To Shareholders

The 12th Ordinary General Meeting of Shareholders Matters for Internet Disclosure

The 12th Business Period from April 1, 2013 to March 31, 2014

■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"): 45

The names of major subsidiaries:
Regarding major subsidiaries' names, please refer to "1-(7).Principal Subsidiaries (as of March 31, 2014)" in the Business Report.

The number of subsidiaries increased by foundation: 2
Renesas Electronics India Pvt. Ltd.
and other 1 company

Number of subsidiaries decreased by sale and liquidation: 6
Renesas Mobile Europe Oy.
and other 5 companies

Number of subsidiaries decreased by merger: 5
Renesas Electronics Sales Co., Ltd.
and other 4 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 names of major affiliates accounted for by the equity method:
Renesas Easton Co., Ltd.
Renacentis IT Services Co., Ltd.
and other 1 company

(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, 2014 (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.

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 on or before March 31, 2008 are accounted for as operating lease transactions.

4) Long-term prepaid expenses
Amortized by the straight-line method

(3) Basis of significant reserves

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

2) 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.

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

4) 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.

5) 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 treatment for retirement benefits
1) Method of attributing expected benefit to periods
The method of attributing expected benefit to periods to estimate the asset or liability for retirement benefits is based on mainly a point-based or straight-line method.
2) Treatment for transitional obligation, actuarial gains and losses and prior service costs
Transitional obligation is amortized on a straight-line basis mainly over 15 years.

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

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

(5) 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.

(6) Amortization method and term for goodwill

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

(7) Accounting for consumption tax

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

(8) Adoption of consolidated taxation system

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

Notes to Changes in Accounting Principles

Beginning from the current consolidated fiscal year-end, the Group has adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) except for the provisions set forth in Clause 35 of the "Accounting Standard for Retirement Benefits" and in Clause 67 of the "Guidance on Accounting Standard for Retirement Benefits". As a result of this adoption, the Group has changed its accounting treatment to recognize the differences between retirement benefit obligations and pension assets as "Net defined benefit asset" or "Net defined benefit liability" and posted unrecognized actuarial gains and losses as well as prior service costs as "Net defined benefit asset" or "Net defined benefit liability".

The adoption of the accounting standards is subject to the transition treatment set forth in Clause 37 of the "Accounting Standard for Retirement Benefits", and effects of the change in the accounting standard are adjusted on the "Remeasurements of defined benefit plans" under the accumulated other comprehensive income of the net asset section.

Consequently, "Net defined benefit asset" of 492 million yen and "Net defined benefit liability" of 57,874 million yen were booked at the end of this fiscal year, while the accumulated other comprehensive income was decreased by 6,175 million yen.

Furthermore, the effect on amount per share information is described in the corresponding section.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

(Assets pledged as collateral)

		(In millions of yen)
Merchandise and finished goods	34,362	(—)
Work in process	54,258	(—)
Raw materials and supplies	7,271	(—)
Buildings and structures	63,926	(62,935)
Machinery and equipment	26,818	(26,742)
Land	31,193	(27,221)
Investment securities	5,007	(—)
Total	222,835	(116,898)

(Secured liabilities)

		(In millions of yen)
Current portion of lease obligations	893	(—)
Long-term borrowings	249,925	(249,925)
Lease obligations	5,969	(—)
Total	256,787	(249,925)

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

2. Accumulated Depreciation of Property, Plant and Equipment: 849,478 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:

Guarantees for employees' housing loan: 393 million yen

Other guarantees: 510 million yen

Other Contingent Liabilities:

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

The Group'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). The Group's subsidiary in the U.S. has been also named in the U.S. as one of the defendants in a civil lawsuit 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. The Group has also been named in Canada as the defendant in a civil lawsuit related to possible violations of competition law involving smartcard chips brought by purchasers of such products.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and Number of Outstanding Shares as of March 31, 2014

Common Stock	1,667,124,490 shares

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. The Group utilizes derivative financial instruments to manage fluctuations in foreign currency exchange rates and interest payments. The Group's policies prohibit holding or issuing derivative financial instruments for trading purposes.

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

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

The management policies regarding short-term and long-term investment securities are as follows; regarding short-term investment securities, the Group deals with banks with high credit rating. Long-term investment securities, issued by companies with which the Group has business relationships, are exposed to risks of market fluctuations. By regularly monitoring the fair value of the securities, financial condition of the issuing companies and consideration of existing business relationship, if any, the Group evaluates the merit of holding the securities.

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

Most borrowings and lease obligations from finance lease transactions are mainly utilized for operating activities and capital investments. Their repayment terms are at most 8 years after the fiscal year-end. Certain borrowings with variable interest rates are exposed to interest rate fluctuation risk. In addition, certain contracts include financial covenants.

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

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

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

2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of March 31, 2014 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	267,302	267,302	—
(2) Notes and accounts receivable-trade	82,531	82,531	—
(3) Accounts receivable-other	20,071	20,071	—
(4) Long-term investment securities			
Stocks of affiliates	5,007	2,815	(2,192)
Other securities	3,274	3,274	—
(5) Notes and accounts payable-trade	91,374	91,374	—
(6) Short-term borrowings	2,000	2,000	—
(7) Accounts payable-other	41,238	41,238	—
(8) Accrued income taxes	8,631	8,631	—
(9)Long-term borrowings (including current portion)	259,991	228,236	(31,755)
(10) Lease obligations (including current portion)	8,911	8,654	(257)
(11) Derivative transactions(*)	(2)	(2)	—

(*) 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	306

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: 128.73 yen

Net loss per share: 5.07 yen

2. As described in the section "Notes to Changes in Accounting Principles", the Company has adopted "Accounting Standard for Retirement Benefits", and the adoption of the accounting standards is subject to the transition treatment set forth in Clause 37 of the "Accounting Standard for Retirement Benefits". As a result of this adoption, the net assets per share as of March 31, 2014 were decreased by 3.70 yen.

Other Notes

1. Unification of the company pension plans on April 1, 2014

Regarding the accounting procedure on the unification of the company pension plans on April 1, 2014 along with a withdrawal from the company pension plan in NEC Corporation, "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Implementation Guidance No.1, issued on January 31, 2002) and "Revised Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ PITF No.2, issued on February 7, 2007) have been applied.

As a result, the special loss (loss on abolishment of retirement benefit plan) of 9,116 million yen was recognized as a partial settlement of the company pension plan for the year ended March 31, 2014.

In addition, unrecognized prior service costs (reduction of liability) on retirement benefit accounting of 5,737 million yen was incurred due to the unification for the year ended March 31, 2014.

2. Business structure improvement expenses

The Group has 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 (54,040 millions of yen) were as follows:

(In millions of yen)

Personnel expenses including the special incentive of early retirement program	28,952
Impairment loss	14,355
Other (*)	10,733
Total	54,040

(*) The main item of "Other" for the year ended March 31, 2014 is the write-off of a long-term accounts receivable-other held by a consolidated subsidiary.

3. Impairment loss

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

Location	Usage	Type
Kai-city, Yamanashi- prefecture Showa-Town, Yamanashi- prefecture etc.	Business assets	Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Software and Other intangible assets
Tsuruoka-city, Yamagata-Prefecture Ube-city, Yamaguchi-prefecture China etc.	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Land, Software, Other intangible assets and Long-term prepaid expenses
Tsuruoka-city, Yamagata-Prefecture Malaysia Taiwan China etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress and Long-term prepaid expenses

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

Net book values of business assets with the expectation of lower profitability were reduced to their recoverable values because the sum of the undiscounted future cash flows was less than that of book value. Such loss amounted to 2,606 million yen, which was included in special loss. The main such impairment loss was for the shutdown of Kofu factory, which amounted to 2,015 million yen.

Also, the Group recognized impairment loss on assets to be transferred for the purpose of reforming the production structure for the establishment of a robust and profitable structure, and to be disposed of, which had no business use due to a decision to close or sell the product line by reducing their net book values to their recoverable values because their fair value declined significantly. Such loss amounted to 11,714 million yen, which was included in special loss.

The main components of such impairment loss was for the transactions to transfer the subsidiaries' 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., a wholly-owned subsidiary of the Company, to Sony Semiconductor Corporation, a wholly-owned subsidiary of Sony Corporation, which amounted to 7,616 million yen.

Also, the Group recognized impairment loss on idle assets with no business use by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 2,264 million yen, which was included in special loss.

Business assets, assets to be disposed of and idle assets were amounted to 16,584 million yen for special loss.

In addition, impairment loss includes business structure improvement expenses, which amounted to 14,355 million yen and impairment loss except for business structure improvement expenses, which amounted to 2,229 million yen.

The components of impairment loss (16,584 million yen) were as follows:

	(In millions of yen)
Buildings and structures	9,422
Machinery and equipment	1,441
Vehicles, tools, furniture and fixtures	1,168
Construction in progress	1,679
Land	2,204

Software	575
Other intangible assets	10
Long-term prepaid expenses	85
Total	16,584

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. In addition, in case the estimated value of assets' the future cash flow was negative, the recoverable value of these assets was estimated at zero.

4. Gain on forgiveness of debt

Due to the receipt of planned financial assistance in the form of a partial debt waiver from some of its major shareholders.

5. Gain on transfer of business

Mainly due to the transfer of subsidiaries' shares and certain assets related to the LTE Modem technology to Broadcom Corporation.

6. Loss on abolishment of retirement benefit plan in on forgiveness of debt

Due to the unification of the company pension plans on April 1, 2014.

7. Adjustment of amounts of deferred tax assets and liabilities due to changes in statutory tax rates

On March 31, 2014, the amended tax laws related to abolishment of the "Special Reconstruction Corporation Tax" was promulgated. As a result of this amendment, the effective statutory tax rates applied for the calculations of deferred tax assets and liabilities were changed from 38.01% to 35.64% for temporary differences expected to be realized or settled for the fiscal year beginning on April 1, 2014.

The amendment of the effective statutory tax rates has little impact on the consolidated financial statements.

Notes to Business Combinations

Business Divestiture

(Transfer of subsidiaries' back-end facilities and others)

1. Outline of the business divestiture

(1)Name of the buyer

J-Devices Corporation (hereafter "J-Devices")

(2)Nature of the divested business

Back-end production business of the Hakodate Factory of Renesas Northern Japan Semiconductor, Inc. (hereafter "Renesas Northern Japan") and the Fukui Factory of Renesas Kansai Semiconductor Co., Ltd. (hereafter "SKS"), back-end production business and contract manufacturing service of the Kumamoto Factory of Renesas Kyushu Semiconductor Corp. (hereafter "Renesas Kyushu") and production support business of Renesas Northern Japan's wholly owned subsidiary, Hokkai Electronics Co., Ltd. (hereafter "Hokkai Electronics").

(3)Main reasons for the divestiture

The Company is proceeding with the restructuring of the Group's production facilities in Japan to strengthen its revenue base.

As part of this process, a production strategy of the back-end facilities in Japan is to specialize in production of high-value added products with increasing outsourcing ratio as well as production ratio at the Company's overseas sites. Meanwhile, J-Devices believed it is of the utmost importance to expand the scale of its operation in order to strengthen cost competitiveness required for the further business growth.

Given the circumstances, to build a long-term partnership between the Company and J-Devices that would strengthen the competitiveness of the business to be transferred, the Company decided to sell its subsidiaries' back-end facilities and others to J-Devices.

(4)Date of divestiture

June 1, 2013

(5)Overview of transactions including statutory form

Regarded as Renesas Northern Japan, SKS, Renesas Kyushu and Hokkai Electronics as splitting companies, the Company carried out an absorption-type split to transfer the businesses to Renesas J Semiconductor Corporation, its newly establish wholly owned subsidiary, and then the Company transferred all issued shares of the subsidiary to J-Devices.

2. Overview of accounting treatment applied

(1) Amount of gain on business transfer

Difference between consideration transferred and the amount corresponding to the shareholders' equity of the transferred business was recognized as gain on transfer of business for consolidated statements of operations.

	(In millions of yen)
Gain on transfer of business	29

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

	(In millions of yen)
Current assets	4,057
Long-term assets	8,532
Total assets	12,589
Current liabilities *1	1,057
Long-term liabilities *1	6,002
Total liabilities	7,059

*1 Loan payables from the Company, eliminated as intercompany transactions on a consolidated basis, are included.

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations for the year ended March 31, 2014.

	(In millions of yen)
Net sales	4,876
Operating gain	160

(Transfer of subsidiaries' shares and certain assets related to LTE Modem technology)

1. Outline of the business divestiture

(1) Name of the buyer

Broadcom Corporation (hereafter "Broadcom")

(2) Nature of the divested business

Design and development of LTE Modem technology

(3) Main reasons for the divestiture

The Company and its wholly-owned subsidiary Renesas Mobile Corporation (hereafter "RMC") announced on June 27, 2013 that they would stop development activities and sales expansion of the 4th generation wireless modem (hereafter "LTE Modem") developed by Renesas Mobile Europe Oy, RMC's subsidiary (hereafter "RME") and Renesas Mobile India Private Limited, RME's subsidiary (hereafter "RMI"), and worked towards the termination of this business. After the announcement, the Company and RMC had started performing the steps necessary to end these activities. During the process, however, Broadcom, a semiconductor company for wired and wireless communications, proposed the Company and RMC to acquire the LTE Modem technology.

Reviewing this proposal, the Company and RMC reached a conclusion to transfer LTE Modem technology to Broadcom.

(4) Date of divestiture

October 1, 2013

(5) Overview of transactions including statutory form

The Company and RMC transferred all of the common stocks for RME and RMI, and certain assets related to the LTE Modem technology to Broadcom with cash consideration.

2. Overview of accounting treatment applied

(1) Amount of gain on business transfer

Difference between consideration transferred and the amount corresponding to the shareholders' equity of the transferred business was recognized as gain on transfer of business for consolidated statements of operations.

	(In millions of yen)
Gain on transfer of business	15,355

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

	(In millions of yen)
Current assets	6,257
Long-term assets	733
Total assets	6,990
Current liabilities	3,256
Long-term liabilities	16
Total liabilities	3,272

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations for the year ended March 31, 2014.

	(In millions of yen)
Net sales	—
Operating loss	8,023

(Transfer of equity interest in consolidated subsidiary)

1. Outline of the business divestiture

(1)Name of the buyer

Shougang Company Limited

(2)Nature of the divested business

Manufacturing of semiconductor devices in Shougang NEC Electronics Co., Ltd. (hereafter “SGNEC”), a consolidated subsidiary of the Company.

(3)Main reasons for the divestiture

The Company has been conducting structural reforms to shore up its revenue base by improving the cost structure, accelerate its decision-making, and streamline and boost its efficiency of business operations.

After careful consideration of future operational plans and mindful of the imminent expiration (on December 30, 2013) of the joint management agreement with Shougang Company Limited, the Company decided to transfer its entire equity interest in SGNEC to Shougang Company Limited, and to terminate the joint management arrangement.

(4)Date of divestiture

November 27, 2013

(5)Overview of transactions including statutory form

The Company transferred all of the equity interest (50.3%) in SGNEC to Shougang Company Limited with cash consideration.

2. Overview of accounting treatment applied

(1) Amount of loss on business transfer

Difference between consideration transferred and the amount corresponding to the shareholders’ equity of the transferred business was recognized as loss on transfer of business for consolidated statements of operations.

	(In millions of yen)
Loss on transfer of business	1,598

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

	(In millions of yen)
Current assets	10,151
Total assets	10,151
Current liabilities	1,013
Total liabilities	1,013

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations for the year ended March 31, 2014

	(In millions of yen)
Net sales	7,123
Operating gain	1,873

Transactions under Common Control
(Merger between the Company and its subsidiary, Renesas Electronics Sales Co., Ltd.)

1. Summary of transaction under common control

(1) Names and businesses of companies involved in business combination

Name of Surviving company; Renesas Electronics Corporation
Name of Merged company; Renesas Electronics Sales Co., Ltd. (hereafter “Renesas Sales”)
Business Operations; Sale of electronic components such as semiconductor devices and integrated circuits; sale of electronic equipment and communications equipment; software development, design, manufacture, sale, maintenance, and consulting related to the preceding

(2) Date of business combination
October 1, 2013

(3) Legal type of business combination
The absorption-type merger method; the Company as the surviving company and Renesas Sales as the absorbed company.

(4) Other matters relating to the outline of the transaction
To shore up its revenue base by improving the cost structure, accelerate its decision-making, and streamline and boost its efficiency of business operations, the Company has carried out the absorption-type merger as a part of rebuilding the design, development, production, and sales structures within the Renesas Group.

2. Overview of accounting treatment applied

This transfer of business has been accounted for as transactions under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, issued on December 26, 2008).

(Mergers between Subsidiaries and Changes of Subsidiaries’ Names)

As a part of rebuilding the design, development, production, and sales structures within the Group, the Company implemented mergers between subsidiaries and changes of subsidiaries’ names on October 1, 2013. The following is the outline of mergers.

1) The absorption-type merger was implemented between Renesas Micro Systems Co., Ltd. (the surviving company) and Renesas Design Corp. (the absorbed company), both of which are design and application technology companies, and the surviving company’s name was changed into Renesas System Design Co., Ltd.

2) The absorption-type merger was implemented among Renesas Musashi Engineering Services, Co., Ltd. (the surviving company), Renesas Kitaitami Engineering Services Co., Ltd. (the absorbed company) and Renesas Takasaki Engineering Service Co., Ltd. (the absorbed company), all of which are design and application technology companies, and the surviving company’s name was changed into Renesas Engineering Services Co., Ltd.

3) The absorption-type merger was implemented between Renesas Northern Japan Semiconductor, Inc. (the surviving company) and Renesas Eastern Japan Semiconductor, Inc. (the absorbed company), both of which are production companies.

<u>Notes to Significant Subsequent Events</u>

(Reorganization of semiconductor front-end production business with the Company and its subsidiaries as the affected parties, and Change of the surviving company name)

1. Summary of transaction under common control

(1)Names and business of companies involved in business combination

Name of surviving company; Renesas Kansai Semiconductor Co., Ltd.

Names of the companies or businesses to be merged;

(1)	The semiconductor front-end production business of Renesas Electronics Corporation
(2)	The semiconductor front-end production business of Renesas Semiconductor Kyushu Yamaguchi Co., Ltd.
(3)	The crystal business of Renesas Northern Japan Semiconductor, Inc.
(4)	Renesas Yamagata Semiconductor Co., Ltd.
(5)	Renesas Kofu Semiconductor, Co., Ltd.
(6)	Renesas Naka Semiconductor Co., Ltd.
(7)	Renesas Semiconductor Engineering Corp.

Business operations;

Mainly the semiconductor front-end production business and semiconductor engineering work.

(2)Date of business combination

April 1, 2014

(3)Legal type of business combination

Absorption-type split or merger by regarding Renesas Kansai Semiconductor Co., Ltd., as the successor and surviving company

Names of the companies or businesses to be merged		Legal type of business combination
(1)	The semiconductor front-end production business of Renesas Electronics Corporation	Absorption-type split
(2)	The semiconductor front-end production business of Renesas Semiconductor Kyushu Yamaguchi Co., Ltd.	Absorption-type split
(3)	The crystal business of Renesas Northern Japan Semiconductor, Inc.	Absorption-type split
(4)	Renesas Yamagata Semiconductor Co., Ltd.	Absorption-type merger
(5)	Renesas Kofu Semiconductor, Co., Ltd.	Absorption-type merger
(6)	Renesas Naka Semiconductor Co., Ltd.	Absorption-type merger
(7)	Renesas Semiconductor Engineering Corp.	Absorption-type merger

(4)Name of the company after business combination

Renesas Semiconductor Manufacturing Co., Ltd.

(5)Other matters relating to the outline of the transaction

The semiconductor manufacturing business of the Renesas Group is moving forward with reforms with a consistent focus on profitability and promotion of autonomous management as its hallmarks. Specifically, the semiconductor manufacturing business is undergoing structural reforms based on (1) boosting production efficiency, (2) building a flexible manufacturing system to respond to rapid market changes, and (3) maintaining and continuing in-house plants with advanced technologies and cost competitiveness.

As a part of this process, the Company decided to reorganize its front-end production-related group companies in Japan by means of absorption-type separations and absorption-type mergers, with the Company and its subsidiaries as the affected parties

2. Overview of accounting treatment scheduled

This transfer of business will be accounted for as transactions under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

(Reorganization of semiconductor back-end production business with the Company and its subsidiaries as the affected parties, and Change of the surviving company name)

1. Summary of transaction under common control

(1)Names and business of companies involved in business combination

Name of surviving company; Renesas Semiconductor Kyushu Yamaguchi Co., Ltd.

Name of the companies or businesses to be merged;

(1)	The semiconductor back-end production business of Renesas Electronics Corporation
(2)	Renesas Northern Japan Semiconductor, Inc.
(3)	Hokkai Electronics Co., Ltd.
(4)	Haguro Electronics Co., Ltd.
(5)	Renesas Yanai Semiconductor, Inc.
(6)	Renesas Kyushu Semiconductor Corp.

Business operations;

Mainly the semiconductor back-end production and contract manufacturing businesses.

(2)Date of business combination

April 1, 2014

(3)Legal type of business combination

Absorption-type split or merger by regarding Renesas Semiconductor Kyushu Yamaguchi Co., Ltd., as the successor and surviving company

Names of the companies or businesses to be merged		Legal type of business combination
(1)	The semiconductor back-end production business of Renesas Electronics Corporation	Absorption-type split
(2)	Renesas Northern Japan Semiconductor, Inc.	Absorption-type merger
(3)	Hokkai Electronics Co., Ltd.	Absorption-type merger
(4)	Haguro Electronics Co., Ltd.	Absorption-type merger
(5)	Renesas Yanai Semiconductor, Inc.	Absorption-type merger
(6)	Renesas Kyushu Semiconductor Corp.	Absorption-type merger

(4)Name of the company after business combination

Renesas Semiconductor Package & Test Solutions Co., Ltd.

(5)Other matters relating to the outline of the transaction

The semiconductor manufacturing business of the Renesas Group is moving forward with reforms with a consistent focus on profitability and promotion of autonomous management as its hallmarks. Specifically, the semiconductor manufacturing business is undergoing structural reforms based on (1) boosting production efficiency, (2) building a flexible manufacturing system to respond to rapid market changes, and (3) maintaining and continuing in-house plants with advanced technologies and cost competitiveness.

As a part of this process, the Company decided to reorganize its back-end production-related group companies in Japan by means of absorption-type separations and absorption-type mergers, with the Company Electronics and its subsidiaries as the affected parties

2. Overview of accounting treatment scheduled

This transfer of business will be accounted for as transactions under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, issued on December 26, 2008).

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.

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 on or 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 has taken into account for the deterioration of financial conditions.

5) Provision for business structure improvement

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

6) Provision for contingent loss

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

7) Provision loss on business of subsidiaries and affiliates

Provision loss on business of subsidiaries and affiliates is provided for the estimated amounts incurred by excessive liabilities over the investment and loan to subsidiaries and affiliates by taking their financial conditions into consideration.

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) Assets pledged as collateral

(In millions of yen)

Finished goods	34,359	(—)
Work in process	37,587	(—)
Raw materials and supplies	3,500	(—)
Buildings	28,162	(28,053)
Structures	2,702	(2,701)
Machinery and equipment	15,261	(15,261)
Land	20,278	(17,127)
Investment securities	1,652	(—)
Total	143.,501	(63,142)

(2) Secured liabilities

(In millions of yen)

Current portion of lease obligations	893	(—)
Long-term borrowings	249,925	(249,925)
Lease obligations	5,969	(—)
Total	256,787	(249,925)

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

2. Accumulated Depreciation of Property, Plant and Equipment: 152,197 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:

Liabilities for Guarantees	
Loan to affiliated companies	8,232 million yen
Guarantees for employees' housing loan	294 million yen

5. Monetary Receivables from and Payables to Affiliated Companies:

Short-term receivable	184,703 million yen
Short-term payable	154,259 million yen

Notes to Statement of Operations

1. Transactions with Affiliated Companies:

Amounts of operating transactions	
Net sales	568,788 million yen
Purchases	597,317 million yen
Amounts of non-operating transactions	23,859 million yen

2. Business structure improvement expenses

The Company has 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 (23,551 millions of yen) were as follows:

	(In millions of yen)
Funding to subsidiaries for business structure improvement	9,677
Personnel expenses including the special incentive of early retirement program	9,389
Impairment loss and others for the shutdown of Kofu factory	3,500
Other	985
Total	23,551

3. Loss on abolishment of retirement benefit plan in on forgiveness of debt

Regarding the accounting procedure on the unification of the company pension plans on April 1, 2014 along with a withdrawal from the company pension plan in NEC Corporation, "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Implementation Guidance No.1, issued on January 31, 2002) and "Revised Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ PITF No.2, issued on February 7, 2007) have been applied.

As a result, the special loss (loss on abolishment of retirement benefit plan) of 7,782 million yen was recognized as a partial settlement of the company pension plan for the year ended March 31, 2014.

Notes to Statement of Changes in Net Assets

Type and Number of Treasury Stock as of March 31, 2014	
Common Stock	2,548 shares

Notes to Tax-Effect Accounting

On March 31, 2014, the amended tax laws related to abolishment of the "Special Reconstruction Corporation Tax" was promulgated. As a result of this amendment, the effective statutory tax rates applied for the calculations of deferred tax assets and liabilities were changed from 38.01% to 35.64% for temporary differences expected to be realized or settled for the fiscal year beginning on April 1, 2014.

The amendment of the effective statutory tax rates has little impact on the non-consolidated financial statements.

Significant components of deferred tax assets were operating loss carry forwards, loss on valuation of stocks of subsidiaries and affiliates, provision of allowance for doubtful accounts for subsidiaries and affiliates, surplus of accrued retirement benefits and others. The amount of valuation allowance for deferred tax assets was 353,020 million yen.

Significant components of deferred tax liabilities were excess amount of depreciable limit 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 as of March 31, 2014
Other affiliated company	Hitachi, Ltd. (*1)	(Owned) Direct 7.66 %	Sales of our products	Forgiveness of debt Borrowing (*2)	3,818 13,682	— —	— —
Other affiliated company	Mitsubishi Electric Corporation (*1)	(Owned) Direct 6.27 %	Sales of our products	Borrowing (*2)	14,500	—	—
Other affiliated company	NEC Corporation (*1)	(Owned) Direct 0.76 % Indirect 8.11 %	Sales of our products	Forgiveness of debt Borrowing (*2)	3,818 13,682	— —	— —

2. 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 (*7)	Account	Balance as of March 31, 2014
Subsidiary	Renesas Electronics Sales Co., Ltd. (*3)	(Own) Direct 100.0 %	Sales of our products	Sales of products (*4)	165,433	—	—
Subsidiary	Renesas Yamagata Semiconductor Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*5) Purchase of machinery and equipment Funding to subsidiaries for business structure improvement Provision of collateral(*6)	39,000 7,338 9,000 7,149	Short-term loans receivable — — —	9,748 — — —
Subsidiary	Renesas Mobile Corporation	(Own) Direct 100.0 %	Design and development of parts of our products	Loan(*5)	53,000	Short-term loans receivable (*8)	37,266
Subsidiary	Renesas Kansai Semiconductor Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*5) Funding to subsidiaries for business structure improvement Provision of collateral(*6)	20,000 677 23,000	Short-term loans receivable — —	14,979 — —

Subsidiary	Renesas Semiconductor Kyushu Yamaguchi Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*5) Provision of collateral(*6)	30,000 41,236	Short-term loans receivable —	19,162 —
Subsidiary	Renesas Northern Japan Semiconductor, Inc. (*9)	(Own) Direct 100.0 %	Purchases of parts of our products	Money deposited (*5) Provision of collateral(*6)	— 2,950	Deposits received —	9,503 —
Subsidiary	Renesas Kyushu Semiconductor Corp.	(Own) Direct 100.0 %	Purchases of parts of our products	Loan(*5)	8,500	Short-term loans receivable	1,440
Subsidiary	Haguro Electronics Co., Ltd.	(Own) Indirect 100.0 %	Purchases of parts of our products	Provision of collateral(*6)	273	—	—
Subsidiary	Renesas Yanai Semiconductor, Inc.	(Own) Indirect 100.0 %	Purchases of parts of our products	Provision of collateral(*6)	473	—	—
Subsidiary	Renesas System Design Co., Ltd.	(Own) Direct 100.0 %	Design of our products and consignment of development	Provision of collateral(*6)	898	—	—
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products	Sales of products(*4) Loan(*5)	56,215 105,000	Accounts receivable-trade Short-term loans receivable	11,060 —
Subsidiary	Renesas Electronics Europe GmbH	(Own) Indirect 100.0 %	Sales of our products, Consignment of design and development	Sales of products(*4) Money deposited (*5)	90,194 —	Accounts receivable-trade Deposits received	18,189 10,482
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Money deposited (*5) Sales of products(*4)	— 85,234	Deposits received Accounts receivable-trade	10,071 14,578
Subsidiary	Renesas Electronics Taiwan Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*5)	—	Deposits received	13,830
Subsidiary	Renesas Electronics Singapore Pte. Ltd.	(Own) Direct 100.0 %	Sales of our products	Sales of products(*4)	51,255	Accounts receivable-trade	8,476
Subsidiary	Renesas Semiconductor KL Sdn. Bhd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*4)	20,486	Accounts payable-trade	7,566

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

(*1) Due to the third-party allotment to Innovation Network Corporation of Japan on September 30, 2013, the ratio of share-holding of Hitachi, Ltd. (hereinafter "Hitachi"), Mitsubishi Electric Corporation (hereinafter "Mitsubishi Electric") and NEC Corporation (hereinafter "NEC") was decreased, and only the amounts of transaction during the period when these companies were regarded as the related parties were described above.

(*2) Regarding the borrowing agreements with Hitachi, Mitsubishi Electric and NEC, the modification of term and conditions was implemented. Main modification was for the borrowing rate and repayment schedules.

(*3) Renesas Sales, the Company's subsidiary, was merged with the Company on October 1, 2013. Therefore, only the amount of transaction during the period when Renesas Sales was regarded as a related party was described above.

(*4) Price and other transaction conditions were determined based on a price negotiation.

(*5) 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.
Amount of transaction for loan described above was loan ceiling.

(*6) Collateral in connection with the Company's borrowing from financial institutions was provided.
For the details, please refer to "Notes to Balance Sheet, 1. Assets pledged as collateral and secured liabilities"

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

(*8) The Company booked allowance for doubtful accounts of 37,266 million yen against the fiscal year-end loan balance for Renesas Mobile Corporation. In addition, the amount of provision of allowance for doubtful accounts was 1,506 million yen for the year ended March 31, 2014.

(*9) On October 1, 2013, Renesas Northern Japan Semiconductor, Inc. merged with Renesas Eastern Japan Semiconductor, Inc. by means of the absorption-type merger method.

Notes to Per Share Information

1. Net assets per share: 94.45 yen
2. Net loss per share: 12.00 yen

Notes to Significant Subsequent Events

On April 1, 2014, the Company implemented the reorganization of semiconductor front-end production business as well as back-end production business with the Company and its subsidiaries as the affected parties.

As a result of this reorganization, the front-end production business was transferred to Renesas Semiconductor Manufacturing Co., Ltd. and the back-end production business was transferred to Renesas Semiconductor Package & Test Solutions Co., Ltd. by means of the absorption-type split. For details, please refer to “Notes to Significant Subsequent Events” in the notes to consolidated financial statements.

Notes to Business Combinations

On October 1, 2013, the Company merged with Renesas Sales by means of the absorption-type merger method. For details, please refer to the section “Transactions under Common Control” of “Notes to Business Combinations” in the notes to consolidated financial statements.