

To Shareholders

## The 14th Ordinary General Meeting of Shareholders Matters for Internet Disclosure

The 14th Business Period from April 1, 2015 to March 31, 2016

- 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”): 30

The names of major subsidiaries:

Regarding major subsidiaries’ names, please refer to “1-(7).Principal Subsidiaries (as of March 31, 2016)” in the Business Report.

Number of subsidiaries decreased by merger: 1

Renesas System Design Co, Ltd. of consolidated subsidiaries was implemented absorption-type merger by Renesas Solutions Corporation of same consolidated company, and Renesas System Design Co, Ltd. was excluded from the Group in April 1, 2015.

In addition, the corporate name of Renesas Solutions Corporation was changed to Renesas System Design Co, Ltd.

#### **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: 2

The names of major affiliates accounted for by the equity method:

Renesas Easton Co., Ltd.

and other 1 company

(Number of subsidiaries decreased by sale: 1)

(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 Renesas Electronics Corporation (“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, 2016 (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 as principal 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 a benefit formula basis.
- 2) Treatment for actuarial gains and losses and prior service costs
  - Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (mainly over 12 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 12 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**

From the fiscal year, the Group has adopted “Accounting Standard for Business Combinations” (ASBJ Statement No.21, issued on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued on September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on September 13, 2013) and so forth. The Group has adopted the methods to post the differences arose by the changes in a parent company’s equity interest in its subsidiaries that are still under its control as capital surplus and recognize acquisition-related costs as expenses for the fiscal year in which such costs are incurred.

For business combinations conducted on or after April 1, 2015, the Group has also adopted the method to reflect the adjustments to the allocation of acquisition costs caused by finalizing the tentative accounting treatment in the consolidated financial statements of the consolidated fiscal year when the business combinations are occurred. In addition, the Group has changed the presentation of “Net income” etc. and the presentation from “Minority interests” to “Non-controlling interests”.

The adoption of the accounting standards is subject to the transition treatment set forth in Clause 58-2(4) of the “Accounting Standard for Business Combinations”, Clause 44-5(4) of the “Accounting Standard for Consolidated Financial Statements”, Clause 57-4(4) of the “Accounting Standard for Business Divestitures”, and the Group has applied the accounting standards from the fiscal year beginning on April 1, 2015.

Furthermore, the adoption of the accounting standards has no impact on the financial statements and amount per share information for the fiscal year.

### **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	25,972	(—)
Work in process	50,819	(—)
Raw materials and supplies	5,528	(—)
Buildings and structures	49,290	(48,705)
Machinery and equipment	33,904	(33,904)
Land	22,285	(18,577)
Total	187,798	(101,186)

(Secured liabilities)

	(In millions of yen)	
Current portion of long-term borrowings	25,000	(25,000)
Current portion of lease obligations	5,051	(—)
Long-term borrowings	213,806	(213,806)
Total	243,857	(238,806)

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

**2. Accumulated Depreciation of Property, Plant and Equipment:** 773,305 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 loans: 159 million yen

Other guarantees: 378 million yen

Other Contingent Liabilities:

The Group was named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of the competition law involving SRAM brought by purchasers of such products, but the pending lawsuit was concluded by a settlement.

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 has been named in Canada as one of the defendants in civil lawsuit related to possible violations of the competition law involving smartcard chips.

The Company and its subsidiary in Europe has been named in the U.K. as the defendants in a civil lawsuit related to possible violations of the 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, 2016

Common Stock	1,667,124,490 shares
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## **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 electronically recorded obligations, 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 working capital and capital investments. Their repayment terms are at most 6 years after the fiscal year-end. Certain borrowings with variable interest rates are exposed to interest rate fluctuation risk. In addition, certain contracts include financial covenants.

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

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

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

## 2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of March 31, 2016 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note2)

(In millions of yen)

	Amounts on consolidated balance sheet(*)	Fair value (*)	Difference
(1) Cash and deposits	398,673	398,673	—
(2) Notes and accounts receivable-trade	81,866	81,866	—
(3) Accounts receivable-other	16,155	16,155	—
(4) Long-term investment securities			
Stocks of affiliates	3,392	1,901	(1,491)
Other securities	2,595	2,595	—
(5) Electronically recorded obligations	(9,246)	(9,246)	—
(6) Notes and accounts payable-trade	(76,882)	(76,882)	—
(7) Accounts payable-other	(33,161)	(33,161)	—
(8) Accrued income taxes	(5,041)	(5,041)	—
(9) Long-term borrowings (including current portion)	(238,806)	(240,980)	(2,174)
(10) Lease obligations (including current portion)	(5,536)	(5,696)	(160)

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

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) Electronically recorded obligations, (6) Notes and accounts payable-trade, (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.

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	209

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:** 227.63 yen

**Net income per share:** 51.76 yen

## **Other Notes**

### **1. 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 (12,702 millions of yen) were as follows:

	(In millions of yen)
Personnel expenses including the special incentive of early retirement program	2,737
Impairment loss	3,725
Other (*)	6,240
<b>Total</b>	<b>12,702</b>

(\*) The main item of "Other" for the year ended March 31, 2016 is equipment removal related expenses to realignment of the manufacturing sites and equipment relocation related expenses etc. to reorganize the design and development operation including its locations.

### **2. Impairment Loss**

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

Location	Usage	Type
Itami-city, Hyogo-prefecture Tsuruoka-city, Yamagata-prefecture Showa-town, Nakakoma-country, Yamanashi-prefecture Otsu-city, Shiga-prefecture etc.	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Land, Software and Other intangible
Taiwan China etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures

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.

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 assets 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 3,752 million yen, which was included in special loss.

Also, the Group recognized impairment loss on idle assets with no business use by reducing their net book values to their recoverable values because their fair values declined significantly. Such loss amounted to 323 million yen, which was included in special loss.

The assets to be disposed of and idle assets amounted to 4,075 million yen for special loss.

In addition, impairment loss includes business structure improvement expenses, which amounted to 3,725 million yen and impairment loss except for business structure improvement expenses, which amounted to 350 million yen.

The components of impairment loss (4,075 million yen) were as follows:

	(In millions of yen)
Buildings and structures	2,897
Machinery and equipment	214
Vehicles, tools, furniture and fixtures	184

Land	754
Construction in progress	13
Software	12
Other intangible assets	1
<hr/> Total	<hr/> 4,075

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.

### **3. Adjustment of Amounts of Deferred Tax Assets and Liabilities due to Changes in Statutory Tax Rates**

Associated with the enactment on March 29, 2016 of the Act for Partial Revision of the Income Tax Act etc., the effective statutory tax rates applied for the calculations of deferred tax assets and liabilities were changed from 32.34% to 30.86% for temporary differences expected to be realized or settled in the periods from April 1, 2016 to March 31, 2018 and 30.62% for temporary differences expected to realized or settled after April 1, 2018.

The impact of the tax rate change on the consolidated financial statements for the year ended March 31, 2016 is negligible.

### **Notes to Business Combinations**

#### **(Business Combinations)**

#### **Transactions under Common Control**

(The reorganization of the design and development functions involving the Company and its subsidiaries)

As a part of reorganizing the design and development functions within the Group, the Company implemented absorption-type splits involving the Company and its subsidiaries as well as a merger between subsidiaries and the subsequent change of the subsidiary's name on April 1, 2015. The following is the outline of the absorption-type splits and the merger.

#### 1. Summary of transaction under common control

(1) The device solution development functions of the Company were transferred to Renesas Solutions Corporation by means of the absorption-type split.

(2) The Company's development and technical support functions related to semiconductor products were transferred to Renesas Engineering Services Co., Ltd. by means of the absorption-type split.

(3) The Kit, platform and field solutions development functions, sales promotion infrastructure development functions and other functions of Renesas Solutions Corporation were transferred to the Company by means of the absorption-type split.

(4) The absorption-type merger was implemented between Renesas Solutions Corporation (the surviving company) and Renesas System Design Co., Ltd. (the absorbed company), both of which are design and development subsidiaries of the Company, and the surviving company's name was changed to Renesas System Design Co., Ltd.

#### 2. Overview of accounting treatment applied

The reorganization has been accounted for as transactions under common control in accordance with "Accounting Standard for Business Combinations" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

### **Notes to Significant Subsequent Events**

(Impact of the Earthquake in Kumamoto Prefecture)

The Kawashiri Factory of Renesas Semiconductor Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company was damaged by the Kumamoto Earthquake that occurred on and after April 14, 2016. After that, the company resumed investigations inside the clean room and having completed a thorough assessment, the company has resumed production of some of the manufacturing processes starting April 22.

Some of the subcontractor companies have been confirmed damages by the earthquake. The company in cooperation with its suppliers and partner companies are accelerating recovery efforts.

In addition, amount of the damages for the consolidated financial statements is currently under consideration.



## **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.

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.

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

## 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.

## 4. Accounting Treatment for Retirement Benefits

Accounting treatments for actuarial gains and losses and prior service costs differ from those applied by the consolidated financial statements.

## 5. Accounting Treatment for Consumption Tax

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

## 6. Adoption of Consolidated Taxation System

The Company adopts the consolidated taxation system.

## Notes to Changes in Presentation

(Statement of Operations)

"Gain on sales of property, plant and equipment" included in "Other special income" of special income in the previous fiscal year is presented separately from the current fiscal year owing to the increase in the monetary significance.

## Notes to Balance Sheet

### 1. Collateral and Collateral liability

(1) Assets pledged as collateral

	(In millions of yen)	
Finished goods	25,444	(—)
Work in process	28,835	(—)
Raw materials and supplies	1,242	(—)
Buildings	24,277	(24,174)
Structures	2,253	(2,253)
Machinery and equipment	21,243	(21,243)
Land	16,324	(13,174)
Total	119,618	(60,844)

(2) Secured liabilities

	(In millions of yen)	
Current portion of long-term borrowings	25,000	(25,000)
Current portion of lease obligations	5,051	(—)
Long-term borrowings	213,806	(213,806)
Total	243,857	(238,806)

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

**2. Accumulated Depreciation of Property, Plant and Equipment:** 147,154 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 of affiliated companies	361 million yen
Guarantees for employees' housing loans	130 million yen

**5. Monetary Receivables from and Payables to Affiliated Companies:**

Short-term receivable	100,420 million yen
Short-term payable	168,166 million yen

**Notes to Statement of Operations**

**1. Transactions with Affiliated Companies:**

Amounts of operating transactions

Net sales	402,134 million yen
Purchases	500,839 million yen

Amounts of non-operating transactions 11,966 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 (15,575 millions of yen) were as follows:

	(In millions of yen)
Funding to subsidiaries for business structure improvement	9,300
Impairment loss and expenses for the reorganization of the design and development sites etc.	5,894
Other	381
Total	15,575

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

Type and Number of Treasury Stock as of March 31, 2016

Common Stock 2,581 shares

**Notes to Tax-Effect Accounting**

Associated with the enactment on March 29, 2016 of the Act for Partial Revision of the Income Tax Act etc., the effective statutory tax rates applied for the calculations of deferred tax assets and liabilities were changed from 32.34% to 30.86% for temporary differences expected to be realized or settled in the periods from April 1, 2016 to March 31, 2018 and 30.62% for temporary differences expected to realized or settled after April 1, 2018.

The impact of the tax rate change on the consolidated financial statements for the year ended March 31, 2016 is negligible.

Significant components of deferred tax assets were operating loss carry forwards, loss on valuation of stocks of subsidiaries and affiliates, accrued retirement benefits and others, and the valuation allowance for deferred tax assets were fully accrued. In addition, significant components of deferred tax liabilities were valuation difference of assets acquired by merger 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 adopted finance leases other than those under which ownership of the assets transferred to the lessee at the end of lease term.

## Notes to Transactions with Related Parties

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)	Account	Balance as of March 31, 2016(*4)
Subsidiary	Renesas Semiconductor Manufacturing Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1) Business structure improvement expense Money deposited (*2) Provision of collateral(*3)	151,944 9,460 — 30,223	Accounts payable-trade — Deposits received —	18,360 — 13,930 —
Subsidiary	Renesas Semiconductor Package & Test Solutions Co., Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Purchases of products(*1) Loan(*2)  Provision of collateral(*3)	42,939 20,000  37,283	Accounts payable-trade Short-term loans receivable —	8,245 16,392 —
Subsidiary	Renesas System Design Co., Ltd.	(Own) Direct 100.0 %	Design of our products and consignment of development	Purchases of products(*1)	39,054	Accounts payable-trade	12,095
Subsidiary	Renesas Semiconductor Singapore Pte. Ltd.	(Own) Direct 100.0 %	Purchases of parts of our products	Money deposited (*2)	—	Deposits received	11,854
Subsidiary	Renesas Electronics America Inc.	(Own) Direct 100.0 %	Sales of our products, Consignment of design and development	Sales of products(*1)	71,662	Accounts receivable-trade	10,838
Subsidiary	Renesas Electronics Europe GmbH	(Own) Indirect 100.0 %	Sales of our products, Consignment of design and development	Sales of products(*1) Money deposited (*2)	90,931 —	Accounts receivable-trade Deposits received	15,773 13,160
Subsidiary	Renesas Electronics (Shanghai) Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	8,175
Subsidiary	Renesas Electronics Hong Kong Limited	(Own) Direct 100.0 %	Sales of our products	Sales of products(*1) Money deposited (*2)	71,982 —	Accounts receivable-trade Deposits received	12,004 9,218
Subsidiary	Renesas Electronics Taiwan Co., Ltd.	(Own) Direct 100.0 %	Sales of our products	Money deposited (*2)	—	Deposits received	17,269

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

(\*1) Price and other transaction conditions were determined based on a price negotiation.

(\*2) Rate for loan to subsidiaries and money deposited from subsidiaries was determined by considering the market rate. Amount of transaction for loan described above was loan ceiling.

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

For 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.

### **Notes to Per Share Information**

**1. Net assets per share:** 169.52 yen  
**Net income per share:** 39.32 yen

### **Notes to Business Combinations**

As a part of reorganizing the design and development functions within the Group, the Company implemented absorption-type splits involving the Company and its subsidiaries as well as a merger between subsidiaries and the subsequent change of the subsidiary's name on April 1, 2015. As a result of this reorganization, the device solution development functions of the Company were transferred to Renesas Solutions Corporation, the Company's development and technical support functions related to semiconductor products were transferred to Renesas Engineering Services Co., Ltd. by means of the absorption-type split and the Kit, platform and field solutions development functions, sales promotion infrastructure development functions and other functions of Renesas Solutions Corporation were transferred to the Company by means of the absorption-type split. Renesas Solutions Corporation implemented absorption-type merger Renesas System Design Co, Ltd. of consolidated subsidiaries and the corporate name of Renesas Solutions Corporation was changed to Renesas System Design Co, Ltd.

For details, please refer to the section "Notes to Business Combinations" in the notes to consolidated financial statements.

### **Notes to Significant Subsequent Events**

(Impact of the Earthquake in Kumamoto Prefecture)

The Kawashiri Factory of Renesas Semiconductor Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company was damaged by the Kumamoto Earthquake that occurred on and after April 14, 2016.

For details, please refer to the section "Notes to Significant Subsequent Events" in the notes to consolidated financial statements.