

To Shareholders

## The 11th Ordinary General Meeting of Shareholders Matters for Internet Disclosure

The 11th Business Period from April, 2012 to March 31, 2013

- Notes to Consolidated Financial Statements
- Notes to Non-Consolidated Financial Statements

The abovementioned items are disclosed to shareholders on Renesas Electronics Corporation's Website (<http://www.renesas.com>) in accordance with laws and regulation as well as Article 16 of Renesas Electronics Corporation's Articles of Incorporation

**Renesas Electronics Corporation**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Notes to Basis of Consolidated Financial Statements**

#### **1. Scope of Consolidation**

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group (“the Group”): 54

The name of major subsidiaries:

Regarding major subsidiaries’ names, please refer to “1-(7).Principal Subsidiaries (as of March 31, 2013)” in the Business Report.

The number of subsidiaries increased by foundation: 1

Renesas Tsugaru Semiconductor, Inc.

Number of subsidiaries decreased by sales and liquidation: 4

Renesas High Components, Inc.

and other 3 companies .

#### **2. Application of Equity Method**

(1) The number of affiliated companies and the name of major affiliated companies, accounted for by the equity method

The number of affiliated companies accounted for by the equity method: 3

The name of major affiliated companies accounted for by the equity method:

Renesas Easton Co., Ltd.

Renacentis IT Services Co., Ltd.

and other 1 company .

The number of affiliates decreased by stock sales: 1

Hitachi ULSI Systems Co., Ltd.

(2) The name of affiliated companies not accounted for by the equity method: Semiconductor Technology Academic Research Center (“STARC”).

The equity method is not applied to STARC because net income and retained earnings (both amounts equivalent to what is accounted for by the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on them on an aggregate basis.

(3) Significant items to be noted in the procedure for applying the equity method:

Of the affiliated companies accounted for by the equity method, if the closing date differs from that of the consolidated financial statements, the financial statements prepared with the provisional closing date of March 31, 2013 (same as that of consolidated financial statements) are used.

#### **3. Significant Accounting Policies**

(1) Valuation methods for significant assets

1) Securities

Other securities:

Marketable securities:

Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost or amortized cost determined by the moving-average method.

2) Derivatives

Derivative financial instruments are stated at fair value.

### 3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows:

Merchandise and finished goods:

Custom-made products:

Specific identification method

Mass products:

Average method

Work in process:

Custom-made products:

Specific identification method

Mass products:

Average method

Raw materials and supplies:

Average method

### (2) Depreciation method for significant long-term assets

#### 1) Property, plant and equipment other than leased assets

Depreciated principally by the straight-line method

#### 2) Intangible assets other than leased assets

Amortized by the straight-line method

#### 3) Leased assets

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

Amortized in the same way as self-owned long-term assets

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

Amortized by the straight-line method over the lease term, assuming no residual value. The finance leases other than those under which ownership of the assets transferred to the lessee contracted before March 31, 2008 are accounted for as operating lease transactions.

#### 4) Long-term prepaid expenses

Amortized by the straight-line method

### (3) Basis of significant reserves

#### 1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an individual estimate of the collectability of receivables from companies in financial difficulty.

#### 2) Accrued retirement benefits

Accrued retirement benefits or prepaid pension cost are recorded for employees' pension and severance payments based on the projected benefit obligation and the fair value of plan assets as of the fiscal year-end.

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

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

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly over 14 years).

#### 3) Provision for products warranties

The Group accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters as well as historical ratio of warranty costs to net sales.

#### 4) Provision for loss on guarantees

Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees,

which the Group is taken into account for the deterioration of financial conditions.

5) Provision for business structure improvement

Provision for business structure improvement is made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.

6) Provision for contingent loss

In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when they are reasonably estimated considering individual risks associated with each contingency.

(4) Foreign currency translation

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the applicable rates of exchange prevailing at the fiscal year-end, and differences arising from the translation are included in the statement of operations. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the applicable year-end rates of exchange, and all revenue and expense accounts are translated at the average rates of exchange prevailing during the period. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in net assets.

(5) Amortization method and term for goodwill

Goodwill is amortized by the straight-line method for over reasonable periods not exceeding 20 years.

(6) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(7) Adoption of consolidated taxation system

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

**Notes to Consolidated Balance Sheet**

**1. Collateral and Collateral liability**

(1) Collateral	(Millions of yen)
Buildings and structures	83,378 ( 82,415 )
Machinery and equipment	44,792 ( 33,809 )
Vehicles, tools, furniture and fixtures	1 ( 1 )
Land	34,216 ( 29,860 )
Construction in progress	32 ( - )
<b>Total</b>	<b>162,419 (146,085 )</b>

(2) Collateral liability	(Millions of yen)
Current portion of long-term borrowings	5,000 ( 5,000 )
Lease obligations (Current liabilities)	868 ( - )
Long-term borrowings	253,090 ( 253,090 )
Lease obligations ( Long-term liabilities)	6,862 ( - )
Future lease payments	3,591 ( - )
<b>Total</b>	<b>269,411 (258,090 )</b>

\*Collateral and collateral liability of factories' property among collateral and collateral liability are shown in parenthesis

**2. Accumulated Depreciation of Property, Plant and Equipment:** 991,893 million yen

**3. Accumulated Impairment Loss of Property, Plant and Equipment:**

Accumulated impairment loss was included in accumulated depreciation of property, plant and equipment.

**4. Contingent Liabilities:**

Residual value guarantees under operating lease transactions: 1,543 million yen

Guarantees for employees' housing loan: 546 million yen

Other guarantees: 541 million yen

Other Contingent Liabilities:

Although the Group's subsidiary in the U.S. had been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving DRAM brought by purchasers of such products, the subsidiary has reached a settlement with the plaintiffs.

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

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

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

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

### **Notes to Consolidated Statement of Changes in Net Assets**

#### **1. Type and Number of Outstanding Shares as of March 31, 2013**

Common Stock	417,124,490 shares
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#### **2. Dividends**

There were no applicable items during the fiscal year ended March 31, 2013.

### **Notes to Financial Instruments**

#### **1. Conditions of Financial Instruments**

##### **(1) Policies for Financial Instruments**

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

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

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

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

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

Most of short-term borrowings are for operation activities. Most of long-term borrowings and lease obligations from finance lease transactions are utilized for capital investments. Their repayment terms are within 6 years after the fiscal year-end. Some borrowings are made by variable interest exposed to interest rate movement risk. In addition, some of the borrowing contracts include financial covenants.

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

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

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

#### **2. Fair Value of Financial Instruments**

The fair values of financial instruments in consolidated balance sheets as of March 31, 2013 were presented below, and the table doesn't include the financial instruments which are extremely difficult for the Group to estimate their fair values. (Note 2)

(In millions of yen)

	Amounts on consolidated balance sheet(*)	Fair value (*)	Difference
(1) Cash and deposits	78,072	78,072	—
(2) Notes and accounts receivable-trade	78,075	78,075	—
(3) Accounts receivable-other	13,496	13,496	—
(4) Long-term investment securities			
Stocks of affiliates	4,837	2,241	(2,596)
Other securities	2,914	2,914	—
(5) Notes and accounts payable-trade	(99,153)	(99,153)	—
(6) Short-term borrowings	(1,000)	(1,000)	—
(7) Accounts payable-other	(64,392)	(64,392)	—
(8) Accrued income taxes	(6,443)	(6,443)	—
(9) Long-term borrowings (including current portion)	(290,170)	(273,554)	16,616
(10) Lease obligations (including current portion)	(15,211)	(14,756)	455
(11) Derivative transactions	(319)	(319)	—

(\*) Liabilities (credit balances) are shown in parentheses.

Assets and liabilities arising from derivatives transactions are presented on a net basis. If the net balance of derivatives is in credit, it is shown in parenthesis.

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

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

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

##### (4) Long-term investment securities

The fair value of shares was based on market price. The fair value of bond securities was measured at its book value because it was settled in short-term and its fair value was nearly equal to its book value. The fair value of mutual fund was measured at the price presented by financial institutions.

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

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

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

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

##### (11) Derivative transactions

###### 1. Derivatives without hedge accounting

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

###### 2. Derivatives with hedge accounting

None

#### Note 2. Non-marketable securities which are extremely difficult to estimate their fair value

(In millions of yen)

	Amounts on consolidated balance sheet
Non-marketable securities	312

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

### **Per Share Information**

1. Net assets per share: 160.01 yen
2. Net loss per share : 401.76 yen

### **Other Notes**

#### **1. Issuance of New Shares Offered by way of Third-Party Allotment**

The Company, at the Meeting of the Board of Directors held on December 10, 2012, resolved to issue new shares offered by way of third-party allotment (“Third Party Allotment”) to The Innovation Network Corporation of Japan (“INCJ”), Toyota Motor Corporation, Nissan Motor Co., Ltd., Keihin Corporation, Denso Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation and Yaskawa Electric Corporation (“Expected Allottees”).

Further, the amendment to the Company’s Articles of Incorporation to increase the total number of authorized shares and the Third Party Allotment were approved at the Extraordinary General Meeting of Shareholders held on February 22, 2013.

#### 1. Outline of the Offering

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

## 2. Purpose and Background of Offering

The Company has evaluated a variety of options for raising fund because the need for securing a financial base that can withstand severe and non-cyclical changes in the market conditions, for R&D, Capex and M&A activity to help earnings recovery is increasing.

As a result, the Company determined that the proposal from INCJ had the best potential to contribute to improvements in our corporate value and shareholder value from a longer-term perspective, based on a comprehensive set of considerations, including: that the proposal from INCJ is that the Company can fund the entire amount of the investment rapidly and reliably and that the Company can expect to realize business synergies with the Expected Allottees, and then the Company determined the issuance of new shares offered by way of Third-Party Allotment.

For details, please refer to the securities registration statement on issuance of new shares offered by way of third party allotment filed on December 10, 2012.

## 3. Specific Uses of Funds Raised

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

## 2. Business structure improvement expenses

The Group reformed businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses.

The details of business structure improvement expenses (127,104 millions of yen) were as follows:

	(millions of yen)
Personal expenses including the special incentive of early retirement program	86,054
Impairment loss	38,006
Other	3,044
<b>Total</b>	<b>127,104</b>

## 3. Impairment loss

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

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



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

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

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

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

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

Also, the Group recognized impairment loss on assets to be disposed of and idle assets by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 4,105 million yen which was included in special loss.

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

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

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

	(In millions of yen)
Buildings and structures	4,489
Machinery and equipment	9,410
Vehicles, tools, furniture and fixtures	4,673
Construction in progress	1,984
Goodwill	2,035
Software	8,375
Other intangible assets	11,131
Long-term prepaid expenses	676
<u>Total</u>	<u>42,773</u>

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

#### **4. Implementation of an early retirement incentive program**

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

##### 1. Outline of the invitation for the early retirement incentive program

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

##### 2. Outline of the early retirement incentive program

(1) Eligible persons: Main career track employees age 40 or over of the Company and its consolidated subsidiaries in Japan

(2) Planned number of Applicants eligible for the program: Around three thousand and several hundred

(3) Planned Application Period: In August, 2013

(4) Planned retirement date: September 30, 2013

(5) Benefits: The special incentive will be added to their normal retirement payment. In addition, outplacement support will be provided through outside agencies for those who request it.

##### 3. Impacts on the financial results

There is no impact on consolidated financial results for the year ended March 31, 2013. And at the moment, it is very difficult to reasonably estimate the impacts of the early retirement incentive program as we have not yet started the application process.

#### **Business Combinations**

Business divestiture

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

##### 1. Outline of the business divestiture

(1) Name of transferee

Fuji Electric Co., Ltd.

(2) Nature of the divested businesses

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

(3) Main reasons for the divestiture

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

(4) Date of divestiture

July 1, 2012

(5) Overview of transactions including statutory form

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

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

## 2. Overview of accounting treatment implemented

### (1) Amount of loss on business transfer

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

(Millions of yen)	
Loss on transfer of business	170

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

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

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

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

## **(Business Transfer of Renesas High Components, Inc.)**

### 1. Outline of the business divestiture

#### (1) Name of the transferee

AOI ELECTRONICS CO., LTD.

#### (2) Nature of the divested businesses

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

#### (3) Main reasons for the divestiture

The Company had been implementing realignment of its production sites in Japan to enhance the profit base.

Under these circumstances, the Company decided to transfer the production business by commissioning of Renesas High Components, Inc. and sales business related to such production business by commissioning to AOI ELECTRONICS CO., LTD., who had been considering to expand its business and to improve production efficiency, whilst also aiming to improve product development efficiency and speed for expanded operation in the future as well as having a system of backup production sites in place for times of disaster.

#### (4) Date of divestiture

January 1, 2013

#### (5) Overview of transactions including statutory form

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

## 2. Overview of accounting treatment implemented

### (1) Amount of loss on business transfer

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

consolidated statements of operations.

	(Millions of yen)
Loss on transfer of business	37

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

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

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

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

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

## **NOTES TO FINANCIAL STATEMENTS (on a non-consolidated basis)**

All figures are rounded to the nearest 1 million yen.

### **Notes to Significant Accounting Policies**

#### **1. Valuation methods for assets**

##### 1) Securities

Stocks of subsidiaries and affiliates:

These stocks are carried at cost determined by the moving-average method.

Other securities:

Marketable securities:

Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost or amortized cost determined by the moving-average method.

##### 2) Derivatives

Derivative financial instruments are stated at fair value.

##### 3) Inventories

Inventories are stated at the lower of cost or market. The costs are stated as follows;

Finished goods:

Custom-made products:

Specific identification method

Mass products:

Average method

Work in process:

Custom-made products:

Specific identification method

Mass products:

Average method

Raw materials and supplies:

Average method as principal method

#### **2. Depreciation method for long-term assets**

##### 1) Property, plant and equipment other than leased assets

Depreciated by the straight-line method

##### 2) Intangible assets

Amortized by the straight-line method

##### 3) Leased assets

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

Amortized in the same way as self-owned long-term assets

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

Amortized by the straight-line method over the lease term, assuming no residual value. The finance leases other than those under which ownership of the assets transferred to the lessee contracted before March 31, 2008 are accounted for as operating lease transactions.

##### 4) Long-term prepaid expenses

Amortized by straight-line method

### 3. Basis of reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experiences for normal receivables and on an individual estimate of the collectability of receivables from companies in financial difficulty.

2) Accrued retirement benefits

Accrued retirement benefits or prepaid pension cost are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end.

The amount of transitional obligation succeeded from NEC Corporation is amortized on a straight-line method, proportionally allocated over the year ended March 31, 2014.

Prior service costs are amortized on a straight-line basis over the employees' estimated average remaining service periods.

Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods. The amortization starts from the following year of the gains and losses recognized.

3) Provision for products warranties

The Company accrues product warranty liabilities for estimated future warranty costs using the individual estimates for the specific matters or historical ratio of warranty costs to net sales.

4) Provision for loss on guarantees

Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Company is taken into account for the deterioration of financial conditions.

5) Provision for business structure improvement

Provision for business structure improvement is made for the amount of the estimated losses to be incurred in connection with business structure reconstructions and consolidation.

6) Provision for contingent loss

In relation to matters such as legal proceedings and litigations, a provision for the amount of expected losses and expenses is made when they are reasonably estimated considering individual risks associated with each contingency.

### 4. Accounting for consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

### 5. Adoption of consolidated taxation system

The Company adopts the consolidated taxation system.

### Notes to Balance Sheet

#### 1. Collateral and Collateral liability

(1) Collateral	(Millions of yen)
Buildings and structures	32,329 ( 32,329 )
Machinery and equipment	16,649 ( 16,649 )
Land	20,166 ( 17,246 )
<hr/> Total	<hr/> 69,145 (66,224 )

  

(2) Collateral liability	(Millions of yen)
Current portion of long-term borrowings	5,000 ( 5,000 )
Lease obligations (Current liabilities)	868 ( - )
Long-term borrowings	253,090 ( 253,090 )
Lease obligations (Long-term liabilities)	6,862 ( - )
<hr/> Total	<hr/> 265,820 (258,090 )

\*Collateral and collateral liability of factories' property among collateral and collateral liability are shown in parenthesis

<b>2. Accumulated Depreciation of Property, Plant and Equipment:</b>	137,204 million yen
<b>3. Accumulated Impairment Loss of Property, Plant and Equipment:</b>	
Accumulated impairment loss was included in accumulated depreciation of property, plant and equipment.	
<b>4. Contingent Liabilities:</b>	
Liabilities for Guarantees	
Loan to affiliated companies	18,947 million yen
Guarantees for employees' housing loan	402 million yen
Residual value guarantees under operating lease transactions	850 million yen
<b>5. Monetary Receivables from and Payables to Affiliated Companies:</b>	
Short-term receivable	270,917 million yen
Short-term payable	210,634 million yen
Long-term payable	48,613 million yen
<b>6. Monetary Receivables from and Payables to Member of Directors and Corporate Auditors:</b>	
Monetary Payables	34 million yen

### **Notes to Statement of Operations**

#### **1. Transactions with Affiliated Companies:**

Amounts of operating transactions	
Net sales	647,436 million yen
Purchases	684,728 million yen
Amounts of non-operating transactions	62,721 million yen

#### **2. Business structure improvement expenses**

The Company reformed businesses and structures of the production along with the streamlining of employees to strengthen its financial basis, and those related expenses are shown as business structure improvement expenses.

The details of business structure improvement expenses were as follows:

	(millions of yen)
Funding to subsidiaries for business structure improvement	49,734
Personal expenses including the special incentive of early retirement program	37,097
Impairment loss	2,500
Other	580
<b>Total</b>	<b>89,911</b>

#### **3. Impairment loss of subsidiaries and affiliates' stocks and allowance for doubtful account**

As a result of evaluation of difficulty in mobile business, loss on valuation of stocks subsidiaries and affiliates and allowance for doubtful accounts were provided.

	(millions of yen)
Loss on valuation of stocks of subsidiaries and affiliates	29,342
Provision of allowance for doubtful accounts	36,558
<b>Total</b>	<b>65,900</b>

### **Notes to Statement of Changes in Net Assets**

Type and Number of Treasury Stock as of March 31, 2013	
Common Stock	2,548 shares

### **Notes to Tax-Effect Accounting**

Significant components of deferred tax assets were operating loss carry forwards, loss on valuation of stocks of subsidiaries and affiliates, surplus of accrued retirement benefits, excess amount of depreciable limit and others. The amount of valuation allowance for deferred tax assets was 366,353 million yen.

Significant components of deferred tax liabilities were valuation difference on acceptance of assets and liabilities by merger, gain on contribution of securities to retirement benefit trust and others.

### Notes to Long-Term Assets Used under Leases

In addition to long-term assets on the balance sheet, parts of office equipment and production equipment were used under finance leases other than those under which ownership of the assets transferred to the lessee at the end of lease term.

### Notes to Transaction with Related Parties

#### 1. Parent company and major shareholders related to the company and others: (In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance at March 31, 2013
Other affiliated company	Hitachi, Ltd.	(Owned) Direct 30.62 %	Sales of our products	Borrowing	17,500	Current portion of long-term borrowings	339
						Long-term borrowings	17,161
Other affiliated company	Mitsubishi Electric Corporation	(Owned) Direct 25.05 %	Sales of our products and concurrently serving as a board member	Borrowing	14,500	Current portion of long-term borrowings	281
						Long-term borrowings	14,219
Other affiliated company	NEC Corporation	(Owned) Direct 3.01 % Indirect 32.43 %	Sales of our products	Guarantee deposits	17,500	Current portion of long-term borrowings	339
						Long-term borrowings	17,161

#### 1. Subsidiaries, affiliates and others: (In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (*4)(*5)	Account	Balance at March 31, 2013
Subsidiary	Renesas Electronics Sales Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Sales of products(*1)	357,785	Accounts receivable-trade	36,364
				Money deposited (*2)	-	Deposits received	45,582
				Provision of collateral(*3)	-	-	-
Subsidiary	Renesas Yamagata Semiconductor Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*2)	40,000	Short-term loans receivable	32,643
				Provision of collateral(*3)	-	-	-
Subsidiary	Renesas Mobile Corporation	(Own) Direct 100.0 %	Design and development of parts of our products	Loan(*2)	45,000	Short-term loans receivable	35,760
				Sales of products and others	27,471	Accounts receivable-other	7,345
Subsidiary	Renesas Kansai Semiconductor Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*2)	28,000	Short-term loans receivable	16,233
				Funding to subsidiaries for business structure improvement	16,956	Accounts payable-other	5,130
				Provision of collateral(*3)	-	-	-
Subsidiary	Renesas Semiconductor Kyushu Yamaguchi Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchase of products(*1)	79,721	Accounts payable-trade	7,747
				Loan(*2)	35,000	Sort-term loans receivable	18,340
				Guarantee	11,918	-	-
				Funding to subsidiaries for business structure improvement	11,987	Accounts payable-other	4,811
				Provision of collateral(*3)	-	-	-
Subsidiary	Renesas Kyushu Semiconductor	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*2)	10,500	Short-term loans receivable	5,352
				Provision of collateral(*3)	-	-	-



	tor Corp.						
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Seles of our products	Seles of products(*1) Loan(*2)	45,184 135,000	Accounts receivable-trade Short-term loans receivable	8,404 6,410
Subsidiary	Renesas Electronics Europe GmbH	(Own) Indirect 100.0 %	Seles of our products, Consignment of design and development	Seles of products(*1)	64,014	Accounts receivable-trade	13,740
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Seles of our products	Money deposited (*2) Seles of products(*1)	- 68,471	Deposits received Accounts receivable-trade	13,632 14,377
Subsidiary	Renesas Electronics Taiwan Co., Ltd.	(Own) Direct 100.0 %	Seles of our products	Money deposited (*2)	-	Deposits received	10,398
Subsidiary	Renesas Electronics Singapore Pte. Ltd.	(Own) Direct 78.12 % Indirect 21.88 %	Seles of our products	Seles of products(*1)	35,832	Accounts receivable-trade	7,069

## 2. Fellow subsidiary and others:

(In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (*4)	Account	Balance at March 31, 2013
Subsidiary of other affiliated company	Hitachi Capital Corporation	None	Assignment of claims Factoring	Factoring (*6)	15,800	Accounts payable-trade Accounts payable-other	6,356 1,174

Terms and conditions of transactions and polices on deciding terms and conditions

(\*1) Price and other transaction conditions were determined under price negotiation.

(\*2) Rate for loan to subsidiaries and money deposited from subsidiaries was determined by considering the market rate.

Unit for short-term loans of Renesas Electronics America Inc. was in thousands of US dollars.

(\*3) Collateral in connection with the Company's borrowing from financial institutions was provided.

For the details, please refer to "Notes to Balance Sheet, 1. Collateral and Collateral liability"

(\*4) Consumption tax and other taxes were not included in the amounts of transaction. Consumption tax and other taxes were included in the balances.

(\*5) "Amounts of transaction" of loan was shown here as loan ceiling.

(\*6) The Company made a tripartite contract to settle Accounts payable by factoring with Hitachi Capital Corporation and the Company's customer.

## Notes to Per Share Information

1. Net assets per share: 47.66 yen

2. Net loss per share : 453.11 yen

## Other Notes

### 1. Issuance of New Shares by way of Third-Party Allotment

The Company, at the Meeting of the Board of Directors held on December 10, 2012, resolved to issue new shares offered by way of third-party allotment ("Third Party Allotment") to The Innovation Network Corporation of Japan, Toyota Motor Corporation, Nissan Motor Co., Ltd., Keihin Corporation, Denso Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation and Yaskawa Electric Corporation as expected allottees.

Further, the amendment to the Company's Articles of Incorporation to increase the total number of authorized shares and the Third Party Allotment were approved at the Extraordinary General Meeting of Shareholders held on February 22, 2013.

For the details, please refer to "Notes to Consolidated Financial Statements, Other Notes, 1. Share Issue through Third-Party Allotment"

## **2. Implementation of an early retirement incentive program intended**

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

For the details, please refer to “Notes to Consolidated Financial Statements, Other Notes, 4. Implementation of an early retirement incentive program”