FINANCIAL REPORT 2012

Year Ended March 31, 2012

RENESAS ELECTRONICS CORPORATION

Contents

The following section, **Management’s Discussion and Analysis** of Operations, provides an overview of the consolidated financial statements of Renesas Electronics Corporation (“Renesas Electronics”) (formerly NEC Electronics Corporation), and its consolidated subsidiaries (together, “the Group”), for the year ended March 31, 2012.

Introduction

Financial Position, Operating Results and Cash Flow Analysis

Forward-looking statements concerning financial position, operating results and cash flow are the Group’s judgment as of March 31, 2012.

(1) Significant Accounting Policies and Estimates

The Group’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported value of assets and liabilities and the disclosure of contingent assets and liabilities at the fiscal year-end, and the reported amounts of revenues and expenses during the period presented. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable. As a consequence, actual results may differ from these estimates and assumptions.
The Group believes when the following significant accounting policies are used, its estimates and assumptions could have a significant impact on its consolidated financial statements.

1) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts based on the historical write-off ratio for receivables and any specific doubtful accounts based on a case-by-case determination of collectability. On the basis of information currently available, we consider the allowance for doubtful accounts to be adequate. However, changes in the underlying financial position of our customers, resulting in an impairment of their ability to make payments, may require additional provisions.

2) Inventories

Inventories are valued at the lower of cost or market. Regarding slow-moving and obsolete inventories, the Group writes down such inventories to their estimated market value based on assumptions about future demand and market conditions. If future demand and market conditions are less favorable than those projected, additional inventory write-downs may be required.

3) Impairment of Long-term Assets

The Group assesses whether or not the residual value of long-term assets on the balance sheets can be recovered from future cash flows from those assets, if there are signs of impairment. If sufficient cash flows cannot be generated from these assets, the Group may have to recognize impairment of the carrying value.

4) Investment Securities

Investment securities with a market value are valued at fair value based on the stock market price and other factors at the fiscal year-end. Unrealized gains and losses are included as a component of net assets, and the cost of securities sold is computed using the moving-average method. Investment securities without a market value are valued at cost or amortized cost using the moving-average method. If there is a significant decline in market price or value, the Group recognizes impairment, except when a recovery is expected. There could be extraordinary losses in the future if there is a significant decline in market price or value and no recovery is expected.

5) Deferred Tax Assets

The Group has recorded deferred tax assets resulting from deductible temporary differences and net loss carryforwards, both of which will reduce taxable income in the future. We set up a valuation allowance to reduce deferred tax assets to an amount that is more likely than not to be realized.

We evaluate the necessity of a valuation allowance for each subsidiary based on the information currently available, such as historical income performance, estimates of future taxable income, and estimates of the timing of when temporary differences will reverse.

In the event that some or all of these deferred tax assets are determined to be unrecoverable, the Group records adjustments to deferred tax assets as expenses in the period said judgment was made. Similarly, in the event that deferred tax assets in excess of the net total balance sheet amount are determined to be recoverable, the Group adjusts tax expenses for the period the judgment was made.

6) Retirement and Severance Benefits

The Group records retirement and benefit obligations and costs for employees based on a number of actuarial assumptions, including expected changes in employee numbers in the future, the discount rate, the rate of future salary increases, and the expected rate of return on plan assets. In the event that the aforementioned assumptions change, or differ from actual results, any differences are amortized over the expected average remaining service period of employees.

7) Contingent Liabilities

The Group is involved in several lawsuits and other litigation in which compensation for damages is being sought. At present, we have booked allowances to cover losses associated with these actions in such cases where these losses are reasonably estimable.

8) Provision for Loss on Disaster

In order to provide for costs for removing or restoring assets damaged in the Great East Japan Earthquake, the Group records an estimate of losses based on estimated future expenditures. Furthermore, additional gains or losses may be incurred as reconstruction efforts in the affected regions advance.

(2) Overview of Financial Results

	Year ended March 31, 2011	**Year ended March 31, 2012**	Increase (Decrease)	
	Billion yen	Billion yen	Billion yen	% Change
Net sales	1,137.9	883.1	(254.8)	(22.4)
Sales from semiconductors	1,018.9	786.0	(232.8)	(22.9)
Sales from others	119.0	97.1	(22.0)	(18.4)
Operating income (loss)	14.5	(56.8)	(71.3)	-
Ordinary income (loss)	1.0	(61.2)	(62.3)	-
Net income (loss)	(115.0)	(62.6)	52.4	-
	Yen	Yen		
Exchange rate (USD)	86	79	-	-
Exchange rate (EUR)	114	109	-	-

[Net sales]

Consolidated net sales for the year ended March 31, 2012 were 883.1 billion yen, a decrease by 22.4% year on year. This decrease was mainly caused by the impact of the earthquake and flooding in Thailand, a weak demand influenced by the stagnant global economy mainly in Europe and China and moreover, the stronger yen.

[Sales from Semiconductors]

Sales from semiconductors for the year ended March 31, 2012 were 786.0 billion yen, a 22.9% decrease year on year.

The business segment of the Group comprises three product groups: “MCUs”, “Analog & Power Devices” and “SoC (System on Chip) solutions”, and “Other semiconductors,” which doesn’t fit into any of the above three product categories. Sales of respective product groups are as follows:

<u>MCUs: 336.3 billion yen</u>

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

Sales of MCUs for the year ended March 31, 2012 were 336.3 billion yen, a 12.4% decrease year on year. This drop was mainly due to a decline in sales of microcontrollers for PCs and PC peripherals, and consumer electronics.

<u>Analog & Power Devices: 243.8 billion yen</u>

Analog & Power Devices consist mainly of power MOSFETs, mixed signal ICs, IGBTs (Insulated Gate Bipolar Transistors), diodes, small signal transistors, display driver ICs, compound semiconductor devices such as optical and microwave devices, employed in automobiles, industrial systems, PCs and PC peripherals and consumer electronics.

Sales of Analog & Power Devices for the year ended March 31, 2012 were 243.8 billion yen, a 22.9% decrease year on year, owing to a decrease in the sales of display driver ICs for PC/LCD TVs, analog IC and discrete products for consumer electronics.

<u>SoC solutions: 201.2 billion yen</u>

SoC solutions mainly include semiconductors for mobile handsets, ICs for network equipment, semiconductors for industrial systems, semiconductors for PC and PC peripherals including hard disc drives and USB devices, semiconductors for consumer electronics such as digital home appliances and game consoles, and semiconductors used in automobiles including car navigation systems.

Sales of SoC solutions for the year ended March 31, 2012 were 201.2 billion yen, a 35.5% decrease year on year. This decrease was mainly due to a decline in the semiconductor sales for consumer electronics and mobile handsets.

Other Semiconductors: 4.8 billion yen

Sales of other semiconductors include production by commissioning and royalties.

Sales of other semiconductors for the year ended March 31, 2012 were 4.8 billion yen, a 30.6% decrease year on year.

[Sales from others]

Sales from others for the year ended March 31, 2012 were 97.1 billion yen, an18.4% decrease year on year.

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.

[Operating income (loss)]

Operating loss for the year ended March 31, 2012 was 56.8 billion yen, 71.3 billion yen worse year on year, mainly owing to a decrease in sales despite the Group’s efforts to further streamline R&D expenses and to reduce selling, general and administrative expenses.

[Ordinary income (loss)]

Ordinary loss for the year ended March 31, 2012 was 61.2 billion yen, due to a non-operating loss of 4.5 billion yen from recording interest expenses, foreign exchange losses and others.

[Net income (loss)]

Net loss for the year ended March 31, 2012 was 62.6 billion yen, mainly due to recording 21.3 billion yen in special income including a gain on transfer of business and at the same time recording a 19.7 billion yen special loss including a loss on disaster.

(3) Financial Position

〔Total Assets, Liabilities and Net Assets〕

	March 31, 2011	March 31, 2012	Increase (Decrease)
	Billion yen	Billion yen	Billion yen
Total assets	1,145.0	858.2	(286.8)
Net assets	291.1	226.5	(64.6)
Equity	283.8	218.0	(65.8)
Equity ratio (%)	24.8	25.4	0.6
Interest-bearing debt	378.2	258.3	(119.9)
Debt / Equity ratio	1.33	1.19	(0.15)

Total assets at March 31, 2012 were 858.2 billion yen, a 286.8 billion yen decrease from March 31, 2011, mainly due to the decrease in cash and cash equivalents as a result of the redemption of bonds with share subscription rights and the decrease in trade accounts receivable as well as property, plant and equipment. Net assets were 226.5 billion yen, a 64.6 billion yen decrease from March 31, 2011, mainly due to posting a 62.6 billion yen net loss for the year ended March 31, 2012.

Equity decreased by 65.8 billion yen from March 31 2011 and the equity ratio was 25.4 percent. Interest-bearing debt decreased by 119.9 billion yen from March 31, 2011 owing to the redemption of bonds with share subscription rights in the first quarter of the year ended March 31, 2012. Consequently, the debt-to-equity ratio was 1.19 times.

〔Cash Flows〕

	Year ended March 31, 2011	Year ended March 31, 2012
	Billion yen	Billion yen
Net cash provided by (used in) operating activities	102.5	(9.7)
Net cash provided by (used in) investing activities	(95.8)	(55.1)
Free cash flows	6.7	(64.8)
Net cash provided by (used in) financing activities	132.6	(138.4)
Cash and cash equivalents at the beginning of period	203.1	337.3
Cash and cash equivalents at the end of period	337.3	131.9

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

Net cash used in operating activities for the year ended March 31, 2012 was 9.7 billion yen. Despite recording 100.5 billion yen in depreciation and amortization, this was more than offset by recording a 59.6 billion yen net loss before income taxes and minority interests and a 32.4 billion yen increase in inventories as well as payments for a loss on disaster and payments for extra retirement benefits.

(Net cash provided by (used in) investing activities)
Net cash used in investing activities for the year ended March 31, 2012 was 55.1 billion yen, mainly arising from the purchase of property, plant and equipment in the amount of 82.7 billion yen partially offset by proceeds from transfer of business and sales of property, plant and equipment.

The foregoing resulted in negative free cash flows of 64.8 billion yen for the year ended March 31, 2012.

(Net cash provided by (used in) financing activities)
Net cash used in financing activities for the year ended March 31, 2012 was 138.4 billion yen mainly due to the redemption of bonds with share subscription rights in the first quarter of the year ended March 31, 2012.

Consequently, cash and cash equivalents decreased by 205.3 billion yen and at the end of the period totaled 131.9 billion yen.

(4) Effect of Change in Exchange Rates on Foreign Currency

The average annual exchange rate of the Japanese yen against the U.S. dollar during the fiscal year ended March 31, 2012 was stronger compared to the fiscal year ended March 31, 2011. This decreased the yen-denominated amount of U.S. dollar-denominated sales, thereby contributing to decreased earnings. From time to time, we enter into foreign currency forward exchange contracts to reduce exposure to market risks from fluctuations in foreign currency exchange. We recorded a net foreign exchange loss of 0.8 billion yen as non-operating expenses for the fiscal year ended March 31, 2012. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the fiscal year-end. Revenue and expenses are translated at the average exchange rate for the fiscal year. Adjustments resulting from the translation are accumulated and recorded in “foreign currency translation adjustments” and “minority interests” in the consolidated balance sheets. For details, see Basis of Consolidated Financial Statements.

(5) Liquidity and Capital Resources

The Group’s financial policy is to secure adequate liquidity and capital resources for its operations and to maintain the strength of its balance sheet.

As of March 31, 2012, the total amount of interest-bearing debt, including bonds, borrowings, and lease obligations, was 258.3 billion yen. As of March 31, 2012, we had 131.9 billion yen in liquidity, including cash and deposits, and short-term investment securities. Moreover, Renesas Electronics has obtained credit ratings from Rating and Investment Information, Inc. (R&I), one of Japan's major credit rating agencies. As of March 31, 2012, Renesas Electronics' senior long-term credit and current short-term debt ratings are BB+ and a-3. However, Renesas Electronics withdrew its credit rating as of May 25, 2012 since there is no plan to issue bonds for the time meaning.

(6) Off-balance Sheet Arrangements

The Group securitizes receivables by selling certain trade receivables from time to time. The purpose of these securitization transactions is to enhance asset efficiency. The Group's balance of securitized trade receivables was 41.2 billion yen as of March 31, 2012. Furthermore, the Group conducts operating leases as a means of avoiding risks associated with a decline in the value of obsolete production facilities, as well as to stabilize cash flows. As of March 31, 2012, the balance of fees for unexpired leases associated with non-cancelable items under operating lease transactions was 33.2 billion yen.

Risk Factors

Renesas Electronics Group's operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect investors' judgments. The Group recognizes the following as some of the most significant risk factors faced in its business operations as of March 31, 2012.

1）Market Fluctuations

Although the Group carefully monitors changes in market conditions, it is difficult to completely avoid the impact of market fluctuations due to economic cycles in countries around the world and changes in the demand for end products. Market downturns, therefore, could lead to a decline in product demand and an increase in production and inventory amount, as well as lower sales price. Consequently, market downturns could reduce the Group's sales, as well as lower fab utilization rates, which may in turn result in worsened cost ratios, ultimately leading to deterioration in profits.

2） Foreign Currency Fluctuations

The operating results and financial position of the Group are affected by fluctuations in foreign currency exchange markets. The Group takes various measures to reduce risks relating to fluctuations in the foreign currency exchange markets, such as forward exchange contracts. However, significant fluctuations in the exchange rate may impact the yen values of foreign currency-denominated product sales, materials costs, and production costs in factories overseas. In addition, conversion of Renesas Electronics' foreign currency-denominated assets and liabilities, and the foreign currency-denominated financial statements of Renesas Electronics' overseas subsidiaries into Japanese yen for disclosure may also affect the Group's assets and liabilities, as well as earnings and expenses.

3） Natural Disasters

Natural disasters such as earthquakes, typhoons, and floods, as well as accidents, acts of terror, infection and other factors beyond the control of the Group could adversely affect the Group's business operation. Especially, as the Group owns key facilities and equipment in areas where earthquakes occur at a frequency higher than the global average, the effects of earthquakes and other events could damage the Group's facilities and equipment and force a halt to manufacturing and other operations, and such events could consequently cause severe damage to the Group's business. The Group sets and manages several preventive plans and the Business Continuity Plan, which defines countermeasures such as contingency plans, and at the same time the Group is subscribed to various insurances; however, these plans and insurances are not guaranteed to cover all the losses and damages incurred.

4） Competition

The semiconductor industry is extremely competitive, and the Group is exposed to fierce competition from rival companies around the world in areas such as product performance, structure, pricing and quality. To maintain and improve competitiveness, the Group takes various measures including development of leading-edge technologies, standardizing design, and cost reduction, but in the event that the Group cannot maintain its competitiveness, the Group's market share may decline, which may negatively impact the Group's financial results. Price competition for the purpose of maintaining market share may also lead to sharp declines in the market price of the Group's products. When this cannot be offset by cost reductions, the Group's gross profit margin ratio may decline.

5） Product Production

a. Production Process Risk

Semiconductor products require extremely complex production processes. In an effort to increase yields (ratio of non-defective products from the materials used), the Group takes steps to properly control production processes and seeks ongoing improvements. However, the emergence of problems in these production processes could lead to worsening yields. This problem, in turn, could trigger shipment delays, reductions in shipment volume, or, at worst, the halting of shipments.

b. Procurement of Raw Materials, Components, and Production Facilities

The timely procurement of necessary raw materials, components and production facilities is critical to semiconductor production. To avoid supply problems related to these essential raw materials, components and production facilities, the Group works diligently to develop close relationships with multiple suppliers. Some necessary materials, however, are available only from specific suppliers. Consequently, insufficient supply capacity amid tight demand for these materials as well as events including natural disasters, accidents, worsening of business conditions, and withdrawal from business by suppliers could preclude their timely procurement, or may result in sharply higher prices for these essential materials upon procurement.

c. Product Defects, Anomalies and Malfunctions

Although the Group makes an effort to improve the quality of semiconductor products, they may contain defects, anomalies or malfunctions that are undetectable at the time of shipment due to increased sophistication of technologies and the diversity of ways in which the Group's products are used by customers. These defects, anomalies or malfunctions could be discovered after the Group products were shipped to customers, resulting in the return or exchange of the Group's products, claims for compensatory damages, or discontinuation of the use of the Group's products, which could negatively impact the profits and operating results of the Group. To prepare for such events, the Group has insurance such as product liability insurance and recall insurance, but it is not guaranteed that the full costs of reimbursements would be covered by these.

d. Risks Associated with Outsourced Production

The Group outsources the manufacture of certain semiconductor products to external foundries (contract manufacturers) and other entities. In doing so, the Group selects its trusted outsourcers, rigorously screened in advance based on their technological capabilities, supply capacity, and other relevant traits; however, the possibility of delivery delays, product defects and other production-side risks stemming from outsourcers cannot be ruled out completely. In particular, inadequate production capacity among outsourcers could result in the Group being unable to supply enough products amid periods of high product demand.

6） Product Sales

a. Reliance on Key Customers

The Group relies on certain key customers for the bulk of its product sales to end customers. The decision by these key customers to cease adoption of the Group's products, or to dramatically reduce order volume, could negatively impact the Group's operating results.

b. Changes in production plans by customers of custom products

The Group receives orders from customers for the development of specific semiconductor products in some cases. There is the possibility that after the Group received orders the customers decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded. There is also the possibility that the customers cancel its order if the functions and quality of the product do not meet the customer requirements. Further, the weak sales of end products in which products developed by the Group are embedded may result in customers reducing their orders, or to postpone delivery dates. Such changes in production plans, order reductions, postponements and other actions from the customers concerning custom products may cause declines in Group sales and profitability.

c. Reliance on Authorized Sales Agents

In Japan and Asia, the Group sells the majority of its products via independent authorized sales agents, and relies on certain major authorized sales agents for the bulk of these sales. The inability of the Group to provide these authorized sales agents with competitive sales incentives or margins, or to secure sales volumes that the authorized sales agents consider appropriate, could result in a decision by such agents to replace Group products handled with those of a competitor, which could cause a downturn in Group sales.

7） Retaining Human Resources

There is fierce competition in the semiconductor industry for talented human resources such as managers, technicians, researchers, and developers. For this reason, there is a risk that the Group may be unable to indefinitely retain talented human resources with adequate backgrounds in science, technology or engineering, particularly in the fields of LSI design and semiconductor manufacturing process technology.

8） Retirement benefit obligations

Retirement benefit obligations and prepaid pension cost recognized by the Group are calculated based on the premise of actuarial calculation such as discount rate and expected rate of return. It could negatively affect the Group's business, earnings and financial conditions that retirement benefit obligations will increase if there is a discrepancy between the premise and result on actuarial calculation due to lower interest rates or declines in stock markets.

9） Impairment Loss on Fixed Assets

The Group has recorded tangible fixed assets and many other long-lived assets in its consolidated balance sheet, and when there is an indicator of impairment loss, the Group reviews whether it will be able to recover the recorded residual value of these assets in the form of future cash flows generated by these assets. If these assets do not generate sufficient cash flows, the Group may be forced to recognize impairment loss in their value.

10） Information Management

The Group has in its possession a great deal of confidential information and personal information relating to its business activities. While such confidential information is managed according to law and internal regulations specifically designed for that purpose, there is always the risk that information may leak due to unforeseen circumstances. Should such an event occur, there is a likelihood that customer confidence and social trust would deteriorate, resulting in a negative effect on the Group's performance. In addition, information systems are growing in importance in the Group's business activities. Although the Group makes an effort to manage stable operation of information systems, information systems may shut down due to system failures, computer viruses and other factors, which may consequently adversely affect the Group's business.

11） Environmental Factors

The Group strives to decrease its environmental impact with respect to diversified and complex environmental issues such as global warming, air pollution, industrial waste, tightening of hazardous substance regulation, and soil pollution. There is the possibility that, regardless of whether there is negligence in its pursuit of business activities, the Group could bear legal or social responsibility for environmental problems. Should such an event occur, the burden of expenses for resolution could potentially be high, and the Group could suffer erosion in social trust.

12） Business Activities Worldwide

The Group conducts business worldwide which can be adversely affected by factors such as barriers to long-term relationships with potential customers and local enterprises; restrictions on investment and imports/exports; tariffs; fair trade regulations; political, social, and economic risks; outbreaks of illness or disease; exchange rate fluctuations; drops in individual consumption or in equipment investment; fluctuations in the prices of goods and land; and rising wage levels. As a result, the Group may fail to achieve its initial targets regarding business in overseas markets, which could have a negative impact on the business growth and performance of the Group.

13） Strategic Alliances and Corporate Acquisitions

For business expansion and strengthening of competitiveness, the Group may engage in strategic alliances, including joint investments, and corporate acquisitions involving third parties in the areas of R&D on key technologies and products, manufacturing, etc. The Group studies from many aspects the potential of these alliances and acquisitions in terms of return on investment and profitability, but time and money are necessary to achieve integration in areas such as business execution, technology, products, and personnel, and it is possible that these collaborative relationships cannot be sustained due to issues such as differences from the Group’s partners on management strategy in areas such as capital procurement, technology management, and product development, or financial or other business problems the Group’s partners may encounter. In addition, it is not guaranteed that strategic alliances and corporate acquisitions would actually yield the results initially anticipated.

14） Intellectual Property

While the Group seeks to protect its intellectual property, it may not be adequately protected in certain countries and areas. In addition, there are cases that the Group's products are developed, manufactured and sold by using licenses received from third parties. In such cases, there is the possibility that the Group could not receive necessary licenses from third parties, or the Group could only receive licenses under terms and conditions less favorable than before.

15） Legal Issues

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, investigation by regulatory authorities and other legal proceedings in various countries. In particular, the Group is at present the subject of investigation by regulatory authorities and is a defendant in civil lawsuits related to possible violations of antitrust law in several countries and areas.

The Group's subsidiary in the U.S. had been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving DRAM brought by purchasers of such products. In addition, the U.S. subsidiary is currently in the process of settlement negotiations with certain customers separated from a class action lawsuit brought by those who directly purchased DRAM in the U.S. from the subsidiary, and already settled with the subsidiary.

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

The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving flash memory brought by purchasers of such products.

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

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

It is difficult to predict the outcome of the legal proceedings to which the Group is presently a party or to which it may become a party in future. The resolution of such proceedings may require considerable time and expense, and it is possible that the Group may be required to pay compensation for damages, possibly resulting in significant adverse effects to the business, performance, and financial condition of the Group.

FINANCIAL SECTION

1. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements of Renesas Electronics Corporation ("the Company") and its consolidated subsidiaries (“the Group”) were prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976, “Regulations Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (“Regulations for Consolidated Financial Statements”).

2. Audit Certification

The consolidated financial statements for the current fiscal year (from April 1, 2011 to March 31, 2012) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, Section 1, of the Financial Instruments and Exchange Law.

3. Special Measures for Preparing Fairly Stated Financial Statements

The Company is implementing special measures to ensure the fairness of financial statements. These measures involve attaining a thorough understanding of accounting standards and developing a system for addressing changes made to these standards. To this end, the Company has registered with the Financial Accounting Standards Foundation, and participates in seminars held by accounting standard-setters. In addition, we are updating our internal rules and in-house manuals as necessary to reflect these special measures.

Consolidated Financial Statements

1. Consolidated Balance Sheets

As of March 31, 2011 and 2012

(In millions of yen)

	March 31, 2011	March 31, 2012
Assets		
Current assets		
Cash and deposits	170,691	111,981
Notes and accounts receivable-trade	137,346	102,556
Short-term investment securities	166,998	20,250
Merchandise and finished goods	45,800	58,189
Work in process	61,193	79,155
Raw materials and supplies	16,378	14,454
Deferred tax assets	1,289	2,173
Accounts receivable-other	37,966	17,405
Other current assets	4,239	3,707
Allowance for doubtful accounts	(237)	(180)
Total current assets	641,663	409,690
Long-term assets		
Property, plant and equipment		
Buildings and structures	294,478	291,009
Accumulated depreciation	*2 (174,870)	*2 (175,060)
Buildings and structures, net	119,608	115,949
Machinery and equipment	793,130	769,191
Accumulated depreciation	*2 (657,424)	*2 (660,772)
Machinery and equipment, net	135,706	108,419
Vehicles, tools, furniture and fixtures	138,544	143,368
Accumulated depreciation	*2 (104,392)	*2 (110,945)
Vehicles, tools, furniture and fixtures, net	34,152	32,423
Land	35,887	36,210
Construction in progress	20,947	14,198
Total property, plant and equipment	346,300	307,199
Intangible assets		
Goodwill	2,485	2,228
Software	28,742	28,626
Other intangible assets	52,003	45,027
Total intangible assets	83,230	75,881
Investments and other assets		
Investment securities	*1 10,635	*1 7,801
Deferred tax assets	2,100	2,373
Long-term prepaid expenses	43,096	38,228
Other assets	*1 18,031	17,494
Allowance for doubtful accounts	(7)	(462)
Total investments and other assets	73,855	65,434
Total long-term assets	503,385	448,514
Total assets	1,145,048	858,204

(In millions of yen)

	March 31, 2011	March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	144,944	148,747
Current portion of bonds with share subscription rights	110,000	—
Short-term borrowings	143,467	168,963
Current portion of long-term borrowings	44,321	33,549
Current portion of lease obligations	8,176	8,256
Accounts payable-other	78,250	43,036
Accrued expenses	55,538	46,418
Accrued income taxes	3,962	5,322
Provision for product warranties	590	385
Provision for loss on guarantees	456	—
Provision for business structure improvement	2,239	781
Provision for contingent loss	*3 399	92
Provision for loss on disaster	46,042	1,051
Asset retirement obligations	404	25
Other current liabilities	6,474	5,429
Total current liabilities	645,262	462,054
Long-term liabilities		
Long-term borrowings	58,192	32,580
Lease obligations	14,073	14,988
Deferred tax liabilities	14,063	11,492
Accrued retirement benefits	84,831	82,128
Provision for contingent loss	*3 1,163	*3 1,148
Asset retirement obligations	5,426	4,644
Other liabilities	30,980	22,670
Total long-term liabilities	208,728	169,650
Total liabilities	853,990	631,704
Net assets		
Shareholders' equity		
Common stock	153,255	153,255
Capital surplus	450,413	450,413
Retained earnings	(297,634)	(360,234)
Treasury stock	(11)	(11)
Total shareholders' equity	306,023	243,423
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	(259)	221
Foreign currency translation adjustments	(22,007)	(25,686)
Total accumulated other comprehensive income	(22,266)	(25,465)
Share subscription rights	48	26
Minority interests	7,253	8,516
Total net assets	291,058	226,500
Total liabilities and net assets	1,145,048	858,204

See accompanying notes to consolidated financial statements.

2. Consolidated Statements of Operations

For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Net sales	1,137,898	883,112
Cost of sales	*1 745,927	*1 607,334
Gross profit	391,971	275,778
Selling, general and administrative expenses	*2 *3 377,447	*2 *3 332,528
Operating income (loss)	14,524	(56,750)
Non-operating income		
Interest income	553	604
Dividends income	83	77
Equity in earnings of affiliates	759	65
Reversal of provision for business structure improvement	—	1,157
Insurance income	323	1,143
Compensation for damage received	—	834
Other non-operating income	1,927	3,096
Total non-operating income	3,645	6,976
Non-operating expenses		
Interest expenses	3,777	3,876
Foreign exchange losses	5,783	849
Loss on disposal of long-term assets	2,952	1,791
Retirement benefit expenses	2,383	2,386
Other non-operating expenses	2,241	2,552
Total non-operating expenses	17,136	11,454
Ordinary income (loss)	1,033	(61,228)
Special income		
Gain on sales of property, plant and equipment	*4 768	*4 1,127
Gain on negative goodwill	2,159	—
Reversal of provision for contingent loss	1,774	—
Gain on transfer of business	1,192	*5 4,984
Gain on sales of investment securities	320	191
Compensation income	116	1,153
Reversal of provision for loss on disaster	—	13,533
Gain on liquidation of subsidiaries and affiliates	—	343
Gain on sales of subsidiaries and affiliates' stocks	—	11
Total special income	6,329	21,342
Special loss		
Loss on sales of property, plant and equipment	*6 402	*6 101
Impairment loss	*7 36,051	*7 2,594
Loss on disaster	*8 49,504	*8 12,760
Business structure improvement expenses	*9 30,598	*9 2,976
Loss on valuation of investment securities	119	668
Effect of adoption of accounting standard for asset retirement obligations	1,488	—
Provision of allowance for doubtful accounts	—	460
Loss on sales of investment securities	—	152
Loss on liquidation of subsidiaries and affiliates	—	3
Total special losses	118,162	19,714
Income (loss) before income taxes and minority interests	(110,800)	(59,600)

	The year ended March 31, 2011	The year ended March 31, 2012
Income taxes-current	2,885	5,487
Income taxes-deferred	(829)	(3,796)
Total income taxes	2,056	1,691
Income (loss) before minority interests	(112,856)	(61,291)
Minority interests in income (loss) of consolidated subsidiaries	2,167	1,309
Net income (loss)	(115,023)	(62,600)

See accompanying notes to consolidated financial statements.

3. Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Income (loss) before minority interests	(112,856)	(61,291)
Other comprehensive income		
Unrealized gains (losses) on securities	(239)	483
Foreign currency translation adjustments	(8,744)	(3,713)
Share of other comprehensive income of affiliates accounted for by the equity method	(12)	5
Total other comprehensive income	(8,995)	*1 (3,225)
Comprehensive income	(121,851)	(64,516)
Comprehensive income attributable to		
Shareholders of parent company	(123,624)	(65,799)
Minority interests	1,773	1,283

See accompanying notes to consolidated financial statements.

4. Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Shareholders' equity		
Common stock		
Balance at the beginning of the period	85,955	153,255
Changes during the period		
Issuance of new shares	67,300	—
Total changes during the period	67,300	—
Balance at the end of the period	153,255	153,255
Capital surplus		
Balance at the beginning of the period	242,586	450,413
Changes during the period		
Issuance of new shares	67,300	—
Increase by merger	140,527	—
Total changes during the period	207,827	—
Balance at the end of the period	450,413	450,413
Retained earnings		
Balance at the beginning of the period	(182,611)	(297,634)
Changes during the period		
Net income (loss)	(115,023)	(62,600)
Total changes during the period	(115,023)	(62,600)
Balance at the end of the period	(297,634)	(360,234)
Treasury stock		
Balance at the beginning of the period	(11)	(11)
Changes during the period		
Purchase of treasury stock	(0)	—
Total changes during the period	(0)	—
Balance at the end of the period	(11)	(11)
Total shareholders' equity		
Balance at the beginning of the period	145,919	306,023
Changes during the period		
Issuance of new shares	134,600	—
Increase by merger	140,527	—
Net income (loss)	(115,023)	(62,600)
Purchase of treasury stock	(0)	—
Total changes during the period	160,104	(62,600)
Balance at the end of the period	306,023	243,423

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Accumulated other comprehensive income		
Unrealized gains (losses) on securities		
Balance at the beginning of the period	(16)	(259)
Changes during the period		
Net changes other than shareholders' equity	(243)	480
Total changes during the period	(243)	480
Balance at the end of the period	(259)	221
Foreign currency translation adjustments		
Balance at the beginning of the period	(13,649)	(22,007)
Changes during the period		
Net changes other than shareholders' equity	(8,358)	(3,679)
Total changes during the period	(8,358)	(3,679)
Balance at the end of the period	(22,007)	(25,686)
Total accumulated other comprehensive income		
Balance at beginning of the period	(13,665)	(22,266)
Changes during the period		
Net changes other than shareholders' equity	(8,601)	(3,199)
Total changes during the period	(8,601)	(3,199)
Balance at the end of the period	(22,266)	(25,465)
Share subscription rights		
Balance at the beginning of the period	52	48
Changes during the period		
Net changes other than shareholders' equity	(4)	(22)
Total changes during the period	(4)	(22)
Balance at the end of the period	48	26
Minority interests		
Balance at the beginning of the period	4,032	7,253
Changes during the period		
Net changes other than shareholders' equity	3,221	1,263
Total changes during the period	3,221	1,263
Balance at the end of the period	7,253	8,516
Total net assets		
Balance at the beginning of the period	136,338	291,058
Changes during the period		
Issuance of new shares	134,600	—
Increase by merger	140,527	—
Net income (loss)	(115,023)	(62,600)
Purchase of treasury stock	(0)	—
Net changes other than shareholders' equity	(5,384)	(1,958)
Total changes during the period	154,720	(64,558)
Balance at the end of the period	291,058	226,500

See accompanying notes to consolidated financial statements.

5. Consolidated Statements of Cash Flows

For the Years Ended March 31, 2011 and 2012

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(110,800)	(59,600)
Depreciation and amortization	103,494	100,451
Amortization of long-term prepaid expenses	11,596	11,428
Impairment loss	36,051	2,594
Loss on disaster	6,187	1,288
Gain on negative goodwill	(2,159)	—
Increase (decrease) in accrued retirement benefits	(8,532)	(1,335)
Increase (decrease) in provision for business structure improvement	505	(931)
Increase (decrease) in provision for contingent loss	(1,807)	(264)
Increase (decrease) in provision for loss on disaster	46,042	(19,214)
Interest and dividends income	(636)	(681)
Insurance income	(323)	(1,143)
Interest expenses	3,777	3,876
Equity in (earnings) losses of affiliates	(759)	(65)
Loss (gain) on sales and valuation of investment securities	(201)	629
Loss (gain) on liquidation of subsidiaries and affiliates	—	(340)
Loss (gain) on sales of property, plant and equipment	(366)	(1,026)
Loss on disposal of long-term assets	2,952	1,791
Business structure improvement expenses	7,895	334
Loss (gain) on transfer of business	(1,192)	(4,984)
Effect of adoption of accounting standard for asset retirement obligations	1,488	—
Decrease (increase) in notes and accounts receivable-trade	39,807	31,365
Decrease (increase) in inventories	(880)	(32,416)
Decrease (increase) in accounts receivable-other	(10,368)	5,741
Increase (decrease) in notes and accounts payable-trade	(35,490)	4,626
Increase (decrease) in accounts payable-other and accrued expenses	27,886	(14,218)
Other cash provided by (used in) operating activities, net	1,794	(1,107)
Subtotal	115,961	26,799
Interest and dividends received	670	739
Proceeds from insurance income	323	17,143
Interest paid	(3,826)	(3,899)
Income taxes paid	(5,450)	(2,931)
Payments for extra retirement benefits	(786)	(20,664)
Payments for loss on litigation and others	(4,407)	(337)
Payments for loss on disaster	—	(26,546)
Net cash provided by (used in) operating activities	102,485	(9,696)

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(77,111)	(82,694)
Proceeds from sales of property, plant and equipment	7,526	26,969
Purchase of intangible assets	(9,875)	(11,169)
Purchase of long-term prepaid expenses	(2,007)	(3,035)
Purchase of investment securities	(465)	(567)
Proceeds from sales of investment securities	649	2,033
Purchase of investments in subsidiary	(649)	―
Proceeds from liquidation of subsidiaries and affiliates	―	939
Proceeds from transfer of business	3,285	*2 11,657
Payments for transfer of business	*3 (17,654)	―
Other cash provided by (used in) investing activities, net	537	778
Net cash provided by (used in) investing activities	(95,764)	(55,089)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	27,377	25,500
Proceeds from long-term borrowings	40,056	7,932
Repayment of long-term borrowings	(53,970)	(44,321)
Redemption of bonds with share subscription rights	―	(110,000)
Proceeds from issuance of common stock	134,600	―
Repayments of finance lease obligations	(8,256)	(8,305)
Repayments of installment payables	(6,853)	(9,158)
Other cash provided by (used in) financing activities, net	(357)	―
Net cash provided by (used in) financing activities	132,597	(138,352)
Effect of exchange rate change on cash and cash equivalents	(5,155)	(2,206)
Net increase (decrease) in cash and cash equivalents	134,163	(205,343)
Cash and cash equivalents at the beginning of the period	91,234	337,289
Increase in cash and cash equivalents resulting from merger	111,892	―
Cash and cash equivalents at the end of the period	*1 337,289	*1 131,946

See accompanying notes to consolidated financial statements.

Basis of Consolidated Financial Statements

1. Scope of Consolidation	All subsidiaries are consolidated. The number of consolidated companies of the Group: 57 Names of the major consolidated subsidiaries are listed on “Appendix” and omitted in this part. The number of subsidiaries newly formed: 2 Renesas Electronics Brasil-Servicos Ltda. and 1 other company The number of subsidiaries decreased by liquidation and stock sales: 2 Nippon Denshi Light Co., Ltd. and 1 other company The number of subsidiaries decreased by merger: 1 Renesas System Solutions Korea Co., Ltd.
2. Application of Equity Method	(1) The number of affiliates accounted for by the equity method: 4 Names of major affiliates: Renesas Easton Co., Ltd. Hitachi ULSI Systems Co., Ltd. Renacentis IT Services Co., Ltd. and 1 other company The number of subsidiaries decreased by liquidation and stock sales: 2 Xi'an RealMicro System Technology Co., Ltd. Retronix Technologies Inc. (2) The name of affiliate not accounted for by the equity method: The equity method is not applied to Semiconductor Technology Academic Research Center (STARC) because net income and retained earnings (both amounts equivalent to what is accounted for by the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on 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 based on the provisional account closing are used in the consolidated closing.
3. Accounting Period of Consolidated Subsidiaries	Of consolidated subsidiaries, the fiscal year-end of Shougang NEC Electronics Co., Ltd. is December 31. Shougang NEC Electronics Co., Ltd. is consolidated by using its financial statements as of its fiscal year-end, and necessary adjustments are made to the financial statements to reflect any significant transactions from January 1 to March 31.

4. Significant Accounting Policies (1) Valuation methods for significant assets	1) Securities Other securities: Marketable securities: Marketable securities classified as other securities are valued at the fair value at the fiscal year-end, with unrealized gains and losses included in a component of net assets. The cost of securities sold is determined based on the moving-average method. Non-marketable securities: Non-marketable securities classified as other securities are carried at cost or amortized cost as determined by the moving-average method. 2) Derivatives Derivative financial instruments are stated at fair value. 3) Inventories Inventories are stated at the lower of cost or market. The costs are stated as follows: Merchandise and finished goods: Custom-made products: Specific identification method Mass products: Average method Work in process: Custom-made products: Specific identification method Mass products: Average method Raw materials and supplies: Average method
(2) Depreciation 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: 15 to 45 years Machinery and equipment: 3 to 8 years Vehicles, tools, furniture and fixtures: 3 to 7 years 2) Intangible assets other than leased assets Amortized by the straight-line method. Software for sales purpose 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.

(2) Depreciation and amortization method for significant long-term assets	4) Long-term prepaid expenses Amortized by the straight-line method.
(3) Basis for 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) Accrued retirement benefits Accrued retirement benefits or prepaid pension cost are recorded for employees' pension and severance payments based on the projected benefit obligation and the estimated fair value of plan assets as of the fiscal year-end. The transitional obligation is amortized on a straight-line basis principally over 15 years. Actuarial gains and losses are amortized on a straight-line basis over the employees' estimated average remaining service periods (principally 15 years) in which the gains and losses are recognized, starting in the following year after occurrence. Prior service costs are amortized as incurred on a straight-line basis over the employees' estimated average remaining service periods (principally 14 years). 3) Provision for product warranties The Group accrues product warranty liabilities for estimated future warranty costs using individual estimates for specific products as well as a general provision based on the historical ratio of warranty costs to net sales. 4) Provision for loss on guarantees Provision for loss on guarantees is made for the amount of the estimated future losses related to debt guarantees, which the Group has taken into account for the deterioration of financial condition. 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 enhancement 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 can be reasonably estimated considering individual risks associated with each contingency. 7) Provision for loss on disaster Provision for loss on disaster is made for the amount of estimated losses to be incurred in connection with removal or restoration costs for the assets damaged by the Great East Japan Earthquake.
(4) Foreign currency translation	Assets and liabilities denominated in foreign currencies 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 rates of exchange prevailing at the fiscal year-end, and all revenue and expense accounts are translated into Japanese yen at the average rates of exchange during the period. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in net assets.

(5) Amortization method and term for goodwill	Goodwill is amortized by the straight-line method, over reasonable periods not exceeding 20 years.
(6) 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.
(7) 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 Presentation

(Consolidated Balance Sheets)

“Allowance for doubtful accounts” included in “Other assets” of investments and other assets in the previous fiscal year is presented separately from the current fiscal year owing to the increase in the monetary significance. In order to reflect the change in presentation, the consolidated balance sheet in the previous fiscal year has been reclassified to reflect a consistent presentation format.

As a result of this change, 18,024 million yen presented as “Other assets” of investments and other assets in the previous fiscal year has been reclassified as negative 7 million yen for “Allowance for doubtful accounts” and 18,031 million yen for “Other assets”, respectively.

(Consolidated Statements of Operations)

“Insurance income” included in “Other non-operating income” in the previous fiscal year exceeds 10% of total non-operating income and is therefore presented separately 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, 2,250 million yen presented as “Other non-operating income” in the previous fiscal year is reclassified as 323 million yen for “Insurance income” and 1,927 million yen for “Other non-operating income”, respectively.

(Consolidated Statements of Cash Flows)

“Insurance income” included in “Income (loss) before income taxes and minority interests” of net cash provided by (used in) operating activities in the previous fiscal year is presented separately due to the increase in the monetary significance. As a result of this change in presentation format, “Proceeds from insurance income” beneath the subtotal of net cash provided by (used in) operating activities” is presented separately.
323 million yen of “Insurance income” and 323 million yen of “proceeds from insurance income” in the previous fiscal year are reclassified to reflect the change in presentation format.

“Net decrease (increase) in time deposits” was presented separately in the previous fiscal year and is included in the “Other cash provided by (used in) investing activities, net” of net cash provided by (used in) investing activities from the current fiscal year due to the lack of monetary significance.

“Net decrease (increase) in time deposits” included in “Other cash provided by (used in) investing activities” in the previous fiscal year is 531 million yen.

Additional Information

(Adoption of "Accounting Standard for Accounting Changes and Error Corrections" and "Guidance on Accounting Standard for Accounting Changes and Error Corrections")

Accounting changes and corrections of prior period errors from the beginning of the fiscal year ended March 31, 2012 reflect the Group's adoption of the "Accounting Standard for Accounting Changes and Error Corrections" (the Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009).

Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

As of March 31, 2011	As of March 31, 2012
*1 The items listed below were for subsidiaries and affiliates. (In millions of yen) Investment securities (Stock) 5,984 "Other assets" in Investments and other assets (Investments in capital) 96	*1 The items listed below were for subsidiaries and affiliates. (In millions of yen) Investment securities (Stock) 4,826
*2 Accumulated impairment loss was included in accumulated depreciation.	*2 Same as the previous fiscal year
*3 Contingent liabilities Residual value guarantees under operating lease transactions (In millions of yen) BOT LEASE Co., Ltd. 3,375 IBJ Leasing Company, Limited 2,591 Sumitomo Mitsui Finance & Leasing Company, Limited 570 Sumishin Panasonic Financial Services Co., Ltd. 386 Total 6,922	*3 Contingent liabilities Residual value guarantees under operating lease transactions (In millions of yen) IBJ Leasing Company, Limited 2,591 Sumitomo Mitsui Finance & Leasing Company, Limited 570 BOT LEASE Co., Ltd. 476 Sumishin Panasonic Financial Services Co., Ltd. 386 Total 4,023
Debt guarantees (In millions of yen) Guarantees of employees' housing loans 1,281	Debt guarantees (In millions of yen) Guarantees of employees' housing loans 1,024 Other 533 Total 1,557
Others The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving DRAM brought by purchasers of such products. Although a U.S. subsidiary of the Group had been named as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law involving DRAM brought by indirect purchasers of such products as well as the Attorneys General of several states in the U.S., it has agreed on a settlement with the plaintiffs. The U.S. subsidiary of the Group has already reached a settlement of class action lawsuits brought by direct purchasers, but it is still in settlement negotiations with several customers who have opted out of such class action lawsuits. The Group has been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving SRAM brought by purchasers of such products. The Group has been named in the U.S. and other countries as one of the defendants in multiple antitrust lawsuits related to possible violations of antitrust law/competition law involving flash memory brought by purchasers of such products. The Group's subsidiaries in the U.S., Europe and South Korea are the subject of investigations 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 in relation to thin-film transistor liquid crystal displays (TFT-LCDs). Among those, the European Commission issued a statement of	Others The Group's subsidiary in the U.S. has been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving DRAM brought by purchasers of such products. In addition, the U.S. subsidiary is currently in the process of settlement negotiations with certain customers separated from a class action lawsuit brought by those who directly purchased DRAM in the U.S. from the subsidiary, and already settled with the subsidiary. The Group has been named in Canada as one of the defendants in multiple civil lawsuits related to possible violations of competition law involving SRAM brought by purchasers of such products. The Group has been named in the U.S. and other countries as one of the defendants in multiple civil lawsuits related to possible violations of antitrust law/competition law involving flash memory brought by purchasers of such products. Among these civil lawsuits, the lawsuit in the U.S. has reached a settlement with the plaintiffs by the end of May 2012. The Group's subsidiaries in the U.S., Europe and South Korea are the subject of investigations each by the U.S. Department of Justice, the Competition Bureau of Canada, the European Commission, and the Korea Fair Trade Commission in connection with possible violations of antitrust law/competition law related to thin-film transistor liquid crystal displays (TFT-LCDs). Among those, the European Commission imposed a fine to multiple LCD panel manufacturers in December 2010. However, the subsidiary of the Group has not been treated as a subject in the procedures. The Group's subsidiary in the U.S. has been named in the U.S. as one

As of March 31, 2011	As of March 31, 2012
objections against the parties concerned and entered into a formal investigation process in May 2009, and also imposed a fine on multiple LCD panel manufacturers in December 2010. However, the subsidiary of the Group has not received this statement of objections, nor has it been treated as a subject in the following procedures. The Group is the subject of an investigation by the European Commission regarding possible violations of competition law in relation to smartcard chips. In the aforementioned legal proceedings, the Group has recorded estimated losses in the amount of 1,240 million yen in the provision for contingent losses. However, the estimated losses could fluctuate depending on its future development.	of the defendants in multiple civil lawsuits related to possible violations of antitrust law involving TFT-LCDs brought by purchasers of such products. The Group is the subject of an investigation by the European Commission regarding possible violations of competition law in relation to smartcard chips. In the aforementioned legal proceedings, the Group has recorded estimated losses in the amount of 832 million yen in the provision for contingent losses. However, the estimated losses could fluctuate depending on its future development.

(Consolidated Statements of Operations)

The year ended March 31, 2011	The year ended March 31, 2012
*1 Inventory balance as of the fiscal year-end Inventory balance as of the fiscal year-end, presented after write-down of book value and the amount of the write-down included in cost of sales, was as follows: (5,132) million yen	*1 Inventory balance as of the fiscal year-end Inventory balance as of the fiscal year-end, presented after write-down of book value and the amount of the write-down included in cost of sales, was as follows: 4,634 million yen
*2 Selling, general and administrative expenses Principal items and amounts (In millions of yen) Research and development expenses 202,620 Personnel expenses 64,520 Retirement benefit expenses 4,598	*2 Selling, general and administrative expenses Principal items and amounts (In millions of yen) Research and development expenses 182,485 Personnel expenses 56,234 Retirement benefit expenses 4,009
*3 Total of research and development expenses (In millions of yen) Research and development expenses included in manufacturing costs and general and administrative expenses 202,620	*3 Total of research and development expenses (In millions of yen) Research and development expenses included in manufacturing costs and general and administrative expenses 182,485
*4 Components of gain on sales of property, plant and equipment Sales of land, construction in progress, machinery and equipment and others	*4 Components of gain on sales of property, plant and equipment Sales of buildings and structure, machinery and equipment and others
————	*5 Components of gain on transfer of business Gain on transfer of business related to sale of high-power amplifier business is 4,861 million yen, and the remaining 123 million yen was generated from another transaction.
*6 Components of loss on sales of property, plant and equipment Sales of machinery and equipment and others	*6 Components of loss on sales of property, plant and equipment Sales of machinery and equipment, vehicles, tools, furniture and fixtures, land and others

The year ended March 31, 2011	The year ended March 31, 2012

The year ended March 31, 2011

*7 Impairment loss

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

Location	Usage	Type
Tsuruoka-city, Yamagata-Prefecture etc.	Business assets	Land, Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Software for internal use, Other intangible assets and Long-term prepaid expenses
United States of America etc.	Assets to be disposed of	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Software for internal use and Other intangible assets
Hitachinaka-city, Ibaraki-Prefecture Kumamoto-city, Kumamoto-Prefecture Kai-city Yamanashi-Prefecture Itami-city, Hyogo-Prefecture etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, Long-term prepaid expenses and Leased assets

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 a significant asset is considered idle or when it is to be disposed of.

The Group has formulated a new structural reform plan to build profitable structures as a basic policy by earlier realization of merger synergy and by elimination of inefficiencies.

The year ended March 31, 2012

*7 Impairment loss

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

Location	Usage	Type
Kitatsugaru-gun, Aomori-Prefecture	Business assets	Machinery and equipment
Goshogawara-city, Aomori-Prefecture etc.	Assets to be disposed of	Land, Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures
Kodaira-city, Tokyo Metropolitan Prefecture Hitachinaka-city, Ibaraki-Prefecture Itami-city, Hyogo-Prefecture etc.	Idle assets	Buildings and structures, Machinery and equipment, Vehicles, tools, furniture and fixtures, Construction in progress, and Leased assets

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 a significant asset is considered idle or when it is to be disposed of.

Among business assets with the expectation of lower profitability, the book values were reduced to the recoverable value if the sum of undiscounted future cash flows was less than the aggregate book values of such asset grouping. The loss incurred by the reduction, amounted to 1,454 million yen, was recorded as a special loss.

In addition, among idle assets with no business use and assets to be disposed of, which had no business use due to the decision to close or sell the product line, the book values of such asset groupings were reduced to the recoverable value if their fair value declined significantly. The loss incurred by the reduction, amounted to 1,140 million yen, was recorded as a special loss.

The components of impairment loss (2,594 million yen) were as follows:

	(In millions of yen)
Land	97
Buildings and structures	92
Machinery and equipment	1,892
Vehicles, tools, furniture and fixtures	440
Construction in progress	18
Leased assets	55
Total	2,594

<table>
<tr><th>The year ended
March 31, 2011</th><th>The year ended
March 31, 2012</th></tr>
<tr><td>As a result of the above plan, net book values of business assets with the expectation of lower profitability were reduced to the recoverable values of assets because the sum of undiscounted future cash flows was less than that of the book value. Such loss amounted to 29,679 million yen which was included in special loss. The main such impairment was for the Tsuruoka-manufacturing plant (Renesas Yamagata Semiconductor Co., Ltd.), which amounted to 27,589 million yen.

Also, the Group recognized impairment loss on the assets to be disposed of, which had no business use due to the decision to close or sell the product line by reducing their net book values to the recoverable values of assets because their fair value declined significantly. Such loss amounted to 8,630 million yen which was included in impairment loss. The main such impairment was for the Roseville manufacturing plant (Renesas Electronics America Inc.), which amounted to 5,930 million yen.

In addition, the Group recognized an impairment loss on idle assets by reducing their net book value to the recoverable values of assets. The impairment loss in special loss amounted to 3,362 million yen.

The total impairment loss of business assets, assets to be disposed of, and idle assets amounted to 41,671 million yen.

The impairment loss above was composed of business structure improvement expenses (5,620 million yen) and impairment loss other than business structure improvement expenses (36,051 million yen).

The components of impairment loss (41,671 million yen) were as follows:

(In millions of yen)
Land 309
Buildings and structures 7,586
Machinery and equipment 26,168
Vehicles, tools, furniture and fixtures 4,387
Construction in progress 1,357
Software for internal use 1,372
Other intangible assets 204
Long-term prepaid expenses 217
Leased assets 71
Total 41,671

The recoverable value of these assets was measured at net sale value or value in use. The net sale value was reasonably estimated as the appraisal amount less the necessary expenses for disposal. However, the net sale value of assets which were difficult to sell was estimated at zero. The discount rate used in the determination of the value in use was mainly 6%.</td><td>The recoverable value of these assets was measured at net sale value or value in use. The net sale value was reasonably estimated as the appraisal amount less the necessary expenses for disposal. However, the net sale value of assets which were difficult to sell was estimated at zero. The discount rate used in the determination of the value in use was mainly 4%.</td></tr>
</table>

The year ended March 31, 2011	The year ended March 31, 2012
*8 Loss on disaster	*8 Loss on disaster
The loss on disaster was related to the Great East Japan Earthquake. The components of loss on disaster were as follows:	The loss on disaster was related to the Great East Japan Earthquake. The components of loss on disaster were as follows:

Year ended March 31, 2011 (In millions of yen)

Repair cost of long-term assets	43,116
Loss on disposal of inventories	7,283
Loss on disposal of long-term assets	6,187
Fixed costs during the temporary shutdown of operations	5,919
Loss on cancellation of lease contracts	2,987
Other	12
Subtotal	65,504
Insurance income receivable	(16,000)
Total	49,504

The main portion of provision for loss on disaster in the consolidated balance sheet was for repair cost of fixed assets and loss on cancellation of lease contracts.

Year ended March 31, 2012 (In millions of yen)

Fixed costs during the temporary shutdown of operations	10,711
Loss on disposal of inventories	620
Loss on disposal of long-term assets	590
Repair cost of long-term assets	177
Loss on cancellation of lease contracts	101
Other	561
Total	12,760

The year ended March 31, 2011

*9 Business structure improvement expenses

To achieve sustainable and robust growth, the Group formulated “100-day project,” and through this project, reviewed overall management resources in business activities owned by former NEC Electronics and former Renesas Technology, such as technologies, products, design and development environments, manufacturing, sales, material purchasing and business processes, so that the merger synergies were maximized. Further, the Group formulated measures to attain its business target, and implemented measures for optimizing business portfolio and reforming production structure.

As parts of those measures, the Group implemented enhanced early retirement programs with special additional payments at the Company and all subsidiaries in Japan. At certain foreign subsidiaries, personnel rationalization plans were implemented.

Due to the above measures, the Group recognized expenses as follows:

(In millions of yen)

Personnel expenses	21,956
Expenses for removal of property, plant and equipment and other expenses	1,375
Impairment loss and loss on equipment disposal	7,267

The year ended March 31, 2012

*9 Business structure improvement expenses

To reinforce product lineup, sales and cost competitiveness as well as establish a business foundation to make it possible to achieve a profit recovery and stable growth with sustainability, the Group formulated the “100-day project,” and through this project, reviewed overall management resources in business activities. Further, the Group formulated measures to attain its business target, and implemented measures for optimizing business portfolio and reforming production structure.

As parts of structural reform in production, the Group executed the partial transfer of its business as well as sales and shutdown of plants and consequently recognized the following expenses.

(In millions of yen)

Personnel expenses	1,048
Expenses for removal of property, plant and equipment, loss on equipment disposal and other expenses	1,928

(Consolidated Statements of Comprehensive Income)

For the year ended March 31, 2012

*1 Reclassification adjustments and tax effect pertaining to other comprehensive income

(In millions of yen)

Unrealized gains (losses) on securities	
Amount arising during the period	1,116
Reclassification adjustments for gains (losses) realized in net income	(623)
Amount of unrealized holding gains (losses) on securities before tax effect	493
Tax effect	(10)
Unrealized gains (losses) on securities	483
Foreign currency translation adjustments	
Amount arising during the period	(3,713)
Amount of foreign currency translation adjustments before tax effect	(3,713)
Foreign currency translation adjustments	(3,713)
Share of other comprehensive income of affiliates accounted for by the equity method	
Amount arising during the period	(17)
Reclassification adjustments for gains (losses) realized in net income	22
Share of other comprehensive income of affiliates accounted for by the equity method	5
Total other comprehensive income	(3,225)

(Consolidated Statements of Changes in Net Assets)

For the year ended March 31, 2011

1. Shares issued and outstanding / Treasury stock

	Number of shares at the beginning of the period	Increase	Decrease	Numbers of shares at the end of the period
Shares issued:				
Common stock *(Note 1)*	123,500,000	293,624,490	—	417,124,490
Total	123,500,000	293,624,490	—	417,124,490
Treasury stock:				
Common stock *(Note 2)*	2,448	100	—	2,548
Total	2,448	100	—	2,548

Note 1: The increase in the number of common stock of 293,624,490 shares was due to the increase of 146,841,500 shares by the acquisition of the former Renesas Technology and the issuance of 146,782,990 shares to NEC Corporation, Hitachi Ltd., and Mitsubishi Electric Corporation by third-party allotment both on April 1, 2010.

Note 2: The increase in the number of treasury stock of 100 shares was due to the merger with the former Renesas Technology.

2. Share subscription rights

	Breakdown of share subscription rights	Type of shares	Number of shares to be issued				Balance of shares as of March 31, 2011 (In millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
Issuing company	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 *(Note 1)*	Common Stock	11,156,100	10,300	—	11,166,400	—
	Share subscription rights as stock option	—	—	—	—	—	48
Total		—	11,156,100	10,300	—	11,166,400	48

Note 1: The number of shares of 10,300 common stocks was increased due to an adjustment of the conversion price of the convertible bonds made in connection with the issuance of new shares through third-party allotments.

For the year ended March 31, 2012

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	417,124,490	—	—	417,124,490
Total	417,124,490	—	—	417,124,490
Treasury stock:				
Common stock	2,548	—	—	2,548
Total	2,548	—	—	2,548

2. Share subscription rights

	Breakdown of share subscription rights	Type of shares	Number of shares to be issued				Balance of shares as of March 31, 2012 (In millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
Issuing company	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 *(Note 1)*	Common Stock	11,166,400	—	11,166,400	—	—
	Share subscription rights as stock option	—	—	—	—	—	26
Total		—	11,166,400	—	11,166,400	—	26

Note 1: The number of shares of 11,166,400 common stocks was decreased due to the redemption of Zero Coupon Unsecured Euro Yen Convertible Bonds.

(Consolidated Statements of Cash Flows)

The year ended March 31, 2011	The year ended March 31, 2012
*1 Cash and cash equivalents as of the fiscal year-end were reconciled to the accounts reported in the consolidated balance sheets as follows:	*1 Cash and cash equivalents as of the fiscal year-end were reconciled to the accounts reported in the consolidated balance sheets as follows:

	(In millions of yen)
Cash and deposits	170,691
Time deposits with maturities of more than three months	(400)
Short-term investment securities	166,998
Cash and cash equivalents	337,289

	(In millions of yen)
Cash and deposits	111,981
Time deposits with maturities of more than three months	(285)
Short-term investment securities	20,250
Cash and cash equivalents	131,946

*2 The details of assets and liabilities decreased by the business transfer as well as the relationship between consideration transferred and proceeds from transfer of business are as follows:

(1) Business Transfer of Semiconductor Wafer Fabrication Facility in Renesas Electronics America Inc.

	(In millions of yen)
Current assets	2,613
Long-term assets	2,278
Current liabilities	(190)
Consideration transferred	4,701
Accounts receivable-other	(1,195)
Proceeds from transfer of business	3,506

(2) Sales of high-power amplifier business and the business operation of its manufacturing site, the Nagano Device Division of Renesas Eastern Japan Semiconductor, Inc.

	(In millions of yen)
Current assets	1,258
Long-term assets	5,767
Current liabilities	(370)
Long-term liabilities	(1,062)
Gain on transfer of business	4,861
Consideration transferred	10,454
Accounts receivable-other	(2,454)
Proceeds from transfer of business	8,000

*3 The details of assets acquired and liabilities assumed on the transfer of the Wireless Modem Business of Nokia Corporation were as follows:

	(In millions of yen)
Current assets	551
Long-term assets	15,991
Goodwill	2,571
Total assets	19,113
Current liabilities	1,459
Total liabilities	1,459

(Year ended March 31, 2012: ―――)

*4 Significant non-cash transactions

	Year ended March 31, 2011 (In millions of yen)	Year ended March 31, 2012 (In millions of yen)
(1) Leased assets under finance lease transactions	1,041	8,575
(2) Long-term prepaid expenses for installment purchase contract	36,801	3,803
(3) Asset retirement obligations recognized	1,884	152

The year ended March 31, 2011	The year ended March 31, 2012
(4) Merger The details of assets acquired and liabilities assumed from the former Renesas Technology in the fiscal year ended March 31, 2011 were as follows. In addition, the amount of capital surplus increased by the merger was 140,527 million yen. (In millions of yen) Current assets 320,408 Long-term assets 301,384 Total assets 621,792 Current liabilities 337,849 Long-term liabilities 138,126 Total liabilities 475,975	

(Lease Transactions)

The year ended March 31, 2011

1. Finance lease transactions (Lessees' accounting)

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

(1) Leased assets

Property, plant and equipment

These were principally manufacturing equipment for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures).

(2) Methods for depreciation of leased assets

Described in "4. Significant Accounting Policies, (2)Methods for depreciation of property, plant and equipment" in Basis of Consolidated Financial Statements

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

(1) Leased assets

Property, plant and equipment

These were principally manufacturing equipment for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures).

(2) Methods for depreciation of leased assets

Described in "4. Significant Accounting Policies, (2) Methods for depreciation of property, plant and equipment" in Basis of Consolidated Financial Statements

Other than those under which the ownership of the assets is transferred to the lessee, the finance leases which started the lease transactions before March 31, 2008 were accounted for as operating lease transactions and the major components were as follows:

1) Acquisition cost equivalent, accumulated depreciation equivalent, accumulated impairment loss equivalent and balance at the fiscal year-end equivalent in leased assets.

(In millions of yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Accumulated impairment loss equivalent	Balance at the fiscal year-end equivalent
Machinery and equipment	3,687	1,528	71	2,088
Vehicles, tools, furniture and fixtures	720	212	—	508
Total	4,407	1,740	71	2,596

The year ended March 31, 2012

1. Finance lease transactions (Lessees' accounting)

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

(1) Leased assets

Property, plant and equipment

These were principally buildings and manufacturing equipment for semiconductor products (machinery and equipment and vehicles, tools, furniture and fixtures).

(2) Methods for depreciation of leased assets

Same as the previous fiscal year

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

(1) Leased assets

Property, plant and equipment

Same as the previous fiscal year

(2) Methods for depreciation of leased assets

Same as the previous fiscal year

1) Acquisition cost equivalent, accumulated depreciation equivalent, accumulated impairment loss equivalent and balance at the fiscal year-end equivalent in leased assets.

(In millions of yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Accumulated impairment loss equivalent	Balance at the fiscal year-end equivalent
Machinery and equipment	2,150	1,505	55	590
Vehicles, tools, furniture and fixtures	301	240	—	61
Total	2,451	1,745	55	651

<table>
<tr><th>The year ended
March 31, 2011</th><th>The year ended
March 31, 2012</th></tr>
<tr><td>
2) Balance equivalent of future lease payments at the fiscal year-end and accumulated impairment loss on leased assets
(In millions of yen)
Due within one year 1,862
Due after one year 845
Total 2,707
Accumulated impairment loss on leased assets 237

3) Payments for leased assets, reversal of accumulated impairment loss on leased assets, depreciation expenses equivalent, interest expenses equivalent and impairment loss
(In millions of yen)
Payments for leased assets 3,667
Reversal of accumulated impairment loss on leased assets 303
Depreciation expenses equivalent 3,533
Interest expenses equivalent 113
Impairment loss 71

4) Method for calculating depreciation expenses equivalent
Depreciated by the straight-line method over the lease term, assuming no residual value

5) Method for calculating interest expenses equivalent
The difference between the total lease payments and the acquisition cost equivalent of lease property was regarded as interest expenses equivalent. This difference was allocated to each period by the interest method.

2. Operating lease transactions
Future lease payments relating to non-cancellable operating lease transactions were as follows:
(In millions of yen)
Due within one year 16,504
Due after one year 13,640
Total 30,144
</td><td>
2) Balance equivalent of future lease payments at the fiscal year-end and accumulated impairment loss on leased assets
(In millions of yen)
Due within one year 763
Due after one year 8
Total 771
Accumulated impairment loss on leased assets 112

3) Payments for leased assets, reversal of accumulated impairment loss on leased assets, depreciation expenses equivalent, interest expenses equivalent and impairment loss
(In millions of yen)
Payments for leased assets 1,736
Reversal of accumulated impairment loss on leased assets 181
Depreciation expenses equivalent 1,676
Interest expenses equivalent 68
Impairment loss 55

4) Method for calculating depreciation expenses equivalent
Same as the previous fiscal year

5) Method for calculating interest expenses equivalent
Same as the previous fiscal year

2. Operating lease transactions
Future lease payments relating to non-cancellable operating lease transactions were as follows:
(In millions of yen)
Due within one year 15,294
Due after one year 17,897
Total 33,191
</td></tr>
</table>

(Financial Instruments)

For the year ended March 31, 2011

1. Conditions of Financial Instruments

(1) Policies for Financial Instruments

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

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

Notes and accounts receivable–trade and accounts receivable-other are exposed to credit risks. Conforming to internal rules for management of 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 ratings. Long-term investment securities, issued by companies with which the Group has business relationships, are exposed to risks of market fluctuations. By regularly monitoring the fair value of the securities, financial condition of the issuing companies and consideration of existing business relationship, if any, the Group evaluates the merit of holding the securities.

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

Most short-term borrowings are for operating activities. Most long-term borrowings, bonds with share subscription rights and lease obligations from finance lease transactions are utilized for capital investments. Their repayment terms are within 8 years after the fiscal year-end.

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 and have short-term commitment lines.

(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 Values of Financial Instruments

The fair values of financial instruments in the consolidated balance sheet as of March 31, 2011 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note 2)

(In millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	170,691	170,691	—
(2) Notes and accounts receivable-trade	137,346	137,346	—
(3) Accounts receivable-other	37,966	37,966	—
(4) Short-term, long-term investment securities			
Stocks of affiliates	5,264	1,745	(3,519)
Other securities	171,364	171,364	—
Total assets	522,631	519,112	(3,519)
(5) Notes and accounts payable-trade	144,944	144,944	—
(6) Short-term borrowings	143,467	143,467	—
(7) Accounts payable-other	78,250	78,250	—
(8) Accrued income taxes	3,962	3,962	—
(9) Current portion of bonds with share subscription rights	110,000	109,617	(383)
(10) Long-term borrowings (including current portion)	102,513	102,011	(502)
(11) Lease obligations (including current portion)	22,249	22,445	196
Total liabilities	605,385	604,696	(689)
(12) Derivative transactions(*)	(888)	(888)	—

(*)The values of assets and liabilities arising from derivative transactions are shown at net value. If the net balance of the derivative transactions is a liability, it is shown in parenthesis.

Note 1: 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) Short-term and 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 the 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.

The Group accounted for securities as other securities. The information on other securities classified by holding purpose is described in the note "Securities."

(5) Notes and accounts payable-trade, (6) Short-term borrowings, (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) Current portion of bonds with share subscription rights

The fair value of bonds with share subscription rights was estimated by the available information that market participants use in calculating the price.

(10) Long-term borrowings and (11) 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.

(12) Derivative transactions

1. Derivatives not subject to hedge accounting

Derivative transactions not subject to hedge accounting were forward exchange contracts and interest rate swaps. The fair value of forward exchange contracts was measured at the forward rate, such as foreign exchange rate. The fair value of interest rate swaps was measured at the price presented by financial institutions. The notional amounts or notional principals of each type of forward rate transactions and interest rate swaps at the fiscal year-end were described in "1.Derivative transactions for which hedge accounting had not been adopted" of the note "Derivative Transactions."

2. Derivatives subject to hedge accounting

None

Note 2: Non-marketable securities (1,005 million yen booked on consolidated balance sheet), which did not have market prices and for which the future cash flows could not be estimated, were not included in "(4) Short-term and long-term investment securities" since it was extremely difficult to estimate their fair value.

Note 3: The redemption schedule after the fiscal year-end for monetary claims and securities with maturity dates

(In millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	170,691	—	-—	—
Notes and accounts receivable-trade	137,346	—	—	—
Accounts receivable-other	37,966	—	—	—
Short-term, long-term investment securities				
Other securities with maturity dates				
(1) Bonds (Commercial paper)	2,000	—	—	—
(2) Other	153,300	—	—	—
Total	501,303	—	—	—

For the year ended March 31, 2012

1. Conditions of Financial Instruments

(1) Policies for Financial Instruments

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

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

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

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

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

Most short-term borrowings are for operating activities. Most long-term borrowings and lease obligations from finance lease transactions are mainly utilized for capital investments. Their repayment terms are at most 7 years after the fiscal year-end.

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 and have short-term commitment lines.

(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 Values of Financial Instruments

The fair values of financial instruments in consolidated balance sheet as of March 31, 2012 were presented below. The table does not include the financial instruments for which it is extremely difficult to estimate fair values. (Note 2)

(In millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	111,981	111,981	—
(2) Notes and accounts receivable-trade	102,556	102,556	—
(3) Accounts receivable-other	17,405	17,405	—
(4) Short-term, long-term investment securities			
Stocks of affiliates	4,735	1,925	(2,810)
Other securities	23,000	23,000	—
Total assets	259,677	256,867	(2,810)
(5) Notes and accounts payable-trade	148,747	148,747	—
(6) Short-term borrowings	168,963	168,963	—
(7) Accounts payable-other	43,036	43,036	—
(8) Accrued income taxes	5,322	5,322	—
(9) Long-term borrowings (including current portion)	66,129	64,674	(1,455)
(10) Lease obligations (including current portion)	23,244	22,850	(394)
Total liabilities	455,441	453,592	(1,849)
(11) Derivative transactions(*)	(1,619)	(1,619)	—

(*)The values of assets and liabilities arising from derivative transactions are shown at net value. If the net balance of the derivative transactions is a liability, it is shown in parenthesis.

Note 1: 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) Short-term and 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 the 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.

The Group accounted for securities as other securities. The information on other securities classified by holding purpose is described in the note “Securities.”

(5) Notes and accounts payable-trade, (6) Short-term borrowings, (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.

(11) Derivative transactions

1. Derivatives not subject to hedge accounting

Derivative transactions not subject to hedge accounting were forward exchange contracts and interest rate swaps. The fair value of forward exchange contracts was measured at the forward rate, such as foreign exchange rate. The fair value of interest rate swaps was measured at the price presented by financial institutions. The notional amounts or notional principals of each type of forward rate transactions and interest rate swaps at the fiscal year-end were described in “1.Derivative transactions for which hedge accounting had not been adopted” of the note “Derivative Transactions.”

2. Derivatives subject to hedge accounting

None

Note 2: Non-marketable securities (316 million yen booked on consolidated balance sheet), which did not have market prices and for which the future cash flows could not be estimated, were not included in “(4) Short-term and long-term investment securities” since it was extremely difficult to estimate their fair value.

Note 3: The redemption schedule after the fiscal year-end for monetary claims and securities with maturity dates

(In millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	111,981	—	-—	—
Notes and accounts receivable-trade	102,556	—	—	—
Accounts receivable-other	17,405	—	—	—
Short-term, long-term investment securities				
Other securities with maturity dates				
(1) Bonds (Commercial paper)	500	—	—	—
(2) Other	19,750	—	—	—
Total	252,192	—	—	—

Note 4: The repayment schedules after the fiscal-year end for long-term borrowings and lease obligations

Please refer to “Schedule of borrowings” in the section of “Consolidated Supplemental Schedules.”

(Securities)

As of March 31, 2011

1. Other securities

(In millions of yen)

	Type	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeded their acquisition cost	(1) Stock	851	713	138
	(2) Other	2,411	2,279	132
	Subtotal	3,262	2,992	270
Securities whose carrying value did not exceed their acquisition cost	(1) Stock	1,104	1,561	(457)
	(2) Bond	2,000	2,000	—
	(3) Other	164,998	164,998	—
	Subtotal	168,102	168,559	(457)
Total		171,364	171,551	(187)

2. Other securities sold for the fiscal year ended March 31, 2011

(In millions of yen)

Type	Sales proceeds	Total gain	Total loss
(1) Stock	239	226	—
(2) Other	410	94	—
Total	649	320	—

3. Impairment loss recognized on securities

The amount of impairment loss recognized on the stock in other securities was 119 million yen. Furthermore, in the event that the fair market value at year-end of marketable securities falls 50% or more below the acquisition cost, impairment loss is recognized for all of the marketable securities whose fair market values at year-end fall 50% or more below the acquisition cost. In the event that fair market value falls approximately 30% to 50% below the acquisition cost, impairment loss of the necessary amount is recognized by considering the future recoverability.

As of March 31, 2012

1. Other securities

(In millions of yen)

	Type	Carrying value	Acquisition cost	Unrealized gains (losses)
Securities whose carrying value exceeded their acquisition cost	(1) Stock	508	315	193
	(2) Other	2,220	2,106	114
	Subtotal	2,728	2,421	307
Securities whose carrying value did not exceed their acquisition cost	(1) Stock	22	22	—
	(2) Bond	500	500	—
	(3) Other	19,750	19,750	—
	Subtotal	20,272	20,272	—
Total		23,000	22,693	307

2. Other securities sold for the fiscal year ended March 31, 2012

(In millions of yen)

Type	Sales proceeds	Total gain	Total loss
(1) Stock	1,306	173	140
(2) Other	714	18	12
Total	2,020	191	152

3. Impairment loss recognized on securities

The amount of impairment loss recognized on the stock in other securities was 668 million yen. Furthermore, in the event that the fair market value at year-end of marketable securities falls 50% or more below the acquisition cost, impairment loss is recognized for all of the marketable securities whose fair market values at year-end fall 50% or more below the acquisition cost. In the event that fair market value falls approximately 30% to 50% below the acquisition cost, impairment loss of the necessary amount is recognized by considering the future recoverability.

(Derivative Transactions)

As of March 31, 2011

1. Derivative transactions for which hedge accounting was not adopted

(1) Currency-related transactions

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Forward foreign exchange contracts				
	Sale:				
	USD	27,785	—	(229)	(229)
	EUR	6,313	—	(146)	(146)
	Buy:				
	USD	1,116	—	(202)	(202)
	SGD	183	—	0	0
Total		35,397	—	(577)	(577)

Note: Calculation of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on market quotation.

(2) Interest rate-related transactions

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Interest rate swaps Pay fixed, receive variable	25,900	10,900	(311)	(311)
Total		25,900	10,900	(311)	(311)

Note: Calculation method of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on the price presented by financial institutions.

2. Derivative transactions for which hedge accounting was adopted
None

As of March 31, 2012

1. Derivative transactions for which hedge accounting was not adopted

(1) Currency-related transactions

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Forward foreign exchange contracts				
	Sale:				
	USD	30,047	—	(1,176)	(1,176)
	EUR	7,659	—	(353)	(353)
Total		37,706	—	(1,529)	(1,529)

Note: Calculation of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on market quotation.

(2) Interest rate-related transactions

(In millions of yen)

		Notional amounts	Portion due after one year included herein	Fair value	Gains (losses)
Non-market transactions	Interest rate swaps Pay fixed, receive variable	10,700	500	(90)	(90)
Total		10,700	500	(90)	(90)

Note: Calculation method of fair value as of the fiscal year-end
Fair value at the fiscal year-end was based on the price presented by financial institutions.

2. Derivative transactions for which hedge accounting was adopted
None

(Retirement Benefits)

1. Outline of retirement benefits

The Company and its subsidiaries in Japan have severance indemnity plans, non-contributory defined benefit pension plans and a defined contribution plan. In addition, the Company and its subsidiaries in Japan might pay extra retirement benefits.

The plan assets for the defined-benefit pension plans of employees of the former NEC Electronics Corporation ("NEC Electronics") and its subsidiaries continue to be included in NEC Corporation's plan. Benefit obligations recorded in the consolidated financial statements are based on data for employees of the Company. Plan assets are distributed proportional to benefit obligations.

As a result of the merger with the former Renesas Technology, the Company newly added a defined-benefit pension plan. Almost all of the participants in this plan are employees of the former Renesas Technology, and its subsidiaries in Japan.

The Company and its subsidiaries in Japan adopt a point-based benefits system for the severance indemnity plans and defined-benefit pension plan, under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification and their performance.

The Company and its subsidiaries in Japan adopt cash balance pension plans for the defined-benefit pension plan. Under the cash balance pension plans, each participant has an account which is credited based on the current base rate of pay, their job classification and interest crediting rate calculated based on the market interest rate.

Certain foreign subsidiaries adopt various retirement benefit plans which are mainly defined contribution plans as well as defined benefit plans.

2. Projected benefit obligations

(In millions of yen)

	As of March 31, 2011	As of March 31, 2012
(1) Projected benefit obligation	(284,346)	(277,517)
(2) Plan assets	158,369	160,032
(3) Unfunded projected benefit obligation (1)＋(2)	(125,977)	(117,485)
(4) Unrecognized net projected benefit obligation at transition	9,549	7,163
(5) Unrecognized actuarial gain or loss	46,662	41,921
(6) Unrecognized prior service cost (a reduction of liability)	(9,134)	(7,980)
(7) Net projected benefit obligation recognized in the consolidated balance sheets (3)＋(4)＋(5)＋(6)	(78,900)	(76,381)
(8) Prepaid pension cost	5,931	5,747
(9) Accrued retirement benefit (7)－(8)	(84,831)	(82,128)

Note 1: Some subsidiaries adopted a simplified method in the calculation of projected benefit obligation.
Note 2: Prepaid pension cost was included in "Other assets" in investments and other assets.

3. Retirement benefit expenses

(In millions of yen)

	For the year ended March 31, 2011	For the year ended March 31, 2012
(1) Service cost	10,728	10,554
(2) Interest cost	7,122	6,971
(3) Expected return on plan assets (deduction)	(4,261)	(4,510)
(4) Amortization of net projected benefit obligation at transition	2,383	2,386
(5) Amortization of actuarial gain or loss	4,890	5,295
(6) Amortization of prior service cost	(1,157)	(1,154)
(7) Retirement benefit expenses (1)＋(2)＋(3)＋(4)＋(5)＋(6)	19,705	19,542
(8) Expenses for defined contribution plans and others	3,294	3,108
(9) Expenses for extra retirement benefit	21,368	929
(10) Total (7)＋(8)＋(9)	44,367	23,579

Note: Retirement benefit expenses for subsidiaries that adopted a simplified method were included in (1) Service cost.

4. Assumptions used in accounting for the projected benefit obligation

	For the year ended March 31, 2011	For the year ended March 31, 2012
(1) Allocation of projected benefit obligation	Mainly, point-based or straight-line method	Mainly, point-based or straight-line method
(2) Discount rates	Mainly 2.5%	Mainly 2.5%
(3) Expected rate of return on plan assets	Mainly 2.5% or 3.5%	Mainly 2.5% or 3.5%
(4) Amortization period of prior service cost (Year)	Mainly 14 years (amortized as incurred on a straight-line basis over the employees' estimated average remaining service periods)	Mainly 14 years Same as the previous year
(5) Amortization period of actuarial gain or loss (Year)	Mainly 14 years (amortized on a straight-line basis over the employees' estimated average remaining service periods in which the gains and losses are recognized)	Mainly 15 years Same as the previous year
(6) Amortization period of net projected benefit obligation at transition (Year)	Mainly 15 years	Mainly 15 years

(Stock-Based Compensation Plans)

1. The account and amount of gain on reversal of share subscription rights due to forfeiture

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Gain on reversal of share subscription rights in "Other non-operating income" in non-operating income	4	22

2. Description of stock options / Changes in the size of stock options

(1) Description of stock options

	2006 Stock Options
Category and number of people to whom stock options were granted	Directors of Renesas Electronics 4 Corporate officers of Renesas Electronics 4 Renesas Electronics' employees 12 Directors of the subsidiaries 10
Type and number of stock options (Note)	Common stock 75,000 shares
Grant date	July 13, 2006
Vesting conditions	Those who hold share subscription rights ("the holders") must remain directors, corporate officers or employees of Renesas Electronics or the subsidiaries at the date when the holders exercise share subscription rights. During the exercise period, if the holders resign their position above for a reason other than reprimand or dismissal, the holders could exercise their share subscription rights within one year after their resignation. If the holders resign their position above for a reason other than reprimand or dismissal or voluntary termination during the period from July 13, 2006 to July 12, 2008, the holders could exercise their share subscription rights within one year from July 13, 2008.
Vesting period	From July 13, 2006 to July 12, 2008
Exercise period	From July 13, 2008 to July 12, 2012

Note: The number of stock options is converted into the number of shares.

(2) Changes in the size of stock options

Changes in the size of stock options that existed for the fiscal year ended March 31, 2012 were as follows:
The number of stock options is converted into the number of shares.

1) Number of stock options

	2006 Stock Options
Share subscription rights which were not yet vested (Shares)	
As of March 31, 2011	―
Granted	―
Forfeited	―
Vested	―
Balance of options not vested	―
Share subscription rights which had already been vested (Shares)	
As of March 31, 2011	51,000
Vested	―
Exercised	―
Forfeited	23,000
Balance of options not exercised	28,000

2) Per share prices

	2006 Stock Options
Exercise price (Yen)	3,927
Average price per share upon exercise (Yen)	―
Fair value per share at grant date (Yen)	937

3. Method for estimation of the number of stock options vested

The number of vested options was determined by deducting the number of forfeited options from the number of granted options because the date of vesting had already passed.

(Tax-Effect Accounting)

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	As of March 31, 2011	As of March 31, 2012
Deferred tax assets		
Operating loss carryforwards	265,346	296,055
Accrued retirement benefits	36,072	31,077
Long-term assets	40,601	25,208
Accrued expenses	15,419	12,357
Inventories	12,817	10,729
Research and development expenses	7,522	5,045
Tax credits carryforwards	4,776	4,811
Investments	3,612	1,933
Provision for loss on disaster	18,647	399
Others	5,929	4,884
Total deferred tax assets	410,741	392,498
Valuation allowance	(391,527)	(380,216)
Total deferred tax assets	19,214	12,282
Deferred tax liabilities		
Valuation difference of assets acquired by merger	(15,646)	(12,744)
Tax on undistributed earnings	(2,685)	(2,502)
Gain on contribution of securities to retirement benefit trust	(2,646)	(2,329)
Insurance income receivable	(6,480)	—
Others	(2,534)	(1,685)
Total deferred tax liabilities	(29,991)	(19,260)
Deferred tax liabilities, net	(10,777)	(6,978)

Net deferred tax liabilities were reflected in the following accounts in the consolidated balance sheet.

(In millions of yen)

	As of March 31, 2011	As of March 31, 2012
Current assets – deferred tax assets	1,289	2,173
Long-term assets – deferred tax assets	2,100	2,373
Current liabilities – other	(103)	(32)
Long-term liabilities – deferred tax liabilities	(14,063)	(11,492)

2. The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate was summarized as follows:

	As of March 31, 2011	As of March 31, 2012
Statutory tax rate	40.5%	40.5%
(Reconciliation)		
Changes in valuation allowance	(48.6)	(53.8)
Foreign tax rate differences	2.9	6.1
Tax credits	0.9	2.8
Changes in statutory tax rates	—	1.7
Gain on negative goodwill	1.1	—
Other	1.3	(0.1)
Effective tax rate after adoption of tax-effect accounting	(1.9)	(2.8)

As of March 31, 2011	As of March 31, 2012
3. ――――	3. Adjustment of amounts of deferred tax assets and liabilities due to changes in statutory tax rates On December 2, 2011, the "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated. As a result of this revision, the effective statutory tax rates applied for the calculations of deferred tax assets and liabilities were changed from 40.5% to 38.0% for temporary differences expected to be realized or settled in the periods from April 1, 2012 to March 31, 2015 and 35.6% for temporary differences expected to realized or settled after April 1, 2015. Consequently, "Income taxes-deferred" and "Deferred tax liabilities" for the fiscal year ended March 31, 2012 were decreased by 1,021 million yen, respectively.

(Business Combinations)

For the year ended March 31, 2012
Business divestiture

(Business Transfer of Semiconductor Wafer Fabrication Facility in Renesas Electronics America Inc.)

1. Outline of the business divestiture
(1) Name of the transferees
Telefunken Semiconductors International LLC and Timberpine Holdings LLC

(2) Nature of the divested businesses
Wafer fabrication facility in Renesas Electronics America Inc. ("REA"), a wholly owned subsidiary of Renesas.

(3) Main reasons for the divestiture
The Company had been considering and implementing various measures to improve manufacturing efficiency by promoting larger wafers, finer process nodes, and production concentration for its own production capacity. In line with these measures, the Company decided to sell REA's facility in Roseville, California, to Telefunken Semiconductors International LLC and Timberpine Holdings LLC, which had been searching for a new manufacturing facility to expand Telefunken's semiconductor business.

(4) Date of divestiture
May 2, 2011

(5) Overview of transactions including statutory form
Upon the establishment of a wholly owned subsidiary of REA and transfer of wafer fabrication facility and its relevant operation to the subsidiary, REA transferred all of the shares to the transferees.

2. Overview of accounting treatment implemented
(1) Amount of gain on business transfer
There was no difference between the consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture.

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

	(In millions of yen)
Current assets	2,613
Long-term assets	2,278
Total assets	4,891
Current liabilities	190
Long-term liabilities	—
Total liabilities	190

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations for the fiscal year ended March 31, 2012

	(In millions of yen)
Net sales	1,091
Operating income	316

(Sale of High-Power Amplifier Business)

1. Outline of the business divestiture

(1) Name of the buyer

Murata Manufacturing Co., Ltd.

(2) Nature of the divested businesses

High-power amplifier (“HPA”) business and the business operation of its manufacturing site, the Nagano Device Division (“Komoro, Nagano”) of Renesas Eastern Japan Semiconductor, Inc. (“Renesas Eastern Japan Semiconductor”).

(3) Main reasons for the divestiture

With the growing demand for smartphones all over the world and the expansion of the low-end models in developing countries, the market for mobile phones, which is the major user of power amplifiers, is experiencing a growing trend toward one-stop module and platform solutions that integrate basic communication functions in a device. In particular, the demand is growing for modules that incorporate HPAs with radio frequency (“RF”) components, such as filters and switches.

The Company has been mainly supplying power amplifier modules to mobile handset makers. However, in light of these changing business conditions, the Company considered the needs to study and implement measures to quickly respond to the demand for a one-stop module that incorporates a front-end module (“FEM”) to further strengthen the HPA business structure.

After full consideration, the Company decided to sell the HPA business and the related operation of its manufacturing site.

(4) Date of divestiture

March 1, 2012

(5) Overview of transactions including statutory form

The Company established a wholly owned subsidiary, Renesas Komoro Semiconductor, Inc. (Renesas Komoro Semiconductor), and on March 1, 2012, transferred rights and obligations pertaining to its HPA business and the manufacturing operations including the land, building, and other assets relevant to the HPA business to Renesas Komoro Semiconductor. Renesas Eastern Japan Semiconductor also transferred rights and obligations pertaining to the business operation of the Nagano Device Division and its relevant operation to Renesas Komoro Semiconductor.

On the same date as above, the Company transferred HPA business and the shares of common stock for Renesas Komoro Semiconductor to Murata Manufacturing by means of a business transfer with a cash consideration as well as a stock transfer.

2. Overview of accounting treatment implemented

(1) Amount of gain on transfer of business

Difference between consideration transferred and net assets determined by assets and liabilities pertaining to the transferred businesses immediately before the date of divestiture were recognized as a gain on transfer of business in the consolidated statement of operations.

	(In millions of yen)
Gain on transfer of business	4,861

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

	(In millions of yen)
Current assets	1,258
Long-term assets	5,767
Total assets	7,025
Current liabilities	370
Long-term liabilities	1,062
Total liabilities	1,432

3. Approximate amount of income (loss) pertaining to divested businesses recorded in the consolidated statement of operations for the fiscal year ended March 31, 2012

	(In millions of yen)
Net sales	22,772
Operating loss	5,552

（Asset Retirement Obligations）

Asset retirement obligations recognized on the consolidated financial statements

(1) Outline of Asset Retirement Obligations

Asset retirement obligations were recognized for obligations relating to the restoration of leased real estate (office and plant) to its original state and the removal expenses of asbestos and so forth during the dismantling of company-owned buildings in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos and others.

(2) Computation method for the amount of asset retirement obligations

The amount of asset retirement obligations was computed using an estimated useful life of 2 to 60 years as well as a discount rate of 0.5% to 5.5%.

(3) Increase (decrease) of the amount of asset retirement obligations

(In millions of yen)

	The year ended March 31, 2011	The year ended March 31, 2012
Balance at the beginning of the period（Note）	2,809	5,830
Increase due to merger with the former Renesas Technology	2,987	—
Increase due to acquisition of property, plant and equipment	57	152
Accretion adjustment	102	91
Decrease due to settlement of asset retirement obligations	(201)	(527)
Decrease due to extinguishment of asset retirement obligations	—	(864)
Increase (decrease) in other items	76	(13)
Balance at the end of the period	5,830	4,669

(Note)

The balance at the beginning of the period ended March 31, 2011 was attributed to the adoption, effective April 1, 2010, of “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008).

(Segment Information)

[Business Segment Information]

For the years ended March 31, 2011 and 2012

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, 2011

1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Other Semiconductors	Others	Total
Net sales to third parties	384,139	316,165	311,689	6,872	119,033	1,137,898

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
619,839	168,967	178,195	102,066	64,567	4,264	1,137,898

[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
300,790	40,153	2,797	2,560	346,300

3. Information by major customer

(In millions of yen)

Name of major customers	Net sales	Name of related segment
Ryosan Company, Limited	86,114	Semiconductor business

For the year ended March 31, 2012

1. Information by product and service

(In millions of yen)

	MCUs	Analog & Power Devices	SoC solutions	Other Semiconductors	Others	Total
Net sales to third parties	336,347	243,763	201,157	4,766	97,079	883,112

2. Information by region and country

(1) Net sales

(In millions of yen)

Japan	China	Asia (Excluding China)	Europe	North America	Others	Total
484,951	134,351	117,454	88,619	53,974	3,763	883,112

[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
267,897	35,112	3,991	199	307,199

3. Information by major customer

(In millions of yen)

Name of major customers	Net sales	Name of related segment
Ryosan Company, Limited	102,390	Semiconductor business

(Related Party Information)

1. Transactions with related parties
   (1) Transactions between the Company and related parties

a) The parent company and major shareholders related to the company submitting consolidated financial statements (corporations only)
For the year ended March 31, 2011

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Other affiliated company	Hitachi, Ltd.	Chiyoda-ward, Tokyo	409,129 million yen	Development, production and distribution of products, and provision of services including Information & Telecommunication Systems / Electronic Devices / Power & Industrial Systems / Digital Media & Consumer Products
Other affiliated company	Mitsubishi Electric Corporation	Chiyoda-ward, Tokyo	175,820 million yen	Development, production and distribution of products, and provision of services including Energy and Electric Systems / Industrial Automation Systems / Information and Communication Systems / Electronic Devices / Home Appliances
Other affiliated company	NEC Corporation	Minato-ward, Tokyo	397,199 million yen	IT Network solution involving manufacturing and sales of computers, network equipment and software

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2011 (In millions of yen)
(Owned) Direct 30.62 %	Sales of our products and concurrently serving as a board member	Acceptance of capital increase *(Note)*	43,065	—	—
(Owned) Direct 25.05 %	Sales of our products and concurrently serving as a board member	Acceptance of capital increase *(Note)*	35,235	—	—
(Owned) Direct 16.71 % Indirect 18.75 %	Sales of our products and concurrently serving as a board member	Acceptance of capital increase *(Note)*	56,300	—	—

(Note) Acceptance of capital increase was acceptance of the third party allotment offered by the Company

For the year ended March 31, 2012
None

b) Non-consolidated subsidiaries and affiliates related to the company submitting consolidated financial statements
For the year ended March 31, 2011

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Affiliated company	RENESAS EASTON Co., Ltd.	Chiyoda-ward, Tokyo	3,433 million yen	Sales of semiconductor products

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2011 (In millions of yen)
Direct 30.24 %	Sales distributor for our products	Sales of our products	51,711	Accounts receivable-trade	1,893

Note 1: Price and other transaction conditions are determined through price negotiation.
2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Affiliated company	RENESAS EASTON Co., Ltd.	Chiyoda-ward, Tokyo	3,433 million yen	Sales of semiconductor products

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
Direct 30.04 %	Sales distributor for our products	Sales of our products	43,626	Accounts receivable-trade	1,492

Note 1: Price and other transaction conditions are determined through price negotiation.
2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

c) Companies having the same parent company as the company submitting consolidated financial statements and subsidiaries of affiliates

For the year ended March 31, 2011

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2011 (In millions of yen)
None	Assignment of claims Factoring	Assignment of claims	5,432	—	—
		Factoring	24,323	Accounts payable-trade	6,244
				Accounts payable-other	1,889

Note 1: The Company has made a contract for assignment of claims with Hitachi Capital Corporation, and parts of accounts receivable have been transferred to Hitachi Capital Corporation.
2: The Company has made a tripartite contract with its suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
None	Assignment of claims Factoring	Assignment of claims	11,806	—	—
		Factoring	28,979	Accounts payable-trade	9,696
				Accounts payable-other	1,842

Note 1: The Company has made a contract for assignment of claims with Hitachi Capital Corporation, and parts of accounts receivable have been transferred to Hitachi Capital Corporation.
2: The Company has made a tripartite contract with its suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

d) Directors and major shareholders related to the company submitting consolidated financial statements (individuals only)

None

(2) Transactions between subsidiaries of the Company and related parties

a) The parent company and major shareholders related to the company submitting consolidated financial statements (corporations only)

None

b) Non-consolidated subsidiaries and affiliates related to the company submitting consolidated financial statements

For the year ended March 31, 2011

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Affiliated company	RENESAS EASTON Co., Ltd.	Chiyoda-ward, Tokyo	3,433 million yen	Sales of semiconductor products

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2011 (In millions of yen)
Direct 30.24 %	Sales distributor for our products	Sales of our products	6,150	Accounts receivable-trade	792

Note 1: Price and other transaction conditions are determined through price negotiation.

2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Affiliated company	RENESAS EASTON Co., Ltd.	Chiyoda-ward, Tokyo	3,433 million yen	Sales of semiconductor products

Ratio of share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
Direct 30.04 %	Sales distributor for our products	Sales of our products	12,479	Accounts receivable-trade	8,946

Note 1: Price and other transaction conditions are determined through price negotiation.

2: Consumption tax and other taxes are not included in the amounts of transaction. Consumption tax and other taxes are included in the balances.

c) Companies having the same parent company as the company submitting consolidated financial statements and subsidiaries of affiliates

For the year ended March 31, 2011

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2011 (In millions of yen)
None	Assignment of claims Factoring	Assignment of claims	19,690	—	—
		Factoring	4,036	Accounts payable-trade	618
				Accounts payable-other	264

Note 1: A subsidiary has made a contract for assignment of claims with Hitachi Capital Corporation, and parts of accounts receivable have been transferred to Hitachi Capital Corporation.

2: Certain subsidiaries have made tripartite contracts with their suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

For the year ended March 31, 2012

Attribution	Name	Address	Common stock or investments in common stock	Nature of operations
Subsidiary of other affiliated company	Hitachi Capital Corporation	Minato-ward, Tokyo	9,983 million yen	Financial services business for lease and loan etc.

Ratio of share-holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction (In millions of yen)	Account	Balance as of March 31, 2012 (In millions of yen)
None	Assignment of claims Factoring	Assignment of claims	33,352	—	—
		Factoring	2,434	Accounts payable-trade	497
				Accounts payable-other	163

Note 1: A subsidiary has made a contract for assignment of claims with Hitachi Capital Corporation, and parts of accounts receivable have been transferred to Hitachi Capital Corporation.

2: Certain subsidiaries have made a tripartite contract with their suppliers and Hitachi Capital Corporation to settle accounts payable by factoring.

d) Directors and major shareholders related to the company submitting consolidated financial statements (individuals only)

None

2. Notes related to the parent company and significant affiliates

(1) Information of the parent company

None

(2) Information of significant affiliates

None

(Amount per Share Information)

Item	The year ended March 31, 2011	The year ended March 31, 2012
Net assets per share	680.27 yen	522.53 yen
Basic net income (loss) per share	(275.75) yen	(150.08) yen

Note 1: Net income per share fully diluted was not presented, owing to net loss per share in the current fiscal year though dilutive shares exist.

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

Item	The year ended March 31, 2011	The year ended March 31, 2012
Basic net income (loss) per share		
Net income (loss) (In millions of yen)	(115,023)	(62,600)
Amounts not attributable to common stock (In millions of yen)	—	—
Net income (loss) attributable to common stock (In millions of yen)	(115,023)	(62,600)
Average number of common stock during the fiscal year (Thousands)	417,122	417,122
Shares excluded from the computation of net income per share fully diluted due to no dilutive effects.	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011 (the book value of bonds with share subscription rights was 110,000 million yen, the number of shares to be issued was 11,166,400) Common stock arising from stock option plan (the number of share subscription rights was 510, the number of shares to be issued was 51,000)	Common stock arising from stock option plan (the number of share subscription rights is 280, the number of shares to be issued is 28,000)

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

Item	As of March 31, 2011	As of March 31, 2012
Total net assets (In millions of yen)	291,058	226,500
Amounts deducted from total net assets (In millions of yen)	7,301	8,542
(Share subscription rights (In millions of yen))	(48)	(26)
(Minority interests (In millions of yen))	(7,253)	(8,516)
Net assets attributable to common stock at the end of the year (In millions of yen)	283,757	217,958
The fiscal year-end number of common stock used for the calculation of net assets per share (Thousands)	417,122	417,122

(Consolidated Supplemental Schedules)

[Schedule of bonds payable]

Company	Description	Date of issuance	Balance at beginning of current year (In millions of yen)	Balance at end of current year (In millions of yen)	Interest rate (%)	Collateral	Maturity
Renesas Electronics Corporation	Zero Coupon Unsecured Euro Yen Convertible Bonds due 2011	May 27, 2004	110,000	—	—	None	May 27, 2011

[Schedule of borrowings]

Category	Balance at the beginning of the year (In millions of yen)	Balance at the end of the year (In millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	143,467	168,963	1.2	—
Current portion of long-term borrowings	44,321	33,549	1.8	—
Current portion of lease obligations	8,176	8,256	2.2	—
Long-term borrowings (excluding current portion)	58,192	32,580	1.6	From 2013 to 2017
Lease obligations (excluding current portion)	14,073	14,988	1.9	From 2013 to 2019
Other interest-bearing debts				
Accounts payable-other (Accounts payable-installment purchase)	9	6	3.2	—
Long-term other liabilities (Long-term accounts payable-installment purchase)	6	—	—	—
Total	268,244	258,342	—	—

Note 1: The average interest rate represents the weighted-average rate applicable to the fiscal year-end balance of borrowings etc.
The repayment schedules of long-term borrowings, lease obligations and other interest-bearing debts (excluding current portion) for 5 years subsequent to the fiscal year-end are as follows:

(In millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	21,014	4,366	7,000	200
Lease obligations	6,370	2,395	1,066	5,121

[Schedule of asset retirement obligations]

The beginning and ending balances of asset retirement obligations in the fiscal year ended March 31, 2012 were less than 1% of total liabilities and net assets. The schedule was therefore omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

[Other]

(1) Summary of consolidated financial data for each quarter of the fiscal year ended March 31, 2012

	1st Quarter consolidated cumulative period (from April 1, 2011 to June 30, 2011)	2nd Quarter consolidated cumulative period (from April 1, 2011 to September 30, 2011)	3rd Quarter consolidated cumulative period (from April 1, 2011 to December 31, 2011)	The year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)
Net sales (In millions of yen)	207,234	450,576	673,431	883,112
Income (loss) before income taxes and minority interests (In millions of yen)	(31,794)	(39,045)	(41,493)	(59,600)
Net income (loss) (In millions of yen)	(33,218)	(42,011)	(44,420)	(62,600)
Basic quarterly net income (loss) per share (Yen)	(79.64)	(100.72)	(106.49)	(150.08)

	1st Quarter (from April 1, 2011 to June 30, 2011)	2nd Quarter (from July 1, 2011 to September 30, 2011)	3rd Quarter (from October 1, 2011 to December 31, 2011)	4th Quarter (from January 1, 2012 to March 31, 2012)
Basic quarterly net income (loss) per share (Yen)	(79.64)	(21.08)	(5.78)	(43.58)

(2) Matters subsequent to the fiscal year-end

None

(3) Lawsuits

Described in “*3 Contingent liabilities” of “Consolidated Balance Sheets” in the notes to Consolidated Financial Statements

(Appendix) Renesas Electronics Group Companies

The Renesas Electronics Group comprises 57 consolidated subsidiaries and 4 equity method affiliates, listed below according to primary business activity.

	Japan	Overseas
Sales Companies	<Consolidated Subsidiary> Renesas Electronics Sales Co., Ltd. <Equity Method Affiliate> RENESAS EASTON Co., Ltd.	<Consolidated Subsidiary> 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 America, Inc. Renesas Electronics Canada Limited Renesas Electronics Europe Limited (UK) Renesas Electronics Europe GmbH (Germany)
Manufacturing and Engineering Service Companies	<Consolidated Subsidiary> Renesas Northern Japan Semiconductor, Inc. Hokkai Electronics Co., Ltd. Haguro Electronics Co., Ltd. Renesas Yamagata Semiconductor, Inc. Renesas Eastern Japan Semiconductor, Inc. Renesas Kofu Semiconductor, Co., Ltd. Renesas High Components, Inc. Renesas Yanai Semiconductor, Inc. Renesas Kansai Semiconductor Co., Ltd. Renesas Semiconductor Kyushu Yamaguchi Co., Ltd. Renesas Kyushu Semiconductor Corp. Renesas Naka Semiconductor Co., Ltd. Renesas Semiconductor Engineering Corp.	<Consolidated Subsidiary> Shougang NEC Electronics Co., Ltd. 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	<Consolidated Subsidiary> Renesas Micro System Co., Ltd. Renesas Design Corp. Renesas Solutions Corp. Renesas Takasaki Engineering Services Co., Ltd. Renesas Musashi Engineering Services Co., Ltd. Renesas Kitaitami Engineering Services Co., Ltd. <Equity Method Affiliate> Hitachi ULSI Systems Co., Ltd.	<Consolidated Subsidiary> Renesas Semiconductor Design (Beijing) Co., Ltd. Renesas Design Vietnam Co., Ltd. Renesas Semiconductor Design (Malaysia) Sdn. Bhd. Renesas Electronics Brasil-Servicos Ltda.
Business Corporations and Others	<Consolidated Subsidiary> Renesas Mobile Corporation Renesas SP Drivers Inc. <Equity Method Affiliate> Renacentis IT Services Co., Ltd.	<Consolidated Subsidiary> Renesas Design France S.A.S Renesas Mobile Europe Oy Renesas Mobile India Private Limited Renesas Tongxinjishu (Beijing) Co., Ltd. Renesas SP Drivers Taiwan Inc. and 7 other companies <Equity Method Affiliate> 1 company

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

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Independent Auditor's Report

The Board of Directors
Renesas Electronics Corporation

We have audited the accompanying consolidated financial statements of Renesas Electronics Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renesas Electronics Corporation and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 26, 2012
Tokyo, Japan