005
Total changes during the period	(64,558)	(148,576)
Balance at the end of the period	226,500	77,924

See accompanying notes to consolidated financial statements.

5. Consolidated Statements of Cash Flows

For the Years Ended March 31, 2012 and 2013

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(59,600)	(157,753)
Depreciation and amortization	100,451	91,104
Amortization of long-term prepaid expenses	11,428	11,688
Impairment loss	2,594	4,767
Increase (decrease) in accrued retirement benefits	(1,335)	(20,876)
Increase (decrease) in provision for business structure improvement	(931)	287
Increase (decrease) in provision for contingent loss	(264)	(1,096)
Increase (decrease) in provision for loss on disaster	(19,214)	(119)
Interest and dividends income	(681)	(266)
Insurance income	(1,143)	(2,583)
Interest expenses	3,876	4,720
Equity in (earnings) losses of affiliates	(65)	(40)
Loss (gain) on sales and valuation of investment securities	629	(2,267)
Loss (gain) on liquidation of subsidiaries and affiliates	(340)	799
Loss (gain) on sales of property, plant and equipment	(1,026)	(574)
Loss on disposal of long-term assets	1,791	1,017
Business structure improvement expenses	334	85,684
Loss (gain) on transfer of business	(4,984)	172
Settlement package	—	485
Decrease (increase) in notes and accounts receivable-trade	31,365	30,330
Decrease (increase) in inventories	(32,416)	2,636
Decrease (increase) in accounts receivable-other	5,741	1,751
Increase (decrease) in notes and accounts payable-trade	4,626	(44,246)
Increase (decrease) in accounts payable-other and accrued expenses	(14,218)	3,547
Other cash provided by (used in) operating activities, net	(156)	1,014
Subtotal	26,462	10,181
Interest and dividends received	739	337
Proceeds from insurance income	17,143	2,552
Interest paid	(3,899)	(4,834)
Income taxes paid	(2,931)	(6,684)
Payments for extra retirement benefits	(20,664)	(48,527)
Settlement package paid	—	(485)
Payments for loss on disaster	(26,546)	(6,641)
Net cash provided by (used in) operating activities	(9,696)	(54,101)

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(82,694)	(46,306)
Proceeds from sales of property, plant and equipment	26,969	854
Purchase of intangible assets	(11,169)	(5,582)
Purchase of long-term prepaid expenses	(3,035)	(2,016)
Purchase of investment securities	(567)	(557)
Proceeds from sales of investment securities	2,033	3,022
Proceeds from liquidation of subsidiaries and affiliates	939	—
Proceeds from transfer of business	*2 11,657	*2 7,219
Other cash provided by (used in) investing activities, net	778	206
Net cash provided by (used in) investing activities	(55,089)	(43,160)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	25,500	(167,853)
Proceeds from long-term borrowings	7,932	256,851
Repayment of long-term borrowings	(44,321)	(34,048)
Redemption of bonds with share subscription rights	(110,000)	—
Repayments of finance lease obligations	(8,305)	(8,277)
Repayments of installment payables	(9,158)	(9,824)
Net cash provided by (used in) financing activities	(138,352)	36,849
Effect of exchange rate change on cash and cash equivalents	(2,206)	6,197
Net increase (decrease) in cash and cash equivalents	(205,343)	(54,215)
Cash and cash equivalents at the beginning of the period	337,289	131,946
Cash and cash equivalents at the end of the period	*1 131,946	*1 77,731

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Basis of Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group : 54

The name of major subsidiaries:
Names of the major consolidated subsidiaries are listed on "Appendix" and omitted in this part.

The number of subsidiaries increased by foundation: 1
Renesas Tsugaru Semiconductor, Inc.

Number of subsidiaries decreased by sales and liquidation: 4
Renesas High Components, Inc.
and other 3 companies

2. Application of Equity Method

(1) The number of affiliates accounted for by the equity method: 3

The name of major affiliates accounted for by the equity method:
Renesas Easton Co., Ltd.
Renacentis IT Services Co., Ltd.
and other 1 company

The number of affiliates decreased by stock sales: 1
Hitachi ULSI Systems Co., Ltd.

(2) The name of affiliates not accounted for by the equity method:
The equity method is not applied to 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 prepared with the provisional closing date of March 31, 2013 (same as that of consolidated financial statements) 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.

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 the 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: Average method

(2) Depreciation and amortization method for significant long-term assets

1) Property, plant and equipment other than leased assets

Depreciated principally by the straight-line method

The useful lives of principal property, plant and equipment are as follows:

Buildings and structures: 15 to 45 years

Machinery and equipment: 3 to 8 years

Vehicles, tools, furniture and fixtures: 2 to 7 years

2) Intangible assets other than leased assets

Amortized by the straight-line method

Software for sales purposes

Amortized using the higher of the amount based on sales in the year as a proportion of total estimated sales over salable periods (not exceeding 3 years) or the amount based on a straight-line basis over the remaining salable period.

Software for internal use

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

Developed technology

Amortized by the straight-line method based on the useful life (not exceeding 10 years) of the business activities.

3) Leased assets

Leased assets under finance leases under which the ownership of the assets is transferred to the lessee

Depreciated / amortized in the same way as self-owned long-term assets.

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.
Other than those under which the ownership of the assets is transferred to the lessee, the finance leases which started the lease transactions on or before March 31, 2008 are accounted for as operating lease transactions.

4) Long-term prepaid expenses

Amortized by the straight-line method

(3) Basis of significant reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and using a 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 fair value of plan assets as of the fiscal year-end.

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

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

Prior service costs are amortized as incurred on a straight-line basis over the employees' estimated average remaining service periods (mainly over 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 is taken into account for the deterioration of financial conditions.

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 reconstructions 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 at the balance sheet date 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 year-end rates of exchange, and all revenue and expense accounts are translated at the average rates of exchange prevailing 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 for 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

The Company and its subsidiaries in Japan adopt the consolidated taxation system.

(Accounting Standards Issued but Not Yet Adopted)

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No.26, May 17, 2012)

Guidance on Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Guidance No.25, May 17, 2012)

1. Outline of accounting standards
The accounting standard and the guidance were revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) how actuarial gains and losses and past service costs should be accounted for, (b) how retirement benefit obligations and current service costs should be determined and (c) enhancement of disclosures.

2. Application date
The Group is scheduled to apply the accounting standard and the guidance from the end of the fiscal year starting on April 1, 2013. However, the accounting standard regarding how retirement benefit obligations and current service costs should be determined is scheduled to be applied from the beginning of the fiscal year starting on or after April 1, 2014.

3. Impact of adoption of this accounting standard and related guidance
The impact of adoption of this accounting standard and related guidance for the consolidated financial statements is currently under consideration.

(Changes in Presentation)

(Consolidated Statements of Operations)
"Reversal of provision for contingent loss" included in "Other non-operating income" in the previous fiscal year exceeds 10% 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 reclassified to reflect a consistent presentation format.

As a result of this change, 3,096 million yen presented as "Other non-operating income" in the previous fiscal is reclassified as 372 million yen for "Reversal of provision for contingent loss" and 2,724 million yen for "Other non-operating income", respectively.

(Consolidated Statements of Cash Flows)
"Loss on disaster" and "Payments for loss on litigation and others" presented separately in the previous fiscal year are included in "Other cash provided by (used in) operating activities, net" from the current fiscal year due to decreased materiality. In order to reflect the change in presentation, the consolidated statement of cash flows in the previous fiscal year has been reclassified to reflect a consistent presentation format.

As a result of this change, 1,288 million yen presented as "Loss on disaster" and 337 million yen presented as "Payments for loss on litigation and others" in the previous fiscal year are reclassified as "Other cash provided by (used in) operating activities, net".

(Additional Information)

（Issuance of New Shares Offered by way of Third-Party Allotment）

The Company, at the Meeting of the Board of Directors held on December 10, 2012, resolved to issue new shares offered by way of third-party allotment ("Third-Party Allotment") to The Innovation Network Corporation of Japan ("INCJ"), Toyota Motor Corporation, Nissan Motor Co., Ltd., Keihin Corporation, Denso Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation and Yaskawa Electric Corporation ("Expected Allottees").
Further, the amendment to the Company's Articles of Incorporation to increase the total number of authorized shares and the Third-Party Allotment were approved at the Extraordinary General Meeting of Shareholders held on February 22, 2013.

1. Outline of the Offering

(1) Payment period	February 23, 2013 through September 30, 2013 The above schedule takes into account the time required by the competition authorities of each country where INCJ, one of the Expected Allottees, files application, to review the Third-Party Allotment. Payment for the following total of shares is to be made promptly by the Expected Allottees after permits and approvals from all applicable antitrust authorities, etc. are obtained.	
(2) Number of shares to be newly issued	1,250,000,000 common shares	
(3) Issue price	¥120 per share	
(4) Amount to be procured	¥150,000,000,000	
(5) Method of offer or allotment	Third-Party Allotment	
(6) Amount of increase of common stock	¥75,000,000,000	
(7) Amount of increase of legal capital surplus	¥75,000,000,000	
(8) Subscribers and number of shares per subscriber	The Innovation Network Corporation of Japan Toyota Motor Corporation Nissan Motor Co., Ltd. Keihin Corporation Denso Corporation Canon Inc. Nikon Corporation Panasonic Corporation Yaskawa Electric Corporation	1,152,917,000 shares 41,666,600 shares 25,000,000 shares 8,333,300 shares 8,333,300 shares 4,166,600 shares 4,166,600 shares 4,166,600 shares 1,250,000 shares
(9) Other	Payment will be made on the condition that one of the Expected Allottees obtains all necessary permits and approvals from the competition authorities of relevant countries with respect to the business combination and any others.	

2. Purpose and Background of Offering

The Company has evaluated a variety of options for raising funds because the need for securing a financial base that can withstand severe and non-cyclical changes in the market conditions, for R&D, Capex and M&A activity to help earnings recovery is increasing.
As a result, the Company determined that the proposal from INCJ had the best potential to contribute to improvements in the Company's corporate value and shareholder value from a longer-term perspective, based on a comprehensive set of considerations, including that the proposal from INCJ means that the Company can

fund the entire amount of the investment rapidly and reliably and that the Company can expect to realize business synergies with the Expected Allottees. Therefore the Company determined the issuance of new shares offered by way of the Third-Party Allotment.
For details, please refer to the securities registration statement on issuance of new shares offered by way of third party allotment filed on December 10, 2012.

3. Specific Uses of Funds Raised

	Specific Uses	Amount (Millions of yen)	Planned outlay period
(i)	Investment related to leading-edge process development of MCUs and standardization of development basis	40,000	June 2013 to March 2017
(ii)	Capex related to production (sample and volume production)	20,000	June 2013 to March 2017
(iii)	Investment in automotive semiconductor solutions	40,000	June 2013 to March 2018
(iv)	Investment in industrial semiconductor solutions	40,000	June 2013 to March 2017
(v)	Development investment for reconstruction of the management base	10,000	June 2013 to March 2016

（Implementation of early retirement incentive program）

The Company at the Meeting of the Board of Directors held on March 28, 2013, resolved implementation of an early retirement incentive program.

1. Outline of the invitation for early retirement incentive program
The Company decided to implement the early retirement incentive program as announced on January 17, 2013, in "Renesas Electronics Announces the Implementation of Further Rationalization Initiatives, Including Optimization of the Personnel Structure" with the aim of strengthening the revenue base by improving the cost structure; speeding up decision-making; achieving increased adequacy and efficiency in our business operations; and further boosting competitiveness through measures including restructuring of the design, development, production, and sales systems in accordance with the growth strategy.

2. Outline of early retirement incentive program
(1) Eligible persons: Main career track employees age 40 or over of the Company and its consolidated subsidiaries in Japan
(2) Planned number of applicants eligible for the program: Around three thousand and several hundred
(3) Planned application period: August 2013
(4) Planned retirement date: September 30, 2013
(5) Benefits: A special incentive will be added to their normal retirement payment. In addition, outplacement support will be provided through outside agencies for those who request it.

3. Impact on financial results
There is no impact on consolidated financial results for the year ended March 31, 2013. At the moment, it is extremely difficult to reasonably estimate the impact of the early retirement incentive program as the Company has not yet started the application process.

(Consolidated Balance Sheets)

*1 Assets pledged as collateral and secured liabilities

(Assets pledged as collateral)

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Buildings and structures	- (-)	83,378 (82,415)
Machinery and equipment	- (-)	44,792 (33,809)
Vehicles, tools, furniture and fixtures	- (-)	1 (1)
Land	- (-)	34,216 (29,860)
Construction in progress	- (-)	32 (-)
Total	- (-)	162,419 (146,085)

(Secured liabilities)

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Current portion of long-term borrowings	- (-)	5,000 (5,000)
Current portion of lease obligations	- (-)	868 (-)
Long-term borrowings	- (-)	253,090 (253,090)
Lease obligations	- (-)	6,862 (-)
Future lease payments	- (-)	3,591 (-)
Total	- (-)	269,411 (258,090)

*Amounts in parenthesis represent assets pledged as collateral and secured liabilities related to factory properties.

*2 Items below relate to affiliates

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Investment securities (Stock)	4,826	4,930

*3 Accumulated impairment loss was included in accumulated depreciation.

*4 Contingent liabilities

(1) Residual value guarantees under operating lease transactions

(In millions of yen)

	As of March 31, 2012		As of March 31, 2013
IBJ Leasing Company, Limited	2,591	IBJ Leasing Company, Limited	607
BOT LEASE Co., Ltd.	476	BOT LEASE Co., Ltd.	476
Sumitomo Mitsui Finance & Leasing Company, Limited	570	Sumitomo Mitsui Finance & Leasing Company, Limited	460
Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. *	386	Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.*	-
Total	4,023	Total	1,543

*Company's name was changed from Sumishin Panasonic Financial Services Co., Ltd. on April 1, 2012.

(2) Debt guarantees

(In millions of yen)

As of March 31, 2012		As of March 31, 2013	
Guarantees of employees' housing loans	1,024	Guarantees of employees' housing loans	546
Other	533	Other	541
Total	1,557	Total	1,087

(3) Others

Although 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, the subsidiary has reached a settlement with the plaintiffs.

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.

Although the Group had been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving flash memory brought by purchasers of such products, the plaintiffs have withdrawn such multiple civil lawsuits.

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 related to thin-film transistor liquid crystal displays (TFT-LCDs). Among those, the European Commission imposed a fine on multiple TFT-LCD 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-LCDs 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 chips.

(Consolidated Statements of Operations)

*1 Inventory balance as of the fiscal year-end

Inventory balance as of the fiscal year-end, presented after write-down of book value due to declines of profitability and the amount of the write-down included in cost of sales, was as follows:

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
	4,634	(3,205)

*2 Selling, general and administrative expenses

Principal items and amounts

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Research and development expenses	182,485	137,133
Personnel expenses	56,234	45,026
Retirement benefit expenses	4,009	5,167

*3 Total of research and development expenses

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Research and development expenses included in manufacturing costs and general and administrative expenses	182,485	137,133

*4 Components of gain on sales of property, plant and equipment

For the year ended March 31, 2012

Sales of buildings and structures, machinery and equipment and others

For the year ended March 31, 2013

Sales of machinery and equipment, and land

*5 Components of gain on transfer of business

For the year ended March 31, 2012

Gain on transfer of business related to sale of high-power amplifier business was 4,861 million yen, and the remaining 123 million yen was generated from another transaction.

For the year ended March 31, 2013

Gain on transfer of part of business of the Group’s subsidiary

*6 Components of loss on sales of property, plant and equipment

For the year ended March 31, 2012

Sales of machinery and equipment, vehicles, tools, furniture and fixtures, land and others

For the year ended March 31, 2013

Sales of machinery and equipment and others

*7 Impairment loss

The details of impairment loss were as follows:

For the year ended March 31, 2012

Location	Usage	Type
Kitatsugaru-gun, Aomori-prefecture	Business assets	Machinery and equipment
Goshogawara-city, Aomori-prefecture etc.	Assets to be disposed of	Land, Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures
Kodaira-city, Tokyo Metropolitan Prefecture Hitachinaka-city, Ibaraki-prefecture Itami-city, Hyogo-prefecture etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, and Leased assets

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

Among business assets with the expectation of lower profitability, the book values were reduced to the recoverable value if the sum of undiscounted future cash flows was less than the aggregate book values of such asset grouping. The loss incurred by the reduction, amounted to 1,454 million yen, was recorded as a special loss.

In addition, among idle assets with no business use and assets to be disposed of, which had no business use due to the decision to close or sell the product line, the book values of such asset groupings were reduced to the recoverable value if their fair value declined significantly. The loss incurred by the reduction, amounted to 1,140 million yen, was recorded as a special loss.

The components of impairment loss (2,594 million yen) were as follows:

	(In millions of yen)
Land	97
Buildings and structures	92
Machinery and equipment	1,892
Vehicles, tools, furniture and fixtures	440
Construction in progress	18
Leased assets	55
Total	2,594

The recoverable value of these assets was measured at net sale value or value in use. The net sale value was reasonably estimated as the appraisal amount less the necessary expenses for disposal. However, the net sale value of assets which were difficult to sell was estimated at zero. The discount rate used in the determination of the value in use was mainly 4%.

For the year ended March 31, 2013

Location	Usage	Type
Chiyoda-ward, Tokyo Metropolitan prefecture Taiwan etc.	Business assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Goodwill, Software, Other intangible assets and Long-term prepaid expenses
Kikuchi-district, Kumamoto-prefecture	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and

Sakai-city, Fukui-prefecture Kameda-district, Hokkaido-prefecture Kawasaki-city, Kanagawa-prefecture Yanai-city, Yamaguchi-prefecture Kitatsugaru-district, Aomori-prefecture etc.		fixtures, Construction in progress, Software, Other intangible assets and Long-term prepaid expenses
Singapore Goshogawara-city, Aomori-prefecture etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Software, Other intangible assets and Long-term prepaid expenses

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

Net book values of business assets with the expectation of lower profitability were reduced to their recoverable values because the sum of the undiscounted future cash flows was less than that of book value. Such loss amounted to 26,507 million yen, which was included in special loss. The main such impairment loss was for the mobile business, which amounted to 25,953 million yen.

Also, the Group recognized impairment loss on assets to be transferred for the purpose of reforming the production structure for the establishment of a robust and profitable structure, and to be disposed of, which had no business use due to a decision to close or sell the product line by reducing their net book values to their recoverable values because their fair value declined significantly. Such loss amounted to 12,161 million yen, which was included in special loss.

The main components of such impairment loss was for the Kumamoto plant (Renesas Kyushu Semiconductor Corp.), the Fukui plant (Renesas Kansai Semiconductor Co., Ltd.), the Hakodate plant (Renesas Northern Japan Semiconductor, Inc.) and Hokkai Electronics Co., Ltd. which amounted to 7,028 million yen in total (which Renesas decided to transfer to J-Devices Corporation), was for Renesas High Components, Inc., which amounted to 1,220 million yen (which was transferred to AOI ELECTRONICS CO,.LTD.) and was for Software intended to be disposed of due to the Group’s integration of information systems, which amounted to 1,952 million yen.

Also, the Group recognized impairment loss on idle assets with no business use by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 4,105 million yen, which was included in special loss.

Business assets, assets to be disposed of and idle assets were amounted to 42,773 million yen for special loss.

In addition, impairment loss includes business structure improvement expenses, which amounted to 38,006 million yen and impairment loss except for business structure improvement expenses, which amounted to 4,767 million yen.

The components of impairment loss (42,773 million yen) were as follows:

	(In millions of yen)
Buildings and structures	4,489
Machinery and equipment	9,410
Vehicles, tools, furniture and fixtures	4,673
Construction in progress	1,984
Goodwill	2,035
Software	8,375
Other intangible assets	11,131

Long-term prepaid expenses	676
Total	42,773

The recoverable value of these assets was measured at net sale value or value in use. The net sale value was reasonably estimated as the appraisal amount less the necessary expenses for disposal. However, the net sale value of assets which were difficult to sell was estimated at zero. The discount rate used in the determination of the value in use was mainly 2.5% or 3.0%.

*8 Loss on disaster

For the year ended March 31, 2012

The loss on disaster was related to the Great East Japan Earthquake.

The components of loss on disaster were as follows:

(In millions of yen)

Fixed costs during the temporary shutdown of operations	10,711
Loss on disposal of inventories	620
Loss on disposal of long-term assets	590
Repair cost of long-term assets	177
Loss on cancellation of lease contracts	101
Other	561
Total	12,760

For the year ended March 31, 2013

None

*9 Business structure improvement expenses

For the year ended March 31, 2012, to reinforce the product lineup, sales and cost competitiveness as well as establish a business foundation to make it possible to achieve a profit recovery and stable growth with sustainability, the Group formulated the “100-day project,” and through this project, reviewed overall management resources in business activities. Further, the Group formulated measures to attain its business target, and implemented measures for optimizing business portfolio and reforming production structure, and those related expenses are shown as business structure improvement expenses.

For the year ended March 31, 2013, the Group continuously reformed businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses.

The components of business structure improvement expenses were as follows:

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Personnel expenses including the special incentive of early retirement program	1,048	86,054
Impairment loss	-	38,006
Other	1,928	3,044
Total	2,976	127,104

(Consolidated Statements of Comprehensive Income)

For the years ended March 31, 2012 and 2013

*1 Reclassification adjustments and tax effects pertaining to other comprehensive income

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Unrealized gains (losses) on securities		
Amount arising during the period	1,116	265
Reclassification adjustments for gains (losses) realized in net income	(623)	(195)
Amount of unrealized holding gains (losses) on securities before tax effect	493	70
Tax effect	(10)	6
Unrealized gains (losses) on securities	483	76
Foreign currency translation adjustments		
Amount arising during the period	(3,713)	15,802
Reclassification adjustments for gains (losses) realized in net income	-	799
Amount of foreign currency translation adjustments before tax effect	(3,713)	16,601
Tax effect	-	-
Foreign currency translation adjustments	(3,713)	16,601
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the period	(17)	20
Reclassification adjustments for gains (losses) realized in net income	22	(9)
Share of other comprehensive income of affiliates accounted for by the equity method	5	11
Total other comprehensive income	(3,225)	16,688

(Consolidated Statements of Changes in Net Assets)

For the year ended March 31, 2012

1. Shares issued and outstanding / Treasury stock

	Number of shares at the beginning of the period	Increase	Decrease	Number of shares at the end of the period
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)
			At the beginning of the period	Increase	Decrease	At the end of the period	
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.

For the year ended March 31, 2013

1. Shares issued and outstanding / Treasury stock

	Number of shares at the beginning of the period	Increase	Decrease	Number of shares at the end of the period
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

None

(Consolidated Statements of Cash Flows)

*1 Cash and cash equivalents as of the fiscal year-end were reconciled to the accounts reported in the consolidated balance sheets as follows:

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Cash and deposits	111,981	78,072
Time deposits with maturities of more than three months	(285)	(341)
Short-term investment securities	20,250	-
Cash and cash equivalents	131,946	77,731

*2 The details of assets and liabilities increased or decreased by the business acquisition or transfer.

The details of assets and liabilities decreased by the business transfer as well as the relationship between consideration transferred and proceeds from transfer of business are as follows:

For the year ended March 31, 2012

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

	(In millions of yen)
Current assets	2,613
Long-term assets	2,278
Current liabilities	(190)
Consideration transferred	4,701
Accounts receivable-other	(1,195)
Proceeds from transfer of business	3,506

(2) Sales of high-power amplifier business and the business operation of its manufacturing site, the Nagano Device Division of Renesas Eastern Japan Semiconductor, Inc.

	(In millions of yen)
Current assets	1,258
Long-term assets	5,767
Current liabilities	(370)
Long-term liabilities	(1,062)
Gain on transfer of business	4,861
Consideration transferred	10,454
Accounts receivable-other	(2,454)
Proceeds from transfer of business	8,000

For the year ended March 31, 2013

(1) Business Transfer of Tsugaru plant in Renesas Northern Japan Semiconductor, Inc.

	(In millions of yen)
Current assets	763
Long-term assets	4,179
Current liabilities	(16)
Long-term liabilities	(933)
Loss on transfer of business	(170)
Consideration transferred	3,823
Proceeds from transfer of business	3,823

(2) Business Transfer of Renesas High Components, Inc.

Current assets	1,436
Long-term assets	855
Current liabilities	(1,094)
Long-term liabilities	(382)
Loss on transfer of business	(37)
Consideration transferred	778
Cash and cash equivalents owned by Renesas High Components, Inc.	517
Proceeds from transfer of business	261

3 Significant non-cash transactions

(1) Acquisition of leased assets under finance lease transactions

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Leased assets and lease obligations under finance lease transactions	8,575	334

(2) Long-term prepaid expenses for installment purchase contract

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Long-term prepaid expenses for installment purchase contract	3,803	803

(Lease Transactions)

1. Finance lease transactions (Lessees' accounting)
Leased assets under finance leases under which the ownership of the assets is transferred to the lessee

(1) Leased assets
Property, plant and equipment
These were principally buildings and manufacturing equipment for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures).

(2) Methods for depreciation of leased assets
Described in "4. Significant Accounting Policies, (2)Methods for depreciation of property, plant and equipment" in Basis of Consolidated Financial Statements

Leased assets under finance leases other than those under which the ownership of the assets is transferred to the lessee

(1) Leased assets
Property, plant and equipment
These were principally manufacturing equipment for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures).

(2) Methods for depreciation of leased assets
Described in "4. Significant Accounting Policies, (2) Methods for depreciation of property, plant and equipment" in Basis of Consolidated Financial Statements

2. Operating lease transactions
Future lease payments relating to non-cancellable operating lease transactions were as follows:

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Due within one year	15,294	8,439
Due after one year	17,897	11,136
Total	33,191	19,575

(Financial Instruments)

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 borrowings and lease obligations from finance lease transactions are mainly utilized for operating activities and capital investments. Their repayment terms are at most 6 years after the fiscal year-end. Certain borrowings with variable interest rates are exposed to interest rate fluctuation risk. In addition, certain contracts include financial covenants.

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

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

Because accounts payable and borrowings are exposed to liquidity risks, the headquarters and each subsidiary manage them by making financial plans.

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

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

2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of March 31, 2012 and 2013 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note 2)

As of March 31, 2012

(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.

As of March 31, 2013

(In millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	78,072	78,072	–
(2) Notes and accounts receivable-trade	78,075	78,075	–
(3) Accounts receivable-other	13,496	13,496	–
(4) Long-term investment securities			
Stocks of affiliates	4,837	2,241	(2,596)
Other securities	2,914	2,914	–
Total assets	177,394	174,798	(2,596)
(5) Notes and accounts payable-trade	99,153	99,153	–
(6) Short-term borrowings	1,000	1,000	–
(7) Accounts payable-other	64,392	64,392	–
(8) Accrued income taxes	6,443	6,443	–
(9) Long-term borrowings (including current portion)	290,170	273,554	(16,616)
(10) Lease obligations (including current portion)	15,211	14,756	(455)
Total liabilities	476,369	459,298	(17,071)
(11) Derivative transactions(*)	(319)	(319)	–

(*)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

1. Derivatives not subject to hedge accounting

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

2. Derivatives subject to hedge accounting

None

Note 2: Financial instruments for which it is extremely difficult to estimate their fair value in consolidated balance sheets

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Non-marketable securities	316	312

Non-marketable securities which did not have market prices and for which the future cash flows could not be estimated, were not included in "(4) Short-term and long-term investment securities" since it was extremely difficult to estimate their fair value.

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

As of March 31, 2012

(In millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	111,981	–	–	–
Notes and accounts receivable-trade	102,556	–	–	–
Accounts receivable-other	17,405	–	–	–
Short-term, long-term investment securities				
Other securities with maturity dates				
(1) Bonds (Commercial paper)	500	–	–	–
(2) Other	19,750	–	–	–
Total	252,192	–	–	–

As of March 31, 2013

(In millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	78,072	–	–	–
Notes and accounts receivable-trade	78,075	–	–	–
Accounts receivable-other	13,496	–	–	–

Total	169,643	—	—	—

Note 4: The repayment schedules after the fiscal-year end for long-term borrowings and lease obligations

As of March 31, 2012

(In millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	168,963	—	—	—	—	—
Accounts payable-other (Accounts payable-installment purchase)	6	—	—	—	—	—
Long-term borrowings	33,549	21,014	4,366	7,000	200	—
Lease obligations	8,256	6,370	2,395	1,066	5,121	36
Total	210,774	27,384	6,761	8,066	5,321	36

As of March 31, 2013

(In millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	1,000	—	—	—	—	—
Long-term borrowings	25,514	257,456	7,000	200	—	—
Lease obligations	6,416	2,445	1,111	5,160	47	32
Total	32,960	259,901	8,111	5,360	47	32

(Securities)

1. Other securities
As of March 31, 2012

(In millions of yen)

	Type	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeded their acquisition cost	(1) Stock	508	315	193
	(2) Other	2,220	2,106	114
	Subtotal	2,728	2,421	307
Securities whose carrying value did not exceed their acquisition cost	(1) Stock	22	22	—
	(2) Bond	500	500	—
	(3) Other	19,750	19,750	—
	Subtotal	20,272	20,272	—
Total		23,000	22,693	307

As of March 31, 2013

(In millions of yen)

	Type	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeded their acquisition cost	(1) Stock	355	260	95
	(2) Other	2,537	2,262	275
	Subtotal	2,892	2,522	370
Securities whose carrying value did not exceed their acquisition cost	(1) Stock	22	27	(5)
	(2) Bond	—	—	—
	(3) Other	—	—	—
	Subtotal	22	27	(5)
Total		2,914	2,549	365

2. Other securities sold for the period
For the year ended March 31, 2012

(In millions of yen)

Type	Sales proceeds	Total gain	Total loss
(1) Stock	1,306	173	140
(2) Other	714	18	12
Total	2,020	191	152

For the year ended March 31, 2013

(In millions of yen)

Type	Sales proceeds	Total gain	Total loss
(1) Stock	2,319	2,270	9
(2) Other	704	24	8
Total	3,023	2,294	17

(Note) The table includes other securities for which it was extremely difficult to estimate fair values.

3. Impairment loss recognized on securities

The amount of impairment loss recognized on the stock in other securities was 668 million yen in the previous fiscal year and 10 million yen for the current fiscal year.

Furthermore, in the event that the fair market value at year-end of marketable securities falls 50% or more below the acquisition cost, impairment loss is recognized for all of the marketable securities. In the event that fair market value falls approximately 30% to 50% below the acquisition cost, impairment loss of the necessary amount is recognized by considering the future recoverability.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting was not adopted
(1) Currency-related transactions
As of March 31, 2012

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Forward foreign exchange contracts Sale: USD EUR	 30,047 7,659	 ― ―	 (1,176) (353)	 (1,176) (353)
Total		37,706	―	(1,529)	(1,529)

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

As of March 31, 2013

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Forward foreign exchange contracts Sale: USD EUR Buy: USD EUR	 17,111 3,769 15,179 4,255	 ― ― ― ―	 (182) 26 (132) (30)	 (182) 26 (132) (30)
Total		40,314	―	(318)	(318)

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

(2) Interest rate-related transactions
As of March 31, 2012

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Interest rate swaps Pay fixed, receive variable	10,700	500	(90)	(90)
Total		10,700	500	(90)	(90)

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

As of March 31, 2013

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Interest rate swaps Pay fixed, receive variable	500	300	(1)	(1)
Total		500	300	(1)	(1)

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

2. Derivative transactions for which hedge accounting was adopted
As of March 31, 2012
None

As of March 31, 2013
None

(Retirement Benefits)

1. Outline of retirement benefits

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

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

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

The Company and its subsidiaries in Japan adopt a point-based benefits system for the severance indemnity plans and defined-benefit pension plan, under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification and their performance.

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

Certain foreign subsidiaries adopt various retirement benefit plans which are mainly defined contribution plans as well as defined benefit plans.

2. Projected benefit obligations

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
(1) Projected benefit obligation	(277,517)	(225,587)
(2) Plan assets	160,032	144,482
(3) Unfunded projected benefit obligation (1)＋(2)	(117,485)	(81,105)
(4) Unrecognized net projected benefit obligation at transition	7,163	3,784
(5) Unrecognized actuarial gain or loss	41,921	28,404
(6) Unrecognized prior service cost (a reduction of liability)	(7,980)	(5,637)
(7) Net projected benefit obligation recognized in the consolidated balance sheets (3)＋(4)＋(5)＋(6)	(76,381)	(54,554)
(8) Prepaid pension cost	5,747	4,256
(9) Accrued retirement benefit (7)－(8)	(82,128)	(58,810)

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

3. Retirement benefit expenses

(In millions of yen)

	For the year ended March 31, 2012	For the year ended March 31, 2013
(1) Service cost	10,554	8,530
(2) Interest cost	6,971	6,253
(3) Expected return on plan assets (deduction)	(4,510)	(4,050)
(4) Amortization of net projected benefit obligation at transition	2,386	2,147
(5) Amortization of actuarial gain or loss	5,295	5,328
(6) Amortization of prior service cost	(1,154)	(1,039)
(7) Retirement benefit expenses (1)＋(2)＋(3)＋(4)＋(5)＋(6)	19,542	17,169
(8) Expenses for defined contribution plans and others	3,108	2,662
(9) Expenses for extra retirement benefits	929	79,034
(10) Loss on abolishment of retirement benefit plan owing to mass retirement	－	3,122
(11) Total (7)＋(8)＋(9) ＋(10)	23,579	101,987

Note1: Retirement benefit expenses for subsidiaries that adopted a simplified method were included in (1) Service cost.
Note 2: “Expenses for extra retirement benefits” and “Loss on abolishment of retirement benefit plan owing to mass retirement” were included in “Business structure improvement expenses” in special loss.

4. Assumptions used in accounting for the projected benefit obligation

	For the year ended March 31, 2012	For the year ended March 31, 2013
(1) Allocation of projected benefit obligation	Mainly, point-based or straight-line method	Mainly, point-based or straight-line method
(2) Discount rates	Mainly 2.5%	Mainly 2.5%
(3) Expected rate of return on plan assets	Mainly 2.5% or 3.5%	Mainly 2.5% or 3.5%
(4) Amortization period of prior service cost (Year)	Mainly 14 years (amortized as incurred on a straight-line basis over the employees’ estimated average remaining service periods)	Mainly 14 years Same as the previous year
(5) Amortization period of actuarial gain or loss (Year)	Mainly 15 years (amortized on a straight-line basis over the employees’ estimated average remaining service periods in which the gains and losses are recognized)	Mainly 14 years Same as the previous year
(6) Amortization period of net projected benefit obligation at transition (Year)	Mainly 15 years	Mainly 15 years

(Stock-Based Compensation Plans)

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

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Gain on reversal of share subscription rights in “Other non-operating income” in non-operating income	22	26

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

(1) Description of stock options

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

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

(2) Changes in the size of stock options

Changes in the size of stock options that existed for the fiscal year ended March 31, 2012 were as follows: The number of stock options is converted into the number of shares.

1) Number of stock options

	2006 Stock Options
Share subscription rights which were not yet vested (Shares)	
As of March 31, 2012	—
Granted	—
Forfeited	—
Vested	—
Balance of options not vested	—
Share subscription rights which had already been vested (Shares)	
As of March 31, 2012	28,000
Vested	—
Exercised	—
Forfeited	28,000
Balance of options not exercised	—

2) Per share prices

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

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

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

(Tax-Effect Accounting)

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Deferred tax assets		
Operating loss carryforwards	296,055	332,468
Accrued retirement benefits	31,077	21,877
Long-term assets	25,208	34,835
Accrued expenses	12,357	3,672
Inventories	10,729	10,402
Research and development expenses	5,045	4,582
Tax credits carryforwards	4,811	5,506
Investments	1,933	1,116
Others	5,283	3,780
Subtotal deferred tax assets	392,498	418,238
Valuation allowance	(380,216)	(407,665)
Total deferred tax assets	12,282	10,573
Deferred tax liabilities		
Valuation difference of assets acquired by merger	(12,744)	(11,681)
Tax on undistributed earnings	(2,502)	(3,125)
Gain on contribution of securities to retirement benefit trust	(2,329)	(1,894)
Others	(1,685)	(1,304)
Total deferred tax liabilities	(19,260)	(18,004)
Deferred tax liabilities, net	(6,978)	(7,431)

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

(In millions of yen)

	As of March 31, 2012	As of March 31, 2013
Current assets – deferred tax assets	2,173	1,603
Long-term assets – deferred tax assets	2,373	2,450
Current liabilities – other	(32)	(8)
Long-term liabilities – deferred tax liabilities	(11,492)	(11,476)

2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate was summarized as follows:

	As of March 31, 2012	As of March 31, 2013
Statutory tax rate	40.5%	38.0%
(Reconciliation)		
Expired operating loss carryforwards	―	(21.8)%
Changes in valuation allowance	(53.8)%	(20.2)%
Foreign tax rate differences	6.1%	0.9%
Tax credits	2.8%	0.5%
Changes in statutory tax rates	1.7%	―
Other	(0.1)%	(2.1)%
Effective tax rate after adoption of tax-effect accounting	(2.8)%	(4.7)%

(Business Combinations)

Business divestiture

(Transfer of Tsugaru plant of Renesas Northern Japan Semiconductor, Inc.)

1. Outline of the business divestiture

(1) Name of transferee

Fuji Electric Co., Ltd.

(2) Nature of the divested business

Wafer fabrication facility of Tsugaru Factory of Renesas Northern Japan Semiconductor, Inc. (a wholly-owned subsidiary of the Company)

(3) Main reasons for the divestiture

To improve in-house, front-end manufacturing efficiency by promoting larger wafers and a finer process, the Company had been reviewing various measures for its manufacturing sites. As part of this ongoing review process, the Company reached an agreement to transfer the Tsugaru plant to Fuji Electric Co., Ltd., who had been considering a new manufacturing facility to further expand the supply capacity of its power semiconductor business.

(4) Date of divestiture

July 1, 2012

(5) Overview of transactions including legal form

Renesas Northern Japan Semiconductor, Inc. established a wholly-owned subsidiary, Renesas Tsugaru Semiconductor, Inc., and, as of July 1, 2012, transferred the target business to Renesas Tsugaru Semiconductor, Inc. through an absorption-type split (*Kyushu-bunkatsu*).

As of the same date as above, Renesas Northern Japan Semiconductor, Inc. transferred the shares of common stock of the new company to Fuji Electric Co., Ltd. by means of stock transfer with cash consideration.

2. Overview of accounting treatment

(1) Amount of loss on business transfer

Difference between consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture was recognized as loss on transfer of business in the consolidated statement of operations.

	(Millions of yen)
Loss on transfer of business	170

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

	(Millions of yen)
Current assets	763
Long-term assets	4,179
Total assets	4,942
Current liabilities	16
Long-term liabilities	933
Total liabilities	949

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations during the fiscal year ended March 31, 2013.

	(Millions of yen)
Net sales	1,697
Operating loss	460

(Business Transfer of Renesas High Components, Inc.)

1. Outline of the business divestiture

(1) Name of the transferee

AOI ELECTRONICS CO., LTD.

(2) Nature of the divested business
Production business by commissioning of Renesas High Components, Inc., a wholly-owned subsidiary of Renesas Eastern Japan Semiconductor, Inc. (a wholly-owned subsidiary of the Company), and sales business related to such production business by commissioning, including sales staff of Renesas Eastern Japan Semiconductor, Inc.

(3) Main reasons for the divestiture
The Company had been implementing a realignment of its production sites in Japan to enhance the profit base. Under these circumstances, the Company decided to transfer the production business by commissioning of Renesas High Components, Inc. and sales business related to such production business by commissioning to AOI ELECTRONICS CO., LTD., which had been considering to expand its business and to improve production efficiency, whilst also aiming to improve product development efficiency and speed for expanded operation in the future as well as having a system of backup production sites in place for times of disaster.

(4) Date of divestiture
January 1, 2013

(5) Overview of transactions including legal form
As of January 1, 2013, Renesas Eastern Japan Semiconductor, Inc. transferred stock of Renesas High Components, Inc. and the sales business related to production business by commissioning of Renesas High Components, Inc. to AOI ELECTRONICS CO., LTD. by means of stock transfer with cash consideration and business transfer with cash consideration.

2. Overview of accounting treatment
(1) Amount of loss on business transfer
Difference between consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture was recognized as loss on transfer of business for consolidated statements of operations.

	(Millions of yen)
Loss on transfer of business	37

Actual amount of loss on business transfer may change due to adjustment of consideration transferred based on the transfer contract.

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

	(Millions of yen)
Current assets	1,436
Long-term assets	855
Total assets	2,291
Current liabilities	1,094
Long-term liabilities	382
Total liabilities	1,476

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations during the fiscal year ended March 31, 2013.

	(Millions of yen)
Net sales	5,639
Operating loss	544

(Asset Retirement Obligations)

Asset retirement obligations recognized on the consolidated financial statements

(1) Outline of Asset Retirement Obligations

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

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

The amount of asset retirement obligations was computed using an estimated useful life of 2 to 47 years as well as a discount rate of 0.5% to 5.5%.

(3) Increase (decrease) of the amount of asset retirement obligations

(In millions of yen)

	The year ended March 31, 2012	The year ended March 31, 2013
Balance at the beginning of the period	5,830	4,669
Increase due to acquisition of property, plant and equipment	152	191
Accretion adjustment	91	58
Decrease due to settlement of asset retirement obligations	(527)	(131)
Decrease due to extinguishment of asset retirement obligations	(864)	—
Increase (decrease) in other items	(13)	35
Balance at the end of the period	4,669	4,822

(Segment Information)

[Business Segment Information]

For the years ended March 31, 2012 and 2013

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, 2012

1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Other Semiconductors	Others	Total
Net 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	Net sales	Name of related segment
Ryosan Company, Limited	102,390	Semiconductor business
Sanshin Electronics Co., Ltd.	70,227	Semiconductor business

For the year ended March 31, 2013

1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Other Semiconductors	Others	Total
Net sales to third parties	305,159	235,208	173,518	10,768	61,111	785,764

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
425,063	108,346	119,622	74,919	54,610	3,204	785,764

[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
212,757	29,123	562	170	242,612

3. Information by major customer

(In millions of yen)

Name of major customers	Net sales	Name of related segment
Ryosan Company, Limited	97,838	Semiconductor business
Sanshin Electronics Co., Ltd.	86,125	Semiconductor business

(Related Party Information)

1. Transactions with related parties
   (1) Transactions between the Company and related parties

   a) The parent company and major shareholders related to the company submitting consolidated financial statements (corporations only)
   For the year ended March 31, 2012
   None

   For the year ended March 31, 2013

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Other affiliated company	Hitachi, Ltd.	Chiyoda-ward, Tokyo	458,790 million yen	Production and distribution of products, and provision of services including Information & Telecommunication Systems / Power / Social & Industrial Systems / and others
Other affiliated company	Mitsubishi Electric Corporation	Chiyoda-ward, Tokyo	175,820 million yen	Development, production and distribution of products, and provision of services including Energy and Electric Systems / Industrial Automation Systems / Information and Communication Systems / Electronic Devices / Home Appliances
Other affiliated company	NEC Corporation	Minato-ward, Tokyo	397,199 million yen	IT Network solution involving manufacturing and sales of computers, network equipment and software

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2013 (In millions of yen)
(Owned) Direct 30.62 %	Sales of our products	Borrowing	17,500	Current portion of long-term borrowings Long-term borrowings	339 17,161
(Owned) Direct 25.05 %	Sales of our products and concurrently serving as a board member	Borrowing	14,500	Current portion of long-term borrowings Long-term borrowings	281 14,219
(Owned) Direct 3.01 % Indirect 32.43 %	Sales of our products	Guarantee deposits	17,500	Current portion of long-term borrowings Long-term borrowings	339 17,181

Note 1: Interest rate on borrowing is determined reasonably by considering market interest rate.
2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

   b) Non-consolidated subsidiaries and affiliates related to the company submitting consolidated financial statements
   For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Affiliated company	RENESAS EASTON Co., Ltd.	Chiyoda-ward, Tokyo	3,433 million yen	Sales of semiconductor products

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
Direct 30.04 %	Sales distributor for our products	Sales of our products	43,626	Accounts receivable-trade	1,492

Note 1: Price and other transaction conditions are determined through price negotiation.
2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

For the year ended March 31, 2013

None

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

For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
None	Assignment of claims Factoring	Factoring	28,979	Accounts payable-trade Accounts payable-other	9,696 1,842

Note 1: The Company has made a tripartite contract with its suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

For the year ended March 31, 2013

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2013 (In millions of yen)
None	Assignment of claims Factoring	Factoring	15,800	Accounts payable-trade Accounts payable-other	6,356 1,174

Note 1: The Company has made a tripartite contract with its suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

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

None

(2) Transactions between subsidiaries of the Company and related parties

a) The parent company and major shareholders related to the company submitting consolidated financial statements (corporations only)

None

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

For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Affiliated company	RENESAS EASTON Co., Ltd.	Chiyoda-ward, Tokyo	3,433 million yen	Sales of semiconductor products

Ratio of share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
Direct 30.04 %	Sales distributor for our products	Sales of our products	12,479	Accounts receivable-trade	8,946

Note 1: Price and other transaction conditions are determined through price negotiation.
2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

For the year ended March 31, 2013
None

c) Companies having the same parent company as the company submitting consolidated financial statements and subsidiaries of affiliates
For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
None	Assignment of claims Factoring	Assignment of claims	33,352	—	—
		Factoring	2,434	Accounts payable-trade	497
				Accounts payable-other	163

Note 1: A subsidiary has made a contract for assignment of claims with Hitachi Capital Corporation, and parts of accounts receivable have been transferred to Hitachi Capital Corporation.
2: Certain subsidiaries have made a tripartite contract with their suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

For the year ended March 31, 2013

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2013 (In millions of yen)
None	Assignment of claims Factoring	Assignment of claims	97,334	—	—
		Factoring	868	Accounts payable-trade	142
				Accounts payable-other	41

Note 1: A subsidiary has made a contract for assignment of claims with Hitachi Capital Corporation, and parts of accounts receivable have been transferred to Hitachi Capital Corporation.
2: Certain subsidiaries have made a tripartite contract with their suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

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

None

2. Notes related to the parent company and significant affiliates

(1) Information of the parent company

None

(2) Information of significant affiliates

None

(Amount per Share Information)

Item	The year ended March 31, 2012	The year ended March 31, 2013
Net assets per share	522.53 yen	160.01 yen
Basic net income (loss) per share	(150.08) yen	(401.76) yen

Note 1: For the year ended March 31, 2012, net income per share fully diluted was not presented, owing to net loss per share in the fiscal year though dilutive shares exist.

Note 2: For the year ended March 31, 2013, net income per share fully diluted was not presented, owing to net loss per share in the current fiscal year though dilutive shares exist. Dilutive shares did not exist as of March 31, 2013 due to forfeiture of share subscription rights of stock options on July 12, 2012.

Note 3: The basis of calculation for net income (loss) per share was as follows

Item	The year ended March 31, 2012	The year ended March 31, 2013
Basic net income (loss) per share		
Net income (loss) (In millions of yen)	(62,600)	(167,581)
Amounts not attributable to common stock (In millions of yen)	—	—
Net income (loss) attributable to common stock (In millions of yen)	(62,600)	(167,581)
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.	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)	Share subscription rights of stock options resolved at the Ordinary General Meeting of Shareholders held on June 27, 2006 was forfeited on July 12, 2012.

Note 4: The basis of calculation for net assets per share was as follows

Item	As of March 31, 2012	As of March 31, 2013
Total net assets (In millions of yen)	226,500	77,924
Amounts deducted from total net assets (In millions of yen)	8,542	11,180
(Share subscription rights (In millions of yen))	(26)	—
(Minority interests (In millions of yen))	(8,516)	(11,180)
Net assets attributable to common stock at the end of the year (In millions of yen)	217,958	66,744
The fiscal year-end number of common stock used for the calculation of net assets per share (Thousands)	417,122	417,122

(Consolidated Supplemental Schedules)

[Schedule of borrowings]

Category	Balance at the beginning of the year (In millions of yen)	Balance at the end of the year (In millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	168,963	1,000	1.8	—
Current portion of long-term borrowings	33,549	25,514	1.6	—
Current portion of lease obligations	8,256	6,416	2.3	—
Long-term borrowings (excluding current portion)	32,580	264,656	1.8	From 2014 to 2017
Lease obligations (excluding current portion)	14,988	8,795	1.6	From 2014 to 2019
Other interest-bearing debts Accounts payable-other (Accounts payable-installment purchase)	6	—	—	—
Total	258,342	306,381	—	—

Note 1: The average interest rate represents the weighted-average rate applicable to the fiscal year-end balance of borrowings etc.

Note 2: The repayment schedules of long-term borrowings and lease obligations for 5 years subsequent to the fiscal year-end are as follows:

(In millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	257,456	7,000	200	—
Lease obligations	2,445	1,111	5,160	47

[Schedule of asset retirement obligations]

The beginning and ending balances of asset retirement obligations in the fiscal year ended March 31, 2013 were less than 1% of total liabilities and net assets. The schedule was therefore omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

[Other]

(1) Summary of consolidated financial data for each quarter of the fiscal year ended March 31, 2013

	1st Quarter consolidated cumulative period (from April 1, 2012 to June 30, 2012)	2nd Quarter consolidated cumulative period (from April 1, 2012 to September 30, 2012)	3rd Quarter consolidated cumulative period (from April 1, 2012 to December 31, 2012)	The year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)
Net sales (In millions of yen)	186,612	409,384	600,398	785,764
Income (loss) before income taxes and minority interests (In millions of yen)	(19,700)	(112,441)	(156,350)	(157,753)
Net income (loss) (In millions of yen)	(20,757)	(115,081)	(161,722)	(167,581)
Basic quarterly net income (loss) per share (Yen)	(49.76)	(275.89)	(387.71)	(401.76)

	1st Quarter (from April 1, 2012 to June 30, 2012)	2nd Quarter (from July 1, 2012 to September 30, 2012)	3rd Quarter (from October 1, 2012 to December 31, 2012)	4th Quarter (from January 1, 2013 to March 31, 2013)
Basic quarterly net income (loss) per share (Yen)	(49.76)	(226.13)	(111.82)	(14.05)

(2) Matters subsequent to the fiscal year-end

None

(3) Lawsuits

Described in "*4 Contingent liabilities (3) Others" of "Consolidated Balance Sheets" in the notes to Consolidated Financial Statements

(Appendix) Renesas Electronics Group Companies

The Renesas Electronics Group comprises 54 consolidated subsidiaries and 3 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 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 NEC 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.	<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 5 other companies <Equity Method Affiliate> 1 company

Note: Some of the Group’s overseas sales companies also engage in design and development.

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Independent Auditor's Report

The Board of Directors
Renesas Electronics Corporation

We have audited the accompanying consolidated financial statements of Renesas Electronics Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renesas Electronics Corporation and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 26, 2013
Tokyo, Japan