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**Renesas Electronics Reports Financial Results
 for the Year Ended March 31, 2016**

Tokyo, Japan, May 11, 2016 — Renesas Electronics Corporation (TSE:6723) today announced consolidated financial results for the year ended March 31, 2016.

Summary of Consolidated Financial Results

	Year ended March 31, 2016	
	Billion Yen	% of Net Sales
Net sales	693.3	100.0
Sales from semiconductors	675.6	
Sales from others	17.7	
Operating income	103.8	15.0
Ordinary income	102.1	14.7
Net income attributable to shareholders of parent company	86.3	12.4
Capital expenditures	61.8	
Depreciation and others	62.4	
R&D expenses	97.4	
	Yen	
Exchange rate (USD)	121	
Exchange rate (EUR)	133	

	As of March 31, 2016	
	Billion Yen	
Total assets	849.4	
Net assets	381.7	
Equity Capital	379.5	
Equity ratio (%)	44.7	
Interest-bearing debt	244.3	

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

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

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



Consolidated Financial Results for the Year Ended March 31, 2016

English translation from the original Japanese-language document

May 11, 2016

Company name : **Renesas Electronics Corporation**
 Stock exchanges on which the shares are listed : Tokyo Stock Exchange, First Section
 Code number : 6723
 URL : <http://www.renesas.com>
 Representative : Tetsuya Tsurumaru, Representative Director, President and CEO
 Contact person : Yoichi Kobayashi, Department Manager Corporate Communications Dept.
 Tel. +81 (0)3-6773-3002
 Date of the ordinary general shareholders' meeting (scheduled) : June 28, 2016
 Filing date of Yukashoken Hokokusho (scheduled) : June 28, 2016

(Amounts are rounded to the nearest million yen)

1. Consolidated financial results for the year ended March 31, 2016

1.1 Consolidated financial results

(% of change from corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	693,289	(12.4)	103,782	(0.6)	102,100	(3.1)	86,292	4.8
Year ended March 31, 2015	791,074	(5.0)	104,427	54.4	105,335	79.7	82,365	---

Reference: Comprehensive income for the year ended March 31, 2016: 69,838 million yen (-43.0%)
 Comprehensive income for the year ended March 31, 2015: 122,544 million yen (---%)

	Net income per share basic	Net income per share diluted	Net income ratio per equity	Ordinary income ratio per total assets	Operating income ratio per sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	51.76	---	25.0	12.1	15.0
Year ended March 31, 2015	49.41	---	31.4	13.0	13.2

Reference: Equity in net income of affiliates of the year ended March 31, 2016: 5 million yen
 Equity in net income of affiliates of the year ended March 31, 2015: 273 million yen

1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2016	849,376	381,739	44.7	227.63
March 31, 2015	840,087	311,909	36.8	185.67

Reference: Equity as of March 31, 2016: 379,479 million yen
 Equity as of March 31, 2015: 309,529 million yen

1.3 Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
Year ended March 31, 2016	Million yen 126,296	Million yen (33,551)	Million yen (30,339)	Million yen 398,410
Year ended March 31, 2015	116,746	(26,603)	(23,762)	343,722

2. Cash dividends

	Cash dividends per share					Total dividends during the year	Dividends payout ratio (consolidated)	Dividends ratio per net assets (consolidated)
	At the end of first quarter	At the end of second quarter	At the end of third quarter	At the end of year	Total			
	Yen	Yen	Yen	Yen	Yen			
Year ended March 31, 2016	---	0.00	---	0.00	0.00	---	---	---
Year ended March 31, 2015	---	0.00	---	0.00	0.00	---	---	---
Year ending December 31, 2016 (forecast)	---	---	---	---	---			

3. Forecast of consolidated results for the three months ending June 30, 2016

(% of change from corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Three months ending June 30, 2016	---	---	---	---	---	---	---	---	---

Note: Change in forecast of consolidated results since the most recently announced forecast: No

Renesas Electronics Group plans to implement a change of the fiscal term in which the fiscal year-end will change from March 31 to December 31 starting from the fiscal year 2016. The change is subject to approval of "a partial amendment to its Articles of Incorporation" at the 14th Ordinary General Shareholders' Meeting to be held on June 28, 2016.

The same change in the fiscal term will be applied to the consolidated subsidiaries of Renesas Group, with some exceptions. The current fiscal year (fiscal year ending December 31, 2016) in which the transition to the new accounting period is to take place, will comprise the financial results for the nine months from April 1, 2016, to December 31, 2016.

Renesas Electronics reports its consolidated forecast on a quarterly basis as substitute for a yearly forecast. However, due to impacts of the Kumamoto Earthquake that occurred after April 14, 2016, it is difficult to disclose the forecast of consolidated results for the three months ending June 30, 2016 at the time of the issuance of this earnings report. For details, please refer to Appendix 1.1.2., "Consolidated Forecasts" on page 4.

4. Others

4.1 Changes in significant subsidiaries for the year ended March 31, 2016

(Changes in specified subsidiaries resulting in changes in scope of consolidation): No

4.2 Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Prior Period Errors

1. Changes in accounting policies with revision of accounting standard: Yes
2. Changes in accounting policies except for 4.2.1: No
3. Changes in accounting estimates: No
4. Corrections of prior period errors: No

4.3 Number of shares issued and outstanding (common stock)

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

As of March 31, 2016: 1,667,124,490 shares

As of March 31, 2015: 1,667,124,490 shares

2. Number of treasury stock

As of March 31, 2016: 2,581 shares

As of March 31, 2015: 2,548 shares

3. Average number of shares issued and outstanding

For the year ended March 31, 2016: 1,667,121,924 shares

For the year ended March 31, 2015: 1,667,121,942 shares

(Reference) Non-consolidated results for the year ended March 31, 2016

Non-consolidated financial results

(% of change from corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	651,022	(9.4)	93,020	25.4	88,258	22.5	65,555	(22.5)
Year ended March 31, 2015	718,784	(2.6)	74,155	231.3	72,070	363.4	84,617	--

	Net income per share: basic	Net income per share: diluted
	Yen	Yen
Year ended March 31, 2016	39.32	--
Year ended March 31, 2015	50.76	--

Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2016	798,625	282,617	35.4	169.52
March 31, 2015	768,804	217,255	28.3	130.32

Reference: Equity at the end of the year ended March 31, 2016: 282,617 million yen
Equity at the end of the year ended March 31, 2015: 217,255 million yen

(Note) Information regarding the implementation of audit procedures
These financial statements are under the audit procedures based upon the Financial Instruments and Exchange Act at the time of issuance of this report.

Cautionary Statement

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

The Group will hold an earnings conference for institutional investors and analysts on May 11, 2016. The Group plans to post the materials which are provided at the meeting, on the Group’s website on that day.

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1. Business Results

1.1 Analysis of Business Results

1.1.1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	791.1	693.3	(97.8)	(12.4)
Sales from semiconductors	753.3	675.6	(77.7)	(10.3)
Sales from others	37.8	17.7	(20.1)	(53.2)
Operating income	104.4	103.8	(0.6)	(0.6)
Ordinary income	105.3	102.1	(3.2)	(3.1)
Net income attributable to shareholders of parent company	82.4	86.3	3.9	4.8
	Yen	Yen		
Exchange rate (USD)	108	121	-	-
Exchange rate (EUR)	140	133	-	-

[Net sales]

Consolidated net sales for the year ended March 31, 2016 were 693.3 billion yen, a 12.4% decrease year on year. This was mainly due to a decrease in sales from semiconductors, including small- and medium-sized display driver ICs for mobile handsets and consumer electronics devices, resulting from the Group's ongoing selection and concentration of businesses, despite the improved exchange rate.

[Sales from Semiconductors]

Sales from semiconductors for the year ended March 31, 2016 were 675.6 billion yen, a 10.3% decrease year on year.

The sales breakdown for "Automotive" and "General purpose", and for "Other semiconductors" not belonging to these two categories, is as follows:

Automotive Business: 321.7 billion yen

The automotive business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising semiconductor devices used in automotive information systems such as navigation systems. The Group supplies microcontrollers, analog & power semiconductor devices, and system-on-chip (SoC) products in each of these categories.

Sales of Automotive business for the year ended March 31, 2016 were 321.7 billion yen, a decrease of 0.4 % year on year. This was mainly due to decreased sales in the "Automotive information" category, despite the increased sales in the "Automotive control" category.

General-Purpose Business: 349.4 billion yen

The general-purpose business includes the product categories "Industrial/Home electronics," comprising semiconductor devices for industrial equipment, white goods, etc., "OA/ICT," comprising semiconductor devices for office automation (OA) equipment such as copy machines and information and communication technology (ICT) equipment such as network infrastructure, and "General-purpose," comprising

general-purpose semiconductor devices for other applications. The Group supplies microcontrollers, analog & power semiconductor devices, and SoC products in each of these categories.

Sales of General-purpose business for the year ended March 31, 2016 were 349.4 billion yen, a decrease of 17.9% year on year. This was mainly due to the Group's promotion of selection and concentration of businesses which led to decreased sales in the "OA/ICT" and "General-Purpose" categories, despite the sales in the "Industrial/Home electronics" that remained flat. In particular, sales in the "General-Purpose" category decreased year on year as a result of transferring all of the shares in Renesas SP Drivers Inc. (hereafter Renesas SP Drivers), a consolidated subsidiary of the Group and supplier of small- and medium-sized display driver ICs, to Synaptics Holding GmbH.

Other Semiconductors: 4.6 billion yen

Sales of Other semiconductors include production by commissioning and royalties.

Sales of other semiconductors for the year ended March 31, 2016 were 4.6 billion yen, a 3.4% decrease year on year.

[Sales from others]

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

Sales from others for the year ended March 31, 2016 were 17.7 billion yen, a 53.2% decrease year on year. This decrease was mainly due to sales of the former Renesas SP Drivers products supplied by commissioning that continued even after the transfer of all of the shares in Renesas SP Drivers on October 1, 2014, in addition to the transfer of the LCD resale business of the Group's overseas subsidiary in April 2015.

[Operating income]

Operating income for the year ended March 31, 2016 was 103.8 billion yen, a 0.6 billion yen decrease year on year. It remained almost the same level as the previous year, mainly due to an improved US dollar exchange rate, in addition to the improved earnings structure, including the improvement of gross profit ratio, from implementing structural reform measures, despite the Group's promotion of selection and concentration of businesses which led to decreased net sales.

[Ordinary income]

Ordinary income for the year ended March 31, 2016 was 102.1 billion yen, a 3.2 billion yen decrease year on year. This was mainly due to decreased non-operating income including foreign exchange gains.

[Net income attributable to shareholders of parent company]

Net income for the year ended March 31, 2016 was 86.3 billion yen, 3.9 billion yen improvement year on year. This was mainly due to decrease in net income attributable to non-controlling interests and income taxes relating to Renesas SP Drivers, as result of the transfer of all of the shares in Renesas SP Drivers in October, 2014.

1.1.2. Consolidated Forecasts

The Group plans to implement a change of the fiscal term in which the fiscal year-end will change from March 31 to December 31 starting from the fiscal year 2016. The change is subject to approval of “a partial amendment to its Articles of Incorporation” at the 14th Ordinary General Shareholders’ Meeting to be held on June 28, 2016.

The same change in the fiscal term will be applied to the consolidated subsidiaries of Renesas Group, with some exceptions. The current fiscal year (fiscal year ending December 31, 2016) in which the transition to the new accounting period is to take place, will comprise the financial results for the nine months from April 1, 2016, to December 31, 2016.

In addition, the Group reports its consolidated forecasts for the next three months because of the difficulty of forecasting full-year results with high accuracy due to the short-term volatility of the semiconductor market. However, due to the damages caused by the Kumamoto Earthquake that occurred after April 14, 2016 to the Group’s manufacturing site and impact on its supply chain, it is difficult to specify reliable and accurate forecasts at this moment. Therefore, the Group did not announce the consolidated forecasts for the three months ending June 30, 2016, today. The Group plans to announce the forecasts once they become available.

1.2 Consolidated Financial Condition

1.2.1 Total Assets, Liabilities and Net assets

	March 31, 2015	March 31, 2016	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	840.1	849.4	9.3
Net assets	311.9	381.7	69.8
Equity	309.5	379.5	70.0
Equity ratio (%)	36.8	44.7	7.8
Interest-bearing debt	259.7	244.3	(15.4)
Debt / Equity ratio	0.84	0.64	(0.20)

Total assets at March 31, 2016 were 849.4 billion yen, a 9.3 billion yen increase from March 31, 2015. This was primarily due to a recording income before income taxes from the promotion of structural reform measures in the year ended March 31, 2016, which resulted in an increase in cash and deposits mainly from securing certain amount of free cash flows. Net assets were 381.7 billion yen, a 69.8 billion yen increase from March 31, 2015. This was mainly due to recording of net income attributable to shareholders of parent company in the amount of 86.3 billion yen despite worsening of foreign currency translation adjustment from appreciation of yen against the emerging market currencies.

Equity increased by 70.0 billion yen from March 31, 2015 and the equity ratio was 44.7%. Interest-bearing debt decreased by 15.4 billion yen from March 31, 2015. Consequently, the debt to equity ratio dropped to 0.64.

1.2.2 Cash Flows

	Year ended March 31, 2015	Year ended March 31, 2016
	Billions of yen	Billions of yen
Net cash provided by (used in) operating activities	116.7	126.3
Net cash provided by (used in) investing activities	(26.6)	(33.6)
Free cash flows	90.1	92.7
Net cash provided by (used in) financing activities	(23.8)	(30.3)
Cash and cash equivalents at the beginning of period	265.9	343.7
Cash and cash equivalents at the end of period	343.7	398.4

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

Net cash provided by operating activities for the year ended March 31, 2016 was 126.3 billion yen. This was mainly due to recording of income before income taxes in the amount of 90.8 billion yen as well as adjustment of non-expenditure items such as depreciation and amortization, etc., which are included in the income before income taxes.

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

Net cash used in investing activities for the year ended March 31, 2016 was 33.6 billion yen, mainly due to the purchase of property, plant and equipment in the amount of 43.0 billion yen, despite proceeds from sales of property, plant and equipment and collection of loans receivable.

The foregoing resulted in positive free cash flows of 92.7 billion yen for the year ended March 31, 2016.

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

Net cash used in financing activities for the year ended March 31, 2016 was 30.3 billion yen.

Consequently, cash and cash equivalents at the end of the period were 398.4 billion yen, 54.7 billion yen increase from the beginning of the period.

1.3 Dividend Payments

For the year ended March 31, 2016, while the Group recorded a consolidated net income (net income attributable to shareholders of parent company) for the year ended March 31, 2016, the Group regrettably forewent dividend payment for this period in order to build a solid profitable financial base that can stably record net income moving forward.

For the year ending December 31, 2016, whether the Group provides interim and year-end dividend payments remain undecided, and the Group will immediately announce it when the decisions are made.

1.4 Risk Factors

Please refer to the Group's "Financial Report" for risk factors.

2. Renesas Electronics Group Companies

The Renesas Electronics Group comprises 30 consolidated subsidiaries and 2 equity method affiliates, as listed below according to primary business activity.

	Japan	Overseas
Sales Companies	<u><Equity Method Affiliate></u> RENASAS EASTON Co., Ltd.	<u><Consolidated Subsidiary></u> Renesas Electronics (China) Co., Ltd. Renesas Electronics (Shanghai) Co., Ltd. Renesas Electronics Hong Kong Limited Renesas Electronics Taiwan Co., Ltd. Renesas Electronics Korea Co., Ltd. Renesas Electronics Singapore Pte. Ltd. Renesas Electronics Malaysia Sdn. Bhd. Renesas Electronics India Private Limited Renesas Electronics America, Inc. Renesas Electronics Canada Limited Renesas Electronics Brasil-Servicos Ltda. Renesas Electronics Europe Limited (UK) Renesas Electronics Europe GmbH (Germany)
Manufacturing and Engineering Service Companies	<u><Consolidated Subsidiary></u> Renesas Semiconductor Manufacturing, Co., Ltd. Renesas Semiconductor Package & Test Solutions Co., Ltd.	<u><Consolidated Subsidiary></u> Renesas Semiconductor (Beijing) Co., Ltd. Renesas Semiconductor (Suzhou) Co., Ltd. Renesas Semiconductor Singapore Pte. Ltd. Renesas Semiconductor KL Sdn. Bhd. Renesas Semiconductor (Malaysia) Sdn. Bhd. Renesas Semiconductor (Kedah) Sdn. Bhd. Renesas Semiconductor Technology (Malaysia) Sdn. Bhd.
Design and Application Technologies Companies	<u><Consolidated Subsidiary></u> Renesas System Design Co., Ltd. Renesas Engineering Services Co., Ltd.	<u><Consolidated Subsidiary></u> Renesas Semiconductor Design (Beijing) Co., Ltd. Renesas Design Vietnam Co., Ltd. Renesas Semiconductor Design (Malaysia) Sdn. Bhd.
Business Corporations and Others	<u><Equity Method Affiliate></u> 1 company	<u><Consolidated Subsidiary></u> 3 companies

Note: Some of the Group's overseas sales companies are also engaged in design and development activities.

3. Management Policies

3.1 Management Policies

The Renesas Electronics Group sets up the following corporate philosophy, which expresses the Group's identity and mission, and corporate vision that shows the Group's target direction. Under these philosophy and vision, the Group is aiming to increase its business value and shareholders value as the world's leading semiconductor company.

[Corporate Philosophy]

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

[Corporate Vision]

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

3.2 Management Targets

As announced in the Group's presentation, "Reforming Renesas" issued on October 30, 2013, with an aim of realizing a company that generates consistent revenue, the Renesas Group has developed a Reform Plan, consisting of three components: 1) "Reform businesses to better utilize market intelligence during product development," 2) "Reform into a profit-oriented organization," and 3) Reform to a global management and organizational structures."

Having achieved a success on its efforts to build a stable financial base by implementing structural reforms based on the Reform Plan, Renesas is now focusing on a new growth strategy to thrive in the global marketplace.

To achieve future growth, the Group will exert its utmost efforts into tackling the target described in "3.3 Mid-Term Corporate Strategies and Issues to Address" in the fiscal year ending December 31, 2016.

3.3 Mid-Term Corporate Strategies and Issues to Address

As indicated in the "1. Business Results, 1.1 Analysis of Business Results" section, during the year ended March 31, 2016, the Renesas Group was able to maintain the same level of operating income as the previous fiscal year, in spite of a reduction in net sales. This was mainly due to the Group's steady implementation of structural reforms, and efforts to improve its earning structure. Nevertheless, in order to deal flexibly with changes in the business climate and achieve stable business operation, the Group must enhance profitability still further. To do this, moving forward the Group will build on the results gained by carrying out the Reform Plan with efforts organized around three themes: "reform aimed at a more efficient manufacturing structure," "concentrated investment of management resources in focus businesses," and "putting in place an environment to underpin reform aimed at an efficient production structure and concentrated investment of management resources in focus businesses."

In addition, a part of the Group's manufacturing sites has been affected by the Kumamoto Earthquake that occurred in April 2016. The Group is doing its utmost to realize "early recovery from the Kumamoto Earthquake."

3.3.1 Reform Aimed at a More Efficient Production Structure

Based on the reform plan, the Renesas Group has been promoting manufacturing structural reforms with the goals of "boosting production efficiency," "building a flexible production system to respond to rapid market changes," and "maintaining and continuing in-house plants with advanced technologies and cost competitiveness" and these measures have achieved a certain measure of success. Moving forward, the Group aims to continue to pursue these policies in order to boost production efficiency still further by implementing a variety of reforms of the production structure.

First, there are at present some factories that continue to operate using aging equipment and production processes, so there is a need for further optimization of the production structure. Therefore, to ensure that the customers' needs are met in the medium term, the Group will continue without interruption efforts to optimize the production structure, working to boost production efficiency and cut production costs still further.

In addition, the Group is focusing on reform of the production operations through efforts to turn the factories into "smart factories" with an aim of delivering high-quality and highly reliable products, achieving high productivity, and shortening production lead time. Specifically, the Group is introducing artificial intelligence (AI) systems, gathering and analyzing as "big data" information on individual pieces of production equipment, working to anticipate and prevent quality issues, performing preventative maintenance of the equipment, installing advanced automated conveyor systems, and making factory operations more efficient. At present AI systems employing Renesas' own R-IN products have been installed and are undergoing evaluation testing at the Group's cutting-edge Naka factory. The Group plans to use the results of these tests to accelerate the future implementation of smart factory systems.

3.3.2 Concentrated Investment of Management Resources in Focus Businesses

The Renesas Group places its focus on five application fields where the Group possesses unique strengths and can compete most effectively: "Automotive Control," "Automotive Information," "Industrial and Home Electronics," "OA and ICT," and "General-purpose" products. The Group will accelerate selection and concentration of products and business domains aimed at the realization of steady growth in profits, and in this way the Group will improve its product mix and strengthen the competitiveness of its products. Firstly, during the year ended March 31, 2016, the Group has continued to withdraw from unprofitable product categories and worked to improve its mix of products. Moving forward the Group will carry on its efforts to achieve profit growth through selection and concentration of businesses in order to become capable of maintaining and bolstering its firm strengths in focus domains.

Second, with the aim of putting in place a business structure that can achieve and sustain a high level of profitability, the Group is focusing on applications with long product life cycle in which it can promote the high quality and excellent reliability of Renesas products. Specifically, the Group plans to further break down its business domains based on its strengths and profitability in order to construct a business portfolio from a companywide perspective. This brings increased visibility to the business portfolio the Group needs to focus on and enables concentrated investment of management resources within the portfolio. At the same time,

steps are being taken to withdraw from businesses that do not fit the business structure the Group is aiming for.

Furthermore, to maintain and strengthen its technology development capabilities, the Group is identifying focus common technologies in fields such as intellectual property (IP), design technology, and production technology utilized across multiple products, taking into consideration future necessity and importance as well as the Group's technological position. The Group intends to concentrate its management resources on these focused common technologies.

The Group will also continue to review its business and technology portfolios and work on a realization of profit growth by putting various means into perspective.

3.3.3 Putting in Place an Environment to Underpin Reform Aimed at an Efficient Production Structure and Concentrated Investment of Management Resources in Core Businesses

The Renesas Group, in order to put in place an environment to underpin the above-mentioned reform aimed at an efficient production structure and concentrated investment of management resources in focus businesses, is rolling out policies on a global scale to promote employee skills development and organizational activation, as well as renovation of the IT environment.

Specifically, new personnel systems and a key performance indicator (KPI)-based performance evaluation system was introduced at Group companies overseas during the year ended March 31, 2016. In addition to efforts to ensure further development and penetration of these changes, the business process integration (BPI) is being reviewed and smarter workstyles introduced with regard to rectification of information flows among logistics, supply chain management (SCM), sales companies, and factories, and to realize these, IT environment is being upgraded as needed.

3.3.4 Early Recovery from the Kumamoto Earthquake

Although there was no damage to the Group's members of the board and employees from the Kumamoto Earthquake, Renesas Semiconductor Manufacturing Co., Ltd's Kawashiri factory was affected, causing negative impact on its production.

Renesas in cooperation with its outsourcing companies and material vendors, etc., is accelerating efforts to recover normal production at an early date.

4. Primary policy for selection of accounting standards

Renesas Electronics Group are planning to adopt International Financial Reporting Standards (IFRS) for its consolidated financial statements from annual securities report for the fiscal year ending December 31, 2017* to increase the international comparability of financial information considering that the Group drives its business globally further, although currently the consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan (JGAAP).

*On the premise that partial amendments to the articles of incorporation related to the change in fiscal term are resolved at the 14th Ordinary General Shareholders' Meeting to be held on June 28, 2016.

5. Consolidated Financial Statements

5.1 Consolidated Balance Sheets As of March 31, 2015 and 2016

(In millions of yen)

	Prior Fiscal Year (As of March 31, 2015)	Current Fiscal Year (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	344,000	398,673
Notes and accounts receivable-trade	91,471	81,866
Merchandise and finished goods	※1 38,203	※1 39,028
Work in process	※1 66,761	※1 62,950
Raw materials and supplies	※1 6,457	※1 6,376
Deferred tax assets	1,529	1,738
Accounts receivable-other	14,174	16,155
Other current assets	8,560	5,146
Allowance for doubtful accounts	(92)	(89)
Total current assets	571,063	611,843
Long-term assets		
Property, plant and equipment		
Buildings and structures	246,883	219,651
Accumulated depreciation	※3 (172,963)	※3 (155,034)
Buildings and structures, net	※1 73,920	※1 64,617
Machinery and equipment	648,927	590,383
Accumulated depreciation	※3 (593,694)	※3 (532,480)
Machinery and equipment, net	※1 55,233	※1 57,903
Vehicles, tools, furniture and fixtures	107,251	102,494
Accumulated depreciation	※3 (90,506)	※3 (85,791)
Vehicles, tools, furniture and fixtures, net	16,745	16,703
Land	※1 27,277	※1 22,516
Construction in progress	8,640	11,307
Total property, plant and equipment	181,815	173,046
Intangible assets		
Software	9,743	10,111
Other intangible assets	18,509	14,987
Total intangible assets	28,252	25,098
Investments and other assets		
Investment securities	※2 8,108	※2 6,196
Net defined benefit asset	946	1,574
Deferred tax assets	2,106	1,796
Long-term prepaid expenses	35,024	27,209
Other assets	12,774	2,617
Allowance for doubtful accounts	(1)	(3)
Total investments and other assets	58,957	39,389
Total long-term assets	269,024	237,533
Total assets	840,087	849,376

(In millions of yen)

	Prior Fiscal Year (As of March 31, 2015)	Current Fiscal Year (As of March 31, 2016)
Liabilities		
Current liabilities		
Electronically recorded obligations	9,275	9,246
Notes and accounts payable-trade	76,364	76,882
Current portion of long-term borrowings	6,700	※1 25,000
Current portion of lease obligations	※1 1,135	※1 5,229
Accounts payable-other	37,337	33,161
Accrued expenses	36,875	31,246
Accrued income taxes	5,785	5,041
Provision for product warranties	366	376
Provision for business structure improvement	3,871	4,273
Provision for contingent loss	252	271
Asset retirement obligations	2,089	116
Other current liabilities	6,009	7,690
Total current liabilities	186,058	198,531
Long-term liabilities		
Long-term borrowings	※1 246,505	※1 213,806
Lease obligations	※1 5,385	307
Deferred tax liabilities	11,641	9,934
Provision for business structure improvement	2,980	110
Net defined benefit liability	50,489	31,850
Asset retirement obligations	2,862	2,744
Other liabilities	22,258	10,355
Total long-term liabilities	342,120	269,106
Total liabilities	528,178	467,637
Net assets		
Shareholders' equity		
Common stock	228,255	10,000
Capital surplus	525,413	191,919
Retained earnings	(475,815)	162,226
Treasury stock	(11)	(11)
Total shareholders' equity	277,842	364,134
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	716	316
Foreign currency translation adjustments	13,716	(201)
Remeasurements of defined benefit plans	17,255	15,230
Total accumulated other comprehensive income	31,687	15,345
Non-controlling interests	2,380	2,260
Total net assets	311,909	381,739
Total liabilities and net assets	840,087	849,376

5.2 Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

5.2.1 Consolidated Statements of Operations For the Years Ended March 31, 2015 and 2016

(In millions of yen)

	The year ended March 31, 2015	The year ended March 31, 2016
Net sales	791,074	693,289
Cost of sales	472,303	387,713
Gross profit	318,771	305,576
Selling, general and administrative expenses	214,344	201,794
Operating income	104,427	103,782
Non-operating income		
Interest income	888	680
Dividends income	129	127
Equity in earnings of affiliates	273	5
Foreign exchange gains	4,626	30
Insurance income	328	884
Other non-operating income	1,458	1,263
Total non-operating income	7,702	2,989
Non-operating expenses		
Interest expenses	3,166	2,851
Loss on disposal of long-term assets	456	483
Retirement benefit expenses	1,552	-
Other non-operating expenses	1,620	1,337
Total non-operating expenses	6,794	4,671
Ordinary income	105,335	102,100
Special income		
Gain on sales of property, plant and equipment	1,259	1,964
Gain on transfer of business	※1 20,045	261
Gain on sales of investment securities	146	311
Gain on extinguishment of debt	※2 1,694	-
Total special income	23,144	2,536
Special loss		
Loss on sales of property, plant and equipment	175	171
Impairment loss	※3 1,173	※3 350
Business structure improvement expenses	※3, ※4 30,141	※3, ※4 12,702
Loss on sales of investment securities	30	155
Loss on liquidation of subsidiaries and affiliates	498	-
Provision for contingent loss	274	88
Compensation expenses	※5 1,897	-
Loss on sales of subsidiaries and affiliates' stocks	129	385
Loss on change in equity	62	-
Total special loss	34,379	13,851
Income before income taxes	94,100	90,785
Income taxes-current	8,725	6,018
Income taxes-deferred	460	(1,696)
Total income taxes	9,185	4,322
Net income	84,915	86,463
Net income attributable to non-controlling interests	2,550	171
Net income attributable to shareholders of parent company	82,365	86,292

5.2.2 Consolidated Statements of Comprehensive Income For the Years Ended March 31, 2015 and 2016

(In millions of yen)

	The year ended March 31, 2015	The year ended March 31, 2016
Net income	84,915	86,463
Other comprehensive income		
Unrealized gains (losses) on securities	103	(360)
Foreign currency translation adjustments	14,026	(14,200)
Remeasurements of defined benefit plans, net of tax	23,430	(2,037)
Share of other comprehensive income of affiliates accounted for by the equity method	70	(28)
Total other comprehensive income	37,629	(16,625)
Comprehensive income	122,544	69,838
Comprehensive income attributable to:		
Shareholders of parent company	120,031	69,950
Non-controlling interests	2,513	(112)

5.3 Consolidated Statements of Changes in Net Assets For the Years Ended March 31, 2015 and 2016

The year ended March 31, 2015

(In millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	228,255	525,413	(533,106)	(11)	220,551
Cumulative effects of changes in accounting policies			(25,074)		(25,074)
Restated balance	228,255	525,413	(558,180)	(11)	195,477
Changes during the period					
Net income attributable to shareholders of parent company			82,365		82,365
Net changes other than shareholders' equity					
Total changes during the period	—	—	82,365	—	82,365
Balance at the end of the period	228,255	525,413	(475,815)	(11)	277,842

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	572	(347)	(6,175)	(5,950)	12,713	227,314
Cumulative effects of changes in accounting policies						(25,074)
Restated balance	572	(347)	(6,175)	(5,950)	12,713	202,240
Changes during the period						
Net income attributable to shareholders of parent company						82,365
Net changes other than shareholders' equity	144	14,063	23,430	37,637	(10,333)	27,304
Total changes during the period	144	14,063	23,430	37,637	(10,333)	109,669
Balance at the end of the period	716	13,716	17,255	31,687	2,380	311,909

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	228,255	525,413	(475,815)	(11)	277,842
Changes during the period					
Transfer to other capital surplus from common stock	(218,255)	218,255			—
Deficit disposition		(551,749)	551,749		—
Net income attributable to shareholders of parent company			86,292		86,292
Purchase of treasury stock				0	0
Net changes other than shareholders' equity					
Total changes during the period	(218,255)	(333,494)	638,041	0	86,292
Balance at the end of the period	10,000	191,919	162,226	(11)	364,134

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	716	13,716	17,255	31,687	2,380	311,909
Changes during the period						
Transfer to other capital surplus from common stock						—
Deficit disposition						—
Net income attributable to shareholders of parent company						86,292
Purchase of treasury stock						0
Net changes other than shareholders' equity	(400)	(13,917)	(2,025)	(16,342)	(120)	(16,462)
Total changes during the period	(400)	(13,917)	(2,025)	(16,342)	(120)	69,830
Balance at the end of the period	316	(201)	15,230	15,345	2,260	381,739

5.4 Consolidated Statements of Cash Flows For the Years Ended March 31, 2015 and 2016

(In millions of yen)

	The year ended March 31, 2015	The year ended March 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	94,100	90,785
Depreciation and amortization	54,834	49,691
Amortization of long-term prepaid expenses	11,788	12,691
Impairment loss	1,173	350
Increase (decrease) in net defined benefit liability	(9,391)	(21,109)
Increase (decrease) in provision for business structure improvement	(836)	(403)
Increase (decrease) in provision for contingent loss	278	19
Interest and dividends income	(1,017)	(807)
Insurance income	(328)	(884)
Interest expenses	3,166	2,851
Equity in (earnings) losses of affiliates	(273)	(5)
Loss (gain) on sales and valuation of investment securities	(116)	(156)
Loss (gain) on liquidation of subsidiaries and affiliates	498	-
Loss (gain) on sales of subsidiaries and affiliates' stocks	129	385
Loss (gain) on sales of property, plant and equipment	(1,084)	(1,793)
Business structure improvement expenses	23,944	5,779
Loss (gain) on transfer of business	(20,045)	(261)
Decrease (increase) in notes and accounts receivable-trade	(7,286)	5,213
Decrease (increase) in inventories	15,876	901
Decrease (increase) in accounts receivable-other	9,258	1,956
Increase (decrease) in notes and accounts payable-trade	(17,387)	3,620
Increase (decrease) in accounts payable-other and accrued expenses	(6,995)	(11,668)
Other cash provided by (used in) operating activities, net	(6,246)	(17)
Subtotal	144,040	137,138
Interest and dividends received	1,089	886
Proceeds from insurance income	328	884
Interest paid	(3,167)	(2,858)
Income taxes paid	(6,435)	(5,819)
Payments for extra retirement benefits	(18,943)	(3,935)
Settlement package paid	(166)	-
Net cash provided by (used in) operating activities	116,746	126,296

(In millions of yen)

	The year ended March 31, 2015	The year ended March 31, 2016
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(39,274)	(42,950)
Proceeds from sales of property, plant and equipment	2,294	9,120
Purchase of intangible assets	(5,439)	(4,401)
Purchase of long-term prepaid expenses	(2,671)	(2,543)
Purchase of investment securities	(626)	(656)
Proceeds from sales of investment securities	944	1,287
Purchase of investments in subsidiaries	(3,200)	-
Proceeds from sales of subsidiaries and affiliates' stocks	967	584
Proceeds from transfer of business	18,170	262
Payments for transfer of business	(448)	-
Collection of loans receivable	1,400	4,550
Other cash provided by (used in) investing activities, net	1,280	1,196
Net cash provided by (used in) investing activities	(26,603)	(33,551)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	(2,000)	-
Proceeds from long-term borrowings	3,000	-
Repayment of long-term borrowings	(9,786)	(14,399)
Repayments of finance lease obligations	(2,461)	(1,154)
Repayments of installment payables	(12,515)	(14,786)
Net cash provided by (used in) financing activities	(23,762)	(30,339)
Effect of exchange rate change on cash and cash equivalents	11,444	(7,718)
Net increase (decrease) in cash and cash equivalents	77,825	54,688
Cash and cash equivalents at the beginning of the period	265,897	343,722
Cash and cash equivalents at the end of the period	343,722	398,410

Notes to Consolidated Financial Statements

(Notes about Going Concern Assumption)

Not applicable

(Basis of Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

The number of consolidated companies of Renesas Electronics Corporation Group: 30

The names of major subsidiaries:

Names of the major consolidated subsidiaries are listed on "2. Renesas Electronics Group Companies" and omitted in this part.

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

2. Application of Equity Method

(1) The number of affiliates accounted for by the equity method: 2

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

Renesas Easton Co., Ltd.

Other 1 company

(Number of subsidiaries decreased by sale: 1)

(2) The name of affiliates not accounted for by the equity method:

The equity method is not applied to Semiconductor Technology Academic Research Center 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) Of the affiliates 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 the 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: Mainly average method

(2) Depreciation and amortization method for significant long-term assets

1) Property, plant and equipment other than leased assets

 Depreciated principally by the straight-line method

 The useful lives of principal property, plant and equipment are as follows:

 Buildings and structures: 10 to 45 years

 Machinery and equipment: 2 to 8 years

 Vehicles, tools, furniture and fixtures: 2 to 10 years

2) Intangible assets other than leased assets

 Amortized by the straight-line method

 Software for sales purposes

 Amortized using the higher of the amount based on sales in the year as a proportion of total estimated sales over salable periods (not exceeding 3 years) or the amount based on a straight-line basis over the remaining salable period.

 Software for internal use

 Amortized by the straight-line method mainly over an estimated useful life of 5 years, which is the available term for internal use.

 Developed technology

 Amortized by the straight-line method based on the useful life (not exceeding 10 years) of the business activities.

3) Leased assets

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

 Depreciated / amortized in the same way as self-owned long-term assets.

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

 Depreciated / amortized by the straight-line method over the lease term, assuming no residual value.

 Other than those under which the ownership of the assets is transferred to the lessee, the finance leases which started the lease transactions 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 using a specific estimate of the collectability of individual receivables from companies in financial difficulty.

2) Provision for product 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) 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 non-controlling 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) Cash and cash equivalents on the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits which can be withdrawn at any time and short-term investments with a maturity of 3 months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(8) Others

1) Accounting for consumption tax

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

2) Adoption of consolidated taxation system

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

(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". In order to reflect the changes in presentation, the consolidated financial statements for the previous fiscal year have been reclassified to reflect a consistent presentation format.

In the consolidated statement of cash flows, cash flows related to acquisition or sale of subsidiaries' shares not resulting in change in scope of consolidation have been included in "Net cash provided by (used in) financing activities," and cash flows related to costs arising from acquisition of subsidiaries' shares resulting in change in scope of consolidation or costs associated with acquisition or sale of subsidiaries' shares not resulting in change in scope of consolidation have been included in "Net cash provided by (used in) operating activities."

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.

Regarding the consolidated statement of cash flows, the Company has applied the transitional treatments stipulated in Article 26-4 of "Practical Guidelines on Accounting Standards for Preparing Consolidated Statements of Cash Flows" and did not reclassify the comparative information.

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

(Accounting Standards Issued but Not Yet Adopted)

"Guidance on Accounting Standard for Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, issued on March 28, 2016)

1. Outline of guidance

Regarding the treatment of the recoverability of deferred tax assets, a necessary review was conducted following the framework of Japanese Institution of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets" whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

- 1) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
- 2) Category requirements for (Category 2) and (Category 3)
- 3) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
- 4) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- 5) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

2. Application date

The Group is scheduled to apply the guidance from the fiscal year beginning on or after April 1, 2016.

3. Impact of adopting the guidance

The impact of adopting the guidance for the consolidated financial statements is currently under consideration.

(Changes in Presentation)

(Consolidated Statements of Operations)

“Insurance income” and “Loss on disposal of long-term assets” in the “Other non-operating income” and “Other non-operating expenses” respectively in the previous fiscal year exceed ten percent of total non-operating income and non-operating expenses and are therefore presented independently from the current fiscal year. In order to reflect the change in presentation, the consolidated statement of operations in the previous fiscal year has been reclassified to reflect a consistent presentation format.

As a result of this change, 1,786 million yen presented as “Other non-operating income” in the previous fiscal year is reclassified as 328 million yen for “Insurance income” and 1,458 million yen for “Other non-operating income”, respectively. And 2,076 million yen presented as “Other non-operating expenses” in the previous fiscal year is reclassified as 456 million yen for “Loss on disposal of long-term assets” and 1,620 million yen for “Other non-operating expenses”, respectively.

(Additional Information)

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.

(Consolidated Balance Sheets)

*1 Assets pledged as collateral and secured liabilities
(Assets pledged as collateral)

	(In millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
Merchandise and finished goods	25,052	(—)	25,972	(—)
Work in process	52,656	(—)	50,819	(—)
Raw materials and supplies	5,193	(—)	5,528	(—)
Buildings and structures	57,732	(57,084)	49,290	(48,705)
Machinery and equipment	31,126	(31,126)	33,904	(33,904)
Land	27,042	(23,334)	22,285	(18,577)
Total	198,801	(111,544)	187,798	(101,186)

(Secured liabilities)

	(In millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
Current portion of long-term borrowings	—	(—)	25,000	(25,000)
Current portion of lease obligations	919	(—)	5,051	(—)
Long-term borrowings	246,505	(246,505)	213,806	(213,806)
Lease obligations	5,051	(—)	—	(—)
Total	252,475	(246,505)	243,857	(238,806)

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

*2 Items below relate to affiliates

	(In millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Investment securities (Stock)	4,315	3,487

*3 Accumulated impairment loss was included in accumulated depreciation.

4 Contingent liabilities

(1) Debt guarantees

	(In millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
Guarantees of employees' housing loans	230		Guarantees of employees' housing loans	159
Other	499		Other	378
Total	729		Total	537

(2) Others

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.

(Consolidated Statements of Operations)

*1 Gain on transfer of business

Due to the transfer of a subsidiary's shares to Synaptics Holding GmbH.

*2 Gain on extinguishment of debt

Due to the extinguishment of the performance obligation for the accrued liabilities recognized in the past fiscal years.

*3 Impairment loss

The details of impairment loss were as follows:

For the year ended March 31, 2015

Location	Usage	Type
Otsu-city, Shiga-prefecture Kawasaki-city, Kanagawa-prefecture Sagamihara-city, Kanagawa-prefecture etc.	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Land, Construction in progress, Software and Other intangible
Taiwan Malaysia China etc.	Idle assets	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.

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 10,133 million yen, which was included in special loss.

The main components of such impairment loss which amounted to 6,116 million yen were semiconductor manufacturing facilities, land and building for 8-inch front-end wafer fabrication lines (these fixed assets will be transferred or leased to ROHM Co., Ltd. in February 2015) at the Shiga Factory of Renesas Semiconductor Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company.

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 1,125 million yen, which was included in special loss.

The assets to be disposed of and idle assets amounted to 11,258 million yen for special loss.

In addition, impairment loss includes business structure improvement expenses, which amounted to 10,085 million yen and impairment loss except for business structure improvement expenses, which amounted to 1,173 million yen.

The components of impairment loss (11,258 million yen) were as follows:

	(In millions of yen)
Buildings and structures	6,642
Machinery and equipment	769
Vehicles, tools, furniture and fixtures	662
Land	2,919
Construction in progress	231
Software	1
Other intangible assets	32
Long-term prepaid expenses	2
Total	11,258

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.

For the year ended March 31, 2016

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
<u>Total</u>	<u>4,075</u>

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

*4 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 were as follows:

	(In millions of yen)	
	The year ended March 31, 2015	The year ended March 31, 2016
Personnel expenses including the special incentive of early retirement program	14,198	2,737
Impairment loss	10,085	3,725
Other (*)	5,858	6,240
Total	30,141	12,702

(*)The main item of "Other" for the year ended March 31, 2015 is equipment relocation related expenses etc. to reorganize the design and development operation including its locations. In addition, 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.

*5 Compensation Expenses

Temporarily expenses incurred by reviewing the manufacturing agreement with a contractor.

(Consolidated Statements of Changes in Net Assets)

For the year ended March 31, 2015

1. Shares issued and outstanding / Treasury stock

	Number of shares at the beginning of the period	Increase	Decrease	Number of shares at the end of the period
Shares issued				
Common stock	1,667,124,490	—	—	1,667,124,490
Total	1,667,124,490	—	—	1,667,124,490
Treasury stock				
Common stock	2,548	—	—	2,548
Total	2,548	—	—	2,548

For the year ended March 31, 2016

1. Shares issued and outstanding / Treasury stock

	Number of shares at the beginning of the period	Increase	Decrease	Number of shares at the end of the period
Shares issued				
Common stock (<i>Note 1</i>)	1,667,124,490	—	—	1,667,124,490
Total	1,667,124,490	—	—	1,667,124,490
Treasury stock				
Common stock	2,548	33	—	2,581
Total	2,548	33	—	2,581

Note 1: The increase in the number of common stock of 33 was due to purchase of stocks less than a standard unit.

(Financial Instruments)

(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.

(3) Supplemental Explanation of the Fair Value of Financial Instruments

The notional amount of derivative transactions described in the note "Derivative Transactions" does not necessarily indicate market risk involved in derivative transactions.

2. Fair Value of Financial Instruments

The fair values of financial instruments in consolidated balance sheets as of March 31, 2015 and 2016 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note2)

As of March 31, 2015

(In millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	344,000	344,000	—
(2) Notes and accounts receivable-trade	91,471	91,471	—
(3) Accounts receivable-other	14,174	14,174	—
(4) Long-term investment securities			
Stocks of affiliates	4,220	3,472	(748)
Other securities	3,662	3,662	—
Total assets	457,527	456,779	(748)
(5) Electronically recorded obligations	9,275	9,275	—
(6) Notes and accounts payable-trade	76,364	76,364	—
(7) Accounts payable-other	37,337	37,337	—
(8) Accrued income taxes	5,785	5,785	—
(9) Long-term borrowings (including current portion)	253,205	251,890	(1,315)
(10) Lease obligations (including current portion)	6,520	6,756	236
Total liabilities	388,486	387,407	(1,079)

As of March 31, 2016

(In millions of yen)

	Carrying value	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	—
Total assets	502,681	501,190	(1,491)
(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
Total liabilities	368,672	371,006	2,334

Note1: Calculation method for fair value of financial instruments and other materials related to securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (3) Accounts receivable-other
The fair value was measured at the amounts equivalent to their book values because these were settled in the short-term and accordingly, their fair values approximated 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 funds was measured at the price provided by financial institutions.

(5) Electronically recorded obligations, (6) Notes and accounts payable-trade, (7) Accounts payable-other and (8) Accrued income taxes

The fair value was measured at the amount equivalent to their book values because these were settled in the short-term and accordingly, their fair values approximated book values.

(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 principal and interest. The discount rates were considered for both the remaining periods and credit risks.

Note2: Financial instruments for which it is extremely difficult to estimate their fair value in consolidated balance sheets

(In millions of yen)

	As of March 31, 2015	As of March 31, 2016
Non-marketable securities	226	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.

(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".

(Segment Information)

[Business Segment Information]

For the years ended March 31, 2015 and 2016

The semiconductor business segment is the sole operating segment of the Group. The information by business segment is therefore omitted.

[Related Information]

For the year ended March 31, 2015

1. Information by product and service

(In millions of yen)

	Automotive Business	General-Purpose Business	Other Semiconductors	Others	Total
Net sales to third parties	323,072	425,506	4,732	37,764	791,074

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
332,783	129,424	145,054	113,816	65,596	4,401	791,074

[Note] Sales are based on the location of customers and classified by country or region.

(2) Property, plant and equipment

(In millions of yen)

Japan	Asia	Europe	North America	Total
156,333	24,170	539	773	181,815

3. Information by major customer

(In millions of yen)

Name of major customers	Net sales	Name of related segment
Ryosan Company, Limited	108,843	Semiconductor business

For the year ended March 31, 2016

1. Information by product and service

(In millions of yen)

	Automotive Business	General-Purpose Business	Other Semiconductors	Others	Total
Net sales to third parties	321,669	349,371	4,573	17,676	693,289

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
303,465	110,000	115,018	96,636	64,584	3,586	693,289

[Note] Sales are based on the location of customers and classified by country or region.

(2) Property, plant and equipment

(In millions of yen)

Japan	Asia	Europe	North America	Total
143,680	28,102	563	701	173,046

3. Information by major customer

(In millions of yen)

Name of major customers	Net sales	Name of related segment
Ryosan Company, Limited	99,033	Semiconductor business

(Amount per Share Information)

Item	The year ended March 31, 2015	The year ended March 31, 2016
Net assets per share	185.67 yen	227.63 yen
Basic net income per share	49.41 yen	51.76 yen

Note 1: Net income per share fully diluted was not presented, owing to the fact that dilutive shares did not exist.

Note 2: The basis of calculation for net income per share was as follows

Item	The year ended March 31, 2015	The year ended March 31, 2016
Basic net income per share		
Net income attributable to shareholders of parent company (In millions of yen)	82,365	86,292
Amounts not attributable to common stock (In millions of yen)	—	—
Net income attributable to shareholders of parent company attributable to common stock (In millions of yen)	82,365	86,292
Average number of common stock during the fiscal year (Thousands)	1,667,122	1,667,122

Note 3: The basis of calculation for net assets per share was as follows

Item	As of March 31, 2015	As of March 31, 2016
Total net assets (In millions of yen)	311,909	381,739
Amounts deducted from total net assets (In millions of yen)	2,380	2,260
(Non-controlling interests (In millions of yen))	(2,380)	(2,260)
Net assets attributable to common stock at the end of the year (In millions of yen)	309,529	379,479
The fiscal year-end number of common stock used for the calculation of net assets per share (Thousands)	1,667,122	1,667,122

(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 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.

(Adoption of Stock Option (Stock Acquisition Right))

The Company has resolved at the Meeting of Board of Directors held on May 11, 2016, to submit a proposal concerning both the level of remuneration, etc., relating to stock options for Renesas members of the board (excluding outside directors) and the determination of the concrete details to the 14th Ordinary General Shareholders' Meeting to be held on June 28, 2016.

1. Reason for the proposal

The proposal will ask shareholders to approve the adoption of stock option plan in which Renesas members of the board (except for outside directors) will be allocated stock acquisition rights as remuneration. This would mean that Renesas members of the board would share the merits of a rise in Renesas' share value and the risks of a drop in the share value with the shareholders, and would increase their desire to further contribute to increasing Renesas' stock price and increasing the value of the company.

2. Details of stock acquisition rights to be granted as stock option

(1) Type and number of stocks to be issued upon exercise of the stock acquisition rights

The type of shares to be issued upon exercise of the stock acquisition rights shall be Renesas common stock, and the number of stocks that are in each stock acquisition right (hereinafter "number of shares granted") shall be 100 shares. However, following the date of passage of this proposal (hereinafter "date of passage"), if Renesas performs either a stock split (including an allotment of shares without contribution of Renesas common stock. This applies to all mentions of stock splitting in the remainder of this document.) or a stock consolidation, the number of stocks granted shall be adjusted according to the following formula. If the result of the adjustment includes a fractional part of a stock, that fractional part would be discarded.

(Adjusted number of shares granted) = (Number of shares granted prior to adjustment) × (Stock split or stock consolidation ratio)

In addition to the above, if, at any time after the date of passage, Renesas undergoes a merger or a company split, or similar situation of this type and an adjustment of the number of shares granted, Renesas may appropriately adjust the number of shares granted within a logical range. Note that if, at any time after the date of passage, Renesas performs an adjustment of the number of share unit (excluding cases where this is associated with a stock split or a stock consolidation; this definition applies to the term "adjustment of the number of share unit" in the remainder of this document), Renesas may appropriately adjust the number of shares granted within a logical range and proportional to the ratio of the said adjustment of the number of share unit. This applies to these new stock options as resolved by the Meeting of Board of Directors for that issuance following the date that the said adjustment of the number of share unit takes effect.

Note that while there are now five members of the board (of whom two are outside directors), if the company director appointment proposal is adopted without change at Renesas' 14th Ordinary General Shareholders' Meeting scheduled for June, 28, 2016, then there will be five members of the board (of whom three are outside directors).

(2) Total number of stock acquisition rights

The maximum number of stock acquisition rights to be allocated is limited to the number (with the fractional part, if any, dropped) calculated as follows. This number is given by dividing the value to be given as remuneration or other compensation as stock options to members of the board by the fair price of a stock option as calculated by a fair calculation method such as the Black-Scholes Model based on the closing price of Renesas common on the previous business day of the Meeting of Member of the Board at which the stock option allocation was determined (in case there was no closing price, the reference price of the next business day shall be used).

(3) Amount to be paid for stock acquisition rights

The amount paid for each individual stock option shall be an amount determined at the Meeting of the Board of Directors based on a fair price for the stock option as calculated by a fair calculation method such as the Black-Scholes Model when the stock options are allocated.

(4) The amount to be invested when exercising each stock acquisition right

The amount to be invested when exercising each stock acquisition right shall be given by multiplying a monetary value of 1 JPY per each individual stock that can be granted by exercising the corresponding stock option by the number of assigned stocks.

(5) Exercise period for stock acquisition rights

The exercise period shall be determined by the Meeting of Board of Directors within the range of ten years from the following day after the stock options are allocated (hereinafter "allocation date").

(6) Transfer restrictions of stock acquisition rights

Regarding the acquisition of stock acquisition rights due to transfer, approval is required as a resolution of the Meeting of Board of Directors.

(7) Conditions relating to exercise of stock acquisition rights

In principle, a person granted an allocation of stock options may execute those options starting on the day one year after the share allocation date. However, when such a person lose his position both as Member of the Board and as Senior Vice President due to, for example, expiration of the term of office, the said person may execute the said stock options starting on the day following said loss of position. Other conditions on execution of stock options shall be decided by the Meeting of Board of Directors.

(8) Other items for exercise of stock acquisition rights

The details of other items for exercise of stock acquisition rights, etc. shall be determined by the Meeting of Board of Directors that resolves the subscription requirements of the allocation of stock acquisition rights.

(Reference)

Renesas expects following the conclusion of the General Shareholders' Meeting, to grant stock options with the same conditions as the above-mentioned stock options, to Renesas senior vice presidents (excluding senior vice presidents with joint appointment as members of the board), Renesas employees, and members of the board (excluding outside directors), senior vice presidents, and employees of Renesas consolidated subsidiary companies.