

The following is an English translation of the Notice of the 12th Ordinary General Meeting of Shareholders of Renesas Electronics Corporation to be held on June 25, 2014 (as well as the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements with respect to the 12th Business Period, and report on the results of the audit conducted on such Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors), except for translation of the instructions on voting rights and the access map for the place of the meeting in the Notice. The Company provides this translation for your reference and convenience only.

## **Renesas Electronics Corporation**

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

Hisao Sakuta  
Representative Director,  
Chairman&CEO

June 10, 2014

**To Our Shareholders:**

### **NOTICE OF THE 12TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

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

1. DATE: June 25, 2014 (Wednesday) at 10:00 A.M. (Japan Standard Time)
2. PLACE: Conference Room in Musashi Site of the Company at 5-20-1, Jousui-Honcho, Kodaira, Tokyo, Japan  
(Please note that the place of the General Meeting is different from that of the previous Ordinary General Meeting of Shareholders held on June 26, 2013.)
3. AGENDA OF THE GENERAL MEETING:  
MATTERS TO BE REPORTED UPON  
Report on the Business Report, Consolidated Financial Statements and Financial Statements, and report on the results of the audit conducted on the Consolidated Financial Statements by the Independent Auditors and the Board of Corporate Auditors with respect to the 12th Business Period from April 1, 2013 to March 31, 2014.

(Translation)

**MATTERS TO BE VOTED UPON:**

- (1) Election of Five Directors
- (2) Election of Two Corporate Auditors

**REFERENCE DOCUMENTS FOR THE GENERAL MEETING**

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

Upon the closure of the General Meeting, the term of office held by all Directors will expire. We therefore propose that five Directors be elected.

The candidates are as follows:

| No. | Name<br>(Date of Birth)                | Brief Employment History, Position, Responsibility and<br>Important Concurrent Positions |   | Number of the<br>Company's<br>Shares Held |
|-----|--|--|---|---|
| 1   | Hisao Sakuta<br>(September 6,<br>1944) | April 1968   | Joined Tateisi Electric Manufacturing Co., (currently OMRON Corporation)  | 1,500                                     |
|     |  | September 1987   | Manager, Business Management Department, Automotive Electronic Components Division, Control Components Divisions, OMRON Corporation |   |
|     |  | September 1989   | General Manager, Temperature Control Components Devices Division, Control Components Divisions, OMRON Corporation                   |   |
|     |  | September 1992   | Senior General Manager, Strategy Planning Division, Industrial Business Group, OMRON Corporation                                    |   |
|     |  | June 1995  | Director, OMRON Corporation   |   |
|     |  | June 1999  | Managing Officer, and Senior General Manager, Corporate Planning Division, OMRON Corporation  |   |
|     |  | June 2001  | Senior Managing Officer, and Company President, Electronic Components Business Company, OMRON Corporation                           |   |
|     |  | June 2003  | CEO and Representative Director, OMRON Corporation  |   |
|     |  | June 2011  | Chairman of the BOD and Representative Director, OMRON Corporation  |   |
|     |  | June 2012  | Chairman of the BOD, OMRON Corporation  |   |
|     |  | June 2013  | Special Advisor, OMRON Corporation<br>(to the present)  |   |

(Translation)

| No. | Name<br>(Date of Birth)                   | Brief Employment History, Position, Responsibility and<br>Important Concurrent Positions   |   | Number of the<br>Company's<br>Shares Held |
|-----|---|--|---|---|
|     |   |  | <p>Representative Director, Chairman and CEO, the Company (to the present)</p> <p>(Important Concurrent Positions)<br/>Special Advisor, OMRON Corporation<br/>Chairman, Micromachine Center</p>   |   |
| 2   | Tetsuya<br>Tsurumaru<br>(August 29, 1954) | <p>April 1979</p> <p>April 2003</p> <p>April 2006</p> <p>April 2008</p> <p>April 2010</p> <p>April 2011</p> <p>June 2012</p> <p>February 2013</p> <p>June 2013</p> | <p>Joined Hitachi, Ltd.</p> <p>General Manager, Naka Factory, MCU &amp; SOC Business Unit, Renesas Technology Corp. (currently, Renesas Electronics Corporation)</p> <p>General Manager, Strategic Production Planning Division, Production and Technology Unit, Renesas Technology Corp.</p> <p>Managing Officer, and Executive General Manager, Production and Technology Unit, Renesas Technology Corp.</p> <p>Senior Vice President, and Associate Chief of Production and Technology Unit, the Company</p> <p>Senior Vice President, and Chief of Production and Technology Unit, the Company</p> <p>Senior Vice President and Member of the Board, the Company</p> <p>Representative Director, President, the Company</p> <p>Representative Director, President and COO, the Company (to the present)</p> | 5,800                                     |

| No. | Name<br>(Date of Birth)                     | Brief Employment History, Position, Responsibility and<br>Important Concurrent Positions                                 |   | Number of the<br>Company's<br>Shares Held |
|-----|---|--|---|---|
| 3   | Hidetoshi Shibata<br>(November 16,<br>1972) | April 1995<br>August 2001<br>August 2004<br>October 2007<br>September 2009<br>June 2012<br>October 2013<br>November 2013 | Joined Central Japan Railway Company<br>Joined MKS Partners Limited as<br>Principal<br>Partner, MKS Partners Limited<br>Joined Global Private Equity, Merrill<br>Lynch Japan Securities Co., Ltd as<br>Managing Director<br>Joined Innovation Network Corporation<br>of Japan as Managing Director<br>Executive Managing Director,<br>Investment Group, Innovation Network<br>Corporation of Japan<br>Member of the Board, the Company<br>Executive Vice President, Member of the<br>Board and CFO, the Company (to the<br>present) | 200                                       |
| 4   | Haruyasu Asakura<br>(April 16, 1961)        | April 1984<br>October 1999<br>February 2001<br>July 2009<br>October 2013   | Joined Mitsubishi Corporation<br>Joined Apax Grobis Partners & Co.<br>(currently Grobis Capital Partners & Co.)<br>as Partner<br>Joined Carlyle Japan LLC. as Managing<br>Director<br>Joined Innovation Network Corporation<br>of Japan as Chief Operating Officer (to<br>the present)<br>Member of the Board, the Company (to<br>the present)<br><br>(Important Concurrent Position)<br>Chief Operating Officer, Innovation<br>Network Corporation of Japan  | 0   |

| No. | Name<br>(Date of Birth)                  | Brief Employment History, Position, Responsibility and<br>Important Concurrent Positions |  | Number of the<br>Company's<br>Shares Held |
|-----|--|--|--|---|
| 5   | Tetsuro Toyoda<br>(November 10,<br>1962) | April 1986   | Joined Tokio Marine and Fire Insurance Co., Ltd. (currently, Tokio Marine & Nichido Fire Insurance Co., Ltd.)        | 0   |
|     |  | July 2001  | Joined MKS Partners Limited as Partner   |   |
|     |  | May 2008   | Joined Deloitte Tohmatsu FAS Co., Ltd. (currently, Deloitte Tohmatsu Financial Advisory Co., Ltd.) as Senior Advisor |   |
|     |  | September 2009   | Joined Innovation Network Corporation of Japan as Managing Director  |   |
|     |  | June 2012  | Executive Managing Director, Innovation Network Corporation of Japan   |   |
|     |  | June 2013  | Senior Executive Managing Director, Innovation Network Corporation of Japan (to the present)                         |   |
|     |  | February 2014  | Member of the Board, the Company (to the present)  |   |
|     |  |  | (Important Concurrent Position)<br>Senior Executive Managing Director,<br>Innovation Network Corporation of Japan    |   |

- (Note) 1. Mr. Hisao Sakuta concurrently serves as Chairman of Micromachine Center, with which the Company engages in transactions relating to development of device resist pattern, etc.
2. Mr. Haruyasu Asakura currently serves as Chief Operating Officer of Innovation Network Corporation of Japan, and Mr. Tetsuro Toyoda currently serves as Senior Executive Managing Director of Innovation Network Corporation of Japan. Innovation Network Corporation of Japan is a major shareholder of the Company owning 69.15 percent of voting rights.
3. Except as described in Notes 1 and 2 above, none of the candidates have a special conflict of interest with the Company.
4. In addition to what is described for in the “Brief Employment History, Position, Responsibility and Important Concurrent Positions” section above, responsibilities in the Company of each candidate who is currently Director of the Company are described in the Business Report (p. 25).
5. Messrs. Haruyasu Asakura and Tetsuro Toyoda are candidates for outside Directors. Mr. Haruyasu Asakura currently serves as Chief Operating Officer of Innovation Network

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Corporation of Japan, and Mr. Tetsuro Toyoda currently serves as Senior Executive Managing Director, Innovation Network Corporation of Japan. The Company selected these candidates for outside Directors with expectation that they would oversee and check the overall management of the Company by leveraging their extensive knowledge, experience and deep insight gained from their careers in wide investment business at Innovation Network Corporation of Japan.

6. Messrs. Haruyasu Asakura and Tetsuro Toyoda are currently outside Directors of the Company, and the term of office of Mr. Haruyasu Asakura as an outside Director of the Company will be 8 months and of Mr. Tetsuo Toyoda as an outside Director of the Company will be 4 months at the closure of the General Meeting
7. The Company has already entered into liability limitation agreements with Messrs. Haruyasu Asakura and Tetsuro Toyoda, limiting their liabilities as defined in Paragraph 1, Article 423 of the Companies Act to the minimum liability amount specified in our articles of incorporation, and if their reappointments are approved, the Company will renew such liability limitation agreements with them.

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

Upon the closure of the General Meeting, the term of office as Corporate Auditor held by Messrs. Yoichiro Yamakawa and Yoshinobu Shimizu will expire. We therefore propose that two Corporate Auditors be elected. The consent of the Board of Corporate Auditors for this Proposal has been obtained. The candidates are as follows:

| No. | Name<br>(Date of Birth)                 | Brief Employment History, Position and Important<br>Concurrent Positions  |   | Number of the<br>Company's<br>Shares Held |
|-----|---|---|---|---|
| 1   | Yoshinobu Shimizu<br>(October 26, 1944) | March 1973<br><br>July 2001<br><br>May 2002<br><br>February 2006<br>March 2006<br>June 2007<br><br>March 2008<br>March 2010<br><br>June 2010<br><br>June 2012 | Registered as Certified Public Accountant<br><br>Managing Executive Partner, Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC)<br><br>Deputy Chief Executive Officer, Ernst & Young ShinNihon<br><br>Left Ernst & Young ShinNihon<br><br>Statutory Auditor, Canon Inc.<br><br>Statutory Auditor, Mitsubishi UFJ Trust and Banking Corporation (to the present)<br><br>Statutory Auditor, Canon Electronics Inc.<br><br>Resigned as Statutory Auditor, Canon Inc.<br><br>Resigned as Statutory Auditor, Canon Electronics Inc.<br><br>Statutory Auditor, the Company (to the present)<br><br>Statutory Auditor, Daio Paper Corporation (to the present)<br><br>(Important Concurrent Positions)<br>Statutory Auditor, Mitsubishi UFJ Trust and Banking Corporation<br><br>Statutory Auditor, Daio Paper Corporation | 1,500                                     |



| No. | Name<br>(Date of Birth)                  | Brief Employment History, Position and Important<br>Concurrent Positions |   | Number of the<br>Company's<br>Shares Held |
|-----|--|--|---|---|
| 2   | Kazuyoshi<br>Yamazaki<br>(July 19, 1949) | April 1983<br>April 1987<br>June 2004<br>April 2008                      | Registered as Attorney-at-Law<br>Managing Partner, Yamazaki LAW<br>OFFICE (to the present)<br>Statutory Auditor, KENKO Mayonnaise<br>Co., Ltd. (to the present)<br>Vice President, Daiichi Tokyo BAR<br>Association<br><br>(Important Concurrent Positions)<br>Managing Partner, Yamazaki LAW<br>OFFICE<br>Statutory Auditor, KENKO Mayonnaise<br>Co., Ltd. | 0   |

(Note)

1. Mr. Kazuyoshi Yamazaki is a new candidate for Corporate Auditor.
2. None of the candidates have a special conflict of interest with the Company.
3. Mr. Yoshinobu Shimizu is a candidate for outside Corporate Auditor. The Company selected Mr. Yoshinobu Shimizu as a candidate for outside Corporate Auditor with expectation that he would audit the overall management of the Company by leveraging his extensive knowledge, experience and deep insight gained from his career as a Public Accountant. Mr. Yoshinobu Shimizu has no management experience except as an outside Corporate Auditor. However, for the reason above, the Company judged Mr. Yoshinobu Shimizu has the ability to perform professional duties as an outside Corporate Auditor of the Company. The Company has filed Mr. Yoshinobu Shimizu as an independent Corporate Auditor under the rules of Tokyo Stock Exchange, Inc.
4. Mr. Kazuyoshi Yamazaki is a candidate for outside Corporate Auditor. The Company selected Mr. Kazuyoshi Yamazaki as a candidate for outside Corporate Auditor with expectation that he would audit the overall management of the Company by leveraging his extensive knowledge, experience and deep insight gained from his career as an Attorney-at-Law. Mr. Kazuyoshi Yamazaki has no management experience except as an outside Corporate Auditor. However, for the reason above, the Company judged Mr. Kazuyoshi Yamazaki has the ability to perform professional duties as an outside Corporate Auditor of the Company. The Company will file Mr. Kazuyoshi Yamazaki as an independent Corporate Auditor under the rules of Tokyo Stock Exchange, Inc.
5. Mr. Yoshinobu Shimizu is currently an outside Corporate Auditor, and the term of office of

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Mr. Yoshinobu Shimizu as an outside Corporate Auditor of the Company will be 4 years at the closure of the General Meeting.

6. The Company has already entered into liability limitation agreement with Mr. Yoshinobu Shimizu, limiting his liabilities as defined in Paragraph 1, Article 423 of the Companies Act to the minimum liability amount specified in our articles of incorporation, and if his reappointment is approved, the Company will renew such liability limitation agreements with him.
7. If the new appointment of Mr. Kazuyoshi Yamazaki is approved, the Company will enter into liability limitation agreement with him, limiting his liabilities as defined in Paragraph 1, Article 423 of the Companies Act to the minimum liability amount specified in our articles of incorporation.

## **Business Report**

(For the Period from April 1, 2013 to March 31, 2014 (the “Period”))

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

#### **(1) Business Progress and Results of the Group**

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

During the Period the world economy began to recover gradually, with the business climate in Japan marked by the taking hold of a correction in the strength of the yen relative to the US dollar and the euro as well as increases in both public investment and corporate investment in plant and equipment. Outside Japan, the US economy continued to rebound strongly while the European economy continued to recover gradually after bottoming out the previous year. Among emerging economies the business climate was generally bullish, although some countries experienced slowdowns in their rates of growth.

The semiconductor market, the main business area of the Group, saw a generally favorable trend, with particularly healthy demand for products related to the automotive and smartphone fields.

Against the background of this business climate, the Group, based on Proposal No. 2, “Issuance of New Shares Offered by way of Third Party Allotment,” resolved at the Extraordinary General Meeting of Shareholders held on February 22, 2013, implemented a capital increase by way of third-party allotment as of September 30, 2013. This assured a firm financial basis for the Company to secure stable revenue as a company specializing in semiconductor devices.

In addition, in October 2013 the Group issued its corporate presentation titled “Reforming Renesas” and adopted a “Reform Plan” consisting of three essential components: “1. Reform businesses to better utilize market intelligence during product development,” “2. Reform into a profit-oriented organization,” and “3. Reform to a global management and organizational structures.”

Specifically, “1. Reform businesses to better utilize market intelligence during product development” involved shifting our business domains from product-orientation (MCUs, Analog & Power Devices, and SoC (system-on-chip) Solutions) to application-orientation (Automotive control and automotive infotainment, Industrial and home electronics, Office automation (OA) and information communication technology (ICT), and General-purpose products) to cater to market and customer demand. Through this change the Group hoped to optimize our product mix, as the Group worked to strengthen and promote a solutions business that enables us to provide optimized solutions to customers. Based on this reform of our business domains, in December 2013 the business units were reorganized from their previous product-oriented basis into an application-oriented one consisting of the 1st Solution Business Unit, which is responsible for Automotive control and automotive infotainment related businesses and for formulating operating strategy, and the 2nd Solution Business Unit, which is responsible for Industrial and home electronics, OA and ICT, and General-purpose products related businesses and for

formulating operating strategy.

Next, “2. Reform into a profit-oriented organization” and “3. Reform to a global management and organizational structures” have involved, first, with respect to sales, the reorganization of the Group, such as the absorption-type merger in October 2013 of Renesas Electronics and its domestic sales subsidiary Renesas Electronics Sales Co., Ltd., and the restructuring of our sales system to enable further business growth on a global scale by strengthening our support system for Japanese multinational corporate customers expanding globally. In November 2013, to strengthen our sales promotion system in international regions, the Group positioned EMEA (Europe, Mideast and Africa), the North America and South America, and Asia (Japan, China and ASEAN) as business sites which control respective areas. In addition, a corporate officer, in some cases a local hire, was appointed to each of these business sites and to the Global Sales & Marketing Unit, which oversees the business sites, in order to speed up decision-making in each region and improve our ability to propose solutions optimized for local markets.

Next, with respect to manufacturing, the decision was made in February 2014 to reorganize the Production and Technology Unit, our factories and our domestic manufacturing subsidiaries, including consolidation and group reconfiguration of the semiconductor front-end (wafer processing) manufacturing business and semiconductor back-end (assembly and testing) manufacturing business. On April 1, 2014 Renesas Semiconductor Manufacturing Co., Ltd. was established as our unified front-end manufacturing company and Renesas Semiconductor Package & Test Solutions Co., Ltd., as our unified back-end manufacturing company. In these ways the Group is endeavoring to speed up decision-making by simplifying and improving the efficiency of the organization, achieve unified operation and overall optimization through the sharing of technology and expertise, clarify the locus of responsibility and authority, and shift our corporate consciousness towards a focus on profitability by establishing independent companies and boost cost competitiveness through realizing a manufacturing system capable of generating profits.

Furthermore, to complete the restructuring measures begun earlier based on the “Reform Plan,” first, with regard to our policy regarding the mobile business represented by Renesas Mobile Corporation (“Renesas Mobile”), which the Group had been reviewing since March 2013, the decision was made in June 2013 to withdraw from the 4<sup>th</sup> generation wireless modem (“LTE modem”) business to enable us to further concentrate management resources in our core businesses. In line with this policy, an agreement was concluded in September 2013 to transfer ownership of all shares of Renesas Mobile’s subsidiary Renesas Mobile Europe Oy and its subsidiary Renesas Mobile India Private Limited, as well as certain assets related to LTE modem technology, to Broadcom Corporation, and this transfer was completed in October 2013. In addition, the Group decided in December 2013 to discontinue R&D on SoCs for mobile devices at Renesas Design France S.A.S, a subsidiary of Renesas Mobile.

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Next, with regard to manufacturing, an agreement was concluded between Renesas Electronics and Sony Corporation in January 2014 to transfer ownership of the semiconductor manufacturing facility and related equipment at the Tsuruoka Factory (12-inch front-end wafer fabrication line of the semiconductor production facility) of Renesas Yamagata Semiconductor Co., Ltd. to Sony Semiconductor Corporation, a consolidated subsidiary of Sony Corporation, and the transfer was completed in March 2014. Also, an agreement was reached between Renesas Electronics and J-Devices Corporation to transfer ownership of part of the manufacturing facility at Renesas Semiconductor Singapore Pte. Ltd., as agreed by the Company and J-Devices Corporation, to J-Devices Semiconductor Corporation, a consolidated subsidiary of J-Devices Corporation, with the transfer to take place by the end of fiscal year ending March 2016.

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

Consolidated financial results of the Group for the Period were as follows.

[Consolidated Net sales]

Consolidated net sales for the Period were 833.0 billion yen, a 6.0% increase from the previous period. This increase was mainly due to improved exchange rate in addition to steady sales of automotive semiconductors, small- to medium-sized display driver ICs, despite a decline in sales of SoCs for consumer electronic devices and sales from others as a result of the Group's ongoing selection and concentration of businesses.

The consolidated net sales of the Group are composed of the sales of three main product groups; "MCUs", "Analog & Power Devices" and "SoC Solutions", and "Other Semiconductors" and "Sales from Others" that fit to neither of above three product categories. Sales of respective product groups were as follows:

(MCUs)

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

Sales of MCUs for the Period were 353.6 billion yen, a 15.9% increase from the previous period. This increase was mainly due to growth in the sales of microcontrollers for industrial systems and consumer electronics, in addition to solid sales of automotive microcontrollers.

(Analog & Power Devices)

Analog & Power devices mainly consist of power MOSFETs, mixed signal ICs, IGBTs (Insulated Gate Bipolar Transistors), diodes, small signal transistors, display driver ICs, compound semiconductor

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devices such as optical and microwave devices, employed in automobiles, industrial systems, PC and PC peripherals, and consumer electronics.

Sales of Analog & Power devices for the Period were 272.5 billion yen, a 15.9% increase from the previous period, mainly owing to an increase in sales of power devices for automotive, analog ICs for automotive and small- to medium-sized display driver ICs.

(SoC Solutions)

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

Sales of SoC solutions for the Period were 164.8 billion yen, a 5.0% decrease from the previous period. This decrease was mainly due to a decline in the semiconductor sales for consumer electronics and mobile handsets as a result of the Group's ongoing selection and concentration of businesses, despite an increase in sales of semiconductors used in automobiles and PC peripherals.

(Other Semiconductors)

Sales of other semiconductors include production by commissioning and royalties. Sales of other semiconductors for the Period were 5.9 billion yen, a 45.5% decrease from the previous period.

(Sales from Others)

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

Sales from others for the Period were 36.2 billion yen, a 40.7% decrease from the previous period. This was mainly due to the transfer of the semiconductor resale business and electronic component production business of Renesas Electronics Sales Co., Ltd., which at that time was a wholly-owned subsidiary of the Company, on February 1, 2013, to Tachibana Device Component Co., Ltd., a wholly-owned subsidiary of Tachibana Eletech Co., Ltd., as well as the transfer of the LCD resale business of Renesas Electronics America Inc., a wholly-owned subsidiary of the Company, on November 1, 2013.

[Consolidated Operating Income (Loss)]

Consolidated operating income for the Period was 67.6 billion yen, an improvement of 90.9 billion

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yen from the previous period, mainly owing to implementation of the structural reforms, in addition to increased sales from improved exchange rate and solid sales of automotive semiconductors and small- to medium-sized display driver ICs.

[Consolidated Ordinary Income (Loss)]

Consolidated ordinary income for the Period was 58.6 billion yen, due to non-operating loss of 9.0 billion yen from recording non-operating expenses of 14.1 billion yen, including interest expenses and share issue cost for issuance of new shares through third-party allotment.

[Consolidated Net Income (Loss)]

Consolidated net loss for the Period was 5.3 billion yen. This was mainly due to recording special loss of 72.0 billion yen mainly from business structure improvement expenses, despite a special income of 23.8 billion yen from gain on transfer of business and gain on forgiveness of debt.

In relation to a year-end dividend to our shareholders, truly to our regret, we decided to omit, prudently taking into consideration the overall conditions of the business results for the Period. The Company will continue to strive to improve earnings and financial position as a whole in order to resume dividend distribution. In this regard, we deeply appreciate our shareholders for their understanding and continuing support.

**(2) Issues to be Addressed by the Group**

As described in “1-(1) Business Progress and Results of the Group”, the semiconductor sales and operating income improved from the previous period. Nevertheless, in order to deal flexibly with changes in the business climate and achieve stable business operation, the Group must boost profitability still further and continue, based on the “Reform Plan” to work toward “Improved profit ratio through restructuring” alongside “Further growth in profits through business selection and concentration” aimed at stable corporate growth.

**(i) Improved Profit Ratio through Restructuring**

Based on the “Reform Plan”, the Group has been moving forward with reforms characterized by a thorough emphasis on profitability and implementation of autonomous management, and is carrying out production structure reform to enable flexible response to changes in the business climate. Specifically, the Group has been realigning its manufacturing sites in accordance with its basic policies of (1) boosting production efficiency, (2) building a flexible production system to respond to rapid market changes, and (3) maintaining and continuing in-house plants with advanced technologies and cost competitiveness.

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Building on the above policies, the Group will steadily implement steps such as optimization of manufacturing lines and improving production efficiency through increased turnover rates.

In addition to implementation of production structure reform measures such as those mentioned above, the Group will implement a realignment of its design sites aimed at increasing work efficiency and accelerated decision-making through standardization and common application of design work processes to match its key business domains.

As the Group goes about implementing these restructuring measures, the Group will also proceed with efforts to revise the personnel system from the standpoint of employee development and organizational invigoration, devoting careful attention to the hiring, treatment, and training of personnel who will contribute to the realization of our corporate philosophy and vision, as well the inculcation of results-oriented thinking.

By carrying out these restructuring measures, the Group aims to boost development and production efficiency while speeding up decision-making, and thereby to realize improved profitability.

#### **(ii) Further Growth in Profits through Business Selection and Concentration**

Up to this point the Group worked to expand its business by focusing on MCUs, Analog and Power Devices, and SoC solutions as its three key business domains. However, the Group's focus has now shifted to five application fields where the Group possesses unique strengths and can compete most effectively: Automotive control and automotive infotainment, Industrial and home electronics, OA and ICT, and General-purpose products. With this shift in emphasis, the Group will endeavor to provide optimal solutions that better meet the needs of customers and to boost added value.

The Group will also accelerate business selection and concentration aimed at the realization of steady growth in profits, and in this way the Group will improve its product mix and strengthen the competitiveness of its products. As described in "1-(1) Business Progress and Results of the Group" above, the Group is pulling out of non-core businesses such as the mobile business, however, moving forward the Group will select businesses that will form the foundations for future growth, focusing on applications where the Group can display its unique strengths, and by concentrating management resources on these key businesses, the Group will improve its product mix.

By boosting added value through the above efforts to increase the ability to deliver solutions and improving product mix through business selection and concentration, the Group will achieve further growth in profits.

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

#### **(i) World's First Development of Flash Memory Technology for Integration in 28-nanometer Microcontrollers**

The Group has become the first company in the world to develop flash memory technology for microcontrollers with integrated flash memory employing a 28-nanometer\* process technology while



maintaining the same high-speed readout and high reliability of our 40-nanometer process devices, thereby enabling substantial increases in memory capacity.

In recent years the fusion of control technology and IT (information/networking technology) has been accelerating in the automotive field with the emergence of more sophisticated control technologies for “running, stopping, and turning,” in order to realize the ADAS (advanced driver assistance system) enabling self-driving cars, as well as the need to provide functional safety, security, and information/networking support. This has increased demand for automotive-related products offering a higher level performance and multifunctionality. For this reason there is a need in microcontrollers for automotive applications for greater integration of the on-chip memory through the use of ultrafine processes to enable increased memory capacity and improved processing performance.

Against this background, in February 2014 the Group became the first in the industry to develop and announce on-chip flash memory technology for use in microcontrollers fabricated using the 28-nanometer process technology, thereby realizing a substantial performance increase. By utilizing this new technology it is possible to increase the capacity of on-chip flash memory to more than twice that of the previous generation devices while realizing the industry’s fastest high-speed readout performance at the same time.

Based on the successful results of this development effort, the Group will accelerate its development of 28 nm process automotive flash MCUs and will be the first to introduce such products to the market to respond to customer needs. Thus the Group will be contributing to our system designers' development leading-edge product development to implement a secure, safe, and pleasant automotive society.

**(ii) Supply of Kit Solutions Combining World’s First 40-nanometer Process Microcontrollers and Custom Power ICs for Automotive Powertrain Control Applications**

The Group has developed two product versions of the world’s first 32-bit microcontroller employing the 40-nanometer process technology and intended for powertrain control applications such as automotive engine control and transmission control. Sample shipments of the new microcontrollers, together with a custom power management IC, will start in June 2014.

Offering these new products as part of kit solutions helps reduce the development and design burden of vehicle control applications such as engine control and helps shorten the development time for customers.

In recent years automotive emission standards have become stricter, in line with efforts at environmental preservation. As a result, powertrain control systems such as the engine and transmission must offer new functionality and more fine-grained control in order to reduce exhaust emissions. This has given rise, in microcontrollers designed for powertrain control applications, to increasing demand for even lower power consumption combined with greater processing power and increased on-chip

memory capacity for storing large programs. Against this background, the Group has brought to bear technology and expertise gleaned from the development of earlier products and utilized an exclusive 40-nanometer process combining high reliability and low power consumption to develop new microcontroller products combining high-performance and large memory capacity.

As microcontroller performance increases, aspects of the power supply specifications, such as the startup sequence of the various power supplies and time limitations, become more complex, resulting in an increased development and verification burden on the customer. By offering kit solutions the Group is contributing to a substantial reduction in this burden.

### **(iii) Development of RX64M Group Microcontrollers with Large On-Chip Memory Capacity for Industrial Equipment**

In response to the varied requirements of the industrial, networking, and electronic equipment fields, the Group has developed the RX64M group of 32-bit microcontrollers, using the 40-nanometer process technology and the new RXv2 CPU core to achieve industry-top-class memory capacity and performance. Sample shipments started in February 2014.

In recent years the expansion of the “smart society” (a society that utilizes energy resources efficiently) has brought about a rapid expansion in the market for equipment incorporating networking functionality in the industrial field, as exemplified by factory automation. There is strong demand for microcontrollers with high computing performance, improved real-time performance, and reduced power consumption. At the same time there is a trend toward larger on-chip memory capacities in order to support a variety of peripheral functions for industrial applications.

The new products are the first in the RX Family to utilize the 40-nanometer process. In addition to offering large on-chip flash memory capacity up to 4 MB, they achieve power consumption during operation approximately 40% less than that of comparable earlier our RX microcontrollers. The new architecture of the RXv2 CPU core delivers information processing performance per unit of frequency that is top-class among embedded devices. In addition, a full array of peripheral functions, communication functions, and development tool environment are available to provide support for an array of applications in the industrial field and to meet functional safety requirements. This contributes to reducing the number of development steps for customers.

The Group will continue to develop and actively promote the sale of high-performance microcontrollers for the industrial equipment and network equipment markets that underpin the future expansion of the “smart society.”

\*Nanometer: A unit of length, equal to one billionth of a meter.

## **(4) Capital Investment of the Group**

During the Period, for implementing restructuring measures, the amount of capital investment by the

(Translation)

Group was 29.3 billion yen, 17.0 billion yen increase from the previous period. This was mainly used for investment for restructuring measures, promoting finer process node in production of front-end factories, increasing the manufacturing equipment of back-end factories mainly at overseas sites, strategic investment and development investment for the next generation products.

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

On September 30, 2013, the Group financed 150.0 billion yen through the third-party allotment to Innovation Network Corporation of Japan, Toyota Motor Corporation, Nissan Motor Co., Ltd., Keihin Corporation, Denso Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation and Yaskawa Electric Corporation.

Further, after negotiating the amendment of the terms and conditions for the syndicate loan agreement (total 208,590 million yen) executed as of September 28, 2012 with the main financing banks, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.), Sumitomo Mitsui Trust Bank, Limited and Mitsubishi UFJ Trust and Banking Corporation, the Company concluded the refinance agreement of 208,590 million yen with those banks as of September 11, 2013 and implemented the agreement as of September 30, 2013.

As of March 31, 2014, debt with interest of the Group was 270.9 billion yen, 35.5 billion yen decrease from March 31, 2013. This is because the Company made scheduled payments on existing borrowings and lease payments.

(Translation)

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

(In billions of yen except per share figures)

| Business<br>Period<br>Indices   | 8th Business<br>Period<br>4/1/09-3/31/10 | 9th Business<br>Period<br>4/1/10-3/31/11 | 10th Business<br>Period<br>4/1/11-3/31/12 | 11th Business<br>Period<br>4/1/12-3/31/13 | 12 <sup>th</sup> Business<br>Period<br>(the "Period")<br>4/1/13-3/31/14 |
|---|--|--|---|---|---|
| Net sales   | 471.0                                    | 1,137.9                                  | 883.1                                     | 785.8                                     | 833.0   |
| Operating income<br>(loss)  | (49.2)                                   | 14.5                                     | (56.8)                                    | (23.2)                                    | 67.6  |
| Ordinary income<br>(loss)   | (54.4)                                   | 1.0                                      | (61.2)                                    | (26.9)                                    | 58.6  |
| Net income (loss)<br>before income<br>taxes and minority<br>interests | (52.8)                                   | (110.8)                                  | (59.6)                                    | (157.8)                                   | 10.5  |
| Net income (loss)   | (56.4)                                   | (115.0)                                  | (62.6)                                    | (167.6)                                   | (5.3)   |
| Net income (loss)<br>per share (yen)                                  | (456.95)                                 | (275.75)                                 | (150.08)                                  | (401.76)                                  | (5.07)  |
| Total assets  | 459.9                                    | 1,145.0                                  | 858.2                                     | 669.1                                     | 786.0   |
| Net assets  | 136.3                                    | 291.1                                    | 226.5                                     | 77.9                                      | 227.3   |

- (Note) 1. From the third quarter of the 8th Business Period (from October 1, 2009 to December 31, 2009), the Company changed its preparation standards for the Consolidated Financial Statements from accounting principles generally accepted in the United States of America (U.S. GAAP) to accounting principles generally accepted in Japan (Japanese GAAP).
2. "Net income (loss) per share" is calculated based on the average number of shares outstanding during each business period.
3. Major factor of large increase of property and profit and loss in the 9th Business Period is the merger of former NEC Electronics Corporation and former Renesas Technology Corp. as of April 1, 2010.
4. Major factor of large increase of net assets in the Period is increase of the capital (*shihonkin*) and capital reserve fund (*shihon-jyunbikin*) based on the third-party allotment implemented as of September 30, 2013

**(7) Principal Subsidiaries (as of March 31, 2014)**

| Company Name |  | Capital<br>(Millions of<br>yen) | Investment<br>Ratio (%) | Main Business   | Location               |
|--------------|--|---------------------------------|-------------------------|---|------------------------|
| Japan        | Renesas Kansai Semiconductor Co., Ltd.           | 1,000                           | 100.0                   | Manufacture of semiconductors (front-end process)               | Otsu-shi, Shiga        |
|              | Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. | 1,000                           | 100.0                   | Manufacture of semiconductors (front-end and back-end process)  | Kumamoto-shi, Kumamoto |
|              | Renesas SP Drivers Inc.                          | 5,000                           | 55.0                    | Design, development and sale of semiconductors                  | Kodaira-shi, Tokyo     |
|              | Renesas Mobile Corporation                       | 5,000                           | 100.0                   | Design, development and marketing of semiconductors             | Chiyoda-ku, Tokyo      |
| Overseas     | Renesas Electronics America Inc.                 | (1,000USD)<br>380,800           | 100.0                   | Design, development and sale of semiconductors in the U.S.A.    | California, U.S.A      |
|              | Renesas Electronics Europe GmbH                  | (1,000Euro)<br>14,000           | *100.0                  | Design, development and sale of semiconductors in Europe        | Dusseldorf, Germany    |
|              | Renesas Electronics Hong Kong Limited            | (1,000HKD)<br>15,000            | 100.0                   | Sale of semiconductors in Hong Kong                             | Hong Kong, China       |
|              | Renesas Electronics Taiwan Co., Ltd.             | (1,000NTD)<br>170,800           | 100.0                   | Sale of semiconductors in Taiwan                                | Taipei, Taiwan         |
|              | Renesas Electronics Singapore Pte. Ltd.          | (1,000USD)<br>32,287            | 100.0                   | Sale of semiconductors in ASEAN, India, Oceania and Middle East | Singapore              |

- (Note) 1. There are a total of 45 consolidated subsidiaries as of March 31, 2014, consisting of 16 domestic companies and 29 overseas companies, including the principal subsidiaries described above.
2. Asterisk denotes the figures which include the indirect ownership.
3. The Group reorganized its manufacturing-related group companies in Japan as of April 1, 2014. As a result, Renesas Kansai Semiconductor Co., Ltd. and Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. became successor companies in absorption-type mergers and absorption-type separations and changed their names to Renesas Semiconductor Manufacturing Co., Ltd. and Renesas Semiconductor Package & Test Solutions Co., Ltd. respectively.

**(8) Main Business of the Group (as of March 31, 2014)**

The Group conducts, as a semiconductor manufacturer, design, development, manufacture, sale and provision of services of semiconductors. The Group's main business and products are as follows:

| Segment                        | Major Products  |
|--------------------------------|---|
| MCU Business                   | Microcontroller   |
| Analog & Power Device Business | Power MOSFET, Mixed Signal IC, IGBT, Diode, Small Signal Transistor, Display Driver IC, Compound Semiconductor Device |
| SoC Solution Business          | ASIC, ASSP  |

**(9) Principal Offices and Plants of the Group (as of March 31, 2014)****(i) The Company**

|                               | Location  |
|-------------------------------|---|
| Registered Head Office        | Kawasaki-shi, Kanagawa  |
| Headquarters                  | Chiyoda-ku, Tokyo   |
| Manufacturing Base            | Naka Site (Hitachinaka-shi, Ibaraki)  |
|                               | Takasaki Site (Takasaki-shi, Gunma)   |
|                               | Kofu Site (Kai-shi, Yamanashi)  |
|                               | Saijo Site (Saijo-shi, Ehime)   |
|                               | Kochi Site (Konan-shi, Kochi)   |
| Research and Development Base | Tamagawa/Sagamihara Site<br>(Kawasaki-shi, Kanagawa/<br>Sagamihara-shi, Kanagawa) |
|                               | Musashi Site (Kodaira-shi, Tokyo)   |
|                               | Kitaitami Site (Itami-shi, Hyogo)   |
|                               | Takasaki Site (Takasaki-shi, Gunma)   |

**(ii) Subsidiaries**

Principal subsidiaries and their locations are described in "1-(7) Principal Subsidiaries" above.

**(10) Employees of the Group (as of March 31, 2014)**

| Number of Employees | decrease from March 31, 2013 |
|---------------------|------------------------------|
| 27,201              | 6,639                        |

- (Note)
1. The above figure is the number of permanent employees (including employees temporarily transferred from outside Group to the Group, and excluding employees temporarily transferred from the Group to outside Group), and the number of temporary employees is excluded.
  2. The number of employees decreased 6,639 from the end of the previous period due to the implementation of rationalization of personnel and structural reform of business and manufacturing.

**(11) Major Borrowings of the Group (as of March 31, 2014)**

| Lenders   | Balance of Borrowings<br>(Millions of yen) |
|---|--|
| Mizuho Bank, Ltd.                               | 70,551                                     |
| The Bank of<br>Tokyo-Mitsubishi UFJ, Ltd.       | 65,461                                     |
| Sumitomo Mitsui Trust Bank,<br>Limited          | 36,612                                     |
| Mitsubishi UFJ Trust and<br>Banking Corporation | 35,525                                     |

**(12) Other Important Matters**

The Company resolved the issuance of new shares, etc. at the Extraordinary General Meeting of Shareholders held on February 22, 2013 and implemented third-party allotment as of September 30, 2013. The overview is as follows:

|  |   |
|--|---|
| Class and number of the offered shares   | 1,250,000,000 common shares   |
| Allottees  | Innovation Network Corporation of Japan, Toyota Motor Corporation, Nissan Motor Co., Ltd., Keihin Corporation, Denso Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation and Yaskawa Electric Corporation                 |
| Amount to be paid for the offered shares / shares for subscription   | JPY 120 per share   |
| Total amount to be paid for the offered shares / shares for subscription   | JPY 150,000,000,000   |
| Matters relating to an increase in capital ( <i>shihonkin</i> ) and capital reserve fund ( <i>shihon-jyunbikin</i> ) to be increased | Amount of capital ( <i>shihonkin</i> ) to be increased:<br>JPY 60 per share (total: JPY 75,000,000,000)<br>Amount of capital reserves fund ( <i>shihon-jyunbikin</i> ) to be increased:<br>JPY 60 per share (total: JPY 75,000,000,000) |
| Method of offering   | Third-party allotment   |
| Payment period   | February 23, 2013 to September 30, 2013   |

## 2. Overview of the Company

### (1) Shares of the Company (as of March 31, 2014)

- (i) **Total Number of Shares Authorized to be Issued** 3,400,000,000 shares
- (ii) **Total Number of Shares Issued** 1,667,121,942 shares  
(excluding treasury stock of 2,548 shares)
- (iii) **Number of Shareholders** 16,572

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

| Name of Shareholders   | Number of Shares Held<br>(shares) | Percentage of Shares Held<br>(%) |
|--|-----------------------------------|----------------------------------|
| Innovation Network Corporation of Japan  | 1,152,917,000                     | 69.15                            |
| Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Mitsui Trust Bank, Limited / NEC Corporation pension and severance payments Trust Account) | 135,300,000                       | 8.11                             |
| Hitachi, Ltd.  | 127,725,748                       | 7.66                             |
| Mitsubishi Electric Corporation  | 104,502,885                       | 6.26                             |
| Toyota Motor Corporation   | 41,666,600                        | 2.49                             |
| Nissan Motor Co., Ltd.   | 25,000,000                        | 1.49                             |
| NEC Corporation  | 12,595,857                        | 0.75                             |
| Keihin Corporation   | 8,333,300                         | 0.49                             |
| Denso Corporation  | 8,333,300                         | 0.49                             |
| The Master Trust Bank of Japan, Ltd. (Trust Account)   | 4,579,200                         | 0.27                             |

- (Note) 1. Percentage of shares held is calculated excluding 2,548 shares of treasury stock.  
2. Percentage of shares held is calculated by truncating the numbers beyond the third decimal place.  
3. 135,300,000 shares (percentage of shares held: 8.11%) owned by Japan Trustee Services Bank, Ltd. (Re-trust of Sumitomo Mitsui Trust Bank, Limited / NEC Corporation pension and severance payments Trust Account) were shares that were contributed by NEC Corporation as severance indemnities trusts. The voting rights of such shares will be exercised at the instruction of NEC Corporation. Therefore, NEC Corporation substantially holds 8.87% of voting rights.

#### (v) Other Important Matters relating to the Shares of the Company

The Company implemented third-party allotment as of September 30, 2013 based on the Proposal No.2 "Issuance of New Shares Offered by way of Third Party Allotment" resolved at the Extraordinary General Meeting of Shareholders held on February 22, 2013. As a result, the total number of shares



(Translation)

issued increased 1,250,000,000 shares, and the capital (*shihonkin*) and capital reserve fund (*shihon-jyubikin*) increased 75 billion yen respectively.

The Company also changed the total number of shares authorized to be issued specified in Article 6 of the Articles of Incorporation from 1,668,000,000 shares to 3,400,000,000 shares as of September 30, 2013 based on the Proposal No.3 “Partial Amendment to the Articles of Incorporation (No.2)” resolved at the Extraordinary General Meeting of Shareholders held on February 22, 2013.

**(2) Stock Acquisition Rights, etc. of the Company (as of March 31, 2014)**

Not applicable.

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

**(i) Name, etc. of Directors and Corporate Auditors of the Company (as of March 31, 2014)**

| Name              | Position at the Company                                | Responsibility and Important Concurrent Positions  |
|-------------------|--|--|
| Hisao Sakuta      | *Representative Director, Chairman and CEO             | Management of important matters relating to the overall business; chairman of General Meeting of Shareholders and Meeting of Board of Directors; hosting of Executive Committee, Corporate Management Meeting and other important meetings; and matters relating to Incubation Center<br>Special Advisor, OMRON Corporation<br>Chairman, Micromachine Center |
| Tetsuya Tsurumaru | *Representative Director, President and COO            | Management of important matters relating to the execution of operation; management of Production and Technology Unit; and matters relating to Corporate Export Control Office, Intellectual Property Division, Quality Assurance Division, Purchasing Division and Structural Reform Taskforce   |
| Hidetoshi Shibata | *Executive Vice President, Member of the Board and CFO | Matters relating to Corporate Planning Unit  |
| Haruyasu Asakura  | Member of the Board                                    | Chief Operating Officer, Innovation Network Corporation of Japan   |
| Tetsuro Toyoda    | Member of the Board                                    | Senior Executive Managing Director, Innovation Network Corporation of Japan  |

|                   |                                  |   |
|-------------------|----------------------------------|---|
| Kazuki Fukuda     | Corporate Auditor<br>(Full time) |   |
| Yoichiro Yamakawa | Corporate Auditor                | Partner, Attorney-at-Law, Koga & Partners<br>Statutory Auditor, Nisshin Steel Holdings Co., Ltd.<br>Statutory Auditor, Daio Paper Corporation |
| Yoshinobu Shimizu | Corporate Auditor                | Statutory Auditor, Mitsubishi UFJ Trust and Banking Corporation<br>Statutory Auditor, Daio Paper Corporation                                  |
| Takeshi Sekine    | Corporate Auditor                | Executive Managing Director, Business Management Group, Innovation Network Corporation of Japan   |

- (Note)
1. Messrs. Haruyasu Asakura and Tetsuro Toyoda are outside Directors, as stipulated in Item 15, Article 2 of the Companies Act.
  2. Messrs. Kazuki Fukuda, Yoichiro Yamakawa, Yoshinobu Shimizu and Takeshi Sekine are outside Corporate Auditors, as stipulated in Item 16, Article 2 of the Companies Act.
  3. Under the rules stipulated by Tokyo Stock Exchange, Inc., the Company has notified the same of Messrs. Yoichiro Yamakawa and Yoshinobu Shimizu as Independent Executives who will have no conflict of interests with the Company's general shareholders.
  4. Mr. Kazuki Fukuda was involved in accounting operation for many years at NEC Corporation and its affiliated companies, and thus has considerable knowledge of finance and accounting. Messrs. Yoshinobu Shimizu and Takeshi Sekine are Certified Public Accountants and have considerable knowledge of finance and accounting.
  5. The Directors and Corporate Auditors were changed during the Period as follows:
    - i) At the 11th Ordinary General Meeting of Shareholders held on June 26, 2013, Messrs. Hisao Sakuta, Haruyasu Asakura and Hidetoshi Shibata were newly elected and took office as Directors; and Mr. Takeshi Sekine was newly elected and took office as a Corporate Auditor. The election of Messrs. Haruyasu Asakura, Hidetoshi Shibata and Takeshi Sekine was subject to the payment ("Payment") of the total amount to be paid for the new shares for subscription based on the issuance of new shares pursuant to Proposal No. 2 "Issuance of New Shares Offered by way of Third Party Allotment" which was resolved at the Extraordinary General Meeting of Shareholders of the Company held on February 22, 2013. Such Payment was completed as of September 30, 2013 and thus they took office as Corporate Directors/Auditor on October 1, 2013 (the day following the day on which the Payment was made).
    - ii) Upon the closure of the 11th Ordinary General Meeting of Shareholders held on June 26, 2013, Messrs. Yasushi Akao, Masaki Kato, Yoichi Yano, Shozo Iwakuma, Susumu Furukawa, Masahiro Yamamura, Masayuki Ichige and Tokuo Yamamoto retired from their positions as Directors due to expiration of each term of office as a Director; Mr. Junichiro Nishi retired from his position as a Corporate Auditor due to expiration of term of office as a Corporate Auditor; and Mr. Yoshihito Kitamatsu resigned from his position as a Corporate Auditor.
    - iii) As of November 1, 2013, the positions of Directors were changed as follows. Mr. Hidetoshi Shibata was an outside Director, as stipulated in Item 15, Article 2 of the Companies Act at the time of his assumption on October 1, 2013. However, due to his assumption of office as Executive Vice President and CFO as of November 1, 2013, he was no longer an outside Director.

| Name              | Position at the Company<br>(new)                         | Position at the Company<br>(former)              |
|-------------------|--|--|
| Shigeo Mizugaki   | Member of the Board                                      | Senior Vice President and<br>Member of the Board |
| Hidetoshi Shibata | Executive Vice President,<br>Member of the Board and CFO | Member of the Board                              |

(Translation)

- iv) At the Extra Ordinary General Meeting of Shareholders held on February 19, 2014, Mr. Tetsuro Toyoda was newly elected and took office as a Director, and upon the closure of the meeting, Mr. Shigeo Mizugaki resigned from his position as a Director.
6. The Company has a business relating to development of device resist pattern, etc. with Micromachine Center where Mr. Hisao Sakuta, Representative Director, Chairman & CEO of the Company, concurrently holds the position.
7. Innovation Network Corporation of Japan, where Messrs. Haruyasu Asakura and Tetsuro Toyoda, outside Directors of the Company, and Mr. Takeshi Sekine, outside Corporate Auditor of the Company, concurrently hold the positions, is a major shareholder of the Company owing 69.15% of Company's share.
8. The Company has a business relating to loans, etc. with Mitsubishi UFJ Trust and Banking Corporation where Mr. Yoshinobu Shimizu, outside Corporate Auditor of the Company, concurrently holds the position.
9. Important concurrent positions of Corporate Auditors of the Company were partially changed as of April 1, 2014 as follows:

| Name              | Position at the Company | Responsibility and Important Concurrent Positions  |
|-------------------|-------------------------|--|
| Yoichiro Yamakawa | Corporate Auditor       | Partner, Attorney-at-Law, Koga & Partners<br>Statutory Auditor, Nisshin Steel Co., Ltd.<br>Statutory Auditor, Daio Paper Corporation |

10. The Company adopts a corporate officer system and asterisks denote the Directors who have been acting as Corporate Officers. The names of other Corporate Officers (who are not Directors) as of April 1, 2014 are as follows:

| Name             | Position at the Company           | Responsibility   |
|------------------|-----------------------------------|--|
| Tsuneo Takahashi | Executive Vice President and CSMO | Management of Global Sales & Marketing Unit  |
| Yoshikazu Yokota | Executive Vice President          | Matters relating to 2nd Solution Business Unit   |
| Ryuji Omura      | Executive Vice President          | Matters relating to 1st Solution Business Unit   |
| Toshihide Suzuki | Executive Vice President          | Matters relating to special mission of Chairman and President, and Internal Audit Office |
| Osamu Nogimura   | Senior Vice President             | Matters relating to Production and Technology Unit                                       |
| Manabu Kawashima | Senior Vice President             | Matters relating to Global Sales & Marketing Unit (Japan/Asia)                           |
| Gerd Look        | Senior Vice President             | Matters relating to Global Sales & Marketing Unit (Europe)                               |
| Ali Sebt         | Senior Vice President             | Matters relating to Global Sales & Marketing Unit (North America/South America)          |

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

|                    | Number / Total Amount Paid   |
|--------------------|--|
| Directors          | 11 persons / 117 million yen<br>(including 2 outside Directors / 2 million yen)                            |
| Corporate Auditors | 5 persons / 40 million yen<br>(including 4 outside Corporate Auditors / 36 million yen)                    |
| Total              | 16 persons / 157 million yen<br>(including 6 outside Directors and Corporate Auditors<br>/ 38 million yen) |

- (Note) 1. As of March 31, 2014, there were five (5) Directors (including two (2) outside Directors) and four (4) Corporate Auditors (all were outside Corporate Auditors). The number of Directors and Corporate Auditors above includes eight (8) Directors (including three (3) outside Directors) and two (2) Corporate Auditors (including one (1) outside Corporate Auditor) who retired upon the closure of the 11th Ordinary General Meeting of Shareholders held on June 26, 2013; and one (1) Director who retired upon the closure of the Extraordinary General Meeting of Shareholders held on February 19, 2014.
2. The amount of Directors' remuneration above does not include the amount paid as salary for employees to those Directors who are also employees of the Company.
3. No bonuses were paid to the Directors and Corporate Auditors.
4. The maximum monthly remuneration for Directors as approved at the General Meeting of Shareholders is 30 million yen. (Approved at the Extraordinary General Meeting of Shareholders held on February 24, 2010.)
5. The maximum monthly remuneration for Corporate Auditors as approved at the General Meeting of Shareholders is 12 million yen. (Approved at the Extraordinary General Meeting of Shareholders held on February 24, 2010.)
6. Former Renesas Technology Corp. abolished retirement allowance system for Directors and Corporate Auditors at the Extraordinary General Meeting of Shareholders as of February 24, 2010; and will pay a reasonable retirement allowance to Directors and Corporate Auditors who had been elected as Director or Corporate Auditor of the Company after the merger of former NEC Electronics Corporation and former Renesas Technology Corp. as of April 1, 2010 in recognition of their services to former Renesas Technology Corp. during their term as Director or Corporate Auditor (until the abolishment of the retirement allowance system on the same day) at the time of retirement of each such Director and Corporate Auditor. Based on this, in addition to the amount of remuneration stated above, the Company paid 34 million yen as retirement allowance to two (2) Directors who retired during this Period.

**(4) Outside Directors and Outside Corporate Auditors of the Company****(i) Important Concurrent Positions of Outside Directors and Outside Corporate Auditors and Relation Between Organizations where they hold Important Concurrent Positions and the Company (as of March 31, 2014)**

Important concurrent positions and relation between organizations where they hold important concurrent positions and the Company are described in "2-(3)-(i) Name etc. of Directors and Corporate Auditors of the Company" above.

**(ii) Principal Activities during the Period**

| Title    | Name              | Principal Activities   |
|----------|-------------------|--|
| Director | Haruyasu Asakura  | Mr. Haruyasu Asakura attended all 7 Meetings of Board of Directors held after his assumption of office as Director in October 2013, and made necessary remarks to discussion of proposals based on his extensive knowledge, experience and deep insight mainly gained from his career in wide investment business at Innovation Network Corporation of Japan.  |
|          | Hidetoshi Shibata | Mr. Hidetoshi Shibata attended 1 Meeting of Board of Directors held after his assumption of office as Director in October 2013 until his assumption of office as Executive Vice President and CFO on November 1, 2013, and made necessary remarks to discussion of proposals based on his extensive knowledge, experience and deep insight mainly gained from his career in wide investment business at Innovation Network Corporation of Japan. |
|          | Tetsuro Toyoda    | Mr. Tetsuro Toyoda attended all 2 Meetings of Board of Directors held after his assumption of office as Director in February 2014, and made necessary remarks to discussion of proposals based on his extensive knowledge, experience and deep insight mainly gained from his career in wide investment business at Innovation Network Corporation of Japan.   |

| Title             | Name              | Principal Activities  |
|-------------------|-------------------|---|
| Corporate Auditor | Kazuki Fukuda     | <p>(i) Mr. Kazuki Fukuda attended all 19 Meetings of Board of Directors held during the Period, and made necessary remarks mainly based on his wealth of knowledge of business operations and accounting, so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) Mr. Kazuki Fukuda attended all 14 Meetings of Corporate Auditors held during the Period. Further, as a full-time Corporate Auditor, mainly based on his wealth of knowledge of business operations and accounting, Mr. Kazuki Fukuda (a) explained the contents of the discussion at the Executive Committee, etc. regarding the matters to be presented to the Meetings of Board of Directors, (b) reported the audit status and results thereof, and (c) answered the questions to the part-time Corporate Auditors.</p> |
|                   | Yoichiro Yamakawa | <p>(i) Mr. Yoichiro Yamakawa attended 17 of 19 Meetings of Board of Directors held during the Period, and mainly from legal point of view as an attorney-at-law, made necessary remarks for ensuring procedures in accordance with laws and regulations so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) Mr. Yoichiro Yamakawa attended 13 of 14 Meetings of Corporate Auditors held during the Period, and from independent and fair position and from legal point of view as an attorney at law, made necessary remarks regarding establishment and maintenance of the Company's compliance system, etc.</p>  |

|  |                   |  |
|--|-------------------|--|
|  | Yoshinobu Shimizu | <p>(i) Mr. Yoshinobu Shimizu attended 17 of 19 Meetings of Board of Directors held during the Period, and mainly from accounting point of view as a certified public accountant, made necessary remarks on finance and accounting procedures so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) Mr. Yoshinobu Shimizu attended all 14 Meetings of Corporate Auditors held during the Period, and from independent and fair position and from accounting point of view as a certified public accountant, made necessary remarks for ensuring appropriate accounting procedure, etc.</p>   |
|  | Takeshi Sekine    | <p>(i) Mr. Takeshi Sekine attended all 7 Meetings of Board of Directors held after his assumption of office as Corporate Auditor in October 2013, and made necessary remarks based on his knowledge and deep insight of finance and accounting mainly gained from his many years of involvement in accounting operations, so that decisions at the Meetings of Board of Directors were fairly and properly made.</p> <p>(ii) Mr. Takeshi Sekine attended all 6 Meetings of Corporate Auditors held after his assumption of office as Corporate Auditor in October 2013, and based on his specialized knowledge, experience and deep insight as a certified public accountant made necessary remarks for ensuring appropriate accounting procedures, etc.</p> |

(Note) In addition to the above Meetings of Board of Directors, there were three (3) Written Resolutions pursuant to Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company, which shall be deemed that the resolution of Meeting of Board of Directors has been made.

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

The Company executed liability limitation agreements with Outside Directors and Outside Corporate Auditors (excluding Mr. Kazuki Fukuda) respectively, limiting their liabilities for damages as defined in Paragraph 1, Article 427 of the Companies Act. The liability limitation under such agreements is the minimum liability amount stipulated in the Articles of Incorporation of the Company.

**(5) Independent Auditors of the Company****(i) Name:** Ernst & Young ShinNihon LLC**(ii) Remuneration and Other Amounts to be Paid to the Independent Auditors for the Period:**

| Classification   | Amount<br>(in millions of yen) |
|--|--------------------------------|
| (i) The total amount of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditors   | 224                            |
| (ii) Remuneration and other amounts to be paid by the Company to the Independent Auditors for the services stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Act. | 165                            |

(Note) 1. As there is no explicit distinction in the audit contract (entered into between the Company and the Independent Auditors) between the fees for audits under the Companies Act and the fees for audits based on the Financial Instruments and Exchange Law, and as it is unable to distinguish between these two (2) types of fees, the fees set forth in (ii) above include both of such fees.

2. All five (5) overseas subsidiaries described in “1-(7) Principal Subsidiaries” above were audited by other Independent Auditors.

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

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

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

**(6) Systems Necessary to Ensure that the Execution of Duties by Directors Complies with Laws and Regulations and the Articles of Incorporation, and other Systems Necessary to Ensure the Properness of Operations of the Company**

The Meeting of the Board of Directors made the resolution with respect to the basic policies for the development of systems set forth in Item 6, Paragraph 4, Article 362 of the Companies Act and Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (“Internal Control System”). The full text of these basic policies is available from our website (<http://japan.renesas.com/ir/company/governance.html>). Summaries of those are as follows.

As to the operation of the Internal Control System, related important matters are deliberated in the Internal Control Promotion Committee and Executive Committee, etc., and the contents of the basic policies and systems are reviewed as needed. After confirming that the Internal Control System works



effectively based on the evaluation of its operation in the Executive Committee, such results are reported to the Meeting of the Board of Directors.

**(i) Systems Necessary to ensure that the execution of duties by Directors, Corporate Officers and employees (hereinafter “Members, etc.”) complies with laws and regulations and Articles of Incorporation**

- The Directors shall take the lead in complying with the ‘Renesas Electronics Group CSR Charter’ and the ‘Renesas Electronics Group Code of Conduct’ that have been adopted for the purpose of establishing corporate ethics and ensuring compliance with laws and regulations, the Articles of Incorporation and internal rules of the Company by Members, etc. The Directors shall keep the Company and its subsidiaries (collectively, “Renesas Electronics Group”) informed of such principles and conduct, and shall have Renesas Electronics Group comply with them.
- The Directors shall stipulate basic matters such as implementation system and educational programs for compliance in the Renesas Electronics Group’s own fundamental rules of compliance, shall oblige attendees to deliberate and resolve matters regarding compliance at “Internal Control Promotion Committee”, and shall offer training programs and the like for the Renesas Electronics Group to be fully aware of compliance.
- The Directors shall set up ‘Renesas Electronics Group Hot Line’ as internal contact points for Renesas Electronics Group and its business partners to report violations or possible violations of compliance. Furthermore, the Directors shall keep Renesas Electronics Group and its business partners informed that they assure the anonymity of informants upon requests from informants and informants shall never be adversely affected.
- The Directors shall keep away from any antisocial force, shall work closely with external specialized institutions, and shall act resolutely in an organized manner when contacted by it.

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

The Directors shall properly prepare, preserve and manage minutes of the General Meetings of Shareholders, Meetings of Board of Directors and other documents in accordance with applicable laws and regulations. The Directors shall also properly prepare, preserve and manage other documents, books and records pertaining to the duties of Members, etc. in accordance with the Company’s own fundamental rules of document management.

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

(Translation)

- The Directors shall stipulate basic matters of risk management in the Company's own fundamental rules of risk and crisis management, and shall establish a risk management framework in accordance with the rules.
- The Corporate Officers and division managers responsible for classified risk shall strive to minimize loss by developing prevention measures against risk materialization and by developing countermeasures in case of risk materialization.
- The Corporate Officers (including Chairman & CEO and President and COO) shall, depending on its importance, establish an appropriate organization chaired by themselves, and shall implement appropriate measures in accordance with the Company's own fundamental rules of risk and crisis management when serious risk materializes.

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

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

**(v) Systems necessary to ensure appropriate operation of Corporate Group**

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

and investigations of their operations and finances.

- The Directors shall perform evaluation, maintenance and improvement of Renesas Electronics Group's Internal Control Systems over financial reporting in accordance with the applicable laws of Japan and other countries, including, but not limited to, the Financial Instruments and Exchange Act.
- The Directors shall have Internal Audit Office audit the Company's subsidiaries, and shall have principal subsidiaries allocate internal auditing staff or divisions and cooperate with the Internal Audit Office and the subsidiaries' own Corporate Auditors to ensure appropriate operations of Renesas Electronics Group.

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

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

**(vii) Systems for Members, etc.'s reporting to Corporate Auditors; and systems relating to other reporting to Corporate Auditors**

Members, etc. shall, upon requests from the Corporate Auditors, report to the Corporate Auditors on matters such as the execution of their duties.

**(viii) Other systems necessary to ensure effective auditing by Corporate Auditors**

- The Corporate Auditors shall attend Meetings of the Board of Directors, and may attend important meetings of the Company as they deem necessary. Furthermore, the Directors shall guarantee the right of Corporate Auditors to access important corporate information.
- The Corporate Auditors shall hold Meetings of Board of Corporate Auditor in principle at least once a month, and shall exchange information and deliberate on the status of audits and related matters. The Corporate Auditors also shall receive regular reports from accounting auditors on their audit activities, and shall exchange opinions on them.

(Translation)

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2014)

(In millions of yen)

| Assets                                  |                | Liabilities and net assets                    |                  |
|---|----------------|---|------------------|
| Accounts                                | Amount         | Accounts                                      | Amount           |
| <b>Current assets</b>                   | <b>503,907</b> | <b>Liabilities</b>                            |                  |
| Cash and deposits                       | 267,302        | <b>Current liabilities</b>                    | <b>201,016</b>   |
| Notes and accounts receivable-trade     | 82,531         | Notes and accounts payable-trade              | 91,374           |
| Merchandise and finished goods          | 47,332         | Short-term borrowings                         | 2,000            |
| Work in process                         | 70,185         | Current portion of long-term borrowings       | 3,366            |
| Raw materials and supplies              | 8,538          | Current portion of lease obligations          | 2,458            |
| Deferred tax assets                     | 2,487          | Accounts payable-other                        | 41,238           |
| Accounts receivable-other               | 20,071         | Accrued expenses                              | 41,663           |
| Other current assets                    | 5,562          | Accrued income taxes                          | 8,631            |
| Allowance for doubtful accounts         | (101)          | Provision for product warranties              | 605              |
| <b>Long-term assets</b>                 | <b>282,095</b> | Provision for business structure improvement  | 5,142            |
| <b>Property, plant and equipment</b>    | <b>204,254</b> | Provision for contingent loss                 | 993              |
| Buildings and structures                | 83,643         | Asset retirement obligations                  | 22               |
| Machinery and equipment                 | 59,564         | Other current liabilities                     | 3,524            |
| Vehicles, tools, furniture and fixtures | 18,949         | <b>Long-term liabilities</b>                  | <b>357,672</b>   |
| Land                                    | 31,197         | Long-term borrowings                          | 256,625          |
| Construction in progress                | 10,901         | Lease obligations                             | 6,453            |
| <b>Intangible assets</b>                | <b>34,877</b>  | Deferred tax liabilities                      | 11,040           |
| Software                                | 11,722         | Provision for business structure improvement  | 4,956            |
| Other intangible assets                 | 23,155         | Accrued retirement benefits                   | 57,874           |
| <b>Investments and other assets</b>     | <b>42,964</b>  | Asset retirement obligations                  | 4,102            |
| Investment securities                   | 8,587          | Other liabilities                             | 16,622           |
| Net defined benefit asset               | 492            | <b>Total liabilities</b>                      | <b>558,688</b>   |
| Deferred tax assets                     | 2,300          | <b>Net assets</b>                             |                  |
| Long-term prepaid expenses              | 21,633         | <b>Shareholders' equity</b>                   | <b>220,551</b>   |
| Other assets                            | 9,953          | <b>Common stock</b>                           | <b>228,255</b>   |
| Allowance for doubtful accounts         | (1)            | <b>Capital surplus</b>                        | <b>525,413</b>   |
|   |                | <b>Retained earnings</b>                      | <b>(533,106)</b> |
|   |                | <b>Treasury stock</b>                         | <b>(11)</b>      |
|   |                | <b>Accumulated other comprehensive income</b> | <b>(5,950)</b>   |
|   |                | Unrealized gains (losses) on securities       | 572              |
|   |                | Foreign currency translation adjustments      | (347)            |
|   |                | Remeasurements of defined benefit plans       | (6,175)          |
|   |                | <b>Minority interests</b>                     | <b>12,713</b>    |
| <b>Total assets</b>                     | <b>786,002</b> | <b>Total net assets</b>                       | <b>227,314</b>   |
|   |                | <b>Total liabilities and net assets</b>       | <b>786,002</b>   |

(Translation)

## CONSOLIDATED STATEMENT OF OPERATIONS

(For the Year Ended March 31, 2014)

(In millions of yen)

| Accounts  | Amount         |
|---|----------------|
| <b>Net sales</b>  | <b>833,011</b> |
| Cost of sales   | 523,262        |
| <b>Gross profit</b>                                       | <b>309,749</b> |
| Selling, general and administrative expenses              | 242,114        |
| <b>Operating income</b>                                   | <b>67,635</b>  |
| <b>Non-operating income</b>                               | <b>5,106</b>   |
| Interest income   | 531            |
| Dividends income  | 105            |
| Equity in earnings of affiliates                          | 168            |
| Foreign exchange gains                                    | 2,802          |
| Other non-operating income                                | 1,500          |
| <b>Non-operating expenses</b>                             | <b>14,116</b>  |
| Interest expenses   | 4,531          |
| Retirement benefit expenses                               | 1,897          |
| Share issuance cost                                       | 2,354          |
| Other non-operating expenses                              | 5,334          |
| <b>Ordinary income</b>                                    | <b>58,625</b>  |
| <b>Special income</b>                                     | <b>23,817</b>  |
| Gain on transfer of business                              | 15,632         |
| Gain on forgiveness of debt                               | 7,636          |
| Other special income                                      | 549            |
| <b>Special loss</b>                                       | <b>71,954</b>  |
| Impairment loss   | 2,229          |
| Business structure improvement expenses                   | 54,040         |
| Loss on abolishment of retirement benefit plan            | 9,116          |
| Other special loss  | 6,569          |
| <b>Income before income taxes and minority interests</b>  | <b>10,488</b>  |
| Income taxes-current                                      | 11,378         |
| Income taxes-deferred                                     | (157)          |
| <b>Loss before minority interests</b>                     | <b>733</b>     |
| Minority interests in income of consolidated subsidiaries | 4,558          |
| <b>Net loss</b>   | <b>5,291</b>   |

(Translation)

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(For the Year Ended March 31, 2014)

(In millions of yen)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' equity |
| Balance at the beginning of the period               | 153,255              | 450,413         | (527,815)         | (11)           | 75,842                     |
| Changes during the period                            |                      |                 |                   |                |                            |
| Issuance of new shares                               | 75,000               | 75,000          |                   |                | 150,000                    |
| Net loss   |                      |                 | (5,291)           |                | (5,291)                    |
| Net changes in items other than shareholders' equity |                      |                 |                   |                |                            |
| Total changes during the period                      | 75,000               | 75,000          | (5,291)           | —              | 144,709                    |
| Balance at the end of the period                     | 228,255              | 525,413         | (533,106)         | (11)           | 220,551                    |

|  | Accumulated other comprehensive income  |  |   |  | Minority interests | Total net assets |
|--|---|--|---|--|--------------------|------------------|
|  | Unrealized gains (losses) on securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                    |                  |
| Balance at the beginning of the period               | 308                                     | (9,406)                                  | —                                       | (9,098)                                      | 11,180             | 77,924           |
| Changes during the period                            |   |  |   |  |                    |                  |
| Issuance of new shares                               |   |  |   |  |                    | 150,000          |
| Net loss   |   |  |   |  |                    | (5,291)          |
| Net changes in items other than shareholders' equity | 264                                     | 9,059                                    | (6,175)                                 | 3,148  | 1,533              | 4,681            |
| Total changes during the period                      | 264                                     | 9,059                                    | (6,175)                                 | 3,148  | 1,533              | 149,390          |
| Balance at the end of the period                     | 572                                     | (347)                                    | (6,175)                                 | (5,950)                                      | 12,713             | 227,314          |

(Translation)

BALANCE SHEET  
(on a non-consolidated basis)  
(As of March 31, 2014)

(In millions of yen)

| Assets                                |                | Liabilities and net assets                                    |                  |
|---------------------------------------|----------------|---|------------------|
| Accounts                              | Amount         | Accounts  | Amount           |
| <b>Current assets</b>                 | <b>463,932</b> | Liabilities   |                  |
| Cash and deposits                     | 202,889        | <b>Current liabilities</b>                                    | <b>267,515</b>   |
| Accounts receivable-trade             | 84,892         | Notes payable-trade   | 5,497            |
| Finished goods                        | 34,359         | Accounts payable-trade  | 131,696          |
| Work in process                       | 44,545         | Short-term borrowings   | 2,000            |
| Raw materials and supplies            | 3,500          | Current portion of long-term borrowings                       | 2,600            |
| Prepaid expenses                      | 1,128          | Current portion of lease obligations                          | 1,415            |
| Short-term loans receivable           | 83,994         | Accounts payable-other  | 28,004           |
| Accounts receivable-other             | 45,464         | Accrued expenses  | 20,802           |
| Other current assets                  | 426            | Accrued income taxes  | 1,095            |
| Allowance for doubtful accounts       | (37,266)       | Advances received   | 192              |
| <b>Long-term assets</b>               | <b>267,867</b> | Deposits received   | 71,309           |
| <b>Property, plant and equipment</b>  | <b>115,514</b> | Provision for product warranties                              | 605              |
| Buildings                             | 38,536         | Provision for business structure improvement                  | 1,610            |
| Structures                            | 2,981          | Provision for contingent loss                                 | 497              |
| Machinery and equipment               | 32,637         | Other current liabilities                                     | 192              |
| Vehicles                              | 2              | <b>Long-term liabilities</b>                                  | <b>306,830</b>   |
| Tools, furniture and fixtures         | 12,451         | Long-term borrowings  | 250,525          |
| Land                                  | 20,346         | Lease obligations   | 6,253            |
| Construction in progress              | 8,561          | Deferred tax liabilities                                      | 6,695            |
| <b>Intangible assets</b>              | <b>29,406</b>  | Accrued retirement benefits                                   | 25,922           |
| Software                              | 10,746         | Provision for loss on business of subsidiaries and associates | 1,584            |
| Other intangible assets               | 18,660         | Asset retirement obligations                                  | 2,331            |
| <b>Investments and other assets</b>   | <b>122,947</b> | Other liabilities   | 13,520           |
| Investment securities                 | 650            | <b>Total liabilities</b>                                      | <b>574,344</b>   |
| Stocks of subsidiaries and affiliates | 93,293         | Net assets  |                  |
| Long-term loans receivable            | 4,557          | <b>Shareholders' equity</b>                                   | <b>157,347</b>   |
| Long-term prepaid expenses            | 21,353         | <b>Common stock</b>   | <b>228,255</b>   |
| Prepaid pension cost                  | 539            | <b>Capital surplus</b>  | <b>540,555</b>   |
| Other assets                          | 2,557          | Capital legal reserve   | 163,789          |
| Allowance for doubtful accounts       | (1)            | Other capital surplus   | 376,766          |
|                                       |                | <b>Retained earnings</b>                                      | <b>(611,452)</b> |
|                                       |                | Other retained earnings                                       | (611,452)        |
|                                       |                | Retained earnings brought forward                             | (611,452)        |
|                                       |                | <b>Treasury stock</b>   | <b>(11)</b>      |
|                                       |                | <b>Valuation and translation adjustments</b>                  | <b>108</b>       |
|                                       |                | Unrealized gains (losses) on securities                       | 108              |
|                                       |                | <b>Total net assets</b>                                       | <b>157,455</b>   |
| <b>Total assets</b>                   | <b>731,800</b> | <b>Total liabilities and net assets</b>                       | <b>731,800</b>   |

(Translation)

STATEMENT OF OPERATIONS  
(on a non-consolidated basis)  
(For the Year Ended March 31, 2014)

(In millions of yen)

| Accounts   | Amount         |
|--|----------------|
| <b>Net sales</b>   | <b>738,088</b> |
| Cost of sales  | 549,701        |
| <b>Gross profit</b>                                      | <b>188,387</b> |
| Selling, general and administrative expenses             | 166,000        |
| <b>Operating income</b>                                  | <b>22,386</b>  |
| <b>Non-operating income</b>                              | <b>4,717</b>   |
| Interest income  | 1,838          |
| Dividends income   | 82             |
| Foreign exchange gains                                   | 2,464          |
| Other non-operating income                               | 333            |
| <b>Non-operating expenses</b>                            | <b>11,550</b>  |
| Interest expenses  | 4,599          |
| Share issuance cost                                      | 2,354          |
| Other non-operating expenses                             | 4,597          |
| <b>Ordinary income</b>                                   | <b>15,554</b>  |
| <b>Special income</b>                                    | <b>13,228</b>  |
| Gain on forgiveness of debt                              | 7,636          |
| Gain on sales of shares of subsidiaries and affiliates   | 2,893          |
| Gain on transfer of business                             | 2,501          |
| Other special income                                     | 197            |
| <b>Special loss</b>                                      | <b>39,887</b>  |
| Business Structure improvement expenses                  | 23,551         |
| Loss on abolishment of retirement benefit plan           | 7,782          |
| Loss on valuation of subsidiaries and affiliates' stocks | 4,876          |
| Other special loss                                       | 3,678          |
| <b>Loss before income taxes</b>                          | <b>11,106</b>  |
| Income taxes-current                                     | 1,339          |
| Income taxes-deferred                                    | 81             |
| <b>Net loss</b>  | <b>12,527</b>  |



(Translation)

## STATEMENT OF CHANGES IN NET ASSETS

(on a non-consolidated basis)

(For the Year Ended March 31, 2014)

(In millions of yen)

|  | Shareholders' equity |                       |                       |                                   |                | Total Shareholders' equity |
|--|----------------------|-----------------------|-----------------------|-----------------------------------|----------------|----------------------------|
|  | Common stock         | Capital surplus       |                       | Retained earnings                 | Treasury stock |                            |
|  |                      | Capital legal reserve | Other capital surplus | Other retained earnings           |                |                            |
|  |                      |                       |                       | Retained earnings brought forward |                |                            |
| Balance at the beginning of the period               | 153,255              | 88,789                | 376,766               | (598,926)                         | (11)           | 19,874                     |
| Changes during the period                            |                      |                       |                       |                                   |                |                            |
| Issuance of new shares                               | 75,000               | 75,000                |                       |                                   |                | 150,000                    |
| Net loss   |                      |                       |                       | (12,527)                          |                | (12,527)                   |
| Net changes in items other than shareholders' equity |                      |                       |                       |                                   |                |                            |
| Total changes during the period                      | 75,000               | 75,000                | -                     | (12,527)                          | -              | 137,473                    |
| Balance at end of the period                         | 228,255              | 163,789               | 376,766               | (611,452)                         | (11)           | 157,347                    |

|  | Valuation and translation adjustments   | Total net assets |
|--|---|------------------|
|  | Unrealized gains (losses) on securities |                  |
| Balance at the beginning of the period               | 7                                       | 19,880           |
| Changes during the period                            |   |                  |
| Issuance of new shares                               |   | 150,000          |
| Net loss   |   | (12,527)         |
| Net changes in items other than shareholders' equity | 101                                     | 101              |
| Total changes during the period                      | 101                                     | 137,575          |
| Balance at the end of the period                     | 108                                     | 157,455          |

Report of Independent Auditors

May 7, 2014

The Board of Directors  
Renesas Electronics Corporation

Ernst & Young ShinNihon LLC

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Jun Uemura  
Certified Public Accountant  
Designated and Engagement Partner

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Noriaki Kenmochi  
Certified Public Accountant  
Designated and Engagement Partner

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Noriyasu Hanafuji  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Renesas Electronics Corporation (the "Company") applicable to the fiscal year from April 1, 2013 through March 31, 2014.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Renesas Electronics group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2014 in conformity with accounting principles generally accepted in Japan.

**Conflicts of Interest**

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

**Report of Independent Auditors**

May 7, 2014

The Board of Directors  
Renesas Electronics Corporation

Ernst & Young ShinNihon LLC

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Jun Uemura  
Certified Public Accountant  
Designated and Engagement Partner

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Noriaki Kenmochi  
Certified Public Accountant  
Designated and Engagement Partner

---

Noriyasu Hanafuji  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Renesas Electronics Corporation (the "Company") applicable to the 12<sup>th</sup> fiscal year from April 1, 2013 through March 31, 2014.

**Management's Responsibility for the Financial Statements and the Related Supplementary Schedules**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Renesas Electronics Corporation applicable to the 12<sup>th</sup> fiscal year ended March 31, 2014 in conformity with accounting principles generally accepted in Japan.

**Conflicts of Interest**

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

**Audit Report of Board of Corporate Auditors**

The Board of Corporate Auditors, after deliberating the contents, prepares this audit report regarding the execution of the duties by Directors for the 12<sup>th</sup> fiscal year from April 1, 2013 through March 31, 2014 based on the audit reports from each Corporate Auditor, and reports as follows.

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

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

On the basis of the Board of Corporate Auditors Rules established by the Board of Corporate Auditors, and in accordance with the auditing policies and plans, each Corporate Auditor sought mutual understanding with Directors, corporate officers, and employees in their efforts to collect information and create an environment for audit, attended meetings of the Board of Directors and other important meetings, and received reports from Directors, corporate officers, and employees regarding performance of their duties, requested explanations as necessary, and perused important documents regarding decisions and approvals made, and investigated the status of operations and the financial position at the Group's head office and principal offices of business. The Board of Corporate Auditors received the periodical reports from the Directors, corporate officers, and employees about its framework and operation status of (i) the contents of the Board of Director's resolutions on establishment of systems as set forth in Paragraphs 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act, as systems necessary to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation and to otherwise ensure the appropriateness of the business of a Kabushiki Kaisha, as stated in the Business Report, and (ii) the systems established pursuant to such resolution ("Internal Control System"); requested explanations as necessary; and provided opinions on those. Regarding the Internal Control System for financial reporting, the Board of Corporate Auditors received the reports from the Directors and the Independent Auditors about its assessment and audit and requested explanations as necessary. Regarding the subsidiaries, the Board of Corporate Auditors sought to achieve a mutual understanding and exchanged information with directors and corporate auditors of the subsidiaries, and, where necessary, visited the subsidiaries, received business reports from the subsidiaries, and examined their operations and assets. Based on the above methods, the Board of Corporate Auditors evaluated the Business Report and supplementary schedules thereto for the 12<sup>th</sup> fiscal year ended March 31, 2014.

In addition, the Board of Corporate Auditors audited and verified whether the Independent Auditors maintained their independence and carried out their audits appropriately, received reports from the Independent Auditors regarding the execution of their duties and, where necessary, requested explanations. Also, the Board of Corporate Auditors received notification from the Independent Auditors to the effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Corporation Accounting Regulations) has been established in accordance with "Quality Control Standards for Auditing" (adopted by the Business Accounting Council on October 28, 2005), etc., and requested explanations as necessary. Based on the above methods, the Board of Corporate Auditors audited the financial statements related to the 12<sup>th</sup> fiscal year ended March 31, 2014 (the balance sheet, the statement of operations, the statement of changes in net assets and notes to the financial statements) and supplementary schedules as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and notes to the consolidated financial statements).

2. Results of Audit

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

1. We found that the Business Report and supplementary schedules accurately reflect the conditions of the Group in accordance with applicable laws and regulations and the Articles of Incorporation.
2. No inappropriate conducts concerning the execution of duties by Directors or material facts in violation of applicable laws and regulations or the Articles of Incorporation were found.
3. We found that the contents of Board of Directors' resolutions concerning the Internal Control System were appropriate. Further, no material defects were found with respect to Director' execution of duties in regards to the Internal Control System.

(2) Results of the Audit on the Consolidated Financial Statements

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

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

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

May 8, 2014

Board of Corporate Auditors of Renesas Electronics Corporation

|                               |                   |        |
|-------------------------------|-------------------|--------|
| Corporate Auditor (Full-time) | Kazuki Fukuda     | (Seal) |
| Corporate Auditor             | Yoichiro Yamakawa | (Seal) |
| Corporate Auditor             | Yoshinobu Shimizu | (Seal) |
| Corporate Auditor             | Takeshi Sekine    | (Seal) |

Note: Messrs. Kazuki Fukuda, Yoichiro Yamakawa, Yoshinobu Shimizu, and Takeshi Sekine are outside Corporate Auditors stipulated in item 16, Article 2, and paragraph 3, Article 335 of the Companies Act.