

**Media Contacts**

Kyoko Okamoto  
 Renesas Electronics Corporation  
 +81 3-6756-5555  
 pr@renesas.com

**Investor Contacts**

Makie Uehara  
 Renesas Electronics Corporation  
 +81 3-6756-5552  
 ir@renesas.com

**Renesas Electronics Reports Financial Results  
 for the Year Ended March 31, 2011**

**Tokyo, Japan, May 18, 2011** — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results for the year ended March 31, 2011.

**Summary of Consolidated Financial Results**

	<b>Year ended March 31, 2011</b>	
	Billion Yen	% of Net Sales
Net sales	1,137.9	100.0
Sales from semiconductors	1,018.9	
Sales from others	119.0	
Operating income (loss)	14.5	1.3
Ordinary income (loss)	1.0	0.1
Net income (loss)	(115.0)	(10.1)
Capital expenditures	43.5	
Depreciation and others	115.1	
R&D expenses	202.6	
	Yen	
Exchange rate (USD)	86	
Exchange rate (Euro)	114	

	<b>As of March 31, 2011</b>	
	Billion Yen	
Total assets	1,145.0	
Net assets	291.1	
Equity ratio	24.8%	
Interest-bearing debt	378.2	

Note 1: All figures are rounded to the nearest 100 million yen.

Note 2: Capital expenditures refer to the amount of order placed for property, plant and equipment (manufacturing equipment).

Note 3: Depreciation and others includes depreciation and amortization of intangible assets and amortization of long-term prepaid expenses in consolidated statement of cash flows.



# Consolidated Financial Results for the Year Ended March 31, 2011

English translation from the original Japanese-language document

May 18, 2011

Company name : **Renesas Electronics Corporation**  
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section  
 Code number : 6723  
 URL : <http://www.renesas.com>  
 Representative : Yasushi Akao, President  
 Contact person : Taizo Endo, Executive Manager  
 Corporate Communications Dept  
 Tel. +81 (0)3-6756-5552

Date of the ordinary general shareholders' meeting (scheduled) : June 28, 2011  
 Filing date of Yukashoken Hokokusho (scheduled) : June 28, 2011

(Amounts are rounded to the nearest million yen)

## 1. Consolidated results for the year ended March 31, 2011

### 1.1 Consolidated financial results

(% of change from previous year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 31, 2011	1,137,898	---	14,524	---	1,033	---	(115,023)	---
Year ended March 31, 2010	471,034	---	(49,235)	---	(54,397)	---	(56,432)	---

Reference: Comprehensive income for the year ended March 31, 2011: (121,851) million yen  
 Comprehensive income for the year ended March 31, 2010: (58,341) million yen

	Net income (loss) per share: basic	Net income (loss) per share: diluted	Net income (loss) ratio per equity	Ordinary income (loss) ratio per total assets	Operating income (loss) ratio per sales
	Yen	Yen	%	%	%
Year ended March 31, 2011	(275.75)	---	(41.3)	0.1	1.3
Year ended March 31, 2010	(456.95)	---	(35.0)	(11.5)	(10.5)

Reference: Equity in net income of affiliates of the year ended March 31, 2011: 759 million yen  
 Equity in net income of affiliates of the year ended March 31, 2010: - million yen

### 1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million Yen	Million Yen	%	Yen
March 31, 2011	1,145,048	291,058	24.8	680.27
March 31, 2010	459,928	136,338	28.8	1,070.90

Reference: Equity at the end of the year ended March 31, 2011: 283,757 million yen  
 Equity at the end of the year ended March 31, 2010: 132,254 million yen

### 1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
Year ended March 31, 2011	Million Yen 102,485	Million Yen (95,764)	Million Yen 132,597	Million Yen 337,289
Year ended March 31, 2010	6,260	(42,228)	26,637	91,234

## 2. Cash dividends

	Cash dividends per share					Total dividends during the year	Dividends payout ratio (consolidated)	Dividends ratio per net assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2010	---	0.00	---	0.00	0.00	---	---	---
March 31, 2011	---	0.00	---	0.00	0.00	---	---	---
March 31, 2012 (forecast)	---	---	---	---	---		---	

Note: Cash dividends of the year ending March 2011 have not been decided.

### 3. Forecast of consolidated results for the year ending March 31, 2012

Due to the impacts of the Great East Japan Earthquake that occurred on March 11, 2011, Renesas Electronics was unable to report the forecast of consolidated results for the year ending March 31, 2012. Renesas Electronics plans to report the forecast in July 2011.

#### 4. Others

#### 4.1 Changes in significant subsidiaries for the year ended March 31, 2011

(Changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New                      Renesas Electronics Sales Corporation

Excluded ---

#### 4.2 Changes in accounting principles, procedures, and presentations, etc.

(Changes indicated to “Changes in Accounting Policies”)

1. Changes resulting from revisions in accounting principles, etc.: Yes

2. Other changes : Yes

#### 4.3 Number of shares issued and outstanding (common stock)

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

Year ended March 31, 2011: 417,124,490 shares

Year ended March 31, 2011: 111,121,100 shares  
Year ended March 31, 2010: 123,500,000 shares

2. Number of treasury stock

Year ended March 31, 2011: 2,548 shares

Year ended March 31, 2011: 2,515 shares  
Year ended March 31, 2010: 2,448 shares

3. Average number of shares issued and outstanding  
 Year ended March 31, 2011: 417,121,942 shares  
 Year ended March 31, 2010: 123,497,653 shares

**(Reference) Non-consolidated results for the year ended March 31, 2011**

**Non-consolidated financial results**

(% of change from previous year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 31, 2011	946,043	---	(20,349)	---	(28,954)	---	(113,907)	---
Year ended March 31, 2010	406,480	---	(69,273)	---	(71,082)	---	(65,800)	---

	Net income (loss) per share: basic	Net income (loss) per share: diluted
	Yen	Yen
Year ended March 31, 2011	(273.08)	---
Year ended March 31, 2010	(532.80)	---

**Non-consolidated financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million Yen	Million Yen	%	Yen
March 31, 2011	1,009,409	254,837	25.2	610.83
March 31, 2010	350,355	94,013	26.8	760.82

Reference: Equity at the end of the year ended March 31, 2011: 254,790 million yen  
 Equity at the end of the year ended March 31, 2010: 93,960 million yen

**(Note) Information regarding the implementation of audit procedures**

These financial statements are under the audit procedures based upon the Financial Instruments and Exchange Act at the time of issuance of this report.

**(Note) Explanation for forecasts and other**

Renesas Electronics Corporation began its business operations from April 1, 2010, through the integration of NEC Electronics Corporation (TSE: 6723) and Renesas Technology Corp. Figures stated as of the year ended March 31, 2010 was the former NEC Electronics Corporation.

**Cautionary Statement**

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

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# 1. Business Results

## 1.1 Analysis of Business Results

### 1.1.1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2011

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

Note: Financial results for the year ended March 31, 2010 include respective results of the former NEC Electronics Corporation and the former Renesas Technology Corp. The amount of "Net sales" and "Sales from semiconductors" of former Renesas Technology Corp. are reclassified to be consistent with the sales amount of former NEC Electronics Corporation.

Despite the weakening of the economic stimulus measures implemented by governments worldwide and the slowdown in the euro-zone economy, the world economy during the fiscal year ended March 31, 2011 ("the fiscal year") remained firm overall, supported by the US monetary easing measures and economic growth in China and other emerging countries. In contrast, despite the signs of a recovery in Japan at the beginning of the fiscal year, the economy in Japan has been slowing since the middle of the period, affected by concerns over companies' deteriorating business performance due to the stronger yen and termination of the government's stimulus measures for increased consumption. Furthermore, the Great East Japan Earthquake, which occurred on March 11, 2011, has already begun to affect the Japanese economy, and both economic forecasts and indicators showed deterioration.

Amidst this economic condition, the semiconductor market in which Renesas Electronics Group ("the Group") operates saw increase in demand due to customers' production hike and inventory accumulation during the first half of the fiscal year, and supply of certain semiconductor products, especially for digital home appliances, PCs and automobiles, became tight. During the second half of the fiscal year, demand for semiconductors for automobiles and home appliances in the Japanese markets fell mainly due to the termination of the government's "eco-car" subsidies and "eco-point" system for home appliances. However due to strong demand for overall electronic devices in overseas markets, especially China and other emerging countries, demand for semiconductors for popularly-priced products continued to show steady growth.

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

[Net sales]

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

[Sales from semiconductors]

Sales from semiconductors for the year ended March 31, 2011 improved by 8.1% year on year to 1,018.9 billion yen.

Each sales figure of “MCUs”, “Analog & Power Devices” and “SoC (System on Chip) solutions”, the main business of the Group, and “the other semiconductors” that fit to neither of above three product categories was as follows:

MCUs: 384.1 billion yen

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

Sales of MCUs for the year ended March 31, 2011 were 384.1 billion yen, an increase from the corresponding period of the previous year. This was mainly due to increases in sales of microcontrollers for automobiles, industrial systems, and consumer electronics.

Analog & Power Devices: 316.2 billion yen

Analog and power devices consist mainly of power MOSFETs, mixed signal ICs, IGBTs (Insulated Gate Bipolar Transistors), diodes, small signal transistors, display driver ICs, compound semiconductor devices such as optical and microwave devices, employed in automobiles, industrial systems, PC and PC peripherals and consumer electronics.

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

SoC solutions: 311.7 billion yen

SoC solutions mainly include semiconductors for mobile handsets, semiconductors for network equipment, semiconductors for industrial systems, semiconductors for PC and PC peripherals including hard disc drives and USB devices, semiconductors for consumer electronics such as

digital home appliances and game consoles, and semiconductors used in automobiles including car navigation systems.

Sales of SoC solutions for the year ended March 31, 2011 decreased from the previous year in the corresponding period to 311.7 billion yen. This drop was mainly due to decline in the sales of semiconductors for PC peripherals and baseband LSIs for mobile handsets despite a sales increase of semiconductors for industrial systems and ICs for camera-equipped mobile phones.

Other Semiconductors: 6.9 billion yen

Sales of other semiconductors include production by commissioning and royalties.

Sales of other semiconductors for the year ended March 31, 2011 were 6.9 billion yen.

[Sales from others]

Sales from others for the year ended March 31, 2011 were 119.0 billion yen.

Sales from others include non-semiconductor products sold on a resale basis by the Group's sales subsidiaries and development and production by commissioning conducted at the Group's design and manufacturing subsidiaries.

[Operating income (loss)]

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

[Ordinary income (loss)]

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

[Net income (loss)]

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

The loss on disaster includes repair expenses and disposal loss of fixed-assets.

### **1.1.2. Consolidated Forecasts for the Fiscal Year Ending March 31, 2011**

The Great East Japan Earthquake occurred on March 11, 2011, caused damages to Renesas Electronics Group's multiple manufacturing sites and has brought uncertainty to the market conditions surrounding the Group. Therefore, due to difficulty in specifying reasonable forecasts at this moment, Renesas Electronics did not announce the consolidated forecasts today. The Group plans to announce the forecasts of the year ending March 2012 in July 2011.

The Group has resumed production at all of its manufacturing sites except for the Naka factory, which is one of the Group's major wafer fabrication sites. The Group expects to restart part of its production at the Naka factory from June 2011 and it will be capable of restoring supply (shipment to customers) to that of pre-earthquake levels by the end of October 2011 with additional supply from other factories and outside foundries.

## 1.2 Consolidated Financial Condition

### 1.2.1 Total Assets, Liabilities and Net assets

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

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

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

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

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

### 1.2.2 Cash Flows

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

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

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

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

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

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

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

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

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

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

### **1.3 Policy on Profit Distribution and Dividend Payments**

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

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

For the year ended March 31, 2011, the Group posted net losses on both consolidated and non-consolidated bases, and accumulated deficits. Accordingly, it suspended payment of dividends for this period.

For the year ending March 31, 2012, whether the Group provides interim and year-end dividend payments remain undecided. The Group will announce its decision on interim and year-end dividend payments when the decisions are made.

### **1.4 Risk Factors**

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

#### **1.4.1 Market Fluctuations**

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

#### **1.4.2 Foreign Currency Fluctuations**

The operating results and financial position of the Renesas Electronics Group are affected by fluctuations in foreign currency exchange markets. The Group takes various measures to

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

#### **1.4.3 Countries' Legal Systems and Related Compliance**

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

#### **1.4.4 Natural Disasters**

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

#### **1.4.5 Competition**

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

#### **1.4.6 Product Production**

##### **a. Production Process Risk**

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

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

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

##### **c. Product Defects, Anomalies and Malfunctions**

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

##### **d. Risks Associated with Outsourced Production**

The Renesas Electronics Group outsources the manufacture of certain semiconductor products to external foundries and other entities. In doing so, the Group selects its trusted outsourcers, rigorously screened in advance based on their technological capabilities, supply capacity, and other relevant traits. This screening notwithstanding, the possibility of

delivery delays, product defects and other production-side risks stemming from outsourcers cannot be ruled out completely. In particular, inadequate production capacity among outsourcers could result in the Group being unable to supply enough products amid periods of high product demand.

#### **1.4.7 Product Sales**

##### **a. Reliance on Key Customers**

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

##### **b. Changes in production plans by customers of custom products**

The Renesas Electronics Group receives orders from customers for the development of specific semiconductor products. There is the possibility that the customers decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded after the Group has started product design work based on their unique specifications. There is also 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 sale 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 Renesas Electronics Group sells the majority of its products via independent authorized sales agents, and relies on certain major authorized sales agents for the bulk of these sales. The inability of the Group to provide these authorized sales agents with competitive sales incentives or margins, or to secure sales volumes that the authorized sales agents consider appropriate, could result in a decision by such agents to replace the Group products handled with those of a competitor, which could cause a downturn in the Group sales.

#### **1.4.8 Retaining Human Resources**

There is fierce competition in the semiconductor industry for talented human resources such as managers, technicians, researchers, and developers. For this reason, there is a risk that the Group may be unable to indefinitely retain talented human resources with adequate

backgrounds in science, technology or engineering, particularly in the fields of LSI design and semiconductor manufacturing process technology.

#### **1.4.9 Retirement benefit obligations**

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

#### **1.4.10 Impairment Loss on Fixed Assets**

The Renesas Electronics 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. If these assets do not generate sufficient cash flows, Renesas Electronics and the Renesas Electronics Group may be forced to recognize impairment loss in their value.

#### **1.4.11 Information Management**

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

#### **1.4.12 Environmental Factors**

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

#### **1.4.13 Business Activities Conducted Outside Japan**

The Renesas Electronics Group implements various measures aimed at expanding business

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

#### **1.4.14 Strategic Alliance and Corporate Acquisition**

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

#### **1.4.15 Legal Issues**

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

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

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

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

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

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

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

#### **1.4.16 Business Integration**

On April 1, 2010 the former NEC Electronics Corporation and the former Renesas Technology Corp. merged to form Renesas Electronics Corporation. It is possible that the anticipated benefits and synergies from the merger may not be realized, that changes to operating procedures due to the merger could cause confusions, or that unexpected situations arising from the merger could generate costs that are larger-than-expected, which could have a negative impact on the business performance of the Renesas Electronics Group.

## 2. Renesas Electronics Group Companies

The Renesas Electronics Group comprises 58 consolidated subsidiaries and 6 equity method affiliates, listed below according to primary business activity.

	Japan	Overseas
Manufacturing and Engineering Service Companies	<u>&lt;Consolidated Subsidiary&gt;</u> Renesas Northern Japan Semiconductor, Inc. Hokkai Electronics Co., Ltd. Haguro Electronics Co., Ltd. Renesas Yamagata Semiconductor, Inc. Renesas Eastern Japan Semiconductor, Inc. Renesas Kofu Semiconductor, Co., Ltd. Renesas High Components, Inc. Renesas Yanai Semiconductor, Inc. Renesas Kansai Semiconductor Co., Ltd. Nippon Denshi Light Co., Ltd. Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. Renesas Kyushu Semiconductor Corp. Renesas Naka Semiconductor Co., Ltd. Renesas Semiconductor Engineering Corp. Renesas Takasaki Engineering Services Co., Ltd. Renesas Musashi Engineering Services Co., Ltd. Renesas Kitaitami Engineering Services Co., Ltd.	<u>&lt;Consolidated Subsidiary&gt;</u> Shougang Renesas Electronics Co., Ltd. Renesas Semiconductor (Beijing) Co., Ltd. Renesas Semiconductor (Suzhou) Co., Ltd. Renesas Semiconductor Singapore Pte. Ltd. Renesas Semiconductor KL Sdn. Bhd. Renesas Semiconductor (Malaysia) Sdn. Bhd. Renesas Semiconductor (Kedah) Sdn. Bhd. Renesas Semiconductor Technology (Malaysia) Sdn. Bhd.
Sales Companies	<u>&lt;Consolidated Subsidiary&gt;</u> Renesas Electronics Sales Co., Ltd.  <u>&lt;Equity Method Affiliate&gt;</u> RENESAS EASTON Co., Ltd.	<u>&lt;Consolidated Subsidiary&gt;</u> 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)
Design and Application Technologies Companies	<u>&lt;Consolidated Subsidiary&gt;</u> Renesas Micro System Co., Ltd. Renesas Design Corp. Renesas Solutions Corp.  <u>&lt;Equity Method Affiliate&gt;</u> Hitachi ULSI Systems Co., Ltd.	<u>&lt;Consolidated Subsidiary&gt;</u> Renesas Semiconductor Design (Beijing) Co., Ltd. Renesas Design Vietnam Co., Ltd. Renesas Semiconductor Design (Malaysia) Sdn. Bhd. Renesas Design France S.A.S Renesas System Solutions Korea Co., Ltd.  <u>&lt;Equity Method Affiliate&gt;</u> Retronix Technologies Inc. and 1 company
Business Corporations and Others	<u>&lt;Consolidated Subsidiary&gt;</u> Renesas Mobile Corporation Renesas SP Drivers Inc.	<u>&lt;Consolidated Subsidiary&gt;</u> Renesas Mobile Europe Oy Renesas Mobile India Private Limited Renesas Tongxinjishu (Beijing) Co., Ltd. Renesas SP Drivers Taiwan Inc. and 7 companies  <u>&lt;Equity Method Affiliate&gt;</u> Renacentis IT Services Co., Ltd. and 1 company

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

### 3. Management Policies

#### 3.1 Management Policies

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

##### [Corporate Philosophy]

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

##### [Corporate Vision]

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

#### 3.2 Management Targets

Through efforts including steady implementation of structural measures and rapid realization of integration synergies, the Renesas Electronics Group achieved its primary target of an operating profit in the first fiscal year following the merger. On the other hand, the Great East Japan Earthquake makes it difficult to set up any forecasts for the year ending March 31, 2012 at this moment although the Group previously announced it would target net profit in the corresponding period. Despite the current situation, the Group still aims to attain consolidated net profit as early as possible then to achieve two-digit operating profit ratio in the mid-term.

#### 3.3 Mid-term Corporate Strategies

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

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

The Group will endeavor to achieve further growth in the MCU business, where the Group enjoys the top market share worldwide, as the driving force powering the Group's expansion in

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

### **3.3.2 Pursue growth in the global market**

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

### **3.3.3 Reinforce operating foundations to achieve stable growth**

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

### 3.4 Issues to Address

The Renesas Electronics Group has strongly implemented management strategies and various measures during the year ended March 31, 2011 to attain following management targets; "expanding business and strengthening product competitiveness", "improving cost competitiveness", and "expanding overseas businesses". However, the Great East Japan Earthquake has strongly affected operation of its business. Given this circumstance, the Group is putting all possible efforts into "rapid recovery from the earthquake and maximizing product supply to customers". At the same time, the Group will expedite its efforts of "reforming its business structure to achieve stable and profitable management base".

#### 3.4.1 Rapid Recovery from the Earthquake and Maximizing Product Supply to Customers

The Group production site damaged badly by the Great East Japan Earthquake was the Naka factory, which is one of its major front-end processing sites. As a result of all-out efforts by the whole Group to restore this factory, the Group expects to restart part of its manufacturing at the Naka factory from June 2011, which is earlier than the Group's original schedule. The Group will continue to put the greatest efforts possible into achieving a complete recovery.

Also, as a response to the earthquake related problem of possible power shortages anticipated within the areas covered by the Tokyo Electric Power Company and Tohoku Electric Power Company, the Group will be making use of privately-owned electrical power facilities to secure stable operation at each of factories as well as be implementing energy conservation efforts at its offices and sites.

With regard to the supply chain, the Group are working to assure stable procurement through multiple routes or to acquire alternative suppliers for (i) production materials that have become hard to acquire as their suppliers suffered damages and (ii) spare parts for maintenance, many of which are custom-ordered and require longer manufacturing times.

In addition to these efforts, the Group is putting all possible efforts into quickly launching alternate products and increasing the production capacity by utilizing the Group's other factories and foundries to ensure stable product supply to its customers. Also, to hold the effects on the Group's sales and earnings to an absolute minimum, not only will the Group quickly restore its production and supply systems, but also it will continue its work from before the merger to improve productivity, radically reduce capital investments, further streamline the R&D cost, and, as an emergency measure, trim down all costs, including manufacturing-related fixed costs, to prepare for the cost required for recovery and the capital investments expected in the future.

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

The Group's approach during the fiscal year ended March 31, 2011 has been expanding its businesses and strengthening product competitiveness based on three main product groups, MCUs, Analog and Power Devices, and SoC solutions as well as to strive for thoroughgoing increases in efficiency and cost reduction across all management areas. The Group will take advantage of its experience to recover from the Great East Japan Earthquake not only to redouble its efforts to focus on profitable business, but also to build a solid business structure that does not depend solely on growing sales.

In the MCU business, the Group will accelerate its growth centered on the global market, including those in emerging countries, to grow its industry leading worldwide share of roughly 30 percent even further. In the Analog and Power Device business, the Group will aim for even further growth by taking full advantage of synergy with the MCU business, and strengthen this area as its main business focused on power semiconductors and mixed-signal ICs that can remain profitable even in adverse market conditions. In the SoC solution business, the Group will move forward even more strongly with market selection and concentration in strategic areas, product groups and market that deserve attention and aim at assuring profitability and growth in those priority areas.

Finally, the Group is performing a thorough review and improvement of our BCP (business continuity plan) based on experiences through this earthquake. Based on this, the Group is paying its all efforts into building business structure which can promptly restart product supply to customers and minimize negative impacts on the financial results of the Group even in an emergency. After the earthquake, the Group succeeded in quickly shifting production at the Groups' alternate foundries and outside foundries by utilizing its ongoing "fab-network" manufacturing structure. The Group is enhancing its "fab-network" approach to expand production sites, product category and its production capacity applicable for "fab-network".

## 3.5 Corporate Social Responsibility

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

### CSR Charter

Established on April 1, 2010

Renesas Electronics Group will contribute to furthering the sustainable advancement of society as an enterprise which conducts business that helps build a better future for people around the world by supplying superior semiconductor products powered with

advanced technologies and providing customer service that is honest and sincere. We pledge to conduct our business with integrity beyond legal compliance by acting responsibly as a corporate citizen with high moral values and we will work together with and for the benefit of our stakeholders based on the following guiding principles:

**Customer focus**

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

**Sound business practices**

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

**Friendly working environment**

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

**As a global company**

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

**Environment friendly**

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

## 4. Consolidated Financial Statements

### 4.1 Consolidated Balance Sheets

As of March 31, 2010 and 2011

(in millions of yen)

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

(In millions of yen)

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

## 4.2 Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

### 4.2.1 Consolidated Statements of Operations For the Years Ended March 31, 2010 and 2011

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

#### 4.2.2 Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2010 and 2011

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

### 4.3 Consolidated Statements of Changes in Net Assets

#### For the Years Ended March 31, 2010 and 2011

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

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

#### 4.4 Consolidated Statements of Cash Flows

For the Years Ended March 31, 2010 and 2011

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

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

## Notes about Going Concern Assumption

The year ended March 31, 2010	The year ended March 31, 2011
None	Same as the previous fiscal year

## Basis of Consolidated Financial Statements

Items	The year ended March 31, 2010	The year ended March 31, 2011
1. Scope of Consolidation	<p>All subsidiaries were consolidated.</p> <p>The number of consolidated companies of Renesas Electronics (former NEC Electronics) Group ("the Group") : 18</p> <p>Name of the substantial consolidated subsidiaries :</p> <p>NEC Semiconductors Yamagata, Ltd. NEC Semiconductors Kansai, Ltd. NEC Semiconductors Kyusyu Yamaguchi, Ltd. NEC Micro Systems, Ltd. NEC Electronics America, Inc. NEC Electronics (Europe) GmbH NEC Semiconductors (Malaysia) Sdn. Bhd. NEC Semiconductors Singapore Pte. Ltd. NEC Electronics Singapore Pte. Ltd. Shougang NEC Electronics Co. Ltd. NEC Electronics (China) Co., Ltd. NEC Electronics Hong Kong Limited NEC Electronics Taiwan Ltd. NEC Electronics Korea Limited</p> <p>NEC Electronics Corporation ("NEC Electronics") merged with Renesas Technology Corporation ("Renesas") on April 1, 2010, and the trade name was changed to Renesas Electronics Corporation. Accordingly, the subsidiaries above changed their trade names too. Concerning to the details of the business combination, please refer to "Significant Subsequent Events"</p> <p>Renesas Yamagata Semiconductor Co., Ltd. (former: NEC Semiconductors Yamagata, Ltd.) Renesas Kansai Semiconductor Co., Ltd. (former: NEC Semiconductors Kansai, Ltd.) Renesas Semiconductor Kyusyu Yamaguchi Co., Ltd. (former: NEC Semiconductors Kyusyu Yamaguchi, Ltd.) Renesas Micro Systems Co., Ltd. (former: NEC Micro Systems, Ltd.) Renesas Electronics America Inc. (former: NEC Electronics America, Inc.) Renesas Electronics Europe GmbH (former: NEC Electronics (Europe) GmbH) Renesas Semiconductor KL Sdn. Bhd. (former: NEC Semiconductors (Malaysia) Sdn. Bhd.) Renesas Semiconductor Singapore Pte. Ltd. (former: NEC Semiconductors Singapore Pte. Ltd.) Renesas Electronics Singapore Pte. Ltd. (former: NEC Electronics Singapore Pte. Ltd.)</p>	<p>All subsidiaries were consolidated.</p> <p>The number of consolidated companies of Renesas Electronics Corporation Group ("the Group") : 58</p> <p>Regarding major subsidiaries' names, please refer to "2. Renesas Electronics Group Companies".</p> <p>The number of subsidiaries increased by the Merger with former Renesas Technology Corp. ("Renesas Technology") : 39</p> <p>Renesas Electronics Sales Co., Ltd. Renesas Northern Japan Semiconductor, Inc. Hokkai Electronics Co., Ltd. Haguro Electronics Co., Ltd. Renesas Eastern Japan Semiconductor, Inc. Renesas Kofu Semiconductor, Co., Ltd. Renesas High Components, Inc. Renesas Yanai Semiconductor, Inc. Renesas Kyusyu Semiconductor Corp. Renesas Naka Semiconductor., Ltd. Renesas Design Corp. Renesas Solutions Corp. Renesas Semiconductor Engineering Corp. Renesas Takasaki Engineering Services Co., Ltd. Renesas Musashi Engineering Services Co., Ltd. Renesas Kitaitami Engineering Services Co., Ltd. Renesas SP Drivers Inc. Renesas Electronics (Shanghai) Co., Ltd. Renesas Electronics Hong Kong Ltd. Renesas Electronics Malaysia Sdn. Bhd. Renesas Electronics Canada Limited Renesas Electronics Europe Limited Renesas Semiconductor (Beijing) Co., Ltd. Renesas Semiconductor (Suzhou) Co., Ltd. Renesas Semiconductor (Malaysia) Sdn. Bhd. Renesas Semiconductor (Kedah) Sdn. Bhd. Renesas Semiconductor Technology (Malaysia) Sdn. Bhd. Renesas Semiconductor Design (Beijing) Co., Ltd. Renesas Design Vietnam Co., Ltd. Renesas Semiconductor Design (Malaysia) Sdn. Bhd. Renesas Design France S.A.S Renesas System Solutions Korea Co., Ltd.</p>

Items	The year ended March 31, 2011	The year ended March 31, 2011										
1. Scope of Consolidation	<p>Renesas Electronics Taiwan Co., Ltd. (former: NEC Electronics Taiwan Ltd.) Renesas Electronics Korea Co., Ltd. (former: NEC Electronics Korea Limited)</p> <p>The number of the Group's consolidated subsidiaries had decreased by three. The details were as follows :</p> <p>Decreased by liquidation : 2 NEC Fabserve, Ltd. NEC Semiconductors Ireland Limited</p> <p>Decreased by sales : 1 Kinki Bunseki Center, LTD.</p>	<p>Renesas SP Drivers Taiwan Inc. and 6 companies</p> <p>The number of subsidiaries increased by foundation and other : 5 Renesas Mobile Corporation Renesas Mobile Europe Oy Renesas Mobile India Private Limited Renesas Tongxinjishu (Beijing) Co., Ltd. and 1 company</p> <p>The number of subsidiaries decreased by merger: 4</p> <table><tr><th>(Former)</th><th>(After)</th></tr><tr><td>Renesas Technology America Inc.</td><td>Absorbed into Renesas Electronics America Inc.</td></tr><tr><td>Renesas Technology Europe GmbH</td><td>Absorbed into Renesas Electronics Europe GmbH</td></tr><tr><td>Renesas Technology Singapore Pte. Ltd</td><td>Absorbed into Renesas Electronics Singapore Pte. Ltd.</td></tr><tr><td>Renesas Technology Taiwan Co., Ltd.</td><td>Absorbed into Renesas Electronics Taiwan Co., Ltd</td></tr></table>	(Former)	(After)	Renesas Technology America Inc.	Absorbed into Renesas Electronics America Inc.	Renesas Technology Europe GmbH	Absorbed into Renesas Electronics Europe GmbH	Renesas Technology Singapore Pte. Ltd	Absorbed into Renesas Electronics Singapore Pte. Ltd.	Renesas Technology Taiwan Co., Ltd.	Absorbed into Renesas Electronics Taiwan Co., Ltd
(Former)	(After)											
Renesas Technology America Inc.	Absorbed into Renesas Electronics America Inc.											
Renesas Technology Europe GmbH	Absorbed into Renesas Electronics Europe GmbH											
Renesas Technology Singapore Pte. Ltd	Absorbed into Renesas Electronics Singapore Pte. Ltd.											
Renesas Technology Taiwan Co., Ltd.	Absorbed into Renesas Electronics Taiwan Co., Ltd											
2. Application of Equity Method	None	<p>(1) The number of affiliated companies accounted for by the equity method : 6</p> <p>The number of subsidiaries increased by the merger with former Renesas Technology : 6</p> <p>The name of major affiliated companies accounted for by the equity method Renesas Easton Co., Ltd Hitachi ULSI Systems Co., Ltd. Renacentis IT Services Co., Ltd. Retronix Technologies Inc. 2 others</p> <p>(2) The number of affiliated companies not accounted for by the equity method: 1</p> <p>The equity method does not apply to Semiconductor Leading Edge Technologies, Inc. because net income and retained earnings (both amounts equivalent to what is accounted for by the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on them on an aggregate basis.</p>										

Items	The year ended March 31, 2010	The year ended March 31, 2011
2. Application of Equity Method		(3) As for the affiliated companies accounted for by the equity method which has different accounting periods from that of the Company such business entities' financial statements for their accounting periods are used for reporting herein.
3. Significant Accounting Policies (1) Valuation methods for significant assets	<p>1) Securities</p> <p>Other securities :</p> <p>Marketable securities :</p> <p>Marketable securities classified as other securities were 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 was determined based on the moving-average method.</p> <p>Non-marketable securities :</p> <p>Non-marketable securities classified as other securities were carried at cost or amortized cost determined by the moving-average method.</p> <p>2) Derivatives</p> <p>Derivative financial instruments were stated at fair value.</p> <p>3) Inventories</p> <p>Inventories were stated at the lower of cost or market. The costs were stated as follows;</p> <p>Merchandise and finished goods :</p> <p>Custom-made products : Specific identification method</p> <p>Mass products : First-in, first-out method</p> <p>Work in process : Custom-made products : Specific identification method</p> <p>Mass products : Average method</p> <p>Raw materials and supplies : Raw materials : First-in, first-out method</p> <p>Supplies : Specific identification method</p>	<p>1) Securities</p> <p>Other securities : Marketable securities : Same as the previous fiscal year</p> <p>Non-marketable securities : Same as the previous fiscal year</p> <p>2) Derivatives Same as the previous fiscal year</p> <p>3) Inventories Same as the previous fiscal year</p> <p>Merchandise and finished goods : Custom-made products : Specific identification method</p> <p>Mass products : Average method</p> <p>Work in process : Same as the previous fiscal year</p> <p>Raw materials and supplies : Average method</p>

Items	The year ended March 31, 2010	The year ended March 31, 2011
3. Significant Accounting Policies (2) Depreciation of property, plant and equipment	<p>1) Property, plant and equipment other than lease transactions Depreciated principally by the declining-balance method.</p> <p>2) Intangible assets other than lease transactions Amortized by the straight-line method.</p> <p>3) Lease 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</p> <p>Leased assets under finance leases other than those under which ownership of the assets is transferred to the lessee Depreciated / amortized by the straight-line method over the lease term, assuming no residual value. The finance leases other than those under which ownership of the assets would be transferred to the lessee contracted before March 31, 2008 are accounted for as operating lease transactions.</p> <p>4) Long-term prepaid expenses Amortized by straight-line method.</p>	<p>1) Property, plant and equipment other than lease transactions Depreciated principally by the straight-line method.</p> <p>2) Intangible assets other than lease transactions Same as the previous fiscal year</p> <p>3) Lease assets Leased assets under finance leases under which the ownership of the assets is transferred to the lessee Same as the previous fiscal year</p> <p>Leased assets under finance leases other than those under which ownership of the assets is transferred to the lessee Same as the previous fiscal year</p> <p>4) Long-term prepaid expenses Same as the previous fiscal year</p>

Items	The year ended March 31, 2010	The year ended March 31, 2011
<p>3. Significant Accounting Policies</p> <p>(3) Basis of significant reserves</p>	<p>1) Allowance for doubtful accounts Allowance for doubtful accounts was provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.</p> <p>2) Accrued retirement benefits Accrued retirement benefits or prepaid pension cost were recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end. The transitional obligation was amortized on a straight-line basis mainly over 15 years. Actuarial gains and losses were amortized on a straight-line basis over the employees' estimated average remaining service periods, mainly, 14 years, starting in the following year after incurrence. Prior service costs were amortized on a straight-line basis over the employees' estimated average remaining service periods, mainly over 14 years.</p> <p>3) Provision for contingent loss In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses had been made when they were reasonably estimated considering individual risks associated with each contingency.</p> <p>4) Provision for products warranties The Group accrued product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters or historical ratio of warranty costs to net sales.</p>	<p>1) Allowance for doubtful accounts Same as the previous fiscal year</p> <p>2) Accrued retirement benefits Same as the previous fiscal year</p> <p>3) Provision for products warranties The Group accrued product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters or historical ratio of warranty costs to net sales.</p> <p>4) Provision for loss on guarantees Provision for loss on guarantees is made against future losses related to debt guarantees, to which the Group has taken the deterioration of financial conditions.</p> <p>5) Provision for business structure improvement Provision for business structure improvement has been made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.</p> <p>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 had been made when they were reasonably estimated considering individual risks associated with each contingency.</p>

Items	The year ended March 31, 2010	The year ended March 31, 2011
3. Significant Accounting Policies		7) Provision for loss on disaster Provision for loss on disaster has been made for the amount of estimated losses to be incurred in connection with removal or restoration cost for the assets suffered by the Great East Japan Earthquake.
(4) Foreign currency translation	Assets and liabilities denominated in foreign currencies at the balance sheet date were translated into Japanese yen at the applicable rates of exchange prevailing at the fiscal year-end, and differences arising from the translation were included in the statement of operations. Assets and liabilities of foreign subsidiaries were translated into Japanese yen at applicable year-end rates of exchange, and all revenue and expense accounts were translated at average rates of exchange prevailing during the period. Differences arising from the translation were presented as foreign currency translation adjustments and minority interests in net assets.	Same as the previous fiscal year
(5) Amortization method and term for goodwill	-----	Goodwill have been amortized by straight-line method, over reasonable periods not exceeding 20 years,
(6) Others	<p>(1) Accounting for consumption tax Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p> <p>(2) Adoption of consolidated taxation system The Company and the subsidiaries in Japan adopt the consolidated taxation system.</p>	<p>(1) Accounting for consumption tax Same as the previous fiscal year</p> <p>(2) Adoption of consolidated taxation system Same as the previous fiscal year</p>

## Changes in Accounting Policies

The year ended March 31, 2010	The year ended March 31, 2011
<p><b>(Accounting Standard for Retirement Benefit)</b> On March 31, 2010, the Group adopted the "Partial Amendments to Accounting Standard for Retirement Benefit (Part3)" (ASBJ Statement No.19 issued on July 31, 2008). There was no effect on operating results.</p> <p>-----</p> <p>-----</p> <p>-----</p>	<p>-----</p> <p><b>(Changes in the Valuation Methods for Inventories)</b> Starting from April 1, 2010, the Company and certain subsidiaries in Japan changed the valuation methods for merchandise and finished goods and raw materials from the first-in, first-out method to the average method. On the merger with Renesas Technology, the Group adopted the average-method thinking that it is more reasonable to adopt the average method as it would contribute to improvement of the cost management and consistency of the cost accounting. The effects of this change on the operating result for the year ended March 31, 2011 were immaterial.</p> <p><b>(Changes in the Depreciation Methods for Depreciable Assets)</b> Starting from April 1, 2010, the Company and certain subsidiaries in Japan changed the depreciation method for long-term assets from the declining-balance method to the straight-line method. On the merger with Renesas Technology, the Group intends to unify its accounting policies. The Group therefore reevaluated its cost distribution method and decided to adopt the straight-line method thinking that the straight-line method would be more suited to present an actual situation of the business, by clarifying the connection between related revenue and depreciation expense. As a result of this change, the depreciation expenses for the year ended March 31, 2011 decreased by 6,672 million yen. As a result, operating income and ordinary income for the year increased by 6,046 million yen while loss before income taxes and minority income for the year decreased by 5,935 million yen as compared with the previous method.</p> <p><b>(Changes in Classification for Royalty Expenses)</b> Starting from April 1, 2010, the Group changed the classification of royalty expenses, which were paid for research and manufacturing purpose from cost of sales to selling, general and administrative expenses. On the merger with Renesas Technology, the Group unified the management department for royalty expenses which were previously separated and the Group reevaluated the nature of royalty expenses. The Group therefore decided to change the classification thinking that royalty expenses was more relevant to design and research and development of products and new classification would be more suitable in presenting an actual situation. As a result of this change, cost of sales for the year ended March 31, 2011 decreased by 7,249 million yen and selling, general and administrative expenses for the period increased by 7,249 million yen compared with the previous classification. There were no effects on operating income, ordinary income and loss before income taxes and minority income for the year.</p>

The year ended March 31, 2010	The year ended March 31, 2011
<p>-----</p> <p>-----</p> <p>-----</p>	<p><b>(Adoption of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”)</b> Effective April 1, 2010, the Group adopted the “Accounting Standard for Equity Method of Accounting for Investments” (the Accounting Standards Board of Japan (“ASBJ”) Statement No. 16, issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (PITF) No. 24, issued on March 10, 2008). The effects of this adoption on operating results for the year ended March 31, 2011 were immaterial.</p> <p><b>(Adoption of Accounting Standard for Asset Retirement Obligations)</b> Effective April 1, 2010, the Group adopted the “Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, issued on March 31, 2008). As a result of the adoption, operating income and ordinary income for the year ended March 31, 2011 decreased by 363 million yen while loss before taxes for the year increased by 1,851 million yen. In addition, change in asset retirement obligations as a result of the adoption was 2,809 million yen.</p> <p><b>(Adoption of Accounting Standard for Business Combination)</b> Effective April 1, 2010, the Group adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26, 2008), “Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 issued on December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 issued on December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on December 26, 2008).</p>

## Changes in Presentation

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

## Additional Information

The year ended March 31, 2010	The year ended March 31, 2011
-----	Effective March 31, 2011, the Group adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010). The amount of Accumulated Other Comprehensive Income and Total Accumulated Other Comprehensive Income for the previous fiscal year represents the amounts of Valuation and Translation Adjustments and Total Valuation and Translation Adjustments, respectively.

## Notes

### (Consolidated Balance Sheets)

As of March 31, 2010	As of March 31, 2011								
<p>*1 Accumulated impairment loss was included in accumulated depreciation.</p>	<p>*1 Accumulated impairment loss was included in accumulated depreciation.</p>								
<p>*2 Contingent liabilities (In millions of yen)</p> <table> <tr> <td>Residual value guarantees under operating leases transactions</td><td>8,945</td></tr> <tr> <td>-----</td><td></td></tr> </table>	Residual value guarantees under operating leases transactions	8,945	-----		<p>*2 Contingent liabilities (In millions of yen)</p> <table> <tr> <td>Residual value guarantees under operating leases transactions</td><td>6,922</td></tr> <tr> <td>Guarantees for employees' housing loan</td><td>1,281</td></tr> </table>	Residual value guarantees under operating leases transactions	6,922	Guarantees for employees' housing loan	1,281
Residual value guarantees under operating leases transactions	8,945								
-----									
Residual value guarantees under operating leases transactions	6,922								
Guarantees for employees' housing loan	1,281								
<p>Others</p> <p>Although NEC Electronics America, Inc., a subsidiary in U.S., has resolved by settlement of class action civil antitrust lawsuits from direct purchasers (customers who had directly purchased DRAM from the Group in the past), it is still in settlement negotiations with several customers who have opted out of such class action lawsuits.</p> <p>NEC Electronics America, Inc. has also been named as one of the defendants in multiple class action civil lawsuits from indirect purchasers (customers who had purchased products containing DRAM) as well as multiple lawsuits filed by the Attorneys General of several states in the U.S.</p> <p>Additionally, the Group is fully cooperating with and providing information to the European Commission in its investigation of possible violations of the competition laws in the DRAM industry.</p> <p>The Group is also the subject of investigations by the U.S. Department of Justice, the European Commission, the Korea Fair Trade Commission, and the Competition Bureau of Canada in connection with possible violations of antitrust law/competition law in the thin-film transistor liquid crystal display (TFT-LCD) industry. Among those, the European Commission issued a statement of objections against the parties concerned and entered into formal investigation process in May 2009. The Group has not received this statement of objections.</p> <p>NEC Electronics America, Inc. and NEC Electronics remain defendants in multiple class action civil antitrust lawsuits in the United States and Canada seeking damages for alleged antitrust violations in the SRAM industry. Among these cases, class action civil antitrust lawsuits in the U.S. are expected to be resolved by settlement.</p> <p>Among these civil lawsuits, settlement negotiations and investigations by the authorities for the possible violations of the antitrust law/competition law, the Group has recorded probable and reasonably estimable losses in the amount of 2,253 million yen in provision for contingent loss related to the</p>	<p>Others</p> <p>The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving DRAM brought by purchasers of such products. Although a U.S. subsidiary of the Group had been named as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law involving DRAM brought by indirect purchasers of such products as well as the Attorneys General of several states in the U.S, it agreed on settlement with plaintiffs. The U.S. subsidiary of the Group has already resolved by settlement class action lawsuits brought by direct purchasers, but it is still in settlement negotiations with several customers who have opted out of such class action lawsuits.</p> <p>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.</p> <p>The Group has been named in the U.S. and other countries as one of the defendants in multiple antitrust lawsuits related to possible violations of antitrust law/competition law involving flash memory brought by purchasers of such products.</p> <p>The Group's subsidiaries in the U.S., Europe and South Korea are the subject of investigations by the U.S. Department of Justice, the Competition Bureau of Canada, the Europe Commission and the Korea Fair Trade Commission in connection with possible violations of antitrust law/competition law in relation to thin-film transistor liquid crystal display (TFT-LCD). Among those, the European Commission issued a statement of objections against the parties concerned and entered into formal investigation process in May 2009, and also imposed fine to multiple LCD panel manufacturers in December 2010. However, the subsidiary of the Group has not received this statement of objections, nor has it been treated as a subject in the following procedures.</p> <p>The Group is the subject of an investigation by the European Commission regarding possible violations of competition law in relation to smartcard chip.</p> <p>Of the aforementioned legal proceedings, the Group has recorded estimated losses in the amount of 1,240 million yen in provision for contingent loss.</p>								

As of March 31, 2010	As of March 31, 2011
<p>DRAM civil lawsuits and settlement negotiations in the U.S. and investigations by the European Commission. It is possible that such estimated amount may increase or decrease with the progress of such cases in the futures. No other expenses pertaining to other civil lawsuits and official investigations by the authorities have been recorded, since the Group's liability for compensation pertaining to such lawsuits and its alleged behavior related to such investigations remain undetermined.</p> <p>The Group's subsidiary in Europe, together with NEC Corporation, received the decision notice on imposition of fine from the European Commission in relation to the DRAM investigation by the same in May 2010. This decision is based on the settlement procedure introduced by the European Commission.</p>	<p>It is possible that such estimated amount may increase or decrease with the progress of such proceedings in the future.</p>

## (Consolidated Statements of Operations)

For the year ended March 31, 2011

### \*1 Impairment loss

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

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

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

The Group has formulated a new structural reform plan to build profitable structures by earlier realization of merger synergy and to execute through efficiencies under our principle policy.

As a result of above plan, net book value of business assets was reduced with lower profitability to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 29,679 million yen which was included in special loss. The main impairment of such was Tsuruoka-manufacturing (Renesas Yamagata Semiconductor Co., Ltd) amounted to 27,589 million yen.

Also, the Group recognized impairment loss on the assets to be disposed of, which became useless due to the decision to close or sell the product line by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 8,630 million yen which was included in impairment loss. The main impairment of such was Roseville-manufacturing (Renesas Electronics America Inc.) amounted to 5,930 million yen.

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

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

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

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

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

## \*2 Loss on disaster

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

The components of the amount of loss on disaster were as follows:

	(In millions of yen)
Repair cost of fixed assets	43,116
Loss on disposal of inventories	7,283
Loss on disposal of fixed assets	6,187
Fixed costs during the temporary shutdown period of operations	5,919
Loss on cancellation of lease contracts	2,987
Other	12
<b>Sub total</b>	<b>65,504</b>
<b>Insurance income receivable</b>	<b>(16,000)</b>
<b>Total</b>	<b>49,504</b>

The main portion of provision for disaster in the consolidated balance sheet is repair cost of fixed assets and loss on cancellation of lease contracts.

## \*3. Business structure improvement expenses

The Group formulated its growth strategies by optimizing business portfolios and implemented structural reforms. Targeted to achieve sustainable and robust growth, the new business strategy has been formed by reviewing all of the former companies' respective management resources, including technologies, products, design and development environments, manufacturing, sales, material purchasing, and business processes, to maximize the merger synergies, and by evaluating measures to achieve the company's business goals.

The Group implemented enhanced early retirement programs with special additional payment at the Company and all subsidiaries in Japan, and some of overseas subsidiaries. The Group recognized personnel expenses 21,956 million yen.

Due to other manufacturing structure measures, the Group recognized Impairment loss and disposal equipment 7,267 million yen, and Removal of equipment and other expenses 1,375 million yen.

## (Consolidated Statements of Comprehensive Income)

For the year ended March 31, 2011

\*1 Comprehensive income for the year ended March 31, 2010

(In millions of yen)

Comprehensive income attributable to	
owners of the parent	(57,916)
minority interests	(425)
Total	(58,341)

\*2 Other Comprehensive income for the year ended March 31, 2010

(In millions of yen)

Unrealized gains (losses) on securities	(18)
Foreign currency translation adjustment	(1,391)
Total	(1,409)

## (Consolidated Statements of Changes in Net Assets)

For the year ended March 31, 2010

### 1. Shares issued and outstanding / Treasury stock

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

Note 1 Increase in the number of treasury stock (142 common stocks) was due to purchase of less-than-one-unit shares.

### 2. Share subscription rights

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

For the year ended March 31, 2011

1. Shares issued and outstanding / Treasury stock

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

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

Note 2 Increase in the number of treasury stock of 100 common stocks was due to merger of former Renesas Technology.

2. Share subscription rights

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

Note 1 Increase in the number of shares of 10,300 common stocks is an adjustment of conversion price of the convertible bonds made in connection with the issuance of new shares through third-party allotments.

## **(Financial Instruments)**

For the year ended March 31, 2010

### **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 bank borrowings from banks and corporate bonds. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

#### **(2) Contents and Risks of Financial Instruments and Risk Management**

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

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

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

Most of short-term borrowings are from operation. Most of long-term borrowings, bonds with share subscription rights and lease obligations from finance lease transactions are utilized for capital investments. Their repayment terms are within 5 years after the fiscal year-end.

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

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

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

#### **(3) Concentration of Credit Risks**

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

## 2. Fair Value of Financial Instruments

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

(In millions of yen)

	Amounts on consolidated balance sheet	Fair value	Difference
(1)Cash and deposits	24,685	24,685	—
(2)Notes and accounts receivable-trade	63,752	63,752	—
(3)Accounts receivable-other	8,860	8,860	—
(4)Short-term, long-term investment securities			
Other securities	66,611	66,611	—
Total assets	163,908	163,908	—
(5)Notes and accounts payable-trade	74,595	74,595	—
(6)Short-term borrowings	2,450	2,450	—
(7)Accounts payable-other	21,525	21,525	—
(8)Accrued income taxes	2,812	2,812	—
(9)Bonds with share subscription rights	110,000	107,176	(2,824)
(10)Long-term borrowings (including current portion)	14,166	14,074	(92)
(11)Lease obligations (including current portion)	14,277	14,343	66
Total liabilities	239,825	236,975	(2,850)
(12)Derivative transactions(*)	(1,047)	(1,047)	—

(\*)Net amounts of assets / liabilities arising from derivative transactions were presented by the net amount of offset. If the net amount of offset was negative, it was shown in ( ).

Note 1. Calculation method for fair value of financial instruments and summary of securities and derivative transactions

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

These were measured at its book values because these were settled in short-term and these fair values were nearly equal to their 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.

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

(8) Accrued income taxes

Their fair values were measured at its book values because these were settled in short-term and these fair values were nearly equal to its book value.

(9) Bonds with share subscription rights

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

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

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

(12) Derivative transactions

1. Derivatives without hedge accounting

Derivative transactions without hedge accounting were forward exchange contracts. Their fair values were measured at the forward rate such as foreign exchange rate.

## 2. Derivatives with hedge accounting

None

Note 2. Unlisted shares (132 million yen booked on consolidated balance sheet) weren't included in "(4) Short-term and long-term securities, other securities" since they weren't practical to estimate fair value. They didn't have market value and its future cash flows were difficult to be estimated.

The fair value of long-term accounts receivable-other (5,829 million yen booked on consolidated balance sheet) wasn't presented since it wasn't practical to estimate fair value. It didn't have market value and the collection term of its future cash flows were difficult to be estimated.

### (Additional Information)

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

For the year ended March 31, 2011

## 1. Conditions of Financial Instruments

### (1) Policies for Financial Instruments

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

### (2) Contents and Risks of Financial Instruments and Risk Management

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

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

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

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

The Group transacts forward exchange contracts in order to hedge the risks from exchange fluctuations of account receivables and account payables denominated in foreign currencies and interest rate swaps in order to hedge the risks from interest fluctuations of borrowings.

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

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

## 2. Fair Value of Financial Instruments

The fair values of financial instruments presented in consolidated balance sheets as of March 31, 2011 were as follows; the table below didn't include the financial instruments which were extremely difficult for the Group to estimate their fair values. (Note 2)

(In millions of yen)

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

(\*)Net amounts of assets / liabilities arising from derivative transactions were presented by the net amount of offset. If the net amount of offset was negative, it was shown in ( ).

### Note 1. Calculation method for fair value of financial instruments and summary of securities and derivative transactions

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

These were measured at its book values because these were settled in short-term and these fair values were nearly equal to their 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 fund was measured at the price presented by a financial institution.

#### (5) Notes and accounts payable-trade, (6) Short-term borrowings, (7) Accounts payable-other and

#### (8) Accrued income taxes

Their fair values were measured at its book values because these were settled in short-term and these fair values were nearly equal to its book value.

#### (9) Current portion of bonds with share subscription rights

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

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

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

#### (12) Derivative transactions

##### 1. Derivatives without hedge accounting

Derivative transactions without hedge accounting were forward exchange contracts and interest rate swaps. The fair value of forward exchange contracts were measured at the forward rate such as foreign exchange rate. The fair value of interest rate swaps were measured at the price presented by a financial institutions.

2. Derivatives with hedge accounting

None

Note 2. Unlisted shares (1,005 million yen booked on consolidated balance sheet) weren't included in "(4) Short-term and long-term securities" since they weren't practical to estimate fair value. They didn't have market value and its future cash flows were difficult to be estimated.

## (Business Combination)

For the year ended March 31, 2011

### (Merger by Acquisition)

#### 1. Summary of the Business Combination

##### 1-1. Name of Acquiree

Renesas Technology Corp.

##### 1-2. Major Operations of Acquiree

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

##### 1-3. Major Reasons for the Business Combination

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

##### 1-4. Effective Date of the Business Combination

April 1, 2010

##### 1-5. Legal Form of the Business Combination

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

##### 1-6. Company Name after the Business Combination

Renesas Electronics Corporation

##### 1-7. Basis for Determination of Accounting Acquirer

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

#### 2. The Term of Acquiree's Operation Results included in the Consolidated Statement of Operation

12 months (From April 1, 2010 to March 31, 2011)

#### 3. Acquisition Cost and its Details

(In millions of yen)

Consideration paid for acquisition:

Fair value of common stocks issued on the date of the business combination	140,527
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Expenses directly attributable to the business combination:

Advisory fees and others	967
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Total Acquisition Cost	141,494
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#### 4. Merger Ratio, Calculation Method of the Merger Ratio and Number of Issued Stocks

##### 4-1. Merger Ratio

Type of issued shares: Commons Stocks

Ratio (Renesas Technology / NEC Electronics): 1 / 20.5

##### 4-2. Calculation Method of Merger Ratio:

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

##### 4-3. Number of Issued Stocks:

Common stock: 146,841,500 shares

5. Amount and Reason for Gain on Negative Goodwill

5-1. Amount of Gain on Negative Goodwill

2,159 million yen

5-2. Reason for Gain on Negative Goodwill

Negative goodwill was recognized because the acquisition cost was less than net amount of acquired assets and liabilities.

6. Amount and Detail of Assets and Liabilities Acquired on the Day of the Merger

(In millions of yen)

Current assets	320,408
Long-term assets	301,384
Total assets	621,792
Current liabilities	337,849
Long-term liabilities	138,126
Total liabilities	475,975

**(Merger by Acquisition)**

1. Summary of the Business Combination

1-1. Subjected business's name and its business operations

Name of Acquiree: Nokia Corporation

Name of the Business: Wireless Modem Business

1-2. Major Reasons for the Business Combination

The transfer of wireless modem business enables the Group to maximize the value of Nokia's technology assets and engineering expertise by combining them with the Group's market-proven multimedia processing and RF technologies. The transfer is expected to further strengthen the Group's position as one of the leading chipset vendors in the 3G and LTE market that is capable of providing one-stop mobile platform solutions, supporting an extensive range of modem protocols from GSM to LTE, and integrating advanced multimedia and computer processing capabilities.

1-3. Effective Date of the Business Combination

November 30, 2010

1-4. Legal Form of the Business Combination

Transfer of business

1-5. Company Name after the Business Combination

No change (Renesas Electronics Corporation)

2. The Term of Operation Results of Subjected Business included in the Consolidated Statement of Operation

4 months (From December 1, 2010 to March 31, 2011)

3. Acquisition Cost and its Details

(In millions of yen)

Consideration paid for acquisition:

Cash 17,138

Expenses directly attributable to the business combination:

Fees for attorney and others 516

Total Acquisition Cost 17,654

4. The Amount, the Accrual Reason, Amortization Method and Amortization Term of Goodwill

4-1. Amount of Goodwill

2,571 million yen

4-2. Accrual Reason for Goodwill

Goodwill was recognized because the acquisition cost was more than net amount of acquired assets and liabilities.

4-3. Amortization Method and Term

Amortized by straight-line method over 10 years

5. The Amount and Detail of Assets and Liabilities Acquired on the Day of the Merger

(In millions of yen)

Current assets	551
Long-term assets	15,991
Total assets	16,542
Current liabilities	1,459
Total liabilities	1,459

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

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

7. The Effect on the Statement of Operation Supposing the Business Combination has done on the beginning of this Fiscal Year.

The effect on operating results for the year ended March 31, 2011 was immaterial.

**(Transactions under Common Control)**

1. Name of the business and its operations, date of business combination, legal type of business combination, and name of the corporation after business combination and purpose of the transaction.

1-1. Subjected business's name and its business operations

Name of the business: Mobile Multimedia Business

Business operations: SoC semiconductors business for mobile devices and car navigation systems

1-2. Date of business combination

December 1, 2011

1-3. Legal type of business combination

The absorption type business split: the Company as split company, Renesas Mobile Corporation (consolidated company of the Company) as succeeding company

1-4. Name of the corporation after business combination

No change (Renesas Mobile Corporation)

1-5. Overview of the transactions

Through the business split, by constructing global business structures focuses on Mobile Multimedia Business such as SoC (system on chip) semiconductors business for mobile devices and car navigation systems, it enables us for timely operations of the business and product sales, especially reinforce overseas market business.

2. The Summary of Adopted Accounting Standard

This transfer of business has been accounted as Transactions under Common Control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and

“Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, issued on December 26, 2008).

## (Segment Information)

### a. Business Segment Information

For the years ended March 31, 2010

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

### b. Geographical Segment Information

For the year ended March 31, 2010

(In millions of yen)

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

Notes:

- Countries and regions were segmented based on their geographical proximity.
- Major countries and regions other than Japan were as follows:
  - Asia: China, Indonesia, Malaysia, Republic of Korea, Republic of Singapore and Taiwan
  - Europe: England, Germany and Ireland
  - North America: The United States of America
- The amount of unallocable operating expenses included in “Eliminates / Corporate” was 91,652 million yen, which were research and development expenses.
- The amount of corporate assets included in “Eliminates / Corporate” was 126,311 million yen. The main components of the corporate assets were surplus fund (cash and deposits, and short-term securities) of NEC Electronics, assets for research and development, investment securities and foreign currency translation adjustments.

### c. Overseas Sales

For the year ended March 31, 2010

(In millions of yen)

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

Notes:

- Countries and regions were segmented based on their geographical proximity.
- Major countries and regions other than Japan were as follows:

- (1) Asia: China, Republic of Singapore, Taiwan and others  
 (2) Europe: Germany, England, France and others  
 (3) North America: The United States of America and Canada
3. Overseas sales represent sales outside of Japan of the Group.

#### d. Segment Information

For the year ended March 31, 2011

The operating segment of the Group is focused on only the semiconductor business other than general-purpose DRAM. So, segment information was thereby omitted.

#### e. Related Information

For the year ended March 31, 2011

##### 1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Semiconductors, other	Other than Semiconductors	Total
Net sales to third party	384,139	316,165	311,689	6,872	119,033	1,137,898

##### 2. Information by region and country

###### 2-1 Net sales by region and country

(In millions of yen)

Japan	China	Asia other than China	Europe	North America	Other	Total
619,839	168,967	178,195	102,066	64,567	4,264	1,137,898

###### 2-2 Property, plant and equipment by region and country

(In millions of yen)

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

##### 3. Information by main customer

We have no main customer accounting for over 10% of sales in consolidated statements of operations. So, information by main customer is omitted.

#### (Additional Information)

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

## (Per Share Information)

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

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

	The year ended March 31, 2010	The year ended March 31, 2011
Net assets per share		
Total net assets (Millions of yen)	136,338	291,058
Amounts deducted from total net assets (Millions of yen)	4,084	7,300
(Share subscription rights)	(52)	(48)
(Minority interests)	(4,032)	(7,253)
Net assets attributable to shares of commons stock at the end of the year (Millions of yen)	132,254	238,757
The fiscal year-end number of common stock used for the calculation of net assets per share (Thousand)	123,498	417,122
Net income (loss) per share		
Net income (loss) (Millions of yen)	(56,432)	(115,023)
Amounts not attributable to shares of common stock (Millions of yen)	---	---
Net income (loss) attributable to share of common stock (Millions of yen)	(56,432)	(115,023)
Average number of shares of common stock during the fiscal year (Thousand)	123,498	417,122
Securities excluded from the computation of diluted net income per share, because they do not have dilutive effects	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 (book value of bonds with share subscription rights was 110,000 million yen, the number of shares to be issued was 11,156,100) Commons stock arising from stock option plan (the number of share subscription rights was 560, the number of shares to be issued was 56,000)	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 (book value of bonds with share subscription rights was 110,000 million yen, the number of shares to be issued was 11,166,400) Commons stock arising from stock option plan (the number of share subscription rights was 510, the number of shares to be issued was 51,000)

## (Significant Subsequent Events)

The year ended March 31, 2010	The year ended March 31, 2011
<p>1. Merger with Renesas Technology Corp. Having been approved by the extraordinary general meetings of shareholders on February 24, 2010, it was concluded that NEC Electronics merges with Renesas on April 1, 2010, identifying NEC Electronics as acquirer (surviving entity) and Renesas as acquiree (dissolving entity).</p> <p>(1) Summary of Business Combination Name of Acquiree : Renesas Technology Corp. Major Operations of Acquiree : Development, design, manufacture, sale and servicing of system LSI such as microcomputer, logic and analog, discrete semiconductor products; and memory products such as SRAM Major Reasons for the Business Combination : Both as pure semiconductor companies, NEC Electronics and Renesas provide a wide variety of semiconductor solutions, primarily specializing in microcontroller units (MCUs). In light of fierce global competition and structural changes triggered by the rapid expansion of emerging markets in the semiconductor market, NEC Electronics and Renesas have merged in order to further strengthen their business foundations and technological assets, while increasing corporate value through enhanced customer satisfaction. Date of Business Combination : April 1, 2010 Legal Form of the Combination : It was absorption-type merger with NEC Electronics as the surviving entity and Renesas as the dissolving entity. The Name after Business Combination : Renesas Electronics Corporation Grounds for Determination of Acquiring Company : Because the form of combination is such that consideration is made by stocks, NEC Electronics was determined to be the acquirer. In addition, various matters such as ratio of voting rights held by shareholders, formation of the Board of Directors and existence or non-existence of significant difference in business scale of both companies were considered.</p>	<p>-----</p>

The year ended March 31, 2010	The year ended March 31, 2011
<p>(2) Calculation of Acquisition Cost Acquisition Cost and its details (In millions of yen)</p> <p>Consideration for acquisition: Fair value of common stocks issued on the date of business combination : 140,527 Expenses directly attributable to the combination : Advisory fees and others 967</p> <hr/> <p>Total acquisition cost 141,494</p> <p>Merger Ratio : Type of issued shares: Common stock Ratio (Renesas / NEC Electronics): 1 / 20.5 Calculation Method of Merger Ratio : In calculating the merger ratio, both companies concluded the merger ratio was appropriate considering financial condition, assets and liabilities conditions of each company, forecast of business, the merits of the combination and capital injection, the appraisals each company's appraisers made and other factors in a comprehensive manner. Number of Issued Stocks : Common stocks 146,841,500</p> <p>2. Issuance of New Shares by Third-Party Allotment The Integrated Company issued new shares to NEC Corporation, Hitachi Ltd., and Mitsubishi Electric Corporation by way of third party allotment setting the payment date thereof on April 1, 2010.</p> <p>(1) Method of Offering Third-party allotment</p> <p>(2) Type, Number, Issued Price, Total Proceeds of the Issued Shares and Increase in the Amount of Shareholders' Equity : Type of issued share: Common stock Number of issued share: 146,782,990 Issued price: 917.0 yen per share Total proceeds: 134,600 million yen Increase in the amount of shareholders' equity : Common stock: 458.5 yen per share Capital surplus: 458.5 yen per share</p> <p>(3) Issuance Schedule Date of issue: April 1, 2010</p> <p>(4) The Purpose of the Use of the Fund The fund was planned to be used for the R&amp;D investment to make competitive products in the global markets, the investment for promoting overseas sales, reform of business structure and repayment of interest-bearing debt.</p>	<p>-----</p>

The year ended March 31, 2010	The year ended March 31, 2011
<p>(5) Adjustment of Conversion Prices of Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011</p> <p>In connection with the issuance of new shares through third-party allotments, the conversion price was adjusted as follows;</p> <p>Conversion price before adjustment : 9,860.0 yen</p> <p>Conversion price after adjustment : 9,850.9 yen</p> <p>Adjustment date: April 1, 2010</p> <p>Reason for the adjustment :</p> <p>This adjustment was due to the issue price of new shares of Renesas Electronics common stock (917.0 yen) issued on April 1, 2010 falling below the current market price per share (919.4 yen, as defined in the terms and conditions of the Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011; the average of closing price for 30 consecutive operating days beginning 45 days before standard date (September 16, 2009)).</p>	

## **Forward-Looking Statements**

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

## **About Renesas Electronics Corporation**

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

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