

SYNAPTICS INC

FORM 10-K (Annual Report)

Filed 08/22/14 for the Period Ending 06/28/14

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Telephone	408-454-5100
CIK	0000817720
Symbol	SYNA
SIC Code	7371 - Computer Programming Services
Industry	Computer Hardware
Sector	Technology
Fiscal Year	06/26

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended June 28, 2014

Commission File Number 000-49602

SYNAPTICS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
**(State or other jurisdiction of
incorporation or organization)**

77-0118518
**(I.R.S. Employer
Identification No.)**

1251 McKay Drive
San Jose, California
(Address of principal executive offices)

95131
(Zip Code)

(408) 904-1100
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.001 per share	The Nasdaq Global Select Market
Preferred Stock Purchase Rights	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of Common Stock held by nonaffiliates of the registrant (27,358,085 shares), based on the closing price of the registrant's Common Stock as reported on the Nasdaq Global Select Market on December 27, 2013 of \$50.43, was \$1,379,668,227. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

As of August 15, 2014, there were outstanding 36,744,790 shares of the registrant's Common Stock, par value \$.001 per share.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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Statement Regarding Forward-Looking Statements

The statements contained in this report on Form 10-K that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our "expectations," "anticipation," "intentions," "beliefs," or "strategies" regarding the future, whether or not those words are used. Forward-looking statements also include statements regarding revenue, margins, expenses, and earnings analysis for fiscal 2015 and thereafter; our positioning in our target markets; our ability to continue to enhance our market position and increase our business through introducing market leading interface solutions; the strength of our intellectual property portfolio, engineering know-how, systems engineering experience, and technological expertise; the success of our product development strategies; the attractiveness of our product solutions, including their performance, cost, customer satisfaction, market position, and potential; continued success of our virtual manufacturing platform; the strength of our customer relationships; the amounts of revenue generated as a result of sales to significant customers; our competitive position and competitive factors; acquisitions or strategic alliances; the success of particular product or marketing programs; and liquidity and anticipated cash needs and availability. All forward-looking statements included in this report are based on information available to us as of the filing date of this report, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from the forward-looking statements. Among the factors that could cause actual results to differ materially are the factors discussed in Item 1A. Risk Factors.

PART I**ITEM 1. BUSINESS****Overview**

We are a leading worldwide developer and supplier of custom-designed human interface solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment, and other electronic devices. We currently target the markets for smartphones, tablets, the personal computer, or PC, products, primarily notebook computers, and other select electronic devices. Every solution we deliver either contains or consists of our touch- or finger-based semiconductor solutions, which includes our capacitive sensing ASIC, customer-specific firmware, and software.

We are a market leader in providing human interface solutions to our target markets. Our original equipment manufacturer, or OEM, customers include most of the world's largest OEMs for smartphones and tier one PC OEMs. We generally supply our human interface solutions to our OEM customers through their contract manufacturers, which take delivery of our products and pay us directly for such products.

Our website is located at www.synaptics.com. Through our website, we make available, free of charge, all our Securities and Exchange Commission, or SEC, filings, including our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, as well as Form 3, Form 4, and Form 5 Reports for our directors, officers, and principal stockholders, together with amendments to those reports filed or furnished pursuant to Sections 13(a), 15(d), or 16 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. These reports are available on our website immediately after their electronic filing with the SEC. Our website also includes corporate governance information, including our Code of Conduct, our Code of Ethics for the CEO and Senior Financial Officers, and our Board Committee Charters.

Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. The fiscal years presented in this report were 52-week periods ended June 28, 2014 and June 29, 2013 and a 53-week period ended June 30, 2012.

Mobile Product Applications Markets

We believe our intellectual property portfolio, engineering know-how, systems engineering experience, technological expertise, and experience in providing human interface solutions to major OEMs of electronic devices position us to be a key technological enabler for multiple consumer electronic devices targeted to meet the growing mobile product applications markets, which include all touchscreen video display products and finger-based products. Based on these strengths, we are pursuing opportunities created by the growth of mobile computing communications, mobile product applications and entertainment devices. Mobile product applications include smartphones, tablets, large touchscreen applications, as well as a variety of mobile, handheld, wireless, and entertainment devices. Our array of human interface solutions for mobile product applications are designed to enrich the interface on smartphones, tablets, and peripherals, allowing the user to access their devices or applications through fingerprint recognition and to more easily use or navigate complex menu systems on their devices. We believe our existing technologies, our range of product solutions, and our emphasis on ease of use, small size, low power consumption, advanced functionality, secure access, durability, and reliability enable us to serve multiple aspects of the markets for mobile product applications and other electronic devices.

Our human interface solutions for mobile product applications constitute an important percentage of our net revenue. Net revenue for our human interface solutions for mobile product applications accounted for approximately 73%, 64%, and 49% of our net revenue for fiscal 2014, 2013, and 2012, respectively. Our ongoing success in serving these markets will depend upon the continued growth of the smartphone portion of the overall mobile phone market; our continued growth in the tablet and large touchscreen applications markets; our ability to demonstrate to mobile product applications OEMs the advantages of our human interface solutions in terms of performance, usability, size, simplified security, durability, power consumption, integration, and industrial design possibilities; and the success of products utilizing our human interface solutions. In addition, our success will depend on our ability to demonstrate to mobile product applications OEMs the advantages of our flexible touchscreen and fingerprint sensor fulfillment model and systems engineering expertise.

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Industry projections for the smartphone market for the period 2014 to 2015 show a growth rate of approximately 12.9%, reflecting the trend towards greater functionality in smartphone products to meet and address the expanded needs and expectations of the consumer-oriented market. These products require a simple, durable, and intuitive human interface solution to access their devices or applications through fingerprint recognition and enable the user to navigate efficiently through menus and scroll through information contained in the host device. We believe we are well positioned to take advantage of this growing market based on our technology, engineering know-how, systems engineering experience, and the acceptance of our human interface solutions by OEMs in this market.

The tablet and large touchscreen markets also represent an opportunity for our touchscreen and fingerprint sensor intellectual property portfolio, engineering know-how, and technological expertise. Touchscreen and fingerprint sensor solutions required for the tablet market range from basic e-book vendor solutions to multi-function solutions designed for more complex operating systems. Tablet-based capacitive touch interface devices are now offered by several leading PC and mobile phone OEMs and utilize various operating systems, including Android and Windows 8. Industry projections for the tablet market for the period 2014 to 2015 show a growth rate of approximately 12.9%.

PC Product Applications Market

We provide custom human interface solutions for navigation, cursor control, and multimedia controls and for access to devices or applications through fingerprint recognition for many of the world's premier PC OEMs. In addition to notebook applications, other PC product applications for our technology include peripherals, such as keyboards, mice, and monitors, as well as remote control devices for desktops, PCs, and digital home applications. Net revenue for our human interface solutions for PC product applications accounted for approximately 27%, 36%, and 51% of our net revenue for fiscal 2014, 2013, and 2012, respectively.

The latest industry projections for notebook unit growth for the period 2014 to 2015 show a growth rate of approximately 2.9%. Customers continue to migrate from desktops to notebooks, which is fueled by users' desire for mobile computing and on-the-go access to applications, information, and digital content. Based on the strength of our technology and engineering know-how, we believe we are well positioned to take advantage of the growth opportunity in the notebook computer market. Our position is further strengthened by our touchpad, pointing stick, fingerprint sensor, and keyboard product lines, which allow us to address 100% of the notebook computer market.

Our Strategy

Our objective is to continue to enhance our position as a leading supplier of human interface solutions for the mobile product applications markets, including smartphones, for the tablet and large touchscreen markets, and for the PC product applications market. Key aspects of our strategy to achieve this objective include those set forth below.

Extend Our Technological Leadership

We plan to utilize our extensive intellectual property portfolio, engineering know-how, and technological expertise to extend the functionality of our product solutions and offer innovative product solutions to customers across multiple markets. We intend to continue utilizing our technological expertise to reduce the overall size, weight, cost, and power consumption of our human interface solutions while increasing their applications, capabilities, and performance. We plan to continue enhancing the ease of use and functionality of our solutions. We also plan to expand our research and development efforts through increased investment in our engineering activities, the hiring of additional engineering personnel, and strategic acquisitions and alliances. We believe that these efforts will enable us to meet customer expectations and achieve our goal of supplying, on a timely and cost-effective basis, the most advanced, easy-to-use, functional human interface solutions to our target markets.

Enhance Our Position in the Smartphone, Tablet, and PC Product Application Markets

We intend to continue introducing market-leading human interface solutions in terms of performance, functionality, size, and ease of use for the smartphone, tablet, and PC product applications markets. We plan to continue enhancing our customers' industrial design alternatives and device functionality through innovative product development, in order to enhance and grow our position within our target markets.

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Capitalize on Growth of New and Evolving Markets

We intend to capitalize on the growth of new and evolving markets, such as the tablet market and ultrabook and convertible portions of the PC market, brought about by the convergence of computing, communications, and entertainment devices. We plan to build upon our existing innovative, intuitive human interface solutions and continue to address the evolving portability, connectivity, security, and functionality requirements of these new markets. We plan to offer these solutions to existing and potential OEM customers to enable increased functionality, reduced size, lower cost, simplified security, enhanced industrial design features, and to enhance the user experience of their products. We plan to utilize our existing technologies as well as aggressively pursue new technologies as new markets evolve that demand new solutions.

Emphasize and Expand Customer Relationships

We plan to emphasize and expand our strong and long-lasting customer relationships and establish successful relationships with new customers. In each market we serve, we plan to provide the most advanced human interface solutions for our customers' products. We believe that our human interface solutions enable our customers to deliver simplified security and a positive user experience and to differentiate their products from those of their competitors. We continually strive to enhance the competitive position of our customers by providing them with innovative, distinctive, and high-quality human interface solutions on a timely and cost-effective basis. To do so, we work continually to improve our productivity, reduce costs, and increase the speed of delivery of our human interface solutions. We endeavor to streamline the entire design and delivery process through our ongoing design, engineering, and production improvement efforts. We also focus on providing timely support to our customers after their purchase of our human interface solutions.

We plan to increase our business with existing customers and attract new customers by offering fingerprint sensor solutions and both custom designed touch solutions, as well as design tools, documentation, a family of capacitive sensing ASICs, and technical support to assist the development of human interface designs in products such as smartphones, tablets, notebooks, PC peripherals, and other digital entertainment devices. We offer our customers a choice of determining the most optimal way to meet their emerging and growing touch solution needs: our traditional custom module solutions or our chip or tail solutions, which enable customers to utilize our proprietary solutions together with third-party components and assembly. Our chip solution consists of our proprietary controller ASIC, customer-specific firmware, and software. Our tail solution consists of our proprietary controller ASIC, associated electronics, customer-specific firmware, software, and flexible circuit material. Touchscreen solutions for mobile phones, tablets, and notebooks are primarily a chip solution. Fingerprint sensor solutions are a module solution.

Pursue Strategic Relationships and Acquisitions

We intend to develop and expand strategic relationships to enhance our ability to offer value-added human interface solutions to our customers, penetrate new markets, and strengthen the technological leadership of our product solutions. We also intend to evaluate the potential acquisition of companies in order to expand our technological expertise and to establish or strengthen our presence in selected target markets.

Continue Virtual Manufacturing

We plan to expand and diversify our production capacity through third-party relationships, thereby strengthening our virtual manufacturing platform. This strategy results in a scalable business model; enables us to concentrate on our core competencies of research and development, technological advances, and product design and engineering, and reduces our capital expenditures and working capital requirements. Our virtual manufacturing strategy allows us to maintain a variable cost model, in which we do not incur most of our manufacturing costs until our product solutions have been shipped and billed to our customers.

Product Solutions

We develop and enhance interface technologies that provide simplified security and enrich the user's experience in interacting with the user's mobile computing, communications, and entertainment devices. We engage with our customers in the design of their custom products and offer product solutions ranging from ASICs, which may include customer-specific firmware, to full module solutions. Our innovative and intuitive human interface solutions can be engineered to accommodate many diverse platforms and our expertise in human factors and usability can be utilized to improve the features and functionality of our solutions. Our extensive array of technologies includes ASICs, firmware, software, mechanical and electrical designs, fingerprint authentication, pattern recognition, and touch-sensing technologies.

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Our custom-designed human interface solutions are custom engineered, total solutions for our customers, and include sensor design, module layout, ASICs, firmware, and software features for which we provide manufacturing and design support, and device testing. This allows us to be a one-stop supplier for complete human interface design from the early design stage, to manufacturing, to testing and support. Through our engineering know-how and technological expertise, we provide our customers with solutions that address their individual design requirements and result in high-performance, feature-rich, and reliable interface solutions. We believe our interface solutions offer the following characteristics:

- *Ease of Use* . Our interface solutions offer the ease of use and intuitive interaction that users demand.
- *Small Size*. The small, thin size of our interface solutions enables our customers to reduce the overall size and weight of their products in order to satisfy consumer demand for portability.
- *Low Power Consumption*. The low power consumption of our interface solutions enables our customers to offer products with longer battery life or smaller battery size.
- *Advanced Functionality*. Our interface solutions offer advanced features, such as virtual scrolling, customizable tap zones, edge motion, and tapping and dragging icons, to enhance the user experience.
- *Reliability*. The reliability of our interface solutions satisfies consumer requirements for dependability, which is a major component of consumer satisfaction.
- *Durability*. Our interface solutions withstand repeated use, harsh physical treatment, and temperature fluctuations while providing a superior level of performance.
- *Simplified Security*. Our fingerprint authentication solutions protect the user's identity, while simplifying the user experience for electronic devices.

We believe these characteristics will enable us to continue to enhance our position as a technological enabler within our target markets.

Our emphasis on technological leadership and design capabilities positions us to provide unique human interface solutions that address specific customer requirements, as well as satisfy our customers' specifications, including features and functionality, industrial design, security, mechanical, and electrical requirements. Our products also offer unique integration options, including allowing our capacitive sensors to be placed underneath the plastic of the device, which allows for streamlined and stylized designs, and LED integration to indicate status or enhance industrial design.

Our long-term working relationships with large, global OEMs provide us with the experience to satisfy their demanding design specifications and other requirements. Our custom product solutions provide OEMs with numerous benefits, including the following:

- ease of system integration;
- reduced product development costs;
- shorter product time to market;
- compact and efficient platforms;
- improved product functionality and utility; and
- product differentiation.

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Our collaborative efforts with our customers reduces the duplication and overlap of investment and resources, enabling our OEM partners to devote more time and resources to the market development of their differentiated products.

We utilize capacitive technology rather than resistive or mechanical technology in our touch and fingerprint sensor solutions. Unlike resistive and mechanical technology, our solid-state capacitive technology has no moving parts and does not require activation force, thereby providing a durable, more reliable solution that can be integrated into both curved and flat surfaces. Capacitive technologies also allow for much thinner sensors than resistive or mechanical technology, providing for slimmer, more compact and unique industrial designs.

Products

Our family of product solutions allows our customers to solve their interface needs and differentiate their products from those of their competitors.

ClearPad™

Our ClearPad family of products enables the user to interact directly with the display on electronic devices, such as smartphones and tablets. Our ClearPad has distinct advantages, including low-profile form factor; high reliability, durability, and accuracy; and low power consumption. We typically sell our ClearPad solution as a chip or tail, together with customer-specific firmware, to sensor manufacturers to use in the production of discrete touchscreen products. A discrete touchscreen product typically consists of a transparent, thin capacitive sensor that can be placed over any display, such as a Liquid Crystal Display, or LCD, or an Organic Light Emitting Diode, or OLED, and combined with a flexible circuit material and a touch controller chip. Each ClearPad solution is custom designed to integrate customer-specific input preferences such as pen input, gloved finger recognition, proximity, finger hover, and air swipe functionality.

Our ClearPad Series 3 product family can provide full-time tracking of ten or more fingers simultaneously and features stylus support as well as support for various sensor configurations, including traditional discrete sensors; sensor-on-lens, which includes sensor electrodes patterned on the bottom of the glass cover lens; on-cell, which includes sensor electrodes patterned on the display glass; and in-cell, which includes sensor electrodes patterned inside the LCD glass.

Our ClearPad Series 4 product family combines our proprietary capacitive multi-touch technology with a device's display driver (TDDI) in a single-chip solution delivering advanced display noise management and improved capacitive sensing performance. Our display integration on-cell and in-cell solutions provide cost-effective, capacitive, multi-touch interfaces for mobile devices and enable thinner form factors.

Our ClearPad Series 7 product family is designed to meet the requirements of the large touchscreen market for products more closely related to clamshell notebooks, slates, tablets, and similar devices. Our ClearPad Series 7 products include low-cost, single-chip touchscreen solutions and multi-chip touchscreen solutions designed for devices that have more demanding user input requirements, such as gaming applications.

TouchPad™

Our TouchPad family of products, which can take the place of, and exceed, the functionality of a mouse, is a small, touch-sensitive pad that senses the position and movement of one or more fingers on its surface through the measurement of capacitance. Our TouchPad provides an accurate, comfortable, and reliable method for screen navigation, cursor movement, and gestures and provides a platform for interactive input for both the consumer and corporate markets. Our TouchPad solutions allow our customers to provide stylish, simple, user-friendly, and intuitive human interface solutions. Our TouchPad solutions also offer various advanced features, including scrolling, customizable tap zones, tapping and dragging of icons, and device interaction.

Our TouchPad solutions are available in a variety of sizes, electrical interfaces, and thicknesses, and are designed to meet the electrical and mechanical specifications of our customers. Customized firmware and driver software ensure the availability of specialized features. As a result of their solid state characteristics, our TouchPad solutions have no moving parts that wear out, resulting in a robust and reliable input solution that also allows for unique industrial designs.

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ClickPad™

Our ClickPad introduces a clickable mechanical design to the TouchPad application that eliminates the need for physical buttons. The buttonless design of our ClickPad allows for unique, intuitive industrial design and makes it an excellent alternative to conventional input and navigation devices. Our ClickPad is activated by pressing down on the internal tact switch to perform left-button or right-button clicks and provides tactile feedback similar to pressing a physical button. The latest version of ClickPad features ClickEQ™, a mechanical solution that provides uniform click depth to maximize the surface area available for gestures and improves click performance over hinged designs.

ForcePad®

Our ForcePad is a thinner version of our ClickPad, which introduces a new dimension in control through the addition of variable force sensitivity. ForcePad is designed to provide consistent performance across OEM models through its design intelligence and self-calibration features. By varying the amount of force applied, ForcePad is engineered to enable more intuitive and precise user interactions in operating system controls and applications. Designed with thin and light notebooks in mind, ForcePad is 40% thinner than a conventional touch pad.

ThinTouch®

ThinTouch is a design technology employing an innovative ramp capability that delivers a full keyboard solution that is 40% thinner than traditional keyboard solutions. ThinTouch utilizes an innovative design architecture that facilitates improved backlighting, reliability, and improved manufacturability when compared to conventional mechanical keyboards. By combining our TouchPad technology with ThinTouch technology, we expect to deliver keyboard solutions targeted for the next generation of thin and light notebook PC form factors.

Natural ID™

Natural ID is an industry leading fingerprint ID family of products designed for use with Fast Identity Online (FIDO) enabled devices. FIDO was formed to enhance online authentication by developing an open, scalable technical standard to help facilitate the adoption of robust, easy to use authentication that reduces the reliance on passwords.

Other Products

Other product solutions we offer include Dual Pointing Solutions, TouchStyk, ClearButtons, and TouchButtons. Our dual pointing solutions offer TouchPad with a pointing stick in a single notebook computer, enabling users to select their interface of choice. TouchStyk is a self-contained pointing stick module that uses capacitive technology similar to that used in our TouchPad. A ClearButton is a clear sensor that can be mounted under plastic, providing OEMs with easy integration and attractive design options for scrolling and buttons. TouchButtons provide capacitive buttons and scrolling controls for an easy-to-use and stylish interface solution designed to replace mechanical buttons.

Capabilities

Our products are supported by a variety of feature capabilities allowing for further product differentiation and easy customer integration.

ChiralMotion Gesture

With our ChiralMotion Gesture technology, the user can apply one continuous circular motion to initiate precise and fine-tuned scrolling on any two-dimensional input surface, such as our TouchPad and ClearPad solutions.

ChiralMotion Gesture technology is well suited for small handheld products, such as feature-rich mobile handsets, personal navigation systems, and personal media players that require easy access for entertainment, music, and other digital files. Scrolling through long documents or pages on a notebook PC becomes simple when using a TouchPad enhanced with ChiralMotion and reversing the direction of scrolling simply requires the user to reverse the circular motion of their finger.

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Enhanced Gesture Recognition™

Our Enhanced Gesture Recognition is a suite of ClearPad gestures included in our firmware. Customers can easily enable SingleTouch gestures, such as Tap, Double Tap, Press, and Flick; DualTouch gestures, such as Pinch and Pivot Rotate; and multi-finger gestures for ClearPad directly from our touch module firmware. No additional recognition software is required on the host processor to implement these gestures. This approach lowers host processor resource requirements and ensures that gestures are implemented using our pattern-recognition technology.

Design Studio™

Design Studio provides customers an advanced and comprehensive touch system tool set, designed to enable the customer to evaluate touch system performance and efficiently implement its ClearPad touchscreen solution.

Proximity Sensing

Our proximity sensing technology enables users to interact with consumer electronics without touch including our latest 3D-touch capability. With this technology, sensors in a device, such as a notebook PC, mobile phone, peripheral, or digital photo frame, sense the presence of a user's finger or hand to activate a function. These sensors can illuminate LEDs for discoverable buttons, immediately wake devices from power-saving mode, or activate other functionality.

SignalClarity Technology

SignalClarity technology provides an improved signal-to-noise ratio for enhanced touch detection and noise immunity and enables smartphone OEMs to support inexpensive chargers and work with multiple display types. SignalClarity technology works with multidisplay configurations, including discrete sensors, sensor-on-lens, on-cell, and in-cell stackup solutions.

Synaptics Gesture Suite

Our Synaptics Gesture Suite, or SGS™, provides users with an intuitive way to interact productively with their notebook computers. SGS was developed by analyzing the most common workflows from entertainment activities, such as viewing photos and listening to music, to productivity activities, such as accessing emails and presentations. The result is an intelligent usability model that makes it intuitive for consumers to understand and discover features easily, resulting in a better user experience. SGS represents a growing portfolio of gestures available on our interface solutions. These gestures are compatible with a wide range of Microsoft Windows and Linux applications to enhance the value and productivity of notebook PCs and peripheral devices that use our TouchPads. Gestures currently in the market include Pinch, Rotate, ChiralMotion Scrolling, Two-Finger Scrolling, Three-Finger Flick, Three-Finger Down, and Four-Finger Flick.

TypeGuard™

TypeGuard technology allows the system to differentiate between a finger and a palm, virtually eliminating accidental cursor movements, scrolling and clicks.

Technologies

We have developed and own an extensive array of technologies, encompassing ASICs, firmware, software, mechanical and electrical designs, display systems, pattern recognition, and touch-sensing technologies. We continue to develop technology in these areas. We believe these technologies and the related intellectual property rights create barriers for competitors and allow us to provide high-value human interface solutions in a variety of high-growth markets.

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Our broad line of human interface solutions is currently based upon the following key technologies:

- capacitive position sensing technology;
- capacitive force sensing technology;
- transparent capacitive position sensing technology;
- pattern recognition technology;
- mixed-signal integrated circuit technology;
- display systems and circuit technology;
- capacitive active pen technology;
- multi-touch technology;
- proprietary microcontroller technology;
- ThinTouch technology; and
- fingerprint sensing technology.

In addition to these technologies, we develop firmware and device driver software that we incorporate into our products, which provide unique features, such as virtual scrolling, customizable tap zones, PalmCheck, EdgeMotion, and tapping and dragging of icons. In addition, our ability to integrate all of our products to interface with major operating systems provides us with a competitive advantage.

Capacitive Position Sensing Technology. This technology provides a method for sensing the presence, position, and contact area of one or more fingers or a stylus on a flat or curved surface. Our technology works with very light touch, supports full multi-touch capabilities, and provides highly responsive cursor navigation, scrolling, and selection. It uses no moving parts, can be implemented under plastic, and is extremely durable. Our technology can also track one or more fingers in proximity to the touch surface.

Capacitive Force Sensing Technology. This technology senses the direction and magnitude of a force applied to an object. The object can either move when force is applied, like a typical joystick used for gaming applications, or it can be isometric, with no perceptible motion during use, like our TouchStyk or ForcePad. The primary competition for this technology is resistive strain gauge technology. Resistive strain gauge technology requires electronics that can sense very small changes in resistance, presenting challenges to the design of that circuitry, including sensitivity to electrical noise and interference. Our electronic circuitry determines the magnitude and direction of an applied force, permits very accurate sensing of tiny changes in capacitance, and minimizes electrical interference from other sources.

Transparent Capacitive Position Sensing Technology. This technology allows us to build transparent sensors for use with our capacitive position sensing technology, such as in our ClearPad. It has all the advantages of our capacitive position sensing technology and allows for visual feedback when incorporated with a display device, such as an LCD. Our technology supports full multi-touch, does not require calibration, does not produce undesirable internal reflections, and has reduced power requirements, allowing for longer battery life.

Pattern Recognition Technology. This technology is a set of software algorithms and techniques for converting real-world data, such as gestures and handwriting, into a digital form that can be recognized and manipulated within a computer. Our technology provides reliable gesture decoding and handwriting recognition, and can be used in other applications such as signature verification for a richer user experience.

Mixed-Signal Integrated Circuit Technology. This hybrid analog-digital integrated circuit technology combines the power of digital computation with the ability to interface with non-digital, real-world signals, such as the position of a finger or stylus on a surface. Our patented design techniques permit us to utilize this technology to optimize our core ASIC engine for all our products. Our mixed-signal technology consists of a broad portfolio of circuit expertise in areas such as the following:

- precision capacitance measurement;
- power management (switching converters, charge pumps, and Low-dropout regulators (“LDOs”));

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- analog-to-digital and digital-to-analog converters;
- LCD source and Vcom drivers;
- high-speed serial interfaces;
- display timing controllers, (“TCONs”);
- SRAM, DRAM, and non-volatile memories;
- VLSI digital circuits with multiple clock and power domains; and
- communications and signal processing circuits.

Display Systems and Circuit Technology. This technology enables us to develop optimized human interface solutions with improved compatibility with their application environments. This technology consists of mobile and large format display semiconductor expertise, including the following functional blocks:

- TCONs;
- TFT gamma references;
- Vcom drivers;
- source drivers;
- high-speed serial interfaces such as MIPI DSI and Qualcomm MDDI; and
- display power circuits such as inductive switchers, charge pumps, and LDOs.

This technology also enables us to develop advanced products that combine the functions of the display and touch sensing systems to enable highly integrated display and touch functionality with improved performance, thinner form factors, and lower system cost.

Capacitive Active Pen Technology. This technology allows us to develop a pen that can be used for input on a capacitive touchscreen. As well as generating a signal that allows the touchscreen to track the pen, additional data, such as the pen applied force and pen button states, are also communicated to the touchscreen device.

Proprietary Microcontroller Technology. One example of this technology is our proprietary 16-bit microcontroller core that is embedded in the digital portion of our mixed signal ASIC, which allows us to optimize our ASIC for position sensing tasks. Our embedded microcontroller provides great flexibility in customizing our products via firmware, which eliminates the need to design new circuitry for each new application.

ThinTouch Technology. This keyboard technology allows a key to move downwards in a diagonal motion providing a longer total travel than a key that has purely vertical motion. This allows us to develop higher performing keyboards in low profile form factors. The technology also allows capacitive sensing to be integrated into the keyboard.

Fingerprint Sensing Technology. This technology provides for fingerprint authentication by scanning and matching an image of a user’s fingerprint. Our fingerprint sensing technology simplifies the system or application authentication process by substituting the user’s fingerprint for the login name and password.

Research and Development

We conduct ongoing research and development programs that focus on advancing our technologies, developing new products, improving design and manufacturing processes, and enhancing the quality and performance of our product solutions. Our goal is to provide our customers with innovative solutions that address their needs and improve their competitive positions. Our research and development programs focus on advancing our existing interface technologies, improving our current product solutions, and expanding our technologies to serve new markets. Our long-term vision is to offer human interface solutions, such as touch, fingerprint, handwriting, vision, voice capabilities, and other biometrics that can be readily incorporated into various electronic devices.

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Our research and development programs focus on the development of accurate, easy to use, reliable, and intuitive human interfaces for electronic devices. We believe our innovative interface technologies can be applied to many diverse products. We believe the interface is a key factor in the differentiation of these products. We believe that our interface technologies enable us to provide customers with product solutions that have significant advantages over alternative technologies in terms of functionality, size, power consumption, durability, and reliability. We also intend to pursue strategic relationships and acquisitions to enhance our research and development capabilities, leverage our technology, and shorten our time to market with new technological applications.

Our research, design, and engineering teams frequently work directly with our customers to design custom solutions for specific applications. We focus on enabling our customers to overcome their technical barriers and enhance the performance of their products. We believe our engineering know-how and electronic systems expertise provide significant benefits to our customers by enabling them to concentrate on their core competencies of production and marketing.

As of the end of fiscal 2014, we employed 845 people in our technology, engineering, and product design functions in the United States, Taiwan, Hong Kong, Korea, Japan, India, and China. Our research and development expenses were approximately \$192.7 million, \$144.7 million, and \$118.0 million for fiscal 2014, 2013, and 2012, respectively.

Intellectual Property Rights

Our success and ability to compete depend in part on our ability to maintain the proprietary aspects of our technologies and products. We rely on a combination of patents, trade secrets, trademarks, confidentiality agreements, and other contractual provisions to protect our intellectual property, but these measures may provide only limited protection. Our research, design, and engineering teams frequently work directly with our OEM customers to design custom solutions for specific applications.

As of June 11, 2014, we had 216 U.S. patents in force and 348 patents pending, as well as their non-U.S. counterparts. Collectively, these patents and patent applications cover various aspects of our key technologies, including those for opaque touchpads, clear touch screens, fingerprint sensors, user interfaces, keyboards, displays, and isometric joysticks. Our proprietary software, including source code, is also protected by copyright laws and applicable trade secret laws.

Our extensive array of technologies includes those related to ASICs, firmware, software, and mechanical hardware. Our products rely on a combination of these technologies, making it difficult to use any single technology as the basis for replicating our products. Furthermore, the length and customization of the customer design cycle serve to protect our intellectual property rights.

Customers

Our customers include many of the world's largest smartphone, tablet, and PC OEMs, based on unit shipments, as well as a variety of consumer electronics manufacturers. Our demonstrated track record of technological leadership, design innovation, product performance, cost effectiveness, and on-time deliveries have resulted in our leadership position in providing human interface solutions. We believe our strong relationship with our OEM customers, many of which are also currently developing tablets, and mobile application products, will continue to position us as a source of supply for their product offerings.

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Our industry-leading OEM customers in fiscal 2014 included the following:

- Acer
- Amazon
- BlackBerry
- Dell
- Hewlett-Packard
- HTC
- Huawei
- Lenovo
- LG Electronics
- Nokia
- Oppo Mobile
- Samsung
- Sharp
- Sony
- Toshiba
- ZTE

We generally supply custom-designed products to OEMs through their contract manufacturers or supply chain. We sell our custom-designed products directly to these customers, some of which include Samsung Display Co., Japan Display Inc., Compal, and Wintek. Sales to Samsung Display Co. and its affiliates accounted for approximately 28% and 14% of our net revenue for fiscal 2014 and 2013, respectively. Sales to TPK accounted for approximately 12% of our net revenue for fiscal 2012.

We consider both the OEMs and their contract manufacturers or supply chain partners to be our customers. Both the OEMs and their partners may determine the design and pricing requirements and make the overall decision regarding the use of our human interface solutions in their products. The contract manufacturers place orders with us for the purchase of our products, take title to the products purchased upon shipment by us, and pay us directly for those purchases. These customers have no return privileges except for warranty provisions.

Strategic Relationships

We have used strategic relationships to enhance our ability to offer value-added customer solutions in the past. We intend to enter into additional strategic relationships with companies that may help us serve our target markets.

Sales and Marketing

We sell our product solutions for incorporation into the products of our OEM customers. We generate sales through direct sales employees as well as outside sales representatives and distributors. Our sales personnel receive substantial technical assistance and support from our internal engineering resources because of the highly technical nature of our product solutions. Sales frequently result from multi-level sales efforts that involve senior management, design engineers, and our sales personnel interacting with our customers' decision makers throughout the product development and order process.

As of the end of fiscal 2014, we employed 247 sales and marketing professionals. We maintain nine customer support offices domestically and internationally, which are located in the United States, Taiwan, China, Korea, Japan, and Europe. In addition, we utilize sales representatives and sales distributors in China, Japan, and Taiwan.

International sales constituted over 90% of our revenue for each of fiscal 2014, 2013, and 2012. Approximately 70% of our sales were made to companies located in China and South Korea that provide design and manufacturing services for major notebook computer and mobile product applications OEMs. All of our sales were denominated in U.S. dollars. This information should be read in conjunction with note 12 to the financial statements contained elsewhere in this report.

Manufacturing

We employ a virtual manufacturing platform through third-party relationships. We currently utilize two semiconductor wafer manufacturers to supply us with silicon wafers integrating our proprietary design specifications. The completed silicon wafers are forwarded to third-party package and test processors for further processing into die and packaged ASICs, as applicable, which are then utilized in our custom interface products or processed as our ASIC-based solution.

After processing and testing, the die and ASICs are consigned to various contract manufacturers for assembly or are shipped directly to our customers. During the assembly process, our die or ASIC is either combined with other components to complete the module for our custom human interface solution or the ASIC is maintained as a standalone finished good. The finished assembled product is subsequently shipped directly to our customers or by our contract manufacturers directly to our customers for integration into their products.

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We believe our virtual manufacturing strategy provides a scalable business model; enables us to concentrate on our core competencies of research and development, technological advances, and product design and engineering; and reduces our capital investment. In addition, this strategy significantly reduces our working capital requirements for inventory because we do not incur most of our manufacturing costs until we have actually shipped our interface products to our customers and invoiced those customers for those products.

Our third-party contract manufacturers and semiconductor fabricators are Asian-based organizations. We provide our contract manufacturers with six-month rolling forecasts of our production requirements. We do not, however, have long-term agreements with any of our contract manufacturers that guarantee production capacity, prices, lead times, or delivery schedules. Our reliance on those parties exposes us to vulnerability owing to our dependence on few sources of supply. We believe, however, that other sources of supply are available. In addition, we may establish relationships with other contract manufacturers in order to reduce our dependence on any one source of supply.

Periodically, we purchase inventory from our contract manufacturers when a customer delays its delivery schedule or cancels its order. In those circumstances in which our customer has cancelled its order and we purchase inventory from our contract manufacturers, we consider a write-down to reduce the carrying value of the inventory purchased to its net realizable value. We charge write-downs to reduce the carrying value of obsolete, slow moving, and non-usable inventory to its net realizable value and charge such write-downs to cost of revenue. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays or order cancellations.

Backlog

As of the end of fiscal 2014, we had a backlog of orders of \$132.3 million, an increase of \$36.3 million compared with a backlog of orders as of the end of fiscal 2013 of \$96.0 million. The mix of products ordered by customers at the end of fiscal 2014 had a slightly lower average selling price than those ordered at the end of fiscal 2013; however, the quantity on backlog was substantially higher due to improved demand for both mobile product applications and PC product applications at the end of fiscal 2014 compared with the end of fiscal 2013, resulting in increased backlog. Our backlog consists of product orders for which purchase orders have been received and which are scheduled for shipment in the subsequent quarter. Most orders are subject to rescheduling or cancellation with limited penalties. Because of the possibility of customer changes in product shipments, our backlog as of a particular date may not necessarily be indicative of net revenue for any succeeding period.

Competition

Our touch-based semiconductor products are sold into markets for mobile applications products, PC product applications and other electronic devices. The markets for touchscreen products are characterized by rapidly changing technology and intense competition. Our principal competition in the sale of touchscreen products includes Atmel, Cypress, Elan Microelectronics, Focaltech, Himax, Maxim, Melfas, and various other companies involved in human interface solutions. Our principal competitors in the sale of notebook touch pads are Alps, Cypress, and Elan Microelectronics. Our principal competitors in the sale of fingerprint authentication solutions for the mobile and PC product applications markets are Fingerprint Cards and IDEX. In certain cases, large OEMs may acquire a competing technology, develop alternative human interface solutions for their own products or provide alternative key components for use in designing human interface solutions.

We believe our solutions-based systems and engineering experience, coupled with our technologies, offer benefits in terms of size, power consumption, durability, ease of use, cost effectiveness, and reliability when compared to our competitors and other technologies. While our markets continue to evolve, we believe we are well positioned to compete aggressively for this business based on our proven track record, our technological expertise, our marquee global customer base, our technology roadmap, and our reputation for design innovation. Our competitive position could be adversely affected if one or more of our current OEMs reduce their orders or if we are unable to develop new customers for our human interface solutions.

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Employees

As of the end of fiscal 2014, we employed a total of 1,230 persons, including 138 in operations, finance, and administration; 247 in sales and marketing; and 845 in research and development. Of these employees, 615 were located in North America, 609 in Asia/Pacific, and six in Europe. We consider our relationship with our employees to be good, and none of our employees are represented by a union in collective bargaining with us.

Competition for qualified personnel in our industry is extremely intense, particularly for engineering and other technical personnel. Our success depends on our continued ability to attract, hire, and retain qualified personnel.

Acquisition Activity

On November 7, 2013, we acquired Validity Sensors, Inc., or Validity, a leading provider of capacitive-based biometric fingerprint authentication solutions for smartphone and tablet applications, for approximately \$127.8 million in cash and common stock. This acquisition is designed to bring together substantial synergies through the combination of the Validity technologies and workforce and our financial stability, scale, infrastructure, customer relationships, and technology delivery performance record. With this acquisition, our goal is to gain access to the fast-growing biometrics market, significantly expanding our market opportunity and underscoring our commitment to making smart devices easier to use.

On June 10, 2014, we entered into a stock purchase agreement to acquire Renesas SP Drivers, Inc., or RSP, a leading provider of small and medium-sized display driver ICs for smartphones and tablets, for approximately ¥48.5 billion (or approximately US\$475 million based on a reference conversion rate of JPY102 to US\$1). The purchase price is based on cash and other adjustments and is subject to customary adjustments for net working capital, net debt, target inventory and third party expenses. The transaction was approved by our company's board of directors, RSP's board of directors, and the board of directors of the companies that currently own RSP. The acquisition of RSP is intended to accelerate our product roadmap for high-performance, low-cost display integration products, strengthen our relationships with key customers, and create opportunities to drive increased revenue and research and development activity. Subject to certain financing conditions and other customary closing conditions, the transaction is expected to close in our second quarter of fiscal 2015.

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Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers as of August 15, 2014:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard A. Bergman	50	President and Chief Executive Officer, and Director
Kathleen A. Bayless	58	Senior Vice President, Chief Financial Officer, and Treasurer
Kevin D. Barber	54	Senior Vice President and General Manager, Smart Display Division
Scott Deutsch	49	Senior Vice President, World Wide Sales
Ritu Favre	46	Senior Vice President, General Manager, Biometrics Product Division
John McFarland	47	Senior Vice President, General Counsel and Secretary
Bret C. Sewell	53	Senior Vice President of Marketing and Business Development
Alex Wong	59	Senior Vice President of World Wide Operations

Richard A. Bergman has been President and Chief Executive Officer of our company since September 2011. Prior to joining our company, Mr. Bergman was Senior Vice President and General Manager of Advanced Micro Devices (“AMD”) Product Group from May 2009 to September 2011. From October 2006 to May 2009, Mr. Bergman served as Senior Vice President and General Manager of AMD’s Graphics Product Group. Mr. Bergman’s career at AMD began in October 2006 when AMD acquired ATI Technologies (“ATI”), where he served as Senior Vice President and General Manager of the PC Group. Prior to ATI, Mr. Bergman served as Chief Operating Officer at S3 Graphics, a division of SonicBlue Inc. Mr. Bergman has held senior level management positions in the technology field since his early roles at Texas Instruments, Inc. and IBM. Mr. Bergman holds a Bachelor of Science degree in Electrical Engineering from the University of Michigan and a Master’s degree in Business Administration from the University of Colorado.

Kathleen A. Bayless has been Senior Vice President, Chief Financial Officer, and Treasurer of our company since September 2009. Ms. Bayless served as the Senior Vice President – Finance of our company from March 2009 to September 2009 and as Secretary of our company from September 2009 to November 2013. Ms. Bayless spent 13 years at Komag, a leading supplier of thin-film disks to the disk drive industry, where she served most recently as Executive Vice President, Secretary, and Chief Financial Officer beginning in September 2002. Prior to joining Komag, Ms. Bayless held the position of Senior Audit Manager at the public accounting firm of Ernst & Young. Ms. Bayless holds a Bachelor of Science degree from California State University Fresno and is a certified public accountant.

Kevin D. Barber has been Senior Vice President and General Manager of Smart Display Division of our company since January 2011. Prior to joining our company, Mr. Barber was Chief Executive Officer of ACCO Semiconductor since 2008. From 2007 to 2008, Mr. Barber served as a principal consultant at PRTM focused on the electronics industry. Mr. Barber was Senior Vice President, General Manager of the Mobile Solutions business at Skyworks Solutions from 2003 to 2006 where he was responsible for delivering innovative RF products to the mobile industry. Mr. Barber was Senior Vice President of Operations at Skyworks Solutions from 2002 to 2003 and Conexant Systems from 2001 to 2002. Previously, Mr. Barber held various senior operations positions at Conexant Systems and Rockwell Semiconductor. Mr. Barber holds a Bachelor of Science degree in Electrical Engineering from San Diego State University and a Master’s degree in Business Administration from Pepperdine University.

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Scott Deutsch has been Senior Vice President of World Wide Sales of our company since January 2013. Prior to joining our company, Mr. Deutsch served as Vice President of Worldwide Sales for AuthenTec from 2010 to 2012. Mr. Deutsch held positions of Vice President of World Wide Sales at Alereon from 2008 to 2009 and Vice President of Sales and Marketing for SanDisk's OEM Consumer Products Division from 2004 to 2008. Earlier in his career, Mr. Deutsch was the Director of Sales for the Western U.S. with MMC Networks. Before joining MMC Networks, Mr. Deutsch spent eight years at Cypress Semiconductor in various sales and management roles. Mr. Deutsch holds a Bachelor of Science degree in Electrical Engineering from Fresno State University.

Ritu Favre has been the Senior Vice President and General Manager of the Biometrics Product Division of our company since June 2014. Prior to joining our company, Ms. Favre held various senior level positions at Freescale Semiconductor from 2003 to 2014, including Senior Vice President and General Manager of the RF Division from 2012 through 2014, and Vice President and Division General Manager of the RF Division from 2010 to 2012. Ms. Favre ran the North America/Japan Automotive Business in the Analog and Mixed Signal Products Division inside Motorola Semiconductor from 2002 to 2003 and the Compound Semiconductor business in the Motorola Wireless Infrastructure Division from 1999 to 2002. Ms. Favre holds a Bachelor of Science degree in Electrical Engineering, as well as a Master's of Science degree in Electrical Engineering from Arizona State University.

John McFarland has been Senior Vice President, General Counsel and Secretary of our company since November 2013. Prior to joining our company, Mr. McFarland served for nine years as the Executive Vice President, General Counsel and Secretary of MagnaChip Semiconductor. Mr. McFarland spent his early career at law firms in Palo Alto, California, and Seoul, Korea. Mr. McFarland holds a Bachelor of Arts degree in Asian Studies, conferred with highest distinction from the University of Michigan, and a Juris Doctor degree from the University of California, Los Angeles, School of Law.

Bret C. Sewell has been Senior Vice President of Marketing and Business Development of our company since May 2012. Prior to joining our company, Mr. Sewell served as Executive Vice President at Coulomb Technologies from 2010 to 2011, and served as Chief Executive Officer of Venturi Wireless and Kiwi Networks from from 2005 to 2007, and 2003 to 2004, respectively. After SnapTrack's acquisition by Qualcomm, he served as President of Qualcomm's SnapTrack subsidiary and Senior Vice President in Qualcomm's semiconductor division. Earlier in his career, Mr. Sewell served as general manager for the Asia Pacific divisions of Octel Communications and Aspect Telecommunications. Mr. Sewell holds a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania, a Master's of Arts degree in International Studies from the University of Pennsylvania, and a Bachelor of Arts degree in Biological Anthropology from Harvard University.

Alex Wong has been Senior Vice President of World Wide Operations of our company since July 2010. Mr. Wong served as Vice President of World Wide Operations of our company from September 2006 to July 2010. From 2003 to 2006, Mr. Wong served our company as Managing Director of Hong Kong and Director of Operations. Prior to joining our company, Mr. Wong held various management positions with National Semiconductor Corporation, including General Manager for National Joint Ventures in China and Hong Kong and Director of Corporate Business Development. Mr. Wong holds a Bachelor of Science degree in Computer Science from California State University at Northridge and a Master's degree in Business Administration from the University of East Asia, Macau.

There are no arrangements, understandings, or family relationships pursuant to which our executive officers were selected. There are no related party transactions between us and our executive officers. We have entered into indemnification agreements with our officers and directors.

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ITEM 1A. RISK FACTORS

You should carefully consider the following factors, together with all the other information included in this report, in evaluating our company and our business.

We currently depend on our human interface solutions for the mobile product applications market and the PC product applications market for substantially all of our revenue, and any downturn in sales of these products would adversely affect our business, revenue, operating results, and financial condition.

We currently depend on our human interface solutions for the mobile product applications market and the PC product applications market for substantially all of our revenue. Any downturn in sales of these products would adversely affect our business, revenue, operating results, and financial condition. Similarly, a softening of demand in the smartphone market, the tablet market, or the notebook portion of the PC product applications market, a reduced level of our participation in the notebook portion of the PC product applications market, or a slowdown of growth in the notebook portion of the PC product applications market because of consumer preferences, the emergence of applications not including our solutions, or other factors would cause our business, operating results, and financial position to suffer.

Net revenue from our human interface solutions for mobile product applications has been volatile in the past, and may not increase or be less volatile in the future.

Net revenue from our human interface solutions for mobile product applications, particularly smartphones has been volatile in the past. Our net revenue from our human interface solutions for mobile product applications may not increase or be less volatile in the future. Net revenue from our human interface solutions for mobile product applications was \$689.9 million for fiscal 2014, \$424.1 million for fiscal 2013, and \$270.1 million for fiscal 2012. Our interface business for mobile product applications faces many uncertainties, including our success in enhancing our position in evolving markets dominated by a limited number of OEMs, and market acceptance of our product solutions over competitive product solutions. Our inability to address these uncertainties successfully would negatively affect our business.

We are exposed to industry downturns and cyclicalities in our target markets that may result in fluctuations in our operating results.

The PC and electronics industries have experienced significant economic downturns at various times. These downturns are characterized by diminished product demand, accelerated erosion of average selling prices, and production overcapacity. In addition, the PC and electronics industries are cyclical in nature. We seek to reduce our exposure to industry downturns and cyclicalities by providing design and production services for leading companies in rapidly expanding industry segments. We may, however, experience substantial period-to-period fluctuations in future operating results because of general industry conditions or events occurring in the general economy.

We cannot assure you that our human interface business for new markets will be successful or that we will be able to continue to generate significant revenue from these markets.

Our product solutions may not be successful in new markets despite the fact that these product solutions are capable of enabling people to interact more easily and intuitively with a wide variety of mobile computing, communication, entertainment, and electronic devices in addition to notebook computers and smartphones.

Various target markets for our interface solutions, such as tablets and large touchscreen applications including automotive touchscreens, may develop slower than anticipated or could utilize competing technologies. The markets for certain of these products depend in part upon the continued development and deployment of wireless and other technologies, which may or may not address the needs of the users of these products.

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Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- the development and growth of these markets;
- the ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- our ability to provide OEMs with human interface solutions that provide advantages in terms of size, power consumption, reliability, durability, performance, and value-added features compared with alternative solutions.

Many manufacturers of these products have well-established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future.

If we fail to maintain and build relationships with our customers, or our customers' products which utilize our human interface solutions do not gain widespread market acceptance, our revenue may stagnate or decline.

We do not sell any products to end users and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our human interface solutions. Instead, we design various human interface solutions that our OEM customers incorporate into their products and depend on such OEM customers to successfully manufacture and distribute products incorporating our human interface solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our human interface solutions. Even if our technologies successfully meet our customers' price and performance goals, our sales would decline or fail to develop if our customers do not achieve commercial success in selling their products that incorporate our human interface solutions.

We must maintain our relationships with our existing customers, particularly with the leading notebook computer OEMs, and expand our relationships with smartphone and tablet OEMs. Our customers do not provide us with firm, long-term volume purchase commitments, opting instead, to issue purchase orders that they can cancel, reduce, or delay at any time. In order to meet the expectations of our customers, we must provide innovative human interface solutions on a timely and cost-effective basis. This requires us to match our design and production capacity with customer demand, maintain satisfactory delivery schedules, and meet performance goals. If we are unable to achieve these goals for any reason, our sales may decline or fail to develop, which would result in decreasing revenue.

In addition to maintaining and expanding our customer relationships, we must also identify areas of significant growth potential in other markets, establish relationships with OEMs in those markets, and assist those OEMs in developing products that incorporate our human interface product solutions. Our failure to identify potential growth opportunities, particularly in the smartphone and the tablet market, the PC product applications market, or establish and maintain relationships with OEMs in those markets, would prevent our business from growing in those markets.

A significant portion of our sales comes from one or more large customers, the loss of which could harm our business, financial condition, and operating results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we lost key customers, or if key customers reduced or stopped placing orders for our high-volume products, our financial results could be adversely affected. In fiscal 2014 and 2013, sales to Samsung Display Co. and its affiliates accounted for approximately 28% and 14%, respectively, of our net revenue. In fiscal 2012, sales to TPK accounted for approximately 12% of our net revenue. Significant reductions in sales to our largest customer, the loss of other major customers, or a general decrease in demand for our products within a short period of time could adversely affect our revenue, financial condition and business.

We sell to contract manufacturers that serve our OEM customers. Any material delay, cancellation, or reduction of orders from any one or more of these contract manufacturers or the OEMs they serve could harm our business, financial condition, and operating results. The adverse effect would be more substantial if our other customers do not increase their orders or if we are unsuccessful in generating orders for human interface solutions from new customers. Many of these contract manufacturers sell to the same OEMs, and therefore our concentration with certain OEMs may be higher than with any individual contract manufacturer. Concentration in our customer base may make fluctuations in revenue and earnings more severe and make business planning more difficult.

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We depend on third parties to maintain satisfactory manufacturing yields and delivery schedules, and their inability to do so could increase our costs, disrupt our supply chain, and result in our inability to deliver our products, which would adversely affect our operating results.

We depend on our contract manufacturers and semiconductor fabricators to maintain high levels of productivity and satisfactory delivery schedules at manufacturing and assembly facilities located primarily in China, Taiwan, and Thailand. We provide our contract manufacturers with six-month rolling forecasts of our production requirements. We do not, however, have long-term agreements with any of our contract manufacturers that guarantee production capacity, prices, lead times, or delivery schedules. On occasion, customers require rapid increases in production, which can strain our resources and reduce our margins. Although we have been able to obtain increased production capacity from our third-party contract manufacturers in the past, there is no guarantee that our contract manufacturers will be able to increase production capacity to meet customer demands in the future. Our contract manufacturers also serve other customers, a number of which have greater production requirements than we do. As a result, our contract manufacturers could determine to prioritize production capacity for other customers or reduce or eliminate deliveries to us on short notice. Qualifying new contract manufacturers, and specifically semiconductor foundries, is time consuming and might result in unforeseen manufacturing and operations problems. We may also encounter lower manufacturing yields and longer delivery schedules in commencing volume production of new products that we introduce, which could increase our costs or disrupt our supplies. The loss of relationships with our contract manufacturers or assemblers, or their inability to conduct their manufacturing and assembly services for us as anticipated in terms of capacity, cost, quality, and timeliness could adversely affect our ability to fill customer orders in accordance with required delivery, quality, and performance requirements, and adversely affect our operating results.

Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results.

The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia. In most cases, neither we nor our contract manufacturers have long-term supply contracts with these suppliers. As a result, we are subject to increased costs, supply interruptions, and difficulties in obtaining materials. Our customers also may encounter difficulties or increased costs in obtaining the materials necessary to produce their products into which our product solutions are incorporated. Future shortages of materials and components, including potential supply constraints of silicon, could cause delayed shipments and customer dissatisfaction, which may result in lower revenue.

We are subject to lengthy development periods and product acceptance cycles, which can result in development and engineering costs without any future revenue.

We provide human interface solutions that are incorporated by OEMs into the products they sell. OEMs make the determination during their product development programs whether to incorporate our human interface solutions or pursue other alternatives. This process requires us to make significant investments of time and resources in the design of human interface solutions well before our customers introduce their products incorporating these interfaces, and before we can be sure that we will generate any significant sales to our customers or even recover our investment. During a customer's entire product development process, we face the risk that our interfaces will fail to meet our customer's technical, performance, or cost requirements, or that our products will be replaced by competitive products or alternative technological solutions. Even if we complete our design process in a manner satisfactory to our customer, the customer may delay or terminate its product development efforts. The occurrence of any of these events could cause sales to not materialize, be deferred, or be cancelled, which would adversely affect our operating results.

We face intense competition that could result in our losing or failing to gain market share and suffering reduced revenue.

We serve intensely competitive markets that are characterized by price erosion, rapid technological change, and competition from major domestic and international companies. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Depressed economic conditions, a slowdown in the PC product applications market, the emergence of new products not including our product solutions, rapid changes in the smartphone market and competitive pressures may result in lower demand for our product solutions, and reduced unit margins.

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Any movement away from high-quality, custom designed, feature-rich human interface solutions to lower priced alternatives would adversely affect our business. Some of our competitors, particularly in the markets for mobile product applications and other electronic devices, have greater market recognition, larger customer bases, and substantially greater financial, technical, marketing, distribution, and other resources than we possess and that afford them greater competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, negotiate lower prices for raw materials and components, deliver competitive products at lower prices, and introduce new product solutions and respond to customer requirements more quickly than we can. Our competitive position could suffer if one or more of our customers determine not to utilize our custom engineered, total solutions approach and instead, decide to design and manufacture their own interfaces, contract with our competitors, or use alternative technologies.

Our ability to compete successfully depends on a number of factors, both within and outside our control. These factors include the following:

- our success in designing and introducing new human interface solutions, including those implementing new technologies;
- our ability to predict the evolving needs of our customers and to assist them in incorporating our technologies into their new products;
- our ability to meet our customers' requirements for low power consumption, ease of use, reliability, durability, and small form factor;
- our ability to meet our customers' price and performance requirements;
- the quality of our customer service and support;
- the rate at which customers incorporate our human interface solutions into their own products;
- product or technology introductions by our competitors; and
- foreign currency fluctuations, which may cause a foreign competitor's products to be priced significantly lower than our product solutions.

If we do not keep pace with technological innovations, our products may not remain competitive and our revenue and operating results may suffer.

We operate in rapidly changing highly competitive markets. Technological advances, the introduction of new products and new design techniques could adversely affect our business unless we are able to adapt to the changing conditions. Technological advances could render our solutions less competitive or obsolete, and we may not be able to respond effectively to the technological requirements of evolving markets. Therefore, we will be required to expend substantial funds for and commit significant resources to enhancing and developing new technology which may include purchasing advanced design tools and test equipment, hiring additional highly qualified engineering and other technical personnel, and continuing and expanding research and development activities on existing and potential human interface solutions.

Our research and development efforts with respect to new technologies may not result in customer or market acceptance. Some or all of those technologies may not successfully make the transition from the research and development stage to cost-effective production as a result of technology problems, competitive cost issues, yield problems, and other factors. Even if we successfully complete a research and development effort with respect to a particular technology, our customers may decide not to introduce or may terminate products utilizing the technology for a variety of reasons, including difficulties with other suppliers of components for the products superior technologies developed by our competitors and unfavorable comparisons of our solutions with these technologies price considerations and lack of anticipated or actual market demand for the products.

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Our business could be harmed if we are unable to develop and utilize new technologies that address the needs of our customers, or our competitors or customers develop and utilize new technologies more effectively or more quickly than we can. Any investments made to enhance or develop new technologies that are not successful could have an adverse effect on our net revenue and operating results.

We may not be able to enhance our existing product solutions and develop new product solutions in a timely manner.

Our future operating results will depend to a significant extent on our ability to continue to provide new human interface solutions that compare favorably with alternative solutions on the basis of time to introduction, cost, performance, and end user preferences. Our success in maintaining existing and attracting new customers, and developing new business depends on various factors, including the following:

- innovative development of new solutions for customer products;
- utilization of advances in technology;
- maintenance of quality standards;
- performance advantages;
- efficient and cost-effective solutions; and
- timely completion of the design and introduction of new human interface solutions.

Our inability to enhance our existing product solutions and develop new product solutions on a timely basis could harm our operating results and impede our growth.

Additionally, our human interface solutions are designed to integrate touch, handwriting, and vision capabilities. New computing and communications devices could be developed that call for a different interface solution. Existing devices could also be modified to allow for a different interface solution. Our business could be harmed if our products become noncompetitive as a result of a technological breakthrough that allows a new interface solution to displace our solutions and achieve significant market acceptance.

International sales and manufacturing risks could adversely affect our operating results.

Our manufacturing and assembly operations are primarily conducted in China, Taiwan, and Thailand by contract manufacturers and semiconductor fabricators. We have sales and logistics operations in Hong Kong, and sales and engineering design support operations in China, Japan, Korea, Switzerland, and Taiwan. These international operations expose us to various economic, political, and other risks that could adversely affect our operations and operating results, including the following:

- difficulties and costs of staffing and managing a multi-national organization;
- unexpected changes in regulatory requirements;
- differing labor regulations;
- potentially adverse tax consequences;
- tariffs, duties and other trade barrier restrictions;
- changes to export or import compliance laws;
- possible employee turnover or labor unrest;
- greater difficulty in collecting accounts receivable;

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- the burdens and costs of compliance with a variety of foreign laws;
- the volatility of currency exchange rates;
- potentially reduced protection for intellectual property rights;
- political or economic instability in certain parts of the world; and
- natural disasters, including earthquakes or tsunamis.

If any of these risks associated with international operations materialize, our operations could be disrupted, which would negatively affect our operating results.

Our operating results could be adversely affected by fluctuations in the value of the U.S. dollar against foreign currencies.

We transact business predominantly in U.S. dollars, and we invoice and collect our sales in U.S. dollars. A weakening of the U.S. dollar could cause our overseas vendors to require renegotiation of either the prices or currency we pay for their goods and services. In the future, customers may negotiate pricing and make payments in non-U.S. currencies. For fiscal 2014, approximately 8% of our costs were denominated in non-U.S. currencies, including Canadian dollars, Hong Kong dollars, British pounds, Taiwan dollars, Japanese yen, Korean won, Chinese yuan, and Swiss francs.

If our overseas vendors or customers require us to transact business in non-U.S. currencies, fluctuations in foreign currency exchange rates could affect our cost of goods, operating expenses, and operating margins and could result in exchange losses. In addition, currency devaluation could result in a loss to us if we hold deposits of that currency. Hedging foreign currencies can be difficult, especially if the currency is not freely traded. We cannot predict the impact of future exchange rate fluctuations on our operating results. We currently do not hedge any foreign currencies.

If we fail to manage our growth effectively, our infrastructure, management, and resources could be strained, our ability to effectively manage our business could be diminished, and our operating results could suffer.

The failure to manage our planned growth effectively could strain our resources, which would impede our ability to increase revenue. We have increased the number of our human interface solutions and plan to further expand the number and diversity of our solutions and their use in the future. Our ability to manage our planned diversification and growth effectively will require us to:

- successfully hire, train, retain, and motivate additional employees, including employees outside the United States;
- efficiently plan and expand our facilities to meet increased headcount requirements;
- enhance our global operational, financial, and management infrastructure; and
- expand our development and production capacity.

In connection with the expansion and diversification of our product and customer base, we are increasing our personnel and making other expenditures to meet demand for our expanding product offerings, including offerings in the mobile product applications market and the notebook computer market. Any increase in expenses or investments in infrastructure and facilities in anticipation of future orders that do not materialize would adversely affect our profitability. Our customers also may require rapid increases in design and production services that place an excessive short-term burden on our resources and the resources of our contract manufacturers. An inability to quickly expand our development, design or production capacity or an inability of our third-party manufacturers to quickly expand development, design or production capacity to meet this customer demand could result in a decrease to our revenue or operating results. If we cannot manage our growth effectively, our business and operating results could suffer.

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We depend on key personnel who would be difficult to replace, and our business will likely be harmed if we lose their services or cannot hire additional qualified personnel.

Our success depends substantially on the efforts and abilities of our senior management and other key personnel. The competition for qualified management and key personnel, especially engineers, is intense. Although we maintain noncompetition and nondisclosure covenants with most of our key personnel, and our key executives have change of control severance agreements, we do not have employment agreements with any of them. The loss of services of one or more of our key employees or the inability to hire, train, and retain key personnel, especially engineers and technical support personnel, and capable sales and customer-support employees outside the United States, could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan.

In the future, if we are unable to obtain stockholder approval of additional shares for our share-based compensation award programs we could be at a competitive disadvantage in the marketplace for qualified personnel or may be required to increase the cash element of our compensation program.

Our compensation program, which includes cash and share-based compensation award components, has been instrumental in attracting, hiring, motivating, and retaining qualified personnel. Competition for qualified personnel in our industry is extremely intense, particularly for engineering and other technical personnel. Our success depends on our continued ability to attract, hire, motivate, and retain qualified personnel and our share-based compensation award programs provide us with a competitive compensatory tool for this purpose. The continued use of our share-based compensation program is necessary for us to compete for engineering and other technical personnel and professional talent without significantly increasing cash compensation costs. In the future, if we are unable to obtain stockholder approval of additional shares for our share-based compensation award programs we could be at a competitive disadvantage in the marketplace for qualified personnel or may be required to increase the cash elements of our compensation program to account for this disadvantage.

Our ability to compete successfully and continue growing as a company depends on our ability to adequately protect our proprietary technology and confidential information.

We protect our proprietary technology and confidential information through the use of patents, trade secrets, trademarks, confidentiality agreements and other contractual provisions. The process of seeking patent protection is lengthy and expensive. Further, there can be no assurance that even if a patent is issued, that it will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage.

We have not applied for, and do not have, any copyright registration on our technologies or products. We have applied to register certain of our trademarks in the United States and other countries. There can be no assurance that we will obtain registrations of principal or other trademarks in key markets. Failure to obtain registrations could compromise our ability to fully protect our trademarks and brands, and could increase the risk of challenge from third parties to our use of our trademarks and brands. Effective intellectual property protection may be unavailable or limited in some foreign countries in which we operate. In particular, the validity, enforceability and scope of protection of intellectual property in China, where we derive a significant portion of our net sales, and certain other countries where we derive net sales, are still evolving and historically, have not protected and may not protect in the future, intellectual property rights to the same extent as laws developed in the United States.

We do not consistently rely on written agreements with our customers, suppliers, manufacturers, and other recipients of our technologies and products, and therefore some trade secret protection may be lost and our ability to enforce our intellectual property rights may be limited. Confidentiality and non-disclosure agreements which are in place may not be adequate to protect our proprietary technologies or may be breached by other parties. Additionally, our customers, suppliers, manufacturers, and other recipients of our technologies and products may seek to use our technologies and products without appropriate limitations. In the past, we did not consistently require our employees and consultants to enter into confidentiality, employment, or proprietary information and invention assignment agreements. Therefore, our former employees and consultants may try to claim some ownership interest in our technologies and products, and may use our technologies and products competitively and without appropriate limitations. Unauthorized parties may attempt to copy or otherwise use aspects of our technologies and products that we regard as proprietary. Other companies, including our competitors, may independently develop technologies that are similar or superior to our technologies, duplicate our technologies, or design around our patents. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the markets for our technologies and products.

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In the future, we may need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, financial condition, and operating results.

Any claims that our technologies infringe the intellectual property rights of third parties could result in significant costs and have a material adverse effect on our business.

We cannot be certain that our technologies and products do not and will not infringe issued patents or other third party proprietary rights. Any claims, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and could require us to enter into royalty or licensing agreements, any of which could have a material adverse effect on our business. There can be no assurance that such licenses could be obtained on commercially reasonable terms, if at all, or that the terms of any offered licenses would be acceptable to us. We may also have to pay substantial damages to third parties, or indemnify customers or licensees for damages they suffer if the products they purchase from us or the technology they license from us violates any third party intellectual property rights. An adverse determination in a judicial or administrative proceeding, or a failure to obtain necessary licenses to use such third-party technology could prevent us from manufacturing, using, or selling certain of our products, and there is no guarantee that we will be able to develop or acquire alternate non-infringing technology.

In addition, we license certain technology used in and for our products from third parties. These third-party licenses are granted with restrictions, and there can be no assurances that such third-party technology will remain available to us on commercially acceptable terms.

If third-party technology currently utilized in our products is no longer available to us on commercially acceptable terms, or if any third party initiates litigation against us for alleged infringement of their proprietary rights, we may not be able to sell certain of our products and we could incur significant costs in defending against litigation or attempting to develop or acquire alternate non-infringing products, which would have an adverse effect on our operating results.

If we become subject to product returns or claims resulting from defects in our products, we may incur significant costs resulting in a decrease in revenue.

We develop complex products in an evolving marketplace and generally warrant our products for a period of 12 months from the date of sale. Despite testing by us and our customers, defects may be found in existing or new products. Manufacturing errors or product defects could result in a delay in recognition or loss of revenue, loss of market share, or failure to achieve market acceptance. Additionally, defects could result in financial or other damages to our customers, causing us to incur significant warranty, support, and repair costs, and diverting the attention of our engineering personnel from key product development efforts.

Potential strategic alliances may not achieve their objectives, and the failure to do so could impede our growth.

We have entered, and we anticipate that we will continue to enter, into strategic alliances. We continually explore strategic alliances designed to enhance or complement our technology or to work in conjunction with our technology; to provide necessary know-how, components, or supplies; and to develop, introduce, and distribute products utilizing our technology. Certain strategic alliances may not achieve their intended objectives, and parties to our strategic alliances may not perform as contemplated. The failure of these alliances to achieve their objectives may impede our ability to introduce new products and enter new markets.

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Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value, and harm our operating results.

We expect to pursue opportunities to acquire other businesses and technologies in order to complement our current human interface solutions, expand the breadth of our markets, enhance our technical capabilities, or otherwise create growth opportunities. In fiscal year 2014, we acquired Validity and entered into an agreement to acquire RSP. We cannot accurately predict the timing, size, and success of any future acquisitions. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria. Acquisitions may also become more difficult in the future as we or others acquire the most attractive candidates. Unforeseen expenses, difficulties, and delays frequently encountered in connection with rapid expansion through acquisitions could inhibit our growth and negatively impact our operating results. If we make any future acquisitions, we could issue stock that would dilute existing stockholders' percentage ownership, incur substantial debt, assume contingent liabilities, or experience higher operating expenses.

We may be unable to effectively complete an integration of the management, operations, facilities, and accounting and information systems of acquired businesses with our own; efficiently manage the combined operations of the acquired businesses with our operations; achieve our operating, growth, and performance goals for acquired businesses; achieve additional revenue as a result of our expanded operations; or achieve operating efficiencies or otherwise realize cost savings as a result of anticipated acquisition synergies. The integration of acquired businesses involves numerous risks, including the following:

- the potential disruption of our core business;
- the potential strain on our financial and managerial controls, reporting systems and procedures;
- potential unknown liabilities associated with the acquired business;
- unanticipated costs associated with the acquisition;
- diversion of management's attention from our core business;
- problems assimilating the purchased operations, technologies, or products;
- risks associated with entering markets and businesses in which we have little or no prior experience;
- failure of acquired businesses to achieve expected results;
- adverse effects on existing business relationships with suppliers and customers;
- failure to retain key customers, suppliers, or personnel of acquired businesses;
- the risk of impairment charges related to potential write-downs of acquired assets; and
- the potential inability to create uniform standards, controls, procedures, policies, and information systems.

We cannot assure you that we would be successful in overcoming problems encountered in connection with any acquisitions, and our inability to do so could disrupt our operations, result in goodwill or intangible asset impairment charges, and adversely affect our business.

Repatriation of our foreign earnings to the United States or changes in tax laws may adversely affect our future reported tax rates and financial results or the way we conduct our business.

Changes in tax laws may adversely affect our future reported tax rates and financial results or the way we conduct our business. We consider the undistributed operating earnings of certain foreign subsidiaries of approximately \$548.8 million as of the end of fiscal 2014, to be indefinitely invested outside the United States and have not provided for U.S. federal and state income taxes that may result from future remittances of those undistributed operating earnings. Proposals to reform U.S. tax laws, including proposals that could reduce or eliminate the deferral of U.S. income tax on our foreign subsidiaries' undistributed earnings, could require those earnings to be taxed at the U.S. federal income tax rate. If we do need to access our foreign subsidiaries' undistributed earnings for our domestic operations, we would be required to accrue and pay U.S. taxes to repatriate these funds, which would adversely impact our financial position and results of operations.

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Currently our investments in auction rate securities, or ARS investments, are not liquid, and we may lose some or all of our principal invested, or may be required to further reduce the carrying value if the issuers are not able to meet their payment obligations or if we sell our ARS investments before they recover.

We ended fiscal 2014 with \$24.0 million invested in ARS investments for which the auctions have failed and our investments are not liquid. The carrying value of these investments was \$19.8 million, reflecting \$12.8 million of other-than-temporary impairment, partially offset by \$8.6 million of unrealized recovery. If the issuers are not able to meet their payment obligations or if we sell our ARS investments before they recover, we may lose some or all of the principal invested or may be required to further reduce the carrying value. This would adversely affect our financial position, operating results, and cash flows.

We face risks associated with security breaches or cyber attacks.

We face risks associated with security breaches or cyber attacks of our computer systems or those of our third-party representatives, vendors, and service providers. Although we have implemented security procedures and controls to address these threats, our systems may still be vulnerable to data theft, computer viruses, programming errors, attacks by third parties, or similar disruptive problems. If our systems, or systems owned by third parties affiliated with our company, were breached or attacked, the proprietary and confidential information of our company and our customers could be disclosed and we may be required to incur substantial costs and liabilities, including the following: expenses to rectify the consequences of the security breach or cyber attack; liability for stolen assets or information; costs of repairing damage to our systems; lost revenue and income resulting from any system downtime caused by such breach or attack; loss of competitive advantage if our proprietary information is obtained by competitors as a result of such breach or attack; increased costs of cyber security protection; costs of incentives we may be required to offer to our customers or business partners to retain their business; and damage to our reputation. In addition, any compromise of security or a cyber attack could deter customers or business partners from entering into transactions that involve providing confidential information to us. As a result, any compromise of security of our systems or cyber attack could have a material adverse effect on our business, reputation, financial condition, and operating results.

We must finance the growth of our business and the development of new products, which could have an adverse effect on our operating results.

To remain competitive, we must continue to make significant investments in research and development, marketing, and business development. Our failure to increase sufficiently our net revenue to offset these increased costs would adversely affect our operating results.

From time to time, we may seek additional equity or debt financing to provide for funds required to expand our business, including through acquisitions. We cannot predict the timing or amount of any such requirements at this time. If such financing is not available on satisfactory terms, we may be unable to expand our business or to develop new business at the rate desired and our operating results may suffer. If obtained, the financing itself carries risks including the following: debt financing increases expenses and must be repaid regardless of operating results. Equity financing, including issuance of additional shares in connection with acquisitions, could result in dilution to existing stockholders and could adversely affect the price of our common stock.

We expect to incur additional expenses in complying with corporate governance and public disclosure requirements.

Changing laws, regulations, and standards relating to corporate governance and public disclosure, including SEC regulations and Nasdaq Global Select Market rules, create uncertainty and increased expenses for companies such as ours. New or changed laws, regulations, and standards are subject to varying interpretations in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations, and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. We expect these efforts to require the continued commitment of significant resources.

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During the third quarter of calendar year 2012, the SEC adopted rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank. These rules impose diligence and disclosure requirements regarding the use of “conflict minerals” mined from the Democratic Republic of Congo and adjoining countries. Compliance with these rules is likely to result in additional costs and expenses, including cost and expenses incurred for due diligence, to determine and verify the sources of any conflict minerals used in our products, and remediation and other changes to products, processes, or sources of supply as a consequence of such verification efforts. These rules may also affect the sourcing and availability of minerals used in the manufacture of our products as there may be only a limited number of suppliers offering “conflict free” minerals that can be used in our products. There can be no assurance that we will be able to obtain such minerals in sufficient quantities or at competitive prices.

The accounting requirements for income taxes on certain of our share-based compensation awards will subject our future quarterly and annual effective tax rates to greater volatility and, consequently, our ability to reasonably estimate our future quarterly and annual effective tax rates will be greatly diminished.

We recognize a tax benefit upon expensing nonqualified stock options and deferred stock units, or DSUs, issued under our share-based compensation plans. However, under current accounting standards, we cannot recognize that tax benefit concurrent with expensing incentive stock options and employee stock purchase plan shares (qualified stock options) issued under our share-based compensation plans. For qualified stock options that vested after our adoption of the applicable accounting standards, we recognize the tax benefit only in the period when disqualifying dispositions of the underlying stock occur and, for qualified stock options that vested prior to our adoption of the applicable accounting standards, the tax benefit is recorded directly to additional paid-in capital. Accordingly, because we cannot recognize the tax benefit for share-based compensation expense associated with qualified stock options until the occurrence of future disqualifying dispositions of the underlying stock, such disqualified dispositions may happen in periods when our stock price substantially increases, and because a portion of that tax benefit may be directly recorded to additional paid-in capital, our future quarterly and annual effective tax rates will be subject to greater volatility and, consequently, our ability to estimate reasonably our future quarterly and annual effective tax rates is greatly diminished.

Our charter documents and Delaware law could make it more difficult for a third party to acquire us, and discourage a takeover.

Our certificate of incorporation and the Delaware General Corporation Law contain provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of our company, even when these attempts may be in the best interests of our stockholders. Our certificate of incorporation also authorizes our Board of Directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of common stock. Delaware law also imposes conditions on certain business combination transactions with “interested stockholders.” Our certificate of incorporation divides our Board of Directors into three classes, with one class to stand for election each year for a three-year term after the election. The classification of directors tends to discourage a third party from initiating a proxy solicitation or otherwise attempting to obtain control of our company and may maintain the incumbency of our Board of Directors, as this structure generally increases the difficulty of, or may delay, replacing a majority of directors. Our certificate of incorporation authorizes our Board of Directors to fill vacancies or newly created directorships. A majority of the directors then in office may elect a successor to fill any vacancies or newly created directorships.

The market price of our common stock has been and may continue to be volatile.

The trading price of our common stock has been and may continue to be subject to wide fluctuations in response to various factors, including the following:

- variations in our quarterly results;
- the financial guidance we may provide to the public, any changes in such guidance, or our failure to meet such guidance;
- changes in financial estimates by industry or securities analysts or our failure to meet such estimates;

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- various market factors or perceived market factors, including rumors, whether or not correct, involving us, our customers, our suppliers, or our competitors;
- announcements of technological innovations by us or by our competitors;
- introductions of new products or new pricing policies by us or by our competitors;
- acquisitions or strategic alliances by us or our competitors;
- recruitment or departure of key personnel;
- the gain or loss of significant orders;
- the gain or loss of significant customers;
- market conditions in our industry, the industries of our customers, and the economy as a whole;
- short positions held by investors; and
- general financial market conditions or occurrences.

In addition, stocks of technology companies have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to these companies' operating performance. Public announcements by technology companies concerning, among other things, their performance, accounting practices, or legal problems could cause the market price of our common stock to decline regardless of our actual operating performance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal executive offices, as well as our principal research and development, sales, marketing, and administrative functions, are located in San Jose, California, where we own approximately 161,000 square feet of facilities. During our fiscal year 2014, we purchased a 5.35-acre site adjacent to our principal executive offices with two buildings totaling approximately 80,000 square feet. We plan to retrofit one of the buildings to support the expansion of our San Jose-based employee population. We also have research and development functions in leased offices in New York, Arizona, Texas, Idaho, and Georgia. Our Asia/Pacific principal offices are located in a leased office in Hong Kong, where we have sales, operations, and research and development functions. We also have sales and research and development functions in leased offices in Taiwan, Japan, India and South Korea, and we have sales functions in leased offices in China, Switzerland, and Finland.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information on Common Stock

Our common stock has been listed on the Nasdaq Global Select Market (formerly on the Nasdaq National Market) under the symbol "SYNA" since January 29, 2002. Prior to that time, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices of our common stock as quoted on the Nasdaq Global Select Market.

	<u>High</u>	<u>Low</u>
Fiscal 2014:		
First quarter	\$45.84	\$37.87
Second quarter	\$56.50	\$43.06
Third quarter	\$67.11	\$48.62
Fourth quarter	\$91.50	\$55.46
Fiscal 2013:		
First quarter	\$31.56	\$23.67
Second quarter	\$30.36	\$22.58
Third quarter	\$41.49	\$29.28
Fourth quarter	\$45.40	\$34.74

Stockholders

As of August 15, 2014, there were approximately 178 holders of record of our common stock. The closing price of our common stock as quoted on the Nasdaq Global Select Market as of August 15, 2014 was \$80.35.

Dividends

We have never declared or paid cash dividends on our common stock. We currently plan to retain all earnings to finance the growth of our business or purchase shares under our common stock repurchase program. Payments of any cash dividends in the future will depend on our financial condition, operating results, and capital requirements, as well as other factors deemed relevant by our board of directors.

Our revolving line of credit also places restrictions on the payment of any dividends.

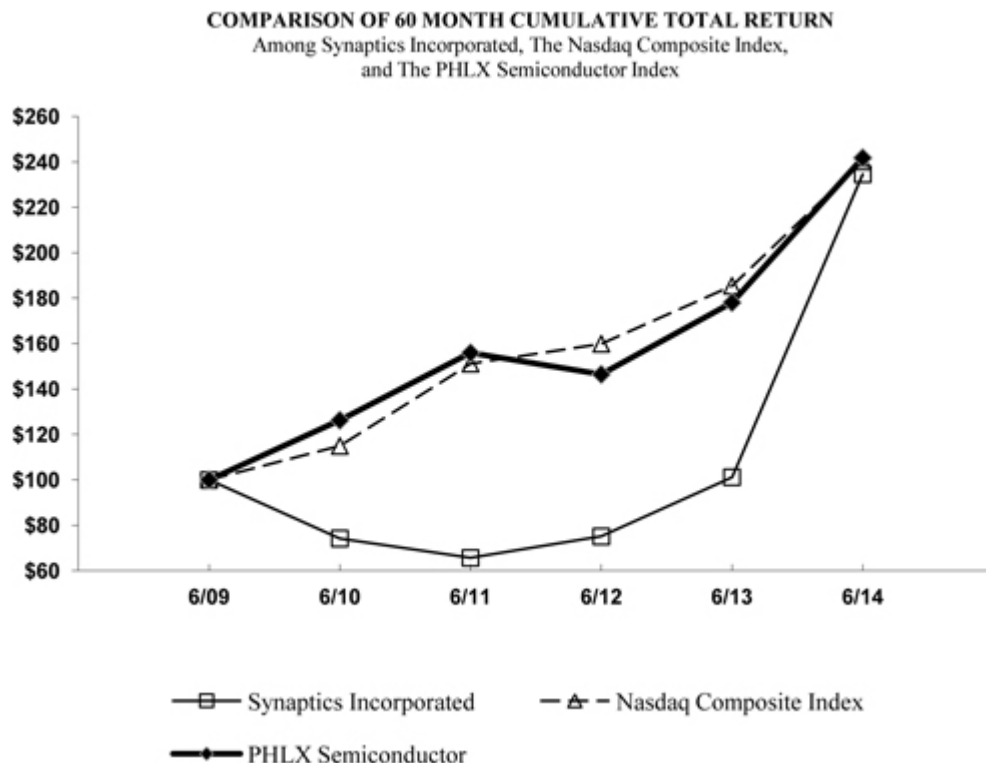
Issuer Purchases of Equity Securities

From April 2005 through July 2014, our Board of Directors cumulatively authorized \$730.0 million for our common stock repurchase program, which expires in July 2016. As of July 2014, the remaining amount authorized for the repurchase of our common stock is \$199.6 million. There were no repurchases under the stock repurchase program during the three-month period ended June 28, 2014.

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Performance Graph

The following line graph compares cumulative total stockholder returns for the five years ended June 30, 2014 for (i) our common stock, (ii) the Nasdaq Composite Index and (iii) the Philadelphia Semiconductor Index. The graph assumes an investment of \$100 on June 30, 2009. The calculations of cumulative stockholder return on the Nasdaq Composite Index and the Philadelphia Semiconductor Index include reinvestment of dividends. The calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay any dividends during the measurement period. The historical performance shown is not necessarily indicative of future performance.



The performance graph above shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. The performance graph above will not be deemed incorporated by reference into any filing of our company under the Exchange Act or the Securities Act.

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ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected financial data for each fiscal year in the five-year period ended June 30, 2014. Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. Fiscal 2012 was a 53-week period and the other fiscal years presented were 52-week periods. Our past results of operations are not necessarily indicative of our future results of operations. You should read the selected financial data below in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes contained elsewhere in this report.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(in thousands, except per share amounts)				
Consolidated Statements of Income Data:					
Net revenue	\$ 947,539	\$663,588	\$548,228	\$598,538	\$514,890
Cost of revenue	<u>511,459</u>	<u>337,784</u>	<u>292,661</u>	<u>352,468</u>	<u>306,188</u>
Gross margin	<u>436,080</u>	<u>325,804</u>	<u>255,567</u>	<u>246,070</u>	<u>208,702</u>
Operating expenses:					
Research and development	192,681	144,699	117,954	105,003	86,552
Selling, general, and administrative	100,005	79,620	70,045	68,549	60,027
Acquired intangibles amortization	1,047	1,025	—	—	—
Change in contingent consideration	69,861	1,347	—	—	—
Gain on sale of property and equipment	<u>—</u>	<u>(1,578)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating expenses	<u>363,594</u>	<u>225,113</u>	<u>187,999</u>	<u>173,552</u>	<u>146,579</u>
Operating income	72,486	100,691	67,568	72,518	62,123
Interest income/(expense), net	1,973	1,042	905	894	(1,423)
Other charges or expenses	<u>—</u>	<u>—</u>	<u>77</u>	<u>59</u>	<u>(443)</u>
Income before provision for income taxes	74,459	101,733	68,550	73,471	60,257
Provision for income taxes	<u>27,770</u>	<u>2,800</u>	<u>14,406</u>	<u>9,675</u>	<u>7,292</u>
Net income	<u>\$ 46,689</u>	<u>\$ 98,933</u>	<u>\$ 54,144</u>	<u>\$ 63,796</u>	<u>\$ 52,965</u>
Net income per share:					
Basic	<u>\$ 1.34</u>	<u>\$ 3.03</u>	<u>\$ 1.64</u>	<u>\$ 1.87</u>	<u>\$ 1.57</u>
Diluted	<u>\$ 1.26</u>	<u>\$ 2.89</u>	<u>\$ 1.57</u>	<u>\$ 1.80</u>	<u>\$ 1.50</u>
Shares used in computing net income per share:					
Basic	<u>34,761</u>	<u>32,658</u>	<u>33,030</u>	<u>34,042</u>	<u>33,836</u>
Diluted	<u>37,105</u>	<u>34,239</u>	<u>34,435</u>	<u>35,454</u>	<u>35,423</u>
Consolidated Balance Sheets Data:					
Cash, cash equivalents, and short-term investments	\$ 447,205	\$355,303	\$305,005	\$247,153	\$209,858
Working capital	488,023	410,794	340,579	281,423	228,534
Total assets	1,020,333	691,266	541,505	456,201	414,679
Long-term debt	—	2,305	2,305	2,305	2,305
Treasury shares, at cost	530,422	460,160	413,885	352,142	281,932
Total stockholders' equity	701,157	521,855	396,790	339,993	286,511

Our basic net income per share amounts for each period presented have been computed using the weighted average number of shares of common stock outstanding. Our diluted net income per share amounts for each period presented include the weighted average effect of potentially dilutive shares. We used the "treasury stock" method to determine the dilutive effect of our stock options, Deferred Stock Units, or DSUs, Market Stock Units, or MSUs, and convertible notes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Forward-Looking Statements and Factors That May Affect Results**

You should read the following discussion and analysis in conjunction with our financial statements and related notes contained elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth under Item 1A. Risk Factors.

Overview

We are a leading worldwide developer and supplier of custom-designed human interface solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment, and other electronic devices. We believe our results to date reflect the combination of our customer focus, the strength of our intellectual property and our engineering know-how, which allow us to develop or engineer products that meet the demanding design specifications of OEMs.

We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred and title has transferred, the price is fixed or determinable, and collection is reasonably assured. Our net revenue increased from \$514.9 million for fiscal 2010 to \$947.5 million for fiscal 2014, representing a compound annual growth rate of approximately 17%. For fiscal 2010, we derived 59% of our net revenue from the personal computer market and 41% of our net revenue from the mobile product applications market. For fiscal 2014, revenue from the personal computer market accounted for 27% of our net revenue and revenue from the mobile product applications market accounted for 73% of our net revenue.

Many of our customers have manufacturing operations in China, and many of our OEM customers have established design centers in Asia. With our expanding global presence, including offices in China, Finland, Hong Kong, India, Japan, Korea, Switzerland, Taiwan, and the United States, we are well positioned to provide local sales, operational, and engineering support services to our existing customers, as well as potential new customers, on a global basis.

Our manufacturing operations are based on a variable cost model in which we outsource all of our production requirements and generally drop ship our products directly to our customers from our contract manufacturers' facilities, eliminating the need for significant capital expenditures and allowing us to minimize our investment in inventories. This approach requires us to work closely with our contract manufacturers and semiconductor fabricators to ensure adequate production capacity to meet our forecasted volume requirements. We provide our contract manufacturers with six-month rolling forecasts and issue purchase orders based on our anticipated requirements for the next 90 days. However, we do not have any long-term supply contracts with any of our contract manufacturers. We use two third-party wafer manufacturers to supply wafers and four third-party packaging manufacturers to package our proprietary ASICs. In certain cases, we rely on a single source or a limited number of suppliers to provide other key components of our products. Our cost of revenue includes all costs associated with the production of our products, including materials, logistics, manufacturing, assembly, and test costs paid to third-party manufacturers, and related overhead costs associated with our indirect manufacturing operations personnel. Additionally, we charge all warranty costs, yield losses, and any inventory provisions or write-downs to cost of revenue.

Our gross margin generally reflects the combination of the added value we bring to our OEM customers' products in meeting their custom design requirements and the impact of our ongoing cost-improvement programs. These cost-improvement programs include reducing materials and component costs, and implementing design and process improvements. Our newly introduced products may have lower margins than our more mature products, which have realized greater benefits associated with our ongoing cost-improvement programs. As a result, new product introductions may initially negatively impact our gross margin.

Our research and development expenses include costs for supplies and materials related to product development, as well as the engineering costs incurred to design human interface solutions for OEM customers prior to and after their commitment to incorporate those solutions into their products. These expenses have generally increased, reflecting our continuing commitment to the technological and design innovation required to maintain our position in our existing markets, and to adapt our existing technologies or develop new technologies for new markets.

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Selling, general, and administrative expenses include expenses related to sales, marketing, and administrative personnel; internal sales and outside sales representatives' commissions; market and usability research; outside legal, accounting, and consulting costs; and other marketing and sales activities. These expenses have generally increased, primarily reflecting incremental staffing and related support costs associated with our increased business levels, growth in our existing markets, and penetration into new markets.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, cost of revenue, inventories, product warranty, share-based compensation costs, provision for income taxes, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, goodwill, intangible assets, investments, and contingencies. We base our estimates on historical experience, applicable laws and regulations, and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The methods, estimates, interpretations, and judgments we use in applying our most critical accounting policies can have a significant impact on the results that we report in our consolidated financial statements. The SEC considers an entity's most critical accounting policies to be those policies that are both most important to the portrayal of the entity's financial condition and results of operations and those that require the entity's most difficult, subjective, or complex judgments, often as a result of the need to make assumptions and estimates about matters that are inherently uncertain. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred and title has transferred, the price is fixed or determinable, and collection is reasonably assured, which is generally upon shipment of the product. We accrue for estimated sales returns, incentives and other allowances at the time we recognize revenue. Our products contain embedded firmware and software that allows for further differentiation and customer integration, which together with, or consisting of, our ASIC chip delivers the essential functionality of our products and, as such, software revenue recognition guidance is not applicable.

Investments

Accounting standards require us to record available-for-sale securities at fair value, with unrealized gains and losses being reported as a component of other comprehensive income. We follow the accounting standards to assess whether our investments with loss positions are other-than-temporarily impaired. We follow the hierarchical approach established under the accounting standards to determine fair value of our investments.

The accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Our fair value estimates consider, among other factors, the collateral underlying the security investments, creditworthiness of the counterparty, timing of expected future cash flows, and, in the case of ARS investments, the probability of a successful auction in a future period. We follow the guidance provided to estimate fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, and to determine circumstances that may indicate that a transaction is not orderly.

Further, we use judgment in evaluating whether a decline in fair value is temporary or other-than-temporary and consider the following indicators: changes in credit ratings or asset quality; changes in the economic environment; length of time and extent to which fair value has been below cost basis; changes in market conditions; and changes in expected cash flows. We do not intend to sell the investments, and it is more likely than not that we will not be required to sell the investments before recovery of their amortized cost basis. Temporary declines in fair value are recorded as charges to accumulated other comprehensive income in the equity section of our balance sheet, while other-than-temporary declines in fair value are bifurcated between credit losses, which are charged to earnings, and noncredit losses which, depending on facts and circumstances may be charged to other comprehensive income or earnings.

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Inventory

We state our inventories at the lower of cost or market. We base our assessment of the ultimate realization of inventories on our projections of future demand and market conditions. Sudden declines in demand, rapid product improvements, or technological changes, or any combination of these factors can cause us to have excess or obsolete inventories. On an ongoing basis, we review for estimated obsolete or unmarketable inventories and write down our inventories to their net realizable value based upon our forecasts of future demand and market conditions. If actual market conditions are less favorable than our forecasts, additional inventory write-downs may be required. The following factors influence our estimates: changes to or cancellations of customer orders, unexpected decline in demand, rapid product improvements and technological advances, and termination or changes by our OEM customers of any product offerings incorporating our product solutions.

Periodically, we purchase inventory from our contract manufacturers when a customer delays its delivery schedule or cancels its order. In those circumstances in which our customer has cancelled its order and we purchase inventory from our contract manufacturers, we record a write-down, if necessary, to reduce the carrying value of the inventory purchased to its net realizable value. The effect of these write-downs is to establish a new cost basis in the related inventory, which we do not subsequently write up. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays or order cancellations.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired.

Goodwill is measured and tested for impairment annually during the last quarter of our fiscal year, or more frequently if we believe indicators of impairment exist. Events that could trigger a more frequent impairment review may include adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. During our annual assessment of goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value before performing the two step quantitative impairment test. If, after assessing the totality of events or circumstances, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two step impairment test is not necessary. The first step requires comparing the fair value of our one reporting unit to its net book value, including goodwill. We have allocated our goodwill to a single company-wide reporting unit. If we subsequently determine that our goodwill should be allocated to a separate reportable unit within our company then determining the fair value of a reporting unit will be judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and forecasted operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable. Actual future results may differ from those estimates. Future competitive, market and economic conditions could negatively impact key assumptions including our market capitalization or the carrying value of our net assets, which could require us to realize an impairment of our goodwill and intangible assets.

A potential impairment exists if the fair value of the reporting unit is less than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit's net assets, other than goodwill, to the fair value of the reporting unit. If the difference is less than the net book value of goodwill, an impairment exists and is recorded. No goodwill impairment was recognized in fiscal 2014, 2013, and 2012.

Acquired Intangibles

We review acquired intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of these intangible assets is assessed based on the estimated undiscounted future cash flows expected to result from the use of the asset. If the undiscounted future cash flows are less than the carrying amount, the acquired intangible assets with finite lives are considered to be impaired. The amount of the impairment is measured as the difference between the carrying amount of these assets and the fair value.

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Our business combinations have included the purchase of in-process research and development assets that are not amortizable until the underlying project is complete. We assess that our in-process research and development project is complete when all material research and development costs have been incurred and no significant risks remain. We review the carrying value of indefinite-lived intangible assets for impairment at least annually during the last quarter of our fiscal year, or more frequently if we believe indicators of impairment exist.

Business Combinations

We have applied significant estimates and judgments in order to determine the fair value of the identified assets acquired, liabilities assumed, goodwill recognized, and contingent consideration recorded in connection with our business combinations to ensure the value of the assets and liabilities acquired are recognized at fair value as of the acquisition date. In measuring the fair value, we utilize valuation techniques consistent with the market approach, income approach, or cost approach.

The valuation of the identifiable assets and liabilities includes assumptions made in performing the valuation, such as projected revenue, weighted average cost of capital, discount rates, estimated useful lives, estimated probabilities of achieving contingent payment milestones, and other relevant assessments. These assessments can be significantly affected by our estimates, judgments, and assumptions. If actual results are not consistent with our estimates, judgments, or assumptions, or if additional or new information arises in the future that affects our fair value estimates, then adjustments to our initial fair value estimates may have a material impact to our purchase accounting or our results of operations.

Share-Based Compensation Costs

We account for employee share-based compensation costs in accordance with relevant accounting standards. We utilize the Black-Scholes option pricing model to estimate the grant date fair value of certain employee share-based compensatory awards, which requires the input of highly subjective assumptions, including expected volatility and expected life. Historical and implied volatilities were used in estimating the fair value of our share-based awards. The expected life for our options was previously estimated based on historical trends since our initial public offering. In fiscal 2011, we began to grant options with a contractual life of seven years rather than ten years, and we began using the simplified method of establishing the expected life as we do not have any history of options with seven-year lives. In fiscal 2013, we began to grant options that vest over a three-year period rather than a four-year period, and we continue to use the simplified method of establishing the expected life as we do not have any history of options that vest over a three-year period. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. Estimated forfeitures for share-based awards that are not expected to vest are estimated based on historical trends since our initial public offering. We charge the estimated fair value less estimated forfeitures to earnings on a straight-line basis over the vesting period of the underlying awards, which is now generally three years for our stock options, DSUs, MSUs and up to two years for our employee stock purchase plan.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. As our stock option and our employee stock purchase plan awards have characteristics that differ significantly from traded options, and as changes in the assumptions can materially affect the estimated value, our estimate of fair value may not accurately represent the value assigned by a third party in an arms-length transaction. There currently is no market-based mechanism to verify the reliability and accuracy of the estimates derived from the Black-Scholes option pricing model or other allowable valuation models, nor is there a means to compare and adjust the estimates to actual values. While our estimate of fair value and the associated charge to earnings materially affects our results of operations, it has no impact on our cash position.

We estimate the fair value of market-based MSUs at the date of grant using a Monte Carlo simulation model and amortize those fair values over the requisite service period, generally three years, adjusted for estimated forfeitures for each separately vesting tranche of the award. The Monte Carlo simulation model that we use to estimate the fair value of market-based MSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based MSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

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There are significant variations among allowable valuation models, and there is a possibility that we may adopt a different valuation model or refine the inputs and assumptions under our current valuation models in the future, resulting in a lack of consistency in future periods. Our current or future valuation model and the inputs and assumptions we make may also lack comparability to other companies that use different models, inputs, or assumptions, and the resulting differences in comparability could be material.

Income Taxes

We recognize federal, foreign, and state current tax liabilities or assets based on our estimate of taxes payable or refundable in the then current fiscal year for each tax jurisdiction. We also recognize federal, foreign, and state deferred tax liabilities or assets for our estimate of future tax effects attributable to temporary differences and carryforwards and record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and our judgment, are not expected to be realized. If our assumptions, and consequently our estimates, change in the future, the valuation allowance we established for our deferred tax assets may change, which could impact income tax expense.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement with a taxing authority. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of highly complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our consolidated financial position, result of operations, or cash flows. We believe we have adequately provided for reasonably foreseeable outcomes in connection with the resolution of income tax uncertainties. However, our results have in the past, and could in the future, include favorable and unfavorable adjustments to our estimated tax liabilities in the period a determination of such estimated tax liability is made or resolved, upon the filing of an amended return, upon a change in facts, circumstances, or interpretation, or upon the expiration of a statute of limitation. Accordingly, our effective tax rate could fluctuate materially from period to period.

We consider the operating earnings of our foreign subsidiaries to be indefinitely invested outside the United States. Accordingly, no provision has been made for the U.S. federal, state, or foreign taxes that may result from future remittances of undistributed earnings of our foreign subsidiaries.

We recognize a tax benefit upon expensing certain share-based awards associated with our share-based compensation plans, including nonqualified stock options, DSUs, and MSUs, but we cannot recognize tax benefit concurrent with the recognition of share-based compensation expenses associated with qualified stock options (incentive stock options and employee stock purchase plan shares). For qualified stock options, we recognize a tax benefit only in the period when disqualifying dispositions of the underlying stock occur, which historically has been up to several years after vesting and in a period when our stock price substantially increases. As a result, our future quarterly and annual effective tax rates will be subject to greater volatility and, consequently, our ability to estimate reasonably our future quarterly and annual effective tax rates is greatly diminished.

Changes in contingent consideration can be significant from period to period and a portion of the change in contingent consideration is non-deductible. As a result, changes in contingent consideration can have a material impact on our effective tax rate from period to period.

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Results of Operations

The following sets forth certain of our consolidated statements of income data for fiscal 2014, 2013, and 2012, along with comparative information regarding the absolute and percentage changes in these amounts (in thousands, except percentages):

	2014 ⁽¹⁾	2013	\$ Change	% Change	2013	2012	\$ Change	% Change
Mobile product applications	\$689,866	\$424,076	\$265,790	62.7%	\$424,076	\$270,106	\$153,970	57.0%
PC product applications	257,673	239,512	18,161	7.6%	239,512	278,122	(38,610)	(13.9%)
Net revenue	947,539	663,588	283,951	42.8%	663,588	548,228	115,360	21.0%
Gross margin	436,080	325,804	110,276	33.8%	325,804	255,567	70,237	27.5%
Operating expenses:								
Research and development	192,681	144,699	47,982	33.2%	144,699	117,954	26,745	22.7%
Selling, general, and administrative	100,005	79,620	20,385	25.6%	79,620	70,045	9,575	13.7%
Acquired intangibles amortization	1,047	1,025	22	2.1%	1,025	—	1,025	n/m ⁽²⁾
Change in contingent consideration	69,861	1,347	68,514	5086.4%	1,347	—	1,347	n/m ⁽²⁾
Gain on sale of property and equipment	—	(1,578)	1,578	(100.0%)	(1,578)	—	(1,578)	n/m ⁽²⁾
Operating income	72,486	100,691	(28,205)	(28.0%)	100,691	67,568	33,123	49.0%
Interest income, net	1,973	1,042	931	89.3%	1,042	982	60	6.1%
Income before provision for income taxes	74,459	101,733	(27,274)	(26.8%)	101,733	68,550	33,183	48.4%
Provision for income taxes	27,770	2,800	24,970	891.8%	2,800	14,406	(11,606)	(80.6%)
Net income	<u>\$ 46,689</u>	<u>\$ 98,933</u>	<u>\$ (52,244)</u>	<u>(52.8%)</u>	<u>\$ 98,933</u>	<u>\$ 54,144</u>	<u>\$ 44,789</u>	<u>82.7%</u>

- (1) Includes the results of operations from Validity, which was acquired on November 7, 2013 (see Note 5 to the consolidated financial statements)
- (2) not meaningful

The following sets forth certain of our consolidated statements of income data as a percentage of net revenues for fiscal 2014, 2013, and 2012:

	Percentage			Percentage		
	2014 ⁽¹⁾	2013	Point Increase (Decrease)	2013	2012	Point Increase (Decrease)
Mobile product applications	72.8%	63.9%	8.9%	63.9%	49.3%	14.6%
PC product applications	27.2%	36.1%	(8.9%)	36.1%	50.7%	(14.6%)
Net revenue	100.0%	100.0%		100.0%	100.0%	
Gross margin	46.0%	49.1%	(3.1%)	49.1%	46.6%	2.5%
Operating expenses:						
Research and development	20.3%	21.8%	(1.5%)	21.8%	21.5%	0.3%
Selling, general, and administrative	10.6%	12.0%	(1.4%)	12.0%	12.8%	(0.8%)
Acquired intangibles amortization	0.1%	0.2%	(0.1%)	0.2%	0.0%	0.2%
Change in contingent consideration	7.4%	0.2%	7.2%	0.2%	0.0%	0.2%
Operating income	7.6%	15.2%	(7.6%)	15.2%	12.3%	2.9%
Income before provision for income taxes	7.9%	15.3%	(7.4%)	15.3%	12.5%	2.8%
Provision for income taxes	2.9%	0.4%	2.5%	0.4%	2.6%	(2.2%)
Net income	<u>4.9%</u>	<u>14.9%</u>	<u>(10.0%)</u>	<u>14.9%</u>	<u>9.9%</u>	<u>5.0%</u>

- (1) Includes the results of operations from Validity, which was acquired on November 7, 2013 (see Note 5 to the consolidated financial statements)

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Fiscal 2014 Compared with Fiscal 2013

Net Revenue.

Net revenue was \$947.5 million for fiscal 2014 compared with \$663.6 million for fiscal 2013, an increase of \$283.9 million, or 42.8%. Of our fiscal 2014 net revenue, \$689.8 million, or 72.8%, of net revenue was from the mobile product applications market and \$257.7 million, or 27.2%, of net revenue was from the PC product applications market. The overall increase in net revenue for fiscal 2014 was attributable to a \$265.8 million, or 62.7%, increase in net revenue from mobile product applications, and an increase of \$18.1 million, or 7.6%, in net revenue from PC product applications. Specific reasons for the increase in net revenue include an increase in the units sold in the mobile product applications market, reflecting both the growing market and an increase in our market share, as well as sales related to our new biometrics products. Within the mobile product applications market, one customer accounted for 28% of fiscal 2014 net revenue. The increase in PC product applications was primarily a result of higher unit sales related to our new biometrics products. Fingerprint sensor product revenue, which contributed to both mobile and PC product applications revenue, was \$105.4 million in fiscal 2014.

Based on industry estimates of unit shipments from calendar 2013 to 2014, the smartphone market is anticipated to increase approximately 23%, the notebook market is anticipated to decrease approximately 4%, and the tablet market is anticipated to increase 12%.

Gross Margin.

Gross margin as a percentage of net revenue was 46.0%, or \$436.1 million, for fiscal 2014 compared with 49.1%, or \$325.8 million, for fiscal 2013. The 310 basis point decline in gross margin was primarily attributable to an unfavorable mix of lower margin revenue driven largely by the addition of fingerprint sensor module products, an increase in PC application module products, and further penetration into lower end mobile application products in China.

We continuously introduce new product solutions, many of which have life cycles of less than a year. Further, as we sell our capacitive sensing technology in designs that are generally unique or specific to an OEM customer's application, gross margin varies on a product-by-product basis, making our cumulative gross margin a blend of our product specific designs. As a virtual manufacturer, our gross margin percentage is generally not impacted materially by our shipment volume. We charge losses on inventory purchase obligations and write-down to reduce the carrying value of obsolete, slow moving, and non-usable inventory to net realizable value (including warranty costs) to cost of revenue.

Operating Expenses.

Research and Development Expenses . Research and development expenses increased \$48.0 million, to \$192.7 million, for fiscal 2014 compared with fiscal 2013. The increase in research and development expenses primarily reflected (i) a \$24.5 million increase in employee compensation and employment-related costs, resulting from a 38.2% increase in research and development headcount associated with the ongoing expansion of our product portfolio, including new employees related to the recent acquisition of Validity and annual compensation adjustments, (ii) a \$7.2 million increase in infrastructure costs related to new facilities and information technology to support the additional staff, (iii) a \$5.0 million increase in non-employee services, (iv) a \$4.5 million increase in supplies and project related costs, and (v) a \$2.3 million increase in software license fees.

Selling, General, and Administrative Expenses . Selling, general, and administrative expenses increased \$20.4 million, to \$100.0 million, for fiscal 2014 compared with fiscal 2013. The increase in selling, general, and administrative expenses primarily reflected (i) a \$10.2 million increase in employee compensation and employment-related costs resulting from a 30.8% increase in selling, general, and administrative headcount, including new employees related to the Validity acquisition, and annual compensation adjustments, (ii) a \$5.2 million increase in professional fees, primarily associated with acquisition-related costs, (iii) a \$4.1 million increase in temporary employee services, and (iv) a \$2.6 million increase in travel and related expenses, partially offset by a \$2.3 million decrease in share-based compensation.

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Acquired Intangibles Amortization. Acquired intangibles amortization reflects the amortization of intangibles acquired through recent acquisitions. See note 6 to the financial statements contained elsewhere in this report.

Change in Contingent Consideration. Our contingent consideration increased \$68.5 million for fiscal 2014 compared with fiscal 2013. The increase was primarily attributable to the increase in the estimated fair value of the contingent consideration liability related to the Validity acquisition, which resulted from a substantial increase in expected unit sales of products embodying the Validity fingerprint sensor technology over the remaining earn-out period. See note 5 to the financial statements contained elsewhere in this report.

Gain on property and equipment. The gain on sale of property and equipment for fiscal 2013 resulted from the sale of our former headquarters building.

Operating Income.

We generated operating income of \$72.5 million for fiscal 2014, a decline of \$28.2 million compared with fiscal 2013. As discussed in the preceding paragraphs, the decrease in operating income was primarily the result of a significant increase in the change in contingent consideration, partially offset by increased operating leverage from the 42.8% increase in net revenue.

Non-Operating Income.

Interest income, net. Interest income, net was \$2.0 million for fiscal 2014 compared with \$1.0 million for fiscal 2013, resulting from increases in interest rates.

Provision for Income Taxes.

The provision for income taxes was \$27.8 million and \$2.8 million for fiscal 2014 and 2013, respectively. The income tax provision represented estimated U.S. federal, foreign, and state taxes for fiscal 2014 and 2013. The effective tax rate for fiscal 2014 was approximately 37.3% and diverged from the combined federal and state statutory rate, primarily as a result of overseas profits taxed in lower tax rate jurisdictions, and the benefit of research tax credits; partially offset by foreign withholding taxes, nondeductible contingent consideration, and net unrecognized tax benefits associated with qualified stock options. The effective tax rate for fiscal 2013 was approximately 2.8% and diverged from the combined federal and state statutory rate, primarily as a result of overseas profits taxed in lower tax rate jurisdictions, the resolution of an income tax audit, and the benefit of research tax credits; partially offset by foreign withholding taxes and net unrecognized tax benefits associated with qualified stock options.

In May 2011, we were notified by the Internal Revenue Service, or the Service, that our fiscal 2003 through 2006 and fiscal 2008 through 2010 would be subject to examination. The early periods were being audited in connection with a mandatory review of tax refunds in excess of \$2.0 million which resulted when we carried back our fiscal 2008 net operating loss. In March 2013, we received the Revenue Agent's Report resolving our examination with the Service and paid an assessment that had no material impact on our condensed consolidated financial statements. Our case is pending review by the Joint Committee on Taxation, which we anticipate will conclude in our fiscal 2015. Any prospective adjustments to our unrecognized tax benefits will be recorded as an increase or decrease to income tax expense and cause a corresponding change to our effective tax rate. Accordingly, our effective tax rate could fluctuate materially from period to period.

On January 2, 2013, President Barack Obama signed into law The American Taxpayer Relief Act of 2013, or the Act. The Act extended the federal research credit for two years retroactively from January 1, 2012 through December 31, 2013. As such, we only recognized six months of tax benefit from the research tax credit for fiscal 2014.

It is reasonably possible that the amount of liability for unrecognized tax benefits may change within the next 12 months and an estimate of the range of possible changes could result in an increase of up to \$2.0 million.

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Fiscal 2013 Compared with Fiscal 2012

Net Revenue.

Net revenue was \$663.6 million for fiscal 2013 compared with \$548.2 million for fiscal 2012, an increase of \$115.4 million, or 21.0%. Of our fiscal 2013 net revenue, \$424.1 million, or 63.9%, of net revenue was from the mobile product applications market and \$239.5 million, or 36.1%, of net revenue was from the PC product applications market. The overall increase in net revenue for fiscal 2013 was attributable to a \$154.0 million, or 57.0%, increase in net revenue from mobile product applications, partially offset by a decrease of \$38.6 million, or 13.9%, in net revenue from PC product applications. Specific reasons for the increase in net revenue were primarily attributable to an increase in the units sold in the mobile product applications market, reflecting both the growing market and an increase in our market share. Within the mobile product applications market, one customer accounted for 14% of fiscal 2013 net revenue. The decrease in revenue from PC product applications was primarily a result of lower unit sales reflecting the continued weakness in the worldwide PC product applications market.

Gross Margin.

Gross margin as a percentage of net revenue was 49.1%, or \$325.8 million, for fiscal 2013 compared with 46.6%, or \$255.6 million, for fiscal 2012. The 150 basis point improvement in gross margin was primarily attributable to a favorable mix of higher margin mobile product applications revenue driven largely by the continued shift in our overall revenue mix to mobile product applications revenue consisting predominately of higher margin chip solutions.

Operating Expenses.

Research and Development Expenses . Research and development expenses increased \$26.7 million, to \$144.7 million, for fiscal 2013 compared with fiscal 2012. The increase in research and development expenses primarily reflected a \$16.0 million increase in employee compensation and employment-related costs, resulting from a 13.9% increase in research and development staffing and annual compensation adjustments, and a \$5.8 million increase in infrastructure costs to support the additional staff.

Selling, General, and Administrative Expenses . Selling, general, and administrative expenses increased \$9.6 million, to \$79.6 million, for fiscal 2013 compared with fiscal 2012. The increase in selling, general, and administrative expenses primarily reflected a \$7.6 million increase in employee compensation and employment-related costs resulting from a 11.8% increase in selling, general, and administrative staffing and annual compensation adjustments.

Acquired Intangibles Amortization. Acquired intangibles amortization reflects the amortization of intangibles acquired through recent acquisitions. See note 6 to the financial statements contained elsewhere in this report.

Change in Contingent Consideration . Change in contingent consideration reflects the change in fair value of the contingent consideration liability related to our acquisition of Pacinian.

Gain on property and equipment . The gain on sale of property and equipment resulted from the sale of our former headquarters building.

Operating Income.

We generated operating income of \$100.7 million for fiscal 2013, an increase of \$33.1 million compared with fiscal 2012. As discussed in the preceding paragraphs, the increase in operating income was primarily the result of increased operating leverage from the 21% increase in net revenue, the decline in operating expenses as a percentage of net revenue, and the higher gross margin percentage.

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Non-Operating Income.

Interest Income, net . Interest income, net was \$1.0 million for fiscal 2013 compared with \$982,000 for fiscal 2012.

Provision for Income Taxes.

The provision for income taxes was \$2.8 million and \$14.4 million for fiscal 2013 and 2012, respectively. The income tax provision represented estimated U.S. federal, foreign, and state taxes for fiscal 2013 and 2012. The effective tax rate for fiscal 2013 was approximately 2.8% and diverged from the combined federal and state statutory rate, primarily as a result of overseas profits taxed in lower tax rate jurisdictions, the resolution of an income tax audit, and the benefit of research tax credits; partially offset by foreign withholding taxes and net unrecognized tax benefits associated with qualified stock options. The effective tax rate for fiscal 2012 was approximately 21.0% and diverged from the combined federal and state statutory rate, primarily as a result of overseas profits taxed in lower tax rate jurisdictions, the recognition of previously unrecognized tax benefits, and the benefit of research tax credits, partially offset by foreign withholding taxes and net unrecognized tax benefits associated with qualified stock options.

As a result of the Revenue Agent's Report discussed above, we paid an assessment that had no material impact to our condensed consolidated financial statements, which at that time triggered the reevaluation of the measurement of prior year uncertain tax positions and resulted in the recognition of \$15.8 million of previously unrecognized tax benefits for fiscal 2013.

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Quarterly Results of Operations

The following table sets forth our unaudited quarterly results of operations for the eight quarters in the two-year period ended June 30, 2014. The following table should be read in conjunction with the financial statements and related notes contained elsewhere in this report. We have prepared this unaudited information on the same basis as our audited financial statements. This table includes all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of our financial position and results of operations for the quarters presented. Past results of operations are not necessarily indicative of future operating performance; accordingly, you should not draw any conclusions about our future results from the results of operations for any quarter presented.

(in thousands, except per share amounts) (unaudited)	Three Months Ended							
	June 2014 ⁽¹⁾	March 2014 ⁽¹⁾	December 2013 ⁽¹⁾	September 2013	June 2013	March 2013	December 2012	September 2012
Net revenue	\$314,898	\$204,271	\$205,763	\$222,607	\$230,183	\$163,324	\$143,040	\$127,041
Cost of revenue	175,072	111,841	111,218	113,328	115,062	82,241	74,010	66,471
Gross margin	139,826	92,430	94,545	109,279	115,121	81,083	69,030	60,570
Operating expenses:								
Research and development	56,896	49,412	45,931	40,442	40,900	36,740	34,257	32,802
Selling, general, and administrative	30,180	25,856	22,845	21,124	21,521	20,183	19,008	18,908
Acquired intangibles amortization	262	262	261	262	262	262	261	240
Change in contingent consideration	13,130	53,043	3,430	258	247	237	576	287
Gain on sale of property and equipment	—	—	—	—	(1,578)	—	—	—
Total operating expenses	100,468	128,573	72,467	62,086	61,352	57,422	54,102	52,237
Operating income/(loss)	39,358	(36,143)	22,078	47,193	53,769	23,661	14,928	8,333
Interest income, net	560	516	471	426	415	193	220	214
Income/(loss) before income taxes	39,918	(35,627)	22,549	47,619	54,184	23,854	15,148	8,547
Provision/(benefit) for income taxes	5,446	4,429	5,215	12,680	8,864	(12,592)	4,034	2,494
Net income/(loss)	\$ 34,472	\$ (40,056)	\$ 17,334	\$ 34,939	\$ 45,320	\$ 36,446	\$ 11,114	\$ 6,053
Net income/(loss) per share:								
Basic	\$ 0.95	\$ (1.12)	\$ 0.51	\$ 1.06	\$ 1.37	\$ 1.13	\$ 0.34	\$ 0.18
Diluted	\$ 0.89	\$ (1.12)	\$ 0.48	\$ 1.00	\$ 1.29	\$ 1.07	\$ 0.33	\$ 0.18
Shares used in computing net income/(loss) per share:								
Basic	36,411	35,685	33,990	32,958	32,979	32,234	32,478	32,941
Diluted	38,817	35,685	36,059	35,020	35,150	34,135	33,313	34,014

(1) Includes the results of operations from Validity, which was acquired on November 7, 2013 (see Note 5 to the condensed consolidated financial statements)

Liquidity and Capital Resources

Our cash and cash equivalents, which exclude ARS investments, were \$447.2 million as of the end of fiscal 2014 compared with \$355.3 million as of the end of fiscal 2013, an increase of \$91.9 million. This increase primarily reflected \$131.6 million provided from operating cash flows, \$80.7 million from the issuance of shares under our employee equity compensation programs, \$19.3 million for excess tax benefit from share-based compensation, partially offset by \$70.3 million used to repurchase shares of our common stock, \$38.7 million used for the purchase of property and equipment, which includes the renovation of our new headquarters campus and the purchase of two adjacent buildings for future expansion, \$19.6 million used for a business acquisition, and \$8.9 million used for payroll taxes for deferred stock units. We consider earnings of our foreign subsidiaries indefinitely invested overseas and have made no provision for income or withholding taxes that may result from a future repatriation of those earnings. As of June 30, 2014, \$289.3 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the United States, we would be required to accrue and pay U.S. taxes to repatriate these funds.

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Cash Flows from Operating Activities. For fiscal 2014, net cash provided by operating activities of \$131.6 million was primarily attributable to net income of \$46.7 million plus adjustments for non-cash charges, including accretion and re-measurement of the contingent consideration liability of \$69.9 million, share-based compensation costs of \$32.8 million, depreciation and amortization of \$14.2 million, other non-cash adjustments of \$18.6 million, and a net change in operating assets and liabilities of \$50.8 million. The net change in operating assets and liabilities related primarily to the \$42.8 million increase in accounts receivable, which resulted from the substantial increase in net revenue in the fourth quarter of fiscal 2014 compared with fiscal 2013. Our days sales outstanding improved from 58 to 56 days from fiscal 2013 to fiscal 2014. Our inventory turns decreased from nine to eight from fiscal 2013 to fiscal 2014. For fiscal 2013, net cash provided by operating activities of \$102.2 million was primarily attributable to net income of \$98.9 million plus adjustments for non-cash charges, including share-based compensation costs of \$32.2 million, depreciation and amortization of \$10.8 million, other non-cash adjustments of \$1.0 million and a net change in operating assets and liabilities of \$38.8 million. The net change in operating assets and liabilities related primarily to the \$44.3 million increase in accounts receivable resulting from the substantial increase in net revenue in the fourth quarter of fiscal 2013 compared with fiscal 2012. Our days sales outstanding improved from 68 to 58 days from fiscal 2012 to fiscal 2013. Our inventory turns remained stable at nine for the same period. For fiscal 2012, net cash provided by operating activities of \$101.4 million was primarily attributable to net income of \$54.1 million plus adjustments for non-cash charges, including share-based compensation costs of \$34.2 million, depreciation and deferred taxes aggregating \$9.7 million, and a net change in operating assets and liabilities of \$2.2 million. Our days sales outstanding increased from 59 to 68 days from fiscal 2011 to fiscal 2012 as our net revenue was more backend loaded in fiscal 2012 than it was in fiscal 2011. Our inventory turns decreased from 11 to nine for the same period.

Cash Flows from Investing Activities. Net cash used in investing activities for fiscal 2014, 2013, and 2012 was \$58.3 million, \$37.5 million, and \$14.9 million, respectively. Net cash used in investing activities for fiscal 2014 consisted of \$38.7 million used for the purchase of capital assets and \$19.6 million used for a business acquisition. Net cash used in investing activities for fiscal 2013 consisted of \$48.5 million used for the purchase of capital assets and \$5.0 million used for a business acquisition, partially offset by proceeds of \$12.6 million for the sale of a building and land, as well as proceeds of \$3.4 million from redemptions of ARS investments. Net cash used in investing activities for fiscal 2012 consisted of \$14.6 million used for a business acquisition, \$10.4 million used for the purchase of capital assets, partially offset by proceeds of \$10.1 million from redemptions of ARS investments.

Cash Flows from Financing Activities. Net cash provided by financing activities for fiscal 2014 was \$18.6 million, and net cash used in financing for fiscal 2013 and 2012 was \$14.3 million and \$28.7 million, respectively. Our net cash provided by financing activities for fiscal 2014 was primarily attributable to \$80.7 million of proceeds from common stock issued under our share-based compensation plans and \$19.3 million of excess tax benefit from share-based compensation, partially offset by \$70.3 million used to repurchase shares of our common stock in the open market, and \$8.9 million used for the payment of payroll taxes for DSUs and MSUs. Our net cash used in financing activities for fiscal 2013 was primarily attributable to \$46.3 million used to repurchase shares of our common stock in the open market, \$4.7 million used for the payment of payroll taxes for DSUs, and \$4.6 million used for the payment of contingent consideration, partially offset by \$37.4 million of proceeds from common stock issued under our share-based compensation plans. Our net cash used in financing activities for fiscal 2012 was primarily attributable to \$61.7 million used to repurchase shares of our common stock in the open market and \$3.9 million used for the payment of payroll taxes for DSUs, partially offset by \$34.9 million of proceeds from common stock issued under our share-based compensation plans.

Common Stock Repurchase Program. In July 2014, our Board of Directors authorized the purchase of up to an additional \$110.0 million of our common stock pursuant to our common stock repurchase program bringing the cumulative authorized total to \$730.0 million, expiring in July 2016. The program authorizes us to purchase our common stock in the open market or in privately negotiated transactions, depending upon market conditions and other factors. The number of shares purchased and the timing of purchases is based on the level of our cash balances, general business and market conditions, and other factors, including alternative investment opportunities. Common stock purchased under this program is held as treasury stock. From April 2005 through the end of fiscal 2014, we repurchased 19,047,711 shares of our common stock in the open market for an aggregate cost of \$530.4 million. Treasury shares purchased prior to August 28, 2008 were not subject to the stock split on that date if adjusted for the stock split, the average cost would be \$22.48. As of July 2014, we had \$199.6 million remaining under our common stock repurchase program.

Bank Credit Facility. We currently maintain a \$75.0 million working capital line of credit with Wells Fargo Bank. The Wells Fargo Bank revolving line of credit, which expires on September 1, 2014, provides for an interest rate equal to the prime lending rate or 150 basis points above LIBOR, depending on whether we choose a variable or fixed rate, respectively. We did not borrow any amounts under the line of credit during and subsequent to fiscal 2014. We are currently negotiating the replacement of this line of credit with a \$300 million multi-bank five-year term loan and line of credit lead by Wells Fargo Bank.

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\$100 Million Shelf Registration. We have registered an aggregate of \$100.0 million of common stock and preferred stock for issuance in connection with acquisitions, which shares generally will be freely tradeable after their issuance under Rule 145 of the Securities Act unless held by an affiliate of the acquired company, in which case such shares will be subject to the volume and manner of sale restrictions of Rule 144.

Liquidity and Capital Resources. We believe our existing cash and cash equivalents and anticipated cash flows from operating activities will be sufficient to meet our working capital and other cash requirements of our existing business for at least the next 12 months, including our contingent consideration obligation associated with the acquisition of Validity. We are currently negotiating a \$300 million aggregate multi-bank five-year term loan and line of credit lead by Wells Fargo Bank, to be used in part to finance our acquisition of RSP. Our future capital requirements will depend on many factors, including our revenue, the timing and extent of spending to support product development efforts, costs related to protecting our intellectual property, the expansion of sales and marketing activities, the timing of introductions of new products and enhancements to existing products, the costs to ensure access to adequate manufacturing capacity, the costs of maintaining sufficient space or renovating recently acquired building space for our expanding workforce, the continuing market acceptance of our product solutions, our common stock repurchase program, and the amount and timing of our investments in, or acquisitions of, other technologies or companies. Further equity or debt financing may not be available to us on acceptable terms or at all. If sufficient funds are not available or are not available on acceptable terms, our ability to take advantage of business opportunities or to respond to competitive pressures could be limited or severely constrained.

Our non-current investments consist of ARS investments, which have failed to settle in auctions. These investments are not liquid, and in the event we need to access these funds, we will not be able to do so without a loss of principal, unless a future auction on these investments is successful.

Based on our ability to access our cash and cash equivalents, our expected operating cash flows, and our other sources of cash, we do not anticipate that the lack of liquidity on these investments will affect our ability to operate our business as usual. Further, while we do not anticipate the need to remit undistributed earnings of our foreign subsidiaries to meet our working capital and other cash requirements, if we did remit such earnings we would be required to accrue and pay U.S. taxes to repatriate these funds, which would adversely impact our financial position and results of operations.

Contractual Obligations and Commercial Commitments

The following table sets forth a summary of our material contractual obligations and commercial commitments as of the end of fiscal 2014 (in millions):

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Leases	\$ 13	\$ 4	\$ 5	\$ 3	\$ 1
Purchase obligations and other commitments (1)	108	58	50	—	—
Total	\$121	\$ 62	\$ 55	\$ 3	\$ 1

- (1) Purchase obligations and other commitments include payments due under a building construction agreement, contingent consideration, long-term services agreement and inventory purchase obligations with contract manufacturers .

In connection with the acquisition of Validity in November 2013, we entered into a contingent consideration arrangement. As of June 30, 2014, we may owe up to \$146.2 million of additional cash consideration to the former Validity stockholders and option holders based on unit sales of products utilizing Validity technology through March 2016. The estimated fair value of the contingent consideration liability as of June 30, 2014 was \$104.0 million.

In connection with the acquisition of Pacinian in June 2012, we entered into a contingent consideration arrangement and subsequently paid \$5.0 million of additional consideration to the former Pacinian stockholders upon customer acceptance of a ThinTouch product. As of June 30, 2014, we may owe up to \$10.0 million of additional consideration to the former Pacinian stockholders based on unit sales of products utilizing ThinTouch technology through June 2016. The estimated fair value of the contingent consideration liability as of June 30, 2014 was \$6.1 million.

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The amounts in the table above exclude unrecognized tax benefits of \$10.2 million. As of June 30, 2014, we were unable to make a reasonably reliable estimate of when cash settlement with a taxing authority may occur in connection with our gross unrecognized tax benefit.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to materially affect our financial condition, revenues or expenses, results of operations, liquidity, or capital resources. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support; engage in leasing, hedging, or research and development services; or have other relationships that expose us to liability that is not reflected in our financial statements.

Recently Issued Accounting Pronouncements Not Yet Effective

In July 2013, the Financial Accounting Standards Board, or the FASB, issued an accounting standards update on presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss carryforward, or a tax credit carryforward exists. The new standard requires that an unrecognized tax benefit should be presented as a reduction of deferred tax assets for a net operating loss carryforward, a similar tax loss carryforward, or a tax credit carryforward, if such carryforwards are required or expected to settle additional income taxes in the event the uncertain tax position is disallowed. The new standard also requires in situations carryforwards cannot be used or the deferred tax assets are not intended to be used for such purpose, that the unrecognized tax benefit should be recorded as a liability and should not be presented as a reduction of deferred tax assets. We are required to adopt this standard for our interim and annual periods in fiscal 2015. We are currently evaluating the impact of adopting this guidance, but do not expect it to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued an accounting standards update on Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard will replace most existing revenue recognition guidance in U.S. GAAP when the new standard becomes effective. The new standard is effective for us in our fiscal year 2018. Early application is not permitted. We are evaluating the effect the new standard will have on our consolidated financial statements and related disclosures. The new standard permits the use of either the retrospective or cumulative effect transition method. We have not yet selected a transition method or determined the effect of the standard on our ongoing financial reporting.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and ARS investments. We do not use our investment portfolio for trading or other speculative purposes.

The table below presents principal amounts and related weighted average interest rates by year of maturity for our cash equivalents and investments as of the end of fiscal 2014 (in thousands, except average interest rates):

<u>Fiscal Year Ended June</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>	<u>Total</u>	<u>Fair Value</u>
Assets								
Cash equivalents – variable rate								
Money market	\$439,675	\$ —	\$—	\$ —	\$—	\$ —	\$439,675	\$439,675
Average interest rate	0.14%	—	—	—	—	—	0.14%	
Total cash equivalents	\$439,675	\$ —	\$—	\$ —	\$—	\$ —	\$439,675	\$439,675
Average interest rate	0.14%	—	—	—	—	—	0.14%	
Non-current investments	\$ —	\$2,000	\$—	\$13,500	\$—	\$ 8,500	\$ 24,000	\$ 19,785
Average interest rate	—	0.40%	—	2.29%	—	1.44%	1.97%	

Our non-current investments, which consist of ARS investments, have a par value of \$24.0 million and have failed to settle in auctions beginning in 2007. These investments are not liquid, and in the event we need to access these funds, we will not be able to do so without a loss of principal, unless redeemed by the issuers or a future auction on these investments is successful. During fiscal 2014, none of our ARS investments were redeemed and therefore we had no recognized gain or loss on these investments.

As there are currently no active markets for our various failed ARS investments, we have estimated the fair value of these investments as of the end of fiscal 2014 using a trinomial discounted cash flow analysis. The analysis considered, among other factors, the following:

- the collateral underlying the security investments;
- the creditworthiness of the counterparty;
- the timing of expected future cash flows;
- the probability of a successful auction in a future period;
- the underlying structure of each investment;
- the present value of future principal and interest payments discounted at rates considered to reflect current market conditions;
- a consideration of the probabilities of default, passing a future auction, or redemption at par for each period; and
- estimates of the recovery rates in the event of default for each investment.

When possible, our failed ARS investments were compared to other observable market data or securities with similar characteristics. Our estimate of the fair value of our ARS investments could fluctuate materially from period to period depending on future market conditions.

Our ARS investments include \$13.9 million fair value maturing from fiscal 2016 to fiscal 2018, \$3.2 million maturing from fiscal 2044 to fiscal 2046, and \$2.7 million with no maturity. Of our ARS investments, \$5.5 million par value are investment grade and the remaining \$18.5 million par value are below investment grade.

Based on our ability to access our cash and cash equivalents, our expected operating cash flows, and our other sources of cash, we do not anticipate the lack of liquidity on these investments to affect our ability to operate our business as usual.

There have been no significant changes in the maturity dates and average interest rates for our cash equivalents and debt obligations subsequent to fiscal 2014.

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Foreign currency exchange risk

All of our revenue and approximately 92% of our consolidated costs are denominated in U.S. dollars. As a result, we have relatively little exposure to foreign currency exchange risks and foreign exchange losses have been immaterial to date. We do not currently enter into forward-exchange contracts to hedge exposure denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. In the future, if our operations change and we determine that our foreign exchange exposure has increased, we may consider entering into hedging transactions to mitigate such risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements, the report of our independent registered public accounting firm, and the notes thereto commencing at page F-1 of this report, which financial statements, report, and notes are incorporated herein by reference. Reference is also made to the quarterly results of operations on page 41 of this report, which are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusions Regarding Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, as of June 28, 2014, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission which was issued in 1992. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of June 28, 2014. The effectiveness of our internal control over financial reporting as of June 28, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report included herein on page F-2.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. Further, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

There were no items requiring reporting on Form 8-K that were not reported on Form 8-K during the fourth quarter of the year covered by this Form 10-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item relating to directors of our company and corporate governance is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2014 Annual Meeting of Stockholders. The information required by this Item relating to our executive officers is included in Item 1. Business – Executive Officers of the Registrant.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, and other senior accounting personnel. The “Code of Ethics for the CEO and Senior Financial Officers” is located on our website at www.synaptics.com in the Investor Relations section under Corporate Governance.

We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding any amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Executive Compensation”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2014 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Security Ownership of Principal Stockholders, Directors, and Officers”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2014 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Certain Relationships and Related Transactions”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2014 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Ratification of Appointment of Independent Auditor”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2014 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules

(1) Financial Statements are listed in the Index to Financial Statements on page F-1 of this report.

(b) Exhibits

<u>Exhibit Number</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Reorganization, dated as of October 9, 2013, by and among Synaptics Incorporated, Itsme Acquisition Corp., Itsme Acquisition II LLC, Validity Sensors, Inc., and Shareholder Representative Services LLC (1)
2.2†#	Stock Purchase Agreement, dated June 11, 2014, by and among Renesas Electronics Corporation, Renesas SP Drivers, Inc., Renesas SP Drivers Taiwan, Inc., Sharp Corporation, Powerchip Technology Corp., Global Powertec Co. Ltd., Quantum Vision Corporation, the registrant and Synaptics Holding GmbH
3.1	Certificate of Incorporation (2)
3.1(b)	Certificate of Designation of Series A Junior Participating Preferred Stock (3)
3.2	Third Amended and Restated Bylaws (amended and restated as of July 27, 2010) (4)
3.3	Certificate of Amendment of Certificate of Incorporation of the registrant (5)
3.4	Certificate of Amendment of Certificate of Incorporation of the registrant (6)
4	Form of Common Stock Certificate (7)
4(b)	Rights Agreement, dated as of August 15, 2002, between the registrant and American Stock Transfer & Trust Company, as Rights Agent (3)
4(c)	Amendment No. 1 to Rights Agreement (8)
4.6	Form of Indenture (9)
10.6(d)*	Amended and Restated 2001 Incentive Compensation Plan (as amended through January 23, 2007) (10)
10.6(b)*	Form of grant agreements for Amended and Restated 2001 Incentive Compensation Plan (11)
10.6(c)*	Form of deferred stock award agreement for Amended and Restated 2001 Incentive Compensation Plan (12)
10.17*	Form of Indemnification Agreement entered into with the following directors and executive officers as of January 28, 2002 with Francis F. Lee, Russell J. Knittel, Keith B. Geeslin, and Richard L. Sanquini; as of June 26, 2004 with Jeffrey D. Buchanan; as of March 28, 2006 with Hing Chung (Alex) Wong; as of February 20, 2007 with Nelson C. Chan; as of October 23, 2007 with James L. Whims; as of March 2, 2009 with Kathleen A. Bayless; as of January 10, 2011 with Kevin D. Barber; as of September 28, 2011 with Richard A. Bergman; as of May 22, 2012 with Bret Sewell; as of January 28, 2013 with Scott Deutsch; as of November 4, 2013 with John McFarland, and as of June 9, 2014 with Ritu Favre (2)
10.24(a)*	2010 Incentive Compensation Plan (13)
10.24(b)*	Form of Non-Qualified Stock Option Agreement for 2010 Incentive Compensation Plan (14)
10.24(c)*	Form of Incentive Stock Option Agreement for 2010 Incentive Compensation Plan (14)
10.24(d)*	Form of Deferred Stock Award Agreement for 2010 Incentive Compensation Plan (14)
10.24(e)*	Amended and Restated 2010 Incentive Compensation Plan (15)
10.24(f)*	Form of Deferred Stock Award Agreement for Market Stock Units for Amended and Restated 2010 Incentive Compensation Plan (16)
10.25(a)*	Amended and Restated 2010 Employee Stock Purchase Plan
10.27*	Employment Offer Letter dated September 28, 2011 between the registrant and Richard Bergman (17)
10.28*	Change of Control Severance Policy For Executive Officers
10.29*	Severance Policy for Principal Executive Officers (18)
10.30	Agreement of Purchase and Sale and Escrow Instructions dated as of June 25, 2012 between McKay Henry, LLC and the registrant (19)
10.30(a)	First Amendment to Agreement of Purchase and Sale and Escrow Instructions dated as of July 2, 2012 between McKay

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10.33	Agreement of Purchase and Sale and Escrow Instructions dated as of October 19, 2012 between Orchard Partners, LLC and the registrant (16)
10.33(a)	First Amendment to Agreement of Purchase and Sale and Escrow Instructions dated as of November 19, 2012 between Orchard Partners, LLC and the registrant (16)
10.33(b)	Second Amendment to Agreement of Purchase and Sale and Escrow Instructions dated as of January 4, 2013 between Orchard Partners, LLC and the registrant (20)
10.34	Commitment Letter, dated June 11, 2014, by and among Wells Fargo Bank, National Association, Wells Fargo Securities, LLC and the registrant
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference to the registrant's Form 8-K as filed with the SEC on November 12, 2013.
- (2) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 21, 2002.
- (3) Incorporated by reference to the registrant's Form 8-A as filed with the SEC on August 16, 2002.
- (4) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on August 2, 2010.
- (5) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on December 7, 2004.
- (6) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (7) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 12, 2002.
- (8) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on April 24, 2008.
- (9) Incorporated by reference to the registrant's registration statement on Form S-3 (Registration No. 333-155582) as filed with the SEC on November 21, 2008 and declared effective May 7, 2009.
- (10) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on November 8, 2007.
- (11) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 6, 2003.
- (12) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 7, 2006.
- (13) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on November 2, 2010.
- (14) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (15) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on May 4, 2012.
- (16) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 1, 2013.
- (17) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 4, 2011.
- (18) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 6, 2011.
- (19) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on August 27, 2012.
- (20) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on May 3, 2013.

* Indicates a contract with management or compensatory plan or arrangement.

† Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the Securities and Exchange Commission upon request.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNAPTICS INCORPORATED

Date August 22, 2014

By: /s/ Richard A. Bergman

Richard A. Bergman
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard A. Bergman</u> Richard A. Bergman	President and Chief Executive Officer, and Director	August 22, 2014
<u>/s/ Kathleen A. Bayless</u> Kathleen A. Bayless	Senior Vice President, Chief Financial Officer, and Treasurer (Principal Financial and Accounting Officer)	August 22, 2014
<u>/s/ Francis F. Lee</u> Francis F. Lee	Chairman of the Board	August 22, 2014
<u>/s/ Jeffrey D. Buchanan</u> Jeffrey D. Buchanan	Director	August 22, 2014
<u>/s/ Nelson C. Chan</u> Nelson C. Chan	Director	August 22, 2014
<u>/s/ Keith B. Geeslin</u> Keith B. Geeslin	Director	August 22, 2014
<u>/s/ Russell J. Knittel</u> Russell J. Knittel	Director	August 22, 2014
<u>/s/ Richard L. Sanquini</u> Richard L. Sanquini	Director	August 22, 2014
<u>/s/ James L. Whims</u> James L. Whims	Director	August 22, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Synaptics Incorporated:

We have audited the accompanying consolidated balance sheets of Synaptics Incorporated and subsidiaries (the Company) as of June 28, 2014 and June 29, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 28, 2014. We also have audited the Company's internal control over financial reporting as of June 28, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued in 1992. The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Synaptics Incorporated and subsidiaries as of June 28, 2014 and June 29, 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended June 28, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 28, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO.

/s/ KPMG LLP

Santa Clara, California
August 22, 2014

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value and share amounts)

	June 2014	June 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 447,205	\$ 355,303
Accounts receivable, net of allowances of \$883 at June 2014 and 2013	195,057	148,454
Inventories	82,311	49,948
Prepaid expenses and other current assets	17,858	6,715
Total current assets	742,431	560,420
Property and equipment, net	80,849	58,035
Goodwill	61,030	20,695
Acquired intangibles	82,111	13,110
Non-current investments	19,785	16,969
Other assets	34,127	22,037
	<u>\$1,020,333</u>	<u>\$ 691,266</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 97,109	\$ 83,710
Accrued compensation	30,682	23,728
Income taxes payable	12,538	10,751
Contingent consideration	57,388	196
Other accrued liabilities	56,691	31,241
Total current liabilities	254,408	149,626
Notes payable	—	2,305
Other liabilities	64,768	17,480
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock:		
\$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock:		
\$0.001 par value; 120,000,000 shares authorized, 55,911,513 and 50,673,758 shares issued, and 36,863,802 and 33,289,826 shares outstanding, at June 2014 and 2013, respectively	56	51
Additional paid-in capital	740,282	539,170
Treasury stock: 19,047,711 and 17,383,932 common shares at June 2014 and 2013, respectively, at cost	(530,422)	(460,160)
Accumulated other comprehensive income	8,560	6,802
Retained earnings	482,681	435,992
Total stockholders' equity	701,157	521,855
	<u>\$1,020,333</u>	<u>\$ 691,266</u>

See accompanying notes to consolidated financial statements.

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SYNAPTICS INCORPORATED AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Fiscal		
	2014	2013	2012
Net revenue	\$947,539	\$663,588	\$548,228
Cost of revenue	511,459	337,784	292,661
Gross margin	436,080	325,804	255,567
Operating expenses:			
Research and development	192,681	144,699	117,954
Selling, general, and administrative	100,005	79,620	70,045
Acquired intangibles amortization	1,047	1,025	—
Change in contingent consideration	69,861	1,347	—
Gain on sale of property and equipment	—	(1,578)	—
Total operating expenses	363,594	225,113	187,999
Operating income	72,486	100,691	67,568
Interest income, net	1,973	1,042	905
Impairment recovery on investments, net	—	—	77
Income before provision for income taxes	74,459	101,733	68,550
Provision for income taxes	27,770	2,800	14,406
Net income	\$ 46,689	\$ 98,933	\$ 54,144
Net income per share:			
Basic	\$ 1.34	\$ 3.03	\$ 1.64
Diluted	\$ 1.26	\$ 2.89	\$ 1.57
Shares used in computing net income per share:			
Basic	34,761	32,658	33,030
Diluted	37,105	34,239	34,435

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fiscal		
	2014	2013	2012
Net income	\$46,689	\$ 98,933	\$54,144
Other comprehensive income:			
Change in unrealized net gain/(loss) on investments	2,816	4,998	(522)
Reclassification from accumulated other comprehensive income to interest income for accretion of non-current investments	(1,058)	(194)	—
Net current-period other comprehensive income	1,758	4,804	(522)
Comprehensive income	<u>\$48,447</u>	<u>\$103,737</u>	<u>\$53,622</u>

See accompanying notes to consolidated financial statements.

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Stock		Additional	Treasury	Accumulated	Retained	Total
	Shares	Amount	Paid-in	Stock	Other	Earnings	Stockholders'
			Capital		Comprehensive		Equity
					Income/(Loss)		
Balance at June 2011	46,832,208	\$ 47	\$406,653	\$(352,142)	\$ 2,520	\$282,915	\$ 339,993
Net income	—	—	—	—	—	54,144	54,144
Net unrealized loss on available-for-sale investments	—	—	—	—	(522)	—	(522)
Issuance of common stock for share-based award compensation plans	1,848,140	2	34,874	—	—	—	34,876
Payroll taxes for deferred stock units	—	—	(3,946)	—	—	—	(3,946)
Purchases of treasury stock	—	—	—	(61,743)	—	—	(61,743)
Tax shortfall associated with share-based awards	—	—	(173)	—	—	—	(173)
Share-based compensation	—	—	34,161	—	—	—	34,161
Balance at June 2012	48,680,348	49	471,569	(413,885)	1,998	337,059	396,790
Net income	—	—	—	—	—	98,933	98,933
Net unrealized gain on available-for-sale investments	—	—	—	—	4,804	—	4,804
Issuance of common stock for share-based award compensation plans	1,993,410	2	37,432	—	—	—	37,434
Payroll taxes for deferred stock units	—	—	(4,692)	—	—	—	(4,692)
Purchases of treasury stock	—	—	—	(46,275)	—	—	(46,275)
Tax benefit associated with share-based awards	—	—	2,651	—	—	—	2,651
Share-based compensation	—	—	32,210	—	—	—	32,210
Balance at June 2013	50,673,758	51	539,170	(460,160)	6,802	435,992	521,855
Net income	—	—	—	—	—	46,689	46,689
Net unrealized gain on available-for-sale investments	—	—	—	—	1,758	—	1,758
Issuance of common stock for share-based award compensation plans	3,534,142	3	80,744	—	—	—	80,747
Issuance of common stock for acquisition	1,671,904	2	75,764	—	—	—	75,766
Issuance of common stock for conversion of notes payable	31,709	—	—	—	—	—	—
Payroll taxes for deferred stock units	—	—	(8,859)	—	—	—	(8,859)
Purchases of treasury stock	—	—	—	(70,262)	—	—	(70,262)
Tax benefit associated with share-based awards	—	—	20,602	—	—	—	20,602
Share-based compensation	—	—	32,861	—	—	—	32,861
Balance at June 2014	<u>55,911,513</u>	<u>\$ 56</u>	<u>\$740,282</u>	<u>\$(530,422)</u>	<u>\$ 8,560</u>	<u>\$482,681</u>	<u>\$ 701,157</u>

See accompanying notes to consolidated financial statements.

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SYNAPTICS INCORPORATED AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	2014	Fiscal 2013	2012
Cash flows from operating activities			
Net income	\$ 46,689	\$ 98,933	\$ 54,144
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation costs	32,861	32,210	34,161
Depreciation and amortization	14,237	9,821	10,409
Acquired intangibles amortization	7,399	1,025	—
Gain on sale of property and equipment	—	(1,578)	—
Accretion and remeasurement of contingent consideration liability	69,861	1,347	—
Deferred taxes	12,275	(890)	(741)
Impairment of property and equipment	—	300	1,269
Non-cash interest income	(1,058)	(194)	—
Impairment recovery on investments, net	—	—	(77)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(42,763)	(44,314)	(10,329)
Inventories	(30,209)	(16,872)	(2,817)
Prepaid expenses and other current assets	(5,764)	(109)	(530)
Other assets	(18,799)	921	1,894
Accounts payable	13,208	23,264	10,235
Accrued compensation	5,609	11,086	(634)
Income taxes payable	2,903	(17,106)	674
Other accrued liabilities	25,147	4,313	3,735
Net cash provided by operating activities	<u>131,596</u>	<u>102,157</u>	<u>101,393</u>
Cash flows from investing activities			
Proceeds from sales of non-current investments	—	3,350	10,110
Proceeds from sale of property and equipment	—	12,626	—
Acquisition of business, net of cash acquired	(19,620)	(5,000)	(14,632)
Purchases of property and equipment	(38,675)	(48,519)	(10,359)
Net cash used in investing activities	<u>(58,295)</u>	<u>(37,543)</u>	<u>(14,881)</u>
Cash flows from financing activities			
Payment of contingent consideration	—	(4,600)	—
Payment of notes payable	(2,305)	—	—
Purchases of treasury stock	(70,262)	(46,275)	(61,743)
Proceeds from issuance of shares	80,747	37,434	34,876
Excess tax benefit from share-based compensation	19,280	3,817	2,153
Payroll taxes for deferred stock units	(8,859)	(4,692)	(3,946)
Net cash provided by/(used in) financing activities	<u>18,601</u>	<u>(14,316)</u>	<u>(28,660)</u>
Net increase in cash and cash equivalents	91,902	50,298	57,852
Cash and cash equivalents at beginning of period	355,303	305,005	247,153
Cash and cash equivalents at end of period	<u>\$447,205</u>	<u>\$355,303</u>	<u>\$305,005</u>
Supplemental disclosures of cash flow information			
Cash paid for taxes	<u>\$ 15,575</u>	<u>\$ 18,716</u>	<u>\$ 12,305</u>
<i>Non-cash investing and financing activities:</i>			
Property and equipment received but unpaid	<u>\$ 3,277</u>	<u>\$ 5,226</u>	<u>\$ —</u>
Common stock issued pursuant to acquisition	<u>\$ 70,280</u>	<u>\$ —</u>	<u>\$ —</u>
Contingent consideration liability pursuant to acquisition	<u>\$ 37,499</u>	<u>\$ —</u>	<u>\$ —</u>
Common stock issued in settlement of contingent consideration liability	<u>\$ 5,486</u>	<u>\$ —</u>	<u>\$ —</u>
Common stock issued upon conversion of notes payable	<u>\$ 1,761</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements.

**SYNAPTICS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Organization and Summary of Significant Accounting Policies***Organization and Basis of Presentation*

We are a leading worldwide developer and supplier of custom-designed human interface solutions that enable people to interact more easily and intuitively with a wide variety of mobile computing, communications, entertainment, and other electronic devices. We currently target the markets for smartphones, tablets, personal computer, or PC, products, primarily notebook computers; and other select electronic devices, with our customized human interface solutions. Every solution we deliver either contains or consists of our touch- or fingerprint-based semiconductor solutions, which includes our capacitive sensing ASIC, customer-specific firmware, and software. Our original equipment manufacturer, or OEM, customers include many of the world's largest OEMs for smartphones and most of the tier one PC OEMs.

The consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, and include our financial statements and those of our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. The fiscal years presented in this report were 52-week periods ended June 28, 2014 and June 29, 2013 and a 53-week period ended June 30, 2012.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, allowance for doubtful accounts, cost of revenue, inventories, loss on purchase commitments, product warranty, share-based compensation costs, provision for income taxes, deferred income tax asset valuation allowances, uncertain tax positions, goodwill, intangible assets, investments, contingent consideration liability and loss contingencies. We base our estimates on historical experience, applicable laws and regulations, and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cash Equivalents and Investments

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Our non-current investments are reported at fair value, with unrealized gains and losses excluded from earnings and shown separately as a component of accumulated other comprehensive income within stockholders' equity. We charge other-than-temporary declines in the fair value of a debt security to earnings if the decline is due to a credit loss or if we intend to or need to sell at a loss, resulting in the establishment of a new cost basis in the debt security. We charge other-than-temporary declines in the fair value of a debt security to other comprehensive income if the decline is due to a noncredit loss. We charge other-than-temporary declines in the fair value of an equity security to earnings. We include interest earned and accretion on securities in interest income. We determine realized gains and losses on the sale of securities using the specific identification method.

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Our cash equivalents and investments classified as available-for-sale securities as of the end of fiscal 2014 and 2013 were as follows (in thousands):

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Reported as cash equivalents:				
Money market funds	\$439,675	\$ —	\$ —	\$439,675
Reported as non-current investments:				
Auction rate securities	11,225	8,709	149	19,785
Total available-for-sale securities	<u>\$450,900</u>	<u>\$ 8,709</u>	<u>\$ 149</u>	<u>\$459,460</u>
	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Reported as cash equivalents:				
Money market funds	\$350,521	\$ —	\$ —	\$350,521
Reported as non-current investments:				
Auction rate securities	10,167	6,980	178	16,969
Total available-for-sale securities	<u>\$360,688</u>	<u>\$ 6,980</u>	<u>\$ 178</u>	<u>\$367,490</u>

Fair Value

We measure certain financial assets and liabilities at fair value. When we measure fair value on either a recurring or nonrecurring basis, inputs used in valuation techniques are assigned a hierarchical level as follows:

- Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs reflecting our assumptions, which are incorporated into valuation techniques and models used to determine fair value. The assumptions are consistent with market participant assumptions that are reasonably available.

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Financial assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of the end of fiscal 2014 and 2013 were as follows (in thousands):

	2014		2013	
	Level 1	Level 3	Level 1	Level 3
Assets:				
Money market funds	\$439,675	\$ —	\$350,521	\$ —
Auction rate securities	—	19,785	—	16,969
Total available-for-sale securities	<u>\$439,675</u>	<u>\$ 19,785</u>	<u>\$350,521</u>	<u>\$16,969</u>
Liabilities:				
Contingent consideration liabilities recorded for business combinations	<u>\$ —</u>	<u>\$110,122</u>	<u>\$ —</u>	<u>\$ 8,247</u>

In connection with the acquisition of Validity Sensors, Inc., or Validity (see Note 5), we entered into a contingent consideration arrangement providing for up to \$162.5 million of additional consideration to the former Validity stockholders and option holders based on sales of products utilizing Validity technology through March 2016.

In connection with the acquisition of Pacinian we entered into a contingent consideration arrangement, and subsequently paid \$5.0 million of additional consideration to the former Pacinian stockholders upon customer acceptance of a ThinTouch product. As of the end of fiscal 2014, we may owe up to \$10.0 million of additional consideration to the former Pacinian stockholders based on sales of products utilizing ThinTouch technology through June 2016.

We have classified the contingent consideration liabilities recorded for business acquisitions as a Level 3 liability, of which \$52.7 million and \$8.1 million is included in the non-current portion of other liabilities as of the end of fiscal 2014 and 2013, respectively, and \$57.4 million and \$196,000 has been included in current liabilities as of the end of fiscal 2014 and 2013, respectively.

Changes in fair value of our Level 3 financial assets for fiscal 2014 and 2013 were as follows (in thousands):

	2014	2013
Beginning balance	\$16,969	\$15,321
Net unrealized gain	2,816	4,998
Redemptions	—	(3,350)
Ending balance	<u>\$19,785</u>	<u>\$16,969</u>

Changes in fair value of contingent consideration measured using significant unobservable inputs (Level 3) for fiscal 2014 and 2013 were as follows (in thousands):

	2014	2013
Beginning balance	\$ 8,247	\$11,900
Contingent consideration liability incurred	37,499	—
Cash settlement of contingent consideration liability	—	(5,000)
Issuance of common stock in settlement of liability	(5,485)	—
Accretion and remeasurement	69,861	1,347
Ending balance	<u>\$110,122</u>	<u>\$ 8,247</u>

There were no transfers in or out of our Level 1, 2, or 3 assets or liabilities during fiscal 2014 or 2013.

The fair values of our accounts receivable and accounts payable approximate their carrying values because of the short-term nature of those instruments. Intangible assets, property and equipment, and goodwill are measured at fair value on a non-recurring basis if impairment is indicated.

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Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, investments, and accounts receivable. Our investment policy, which is predicated on capital preservation and liquidity, limits investments to U.S. government treasuries and agency issues, taxable securities, and municipal issued securities with a minimum rating of A1 (Moody's) or P1 (Standard and Poor's) or equivalent. Included within our investment portfolio are investments in ARS investments, which met our investment guidelines at the time of our investment. Our ARS investments are currently not liquid as a result of continued auction failures.

We sell our products to contract manufacturers that provide manufacturing services for OEMs and to some OEMs directly. We extend credit based on an evaluation of a customer's financial condition, and we generally do not require collateral.

The following customers accounted for more than 10% of our accounts receivable balance as of the end of fiscal 2014 and 2013:

	2014	2013
Customer A	27%	27%
Customer B	12%	*

* Less than 10%

Other Concentrations

Our products include certain components that are currently single sourced. We believe other vendors would be able to provide similar components; however, the qualification of such vendors may require start-up time. In order to mitigate any adverse impacts from a disruption of supply, we strive to maintain an adequate supply of critical single-sourced components.

Revenue Recognition

We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred and title has transferred, the price is fixed or determinable, and collection is reasonably assured, which is generally upon shipment of the product. We accrue for estimated sales returns, incentives and other allowances at the time we recognize revenue. Our products contain embedded firmware and software that allows for further differentiation and customer integration, which together with, or consisting of, our ASIC chip delivers the essential functionality of our products and, as such, software revenue recognition guidance is not applicable.

Advertising Costs

Advertising costs, if any, are expensed when incurred.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to meet their financial obligations. On an ongoing basis, we evaluate the collectability of accounts receivable based on a combination of factors. In circumstances in which we are aware of a specific customer's potential inability to meet its financial obligation, we record a specific reserve of the bad debt against amounts due. In addition, we make judgments and estimates on the collectability of accounts receivable based on our historical bad debt experience, customers' creditworthiness, current economic trends, recent changes in customers' payment trends, and deterioration in customers' operating results or financial position. If circumstances change adversely, additional bad debt allowances may be required. For all periods presented, credit losses on our accounts receivable have been insignificant, and we believe that an adequate allowance for doubtful accounts has been provided.

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Cost of Revenue

Our cost of revenue includes the cost of products shipped to our customers, which primarily includes the cost of products built to our specifications by our contract manufacturers, the cost of silicon wafers supplied by independent semiconductor wafer manufacturers, and the related assembly, package, and test costs of our die and packaged ASICs. Also included in our cost of revenue are personnel and related costs, including share-based compensation, for quality assurance and manufacturing support; logistics costs; depreciation of equipment supporting manufacturing; license amortization; inventory write-downs and losses on purchase obligations; and warranty costs.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (estimated net realizable value) as of the end of fiscal 2014 and 2013 and consisted of the following (in thousands):

	2014	2013
Raw materials	\$58,717	\$38,181
Finished goods	23,594	11,767
	<u>\$82,311</u>	<u>\$49,948</u>

Periodically, we purchase inventory from our contract manufacturers when a customer delays its delivery schedule or cancels its order. In those circumstances in which our customer has cancelled its order and we purchase inventory from our contract manufacturers, we record a write-down, if necessary, to reduce the carrying value of the inventory purchased to its net realizable value. The effect of these write-downs is to establish a new cost basis in the related inventory, which we do not subsequently write up. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays or order cancellations.

Property and Equipment

We state property and equipment at cost less accumulated depreciation and amortization. We compute depreciation using the straight-line method over the estimated useful lives of the assets. We amortize leasehold improvements over the shorter of the lease term or the useful life of the asset.

Foreign Currency

The U.S. dollar is our functional and reporting currency. We remeasure our monetary assets and liabilities not denominated in the functional currency into U.S. dollar equivalents at the rate of exchange in effect on the balance sheet date. We measure and record non-monetary balance sheet accounts at the historical rate in effect at the date of transaction. All of our revenue and approximately 92% of our consolidated costs are denominated in U.S. dollars. We remeasure foreign currency expenses at the weighted average exchange rate in the month that the transaction occurred. Remeasurement of monetary assets and liabilities that are not denominated in the functional currency are included currently in operating results. Foreign currency losses included in operating results for fiscal 2014, 2013, and 2012 were not material. To date, we have not undertaken hedging transactions related to foreign currency exposure.

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Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired. Changes in our goodwill balance for fiscal 2014 and 2013 were as follows (in thousands):

	2014	2013
Beginning balance	\$20,695	\$18,995
Acquisition activity	38,975	1,700
Post acquisition adjustments	1,360	—
Ending balance	<u>\$61,030</u>	<u>\$20,695</u>

Goodwill is measured and tested for impairment annually during the last quarter of our fiscal year, or more frequently if we believe indicators of impairment exist. Events that could trigger a more frequent impairment review may include adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. The impairment test involves a two-step process where the first step requires comparing the fair value of our one reporting unit to its net book value, including goodwill. We have allocated our goodwill to a single company-wide reporting unit. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and forecasted operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable. Actual future results may differ from those estimates. Future competitive, market and economic conditions could negatively impact key assumptions including our market capitalization or the carrying value of our net assets which could require us to realize an impairment of our goodwill and intangible assets.

A potential impairment exists if the fair value of the reporting unit is less than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit's net assets other than goodwill to the fair value of the reporting unit and if the difference is less than the net book value of goodwill, an impairment exists and is recorded. No goodwill impairment was recognized for fiscal 2014, 2013, and 2012.

Impairment of Long-Lived Assets

We evaluate long-lived assets, such as property and equipment and intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We measure recoverability of assets to be held and used by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. We review the carrying value of indefinite-lived intangible assets for impairment at least annually during the last quarter of our fiscal year, or more frequently if we believe indicators of impairment exist. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, we recognize an impairment charge in an amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets. There were no events during the fiscal year that triggered an impairment of our long-lived assets.

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Other Accrued Liabilities

As of the end of fiscal 2014 and 2013, other accrued liabilities consisted of the following (in thousands):

	2014	2013
Customer obligations	\$38,758	\$16,291
Inventory obligations	4,096	6,333
Warranty	1,659	1,696
Other	12,178	6,921
	<u>\$56,691</u>	<u>\$31,241</u>

Segment Information

We operate in one segment: the development, marketing, and sale of intuitive human interface solutions for electronic devices and products. The chief operating decision maker is the chief executive officer who evaluates financial performance and allocates resources on a company-wide basis.

Share-Based Compensation

We utilize the Black-Scholes option pricing model to estimate the grant date fair value of stock options granted to employees, which requires the input of highly subjective assumptions, including expected volatility and expected life. Historical and implied volatilities were used in estimating the fair value of our stock option awards. The expected life for our options was previously estimated based on historical trends since our initial public offering. In fiscal 2011, we began to grant options with a contractual life of seven years rather than 10 years and we began using the simplified method of establishing the expected life as we did not have any history of options with seven-year lives. In fiscal 2013, we began to grant options that vest over a three-year period rather than a four-year period and we continued to use the simplified method of establishing the expected life as we do not have any history of options which vest over a three year period. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. Further, we estimate forfeitures for share-based awards that are not expected to vest. We charge estimated fair value less estimated forfeitures to earnings on a straight-line basis over the vesting period of the entire underlying award, which is generally three to four years for our stock option and deferred stock unit, or DSU, awards, three years for our market stock unit, or MSU, awards, and up to two years for our employee stock purchase plan.

Product Warranties

We generally warrant our products for a period of 12 months from the date of sale and estimate probable product warranty costs at the time we recognize revenue. Factors that affect our warranty liability include historical and anticipated rates of warranty claims, materials usage, rework, and delivery costs. We assess the adequacy of our warranty obligations periodically and adjust the accrued warranty liability on the basis of our estimates.

Changes in our warranty liability (included in other accrued liabilities) for fiscal 2014 and 2013 were as follows (in thousands):

	2014	2013
Beginning accrued warranty	\$ 1,696	\$ 2,175
Provision for product warranties	2,419	875
Cost of warranty claims and settlements	(2,456)	(1,354)
Ending accrued warranty	<u>\$ 1,659</u>	<u>\$ 1,696</u>

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Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize the effect of a change in tax rates in income on deferred tax assets and liabilities in the period that includes the enactment date. We establish valuation allowances when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized. We consider the operating earnings of our foreign subsidiaries to be indefinitely invested outside the United States. Accordingly, no provision has been made for the U.S. federal, state, or foreign taxes that may result from future remittances of undistributed earnings of our foreign subsidiaries.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement with a taxing authority. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of highly complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our consolidated financial position, results of operations, and cash flows. We believe we have adequately provided for reasonably foreseeable outcomes in connection with the resolution of income tax uncertainties. However, our results have in the past, and could in the future, include favorable and unfavorable adjustments to our estimated tax liabilities in the period a determination of such estimated tax liability is made or resolved, upon the filing of an amended return, upon a change in facts, circumstances, or interpretation, or upon the expiration of a statute of limitation. Accordingly, our effective tax rate could fluctuate materially from period to period.

Research and Development

Research and development costs are expensed as incurred.

2. Net Income Per Share

The computation of basic and diluted net income per share for fiscal 2014, 2013, and 2012 was as follows (in thousands, except per share amounts):

	2014	2013	2012
Numerator:			
Net income	<u>\$46,689</u>	<u>\$98,933</u>	<u>\$54,144</u>
Denominator:			
Shares, basic	34,761	32,658	33,030
Effect of dilutive share-based awards	<u>2,344</u>	<u>1,581</u>	<u>1,405</u>
Shares, diluted	<u>37,105</u>	<u>34,239</u>	<u>34,435</u>
Net income per share:			
Basic	<u>\$ 1.34</u>	<u>\$ 3.03</u>	<u>\$ 1.64</u>
Diluted	<u>\$ 1.26</u>	<u>\$ 2.89</u>	<u>\$ 1.57</u>

Diluted net income per share does not include the effect of potential common shares related to certain share-based awards for fiscal 2014, 2013, and 2012 as follows (in thousands):

	2014	2013	2012
Share-based awards	<u>236</u>	<u>1,742</u>	<u>3,841</u>

These share-based awards were not included in the computation of diluted net income per share because the proceeds received, if any, from such share-based awards combined with the average unamortized compensation costs adjusted for the hypothetical tax benefit or deficiency creditable or chargeable, respectively, to additional paid-in capital, were greater than the average market price of our common stock, and therefore, their effect would have been antidilutive.

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Our basic net income per share amounts for each period presented have been computed using the weighted average number of shares of common stock outstanding. Our diluted net income per share amounts for each period presented include the weighted average effect of potentially dilutive shares. We used the “treasury stock” method to determine the dilutive effect of our stock options, DSUs, MSUs, and convertible notes.

3. Auction Rate Securities

Our ARS investments, which are included in non-current investments, have failed to settle in auctions beginning in 2007. These investments are not liquid, and in the event we need to access these funds, we will not be able to do so without a loss of principal, unless redeemed by the issuers or a future auction on these investments is successful. During fiscal 2014 none of our ARS investments were redeemed. During 2013 and 2012, \$3.4 million and \$10.1 million, respectively, of our ARS investments were redeemed.

As there are currently no active markets for our various failed ARS investments, we have estimated the fair value of these investments as of the end of fiscal 2014 using a trinomial discounted cash flow analysis. The analysis considered, among others, the following factors:

- the collateral underlying the security investments;
- the creditworthiness of the counterparty;
- the timing of expected future cash flows;
- the probability of a successful auction in a future period;
- the underlying structure of each investment;
- the present value of future principal and interest payments discounted at rates considered to reflect current market conditions;
- a consideration of the probabilities of default, passing a future auction, or redemption at par for each period; and
- estimates of the recovery rates in the event of default for each investment.

When possible, our failed ARS investments were compared to other observable market data or securities with similar characteristics. Our estimate of the fair value of our ARS investments could fluctuate materially from period to period depending on future market conditions.

We have ARS investments with a fair value of \$13.9 million that mature from fiscal 2016 to 2018, \$3.2 million that mature from 2044 to 2046, and \$2.7 million that have no maturity. Of our ARS investments, \$5.5 million par value are investment grade and the remaining \$18.5 million par value are below investment grade.

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The various types of ARS investments we held as of the end of fiscal 2014, including the original cost basis, other-than-temporary impairment included in retained earnings, new cost basis, unrealized gain/(loss), and fair value consisted of the following (in thousands):

	Original Cost	Other-than-temporary Impairment in Retained Earnings	New Cost	Unrealized	Fair Value
	Basis		Basis	Gain/ (Loss)	
Student loans	\$ 3,500	\$ (179)	\$ 3,321	\$ (149)	\$ 3,172
Credit linked notes	13,500	(7,513)	5,987	5,891	11,878
Preferred stock	5,000	(5,000)	—	2,750	2,750
Municipals	2,000	(83)	1,917	68	1,985
Total ARS	<u>\$ 24,000</u>	<u>\$ (12,775)</u>	<u>\$11,225</u>	<u>\$ 8,560</u>	<u>\$19,785</u>

During fiscal 2014, we recorded \$1.1 million of accretion as interest income on our credit linked notes.

All of the ARS investments in the above table with unrealized losses have been in a continuous unrealized loss position for more than 12 months.

The various types of ARS investments we held as of the end of fiscal 2013, including the original cost basis, other-than-temporary impairment included in retained earnings, new cost basis, unrealized gain/(loss), and fair value consisted of the following (in thousands):

	Original Cost	Other-than-temporary Impairment in Retained Earnings	New Cost	Unrealized	Fair Value
	Basis		Basis	Gain/ (Loss)	
Student loans	\$ 3,500	\$ (179)	\$ 3,321	\$ (168)	\$ 3,153
Credit linked notes	13,500	(8,571)	4,929	4,980	9,909
Preferred stock	5,000	(5,000)	—	2,000	2,000
Municipals	2,000	(83)	1,917	(10)	1,907
Total ARS	<u>\$ 24,000</u>	<u>\$ (13,833)</u>	<u>\$10,167</u>	<u>\$ 6,802</u>	<u>\$16,969</u>

All of the ARS investments in the above table with unrealized losses have been in a continuous unrealized loss position for more than 12 months.

We have accounted for all of our ARS investments as non-current as we are not able to reasonably determine when the ARS markets will recover or be restructured. Based on our ability to access our cash and cash equivalents, our expected operating cash flows, and our other sources of cash, we do not intend to sell our ARS investments and it is not more likely than not that we will be required to sell our ARS investments before the recovery of the amortized cost basis. We will continue to monitor our ARS investments and evaluate our accounting for these investments quarterly.

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4. Property and Equipment

Property and equipment as of the end of fiscal 2014 and 2013 consisted of the following (in thousands):

	Life	2014	2013
Land	—	\$ 13,300	\$ 7,900
Building and building improvements	35 years	30,993	27,000
Computer equipment	3 - 5 years	15,395	10,536
Manufacturing equipment	1 year to 5 years	33,368	22,508
Furniture, fixtures, and leasehold improvements	3 years to 10 years	19,830	11,157
Capitalized software	3 years to 7 years	17,445	14,219
		<u>130,331</u>	<u>93,320</u>
Accumulated depreciation and amortization		(49,482)	(35,285)
Property and equipment, net		<u>\$ 80,849</u>	<u>\$ 58,035</u>

In fiscal 2014 there was no property and equipment retired which was fully depreciated. For fiscal 2013, we retired fully depreciated equipment and furniture with an original cost of \$4.3 million.

During fiscal 2014, we purchased a 5.35 acre site, with two single story buildings totaling approximately 80,000 square feet, located adjacent to our San Jose headquarters for approximately \$10.1 million in cash. We allocated \$5.4 million of the cost to land and the remaining \$4.7 million to buildings. We plan to retrofit one of the two buildings, or approximately 51,000 square feet, to support expansion of our San Jose-based employee population. The second building is leased to a tenant through March 2016, with an option for the tenant to renew the lease for an additional five years.

5. Acquisitions

Validity

On November 7, 2013, or the Acquisition Date, we acquired 100% of the outstanding common and preferred shares and voting interest of a privately held company, Validity Sensors, Inc., or Validity. We accounted for this acquisition using the purchase method for business combinations. The results of Validity's operations have been included in our consolidated financial statements since the Acquisition Date. Validity was a leading provider of capacitive-based biometric fingerprint authentication solutions for notebook applications. Prior to the acquisition, Validity began targeting its biometric fingerprint authentication solutions for smartphone and tablet applications and, as of the Acquisition Date, had one revenue-generating design win with one customer. This acquisition is intended to bring together substantial synergies through the combination of the Validity technologies and workforce and our financial stability, scale, infrastructure, customer relationships, and technology delivery performance record. Our goal is to gain access to the fast-growing biometrics market, significantly expanding our market opportunity and underscoring our commitment to making smart devices easier to use.

The Acquisition Date fair value of the consideration transferred totaled \$127.8 million, which consisted of the following (in thousands):

Cash	\$ 19,985
Shares issued	70,280
Contingent consideration	<u>37,499</u>
	<u>\$127,764</u>

In connection with the acquisition, we issued 1,577,559 shares of our common stock to the former Validity stockholders valued at \$70.3 million based on the closing price of our common stock of \$44.55 on the Acquisition Date. The contingent consideration arrangement requires us to make earn-out consideration payments of up to \$162.5 million, based primarily on sales, calculated quarterly, ending on March 31, 2016, of certain products embodying Validity fingerprint sensor technology. The earn-out consideration will be payable in cash, except for the initial \$16.3 million of contingent consideration, which will be satisfied by delivery of 338,427 shares of our common stock, based on the transaction reference price of \$48.278. Under certain conditions, we may be required to deliver additional shares to ensure that at least 40% of the value of consideration transferred to the former Validity stockholders is paid in shares of our common stock.

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We estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow model. These fair value measurements were based on significant inputs not observable in the market and thus represent a Level 3 measurement. Key assumptions in applying the probability-weighted discounted cash flow model was a 23% discount rate under three unequally weighted cash flow scenarios reviewed by senior management and our board to assess the transaction.

The estimated fair value of the contingent consideration arrangement as of the Acquisition Date was \$37.5 million. The contingent consideration is remeasured to fair value each reporting period and adjustments are recorded through earnings. As of the end of fiscal 2014, the estimated fair value of the contingent consideration was \$104.0 million. The increase in the estimated fair value of the contingent consideration during fiscal 2014 was primarily due to the increase in the forecasted unit sales of products embodying Validity fingerprint sensor technology and, to a lesser extent, the increase in our stock price for the portion of contingent consideration to be settled with our stock at the reference price.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the Acquisition Date (in thousands):

Cash	\$ 365
Accounts receivable	3,840
Inventory	2,154
Prepaid expenses and other	984
Property and equipment	326
Deferred tax assets	12,242
Acquired intangible assets	76,400
Other assets	1,283
Total identifiable assets acquired	97,594
Accounts payable	2,141
Accrued liabilities	1,497
Non-current deferred tax liabilities	5,327
Non-current taxes payable	700
Other non-current accrued liabilities	500
Net identifiable assets acquired	87,429
Goodwill	40,335
Net assets acquired	<u>\$127,764</u>

Of the \$76.4 million of acquired intangible assets, \$57.0 million was assigned to in-process research and development projects and will be amortized over estimated useful lives to be determined at the date the underlying projects are determined to be substantively complete; \$18.6 million was assigned to developed technology and is amortizing over estimated useful lives of 2-3 years; and \$750,000 was assigned to backlog and was amortized during the quarter ended December 31, 2013. We estimated the fair value of the identified intangible assets using a discounted cash flow model for each of the underlying identified intangible assets. These fair value measurements were based on significant inputs not observable in the market and thus represent a Level 3 measurement. Key assumptions in applying the discounted cash flow model to the identified intangible assets included discount rates ranging from 17% to 25%.

In-process research and development consists of next generation fingerprint authentication technology designed for the mobile product and PC markets. Developed technology consists of established fingerprint authentication technology initially designed for and sold into the PC market and adapted for the mobile product market. We anticipate that all in-process research and development projects will be substantially completed within the next three months. The value of goodwill reflects the anticipated synergies of the combined operations and workforce of Validity as of the Acquisition Date.

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During fiscal 2014, we made one purchase price allocation adjustment reducing a deferred tax asset by \$1.4 million with a corresponding increase in goodwill. As of the end of fiscal 2014, we believe our purchase price allocation is complete and no additional adjustments to the recorded assets and liabilities are required.

In connection with the acquisition, we recognized \$1.2 million of indemnification assets, consisting of \$700,000 for foreign income tax and \$500,000 for foreign service tax. These amounts represent estimated tax settlements plus interest and penalties. Under the merger agreement, we are indemnified for any additional tax liability incurred (as well as other reasonable expenses) before the acquisition.

The Validity fingerprint authentication products are an extension of our existing interactive user interface solution products and are marketed to our existing customer base. We report revenue from these products on a combined basis with our other products based on device type. We continue to operate in one segment and therefore the goodwill applies to a company-wide reporting unit. None of the goodwill is expected to be deductible for income tax purposes.

We recognized approximately \$2.0 million of legal and consulting costs that were expensed in fiscal 2014. These costs are included in our consolidated statements of income as selling, general, and administrative expenses.

Prior to the acquisition, we did not have an existing relationship or transactions with Validity.

The consolidated financial statements include \$105.4 million of revenue from Validity fingerprint authentication products from the Acquisition Date through the end of fiscal 2014.

The following unaudited pro forma financial information presents the combined results of operations for us and Validity as if the acquisition had occurred at the beginning of fiscal 2012. The unaudited pro forma financial information has been prepared for comparative purposes only and does not purport to be indicative of the actual operating results that would have been recorded had the acquisition actually taken place at the beginning of fiscal 2012, and should not be taken as indicative of future consolidated operating results. Additionally, the unaudited pro forma financial results do not include any anticipated synergies or other expected benefits from the acquisition. The following table presents unaudited pro forma financial results for fiscal 2014 and 2013 (in thousands, except per share data).

	2014	2013
Revenue	\$955,422	\$680,171
Net income	36,095	74,924
Net income per share—diluted	0.96	2.09

Pro forma adjustments used to arrive at pro forma net income for fiscal 2014 and 2013, were as follows (in thousands):

	2014	2013
Buyer transaction costs	\$ 2,000	\$ —
Seller transaction costs	517	—
Inventory adjustment	575	—
Share-based compensation	280	350
Intangible amortization	(8,242)	(7,618)
Deferred compensation	47	(75)
	<u>\$ (4,823)</u>	<u>\$ (7,343)</u>

Renesas SP Drivers

On June 10, 2014, we entered into a stock purchase agreement, or Agreement, to acquire a privately held company, Renesas SP Drivers, Inc., or RSP, a leading provider of small and medium-sized display driver ICs for smartphones and tablets. The transaction was approved by our board of directors, RSP's boards of directors and the board of directors of the companies that own RSP. The transaction is subject to certain financing and other customary closing conditions and is expected to close in the second quarter of our fiscal 2015.

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In connection with the Agreement, we received a commitment from a Wells Fargo for \$150 million of senior secured term loans and \$150 million of senior secured revolving credit commitments. This acquisition is intended to increase our addressable market and to accelerate our product roadmap for touch-and-display driver integration. The acquisition is expected to be completed by acquiring all outstanding capital stock of RSP for an aggregate base purchase price of JPY48.5 billion (or approximately \$475 million based on a Japanese Yen to U.S. Dollar reference conversion rate of JPY102 to US\$1). The purchase price is based on cash and other adjustments and is subject to customary adjustments for net working capital, net debt, target inventory, and third party expenses. We incurred approximately \$4.7 million in direct acquisition related costs during fiscal 2014, which were expensed as incurred.

The acquisition will be accounted for using the purchase method of accounting in accordance with the business acquisition guidance. Under the purchase accounting method, the total estimated purchase consideration of the acquisition will be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets acquired and liabilities will be recorded as goodwill.

6. Acquired Intangibles

The following table summarizes the life, the gross carrying value of our acquired intangible assets, and the related accumulated amortization as of the end of fiscal 2014 and 2013 (in thousands):

	Life	2014	2013
In-process research and development	To be determined	\$57,000	\$ 8,900
Fingerprint developed technology	2-3 years	18,650	—
Thintouch developed technology	7 years	8,900	—
Customer relationships	5 years	3,800	3,800
Licensed technology and other	5 years	1,335	1,335
Backlog	Less than 1 year	750	—
Patents	5 years	100	100
		90,535	14,135
Accumulated amortization		(8,424)	(1,025)
Acquired intangibles, net		<u>\$82,111</u>	<u>\$13,110</u>

Amortization expense is calculated using the straight-line method over the estimated useful lives of the acquired intangibles. The total amortization expense for the acquired intangible assets was \$7.4 million in fiscal 2014 and \$1.0 million in fiscal 2013. This amortization expense was included in our consolidated statements of income as acquired intangibles amortization and cost of revenue.

The following table presents expected annual aggregate amortization expense in future fiscal years (in thousands):

2015	\$10,560
2016	7,016
2017	3,221
2018	1,293
2019	1,271
Thereafter	1,750
To be determined	<u>57,000</u>
Future amortization	<u>\$82,111</u>

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The in-process research and development intangible asset as of June 30, 2014, was recognized in connection with the acquisition of Validity. At the end of fiscal 2014, we determined the underlying projects are still under development as a significant amount of future research and development costs are expected to be incurred and additional development is required to overcome the remaining technological risks. We expect to complete this project and begin to amortize the related in-process research and development intangible asset early in fiscal 2015.

7. Commitments and Contingencies

Leases

We maintain office facilities in various locations under operating leases with expiration dates from fiscal 2015 to fiscal 2022, some of which have renewal options of one to five years. Our leased office facilities are located in China, Finland, Hong Kong, India, Japan, Korea, Switzerland, Taiwan, and the United States. We recognized rent expense on a straight-line basis of \$4.7 million, \$4.6 million, and \$4.3 million for fiscal 2014, 2013, and 2012, respectively.

The aggregate future minimum rental commitments in future fiscal years for non-cancelable operating leases with initial or remaining terms in excess of one year were as follows (in thousands):

	Operating
Fiscal Year	Lease Payments
2015	\$ 4,340
2016	3,007
2017	1,943
2018	1,563
2019	725
Thereafter	975
Total minimum operating lease payments	<u>\$12,553</u>

Contingencies

We have in the past and may in the future receive notices from third parties that claim our products infringe their intellectual property rights. We cannot be certain that our technologies and products do not and will not infringe issued patents or other proprietary rights of third parties.

Any infringement claims, with or without merit, could result in significant litigation costs and diversion of management and financial resources, including the payment of damages, which could have a material adverse effect on our business, financial condition, and results of operations.

Indemnifications

In connection with certain agreements we are obligated to indemnify the counterparty against third party claims alleging infringement of certain intellectual property rights by us. We have also entered into indemnification agreements with our officers and directors. Maximum potential future payments cannot be estimated because these agreements do not have a maximum stated liability. However, historical costs related to these indemnification provisions have not been significant. We have not recorded any liability in our consolidated financial statements for such indemnification obligations.

Line of Credit

We have an unsecured \$75.0 million working capital line of credit with Wells Fargo Bank. The Wells Fargo Bank revolving line of credit, which expires on September 1, 2014, has an interest rate equal to the prime lending rate or 150 basis points above LIBOR, depending on whether we choose a variable or fixed rate, respectively. We did not borrow any amounts under the line of credit during fiscal 2014.

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8. Stockholders' Equity

Preferred Stock

We are authorized, subject to limitations imposed by Delaware law, to issue up to a total of 10,000,000 shares of preferred stock in one or more series without stockholder approval. Our board of directors has the power to establish from time to time the number of shares to be included in each series and to fix the rights, preferences, and privileges of the shares of each wholly unissued series and any of its qualifications, limitations, or restrictions. Our board of directors can also increase or decrease the number of shares of a series, but not below the number of shares of that series then outstanding, without any further vote or action by the stockholders.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could harm the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of our company and might harm the market price of our common stock and the voting power and other rights of the holders of common stock. As of the end of fiscal 2014, there were no shares of preferred stock outstanding.

Shares Reserved for Future Issuance

Shares of common stock reserved for future issuance as of the end of fiscal 2014 were as follows:

Stock options outstanding	3,693,375
Deferred stock units outstanding	1,058,243
Market stock units outstanding	120,330
Awards available for grant under all share-based compensation plans	<u>3,494,327</u>
Reserved for future issuance	<u>8,366,275</u>

Treasury Stock

In July 2014, our board of directors has authorized an additional \$110.0 million for our common stock repurchase program bringing the cumulative authorization to \$730.0 million, expiring in July 2016. The program authorizes us to repurchase our common stock in the open market or in privately negotiated transactions depending upon market conditions and other factors. The number of shares repurchased and the timing of repurchases is based on the level of our cash balances, general business and market conditions, and other factors, including alternative investment opportunities. Common stock repurchased under this program is held as treasury stock. As of the date of the additional authorization we had \$199.6 million remaining under our common stock repurchase program.

9. Share-Based Compensation

The purpose of our various share-based compensation plans is to attract, motivate, retain, and reward high-quality employees, directors, and consultants by enabling such persons to acquire or increase their proprietary interest in our common stock in order to strengthen the mutuality of interests between such persons and our stockholders and to provide such persons with annual and long-term performance incentives to focus their best efforts on the creation of stockholder value. Consequently, we determine share-based compensatory awards issued subsequent to the initial award for our employees and consultants primarily on individual performance. Our share-based compensation plans with outstanding awards consist of our 2001 Incentive Compensation Plan, as amended, or our 2001 Plan; our Amended and Restated 2010 Incentive Compensation Plan, or our 2010 Plan; and our 2010 Employee Stock Purchase Plan, or our 2010 ESPP.

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Share-based compensation awards available for grant or issuance for each plan as of the beginning of the fiscal year, including changes in the balance of awards available for grant for fiscal 2014, were as follows:

	Awards Available Under All Share-Based Award Plans	2001 Incentive Compensation Plan	2010 Incentive Compensation Plan	2010 Employee Stock Purchase Plan
Balance at June 2013	1,674,601	—	1,341,788	332,813
Additional shares authorized	3,332,898	—	3,000,000	332,898
Stock options granted	(554,108)	—	(554,108)	—
Deferred stock units granted	(647,927)	—	(647,927)	—
Market stock units granted	(80,730)	—	(80,730)	—
Market stock units performance adjustment	(10,782)	—	(10,782)	—
Purchases under employee stock purchase plan	(409,084)	—	—	(409,084)
Forfeited	227,026	37,567	189,459	—
Plan shares expired	(37,567)	(37,567)	—	—
Balance at June 2014	<u>3,494,327</u>	<u>—</u>	<u>3,237,700</u>	<u>256,627</u>

Our 2001 Plan, which expired in March 2011, was replaced by our 2010 Plan. Option awards and DSUs that are currently outstanding under our 2001 Plan will remain outstanding until exercised, delivered, forfeited, or cancelled under the terms of their respective grant agreements.

Share-based compensation and the related tax benefit recognized in our consolidated statements of income for fiscal 2014, 2013, and 2012 were as follows (in thousands):

	2014	2013	2012
Cost of revenue	\$ 1,142	\$ 911	\$ 1,129
Research and development	18,455	15,775	15,509
Selling, general, and administrative	13,264	15,524	17,523
Total	<u>\$32,861</u>	<u>\$32,210</u>	<u>\$34,161</u>
Income tax benefit on share-based compensation	<u>\$10,563</u>	<u>\$ 9,202</u>	<u>\$ 9,589</u>

We recognize a tax benefit upon expensing certain share-based awards associated with our share-based compensation plans, including nonqualified stock options, DSUs, and MSUs, but we cannot recognize tax benefit concurrent with the recognition of share-based compensation expenses associated with incentive stock options and employee stock purchase plan shares (qualified stock awards). For qualified stock awards we recognize a tax benefit only in the period when disqualifying dispositions of the underlying stock occur, which historically has been up to several years after vesting and in a period when our stock price substantially increases.

We determine excess tax benefit using the long-haul method in which we compare the actual tax benefit associated with the tax deduction from share-based award activity to the hypothetical tax benefit based on the grant date fair values of the corresponding share-based awards. Tax benefit associated with excess tax deduction creditable to additional paid-in capital is not recognized until the deduction reduces taxes payable.

Historically, we have issued new shares in connection with our share-based compensation plans; however, treasury shares were also available for issuance as of the end of fiscal 2014. Any additional shares repurchased under our common stock repurchase program would be available for issuance under our share-based compensation plans.

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Stock Options

Our share-based compensation plans with outstanding stock option awards include our 2001 Plan and our 2010 Plan. Under our 2010 Plan, we may grant incentive stock options or nonqualified stock options to purchase shares of our common stock at not less than 100% of the fair market value, or FMV, on the date of grant. Stock options granted to our employees generally are incentive stock options, or qualified options, under the Internal Revenue Code, subject to calendar year vesting limitations with any balance being nonqualified stock options, while consultants and directors receive nonqualified stock options.

Options granted under our 2010 Plan generally vest over three to four years from the vesting commencement date and expire seven years after the date of grant if not exercised.

Certain stock option activity for fiscal 2014 and balances as of the end of fiscal 2014 were as follows:

	Stock Option Awards Outstanding	Weighted Average Exercise Price	Intrinsic Value (In thousands)
Balance at June 2013	6,030,287	\$ 26.15	
Granted	554,108	52.64	
Exercised	(2,757,509)	26.01	
Forfeited	(133,511)	30.46	
Balance at June 2014	3,693,375	30.08	\$ 219,037
Exercisable at June 2014	2,598,694	25.89	\$ 164,987

The aggregate intrinsic value was determined using the closing price of our common stock on the last trading day of fiscal 2014, or June 27, 2014, of \$89.38 and excludes the impact of options that were not in-the-money. Approximately 70% of the stock option awards outstanding were vested and in-the-money as of the end of fiscal 2014.

At the end of fiscal 2014, we estimated that we have 3.6 million fully vested options and options expected to vest with an aggregate intrinsic value of \$215.7 million, having a weighted average exercise price of \$29.77 and a weighted average remaining contractual term of 4.5 years. The weighted average remaining contractual term for the options exercisable is approximately 4.1 years.

Cash received and the aggregate intrinsic value of stock options exercised for fiscal 2014, 2013, and 2012 were as follows (in thousands):

	2014	2013	2012
Cash received	\$71,721	\$30,766	\$28,939
Aggregate intrinsic value	\$79,277	\$23,559	\$16,878

The fair value of each award granted under our share-based compensation plans for fiscal 2014, 2013, and 2012 was estimated at the date of grant using the Black-Scholes option pricing model, assuming no expected dividends and the following range of assumptions:

	2014	2013	2012
Expected volatility	40.1% - 44.5%	41.8% - 48.9%	44.6% - 47.6%
Expected life in years	3.8 - 4.3	3.5 - 4.6	4.6
Risk-free interest rate	1.31% - 1.74%	0.62% - 0.72%	0.7% - 1.3%
Fair value per award	\$18.72	\$11.40	\$10.70

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The unrecognized share-based compensation costs for stock options granted under our various plans were approximately \$16.9 million as of the end of fiscal 2014 to be recognized over a weighted average period of approximately 1.8 years.

Deferred Stock Units

Our 2001 Plan, which expired in March 2011, provided for the grant of DSU awards to our employees, consultants, and directors. Currently, our 2010 Plan provides for the grant of DSU awards to our employees, consultants, and directors. A DSU is a promise to deliver shares of our common stock at a future date in accordance with the terms of the DSU grant agreement. We began granting DSUs in January 2006.

DSUs granted under our 2010 Plan generally vest ratably over three to four years from the vesting commencement date. Delivery of shares under the plan takes place on the quarterly vesting dates. At the delivery date, we withhold shares to cover statutory minimum tax withholding by delivering a net quantity of shares. Until delivery of shares, the grantee has no rights as a stockholder.

An election to defer delivery of the underlying shares for unvested DSUs can be made by the grantee provided the deferral election is made at least one year before vesting and the deferral period is at least five years from the scheduled delivery date.

DSU activity, including DSUs granted, delivered, and forfeited in fiscal 2014, and the balance and aggregate intrinsic value of DSUs as of the end of fiscal 2014 were as follows:

	DSU Awards	Aggregate Intrinsic Value	Weighted Average Grant Date
	<u>Outstanding</u>	<u>(in thousands)</u>	<u>Fair Value</u>
Balance at June 30, 2013	1,005,435		\$ 29.24
Granted	647,927		52.83
Delivered	(506,937)		30.48
Forfeited	(88,182)		34.80
Balance at June 30, 2014	<u>1,058,243</u>	<u>\$ 94,586</u>	42.62

Of the shares delivered, 157,489 shares valued at \$8.2 million were withheld to meet statutory minimum tax withholding requirements. The aggregate intrinsic value was determined using the closing price of our common stock on the last trading day of fiscal 2014, or June 27, 2014, of \$89.38.

The unrecognized share-based compensation cost for DSUs granted under our 2001 Plan and our 2010 Plan was approximately \$43.7 million as of the end of fiscal 2014, which will be recognized over a weighted average period of approximately 2.0 years. The aggregate market value of DSUs delivered in fiscal 2014, 2013, and 2012 was \$26.3 million, \$14.7 million, and \$13.3 million, respectively.

Market Stock Units

Our 2010 Plan provides for the grant of MSU awards, which are a type of DSU award, to our employees, consultants, and directors. An MSU is a promise to deliver shares of our common stock at a future date based on the achievement of market-based performance requirements in accordance with the terms of the MSU grant agreement. We began granting MSUs in November 2012.

We have granted MSUs to our executive officers, which were designed to vest in three tranches with the target quantity for each tranche equal to one-third of the total MSU grant. The first tranche vests based on a one-year performance period; the second tranche vests based on a two-year performance period; and the third tranche vests based on a three-year performance period. Performance is measured on the achievement of a specified level of total stockholder return, or TSR, relative to the TSR of the Philadelphia Semiconductor Index, or SOX Index. The potential payout ranges from 0% to 200% of the grant target quantity and is adjusted on a two-to-one ratio based on our TSR performance relative to the SOX Index TSR performance using the following formula:

$$(100\% + ([\text{Synaptics TSR} - \text{SOX Index TSR}] \times 2))$$

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Delivery of shares earned, if any, will take place on the dates provided in the MSU grant agreement, assuming the grantee is still an employee, consultant, or director of our company at the end of the applicable performance period. On the delivery date, we withhold shares to cover statutory minimum tax withholding by delivering a net quantity of shares. Until delivery of shares, the grantee has no rights as a stockholder with respect to any shares underlying the MSU award.

MSU activity, including MSUs granted, delivered, and forfeited in fiscal 2014, and the balance and aggregate intrinsic value of MSUs as of the end of fiscal 2014 were as follows:

	MSU Awards Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted Average Grant Date Fair Value
Balance at June 30, 2013	67,400		\$ 25.82
Granted	80,730		60.62
Performance adjustment	10,782		—
Delivered	(33,249)		25.82
Forfeited	(5,333)		25.82
Balance at June 30, 2014	<u>120,330</u>	<u>\$ 10,755</u>	49.17

As a result of the Synaptics TSR exceeding the SOX Index TSR by 24 percentage points, we delivered 148% of the targeted shares underlying the November 2012 MSU grants, or 10,782 additional shares. Of the shares delivered, 15,148 shares valued at \$670,000 were withheld to meet statutory minimum tax withholding requirements. The aggregate intrinsic value assumes a 100% payout factor and was determined using the closing price of our common stock on the last trading day of fiscal 2014, or June 27, 2014, of \$89.38.

The fair value of each MSU granted from our plans for fiscal 2014 and 2013 was estimated at the date of grant using the Monte Carlo simulation model, assuming no expected dividends and the following assumptions:

	2014	2013
Expected volatility of company	38.79%	36.63%
Expected volatility of SOX index	24.95%	28.57%
Correlation coefficient	0.53	0.58
Expected life in years	2.92	2.87
Risk-free interest rate	0.57%	0.31%
Fair value per award	\$60.62	\$25.82

We amortize the compensation expense over the three-year performance and service period. The unrecognized share-based compensation cost of our outstanding MSUs was approximately \$4.5 million as of the end of fiscal 2014, which will be recognized over a weighted average period of approximately 1.1 years.

Employee Stock Purchase Plan

Our 2010 ESPP became effective on January 1, 2011. The 2010 ESPP allows employees to designate up to 15% of their base compensation, subject to legal restrictions and limitations, to purchase shares of common stock at 85% of the lesser of the FMV at the beginning of the offering period or the exercise date. The offering period extends for up to two years and includes four exercise dates occurring at six-month intervals. Under the terms of our 2010 ESPP, if the FMV at an exercise date is less than the FMV at the beginning of the offering period, the current offering period will terminate and a new two-year offering period will commence.

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Shares purchased, weighted average purchase price, cash received, and the aggregate intrinsic value for employee stock purchase plan purchases in fiscal 2014, 2013, and 2012 were as follows (in thousands, except shares purchased and weighted average purchase price):

	2014	2013	2012
Shares purchased	409,084	327,465	242,225
Weighted average purchase price	\$ 22.07	\$ 20.36	\$ 24.51
Cash received	\$ 9,026	\$ 6,668	\$ 5,937
Aggregate intrinsic value	\$ 12,815	\$ 4,845	\$ 1,534

In accordance with accounting standards related to the accounting for employee stock purchase plans with a look-back option, the early termination of an offering period followed by the commencement of a new offering period represents a modification to the terms of the related awards. Under the terms of our 2010 ESPP, the offering period that commenced on May 16, 2012 was terminated on November 15, 2012 and a new offering period commenced on November 16, 2012. The November 16, 2012 modification affected approximately 474 employees and resulted in incremental compensation costs that were not material and is being recognized on a straight-line basis over the two-year period ending November 15, 2014.

Under the terms of our 2010 ESPP, the offering period that commenced on May 16, 2011 was terminated on May 15, 2012 and a new offering period commenced on May 16, 2012. The May 16, 2012 modification affected approximately 491 employees and resulted in incremental compensation costs that were not material and that were recognized on a straight-line basis over the two-year period ended May 15, 2014.

The fair value of each award granted under our 2010 ESPP for fiscal 2014, 2013, and 2012 was estimated using the Black-Scholes option pricing model, assuming no expected dividends and the following range of assumptions:

	2014	2013	2012
Expected volatility	43.8% - 49.3%	38.6% - 40.2%	34.0% - 37.3%
Expected life in years	0.5 - 1.0	0.5 - 2.0	0.5 - 2.0
Risk-free interest rate	0.05% - 0.13%	0.12% - 0.24%	0.1% - 0.3%
Fair value per award	\$15.04	\$8.31	\$8.93

The expected volatility is based on either implied volatility for the expected lives of 0.5 years or a weighting of implied and historical volatility for expected lives greater than 0.5 years; the expected life is based on each period that begins with the enrollment date until each purchase date remaining in the offering period at the date of enrollment in the plan; and the risk free interest rate is based on U.S. Treasury yields or yield curve in effect for each expected life.

Unrecognized share-based compensation costs for awards granted under our 2010 ESPP at the end of fiscal 2014 were approximately \$1.9 million that will be amortized over the next 4 months.

10. Employee Benefit Plans

401(k) Plan

We have a 401(k) Retirement Savings Plan for full-time employees. Under the plan, eligible employees may contribute a portion of their net compensation up to the annual limit of \$17,500, or \$23,000 for employees who are 50 years or older. In fiscal 2014, we provided matching funds of 25% of our employees' contributions, excluding catch-up contributions. The employer matching funds vest 25% over four years and are fully vested at the end of the fourth year. We made matching contributions of \$1.6 million, \$1.4 million, and \$1.2 million in fiscal 2014, 2013, and 2012, respectively.

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11. Income Taxes

Income before provision for income taxes for fiscal 2014, 2013, and 2012 consisted of the following (in thousands):

	2014	2013	2012
United States	\$76,709	\$ 44,005	\$ 3,602
Foreign	(2,250)	57,728	64,948
Income before provision for income taxes	<u>\$74,459</u>	<u>\$101,733</u>	<u>\$68,550</u>

The provision for income taxes for fiscal 2014, 2013, and 2012 consisted of the following (in thousands):

	2014	2013	2012
Current tax expense (benefit)			
Federal	\$ (3,370)	\$ (9,232)	\$ 5,524
State	7	4	36
Foreign	12,334	10,521	9,587
	<u>8,971</u>	<u>1,293</u>	<u>15,147</u>
Deferred tax expense (benefit)			
Federal	18,713	1,876	(814)
State	—	—	—
Foreign	86	(369)	73
	<u>18,799</u>	<u>1,507</u>	<u>(741)</u>
Provision for income taxes	<u>\$27,770</u>	<u>\$ 2,800</u>	<u>\$14,406</u>

The provision for income taxes differs from the federal statutory rate for fiscal 2014, 2013, and 2012 as follows (in thousands):

	2014	2013	2012
Provision at U.S. federal statutory rate	\$ 26,061	\$ 35,606	\$ 23,992
State income taxes	5	3	139
Qualified stock options	939	2,071	2,280
Business credits	(2,852)	(3,722)	(1,278)
Foreign tax differential	(19,584)	(16,589)	(10,933)
Remeasurement of unrecognized tax benefits	—	(15,569)	—
Non-deductible portion of contingent consideration	21,222	—	—
Change in valuation allowance	(370)	(154)	(27)
Nondeductible amortization	935	578	—
Other differences	1,414	576	233
Provision for income taxes	<u>\$ 27,770</u>	<u>\$ 2,800</u>	<u>\$ 14,406</u>

Net deferred tax assets as of the end of fiscal 2014 and 2013 consisted of the following (in thousands):

	2014	2013
Current deferred tax assets	\$ 7,232	\$ 2,837
Non-current deferred tax assets	5,043	13,374
Net deferred tax assets	<u>\$12,275</u>	<u>\$16,211</u>

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Current deferred tax assets and non-current deferred tax assets are included in prepaid expenses and other current assets, and other assets, respectively, in the accompanying consolidated balance sheets.

Significant components of our deferred tax assets (liabilities) as of the end of fiscal 2014 and 2013 consisted of the following (in thousands):

	2014	2013
Deferred tax assets:		
Investment writedowns	\$ 6,279	\$ 6,769
Capital loss carryforward	14	1,352
Inventory writedowns	305	268
Depreciation and amortization	2,277	86
Accrued compensation	2,519	2,027
Deferred compensation	4,605	—
Share-based compensation	9,255	15,436
Business credit carryforward	18,103	13,332
Net operating loss carryforward	8,738	1,166
Other accruals	681	437
	52,776	40,873
Valuation allowance	(14,812)	(15,556)
	37,964	25,317
Deferred tax liabilities:		
Acquisition intangibles	(18,057)	(834)
Interest	(7,632)	(8,272)
	(25,689)	(9,106)
Net deferred tax assets	<u>\$ 12,275</u>	<u>\$ 16,211</u>

Realization of deferred tax assets depends on our generating sufficient U.S. and certain foreign taxable income in future years to obtain a benefit from the utilization of those deferred tax assets on our tax returns. Accordingly, the amount of deferred tax assets considered realizable may increase or decrease when we reevaluate the underlying basis for our estimates of future U.S. and foreign taxable income. As of the end of fiscal 2014, a valuation allowance of \$14.8 million had been established to reduce deferred tax assets to levels that we believe are more likely than not to be realized through future taxable income. The net change in the valuation allowance during fiscal 2014 was a decrease of \$744,000.

Undistributed operating earnings of our foreign subsidiaries were approximately \$548.8 million as of the end of fiscal 2014 and are considered to be indefinitely reinvested overseas; accordingly, no U.S. income taxes have been provided for on these earnings. The potential deferred tax liability associated with undistributed operating earnings of our foreign subsidiaries was approximately \$120.2 million.

As of the end of fiscal 2014, we had California net operating loss carryforwards of approximately \$48.2 million. The California net operating loss carryforwards of \$33.1 million were attributable to share-based award deductions. Any benefit of these net operating losses will be recorded directly to additional paid-in capital when realized. The California net operating loss will begin to expire in fiscal 2021, if not utilized. The federal and state capital loss carryforwards will begin to expire in fiscal 2015, if not utilized. In addition, we had \$25.0 million of federal, \$2.4 million of Idaho, and \$15.0 million of California net operating loss carryforwards related to acquisitions. Under current tax law, net operating loss and tax credit carryforwards available to offset future income or income taxes may be limited by statute or upon the occurrence of certain events, including significant changes in ownership.

We had \$8.3 million and \$13.1 million of federal and state research tax credit carryforwards, respectively, as of the end of fiscal 2014. The federal research tax credit carryforward will begin to expire in 2027 and the state research tax credit can be carried forward indefinitely. We also had \$1.3 million of federal alternative minimum tax credit carryforward available to offset future federal tax liabilities with no expiration.

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The total liability for gross unrecognized tax benefits, included in other liabilities in our consolidated balance sheets, increased by \$2.0 million to \$10.2 million in fiscal 2014 from \$8.2 million in fiscal 2013. This total amount would reduce the effective tax rate on income from continuing operations, if recognized. A reconciliation of the beginning and ending balance of gross unrecognized tax benefits for fiscal 2014, 2013, and 2012 consisted of the following (in millions):

	2014	2013	2012
Beginning balance	\$ 8.2	\$ 23.1	\$20.2
Increase in unrecognized tax benefits related to current year tax positions	1.1	1.8	2.6
Increase in unrecognized tax benefits related to prior year tax positions	1.7	—	0.3
Remeasurement for results of income tax examination	—	(15.0)	—
Decrease due to statute expiration	(0.8)	(1.7)	—
Ending Balance	<u>\$10.2</u>	<u>\$ 8.2</u>	<u>\$23.1</u>

Accrued interest and penalties increased by \$22,000, decreased by \$1.5 million, and increased by \$749,000 representing income tax expense or benefit, in fiscal 2014, 2013, and 2012, respectively. Accrued interest and penalties was \$935,000 and \$913,000 as of June 30, 2014 and 2013, respectively. Our policy is to classify interest and penalties, if any, as components of income tax expense.

In May 2011, we were notified by the Internal Revenue Service, or the Service, that our fiscal 2003 through 2006 and fiscal 2008 through 2010 returns would be subject to examination. The early periods were being audited in connection with a mandatory review of tax refunds in excess of \$2.0 million which resulted when we carried back our fiscal 2008 net operating loss. In March 2013, we received the Revenue Agent's Report resolving our examination with the Service and paid an assessment that had no material impact on our condensed consolidated financial statements. Our case is pending review by the Joint Committee on Taxation, which we anticipate will conclude in our fiscal 2015. Any prospective adjustments to our unrecognized tax benefits will be recorded as an increase or decrease to income tax expense and cause a corresponding change to our effective tax rate. Accordingly, our effective tax rate could fluctuate materially from period to period.

On January 2, 2013, President Barack Obama signed into law The American Taxpayer Relief Act of 2013, or the Act. The Act extended the federal research credit for two years retroactively from January 1, 2012 through December 31, 2013. As such, we only recognized six months of tax benefit from the research tax credit for fiscal 2014.

It is reasonably possible that the amount of liability for unrecognized tax benefits may change within the next 12 months and an estimate of the range of possible changes could result in an increase of up to \$2.0 million.

Our major tax jurisdictions are the United States, California, and Hong Kong SAR, and fiscal 2003 onward remain subject to examination by one or more of these jurisdictions.

12. Segment, Customers, and Geographic Information

We operate in one segment: the development, marketing, and sale of interactive human interface solutions for electronic devices and products. We generate our revenue from two broad product categories: the mobile product applications markets and the PC product applications market.

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Net revenue within geographic areas based on our customers' locations for fiscal 2014, 2013, and 2012 consisted of the following (in thousands):

	2014	2013	2012
China	\$449,431	\$390,043	\$353,522
South Korea	233,917	102,840	35,046
Taiwan	118,776	84,380	60,980
United States	93,783	22,576	5,179
Japan	45,039	61,330	65,129
Other	6,593	2,419	28,372
	<u>\$947,539</u>	<u>\$663,588</u>	<u>\$548,228</u>

Net revenue from external customers for each group of similar products for fiscal 2014, 2013, and 2012 consisted of the following (in thousands):

	2014	2013	2012
Mobile product applications	\$689,866	\$424,076	\$270,106
PC product applications	257,673	239,512	278,122
	<u>\$947,539</u>	<u>\$663,588</u>	<u>\$548,228</u>

Long-lived assets within geographic areas as of the end of fiscal 2014 and 2013 consisted of the following (in thousands):

	2014	2013
United States	\$210,833	\$83,535
Asia/Pacific	13,157	8,305
	<u>\$223,990</u>	<u>\$91,840</u>

Our goodwill of \$61.0 million has been allocated to a company-wide reporting unit.

Major customers' revenue as a percentage of total net revenue for fiscal 2014, 2013, and 2012 were as follows:

	2014	2013	2012
Customer A	28%	14%	*
Customer B	*	*	12%

* Less than 10%

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INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Reorganization, dated as of October 9, 2013, by and among Synaptics Incorporated, Itsme Acquisition Corp., Itsme Acquisition II LLC, Validity Sensors, Inc., and Shareholder Representative Services LLC (1)
2.2†#	Stock Purchase Agreement, dated June 11, 2014, by and among Renesas Electronics Corporation, Renesas SP Drivers, Inc., Renesas SP Drivers Taiwan, Inc., Sharp Corporation, Powerchip Technology Corp., Global Powertec Co. Ltd., Quantum Vision Corporation, the registrant and Synaptics Holding GmbH
3.1	Certificate of Incorporation (2)
3.1(b)	Certificate of Designation of Series A Junior Participating Preferred Stock (3)
3.2	Third Amended and Restated Bylaws (amended and restated as of July 27, 2010) (4)
3.3	Certificate of Amendment of Certificate of Incorporation of the registrant (5)
3.4	Certificate of Amendment of Certificate of Incorporation of the registrant (6)
4	Form of Common Stock Certificate (7)
4(b)	Rights Agreement, dated as of August 15, 2002, between the registrant and American Stock Transfer & Trust Company, as Rights Agent (3)
4(c)	Amendment No. 1 to Rights Agreement (8)
4.6	Form of Indenture (9)
10.6(d)*	Amended and Restated 2001 Incentive Compensation Plan (as amended through January 23, 2007) (10)
10.6(b)*	Form of grant agreements for Amended and Restated 2001 Incentive Compensation Plan (11)
10.6(c)*	Form of deferred stock award agreement for Amended and Restated 2001 Incentive Compensation Plan (12)
10.17*	Form of Indemnification Agreement entered into with the following directors and executive officers as of January 28, 2002 with Francis F. Lee, Russell J. Knittel, Keith B. Geeslin, and Richard L. Sanquini; as of June 26, 2004 with Jeffrey D. Buchanan; as of March 28, 2006 with Hing Chung (Alex) Wong; as of February 20, 2007 with Nelson C. Chan; as of October 23, 2007 with James L. Whims; as of March 2, 2009 with Kathleen A. Bayless; as of January 10, 2011 with Kevin D. Barber; as of September 28, 2011 with Richard A. Bergman; as of May 22, 2012 with Bret Sewell; as of January 28, 2013 with Scott Deutsch; as of November 4, 2013 with John McFarland, and as of June 9, 2014 with Ritu Favre (2)
10.24(a)*	2010 Incentive Compensation Plan (13)
10.24(b)*	Form of Non-Qualified Stock Option Agreement for 2010 Incentive Compensation Plan (14)
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10.24(d)*	Form of Deferred Stock Award Agreement for 2010 Incentive Compensation Plan (14)
10.24(e)*	Amended and Restated 2010 Incentive Compensation Plan (15)
10.24(f)*	Form of Deferred Stock Award Agreement for Market Stock Units for Amended and Restated 2010 Incentive Compensation Plan (16)
10.25(a)*	Amended and Restated 2010 Employee Stock Purchase Plan
10.27*	Employment Offer Letter dated September 28, 2011 between the registrant and Richard Bergman (17)
10.28*	Change of Control Severance Policy For Executive Officers
10.29*	Severance Policy for Principal Executive Officers (18)
10.30	Agreement of Purchase and Sale and Escrow Instructions dated as of June 25, 2012 between McKay Henry, LLC and the registrant (19)
10.30(a)	First Amendment to Agreement of Purchase and Sale and Escrow Instructions dated as of July 2, 2012 between McKay Henry, LLC and the registrant (19)
10.33	Agreement of Purchase and Sale and Escrow Instructions dated as of October 19, 2012 between Orchard Partners, LLC and the registrant (16)
10.33(a)	First Amendment to Agreement of Purchase and Sale and Escrow Instructions dated as of November 19, 2012 between Orchard Partners, LLC and the registrant (16)
10.33(b)	Second Amendment to Agreement of Purchase and Sale and Escrow Instructions dated as of January 4, 2013 between Orchard

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10.34	Commitment Letter, dated June 11, 2014, by and among Wells Fargo Bank, National Association, Wells Fargo Securities, LLC and the registrant
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31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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- (1) Incorporated by reference to the registrant's Form 8-K as filed with the SEC on November 12, 2013.
- (2) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 21, 2002.
- (3) Incorporated by reference to the registrant's Form 8-A as filed with the SEC on August 16, 2002.
- (4) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on August 2, 2010.
- (5) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on December 7, 2004.
- (6) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (7) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 12, 2002.
- (8) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on April 24, 2008.
- (9) Incorporated by reference to the registrant's registration statement on Form S-3 (Registration No. 333-155582) as filed with the SEC on November 21, 2008 and declared effective May 7, 2009.
- (10) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on November 8, 2007.
- (11) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 6, 2003.
- (12) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on September 7, 2006.
- (13) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on November 2, 2010.
- (14) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 22, 2010.
- (15) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on May 4, 2012.
- (16) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on February 1, 2013.
- (17) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 4, 2011.
- (18) Incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 6, 2011.
- (19) Incorporated by reference to the registrant's Form 10-K as filed with the SEC on August 27, 2012.
- (20) Incorporated by reference to the registrant's Form 10-Q as filed with the SEC on May 3, 2013.
- * Indicates a contract with management or compensatory plan or arrangement.
- † Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.
- # Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the Securities and Exchange Commission upon request.

[*****] Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

STOCK PURCHASE AGREEMENT

among

RENESAS ELECTRONICS CORPORATION,

SHARP CORPORATION,

POWERCHIP TECHNOLOGY CORP.,

GLOBAL POWERTEC CO. LTD.,

QUANTUM VISION CORPORATION,

RENESAS SP DRIVERS, INC.,

RENESAS SP DRIVERS TAIWAN, INC.,

SYNAPTICS INCORPORATED,

and

SYNAPTICS HOLDING GMBH

dated June 11, 2014

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this “Agreement”), entered into on June 11, 2014 (the “Effective Date”) by and among **RENESAS ELECTRONICS CORPORATION**, a Japanese *kabushiki kaisha* (“REL”), **RENESAS SP DRIVERS, INC.**, a Japanese *kabushiki kaisha* (“RSP”), **RENESAS SP DRIVERS TAIWAN, INC.**, a company limited by shares incorporated in the Republic of China (“RSP-TW”), **SHARP CORPORATION**, a Japanese *kabushiki kaisha* (“Sharp”), **POWERCHIP TECHNOLOGY CORP.**, a company limited-by-shares incorporated in the Republic of China (“Powerchip”), **GLOBAL POWERTEC CO. LTD.**, a British Virgin Islands company and wholly-owned subsidiary of Powerchip (“GPC”), **QUANTUM VISION CORPORATION**, a company limited-by-shares incorporated in the Republic of China and wholly-owned subsidiary of Powerchip (“QVC,” and together with REL, Sharp, Powerchip and GPC, the “Sellers” and each a “Seller,” and the Sellers together with RSP and RSP-TW, the “Seller Parties”), **SYNAPTICS INCORPORATED**, a Delaware corporation (“Purchaser Parent”), and **SYNAPTICS HOLDING GMBH**, a Swiss *Gesellschaft mit beschränkter Haftung* and an indirect wholly-owned subsidiary of Purchaser Parent (“Purchaser Sub,” and each of Purchaser Sub and Purchaser Parent, a “Purchaser,” and Purchaser Sub together with Purchaser Parent, “Purchasers,” and Purchasers together with the Seller Parties, the “Parties”);

WITNESSETH that,

WHEREAS, REL owns 55,000 shares of common stock (the “REL-Owned Shares”) of RSP, which represent 55% of the total issued and outstanding capital stock of RSP; Sharp owns 25,000 shares of common stock (the “Sharp-Owned Shares”) of RSP, which represent 25% of the total issued and outstanding capital stock of RSP; Powerchip owns 4,000 shares of common stock (the “PTC-Owned Shares”) of RSP, which represent 4% of the total issued and outstanding capital stock of RSP; and GPC owns 16,000 shares of common stock (the “GPC-Owned Shares,” and together with the PTC-Owned Shares, the “Powerchip-Owned Shares,” and the Powerchip-Owned Shares together with the REL-Owned Shares and the Sharp-Owned Shares, the “RSP Target Shares”) of RSP, which represent 16% of the total issued and outstanding capital stock of RSP;

WHEREAS, RSP owns 2,550,000 shares of common stock (the “RSP-Owned Shares of RSP-TW”) of RSP-TW, which represent 51% of the total issued and outstanding capital stock of RSP-TW, and QVC owns 2,450,000 shares of common stock (the “RSP-TW Target Shares,” and together with the RSP Target Shares, the “Target Shares”) of RSP-TW, which represent 49% of the total issued and outstanding capital stock of RSP-TW;

WHEREAS, each of REL, Sharp, Powerchip and GPC desires to sell the RSP Target Shares that are owned by such Seller to Purchaser Sub, and Purchaser Sub desires to purchase such RSP Target Shares from each Seller, pursuant to the terms and conditions of this Agreement;

WHEREAS, QVC desires to sell the RSP-TW Target Shares that are owned by QVC to RSP, and RSP desires to purchase such RSP-TW Target Shares from QVC, immediately prior to the Closing (as herein defined) and pursuant to the terms and conditions of this Agreement, such that RSP-TW will become an indirect, wholly-owned subsidiary of Purchaser Parent at the Closing;

NOW, THEREFORE, in consideration of the foregoing premises and the respective representations and warranties, covenants and agreements contained herein, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 **Definitions** . When used in this Agreement, the following terms have the meanings assigned to them in this **Section 1.1** .

“ **55nm Process Development Agreement** ” means the 55nm Process Development Agreement to be entered into by and among RSP, REL, and Purchaser Parent, substantially in accordance with the terms and conditions set forth in **Exhibit E** .

“ **Affiliate** ” means, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by or under common control with such specified Person; *provided , however* , that (except as specified in this Agreement) the Affiliates of REL, RSP or RSP-TW does not include INCJ.

“ **Amendment to Patent License Agreement and Technical Information Agreement** ” means the Amendment to Patent License and Technical Information Agreement by and among RSP, Purchaser Parent and Sharp, substantially in the form attached to this Agreement as **Exhibit K** (with such modifications as may be agreed by Purchaser Parent and Sharp).

“ **Amendment to Secondment, Lease and Services Agreement** ” means the Amendment to Secondment, Lease and Services Agreement by and among RSP, Purchaser Parent and Sharp, substantially in the form attached to this Agreement as **Exhibit M** (with such modifications as may be agreed by Purchaser Parent and Sharp).

“ **Ancillary Agreements** ” means the Transition Services Agreement, Manufacturing Services Agreement, REL Patent Cross-License Agreement, License Agreement (REL Tool), 55nm Process Development Agreement, Sublease Agreement, Foundry Services Agreement, Amendment to Patent License and Technical Information Agreement, Amendment to Secondment, Lease and Services Agreement, and Process Technology License, each entered into on the Closing Date in substantially the respective forms (with such modifications as may be agreed by Purchaser Parent and the applicable Seller) or, as applicable, in accordance with the terms and conditions set forth in **Exhibits A** through **F** and **Exhibits J** through **N** to this Agreement, as applicable.

“ **Antisocial Forces** ” means (a) a Person who falls within any of the following criminal or antisocial classifications: (i) any Criminal Association, (ii) any Person who has a relationship with and whose management is under the control of a Criminal Association, (iii) any Person who has a relationship with a Criminal Association that is substantially involved in such Person’s management; (iv) any Person who has a relationship with a Criminal Association and takes advantage of such relationship to obtain unfair profits or to damage a third party, (v) any Person who has a relationship with a Criminal Association and provides such Criminal Association with money, support or other resources, and (vi) any Person whose Representatives or others who substantially control such Person’s management have a socially condemnable relationship (*shakai teki ni hinan sareru beki kankei*) with a Criminal Association, or (b) a Person which is engaged in or promotes any of the following criminal activities or uses any portion of RSP or RSP-TW’s property for any of the following criminal activities: (i) the making of demands through violent acts, (ii) the making of unjust demands that go beyond another Person’s legal responsibilities, (iii) the use of threatening behavior, including verbal threats or the use of physical violence, in relation to a transaction, (iv) damaging public confidence in another Person or hindering the business operations of another Person by spreading rumors, using deceptive measures or using unjust power, and (v) any act, other than those listed in the foregoing items, that receives the same treatment under Japanese criminal Laws as those listed in the foregoing items.

“ **Audit Delivery Fee** ” means an amount equal to (a) JPY500,000,000 if the Required Financial Statements are delivered to Purchaser Parent on or before September 12, 2014 and (b) JPY300,000,000 if the Required Financial Statements are delivered to Purchaser Parent after September 12, 2014, but on or before October 11, 2014. If the Required Financial Statements are delivered to Purchaser Parent after October 11, 2014, there will be no Audit Delivery Fee.

“ **Backlog** ” means, as of a date of determination, the aggregate value of unfulfilled committed purchase orders for the RSP products listed on **Schedule 1.1(z)** , calculated in accordance with Japanese GAAP, as of such date.

“ **Backlog Target** ” means JPY9,185,000,000.

“ **Business** ” means the conduct of RSP’s or RSP-TW’s business, up to and including the Closing Date, including the design, development, use, import, export, manufacture, licensing, marketing, sale, offer for sale or other disposition of the Business Products.

“ **Business Day** ” means a day other than a Saturday, Sunday or other day on which banks located in Japan or the United States are required by applicable Law to close.

“ **Business Products** ” means all products of RSP or RSP-TW designed, developed or sold and proposed to be designed, developed or sold, in each case by RSP or RSP-TW, in the conduct of RSP’s or RSP-TW’s Business, in the form that they existed up to and including the Closing Date.

“ **Cash** ” means immediately available cash and cash equivalents.

“ **Cash Deposit Agreements** ” means (i) the Money Deposition Agreement between RSP and REL as of August 27, 2012 and (ii) the Agreement on Entrustment of Manufacturing LCD Driver Products between RSP and REL as of December 27, 2013.

“ **Cash Target** ” means JPY8,500,000,000.

“ **Closing Adjustment Amount** ” means the sum of (i) the Final Working Capital minus the Estimated Working Capital, (ii) the Final Closing Cash Balance minus the Estimated Closing Cash Balance, (iii) the Estimated Third Party Expenses minus the Final Third Party Expenses, (iv) the Estimated Company Indebtedness minus the Final Company Indebtedness, and (v) the Estimated Closing Backlog Adjustment minus the Final Closing Backlog Adjustment.

“ **Closing Adjustment Items** ” means (i) the Closing Working Capital, (ii) the Closing Cash Balance, (iii) the Closing Third Party Expenses, (iv) the Closing Company Indebtedness, and (v) the Closing Backlog Adjustment.

“ **Closing Backlog** ” means (x) if the Closing Date is on the first day of a calendar month, the consolidated Backlog of RSP and RSP-TW calculated by dividing (A) the sum of the consolidated Backlog of RSP and RSP-TW on the following three dates: (i) the last day of the third full calendar month ended prior to the Closing Date, (ii) the last day of the second full calendar month ended prior to the Closing Date and (iii) the last day of the first full calendar month ended prior to the Closing Date, divided by (B) three; or (y) if the Closing Date is not on the first day of a calendar month, the consolidated Backlog of RSP and RSP-TW calculated by dividing (A) the sum of the consolidated Backlog of RSP and RSP-TW on the following three dates: (i) the last day of the second full calendar month ended prior to the Closing Date, (ii) the last day of the first full calendar month ended prior to the Closing Date and (iii) the last day of the month in which the Closing Date occurs, divided by (B) three.

“ **Closing Backlog Adjustment** ” means:

(a) if the Closing Backlog is equal to or greater than 50% of the Backlog Target: zero.

(b) if the Closing Backlog is less than 50% of the Backlog Target, but equal to or greater than 25% of the Backlog Target: JPY1,000,000,000.

(c) if the Closing Backlog is less than 25% of the Backlog Target, but greater than zero: JPY1,500,000,000.

(d) if the Closing Backlog is zero: JPY2,000,000,000.

“ **Closing Cash Balance** ” means the consolidated Cash of RSP and RSP-TW immediately prior to the Closing. “ **Closing Cash Balance** ” does not include the Cash used for (i) the purchase of the RSP-TW Target Shares by RSP from QVC, (ii) any purchases of Intellectual Property and tangible assets by RSP or RSP-TW from the applicable Sellers or their Affiliates pursuant to **Section 5.9** or (iii) the payment of any license fee by RSP prior to Closing to a Seller related to any Ancillary Agreement or the Transactions.

“ **Closing Company Indebtedness** ” means Company Indebtedness immediately prior to Closing.

“ **Closing Holdback Amount** ” means JPY5,250,000,000.

“ **Closing Holdback Fund** ” means the funds held by Purchaser Sub in accordance with **Section 2.5** of this Agreement, excluding (i) funds which by the terms of this Agreement should have been disbursed to Sellers, and (ii) all interest, dividends, gains and other income accrued thereon.

“ **Closing REL Inventory** ” means all REL Inventory as of the Closing Date.

“ **Closing Third Party Expenses** ” means Third Party Expenses that, immediately prior to Closing, are unpaid.

“ **Commitment Letter** ” means the executed debt commitment letter of Purchaser Parent delivered to the Sellers prior to the Effective Date.

“ **Company Indebtedness** ” means the Indebtedness of RSP and RSP-TW.

“ **Compression License Agreement** ” means a compression license agreement on terms and conditions substantially similar to RSP’s form of compression license agreement, a copy of which has been Made Available to Purchaser Parent prior to the Effective Date.

“ **Confidential Information** ” means (i) all confidential and proprietary information of a Person, including information derived from reports, investigations, research, works in progress, codes, marketing and sales programs, manufacturing processes, financial projections, cost summaries, pricing formulae, contract analyses, financial information, projections, confidential filings with any Governmental Entity, and all other confidential concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of such Person by its employees, officers, directors, agents, Representatives, or Contractors, and (ii) the existence of this Agreement and the Ancillary Agreements, the terms and conditions contained herein and therein, and the fact that negotiations with respect to the foregoing have taken place or are or might be taking place and the contents thereof.

“ **Consent Fees** ” means any payments, consideration or Liability in connection with obtaining any consent, waiver or approval of any Person under any Contract as is required in connection with this Agreement and the Transactions for any such Contract to remain in full force and effect following the Closing and any Liability to RSP, RSP-TW, either Purchaser, or any Affiliate of either Purchaser (whether matured or unmatured and whether or not yet due and payable) resulting from obtaining any Required Consents.

“ **Contract** ” means any contract, agreement, indenture, note, bond, loan, instrument, license, lease (including real and personal property leases), conditional sale contract, purchase or sales orders, mortgage, undertaking, commitment, understanding, option, warrant, calls, rights or other enforceable arrangement or agreement, whether written or oral.

“ **Contractors** ” means independent contractors, consultants and dispatched workers.

“ **control** ” (including, with correlative meaning, the terms “ **controlled by** ” and “ **under common control with** ”) as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“ **Copyrights** ” means copyrights, whether in published or unpublished works, original works of authorship fixed in any tangible medium of expression (in whatever form now or hereafter existing), databases, data collections and rights therein, mask work rights, compilations, Software, registrations of manufacturing processes, web site content, registrations and applications for registration for any of the foregoing, and renewals or extensions thereof and moral and economic rights of authors or creators in any of the foregoing.

“ **Criminal Association** ” (*boryokudanin tou*) means a (i) criminal syndicate (*boryokudan*), (ii) criminal syndicate (*boryokudan*) member or a Person who was a criminal syndicate (*boryokudan*) member at any time within the most recent five years, (iii) criminal syndicate associate, (iv) criminal syndicate (*boryokudan*)-related company, (v) racketeer (*sokaiya*), social/political movement racketeer, or special intelligence violence group, (vi) any group or individual, other than those listed in the foregoing items, that receive the same treatment under Japanese criminal Laws as those listed in the foregoing items.

“ **Current Assets** ” means, with respect to RSP and RSP-TW (on a consolidated basis), without duplication, (A) trade receivables, (B) other accounts receivables, and (C) inventories that, in accordance with Japanese GAAP, should be defined as current assets, but excluding Cash, in each case determined in accordance with Japanese GAAP using the same method and methodologies that were used in the preparation of the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof.

“ **Current Liabilities** ” means, with respect to RSP and RSP-TW (on a consolidated basis), without duplication and in each case determined in accordance with Japanese GAAP using the same method and methodologies that were used in the preparation of the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof, (A) trade payables, (B) other accounts payable, (C) other accounts payable (PPE), (D) income tax payable, (E) consumption tax payable and (F) other current liabilities that, in accordance with Japanese GAAP, should be defined as current liabilities, including any Taxes imposed on RSP or RSP-TW attributable to any period or portion thereof ending on or before the Closing Date. “ **Current Liabilities** ” do not include Third Party Expenses

“ **Domain Names** ” means Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith, and registrations and applications for registration of any of the foregoing.

“ **Employee Benefit Plan** ” means any bonus, pension, incentive compensation, early retirement program, vacation, welfare, fringe benefit or other benefit plan, agreement, policy, program or arrangement (whether written or unwritten, funded or unfunded) relating to employee benefits.

“ **Encumbrance** ” means any claim, condition, equitable interest, Lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

“ Environment ” means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), ground waters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

“ Environmental Laws ” means the Laws requiring or relating to:

(i) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resources extraction or construction, that could have significant impact on the Environment;

(ii) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(iii) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(iv) assuring that products are designed, formulated, packaged, and used so that they do not represent unreasonable risks to human health or the Environment when used or disposed of;

(v) protecting resources, species, or ecological amenities;

(vi) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(vii) cleaning up pollutants that have been released, preventing the threat of release, or paying the cost of such clean up or prevention; or

(viii) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

“ Exchange Act ” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“ FCPA ” means the U.S. Foreign Corrupt Practices Act of 1977 or the OECD Convention on Combating Bribery of Foreign Public Officials in Business Transactions or any other Law applicable to the conduct of business with Governmental Entities.

“ Financing Sources ” means Wells Fargo Bank, National Association and Wells Fargo Securities, LLC, in their capacities under the Commitment Letter and any assignees thereof, or any other financial institution identified to the Seller Representative by the Purchasers as providing additional or replacement financing to the Purchasers in connection with the Transactions.

“ **Foundry Services Agreement** ” means the Foundry Services Agreement by and among Powerchip, RSP and Purchaser Parent, substantially in the form attached to this Agreement as **Exhibit J** (with such modifications as may be agreed by Purchaser Parent and Powerchip).

“ **GAAP** ” means United States generally accepted accounting principles as in effect from time to time, consistently applied.

“ **Governmental Entity** ” means any entity or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any national, local, or municipal government, foreign, international, multinational or other government, including any court, department, commission, board, agency, bureau, subdivision, instrumentality, official or other regulatory, administrative or judicial authority thereof, and any non-governmental regulatory body to the extent that the rules and regulations or Orders of such body have the force of Law.

“ **Holdback Percentage** ” means, with respect to a Seller, the percentage set forth opposite such Seller’s name on **Schedule 2.2** below the caption “Holdback Percentages.”

“ **INCJ** ” means Innovation Network Corporation of Japan, a Japanese kabushiki kaisha and a majority shareholder of REL, and its Affiliates other than REL and its Affiliates controlled by REL.

“ **Indebtedness** ” of any Person means: (a) any Liability of such Person (i) for borrowed money (including the current portion thereof), (ii) under any reimbursement obligation relating to a letter of credit, bankers’ acceptance or note purchase facility, (iii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation), (iv) for the payment of money relating to leases that are required to be classified as a capitalized lease obligation in accordance with Japanese GAAP, (v) under interest rate swap, hedging or similar agreements, (vi) constituting obligations for the deferred purchase of assets or services; (vii) constituting accrued interest relating to any of items (i) to (vi); and (viii) constituting underfunded defined benefit pension plans considered on a post-Tax basis, but only to the extent (A) such Liabilities and obligations are determined on a projected benefit obligation basis consistent with how such Liability should be reported on financial statements prepared in accordance with Japanese GAAP and (B) of such underfunding, or (b) any Liability of others described in the preceding clause (a) that (i) such Person has guaranteed, that is recourse to such Person or any of its assets or that is otherwise its legal Liability or that is secured in whole or in part by the assets of such Person, and (ii) is required to be disclosed on financial statements prepared in accordance with Japanese GAAP. For purposes of this Agreement, Indebtedness includes (A) any and all accrued interest, success fees, prepayment premiums, make-whole premiums or penalties and fees or expenses (including attorneys’ fees) associated with the prepayment of any Indebtedness and (B) cash, book or bank account overdrafts.

“ **Indemnification Holdback Amount** ” means JPY7,250,000,000.

“ **Indemnification Holdback Fund** ” means the funds held by Purchaser Sub in accordance with **Article VIII** of this Agreement, excluding (i) funds which by the terms of this Agreement should have been disbursed to Sellers, and (ii) all interest, dividends, gains and other income accrued thereon.

“ **Indemnifying Representative** ” means (a) Seller Representative, in the case of a Liability Claim against two or more Sellers or (b) an individual Seller against whom a Liability Claim is made as an individual Seller.

“ **Intellectual Property** ” means Patents, Trademarks, Copyrights, Trade Secrets, Domain Names, any other industrial rights, and all rights or forms of protection of a similar nature or having equivalent effect to any of the foregoing, which may subsist anywhere in the world.

“ **Inventory** ” means all work-in-process and finished goods inventory of a Person.

“ **Inventory Report** ” means a report, signed by an authorized manager of REL, identifying as of the end of the immediately preceding month of the date of such Inventory Report (unless otherwise required to be as of a certain date under this Agreement) as to the Closing REL Inventory (unless otherwise required to be as to REL Inventory under this Agreement) the following: (a) the total book value of each inventory item (calculated based on Japanese GAAP), (b) the composition of each inventory item by product number and by inventory category (work-in-process and finished goods) as of such date, (c) for Inventory Reports made on or prior to the Closing Date, Sales Forecast and Obsolete REL Inventory as of such date, including purchase order and Sales Forecast backup material related to the determination of Obsolete REL Inventory, (d) if applicable, the Closing REL Inventory that has been sold since the Closing Date with applicable sales information including product number, quantity, sales price and purchase order number, (e) a summary of the then-current outstanding purchase orders of REL and RSP in respect of the REL Inventory and (f) any additional information reasonably requested by Purchaser Parent.

“ **Inventory Target Amount** ” means JPY12,525,000,000.

“ **Inventory Transfer Date** ” means the date, as designated by Purchaser Parent to REL with at least five Business Days notice, upon which REL is to sell and transfer to RSP certain Closing REL Inventory pursuant to this Agreement.

“ **Japanese GAAP** ” means Japan generally accepted accounting principles as in effect from time to time, consistently applied.

“ **JPY** ” means Japanese Yen, the lawful currency of Japan.

“ **Key Employees** ” means the persons indicated on **Schedule 1.1(x)** .

“ **Knowledge** ” means, with respect to a Person, (i) the actual knowledge of the individuals set forth on **Schedule 1.1(y)** below such Person’s name, and (ii) the knowledge that the individuals set forth on **Schedule 1.1(y)** below such Person’s name would have if they had made due investigation. As used herein, the phrase “due investigation” means, with respect to any individuals designated on **Schedule 1.1(y)** with respect to a Person, such individual’s inquiry of his or her subordinates or advisors who would reasonably be expected to have actual knowledge of the relevant facts and circumstances.

“ **Law** ” means any statute, law (including common law), constitution, treaty, ordinance, code, rule, regulation and any other binding requirement or determination of any Governmental Entity.

“ **Liability** ” means any indebtedness, debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability and any Tax liability), that would be required to be disclosed on a balance sheet prepared in accordance with Japanese GAAP and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

“ **License Agreement (REL Tool)** ” means the License Agreement (REL Tool) by and among RSP, RSP-TW, REL and Purchaser Parent, substantially in the form attached to this Agreement as **Exhibit D** (with such modifications as may be agreed by Purchaser Parent and REL).

“ **Lien** ” means any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (i) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings and (ii) liens securing rental payments under capital lease arrangements extending only to the property covered by such lease.

“ **Made Available,** ” with respect to any documents, information or other materials, means a Party has disclosed such documents and information or other materials (i) by posting to the electronically accessible data room (“ **Data Room** ”) provided by such Party in connection with the Transactions or (ii) with respect to disclosures to either Purchaser, by hand-delivery of hardcopies or by sending electronic data via email received by the General Counsel of Purchaser Parent, in each case at least 48 hours prior to the Effective Date.

“ **Manufacturing Services Agreement** ” means the Manufacturing Services Agreement by and among RSP, REL, and Purchaser Parent, substantially in the form attached to this Agreement as **Exhibit B** (with such modifications as may be agreed by Purchaser Parent and REL).

“ **Material Adverse Effect** ” or “ **Material Adverse Change** ” means any event, effect, fact, circumstance, development, occurrence or change that, either alone or in combination with any other event, effect, fact, circumstance, development, occurrence or change, (X) would be materially adverse to the condition (financial or otherwise), properties, assets, Liabilities, Business, operations, results of operations or prospects of RSP and RSP-TW, taken as a whole, or (Y) would prevent or materially impede the ability of any Party to consummate timely the transactions contemplated hereby or by any Ancillary Agreement; *provided* that none of the following be deemed to constitute a Material Adverse Effect or Material Adverse Change:

(a) any adverse event, effect, fact, circumstance, development, occurrence or change (whether short-term or long-term) arising from or relating to (i) general business or economic conditions, including such conditions related to the business of RSP and RSP-TW, (ii) national or international political or social conditions, including the engagement by Japan or the Republic of China in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon Japan or the Republic of China or any of their respective territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of Japan or the Republic of China, (iii) securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iv) changes in GAAP, (v) changes in Laws, or (vi) to the extent attributable to actions taken (or omitted to be taken) at the prior written request of Purchaser Parent or required to be taken or omitted, as applicable, by the express terms of this Agreement, *except*, in each case, to the extent such event, effect, fact, circumstance, development, occurrence or change has a disproportionate effect on RSP or RSP-TW as compared with other companies operating in the same industry or has prevented or materially delayed or materially impaired or would be reasonably likely to prevent or materially delay or materially impair the ability of any Seller Party to perform its obligations under this Agreement or any Ancillary Agreement or to consummate the transactions contemplated hereby or thereby;

(b) any failure to meet a forecast (whether internal or published) of revenue, earnings, cash flow, or other data for any period or any change in such a forecast;

(c) any existing event, occurrence, or circumstance with respect to which the individuals listed below Purchaser Parent's name on **Schedule 1.1(y)** have actual knowledge as of the Effective Date;

(d) the loss of current or future revenue or the cancellation or reduction of any on-going business attributable to the sale of the RSP products listed on **Schedule 1.1(z)** that results from the announcement or the pendency of the Transactions; and

(e) any adverse change in or effect on the Business of RSP and RSP-TW that is cured by the Seller Parties before the earlier of (i) the Closing Date and (ii) the date on which this Agreement is terminated pursuant to **Article IX** hereof.

“**Material Contracts**” means the following Contracts to which RSP or RSP-TW is a party and that are material for RSP or RSP-TW to conduct its Business:

(a) Contracts with those customers for which the sales amount per customer for calendar year 2013 exceeded JPY10,000,000;

(b) Contracts with those suppliers for which the purchase amount per supplier for calendar year 2013 exceeded JPY5,000,000;

(c) material and non-substitutable Contracts with subcontractors or service providers (whether an Affiliate of RSP or RSP-TW or a third party);

(d) Contracts concerning Intellectual Property;

(e) material confidentiality agreements;

(f) any Contract imposing any material restriction on the right or ability of RSP or RSP-TW, or, after the Closing Date, the right or ability of either Purchaser, any Affiliate of either Purchaser, RSP or RSP-TW (A) to compete in any business or with any Person or in any area, (B) to acquire any product or other asset or any services from any other Person, to sell any product or other asset to or perform any services for any other Person or to transact business or deal in any other manner with any other Person, or (C) develop, distribute or license any Intellectual Property;

(g) any Contract relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise): (A) entered into after January 1, 2011, or (B) pursuant to which RSP or RSP-TW has any current or future rights or obligations;

(h) any Contract relating to Indebtedness or the deferred purchase price of property;

(i) any partnership, joint venture or any sharing of revenues, profits, Losses, costs or Liabilities or any other similar Contracts;

(j) any distributor, sales, reseller, joint marketing, or joint development Contract;

(k) any Contract relating to settlement of any litigation;

(l) any Contract that provides for indemnification by or of RSP or RSP-TW;

(m) any Contract with any labor union, works council or any collective bargaining agreement or similar agreement with or in respect of any Relevant Seconded, Relevant Employees, or RSP-TW Employees;

(n) any lease, sublease or similar Contract with any Person under which (A) RSP or RSP-TW is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any Person that is necessary for the operation of their Business or (B) RSP or RSP-TW is a lessor or sublessor of, or makes available for use by any Person, any machinery, equipment, vehicle or other tangible personal property owned or leased by RSP or RSP-TW that is necessary for the operation of their Business, in any case that has an aggregate future Liability or receivable, as the case may be, in any fiscal year in excess of JPY5,000,000;

(o) any Contract containing a most favored nation or similar provision in favor of any customer or other counterparty to RSP or RSP-TW;

(p) any Contract obligating RSP or RSP-TW to purchase or otherwise obtain any product or service exclusively from a single party or sell any product or service exclusively to a single party;

(q) any written warranty, guaranty or other similar undertaking with respect to product performance extended by RSP or RSP-TW, other than in the Ordinary Course of Business; and

(r) other Contracts with materiality equivalent to the above or that would have a Material Adverse Effect on RSP or RSP-TW were they to expire or be terminated.

“ **Negative Cash Adjustment** ” means the amount, if any, by which the Cash Target exceeds the Estimated Closing Cash Balance.

“ **Negative Working Capital Adjustment** ” means the amount by which Estimated Working Capital is less than the Working Capital Target.

“ **Obsolete REL Inventory** ” means each item of Closing REL Inventory (unless otherwise required to be as to REL Inventory under this Agreement) which, as of a particular date is not subject to an outstanding purchase order or is not forecasted to be sold within the next 12 months under a Sales Forecast as of such date.

“ **Open Source License** ” means any version of the Apache License, Eclipse Public License, GNU General Public License (GPL), Lesser/Library General Public License (LGPL), Mozilla Public License (MPL), Common Development and Distribution License (CDDL), Common Public License (CPL), any license meeting the requirements of the “Open Source Definition” (as promulgated by the Open Source Initiative prior to or as of the date hereof) or the “Free Software Definition” (as promulgated by the Free Software Foundation prior to or as of the date hereof), or any other license for Software that includes terms providing that (a) a licensee of the Software is authorized to make modifications to, or derivative works of, the Source Code for the Software, or (b) the licensee is authorized to distribute such modifications or derivative works of the Software only if subsequent licensees are authorized to further modify or make derivative works of licensee’s works.

“ **Open Source Software** ” means any Software that is licensed or distributed pursuant to an Open Source License.

“ **Order** ” means any decision, ruling, charge, order, writ, judgment, injunction, decree, stipulation, determination, award or binding agreement issued, promulgated or entered by or with any Governmental Entity.

“ **Ordinary Course of Business** ” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) of RSP or RSP-TW (as applicable) and includes any action contemplated by or necessary under this Agreement or any other related agreements; *provided, however*, that the granting of a license (except for the granting of a license to partners of RSP or RSP-TW under a Compression License Agreement) with respect to any rights in Intellectual Property of RSP or RSP-TW is not within the Ordinary Course of Business.

“ **Owned Intellectual Property** ” means all Intellectual Property that is (i) owned by RSP or RSP-TW or (ii) owned by any Seller or its Affiliate as of the Effective Date and that is required to be transferred to RSP or RSP-TW pursuant to **Section 5.9** .

“ **Patents** ” means patents, industrial and utility models, registered industrial designs, and any other indicia of invention or design ownership issued or granted by any Governmental Entity, applications and disclosures of any type for any of the foregoing, extensions, reissues, re-examinations or renewals of any of the foregoing, and moral and economic rights of inventors in any of the foregoing.

“ **Permits** ” means any permits, licenses, variances, exemptions, Orders, approvals, authorizations, certificates, franchises, qualifications, registrations, consents, notices and rights, in each case from a Governmental Entity.

“ **Person** ” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity or a Governmental Entity (or any department, agency, or political subdivision thereof).

“ **Positive Cash Adjustment** ” means the amount, if any, by which the Estimated Closing Cash Balance exceeds the Cash Target.

“ **Positive Working Capital Adjustment** ” means the amount by which the Estimated Working Capital is greater than the Working Capital Target.

“ **Proceeding** ” means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity or arbitrator.

“ **Process Technology License** ” means the Process Technology License by and between REL and Purchaser Parent and substantially in the form attached to this Agreement as **Exhibit N** (with such modifications as may be agreed by Purchaser Parent and REL).

“ **Purchaser Indemnitees** ” means the following Persons: (a) Purchasers; (b) the current and future Affiliates of either Purchaser (including, after the Closing, RSP and RSP-TW); (c) the respective current and future Representatives of the Persons referred to in clauses (a) and (b) of this sentence; and (d) the respective successors and assigns of the Persons referred to in clauses (a), (b) and (c) of this sentence.

“ **Registered Intellectual Property** ” means any Intellectual Property that is the subject of an application, certificate, filing or registration issued, filed with, or recorded by any Governmental Entity, including any of the following: (a) issued Patents and Patent applications; (b) Trademark registrations, renewals and applications; (c) Copyright registrations and applications; and (d) Domain Name registrations.

“ **REL Inventory** ” means all Inventory owned by REL that is used in, held for use in or intended to be used in the Business.

“ **REL Patent Cross-License Agreement** ” means the Patent Cross-License Agreement between REL and Purchaser Parent, substantially in the form attached to this Agreement as **Exhibit C** (with such modifications as may be agreed by Purchaser Parent and REL).

“ **Representatives** ” mean officers, directors, employees, agents, attorneys, accountants and financial and other advisors and representatives.

“ **Required Financial Statements** ” means all financial statements (a) required to be filed (or necessary for the preparation of any financial statements required to be filed) by either Purchaser Parent or any Affiliate of Purchaser Parent pursuant to applicable Law or applicable requirements in connection with the Transactions, including all financial statements that would be required to be filed by Purchaser Parent or any Affiliate of Purchaser Parent pursuant to Regulation S-X under the Exchange Act, including audited consolidated balance sheets of RSP and RSP-TW as of the end of each of the two most recently completed fiscal years ended at least 90 days prior to the Closing Date, audited consolidated income statements, statements of stockholders’ equity and statements of cash flows of RSP and RSP-TW for each of the two most recently completed fiscal years ended at least 90 days prior to the Closing Date, together with an unaudited interim balance sheet as of, and unaudited consolidated income statements and statements of cash flows of RSP and RSP-TW for, each interim fiscal quarter ended since the last audited financial statements and at least 45 days prior to the Closing Date, and (b) required in connection with the Financing, as determined by Purchasers, in each case prepared in accordance with GAAP consistently applied and incorporating the guidance of Section 1065.3 of the Financial Reporting Manual of the U.S. Securities and Exchange Commission and Topic 1.B.1. of the Staff Accounting Bulletins of the U.S. Securities and Exchange Commission.

“ **Retained Contract** ” means a Contract of a Seller that is material to RSP’s or RSP-TW’s ability to conduct its Business in the manner in which it was being conducted as of the Effective Date that was not transferred to RSP or RSP-TW pursuant to **Section 5.9** or otherwise.

“ **Sales Forecast** ” means a forecast, prepared by RSP in good faith, in a reasonable manner consistent with industry practice and, to the extent reasonably applicable, consistent with past practices, and approved by REL, which approval will not be unreasonably withheld, setting out in reasonably possible detail (including by product number and by inventory category (work-in-process and finished goods)) the REL Inventory or Closing REL Inventory (as applicable) forecasted to be sold within the 12 month period following the date of the Sales Forecast, including applicable quantities and average selling prices, which quantities and selling prices are to be disclosed through a clean team process prior to the Closing as necessary to comply with applicable Law.

“ **Securities Act** ” means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“ **Seller Disclosure Schedule** ” means the disclosure schedule delivered by the Seller Parties to the Purchasers concurrently with the execution and delivery of this Agreement, organized with reference to the section or subsection number of the representations and warranties in this Agreement.

“ **Seller Fundamental Representations** ” means the representations and warranties of the Seller Parties set forth in **Schedule 3.1(d) (Target Shares)**, **Schedule 3.2(b) (Capitalization)**, **Schedule 3.2(i) (Tax Matters)**, **Schedule 3.2(k) (Title to Tangible Assets)**, **Schedule 3.2(l) (Intellectual Property)** , and **Schedule 3.2(s) (Sufficiency of Assets)** .

“ **Software** ” means computer software, programs and databases in any form, including source code, object code, operating systems and specifications, data, databases, GDS and GDSII files, database management code, firmware, utilities, graphical user interfaces, menus, images, icons, forms and software engines, and all related documentation, developer notes, comments and annotations.

“ **Source Code** ” means any human readable Software source code, or any material portion or aspect of the Software source code, or any material proprietary information or algorithm contained, embedded or implemented in, in any manner, any Software source code.

“ **Sublease Agreement** ” means a sublease agreement to be entered into by and between REL and RSP, substantially in accordance with the terms and conditions set forth in **Exhibit F** .

“ **Subsidiary** ” means, with respect to any specified Person, any other Person (a) directly or indirectly controlled by such specified Person or (b) of which the specified Person owns, directly or indirectly, a majority of the voting securities of (or otherwise having the power to appoint a majority of the board of directors or other governing body of) such Person.

“ **Taiwanese GAAP** ” means Taiwan generally accepted accounting principles as in effect from time to time, consistently applied.

“ **Tax** ” or “ **Taxes** ” means any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

“ **Tax Return** ” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“ **Third Party** ” means a Person that is not a party to this Agreement.

“ **Third Party Intellectual Property** ” means the Intellectual Property owned by any Third Party.

“ **Trade Secrets** ” means unpublished inventions and discoveries (whether patentable or not), unregistered industrial designs, improvements, ideas, designs, models, formulae, recipes, patterns, data, diagrams, drawings, blueprints, mask works, devices, methods, techniques, processes, know how, instructions, configurations, prototypes, samples, specifications, technology, proprietary information, customer lists, Software, manufacturing processes and files reflecting same that, in each case, are not generally known to the public, and technical information that is not generally known to the public, and moral and economic rights of authors and inventors in any of the foregoing.

“ **Trademarks** ” means trademarks, service marks, fictional business names, trade names, commercial names, certification marks, collective marks, and other proprietary rights to any words, names, slogans, symbols, logos, devices or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services, registrations and applications for registration (of any type) of the foregoing, renewals and extensions of the foregoing, and the goodwill of the business associated with each of the foregoing.

“ **Transition Services Agreement** ” means the Transition Services Agreement by and among RSP, RSP-TW, REL, Purchaser Parent, and Purchaser Sub, substantially in the form attached to this Agreement as **Exhibit A** (with such modifications as may be agreed by Purchaser Parent and REL).

“ **Weekly Inventory Movement Report** ” means a report, signed by an authorized manager of RSP, identifying as of a date not more than two Business Days prior to the date of such Weekly Inventory Movement Report the following regarding RSP and RSP-TW: (i) wafer production input plan, (ii) sales forecast, (iii) customer backlog, (iv) outstanding purchase orders to suppliers and (v) the composition of each REL Inventory item by product number and by inventory category (work-in-process and finished goods) as of such date.

“ **Working Capital** ” means, for RSP and RSP-TW on a consolidated basis, Current Assets minus Current Liabilities (an example calculation of which, assuming the Closing occurred on April 30, 2014 and assuming the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof have been prepared in accordance with Japanese GAAP and are accurate in all respects, is included as **Schedule 2.5(a)**).

1.2 Other Defined Terms . The following terms have the meanings assigned to such terms in the Sections of the Agreement set forth below:

Accountant Determined Amount	2.5(c)
Acquisition Transaction	5.7(a)
Adjusted Purchase Price	2.2(a)
Agreement	Preamble
Antitrust Clearance	5.3(a)
Balance Sheet Date	Schedule 3.2(e)(i)
Bank Accounts	Section 3.2(dd)
Base Purchase Price	Section 2.2
Basic Expiration Date	8.1
Cash Ceiling	5.17(b)
Cash Floor	5.17(a)
Claims Notice	8.6
Closing	2.3
Closing Balance Sheet	2.5(a)
Closing Date	2.3
Closing Statement	2.5(b)
Closing Working Capital	2.5(a)
Compensation Package	5.11(a)(iii)
Confidentiality Agreements	5.8(d)
Deductible Amount	8.3(b)
Designated Employees	5.11(a)
Dispute	Schedule 3.2(l)(viii)

Disputed Line Items	2.5(c)
Drop Dead Date	9.1(b)
Effective Date	Preamble
Electronic Delivery	10.8
Estimated Closing Backlog	2.5(a)
Estimated Closing Cash Balance	2.5(a)
Estimated Company Indebtedness	2.5(a)
Estimated Statement	2.5(a)
Estimated Third Party Expenses	2.5(a)
Estimated Working Capital	2.5(a)
Final Closing Backlog	2.5(c)
Final Closing Backlog Adjustment	2.5(c)
Final Closing Cash Balance	2.5(c)
Final Company Indebtedness	2.5(c)
Final REL Inventory Purchase Price	5.16(e)
Final Third Party Expenses	2.5(c)
Final Working Capital	2.5(c)
Financial Statements	Schedule 3.2(e)(i)
Financing	5.8(a)
Fundamental Expiration Date	8.1
GPC	Preamble
GPC-Owned Shares	Recitals
Inbound IP Licenses	Schedule 3.2(l)(iv)
Indemnification Holdback Claim Period	8.4
Institution	Schedule 3.2(l)(xiii)
Interim Balance Sheet	Schedule 3.2(e)(i)
Leased Real Properties	Schedule 3.2(j)(i)
Lease Agreement	Schedule 3.2(j)(ii)
Liability Claim	8.6
Loss	8.2
Material Customer	Schedule 3.2(w)(i)
Material Suppliers	Schedule 3.2(w)(ii)
Month End Financials	2.5(a)
Notice of Disagreement	2.5(c)
Objection Notice	8.7(a)
Original Lease Agreements	Schedule 3.2(j)(i)
Outbound IP Licenses	Schedule 3.2(l)(iv)
Owned Registered Intellectual Property	Schedule 3.2(l)(i)
Panel	10.11(d)
Party	Preamble
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PTC-Owned Shares	Recitals

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Working Capital Target	2.5(a)

1.3 **Interpretation**. The meaning assigned to each term defined herein is equally applicable to both the singular and the plural forms of such term and vice versa. Where a word or phrase is used herein, each of its other grammatical forms has a corresponding meaning. The terms “hereof”, “herein” and “herewith” and words of similar import, unless otherwise stated, are construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. When a reference is made in this Agreement to an Article, Section, Annex, Exhibit or Schedule, such reference is to an Article, Section, Annex, Exhibit or Schedule to this Agreement unless otherwise specified. The words “include”, “includes”, and “including” when used in this Agreement are deemed to be followed by the words “without limitation”, unless otherwise specified. A reference to any Party includes such Party’s predecessors, successors and permitted assigns. Reference to any Law means such Law as amended, modified, codified, replaced or re-enacted, and all rules and regulations promulgated thereunder, as of the Effective Date or the Closing Date, as applicable. The Parties have participated jointly in the negotiation and drafting of this Agreement. All accounting terms used and not defined herein have the respective meanings given to them under GAAP. Any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party by virtue of the authorship of this Agreement does not apply to the construction and interpretation hereof.

ARTICLE II

PURCHASE AND SALE OF TARGET SHARES

2.1 Basic Transaction.

(a) On and subject to the terms and conditions of this Agreement, (i) immediately prior to the Closing, RSP agrees to purchase all of the shares of RSP-TW not already owned by RSP (including the RSP-TW Target Shares held by QVC), and QVC agrees to sell to RSP, all of the RSP-TW Target Shares, (ii) Purchaser Sub agrees to purchase from REL, Sharp, Powerchip and GPC, and the Sellers agree to sell to Purchaser Sub, 100% of the issued and outstanding capital stock of RSP (including all of the RSP Target Shares owned by each Seller) for the consideration specified in **Section 2.2** (such purchase and sale, together with each other transaction contemplated hereby and by any Ancillary Agreement, the “Transactions”), and (iii) each Seller hereby (A) consents to the sale of each other Seller’s Target Shares pursuant to the terms and conditions of this Agreement, (B) waives any notice, right of first refusal, options to purchase or other rights associated with the sale of each other Seller’s Target Shares pursuant to the terms and conditions of this Agreement, including any such rights under (1) the Joint Venture Agreement by and among REL, Sharp and Powerchip, dated as of March 10, 2008, as amended, (2) any other agreements between any of the Seller Parties, and (3) applicable Law, and (C) consents to the Share Repurchase.

(b) The purchase and sale of all of the shares of RSP-TW not already owned by RSP (the “RSP-TW Transaction”) shall be effected by the payment by RSP to QVC of the New Taiwan Dollars equivalent of JPY[*****] prior to the Closing, by wire transfer of immediately available cash funds to the bank account designated by QVC. At the closing of the RSP-TW Transaction, QVC shall deliver to RSP (with a copy to Purchaser Parent) stock certificates representing all of the shares of RSP-TW not already owned by RSP (including the RSP-TW Target Shares held by QVC) duly endorsed for transfer and free and clear of all Liens, and accompanied by appropriate stock transfer application to RSP-TW or its stock transfer agent, as the case may be, duly completed and executed by QVC in blank for registering on RSP-TW’s shareholders roster the transfer of the RSP-TW Target Shares to RSP. RSP shall withhold from the amounts payable in respect of the RSP-TW Target Shares, and report and pay to the relevant Republic of China Tax authority, an amount equal to the securities transaction Tax payable calculated by multiplying the number of the shares to be transferred by the per share price paid for such shares prior to any adjustment further multiplied by the securities transaction Tax rate applicable at such closing and promptly provide QVC with a certificate of RSP’s payment of such securities transaction Tax. Any and all securities transaction Tax paid in respect of any and all of the RSP-TW Target Shares shall be non-refundable for any reason.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

2.2 **Purchase Price**. The aggregate purchase price to be paid by Purchaser Sub as consideration for the sale of 100% of the issued and outstanding capital stock of RSP (including the Target Shares) shall be JPY61,000,000,000 *less* the Inventory Target Amount *plus* the Audit Delivery Fee *plus* any Positive Working Capital Adjustment *less* any Negative Working Capital Adjustment *plus* any Positive Cash Adjustment *less* any Negative Cash Adjustment *less* the Estimated Third Party Expenses *less* the Estimated Company Indebtedness *less* the Estimated Closing Backlog Adjustment, subject to adjustment pursuant to **Section 2.5** (the “**Purchase Price**”). The Purchase Price shall be paid as follows:

(a) At the Closing, Purchaser Sub will pay to the Sellers the Purchase Price *less* the Closing Holdback Amount, *less* the Indemnification Holdback Amount (the “**Adjusted Purchase Price**”) in immediately available cash funds. The Adjusted Purchase Price shall be allocated among the Sellers and delivered by Purchaser Sub in accordance with **Schedule 2.2** under the caption “Allocation of Adjusted Purchase Price.”

(b) At the Closing, Purchaser Sub shall withhold the Indemnification Holdback Amount from the Purchase Price to provide funds against which a Purchaser Indemnitee may assert claims of indemnification under this Agreement. The Indemnification Holdback Fund will be held, administered and distributed by Purchaser Sub in accordance with the terms of Article **VIII**.

(c) At the Closing, Purchaser Sub shall withhold the Closing Holdback Amount from the Purchase Price to provide funds against which Purchaser Sub may recover any adjustment in respect of the Closing Adjustment Items in accordance with the terms of **Section 2.5**. The Closing Holdback Fund will be held, administered and distributed by Purchaser Sub in accordance with the terms of **Section 2.5**.

2.3 **Closing**. The closing of the transactions contemplated by this Agreement (the “**Closing**”) is to take place at the offices of Nagashima Ohno & Tsunematsu, in Tokyo, Japan, commencing at 9:00 a.m., Japan standard time, on:

(a) the later of (i) October 1, 2014 and (ii) the next Business Day that is also the first day of a calendar month after the first date on which all of the conditions set forth in **Article VII** have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions at the Closing); or

(b) if the Closing has not taken place on or before December 1, 2014, then on the third Business Day after the first date on which all of the conditions set forth in **Article VII** have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions at the Closing); or

(c) on such other time, date and place as Purchaser Parent and the Seller Representative may agree, subject to the satisfaction or waiver of each of the conditions set forth in Article VII (the “Closing Date”).

2.4 Deliveries at Closing. At the Closing,

(a) Each Seller Party shall deliver to Purchasers (i) the various certificates, instruments, and documents referred to in **Section 7.1**, (ii) the Ancillary Agreements to which such Seller Party is a party, executed by such Seller Party, (iii) a request form, duly executed by such Seller affixing such Seller’s seal, to register Purchaser Sub as the holder of the RSP Target Shares owned by such Seller (as applicable) on RSP’s shareholders’ register, free and clear of all Liens, and (iv) all stock certificates representing all of the shares of RSP-TW not already owned by RSP duly endorsed for transfer and free and clear of all Liens, and accompanied by appropriate stock transfer application to RSP-TW or its stock transfer agent, as the case may be, duly completed and executed by the relevant Seller in blank for registering on RSP-TW’s shareholders roster the transfer of the RSP-TW Target Shares to RSP; and

(b) (i) Purchasers shall deliver to each Seller the various certificates, instruments, and documents referred to in **Section 7.2**, and (ii) Purchaser Sub shall deliver to each Seller such Seller’s portion of the Adjusted Purchase Price.

2.5 Purchase Price Adjustment.

(a) Estimated Statement. **Schedule 2.5(a)** sets forth an example calculation of Working Capital as of April 30, 2014, including the components thereof, assuming the Closing occurred on such date and assuming the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof have been prepared in accordance with Japanese GAAP and are accurate in all respects. The Parties have contemplated that RSP and RSP-TW will have (on a consolidated basis) (X) Working Capital as of the Closing (the “Closing Working Capital”), as calculated in accordance with this Agreement and on a basis consistent with **Schedule 2.5(a)**, of JPY3,576,000,000 (the “Working Capital Target”), (Y) a Closing Cash Balance in an amount equal to the Cash Target, and (Z) Closing Backlog in an amount equal to the Backlog Target. At least five Business Days prior to the Closing, RSP will deliver to Purchaser Parent (i) a written statement (the “Estimated Statement”) setting forth the Sellers’ good faith final estimates of the amounts of the Closing Working Capital (such estimate, the “Estimated Working Capital”), the Closing Cash Balance (such estimate, the “Estimated Closing Cash Balance”), the Closing Third Party Expenses, which will be reasonably detailed, include wire instructions and be separated by service provider (such estimate, the “Estimated Third Party Expenses”), the Closing Company Indebtedness, which will be reasonably detailed, include wire instructions and be separated by lender (such estimate, the “Estimated Company Indebtedness”), the Closing Backlog (such estimate, the “Estimated Closing Backlog”) and the Closing Backlog Adjustment calculated in respect of the Estimated Closing Backlog (the “Estimated Closing Backlog Adjustment”), (ii) a final estimated unaudited consolidated balance sheet as of the Closing Date of RSP and RSP-TW prepared in accordance with Japanese GAAP and in a manner consistent with the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof (the “Closing Balance Sheet”), and (iii) a final unaudited consolidated balance sheet

of RSP and RSP-TW as of, and statements of operations and statements of cash flows for the fiscal year to, the last day of the month immediately preceding the fifth day before the Closing Date prepared in accordance with Japanese GAAP and in a manner consistent with the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof (the “Month End Financials”), together with such schedules and data as may be appropriate to support such Estimated Statement, Closing Balance Sheet and Month End Financials. The Estimated Statement, Closing Balance Sheet and Month End Financials will be signed by an Executive Vice President of RSP. Following delivery of the Estimated Statement and Closing Balance Sheet, the Seller Parties will (and will cause RSP and RSP-TW to) provide Purchaser Parent and its Representatives with reasonable access to the officers, books and records of RSP and RSP-TW and the independent auditors of RSP and RSP-TW, to verify the accuracy of such amounts in accordance with this Agreement, all to the extent deemed reasonably necessary by Purchaser Parent. In the event that Purchaser Parent does not agree with the Sellers’ calculations of the Estimated Working Capital, the Estimated Closing Cash Balance, Estimated Third Party Expenses, Estimated Company Indebtedness, Estimated Closing Backlog and Estimated Closing Backlog Adjustment, or the Closing Balance Sheet, the Seller Representative and Purchaser Parent will negotiate in good faith to mutually agree on acceptable estimates, and the Seller Representative will consider in good faith, but in its sole discretion, any proposed comments or changes that Purchaser Parent may reasonably suggest; *provided, however*, that the Seller Representative’s failure to include any changes proposed by Purchaser Parent, or the acceptance by Purchaser Parent of the Estimated Statement, the Closing Balance Sheet, the Estimated Closing Cash Balance, the Estimated Third Party Expenses, the Estimated Company Indebtedness, the Estimated Closing Backlog, or the Estimated Closing Backlog Adjustment, does not constitute an acknowledgment by Purchasers of the accuracy of the Estimated Statement or Closing Balance Sheet, and will not limit or otherwise affect Purchasers’ remedies under this Agreement, including Purchasers’ right to include such changes or other changes in the Closing Statement.

(b) Closing Statement. Within 90 days after the Closing Date, Purchaser Parent will prepare and deliver to the Sellers a calculation of the Closing Adjustment Items (the “Closing Statement”) together with such schedules and data setting forth in reasonable detail the particulars of any disparity between the Estimated Statement and the Closing Statement, including a copy of the Estimated Statement marked to indicate those specific line items that are in dispute, if any, and accompanied by Purchaser Parent’s calculation of each such line item that is in dispute. Following delivery of the Closing Statement, Purchasers shall provide the Seller Representative with reasonable access to officers, employees and the financial records of RSP and RSP-TW, solely for the purpose of reviewing the Closing Statement in accordance with this Agreement, all to the extent deemed reasonably necessary by the Seller Representative and in a manner not unreasonably disruptive to RSP’s or RSP-TW’s business; *provided*, that the Seller Representative will not, except with the prior written consent of Purchaser Parent, (which consent may not be unreasonably withheld), contact any employee of either Purchaser, RSP, or RSP-TW. For purposes of this **Section 2.5**, Working Capital, Cash, Company Indebtedness, Third Party Expenses and Backlog will be calculated in accordance with this Agreement (including, in the case of Working Capital, **Schedule 2.5(a)**) and with Japanese GAAP applied using the same accounting methods, policies, practices and procedures, with consistent classifications, judgments and estimation methodology, in each case to the extent consistent with Japanese GAAP, as were used in the preparation of the unaudited consolidated financial statements of RSP and RSP-TW as of April 30, 2014 delivered to Purchaser Parent before the date hereof.

(c) Determination of Final Working Capital, Final Closing Cash Balance, Final Third Party Expenses, Final Company Indebtedness, and Final Closing Backlog. If the Seller Representative disagrees in whole or in part with the Closing Statement, then within 30 days after its receipt of the Closing Statement, it will notify Purchaser Parent of such disagreement in writing (the “Notice of Disagreement”), setting forth in reasonable detail the particulars of any such disagreement. To be effective, any such Notice of Disagreement must include a copy of the Closing Statement marked to indicate those specific line items that are in dispute (the “Disputed Line Items”) and must be accompanied by the Seller Representative’s calculation of each of the Disputed Line Items and the Seller Representative’s revised Closing Statement setting forth its determination of each Closing Adjustment Item. To the extent the Seller Representative provides a Notice of Disagreement within such 30 day period, all items that are not Disputed Line Items are final, binding and conclusive for all purposes hereunder unless the resolution of such Disputed Line Item affects an undisputed item, in which case such undisputed item remains open and shall be considered a Disputed Line Item by Purchaser Parent. In the event that the Seller Representative does not provide a Notice of Disagreement within such 30-day period, the Seller Representative will be deemed to have accepted in full the Closing Statement as prepared by Purchaser Parent, which, in such case, is final, binding and conclusive for all purposes hereunder. In the event any Notice of Disagreement is timely provided and contains the proper information required above, Purchaser Parent and the Seller Representative will use best efforts for a period of 30 days (or such longer period as they may mutually agree) to resolve any Disputed Line Items. During such 30-day period, Purchaser Parent and the Seller Representative will have access to the working papers, schedules and calculations of the other used in the preparation of the Closing Statement and the Notice of Disagreement and the determination of the Closing Adjustment Items, and Disputed Line Items. If, at the end of such period, Purchaser Parent and the Seller Representative are unable to resolve such Disputed Line Items, then such Disputed Line Items shall be referred to the Tokyo office of the accounting firm of Deloitte Touche Tohmatsu or, if such office is unable or unwilling to act, an internationally recognized accounting firm mutually agreed by Purchaser Parent and the Seller Representative (the “Settlement Accountant”). Purchaser Parent and the Seller Representative will enter into reasonable and customary arrangements for the services to be rendered by the Settlement Accountant under this **Section 2.5(c)**. The Settlement Accountant will be directed to determine as promptly as practicable (and in any event within 30 days from the date that the dispute is submitted to it), whether the Disputed Line Items in the Closing Statement were prepared in accordance with the standards set forth in this **Section 2.5** and whether and to what extent (if any) each Closing Adjustment Item requires adjustment. The Settlement Accountant is to resolve each Disputed Line Item by calculating such Disputed Line Item in accordance with this Agreement (for each such Disputed Line Item, the amount so calculated is referred to as the “Accountant Determined Amount”) and establishing as the final amount of such Disputed Line Item the applicable Accountant Determined Amount; *provided*, that the Accountant Determined Amount for each Disputed Line Item may not be greater than the highest amount proposed by Purchaser Parent and the Seller Representative nor less than the lowest amount proposed by Purchaser Parent and the Seller Representative. Purchaser Parent and the Seller Representative will each furnish to the Settlement Accountant such work papers and other documents and information relating to the disputed issues, and will answer questions as the Settlement Accountant may reasonably request. The determination of the Settlement Accountant is final, conclusive and binding on the Parties. The amounts determined to be the Closing Working Capital pursuant to this **Section 2.5(c)** will constitute the “Final Working Capital.” The amount determined to be the Closing Cash Balance pursuant to this **Section 2.5(c)** will constitute the “Final Closing Cash Balance.” The amount determined to be the Closing Third Party Expenses pursuant to this **Section 2.5(c)** will constitute the “Final Third Party Expenses.” The amount determined to be the Closing Company Indebtedness pursuant to this **Section 2.5(c)** will constitute the “Final Company Indebtedness.” The amount determined to be the Closing Backlog pursuant to this **Section 2.5(c)** will constitute the “Final Closing Backlog.” The Closing Backlog Adjustment calculated in respect of the Final Closing Backlog will constitute the “Final Closing Backlog Adjustment.”

(d) Consultation among Sellers. Promptly after the receipt of the Closing Statement, Sellers, including Seller Representative, shall consult with each other regarding the objection to the Closing Statement in order to agree on whether or not to provide the Notice of Disagreement and the content of the Notice of Disagreement. In the case where the Sellers failed to reach a mutual agreement in this regard, the Seller Representative shall provide Notice of Disagreement based on the objection by a Seller that is farthest from the Closing Statement regarding each Disputed Line Item and made within 20 days after the receipt of the Closing Statement.

(e) Fees and Expenses of Settlement Accountant. The fees and expenses of the Settlement Accountant will be split equally by the Purchaser Parent and the Seller Representative.

(f) Calculations. The Parties agree that if any provision of this Agreement requires an amount or calculation to be “determined in accordance with this Agreement and Japanese GAAP” (or words of similar import), then to the extent that the terms of this Agreement (including **Schedule 2.5(a)**) expressly conflict with, or are expressly inconsistent with, Japanese GAAP in connection with such determination, the terms of this Agreement (including **Schedule 2.5(a)**) will control.

(g) Settlement. Within five (5) Business Days after the final determination of the Closing Adjustment Items in accordance with this **Section 2.5** :

(i) if the Closing Adjustment Amount is positive or zero, Purchaser Sub shall promptly pay (X) the amount of the Closing Adjustment Amount plus (Y) the entire Closing Holdback Fund to be paid to the Sellers, pro rata in proportion to the Sellers’ respective Holdback Percentages, by wire transfer of immediately available funds to the respective accounts designated by the Sellers; and

(ii) if the Closing Adjustment Amount is negative: (A) Purchaser Sub shall retain from the Closing Holdback Fund the absolute value amount by which the Closing Adjustment Amount is less than zero (the “Shortfall”), (B) if the amount of the Shortfall is less than the Closing Holdback Fund, Purchaser Sub shall promptly cause the amount by which the Closing Holdback Fund exceeds the Shortfall to be paid to the Sellers, pro rata in proportion to the Sellers’ respective Holdback Percentages, by wire transfer of immediately available funds to the respective accounts designated by the Sellers, and (C) if the amount of the Shortfall exceeds the amount of the Closing Holdback Fund, the Sellers shall promptly pay to Purchaser Sub the amount of the Shortfall that is in excess of the Closing Holdback Fund, pro rata in proportion to the Sellers’ respective Holdback Percentages, by wire transfer of immediately available funds to an account designed by the Purchaser Sub.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER PARTIES

3.1 **Representations and Warranties Concerning Sellers**. Each Seller represents and warrants to each Purchaser that the statements contained in **Schedule 3.1** (other than Section (f) thereof, which only REL represents and warrants to each Purchaser) are correct and complete (with respect to such Seller) as of the Effective Date and will be correct and complete (with respect to such Seller) as of the Closing Date (as though made then and as though the Closing Date were substituted for the Effective Date throughout **Schedule 3.1**), except as set forth in the Seller Disclosure Schedule (it being acknowledged and agreed by each Seller that notwithstanding anything herein to the contrary (including without limitation, clause (c) of the definitions of “Material Adverse Effect” and “Material Adverse Change”), the representations and warranties contained in **Schedule 3.1** will only be qualified or limited by the information contained in the Seller Disclosure Schedule and will not be qualified or limited by any other documents or information, whether or not such documents or information have been Made Available to Purchasers or otherwise made known to Purchasers).

3.2 **Representations and Warranties Concerning RSP and RSP-TW**. Each Seller Party represents and warrants to each Purchaser that the statements contained in **Schedule 3.2** are correct and complete as of the Effective Date and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the Effective Date throughout **Schedule 3.2**), except as set forth in the Seller Disclosure Schedule (it being acknowledged and agreed by each Seller Party that notwithstanding anything herein to the contrary (including without limitation, clause (c) of the definitions of “Material Adverse Effect” and “Material Adverse Change”), the representations and warranties contained in **Schedule 3.2** will only be qualified or limited by the information contained in the Seller Disclosure Schedule and will not be qualified or limited by any other documents or information, whether or not such documents or information have been Made Available to Purchasers or otherwise made known to Purchasers) and subject to the limitations on liability set forth in **Article VII I**, as may be applicable.

3.3 **No Further Representations**. Except as expressly set forth in this Agreement, the Seller Disclosure Schedule, any exhibit or schedule to this Agreement, or any certificate or other document required to be delivered to either or both Purchasers in accordance with this Agreement, Seller Parties make no representation or warranty, express or implied, at law or in equity, in respect of RSP, RSP-TW, or any of their respective assets, liabilities or operations, including with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed.

3.4 **Seller Disclosure Schedule**. Each Purchaser acknowledges and agrees that (i) any disclosure under one part of the Seller Disclosure Schedule is deemed to be a disclosure under all parts of the Seller Disclosure Schedule (but only to the extent that the applicability of such disclosure to any such other part of the Seller Disclosure Schedule is readily apparent on its face), and (ii) a disclosure of any matter in the Seller Disclosure Schedule does not constitute (x) an expression of a view that such matter is required to be disclosed pursuant to this Agreement or (y) a determination by any Seller Party that any such matter is material.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASERS

4.1 **Purchasers' Representations and Warranties**. Each Purchaser represents and warrants to each Seller that the statements contained in **Schedule 4.1** are correct and complete as of the Effective Date and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the Effective Date throughout **Schedule 4.1**).

4.2 **No Further Representations**. Except as expressly set forth in this Agreement, any exhibit or schedule to this Agreement, or any certificate or other document required to be delivered to a Seller in accordance with this Agreement, Purchasers make no representation or warranty, express or implied, at law or in equity, or any of their respective assets, liabilities or operations, including with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE V

PRE-CLOSING COVENANTS

5.1 **General**. Prior to the Closing Date, (a) each of the Parties shall employ its best efforts to take all actions and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the Closing conditions set forth in Article VII), and (b) each Seller Party will take commercially reasonable actions necessary to comply promptly with all legal requirements which may be imposed on it with respect to the consummation of the Transactions. Without limiting the foregoing, each of the Parties proposed to be party to an Ancillary Agreement the form of which has not been attached to this Agreement as an Exhibit, shall employ its best efforts to cause the final form of such Ancillary Agreement to be agreed in good faith (including the Sublease Agreement). With respect to any provision in this **Article V** that requires the Sellers or each Seller to cause RSP, RSP-TW or both RSP and RSP-TW to take (or refrain from taking) any action, a Seller shall be required to take any action to the extent controllable by such Seller (including affirmatively voting for any matter requiring unanimous consent of the Sellers), but otherwise each Seller shall be required only to employ its best efforts to take all actions and to do all things necessary in order to cause RSP or RSP-TW, as applicable, to take (or refrain from taking) such action under such provision.

5.2 Notices, Consents and Cooperation. Prior to the Closing Date, each Seller Party will, and will cause each of RSP and RSP-TW to, (i) employ its best efforts to obtain all consents, waivers and approvals of any parties to any Contract as are required thereunder in connection with the Transactions, including all of the consents listed in **Schedule 5.2** (the “Required Consents”), and (ii) other than with respect to Antitrust Clearance pursuant to **Section 5.3**, each of the Seller Parties shall, and Sellers shall cause each of RSP and RSP-TW to, give any notices to, make any filings with, and use its best efforts to obtain any authorizations, consents, and approvals of Governmental Entities required of it in connection with the purchase and sale of the Target Shares contemplated under this Agreement, including the matters referred to in **Section 3.2(c)** of the Seller Disclosure Schedule. All such consents, waivers, approvals, notices, filings and authorizations will be in form and substance reasonably acceptable to Purchasers, and RSP and RSP-TW will provide to Purchasers evidence, reasonably satisfactory to Purchasers, of all such consents, waivers, approvals, notices, filings and authorizations that are obtained. Prior to the Closing, each Seller Party will, and will cause each of RSP and RSP-TW to, give prior notice of the Transactions using a format approved by Purchaser Parent to (i) all Persons as required in connection with the Transactions, and (ii) all suppliers, Representatives, agents, customers and other business partners of RSP and RSP-TW. Purchasers shall provide reasonable cooperation to the Seller Parties in procuring the foregoing consents and giving such notices (including the execution and delivery of such further instruments and documents as may be reasonably necessary), but shall not, unless otherwise specified in **Schedule 5.2**, be responsible for the payment of any Consent Fees (all of which shall be solely the responsibility of the Sellers) in connection therewith.

5.3 Antitrust Filings.

(a) **Antitrust Clearance.** The Purchasers will use best efforts to obtain the required antitrust clearance (including the expiration of the applicable waiting period) under the applicable Law of Japan and any other jurisdiction (“Antitrust Clearance”) and shall take all actions necessary to prepare and to make the filings for the Antitrust Clearance. Each Seller Party undertakes to cooperate, and cause RSP and RSP-TW to cooperate, with Purchasers in providing as promptly as reasonably practicable all reasonably required information concerning the Seller Parties and to reasonably assist in making such filings. Purchasers and the Seller Parties each will supply as promptly as reasonably practicable any additional information and documentary material that may be requested by any other Governmental Entity. Each Seller Party acknowledges that the Purchasers will lead the process to obtain all necessary waivers, consents and approvals required for Antitrust Clearance, and that Purchasers’ determination after reasonable consultation with Sellers as to the appropriate course of action to obtain Antitrust Clearance is final, *provided* that the foregoing shall not in any respect limit any of the parties’ obligations under this Agreement. Purchasers and each Seller Party will use best efforts to cooperate in good faith with respect to all of the following actions to the extent necessary or appropriate to obtain Antitrust Clearance: (1) entering into negotiations with Governmental Entities; (2) providing information required by Law; and (3) substantially complying with any supplemental request for information in accordance with the antitrust or competition Laws. The filing fees in connection with any Antitrust Clearance filing shall be borne by Purchasers. Otherwise, Purchasers will be responsible for their own expenses and costs that they incur with respect to obtaining Antitrust Clearances, and each Seller will be responsible for its respective pro rata portion (determined in proportion to the Sellers’ respective Holdback Percentages) of the total expenses and costs that are incurred by all Sellers with respect to obtaining Antitrust Clearance.

(b) Purchasers will use best efforts to resolve such objections, if any, as may be asserted by any Governmental Entity with respect to Antitrust Clearance (and RSP and RSP-TW will resolve, and Sellers will cause RSP and RSP-TW to so resolve, any such objections). The Sellers will use best efforts to cooperate with Purchasers to resolve any such objections. Neither any Purchaser nor any Seller Party or any of their respective Affiliates shall be required to defend, contest or resist any action or Proceeding, whether judicial or administrative, or to take any action to have vacated, lifted, reversed or overturned any Order, in connection with the transactions contemplated by this Agreement. At the request and expense of Purchasers, however, if any administrative or judicial action or Proceeding is instituted (or threatened to be instituted) by a Governmental Entity or private party challenging any Transaction contemplated by this Agreement, or any other agreement contemplated hereby, each Seller Party will cooperate with Purchasers as reasonably required by Purchaser in order for Purchasers to contest and resist any such action or Proceeding and to have vacated, lifted, reversed or overturned any Order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Transactions.

(c) Notwithstanding anything to the contrary set forth in this Agreement, Purchasers are not required to, and Seller Parties are not required to, and none of them may (or may permit RSP or RSP-TW to), without the prior written consent of Purchaser Parent, become subject to, consent to, or offer or agree to, or otherwise take any action with respect to, any requirement, condition, limitation, understanding, agreement or Order to (i) sell, license, assign, transfer, divest, hold separate or otherwise dispose of any assets, business or portion of business of RSP or RSP-TW, (ii) conduct, restrict, operate, invest or otherwise change the assets, business or portion of business of RSP or RSP-TW in any manner, or (iii) impose any restriction, requirement or limitation on the operation of the business or portion of the business of RSP or RSP-TW; provided that, if requested by Purchaser Parent, Seller Parties will cause RSP and RSP-TW to become subject to, consent to, or offer or agree to, or otherwise take any action with respect to, any such requirement, condition, limitation, understanding, agreement or Order so long as such requirement, condition, limitation, understanding, agreement or Order is only binding on RSP and/or RSP-TW, in the event the Closing occurs.

(d) In no event is either Purchaser obligated to (1) divest any of its or any of its Affiliates' businesses, product lines or assets, or to agree to any divestiture of any Seller Party's businesses, product lines or assets, or (2) take or agree to take any other action or agree to any limitation on the conduct of its or any Seller Party's business as a condition of obtaining Antitrust Clearance. In no event is any Seller Party required to (x) divest any of its businesses, product lines or assets, or (y) take or agree to take any other action or agree to any limitation on the conduct of its business as a condition of obtaining Antitrust Clearance.

5.4 Operation of Business. Between the Effective Date and the Closing Date, RSP and RSP-TW (X) will, and the Seller Parties will cause RSP and RSP-TW to, take all reasonable steps to preserve and protect the assets of RSP and RSP-TW in good working order and condition, ordinary wear and tear excepted, in accordance with operations in the Ordinary Course of Business, and (Y) will not, and the Seller Parties will not cause or permit RSP or RSP-TW to, engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. Without limiting the foregoing, between the Effective Date and the Closing Date, RSP and RSP-TW will not, and the Seller Parties will not cause or permit RSP or RSP-TW to (and, with respect to subsections (p) and (q), the Sellers will not, except in connection with any and all transactions or actions that are required or expressly permitted under this Agreement), without the prior written consent of Purchaser Parent, which consent shall not be unreasonably withheld:

(a) amend or otherwise make any change to its organizational documents;

(b) acquire by merging or consolidating with, or by purchasing the assets of, or by any other manner, any business or any company, partnership, association or other business organization or division thereof;

(c) create or acquire the equity interests of any Subsidiary, or alter or enter into any commitment to alter, its interest in any Subsidiary, corporation, association, joint venture, partnership or business entity in which RSP or RSP-TW directly or indirectly holds any interest;

(d) approve, make, carry out or effect any entry into any new Contract that would constitute a Material Contract (except for those Contracts that are solely Material Contracts as a result of clauses (a) or (b) of the definition thereof) or that would require the consent of or notice to the counterparty either (i) to disclose the existence of, or any terms of, such Contract or (ii) in respect of the consummation of the Transactions (unless such consent or notice in respect of the consummation of the Transactions is provided for in such Contract or irrevocably delivered to Purchasers prior to or simultaneously with the entrance into such Contract);

(e) approve, make, carry out, allow or effect any termination, waiver or amendment of any Material Contract;

(f) approve, make, carry out or effect any sale, purchase or lease of any property or asset (except for mask) or any borrowing, Indebtedness or capital lease in excess of JPY10,000,000;

(g) acquire, lease or license any rights (including Intellectual Property), businesses or assets, in each case that are, individually or in the aggregate, material; provided that the granting of a license to partners of RSP or RSP-TW under a Compression License Agreement shall not be restricted by this **Section 5.4(g)** ;

(h) sell, transfer, license or otherwise dispose of any material assets;

(i) make any capital expenditures or commitments, capital additions or capital improvements or enter into any capital leases with an aggregate value in excess of JPY10,000,000;

(j) incur or permit to exist any Lien on any assets, other than Liens incurred in the Ordinary Course of Business;

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- (k) commence any Proceeding other than for the routine collection of amounts owed;
- (l) enter into any waiver, release, assignment, compromise or settlement of, or take any material action with respect to, any pending or threatened Proceeding;
- (m) discontinue or shut down any material line of business or division;
- (n) cancel, compromise, release or assign any Indebtedness owed to RSP or RSP-TW or any claims held by RSP or RSP-TW;
- (o) (i) incur any Indebtedness or guarantee any Indebtedness or guarantee any Indebtedness of another Person, guarantee any debt securities of another Person, enter into any “keep well” or other Contract to maintain any financial statement condition of another Person or (ii) enter into any arrangements having the economic effect of any of the foregoing or make any loans, advances or capital contributions to, or investments in, any other Person, in each case of clause (i) or (ii) as would impose any Liability or obligation on either Purchaser, RSP or RSP-TW;
- (p) (i) establish, adopt, enter into or amend any Employee Benefit Plan, other than immaterial amendments that do not result in significantly increased costs or expenses; or (ii) pay any bonus or make any profit-sharing or similar payment to, or materially increase the amount of the wages, salary, commissions, fringe benefits or other compensation (including equity-based compensation, whether payable in stock, Cash or other property) or remuneration payable to, or adopt or agree to any severance or retention arrangements with or for the benefit of, any of its directors or any of its officers or other employees, except, in the case of clause (i) or (ii): (A) as required by the terms of any Employee Benefit Plan existing and in effect on the Effective Date; or (B) in the Ordinary Course of Business;
- (q) hire directly a new employee (including any Relevant Seconded, Relevant Employee, or RSP-TW Employee) or terminate the employment of any Relevant Seconded, Relevant Employee, or RSP-TW Employee, other than for cause, *provided* that RSP provides advance notice of such termination to Purchaser Parent, or of any Contractors; enter into, or extend the term of, any employment or consulting Contract with any Person; or increase the salaries, wage rates or fees of any Relevant Secondeds, Relevant Employees, RSP-TW Employees, employees (except for temporary staff), or Contractors;
- (r) grant any severance or termination pay to any Person or amend or modify any existing severance or termination agreement with any Person;
- (s) adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;
- (t) change any of its methods of accounting or accounting practices in any material respect, except as required by concurrent changes, with respect to RSP, in Japanese GAAP, or, with respect to RSP-TW, in Taiwanese GAAP;

(u) sell, issue, grant or authorize the sale, issuance or grant to any Person (other than either Purchaser or any of their Affiliates) of (i) any capital stock or other security, (ii) any option, call, warrant or right to acquire any capital stock or other security, or (iii) any instrument convertible into or exchangeable for any capital stock or other security;

(v) declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of its capital stock;

(w) make or change any material Tax election;

(x) materially accelerate the payment of any accounts payable, or materially defer the payment of any accounts receivable, of or to RSP or RSP-TW;

(y) vary in any material respect its level of purchases of Inventory from REL (except for variations in the Ordinary Course of Business); or

(z) take, or agree in writing or otherwise to take, or propose to take, any of the actions described in this **Section 5.4**.

5.5 Access to Information

(a) Between the Effective Date and the Closing Date, the Seller Parties will permit, and Seller Parties will cause RSP and RSP-TW to permit, Representatives of either Purchaser (including legal counsel and accountants) to have reasonable access at all reasonable times after receiving reasonable advance notice from such Purchaser, and in a manner so as not to interfere with the normal business operations of such Seller Party, to all premises, properties, personnel, books, records (including Tax records and employment records), contracts, and documents of or pertaining to RSP and RSP-TW (including as may be controlled by or in the possession of a Seller Party); *provided*, that the applicable Seller Party may restrict or otherwise prohibit access to any documents or information of or relating to such Seller Party, RSP or RSP-TW to the extent such Seller Party or RSP determines in good faith that any applicable Law or any contracts requires it to do so. The Sellers shall keep the Data Room open until the Closing, and make the Data Room available to the Purchasers and its Representatives in the same manner as the Sellers made the Data Room available as of and prior to the Effective Date.

(b) Until the earlier of the termination of this Agreement and the Closing Date, the Seller Parties will, and will cause the officers, counsel or other Representatives of the Seller Parties to, promptly notify Purchaser Parent of any material changes or developments in the operational matters of RSP or RSP-TW, and to confer from time to time as requested by Purchaser Parent and reasonably agreed by such Seller Party with one or more Representatives of Purchaser Parent during ordinary business hours to discuss, any material changes or developments in the operational matters of RSP or RSP-TW and the general status of the ongoing business and operations of RSP and RSP-TW. To the extent Purchaser Parent requests further information or investigation of the basis of any potential violations of Law, including Laws related to export control and the FCPA, based on reasonable evidence for such existing or potential violations of Law, the Seller Parties will, and will cause the officers, counsel or other Representatives of the Seller Parties to cooperate with such request and will make available any personnel or experts engaged by any Seller Party necessary to accommodate such request.

5.6 Notice of Developments. Prior to the Closing, the Seller Parties will (and will cause RSP and RSP-TW to) notify Purchaser Parent promptly of, and Purchasers shall promptly notify each Seller of, (i) any development, event, condition, fact or circumstance that causes or would be likely to cause any of the representations or warranties in **Schedule 3.1** or **Schedule 3.2**, in the case of Seller Parties, or in **Schedule 4.1**, in the case of Purchasers, to be untrue or inaccurate in any material respect on the Closing Date; (ii) any misrepresentation or breach of any warranty in **Schedule 3.1** or **Schedule 3.2**, in the case of Seller Parties, or in **Schedule 4.1**, in the case of Purchasers, on the Effective Date; (iii) any breach or any development, event, condition, fact or circumstance that would be likely to cause a material breach of any covenant or obligation of any Seller Party under this Agreement or any Ancillary Agreement; and (iv) any development, event, condition, fact or circumstance that would make the timely satisfaction of any of the conditions set forth in **Section 7.1**, in the case of the Seller Parties, or in **Section 7.2**, in the case of Purchasers, impossible or highly unlikely, after recognition of any of the above event. Each Seller Party will (and will cause RSP and RSP-TW to) promptly notify Purchaser Parent of any Proceedings commenced or threatened in writing against any Party related to this Agreement or the Transactions. No such notification shall affect or be deemed to modify any representation or warranty made in this Agreement.

5.7 No Shop; No Disposition.

(a) Until such time, if any, as this Agreement is terminated pursuant to **Section 9.1** or the Closing, whichever comes earlier, each Seller Party will not, and will cause RSP, RSP-TW and such Seller Party's, RSP's and RSP-TW's respective Affiliates (including INCJ, which will be deemed an Affiliate of REL, RSP and RSP-TW for the purpose of this **Section 5.7**) and Representatives not to, directly or indirectly, solicit, initiate, respond to or encourage any inquiry or proposal from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiry or proposal from, any Person (other than either Purchaser) relating to any transaction involving (i) the sale or potential sale of any of the Target Shares (or any other equity interests of RSP or RSP-TW), (ii) the sale or potential sale or exclusive license or potential exclusive license of the business of RSP, RSP-TW or any portion thereof, (iii) the sale or potential sale of or exclusive license or potential exclusive license of any property or asset related to or used in the business of RSP or RSP-TW (except in the Ordinary Course of Business), or (iv) any merger, consolidation, business combination, carve out, spin off, or other transaction, whether or not similar to the foregoing (each, an "Acquisition Transaction"), involving RSP or RSP-TW; *provided, however*, that this **Section 5.7** shall not restrict a Seller Party from informing a Person inquiring about or proposing an Acquisition Transaction that the Seller Party is subject to the obligations of this **Section 5.7**.

(b) Upon execution of this Agreement, each Seller Party will, and will cause RSP, RSP-TW and such Seller Party's, RSP's and RSP-TW's respective Affiliates and Representatives to, immediately cease and cause to be terminated any existing direct or indirect discussions with any Person (other than either Purchaser) that are in respect of an Acquisition Transaction. From the date hereof until the earlier of the termination of this Agreement pursuant to its terms and the Closing Date, each Seller Party will, and will cause RSP, RSP-TW and such Seller Party's, RSP's and RSP-TW's respective Representatives and Affiliates to, promptly (and in no event later than 24 hours after receipt thereof) notify Purchaser Parent, subject to any existing confidentiality obligations of the Seller Parties or their Representatives to any Person

under any confidentiality agreement in effect as of May 2, 2014, orally and in writing of any proposal for, or inquiry respecting, any Acquisition Transaction or any request for nonpublic information in connection with such proposal or inquiry, or for access to the properties, books, or records of RSP or RSP-TW by any Person or entity that informs any Seller Party that it is considering making, or has made, such a proposal or inquiry (whether or not such proposal or inquiry is written). Such notice will indicate the identity of the Person or entity making the proposal or inquiry and the terms and conditions of such proposal or inquiry in reasonable detail. The Seller Parties will, subject to any existing confidentiality obligations of the Seller Parties or their Representatives to any Person under any confidentiality agreement in effect as of May 2, 2014 and related to an Acquisition Proposal, keep Purchaser Parent informed on a reasonably current basis (and, in any event, within 24 hours) of the status and details of any material modifications to any such proposal, offer or request. Each Seller Party will use its best efforts to promptly terminate any such confidentiality agreement to the extent related to any Acquisition Proposal.

(c) Except as required by **Section 5.9**, until such time, if any, as this Agreement is terminated pursuant to **Section 9.1** or the Closing, whichever comes earlier, each Seller Party will not, and will cause RSP and RSP-TW not to, dispose, sell or transfer, with or without consideration, (i) the business of RSP, RSP-TW or any portion thereof, (ii) any property or asset related to or used in the business of RSP or RSP-TW (except in the Ordinary Course of Business), or (iii) any equity interest of RSP or RSP-TW.

5.8 Purchaser Financing.

(a) Financing. Purchasers shall employ best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange and obtain the financing necessary to purchase the Target Shares (the “Financing”). Purchasers shall keep each Seller Party reasonably informed of material developments in respect of the financing process relating thereto.

(b) Notice: Alternative Financing. If, notwithstanding the employment of best efforts by Purchasers to satisfy their obligations under **Section 5.8(a)**, any portion of the Financing becomes unavailable, in whole or in part, for any reason, Purchasers will (i) promptly notify each Seller Party, indicating the reasons therefor, and (ii) employ its best efforts promptly to arrange for alternative Financing (including debt, equity and other financing) in an amount sufficient to complete the transactions contemplated hereby.

(c) Access to Information. From the Effective Date until the earlier to occur of the Closing Date and the termination of this Agreement, the Seller Parties will, and will cause RSP and RSP-TW to, timely furnish Purchasers and the Financing Sources with such financial, operating, business, financial condition, projections and other data and information as Purchasers or the Financing Sources, through their Representatives, may reasonably request, including furnishing all historical financial statements and historical financial and other data of the type and form customarily included in registration statements for public offerings made under the Securities Act, offering documents used in private placements under Rule 144A of the Securities Act and syndicated loan transactions. The Seller Parties will, and will cause RSP and RSP-TW to, provide to Purchasers and the Financing Sources information which is complete and correct in all material respects and does not and will not, in whole or in part, for any reason, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which such statements are made, not misleading. RSP and RSP-TW each hereby consents to the use of all of RSP's and RSP-TW's logos in connection with the Financing. Without limiting the generality of the foregoing, from the Effective Date until the earlier to occur of the Closing Date and the termination of this Agreement in accordance with its terms, the Seller Parties will, and will cause RSP and RSP-TW to, provide to Purchasers all cooperation reasonably necessary in connection with Purchasers' financing of the Transactions, including using best efforts with respect to (i) assisting in preparation for and participation in a reasonable number of meetings, presentations, due diligence sessions and sessions with rating agencies, prospective lenders, legal counsel and investors, (ii) providing customary authorization letters to the Financing Sources authorizing the distribution of information to prospective lenders or investors with customary confidentiality legends, (iii) obtaining accountants' comfort letters (including comfort letters customary in similar types of Transactions for pro forma financial information and related adjustments) at Purchasers' expense, (iv) taking all actions reasonably necessary to permit the Financing Sources to evaluate RSP's and RSP-TW's Current Assets, Cash, Inventory, cash management and accounting systems, policies and procedures relating thereto, (v) taking all corporate actions reasonably necessary to permit the consummation of Purchasers' financing of the Transactions and to permit the proceeds thereof to be made available as of the Closing Date, (v) executing and delivering at Closing any pledge and security documents, other definitive financing documents or other certificates or documents as may be reasonably requested by either Purchaser (including a certificate of an appropriate officer of RSP or RSP-TW with respect to solvency matters and consents of accountants for use of their reports in any materials relating to Purchasers' financing of the Transactions), (vi) using best efforts to cooperate with the Purchasers and the Purchasers' efforts to obtain customary and reasonable corporate and facilities ratings and consents, as reasonably requested by the Purchasers with respect to the financing and assisting the Purchaser in the preparation of customary rating agency presentations and lender presentations or memoranda, customary bank offering memoranda, syndication memoranda, private offering memoranda and other marketing materials or memoranda, including business and financial projections, reasonably requested by the Purchasers or the Financing Sources, in each case, in connection with the financing, (vii) furnishing the Purchasers and the Financing Sources promptly with all documentation and other information which any lender or potential lender providing or arranging financing has reasonably requested under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the PATRIOT Act, (viii) otherwise cooperating with the marketing efforts of the Purchasers and the Financing Sources for the financing as reasonably requested by the Purchasers (including, without limitation, providing customary discussion of recent developments or quarter-end "flash" numbers) and (ix) using best efforts to cause RSP and RSP TW's independent auditors to cooperate in connection with the financing. Notwithstanding the foregoing, under no circumstance will RSP, RSP-TW or any Seller Party be required to authorize the pre-filing of any financing statements or other documents that create Liens.

(d) Any investigation or due diligence conducted pursuant to the access contemplated by this **Section 5.8** shall be conducted in a manner that does not unreasonably interfere with the conduct of the business of RSP or RSP-TW or damage or destroy any property or assets of RSP or RSP-TW. All information obtained by either Purchaser pursuant to this **Section 5.8** shall be held confidential in accordance with that certain Confidentiality Letter, dated November 7, 2013, by and between REL and Purchaser Parent or that certain Memorandum of Understanding, dated May 2, 2014, by and among REL, RSP, Purchaser Parent, Sharp, and Powerchip, as applicable (the “Confidentiality Agreements”); *provided*, that nothing herein or in the Confidentiality Agreements shall prevent either Purchaser or the Financing Sources from using all information obtained pursuant to this **Section 5.8** as necessary and appropriate to consummate the Financing.

5.9 Transfer of Assets. Between the Effective Date and the Closing Date, each Seller shall transfer and shall cause its Affiliates to transfer, as applicable, to RSP and RSP-TW the Intellectual Property and tangible assets indicated opposite such Seller’s or Affiliate’s name on **Schedule 5.9**. Any transfers of Intellectual Property pursuant to this **Section 5.9** will be documented by a written assignment agreement in form and substance reasonably acceptable to Purchaser Parent. RSP or RSP-TW shall pay, prior to the Closing Date, any and all transfer expenses, if any, incurred in connection with the transfer of the Intellectual Property and tangible assets pursuant to this **Section 5.9**.

5.10 Termination of Certain Agreements; Amendment of Certain Agreements. On or before the Closing Date, each Seller Party shall terminate the agreements listed on **Schedule 5.10(a)** opposite such Seller Party’s name. On or before the Closing Date, each Seller Party shall amend the agreements and the other documents listed on **Schedule 5.10(b)** opposite such Seller Party’s name in a manner acceptable to Purchaser Parent.

5.11 Employee Matters.

(a) Designated Employees. The Parties agree and acknowledge that the individual employees of REL (or an Affiliate of REL, including Renesas Solutions Corp. and Renesas System Design Co., Ltd.) (i) who have been seconded to RSP or RSP-TW as of the Effective Date and are listed on **Schedule 5.11(a)** (the “Relevant Seconded”), or (ii) who are agreed by Purchaser Parent and REL in writing at any time prior to Closing ((A) and (B) collectively, the “Relevant Employees” and together with the Relevant Seconded, the “Designated Employees”) are, subject to the consent of such Designated Employees, to resign from such Seller (or Affiliate) effective as of the date immediately preceding the Closing Date and be employed by RSP or RSP-TW, as applicable, effective as of the Closing Date. For the purpose set forth in the preceding sentence, the Seller Parties will (a) cause RSP or RSP-TW, as applicable, to make a binding offer of employment prepared by Purchaser Parent to each Designated Employee prior to the Closing and (b) employ best efforts to cause such Designated Employee to accept the offer from RSP or RSP-TW, as applicable. The offer of employment to be made to each Designated Employee in accordance with the immediately preceding item must be in accordance with the following arrangements:

(i) no trial period (*shiyou kikan*) is to apply to the employment by RSP of such Designated Employee, except for an employee who on the Closing Date is in the period of trial;

(ii) each Designated Employee's pre-transfer number of years of employment with such Seller (or Seller's Affiliates) and other factors to calculate the amount of accrued vacation days are to be maintained at RSP. For the avoidance of doubt, the number of years of employment with a Seller (or Seller's Affiliates) is maintained at RSP only for the calculation of the amount of accrued vacation days and, in connection with any retirement allowance (*taishoku ichiji kin*), the number of years of employment with a Seller (or Seller's Affiliates) shall not be maintained;

(iii) the overall compensation package (which may include components such as base salary, cash incentive compensation, paid time off, retirement or pension benefits and health insurance benefits, collectively, a "Compensation Package") offered to each Designated Employee shall not be less favorable in the aggregate than the Compensation Package that such Designated Employee was entitled to receive from the applicable Seller (or, if applicable, the Affiliate of such Seller) employing such Designated Employee immediately prior to the Closing Date, provided that the individual components of such Compensation Package offered may differ, in its sole discretion of the Purchaser Parent, from the individual components of a Compensation Package that such Designated Employee was entitled to receive from the applicable Seller (or, if applicable, the Affiliate of such Seller) employing such Designated Employee immediately prior to the Closing Date; and

(iv) each Designated Employee shall agree to the internal work rules of RSP, in form and substance acceptable to Purchaser Parent in its sole discretion.

The Parties will employ their respective best efforts to ensure that as of the Closing all of the Designated Employees and the RSP-TW Employees listed on **Schedule 5.11(a)** shall become or remain, as applicable, employees of RSP and RSP-TW (provided that, in employing such best efforts, Purchasers are not required to agree to any variation in any compensation term for any Designated Employee or RSP-TW Employee). Between the Effective Date and the Closing Date, Purchasers shall be entitled to meet with and interview any Designated Employee to discuss such Designated Employee's rights, benefit package, retention package, and other compensation as well as the proposed employment responsibilities, as applicable, of such Designated Employee after the Closing; *provided, however*, that Purchasers will consult with REL prior to meeting with any Designated Employee.

(b) Lump-Sum Retirement Allowance, Old-Aged Pension, Etc. Each Seller shall (and, as applicable, shall cause its Affiliates to) (i) pay out to each Designated Employee who resigns from such Seller (or, as applicable, such Affiliate) and accepts employment with RSP, RSP-TW or an Affiliate of Purchaser Parent in accordance with the foregoing **Section 5.11(a)** his or her accrued lump-sum retirement allowance (*taishoku ichiji kin*) as of the Closing Date, and (ii) satisfy any and all obligations to maintain, fully fund and make payments incurred in connection with employment prior to the Closing for the benefit of such Designated Employee under any old-aged pension (*rourei kyuuфу kin*) or bereaved family pension (*izoku kyuuфу kin*) and (iii) pay all other benefits that such Designated Employee has accrued prior to or upon resigning from such Seller (or, as applicable, such Affiliate), in accordance with the terms of any such pension plan or other work rules in effect as of the date when such Designated Employee resigns from such Seller (or, as applicable, such Affiliate).

(c) No Other Obligations. Nothing contained in this **Section 5.11** shall (x) be treated as an amendment of any particular Employee Benefit Plan, (y) give any third party any right to enforce or confer upon the applicability of the provisions of this **Section 5.11** or (z) obligate Purchaser Parent to (A) maintain any particular Employee Benefit Plan or (B) retain the employment of any particular Designated Employee.

(d) Work Rules. The Parties will use their respective best efforts to cause the internal work rules of RSP to be amended, prior to the Closing, to the form designated by Purchaser Parent in its sole discretion.

5.12 Business Relationships. Prior to and for one year after the Closing, each Seller Party and its Affiliates shall use their respective best efforts to cooperate with Purchasers in Purchasers' efforts to continue and maintain for the benefit of Purchasers, RSP and RSP-TW, those business relationships of RSP and RSP-TW existing prior to the Closing, including relationships with customers, suppliers and others.

5.13 Required Financial Statements. RSP and the Sellers shall prepare and deliver the Required Financial Statements to Purchaser Parent as soon as possible after the Effective Date (but no later than the date that is 10 Business Days prior to the Closing Date). The Sellers will cause the Required Financial Statements (i) to be prepared with due care, (ii) to be consistent with the books and records of RSP and RSP-TW, (iii) to present a reasonable view of the financial position of RSP and RSP-TW at the date of the Required Financial Statements and the profit and loss of RSP and RSP-TW for the periods to which the Required Financial Statements relate, and (iv) to be prepared in accordance with GAAP consistently applied and to incorporate the guidance of Section 1065.3 of the Financial Reporting Manual of the U.S. Securities and Exchange Commission and Topic 1.B.1. of the Staff Accounting Bulletins of the U.S. Securities and Exchange Commission.

5.14 Expenses.

(a) Except as set forth in **Section 9.2(e)** in the event that the Transactions are not consummated, each Party will be responsible for its own expenses and costs that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement. In the event that the Transactions are consummated, each Party will be responsible for its own expenses and costs that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement, provided that the Sellers will be responsible for all unpaid fees and expenses incurred by or on behalf of RSP or RSP-TW in connection with the Transactions (except as specifically provided in this Agreement), including:

(i) all legal, accounting, financial advisory, consulting, finders' and all other fees and expenses of Third Parties incurred by RSP or RSP-TW in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the Transactions contemplated hereby (including the costs of preparation of the Required Financial Statements and any fees associated with obtaining Antitrust Clearance);

(ii) termination fees, pre-payment fees, balloon payment fees or similar payment fees on payments on any outstanding debt prior to the Closing;

(iii) any severance, bonus, termination, release, or similar change-in-control payments to employees, Designated Employees, Contractors or other service providers payable by RSP or RSP-TW pursuant to a Contract entered into by RSP or RSP-TW before the Closing and RSP's or RSP-TW's share of the payroll and employment-related Taxes due in respect thereof;

(iv) all accrued vacation for Relevant Secondedees, Relevant Employees, and RSP-TW Employees, whether or not such employees become employees of RSP or RSP-TW;

(v) all costs and expenses incurred by RSP or RSP-TW in connection with an Acquisition Transaction with potential counterparties other than the Purchasers, but not otherwise completed; and

(vi) any payments in connection with any change in control obligations or any payment or consideration arising under any Required Consents, including any Consent Fees (collectively with the fees, expenses and payments described in clauses (i), (ii), (iii), (iv), and (v) above, the “Third Party Expenses”).

5.15 **Termination of Liens**. The Seller Parties will cause all Liens on assets (except for REL Inventory, which shall have all Liens released in accordance with the Transition Services Agreement and the Manufacturing Services Agreement) of RSP and RSP-TW to be released prior to or simultaneously with the Closing.

5.16 **REL Inventory**.

(a) Prior to the Inventory Transfer Date, REL will deliver to Purchaser Parent, (i) an Inventory Report as of May 31, 2014 on June 17, 2014; (ii) on a monthly basis, an Inventory Report with the first Inventory Report after the Effective Date to be delivered by July 5, 2014 and each following Inventory Report to be delivered within three Business Days from the beginning of each month; *provided* that if any information required by such Inventory Report cannot reasonably be provided in such time frame, Purchaser Parent and REL shall discuss the timing for the delivery of such information; and (iii) on a weekly basis, a Weekly Inventory Movement Report with the first Weekly Inventory Movement Report to be delivered by June 17, 2014.

(b) During the period from the Effective Date until the Closing Date, RSP shall consult with and obtain the consent of Purchaser Parent, which shall not be unreasonably withheld, prior to placing any purchase order with a supplier or building or taking any substantial steps to build any REL Inventory, in either case with respect to any customer order in excess of JPY50,000,000 for (i) any custom product for which there is no backlog or sales forecast from a customer, or (ii) any non-custom product for which there is no sales forecast from a customer. Purchaser Parent will be deemed to have given consent to RSP's written request for such consent if Purchaser Parent does not respond in twenty four hours from the receipt of such written request. Until the earlier of the termination of this Agreement and the Inventory Transfer Date, REL will, and will cause the officers, counsel or other Representatives of REL to, promptly notify Purchaser Parent of, and to consult from time to time as requested by Purchaser Parent regarding, any material changes or developments in the composition or volume of REL Inventory.

(c) During the period from the Effective Date until the Inventory Transfer Date, REL will take all reasonable steps to preserve and protect the REL Inventory in good working order and condition, ordinary wear and tear excepted.

(d) During the period from the Effective Date until the Inventory Transfer Date, REL will permit Representatives of Purchaser Parent (including legal counsel and accountants) to have reasonable access at all reasonable times after receiving reasonable advance notice from Purchaser Parent, and in a manner so as not to interfere with the normal business operations of REL, to all premises, properties, personnel, books, records (including Tax records and employment records), contracts, and documents of or pertaining to the REL Inventory, including as may be necessary for Purchaser Parent to verify whether any REL Inventory is obsolete, damaged or unsellable; provided, that REL may restrict or otherwise prohibit access to any documents or information of or relating to REL to the extent REL determines in good faith that any applicable Law or any contracts requires it to do so.

5.17 RSP Consolidated Cash; Share Repurchase

(a) From the Effective Date through the Closing Date, RSP will and the Sellers will cause RSP to hold in bank accounts or other financial accounts an aggregate Cash balance on a consolidated basis with RSP-TW (the “RSP Cash Balance”) of no less than JPY5,000,000,000 (the “Cash Floor”). Cash deposits, including all accrued but unpaid interest, under the Cash Deposit Agreements will not be deemed Cash of RSP for purposes of determining whether the Cash Floor is satisfied.

(b) If, from time to time following the Effective Date, the RSP Cash Balance exceeds JPY8,000,000,000 (the “Cash Ceiling”), RSP may, and the Sellers may cause RSP to, reduce the RSP Cash Balance to an amount less than the Cash Ceiling by using RSP’s excess Cash over the Cash Ceiling (i) as consideration to pay for any transfers of Intellectual Property or tangible assets to RSP and RSP-TW pursuant to **Section 5.9** or (ii) to pay for any license fee by RSP prior to Closing to a Seller related to any Ancillary Agreement or the Transactions, provided in each case that any such action will not cause the RSP Cash Balance to fall below the Cash Floor. Cash deposits, including all accrued but unpaid interest, under the Cash Deposit Agreements will not be deemed Cash of RSP for purposes of determining whether the Cash Ceiling is satisfied.

(c) If the Estimated Closing Cash Balance exceeds the Cash Ceiling (any excess amount of the Estimated Closing Cash Balance over the Cash Ceiling, the “Share Repurchase Cap Amount”), then RSP shall, and the Sellers shall cause RSP to, repurchase RSP Target Shares held by REL and Sharp on a pro rata basis (determined by reference to REL’s and Sharp’s respective percentage ownership interest of RSP) (such repurchase of shares of RSP common stock, the “Share Repurchase”) in an amount up to, but not exceeding, the Share Repurchase Cap Amount. The consideration per RSP Target Share held by REL and Sharp to be paid for any Share Repurchase shall be the Purchase Price per RSP common stock calculated under **Section 2.2** based on the Estimated Statement, assuming that the applicable Share Repurchase had not occurred. The payment for the Share Repurchase from RSP to REL and Sharp, and the transfer of the RSP Target Shares subject to the Share Repurchase from REL or Sharp to RSP, shall be made immediately prior to the Closing.

ARTICLE VI

POST-CLOSING COVENANTS

6.1 Further Assurances

(a) In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement and to consummate the Transactions, each of the Parties shall take such further action (including the execution and delivery of such further instruments and documents) as another Party reasonably may request.

(b) Without limiting **Section 6.1(a)**, if, during the 230 day period after the Closing, Purchaser Parent determines in good faith that any asset should have been transferred to RSP or RSP-TW prior to the Closing pursuant to **Section 5.9** (but was not so transferred), Purchaser Parent shall notify the applicable Seller. Upon receipt of any such notification, the applicable Seller shall (and, as applicable, shall cause its Affiliate to) consider promptly, reasonably and in good faith whether such asset should have been transferred pursuant to **Section 5.9**. Upon such Seller's agreement that the asset in question should have been so transferred, the Seller or Affiliate of a Seller, as applicable, owning such asset shall promptly, without payment of further consideration by any Purchaser, RSP or RSP-TW, transfer and assign such asset to RSP or RSP-TW (as applicable), which assignment shall be deemed to have been effective as of the Closing. If Purchaser Parent and such Seller are unable to agree on whether an asset should be assigned under this **Section 6.1(b)**, such dispute shall be resolved in accordance with Section 10.11. In addition, prior to the Closing, Purchaser Parent may notify a Seller of its determination that any such asset should have been included on **Schedule 5.9**, and the applicable Seller and the Purchaser Parent shall discuss in good faith, where any dispute shall be resolved in accordance with **Section 10.11** in the case that Purchaser Parent and such Seller are unable to reach any agreement on this regard.

(c) If reasonably requested by Purchaser Parent, the Sellers will use their best efforts to provide assistance to the Purchasers and RSP or RSP-TW prior to and after Closing, as applicable, to enter into a Contract with the counterparty to any Retained Contract identified by Purchasers to replace such Retained Contract for the benefit of the Business.

(d) Prior to and after the Closing, REL shall use its best effort and cooperate with Purchaser Parent and its Subsidiaries in obtaining licenses pursuant to the applicable provision under the certain Contract set forth in **Schedule 6.1(d)**; provided, however, that neither REL nor its Subsidiaries will be required to make any out-of-pocket expenditures or grant any additional license to any of its Intellectual Property with the counterparty in respect of such efforts and cooperation.

6.2 Books and Records

(a) Access. Purchasers shall ensure that, following Closing, each Seller and its Representatives (including such Seller's accountants and financial advisors bound to obligations of confidentiality), are afforded such access (including the taking of copies) to the books and records, working papers and other financial information of RSP and RSP-TW as it or they may reasonably require to enable such Seller (or any of such Seller's Affiliates) (i) to prepare its respective statutory, management or similar accounts; or (ii) for any other accounting, taxation or other corporate purpose required by applicable Law, Governmental Entity or recognized stock exchange to whose rules such Seller (or, as the case may be, such Seller's Affiliates) is subject.

(b) **Maintenance**. For a period of seven years following the Closing, or such longer period as may be required by applicable Law or necessitated by applicable statutes of limitations, Purchasers shall, and shall cause RSP and RSP-TW to, maintain all books and records of RSP and RSP-TW in the jurisdiction in which such books and records were located prior to the Closing Date and may not destroy or dispose of any such books and records. On and after the end of such period, Purchasers shall, and shall cause RSP and RSP-TW to, provide each Seller with at least 10 Business Days prior written notice before destroying any such books and records, during which period such Seller may elect to take copies, at its own expense, of such books and records.

(c) **Retention**. Notwithstanding anything to the contrary in this Agreement, Sellers may retain copies of all books and records of RSP and RSP-TW that relate to the period before the Closing Date and are necessary to enable such Seller to comply with its legal obligations (including those relating to Tax) arising after Closing.

6.3 **Pre-Closing Directors and Auditors**. At the Closing, Purchasers shall cause RSP and RSP-TW, as applicable, to accept the resignations, effective as of the Closing Date, of each director, officer and statutory auditor of Target, RSP-TW, or both, who is or has been in office at any time up to the Closing and who will not be continuing in such capacities following the Closing as set forth on **Schedule 6.3** (collectively, the “**Pre-Closing Directors and Auditors**”). Purchasers may not, directly or indirectly, and shall cause RSP and RSP-TW following the Closing to not, make, initiate or threaten to make or initiate any claim against, or seek any indemnification from, any Pre-Closing Director or Auditor with respect to the execution of their duties up to the termination of their appointment except for in case such claim or indemnification arises from fraud, intentional misrepresentation, wilful misconduct or gross negligence of the Pre-Closing Director or Auditor.

6.4 **Non-Competition**. For all purposes of and under this Agreement, the following capitalized terms shall have the following respective meanings:

(a) “**Competing Business**” means the design, development, manufacture, testing, marketing, supporting, maintaining, distributing, provisioning and selling of any Competing Products.

(b) “**Competing Products**” means any display driver integrated circuit or any integrated touch/display driver for the use of LCD panel manufacturers in their manufacture of LCD panels for use in smart phones, tablets, e-books, portable gaming devices, wearables, notebook computers, and automotive applications.

(c) “**Competing Territory**” shall mean worldwide.

Each Seller acknowledges and agrees that RSP, RSP-TW, and Purchasers would be irreparably damaged if such Seller or any of its Subsidiaries were to provide services to or otherwise participate in a Competing Business in violation of this **Section 6.4** and that any such competition by such Seller (or its Subsidiaries) would result in a significant loss of goodwill by RSP, RSP-TW, and Purchasers. Each Seller further acknowledges and agrees that the covenants and agreements set forth in this **Section 6.4** were a material inducement to Purchasers to enter into this Agreement and to perform their obligations hereunder, and that Purchasers would not obtain the benefit of the bargain set forth in this Agreement as specifically negotiated by the Parties if such Seller or its Subsidiaries breached the provisions of this **Section 6.4**. Therefore, each Seller agrees, in further consideration of the amounts to be paid hereunder for the Target Shares that, except with the prior written consent of Purchaser Parent, which consent may be withheld by Purchaser Parent (for any reason or no reason) until the second anniversary of the Closing Date, such Seller and its Subsidiaries shall not, directly or indirectly, engage in, conduct, manage, operate, own, control or participate in the management of a Competing Business in the Competing Territory or any portion thereof, other than as set forth on **Schedule 6.4**. Each Seller acknowledges that the business of RSP and RSP-TW has been conducted or is presently proposed to be conducted throughout the Competing Territory and that the geographic restrictions set forth above are reasonable and necessary to protect the value of the Target Shares sold by Sellers pursuant to this Agreement. Notwithstanding anything to the contrary in this **Section 6.4**, REL, Sharp and their Subsidiaries are not prohibited from acquiring or owning all or any portion of the equity or other ownership interests in any Person which primarily engages in, and generates more than 90% of its sales from, a business other than Competing Business.

6.5 Non-Solicitation. Until the second anniversary of the Closing Date, no Seller may, directly or through any Affiliates, solicit or hire any officer, director or employee of RSP or RSP-TW, or any officer, director or employee of Purchaser Parent, Purchaser Sub, or any of their Affiliates who is involved in the discussion, negotiation or other communication with either Seller, RSP or RSP-TW in connection with the Transactions. Neither Purchaser may, directly or through any of its Affiliates, solicit or hire any officer, director or employee of any Seller who is involved in the discussion, negotiation or other communication with RSP, RSP-TW, Purchaser Parent or Purchaser Sub in connection with the Transactions. For purposes of this **Section 6.5**, the term "solicit" does not include generalized searches for employees through media advertisements or employment firms. Purchaser Parent shall not offer employment to any employee of [*****] during the period beginning on the Closing Date and ending on the [*****] of the Closing Date; provided that Purchaser Parent shall be permitted to so offer employment during the period that begins the day that is [*****] before the [*****] of the Closing Date and ends [*****] thereafter.

6.6 Severability. If, at the time of enforcement of the covenants contained in **Section 6.4** and **Section 6.5**, a court holds that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by applicable Law. Each Seller has consulted with legal counsel regarding the foregoing covenants in **Section 6.4** and **Section 6.5**, and based on such consultation has determined and hereby acknowledges that such covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the value of the Target Shares sold by Sellers pursuant to this Agreement and the substantial investment made by Purchasers.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

6.7 Settlements After the Closing. After the Closing, Sellers shall, and shall cause their respective Affiliates to, as promptly as practicable, deliver, and if necessary endorse over to RSP or RSP-TW (as applicable), any Cash, checks or other instruments of payment such Seller or any of its Affiliates receives that are owed or attributable to RSP or RSP-TW and shall hold such Cash, checks or other instruments of payment in trust for RSP or RSP-TW (as applicable) until such delivery. After the Closing, Purchaser Parent shall, and shall cause its respective Affiliates to, as promptly as practicable, deliver, and if necessary endorse over to the appropriate Seller, any Cash, checks or other instruments of payment that Purchaser Parent or any of its Affiliates receives that are owed or attributable to a Seller and shall hold such Cash, checks or other instruments of payment in trust for such Seller until such delivery.

6.8 Cooperation in Tax Matters, Tax Audits and Proceedings. After the Closing for a period of seven years, each Seller shall fully cooperate with each of RSP and RSP-TW in connection with preparation and filing of any Tax Return regarding taxable periods that ended before the Closing and the taxable period that includes the Closing Date. Further, each Seller shall reasonably cooperate with each of RSP and RSP-TW in connection with all other Tax matters, including communication with a Tax authority, handling a Tax audit and defense against Tax disputes with respect to taxable periods that ended before the Closing and the taxable period that includes the Closing Date.

6.9 Closing REL Inventory Transfer.

(a) **Closing Date Inventory Report.** Not later than three Business Day after the Closing Date, REL will deliver to Purchaser Parent an Inventory Report as of the Closing Date for the Closing REL Inventory reflecting the historical book value of such Closing REL Inventory as reflected on REL's accounts (collectively, the "**Closing Date Inventory Report**").

(b) **Obsolete REL Inventory.** If Purchaser Parent does not deliver to REL a written objection to the list of items of the REL Inventory that is reported to be Obsolete REL Inventory in the Closing Date Inventory Report based on the Sales Forecast included in the Closing Date Inventory Report within five Business Days of the delivery of the Closing Date Inventory Report, then such list will be deemed to be the final determination of Obsolete REL Inventory. If Purchaser Parent does deliver such a written objection within such time period, then Purchaser Parent and REL will discuss and attempt to resolve such objections in good faith. If Purchaser Parent and REL are unable to resolve such objections within 10 Business Days, then either Purchaser Parent or REL may submit such objections for resolution in accordance with the arbitration provisions of **Section 10.11**. Upon final resolution of all objections pursuant to this **Section 6.9(b)**, such list (incorporating the resolution of any such objections) shall be deemed to be the final determination of Obsolete REL Inventory for purposes of this **Section 6.9**.

(c) Revised Closing REL Inventory Valuation. Not later than 20 calendar days after the Closing Date, REL will deliver to Purchaser Parent (i) an updated Closing Date Inventory Report with only an updated statement of the aggregate book value (calculated based on Japanese GAAP) of the Closing REL Inventory as of the Closing Date, and specifically identifying any variations from the Closing Date Inventory Report (collectively, the “Revised Closing Date Inventory Report”). If Purchaser Parent does not deliver to REL a written objection to any components of the Revised Closing Date Inventory Report within 15 calendar days of REL’s delivery of the Revised Closing Date Inventory Report, then the value attributed to an item of Closing REL Inventory in the Revised Closing Date Inventory Report will be deemed to be the final determination of the value of such item of Closing REL Inventory. If Purchaser Parent does deliver such a written objection within such time period, then Purchaser Parent and REL will discuss and attempt to resolve such objections in good faith. If Purchaser Parent and REL are unable to resolve such objections within 10 Business Days, then either Purchaser Parent or REL may submit such objections for resolution in accordance with the arbitration provisions of **Section 10.11**. Upon final resolution of all objections pursuant to this **Section 6.9(c)**, the Revised Closing Date Inventory Report (incorporating the resolution of any such objections) shall be deemed to contain the final value of each item of Closing REL Inventory for purposes of this **Section 6.9** (for each item of Closing REL Inventory, the “Final Closing REL Inventory Value”).

(d) Purchase of Closing REL Inventory.

(i) *Prior to Inventory Transfer Date*. After the Closing Date and prior to the Inventory Transfer Date, RSP may purchase Closing REL Inventory, in accordance with the purchase flow under the Manufacturing Services Agreement. The price to be paid by RSP for any purchases of an item of the Closing REL Inventory will be at a price determined pursuant to the Manufacturing Services Agreement.

(ii) *Purchase of Closing REL Inventory on Inventory Transfer Date*. On the Inventory Transfer Date, RSP shall purchase from REL (i) all Closing REL Inventory then held by REL that is not Obsolete REL Inventory or damaged, (ii) up to JPY[*****] of Obsolete REL Inventory (with the specific items of such Obsolete REL Inventory as designated by Purchaser Parent), and (iii) up to JPY[*****] of Obsolete REL Inventory from the RSP products listed on **Schedule 6.9(d)** (with the specific items of such Obsolete REL Inventory as designated by Purchaser Parent). Notwithstanding the foregoing, RSP shall have no obligation to purchase any Closing REL Inventory pursuant to the preceding sentence until such Closing REL Inventory is in finished goods form. Any Closing REL Inventory that is work in process form on the Inventory Transfer Date that RSP is obligated to purchase under this **Section 6.9(d)(ii)** (the “WIP Closing REL Inventory”) shall be purchased by RSP no later than the date that is the later of (A) 30 days after the Inventory Transfer Date and (B) the date that all WIP Closing REL Inventory is converted to finished goods. In the event that no final determination of the Obsolete REL Inventory pursuant to **Section 6.9(b)** has been made as of the Inventory Transfer Date, RSP shall not be required to purchase any Closing REL Inventory as to which a dispute under **Section 6.9(b)** has not yet been resolved, but shall purchase any such Closing REL Inventory in accordance with this **Section 6.9(d)** to the extent that such Closing REL Inventory is thereafter determined not to be Obsolete REL Inventory promptly following such final determination in accordance with this Agreement. Notwithstanding anything in this Agreement to the contrary, RSP shall be entitled to reject and return to REL, and shall not be required to accept, purchase or pay for, any item of Closing REL Inventory that RSP reasonably determines to be damaged or otherwise unsellable. The purchase price for each item of Closing REL Inventory purchased by RSP on the Inventory Transfer Date shall be the Final Closing REL Inventory Value determined pursuant to **Section 6.9(c)**; *provided, however*, that if the Final Closing REL Inventory Value has not been finally determined under **Section 6.9(c)** as of the Inventory Transfer Date, the purchase price shall be the value attributed to such item of Closing REL Inventory in the Closing Date Inventory Report.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(iii) *Payment of Purchase Price* . The purchase price to be paid for the purchase of any Closing REL Inventory shall initially be paid by RSP to REL via a deduction from the cash deposits of RSP held by REL under the Cash Deposit Agreements, unless otherwise requested by RSP. No additional service or other fees shall be assessed or due in connection with such payment.

(iv) *Additional Terms of Sale* . The terms of **Sections 5.3** (Delivery and Inspection), **7** (No License), **8** (Quality; Liability; Warranty), **10** (Force Majeure), **11** (Export Control) and **12** (Confidentiality) of the Manufacturing Services Agreement shall apply to the purchase and sale of any Closing REL Inventory under this Agreement, *mutatis mutandis* . The sale of the Closing REL Inventory pursuant to this **Section 6.9** will be documented in accordance with reasonable past practice in a form and substance reasonably acceptable to Purchaser Parent.

(e) Closing REL Inventory Purchase Price Adjustment . Within 2 Business Days of the date that is the later of (i) the Inventory Transfer Date and (ii) the final determination of the Final Closing REL Inventory Value pursuant to **Section 6.9(c)** , (A) if (X) *minus* (Y) is positive, REL will pay to RSP, or (B) if (X) *minus* (Y) is negative, RSP will pay to REL, in immediately available cash funds to an account designated by RSP or REL, as applicable , the difference (if any) between (X) the aggregate purchase price of the Closing REL Inventory purchased by RSP from REL after the Closing Date (including all Closing REL Inventory purchased pursuant to **Section 6.9(d)**) that was actually paid by RSP in accordance with this **Section 6.9** and (Y) the aggregate value of the Closing REL Inventory purchased by RSP from REL after the Closing Date (including all Closing REL Inventory purchased pursuant to **Section 6.9(d)**) calculated using a purchase price equal to the Final Closing REL Inventory Value for each item of Closing REL Inventory as determined in accordance with **Section 6.9(c)** .

6.10 Post-Closing Employment Matters . After the Closing, Purchasers shall cause RSP and RSP-TW to comply, in all material respects, with applicable employment Laws with respect to the Designated Employees who become employees of RSP.

6.11 Secondment from RSP to REL . After the Closing and for a period to be agreed between Purchaser Parent and REL (but that will not exceed one year), certain employees of RSP will be seconded to REL. The employees of RSP to be so seconded will be persons primarily engaged in one of the job functions set out on **Schedule 6.11** and the number of such Secondees (by job function) will not be greater than the number specified with respect to such job function on **Schedule 6.11** . During the applicable period of secondment, the salaries and other employment benefits of such employees will be paid by RSP, and REL shall not charge RSP any amounts in respect of such employees' services (whether under the Transition Services Agreement or otherwise). Each such employee will devote all of their work time to servicing RSP.

6.12 Sharp Collaboration.

(a) After the Closing, Purchasers shall, and shall cause RSP and RSP-TW to, continue to supply existing models of display driver integrated circuits or any integrated touch/display drivers, develop and supply the future models, and provide technical and/or quality supports for both the existing and future models on terms [*****]. Further, Purchaser shall not, and shall cause RSP and RSP-TW not to, [*****] for such existing models of display driver integrated circuits or any integrated touch/display drivers currently in effect between RSP and Sharp and its Affiliates.

(b) Without prejudice to any other rights of Sharp, Purchasers acknowledge and agree that to the extent permitted by law, the per unit price of the products sold by RSP or RSP-TW to Sharp and its Affiliates shall be the lower of: [*****].

(c) Without prejudice to any other rights of Sharp, in exchange for [*****], to the extent that such activities are not covered by the substantive issues of negotiation between RSP and Sharp, Sharp may receive a [*****] percent ([*****]%) discount to the sales price of such products sold by RSP and RSP-TW to Sharp as defined in **Section 6.12(a)** and **(b)** .

ARTICLE VII

CONDITIONS TO OBLIGATION TO CLOSE

7.1 Conditions to Purchasers' Obligations . Purchasers' obligations to consummate the transactions to be performed by them in connection with the Closing are subject to satisfaction of the following conditions, any of which may be waived by Purchaser Parent at or prior to the Closing:

(a) each of the representations and warranties set forth in **Schedule 3.1** and **Schedule 3.2** that is qualified by reference to materiality or Material Adverse Effect must be true and correct, and each of the other representations and warranties set forth in **Schedule 3.1** and **Schedule 3.2** must be true and correct in all material respects, in each case as of the Effective Date and at and as of the Closing Date as if made on that date (except in any case that representations and warranties that expressly speak as of a specified date or time need only be true and correct or true and correct in all material respects, as applicable, as of such specified date or time); *provided, however* , that such materiality qualifier will not apply to the representations and warranties contained in **Schedule 3.1(b)** , **Schedule 3.2(a)(ii)** , and **Schedule 3.2(b)** , each of which individually must have been true and correct in all respects as of the Effective Date and must be true and correct in all respects on and as of the Closing Date.

(b) each Seller Party must have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(c) there must not be any Order in effect preventing consummation of any of the transactions contemplated by this Agreement;

(d) each Seller Party must have delivered to Purchasers a certificate to the effect that each of the conditions specified in **Section 7.1 (a)-(c)** and **(j)** is satisfied in all respects;

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(e) the Parties must have received all authorizations, consents, and approvals of Governmental Entities referred to in **Section 3.1(b)** and **Section 3.2(c)** of the Seller Disclosure Schedule;

(f) Purchasers shall have obtained the Financing on terms and conditions satisfactory to Purchasers in their sole discretion;

(g) Powerchip shall have delivered to Purchasers evidence, in form and substance satisfactory to Purchaser Parent in its sole discretion, of the release of all Liens on the PTC-Owned Shares of RSP, including but not limited to the pledge thereof to Mega International Commercial Bank Co., Ltd., Cathay United Bank, Ltd., Hua Nan Commercial Bank, Ltd. and Mizuho Corporate Bank, Ltd.;

(h) REL must have prepared and delivered to Purchasers the Required Financial Statements not later than 10 Business Days prior to the Closing Date;

(i) Purchasers must have received executed resignations, effective as of the Closing Date, of each director, officer and statutory auditor of RSP and RSP-TW;

(j) no Material Adverse Effect must exist at or have occurred prior to Closing;

(k) after the Effective Date, there must not have been a change in Law in any applicable jurisdiction that would prevent the consummation of the Transactions or render this Agreement or any of the Ancillary Agreements or the performance hereof or thereof illegal;

(l) all of the Key Employees must have accepted offers of employment with RSP or remained employed by RSP-TW, as applicable (except that the condition in this **Section 7.1(l)** will also be deemed to be satisfied if one of the Key Employees has not accepted an offer of employment with RSP or remained employed by RSP-TW, as applicable, and all of the other Key Employees have accepted offers of employment with RSP or remained employed by RSP-TW, as applicable);

(m) at least 90% of the Designated Employees and existing employees of RSP-TW, in the aggregate, must have accepted offers of employment with RSP or remained employed by RSP-TW, as applicable;

(n) each of the Required Consents shall have been obtained and delivered to Purchasers;

(o) approvals of the board of directors or shareholders meeting, as applicable, of each Seller Party as required to consummate the Transactions must have been obtained and must be in full force and effect;

(p) each of the assets set forth on **Schedule 5.9** must have been effectively transferred to RSP or RSP-TW, and each of the Contracts set forth on **Schedule 5.9** must have been effectively assigned to RSP or RSP-TW (for any asset that requires registration to effectuate the transfer of such asset, such asset is deemed to be transferred to RSP or RSP-TW for the purpose of this **Section 7.1(p)** as long as a written agreement effectuating such transfer has been executed and filing or application for such registration is completed);

(q) each of the agreements set forth on **Schedule 5.10(a)** shall have been terminated, and each of the agreements set forth on **Schedule 5.10(b)** shall have been amended in a manner satisfactory to the Purchasers; and

(r) the RSP-TW Transaction shall have been consummated;

(s) each Seller Party that is party to an Ancillary Agreement shall have delivered a counterpart signature page to such Ancillary Agreement;

(t) QVC shall have obtained all approvals required to be obtained with respect to RSP's acquisition of the RSP-TW Target Shares, including but not limited to the foreign investment approval from the Investment Commission of the Ministry of Economic Affairs, the Republic of China;

(u) A certified copy of the shareholders' registry of RSP as of the Closing Date, which demonstrates that the entire authorized capital stock of RSP consists of 100,000 shares of common stock, 55,000 shares are held by REL, 25,000 shares are held by Sharp, 4,000 shares are held by Powerchip, and 16,000 shares are held by GPC, shall have been delivered to Purchasers;

(v) REL shall have delivered to the Purchasers a copy of the registry of patents issued by the Japan Patent Office, for each registered Japanese patent that is included in the Owned Registered Intellectual Property to be transferred pursuant to Section **5.9**, reflecting that REL is the holder of such patent;

(w) a certified copy of the shareholders' registry of RSP-TW as of the Closing Date, which demonstrates that the entire authorized capital stock of RSP-TW consists of 10,000,000 common shares, of which 5,000,000 common shares are issued and outstanding, and all issued and outstanding common shares are owned by RSP free and clear of all Liens;

(x) the Estimated Closing Cash Balance must be no less than the Cash Floor and must not exceed the Cash Ceiling; and

(y) each Seller Party must have delivered to Purchasers a certificate of an authorized officer of such Seller Party certifying that attached thereto are (i) true and complete copies of all resolutions adopted by the board of directors of such Seller Party authorizing the execution, delivery and performance of this Agreement and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement, (ii) true and correct copies of the resolution adopted by the shareholders' meeting of each of RSP and RSP-TW to approve the Transactions.

7.2 Conditions to Sellers' Obligations. Each Seller's obligation to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions, any of which may be waived by such Seller at or prior to the Closing:

(a) each of the representations and warranties set forth in **Schedule 4.1** that is qualified by reference to materiality or Material Adverse Effect must be true and correct, and each of the other representations and warranties set forth in **Schedule 4.1** must be true and correct in all material respects, in each case as of the Effective Date and at and as of the Closing Date as if made on that date (except in any case that representations and warranties that expressly speak as of a specified date or time need only be true and correct or true and correct in all material respects, as applicable, as of such specified date or time); *provided, however*, that such materiality qualifier will not apply to the representations and warranties contained in **Schedule 4.1(b)**, each of which individually must have been true and correct in all respects as of the date of this Agreement and must be true and correct in all respects on and as of the Closing Date.

(b) each Purchaser must have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(c) there must not be any Order in effect preventing consummation of any of the Transactions contemplated by this Agreement;

(d) each Purchaser must have delivered to RSP a certificate to the effect that each of the conditions specified above in **Section 7.2(a)-(c)** is satisfied in all respects;

(e) the Parties must have received all authorizations, consents, and approvals of Governmental Entities referred to in **Section 3.1(b)** and **Section 3.2(c)** of the Seller Disclosure Schedule;

(f) each Purchaser party to an Ancillary Agreement shall have delivered a counterpart signature page to such Ancillary Agreement;

(g) REL shall have received written consent to the sale and transfer of the REL-Owned Shares to Purchaser Sub pursuant to this Agreement from (i) all of the syndicated lenders under the Loan Agreement, dated as of September 11, 2013, by and among REL, The Bank of Tokyo, Mitsubishi-UFJ, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and Mitsubishi UFJ Trust and Banking Corporation, (ii) NEC Corporation under the Loan Agreement, dated as of September 11, 2013, by and between REL and NEC Corporation, (iii) Hitachi, Ltd. under the Loan Agreement, dated as of September 11, 2013, by and between REL and Hitachi, Ltd., and (iv) Mitsubishi Electric Corporation under the Loan Agreement, dated as of September 11, 2013, by and between REL and Mitsubishi Electric Corporation (collectively, the "REL Bank Consents");

(h) Powerchip shall have received all written consents to the sale and transfer of the PTC-Owned Shares to Purchaser Sub pursuant to this Agreement that are required to be obtained under various syndication credit agreements (last amended as of March 22, 2013) by and among Powerchip, Hua Nan Commercial Bank, Mega International Commercial Bank, Cathay United Bank and other financial institutions named therein (collectively, the "PTC Bank Consents"); and

(i) each Purchaser must have delivered to RSP a certificate of the secretary of such Purchaser dated the Closing Date certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of such Purchaser authorizing the execution, delivery and performance of this Agreement and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement.

7.3 **Mutual Discussion on Key Employees Matters.** If either condition set forth in **Section 7.1(l)** or **(m)** has not been satisfied or is not expected to be satisfied, the Parties shall discuss in good faith any possibility to consummate the Transactions, including discussing the waiver of such conditions.

ARTICLE VIII

INDEMNIFICATION

8.1 **Survival.** All of the Seller Fundamental Representations will survive the Closing and continue in full force and effect until the date that is 18 months from and after the Closing Date (the “Fundamental Expiration Date”). All other representations and warranties of the Sellers will survive the Closing and continue in full force and effect for a period of one year from and after the Closing Date (the “Basic Expiration Date”). Each covenant and obligation in this Agreement and any document or instrument contemplated hereunder will survive the Closing until its respective statute of limitation. The right to indemnification, payment of damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing, with respect to the accuracy or inaccuracy of or compliance, with, any such presentation, warranty, covenants, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, does not affect the right to indemnification, payment of damages, or other remedy based on such representations, warranties, covenants, and obligations. Notwithstanding anything to the contrary contained herein, if a Claim Notice relating to any representation or warranty of a Seller Party in this Agreement is given to the Indemnifying Representative on or prior to the Basic Expiration Date or the Fundamental Expiration Date (as applicable), then the claim(s) asserted in such Claim Notice and the representation or warranty that is the subject of such Claim Notice shall survive the Basic Expiration Date or the Fundamental Expiration Date (as applicable) until such time as such claim is (or claims are) fully and finally resolved. The indemnification obligations of the Sellers set forth in **Sections 8.2(e)** and **8.2 (f)** will survive the Closing and continue in full force and effect until the date that is 18 months from and after the Closing Date. Notwithstanding anything to the contrary contained in this Agreement, nothing herein in this Agreement will (i) prevent any Purchaser Indemnitee from bringing a Proceeding for fraud or intentional misrepresentation against any Person, including any Seller Party, whose fraud or intentional misrepresentation has caused such Purchaser Indemnitee to incur Losses or has limited the Losses recoverable by such Purchaser Indemnitee in such Proceeding, or (ii) limit the Losses recoverable by such Purchaser Indemnitee in any such Proceeding. Any representation or warranty made by or on behalf of any Seller Parties in or pursuant to this Agreement or in any certificate delivered pursuant to this Agreement that a Purchaser Indemnitee asserts was breached as a result of the fraud or intentional misrepresentation alleged in a Proceeding by the Purchaser Indemnitee will survive the expiration of the applicable survival period set forth in this **Section 8.1** and remain in full force and effect until the final resolution of the Proceeding. All representations and warranties of Purchasers will survive only until the Closing or the earlier termination of this Agreement.

8.2 **Indemnification by Sellers**. From and after the Closing Date (but subject to the limitations set forth in this Article **VIII**), the Sellers shall indemnify each of the Purchaser Indemnitees against any loss, Liability, damage, claim, suit, settlement, diminution in value, royalty, judgment, award, fines, penalties, Proceedings, assessments, cost of mitigation, cost of defense, fee (including any legal fee, expert fee, investigation fee, accounting fee or advisory fee), cost or expense, and including without limitation all indirect, incidental or consequential damages (collectively, “Losses”) that are incurred by any of the Purchaser Indemnitees and that arise from:

(a) any failure of any representation, warranty or certification made by any Seller Party in this Agreement, the Seller Disclosure Schedule, any exhibit or schedule to this Agreement, or any certificate or other document required to be delivered to either or both Purchasers in accordance with this Agreement to be true and correct on the date hereof and on the Closing Date as if made on such date,

(b) any breach of any covenant or obligation of any Seller Party contained in this Agreement or any Ancillary Agreement (with respect to RSP or RSP-TW, any such breach prior to the Closing);

(c) any (i) claim for indemnification by any current or former director, supervisor, manager, officer, employee or Contractor of RSP or RSP-TW (including any Designated Employees) arising out of facts or circumstances existing on or prior to the Closing or (ii) Liabilities related to any current, former or prospective directors, supervisors, managers, employees or Contractors of RSP or RSP-TW (including any Designated Employees) which are based on acts or omissions by the Seller Parties that occurred prior to the Closing (including, in each case, Liabilities, claims or actions arising out of the authorization, execution and delivery of this Agreement, the performance by RSP or RSP-TW of their obligations hereunder or the consummation of the Transactions);

(d) any violation by RSP or RSP-TW of any bribery or anti-corruption Laws prior to the Closing;

(e) any amount by which the actual Closing Third Party Expenses exceeds the Final Third Party Expenses;

(f) any amount by which the actual Closing Company Indebtedness exceeds the Final Company Indebtedness; or

(g) any fraud, intentional misrepresentation, willful misconduct, or gross negligence of any Seller Party.

When determining the existence of any breach of, inaccuracy in or failure of any representation, warranty, covenant or agreement given or made by any Seller Party, or when determining the amount of Losses suffered by a Purchaser Indemnitee as a result of any breach of, inaccuracy in or failure of any representation, warranty, covenant or agreement given or made by any Seller Party, in either case that is qualified or limited in scope as to materiality or Material Adverse Effect (or similar concepts), such representation, warranty, covenant or agreement shall be deemed to be made or given without such qualification or limitation.

8.3 Limitations on Indemnification.

(a) The Sellers shall not be required to make any indemnification payment pursuant to **Section 8.2(a)** or with respect to any breach by any Seller Party of the covenant contained in the second sentence of **Section 5.8(c)** for any individual failure of a representation or warranty to be true and correct where the Loss relating to such individual failure is less than JPY5,000,000 (the “Per Claim Threshold”). Losses relating to separate claims that arise from an individual failure of a representation or warranty to be true and correct will be aggregated for purposes of determining whether the Per Claim Threshold is satisfied if the separate claims arise from the same or substantially similar facts or circumstances.

(b) The Sellers shall not be required to make any indemnification payment pursuant to **Section 8.2(a)** or with respect to any breach by any Seller Party of the covenant contained in the second sentence of **Section 5.8(c)** until such time as the total amount of all Losses that have been incurred by any one or more of the Purchaser Indemnitees and with respect to which any indemnification payment would otherwise be available to the Purchaser Indemnitees pursuant to such section, exceeds an aggregate of JPY500,000,000 (the “Deductible Amount”), except that the Purchaser Indemnitees will be entitled to recover for, and the Deductible Amount will not apply to, any Losses with respect to any breach of or inaccuracy in any Seller Fundamental Representation (other than Seller Fundamental Representations set forth in **Schedule 3.2(l) (Intellectual Property)**). Once the Deductible Amount has been exceeded, the Purchaser Indemnitees shall be entitled to be indemnified against all Losses in excess of the Deductible Amount.

(c) The maximum amount of indemnifiable Losses that may be recovered by the Purchaser Indemnitees from the Sellers with respect to the matters described in **Section 8.2(a)** and with respect to any breach by any Seller Party of the covenant contained in the second sentence of **Section 5.8(c)** shall be an aggregate amount equal to the Indemnification Holdback Amount.

(d) The limitations on the indemnification obligations of the Sellers set forth in **Sections 8.3(a) , 8.3(b) and 8.3(c)** do not apply to any Losses arising from any matter described in **Sections 8.2(b)** (other than any breach of the covenant contained in the second sentence of **Section 5.8(c)** by any Seller Party, which is limited by **Section 8.3(c)** only), **(c) , (d) , (e) , (f) , or (g) .**

(e) No Seller will have any right of contribution, right of indemnity or other right or remedy against Purchaser, RSP or RSP-TW in connection with any indemnification obligation or any other liability to which such Seller may become subject under or in connection with this Agreement.

(f) The Purchaser Indemnitees may not recover duplicative amounts in respect of the same Losses from multiple Sellers.

(g) Notwithstanding anything to the contrary in this Agreement, with respect to the representations and warranties made by any Seller pursuant to **Section 3.1** (or any certification to the extent related to any such representations and warranties), each Seller shall solely indemnify the Purchaser Indemnitees against Losses that are incurred by any of the Purchaser Indemnitees and that arise from such Seller's breach of such representations and warranties (and not with respect to the representations and warranties of any other Seller pursuant to **Section 3.1** (or any certification to the extent related to any such representations and warranties)).

(h) Notwithstanding anything to the contrary in this Agreement, with respect to Losses other than with respect to the representations and warranties made by the Sellers pursuant to **Section 3.1** (or any certification to the extent related to any such representations and warranties), each Seller's liability shall be several and not joint, and the liability of the Sellers therefor shall be apportioned among the Sellers pro rata in proportion to the Sellers' respective Holdback Percentages.

8.4 Holdback. A Purchaser Indemnatee shall be paid from the Indemnification Holdback Fund the amount of any Loss for which it is entitled to indemnification pursuant to this Article **VIII**. So long as any of the Indemnification Holdback Amount remains in the Indemnification Holdback Fund, the Indemnification Holdback Fund shall be the initial source of recovery for any Loss incurred by a Purchaser Indemnatee under **Section 8.2** of this Agreement. With respect to any matter described in **Sections 8.2(a)** (with respect to any Seller Fundamental Representation), **(b)**, **(c)**, **(d)**, **(e)**, **(f)**, or **(g)** a Purchaser Indemnatee may recover all of its Losses (A) first from the Indemnification Holdback Fund, and (B)(1) if the aggregate of all unresolved or unsatisfied claims set forth in all Claim Notices delivered to the Indemnifying Representative prior to the expiration of the Indemnification Holdback Claim Period exceeds the then-existing Indemnification Holdback Fund or (2) after the expiration of the Indemnification Holdback Claim Period, directly from each Seller according to its pro rata proportion (based on the Sellers' respective Holdback Percentages) of such Losses, but otherwise without limitation. The period during which claims for indemnification from the Indemnification Holdback Fund may be initiated shall commence on the Closing Date and terminate at 5:00 p.m., Japan Time, on the date that is 18 months after the Closing Date (the "Indemnification Holdback Claim Period"). Notwithstanding anything to the contrary in this Agreement, on the date of expiration of the Indemnification Holdback Claim Period, such portion of the Indemnification Holdback Fund as may be necessary, in the reasonable judgment of Purchaser Parent, to satisfy any then unresolved or unsatisfied claims for Losses (to the extent specified in any Claims Notice delivered to the Indemnifying Representative prior to the expiration of the Indemnification Holdback Claim Period) shall remain in the Indemnification Holdback Fund until such claims for Losses have been resolved or satisfied in accordance with this Article **VIII**. Within 10 Business Days after the date of expiration of the Indemnification Holdback Claim Period, the Indemnification Holdback Fund, less any amount determined pursuant to the previous sentence, shall be paid by Purchaser Sub to the Sellers, (i) in the amounts to each Seller as specified in a joint written notice by REL, Sharp and Powerchip delivered to Purchasers within five Business Days after the date of expiration of the Indemnification Holdback Claim Period, if any, or (ii) if no joint written notice is delivered to Purchasers within five Business Days after the date of expiration of the Indemnification Holdback Claim Period, pro rata in proportion to the Sellers' respective Holdback Percentages. If, upon the expiration of the Indemnification Holdback Claim Period, Purchaser Sub retains any portion of the Indemnification Holdback Fund to satisfy any then unresolved or unsatisfied claims for Losses and such portion of the Indemnification Holdback Fund is not fully exhausted following the final resolution of all such claims for Losses, then Purchaser Sub will deliver any leftover portion of the Indemnification Holdback Fund (any such funds, the "Retained Funds") to the Sellers pro rata in proportion to the Sellers' respective Holdback Percentages. Interest will accrue on the Retained Funds starting on the expiration of the Indemnification Holdback Claim Period until the payment of the Retained Funds to the Sellers at a rate per annum equal to the statutory rate of interest in Japan. Purchaser Sub will pay all such accrued interest to the Sellers pro rata in proportion to the Sellers' respective Holdback Percentages.

8.5 Matters Involving Third Parties.

(a) Notice. If any third party notifies any Purchaser Indemnatee with respect to any matter (a “Third-Party Claim”) that may give rise to a claim for indemnification against the Sellers under this Article **VIII**, then the Purchaser Parent shall promptly notify the Indemnifying Representative thereof in writing. No delay in or failure to give such notice by Purchaser Parent to the Indemnifying Representative pursuant to this **Section 8.5** will adversely affect any of the other rights or remedies that any Purchaser has under this Agreement or alter or relieve any parties to this Agreement of their obligations pursuant to this **Section 8.5**, except and to the extent that such delay or failure has materially prejudiced such parties.

(b) Purchasers will provide the Indemnifying Representative the opportunity to participate at the Indemnifying Representative’s own cost in, but not direct or conduct, any defense of any Third-Party Claim. Purchasers will have the right in their sole discretion to settle any such claim; *provided, however*, that, without the consent of the Indemnifying Representative, no settlement of any such claim with third-party claimants will be determinative of the amount of Losses relating to such matter. If the Indemnifying Representative consents to any such settlement, neither the Indemnifying Representative nor any Seller will have any power or authority to object to the amount or validity of any claim by or on behalf of any Purchaser Indemnatee for indemnity with respect to such settlement. Notwithstanding any other provision of this Agreement, any reasonable costs and expenses of defense and investigation, including court costs and attorneys fees incurred or suffered by the Purchaser Indemnatee in connection with the defense of any third-party claim alleging matters that would constitute a breach or inaccuracy of a representation or warranty or any other matter specified in **Section 8.2**, whether or not it is ultimately determined that there was such a breach or inaccuracy, will constitute Losses subject to indemnification under **Section 8.2**.

8.6 Claims for Indemnification. At any time that a Purchaser Indemnatee desires to claim a Loss (a “Liability Claim”) that it believes is or may be indemnifiable under this **Article VIII**, Purchaser Parent will deliver a notice of such Liability Claim (a “Claims Notice”) to the Indemnifying Representative. A Claims Notice must (A) be signed by an officer of Purchaser Parent, (B) describe the Liability Claim in reasonable detail and (C) indicate the amount of the Loss that has been or may be paid, suffered, sustained or accrued by the Purchaser Indemnitees. To the extent that the amount of a Loss is not determinable as of the date of delivery of a Claims Notice, Purchaser Parent may deliver a Claims Notice stating the maximum amount of Loss that Purchaser Parent in good faith estimates or anticipates that a Purchaser Indemnatee may pay or suffer; *provided, however*, that Purchaser Parent’s provision of an estimated or anticipated amount of Loss will not limit the Loss recoverable or recovered by a Purchaser Indemnatee. No delay in or failure to give a Claims Notice by Purchaser Parent to the Indemnifying Representative pursuant to this **Section 8.6** will adversely affect any of the other rights or remedies that any Purchaser has under this Agreement or alter or relieve any Parties of their obligations to indemnify the Purchaser Indemnitees pursuant to this Article **VIII**, except and to the extent that such delay or failure has materially prejudiced such Parties.

8.7 Objections to and Payment of Claims.

(a) The Indemnifying Representative may object to any Liability Claim set forth in such Claims Notice by delivering written notice to Purchaser Parent of such Indemnifying Representative's objection (an "Objection Notice"). Such Objection Notice must describe the grounds for such objection in reasonable detail.

(b) If an Objection Notice is not delivered by Indemnifying Representative to Purchaser Parent within 30 days after delivery by Purchaser Parent of the Claims Notice, such failure to so object is an irrevocable acknowledgment by each party to this Agreement (including the Indemnifying Representative) that the Purchaser Indemnitees are entitled to indemnification under this Article **VIII** for the Losses set forth in such Claims Notice.

(c) If the Claims Notice was delivered to the Indemnifying Representative and no Objection Notice was delivered to Purchaser Parent within 30 days of the delivery of the Claims Notice, or an Objection Notice was delivered to the Purchaser Parent within 30 days of the delivery of the Claims Notice, but such Objection Notice was only with respect to a portion of the Losses claimed in the Claims Notice, Purchaser Sub may remove and retain (or deliver to the Purchaser Indemnitee making such claim, as applicable) from the Indemnification Holdback Fund cash having a value equal to (1) the amount of the Losses set forth in such Claims Notice, if no Objection Notice was delivered to Purchaser Parent, or (2) the amount of the portion of the Losses set forth in such Claims Notice to which no objection was made, if an Objection Notice was delivered to Purchaser Parent; *provided, however*, that, to the extent that the amount of the Losses set forth in the Claims Notice (or portion thereof) is an estimate, Purchaser Sub (on behalf of itself or any other Purchaser Indemnitee) will not be so entitled to remove and retain funds in respect of such portions of such estimated Losses unless and until the amount of such estimated Losses is finally determined; and *provided further, however*, that if the entire amount then in the Indemnification Holdback Fund is insufficient to cover Losses that have been finally determined in accordance with this Agreement, and recovery directly from one or more Sellers is available hereunder, each Seller will within five Business Days of the determination of such Losses, wire transfer to Purchaser Sub (on behalf of itself and any other Purchaser Indemnitees) its pro rata portion (determined in proportion to the Sellers' respective Holdback Percentages) of any such shortfall.

(d) Promptly after the receipt of a Claims Notice, Sellers identified in the Claims Notice as Sellers that are responsible to indemnify the Liability Claim shall consult with each other and agree on whether or not to provide an Objection Notice and the content of the Objection Notice. In the event such Sellers fail to reach a mutual agreement in this regard, the Indemnifying Representative shall provide an Objection Notice based on the objection by a Seller that is a farthestmost from the Claim Notice and made within 20 days after the delivery of the Claim Notice.

(e) Notwithstanding anything to the contrary in this Agreement, the Sellers do not have any individual right to object to any claim made in a Claims Notice under this Article **VIII** , and, except as aforesaid, any and all claims made in a Claims Notice on behalf of the Purchaser Indemnitees may be objected to only by the Indemnifying Representative.

8.8 Resolution of Objections to Claims .

(a) If an Indemnifying Representative objects in writing to any Liability Claim made in any Claims Notice within 30 days after delivery of such Claims Notice, Indemnifying Representative and Purchaser Parent will attempt in good faith to agree upon the rights of the respective Parties with respect to each such claim. If Indemnifying Representative and Purchaser Parent should so agree, a memorandum setting forth such agreement will be prepared and signed by relevant Parties and (i) Purchaser Sub may remove and retain from the Indemnification Holdback Fund an amount of cash equal to the amount agreed to be delivered to Purchaser Sub in the memorandum, and (ii) if the Indemnification Holdback Fund is not sufficient to cover such amount, within 10 days of entering into such memorandum, each Seller that is required to indemnify the Liability Claim will wire transfer to Purchaser Sub immediately available funds equal to its pro rata portion (determined in proportion to such indemnifying Sellers' respective Holdback Percentages) of any such shortfall.

(b) If no such agreement can be reached after good-faith negotiation and after 30 days after delivery of an Objection Notice, either Purchaser Parent on behalf of Purchaser Parent and Purchaser Sub or the Indemnifying Representative on behalf of the Sellers or an individual Seller as applicable may bring an action against the other to resolve the dispute. To the extent that a Purchaser Indemnitee is permitted under this Article **VIII** to seek recovery directly against one or more Sellers, then (i) Purchaser Sub may remove and retain from the Indemnification Holdback Fund an amount of cash equal to the Losses that are finally resolved to be recoverable under Article **VIII** , and (ii) if the Indemnification Holdback Fund is not sufficient to cover such amount, each Seller that is required to indemnify the Liability Claim will promptly, and in no event later than 10 days after the final resolution of any dispute in accordance with this **Section 8.8** , wire transfer to Purchaser Sub immediately available funds equal to its pro rata portion (determined in proportion to such indemnifying Sellers' respective Holdback Percentages) of any such shortfall, provided that with respect to Losses related to the representations and warranties made by any such Seller pursuant to **Section 3.1** (or any certification to the extent related to any such representations and warranties), such Seller will wire transfer to Purchaser Sub immediately available funds equal to the full amount of Losses determined in accordance with this **Section 8.8** . If the amount of the Losses so determined is an estimate, then the applicable Seller will be required to make such payment within five Business Days of the date that the amount of such Losses is finally determined.

8.9 **Determination of Loss**. Notwithstanding any other provisions in this Agreement, no Party may be held responsible in connection with this Agreement, the Ancillary Agreements, or the transactions or any other matters contemplated hereby or thereby in respect of any Losses that do not have reasonable relationship (*soto inga kankei*) to the matter that gave rise to the relevant claim; *provided, however* , that no Purchaser Indemnatee is required to show reliance on a representation or warranty or certificate in order for such Purchaser Indemnatee to be entitled to indemnification hereunder. Without prejudicing the generality of the foregoing, any Losses incurred by the Purchaser Indemnitees under **Section 8.2(a)** arising from and relating to any infringement or misappropriation of the Intellectual Property of any Person with respect to the Business Products shall be limited to those resulting from the sale, delivery or other disposition of such products by RSP or RSP-TW or by customers of RSP or RSP-TW, on or prior to the Closing (including the manufacture, offering for sale, importation or use of such products), and any sale, delivery or other disposition of the Business Products after the Closing shall not be taken into account as the basis of determining the amount of such Losses. All indemnification payments under this Article **VIII** are deemed adjustments to the Purchase Price. If a Purchaser Indemnatee recovers an amount from a Third Party in respect of a Loss that is the subject of indemnification under this Agreement after all or a portion of such Loss has been paid by a Seller pursuant to this Article **VIII** , the Purchaser Indemnatee shall promptly remit to the Sellers the excess (if any) of (i) the amount paid by the Sellers in respect of such Loss, *plus* the amount received from the Third Party in respect thereof, *less* (ii) the amount of the relevant Loss.

8.10 **Purchase Price Adjustment**. Notwithstanding anything to the contrary herein, Sellers are not obligated to indemnify Purchasers against any Loss as a result of, or based upon or arising from, any claim or Liability to the extent such claim or Liability is taken into account in determining the Purchase Price adjustment pursuant to **Section 2.5** .

ARTICLE IX

TERMINATION

9.1 **Termination of Agreement**. The Parties are entitled to terminate this Agreement only as provided below:

(a) The Parties may terminate this Agreement by written agreement at any time prior to the Closing by written agreement of all of the Parties;

(b) Purchaser Parent may terminate this Agreement by giving written notice to the Seller Parties at any time prior to the Closing (i) in the event any Seller Party has made any material misrepresentation or materially breached any representation or warranty (other than the representations and warranties contained in **Schedule 3.2(e)(i) (Financial Statements)**) or covenant (other than the covenants in **Section 5.7**) contained in this Agreement, and the misrepresentation or breach (if susceptible to cure) has continued without cure for a period of 30 days after the notice of misrepresentation or breach, so long as neither Purchaser is in material breach of this Agreement, (ii) if the Closing does not occur on or before December 31, 2014 (the “ **Drop Dead Date** ”), so long as (A) neither Purchaser is in material breach of this Agreement and (B) the conditions set forth in **Article VII** have not all been satisfied or waived (except for such conditions that by their nature cannot be satisfied until the Closing), or (iii) if a Material Adverse Effect has occurred;

(c) Purchaser Parent may terminate this Agreement by giving written notice to the Seller Parties at any time prior to the Closing in the event any Seller Party has materially breached any covenant contained in **Section 5.7** ;

(d) Purchaser Parent may terminate this Agreement by giving written notice to the Seller Parties at any time prior to the Closing in the event that any Seller Party has made a material misrepresentation or materially breached any of the representations and warranties of the Seller Parties set forth in **Schedule 3.2(e)(i) (Financial Statements)** on the Effective Date (it being agreed that, for the purposes of this **Section 9.1(d)** , any material variation of the Required Financial Statements as of and for the period ended March 31, 2014 from the Financial Statements as of and for the same period (disregarding for these purposes any variation in the Required Financial Statements and the Financial Statements that is due to the translation of GAAP to Japanese GAAP) will be conclusive evidence that the representations and warranties of the Seller Parties set forth in **Schedule 3.2(e)(i) (Financial Statements)** were materially not true and correct on the Effective Date and that Purchaser Parent may terminate this Agreement pursuant to this **Section 9.1(d)**);

(e) Purchaser Parent may terminate this Agreement by giving written notice to the Seller Parties at any time prior to the Closing if all of the conditions set forth in **Article VII** have been satisfied or waived (other than (i) the conditions set forth in **Section 7.1(g)** , **Section 7.1(n)** (with respect to the REL Bank Consents or the PTC Bank Consents), **Section 7.2(g)** or **Section 7.2(h)** , (ii) the condition set forth in **Section 7.1(f)** , but only if the Financing is then available, and (iii) those conditions that by their nature are to be satisfied at the Closing, but, in the case of clause (iii), which conditions would be satisfied if the Closing Date were the date Purchaser Parent terminates this Agreement pursuant to this **Section 9.1(e)**) and the Closing does not occur on or prior to December 19, 2014 due to the failure of any of the conditions set forth in **Section 7.1(g)** , **Section 7.1(n)** (with respect to the REL Bank Consents or the PTC Bank Consents), **Section 7.2(g)** or **Section 7.2(h)** to be satisfied;

(f) the Seller Representative may terminate this Agreement by giving written notice to Purchaser Parent at any time prior to the Closing (i) in the event either Purchaser has made any material misrepresentation or materially breached any warranty or covenant contained in this Agreement, and the misrepresentation or breach (if susceptible to cure) has continued without cure for a period of 30 days after notice by the Seller Parties to Purchaser Parent of the misrepresentation or breach, so long as no Seller Party is in material breach of this Agreement, or (ii) if the Closing does not occur on or before the Drop Dead Date, so long as no Seller Party is in material breach of this Agreement; *provided* , *however* , that Seller Representative may not terminate this Agreement pursuant to this **Section 9.1(f)(ii)** if (A) all of the conditions set forth in **Article VII** have been satisfied or waived (except for such conditions that by their nature cannot be satisfied until the Closing) or (B) the consents referenced in **Section 7.2(g)** or **Section 7.2(h)** have not been obtained;

(g) the Seller Representative may terminate this Agreement on or after December 19, 2014 by giving written notice to Purchaser Parent if all of the conditions set forth in **Article VII** have been satisfied or waived (other than (i) the condition set forth in **Section 7.1(f)** and (ii) those conditions that by their nature are to be satisfied at the Closing, but, in the case of clause (ii), which conditions would be satisfied if the Closing Date were the date the Seller Representative terminates this Agreement pursuant to this **Section 9.1(g)**) and the Closing does not occur on or prior to December 19, 2014 due to the failure of the condition set forth in **Section 7.1(f)** to be satisfied; and

(h) either (i) Purchaser Parent, by giving written notice to the Seller Parties at any time prior to the Closing or (ii) the Seller Parties, by giving joint written notice by all Seller Parties to Purchaser Parent at any time prior to the Closing, if (1) there is a final non-appealable Order in effect preventing consummation of the Transactions or (2) there is any Law or Order enacted, promulgated or issued or deemed applicable to the Transactions by any Governmental Entity that would make consummation of the Transactions illegal.

9.2 Effect of Termination .

(a) If any Party terminates this Agreement pursuant to **Section 9.1** , all rights and obligations of the Parties hereunder terminate without any liability of any Party to any other Party or any of their Representatives (except as provided in **Section 9.2(b)**, **Section 9.2(c)** , **Section 9.2(d)** or **Section 9.2(e)** and except for any liability of a Party for breach prior to termination); *provided , however* , that the provisions of **Section 9.2** and **Article X** survive termination.

(b) If Purchaser Parent terminates this Agreement pursuant to **Section 9.1(c)** , then the Sellers will pay, by wire transfer of immediately available funds to an account as directed by Purchaser Sub, an amount equal to JPY3,625,000,000 (the “ Termination Fee ”) as a termination fee, prior to or immediately following such termination and, if applicable, in any event prior to entering into any agreement with respect to or consummating any Acquisition Transaction. Each Seller will pay to Purchaser Sub such Seller’s pro rata portion of the Termination Fee (determined by reference to the Sellers’ respective Holdback Percentages). If any Seller fails to pay to Purchaser Sub such Seller’s pro rata portion of the Termination Fee when due, the other Sellers shall be jointly and severally liable to pay to Purchaser Sub the portion of the Termination Fee owed to Purchaser by each defaulting Seller. In the event that any Seller shall fail to pay such Seller’s portion of the Termination Fee when due, the Sellers, on a joint and several basis, will reimburse Purchasers for all reasonable costs and expenses actually incurred or accrued by either or both of them (including reasonable fees and expenses of counsel) in connection with the collection under and enforcement of this **Section 9.2(b)** , together with interest on any portion of the Termination Fee that remains unpaid at the prime rate as quoted on Bloomberg screen (PRIMBB Index) in effect on the date such payment was required to be made through the date of payment plus 2% per annum.

(c) If Purchaser Parent terminates this Agreement pursuant to **Section 9.1(e)**, then the Sellers will pay, by wire transfer of immediately available funds to an account as directed by Purchaser Sub, an amount equal to all of the Purchasers' reasonable, documented out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, financing sources and consultants) incurred in connection with or related to the authorization, preparation, negotiation, execution or performance of this Agreement or the Ancillary Agreements and all other matters related to the consummation of the Transactions. Each Seller will pay to Purchaser Sub such Seller's pro rata portion of the expenses specified in the preceding sentence (determined by reference to the Sellers' respective Holdback Percentages). If any Seller fails to pay to Purchaser Sub such Seller's pro rata portion of such expenses when due, the other Sellers shall be jointly and severally liable to pay to Purchaser Sub the portion of such expense owed to Purchaser by each defaulting Seller. Notwithstanding anything to the contrary contained in this Agreement, if this Agreement is terminated pursuant to **Section 9.1(e)**: (i) Purchaser Sub's right to receive the amounts specified in the preceding sentence pursuant to this **Section 9.2(c)** will be the Purchasers sole and exclusive remedy against the Seller Parties or any of their respective Affiliates, stockholders, directors, officers, employees, agents or Representatives for any Loss, claim, damage, Liability or expense suffered as a result of the failure of any of the Transactions to be consummated; and (ii) upon payment of the amounts specified in the preceding sentence that are required to be paid pursuant to this **Section 9.2(c)**, none of the Seller Parties or any of their respective Affiliates, stockholders, directors, officers, employees, agents or Representatives will have any further Liability or obligation relating to or arising out of this Agreement or the Transactions.

(d) Subject to the last sentence of this **Section 9.2(d)**, if the Seller Representative terminates this Agreement pursuant to **Section 9.1(g)**, then Purchaser Parent will pay to each Seller Party, by wire transfer of immediately available funds to an account as directed by each Seller Party, an amount equal to all of such Seller Party's reasonable, documented out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, financing sources and consultants) incurred in connection with or related to the authorization, preparation, negotiation, execution or performance of this Agreement or the Ancillary Agreements and all other matters related to the consummation of the Transactions. Notwithstanding anything to the contrary contained in this Agreement, if this Agreement is terminated pursuant to **Section 9.1(g)**: (i) each Seller Party's right to receive the amounts specified in the preceding sentence pursuant to this **Section 9.2(d)** will be such Seller Party's sole and exclusive remedy against Purchaser Parent, Purchaser Sub or any of their respective Affiliates, stockholders, directors, officers, employees, agents or Representatives for any Loss, claim, damage, Liability or expense suffered as a result of the failure of any of the Transactions to be consummated; and (ii) upon payment of the amounts specified in the preceding sentence that are required to be paid pursuant to this **Section 9.2(d)**, none of Purchaser Parent, Purchaser Sub or any of their respective Affiliates, stockholders, directors, officers, employees, agents or Representatives will have any further Liability or obligation relating to or arising out of this Agreement or the Transactions. If (A) the condition in **Section 7.1(f)** is not satisfied as a result of the Financing Sources refusing to make the Financing available because of the occurrence of an event described in subclause (d) of the definition of "Material Adverse Effect," and (B) this Agreement is terminated by the Seller Representative pursuant to **Section 9.1(g)**, then Purchaser Parent will not be required to pay the Seller Parties the amounts specified in the first sentence of this **Section 9.2(d)** and none of Purchaser Parent, Purchaser Sub or any of their respective Affiliates, stockholders, directors, officers, employees, agents or Representatives will have any Liability or obligation relating to or arising out of this Agreement or the Transactions. If (A) the condition in **Section 7.1(f)** is not satisfied as a result of the Financing Sources not being able to make the Financing available on terms that are substantially similar to those specified in the Commitment Letter, by reason of the occurrence of (w) an act of God, (x) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or a general moratorium on commercial banking activities in New York declared by either U.S. federal or New York State authorities or a suspension of payments in respect of federal or state banks in the United States (whether or not mandatory), (y) the outbreak or escalation of hostilities directly involving the United States or the declaration by the United States of a national emergency or war or an act of terrorism or (z) an adverse and material change in financial or securities markets or commercial banking conditions in the United States, and (B) this Agreement is terminated by the Seller Representative pursuant to **Section 9.1(g)**, then Purchaser Parent will not be required to pay the Seller Parties the amounts specified in the first sentence of this **Section 9.2(d)** and none of Purchaser Parent, Purchaser Sub or any of their respective Affiliates, stockholders, directors, officers, employees, agents or Representatives will have any Liability or obligation relating to or arising out of this Agreement or the Transactions.

(e) If Purchaser Parent terminates this Agreement pursuant to **Section 9.1(b)(i)** or **(iii)** , **Section 9.1(c)** or **Section 9.1(d)** or **Section 9.1(e)** , and in any such case neither Purchaser is in breach of this Agreement, then the Sellers will be responsible for all fees and expenses in respect of the preparation of the Required Financial Statements pro rata in proportion to the Sellers' respective Holdback Percentages. If the Seller Representative terminates this Agreement pursuant to **Section 9.1(d)** , then the Purchasers will not be obligated to reimburse the Seller Parties for any fees or expenses of the auditors engaged to prepare the Required Financial Statements, and will only be required to make the payment described in **Section 9.2(d)** (to the extent that a payment is due under **Section 9.2(d)**) . If the Seller Representative terminates this Agreement pursuant to **Section 9.1(f)(i)** , then the Purchasers will reimburse the Seller Parties for the documented out-of-pocket fees and expenses of the auditors engaged to prepare the Required Financial Statements, in respect of the preparation of the Required Financial Statements. If this Agreement is otherwise terminated, then the Purchasers will reimburse the Seller Parties for one-half of the documented out-of-pocket fees and expenses of the auditors engaged to prepare the Required Financial Statements, in respect of the preparation of the Required Financial Statements, up to a maximum of JPY200,000,000, and the Sellers will be responsible for the remainder of such fees and expenses pro rata in proportion to the Sellers' respective Holdback Percentages. The payment of the fees and expenses in respect of the preparation of the Required Financial Statements pursuant to this **Section 9.2(e)** will not be deemed to be an exclusive remedy under this Agreement.

(f) Each Party acknowledges that (i) the agreements contained in this **Section 9.2** are an integral part of the Transactions, (ii) without these agreements, the other Parties would not enter into this Agreement and (iii) the fees (including the Termination Fee) contemplated by this **Section 9.2** are not penalties, but rather constitute damages in a reasonable amount that will partially compensate the Purchasers or the Sellers, as applicable, in the circumstances in which each such fee is payable, including the efforts and resources expended and opportunity forgone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision.

ARTICLE X

GENERAL PROVISIONS

10.1 Seller Representative.

(a) REL is hereby constituted and appointed as the Seller representative (the “Seller Representative”) and hereby accepts such appointment, effective as of the Closing. Each Seller, by virtue of its adoption of this Agreement, is deemed to have appointed and constituted the Seller Representative as their agent and true and lawful attorney-in-fact with the powers and authority as set forth in this Agreement. Except where otherwise provided in this Agreement (including Article **VIII**), the Seller Representative is the exclusive agent for and on behalf of the Sellers after the Closing to (1) give and receive notices and communications to or from Purchaser Parent (on behalf of itself or any other Purchaser Indemnitee) relating to this Agreement or any of the Transactions; (2) object to indemnification claims in accordance with **Section 8.8**; (3) subject to **Section 8.7(d)**, consent or agree to, negotiate, enter into settlements and compromises of, and comply with Orders with respect to, such claims; and (4) take all actions necessary or appropriate in the judgment of the Seller Representative for the accomplishment of the matters set forth in this **Section 10.1**, in each case without having to seek or obtain the consent of any Person under any circumstance. The Seller Representative is the sole and exclusive means of asserting or addressing any of the above, and no Seller has any right to act on its own behalf with respect to any such matters, other than any claim or dispute against the Seller Representative. This appointment of agency and this power of attorney is coupled with an interest and will be irrevocable and will not be terminated by any Seller or by operation of Law, as the result of any event, and any action taken by the Seller Representative will be as valid as if such event had not occurred, regardless of whether or not any Seller or the Seller Representative will have received any notice thereof. Seller Representative shall be entitled to pro rata contribution from each Seller with respect to any fees, expenses or other amounts that Seller Representative pays or incurs hereunder in its role as Seller Representative (including but not limited to the fees and expenses of the Settlement Accountant).

(b) Any notice or communication given or received by, and any decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, the Seller Representative that is within the scope of the Seller Representative’s authority under **Section 10.1(a)** constitutes a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, all Sellers and is final, binding and conclusive upon each such stockholder. Each Purchaser Indemnitee is entitled to rely upon any such notice, communication, decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction as being a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, each and every Seller. Each Purchaser Indemnitee is unconditionally and irrevocably relieved from any liability to any Person for any acts done by them in accordance with any such notice, communication, decision, action, failure to act within a designated period of time, agreement, consent or instruction of the Seller Representative.

(c) For the avoidance of doubt, the Seller Representative does not assume any liabilities or obligations of each Seller by being appointed as the Seller Representative, and in no event shall be liable for any payment, indemnification or other obligations of each Seller by being the Seller Representative.

10.2 Press Releases and Public Announcements. No Party may issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of Purchaser Parent, REL, Sharp and Powerchip; *provided, however*, that a Party may make any public disclosure it believes in good faith is required by applicable Law or any rules of a securities exchange on which it lists its securities (in which case the disclosing Party shall employ its best efforts to advise the other Parties prior to making the disclosure).

10.3 No Third-Party Beneficiaries. Except with respect to the Purchaser Indemnitees under Article **VIII**, this Agreement does not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns, except that the provisions of **Sections 10.3, 10.12 and 10.20** are intended for the benefit of and shall be enforceable by the Financing Sources.

10.4 Entire Agreement. This Agreement, including the Ancillary Agreements and other documents referred to herein and the Confidentiality Agreements, constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof or thereof.

10.5 Confidentiality.

(a) **Maintenance of Confidentiality**. Subject to **Section 10.2**, from the Effective Date and continuing until the expiration of the fifth anniversary of the Closing, no Party may, and each Party shall ensure that its Affiliates (including INCJ, which will be deemed an Affiliate of REL, RSP and RSP-TW for the purpose of this **Section 10.5**) do not, through any action or inaction, use (except as contemplated by this Agreement), or disclose to any other Person, any Confidential Information of or relating to the other Party (it being understood that following the Closing, this **Section 10.5** applies to the use or disclosure of any Confidential Information of RSP or RSP-TW or their respective businesses by the Seller Parties and their Affiliates but after the Closing does not apply with respect to the use or disclosure of the Confidential Information of RSP or RSP-TW or their respective businesses by Purchaser Parent, Purchaser Sub, or any of their Affiliates). Subject to **Section 10.5(b)**, the foregoing prohibitions do not apply to (i) disclosures that are required by any applicable Law (including any rule or regulation of a securities exchange on which a Party's securities are listed and that may require such disclosure) or by a Governmental Entity; (ii) information that is ascertainable or obtained from public information or is otherwise publicly known through no wrongful act of the receiving Party; (iii) information received from a Person not known after reasonable inquiry to the disclosing Party to be under an obligation to keep such information confidential; (iv) information independently developed by the receiving Party without use of the disclosing Party's information; (v) information disclosed to or filed with any Person for the purpose of obtaining consents to, or the Financing of, the Transactions; and (vi) disclosures contemplated by this Agreement. Notwithstanding anything herein to the contrary, each Party may (without prior notification to, or approval or consent by, the other Party) disclose to Tax authorities or to such Party's Representatives (including outside counsel and advisors) any confidential or non-public information that is required to be disclosed in connection with such party's Tax filings, reports, claims, audits, or litigation.

(b) **Required Disclosure.** Notwithstanding **Section 10.5(a)**, in the event a Party is required to disclose the Confidential Information of or relating to another Party pursuant to any applicable Law, and would otherwise be prohibited from doing so under this **Section 10.5**, such Party so required shall (i) promptly notify such other Party of the existence, terms and circumstances surrounding such requirement; (ii) consult with such other Party on the advisability of taking legally available steps to resist or narrow such request; and (iii) if disclosure of such Confidential Information is required, furnish only that portion of the Confidential Information that the first Party is legally compelled to disclose and advise the other Party reasonably in advance of such disclosure so that such other Party may seek an appropriate protective Order or other reliable assurance that confidential treatment will be accorded such Confidential Information. The Party required to make such disclosure may not oppose actions by such other Party to obtain an appropriate protective Order or other reliable assurance that confidential treatment will be accorded such Confidential Information.

10.6 Exclusive Remedy. The rights and remedies of the Purchasers under Article **VIII** and Article **IX** are the sole and exclusive, and are in lieu of, any and all other rights, remedies and causes of action (whether in Law, contract, defect liability, tort or otherwise) that the Purchasers and their Affiliates (including RSP and RSP-TW following the Closing) may have against the Seller Parties and their Affiliates under, in connection with, arising out of, resulting from or in any way related to this Agreement or the transactions or any other matters contemplated hereby; *provided, however*, that these exclusive remedies for Losses will not be construed to preclude a Party from bringing an action for specific performance to require the other Party to perform its specific obligation under the provisions of this Agreement; *provided further, however*, that notwithstanding the remedies available to the Purchaser Indemnitees hereunder, the right of Purchasers or any other Purchaser Indemnitee to pursue action for any other remedies or relief under any Ancillary Agreement against the counterparties thereto will not be limited hereby; and *provided further, however*, that notwithstanding anything to the contrary contained in this Agreement, nothing herein will prevent any Purchaser Indemnitee from bringing an action for fraud or intentional misrepresentation against any Person, including any Seller Party, whose fraud or intentional misrepresentation has caused such Purchaser Indemnitee to incur Losses or has limited the Losses recoverable by such Purchaser Indemnitee in such action. Nothing in this Agreement will limit the liability of the Seller Parties for any misrepresentation or breach of any representation, warranty, covenant or agreement if the Transactions are not consummated. The Parties agree that no Seller Party will have the right to seek specific performance of the Purchasers' covenants in **Section 5.8**. The Parties agree that the right to terminate this Agreement pursuant to **Section 9.1(g)** and receive the amounts specified in **Section 9.2(d)** will be the Seller Parties' sole and exclusive remedy if the Financing is not obtained by, or is not made available to, the Purchasers).

10.7 Succession and Assignment. No Party may assign either this Agreement or any of its rights or interests hereunder, or delegate any of its obligations hereunder, without the prior written approval of Purchasers and the other Parties (before the Closing) or the prior written approval of Purchaser Parent and the Seller Representative (after the Closing), except that (a) Purchaser Parent and Purchaser Sub may each assign and delegate any or all of its rights, interests and obligations under this Agreement (1) before or after the Closing, to any of its Affiliates and (2) after the Closing, to any Person, as long as any such Affiliate or Person agrees in writing to be bound by all of the terms, conditions and provisions contained in this Agreement, but no such assignment or delegation will relieve Purchaser Parent or Purchaser Sub (as applicable) of its obligations under this Agreement if such assignee does not perform such obligations.

10.8 **Counterparts**. This Agreement may be executed in counterparts (including by means of facsimile), each of which is deemed an original but all of which together constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a fax machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an “Electronic Delivery”) shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No Party hereto may raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such Party forever waives any such defense, except to the extent that such defense relates to lack of authenticity.

10.9 **Headings**. The section headings contained in this Agreement are inserted for convenience only and do not affect in any way the meaning or interpretation of this Agreement.

10.10 **Notices**. All notices, requests, demands, claims, and other communications hereunder must be in writing. Any notice, request, demand, claim, or other communication hereunder is deemed duly given (i) when delivered personally to the recipient, (ii) one Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) one Business Day after being sent to the recipient by facsimile transmission or electronic mail, or (iv) seven Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to (A) REL or (B) RSP or RSP-TW (prior to the Closing):

Renesas Electronics Corporation
Nippon Bldg. 2-6-2, Ote-machi, Chiyoda-ku, Tokyo 100-0004, Japan
Facsimile: +81-3-5201-5075
Attention: Corporate Planning Unit Legal Division General Manager

with a copy to:

Nagashima Ohno & Tsunematsu
Kioicho Building, 3-12 Kioicho, Chiyoda-ku, Tokyo 102-0094, Japan
Facsimile: +81-3-5213-2300
Attention: Yutaka Kuroda and Akihiro Tokura

If to Sharp:

Sharp Corporation
22-22, Nagaike-cho, Abeno-ku, Osaka 545-8522 Japan
Facsimile: +81-6-6625-0543
Attention: Executive Officer, Division General Manager, Electronic Components and Devices Division

with a copy to:

Nishimura &Asahi

Ark Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo 107-6029, Japan

Facsimile:

Attention:

If to Powerchip, GPC, or QVC:

Powerchip Technology Corporation

No. 12, Li-Hsin Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

Facsimile: +886-3-5792014

Attention: Global Business Vice President

with a copy to:

Powerchip Technology Corporation

No. 12, Li-Hsin Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

Facsimile: +886-3-5792018

Attention: Deputy Director, Legal Affairs Office

If to (A) Purchaser Parent or Purchaser Sub or (B) RSP or RSP-TW (after the Closing):

Synaptics Incorporated

1251 McKay Dr.

San Jose, CA 95131

United States of America

Facsimile:+1-408-904-2742

Attention: General Counsel and Secretary

with a copy to:

Jones Day

1755 Embarcadero Road

Palo Alto, CA 94303

United States of America

Facsimile: +1-650-739-3900

Attention: Micheal J. Reagan and Khoa D. Do

A Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

10.11 Governing Law; Dispute Resolution; Venue.

(a) This Agreement is governed by and construed in accordance with the Laws of Japan without giving effect to any choice or conflict of Law provision or rule that would cause the application of the Laws of any jurisdiction other than Japan.

(b) Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity hereof, including any request for specific performance, claim based on contract, tort, statute or constitution or the determination of the scope or applicability of this agreement to arbitrate, shall be referred to and finally resolved by arbitration under the ICC Rules, which Rules are deemed to be incorporated herein by reference, as modified by this **Section 10.11**. The place of arbitration will be Tokyo, Japan.

(c) Should the parties to an arbitration proceeding agree to hold meetings in any place other than Tokyo, Japan, in the interests of reducing the total cost to the parties of the arbitration, the arbitration shall nonetheless be treated as an arbitration conducted at the seat of the arbitration and any award shall be treated as an award made at the seat of the arbitration for all purposes. The arbitration proceedings will be conducted in English.

(d) The arbitration shall be conducted by three arbitrators, one of whom shall be selected by Purchaser Parent, one of whom shall be selected by the Seller Representative, and one of whom shall be selected by agreement of the arbitrators selected by Purchaser Parent and the Seller Representative (the "Panel"). Decisions of the Panel shall be by majority vote. The Panel will have the power to order any remedy, including monetary damages, specific performance (to the extent permitted under this Agreement) and all other forms of legal and equitable relief, except that the Panel will not have the power to order punitive damages.

(e) Each party to an arbitration will be entitled to the timely production by the other party of relevant, non-privileged documents or copies thereof. If the parties are unable to agree on the scope or timing of such document production, the Panel will have the power, upon application of any party, to make all appropriate orders for the production of documents by any party.

(f) The Panel may appoint expert witnesses only with the consent of all of the parties to the arbitration.

(g) The arbitrators' fees and the administrative expenses of the arbitration will be paid equally by the parties to the arbitration. Each party to the arbitration will pay its own costs and expenses (including attorneys' fees) in connection with the arbitration.

(h) The award rendered by the Panel will be executory, final and binding on the parties. The award rendered by the Panel may be entered into any court having jurisdiction, or application may be made to such court for judicial acceptance of the award and an order of enforcement, as the case may be. Such court proceeding may disclose only the minimum amount of information concerning the arbitration as is required to obtain such acceptance or order.

(i) Each Party hereby agrees that in connection with any such action, process may be served in the same manner as notices may be delivered under this Agreement, and irrevocably waives any defenses it may have to service in such manner.

(j) Each Party hereby agrees that this Agreement does not preclude Parties from seeking provisional remedies in aid of arbitration from the appropriate trial courts located in Tokyo, Japan. For the purposes of this subparagraph, each of the Parties consents to submit itself to the personal jurisdiction of the courts described in the first sentence of this subparagraph, agrees not to attempt to deny or defeat such personal jurisdiction by motion or other application, agrees not to bring any Proceeding relating to this Agreement or any of the Transactions in any other court, agrees not to assert as a defense that such Proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement may not be enforced in or by such courts, and agrees that mailing of process or other papers in connection with any such Proceeding in the manner provided in **Section 10.10** or in such other manner as may be permitted by Law will be valid and sufficient service thereof.

10.12 Amendments and Waivers .

(a) Prior to the Closing, no amendment of any provision of this Agreement is valid unless the same is in writing and signed by Purchaser Parent, Purchaser Sub, and each Seller Party. After the Closing, no amendment of any provision of this Agreement is valid unless the same is in writing and signed by Purchaser Parent and each Seller Party. No waiver by a Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, is valid unless the same is in writing and signed by the Party making such waiver, nor is such waiver deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. To the extent any amendment, modification or waiver to **Sections 10.3 , 10.12** or 10.20 is sought which is adverse to the rights of the Financing Sources, the prior written consent of the Financing Sources shall be required before such amendment, modification or waiver is rendered effective.

(b) Any Party may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other Parties, (ii) waive any inaccuracies in the representations and warranties made to such Party herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. At any time after the Closing, the Parties may, to the extent legally allowed, (1) extend the time for the performance of any of the obligations or other acts of the other, (2) waive any inaccuracies in the representations and warranties made to Purchasers (in the case of a waiver by Purchaser Parent) or made to the Sellers (in the case of a waiver by the Sellers) herein or in any document delivered pursuant hereto and (3) waive compliance with any of the agreements or conditions for the benefit of Purchasers (in the case of a waiver by Purchaser Parent) or made to the Sellers (in the case of a waiver by the Sellers). Any agreement on the part of a Party to any such extension or waiver is valid only if set forth in an instrument in writing signed on behalf of such Party. Without limiting the generality or effect of the preceding sentence, no delay in exercising any right under this Agreement constitutes a waiver of such right, and no waiver of any breach or default will be deemed a waiver of any other breach or default of the same or any other provision in this Agreement.

10.13 **Severability**. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction does not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

10.14 **Expenses**. Except as provided in **Section 5.14** and **Section 9.2(c)**, each of Purchaser Parent (on behalf of itself and Purchaser Sub) and each Seller Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Without limiting the generality of the foregoing all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be paid by the Seller Parties when due, and the Seller Parties shall, at their own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by applicable Law, the Purchasers shall, and shall cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

10.15 **Construction**. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties and no presumption or burden of proof is to arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

10.16 **Incorporation of Exhibits, Annexes, and Schedules**. The Exhibits, Annexes, and Schedules, including the Seller Disclosure Schedule, identified in this Agreement are incorporated herein by reference and made a part hereof.

10.17 **Governing Language**. This Agreement has been negotiated and executed by the Parties in English. In the event any translation of this Agreement is prepared for convenience or any other purpose, the provisions of the English version prevail.

10.18 **Purchaser Parent's Obligation**. The Purchaser Parent shall ensure and cause the Purchaser Sub to perform and comply with any and all obligations, duties, covenants, commitments, agreements and arrangements of the Purchaser Sub set forth in this Agreement and any Ancillary Agreements. The Parties acknowledge and agree that any breach of any obligations, duties, covenants, commitments, agreements, or arrangements of the Purchaser Sub is deemed to be the breach of the Purchaser Parent.

10.19 **Sellers' Obligation**. The Sellers shall ensure and cause RSP and RSP-TW to perform and comply with any and all obligations, duties, covenants, commitments, agreements and arrangements of RSP and RSP-TW, respectively, set forth in this Agreement prior to the Closing. The Parties acknowledge and agree that any breach of any obligations, duties, covenants, commitments, agreements, or arrangements of RSP and RSP-TW prior to Closing is deemed to be the breach of the Sellers, on a joint and several basis.

10.20 **Financing Sources**. The Purchasers, the Sellers and their respective Subsidiaries, Affiliates, directors, officers, employees, agents, partners, managers, members or stockholders shall not have any rights or claims against the Financing Sources in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including any dispute arising out of or relating in any way to the performance of any financing commitments with respect to the transactions contemplated hereby, whether at law or equity, in contract, in tort or otherwise. No Financing Source shall have any liability (whether at law or equity, in contract or in tort or otherwise) to the Purchasers, the Sellers or any of their respective Subsidiaries, Affiliates, directors, officers, employees, agents, partners, managers, members or stockholders for any obligations or liabilities of any party hereto under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby, including any dispute arising out of or relating in any way to the performance of any financing commitment (whether or not arising under the Commitment Letter or any related agreements). Without prejudice to the preceding sentences in this **Section 10.20**, notwithstanding anything herein to the contrary, (x) each of the Parties hereby agrees that it will not bring any action, cause of action, claim, cross-claim, third-party claim or other Proceeding of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against any Financing Source in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including any dispute arising out of or relating in any way to the Financing or the performance thereof, in any forum other than the Supreme Court of the State of New York, County of New York, or, if under applicable law jurisdiction is vested in Federal courts, the United States District Court for the Southern District of New York (or appellate courts thereof) and each such action, cause of action, claim, cross-claim, third-party claim or Proceeding shall be governed by the law of the State of New York and (y) each of the Parties hereby irrevocably waives all right to trial by jury in any such action, cause of action, claim, cross-claim, third-party claim or Proceeding described in the preceding clause (x).

10.21 **Limitation of Indemnification regarding Purchasers' Breach of Section 6.10**. The Sellers hereby agree and acknowledge that no Seller shall be entitled to make any claim based on Purchasers' breach (or alleged breach) of the covenant set forth in **Section 6.10** after the one-year anniversary of the Closing Date.

[Signature Page Follows]

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

SELLER PARTIES:

RENESAS ELECTRONICS CORPORATION, a
Japanese *kabushiki kaisha*

By: /s/ Tetsuya Tsurumaru

Name: Tetsuya Tsurumaru

Title: President & COO

Signature Page to Stock Purchase Agreement

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

SELLER PARTIES:

RENESAS SP DRIVERS, INC., a Japanese *kabushiki kaisha*

By: /s/ Ikuo Kudo

Name Ikuo Kudo

Title: CEO & President

RENESAS SP DRIVERS TAIWAN, INC., a company limited-by-shares incorporated in the Republic of China

By: /s/ Joe Wu

Name: Joe Wu

Title: Chairman

Signature Page to Stock Purchase Agreement

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

SELLER PARTIES:

SHARP CORPORATION, a Japanese *kabushiki kaisha*

By: /s/ Kozo Takahashi

Name: Kozo Takahashi

Title: President

Signature Page to Stock Purchase Agreement

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

SELLER PARTIES:

POWERCHIP TECHNOLOGY CORP., a company
limited-by-shares incorporated in the Republic of China

By: /s/ Frank Huang
Name: Frank Huang
Title: Chief Executive Officer

GLOBAL POWERTEC CO. LTD., a British Virgin
Islands company

By: /s/ Frank Huang
Name: Frank Huang
Title: Chairman

QUANTUM VISION CORPORATION, a company
limited-by-shares incorporated in the Republic of China

By: /s/ Frank Huang
Name: Frank Huang
Title: Chairman

Signature Page to Stock Purchase Agreement

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

PURCHASER PARENT:

SYNAPTICS INCORPORATED, a Delaware corporation

By: /s/ Rick Bergman

Name: Rick Bergman

Title: CEO

Signature Page to Stock Purchase Agreement

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

PURCHASER SUB:

SYNAPTICS HOLDING GMBH, a Swiss *Gesellschaft mit beschränkter Haftung*

By: /s/ Kathleen Bayless

Name: Kathleen Bayless

Title: Manager

By: /s/ Kermit Nolan

Name: Kermit Nolan

Title: Manager

Signature Page to Stock Purchase Agreement

Schedule 3.1

Representations and Warranties Concerning Sellers

(a) **Organization of Seller**. Seller is duly organized and validly existing under the Laws of the jurisdiction of Japan, the Republic of China, or the British Virgin Islands, as applicable. Seller, if organized in a jurisdiction that recognizes the concept of “good standing,” is in good standing under the Laws of such jurisdiction.

(b) **Authorization of Transaction**. Seller has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and each Ancillary Agreement to which it is party and to perform its obligations hereunder and thereunder. This Agreement and each Ancillary Agreement to which Seller is party constitutes the valid and legally binding obligation of Seller, enforceable in accordance with its terms and conditions, *except* to the extent that the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar Laws affecting the enforcement of creditors’ rights generally and by the principles of equity regarding the availability of remedies. Seller is not required to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Entity in order to consummate the transactions contemplated by this Agreement and each Ancillary Agreement to which it is party. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by Seller.

(c) **Non-contravention**. Neither the execution and delivery of this Agreement and each Ancillary Agreement to which Seller is party, nor the consummation of the transactions contemplated hereby, will (i) violate any material Law or other restriction of any Governmental Entity or court to which Seller is subject or any provision of its charter, bylaws, or other governing documents, or any material Contract to which Seller is a party, or (ii) result in the imposition or creation of a Lien upon or with respect to the Target Shares.

(d) **Target Shares**. Seller holds of record and owns beneficially the Target Shares (as applicable), free and clear of any restrictions on transfer (other than restrictions under the applicable securities Laws), Taxes, Liens, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. Seller is not a party to any option, warrant, purchase right, or other contract or commitment (other than this Agreement) that could require Seller to sell, transfer, or otherwise dispose of any capital stock of RSP or RSP-TW. Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of RSP or RSP-TW. Seller has full right and power to sell and transfer the RSP Target Shares to Purchaser Sub or the RSP-TW Target Shares to RSP (as applicable), and Purchaser Sub or RSP (as applicable) will receive good and marketable title to such Target Shares, free and clear of any Liens.

(e) **No Antisocial Forces**. Seller is not an Antisocial Force and has not entered into any agreements or other arrangements with any Antisocial Forces.

(f) **REL Inventory**. As of March 31, 2014, REL owns REL Inventory with an aggregate book value equal to JPY [*****] (calculated based on Japanese GAAP). Such REL Inventory (i) is of a quality historically usable and salable in the ordinary course of business, is not obsolete, and is in good working order and condition, ordinary wear and tear excepted, (ii) has been manufactured and stored in the ordinary course of business, (iii) is located at facilities of REL, and (iv) has not been consigned to any Person. REL and its Subsidiaries have sold and continued to replenish the REL Inventory in a normal and customary manner consistent with past practice. REL (X) has good and marketable title to the REL Inventory free of any Liens and (Y) at all times from the Effective Date until the Inventory Transfer Date, will have good and marketable title to the REL Inventory free of any Liens. After the sale and transfer of the REL Inventory contemplated by **Section 6.9** and the Manufacturing Services Agreement, RSP will have good and marketable title to the REL Inventory free of any Liens. The REL Inventory identified in the Inventory Report required to be delivered by REL pursuant to subsection (i) of **Section 5.16(a)** together with the Inventory owned by RSP or RSP-TW as of May 31, 2014, constitutes all of the Inventory related to the Business or otherwise required for the operation of the Business, as of May 31, 2014.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

Schedule 3.2

Representations and Warranties Concerning RSP and RSP-TW

(a) Organization, Qualification, and Corporate Power.

(i) Each of RSP and RSP-TW is a company duly organized, validly existing, and (if organized in a jurisdiction that recognizes the concept of “good standing”) is in good standing under the Laws of the jurisdiction of its formation. Each of RSP and RSP-TW is duly authorized to conduct business under the Laws of each jurisdiction where such qualification is required, except where the lack of such qualification would not have a Material Adverse Effect. Each of RSP and RSP-TW has full corporate power and authority to carry on the business in which they are engaged and to own and use the properties owned and used by them. **Exhibit G** is a true and correct copy of the articles of incorporation of RSP. **Exhibit H** is a true and correct copy of the articles of incorporation of RSP-TW.

(ii) Each of RSP and RSP-TW has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and each Ancillary Agreement to which it is a party and to perform its obligations hereunder and thereunder. This Agreement and each such Ancillary Agreement constitutes the valid and legally binding obligation of RSP and RSP-TW, enforceable in accordance with its terms and conditions, *except* to the extent that the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar Laws affecting the enforcement of creditors’ rights generally and by the principles of equity regarding the availability of remedies. Neither RSP nor RSP-TW is required to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Entity in order to consummate the transactions contemplated by this Agreement or any Ancillary Agreement. The execution, delivery and performance of this Agreement, the Ancillary Agreements to which RSP is a party, and all other agreements contemplated hereby have been duly authorized by RSP. The execution, delivery and performance of this Agreement, the Ancillary Agreements to which RSP-TW is a party, and all other agreements contemplated hereby have been duly authorized by RSP-TW.

(b) Capitalization.

(i) The entire authorized capital stock of RSP consists of 100,000 shares of common stock, of which: 55,000 shares are held by REL, 25,000 shares are held by Sharp, 4,000 shares are held by Powerchip, and 16,000 shares are held by GPC. The entire authorized share capital of RSP-TW consists of 10,000,000 shares of common stock, with a par value of NT\$10, of which 5,000,000 shares are issued and outstanding, of which: 2,550,000 shares are held by RSP and 2,450,000 shares are held by QVC. All of the issued and outstanding shares of RSP and RSP-TW have been duly authorized, are validly issued, fully paid, and non-assessable, and are held of record by the relevant Seller as set forth in **Section 3.2(b)** of the Seller Disclosure Schedule. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require RSP or RSP-TW to issue, sell, or otherwise cause to become outstanding any of its capital stock. There is no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to RSP or RSP-TW.

(ii) There are no stockholder agreements, voting trusts or other agreements or understandings relating to the voting of any Target Shares or the RSP-Owned Shares of RSP-TW, and there are no agreements between RSP or RSP-TW and any security holder or others, or among any holders of Target Shares or the RSP-Owned Shares of RSP-TW, relating to the registration, sale or transfer (including agreements relating to rights of first refusal, co-sale rights or “drag-along” rights) of any Target Shares or the RSP-Owned Shares of RSP-TW.

(iii) No bonds, debentures, notes or other Indebtedness of RSP or RSP-TW (i) having the right to vote on any matters on which stockholders may vote (or which is convertible into, or exchangeable for, securities having such right) or (ii) the value of which is in any way based upon or derived from capital or voting stock of RSP or RSP-TW, are issued or outstanding as of the Effective Date.

(c) **Non-contravention**. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any material Law, Order, or other restriction of any Governmental Entity to which RSP or RSP-TW is subject or any provision of the articles of incorporation or bylaws of RSP or RSP-TW, (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material Contract to which RSP or RSP-TW is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Lien upon any of its material assets) or (iii) cause any of the material assets of RSP or RSP-TW to be reassessed or revalued by any Tax authority or other Governmental Entity. Neither RSP nor RSP-TW is required to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Entity in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) **Subsidiaries**. RSP-TW is the only Subsidiary of RSP. Neither RSP nor RSP-TW owns or controls, and RSP and RSP-TW have never owned or controlled, directly or indirectly, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, or have, or ever had, any commitment or obligation to invest in, purchase any securities or obligations of, fund, guarantee, contribute or maintain the capital of or otherwise financially support any corporation, partnership, joint venture or other business association or entity (other than, with respect to RSP, RSP-TW), and except for the ownership of the RSP-Owned Shares of RSP-TW by RSP, neither RSP nor RSP-TW owns or has any right to acquire, directly or indirectly, any outstanding capital stock of, or other equity interests in, any Person. **Section 3.2(d)** of the Seller Disclosure Schedule sets forth for RSP-TW (i) its name and jurisdiction of incorporation, (ii) the number of authorized shares for each class of its capital stock, (iii) the number of issued and outstanding shares of each class of its capital stock, the names of the holders thereof, and the number of shares held by each such holder, and (iv) the number of shares of its capital stock held in treasury. All of the issued and outstanding shares of capital stock of RSP-TW have been duly authorized and are validly issued, fully paid, and non-assessable. After the closing of the RSP-TW Transaction, no Person other than RSP will own or has any right to acquire, directly or indirectly, any outstanding capital stock of, or other equity interests in, RSP-TW.

(e) **Financial Statements**.

(i) Attached hereto as **Exhibit I** are the following financial statements (collectively the “**Financial Statements**”): (i) unaudited consolidated balance sheets and statements of income, and cash flow as of and for the fiscal year ended on March 31, 2014 and (ii) an unaudited consolidated balance sheet (the “**Interim Balance Sheet**”) as of April 30, 2014 (the “**Balance Sheet Date**”) for RSP and RSP-TW. The Financial Statements have been prepared in accordance with Japanese GAAP (subject to the absence of footnotes and other presentation items that may be required by Japanese GAAP) throughout the periods covered thereby and present fairly the financial condition of RSP and RSP-TW as of such dates and the results of operations of RSP and RSP-TW for such periods on a consolidated basis. There has been no change in the accounting policies of RSP or RSP-TW since the Balance Sheet Date.

(ii) There are no debts, Liabilities or obligations, whether accrued or fixed, absolute or contingent, or matured or unmatured, of RSP or RSP-TW as of the Effective Date, except as set forth in the Interim Balance Sheet or **Section 3.2(e)(ii)** of the Seller Disclosure Schedule, and there will be no such debts of RSP or RSP-TW as of the Closing Date, other than any such debts, Liabilities or obligations (1) reflected or reserved against on the Financial Statements, or (2) incurred since the Balance Sheet Date in the Ordinary Course of Business.

(iii) RSP and RSP-TW each maintain a system of internal controls over financial reporting designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes, including to provide reasonable assurance that: (1) transactions are executed in accordance with management’s general or specific authorizations, (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with Japanese GAAP (with respect to RSP) and Taiwanese GAAP (with respect to RSP-TW), (3) access to assets that could have a material effect on RSP’s or RSP-TW’s (as applicable) financial statements is permitted only in accordance with management’s general or specific authorization, and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. RSP has in place a revenue recognition policy consistent with Japanese GAAP, and RSP-TW has in place a revenue recognition policy consistent with Taiwanese GAAP.

(f) **Absence of Changes**. Since the Balance Sheet Date, there has not been any Material Adverse Change. Without limiting the generality of the foregoing, since the Balance Sheet Date neither RSP nor RSP-TW has engaged in any practice, taken any action, or entered into any transaction outside the Ordinary Course of Business or that would, if entered into after the Effective Date and before the Closing Date, constitute a violation of **Section 5.4**. Neither RSP nor RSP-TW has incurred any Liabilities since the Balance Sheet Date, other than in the Ordinary Course of Business.

(g) **Legal Compliance**. Each of RSP and RSP-TW has complied with all Laws, including Orders thereunder, applicable to them. None of RSP, RSP-TW or any of their Affiliates has received any notice or other communication (whether oral or written) from any Person regarding (i) any actual, alleged, possible, or potential violation of, or failure to comply with, any Law, or (ii) any actual, alleged, possible, or potential obligation on the part of RSP or RSP-TW to undertake or to bear the cost of any remedial action of any nature (in the case of any Affiliate of RSP or RSP-TW, to the extent related to the Business of RSP or RSP-TW).

(h) **Permits**. RSP and RSP-TW possess all Permits necessary for the Ordinary Course of Business of RSP and RSP-TW, as currently conducted and as proposed to be conducted by RSP and RSP-TW. All Permits possessed by RSP and RSP-TW are in full force and effect in all respects. There has occurred no material breach of or default (with or without notice or lapse of time or both) under any such Permit and neither RSP nor RSP-TW has received any written notice of, and there has been no material action, suit or Proceeding filed, commenced or, to the Knowledge of the Seller Parties, threatened, alleging any such breach or default or otherwise seeking to revoke, terminate, suspend or modify any such Permit or impose any fine, penalty or other sanctions in connection therewith. RSP and RSP-TW have filed all reports, notifications and filings material to their business with, and have paid all regulatory fees to, the applicable Governmental Entity necessary to maintain all such Permits substantially in full force and effect.

(i) **Tax Matters**.

(i) Each of RSP and RSP-TW has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by each of RSP and RSP-TW (whether or not shown on any Tax Return) have been paid. Each of RSP and RSP-TW has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, Contractor, creditor, stockholder, or other third party. No claim has ever been made by an authority in a jurisdiction where RSP and RSP-TW do not file Tax Returns that either of them is or may be subject to taxation by that jurisdiction.

(ii) No claims are being asserted with respect to any Taxes of RSP or RSP-TW, and there are no audits or investigation by any Tax authority in progress nor does any Seller Party have Knowledge of any pending or threatened audit or investigation of any Tax authority.

(iii) Neither RSP nor RSP-TW has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(iv) Neither RSP nor RSP-TW is a party to or bound by any Tax-sharing or allocation agreement that could cause it to be liable for the Taxes of another Person, and neither RSP nor RSP-TW has any liability for the Taxes of another Person pursuant to any provisions of applicable law, as a transferee or successor, or otherwise.

(j) **Real Property**.

(i) RSP and RSP-TW own no real property (including buildings). **Section 3.2(j)** of the Seller Disclosure Schedule contains a list of all real property (including building) used, but not owned by RSP and RSP-TW (the “Leased Real Properties”) and each original lease agreement for the relevant Leased Real Properties which are subleased (the “Original Lease Agreements”).

(ii) RSP and RSP-TW have good, valid and enforceable lease agreements in each Leased Real Property (each, a “Lease Agreement”), have satisfied, in all material respects, their obligations under the relevant Lease Agreement concerning such Leased Real Properties, are not in breach of obligations under such Lease Agreements which would entitle the lessor to terminate the relevant Lease Agreement and have not received any written notice of default under such Lease Agreements. All of the Lease Agreements have not been disposed of or encumbered and are free of any other third party rights.

(iii) Each Seller from which RSP or RSP-TW leases a Leased Real Property (A) has entered into a good, valid and enforceable Original Lease Agreement with the owner of such Leased Real Property, (B) has satisfied, in all material respects, their obligations under such Original Lease Agreement, (C) is not in breach of obligations under such Original Lease Agreement which would entitle the lessor to terminate the Original Lease Agreement and (D) has not received any written notice of default under such Original Lease Agreement. All of the Original Lease Agreements have not been disposed of or encumbered and are free of any other third party rights.

(k) **Title to Tangible Assets**. RSP and RSP-TW (X) have good and marketable title to, or a valid leasehold interest in, the material tangible assets they use regularly in the conduct of their business or that are reflected as owned by RSP or RSP-TW on the Financial Statements, free of any Liens and (Y) as of the Closing Date, will have good and marketable title to, or a valid leasehold interest in, all material tangible assets transferred to them in accordance with **Section 5.9**. **Section 3.2(k)** of the Seller Disclosure Schedule identifies all such material tangible assets, including but not limited to (i) all material test equipment owned by RSP or RSP-TW and used in the operation of their respective businesses; and (ii) all other material tangible assets owned by RSP or RSP-TW and used in the operation of their respective businesses. The foregoing assets are in good operating condition and repair and free from any material defects, reasonable wear and tear excepted, and are reasonably adequate and suitable for the uses to which they are being put.

(l) **Intellectual Property**.

(i) A true, correct and complete list of (1) Owned Intellectual Property that is Registered Intellectual Property (“Owned Registered Intellectual Property”) and (2) material Software and non-registered Owned Intellectual Property, and identifying the owner of each such item, is attached to **Section 3.2(l)(i)** of the Seller Disclosure Schedule. No Seller other than REL and Sharp own any Intellectual Property that is necessary to enable RSP and its subsidiaries to conduct its business in the manner in which it is being conducted and proposed to be conducted as of the Effective Date.

(ii) All right, title and interest in and to the Owned Intellectual Property, including each item that is Registered Intellectual Property, is wholly and exclusively owned by the Seller Parties, and at Closing will be owned by RSP and RSP-TW, free and clear of all Encumbrances other than outbound nonexclusive licenses related to the Business Products entered into in the Ordinary Course of Business or as set forth in **Section 3.2(l)(ii)** of the Seller Disclosure Schedule.

(iii) RSP or RSP-TW owns or otherwise has a valid right to use, practice and exploit the Intellectual Property and Software used in the operation of the Business and any Intellectual Property in the Business Products, without the requirement to pay consideration to any Third Party other than as set forth in **Section 3.2(l)(iii)** of the Disclosure Schedule.

(iv) **Section 3.2(l)(iv)(1)** of the Seller Disclosure Schedule contains a complete and accurate list of all Contracts to which any Seller Party or any of their Affiliates is a party and pursuant to which any rights to the Owned Intellectual Property have been licensed or otherwise expressly granted to Third Parties, or any Seller Party or any of their Affiliates have agreed to refrain from enforcing any rights in the Owned Intellectual Property to or against any Person (“Outbound IP Licenses”). **Section 3.2(l)(iv)(2)** of the Seller Disclosure Schedule contains a complete and accurate list of all Contracts to which any Seller Party or any of their Affiliates is a party and pursuant to which a Third Party has licensed to or otherwise expressly granted rights with respect to or agreed to refrain from enforcing any rights in its Intellectual Property to or against any Seller Party or any of their Affiliates or any customer of any Seller Party or any of their Affiliates with respect to one or more Business Products (“Inbound IP Licenses”).

(v) No Seller Party nor any of their Affiliates is in breach of or default under any of the material terms or conditions of any Inbound IP License (including any Open Source Software) and, to the Knowledge of the Seller Parties, there are no facts or circumstances upon which such a claim may reasonably be based in the future. No counterparty to any Outbound IP License is in breach of or default under any of the material terms or conditions of any such Outbound IP License.

(vi) The operation of the Business of RSP and RSP-TW, including the design, development, use, import, export, manufacture, licensing, marketing, sale, offer for sale or other disposition of the Business Products does not, and did not at any time during the six (6) year period immediately preceding the Effective Date, (i) infringe, violate, or misappropriate the Intellectual Property of any Person, or (ii) constitute unfair competition or trade practices under applicable Laws. No Seller Party nor any of their Affiliates have received any notice from any Person, which notice has not been finally resolved, (x) claiming that such operation or any Business Product (A) infringes or misappropriates the Intellectual Property of any Person, or (B) constitutes unfair competition or trade practices under the applicable Laws, or (y) claiming that a license to Third Party Intellectual Property is required in connection with operation of the Business or in connection with any Business Product, or that any Seller Party or any of their Affiliates must refrain from using any Intellectual Property. To the Knowledge of the Seller Parties and their Affiliates, no such claim is threatened by any Person and no basis exists for such a claim, allegation or challenge. No Seller Party nor any of their Affiliates have sent any notice to any Person claiming that such Person has infringed, misappropriated, or violated or is or is suspected by Sellers or any of their Affiliates to be infringing, misappropriating, or violating any Owned Intellectual Property, and there are no facts or circumstances upon which such a claim may reasonably be based in the future.

(vii) Each item of the Owned Intellectual Property (other than applications for Owned Registered Intellectual Property) is valid and subsisting. All applications for Owned Registered Intellectual Property have been filed and prosecuted in material compliance with all applicable rules, policies, and procedures of the applicable Governmental Entity for registrations of Intellectual Property in accordance with applicable Laws. All fees due and associated with maintaining any such Registered Intellectual Property have been paid in full in the required amount and in a timely manner to the proper Governmental Entity. **Section 3.2(l)(vii)** of the Seller Disclosure Schedule contains a complete and accurate list of all actions related to the Owned Registered Intellectual Property required by the applicable Governmental Entities in the six-month period after the date hereof, except for those pursuant to any office actions or oppositions that might be made by the relevant Governmental Entities after the Effective Date. All actions required to record each assignment throughout the entire chain of title of each item of Owned Registered Intellectual Property, including from each inventor named on a Patent to RSP, RSP-TW or Sellers (directly or indirectly through one or more intermediary title holder(s)), with each applicable Governmental Entity up through Closing, have been taken, including payment of all costs, fees, taxes and expenses associated with such recording activities. There are no materials, information, facts, or circumstances that would render any of the Owned Registered Intellectual Property invalid or unenforceable, or that would materially affect any pending application for any Owned Registered Intellectual Property. There are no actions anywhere in the world, including interference, re-examination, inter partes review, post grant review, covered business method review, reissue, opposition, nullity, or cancellation proceedings pending, that relate to any of the Owned Registered Intellectual Property, other than review of and office actions issued in pending Patent applications that arise in the ordinary course of prosecution of pending applications; and to the Knowledge of the Seller Parties and their Affiliates, no such actions are threatened or contemplated by any Governmental Entity or any other Person.

(viii) No Seller Party nor any of their Affiliates have received any written notice challenging the legality, validity, enforceability or ownership (excluding, for the avoidance of doubt, office actions issued by Governmental Entities with respect to Owned Registered Intellectual Property applications) (“Dispute”) of any Owned Intellectual Property and/or any Intellectual Property and/or Software used in the operation of the Business or embodied in or incorporated within any Business Product. To the Knowledge of the Seller Parties, no Dispute has been threatened with respect to any Owned Intellectual Property. No Seller Party nor any of their Affiliates has given notice to any Person challenging the legality, validity, enforceability or ownership of the Person’s Intellectual Property. To the Knowledge of the Seller Parties, there are no facts or circumstances upon which such claim, allegation or challenge, either by a Third Party against any Seller Party or any of their Affiliates or by any Seller Party or any of their Affiliates against a Third Party, may reasonably be based in the future.

(ix) Neither any Seller Party nor any of their Affiliates have disclosed or delivered to any Third Party any Source Code material to the Business. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, require the disclosure or delivery to any Third Party of any Source Code material to the Business. Neither the execution of this Agreement nor the consummation of the Transactions would reasonably be expected to result in the release of any Source Code material to the Business.

(x) The Seller Parties and their Affiliates have taken reasonable steps to protect and maintain the rights of the Seller Parties in RSP's and RSP-TW's Confidential Information and RSP's and RSP-TW's Trade Secrets in accordance with industry best practices, including those specific Trade Secrets relating to or implemented in the Business Products. Without limiting the foregoing, each of RSP and RSP-TW has required each former and current employee, Relevant Seconded, Relevant Employee and Contractor (who has access to Confidential Information or Trade Secrets or who provides services relating to Intellectual Property) to execute a written agreement that provides reasonable protection for such Confidential Information and Trade Secrets, and all current and former employees, Relevant Seconded, Relevant Employees and Contractors of RSP and RSP-TW with access to such Confidential Information or Trade Secrets have executed such an agreement. The Seller Parties and their Affiliates have required each former and current employee, Designated Employee and Contractor with access to RSP's or RSP-TW's Confidential Information or RSP's or RSP-TW's Trade Secrets to execute a written agreement that provides reasonable protection for such Confidential Information and Trade Secrets, and all current and former employees, Relevant Seconded, Relevant Employees and Contractors of the Seller Parties and their Affiliates with access to such Confidential Information or Trade Secrets have executed such an agreement. All disclosures by any Seller Party or any of their Affiliates of any RSP's or RSP-TW's Confidential Information and/or RSP's or RSP-TW's Trade Secrets have been made pursuant to a written agreement that provides reasonable protection for such Trade Secrets and Confidential Information. The Seller Parties and their Affiliates have taken reasonable steps to protect the Trade Secrets or Confidential Information of third parties provided to any Seller Parties or any of their Affiliates in accordance with all applicable obligations of confidentiality. The Seller Parties and their Affiliates have delivered or Made Available to Purchasers any and all procedures, guidelines, standards or policies concerning the Seller Parties' and their Affiliates' treatment of Trade Secrets or Confidential Information (of any Person), including any standard form agreements related to such subject matter used by the Seller Parties and their Affiliates.

(xi) RSP and RSP-TW have reasonable security and data protections in place (including implementing and monitoring compliance with adequate measures with respect to technical and physical security) to protect the confidentiality of Trade Secrets of RSP or RSP-TW or of any Person that has provided any Trade Secrets to RSP or RSP-TW, and, to the Knowledge of the Seller Parties, there has been no material breach thereof or unauthorized access thereto in the last two (2) years.

(xii) Each current and former employee and current and former Contractor of RSP or RSP-TW (including the Relevant Seconded and Relevant Employees) who has contributed to the conception, reduction to practice, creation, authorship or development of any Business Products or any Owned Intellectual Property has the obligation to assign to a Seller Party, and has assigned to such Seller Party, all right, title and interest in and to the Intellectual Property conceived, reduced to practice, created, authored or developed by such Person relating to or in the scope of such Person's employment by or engagement with RSP or RSP-TW either pursuant to (A) Laws, (B) a valid and enforceable Contract or (C) legally enforceable company rules or regulations (and all compensation required by such company rules or regulations to be paid to any Person in order to effect or perfect such assignment has been paid).

(xiii) No Governmental Entity, university, college, other educational institution, research center or non-profit institution (each, an "Institution") provided any facilities or funding for the conception, reduction to practice, creation, authorship or development of any Owned Intellectual Property or Business Products, and no Institution has any rights in or with respect to any Owned Intellectual Property or Business Products. No current or former officer, employee, or Contractor of any Seller Party or any of their Affiliates (including the Relevant Seconded and the Relevant Employees) who was involved in, or who contributed to the conception, reduction to practice, creation, authorship or development or development of any Owned Intellectual Property or Business Products was an employee, faculty, staff or student of any Institution when such officer, employee, or Contractor was also performing services for any Seller Party or any of their Affiliates.

(xiv) No Seller Party or any of their Affiliates is subject to any agreement with any standards body or other similar entity that would obligate any Seller Party or any of their Affiliates to grant licenses or rights to or otherwise impair its control, enforcement or use of any Owned Intellectual Property.

(xv) Neither the execution of this Agreement, nor the consummation of the Transactions, will, under any Contract to which any Seller Party or any of their Affiliates is bound, result in Purchaser Parent or Purchaser Sub, or any Affiliate of Purchaser Parent or Purchaser Sub being (i) bound by or subject to any obligation, including the granting of any right or negative covenant, in each case with respect to Intellectual Property, which Purchaser Parent or Purchaser Sub, or any Affiliate of Purchaser Parent or Purchaser Sub, was not bound by or subject to prior to the Closing, or (ii) obligated to pay any royalties, honoraria, fees or other payments to any Person, with respect to Intellectual Property, in excess of those payable by RSP or RSP-TW prior to the Closing.

(xvi) RSP has disclosed in writing to Purchasers all errors, bugs or defects claimed by its customers since its incorporation with respect to any of the Business Products which materially adversely affect, or may reasonably be expected to materially adversely affect, the value, functionality or fitness for the intended purpose of such Business Products. Without limiting the generality of the foregoing, except as set forth in **Section 3.2(I)(xvi)** of the Seller Disclosure Schedule, neither RSP nor RSP-TW has ever been required to recall any Business Products nor has any of them received any claims asserted against RSP or RSP-TW, customers or distributors related to errors, bugs or defects with respect to any of the Business Products.

(xvii) **Section 3.2(I)(xvii)** of the Seller Disclosure Schedule lists all Open Source Software currently used by the Seller Parties and their Affiliates in connection with Business Products, including in development or testing thereof or a module or portion thereof or with which Business Product is distributed or used, and identifies the Open Source License (including the version) applicable thereto. The Seller Parties have Made Available to Purchasers all electronic scans run for the presence of Open Source Software in any Business Products (such as a scan by Black Duck Software or similar Software). The Seller Parties have delivered or Made Available to Purchasers any and all procedures, guidelines, standards or policies concerning the Seller Parties' and their Affiliates' use of Open Source Software. The Seller Parties' use of Software in connection with Business Products or otherwise material to the Business subject to any Open Source License would not require any Software that is Owned Intellectual Property, or any portions thereof, modifications thereto or derivative works thereof, if distributed to be (A) disclosed or distributed in Source Code form to any Third Party (including making the Source Code publicly available), (B) licensed to Third Parties for the purpose of making derivative works or redistributing such Software, or (C) licensed or otherwise distributed to Third Parties at no charge.

(xviii) Neither RSP nor RSP-TW has received any notice or request from any Person for indemnification with respect to any claim of infringement, misappropriation, misuse or violation of any Intellectual Property, which notice or request has not been finally resolved.

(m) **Contracts**. **Section 3.2(m)(1)** of the Seller Disclosure Schedule lists all Material Contracts and Retained Contracts (but, with respect to cross-licenses of Intellectual Property that are Retained Contracts, **Section 3.2(m)(1)** of the Seller Disclosure Schedule only lists any such cross-licenses of which the Sellers have Knowledge). **Section 3.2(m)(2)** of the Seller Disclosure Schedule specifies all Material Contracts for which consents from the counterparty(ies) are required to be obtained, or notifications to the counterparty(ies) are required to be delivered, in connection with the Transactions prior to the Closing. Each Material Contract is in full force and effect and is enforceable in accordance with its terms. None of RSP, RSP-TW or any of their Affiliates is in breach of or default under any Material Contract, and no event has occurred prior to Closing and no circumstances exist that (with or without notice or lapse of time) may contravene, conflict with, or result in a violation or breach of, or give RSP, RSP-TW or any of their Affiliates or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract. None of RSP, RSP-TW or any of their Affiliates has given to or received from any other Person, at any time, any notice or other communication (whether oral or written) regarding any actual, alleged, possible, or potential violation or breach of, or default under, any Material Contract.

(n) **Certain Business Relationships with RSP and RSP-TW**. **Section 3.2(n)** of the Seller Disclosure Schedule lists all written agreements (except for the agreements to be entered into in connection with the transactions contemplated hereunder) effective as of the applicable date entered into between (i) RSP or RSP-TW, and (ii) any officer, manager, director or stockholder of RSP or RSP-TW (including each Seller).

(o) **Litigation**. There are no (i) outstanding Orders and (ii) no Proceeding of, in, or before any court or quasi-judicial or administrative agency of any jurisdiction, in either case to which RSP or RSP-TW is subject or, to the Knowledge of the Seller Parties, threatened. There is no action by RSP or RSP-TW pending, threatened or contemplated against any other Person.

(p) **Employees; Compensation of Directors**.

(i) All employees of RSP are secondees from REL, Sharp or Affiliate of REL and there is no direct hire by RSP as of the Effective Date.

(ii) The terms and conditions of the employment of the Relevant Secondees, the Relevant Employees, the employees of RSP-TW (the “**RSP-TW Employees**”) and the Contractors of RSP and RSP-TW are exclusively governed in all material respects by (A) any applicable forms for employment contracts used for the Relevant Secondees, Relevant Employees or RSP-TW Employees, (B) the rules related to the terms and conditions of employment at a Seller Party with respect to the Relevant Secondees, the Relevant Employees or the RSP-TW Employees, and (C) applicable Law.

(iii) RSP and RSP-TW are in compliance with applicable Laws and any internal rules of RSP or RSP-TW (as applicable) respecting employment or contracting arrangements with respect to the Designated Employees, the RSP-TW Employees and the Contractors of RSP and RSP-TW, *except* where the failure to comply would not have a Material Adverse Effect.

(iv) No Seller Party has received written notice of the intent of any Governmental Entity responsible for the enforcement of labor Laws to conduct an investigation with respect to the Relevant Secondees, the Relevant Employees, the RSP-TW Employees or any Contractors of RSP or RSP-TW and, to the Knowledge of the Seller Parties, no such investigation is pending.

(v) There is no pending lawsuit, arbitration or any other kind of litigation between any Seller Party and their respective employees or ex-employees or their respective Contractors or ex-Contractors regarding disputes relating to employment matters in connection with RSP or RSP-TW, and, to the Knowledge of the Seller Party, there is no reasonable basis for the commencement of any such lawsuit, arbitration or litigation.

(vi) To the Knowledge of the Seller Parties, there is no pending strike, picketing, work stoppage, work slowdown or other similar labor trouble with respect to the Relevant Secondees, the Relevant Employees, the RSP-TW Employees or any Contractors of RSP or RSP-TW as of the Effective Date or, to the Knowledge of the Seller Parties, any threat thereof. Except as set forth in **Section 3.2(p)(vi)** of the Seller Disclosure Schedule, neither RSP nor RSP-TW is a party to any collective bargaining agreement or similar labor union agreement with any labor union, labor organization or works council, and no such agreement is presently being negotiated. Except as set forth in **Section 3.2(p)(vi)** of the Seller Disclosure Schedule, none of the Relevant Secondees, the Relevant Employees (to the extent identified on or prior to the Effective Date), the RSP-TW Employees or (to the Knowledge of the Seller Parties) any Contractors of RSP or RSP-TW is represented by any labor union with respect to their employment with RSP or RSP-TW, and there are no activities or Proceedings of any labor union to organize any such employees.

(vii) To the Knowledge of the Seller Parties, none of the Relevant Secondees, the Relevant Employees, the RSP-TW Employees or any Contractors of RSP or RSP-TW is in violation of any term of any employment Contract, non-disclosure or confidentiality agreement, noncompetition agreement, or any restrictive covenant to a former employer.

(viii) **Section 3.2(p)(viii)** of the Seller Disclosure Schedule contains a complete and accurate list of all Relevant Secondees, Relevant Employees (to the extent identified on or prior to the Effective Date), RSP-TW Employees and Contractors of RSP or RSP-TW, including their job title, base salary or hourly compensation, location of employment, and whether such employee or Contractor is entitled to any compensation or benefits other than base salary and standard benefits afforded to employees generally.

(ix) RSP or RSP-TW does not owe any obligation to pay to the directors of RSP or RSP-TW any reward, bonus, normal wages, retirement bonus, benefit or any other compensation.

(x) **Section 3.2(p)(x)** of the Seller Disclosure Schedule contains a complete and accurate list of all directors, statutory auditors, and officers of RSP and of RSP-TW.

(q) **Employee Benefits**.

(i) **Section 3.2(q)** of the Seller Disclosure Schedule lists each Employee Benefit Plan that is maintained by any Seller Party for the benefit of the Relevant Secondees, the Relevant Employees, the RSP-TW Employees, any Contractors of RSP or RSP-TW, and any of their beneficiaries and with respect to which any Seller Party could reasonably be expected to have any material direct or indirect Liability.

(ii) Each such Employee Benefit Plan listed in **Section 3.2(q)** of the Seller Disclosure Schedule (and each related trust, insurance contract, or fund) has been maintained, funded and administered in accordance with the terms of such Employee Benefit Plan and complies in form and in operation in all respects with applicable Law (including, without limitation, the Defined Benefit Corporate Pension Act of Japan (with respect to Employee Benefit Plans of RSP) and the National Health Insurance Act, Labor Insurance Act and Labor Pension Act of the Republic of China (with respect to Employee Benefit Plans of RSP-TW)) and the internal rules of each Seller Party (as applicable).

(iii) All contributions (including all employer contributions), premiums and other payments, and obligations that are due with respect to each such Employee Benefit Plan have been made.

(iv) There are no unwritten policies, practices or customs or any other Contracts, undertakings or agreements of any Seller Party that, by extension, could reasonably be expected to entitle any Relevant Secondee, Relevant Employee, RSP-TW Employee or Contractor of RSP or RSP-TW to benefits in addition to what such employee is entitled by applicable Law or under the terms of such Relevant Secondee's, Relevant Employee's, RSP-TW Employee's, or Contractor's employment or consulting Contract. As of the Effective Date and the date immediately preceding the Closing Date, RSP does not owe and will not owe any obligation to pay to Designated Employees or RSP-TW Employees normal wages or any other remuneration which includes, without limitation, allowances for overtime work, holiday work and late night work and compensation for damages ("Remuneration"). As of the Effective Date and the Closing Date, RSP does not owe and will not owe any obligation to pay to REL or any Affiliate of REL with respect to Remuneration of Designated Employees other than the obligation set forth in the (A) secondment agreement, memorandum and ancillary memorandum between REL and RSP as of March 31, 2012, (B) agreement on secondment of an employee who also continues to work at the original work place and memorandum on employment costs between REL and RSP as of October 31, 2012, (C) secondment agreement and memorandum on employment costs among Renesas Engineering Service, Renesas Solutions and RSP as of October 1, 2013 and (D) secondment agreement and memorandum on employment costs among Renesas North Japan Semiconductor, Renesas Design and RSP as of March 31, 2012. RSP is not delinquent in payments which are due as of the Effective Date and Closing Date to REL and Affiliate of REL under such secondment agreements.

(r) **No Antisocial Forces**. Neither RSP nor RSP-TW is an Antisocial Force and none of them has entered into any agreements or other arrangements with any Antisocial Forces.

(s) **Sufficiency of Assets**. After the Closing and subject to the execution and performance of the Ancillary Agreements and except for the Retained Contracts set forth in **Section 3.2(s)** of the Seller Disclosure Schedule, each of RSP and RSP-TW can conduct its respective Business substantially in the same manner as that in which it was being conducted as of the Effective Date. Subject to obtaining all Required Consents and subject to the execution and performance of the Ancillary Agreements and except for the Retained Contracts set forth in **Section 3.2(s)** of the Seller Disclosure Schedule, the assets owned by RSP will collectively constitute, as of the Closing Date, all of the properties, rights, interests and other tangible and intangible assets necessary to enable RSP to conduct its business in the manner in which it was being conducted as of the Effective Date. Subject to obtaining all Required Consents and subject to the execution and performance of the Ancillary Agreements and except for the Retained Contracts set forth in **Section 3.2(s)** of the Seller Disclosure Schedule, the assets owned by RSP-TW will collectively constitute, as of the Closing Date, all of the properties, rights, interests and other tangible and intangible assets necessary to enable RSP-TW to conduct its business in the manner in which it was being conducted as of the Effective Date. This **Section 3.2(s)** does not address or otherwise encompass the presence or absence of any infringement of any Intellectual Property of any Person covered in **Section 3.2(l)(vi)**.

(t) **Environmental Matters**.

(i) RSP and RSP-TW are, as of the date of this Agreement and at all times for the preceding six years have been, and as of the Closing Date will be, in full compliance with all Environmental Laws in all material respects. To the Knowledge of the Seller Parties, there are no past or present events, conditions, activities, or practices that would be reasonably expected to prevent RSP's or RSP-TW's compliance with any Environmental Law, or that would be expected to give rise to any material Liability under any Environmental Law.

(ii) Neither RSP nor RSP-TW is currently performing any investigation, clean-up, or other corrective action under any Environmental Law. Neither RSP nor RSP-TW have entered into or are subject to any Order by any judicial or other Governmental Entity relating to compliance with any Environmental Law or requiring RSP or RSP-TW to conduct any investigation, clean-up or other action under any Environmental Law.

(u) **Books and Records**. The books of account, stock record books, and other records of RSP and RSP-TW, all of which have been Made Available to Purchasers, are complete and correct and have been maintained in accordance with sound business practices and all applicable Law. The minute books of RSP, all of which have been Made Available to Purchasers, contain accurate and complete records of (1) all statutory general shareholders meetings of RSP and the meetings of the Board of Director of RSP at which corporate action was taken with respect to RSP and (2) all written consents of the stockholders of and the Board of Directors of RSP with respect to which corporate action was taken with respect to RSP. The minute books of RSP-TW, all of which have been Made Available to Purchasers, contain (1) accurate and complete records of all statutory general shareholders meetings of RSP-TW and the meetings of the Board of Director of RSP-TW at which corporate action was taken with respect to RSP-TW and (2) all written consents of the stockholders of and the Board of Directors of RSP-TW with respect to which corporate action was taken with respect to RSP-TW. No general shareholders meeting of RSP or RSP-TW or the meetings of the Board of Directors of RSP or RSP-TW at which corporate action was taken in respect of RSP or RSP-TW has been conducted in any way for which minutes or written consents of the stockholders or the Board of Directors have not been prepared and are not contained in such minute books.

(v) **Insurance**.

(i) RSP and RSP-TW are, and continually since January 1, 2010 have been, insured as a beneficiary under an umbrella insurance policy of REL against such Losses and risks associated with their businesses in such amounts as are reasonable and customary in the businesses in which they are engaged. Except as set forth in **Section 3.2 (v)(i)**, neither RSP nor RSP-TW is a party to any insurance policy.

(ii) A list and summary of each insurance policy to and under which RSP or RSP-TW is a party or beneficiary under a REL umbrella policy is attached as **Section 3.2(v)(i)** and **(ii)** of the Seller Disclosure Schedule. With respect to each such insurance policy: (A) the policy is legal, valid, binding and enforceable in accordance with its terms and is in full force and effect, (B) neither RSP nor RSP-TW nor REL is in breach or default of such policy (including any such breach or default with respect to the payment of premiums or the giving of notice or both), and (C) to the Knowledge of the Seller Parties, no insurer on the policy has been declared insolvent or placed in receivership, conservatorship or liquidation.

(w) **Customers and Suppliers**.

(i) **Section 3.2(w)(i)** of the Seller Disclosure Schedule sets forth (A) the 10 customers of RSP or RSP-TW who, in RSP's and RSP-TW's most recent fiscal year, paid the greatest aggregate consideration to RSP and RSP-TW (each, a "**Material Customer**"); and (B) the amount of consideration paid by each such customer during such periods. As of the Effective Date, no Seller Party has received notice (orally or in writing) or has Knowledge that any Material Customer has ceased, or that any such Material Customer intends to cease after the Closing, to purchase the goods or services of RSP or RSP-TW or to otherwise terminate or materially reduce its relationship with RSP or RSP-TW. Since March 31, 2013, neither RSP nor RSP-TW has directly sold any Business Products to customers located in the United States of America.

(ii) **Section 3.2(w)(ii)** of the Seller Disclosure Schedule sets forth (A) the 10 suppliers of RSP or RSP-TW to which, in RSP's and RSP-TW's most recent fiscal year, such entities paid the greatest aggregate consideration to RSP and RSP-TW (each, a "**Material Supplier**"); and (B) the amount of purchases from each Material Supplier during such period. As of the Effective Date, no Seller Party has received any notice (orally or in writing) or has Knowledge that any Material Supplier has ceased, or that any such Material Supplier intends to cease, to supply goods or services to the Business or to otherwise terminate or materially reduce its relationship with the Business.

(iii) **Section 3.2(w)(iii)** of the Seller Disclosure Schedule sets forth a list of all material services provided to RSP or RSP-TW by any Person (A) during the two year period prior to the Closing, and (B) that will be necessary to operate the business of RSP or RSP-TW immediately following the Closing (and which will not be provided under the Transition Services Agreement).

(iv) Neither RSP nor RSP-TW has received any advance payments or deposits from any customer for the provision of goods or services after the Closing Date.

(x) **Business Practices** .

(i) Neither RSP nor RSP-TW nor, to the Knowledge of the Seller Parties, any director, officer, employee or agent of RSP or RSP-TW acting on behalf of RSP or RSP-TW has (A) used any funds of RSP or RSP-TW for unlawful contributions, gifts, entertainment or other unlawful payments relating to political activity, or (B) made any unlawful payment to any foreign or domestic government official or employee or to any foreign or domestic political party or campaign in violation of any provision of the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act, as amended, or any comparable Law.

(ii) RSP and RSP-TW have conducted their export transactions in accordance with applicable Law of the countries where it conducts business. Without limiting the foregoing:

(A) RSP and RSP-TW have obtained all export licenses and other approvals required for their exports of products, software and technologies from their country of origin; and

(B) RSP and RSP-TW are in compliance with the terms of such applicable export licenses or other approvals.

(y) **Credit Support** . **Section 3.2(y)** of the Seller Disclosure Schedule sets forth a complete and accurate list of all letters of credit, guarantees, surety bonds, or other credit support provided by or arranged by any Seller Party which benefit RSP, RSP-TW or either of their assets and for which either Purchaser would be reasonably expected to replace letters of credit, guarantees, surety bonds, or other credit support following the Closing. To the Knowledge of the Seller Parties, other than as set forth on **Section 3.2(y)** of the Seller Disclosure Schedule, Purchasers will not be required to provide or arrange for any letters of credit, guarantees, surety bonds, or other credit support following the Closing to allow RSP and RSP-TW to conduct the Business as currently operated from and after the Closing.

(z) **Brokers and Expenses** . Neither RSP nor RSP-TW has any Liability for the payment of fees or commissions to any broker, finder or investment banker in connection with the Transactions. No Seller has entered into any Contract or other arrangement (written or oral, express or implied) with any Person which may result in the obligation of RSP or RSP-TW to pay any fees or commissions to any broker, finder or investment banker in connection with the Transactions.

(aa) **Product Warranties; Product Liability Claims**.

(i) There are no product warranty obligations with respect to the Business Products, other than as described in **Section 3.2(aa)** of the Seller Disclosure Schedule. True, correct and complete copies of any Contracts containing such warranties (other than warranties to customers in the Ordinary Course of Business) have been Made Available to Purchasers.

(ii) There are no pending or, to the Knowledge of the Seller Parties, threatened claims for any product liability, backcharge, additional work, field repair or other claims by any third party (whether based on contract or tort and whether relating to personal injury, including death, property damage or economic loss) arising from (1) services rendered by RSP or RSP-TW, (2) the sale, distribution, or installation of products by RSP or RSP-TW, or (3) the operation of the business of RSP or RSP-TW during the period through and including the Closing Date. The operation and use of the products of RSP and RSP-TW for their intended purposes complies with all applicable Laws, including any Law applicable to the users of any such products.

(bb) **Related Party Transactions**. No officer or director or, to the Knowledge of the Seller Parties, any stockholder of RSP or RSP-TW (nor, to the Knowledge of the Seller Parties, any immediate family member of any of such Persons, or any trust, partnership or company in which any of such Persons has or has had an interest), has or has had, directly or indirectly, any interest in any third party which furnished or sold, or furnishes or sells, services, products or technology that RSP or RSP-TW furnishes or sells, or proposes to furnish or sell. To the Knowledge of the Seller Parties, no officer, director or stockholder of RSP or RSP-TW (nor any immediate family member of any of such Persons, or any trust, partnership or company in which any of such Persons has or has had an interest), has or has had, directly or indirectly, (a) any interest in any third party that purchases from or sells or furnishes to RSP or RSP-TW any goods or services or (b) any interest in any Contract to which RSP or RSP-TW is a party. Ownership of no more than one percent of the outstanding voting stock of a publicly traded company will not be deemed to be an “interest in any entity” for purposes of this **Section 3.2(bb)**.

(cc) **Restrictions on Business Activities**. There is no Contract (including covenants not to compete) or Order binding upon RSP or RSP-TW that has or could reasonably be expected to have, whether before or after consummation of the Transactions, the effect of prohibiting or impairing any current or future business practice of RSP or RSP-TW, any acquisition of property (tangible or intangible) by RSP or RSP-TW or the conduct of business by RSP or RSP-TW, in each case, as currently conducted or as proposed to be conducted by RSP or RSP-TW. Without limiting the generality of the foregoing, neither RSP nor RSP-TW has entered into any customer or similar Contract that limits the freedom of RSP or RSP-TW to engage or participate, or compete with any other Person, in any line of business, market or geographic area, or to make use of any Intellectual Property, or any Contract under which RSP or RSP-TW grants most favored nation pricing, exclusive sales, distribution, marketing or other exclusive rights, rights of refusal, rights of first negotiation or similar rights and/or terms to any Person, or any Contract otherwise limiting the right of RSP or RSP-TW to sell, distribute or manufacture any products or services, to purchase or otherwise obtain any software, products or services or to hire or solicit potential employees or Contractors.

(dd) **Bank Accounts**. **Section 3.2(dd)** of the Seller Disclosure Schedule sets forth a complete and accurate list showing (a) all banks in which RSP or RSP-TW maintains a bank account or safe deposit box (collectively, “**Bank Accounts**”), together with, as to each such Bank Account, the account number and the titles of person who control such Bank Account and, with respect to each such safe deposit box, the number thereof and the names of all persons having access thereto.

(ee) **Disclosure.**

The Seller Parties have Made Available to Purchasers all the information reasonably available to the Seller Parties that either Purchaser has requested in connection with the Transactions. No representation or warranty of any Seller Party contained in this Agreement, as qualified by the Seller Disclosure Schedule, and no certificate or other document furnished or to be furnished to either or both Purchasers at the Closing, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

Schedule 4.1

Purchasers' Representations and Warranties

(a) **Organization of Purchaser**. Such Purchaser is a corporation (or other entity) duly organized, validly existing, and in good standing under the Laws of the jurisdiction of its incorporation (or other formation).

(b) **Authorization of Transaction**. Such Purchaser has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of such Purchaser, enforceable in accordance with its terms and conditions, *except* to the extent that the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar Laws affecting the enforcement of creditors' rights generally and by the principles of equity regarding the availability of remedies. Other than (i) any Antitrust Clearance and (ii) the notification pursuant to the Foreign Exchange and Foreign Trade Act of Japan, such Purchaser is not required to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Entity in order to consummate the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by such Purchaser.

(c) **Non-contravention**. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any material Law, Order or other restriction of any Governmental Entity or court to which such Purchaser is subject or any provision of its charter, bylaws, or other governing documents or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material Contract to which such Purchaser is a party or by which it is bound or to which any of its assets is subject.

(d) **Brokers' Fees**. Such Purchaser has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent, other than Goldman Sachs, with respect to the transactions contemplated by this Agreement.

(e) **Investment**. Purchaser Sub is not acquiring the RSP Target Shares with a view to or for sale in connection with any distribution thereof within the meaning of applicable securities Law.

(f) **Litigation**. Neither such Purchaser nor any of its Affiliates is subject to any outstanding Order, and none of them is, or is threatened to be made, a party to any Proceeding of, in, or before any court or quasi-judicial or administrative agency of any jurisdiction, that questions the validity of this Agreement or that would reasonably be expected to prevent, materially delay or materially impair the ability of such Purchaser to consummate the transactions contemplated by this Agreement.

(g) **Financing**.

(i) Purchaser Parent has provided to the Seller Representative a true and correct copy of the Commitment Letter. The Commitment Letter contains all of the conditions precedent to the Financing necessary for Purchaser Sub to pay, together with Purchaser Parent's available cash resources, the Adjusted Purchase Price, as it may be adjusted under **Section 2.5** of this Agreement, or, if applicable, the amounts, costs, fees and expenses related to the transactions contemplated hereunder.

(ii) Assuming Purchasers' Financing for the transactions contemplated by this Agreement is funded, the aggregate proceeds of the Financing, together with Purchaser Parent's available cash resources, is and will be sufficient to pay the Adjusted Purchase Price, as it may be adjusted under **Section 2.5** of this Agreement, or, if applicable, the amounts, costs, fees and expenses related to the transactions contemplated hereunder. The Commitment Letter is in full force and effect, and the respective commitments contained in the Commitment Letter remain in full force and effect and have not been withdrawn, amended, or rescinded in any respect.

(iii) The Commitment Letter has been duly authorized, executed and delivered by Purchaser Parent and constitute valid and legally binding agreement of Purchaser Parent and, to the Knowledge of Purchaser Parent, each other party thereto, enforceable in accordance with its terms, subject, as to enforceability, to bankruptcy, insolvency, reorganization and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(h) **Solvency**. As of the Closing, assuming satisfaction or waiver of the conditions of this Agreement, and after giving effect to the transactions contemplated by this Agreement, including Purchasers' financing and the payment of the Adjusted Purchase Price, as it may be adjusted under **Section 2.5** of this Agreement, and payment of all related Taxes, fees and expenses and other amounts related to the Transaction, Purchaser will be solvent.

(i) **No Antisocial Forces**. Such Purchaser is not an Antisocial Force and has not entered into any agreements or other arrangements with any Antisocial Forces.

[FORM OF] TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (the “Agreement”) is made as of [], 2014 (the “Effective Date”) by and among **RENESAS ELECTRONICS CORPORATION**, a Japanese *kabushiki kaisha* (“REL”), **RENESAS SP DRIVERS, INC.**, a Japanese *kabushiki kaisha* (“RSP”), **RENESAS SP DRIVERS TAIWAN, INC.**, a company limited by shares incorporated in the Republic of China (“RSP-TW”), and **SYNAPTICS INCORPORATED**, a Delaware corporation (“Purchaser Parent” and together with RSP, RSP-TW, and Purchaser Parent, each a “Purchaser,” and collectively the “Purchasers,” and the Purchasers together with REL, the “Parties”).

WHEREAS, pursuant to that certain Share Purchase Agreement by and among the Parties and the other parties thereto dated as of [], 2014 (the “Purchase Agreement”), REL and other shareholders of RSP will sell to **SYNAPTICS HOLDING GMBH**, a Swiss *Gesellschaft mit beschränkter Haftung* and an indirectly wholly-owned subsidiary of Purchaser Parent, all of the shares of RSP and will sell to RSP all of the shares of RSP-TW not already owned by RSP.

WHEREAS, in order to provide for an efficient and orderly transition of ownership and management of the assets and operations of the Business, the Parties have agreed that REL will provide certain transitional services to RSP and RSP-TW on an interim basis after the Closing on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and in the Purchase Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms used but not defined herein will have the respective meanings ascribed to them in the Purchase Agreement.

2. Transition Services.

(a) Provision of Transition Services.

(i) REL will provide to RSP and RSP-TW the services and take the actions set forth on Exhibit A attached hereto and any services that are incidental thereto but not specifically described (however, with regard to those services not specifically described in Exhibit A, to the extent not incurring any additional cost to REL) (the “Transition Services”). In case where the provision of this Agreement and that of Exhibit A conflicts, the Parties agree that the provision of Exhibit A will supersede.

(ii) In furtherance of its provision of the Transition Services to be performed by REL, REL shall provide, or cause to be provided, current and reasonably available historical data related to the Transition Services to be performed by REL and predecessor services thereto, as reasonably required by any Purchaser, in a reasonably timely manner to the extent such data is not contained at RSP or RSP-TW.

(iii) REL shall be responsible for obtaining, at REL's cost, all necessary licenses, consents (excluding any consent fee that Purchaser Parent has agreed to pay pursuant to the terms of Exhibit A), approvals, permits, and authorizations that are required to be obtained in order for REL to perform the Transition Services to be provided by REL.

(b) Standard for Services.

(i) Throughout the term of this Agreement, REL shall use its good faith, commercially reasonable efforts to effect the efficient, timely and seamless provision of the Transition Services REL. Without limiting the foregoing sentence, REL will perform the Transition Services such that the nature, quality, standard of care and the service levels at which such Transition Services are performed are reasonable and in any event are no less than the nature, quality, standard of care and service levels at which such services were provided by REL to RSP or RSP-TW or with respect to the Business during the 12-month period prior to the Effective Date.

(ii) REL shall comply with all applicable Laws when providing the Services or when performing obligations under this Agreement.

(c) Additional Transition Services. Any Purchaser may request that REL provide additional services that are not specifically identified in this Agreement in connection with efficient and orderly transition of ownership and management of the assets and operations of the Business, which, subject to such REL's reasonable approval, REL shall provide to RSP or RSP-TW, and which thereafter shall be additional Transition Services hereunder. The terms and conditions of such additional Transition Services shall be agreed upon between the Purchaser Parent and REL in writing, and such written agreement shall be deemed to constitute a part of Exhibit A; provided, however, that the fee for such additional Transition Services will be based on the costs (including reasonably allocated overhead costs which includes all labor costs). Any such additional Transition Services shall be performed to the same level of care as specified in Section 2(b).

(d) Third Party Providers.

(1) With the approval of Purchaser Parent in its sole discretion, REL may engage one or more third parties to provide any Transition Service (any such third party, a "Third Party Provider"); *provided, however*, that REL may engage the parties set forth in Exhibit B (for the Transition Services set forth therein), or any of REL's Affiliates as such Third Party Provider without any approval of Purchaser Parent. All costs and expenses of such Third Party Providers (the "Third Party Expenses") shall be paid directly by REL engaging such Third Party Provider, and Purchaser Parent will not have any obligation to pay any costs and expenses to such Third Party Providers and shall only have to pay to REL the Services Fee pursuant to Section 3. In any event, REL shall remain fully responsible for the provision of the relevant Transition Services hereunder and shall indemnify the Purchasers in respect of such Third Party Provider's provision of such Transition Services in accordance with Section 8.

(e) No Obligation to Continue to Use Transition Services; Partial Termination.

(i) No Purchaser will have any obligation to continue to use any of the Transition Services, and the Purchaser Parent (in its sole discretion) may terminate any Transition Service by giving REL not less than 30 days' prior written notice of its determination to terminate any particular Transition Service; provided, however, that, in case where a Transition Service is provided by a Third Party Provider, and the underlying service agreement with such Third Party Provider requires a longer termination period, the termination period hereunder shall be extended to that extent. Any notice provided by Purchaser Parent of the termination of any Transition Service is referred to as a "Termination Notice."

(ii) As soon as reasonably practicable following receipt of any Termination Notice, REL will advise Purchaser Parent whether the termination of such Transition Service will require the termination or partial termination of, or otherwise affect the provision of, any other Transition Services. If either of the foregoing occurs, then Purchaser Parent may withdraw its termination notice within 10 days after receipt of such notice from REL. If Purchaser Parent does not withdraw the termination notice within such period, such termination will be final. Upon such termination, and after the lapse of the period (if any) specified in such Termination Notice, REL's obligation to provide such Transition Service hereunder will terminate.

(f) Transition of Transition Services.

(i) Prior to the termination or expiration of this Agreement (or any Transition Services provided hereunder), REL shall at Purchasers' sole expense, facilitate an orderly transition of the Transition Services and Purchasers and REL shall cooperate to facilitate such transition. REL shall deliver to the Purchasers copies of such documents, policies, procedures, records and information which the Purchasers reasonably requests to deliver and which are reasonably necessary for the Purchasers to reproduce the Transition Services independently and to achieve such transition.

(ii) Without limiting the foregoing, in furtherance of its provision of the Transition Services to be performed by REL, REL shall (a) make reasonably available to the Purchasers the employees and Third Party Providers whose assistance, expertise or presence is necessary for the Purchasers to establish a fully functioning stand-alone environment in Purchaser Parent's group and permit the timely assumption by the Purchasers, or by a supplier to any Purchaser, of the Transition Services, and (b) shall cause such persons to affirmatively provide, without unreasonably disrupting the business of REL or Third Party Provider, to the personnel of the Purchasers (as identified from time to time by any Purchaser) all know-how, instruction in operating processes and procedures [(including, but not limited to, conveying all passwords and access codes)], and other knowledge as reasonably required by Purchasers which is necessary to establish a fully functioning stand-alone environment in Purchaser Parent's group and permit the timely assumption by the Purchasers, or by a supplier to any Purchaser, of the Transition Services.

3. Payment for Transition Services.

(a) The Purchaser Parent shall pay the fee for each Transition Service (“Services Fee”) provided by REL pursuant to this Agreement, the amount of which is as set forth in Exhibit A.

(b) REL shall invoice Purchaser Parent on the tenth (10th) day of the first month of each calendar quarter for the Transition Services provided during the immediately preceding calendar quarter specifying the Transition Services provided during that quarter and the Service Fee for such Transition Services. By the twenty-fifth (25th) day of the month so invoiced, Purchaser Parent shall pay the invoiced amount and value added tax thereto to REL designated account by means of a wire transfer in cash.

(c) All payments hereunder shall be made in Japanese yen.

(d) Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that it is their mutual intent that the fees for the Transition Services provided hereunder shall be equivalent to the actual costs (including reasonably allocated employment costs and overhead costs) reasonably incurred to provide such Transition Services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the fees from time to time if necessary in order to effectuate this intent.

(e) Notwithstanding any dispute on the amount of payment under this Agreement, each Party shall continue to perform its obligations hereunder (including obligations to make payments of the amounts included on the invoices for the Transition Services and which are not disputed in good faith) and be entitled to exercise its rights under this Agreement. Any invoice amount which remains disputed after thirty (30) days shall be referred to the Coordinating Committee.

4. Right of First Refusal. In the event that REL wishes to sell or otherwise dispose of all or any part of its assets that are necessary for the provision of any Transition Services at any time during the Term (but excluding such assets substitutable with other equivalent assets) (“Offered Assets”), REL shall first make an offer for the sale of such Offered Assets to Purchasers by giving Purchasers a written notice setting forth the price and other terms and conditions thereof (“Notice of Sale”). Purchasers shall notify REL in writing whether a Purchaser accepts or rejects such offer made in the Notice of Sale within thirty (30) days after the receipt thereof (such thirty-day period, the “Notice Period”). Unless a Purchaser accepts in writing such offer made in the Notice of Sale prior to the expiration of the Notice Period, REL shall be free to sell or otherwise dispose of such Offered Assets offered through the Notice of Sale to a third party; provided, however, that such sale or disposal to a third party shall not be made under terms and conditions more favorable than the offer made to Purchasers in the Notice of Sale. If REL sells or otherwise disposes of any of such Offered Assets, it shall nonetheless continue to provide Purchasers with the relevant Transition Services in accordance with this Agreement without any other change in the terms and conditions thereof.

5. Term. The term of this Agreement will commence on the Closing Date and continue until the earlier of (i) the first anniversary of the Effective Date, or (ii) the termination of the period of provision of the last Transition Service as provided in Section 2(e)(i) (such term, the “Term”). Purchaser Parent may terminate this Agreement not less than 30 days’ prior written notice to REL

6. Coordinating Committee.

(a) Within thirty (30) days after the Effective Date, REL, RSP and the Purchaser Parent shall establish a coordinating committee (the “Coordinating Committee”) which shall consist of the members, equally appointed by REL, RSP and Purchaser Parent, the number of which shall be separately agreed between REL, RSP and the Purchaser Parent. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

(b) Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

- (i) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;
- (ii) seek to resolve disputes; and
- (iii) undertake such other functions as the Parties may agree in writing.

7. Confidentiality. The provisions of Section 10.5 of the Purchase Agreement shall apply to this Agreement, *mutatis mutandis* .

8. Indemnity. REL agrees to indemnify, hold harmless and defend the Purchasers and their Affiliates and their respective directors, officers and employees, from and against any and all losses, liabilities, costs, and expenses (but excluding any indirect, incidental or consequential damages) suffered or incurred in connection with a claim arising out of any of the following: (i) REL’s failure or refusal to provide any of the Transition Services; or (ii) any gross negligence, fraud, intentional misrepresentation, or willful misconduct of REL in connection with the provision of the Transition Services; provided, however, that the amount to be indemnified hereunder shall not exceed the Services Fee for 12 months concerning the relevant Transition Services subject to indemnification.

9. Representations and Warranties. Each Party hereby represents and warrants to the other Party that all of the statements contained in this Section 9 are true and correct with respect to such Party as of the Effective Date and at all times thereafter during the Term.

(a) Organization. Such Party is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and has full power and authority to perform its respective obligations herein.

(b) Authorization. Such Party has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all corporate actions on the part of such Party that are necessary to authorize the execution, delivery and performance by such Party of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by such Party and, assuming due and valid authorization, execution and delivery hereof by each other Party, is a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally.

(d) No Violation of Laws or Agreements. The execution, delivery and performance of this Agreement does not (i) contravene any provision of the articles of incorporation or bylaws, or other similar organizational documents, of such Party; or (ii) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any agreement to which such Party is a party or by which it is bound.

(e) Governmental Authorizations. Such Party has obtained all required Governmental Authorizations in connection with the supply of the Transition Services.

10. Miscellaneous.

(a) Notices. All notices, requests, demands, claims, and other communications hereunder must be in writing. Any notice, request, demand, claim, or other communication hereunder is deemed duly given (i) when delivered personally to the recipient, (ii) one Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) one Business Day after being sent to the recipient by facsimile transmission or electronic mail, or (iv) seven Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to REL:

Renesas Electronics Corporation
Nippon Bldg. 2-6-2, Ote-machi, Chiyoda-ku, Tokyo 100-0004, Japan
Facsimile: +81-3-5201-5075
Attention: Corporate Planning Unit Legal Division General Manager

with a copy to:

Nagashima Ohno & Tsunematsu
Kioicho Building, 3-12 Kioicho, Chiyoda-ku, Tokyo 102-0094, Japan
Facsimile: +81-3-5213-2300
Attention: Yutaka Kuroda and Akihiro Tokura

If to RSP, RSP-TW or Purchaser Parent:

Synaptics Incorporated
1251 McKay Dr.
San Jose, CA 95131
United States of America
Facsimile: +1-408-904-2742
Attention: General Counsel and Secretary

with a copy to:

Jones Day
1755 Embarcadero Road
Palo Alto, CA 94303
United States of America
Facsimile: +1-650-739-3900
Attention: Micheal J. Reagan and Khoa D. Do

A Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(b) Entire Agreement; Modifications; Waiver. This Agreement, the exhibits hereto and the documents referred to herein between the parties hereto is complete, and all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof, and all inducements to the making of this Agreement relied upon by all the Parties, have been expressed herein, and this Agreement supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent that they related in any way to the subject matter hereof. Subject to applicable Law, any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each of the Parties, or, in the case of a waiver, by the Party against whom the waiver is to be effective. No course of dealing and no failure or delay on the part of any Party hereto in exercising any right, power or remedy conferred by this Agreement shall operate as a waiver thereof or otherwise prejudice such party's rights, powers and remedies. The failure of any of the Parties to this Agreement to require the performance of a term or obligation under this Agreement or the waiver by any of the Parties to this Agreement of any breach hereunder shall not prevent subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach hereunder. No single or partial exercise of any right, power or remedy conferred by this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights and remedies available to Purchasers and REL pursuant to this Agreement will be cumulative.

(c) Counterparts. This Agreement may be executed in counterparts (including by means of facsimile), each of which is deemed an original but all of which together constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a fax machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an "Electronic Delivery") shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No Party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such Party forever waives any such defense, except to the extent that such defense relates to lack of authenticity.

(d) Governing Law. This Agreement is governed by and construed in accordance with the Laws of Japan without giving effect to any choice or conflict of Law provision or rule that would cause the application of the Laws of any jurisdiction other than Japan.

(e) Disputes Generally. The Coordinating Committee shall work together in good faith to promptly and fully resolve any disputes hereunder. Any dispute hereunder which cannot be resolved by the Coordinating may be escalated by any Party concerned therewith, at any time and in its reasonable discretion, to an executive officer of each Party concerned therewith empowered to resolve such matter, which executive officers shall meet and attempt in good faith to resolve such matter within 60 days of such escalation. In the event that the executive officers cannot resolve such matter, such matter shall be referred to arbitration in accordance with the provisions of Section 10.11 of the Purchase Agreement.

(f) Successors and Assigns. All covenants and agreements and other provisions set forth in this Agreement and made by or on behalf of any Party shall bind and inure to the benefit of the successors, heirs and permitted assigns of such party, whether or not so expressed. None of the Parties may assign or transfer any of its rights or obligations under this Agreement without the consent in writing of the other Party which consent shall not be unreasonably withheld by the other Party; provided, however, that REL may assign or transfer any of its rights or obligations under this Agreement to any of its Affiliates without such consent of the Purchasers provided that REL will remain liable for any obligations so transferred.

(g) No Third-Party Beneficiaries. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person any rights or remedies under or by reason of this Agreement or any other certificate, document, instrument or agreement executed in connection herewith nor be relied upon other than the Parties hereto and their permitted successors or assigns. The representations and warranties in this Agreement are the product of negotiations among the Parties and are for the sole benefit of the Parties in accordance with and subject to the terms and conditions of this Agreement, and are not necessarily intended as characterization of actual facts or circumstances as of the date of this Agreement or as of any earlier date.

(h) Independent Contractor. It is the express intention of the parties that REL will perform the Transition Services as an independent contractor. Nothing in this Agreement will in any way be construed to constitute any Party as an agent, employee, or representative of any other Party.

(i) Survival. Other than the indemnity, payment or reimbursement obligations contained herein, all other obligations of the parties will terminate upon the termination of the Transition Period.

(j) Specific Performance. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions (without proof of damages) to prevent actual or threatened breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity and the Parties hereby agree to waive any requirements for posting a bond in connection with any such action.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the Parties have executed this Transition Services Agreement as of the date first above written.

REL:

RENESAS ELECTRONICS CORPORATION, a
Japanese *kabushiki kaisha*

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, each of the Parties have executed this Transition Services Agreement as of the date first above written.

PURCHASER PARENT:

SYNAPTICS INCORPORATED , a Delaware corporation

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, each of the Parties have executed this Transition Services Agreement as of the date first above written.

RSP:

RENESAS SP DRIVERS, INC. , a Japanese *kaishiki*

By: _____
Name: _____
Title: _____

RSP-TW:

RENESAS SP DRIVERS TAIWAN, INC. , a company
limited-by-shares incorporated in the Republic of China

By: _____
Name: _____
Title: _____

[FORM OF] MANUFACTURING SERVICES AGREEMENT

THIS MANUFACTURING SERVICES AGREEMENT (this “Agreement”), entered into on [], 2014 (the “Effective Date”) by and between **RENESAS ELECTRONICS CORPORATION**, a Japanese *kabushiki kaisha* (“REL”), **SYNAPTICS INCORPORATED** (“Synaptics”), a Delaware corporation, and **RENESAS SP DRIVERS, INC.**, a Japanese *kabushiki kaisha* (“RSP”, and together with Synaptics and REL, the “Parties”),

WITNESSETH that,

WHEREAS REL and RSP are party to that certain Manufacturing Services Agreement, dated April 1, 2008 (the “Existing MSA”);

WHEREAS each of the Parties desires to (i) terminate the Existing MSA but concurrently and (ii) continue the manufacturing services under the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the respective representations and warranties, covenants and agreements contained herein, the Parties hereby agree as follows.

1. Definitions.

1.1 Definitions. When used in this Agreement, the following terms have the meanings assigned to them in this **Section 1.1**. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Stock Purchase Agreement.

“**Affiliate**” means, with respect to any specified Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with such specified Person.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which banks located in Japan are required by applicable Law to close.

“**Change of Control**” means, with respect to a Party: (i) any Third Party becoming the beneficial owner of securities of such Party representing more than fifty per cent (50%) of the total of all then outstanding voting securities; (ii) a merger or consolidation of such Party with or into a Third Party, other than a merger or consolidation that would result in the holders of the voting securities immediately prior thereto holding securities that represent immediately after such merger or consolidation more than fifty per cent (50%) of the total combined voting power of the entity that survives such merger or consolidation or the parent of the entity that survives such merger or consolidation; or (iii) the sale or disposition of all or substantially all of the assets of the entity to a Third Party.

“ **Common Specifications** ” means the written specifications, standards and criteria relating to the Products that are applied to all types of Products (as changed and modified pursuant to this Agreement) except for in case of the Pre-Production. The list of initial Common Specifications is as set forth on **Schedule** [] attached hereto.

“ **Control** ” (including, with correlative meaning, the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through record or beneficial ownership of voting securities, by contract, or otherwise.

“ **Forecast** ” means a forecast for a six-month period of the Manufacturing Orders to be placed in the six-month period commencing from the month in which the forecast is submitted to REL and setting forth, on weekly and monthly basis, the volume, the delivery date and other terms regarding the manufacturing or delivery of the Manufactured Products.

“ **Governmental Entity** ” means any entity or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to Japanese national, local, or municipal government, foreign, international, multinational or other government, including any department, commission, board, agency, bureau, subdivision, instrumentality, official or other regulatory, administrative or judicial authority thereof, and any non-governmental regulatory body to the extent that the rules and regulations or orders of such body have the force of Law.

“ **Individual Specifications** ” means the written specifications, standards and criteria relating to specific Products.

“ **Intellectual Property Rights** ” means any or all of the following and all rights in, arising out of, or associated therewith: (i) any and all Japan and foreign patents issued by the patent-granting authority in any country in the world, together with any and all applications therefor including without limitation reissues, divisionals, renewals, extensions, provisionals, continuations, continuations-in-part, re-examinations, foreign counterparts or equivalents of any of the foregoing, wherever and whenever existing; (ii) all inventions, developments, discoveries, improvements, trade secrets, proprietary information, know-how, technology, software, and technical data; (iii) copyrights, copyright registrations and applications therefor and all other rights corresponding thereto throughout the world; (iv) mask works, mask work registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology; (v) industrial designs and any registrations and applications therefor throughout the world; and (vi) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

“ **Law** ” means any statute, law (including common law), constitution, treaty, ordinance, code, rule, regulation and any other binding requirement or determination of any Governmental Entity.

“ **MASK** ” means a mask or a reticle produced by RSP for the manufacturing of the Individual ICs in accordance with the specifications agreed between the Parties.

“ **Manufacturing Fees** ” means the fees paid as a compensation for the manufacturing of each Product, which amount is set forth in **Section 5.1.2** .

“ **Manufactured Products** ” means the Products manufactured under this Agreement.

“ **Manufacturing Order** ” means an order placed by RSP for the manufacture of the Products that includes the Process Specifications and the Individual Specifications.

“ **Order** ” means the Pre-Production Order or the Manufacturing Order.

“ **OS Engineering Samples** ” means the Engineering Samples produced by OS Manufactures.

“ **OS Products** ” means the Products the front-end manufacture of which is subcontracted to manufacture and which are actually manufactured by a third party manufacturers.

“ **Person** ” means an individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organisation, any other business entity or a governmental entity (or any department, agency, or political subdivision thereof).

“ **Process Specifications** ” means the written manual of manufacturing process of specific Products.

“ **Production** ” means the Pre-Production or the manufacturing services under this Agreement.

“ **Products** ” means the Individual ICs set forth in **Schedule []** attached hereto and the Individual ICs agreed between the Parties pursuant to **Section 4.2** .

“ **REL Products** ” means the Manufactured Products the front-end manufacture of which are conducted by REL.

“ **Specifications** ” means the Common Specifications, the Process Specifications and the Individual Specifications.

“ **Stock Purchase Agreement** ” means that certain Stock Purchase Agreement among REL, Sharp Corporation, Powerchip Technology Corporation, Global Powertec Co. Ltd., Quantum Vision Corporation, RSP, Renesas SP Drivers Taiwan, Inc., Synaptics, and Synaptics Holding GMBH dated June 11, 2014.

“ **Synaptics Parties** ” means Synaptics and RSP.

“ **Pre-Production Fees** ” means the fees paid for the Pre-Production.

1.2 Other Defined Terms. Other Defined Terms. The following terms have the meanings assigned to such terms in the Sections of the Agreement set forth below:

Agreement	Preamble
Confidential Information	12.1
Cut-off Date	6.2.2
Deposit	6.2.4
Effective Date	Preamble
Engineering Samples	4.1.1
Existing MSA	Preamble
Guarantee Period	8.1.1
[Individual Agreement	5.1]
Individual IC	3.1
Initial Term	9.1
Long-term Forecast	5.5
Manufacturing Committee	5.6.2
[Manufacturing Order	5.1]
MASK Expenses	3.2.1
OS Manufacturers	5.7
Parties	Preamble
Pre-Production	4.1
Pre-Production Order	4.1.1
Quality Standard	8.1.1
REL	Preamble
REL TOOL	3.2.1
Renewal Term	9.1
RSP	Preamble
Substandard Products	5.3

1.3 Interpretation. The meaning assigned to each term defined herein is equally applicable to both the singular and the plural forms of such term and vice versa. Where a word or phrase is used herein, each of its other grammatical forms has a corresponding meaning. The terms “hereof”, “herein” and “herewith” and words of similar import, unless otherwise stated, are construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. When a reference is made in this Agreement to an Article, Section, Annex, Exhibit or Schedule, such reference is to an Article, Section, Annex, Exhibit or Schedule to this Agreement unless otherwise specified. The words “include”, “includes”, and “including” when used in this Agreement are deemed to be followed by the words “without limitation”, unless otherwise specified. A reference to any Party includes such Party’s successors and permitted assigns. Reference to any Law means such Law as amended, modified, codified, replaced or re-enacted, and all rules and regulations promulgated thereunder, as of the Effective Date. The Parties have participated jointly in the negotiation and drafting of this Agreement. Any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party by virtue of the authorship of this Agreement does not apply to the construction and interpretation hereof.

2. SCOPE OF AGREEMENT .

Subject to the terms and conditions of this Agreement and the Individual Agreements, RSP shall, (i) based on the Design Kit provided by REL, design, (ii) produce the MASK, and (iii) entrust to REL the manufacturing of the Products, and REL shall (iv) provide the Design Kit to RSP, and (v) for RSP, manufacture, the Products.

3. DESIGN AND MASK .

3.1 Design of Individual IC. RSP shall design the integrated circuit agreed between the Parties (“ Individual IC ”) based on the Design Kit provided by REL, and REL shall provide RSP with the Design Kit necessary therefor.

3.2 MASK .

3.2.1 REL shall produce, or have OS Manufacturers or other third parties produce, at RSP’s request, the MASK in accordance with the specifications agreed between the Parties based on the design created by RSP pursuant to **Section 3.1** . [*****] shall [*****] any and all expenses and costs (including the outsourcing fees paid to OS Manufacturers or other third parties, REL employee costs and REL’s overhead charge (including allocated license fees regarding software used for the relevant Mask production)) incurred by REL in connection with such MASK production (“ Mask Expenses ”). Subject to the terms and conditions of this Agreement, RSP shall provide the MASK to REL solely for use with the Production.

3.2.2 If either Party wishes to change the specifications of the MASK or to increase the number of the MASKs used for the Production, such Party shall notify the other Party of such request. Upon such notification, the Parties shall consult with each other to decide whether or not to accept the request. If such change incurs any additional cost or affects the Manufacturing Fees, the additional costs shall be reimbursed by the requesting Party, and the Manufacturing Fees shall be changed accordingly, and the details of such change shall be determined through mutual consultation between the Parties.

3.2.3 REL shall take appropriate measures to indicate RSP’s proprietary rights to the MASK while the MASK is under REL’s control.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

3.2.4

(a) REL shall promptly notify RSP if the MASK used by REL under this Agreement is lost, damaged or deteriorated, and, if such loss, damage or deterioration (except for aged deterioration) is attributable to REL, shall reimburse the costs incurred by RSP in connection therewith or arising therefrom, either by providing RSP with a substitute for the lost, damaged or deteriorated MASK or by paying the amount equal to the replacement costs (excluding impact on revenues and lost opportunities) associated with the development of the MASK

(b) REL shall have OS Manufacturers promptly notify RSP if the MASK used by OS Manufacturers under this Agreement is lost, damaged or deteriorated, and shall reimburse the costs incurred by RSP in connection therewith or arising therefrom to the extent REL has been reimbursed by such OS Manufacturers in connection therewith.

3.2.5 When REL finishes its use of the MASK or ceases the manufacturing services under this Agreement, REL shall return to RSP or dispose of the MASK as instructed by RSP.

3.3 Manufacturing Process. RSP shall provide REL, in a timely manner, all information mutually agreed upon by the Parties to be necessary for REL's manufacturing services under this Agreement, and shall cooperate with REL regarding the launch of the manufacturing process as requested by REL.

4. PRE-PRODUCTION.

4.1 Pre-Production.

4.1.1 RSP may place an order, in writing, for the test production of the Individual ICs (the Individual ICs produced by such test production are referred to as "Engineering Samples"), which order must specify the amount of the Pre-Production Fees, volume, delivery date and other terms and specifications of the pre-production ("Pre-Production Order"), and REL shall produce and deliver the Individual ICs in accordance with the terms provided in the Pre-Production Order if REL accepts the Pre-Production Order in writing (such production is referred to as the "Pre-Production") (such acceptance shall not be withheld if the technical requirement and lead time contained in the Pre-Production Order are reasonable). All right, title and interest in and to the Engineering Samples transfer from REL to RSP upon the completion of the delivery pursuant to such Pre-Production Order.

4.1.2 The Parties agree and acknowledge that the Engineering Samples are produced in order to assess the performance and reliability of the Individual IC and that no warranty is made by REL with respect to the Engineering Samples.

4.1.3 REL shall, or shall cause the OS Manufacturers to, inspect the Engineering Samples in accordance with the inspection criteria separately agreed between the Parties and shall submit, or shall cause the OS Manufacturers to submit, the inspection report to RSP concurrently with the delivery of the Engineering Samples.

4.1.4 RSP shall inspect the Engineering Samples upon delivery by REL or the OS Manufacturers within 30 Business Days of such delivery. Subsequent to the completion of such inspection, RSP may not make any claim against REL regarding the liability of REL with respect to any deficit or defect of the Engineering Samples that could have been recognised or disclosed through the inspection. If any deficit or defect is recognised or disclosed through the inspection, the Parties shall consult with each other regarding any other remedies or measures to resolve the situation; *provided, however*, that, in any case, REL will not be required to replace the Engineering Samples or refund the Pre-Production Fees to RSP unless such deficit or defect is caused by wilful misconduct or gross negligence of REL. The inspection shall be deemed to be completed and the Engineering Samples accepted unless RSP notifies REL of such deficit or defect within 30 Business Days of the delivery of the Engineering Samples.

4.1.5 If any Pre-Production is to be redone or certain Engineering Samples need to be modified or improved after delivery to RSP, the proportionate amount of such expenses attributable to RSP for such redo, modification or improvement shall be borne by RSP.

4.1.6 REL may subcontract the Pre-Production to the OS Manufacturers. REL shall remain responsible for such third party's compliance with the terms and conditions of this Agreement.

4.2 Transition to Manufacturing Phase. RSP may request REL to manufacture the Individual ICs of which Pre-Production has been completed. The Parties shall consult with each other regarding the manufacturing of the requested Individual ICs (including the Manufacturing Fees and the Individual Specifications thereof) and record the result of the discussion in writing. The Individual IC agreed between the Parties to be manufactured hereunder shall be the Products.

5. MANUFACTURING.

5.1 Individual Agreement.

5.2 Manufacturing Fee.

5.2.1 The Manufacturing Fees as of the Effective Date are as attached hereto as **Schedule []**.

5.2.2 The Manufacturing Fees for any new Products shall be determined based on the following principles:

(a) Manufacturing Fees for REL Products: the aggregate amount of (i) REL's cost for the manufacturing of wafers and the outsourcing fees for the bumping testing and the dicing of wafers, (ii) REL's overhead and handling charge equivalent to [*****] % of the relevant outsourcing fees for the bumping, the testing and the dicing of wafer, and (iii) REL's profit equivalent to [*****] % of the relevant fees for the manufacturing of wafer; and

(b) Manufacturing Fees for OS Products: the aggregate amount of (i) the outsourcing fees for the manufacturing and the bumping, the testing and the dicing of wafer, and (ii) REL's overhead and handling charge equivalent to [*****]% of the relevant outsourcing fees.

5.2.3 The Parties shall, at the Manufacturing Committee, review and agree on new Manufacturing Fees, which will be calculated using the formulas provided in the immediately preceding Section, on semi-annual basis concerning the then manufactured Products based on the exchange rate, yield rate and the outsourcing cost to the OS Manufacturers.

5.3 Delivery and Inspection.

5.3.1 REL shall, or shall cause the OS Manufacturers to, deliver the Manufactured Products by the delivery date at the delivery site set forth in the relevant Individual Agreement. REL shall, or shall cause the OS Manufacturers to, inspect the Manufactured Products in accordance with the inspection standards set forth in the Quality Standard prior to the delivery, and shall or shall cause the OS Manufacturers to, make available to RSP the result of such inspection. Any and all reasonable costs for the packaging and the delivery of the Products shall be borne by [*****].

5.3.2 When REL submits, or causes the OS Manufacturers to submit, the inspection report in accordance with the immediately preceding Section on or subsequent to the delivery of the relevant Manufactured Products, the delivery of the Manufactured Products to RSP is deemed to be completed.

5.3.3 All right, title and interest in and to the Manufactured Products transfer from REL to RSP upon the completion of the delivery pursuant to the immediately preceding Section.

5.4 Substandard Products.

5.4.1 RSP shall promptly notify REL if RSP finds any Manufactured Products the quality of which is substandard (" Substandard Products ") during the inspection conducted pursuant to the immediately preceding Section.

5.4.2 RSP is entitled to determine whether to accept or to reject and return the Substandard Products. RSP shall promptly return to REL the Substandard Products RSP elected for return, with a report setting forth the reasons for the non-acceptance. Any and all costs for such return shall be borne by [*****].

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

5.4.3 REL shall inspect the returned Substandard Products and review the non-acceptance report immediately after receipt thereof, and REL may raise an objection of or question regarding RSP's non-acceptance of the returned Substandard Products. Unless REL raises such objection or question in a timely manner, REL shall deliver substitute Manufactured Products or return the paid Manufacturing Fee for the returned Substandard Products as directed by RSP.

5.5 Long-term Forecast .

5.5.1 In June and December of each year during the term of this Agreement, RSP shall submit a forecast of the volume of the Manufacturing Order for each quarter of the following year (" Long-term Forecast ").

5.5.2 The Long-term Forecast is not binding.

5.5.3 REL may terminate the manufacturing of certain Products, due to any commercially reasonable reason such as "end of life" of the manufacturing process based on which the Products are manufactured, by giving one-year prior written notification to RSP which notification may be made on or after the first anniversary of the Effective Date,.

5.6 Manufacturing Committee .

5.6.1 The Parties shall share, discuss and review, information regarding REL's manufacturing capacity, the Products, the manufacturing ceiling for the Products, the loading volume of the Products, the amount of the Manufacturing Fees, the standard work period, the standard yield loss and the facility investment (as necessary). Such discussion and review are to be made no less frequently than once every six months.

5.6.2 The Parties shall create a committee that consists of 2 personnel from each of the Parties (" Manufacturing committee ") in order to discuss the Forecast, delivery date, product quality, yield loss, status regarding procurement of silicon wafer, and any other issue concerning the manufacturing hereunder. The Manufacturing Committee is to meet no less frequently than once per month and may do so telephonically.

5.7 OS Manufacturing . REL may subcontract the front-end and back-end manufacturing services contemplated hereunder (i) to the third party set forth in **Schedule []** without the prior written consent from or notification to RSP, or (ii) to any other third party with the prior written consent from RSP (such third parties subcontracted hereunder are referred to as the " OS Manufacturers "). REL shall remain responsible for such third party's compliance with the terms and conditions of this Agreement.

5.8 Audit. RSP may, during the business hours of REL in a manner to minimize the disruption to REL, conduct an onsite audit of REL's manufacturing facilities, in order to review REL's compliance with the terms and conditions hereunder and to facilitate the maintenance and improvement of the quality of the Manufactured Products with the prior written consent from REL. Such audits shall be conducted in a manner least interfering to REL's business and operations.

6. PAYMENT.

6.1 Payment. RSP shall pay to REL the total amount of (i) the Manufacturing Fees of the Manufactured Products the delivery to RSP of which is completed within the relevant month, (ii) the Pre- Production Fees of the Engineering Samples the delivery of which is completed within the relevant month, (iii) the Mask Expenses of the Masks the production of which is completed within the relevant month and (iv) any and all consumption taxes applicable to the immediately preceding items, all of which fees and taxes shall be invoiced to RSP by REL by the middle of the following month, within forty-five (45) days of the receipt of such invoice. All payments by RSP hereunder shall be made by wire transfer to the bank account as instructed separately by REL, and any and all costs or expenses relating to the wire transfer shall be borne by RSP.

6.2 Transfer on the Inventory Transfer Date. []

7. NO LICENSE.

Unless explicitly provided in this Agreement, nothing contained in this Agreement shall be construed that either Party is granting to the other Party a license to any Intellectual Property Rights owned by the Party.

8. QUALITY; LIABILITY; WARRANTY.

8.1 Quality Guarantee.

8.1.1 REL shall guarantee, with respect only to the Manufactured Products stored in the storage conditions provided in the applicable Specifications, the quality standard set forth in the applicable Specifications ("Quality Standard") for (i) with respect to REL Products, twenty four (24) months, and (ii) with respect to OS Products, twelve (12) months, from the date of the delivery ("Guarantee Period"); *except* that REL is not liable to RSP for any defect of the Products in the following cases:

(a) if RSP fails to notify REL of a deficiency or defect of the Manufactured Products before the expiration of applicable Guarantee Period;
or

(b) if it is identified that a deficiency or defect of the Manufactured Products is caused by any inappropriate treatment or use of the Manufactured Products, any Specifications provided by RSP, or any other reason that is not attributable to REL.

8.1.2 If it is found that the Products do not satisfy the Quality Standard, REL shall cooperate with RSP in analysing the deficiencies and defects.

8.1.3 Regarding any deficiency or defect with respect to a certain quality of the Products that is not provided in the Quality Standard, REL shall, at [*****] expense, cooperate with RSP in analysing such deficiency or defect; *provided, however*, that such cooperation by REL with respect to any deficiency or defect of the OS Products shall be limited to the liaison function between RSP and the OS Manufacturers.

8.1.4 Subject to **Section 8.2**, at RSP's option, REL shall provide substitute Products or return the paid Manufacturing Fees for the Products that do not satisfy the Quality Standard in satisfaction of the losses incurred by RSP in connection with the breach of REL's warranty under **Section 8.1**.

8.1.5 Any quality guarantee matters further to what is provided in this Section shall be separately provided in a quality guarantee agreement between the Parties.

8.2 Limitation on Liability.

8.2.1 EXCEPT FOR A BREACH OF THE PROVISIONS OF SECTION 12, IN NO EVENT IS ONE PARTY LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR OTHER INDIRECT DAMAGES OR ANY PUNITIVE DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER SUCH DAMAGES ARE BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHER THEORY OF LIABILITY. THESE LIMITATIONS APPLY EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY REMEDY. THE PARTIES ACKNOWLEDGE THAT THE LIMITATIONS ON POTENTIAL LIABILITIES SET FORTH HEREIN ARE AN ESSENTIAL ELEMENT IN THE CONSIDERATION PROVIDED BY EACH PARTY UNDER THIS AGREEMENT.

8.2.2 EACH PARTY UNDERSTANDS AND AGREES THAT ANY INFORMATION DISCLOSED BY EACH PARTY IN CONNECTION WITH THIS AGREEMENT IS PROVIDED "AS IS". EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, EITHER PARTY DOES NOT MAKE, AND HEREBY EXCLUDES AND DISCLAIMS, ANY AND ALL REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED OR STATUTORY, REGARDING THE SUFFICIENCY OR ACCURACY OF THE INFORMATION DISCLOSED FOR ANY PURPOSE, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

8.2.3 With any losses incurred by RSP arising from or in connection with any defect or deficiency of the Engineering Samples (except for the OS Engineering Samples) or REL Products (but only to the extent such losses are attributable to the portion manufactured by REL), the indemnity obligation of REL is not to exceed, per defect or deficiency (those resulting from the same cause are deemed to be a single defect or deficiency), the amount equivalent to [*****] per cent of the amount of the Pre- Production Fees or the Manufacturing Fees, as applicable, paid for the month in which the relevant defective or deficient Products were ordered, multiplied by 12.

8.2.4 The indemnity obligation of REL with respect to any losses incurred by RSP arising from or in connection with (i) the OS Engineering Samples, OS Products or REL Products (but only to the extent such losses are attributable to the portion manufactured by OS the Manufacturers), or (ii) any non-compliance of the terms and conditions under this agreement by the OS Manufacturers is not to exceed the amount of indemnification that REL may receive from the OS Manufacturers plus the [*****] percent ([*****]%) thereof handling fee.

8.3 Third-Party Infringement.

8.3.1 RSP shall, at its sole cost and expense, resolve any dispute or any potential dispute arising from or in connection with any misappropriation or infringement of a third party's Intellectual Property Rights or any other interest by the Engineering Samples or the Manufactured Products.

8.3.2 If the misappropriation or infringement of a third party's Intellectual Property Rights is, in whole or in part, attributable to RSP, REL may elect to cease the Pre-Production and the manufacturing services provided hereunder with the prior written consent from RSP. REL may claim RSP to indemnify REL with the Losses arising from or in connection with such cessation.

9. TERM AND TERMINATION.

9.1 Term. This Agreement is effective from the Effective date until March 31, 2017 (“Initial Term”); *except* that the manufacturing services provided hereunder regarding OS Products (except for those outsourced to Global Foundries Inc.) are to terminate upon the termination or expiration of the IT system service provided by REL to RSP under certain Transition Service Agreement entered into by and between the Parties as of the date hereof. Upon expiration of the Initial Term, this Agreement renews automatically for successive periods of one year (each a “Renewal Term”), unless either Party sends written notice to the other Party no less than three months prior to the expiration of the then current Renewal Term expressing its desire not to renew this Agreement upon expiration of such Renewal Term.

9.2 Termination. This Agreement may be terminated before expiration:

(a) by mutual written consent of the Parties;

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(b) by either REL or RSP, upon any breach of a covenant by the other Party that has not been cured within thirty (30) days of being notified in writing thereof by the non-breaching Party;

(c) by either REL or RSP, by giving notice to the other Party, upon a petition being filed, a proceeding being commenced or an order being made for bankruptcy, corporate reorganisation or civil rehabilitation or any other similar insolvency proceeding of the other Party, or a failure or threatened failure of the other Party to do business in the ordinary course; or

(d) by either REL or RSP, by giving notice to the other Party, in the event such other Party adopts resolutions to wind up its business or effect a dissolution.

9.3 Effect of Termination.

(a) If this Agreement is terminated pursuant to **Section 9.1** or **9.2**, all rights and obligations of the Parties hereunder terminate without any liability of either Party to the other Party (except for any liability of a Party then in breach), and if this Agreement is terminated by REL pursuant to any of Section 9.2 (b) through (f), any outstanding payment obligation of RSP shall become immediately payable.

(b) The Individual Agreements effective as of the termination of this Agreement shall survive such termination.

9.4 Termination of Existing MSA. Effective as of the Effective Date, the Existing MSA is hereby terminated, and neither REL nor RSP has any further rights, benefits, duties or obligations under or pursuant to the Existing MSA. REL and RSP hereby waive all requirements of notice and all other prerequisites and conditions to termination of the Existing MSA that may be provided for therein. Notwithstanding the foregoing in this Section, any individual agreements under the Existing MSA shall survive such termination of the Existing MSA. Notwithstanding "Section 22.11" of the Existing MSA, either Party may hold the confidential information provided pursuant to the Existing MSA after the termination of the Existing MSA in accordance with the applicable confidentiality obligation provided hereunder.

10. FORCE MAJEURE.

Except for payment obligations hereunder, neither Party is liable for any failure to comply with its obligations under this Agreement to the extent such failure is caused by circumstances beyond such Party's reasonable control, including act of God, war, riot, explosion, abnormal weather conditions, fire, flood, earthquake, typhoon, nationwide or regional strike and lockout, government action or regulation and nationwide or regional power failure.

11. EXPORT CONTROL.

Each Party agrees to comply with all applicable Laws, including, without limitation, economic sanctions and export control laws and regulations of Japan. Without limiting the foregoing, a Party may not, directly or indirectly, (i) export, re-export, or otherwise dispose of any items received in connection with this Agreement to any Person or destination, or for any use, prohibited under applicable Laws, without obtaining prior authorization from the other parties, or (ii) engage in transactions with or make any payment to any unauthorised Person designated in applicable Laws. A Party's breach of this provision constitutes cause for immediate termination of this Agreement. The Synaptics Parties and REL each agrees to indemnify and hold harmless the other for the Synaptics Parties or REL's, as applicable, noncompliance with such Laws. This provision survives the termination of this Agreement.

12. CONFIDENTIALITY.

12.1 Confidential Information. “Confidential Information” means (i) the existence of this Agreement, the terms and conditions contained herein, and the fact that negotiations with respect to the foregoing have taken place or are or might be taking place and the contents thereof and (ii) any information (including information regarding design and other technical information, and sales information) disclosed by either Party to the other Party in connection with this Agreement, the Pre-Production and the manufacturing services under this Agreement that the disclosing Party designates confidential as follows:

(a) if disclosed in writing or other tangible form, the date of disclosure and a proprietary legend, such as “Confidential”, shall be set forth in such writing;

(b) if disclosed orally or visually, or disclosed in any form in which it is impracticable to indicate the confidentiality of the Confidential Information, it shall be designated as confidential upon disclosure and the disclosing Party shall provide the disclosed Party with a list that contains the place and time of the disclosure and brief description of the disclosed Confidential Information within thirty (30) days after the disclosure; or

(c) if disclosed in electronic data (including disclosure using an electromagnetic memory device), the confidentiality of the Confidential Information must be obvious to the receiving Party when the receiving Party reads the data through a computer system; *provided*, however, that if the disclosing Party delivers a memory device that contains data of the Confidential Information, the disclosing Party place a proprietary legend, such as “Confidential”, on the memory device or attach a letter that indicates the confidentiality of the contained data.

12.2 Confidentiality Obligations. Each Party agrees to keep the Confidential Information (including its copies and replicas) confidential and not disclose or make available the Confidential Information to any Third Party without the prior written consent of the other Party (except in accordance with **Section 12.4**). The receiving Party may copy or replicate the Confidential Information only to the extent necessary for the purpose contemplated hereunder. The foregoing prohibitions do not apply to (i) information that is ascertainable or obtained from public information or is otherwise publicly known through no wrongful act of the receiving Party; (ii) information received from a Person not known after reasonable inquiry to the disclosing Party to be under an obligation to keep such information confidential; (iii) information independently developed by the receiving Party without use of the disclosing Party's information. The confidential obligations of the receiving Party will continue until fifth anniversary of the disclosure of the relevant Confidential Information; *provided*, however, that the confidential obligation of the Parties as to the terms and conditions contained herein as well as any trade secrets disclosed hereunder will be perpetual.

12.3 Permitted Disclosure. Notwithstanding anything herein to the contrary, (i) each Party may (without prior notification to, or approval or consent by, the other Party), subject to an agreement of confidentiality, disclose to tax authorities and regulatory authorities or to such Party's representatives (including outside counsel and advisors) any confidential or non-public information that is required to be disclosed in connection with such party's tax filings, reports, claims, audits, or litigation, and (ii) REL may disclose the Confidential Information to its Affiliates and OS Manufactures that undertake the subcontracted manufacturing services under this Agreement from REL.

12.4 Required Disclosures. In the event that a Party is requested or required by Law, Governmental Entity, regulation or judicial process to disclose Confidential Information, such Party shall provide reasonable advance written notice to the other Party of such request or any legal requirement so that the other Party may seek confidential treatment of such Confidential Information prior to its disclosure (whether through protective orders or otherwise). If, in the absence of a protective order, other confidential treatment or waiver under this Agreement, a Party is advised by its legal counsel that it is legally required to disclose such Confidential Information, such Party may disclose the Confidential Information without liability under this Agreement.

12.5 Return or Disposal of Confidential Information.

Upon the earlier of the termination of this Agreement or written request from the disclosing Party, the receiving Parties shall promptly return or dispose (at its choice) of any and all disclosed tangible Confidential Information and its copies and replicas. Notwithstanding the foregoing, the receiving Party may keep one copy of the Confidential Information for archival purposes, and the obligation in the preceding sentence shall not extend to any copy stored on the receiving Party's backup or disaster recovery system in the normal course of business. The receiving Party shall notify the disclosing Party in writing, of the date of disposal, the disposed materials and the method of disposal promptly after such disposal.

13. GENERAL PROVISIONS.

13.1 Governing Law. This Agreement is governed by and construed in accordance with the Laws of Japan without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than Japan.

13.2 Relationship of Parties. In the performance of this Agreement, each of the Synaptics Parties and REL is acting as an independent contractor, and neither the Synaptics Parties nor REL is the agent of the other. Neither the Synaptics Party nor REL has the right or ability to bind the other to any agreement with a third party or to incur any obligation or liability on behalf of each other.

13.3 Severability. No term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction affects the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

13.4 Amendments; Waivers. No amendment of any provision of this Agreement is valid unless the same is in writing and signed by each Party. No waiver by a Party of any provision of this Agreement or any default or breach of covenant hereunder, whether intentional or not, is valid unless the same is in writing and signed by the Party making such waiver, nor is such waiver deemed to extend to any prior or subsequent default or breach of covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

13.5 Dispute Resolution. Each Party shall employ commercially reasonable efforts to settle amicably through good faith discussions any dispute or disagreement that may arise under or pursuant to this Agreement. In the event that any such dispute or disagreement cannot be resolved through such discussions, the Parties shall submit such dispute to the exclusive jurisdiction of the Tokyo District Court.

13.6 Entire Agreement. This Agreement (including all Individual Agreements and Orders), the Stock Purchase Agreement, any ancillary agreements, and all exhibits, annexes or attachments thereto constitute the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof; *provided*, however, that the Licence Agreement (REL TOOL) apply to the Parties with respect to the licence to use REL TOOL and other relevant matters provided therein.

13.7 Counterparts. This Agreement may be executed in counterparts (including by means of facsimile), each of which is deemed an original but all of which together constitute one and the same instrument.

13.8 Headings. The section headings contained in this Agreement are inserted for convenience only and do not affect in any way the meaning or interpretation of this Agreement.

13.9 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties and no presumption or burden of proof is to arise favouring or disfavouring any Party by virtue of the authorship of any of the provisions of this Agreement.

13.10 Governing Language. This Agreement has been negotiated and executed by the Parties in English. In the event any translation of this Agreement is prepared for convenience or any other purpose, the provisions of the English version prevail.

13.11 Assignment. Neither the Synaptics Parties nor REL shall assign or transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the other, except to an Affiliate. All covenants and agreements and other provisions set forth in this Agreement and made by or on behalf of either Party shall bind and inure to the benefit of the successors, heirs and permitted assigns of such party.

13.12 Change of Control. Unless prior written consent to a Change of Control event has been received from the Party not experiencing a Change of Control: (i) any rights licensed hereunder to REL shall immediately terminate upon a Change of Control of REL; and (ii) any rights licensed hereunder to RSP and its Affiliates shall terminate immediately upon a Change of Control of Synaptics or RSP.

13.13 Survival. Any terms and conditions that, by their nature or otherwise reasonably should survive a cancellation or termination of this Agreement, shall be deemed to survive. Such terms and conditions include but are not limited to Sections 8.1 (Quality Guarantee), 8.2 (Limitation of Liability), 12 (Confidentiality), and 13 (General Provisions) (except for Sections 13.7 (Counterparts) and 13.12 (Change of Control)).

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date.

REL:

**RENESAS ELECTRONICS
CORPORATION**, a Japanese *kabushiki kaisha*

By: _____
[Name], [Title]

RSP:

RENESAS SP DRIVERS, INC. , a
Japanese *kabushiki kaisha*

By: _____
[Name], [Title]

SYNAPTICS:

SYNAPTICS INCORPORATED , a
Delaware corporation

By: _____
[Name], [Title]

[FORM OF] PATENT AND TECHNOLOGY CROSS-LICENSE AGREEMENT

THIS PATENT AND TECHNOLOGY CROSS-LICENSE AGREEMENT (the “ Agreement ”), dated [], 2014 (the “ Effective Date ”), by and between **RENESAS ELECTRONICS CORPORATION** , a Japanese *kabushiki kaisha* (“ REL ”), **SYNAPTICS INCORPORATED** , a Delaware corporation (“ Synaptics ”), and **RENESAS SP DRIVERS, INC.** , a Japanese *kabushiki kaisha* and a Subsidiary of Synaptics (“ RSP ”), and together with REL and Synaptics, the “ Parties ”);

WITNESSETH that,

WHEREAS each of the Parties owns and controls, either directly or through its subsidiaries, various Patents (as defined below) in the field of LCD driver integrated circuits;

WHEREAS RSP and REL are party to (i) that certain Patent Licence Agreement, dated March 10, 2008 (the “ Existing PLA ”), and (ii) that Non-Registered IP License Agreement, dated April 1, 2008, as amended by that certain Amendment, dated September 3, 2012 (the “ Existing Non-Registered IPLA ”); each of the Parties desires to (i) terminate the Existing PLA, (ii) terminate the Existing Non-Registered IPLA, and (iii) obtain for itself and its Subsidiaries (as defined below) a license under certain Patents and Non-Patent IP of the other Party, in each case, on the terms and conditions set forth in this Agreement;

NOW, THEREFORE , in consideration of the mutual covenants and conditions hereinafter set forth, the Parties hereby agree as follows:

1. DEFINITIONS; CERTAIN INTERPRETATIVE MATTERS.

1.1 Definitions .

“ **Claim of Priority** ” means a claim of priority or a specific reference to be entitled to the benefit thereof.

“ **Control** ” (including, with correlative meaning, the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through record or beneficial ownership of voting securities, by contract, or otherwise.

“[*****]” means [*****].

“ **Foundry Manufacturer** ” means any Third Party that manufactures products on behalf of a Party or its Subsidiaries from or using designs not owned by such Third Party or its Subsidiaries and provided by or on behalf of such Party or its Subsidiaries for resale to, by or on behalf of such Party.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

“ **Foundry Products** ” means any products manufactured by a Party or its Subsidiaries for and on behalf of a customer from or using designs not owned by such Party or its Subsidiaries and provided by or on behalf of that customer for resale to, by or on behalf of that customer.

“ **Non-Patent IP** ” means (i) unpublished inventions and discoveries (whether patentable or not), registered or unregistered industrial designs, improvements, ideas, designs, models, formulae, recipes, patterns, data, diagrams, drawings, blueprints, mask works, devices, methods, techniques, processes, know how, instructions, configurations, prototypes, samples, specifications, technology, proprietary information, and files reflecting same that, in each case, are known or not known to the public, and technical information that is known or not known to the public, and moral and economic rights of authors and inventors in any of the foregoing, as well as any trade secrets (ii) computer software, programs and databases in any form, including source code, object code, operating systems and specifications, data, databases, GDS and GDSII files, database management code, firmware, utilities, graphical user interfaces, menus, images, icons, forms and software engines, and all related documentation, developer notes, comments and annotations, (iii) copyrights, whether in published or unpublished works, original works of authorship fixed in any tangible medium of expression (in whatever form now or hereafter existing), databases, data collections and rights therein, mask work rights, compilations, web site content, registrations and applications for registration for any of the foregoing, and renewals or extensions thereof and moral and economic rights of authors or creators in any of the foregoing, and (vi) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world; but excluding any Patents, trademarks, service marks and trade dress.

“ **Patents** ” means all classes or types of Japanese and foreign patents, utility models and design rights (including design patents) issued by the authority which grants patent, utility models and design rights (including design patents) in any country in the world, together with any and all parents, divisionals, renewals, continuations, continuations-in-part, foreign counterparts, extensions or reissues that claim priority to any of the foregoing, and pending applications for these classes or types of patents, utility models and design rights (including design patents) in all countries of the world.

“[*****]” means [*****].

“ **Person** ” means any natural person, corporation, joint stock company, limited liability company, association, partnership, firm, joint venture, organisation, individual, business, trust, estate or any other entity or organisation of any kind or character.

“ **REL Licensable Patents** ” means Patents that, as of the Effective Date, are co-owned or not owned by REL or any of its Subsidiaries, and to which REL or its Subsidiaries have the right to grant, to any Third Party, licenses within and of the scope set forth herein and without the requirement to consent of any Third Party or pay consideration to any Third Party.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

“ **REL Non-Licensable Patents** ” means Patents that, as of the Effective Date, are owned or co-owned by REL or any of its Subsidiaries, and to which REL or its Subsidiaries do not have the right to grant, to any Third Party, licenses within and of the scope set forth herein and without the requirement to consent of any Third Party or pay consideration to any Third Party (other than employees of the applicable party or its Subsidiaries).

“ **REL Non-Patent IP** ” means all Non-Patent IP that are, as of the Effective Date, both (a) owned by REL or its Subsidiaries and (b) to which REL or its Subsidiaries have the right to grant licenses to any Third Party within and of the scope set forth herein and without the requirement to consent of any Third Party or payment of consideration to any Third Party (other than payment of consideration to employees of the applicable party or its Subsidiaries).

“ **REL Owned Patents** ” means Patents that, (i) (A) as of the Effective Date, are owned by REL or any of its Subsidiaries, and (B) REL or its Subsidiaries have the right to grant licenses to any Third Party within and of the scope set forth herein and without the requirement to consent of any Third Party or payment of consideration to any Third Party (other than payment of consideration to employees of the applicable party or its Subsidiaries), (ii) (A) make a Claim of Priority to, or is terminally disclaimed with, a Patent that is encompassed in the immediately above subsection (i), and (B) REL or its Subsidiaries have the right to grant licenses to any Third Party within and of the scope set forth herein and without the requirement to consent of any Third Party or payment of consideration to any Third Party (other than payment of consideration to employees of the applicable party or its Subsidiaries), or (iii) make a Claim of Priority to, or is terminally disclaimed with, a Patent that is transferred to a Third Party and that is encompassed in the immediately above section (i) before such transfer of the Patent, and filed after such transfer of the Patent; provided, however, that “REL Owned Patents” does not include the Third Party Patent.

“ **REL Patents** ” means REL Licensable Patents and REL Owned Patents.

“ **REL Transferred Patents** ” means Patents that have been or will be transferred from REL to RSP pursuant to **Section 5.9** of that certain Stock Purchase Agreement entered by and among REL, RSP, Synaptics, Sharp Corporation, Powerchip Technology Corporation, Global Powertec Co. Ltd., Quantum Vision Corporation, Renesas SP Drivers Taiwan, Inc. and Synaptics Holding GMBH dated June 11, 2014.

“ **Representatives** ” means officers, directors, employees, agents, attorneys, accountants and financial and other advisors and representatives.

“ **RSP** ” means Renesas SP Driver Inc., a Japanese *kabushiki kaisha* .

“ **RSP Licensed Products** ” means [*****] and [*****].

“ **RSP Licensed Technology** ” means [*****].

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

“ RSP Licensable Patents ” means Patents that, as of the Effective Date, are not owned by RSP or any of its Subsidiaries, and to which RSP or its Subsidiaries have the right to grant licenses, to any Third Party, within and of the scope set forth herein and without the requirement to consent of any Third Party or pay consideration to any Third Party.

“ RSP Non-Licensable Patents ” means Patents that, as of the Effective Date, are owned or co-owned by RSP or any of its Subsidiaries, and to which RSP or its Subsidiaries do not have the right to grant, to any Third Party, licenses within and of the scope set forth herein and without the requirement to consent of any Third Party or pay consideration to any Third Party.

“ RSP Non-Patent IP ” means all Non-Patent IP that are, as of the Effective Date, both (a) owned by RSP or any of its Subsidiaries, and (b) to which RSP or its Subsidiaries have the right to grant licenses to any Third Party within and of the scope set forth herein and without the requirement to consent of any Third Party or payment of consideration to any Third Party (other than employees of the applicable party or its Subsidiaries).

“ RSP Owned Patents ” means Patents (except for REL Transferred Patents) that, (i) (A) as of the Effective Date, are owned by RSP or any of its Subsidiaries, and (B) RSP or its Subsidiaries have the right to grant licenses to any Third Party within and of the scope set forth herein and without the requirement to consent of any Third Party or payment of consideration to any Third Party (other than payment of consideration to employees of the applicable party or its Subsidiaries), or (ii) (A) make a Claim of Priority to, or is terminally disclaimed with, a Patent that is encompassed in the immediately above subsection (i), and (B) RSP or its Subsidiaries have the right to grant licenses within and of the scope set forth herein and without the requirement to consent of any Third Party or payment of consideration to any Third Party (other than payment of consideration to employees of the applicable party or its Subsidiaries) or (iii) make a Claim of Priority to, or is terminally disclaimed with, a Patent that is transferred to a Third Party and that is encompassed in the immediately above section (i) before such transfer of the Patent, and filed by such Third Party after such transfer of the Patent; provided, however, that “RSP Owned Patents” does not include any Third Party Patents.

“ RSP Patents ” means RSP Licensable Patents and RSP Owned Patents.

“ Third Party Patent ” means, (a) all classes or types of Japanese and foreign patents, utility models and design rights (including design patents) issued by the authority which grants patent, utility models and design rights (including design patents) in any country in the world, and pending applications for these classes or types of patents, utility models and design rights (including design patents) in all countries of the world, and, as of the Effective Date, are not owned or controlled by a Party or its Subsidiary, and (b) any patent, utility model, or design right arising from any of the foregoing in (a) after the Effective Date and owned by any Third Party or a transferee of the foregoing who is not a Party or its Subsidiary.

“ **Subsidiary** ” means any legal entity, whether such entity exists as of the Effective Date or is created thereafter, that is: (i) directly or indirectly more than fifty per cent (50%) owned by a Party, or (ii) Controlled by a Party. Such a legal entity is deemed a Subsidiary only for so long as such direct or indirect ownership or Control exists.

“ **Stock Purchase Agreement** ” means certain Stock Purchase Agreement among REL, Sharp Corporation, Powerchip Technology Corporation, Global Powertec Co. Ltd., Quantum Vision Corporation, RSP, Renesas SP Drivers Taiwan, Inc., Synaptics, and Synaptics Holding GMBH dated June 11, 2014.

“ **Third Party** ” means any Person other than REL and its Subsidiaries or Synaptics and its Subsidiaries .

1.2 Other Defined Terms. The following terms have the meanings assigned to such terms in the Sections of the Agreement set forth below:

Agreement	Preamble
Effective Date	Preamble
Party	Preamble
REL	Preamble
Synaptics	Preamble
Term	3.1

1.3 Certain Interpretive Matters. The meaning assigned to each term defined herein is equally applicable to both the singular and the plural forms of such term and vice versa. Where a word or phrase is used herein, each of its other grammatical forms has a corresponding meaning. The terms “hereof”, “herein” and “herewith” and words of similar import, unless otherwise stated, are construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. When a reference is made in this Agreement to an Article, Section, Annex, Exhibit or Schedule, such reference is to an Article, Section, Annex, Exhibit or Schedule to this Agreement unless otherwise specified. The words “include”, “includes”, and “including” when used in this Agreement are deemed to be followed by the words “without limitation”, unless otherwise specified. A reference to any Party includes such Party’s successors and permitted assigns. Any reference to REL includes REL’s predecessors. Reference to any law means such law as amended, modified, codified, replaced or re-enacted, and all rules and regulations promulgated thereunder, as of the Effective Date. The Parties have participated jointly in the negotiation and drafting of this Agreement. Any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party by virtue of the authorship of this Agreement does not apply to the construction and interpretation hereof.

2. INTELLECTUAL PROPERTIES.

2.1 License to REL Patents. Subject to the terms and conditions of this Agreement, REL hereby grants to Synaptics and its Subsidiaries including RSP, a non-exclusive, worldwide, fully paid-up, non-transferable, non-sublicensable, and irrevocable license in, to and under REL Patents, including any claim thereof, to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export, supply, distribute and otherwise dispose of any RSP Licensed Product only with respect to RSP Licensed Technology, except that the “have made” license granted hereunder does not apply to any element of a RSP Licensed Product that is based on a design element provided by Foundry Manufacturers or to any manufacturing process used by Foundry Manufacturers for the manufacturing of RSP Licensed Products, except which is utilized pursuant to that certain LCD Process Technology License Agreement executed by and among REL, RSP, and Synaptics as of [date]. Synaptics shall be responsible for its Subsidiaries’ compliance with the terms and conditions of this Agreement.

2.2 License to RSP Patents. Subject to the terms and conditions of this Agreement, RSP and Synaptics hereby grants to REL and its Subsidiaries, a non-exclusive, worldwide, [*****], non-transferable, non-sublicensable, and irrevocable (except as provided in Sections 2.10 and 3.2) license in, to and under RSP Patents, including any claim thereof, to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export, supply, distribute and otherwise dispose of any product or portion thereof, except that the “have made” license granted hereunder does not apply to any element of products that is based on a design element provided by Foundry Manufacturers or to any manufacturing process used by Foundry Manufacturers for the manufacturing of products. REL shall be responsible for its Subsidiaries’ compliance with the terms and conditions of this Agreement. The Parties agree that REL has no right to extend any rights licensed to REL under this Agreement to any third party pursuant to any other cross-licenses.

2.3 License to REL Transferred Patents. Subject to the terms and conditions of this Agreement, Synaptics hereby grants to REL and its Subsidiaries, a non-exclusive, worldwide, [*****], non-transferable, non-sublicensable, and irrevocable license in, to and under REL Transferred Patents, including any claim thereof, to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export, supply, distribute and otherwise dispose of any product or portion thereof.

2.4 Transfer of Licensed Patents. In the event a Party desires to transfer Patents licensed under this Agreement to any Person, such transfer shall be subject to the following conditions: (i) a Party may transfer the licensed Patents only if the transferee agrees in writing to receive the patent rights subject to the outbound license granted to the other Party in **Section 2.1 , 2.2 or 2.3** , as applicable; (ii) the transferee (except for a transferee which is the transferring Party’s Subsidiary at the time of transfer) shall not receive any benefit of the inbound license granted in **Section 2.1 , 2.2 or 2.3** , as applicable; (iii) any transfer in violation of this **Section 2.4** shall render such transfer null and void; and (iv) the transferee agrees in writing that any subsequent transfer of the licensed Patents shall be subject to the same conditions set forth in this **Section 2.4** .

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

2.5 License to REL Non-Patent IP. Subject to the terms and conditions of this Agreement, REL hereby grants to Synaptics and its Subsidiaries, including RSP, a non-exclusive, worldwide, fully paid-up, transferable, sublicensable, and irrevocable license in, to and under REL Non-Patent IP to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export, supply, reproduce, distribute and otherwise dispose of any RSP Licensed Product only with respect to RSP Licensed Technology, and modify and improve such REL Non-Patent IP.

2.6 License to RSP Non-Patent IP. Subject to the terms and conditions of this Agreement, Synaptics hereby grants to REL and its Subsidiaries, a non-exclusive, worldwide, [*****], transferable, sublicensable, and irrevocable license in, to and under RSP Non-Patent IP to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export, supply, reproduce, distribute and otherwise dispose of any product or portion thereof, and modify and improve such RSP Non-Patent IP.

2.7 Foundry Activities.

(a) The grant of licenses pursuant to **Sections 2.1 , 2.2 , 2.5 and 2.6** above include the right of Synaptics and REL, respectively, including any of their respective Subsidiaries, to manufacture Foundry Products for a Third Party pursuant to a foundry arrangement between such Party or any Subsidiary of such Party and such Third Party. The license granted under this **Section 2.9(a)** does not apply to any portion of the manufacturing process provided by a Third Party.

2.8 Non-Assertion by REL.

(a) REL hereby covenants, on or on behalf of itself and its Subsidiaries, that it will not assert any of its rights in REL Patents and REL Non-Licensable Patents [*****]. During this period REL shall negotiate in good faith and grant a license to Synaptics and RSP under fair, reasonable and non-discriminatory terms and conditions, including a payment for such license that is consistent with or less than other licenses granted by REL for the same or similar RSP patents. [*****]

(b) REL hereby covenants that it will not assert any of its rights in REL Non-Licensable Patents [*****].

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(c) During the period of license granted to Synaptics or its Subsidiary (including RSP), REL shall not assert or have its Subsidiary assert its rights based on any REL Patents and REL Non-Licensable Patents with regard to [*****] .

2.9 Non-Assertion by RSP .

(a) RSP covenants, on or on behalf of itself and its Subsidiaries, that it will not assert any of its rights in RSP Patents and RSP Non-Licensable Patents against [*****]. During this period Synaptics and RSP shall negotiate in good faith and grant a license to REL under fair, reasonable and non-discriminatory terms and conditions, including a payment for such license that is consistent with or less than other licenses granted by RSP and Synaptics for the same or similar REL patents. [*****]

(b) RSP hereby covenants that it will not assert any of its rights in RSP Non-Licensable Patents against [*****].

(c) During the period of license granted to REL or its Subsidiary (including REL), Synaptics or RSP shall not assert or have its Subsidiary assert its rights based on any RSP Patents and RSP Non-Licensable Patents with regard to [*****].

2.10 Divested Subsidiaries . In the event a Subsidiary of Synaptics, including RSP, is divested, (i) such Subsidiary shall not receive any benefits under the inbound license granted under **Sections 2.1** or non-assertion agreed under **Section 2.8** thereafter, and (ii) if such Subsidiary, at the time it is divested, retains ownership or is assigned any RSP Owned Patents or RSP Non-Patent IP or have right to grant license under any RSP Licensable Patents, the divested Subsidiary shall continue to be subject to the obligations of the outbound license granted in **Sections 2.2 . 2.3 and 2.6** or non-assertion covenant agreed under **Section 2.9** . In the event a Subsidiary of REL is divested, (i) such Subsidiary shall not receive any benefits under the inbound license granted under **Sections 2.2 and 2.3** or non-assertion agreed under **Section 2.9** thereafter, and (ii) if such Subsidiary, at the time it is divested, retains ownership of or is assigned any REL Owned Patents or REL Non-Patent IP or have right to grant license under any REL Licensable Patents, the divested Subsidiary shall continue to be subject to the obligations of the outbound license granted in **Sections 2.1 and 2.5** or non-assertion agreed under **Section 2.8** .

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

2.11 No Other Rights or Licenses. Except as explicitly set forth herein, no right, license, title or interest under any intellectual properties is granted, assigned or transferred under this Agreement, whether by implication, estoppel or otherwise.

3. TERM AND TERMINATION

3.1 Term. This Agreement commences on the Effective Date and continues in effect until terminated under **Section 3.2**.

3.2 Termination. This Agreement may be terminated by a Party upon the occurrence of a material breach of this Agreement by the other party, or as otherwise set forth herein, provided that such termination shall only be effective thirty (30) days following written notice to the Party in breach and provided further that the Party in breach has not cured such breach during such thirty (30) day period. The license granted to such terminated Party in breach and its Subsidiaries under **Sections 2.1 and 2.5 or 2.2 and 2.6**, as applicable, and non-assertion agreed for such terminated Party in breach and its Subsidiaries under **Section 2.10 or 2.11** shall terminate upon the termination of this Agreement pursuant to this **Section 3.2**. All rights granted and benefits accorded by this Agreement to the non-breaching party shall vest and survive such termination.

4. REPRESENTATIONS AND WARRANTIES

Each Party represents and warrants to the other Party that (i) it has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, (ii) the execution, delivery and performance of this Agreement has been duly authorised by all requisite corporate action on the part of such Party, and (iii) this Agreement has been duly and validly executed and delivered by such Party and constitutes legal, valid and binding obligations of such Party and its Subsidiaries enforceable against such party and its Subsidiaries.

5. DISCLAIMERS

5.1 No Implied Obligation or Rights. Nothing contained in this Agreement is to be construed as:

(a) an agreement to bring or prosecute proceedings against any third party for infringement, misappropriation or other violation of rights or conferring any right to bring or prosecute proceedings against any third party for infringement, misappropriation or other violation of rights; or

(b) conferring any right to use in advertising, publicity, or otherwise, any trademark, trade name or names, or any contraction, abbreviation or simulation thereof, of either Party.

5.2 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN **SECTION 4** OF THIS AGREEMENT, (i) EACH PARTY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR AGAINST INFRINGEMENT, WITH RESPECT TO ANY PATENT LICENSED UNDER THIS AGREEMENT, AND (ii) NO PARTY MAKES ANY WARRANTY, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, THAT THE MANUFACTURE, SALE, LEASE, USE, PRACTICE OR COMMERCIAL EXPLOITATION OF ANYTHING LICENSED PURSUANT TO THIS AGREEMENT DOES NOT OR WILL NOT INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

6. LIMITATION OF LIABILITY.

6.1 IN NO EVENT IS ONE PARTY LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR OTHER INDIRECT DAMAGES OR ANY PUNITIVE DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER SUCH DAMAGES ARE BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHER THEORY OF LIABILITY. THESE LIMITATIONS APPLY EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY. THE PARTIES ACKNOWLEDGE THAT THE LIMITATIONS ON POTENTIAL LIABILITIES SET FORTH HEREIN ARE AN ESSENTIAL ELEMENT IN THE CONSIDERATION PROVIDED BY EACH PARTY UNDER THIS AGREEMENT.

6.2 This Agreement is not intended to limit, supersede or nullify any representations, warranties, rights or remedies provided under the Stock Purchase Agreement.

7. TERMINATION OF EXISTING AGREEMENTS.

Effective as of the Effective Date, the Existing PLA and the Existing Non-Patent IPLA are hereby terminated, and, notwithstanding anything to the contrary in these agreements, neither Party thereto has any further rights, benefits, duties or obligations under or pursuant to the Existing PLA or the Existing Non-Patent IPLA. The Parties hereby waive all requirements of notice and all other prerequisites and conditions to termination of the Existing PLA or the Existing Non-Patent IPLA that may be provided for therein.

8. CONFIDENTIALITY.

8.1 Confidentiality Obligations. Subject to the licenses, each Party agrees to keep the terms and conditions of this Agreement, the fact that negotiations have taken place with respect to the subject matter of this Agreement and any information that constitutes the other Party's Non-Patent IP ("Confidential Information") confidential and not disclose or make available the Confidential Information to any third party other than to Subsidiaries without the prior written consent of the other Party. "Confidential Information" shall not include (i) information that is ascertainable or obtained from public information or is otherwise publicly known through no wrongful act of the receiving Party; (ii) information received from a Person not known after reasonable inquiry to the disclosing Party to be under an obligation to keep such information confidential; (iii) information independently developed by the receiving Party without use of the disclosing Party's information.

8.2 Permitted Disclosures. Notwithstanding anything herein to the contrary:

(a) Each Party may (without prior notification to, or approval or consent by, the other Party), subject to an agreement of confidentiality, disclose to tax authorities or to such Party's representatives (including outside counsel and advisors), any confidential or non-public information that is required to be disclosed in connection with such party's tax filings, audits, or litigation. Subject to a written agreement of confidentiality, each Party may also disclose the terms of this Agreement to any potential successor-in-interest to any of the patent rights licensed pursuant to this Agreement.

(b) Each Party may disclose any Confidentiality Information regarding Non-Patent IP licensed hereunder to any Third Party on condition that such Third Party agrees to be subject to (i) confidentiality obligations at least as protective of the Confidential Information as the confidentiality obligations hereunder, and (ii) the terms and conditions regarding the use of such Non-Patent IP hereunder.

8.3 Required Disclosures. In the event that a Party is requested or required by law, governmental entity, regulation or judicial process to disclose Confidential Information, such Party shall provide reasonable advance written notice to the other Party of such request or any legal requirement so that the other Party may seek confidential treatment of such Confidential Information prior to its disclosure (whether through protective orders or otherwise). If, in the absence of a protective order, other confidential treatment or waiver under this Agreement, a Party is advised by its legal counsel that it is legally required to disclose such Confidential Information, such Party may disclose the Confidential Information without liability under this Agreement.

8.4 Return or Disposal of Confidential Information. Upon the earlier of the termination of this Agreement or written request from the disclosing Party, the receiving Party shall promptly return or dispose (at its choice) of any and all disclosed tangible Confidential Information and its copies and replicas. Notwithstanding the foregoing, the receiving Party may keep one copy of the Confidential Information for archival purposes, and the obligation in the preceding sentence shall not extend to any copy stored on the receiving Party's backup or disaster recovery system in the normal course of business. The receiving Party shall notify the disclosing Party in writing, of the date of disposal, the disposed materials and the method of disposal promptly after such disposal.

9. GENERAL PROVISIONS

9.1 Governing Law. This Agreement is governed by and construed in accordance with the laws of Japan without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than Japan.

9.2 Relationship of Parties. In the performance of this Agreement, each of Synaptics and RSP, and REL, is acting as an independent contractor, and neither Synaptics and RSP, nor REL, is the agent of the other Party. Neither the Synaptics and RSP, nor REL has the right or ability to bind the other to any agreement with a third party or to incur any obligation or liability on behalf of the other.

9.3 Severability. No term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction affects the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

9.4 Amendments; Waivers. No amendment of any provision of this Agreement is valid unless the same is in writing and signed by each Party. No waiver by a Party of any provision of this Agreement or any default or breach of covenant hereunder, whether intentional or not, is valid unless the same is in writing and signed by the Party making such waiver, nor is such waiver deemed to extend to any prior or subsequent default or breach of covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

9.5 Assignment. Neither Party shall assign or transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the other Party, except to a Subsidiary. All covenants and agreements and other provisions set forth in this Agreement and made by or on behalf of either Party shall bind and inure to the benefit of the successors, heirs and permitted assigns of such party.

9.6 Survival. Any terms and conditions that, by their nature or otherwise reasonably should survive a cancellation or termination of this Agreement, shall be deemed to survive. Such terms and conditions include but are not limited to Sections 2 (Intellectual Properties) (except for any case of termination pursuant to **Section 3.2**), 4 (Representations and Warranties), 6 (Limitation of Liability), 8 (Confidentiality), and 9.1 (Governing Law); *provided, however*, that **Section 8** will expire upon the third anniversary of such cancellation or termination.

9.7 Dispute Resolution. Each Party shall employ commercially reasonable efforts to settle amicably through good faith discussions any dispute or disagreement that may arise under or pursuant to this Agreement. In the event that any such dispute or disagreement cannot be resolved through such discussions, the Parties shall submit such dispute to the jurisdiction of the Tokyo District Court.

9.8 Entire Agreement. This Agreement, the Stock Purchase Agreement, any ancillary agreements, and all exhibits, annexes or attachment thereto, constitute the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

9.9 Counterparts. This Agreement may be executed in counterparts (including by means of facsimile), each of which is deemed an original but all of which together constitute one and the same instrument.

9.10 Headings. The section headings contained in this Agreement are inserted for convenience only and do not affect in any way the meaning or interpretation of this Agreement.

9.11 Governing Language. This Agreement has been negotiated and executed by the Parties in English. In the event any translation of this Agreement is prepared for convenience or any other purpose, the provisions of the English version prevail.

[Signature Page Follows]

IN WITNESS WHEREOF , this Agreement has been executed and delivered as of the Effective Date.

REL:

**RENESAS ELECTRONICS
CORPORATION**, a Japanese *kabushiki kaisha*

By: _____
[Name], [Title]

SYNAPTICS:

SYNAPTICS INCORPORATED , a Delaware
corporation

By: _____
[Name], [Title]

RSP:

RENESAS SP DRIVERS, INC. , a Japanese
kabushiki kaisha

By: _____
[Name], [Title]

Terms of License Agreement (REL Tool)

1. Definitions

“ **IP Cores** ” means Existing IP Cores and Developed IP Cores.

“ **Existing IP Cores** ” means standard cell libraries delivered in the format of gate net list and GDS data, or in writing, and the categories of which are listed in Schedule A-1.

“ **Developed IP Cores** ” means standard cell libraries delivered in the format of gate net list and GDS data, or in writing, which will be developed by REL for RSP under 55nm Development Agreement, and the categories of which are listed in Schedule A-2.

“ **PDK** ” means Existing PDK and Developed PDK.

“ **Existing PDK** ” means process design kits, such as design manual, design rule files, Spice model, WAT condition, to be delivered in source code, or in writing, and the categories of which are listed in Schedule B-1.

“ **Developed PDK** ” means process design kits, such as design manual, design rule files, Spice model, WAT condition, to be delivered in source code, or in writing, which will be developed by REL for RSP under 55nm Development Agreement, and the categories of which are listed in Schedule B-2.

“ **ESD Design Manual** ” means Existing ESD Design Manual and Developed ESD Design Manual.

“ **Existing ESD Design Manual** ” means design manual documents for ESD (electrostatic discharge design), including ESD circuit design sample, which are listed in Schedule C.

“ **Developed ESD Design Manual** ” means design manual documents for ESD, including ESD circuit design sample, which will be developed by REL for RSP under 55nm Development Agreement.

“ **REL EDA Tools** ” means the EDA software tools and wrapper tools delivered in executable binary code, which are listed in Schedule D.

2. License: IP Cores, PDK and ESD Manual

- (a)
- (b) REL further grants the following license to RSP and Affiliates of RSP:
 - (i) RSP may disclose some of IP Core which are specified in Schedules A-1 and A-2 in binary code to its customers with a prior written consent by REL.
 - (ii) RSP may disclose some of PDK which are specified in Schedules B-1 and B-2 in binary code to its customers with a prior written consent by REL.
 - (iii)
- (c) In case where RSP or an Affiliate of RSP improves or modifies IP Cores or ESD Design Manuals, any Intellectual Property Rights contained in the such improvements or modification belong to RSP or such Affiliate of RSP, as applicable, and RSP or such Affiliate of RSP, as applicable, shall grant to REL a perpetual, worldwide, royalty-free, and irrevocable license concerning such improvements or modification.
- (d) In case where RSP or an Affiliate of RSP improves or modifies PDK, any Intellectual Property Rights contained in the such improvements or modification belong to RSP or such Affiliate of RSP, as applicable and RSP or such Affiliate of RSP shall grant to REL a perpetual, worldwide, royalty-free, and irrevocable license concerning such improvements or modification.

3. License: REL EDA Tools

- (a) REL grants to RSP a non-transferable, non-exclusive under REL's Intellectual Property Rights, to use the REL EDA Tool solely for the purpose of designing products. The number of licenses for REL EDA Tools shall be managed through a license management file for FLEXIm.
- (b) RSP shall not modify, alter, adapt, translate, decompile, disassemble, reverse-engineer, or otherwise attempt to discover or discern the source code for REL EDA Tools.
- (c) RSP shall pay a license fee ("License Fee") in the amount of [****] yen per year (without consumption tax) for the license of REL EDA Tool.
- (d) Subject to the payment of the Support Fee set forth below, REL shall provide the following support and maintenance for REL EDA Tool ("Tool Support Services"):

[****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

- (i) Update of the REL EDA Tool and relevant documentations, including updates necessary when the commercially-available EDA tools are updated; and
- (ii) Reasonable telephone, e-mail and written consultation about the operation and application of the REL EDA Tools, and the commercially-available EDA tools for which the REL EDA Tool is configured.

The Tool Support Services provided in (ii) above shall be provided only from 9am to 5:30pm (Tokyo time) on the Business Days, and only up to [*****] man-hours per 6-month period.

- (e) The term of license of REL EDA Tools hereunder shall be effective until the first anniversary of the Effective Date (i.e., the Closing Date of SPA), and will automatically renew for successive one-year terms upon expiration unless RSP sends a termination notice to REL by three months before the expiration. The same applied thereafter; provided, however, that the term will expire on the third anniversary of the Effective Date and will not renew at such time [unless].
- (f) Notwithstanding the foregoing, the term of Tool Support Services shall be effective until the first anniversary of the Effective Date and []. RSP may terminate the Tool Support Services by sending a three-month prior notice to REL, in which case RSP will receive a refund for the payment of the unused Tool Support Services.

4. Others

Other terms and conditions (including indemnification, limitation of liability, etc.) are to come by the Effective Date upon agreement between Spade and REL.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

Terms of 55nm Process Development Agreement

1. Development Services	(a) Scope	<p>RSP entrusts to REL to develop the process technology necessary for designing the 55nm LCD products, and in the course of such development, REL shall provide RSP with following (the “Development Services”):</p> <ul style="list-style-type: none">(i) standard cell libraries (“IP Cores”) delivered in the format of gate net list and GDS data which are necessary for designing the 55nm and 90nm LCD (liquid crystal display) products(ii) process design kit (“PDK”), such as design rules, simulation model, and layout information, to be delivered in source code which are necessary for designing the 55nm and 90nm LCD products(iii) SRAM (static random access memory) and NVM (non-volatile memory) cells for 55nm LCD products(iv) MASK DA and VEC with regard to the 55nm LCD products
	(b) Schedule	<p>The Development Services shall be conducted in accordance with the following schedule:</p> <ul style="list-style-type: none">• Process Qualification (Phase 3): By December 31, 2014• Device Qualification (Phase 3): By March 31, 2015
	(c) Development Service Fee	<ul style="list-style-type: none">(i) RSP shall pay REL [*****] yen (without consumption tax) in total as the fee for the Development Services.(ii) This fee shall be paid in lump-sum after the delivery and acceptance of deliverables for the Development Services.
	(d) Subsequent Development Agreement	<p>RSP and REL will negotiate in good faith an agreement under which REL will provide certain technical consultation services for a 55nm SRAM shrink development project of RSP, and will finalize such agreement prior to the Closing so long as REL has necessary resource to provide the above services.</p>
2. Consulting Services	(a) Scope	<ul style="list-style-type: none">(i) RSP entrusts to REL to provide, during the period from the Effective Date to March 31, 2015 (“Consulting Service Term”), (i) consultation with regard to the recipe of a 55nm LCD process (“55nm LCD Process Recipe”), and (ii) the design manual for ESD (electro-statistic discharge) engineering (“ESD Design Manual”) (the “Consulting Services”).

[*****] Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

		<ul style="list-style-type: none"> ii) The number of personnel of REL which shall be engaged in the Consulting Services shall not exceed the number below: <ul style="list-style-type: none"> • 2 persons for the consultation regarding 55nm LCD Process Recipe (Lithography and dry etching) • 1.5 persons for the consultation regarding 55nm LCD Process Recipe (Thin film, diffusion and Process module) • 2 persons for the provision of ESD Design Manual (iii) After the expiration of the Consulting Service Term, REL shall submit to RSP a written report reporting the contents of consultation REL made with regard to 55nm LCD Process Recipe as Consulting Services during the Consulting Service Term. (iv) In the course of performing the Consulting Services regarding ESD Design Manual, REL shall provide support for designing ESD circuit for products of RSP, and deliver to RSP the design guidelines for PTC/55nm ESD elements.
	(b) Consulting Service Fee	<ul style="list-style-type: none"> (i) RSP shall pay REL [*****] yen (without consumption tax) in total as the fee for the Consulting Services. (ii) Half of this fee shall be paid upon execution of this Agreement, and the remaining half of such fee shall be paid after the delivery of deliverables for the Consulting Services (set forth in 2.(a)(iii) and (iv) above).
3. OPC Processing Services	(a) Scope	RSP entrusts to REL to process electron beam exposure (“EB”) data for the purpose of usage by PTC by using optical proximity correction (“OPC”) tool owned by REL (the “OPC Processing Services”).
	(b) Fee	<p>RSP shall pay the following amounts (without consumption tax) as the fee for the OPC Processing Services:</p> <ul style="list-style-type: none"> (i) For the 6-month period after the Effective Date of this Agreement (“Initial Period”): <ul style="list-style-type: none"> • [*****] yen for the first 14 products of any geometry during the Initial Period. • For any service in addition to the above 14 products: <ul style="list-style-type: none"> ✓ For additional service of 55nm: [*****] yen per one product tape-out and [*****] yen per one layer for a revision to a product tape-out.

[*****] Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

- ✓ For additional service of 90nm: [*****] yen per one product tape-out and [*****] yen per one layer for a revision to a product tape-out.
- ✓ For additional service of 130nm: [*****] yen per one product tape-out and [*****] yen per one layer for a revision to a product tape-out.

(ii) After the Initial Period:

- For service of 55nm: [*****] yen per one product tape-out and [*****] yen per one layer for a revision to a product tape-out.
- For service of 90nm: [*****] yen per one product tape-out and [*****] yen per one layer for a revision to a product tape-out.
- For service of 130nm: [*****] yen per one product tape-out and [*****] yen per one layer for a revision to a product tape-out. ; provided, however, that the Parties will discuss semi-annually in good faith reducing the above prices applicable during the every semi-annual period following the Initial Period.

(c) Term

REL shall provide the OPC Processing Services until March 31, 2017; provided, however, that RSP may, during such period, terminate the entrustment of the OPC Processing Services by sending a one-month prior notice to REL.

4. Intellectual Property Rights, etc.

All Intellectual Property Rights created in the course of, or as a result of, the Development Services, the Consulting Services and the OPC Processing Services (“Developed IP”) are deemed to be created, obtained, and acquired exclusively for and on behalf of REL, and REL owns all rights, title and interests therein and thereto. REL grants RSP and its Affiliates the license concerning such Developed IP under the agreements set forth below:

LCD Process Technology License Agreement: Process technologies developed by Development Services

SRAM (static random access memory) and NVM (non-volatile memory) cells delivered as a result of Development Services (1.(a)(iii))

MASK DA and VEC with regard to the 55nm LCD process delivered as a result of Development Services (1.(a)(iv))

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

License Agreement (REL Tool): IP Core delivered as a result of Development Services (1.(a)(i))
PDK delivered as a result of Development Services (1.(a)(ii))
ESD Design Manuals delivered as a result of Consulting Services (2.(a)(iv))

For a period of one year starting from the date of delivery of each deliverable which contains such Developed IP under this Agreement, REL agrees not to license Developed IP which is contained in the deliverable to a third party for the purpose of such third party to design, manufacture or sell LCD driver products or touch controller IC; provided, however, that the restriction hereunder shall not apply to the licensing of patents to a third party pursuant to any pre-existing agreements.

5. Others

Other terms and conditions (including indemnification, limitation of liability, etc.) are to come by the Effective Date upon agreement between Spade and REL.

Sublease Agreement Assumption

The Parties shall negotiate the Sublease Agreement based on the following assumptions.

(1) As of the Effective Date, the premises where RSP are subleasing from REL, and the approximate number of employees of RSP located therein are as follows:

<u>Office</u>	<u>Premises</u>	<u>Approx. No. of Employees</u>
Nippon Building Office	Nippon Building, 2-6-2, Otemachi, Chiyoda-ku, Tokyo Area: 130.50 m ² the total area (32,628.79 m ²)	14
Musashi Office	Renesas Electronics Corporation, Musashi Office (the main building) 4th and 6th floors, 5-20-1, Josuihoncho, Kodaira-shi, Tokyo Area: 1244.16 m ² of the total area (39,616.78 m ²)	200 or so
Osaka Office	Meiji Yasuda Seimei Osaka Midosuji Building, 4-1-1, Fushimimachi, Chuo-ku Osaka-shi, Osaka Area: 9.00 m ² of the total area (1,501.01 m ²)	2

- (2) Employees of RSP at Musashi Office will be isolated from the offices of REL at the Closing. They may be in the same premises, or a building near thereby.
- (3) Employees of RSP at Nippon Building Office will be moved-out on or after the Closing, as soon as possible. REL and Purchaser Parent acknowledge that it would be efficient to have:
- (i) these employees moved-out from Nippon Building on the Closing, in order to eliminate the additional cost to segregate the IT system at Nippon Building; and
 - (ii) most of these employees (who engage in sales activities) in center of Tokyo
- (4) Employees of RSP at Osaka Office will be moved out from the current Osaka Office shortly after the Closing.

[OMITTED]*

* A copy of this exhibit will be furnished supplementally to the Securities and Exchange Commission upon request.

[OMITTED]*

* A copy of this exhibit will be furnished supplementally to the Securities and Exchange Commission upon request.

Financial Statements

(i) Unaudited consolidated balance sheets and statements of income, and cash flow as of and for the fiscal year ended on March 31, 2014

Unaudited consolidated balance sheets
(JPY mm)

		(Fiscal year ended on March 31, 2014)	
		Assets	Liabilities
Cash and cash equivalents	22,067	Trade payables	3,365
Trade receivables	8,882	Other accounts payable	581
Other accounts receivable	212	Other accounts payable (PPE)	210
Inventories	321	Income tax payable	4,884
Tangible fixed assets	381	Consumption tax payable	462
Intangible fixed assets	49	Other current liabilities	362
Deferred tax assets	620	Other fixed liabilities	76
Other assets	97	Total liabilities	<u>9,940</u>
		Shareholders' equity	
		Capital stock	5,000
		Retained earnings	17,349
		Foreign currency translation adjustment	(24)
		Minority interest	365
		Total shareholders' equity	<u>22,689</u>
Total assets	32,629	Total liabilities & shareholders' equity	<u>32,629</u>

<u>Unaudited statements of income</u>	
<u>(JPY mm)</u>	<u>(Fiscal year ended on March 31, 2014)</u>
Sales	65,908
COGS	(42,653)
Gross profit	23,255
Employee cost	(2,517)
Selling cost	(132)
Transportation cost	(124)
R&D cost	(1,528)
Outsourcing cost	(3,305)
Paid-development fee	673
IP related cost	(283)
Others	(274)
SG&A	(7,490)
Operating profit	15,765
Non-operating profit/loss	605
Extraordinary profit/loss	—
Income before taxes	16,370
Taxes	(6,203)
Profit/ loss of minority interests	(51)
Net income	10,117

Unaudited statements of cash flow

(Fiscal year ended on

(JPY mm)

March 31, 2014)

Income before taxes	16,370
Depreciation and Amortization	410
Change in trade receivables	(1,541)
Change in inventories	77
Change in other accounts receivable	91
Change in deferred tax assets	(248)
Change in trade payables	437
Change in consumption tax payable	(32)
Income taxes paid	(4,649)
Others	305
Operating cash flow	11,220
Capital expenditure	(558)
Change in other accounts payable (PPE)	(19)
Investing cash flow	(577)
Free cash flow	10,643
Cash and cash equivalents	22,067

(ii) Interim Balance Sheet as of April 30, 2014

Interim Balance Sheet

(April 30, 2014)

(JPY mm)

Assets		Liabilities	
Cash and cash equivalents	20,654	Trade payables	4,470
Trade receivables	12,689	Other accounts payable	357
Other accounts receivable	173	Other accounts payable (PPE)	204
Inventories	411	Income tax payable	5,345
Tangible fixed assets	372	Consumption tax payable	601
Intangible fixed assets	49	Other current liabilities	414
Deferred tax assets	620	Other fixed liabilities	83
Other assets	157	Total liabilities	11,474
		Shareholders' equity	
		Capital stock	5,000
		Retained earnings	18,301
		Foreign currency translation adjustment	(24)
		Minority interest	373
		Total shareholders' equity	23,651
Total assets	35,125	Total liabilities & shareholders' equity	35,125

[Form of] LCD Driver Foundry Agreement

THIS LCD Driver Foundry Agreement, together with all appendices hereto (“AGREEMENT”) is made and entered into as of the [] day of October, 2014, by and between Renesas SP Drivers, Inc. (“RSP”), a corporation duly organized and existing under the laws of Japan and having its registered office at 20-1 Josuihon-cho, 5chome, Kodaira-shi, Tokyo, Japan; and Powerchip Technology Corp. (“POWERCHIP”), a corporation duly organized and existing under the laws of the Republic of China (ROC) and having its registered office at No.12, Li-Hsin Road 1, Hsinchu Science Park, HsinChu, Taiwan, R.O.C.

RSP and POWERCHIP are hereinafter referred to individually as a “PARTY”, and collectively as the “PARTIES”.

WITNESSETH

WHEREAS, RENESAS (“REL”), POWERCHIP, RSP and Synaptics Incorporated (“SYNAPTICS”) entered into STOCK PURCHASE AGREEMENT as of June 11, 2014 under which SYNAPTICS causes its subsidiary to purchase the shares of RSP owned by RENESAS and POWERCHIP;

WHEREAS, RSP is desirous of ordering wafer foundry service for the PRODUCTS (“BUSINESS”) from POWERCHIP; and

WHEREAS, POWERCHIP is desirous of providing the BUSINESS for RSP.

NOW, THEREFORE, in consideration of the mutual covenants and premises contained herein, the PARTIES hereto agree as follows:

ARTICLE 1 DEFINITION

For purposes of this AGREEMENT, capitalized terms shall have the meanings set forth in the preamble, recitals and as set forth below:

- 1.1 **“ACCEPTANCE CRITERIA”** shall mean specification of PRODUCTS set forth in the PURCHASING SPECIFICATION, as may be amended by the PARTIES from time to time during the technical meeting to be held by the PARTIES pursuant to Section 6.2.
- 1.2 **“AFFILIATE”** shall mean (a) any company directly or indirectly controlling a Party, or (b) any company directly or indirectly controlled by a Party, or (c) any company directly or indirectly under common control with a Party, through ownership of a majority of shareholdings, or ownership of a majority of voting right of the entity or personnel, or agreements.

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- 1.3 **“CHANGE”** shall mean any change to or modification of the PURCHASING SPECIFICATION, including, without limitation, changes, modifications or alteration of the process rules or material, manufacturing equipment, jigs or tooling specified therein.
- 1.4 **“CONFIDENTIAL INFORMATION”** shall mean any information which is embodied in any documents, drawings, specifications, test tapes, masks, data, data bases, patterns, models, samples, software, computer outputs or other materials, records or information, whether in written or oral form, of a business, financial, transactional or technical nature, including but not limited to transactional details such as invoices and purchase orders, which is marked or otherwise indicated or known to be of a confidential nature and which may be disclosed by the disclosing PARTY to the receiving PARTY for the purpose of this AGREEMENT. If CONFIDENTIAL INFORMATION is disclosed orally or visually, such CONFIDENTIAL INFORMATION shall be declared prior to the disclosure as being confidential and further identified and summarized in writing by the disclosing PARTY within thirty (30) days of such disclosure in order to be treated as CONFIDENTIAL INFORMATION. Notwithstanding the foregoing, all MASKS, PROBE CARDS, TEST PROGRAMS and TECHNICAL INFORMATION shall be deemed CONFIDENTIAL INFORMATION whether or not specifically marked or indicated to be of a confidential nature.
- 1.5 **“DEFAULTING PARTY”** shall have the meaning in Section 16.3.
- 1.6 **“DEFECTIVE PRODUCTS”** shall have the meaning in Section 12.2.
- 1.7 **“DELIVERY”** shall mean delivery of PRODUCTS on FCA (Incoterms 2000, as may be amended from time to time) (Taiwan Tao Yuan International Airport) basis or designated warehouse in Taiwan, as specified in each PURCHASE ORDER.
- 1.8 **“DELIVERY SCHEDULE”** shall mean the delivery schedule discussed in the MONTHLY BUSINESS REVIEW and outlined in a Purchase Order that sets forth the quantity of PRODUCTS for Delivery from POWERCHIP as well as the delivery dates therefor.
- 1.9 **“DERIVATIVE CODE”** shall mean the individual code used for the final metal layer.
- 1.10 **“EFFECTIVE DATE”** shall mean the day and year first written above.

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- 1.11 **“INTELLECTUAL PROPERTY RIGHTS”** shall mean the following:
- (i) All national and regional patents, utility models, design patents and certificates of invention as well as all published applications to the extent they convey legally enforceable rights and all continuations, reissues and divisions thereof, which are related to the design, manufacture, use and sale of the PRODUCTS;
 - (ii) Copyrights in all countries of the world for such works protected by copyrights including, but not limited to computer programs, data bases, handbooks and manuals;
 - (iii) Mask work rights in all countries of the world; and
 - (iv) Trade secrets and/or know-how of any kind.
- 1.12 **“INSTALLATION”** shall have the meaning set forth in Section 3.2.
- 1.13 **“MASK(S)”** shall mean any physical mask(s) listed in the PURCHASING SPECIFICATION used for the manufacture of the PRODUCTS.
- 1.14 **“MASS PRODUCTION NOTICE”** shall mean the notice that RSP may send to POWERCHIP pursuant to Section 3.3.3 (i).
- 1.15 **“MASS PRODUCTION PHASE”** shall mean the period commencing on the date that RSP sends POWERCHIP the MASS PRODUCTION NOTICE.
- 1.16 **“MASS PRODUCTION PRODUCT”** shall mean any PRODUCT(S) in the form of wafers, which are manufactured by POWERCHIP during the MASS PRODUCTION PHASE in accordance with the provisions of Section 3.4 and which shall have or contain RSP MARK as specified by the PURCHASING SPECIFICATION.
- 1.17 **“MASTER CODE”** shall mean the common code for each product used until the final metal layer.
- 1.18 **“METAL OPTION NOTIFICATION”** shall have the meaning set forth in Section 4.4.
- 1.19 **“MONTHLY BUSINESS REVIEW”** shall mean the monthly discussion between the PARTIES set forth in Section 6.1.
- 1.20 **“NON-DEFAULTING PARTY”** shall have the meaning set forth in Section 16.3.
- 1.21 **“PROBE CARD(S)”** shall mean any wafer sort probe card(s) listed in the PURCHASING SPECIFICATION used for the manufacture of the PRODUCTS.
- 1.22 **“PRODUCTION LINE”** shall have the meaning set forth in Section 3.2.

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- 1.23 **“PRODUCT(S)”** shall mean LCD-Driver products based on 130nm, 90nm, 55nm and other technology node design rule as set forth in the PURCHASING SPECIFICATION in the form of wafers including MASS PRODUCTION PRODUCTS, RISK PRODUCTION PRODUCTS and SAMPLES which are manufactured by POWERCHIP according to the PURCHASE ORDER from RSP. PRODUCTS shall be manufactured by using MASKS and tested in accordance with the PURCHASING SPECIFICATION and which shall have or contain RSP MARK as specified by the PURCHASING SPECIFICATION.
- 1.24 **“POWERCHIP IMPROVEMENTS”** shall have the meaning set forth in Section 11.1.
- 1.25 **“PURCHASE ORDER”** shall have the meaning set forth in Section 4.2.
- 1.26 **“PURCHASE PRICE”** shall have the meaning set forth in Section 8.1.
- 1.27 **“PURCHASING SPECIFICATION”** shall mean specifications for PRODUCTS agreed by the PARTIES.
- 1.28 **“QUALIFICATION PHASE”** shall mean the period from the EFFECTIVE DATE until the date of the MASS PRODUCTION NOTICE.
- 1.29 **“QUALIFICATION PROCEDURE”** shall mean the procedure to confirm whether the SAMPLES of PRODUCTS meet the PURCHASING SPECIFICATION.
- 1.30 **“RELIABILITY TEST”** shall mean the tests set forth in the PURCHASING SPECIFICATION that determine whether three (3) non-consecutive lots of SAMPLES can successfully operate in accordance with the conditions set forth in PURCHASING SPECIFICATION. Both PARTIES agree to discuss the test items and conditions pursuant to PURCHASING SPECIFICATION in good faith.
- 1.31 **“RSP MARK”** shall mean :(i) an electrically distinguishing code associated with RSP that unambiguously denotes RSP as the manufacturer of PRODUCT; and (ii) RSP’ trademark, logo, RSP’ product number and any other marks or legends associated with RSP that denotes RSP as the manufacturer of PRODUCT, as set forth in the PURCHASING SPECIFICATION.
- 1.32 OMMITTED
- 1.33 **“RISK PRODUCTION PRODUCT”** shall mean SAMPLES, which passed the test using probe cards pursuant to the PURCHASING SPECIFICATION.
- 1.34 **“SAMPLES”** shall mean any PRODUCT(S) in the form of wafers, which are manufactured by POWERCHIP by conducting the full process of the PRODUCTION LINE during the QUALIFICATION PHASE using MASKS and in accordance with the provisions of Section 3.3.

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- 1.35 **“SCHEDULE”** shall mean the time schedule that set forth in APPENDIX A which may be amended upon mutual agreement by PARTIES.
- 1.36 **“SUBSIDIARY(IES)”** shall mean a corporation or other entity of which RSP or POWERCHIP now or hereafter owns or controls, directly or indirectly, more than fifty percent (50%) of the voting stocks or rights, provided, however, that such corporations and other entities shall be regarded as SUBSIDIARIES only so long as such ownership or control exists.
- 1.37 **“SUPPLIES”** shall mean any material and samples furnished to POWERCHIP by RSP for the purpose of this AGREEMENT including, MASKS and TEST PROGRAMS.
- 1.38 **“REL TECHNICAL INFORMATION”** shall mean any and all technical information relating to the PRODUCTS provided to POWERCHIP by REL, including the information and specifications contained in the PURCHASING SPECIFICATION, that is necessary to manufacture, use and sell PRODUCTS. In addition, REL TECHNICAL INFORMATION shall include all other information that REL may disclose during the course of the technical assistance and training.
- 1.39 **“RSP TECHNICAL INFORMATION”** shall mean any and all technical information relating to the PRODUCTS provided to POWERCHIP by RSP, including the information and specifications contained in the PURCHASING SPECIFICATION, that is necessary to manufacture, use and sell PRODUCTS. In addition, RSP TECHNICAL INFORMATION shall include all other information that RSP may disclose during the course of BUSINESS.
- 1.40 **“TECHNICAL INFORMATION”** shall mean REL TECHNICAL INFORMATION and RSP TECHNICAL INFORMATION.
- 1.41 **“TEST PROGRAM(S)”** shall mean any computer programs used for the wafer sort and the evaluation programs of the PRODUCTS as set forth in the PURCHASING SPECIFICATION.
- 1.42 **“WARRANTY PERIOD”** shall have the meaning set forth in Section 12.1.

ARTICLE 2 SUPPLIES AND TECHNICAL ASSISTANCE

- 2.1 **MASKS.** POWERCHIP shall promptly supply RSP with all information RSP requires to have MASKS produced for use by POWERCHIP in accordance with this AGREEMENT. After receiving such information and in accordance with the SCHEDULE, RSP shall provide set of MASK(S) to POWERCHIP including revisions to any MASK that is included in such set of MASK(S) at no charge to POWERCHIP. POWERCHIP shall use all MASKS solely for the purpose of manufacturing and supplying PRODUCTS to RSP pursuant to this AGREEMENT. In the event the MASKS become damaged due to negligence of POWERCHIP, POWERCHIP shall repair the damage at its own expense. Except for the information of POWERCHIP contained in the MASK(S), all rights in, and title to the MASK(S) including revisions to any MASK that is included in such set of MASK(S) and the information contained therein shall remain in RSP.
- 2.2 **TEST PROGRAMS.** In accordance with the SCHEDULE, RSP shall initially provide POWERCHIP with the then current TEST PROGRAM(S) at no charge to POWERCHIP. Thereafter, RSP will provide POWERCHIP with updates to the TEST PROGRAM(S) if and when such updates become available at no charge to POWERCHIP. POWERCHIP may not modify the TEST PROGRAMS without RSP's prior written consent. POWERCHIP shall use all TEST PROGRAMS and modifications thereto solely for the purpose of manufacturing and supplying PRODUCTS to RSP pursuant to this AGREEMENT. All rights in and title to the TEST PROGRAMS and modifications thereto shall remain in RSP.
- 2.3 **Technical Assistance.** Upon POWERCHIP's prior reasonable written request and at POWERCHIP'S expense, or upon notice to POWERCHIP by RSP and at RSP'S expense, RSP may dispatch its engineers to POWERCHIP's facility including the PRODUCTION LINE in Taiwan during INSTALLATION for the purposes of providing technical assistance pursuant to this AGREEMENT. POWERCHIP shall furnish RSP with data or materials, and shall cooperate with RSP in any reasonable manner required by RSP, in connection with such technical assistance and more generally in connection with the production control and quality assurance for the PRODUCTS. All information disclosed by POWERCHIP in connection with any technical assistance that may be conducted by RSP shall be treated as CONFIDENTIAL INFORMATION. POWERCHIP shall use all CONFIDENTIAL INFORMATION solely for the purpose of manufacturing and supplying PRODUCTS to RSP pursuant to this AGREEMENT. Any technical assistance that RSP may conduct pursuant to this AGREEMENT shall not relieve POWERCHIP of any of its obligations under this AGREEMENT, including, but not limited to, manufacturing and supplying PRODUCTS to RSP that fully conform to the PURCHASING SPECIFICATION.

- 2.4 **Language.** All technical assistance furnished in accordance with this Article 2 shall be provided in the Japanese or English language(s), depending on availability at RSP.
- 2.5 **Return of Supplies.** Unless otherwise agreed by the PARTIES, POWERCHIP shall be responsible for the maintenance and safe keeping of SUPPLIES. POWERCHIP shall return all SUPPLIES to RSP promptly upon RSP' request or the expiration or termination of this AGREEMENT.
- 2.6 OMMITTED
- 2.7 **Cost of Full Test Run Lot .** Without limiting the generality of the foregoing Sections 2.1, 2.2, and 2.3, RSP shall bear any and all costs and expenses in connection with POWERCHIP's full test run ("Hon-ban") lot of the PRODUCTS, including costs for materials, engineering and process. If another full test run is needed due to process failure or POWERCHIP non-conformance, then POWERCHIP will bear cost of the subsequent full test runs.

ARTICLE 3 MANUFACTURING START-UP AND MASS PRODUCTION

- 3.1 **Use of TECHNICAL INFORMATION.** POWERCHIP shall have the sole responsibility to install, properly implement and use all TECHNICAL INFORMATION in accordance with the SCHEDULE so as to be able to manufacture and supply RSP with PRODUCTS pursuant to this AGREEMENT.
- 3.2 **INSTALLATION and Maintenance of PRODUCTION LINE.**
- 3.2.1 At POWERCHIP's sole cost and expense (including, but not limited to, costs and expense of its own engineers), POWERCHIP shall:
- (i) procure, prepare and install production lines using the TECHNICAL INFORMATION including production lines at its facility or at such other facility in Taiwan as may be agreed in writing by RSP ("PRODUCTION LINE") and, procure, prepare and install all equipment, jigs, tooling, materials and other resources (other than the SUPPLIES) necessary for the PRODUCTION LINE;
 - (ii) procure, prepare, install and qualify for operation PRODUCTION LINE and all manufacturing equipment, jigs and tooling (other than SUPPLIES) that are necessary to manufacture PRODUCTS on the PRODUCTION LINE in accordance with the PURCHASING SPECIFICATION and the SCHEDULE ("INSTALLATION"); and
 - (iii) operate and maintain the PRODUCTION LINE in accordance with the provisions of this AGREEMENT, including all CHANGES made pursuant to Article 9 and, operate and maintain all manufacturing equipment, jigs and tooling (other than SUPPLIES) necessary for the PRODUCTION LINE.

3.3 QUALIFICATION PHASE.

- 3.3.1 POWERCHIP shall, in accordance with the SCHEDULE and in accordance with PURCHASE ORDERS submitted by RSP to POWERCHIP pursuant to Article 4, manufacture such quantity of SAMPLES and/or RISK PRODUCTION PRODUCTS and provide RSP with such SAMPLES.
- 3.3.2 RSP shall use the QUALIFICATION PROCEDURE to evaluate and confirm whether the SAMPLES and/or RISK PRODUCTION PRODUCTS meet the PURCHASING SPECIFICATION. Upon written request by RSP, POWERCHIP may conduct portions of such evaluations using the QUALIFICATION PROCEDURE as requested by RSP and in such case, POWERCHIP shall provide RSP a detailed report in writing describing the results of such evaluation.
- 3.3.3 If the SAMPLES and/or RISK PRODUCTION do not conform to the PURCHASING SPECIFICATION, POWERCHIP shall exercise best efforts to correct all failures in order to meet the PURCHASING SPECIFICATION and thereafter POWERCHIP shall again manufacture such quantity of SAMPLES as the PARTIES may agree which SAMPLES shall be again be evaluated as set forth in Section 3.3.2. Each PARTY'S obligations set forth in Sections 3.3.1-3.3.3 shall continue until (i) RSP and POWERCHIP determine that the SAMPLES and RISK PRODUCTION PRODUCTS meet the PURCHASING SPECIFICATION and RSP notifies POWERCHIP in writing that the SAMPLES and RISK PRODUCTION PRODUCTS are in full compliance with the PURCHASING SPECIFICATION ("MASS PRODUCTION NOTICE"), or (ii) POWERCHIP fails to manufacture SAMPLES and/or RISK PRODUCTION PRODUCTS that meet the PURCHASING SPECIFICATION within ninth month after the first test run or after five hundred (500) test run wafers are consumed, whichever comes earlier.
- 3.3.4 Upon the occurrence of the event specified in Section 3.3.3(ii), the PARTIES shall meet and discuss in good faith what actions POWERCHIP should take.
- 3.3.5 POWERCHIP shall test all SAMPLES and RISK PRODUCTION PRODUCTS in accordance with such tests set forth in the PURCHASING SPECIFICATION as may be specified by RSP prior to shipping SAMPLES and/or RISK PRODUCTION PRODUCTS to RSP. At RSP's request, POWERCHIP shall provide RSP with WAT (WAFER ACCEPTANCE TEST), PCM (PROCESS CONTROL MONITOR) for SAMPLES and RISK PRODUCTION PRODUCTS, provided that such test services are under the scope of PURCHASE ORDERS.

3.4 **MASS PRODUCTION PHASE.**

- 3.4.1 During the MASS PRODUCTION PHASE, POWERCHIP shall manufacture and deliver MASS PRODUCTION PRODUCTS in accordance with PURCHASE ORDERS submitted by RSP to POWERCHIP pursuant to Article 4. During the MASS PRODUCTION PHASE, POWERCHIP shall manufacture and deliver all MASS PRODUCTION PRODUCTS pursuant to this AGREEMENT and in accordance with the PURCHASING SPECIFICATION unless otherwise agreed by the Parties.
- 3.4.2 During the MASS PRODUCTION PHASE, POWERCHIP shall test all MASS PRODUCTION PRODUCTS in accordance with PURCHASING SPECIFICATION prior to shipping the PRODUCTS. At RSP's request, POWERCHIP shall provide RSP with WAT (WAFER ACCEPTANCE TEST), PCM (PROCESS CONTROL MONITOR) for the MASS PRODUCTION PRODUCTS, provided that such test services are under the scope of PURCHASE ORDERS.
- 3.4.3. During the MASS PRODUCTION PHASE, RSP may engage a third party to perform test services.

ARTICLE 4 FORECASTS AND PURCHASE ORDERS

4.1 **FORECAST.**

- (a) RSP shall use commercially reasonable efforts to provide POWERCHIP in writing with a rolling six (6) month forecast ("FORECAST"). Such FORECASTs are for production planning purposes only and shall be non-binding on both Parties. Only the Purchase Orders constitute contract relationship between the Parties, the Buyer bears no liability to purchase Products in strict compliance with the FORECASTs.
- (b) POWERCHIP shall provide RSP with:
 - (i) POWERCHIP's projected monthly output capability for the FORECAST period;
 - (ii) POWERCHIP's projected yield for the FORECAST period; and
 - (iii) POWERCHIP information necessary for calculating the PURCHASE PRICE.

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- 4.2 **PLACING PURCHASE ORDERS.** RSP or its Subsidiaries or Affiliates may order PRODUCTS by placing individual purchase orders to POWERCHIP ("PURCHASE ORDER"), which shall be acknowledged or objected to by POWERCHIP as set forth in Section 4.3. The PURCHASE ORDER shall set forth the type of PRODUCTS by their MASTER CODES, the quantities thereof, DELIVERY SCHEDULE, method of shipment, place of DELIVERY and PURCHASE PRICE. The provisions set forth in this AGREEMENT shall apply to all PURCHASE ORDERS. In the event of an inconsistency between the terms and conditions of this AGREEMENT and those of any PURCHASE ORDER the terms of the Agreement shall prevail unless otherwise agreed by the PARTIES.
- 4.3 **Acknowledgement of PURCHASE ORDERS.** POWERCHIP shall send to RSP, POWERCHIP's acknowledgement of all PURCHASE ORDERS within twenty four (24) hours after the PURCHASE ORDER is issued. If POWERCHIP fails to send such acknowledgement or object to a PURCHASE ORDER within twenty four (24) hours after receiving the PURCHASE ORDER, the PURCHASE ORDER shall be deemed to have accepted by POWERCHIP. POWERCHIP may require RSP to modify PURCHASE ORDERS if the PURCHASE ORDERS are not in accordance with the FORECAST.
- 4.4 **OMMITTED**
- 4.5 **Change of PURCHASE ORDERS.** In the event RSP requests to change PURCHASE ORDER, the PARTIES shall engage in good-faith negotiations and consultation. If POWERCHIP fails to send acknowledgement or object to such RSP' request within twenty four (24) hours after receiving such request such request shall be deemed accepted by POWERCHIP. In case that POWERCHIP accepts such change, POWERCHIP shall be reimbursed for any actual increase of costs and direct expense necessary to accommodate such change.
- 4.6 **Cancellation of PURCHASE ORDERS.** In the event that RSP request to cancel PURCHASE ORDER at any time before the delivery, the PARTIES shall engage in good-faith negotiations and consultation. In the event RSP requests to cancel the PURCHASE ORDER, POWERCHIP agrees to stop said production; provided that RSP shall compensate POWERCHIP for the PURCHASE ORDER based on the prorated wafer price for POWERCHIP's process steps already taken before such cancellation. Such amount shall not exceed the price set forth in such PURCHASE ORDER.
- 4.7 **Hold of PURCHASE ORDERS.** The PRODUCT(S) should be delivered based on the DELIVERY SCHEDULE outlined in the Purchase Order. If RSP does not accept DELIVERY of the MASS PRODUCTION PRODUCT(S) in the PRODUCTION LINE, RSP should compensate the prorated wafer price based on the process steps have been performed.

- 4.8 **Capacity Commitment.** Both PARTIES agree to discuss in good faith the supply volume over the production capacity for PRODUCTS considering the business situation and conditions as required. Within ten (10) days after receipt of the FORECAST, POWERCHIP shall provide RSP with a written plan detailing POWERCHIP's available manufacturing capacity for the forecast period (the "CAPACITY PLAN").
- (a) POWERCHIP shall use commercially reasonable efforts to provide [*****] percent ([*****]%) of the FORECAST and additional capacity as requested and as available. If RSP requires more capacity than provided in the CAPACITY PLAN, the Parties shall cooperate in good faith to resolve RSP's additional capacity requirements.
- (b) POWERCHIP shall provide RSP prompt written notice if POWERCHIP becomes aware of any circumstance which may constrain its capacity to manufacture Contract Wafers in accordance with the then current FORECAST. If POWERCHIP's manufacturing capacity to manufacture products for RSP is constrained for any reason, POWERCHIP will treat RSP as it does its other sole sourced customers and with the same priority as such customers, without regard to wafer pricing.

ARTICLE 5 DELIVERY, INVOICES AND NOTICE OF CLAIMS

- 5.1 **Title and Risk of Loss.** Title and risk of loss or damage to PRODUCTS shall pass from POWERCHIP to RSP upon DELIVERY.
- 5.2 **DELIVERY.** POWERCHIP shall deliver all PRODUCTS in accordance with the DELIVERY SCHEDULE. POWERCHIP shall also submit to RSP an eight (8) weeks shipping schedule every week that sets forth POWERCHIP's estimation of the weekly DELIVERY of PRODUCTS weekly covered by such schedule, identifying the quantity and type of PRODUCT POWERCHIP will deliver.
- 5.3 **Invoices.** POWERCHIP shall send RSP its invoice for the PURCHASE PRICE of PRODUCTS upon DELIVERY.
- 5.4 **Delays in DELIVERY and Failure to Deliver.**
- 5.4.1 POWERCHIP shall notify RSP as soon as possible in writing of the existence, or threat, of any delay in the DELIVERY of any PRODUCTS and the cause thereof, including any events set forth in Section 17.8. POWERCHIP shall take all actions necessary to minimize the effect of all delays on RSP, including, if necessary delivering PRODUCTS to RSP each day of the week. POWERCHIP shall also consult with RSP to analyze the causes of any delays and shall take all necessary and reasonable measures to prevent recurrence of any delays.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

- 5.4.2 If POWERCHIP fails to deliver PRODUCTS in accordance with the DELIVERY SCHEDULE applicable thereto, both PARTIES shall discuss in good faith for the treatment and, in case that such delivery discrepancy is attributable to POWERCHIP, POWERCHIP shall compensate the damages so incurred by RSP.
- 5.5 **Notice of Claims.** If RSP discovers any discrepancies between the quantities or types (model numbers) of PRODUCTS set forth in an invoice issued by POWERCHIP and the actual quantities or type of PRODUCTS delivered by POWERCHIP, RSP shall submit a claim for such discrepancy to POWERCHIP within two (2) months from the date of DELIVERY of the PRODUCTS. POWERCHIP shall deliver to RSP such quantities and types of PRODUCTS as set forth in RSP's claim, at POWERCHIP's expense, within thirty (30) days after the date of such claim.

ARTICLE 6 MEETINGS

- 6.1 **MONTHLY BUSINESS REVIEW.** During the MASS PRODUCTION PHASE, the PARTIES shall discuss the items that each PARTY is to provide to the other PARTY pursuant to Section 4.1 and discuss such other actions and items as may be required to support this AGREEMENT on monthly basis.
- 6.2 **Technical Meeting.** The PARTIES shall hold periodic meetings when needed to discuss technical issues concerning this AGREEMENT.

ARTICLE 7 DISPOSAL OF SCRAP PRODUCTS

- 7.1 **Disposal of Defective Products.**
Regarding all wafers for PRODUCTS that fails to meet the PURCHASING SPECIFICATION, POWERCHIP shall destroy and dispose all such wafers, at POWERCHIP's expense and take measures to ensure that none of such defective wafers be diverted for any use including, without limitation, use as partially useable products, when disposing of such wafers;
- 7.2 **Disposal of Unacceptable Products.**
Regarding all wafers for PRODUCTS that RSP rejects due to agreed cancellation, upon RSP's request, POWERCHIP shall destroy and dispose all such wafers and take measures to ensure that none of such defective wafers be diverted for any use including, without limitation, use as partially useable products, when disposing of such wafers;

7.3 **No obligation to Purchase Defective Products.**

The PARTIES agree that RSP shall have no obligation to purchase or take any PRODUCTS manufactured by POWERCHIP that fail to meet the PURCHASING SPECIFICATION as stipulated in Section 7.1 except for the case that the defect is caused by RSP. Notwithstanding the foregoing, RSP may ask POWERCHIP to deliver to RSP samples of such defective PRODUCTS, on condition that such shipment related expenses shall be borne by RSP. Regarding the defective PRODUCTS for which the defect is caused by RSP, both PARTIES shall discuss in good faith detailed treatment for such defective PRODUCTS.

ARTICLE 8 PRICES AND PAYMENT

- 8.1 **PURCHASE PRICE.** The purchase price for PRODUCTS to be purchased by RSP pursuant to this AGREEMENT shall be the purchase price agreed by the Parties based on the quotation provided by POWERCHIP through emails, as updated or amended from time-to-time by the Parties ("PURCHASE PRICE").
- 8.2 **Payment of PURCHASE PRICE.** RSP shall pay POWERCHIP the PURCHASE PRICE for PRODUCTS within [*****] ([*****]) days of an invoice therefore. The invoice will be issued no earlier than the delivery of PRODUCTS.
- 8.3 **Payment Mechanism and Interest on Late Payments.** Except as otherwise agreed upon by the PARTIES all payments to be made by the PARTIES pursuant to this AGREEMENT shall be made in U.S. Dollars by means of wire transfer to such bank and bank account as designated by the PARTY to receive payment. If the day payment is due is not a working day of either PARTY, the paying PARTY shall make payment on the following first working day.
- 8.4 **Payment of Taxes.** Except as otherwise provided for in this Agreement, all taxes and other governmental charges of any nature whatsoever relating to or arising out of this AGREEMENT, shall be paid, to the extent the applicable PARTY may legally do so, (i) by RSP when such charges are imposed under the laws of Japan or any political subdivision thereof, and (ii) by POWERCHIP when such charges are imposed under the laws of any other country or political subdivision thereof.

ARTICLE 9 CHANGES

- 9.1 **RSP Proposed CHANGES.** If RSP desires to make a CHANGE, RSP shall send a written notice to POWERCHIP advising POWERCHIP of the proposed CHANGE and the reasons therefore. After POWERCHIP's receipt of such notice, the PARTIES shall discuss diligently and in good faith POWERCHIP's implementation of such proposed CHANGE. If POWERCHIP consents to such proposed CHANGE, the PURCHASING SPECIFICATION shall be revised to reflect such CHANGE and POWERCHIP shall implement such CHANGE within such period as the PARTIES may agree.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

- 9.2 **POWERCHIP Proposed CHANGES.** POWERCHIP shall comply with all procedures applicable to CHANGES set forth in the PURCHASING SPECIFICATION including production fabrication plant change. In addition, if POWERCHIP desires to make a CHANGE, POWERCHIP shall first conduct an investigation with due care to confirm that the implementation of such CHANGES would not result in the use of any INTELLECTUAL PROPERTY RIGHTS owned or controlled by any third party.
- 9.3 **COSTS RELATING TO CHANGE.** POWERCHIP shall be responsible for cost resulting from the modifications aims at the yield, throughput improvement of the PRODUCTS and fabrication plant change arising from the change, provided that such change is solely attributable to POWERCHIP. Notwithstanding the foregoing, if MASK and TEST PROGRAM are changed in whole, based on written demand of RSP, RSP shall provide POWERCHIP with such revised MASK and TEST PROGRAM with RSP' responsibility and cost.
- 9.4 **RSP Approval of POWERCHIP Proposed CHANGES.** If, as the result of the investigation described in Section 9.2, POWERCHIP believes that the implementation of CHANGES could result in the use of any INTELLECTUAL PROPERTY RIGHTS owned or controlled by any third party but still desires to implement any such CHANGES, it shall first submit a written proposal to RSP describing the proposed CHANGES, the reasons for implementing such CHANGES, and the third party INTELLECTUAL PROPERTY RIGHTS which may be used by such CHANGES for RSP' consideration. POWERCHIP shall not employ any such CHANGES, which POWERCHIP believes could result in the use of any third party INTELLECTUAL PROPERTY RIGHTS in the manufacture of PRODUCTS unless and until it receives RSP' written approval to do so.

ARTICLE 10 CONFIDENTIAL TREATMENT

- 10.1 **Confidentiality Obligations.** In the event it becomes necessary during the course of this AGREEMENT for a PARTY to disclose CONFIDENTIAL INFORMATION to the other, the receiving PARTY agrees not to disclose, under any circumstances, the disclosing PARTY'S CONFIDENTIAL INFORMATION to any third party whether an individual, corporation, or other entity including its affiliated company(ies) and/or SUBSIDIARY(IES) without the prior written consent of the disclosing PARTY and will limit its disclosure to its employees having a need to know such CONFIDENTIAL INFORMATION. Nor will the receiving PARTY use the disclosing PARTY'S CONFIDENTIAL INFORMATION for any purpose other than those set forth in this AGREEMENT. The receiving PARTY shall use the same degree of care as it uses to protect its own CONFIDENTIAL INFORMATION, but no less than reasonable care, to prevent the unauthorized use, dissemination or publication of CONFIDENTIAL INFORMATION. Upon expiration or termination of this AGREEMENT, the receiving PARTY shall return all the other PARTY's CONFIDENTIAL INFORMATION to the other PARTY including, without limitation, all TECHNICAL INFORMATION. The obligations of this Article 10 shall survive any termination of this AGREEMENT or any rights granted hereunder.

- 10.2 **Exceptions.** The obligation herein shall not apply to any information which: (a) was generally available to the public before disclosure to the receiving PARTY; (b) becomes generally available to the public other than by a breach of this AGREEMENT by the receiving PARTY; (c) is rightfully received by the receiving PARTY from a third party without confidential limitations; (d) is independently developed by or for the receiving PARTY by individuals who have not received directly or indirectly the disclosing PARTY'S CONFIDENTIAL INFORMATION disclosed under this AGREEMENT; (e) was known to the receiving PARTY prior to the receipt of same from disclosure; or (f) is hereafter disclosed by the disclosing PARTY to a third party without restriction of disclosure.
- 10.3 **TECHNICAL INFORMATION Disclosed to Third Parties.** Notwithstanding the foregoing, in the event POWERCHIP discloses TECHNICAL INFORMATION to subcontractors including its AFFILIATES and/or SUBSIDIARY(IES), POWERCHIP shall ensure that such TECHNICAL INFORMATION be used only for the purposes of this AGREEMENT by the subcontractor, and have the subcontractor return to POWERCHIP all TECHNICAL INFORMATION provided by POWERCHIP to them upon the expiration or termination of this AGREEMENT or termination of POWERCHIP's agreement with such subcontractor, or upon request. Furthermore, POWERCHIP shall be fully responsible for the performance of such subcontractor as well as the compliance of the subcontractor with the terms and conditions of this AGREEMENT, including, but not limited to the compliance with the obligations set forth in this Article 10.
- 10.4 Each PARTY acknowledges that its disclosure or unauthorized use of any CONFIDENTIAL INFORMATION of the other PARTY will give rise to irreparable injury to the disclosing PARTY, its SUBSIDIARY(IES) and AFFILIATES. Accordingly, the disclosing PARTY may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies, which may be available. Each PARTY acknowledges and agrees that the covenants contained herein are necessary for the protection of legitimate interests of the disclosing PARTY.

ARTICLE 11 POWERCHIP IMPROVEMENTS AND RESERVATION OF RIGHTS

11.1 **POWERCHIP IMPROVEMENTS.** In the event that POWERCHIP should make any improvements or modifications to any RSP TECHNICAL INFORMATION during the term of this AGREEMENT, including any improvements or modifications reflected in or which result from any CHANGES proposed by POWERCHIP pursuant to Section 9.2, (“POWERCHIP IMPROVEMENTS”), ownership and title to such POWERCHIP IMPROVEMENTS shall vest with RSP. POWERCHIP shall inform RSP as soon as reasonably practicable of all POWERCHIP IMPROVEMENTS and RSP shall grant to POWERCHIP a royalty-free, non-transferable, non-exclusive, worldwide, license under RSP’s INTELLECTUAL PROPERTY RIGHTS relating to POWERCHIP IMPROVEMENTS to design, have-designed, manufacture, have manufactured, use, sell, lease or otherwise dispose of any and all semiconductor products for and on behalf of RSP. RSP shall pay POWERCHIP the actual cost incurred by POWERCHIP for the preparation and transfer of information relating to POWERCHIP IMPROVEMENTS to RSP, e.g. documents, database or programs. Notwithstanding the foregoing, if POWERCHIP desires to grant sublicenses to POWERCHIP IMPROVEMENTS to third parties, the PARTIES shall negotiate in good faith the terms and conditions relating to such sublicenses. In the event that any POWERCHIP IMPROVEMENTS incorporate a third party’s technical information which POWERCHIP acquired legally from such third party, but for which POWERCHIP does not have the right to make such improvement or modification available to RSP, then POWERCHIP shall inform RSP of such fact and the PARTIES shall negotiate in good faith concerning the measures necessary for POWERCHIP to make available such improvement or modification to RSP. Notwithstanding the foregoing, POWERCHIP’s process recipe shall not be deemed as POWERCHIP’s IMPROVEMENTS and shall be solely owned by POWERCHIP.

11.2 **Reservation of rights**

1) No ownership or other interest in any RSP’ INTELLECTUAL PROPERTY RIGHTS or RSP TECHNICAL INFORMATION is or shall be deemed to be transferred or licensed to POWERCHIP by reason of this AGREEMENT. RSP shall retain the right for itself and its SUBSIDIARIES to utilize or furnish to others RSP TECHNICAL INFORMATION in any way whatsoever and in any country of the world.

2) Covenant Not To Sue.

Subject to the terms of this AGREEMENT and terminating concurrently with the term of this AGREEMENT, RSP will not assert any claim against POWERCHIP of patent infringement for any patent owned or controlled by RSP for the manufacture, use, import, sale, or other transfer of any PRODUCT sold by POWERCHIP to RSP, RSP AFFILIATES, and/or to its SUBSIDIARY(IES); this covenant not to sue does not extend to products sold by or to any other third parties.

ARTICLE 12 WARRANTIES

- 12.1 **POWERCHIP Warranties.** POWERCHIP expressly warrants that all PRODUCTS shall be manufactured and delivered to RSP in compliance with the PURCHASING SPECIFICATION and that the PRODUCTS shall be free from any defect in materials or workmanship and conform to the PURCHASING SPECIFICATION in all material respects for a period of [*****] ([*****]) months from the date of DELIVERY (“WARRANTY PERIOD”).
- 12.2 **Remedies for Breach of Warranties.** If RSP discovers that any PRODUCTS fail to conform to the PURCHASING SPECIFICATION during the WARRANTY PERIOD, RSP shall notify POWERCHIP in writing, which notice shall include a reasonably detailed explanation of the failure of the PRODUCTS to conform to the PURCHASING SPECIFICATION (“DEFECTIVE PRODUCTS”) and whether RSP desires POWERCHIP, after discussion between the PARTIES for a commercially feasible solution, to replace the DEFECTIVE PRODUCTS, provide a refund to RSP for the DEFECTIVE PRODUCTS or provide a credit to RSP for the DEFECTIVE PRODUCTS. In accordance with RSP NOTICE, POWERCHIP shall:
- (i) in case of replacement, deliver the replacements for the DEFECTIVE PRODUCTS at POWERCHIP’s cost within thirty (30) days after POWERCHIP issues RMA (Return Material Authorization) to RSP or, if POWERCHIP agrees in advance, a certificate from RSP certifying the destruction of such DEFECTIVE PRODUCTS. All freight charges and export and import duties associated with the return of DEFECTIVE PRODUCTS to POWERCHIP from RSP’ facility and the shipment of exchange items therefore to the point where such PRODUCTS were found to be defective shall be borne by POWERCHIP; or
 - (ii) in case of refund, pay RSP the PURCHASE PRICE of, and shipping costs and other expenses incurred by RSP related to such DEFECTIVE PRODUCTS to such bank account as RSP shall designate in writing within thirty (30) days after POWERCHIP receives the DEFECTIVE PRODUCTS from RSP or, if POWERCHIP agrees in advance, a certificate from RSP certifying the destruction of such DEFECTIVE PRODUCTS; or
 - (iii) in case of credit, credit the PURCHASE PRICE of, and shipping costs and other expenses incurred by RSP related to such DEFECTIVE PRODUCTS against RSP’ future payments due until the credit is exhausted.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

- 12.3 **POWERCHIP Testing.** Upon request of RSP, POWERCHIP shall, in a timely manner and at its own expense, test DEFECTIVE PRODUCTS using such test programs and procedures set forth in the PURCHASING SPECIFICATION as notified by RSP and use commercially reasonable good faith efforts to conduct a cause analysis and submit a cause analysis report to RSP following procedures set forth in the PURCHASING SPECIFICATION. If POWERCHIP demonstrates clearly that such defect in DEFECTIVE PRODUCTS arises from causes attributable to RSP, POWERCHIP shall be released from its obligations set forth in Section 12.1 above to the extent which such defects are attributable to such cause(s), and RSP shall compensate such reasonable expenses incurred by POWERCHIP due to such cause(s).
- 12.4 **RSP Testing.** If RSP becomes aware of any abnormality with POWERCHIP's manufacture of the PRODUCTS (such as a serious discrepancy of the yield of the PRODUCT) or any failure of the PRODUCTS to conform to the PURCHASING SPECIFICATION, RSP may conduct failure analysis at its sole discretion and POWERCHIP shall supply RSP with all information and other support necessary for RSP to conduct such analysis. If RSP discovers any defect in the PRODUCTS or other failure of POWERCHIP to comply with the PURCHASING SPECIFICATIONS resulting from POWERCHIP's conduct, including process materials relating to its manufacturing or subsequent activities (such as wafer sort), POWERCHIP shall pay RSP for all losses, costs or damages suffered by RSP due to such defect, including, but not limited to, all costs and expenses necessary to reject and process DEFECTIVE PRODUCTS.
- 12.5 **OMMITTED**
- 12.6 **Fundamental Failure.** Notwithstanding any other provision of this AGREEMENT, if RSP discovers any failure of PRODUCTS to conform to the PURCHASING SPECIFICATION that results from a defect in the PRODUCTS or other failure to conform to the PURCHASING SPECIFICATION that was not caused by RSP that threatens to cause, or could result in, other PRODUCTS in the process of being manufactured, in storage or being or having been sold to third parties to also have the same defect or failure to meet the PURCHASING SPECIFICATION and RSP decides to take measures necessary to minimize damages suffered or likely to be suffered by RSP as a result thereof, including, but not limited to damages associated with correcting, repairing or replacing such defect or failure, POWERCHIP shall take all actions necessary to minimize such damages and both PARTIES shall discuss in good faith the detailed treatment for the costs and expenses incurred by and to be reimbursed to RSP in taking such measures.

- 12.7 **Limitation of POWERCHIP Liability for Breach of Warranty.** POWERCHIP'S TOTAL LIABILITY TO RSP FOR DIRECT DAMAGES INCURRED BY RSP ARISING OUT OF POWERCHIP'S BREACH OF ITS WARRANTY SET FORTH IN ARTICLE 12 SHALL NOT EXCEED [*****] ([*****]) TIMES OF THE TOTAL PRICE PAID FOR THE PRODUCTS FOR WHICH POWERCHIP HAS BREACHED SUCH WARRANTY OBLIGATIONS UNDER ARTICLE 12 OR OTHER CONTRACTUAL OBLIGATIONS.
- 12.8 **Limitation of Liability.** EXCEPT WITH RESPECT TO OBLIGATIONS UNDER ARTICLE 10 AND 13, NEITHER PARTY SHALL BE LIABLE FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING IN ANY WAY OUT OF THIS AGREEMENT, HOWEVER CAUSED, INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, LOSS OF DATA, OR COSTS OR PROCUREMENT OF SUBSTITUTE GOODS OR SERVICE.

ARTICLE 13 THIRD PARTY IP CLAIMS

- 13.1 RSP shall indemnify and hold POWERCHIP, its employees and officers harmless against claims or actions brought against POWERCHIP and its employees and officers based on any actual or alleged infringement of any INTELLECTUAL PROPERTY RIGHTS owned by any third party by any PRODUCT manufactured for RSP by POWERCHIP pursuant to this AGREEMENT arising from POWERCHIP's use of TECHNICAL INFORMATION except where such claims or actions are attributable to any unlawful acts of POWERCHIP's employees or any change to TECHNICAL INFORMATION by POWERCHIP except for such change resulting from CHANGES authorized in writing by RSP pursuant to Section 9.4.
- 13.2 POWERCHIP shall indemnify and hold RSP, its employees and officers harmless against claims or actions brought against RSP and its employees and officers based on any actual or alleged infringement of any INTELLECTUAL PROPERTY RIGHTS owned by any third party by any PRODUCT manufactured for RSP by POWERCHIP pursuant to this AGREEMENT arising from POWERCHIP's production method under this AGREEMENT except where such claims or actions are attributable to any unlawful acts of RSP's employees or POWERCHIP's compliance with RSP TECHNICAL INFORMATION provided by RSP or RSP's other instruction.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

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- 13.3 If a claim or a lawsuit from a third party against RSP and/or RSP' customer alleging that PRODUCTS and/or RSP' products which incorporate PRODUCTS infringe certain INTELLECTUAL PROPERTY RIGHTS occurs, RSP and POWERCHIP will together discuss and analyze on the INTELLECTUAL PROPERTY RIGHTS at issue and the products at issue.
- 13.4 Each indemnity obligation in Section 13.1 and 13.2 above is conditional upon and subject to the indemnified PARTY'S (1) immediately notifying the indemnifying PARTY in writing after it has become aware of such claims or actions of the details of such action before the indemnified PARTY'S initial response to such third party, (2) giving the indemnifying PARTY full authorization to defend or settle such claim or actions on behalf of the indemnified PARTY, and (3) giving the indemnifying PARTY full cooperation, assistance and convenience in such defense, settlement or negotiation, including, but not limited to the provision of all information available to the indemnified PARTY necessary for the indemnifying PARTY'S defense, provided that the indemnified PARTY shall not respond to any such claims or actions without first having consulted with the indemnifying PARTY.

ARTICLE 14 AUDIT

During POWERCHIP's operating hours and upon prior reasonable written notice, RSP, or RSP together with its customers who purchase the RSP products which incorporate PRODUCTS may, when accompanied by POWERCHIP personnel inspect POWERCHIP's facilities including, without limitation, the PRODUCTION LINE, and the processes and controls used by POWERCHIP to manufacture and deliver PRODUCTS to RSP, subject to POWERCHIP's consent to the schedule for such inspection, which consent shall not be unreasonably withheld or delayed. POWERCHIP shall furnish RSP with data or materials, and shall cooperate with RSP in any reasonable manner required by RSP, in connection with such inspection and more generally in connection with the production control and quality assurance for the PRODUCTS. All information disclosed by POWERCHIP in connection with any inspection that may be conducted by RSP shall be treated as CONFIDENTIAL INFORMATION. Notwithstanding the above, POWERCHIP shall not have any obligation, unless otherwise agreed upon in writing by the PARTIES, to disclose confidential information of third parties to RSP. Any inspection that RSP may conduct pursuant to this AGREEMENT shall not relieve POWERCHIP of any of its obligations under this AGREEMENT, including, but not limited to, manufacturing and supplying PRODUCTS to RSP that fully conform to the PURCHASING SPECIFICATION.

ARTICLE 15 GOVERNMENT REGULATIONS, EXPORT CONTROLS

- 15.1 **Covenant Regarding Use.** Each PARTY shall not use any products, software and/or technology including, but not limited to, CONFIDENTIAL INFORMATION and SUPPLIES provided by the other PARTY, or any other products, software and/or technology manufactured or developed by using them including, but not limited to, PRODUCTS (collectively hereinafter called, "ITEMS") for the purposes of disturbing international peace and security, including (i) the design, development, production, stockpiling or use of weapons of mass destruction such as nuclear, chemical or biological weapons or missiles, (ii) other military activities, or (iii) any use supporting these activities. Furthermore, each PARTY shall not sell, export, dispose of, license, rent, transfer, disclose or otherwise provide ITEMS to any third party, whether directly or indirectly, with knowledge or reason to know that such third party or any other party will engage in the activities described above.
- 15.2 **Compliance with Export Control Laws.** Each PARTY shall not directly or indirectly, export, re-export, transship or otherwise transfer the ITEMS in violation of any applicable export control laws or regulations promulgated and administered by the governments of the countries asserting jurisdiction over the PARTIES or the transactions contemplated by this AGREEMENT, including but not limited to the following regulation:
- (a) Control List of Wassenaar Arrangement, including List of Dual-use Goods and Technologies and Munitions List.
 - (b) Control List of Nonproliferation, including Control of Missile Technologies Control Regime, Control List of Australia Group, and Control List of Nuclear Supplies Group.
 - (c) Sensitive Commodity List being exported to North Korea and Iran.

ARTICLE 16 TERM AND TERMINATION

- 16.1 **Term.** This AGREEMENT shall commence on EFFECTIVE DATE, shall continue in full force for five (5) years after the execution of the AGREEMENT. Thereafter, this AGREEMENT shall be automatically extended for successive one (1) year terms unless otherwise notified by either party to the other party in writing at least twelve (12) months prior to the expiration of this AGREEMENT or any extension thereof.
- 16.2 **Termination Upon Written Notice.** Either Party may terminate this AGREEMENT for no cause by providing twelve (12) months prior written notice to the other PARTY.

- 16.3 **Termination Due to Breach.** If a PARTY shall fail, refuse or neglect to fully and faithfully keep, observe or perform any covenant or warranty herein mentioned to be kept, observed or performed by such PARTY (“DEFAULTING PARTY”), then the other PARTY hereto (“NON-DEFAULTING PARTY”) may notify the DEFAULTING PARTY in writing of such default, stating in such written notice the covenant or covenants or warranty of this AGREEMENT which the DEFAULTING PARTY has failed, refused or neglected to keep, observe, or perform. If the DEFAULTING PARTY, for a period of sixty (60) days upon receipt of such written notice, continue to fail, refuse or neglect to keep, observe or perform any such covenant(s) or warranty, then the NON-DEFAULTING PARTY may terminate this AGREEMENT, by serving upon the DEFAULTING PARTY a written notice of such termination thereof; but such act shall not prejudice the right of the NON-DEFAULTING PARTY to recover any sum due or owing prior to or at the time of termination or any damages or costs incurred due to the non-compliance or non-performance by the DEFAULTING PARTY.
- 16.4 **Termination Due to Bankruptcy.** Any PARTY may terminate this AGREEMENT without giving prior notice to the other PARTY in the event of the occurrence of one or more of the following; (i) Appointment of a trustee or receiver for all or any part of the assets of the other PARTY; (ii) Insolvency or bankruptcy of the other PARTY; (iii) Assignment by the other PARTY for the benefit of creditors; (iv) Attachment of the assets of the other PARTY; (v) Expropriation of the business or assets of the other PARTY; (vi) Dissolution or liquidation of the other PARTY; (vii) Change of control. If one PARTY is involved in any of events enumerated in (i) through (vii) above, such PARTY shall notify the other PARTY immediately, by fax, telex, cable, or other communication means of the occurrence of such event.
- 16.5 **Protocol for use of CONFIDENTIAL INFORMATION/Proprietary assets after Expiration or Termination.**
- Upon expiration or termination of this AGREEMENT,
- (a) POWERCHIP shall:
 - (i) return to RSP all the SUPPLIES in accordance with Section 2.5,
 - (ii) return to RSP all CONFIDENTIAL INFORMATION, including all RSP TECHNICAL INFORMATION, in accordance with Sections 10.1-10.4, including and all copies thereof.
 - (b) RSP shall return to POWERCHIP all POWERCHIP’s CONFIDENTIAL INFORMATION, and POWERCHIP’s proprietary assets, if any.

- 16.6 **Cessation of Manufacture of PRODUCT(S).** POWERCHIP shall notify RSP twelve (12) months in advance in writing in the event that it wishes to stop manufacturing a specific PRODUCT. RSP shall notify POWERCHIP three (3) months in advance in writing in the event that it wishes to stop purchasing the PRODUCT. The PARTIES shall discuss and use good faith efforts to reach agreement on the quantity of such PRODUCT to be manufactured and DELIVERED by POWERCHIP to RSP and the delivery schedules for such PRODUCT prior to POWERCHIP ceasing manufacture of such specific PRODUCT considering RSP' future demand for such PRODUCT.
- 16.7 **Survival.** Notwithstanding the expiration or termination of this AGREEMENT, the provisions of Sections 2.5, 5.4, 5.5, Article 7, Sections 8.3, 8.4, 16.5, 16.7, 17.4, 17.9, 17.10, Articles 10, 11, 12, 13, and 15 shall survive any termination of this AGREEMENT.

ARTICLE 17 MISCELLANEOUS PROVISIONS

- 17.1 **Non-assignment.** To the extent enforceable by applicable laws, this AGREEMENT and all rights hereunder may not be assigned or transferred by either PARTY and shall not inure to the benefit of any trustee in bankruptcy, receiver or successor of such PARTY, whether by operation of law or otherwise, without written consent of the other PARTY, and any assignment or transfer without such consent shall be null and void, except that either PARTY may assign this AGREEMENT to a person or entity into which it has merged or which has otherwise succeeded to all or substantially all of its business and assets, and which has assumed in writing or by operation of law its obligations under this AGREEMENT. In case of such situation where a PARTY contemplates the assignment of this AGREEMENT pursuant to the forgoing, the PARTY shall notify the other PARTY of the possibility of such assignment as soon as reasonably possible.
- 17.2 **Relationship of PARTIES.** This AGREEMENT does not create and shall not be considered to create the relationship of principal and agent or master and servant or a partnership between the PARTIES hereto. Neither PARTY shall be liable in any way to any third party for any engagement, obligation, contract, representation or transaction made by the other PARTY or for any negligent act or omission to act on the part of the other PARTY. Without limiting the generality of the foregoing, POWERCHIP shall in no way act or in any way be the agent or representative of RSP for any purpose whatsoever and shall have no right or authority to create or assume any obligation or responsibility of any kind, express or implied, in the name or on behalf of RSP or to bind RSP in any manner whatsoever.

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- 17.3 **Non-Enforceability.** Should any part or provision of this AGREEMENT be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts or provisions shall not be affected by such holding. In such event, the PARTIES shall agree on new provisions the economic effect of which will approximate, as closely as possible, that of the invalid provision.
- 17.4 **Confidentiality of this AGREEMENT.** The PARTIES shall keep the existence and terms of this AGREEMENT confidential and shall not now or hereafter divulge the terms of this AGREEMENT or any part thereof to any third party except:
- (i) with the prior written consent of the other PARTY; or
 - (ii) to any governmental body having jurisdiction to require such information; or
 - (iii) as otherwise may be required by law; or
 - (iv) to legal counsel representing each PARTY.
- In the event of a disclosure required by law or the order of any governmental body of competent jurisdiction, the PARTY required to make such disclosure shall use all reasonable efforts (and cooperate with the other PARTY'S efforts) to obtain confidential treatment of all materials required to be disclose.
- 17.5 **Amendment.** Neither this AGREEMENT nor any provision thereof may be released, discharged, waived, abandoned, or modified in any manner, except by an instrument in writing signed on behalf of both PARTIES hereto by their duly authorized officers or representatives.
- 17.6 **Waiver.** Any failure of either PARTY to enforce, at any time, or for any period of time, any of the provisions of this AGREEMENT shall not be construed as a waiver of such provisions or of the right of the PARTY thereafter to enforce each and every such provision.
- 17.7 **Notices.** Any notice required or permitted to be given under this AGREEMENT shall be delivered by hand or mailed by registered mail or international courier, or sent by E-mail or facsimile with the confirmation copy sent afterwards, to the address set forth below or to such other address as the recipient PARTY may designate from time to time during the term of this AGREEMENT by giving at least five (5) working days prior written notice. Notice so given shall be deemed effective when delivered or received.

TO POWERCHIP: Powerchip Technology Corporation.

No.12, Li-Hsin Road 1, Hsinchu Science Park ,

HsinChu, Taiwan, R.O.C.

Attention: Foundry Sales Division

TO RSP: Synaptics Incorporated

1251 McKay Drive, San Jose, CA. 95131 USA

Attention: General Counsel

Email: legal@synaptics.com

17.8 **Force Majeure.** Neither PARTY shall be subject to any liability, nor shall either PARTY be considered in default, in the event that performance under this AGREEMENT is delayed or becomes impossible due to any causes beyond its reasonable control including, without limiting the generality of the foregoing and whether of the kind enumerated or otherwise, acts of God or the public enemy, wars or act of war, riots, insurrections, labor disputes, fires, floods, explosions, earthquakes, serious accidents, failures of transportation, inability to obtain required governmental licenses or certificates, any act of government, or compliance in good faith with any applicable foreign or domestic governmental regulation or order whether or not it later proves to be invalid.

17.9 **Arbitration.**

- (i) If any dispute should arise regarding the performance, failure to perform of a PARTY or interpretation of any provision of this AGREEMENT, the PARTIES shall hold discussions in good faith for an amicable solution.
- (ii) Except as hereinabove provided, any dispute arising under this AGREEMENT which is not settled by agreement of the PARTIES shall be submitted to binding arbitration; provided that if the initiating PARTY is:
 - (a) RSP, the forum for such arbitration (including any counter-claims related thereto) is the city of Taipei, Taiwan; and
 - (b) POWERCHIP, the forum for such arbitration (including any counter-claims related thereto) is the city of Tokyo, Japan,and shall proceed under the rules then prevailing of the International Chamber of Commerce. The dispute shall be referred to a single arbitrator, if agreed upon by the PARTIES, or otherwise to three arbitrators, one to be appointed by each PARTY and the third to be chosen by the first two named arbitrators. Judgment shall be final and binding upon any award made in such arbitration may be entered and enforced in any court of competent jurisdiction.

Notwithstanding the foregoing or any other provision to the contrary in this AGREEMENT, nothing herein shall prohibit a PARTY from seeking provisional or equitable relief (including, without limitation, injunctive relief) from any court of competent jurisdiction pending a final award from the arbitrator(s); provided, however, that this right to seek provisional or equitable relief is not intended to nor shall it usurp the obligation of the PARTIES to otherwise resolve disputes arising under this AGREEMENT in accordance with the other provisions of this Section 17.9.

17.10 **Governing Law.** This AGREEMENT shall be governed by, performed under and construed in accordance with the laws of Japan.

17.11 **Entire Agreement.** This AGREEMENT constitutes the entire agreement between the PARTIES with respect to the subject matter, and supersedes all prior oral and written agreement between the PARTIES with respect to the subject matter.

IN WITNESS WHEREOF, the PARTIES hereto have caused this AGREEMENT to be executed through their duly authorized representatives as of the day and year written below.

Powerchip Technology Corp.

RSP SP Drivers, Inc.

By: _____

By: _____

Name :

Name :

Title :

Title :

Date :

Date :

[Form of] Amendment to License Agreement (Patents, Etc.)

As of [], 2014, Sharp Corporation (“**Sharp**”) and Renesas SP Drivers Inc. (“**RSP**”) agree to terminate the License Agreement (Patents, Etc.) dated April 1, 2008 by and between Sharp and RSP (the “**Original Agreement (Patents, Etc.)**”). Effective as of [], 2014, this Amendment to License Agreement (Patents, Etc.) (the “**Agreement**”) is entered into by and among Sharp, RSP and Synaptics Incorporated (“**Synaptics**”).

Section 1 Definitions

(1) “**Sharp Licensed Products**” shall mean any and all products of Sharp and its Subsidiaries; provided, however, that if Sharp or its Subsidiary acquires the business of a Third Party (including acquiring the Third Party’s Subsidiary) after the making of this Agreement, products that are manufactured or sold in the business of such acquired Third Party at the time of acquisition (including but not limited to products for which model numbers are assigned under such Third Party’s business) and follow-on products shall not be included in Sharp Licensed Products, even after the acquisition.

(2) “**RSP Licensed Products**” shall mean products of RSP, Synaptics or Synaptics Wholly-Owned Subsidiaries that fall into the following categories:

- (i) [*****] for [*****]; or
- (ii) [*****] that work with [*****] for [*****];

provided, however, that if RSP, Synaptics or a Synaptics Wholly-Owned Subsidiary acquires the business of a Third Party after the conclusion of this Agreement (including acquiring the Third Party’s Subsidiary), products that are manufactured or sold in the business of such acquired Third Party at the time of acquisition (including but not limited to products for which model numbers are assigned under such Third Party’s business) and follow-on products shall not be included in RSP Licensed Products, even after the acquisition.

(3) “**Subsidiary**” or “**Subsidiaries**” means an entity in which Sharp or RSP, directly or indirectly, has a majority of all shares with voting rights from time to time.

(4) “**RSP Patents**” shall mean any Patents (i) whose first-nation applications were filed as of [*****] and that were owned or controlled by RSP or its Subsidiary as of [*****], and (ii) within which, as of the Effective Date, RSP or its Subsidiary shall have a right to grant a license of the scope set forth hereunder without payment to a Third Party (other than employees of the applicable party or its Subsidiaries).

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(5) “ **Sharp Patents** ” shall mean any Patents (i) whose first-nation applications were filed as of [*****] and that were owned or controlled by Sharp or its Subsidiary as of [*****] (excluding patents related to [*****]), and (ii) within which, as of the Effective Date, Sharp or its Subsidiary shall have a right to grant a license of the scope set forth hereunder without payment to a Third Party (other than employees of the applicable party or its Subsidiaries).

(6) “ [*****] ” shall mean any technologies related to [*****].

(7) “ **Effective Date** ” shall be the Closing Date defined in Section 2.3 of the Stock Purchase Agreement dated [mm/dd], 2014 entered into by and among Sharp, Synaptics and the Third Parties.

(8) “ **Synaptics Wholly-Owned Subsidiary** ” means an entity of which Synaptics, directly or indirectly, holds all shares with voting rights from time to time (excluding RSP).

(9) “ **Change of Control** ” shall mean, with respect to an entity, any Third Party becoming the beneficial owner of a majority of the voting shares of the entity on or after the Effective Date.

(10) “ **Foundry Products** ” shall mean any products manufactured by a Party for and on behalf of a customer from or using designs not owned by such Party and provided by or on behalf of that customer for resale to, by or on behalf of that customer. The term “Foundry Products” does not include any portion of the manufacturing process performed by a Third Party, but includes the portions related to ASIC Library Tool or Standard Cell provided by Sharp and its Subsidiaries or RSP.

(11) “ **Patents** ” shall mean all classes or types of Japanese and foreign patents, utility models and design rights (including design patents) issued by the authority that grants patent, utility models and design rights (including design patents) in any country in the world, together with any and all parents, divisionals, renewals, continuations, continuations-in-part, foreign counterparts, extensions or reissues that claim priority to any of the foregoing, and pending applications for these classes or types of patents, utility models and design rights (including design patents) in all countries of the world.

(12) “ **Third Party** ” shall mean any person or entity other than Sharp and its Subsidiaries, Synaptics and Synaptics Wholly-Owned Subsidiaries, or RSP.

(13) “ **Small and Medium Sized Display Panel** ” shall mean a display panel of [*****].

(14) “ [*****] ” shall be [*****].

(15) “ [*****] ” shall mean [*****].

(16) “ [*****] ” shall mean [*****], provided that [*****] shall be excluded from the definition of [*****]. For the avoidance of doubt, [*****] shall be included in the definition of [*****].

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

Section 2 License Grant

2.1 License Grant of Sharp Patents

Subject to the terms and conditions of this Agreement, Sharp hereby grants to RSP, Synaptics and Synaptics Wholly-Owned Subsidiaries a non-exclusive, worldwide, perpetual (except as set forth in Section 3.2 (Termination) and Section 3.3 (Change of Control) and, in respect to a Synaptics Wholly-Owned Subsidiary, only limited to the period when it is a Synaptics Wholly-Owned Subsidiary), non-transferable, irrevocable (except when terminated pursuant to Section 3) and non-sublicensable license in, to and under the Sharp Patents, including any claim thereof, to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export and otherwise dispose of RSP Licensed Products.

2.2 License Grant of RSP Patents

Subject to the terms and conditions of this Agreement, RSP and Synaptics hereby grant to Sharp and its Subsidiaries a non-exclusive, worldwide, perpetual (except as set forth in Section 3.2 (Termination) and Section 3.3 (Change of Control) and, in respect to the Subsidiary of Sharp, only limited to the period when it is Sharp's Subsidiary), non-transferable, irrevocable (except termination pursuant to Section 3) and non-sublicensable license in, to and under the RSP Patents, including any claim thereof, to design, develop, make, have made, use, sell (directly or indirectly), offer for sale, import, export and otherwise dispose of Sharp Licensed Products.

2.3 Non-Assertion to Customers

(i) During the term of license granted to RSP, Synaptics or Synaptics Wholly-Owned Subsidiaries under Section 3 hereof, Sharp shall not assert, or have its Subsidiaries assert, its rights under RSP Patents [*****].

(ii) During the term of license granted to Sharp and its Subsidiaries under Section 3 hereof, RSP and Synaptics shall not assert, or have RSP Subsidiaries or Synaptics Wholly-Owned Subsidiaries assert, their rights under Sharp Patents [*****].

2.4 Limitation of Scope of Licenses

This Agreement shall not grant, whether express or implied, any license or rights other than the licenses expressly granted hereunder to the Parties, their Subsidiaries or wholly-owned Subsidiaries.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

2.5 Transfer of Patents

In the event a Party or its Subsidiary desires to transfer Patents that relate to the other Party's Licensed Products under this Agreement, such transfer shall be subject to the following conditions:

- (i) a Party may transfer or have its Subsidiary transfer such Patents only if the transferee agrees in writing to receive the patent rights subject to the outbound license granted to the other Party as stipulated in this Section, as applicable;
- (ii) the transferee shall not receive any benefit of the inbound license granted in this Section, as applicable;
- (iii) any transfer in violation of this Section shall render such transfer null and void; and
- (iv) the transferee agrees in writing that any subsequent transfer of the Patents shall be subject to the same conditions as those set forth in this Section 2.5.

Any violation of this Section 2.5 shall be deemed a material breach.

2.6 Foundry Activities

The licenses granted under Section 2.1 and 2.2 shall not be extended to manufacture of Foundry Products for the benefit of a Third Party.

2.7 Sale of Subsidiaries

In the event a Subsidiary of RSP is no longer a Subsidiary of RSP as a result of the sale of such Subsidiary or other reasons, and such Subsidiary owns any RSP Patents at that time, RSP and Synaptics shall take all the measures necessary for the continuance of the licenses of RSP Patents granted hereunder that relate to Sharp Licensed Products. In the event a Subsidiary of Sharp is no longer a Subsidiary of Sharp as a result of the sale of such Subsidiary or other reasons, and such Subsidiary owns any Sharp Patents at that time, Sharp shall take all measures necessary for the continuance of the licenses of Sharp Patents granted hereunder that relate to RSP Licensed Products.

2.8 Business Transfer

In the event that Sharp, its Subsidiaries, RSP, Synaptics or Synaptics Wholly-Owned Subsidiaries transfer their business to a Third Party during the term of this Agreement, the licenses granted hereunder shall not be extended to the business transferred to a Third Party.

Section 3 Term

3.1 Term

Subject to the written consent of [*****], this Agreement shall be effective from the Effective Date to the expiration of the last-to-expire Patent within the set of licensed Sharp Patents and RSP Patents.

3.2 Termination

A Party may terminate its obligation of the license (including obligations related to non-assertion to its customers, transfer of Patents and sale of Subsidiaries) granted to the other Party (including to any or all of the other Party's Subsidiaries) if the other Party or its Subsidiary has committed a material breach of this Agreement that is not cured within thirty (30) days after a thirty (30) day written notice, provided that the non-breaching Party shall exercise such termination right within six (6) months after the said thirty-day period expires. The termination of the license granted to the breaching party (including its Subsidiaries) by the non-breaching party shall not affect the license granted to such non-breaching party under Section 2.

3.3 Change of Control

Unless the prior written consent to the Change of Control event has been received from the Party not experiencing a Change of Control: (i) any rights licensed to Sharp pursuant to Section 2 shall immediately terminate upon a Change of Control of Sharp, and (ii) any rights licensed to RSP, Synaptics and Synaptics Wholly-Owned Subsidiaries pursuant to Section 2 shall terminate immediately upon a Change of Control of Synaptics. For the avoidance of doubt, unless the prior written consent has been received by the Party not experiencing a Change of Control, a Change of Control event shall terminate all license rights the Party experiencing the Change of Control has received pursuant to this Agreement; however, such Party shall continue to be subject to the license it has granted to a Party not experiencing a Change of Control pursuant to this Agreement.

Section 4 Non-Assignment

Neither Party shall assign or transfer this Agreement or any of the rights or obligations hereunder to a person without the prior written consent of the other Party; provided, however, that Sharp may assign or transfer this Agreement or any of the rights or obligations hereunder to an entity whose voting shares are wholly-owned by Sharp, and that RSP may assign or transfer this Agreement or any of the rights or obligations hereunder to Synaptics or a Synaptics Wholly-Owned Subsidiary.

Section 5 Confidentiality

Except to the extent disclosure is necessary pursuant to the laws and regulations or a prior written consent, the terms and conditions hereof and any and all information known or learned in the course of this Agreement shall be kept confidential. This Section 5 shall survive any expiration or termination of this Agreement.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

Section 6 No Warranty

(i) No Warranty by Sharp

SHARP DOES NOT WARRANT THE VALIDITY OF SHARP PATENTS. SHARP DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, WARRANTY OF FITNESS FOR PARTICULAR PURPOSES, OR THE NON-INFRINGEMENT OF A THIRD PARTY'S INTELLECTUAL PROPERTIES WITH RESPECT TO THE EXERCISE OF SHARP PATENTS BY RSP, SYNAPTICS OR SYNAPTICS WHOLLY-OWNED SUBSIDIARIES.

(ii) No Warranty by RSP

RSP DOES NOT WARRANT THE VALIDITY OF RSP PATENTS. RSP DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, WARRANTY OF FITNESS FOR PARTICULAR PURPOSES, OR THE NON-INFRINGEMENT OF A THIRD PARTY'S INTELLECTUAL PROPERTIES WITH RESPECT TO THE EXERCISE OF RSP PATENTS BY SHARP OR ITS SUBSIDIARIES.

Section 7 Termination of the Original Agreement

Sharp and RSP agree that the Original Agreement (Patents) shall be terminated as of the Effective Date.

Section 8 Consultation

Any question arising out of, or in connection with, this Agreement or any matter not stipulated herein shall be settled by consultation among Sharp, RSP and Synaptics.

[Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have prepared this Agreement in triplicate and affixed their respective names and signatures or seals thereon, and each Party shall hold one (1) original copy hereof.

Sharp: 22-22 Nagaike-cho, Abeno-ku, Osaka, Japan
Sharp Corporation

[Name] [Title]

RSP: 5-20-1 Jōsuihonchō, Kodaira, Tokyo, Japan
Renesas SP Drivers Inc.

[Name] [Title]

Synaptics: 1251 McKay Dr., San Jose, CA 95131
SYNAPTICS INCORPORATED

[Name] [Title]

Form of Amendment to Technical Information Agreement

[Form of] Amendment to License Agreement (Technical Information)

As of [], 2014, Sharp Corporation (“Sharp”) and Renesas SP Drivers Inc. (“RSP”) agree to terminate the “License Agreement (Technical Information)” dated April 1, 2008 by and between Sharp and RSP (the “Original Agreement (Technical Information)”), and in order to continuously use the technical information disclosed or provided under the Original Agreement after the Original Agreement’s termination, this Amendment to License Agreement (Technical Information) (the “Agreement”) is made and entered into among Sharp, RSP and Synaptics Incorporate (“Synaptics”) on the same date.

(Definition)

Section 1 The terms used in this Agreement shall have the following meanings:

- (1) “**Sharp Licensed Products**” shall mean any and all products of Sharp and its Subsidiaries; provided, however, that if Sharp or its Subsidiary acquires the business of a Third Party (including acquisition of the Third Party’s Subsidiary) after the making of this Agreement, products that are manufactured or sold in the business of such acquired Third Party at the time of acquisition (including but not limited to products for which model numbers are assigned under such Third Party’s business) and follow-on products shall not be included in Sharp Licensed Products, even after the acquisition.
- (2) “**RSP Licensed Products**” shall mean products of RSP, Synaptics or Synaptics Wholly-Owned Subsidiaries that fall into the following categories:
 - (i) [*****] for [*****]; or
 - (ii) [*****] that work with [*****] for [*****];

provided, however, that if RSP, Synaptics or a Synaptics Wholly-Owned Subsidiary acquires the business of a Third Party after the conclusion of this Agreement (including acquisition of the Third Party’s Subsidiary), products that are manufactured or sold in the business of such acquired Third Party at the time of acquisition (including but not limited to products for which model numbers are assigned under such Third Party’s business) and follow-on products shall not be included in RSP Licensed Products, even after the acquisition.
- (3) “**Licensed Products**” shall mean “Sharp Licensed Products” and/or “RSP Licensed Products.”
- (4) “**Subsidiary**” and “**Subsidiaries**” shall mean an entity in which Sharp or RSP, directly or indirectly, holds a majority of all shares with voting rights from time to time.
- (5) “**Technical Information**” shall mean technical information including know-how, copyrighted works such as computer programs or technical materials, etc., semiconductor intellectual properties and copyrights associated therewith, and intellectual properties such as trade secrets, etc., both tangible and intangible; provided, however, that patents, utility models, trademarks, design rights and information that constitute and are protected by any of the foregoing shall be excluded.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

-
- (6) **“Sharp Technical Information”** shall mean Technical Information (i) related to products that were transferred from Sharp to RSP by [*****] or to products offered or under development by RSP as of the Effective Date, and (ii) owned or controlled by Sharp or its Subsidiary at any time during [*****].
- (9) **“Sharp Specified Technical Information”** shall mean Sharp Technical Information that was owned or controlled by Sharp or its Subsidiary as of [*****].
- (10) **“RSP Technical Information”** shall mean Technical Information owned or controlled by RSP or its Subsidiary as of [*****].
- (11) **“Sharp Specified/RSP Technical Information”** shall mean the “Sharp Specified Technical Information” and/or “RSP Technical Information.”
- (12) **“Utilize”** shall mean to use, reproduce, improve, or modify.
- (13) **“Synaptics Wholly-Owned Subsidiary”** shall mean an entity of which Synaptics, directly or indirectly, holds all shares with voting rights from time to time (excluding RSP).
- (14) **“Sharp Domestic Demands Division”** shall mean Sharp’s internal division, Subsidiaries of Sharp and Sharp’s affiliates, including Sharp’s sales company.
- (15) **“Small and Medium Sized Display Panel”** shall mean a display panel of [*****].
- (16) “[*****]” shall mean [*****].
- (17) “[*****]” shall mean [*****].
- (18) “[*****]” shall mean [*****], provided that [*****], shall be excluded from the definition of [*****]. For the avoidance of doubt, [*****] shall be included in the definition of [*****].
- (19) **“Effective Date”** shall mean the Closing Date defined in Section 2.3 of the Stock Purchase Agreement entered into among Sharp, Synaptics and third parties on [mm/dd], 2014.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(Utilization, etc. of Sharp Specified/RSP Technical Information)

Section 2

1. RSP shall grant to Sharp and its Subsidiaries a non-exclusive, worldwide, perpetual (except as set forth in Section 9.2 in the event of a change of control and Section 10; to the Subsidiaries of Sharp, only limited to the period during which such entity is a Subsidiary of Sharp), [*****], non-transferable, irrevocable and non-sublicensable license to develop, design, make, have made (including subcontracting design and manufacturing), sell (directly or indirectly), offer for sale, supply, support, import, export and otherwise dispose of any Sharp Licensed Products by Utilizing the RSP Technical Information possessed by Sharp or its Subsidiaries on the Effective Date of this Agreement, unless such granting of license breaches a contract with a third party.
2. Sharp shall grant to RSP, Synaptics and Synaptics Wholly-Owned Subsidiary a non-exclusive, worldwide, perpetual (except as set forth in Section 9.2 in the event of a change of control and Section 10; to Synaptics Wholly-Owned Subsidiary, only limited to the period during which such entity is a Synaptics Wholly-Owned Subsidiary), [*****], non-transferable, irrevocable and non-sublicensable license to develop, design, make, have made (including subcontracting design and manufacturing), sell (directly or indirectly), offer for sale, supply, support, import, export and otherwise dispose of any RSP Licensed Products by Utilizing the Sharp Specified Technical Information possessed by RSP or its Subsidiaries on the Effective Date of this Agreement, unless such granting of license breaches a contract with a third party.
3. Sharp, RSP and Synaptics confirm that any provision of this Agreement shall not create or impose any obligation on the parties to provide further Technical Information to other parties during the effective term of this Agreement.
4. During the term of license granted to RSP, Synaptics or Synaptics Wholly-Owned Subsidiary hereunder, Sharp shall not assert or have its Subsidiary assert its rights under Sharp Specified Technical Information [*****].
5. During the term of license granted to Sharp and its Subsidiaries hereunder, RSP and Synaptics shall not assert or have RSP's Subsidiary or Synaptics Wholly-Owned Subsidiary assert its rights under RSP Technical Information [*****].

(Handling of Intellectual Property Right)

Section 3

1. This Agreement shall not grant, whether express or implied, any license of patents, utility models, and designs owned by Sharp, RSP and Subsidiaries of Sharp or RSP.
2. This Agreement shall not grant, whether express or implied, any license of the trademark rights owned by Sharp, RSP and Subsidiaries of Sharp or RSP.

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

3. Notwithstanding the provisions the foregoing section, if Sharp Specified Technical Information is developed as the customized specification for the Sharp Domestic Demand Division, RSP, Synaptics and Synaptics Wholly-Owned Subsidiary shall not develop, design, make, have made (including subcontracting design and manufacturing), sell and otherwise dispose of the RSP Licensed Products by Utilizing such Sharp Specified Technical Information to/for the third party other than Sharp or Sharp Domestic Demand Division.
4. Sharp shall timely clarify whether Sharp Specified Technical Information relates to the customized specifications set forth in the preceding paragraph based on past background, etc., and if any question arises, Sharp, RSP and Synaptics shall separately engage in consultation and resolve the dispute.

(No Warranties and Disclaimer)

Section 4

1. Unless otherwise agreed by the parties, Sharp, RSP and Synaptics shall not warrant that Sharp Specified/RSP Technical Information disclosed or provided by Sharp, RSP or Synaptics (including their Subsidiaries) operates properly and fits for the particular purpose of use of the other party.
2. Unless otherwise agreed by the parties, Sharp, RSP and Synaptics shall not assume any liabilities to the other parties on any defect, usefulness, validity of Sharp Specified/RSP Technical Information disclosed or provided by Sharp, RSP or Synaptics (including their Subsidiaries), performance, quality, safety of the other party's product on which all or part of the Technical Information is licensed, Utilized or used, and technical, economical and any other matters (including but not limited to the product liability), regardless of the grounds for a legal claim.
3. Unless otherwise agreed by the parties, Sharp, RSP and Synaptics shall not, in any case, assume any liabilities to the other parties on any damages, lost profits, consequential damages and indirect damages caused by special circumstances.

(Treatment of Infringement)

Section 5

Unless otherwise agreed by the parties, if any dispute arises or may arise with a third party regarding violation of such third party's intellectual property rights, such as industrial property rights and copyrights in connection with the Utilization of Sharp Specified/RSP Technical Information under the Agreement, or design, manufacture and sales of the Licensed Products Utilizing such Sharp Specified/RSP Technical Information, then Sharp and its Subsidiaries, RSP, and Synaptics and Synaptics Wholly-Owned Subsidiary shall resolve such dispute at their own liability and cost; provided, however, that the party that disclosed or provided Sharp Specified/RSP Technical Information shall cooperate with the other parties to the extent reasonable and possible upon the request of such other party.

(Confidentiality of Sharp Specified/RSP Technical Information)

Section 6

Sharp and its Subsidiaries, RSP, and Synaptics and Synaptics Wholly-Owned Subsidiary shall not disclose or leak Sharp Specified/RSP Technical Information disclosed or provided by the other parties to any third parties without prior written consent of the other parties; provided, however, that this provision shall not apply to Sharp Specified/RSP Technical Information that falls under any of the following categories:

- (1) Sharp Specified/RSP Technical Information that is already known to the public at the time of execution of this Agreement;
 - (2) Sharp Specified/RSP Technical Information that is publicly known without any fault of the disclosing party;
 - (3) Sharp Specified/RSP Technical Information that is lawfully obtained by the third party with due authority and without violating the confidentiality obligation assumed by such third party;
 - (4) Sharp Specified/RSP Technical Information that is developed independently;
 - (5) Information that has been already owned before the execution of the Agreement (excluding Sharp Specified/RSP Technical Information); or
 - (6) Information that is necessarily disclosed in accordance with the sale, etc. of the Licensed Products.
2. Sharp may disclose or provide to its Subsidiaries Sharp Specified/RSP Technical Information that is disclosed or provided by the other parties without any prior written consent of the other parties. RSP and Synaptics may disclose or provide to Synaptics Wholly-Owned Subsidiaries Sharp Specified/RSP Technical Information that is disclosed or provided by the other party without any prior written consent of the other party; provided, however, that Sharp, RSP and Synaptics shall require that the entity receiving the Sharp Specified/RSP Technical Information pursuant to this paragraph comply with the obligations that Sharp, RSP and Synaptics assume under this Agreement.
3. If Sharp, RSP and Synaptics agree on confidential obligations that are stricter than those stipulated in this Section with respect to any specific Sharp Specified/RSP Technical Information, the parties shall comply with such stricter confidential obligation with respect to such Sharp Specified/RSP Technical Information.

(Special Provision on Disclosure Order by Law)

Section 7

If a court or administrative agency orders a disclosure by Sharp, RSP and Synaptics pursuant to laws or regulations, Sharp, RSP and Synaptics may disclose such Sharp Specified/RSP Technical Information to such court or administrative agency upon taking the following measures:

- (1) Notifying the contents of disclosure to the other party beforehand;
- (2) Disclosing only to the extent such disclosure is lawfully ordered; and
- (3) Expressing the confidentiality of such Sharp Specified/RSP Technical Information in writing at the time of disclosure.

(Prohibition on Assignment of Rights and Obligations)

Section 8

Sharp, RSP and Synaptics shall not assign, furnish as security or otherwise dispose of this Agreement or any of the rights or obligations hereunder to a third party, or have a third party undertake this Agreement or any of the rights or obligations hereunder, without the prior written consent of the other parties, with the exception of the assignment or transfer from Sharp to its Subsidiaries and from RSP to Synaptics or Synaptics Wholly-Owned Subsidiary.

(Term)

Section 9

1. This Agreement commences simultaneously with the effectuation of the Amendment to License Agreement (Patent) executed among Sharp, RSP and Synaptics on [], 2014 and continues in effect until terminated pursuant to Paragraph 2, Section 9 or Section 10 of this Agreement.
2. Unless the prior written consent to the Change of Control event has been granted by the Party not experiencing a Change of Control: (i) any license of Sharp Specified/RSP Technical Information licensed to Sharp pursuant to Section 2 shall immediately terminate upon a Change of Control of Sharp, and (ii) any license of Sharp Specified/RSP Technical Information licensed to RSP, Synaptics and Synaptics Wholly-Owned Subsidiaries pursuant to Section 2 shall terminate immediately upon a Change of Control of Synaptics. For the avoidance of doubt, unless the prior written consent has been granted by the Party not experiencing a Change of Control, a Change of Control event shall terminate all license rights to Sharp Specified/RSP Technical Information that such party has received pursuant to this Agreement; however, other parties shall continue to be subject to the license they have granted to the other party pursuant to this Agreement.

(Termination of Rights)

Section 10

1. If any of the following occurs to Sharp, Sharp's Subsidiaries, RSP, Synaptics or Synaptics Wholly-Owned Subsidiary, other parties may terminate the grant of license of Sharp Specified/RSP Technical Information to, and without any procedure such as a formal demand, seek damages and an injunction from, the party to which any of the following occurs:
 - (1) A party is named in a filing for a petition for attachment, provisional attachment, provisional disposition, compulsory execution or auction by a third party, or is filed for or files by itself for bankruptcy, special liquidation, civil rehabilitation, corporate arrangement or corporate reorganization procedure;

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- (2) A party has become subject to attachment of its assets for preservation due to delinquency of tax and levies;
 - (3) A party receives disciplinary suspension of business or business license, or revocation of business registration; or
 - (4) A party bounces a bill or check, or is subject to the suspension of a transaction from the Clearing House (*Tegata Kokanjo*).
2. If RSP, Synaptics or Synaptics Wholly-Owned Subsidiary falls under any of the following, Sharp may, and if Sharp or its Subsidiary falls under any of the following, RSP or Synaptics may, terminate the grant of license of Sharp Specified/RSP Technical Information, and seek damages and an injunction without any procedure such as a formal demand; provided, however, that, when Sharp terminates, the grant of license of Sharp Specified/RSP Technical Information only to RSP, Synaptics or Synaptics Wholly-Owned Subsidiary shall be terminated, and when RSP or Synaptics terminates, the grant of license of Sharp Specified/RSP Technical Information only to Sharp or its Subsidiaries shall be terminated.
 - (1) The party or its Subsidiaries (a Synaptics Wholly-Owned Subsidiary, in the case of termination to RSP and Synaptics) violate this Agreement and do not cure such violation within 30 days after a request to cure from the other party. (In the event of termination pursuant to this provision, a notice of termination of license is required to be made within six months after such 30-day period.); or
 - (2) The party or its Subsidiaries (a Synaptics Wholly-Owned Subsidiary, in the case of termination to RSP and Synaptics) conduct a distrust act, or any reasonable ground for a worsened financial condition or possibility of a worsened financial condition is found (excluding the items listed in the preceding paragraph (1)).
 3. Even when the grant of license of Sharp Specified/RSP Technical Information is terminated pursuant to this Section, the grant of license of Sharp Specified/RSP Technical Information to the other party pursuant to this Agreement is continuously in effect.

(Treatment after Termination of Agreement)
Section 11

1. If this Agreement is terminated pursuant to Section 9 or 10 of this Agreement, this Agreement shall cease to be effective.

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2. Notwithstanding the provisions of the preceding paragraph 1, the rights and obligations set forth in Sections 3 through 8, and Sections 11 through 14 shall remain in full force and effect after the termination of this Agreement.
 3. Sharp, RSP and Synaptics shall, if the grant of license of Sharp Specified/RSP Technical Information to itself is terminated pursuant to Section 9 or 10 hereof, return Sharp Specified/RSP Technical Information provided by the other party within one (1) month after the termination and destroy any copy of Sharp Specified/RSP Technical Information, and if the grant of license of Sharp Specified/RSP Technical Information to their Subsidiaries is terminated, have such Subsidiaries return Sharp Specified/RSP Technical Information provided by other party within one (1) month after the termination and have such Subsidiaries destroy any copy of Sharp Specified/RSP Technical Information.

(Compliance with Foreign Exchange Act)

Section 12

Sharp, Subsidiaries of Sharp, RSP, Synaptics and Synaptics Wholly-Owned Subsidiary shall comply with Foreign Exchange and Foreign Trade Act ("Foreign Exchange Act") and its relevant laws and regulations, international agreements regarding security export control, U.N. resolutions and Three Principles on Arms Exports when exporting from Japan Sharp Specified/RSP Technological Information disclosed or provided by other parties (in this Section, including any products or materials to which such technologies are licensed, utilized or used) or when disclosing or providing such information to non-residents in Japan.

(Jurisdiction)

Section 13

1. If the need for any lawsuit arises in connection with this Agreement, the Tokyo District Court shall have exclusive jurisdiction.
2. Sharp, RSP and Synaptics acknowledge that the violation of this Agreement would or might cause irreversible damage to other parties. Therefore, notwithstanding the provisions of the preceding paragraph of this Section, Sharp, RSP and Synaptics agree that other parties may request any and all remedies, including an injunction, of any court that has jurisdiction on such remedy within the scope necessary to accomplish the purpose of this Agreement.

(Termination of Original Agreement)

Section 14

Sharp and RSP agree that the Original Agreement (Technological Information) shall be terminated as of the Effective Date.

(Consultation)
Section 15

Any matter not stipulated herein or any question arising out of, or in connection with, this Agreement shall be settled by consultation among Sharp, RSP and Synaptics.

IN WITNESS WHEREOF, the parties hereof executed this Agreement in triplicate and affixed their respective names and signatures or seals thereon, and each party shall hold one (1) original copy hereof.

[Signature Page Follows]

22-22 Nagaike-cho, Abeno-ku, Osaka, Japan
Sharp Corporation

[Name] [Title]

5-20-1 Jōsuihonchō, Kodaira, Tokyo, Japan
Renesas SP Drivers Inc.

[Name] [Title]

1251 McKay Dr., San Jose, CA 95131
SYNAPTICS INCORPORATED

[Name] [Title]

Form of Amendment to Secondment, Lease and Service Agreements

[Form of] Amendment to Secondment, Lease and Service Agreements

This Amendment Agreement (this “Agreement”) is entered into on [], 2014 by and between Sharp Corporation (“Sharp”) and Renesas SP Drivers Inc. (“RSP”) as an amendment to (1) the “Memorandum of Understanding regarding Seconded Employees” dated, respectively, March 31, 2014, March 31, 2014 and May 15, 2014 (the “Original Secondment Agreement”) for employees seconded from Sharp to RSP listed in the Schedule attached hereto, (2) the “Office Lease Agreement” dated as of April 1, 2008 and “Memorandum of Understanding” dated as of April 1, 2012 (together, the “Original Lease Agreement”), and (3) the “Service Entrustment Agreement” dated as of April 1, 2008 (the “Original Service Agreement”), all between Sharp and RSP.

Article 1 (Amendment to the Original Secondment Agreement)

1. Article 2 (Secondment Term) of the Original Secondment Agreement will be amended as follows:

“Article 2 (Secondment Term)

1. The secondment term for seconded employees will be [*****] starting from [], 2014.

2. For business reasons, RSP may shorten each seconded employee’s secondment term by up to [*****], provided that RSP delivers written notice to Sharp [*****] prior to the expiration of the shortened secondment term.”

2. Paragraph 3, Article 4 (Payment of Salary, etc.) of the Original Secondment Agreement will be amended as follows:

“3. During the secondment term, Sharp shall obtain RSP’s written approval prior to making changes in the seconded employees’ salary, etc., due to raise, promotion, etc., that exceed the scope of the those that normally occur at Sharp.”

3. Article 15 (Return) of the Original Secondment Agreement will be amended as follows:

“Article 15 (Return)

Upon Sharp’s request that RSP return each seconded employee from RSP due to unavoidable reasons, RSP shall comply with such request prior to the expiration of the secondment term.”

4. Article 16 (Cancellation of Agreement) of the Original Secondment Agreement will be deleted and replaced in its entirety as follows:

“Article 16 (Cancellation of Agreement)

Pursuant to this Article 16, this Agreement may be terminated during the secondment term upon violation of this Agreement by the other party.”

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

5. The following will be added as Article 18:

“Article 18 (Job Offer)

Within [*****] prior to the end of the secondment term of the seconded employees, as defined in Paragraph 1, Article 2, RSP shall make a job offer to each seconded employee listed in the Schedule to be employed by RSP after the expiration of the secondment term. By [*****] days prior to the end of the [*****] secondment term, each seconded employee who has received such a job offer may decide whether to accept the offer. Under no other circumstances may RSP make job offers to the seconded employees during the secondment term.”

6. The following will be added as Article 19:

“Article 19 (Cooling Off)

Sharp shall ensure that no seconded employee shall be assigned to or engaged in any work within the scope which Sharp has non-competition obligation under Article 6.4 (including Schedule 6.4) of the Stock Purchase Agreement entered into as of June [], 2014 by and among Sharp, RSP, Renesas Electronics Corporation, Powerchip Technology Corp., Global Powertec Co. Ltd., Quantum Vision Corporation, Renesas SP Drivers Taiwan, Inc., Synaptics Incorporated and Synaptics Holding GmbH for a period of [*****] from and after the termination of the secondment of each employee under this Agreement. “

7. The following will be added as Article 20:

“Article 20 (Intellectual Property)

Any intellectual property and related information, including but not limited to patents, copyrights and trade secrets conceived, reduced to practice, created or generated by the seconded employees during the secondment term in the course of duties to RSP, shall be assigned to RSP. If either party discovers that ownership of any intellectual property or related information created or generated by the seconded employees during the secondment term in the course of duties to RSP is maintained or remains with Sharp, Sharp shall transfer and assign all such rights to RSP immediately after learning of such ownership interest. At RSP’s expense and to the extent necessary, Sharp agrees to provide reasonable cooperation and assistance to RSP, both during and after the secondment term, in perfecting RSP’s rights in such patents, copyrights and trade secrets conceived, reduced to practice, created or generated by the seconded employees during the secondment term in the course of duties to RSP.”

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

8. The following will be added as Article 21:

“Article 21 (Confidentiality)

1. Sharp shall ensure that the seconded employees keep confidential all information of a confidential nature regarding RSP and their customers (“Confidential Information”), and shall not disclose any Confidential Information to any person or entity including, but not limited to, Sharp or its affiliates, or use any such information for any purpose other than in connection with the performance of the secondment pursuant to this Agreement, during the secondment term and for the [*****] period after termination of the secondment term. This confidentiality obligation will cease to apply to information that comes into the public domain, other than as a result of the unauthorized disclosure by or fault of Sharp or a seconded employee. Sharp shall ensure that, after a request by RSP or after the end of the effective term of this Agreement, as applicable, the seconded employees undertake to promptly return to RSP all materials, whether documentary or otherwise, together with copies thereof containing confidential information or otherwise belonging to RSP or its respective affiliates.

2. Notwithstanding the preceding paragraph, the seconded employees may use knowledge or perception acquired during the secondment term in the course of duties (residual information) for any purpose.”

Article 2 (Amendment to the Original Lease Agreement)

1. Article 3 (Lease Term and Renewal) of the Original Lease Agreement will be amended as follows:

“Article 2 (Lease Term)

The term of the leased office will be from [], 2014 to the termination of the secondment term provided in the “Memorandum of Understanding regarding Seconded Employees” dated as of March 31, 2014, March 31, 2014 and May 15, 2014 and the “Amendment to Secondment, Office Lease and (Network) Service Agreement” dated as of [], 2014, all entered into by and between Sharp and RSP.”

2. Article 10 (Termination during the Lease Term) of the Original Lease Agreement will be deleted in its entirety.

Article 3 (Amendment to the Original Service Agreement)

1. Paragraph 2 will be added to Article 2 of the Original Service Agreement as follows:

“2. The terms and conditions for the service to be entrusted from RSP to Sharp from [], 2014 will be equivalent to the terms and conditions provided in the individual agreements validly existing until immediately prior to such date.”

2. Paragraph 1, Article 14 (Effective Term) of the Original Service Agreement will be amended as follows:

“1. The effective term of this Agreement will be from [], 2014 to the termination of the secondment term provided in the “Memorandum of Understanding regarding Seconded Employees” dated as of March 31, 2014, March 31, 2014 and May 15, 2014 and the “Amendment to Secondment, Office Lease and Service Agreement” dated as of [], 2014, all entered into by and between Sharp and RSP. During the effective term of this Agreement, RSP will be able to terminate this Agreement by [*****] prior written notice.”

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

Article 4 (Original Agreement)

Unless amended by this agreement, the provision of the Original Secondment Agreement, Original Lease Agreement and Original Service Agreement will survive as it is.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate and affixed their respective names and seals thereon, and each party shall hold one (1) original copy hereof.

Sharp: []
Sharp Corporation

[Name] [Title]

RSP: 5-20-1 Jōsuihonchō, Kodaira, Tokyo, Japan
Renesas SP Drivers Inc.

[Name] [Title]

[FORM OF] LCD PROCESS TECHNOLOGY LICENSE AGREEMENT

THIS LCD PROCESS TECHNOLOGY LICENSE AGREEMENT (this “Agreement”) entered into on [], 2014 (the “Effective Date”) by and between **RENESAS ELECTRONICS CORPORATION**, a Japanese *kabushiki kaisha* (“REL”), **SYNAPTICS INCORPORATED**, a Delaware corporation (“Synaptics”), and **RENESAS SP DRIVERS, INC.**, a Japanese *kabushiki kaisha* and a Subsidiary of Synaptics (“RSP”), and together with REL and Synaptics, the “Parties”),

WITNESSETH that ,

WHEREAS , REL is engaged in the business of developing and manufacturing semiconductor products including LCD driver LSI products [*****] and owns or has the right to use certain intellectual property rights, including patents and proprietary information, for the design and manufacture of such products;

WHEREAS, Synaptics and RSP desire to obtain license to use certain process technology owned by REL for having LCD driver LSI products manufactured by PTC and REL desires to give such license to Synaptics and RSP;

NOW, THEREFORE , in consideration of the foregoing premises and the respective representations and warranties, covenants and agreements contained herein, the Parties hereby agree as follows.

1. DEFINITIONS.

1.1 Definitions . When used in this Agreement, the following terms have the meanings assigned to them in this **Section 1.1** .

“ **LCD Product** ” means any driver LSI products for LCD panel.

“ **Licensable Patents** ” means Patents that, as of the Effective Date, are co-owned or not owned by REL or any of its Subsidiaries, and REL or its Subsidiaries have the right to grant, to any Third Party, licenses within and of the scope set forth herein and without the requirement to consent of any Third Party or pay consideration to any Third Party

“ **Licensed Patents** ” means the Owned Patents and the Licensable Patents which are necessary to use the Licensed Process Technology.

“ **Licensed Process Technology** ” means the following REL’s proprietary process technology including any improvements and modifications thereto:

(i) [*****];

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(ii) [*****]; and

(iii) [*****].

“ **Owned Patents** ” means Patents that, (i) as of the Effective Date, are owned by REL or its Subsidiaries, and REL or its Subsidiaries have the right to grant licenses, to any Third Party, within and of the scope set forth herein and without the requirement to consent of any Third Party or pay consideration to any Third Party (other than employees of the applicable party or its Subsidiaries), or (ii) make a claim of priority to, or is terminally disclaimed with, a Patent that is encompassed in the immediately above subsection (i), and REL or its Subsidiaries have the right to grant licenses, to any Third Party, within and of the scope set forth herein and without the requirement to consent or pay consideration to any Third Party (other than employees of the applicable party or its Subsidiaries), or (iii) make a claim of priority to, or is terminally disclaimed with, a Patent that is transferred to a Third Party and encompassed in the immediately above section (i) before such transfer of the Patent, and filed after such transfer of the Patent.

“ **Patents** ” means all classes or types of Japanese and foreign patents, utility models and design rights (including design patents) issued by the authority which grants patent, utility models and design rights (including design patents) in any country in the world, together with any and all parents, divisionals, renewals, continuations, continuations-in-part, foreign counterparts, extensions or reissues that claim priority to any of the foregoing, and pending applications for these classes or types of patents, utility models and design rights (including design patents) in all countries of the world.

“ **Product** ” means LCD Product designed or made by or on behalf of RSP for RSP’s customers.

“ **PTC** ” means Powerchip Technology Corporation, a Taiwanese company, having its head office at [*].

“ **REL Non-Patent IP Rights** ” means the following:

(i) Copyrights, whether in published or unpublished works, original works of authorship fixed in any tangible medium of expression (in whatever form now or hereafter existing), databases, data collections and rights therein, mask work rights, compilations, web site content, registrations and applications for registration for any of the foregoing, and renewals or extensions thereof and moral and economic rights of authors or creators in any of the foregoing in all countries of the world including, but not limited to, computer programs, data bases, handbooks and manuals embodied in the Licensed Process Technology;

(ii) Trade secrets and/or know-how of any kind embodied in the Licensed Process Technology;

[*****] **Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.**

(iii) Computer software, programs and databases in any form, including source code, object code, operating systems and specifications, data, databases, GDS and GDSII files, database management code, firmware, utilities, graphical user interfaces, menus, images, icons, forms and software engines, and all related documentation, developer notes, comments and annotations embodied in the Licensed Process Technology; and

(iv) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world; but excluding any Patents, trademarks, service marks and trade dress,

all of which REL or its Subsidiaries own or have the right to grant Synaptics and RSP the licenses of the scope contemplated herein during the term of this Agreement without any condition or any additional payment to Third Parties.

“ **Stock Purchase Agreement** ” means certain Stock Purchase Agreement among REL, Sharp Corporation, Powerchip Technology Corporation, Global Powertec Co. Ltd., Quantum Vision Corporation, RSP, Renesas SP Drivers Taiwan, Inc., Synaptics, and Synaptics Holding GMBH dated June 11, 2014.

“ **Subsidiary** ” means a corporation or other entity of which REL or Synaptics now or hereafter owns or controls, directly or indirectly, more than fifty percent (50%) of the voting stocks or rights, provided, however, that such corporations and other entities shall be regarded as Subsidiary only so long as such ownership or control exists.

“ **Third Party** ” means any person other than REL and its Subsidiaries.

1.2 Other Defined Terms. The following terms have the meanings assigned to such terms in the Sections of the Agreement set forth below:

Agreement	Preamble
Confidential Information	3.1
Effective Date	Preamble
Parties	Preamble
REL	Preamble
RSP	Preamble
Synaptics	Preamble

1.3 Interpretation. The meaning assigned to each term defined herein is equally applicable to both the singular and the plural forms of such term and vice versa. Where a word or phrase is used herein, each of its other grammatical forms has a corresponding meaning. The terms “hereof”, “herein” and “herewith” and words of similar import, unless otherwise stated, are construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. When a reference is made in this Agreement to an Article, Section, Annex, Exhibit or Schedule, such reference is to an Article, Section, Annex, Exhibit or Schedule to this Agreement unless otherwise specified. The words “include”, “includes”, and “including” when used in this Agreement are deemed to be followed by the words “without limitation”, unless otherwise specified. A reference to any Party includes such Party’s successors and permitted assigns. Any reference to REL includes REL’s predecessors. Reference to any law means such law as amended, modified, codified, replaced or re-enacted, and all rules and regulations promulgated thereunder, as of the Effective Date. The Parties have participated jointly in the negotiation and drafting of this Agreement. Any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party by virtue of the authorship of this Agreement does not apply to the construction and interpretation hereof.

2. GRANT OF LICENSES.

2.1 Right to use Licensed Process Technology. Subject to the terms and conditions as set forth in this Agreement, REL hereby grants to Synaptics and RSP a non-exclusive, non-transferable, fully paid-up, world-wide license, with no right to grant sublicenses, under REL Non-Patent IP Rights to use Licensed Process Technology to have Products made by PTC.

2.2 Right to practice the claims of Licensed Patents. Subject to the terms and conditions as set forth in this Agreement, REL hereby grants to Synaptics and RSP a non-exclusive, non-transferable, fully paid-up, world-wide license, with no right to grant sublicenses, under Licensed Patents to have Products made by PTC only when PTC uses the Licensed Process Technology for the Products.

2.3 Limited License. Nothing contained in this Agreement shall be construed as granting by implication, estoppel or otherwise, upon any Party licensed hereunder, any license or other right under any patent or utility model, copyright, mask work right, trade secret, trademark, trade name or the like, except the licenses and rights expressly granted hereunder.

3. CONFIDENTIALITY.

3.1 Confidential Information. "Confidential Information" means (i) the terms and conditions contained herein, and the fact that negotiations with respect to the foregoing have taken place or are or might be taking place and the contents thereof and (ii) any information disclosed by either Party to the other Party in connection with this Agreement, and the non-public intellectual property rights that the disclosing Party designates and maintains confidential as follows:

(a) if disclosed in writing or other tangible form, the date of disclosure and a proprietary legend, such as "Confidential", shall be set forth in such writing;

(b) if disclosed orally or visually, or disclosed in any form in which it is impracticable to indicate the confidentiality of the Confidential Information, it shall be designated as confidential upon disclosure and the disclosing Party shall provide the disclosed Party with a list that contains the place and time of the disclosure and brief description of the disclosed Confidential Information within thirty (30) days after the disclosure; or

(c) if disclosed in electronic data (including disclosure using an electromagnetic memory device), the confidentiality of the Confidential Information must be obvious to the receiving Party when the receiving Party reads the data through a computer system; *provided*, however, that if the disclosing Party delivers an electromagnetic memory device that contains data of the Confidential Information, the disclosing Party place a proprietary legend, such as “Confidential”, on the memory device or attach a letter that indicates the confidentiality of the contained data.

3.2 Confidentiality Obligations. Each Party agrees to keep the Confidential Information (including its copies and replicas) confidential and not disclose or make available the Confidential Information to any Third Party without the prior written consent of the other Party (except in accordance with **Article 3.4**). The foregoing prohibitions do not apply to (i) information that is ascertainable or obtained from public information or is otherwise publicly known through no wrongful act of the receiving Party; (ii) information received from a Person not known after reasonable inquiry to the disclosing Party to be under an obligation to keep such information confidential; (iii) information independently developed by the receiving Party without use of the disclosing Party’s information. The confidential obligations of the receiving Party will continue until fifth anniversary of the disclosure of the relevant Confidential Information; *provided*, however, that the confidential obligation of the Parties as to the terms and conditions contained herein will be perpetual.

3.3 Permitted Disclosures. Notwithstanding anything herein to the contrary, each Party may (without prior notification to, or approval or consent by, the other Party) disclose to tax authorities or to such Party’s representatives (including outside counsel and advisors) any confidential or non-public information that is required to be disclosed in connection with such party’s tax filings, reports, claims, audits, or litigation.

3.4 Required Disclosures. In the event that a Party is requested or required by law, governmental entity, regulation or judicial process to disclose Confidential Information, such Party shall provide reasonable advance written notice to the other Party of such request or any legal requirement so that the other Party may seek confidential treatment of such Confidential Information prior to its disclosure (whether through protective orders or otherwise). If, in the absence of a protective order, other confidential treatment or waiver under this Agreement, a Party is advised by its legal counsel that it is legally required to disclose such Confidential Information, such Party may disclose the Confidential Information without liability under this Agreement.

3.5 Return or Disposal of Confidential Information. Upon the earlier of the termination of this Agreement or written request from the disclosing Party, the receiving Parties shall promptly return or dispose (at its choice) of any and all disclosed tangible Confidential Information and its copies and replicas. The receiving Party shall notify the disclosing Party in writing, of the date of disposal, the disposed materials and the method of disposal promptly after such disposal.

4. NO WARRANTIES.

4.1 Sole Obligation of REL. The sole obligation of REL hereunder with respect to the Licensed Process Technology and Licensed Patent shall be to grant licenses to Synaptics as provided in **Article 2**.

4.2 Disclaimer of Warranties. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, REL EXPRESSLY DISCLAIMS ALL WARRANTIES RELATING TO THE PRODUCTS, LICENSED PROCESS TECHNOLOGY, LICENSED PATENTS, REL INTELLECTUAL PROPERTIES OR LICENSES GRANTED HEREUNDER, EXPRESS OR IMPLIED, WHETHER ARISING BY LAW, CUSTOM OR CONDUCT INCLUDING, WITHOUT LIMITATION, ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT. Without limiting the generality of the foregoing, REL shall not have any responsibility of any kind for the ability of Synaptics, RSP or PTC to utilize Licensed Process Technology, Licensed Patents, or REL Non-Patent IP Rights for any products made by Synaptics, RSP or PTC to ensure that any such products properly function or are merchantable or that any products, including, but not limited to Products manufactured using Licensed Process Technology, Licensed Patents or REL Non-Patent IP Rights licensed under this Agreement will not infringe any patents or utility models of any third parties; or for any damages to Synaptics or RSP (including loss of profits, loss of use, interruption of business, or indirect, special, incidental, consequential damages) or for any claim or demand against Synaptics or RSP by any third party arising out of or resulting from Licensed Process Technology, Licensed Patents or REL Non-Patent IP Rights licensed to Synaptics or RSP hereunder, including, but not limited to, any claims or actions based on any actual or alleged infringement of any patents, trademarks, utility models, design patents, copyrights, mask works, trade secrets or other intellectual property rights owned or controlled by any third party resulting from the use of Licensed Process Technology, Licensed Patents or REL Non-Patent IP Rights by Synaptics, RSP or PTC and/or the Products manufactured by Synaptics, RSP or PTC.

5. TERM AND TERMINATION.

5.1 Term. This Agreement shall commence on Effective Date, and shall continue in full force until it is terminated pursuant to **Section 5.2**.

5.2 Termination. This Agreement may be terminated before expiration:

(a) by mutual written consent of the Parties;

(b) by either REL or Synaptics, upon any breach of a covenant by the other Party that has not been cured within thirty (30) days of being notified in writing thereof by the non-breaching Party;

(c) by either REL or Synaptics, by giving notice to the other Party, upon a petition being filed, a proceeding being commenced or an order being made for bankruptcy, corporate reorganisation or civil rehabilitation or any other similar insolvency proceeding of such other Party, or upon a payment of such other Party being suspended; or

(d) by either REL or Synaptics, by giving notice to the other Party, in the event such other Party adopts resolutions to wind up its business or effect a dissolution.

5.3 Effect of Termination.

(a) If this Agreement is terminated pursuant to **Section 5.2**, all rights and obligations of the Parties hereunder (except for confidentiality obligations) terminate without any liability of either Party to the other Party (except for any liability of a Party then in breach); *provided*, however, that (i) **Articles 3, 4 and 6, and Section 5.3** survive termination, and (ii) for termination of this Agreement pursuant to Section 5.2 (b), (c) or (d), the non-breaching Party under Section 5.2(b), or the non-liquidating Party under Sections 5.2 (c) and (d), the rights granted in this Agreement shall vest and become perpetual.

(b) Upon termination of this Agreement pursuant to **Article 5.2**, each party shall promptly return to the other party all confidential material of the other party, including all confidential material concerning Licensed Process Technology, Licensed Patents or REL Intellectual Rights licensed hereunder, and their copies, replicas and modifications. Notwithstanding the foregoing, each party may retain one copy of each of the foregoing for its records.

6. GENERAL PROVISIONS.

6.1 Governing Law. This Agreement is governed by and construed in accordance with the laws of Japan without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than Japan.

6.2 Relationship of Parties. In the performance of this Agreement, each Party is acting as an independent contractor, and neither Party is the agent of the other Party. Neither Party has the right or ability to bind the other Party to any agreement with a third party or to incur any obligation or liability on behalf of each other Party.

6.3 Severability. No term or provision of this Agreement that is invalid or unenforceable in any jurisdiction affects the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

6.4 Amendments; Waivers. No amendment of any provision of this Agreement is valid unless the same is in writing and signed by each Party. No waiver by a Party of any provision of this Agreement or any default or breach of covenant hereunder, whether intentional or not, is valid unless the same is in writing and signed by the Party making such waiver, nor is such waiver deemed to extend to any prior or subsequent default or breach of covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

6.5 Dispute Resolution. Each Party shall employ commercially reasonable efforts to settle amicably through good faith discussions any dispute or disagreement that may arise under or pursuant to this Agreement. In the event that any such dispute or disagreement cannot be resolved through such discussions, the Parties shall submit such dispute to the exclusive jurisdiction of the Tokyo District Court.

6.6 Entire Agreement. This Agreement, the Stock Purchase Agreement, any ancillary agreements, and all exhibits, annexes or attachment thereto, constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

6.7 Counterparts. This Agreement may be executed in counterparts (including by means of facsimile), each of which is deemed an original but all of which together constitute one and the same instrument.

6.8 Headings. The section headings contained in this Agreement are inserted for convenience only and do not affect in any way the meaning or interpretation of this Agreement.

6.9 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties and no presumption or burden of proof is to arise favouring or disfavouring any Party by virtue of the authorship of any of the provisions of this Agreement.

6.10 Governing Language. This Agreement has been negotiated and executed by the Parties in English. In the event any translation of this Agreement is prepared for convenience or any other purpose, the provisions of the English version prevail.

6.11 Assignment. Neither Party shall assign or transfer this Agreement, or any of its rights or obligations hereunder without the prior written consent of the other. All covenants and agreements and other provisions set forth in this Agreement and made by or on behalf of either Party shall bind and inure to the benefit of the successors, heirs and permitted assigns of such Party.

6.12 Force Majeure. Neither Party is liable for any failure to comply with its obligations under this Agreement to the extent such failure is caused by circumstances beyond such Party's reasonable control, including act of God, war, riot, explosion, abnormal weather conditions, fire, flood, earthquake, typhoon, nationwide or regional strike and lockout, government action or regulation and nationwide or regional power failure.

[Signature Page Follows]

IN WITNESS WHEREOF , the Parties have executed this Agreement on the Effective Date.

REL:

RENESAS ELECTRONICS CORPORATION ,
a Japanese *kabushiki kaisha*

By: _____
[Name], [Title]

SYNAPTICS:

SYNAPTICS INCORPORATED ,
a Delaware corporation

By: _____
[Name], [Title]

RSP:

RENESAS SP DRIVERS, INC. ,
a Japanese *kabushiki kaisha*

By: _____
[Name], [Title]

SYNAPTICS INCORPORATED

2010 EMPLOYEE STOCK PURCHASE PLAN

1. **Purpose** . The purpose of the Plan is to provide incentive for present and future employees of the Company and any Designated Subsidiary to acquire a proprietary interest (or increase an existing proprietary interest) in the Company through the purchase of Common Stock. It is the Company's intention that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. Accordingly, the provisions of the Plan shall be administered, interpreted and construed in a manner consistent with the requirements of that section of the Code.

2. **Definitions** .

(a) "**Applicable Percentage** " means the percentage specified in Section 8, subject to adjustment by the Committee as provided in Section 8.

(b) "**Board** " means the Board of Directors of the Company.

(c) "**Code** " means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder, and successor provisions and regulations thereto.

(d) "**Committee** " means the committee appointed by the Board to administer the Plan as described in Section 13 of the Plan or, if no such Committee is appointed, the Board.

(e) "**Common Stock** " means the Company's common stock, par value \$.001 per share.

(f) "**Company** " means Synaptics Incorporated, a Delaware corporation.

(g) "**Compensation** " means, with respect to each Participant for each pay period, the full base salary and overtime paid to such Participant by the Company or a Designated Subsidiary. Except as otherwise determined by the Committee, "Compensation" does not include: (i) bonuses or commissions; (ii) any amounts contributed by the Company or a Designated Subsidiary to any pension plan; (iii) any automobile or relocation allowances (or reimbursement for any such expenses); (iv) any amounts paid as a starting bonus or finder's fee; (v) any amounts realized from the exercise of any stock options or incentive awards; (vi) any amounts paid by the Company or a Designated Subsidiary for other fringe benefits, such as health and welfare, hospitalization and group life insurance benefits, or perquisites, or paid in lieu of such benefits, or; (vii) other similar forms of extraordinary compensation.

(h) "**Continuous Status as an Employee** " means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company or the Designated Subsidiary that employs the Employee, provided that such leave is for a period of not more than 90 days, or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(i) "**Designated Subsidiaries** " mean the Subsidiaries that have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(j) "**Employee** " means any person, including an Officer, whose customary employment with the Company or one of its Designated Subsidiaries is at least twenty (20) hours per week and more than five (5) months in any calendar year.

(k) "**Entry Date** " means the first day of each Exercise Period.

(l) "**Exchange Act** " means the Securities Exchange Act of 1934, as amended.

(m) "**Exercise Date** " means the last Trading Day ending on or before the May 15 or November 15, as applicable, immediately following the First Offering Date, and the last Trading Day ending on or before each May 15 and November 15 thereafter.

(n) “ **Exercise Period** ” means, for any Offering Period, each period commencing on the Offering Date and on the day after each Exercise Date, and terminating on the immediately following Exercise Date.

(o) “ **Exercise Price** ” means the price per share of Common Stock offered in a given Offering Period determined as provided in Section 8.

(p) “ **Fair Market Value** ” means, with respect to a share of Common Stock, the Fair Market Value as determined under Section 7 (b).

(q) “ **First Offering Date** ” means January 1, 2011; provided, however, that if the offering period under the Company’s 2001 Employee Stock Purchase Plan, as amended (the “Prior Plan”) ends prior to December 31, 2010, the First Offering Date shall mean the January 1 or July 1, as applicable, immediately following the end of the offering period under the Prior Plan.

(r) “ **Offering Date** ” means the first Trading Day of each Offering Period; provided, that in the case of an individual who becomes eligible to become a Participant under Section 3 after the first Trading Day of an Offering Period, the term “Offering Date” shall mean the first Trading Day of the Exercise Period coinciding with or next succeeding the day on which that individual becomes eligible to become a Participant. Options granted after the first day of an Offering Period will be subject to the same terms as the options granted on the first Trading Day of such Offering Period except that they will have a different grant date (thus, potentially, a different exercise price) and, because they expire at the same time as the options granted on the first Trading Day of such Offering Period, a shorter term.

(s) “ **Offering Period** ” means, subject to adjustment as provided in Section 4, (i) with respect to the first Offering Period, the period beginning on the First Offering Date and ending on May 15 or November 15, as applicable, which is 22 1/2 months thereafter, and (ii) with respect to each Offering Period thereafter, the period beginning on May 16 or November 16, as applicable, immediately following the end of the previous Offering Period and ending on May 15 or November 15, as applicable, which is 24 months thereafter.

(t) “ **Officer** ” means a person who is an officer of the Company within the meaning of Section 16 under the Exchange Act and the rules and regulations promulgated thereunder.

(u) “ **Participant** ” means an Employee who has elected to participate in the Plan by filing an enrollment agreement with the Company as provided in Section 5 of the Plan.

(v) “ **Plan** ” shall mean this 2010 Employee Stock Purchase Plan.

(w) “ **Plan Contributions** ” means, with respect to each Participant, the after-tax payroll deductions withheld from the Compensation of the Participant and contributed to the Plan for the Participant as provided in Section 6 of the Plan and any other amounts contributed to the Plan for the Participant in accordance with the terms of the Plan.

(x) “ **Subsidiary** ” shall mean any corporation, domestic or foreign, of which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock, and that otherwise qualifies as a “subsidiary corporation” within the meaning of Section 424(f) of the Code.

(y) “ **Trading Day** ” shall mean a day on which the national stock exchanges and the Nasdaq system are open for trading.

3. Eligibility .

(a) Any Employee who has completed at least one (1) month of employment with the Company or any Designated Subsidiary, and who is an Employee as of the Offering Date of a given Offering Period shall be eligible to become a Participant as of any Entry Date within that Offering Period under the Plan, subject to the requirements of Section 5(a) and the limitations imposed by Section 423(b) of the Code; provided, however, that any Employee who is an Employee as of the First Offering Date shall be eligible to become a Participant as of such First Offering Date.

(b) Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted an option under the Plan (i) to the extent that if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries intended to qualify under Section 423 of the Code will accrue at a rate which exceeds \$25,000 of fair market value of stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods . The Plan shall generally be implemented by a series of Offering Periods. The first Offering Period shall commence on the First Offering Date and end on May 15 or November 15, as applicable, which is 22 1/2 months thereafter, and succeeding Offering Periods shall commence on May 16 or November 16, as applicable, immediately following the end of the previous Offering Period and end on May 15 or November 15, as applicable, which is 24 months thereafter. If, however, the Fair Market Value of a share of Common Stock on any Exercise Date (except the final scheduled Exercise Date of any Offering Period) is lower than the Fair Market Value of a share of Common Stock on the Offering Date, then the Offering Period in progress shall end immediately following the close of trading on such Exercise Date, and a new Offering Period shall begin on the next subsequent May 16 or November 16, as applicable, and shall extend for a 24 month period ending on November 15 or May 15, as applicable. Subsequent Offering Periods shall commence on May 16 or November 16, as applicable, immediately following the end of the previous Offering Period and shall extend for a 24 month period ending on November 15 or May 15, as applicable. The Committee shall have the power to make other changes to the duration and/or the frequency of Offering Periods with respect to future offerings if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected and the Offering Period does not exceed 24 months.

5. Election to Participate .

(a) An eligible Employee may elect to participate in the Plan commencing on any Entry Date by completing an enrollment agreement on the form provided by the Company and filing the enrollment agreement with the Company on or prior to such Entry Date, unless a later time for filing the enrollment agreement is set by the Committee for all eligible Employees with respect to a given offering. The enrollment agreement shall set forth the percentage of the Participant's Compensation that is to be withheld by payroll deduction pursuant to the Plan.

(b) Except as otherwise determined by the Committee under rules applicable to all Participants, payroll deductions for a Participant shall commence on the first payroll date following the Entry Date on which the Participant elects to participate in accordance with Section 5(a) and shall end on the last payroll date in the Offering Period, unless sooner terminated by the Participant as provided in Section 11.

(c) Unless a Participant elects otherwise prior to the last Exercise Date of an Offering Period, including the last Exercise Date prior to termination in the case of an Offering Period terminated by operation of the rule contained in Section 4 hereof, such Participant shall be deemed (i) to have elected to participate in the immediately succeeding Offering Period (and, for purposes of such Offering Period such Participant's "Entry Date" shall be deemed to be the first day of such Offering Period) and (ii) to have authorized the same payroll deduction for such immediately succeeding Offering Period as was in effect for such Participant immediately prior to the commencement of such succeeding Offering Period.

6. Participant Contributions .

(a) Except as otherwise authorized by the Committee pursuant to Section 6(d) below, all Participant contributions to the Plan shall be made only by payroll deductions. At the time a Participant files the enrollment agreement with respect to an Offering Period, the Participant may authorize payroll deductions to be made on each payroll date during the portion of the Offering Period that he or she is a Participant in an amount not less than 1% and not more than 15% of the Participant's Compensation on each payroll date during the portion of the Offering Period that he or she is a Participant (or subsequent Offering Periods as provided in Section 5(c)). The amount of payroll deductions shall be a whole percentage (i.e., 1%, 2%, 3%, etc.) of the Participant's Compensation.

(b) A Participant may discontinue his or her participation in the Plan as provided in Section 11, or may decrease or increase the rate or amount of his or her payroll deductions during such Offering Period (within the limitations of Section 6(a) above) by completing and filing with the Company a new enrollment agreement authorizing a change in the rate or amount of payroll deductions; provided, that a Participant may not change the rate or amount of his or her payroll deductions more than once in any Exercise Period. The change in rate or amount shall be effective with the first full payroll period following ten (10) business days after the Company's receipt of the new enrollment agreement.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a Participant's payroll deductions may be decreased to 0% at such time during any Exercise Period which is scheduled to end during the current calendar year that the aggregate of all payroll deductions accumulated with respect to such Exercise Period and any other Exercise Period ending within the same calendar year are equal to the product of \$25,000 multiplied by the Applicable Percentage for the calendar year. Payroll deductions shall recommence at the rate provided in the Participant's enrollment agreement at the beginning of the following Exercise Period which is scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 11.

(d) Notwithstanding anything to the contrary in the foregoing, but subject to the limitations set forth in Section 3(b), the Committee may permit Participants to make after-tax contributions to the Plan at such times and subject to such terms and conditions as the Committee may in its discretion determine. All such additional contributions shall be made in a manner consistent with the provisions of Section 423 of the Code or any successor thereto, and shall be held in Participants' accounts and applied to the purchase of shares of Common Stock pursuant to options granted under this Plan in the same manner as payroll deductions contributed to the Plan as provided above.

(e) All Plan Contributions made for a Participant shall be deposited in the Company's general corporate account and shall be credited to the Participant's account under the Plan. No interest shall accrue or be credited with respect to a Participant's Plan Contributions. All Plan Contributions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate or otherwise set apart such Plan Contributions from any other corporate funds.

7. Grant of Option .

(a) On a Participant's Entry Date, subject to the limitations set forth in Sections 3(b) and 12(a), the Participant shall be granted an option to purchase on each subsequent Exercise Date during the Offering Period in which such Entry Date occurs (at the Exercise Price determined as provided in Section 8 below) up to a number of shares of Common Stock determined by dividing such Participant's Plan Contributions accumulated prior to such Exercise Date and retained in the Participant's account as of such Exercise Date by the Exercise Price; provided, that the maximum number of shares an Employee may purchase during any Exercise Period shall be Six Hundred Fifty (650) shares. The Fair Market Value of a share of Common Stock shall be determined as provided in Section 7(b).

(b) The Fair Market Value of a share of Common Stock on a given date shall be determined by the Committee in its discretion; provided, that if there is a public market for the Common Stock, the Fair Market Value per share shall be either (i) the closing price of the Common Stock on such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported by the National Association of Securities Dealers Automated Quotation (Nasdaq) National Market System, (ii) if such price is not reported, the average of the bid and asked prices for the Common Stock on such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported by Nasdaq, (iii) in the event the Common Stock is listed on a stock exchange, the closing price of the Common Stock on such exchange on such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported in The Wall Street Journal, or (iv) if no such quotations are available for a date within a reasonable time prior to the valuation date, the value of the Common Stock as determined by the Committee using any reasonable means.

8. Exercise Price . The Exercise Price per share of Common Stock offered to each Participant in a given Offering Period shall be the lower of: (i) the Applicable Percentage of the greater of (A) the Fair Market Value of a share of Common Stock on the Offering Date or (B) the Fair Market Value of a share of Common Stock on the Entry Date on which the Employee elects to become a Participant within the Offering Period or (ii) the Applicable Percentage of the Fair Market Value of a share of Common Stock on the Exercise Date. The Applicable Percentage with respect to each Offering Period shall be 85%, unless and until such Applicable Percentage is increased by the Committee, in its sole discretion, provided that any such increase in the Applicable Percentage with respect to a given Offering Period must be established not less than fifteen (15) days prior to the Offering Date thereof.

9. Exercise of Options . Unless the Participant withdraws from the Plan as provided in Section 11, the Participant's option for the purchase of shares will be exercised automatically on each Exercise Date, and the maximum number of full shares subject to such option shall be purchased for the Participant at the applicable Exercise Price with the accumulated Plan Contributions then credited to the Participant's account under the Plan. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by the Participant.

10. Delivery . As promptly as practicable after each Exercise Date, the Company shall arrange for the delivery to each Participant (or the Participant's beneficiary), as appropriate, or to a custodial account for the benefit of each Participant (or the Participant's beneficiary) as appropriate, of a certificate representing the shares purchased upon exercise of such Participant's option. Any amount remaining to the credit of a Participant's account after an Offering Period (other than an amount which is insufficient to purchase a full share of common stock) shall be returned to the Participant as soon as administratively practicable after the end of the Offering Period.

11. Withdrawal; Termination of Employment .

(a) A Participant may withdraw from the Plan at any time by giving written notice to the Company. All of the Plan Contributions credited to the Participant's account and not yet invested in Common Stock will be paid to the Participant as soon as administratively practicable after receipt of the Participant's notice of withdrawal, the Participant's option to purchase shares pursuant to the Plan will automatically be terminated, and no further payroll deductions for the purchase of shares will be made for the Participant's account. Payroll deductions will not resume on behalf of a Participant who has withdrawn from the Plan (a "Former Participant") unless the Former Participant enrolls in a subsequent Offering Period in accordance with Section 5(a).

(b) Upon termination of the Participant's Continuous Status as an Employee prior to any Exercise Date for any reason, including retirement or death, the Plan Contributions credited to the Participant's account and not yet invested in Common Stock will be returned to the Participant or, in the case of death, to the Participant's beneficiary as determined pursuant to Section 14, and the Participant's option to purchase shares under the Plan will automatically terminate.

(c) A Participant's withdrawal from an Offering Period will not have any effect upon the Participant's eligibility to participate in succeeding Offering Periods or in any similar plan which may hereafter be adopted by the Company.

12. Stock .

(a) Subject to adjustment as provided in Section 17, the maximum number of shares of the Company's Common Stock that shall be made available for sale under the Plan shall be equal to the sum of (i) any shares available for issuance under the Company's 2001 Employee Stock Purchase Plan, as amended (the "Prior Plan") on the First Offering Date (and such shares shall no longer be available for issuance under the Prior Plan) but not to exceed 650,000 shares, (ii) an automatic annual increase on the first day of each of the Company's fiscal years beginning in 2012 and ending in 2019 equal to the lesser of (A) Five Hundred Thousand (500,000) shares, (B) 1% of all shares of Common Stock outstanding on the last day of the immediately preceding fiscal year, or (C) a lesser amount determined by the Board. The cumulative shares authorized under the Plan shall be less than 10% of shares outstanding from time to time, unless a greater number of shares is authorized by the Company's shareholders. Shares of Common Stock subject to the Plan may be newly issued shares or shares reacquired in private transactions or open market purchases. If and to the extent that any right to purchase reserved shares shall not be exercised by any Participant for any reason or if such right to purchase shall terminate as provided herein, shares that have not been so purchased hereunder shall again become available for the purpose of the Plan unless the Plan shall have been terminated, but all shares sold under the Plan, regardless of source, shall be counted against the limitation set forth above.

(b) A Participant will have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a Participant under the Plan will be registered in the name of the Participant or in the name of the Participant and his or her spouse, as requested by the Participant.

13. Administration .

(a) The Plan shall be administered by the Committee. The Committee shall have the authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The administration, interpretation, or application of the Plan by the Committee shall be final, conclusive and binding upon all persons.

(b) Notwithstanding the provisions of Subsection (a) of this Section 13, in the event that Rule 16b-3 promulgated under the Exchange Act or any successor provision thereto ("Rule 16b-3") provides specific requirements for the administrators of plans of this type, the Plan shall only be administered by such body and in such a manner as shall comply with the applicable requirements of Rule 16b-3. Unless permitted by Rule 16b-3, no discretion concerning decisions regarding the Plan shall be afforded to any person that is not "disinterested" as that term is used in Rule 16b-3.

14. Designation of Beneficiary .

(a) A Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under the Plan in the event of the Participant's death subsequent to an Exercise Date on which the Participant's option hereunder is exercised but prior to delivery to the Participant of such shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of the Participant's death prior to the exercise of the option.

(b) A Participant's beneficiary designation may be changed by the Participant at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. Transferability . Neither Plan Contributions credited to a Participant's account nor any rights to exercise any option or receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will or the laws of descent and distribution, or as provided in Section 14). Any attempted assignment, transfer, pledge or other distribution shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 11.

16. Participant Accounts . Individual accounts will be maintained for each Participant in the Plan to account for the balance of his Plan Contributions and options issued and shares purchased under the Plan. Statements of account will be given to Participants semi-annually in due course following each Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

17. Adjustments Upon Changes in Capitalization; Corporate Transactions .

(a) If the outstanding shares of Common Stock are increased or decreased, or are changed into or are exchanged for a different number or kind of shares, as a result of one or more reorganizations, restructurings, recapitalizations, reclassifications, stock splits, reverse stock splits, stock dividends, stock repurchases, or the like, equitable and proportionate adjustments shall be made by the Committee in the number and/or kind of shares, and the per-share option price thereof, which may be issued in the aggregate and to any Participant upon exercise of options granted under the Plan.

(b) In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. In the event of a proposed sale of all or substantially all of the Company's assets, or the merger of the Company with or into another corporation (each, a "Sale Transaction"), each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Committee determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to shorten the Exercise Period then in progress by setting a new Exercise Date (the "New Exercise Date"). If the Committee shortens the Exercise Period then in progress in lieu of assumption or substitution in the event of a Sale Transaction, the Committee shall notify each Participant in writing, at least ten (10) days prior to the New Exercise Date, that the exercise date for such Participant's option has been changed to the New Exercise Date and that such Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Plan as provided in Section 11. For purposes of this Section 17(b), an option granted under the Plan shall be deemed to have been assumed if, following the Sale Transaction, the option confers the right to purchase, for each share of option stock subject to the option immediately prior to the Sale Transaction, the consideration (whether stock, cash or other securities or property) received in the Sale Transaction by holders of Common Stock for each share of Common Stock held on the effective date of the Sale Transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, that if the consideration received in the Sale Transaction was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Committee may, with the consent of the successor corporation and the Participant, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by the holders of Common Stock in the Sale Transaction.

(c) In all cases, the Committee shall have sole discretion to exercise any of the powers and authority provided under this Section 17, and the Committee's actions hereunder shall be final and binding on all Participants. No fractional shares of stock shall be issued under the Plan pursuant to any adjustment authorized under the provisions of this Section 17.

18. Amendment of the Plan . The Board or the Committee may at any time, or from time to time, amend the Plan in any respect; provided, that (i) no such amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant; and (ii) the Plan may not be amended in any way that will cause rights issued under the Plan to fail to meet the requirements for employee stock purchase plans as defined in Section 423 of the Code or any successor thereto. To the extent necessary to comply with Rule 16b-3 under the Exchange Act, Section 423 of the Code, or any other applicable law or regulation), the Company shall obtain stockholder approval of any such amendment.

19. Termination of the Plan . The Plan and all rights of Employees hereunder shall terminate on the earliest of:

(a) the Exercise Date that Participants become entitled to purchase a number of shares greater than the number of reserved shares remaining available for purchase under the Plan; or

(b) such date as is determined by the Board in its discretion.

In the event that the Plan terminates under circumstances described in Section 19(a) above, reserved shares remaining as of the termination date shall be sold to Participants on a pro rata basis.

20. Notices . All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. **Effective Date** . Subject to adoption of the Plan by the Board, the Plan shall become effective on the First Offering Date. The Board shall submit the Plan to the stockholders of the Company for approval within twelve months after the date the Plan is adopted by the Board.

22. **Conditions Upon Issuance of Shares** .

(a) The Plan, the grant and exercise of options to purchase shares under the Plan, and the Company's obligation to sell and deliver shares upon the exercise of options to purchase shares shall be subject to compliance with all applicable federal, state and foreign laws, rules and regulations and the requirements of any stock exchange on which the shares may then be listed.

(b) The Company may make such provisions as it deems appropriate for withholding by the Company pursuant to federal or state tax laws of such amounts as the Company determines it is required to withhold in connection with the purchase or sale by a Participant of any Common Stock acquired pursuant to the Plan. The Company may require a Participant to satisfy any relevant tax requirements before authorizing any issuance of Common Stock to such Participant.

23. **Expenses of the Plan** . All costs and expenses incurred in administering the Plan shall be paid by the Company, except that any stamp duties or transfer taxes applicable to participation in the Plan may be charged to the account of such Participant by the Company.

24. **No Employment Rights** . The Plan does not, directly or indirectly, create any right for the benefit of any employee or class of employees to purchase any shares under the Plan, or create in any employee or class of employees any right with respect to continuation of employment by the Company, and it shall not be deemed to interfere in any way with the Company's right to terminate, or otherwise modify, an employee's employment at any time.

25. **Applicable Law** . The laws of the State of Delaware shall govern all matters relating to this Plan except to the extent (if any) superseded by the laws of the United States.

26. **Additional Restrictions of Rule 16b-3** . The terms and conditions of options granted hereunder to, and the purchase of shares by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3. This Plan shall be deemed to contain, and such options shall contain, and the shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

SYNAPTICS INCORPORATED
CHANGE OF CONTROL SEVERANCE POLICY FOR PRINCIPAL EXECUTIVE OFFICERS
 Effective July 29, 2014

1. Purpose . The purpose of this Synaptics Incorporated Change of Control Severance Policy for Principal Executive Officers (the “Severance Policy”) is to provide a fair framework in the event of the termination of employment of one or more key executive officers (an “Executive”) of Synaptics Incorporated or any subsidiary of Synaptics Incorporated (collectively, the “Company”).

2. Covered Principal Executive Officers . This Severance Policy shall be applicable to each Executive to the extent such Executive has been designated and notified in writing by the Company upon nomination by the Chief Executive Officer (the “CEO”) and approval of the Board of Directors (the “Board”) or the Compensation Committee of the Board of Directors (the “Committee”).

3. Definitions .

(a) **Change of Control** . For the purpose of this Severance Policy, a “Change of Control” shall mean any of the following:

- (i) **Change of Control** . A change in control of a nature that would be required to be reported in response to Item 6 (e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, which serve similar purposes;
- (ii) **Tender Offer** . A tender offer or exchange offer is made whereby the effect of such offer is to take over and control the Company, and such offer is consummated for the equity securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding voting securities;
- (iii) **Merger or Consolidation** . The stockholders of the Company shall approve a merger, consolidation, recapitalization, or reorganization of the Company, a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction that would result in at least 50% of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being beneficially owned by the holders of outstanding voting securities of the Company immediately prior to the transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction;

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- (iv) **Liquidation or Sale of Assets** . The stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets to another person, which is not a wholly owned subsidiary of the Company (i.e., 50% or more of the total assets of the Company); or
 - (v) **Stockholdings** . Any "person" (as that term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under that act), directly or indirectly of more than 50% of the total voting power represented by the Company's then outstanding voting securities.
- (b) **Change of Control Period**. The "Change of Control Period" shall mean the period commencing on the Effective Date and ending on the eighteen (18) month anniversary of the Effective Date in the case of the CEO and any other Executive.
 - (c) **Effective Date** . The "Effective Date" shall be the closing date of the transaction on which a Change of Control occurs.
 - (d) **Good Cause** . "Good Cause," as it applies to the determination of the Company to terminate the employment of an Executive, shall mean any one or more of the following: (i) Executive's willful, material, and irreparable breach of Executive's duties to the Company; (ii) Executive's gross negligence in the performance or intentional nonperformance (continuing for 30 days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities; (iii) Executive's willful dishonesty, fraud, or misconduct with respect to the business or affairs of the Company, which materially and adversely affects the operations or reputation of the Company; (iv) Executive's indictment for, conviction of, or guilty plea to a felony crime involving dishonesty or moral turpitude whether or not relating to the Company; or (v) a confirmed positive illegal drug test result.
 - (e) **Good Reason** . "Good Reason," as it applies to the determination by an Executive to terminate the Executive's employment shall mean the occurrence of any of the following events without Executive's prior written approval: (i) Executive is demoted by means of a material reduction in authority, responsibilities, or duties or Executive is required to render primary employment services from a Company location that is more than 50 miles from a Company location from which Executive provides employment services to the Company at the time Executive becomes an Executive other than as has been previously contemplated by the Company and Executive; (ii) Executive's annual base salary for a fiscal year is reduced to a level that is less than 90% of the base salary paid to Executive during the prior fiscal year; or (iii) Executive's Targeted Bonus is reduced to a level that is less than ninety percent (90%) of the Targeted Bonus for Executive during the prior fiscal year.
 - (f) **Insurance Coverage** . "Insurance Coverage" shall mean, for Executive and/or Executive's family who are qualified to participate, as the case may be, all benefits under welfare benefit plans, practices, policies, and programs provided by the Company and its subsidiaries (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death, and travel accident insurance plans and programs), at least as favorable as the most favorable of such plans, practices, policies, and programs in effect at any time during the one hundred eighty (180) day period immediately preceding the Effective Date or, if more favorable to Executive and/or Executive's family, as in effect at any time thereafter with respect to other key executives.
 - (g) **Targeted Bonus** . "Targeted Bonus" shall mean, for each fiscal year of the Company, either (i) a bonus program in which Executive shall be entitled to participate, which provides Executive with a reasonable opportunity, based on the past compensation practices of the Company and Executive's then base salary, to maintain or increase Executive's total compensation compared to the previous fiscal year or (ii) a targeted bonus based on such factors as the Board may determine.

4. Termination; Rights on Termination.

- (a) **Termination** . Executive's employment under this Severance Policy may be terminated in any one of the followings ways:
- (i) **Death of Executive** . The employment of Executive shall terminate during the Change of Control Period immediately upon Executive's death. In the event Executive's employment is terminated as a result of Executive's death, Executive shall have no right under this Severance Policy to any severance compensation.
 - (ii) **Disability of Executive** . If, during the Change of Control Period, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from Executive's full-time duties hereunder for six (6) consecutive months, then thirty (30) days after giving written notice to Executive (which notice may occur before or after the end of such six (6) month period, but which shall not be effective earlier than the last day of such six (6) month period), the Company may terminate Executive's employment provided Executive is unable to resume Executive's full-time duties at the conclusion of such notice period. Also, Executive may terminate Executive's employment if Executive's health should become impaired to an extent that makes the continued performance of Executive's duties hereunder hazardous to Executive's physical or mental health or Executive's life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within ten (10) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event Executive's employment is terminated as a result of Executive's disability, Executive shall have no right under this Severance Policy to any severance compensation.
 - (iii) **Termination by the Company for Good Cause** . The Company may terminate Executive's employment during the Change of Control Period upon ten (10) days prior written notice to Executive for Good Cause. In the event of a termination by the Company for Good Cause, Executive shall have no right under this Severance Policy to any severance compensation.
 - (iv) **Termination by the Company Without Good Cause or by Executive with Good Reason** . The Company may terminate Executive's employment without Good Cause during the Change of Control Period upon the approval of a majority of the members of the Board, excluding Executive if Executive is a member of the Board. Executive may terminate Executive's employment with Good Reason during the Change of Control Period upon ten (10) days prior written notice to the Company. For purposes of this paragraph 4(a)(iv), any good faith determination of "Good Reason" made by Executive shall be conclusive. Should the Company terminate Executive's employment without Good Cause during the Change of Control Period or should Executive terminate Executive's employment with Good Reason during the Change of Control Period, the Company shall, for a period of eighteen (18) months after termination, pay to Executive on each regular payroll date as in effect on termination a pro-rata amount equal to the sum of (A) one hundred fifty percent (150%) of Executive's Base Salary in the case of the CEO and one hundred percent (100%) in the case of any other Executive and (B) one hundred fifty percent (150%) of Executive's Targeted Bonus in the case of the CEO and one hundred percent (100%) in the case of any other Executive, in each case for the fiscal year during which termination occurs. Further, if during the Change of Control Period the Company terminates Executive's employment without Good Cause or Executive terminates Executive's employment with Good Reason, (1) the Company shall, for a period of eighteen (18) months after termination, continue the Insurance Coverage if and to the extent required by COBRA by way of making the family medical insurance premium payments contemplated by COBRA; (2) the Company shall, for a period of eighteen (18) months after termination, maintain life insurance coverage comparable to that provided immediately prior to termination, if any, with the beneficiary designated by Executive; and (3) Executive shall be entitled to receive all other accrued but unpaid benefits relating to vacations, Insurance Coverage, and other executive perquisites through Executive's last day of employment.

- (v) **Resignation by Executive Without Good Reason** . Executive may without cause and without Good Reason terminate Executive's own employment during the Change of Control Period, effective thirty (30) days after written notice is provided to the Company or such earlier time as any such resignation may be accepted by the Company. If Executive resigns or otherwise terminates Executive's employment without Good Reason, Executive shall receive no severance compensation under this Severance Policy.
- (vi) **Effect on Stock Options and Deferred Stock Units** . In the event Executive is terminated during the Change of Control Period by the Company without Good Cause or by Executive with Good Reason, all unvested stock options and deferred stock units (which shall not include "market stock units" that vest based on the achievement of a specified level of total stockholder return compared with a predetermined stock index over a performance period) held by Executive shall vest as of the day immediately preceding any such termination of Executive's employment, provided that any options or deferred stock units granted prior to the date hereof that included specific provisions regarding accelerated vesting shall be unchanged. In addition, any vested stock options (including those vested as a result of this paragraph 4(a)(vi)) held by Executive shall be exercisable for ninety (90) days after the termination of Executive's employment, but not beyond their original term.

5. Certain Reduction of Payment by the Company.

- (a) **Potential Section 280G Reductions** . Notwithstanding anything in this Severance Policy to the contrary, in the event that it shall be determined that any payment, distribution, or other action by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Severance Policy or otherwise (a "Payment")) would result in an "excess parachute payment" within the meaning of Section 280G(b)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and the value determined in accordance with Section 280G(d)(4) of the Code of the Payments, net of all taxes imposed on Executive (the "Net After-Tax Amount"), that Executive would receive would be increased if the Payments were reduced, then the Payments shall be reduced by an amount (the "Reduction Amount") so that the Net After-Tax Amount after such reduction is greatest. For purposes of determining the Net After-Tax Amount, Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Payment is to be made, and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

- (b) **Determinations** . Subject to the provisions of this paragraph 5(b), all determinations required to be made under this paragraph 5, including the Net After-Tax Amount, the Reduction Amount, and the Payment that is to be reduced pursuant to paragraph 5 (a), and the assumptions to be utilized in arriving at such determinations, shall be made by the Company's independent registered public accounting firm (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. The Accounting Firm's decision as to which Payments are to be reduced shall be made (i) only from Payments that the Accounting Firm determines reasonably may be characterized as "parachute payments" under Section 280G of the Code; (ii) first, only from Payments that are required to be made in cash; (iii) only with respect to any amounts that are not payable pursuant to a "nonqualified deferred compensation plan" subject to Section 409A of the Code, until those payments have been reduced to zero; and (iv) in reverse chronological order, to the extent that any Payments subject to reduction are made over time (e.g., in installments). In no event, however, shall any Payments be reduced if and to the extent such reduction would cause a violation of Section 409A of the Code or other applicable law. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

6. Minimum Employment Term . This Severance Policy shall not be applicable to any Executive until that Executive officer has completed a minimum of one full year of employment with the Company.

7. Release of Claims . The Company's obligations under Section 4 are contingent upon Executive's executing (and not revoking during any applicable revocation period) a valid, enforceable, full and unconditional release of all claims Executive may have against the Company (whether known or unknown) as of the date of termination in such form as provided by the Company no later than sixty (60) days after the date of termination. If the foregoing release is executed and delivered and no longer subject to revocation within 60 days after the date of termination, then the following shall apply:

- (a) To the extent any payments due to Executive under Section 4 are not "deferred compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended, then such payments shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Severance Policy had such payments commenced after the date of Employment Termination, and any payments to be made thereafter shall continue as provided herein. The delayed payments shall in any event expire at the time such payments would have expired had such payments commenced after the date of termination.
- (b) To the extent any payments due to Executive under Section 4 above are "deferred compensation" for purposes of Section 409A, then such payments shall commence upon the sixtieth (60th) day following the date of termination. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Severance Policy had such payments commenced after the date of termination, and any payments to be made thereafter shall continue as provided herein. The delayed payments shall in any event expire at the time such payments would have expired had such payments commenced immediately following the date of termination.

8. **Section 409A** . Notwithstanding any provisions in this Severance Policy to the contrary, if at the time of the termination the Executive is a “specified employee” as defined in Section 409A and the deferral of the commencement of any payments or benefits otherwise payable as a result of such termination is necessary to avoid the additional tax under Section 409A, the Company will defer the payment or commencement of the payment of any such payments or benefits (without any reduction in such payments or benefits ultimately paid or provided to Executive) until the date that is six months following the termination. Any monthly payment amounts deferred will be accumulated and paid to Executive (without interest) six months after the date of termination in a lump sum, and the balance of payments due to Executive will be paid as otherwise provided in this Severance Policy. Each monthly payment described in this Severance Policy is designated as a “separate payment” for purposes of Section 409A and, subject to the six month delay, if applicable, and Section 6 the first monthly payment shall commence on the payroll date as in effect on termination following the termination. For purposes of this Severance Policy, a termination of employment means a separation from service as defined in Section 409A. No reimbursement payable to Executive pursuant to any provisions of this Severance Policy or pursuant to any plan or arrangement of the Company shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a “deferral of compensation” within the meaning of Section 409A. This Severance Policy will be interpreted, administered and operated in accordance with Section 409A, although nothing herein will be construed as an entitlement to or guarantee of any particular tax treatment to Executive.

9. **Term** . This Severance Policy will be effective as of July 29, 2014. At first meeting of the Board or Committee in every third fiscal year following the date of effectiveness of this Severance Policy, the Board or the Committee, as the case may be, will review the Severance Policy and resolve to continue with, modify, or terminate the Severance Policy. If the Board or the Committee fails to take action regarding the Severance Policy, the Severance Policy will remain in effect in accordance with its then-current terms until such time as the Board or Committee takes action.

EXECUTION VERSION

**Wells Fargo Bank, National Association
121 S. Market Street, 3rd Floor
San Jose, California 95113**

**Wells Fargo Securities, LLC
550 California Street, 12th Floor
San Francisco, California 94104**

CONFIDENTIAL

June 11, 2014

Synaptics Incorporated
1251 McKay Drive
San Jose, California 95131

Attention: Kathy Bayless, Chief Financial Officer

Re: Project Aerosmith Commitment Letter
\$300.0 Million Senior Secured Credit Facilities

Ladies and Gentlemen:

You have advised Wells Fargo Bank, National Association (“Wells Fargo Bank”) and Wells Fargo Securities, LLC (“Wells Fargo Securities”) and, together with Wells Fargo Bank, the “Commitment Parties” or “we” or “us”) that Synaptics Incorporated, a Delaware corporation (the “Borrower” or “you”) seeks financing to (a) fund a portion of the purchase price for the proposed acquisition (the “Acquisition”) by Synaptics Holding GMBH, a Swiss *Gesellschaft mit beschränkter Haftung* (“Purchaser Subsidiary”), directly or through one or more wholly owned subsidiaries, of all the equity interests of Renesas SP Drivers, Inc., a Japanese *kabushiki kaisha* (the “Acquired Company”) and Renesas SP Drivers Taiwan, Inc., a company limited-by-shares incorporated in the Republic of China (“RSP-TW”) from Renesas Electronics Corporation, a Japanese *kabushiki kaisha*, Sharp Corporation, a Japanese *kabushiki kaisha*, Powerchip Technology Corp., a company limited-by-shares incorporated in the Republic of China, Global Powertec Co. Ltd., a British Virgin Islands company and Quantum Vision Corporation, a company limited-by-shares incorporated in the Republic of China (each, a “Seller” and collectively, the “Sellers”) pursuant to a stock purchase agreement among the Borrower, Purchaser Subsidiary, RSP-TW, the Acquired Company and the Sellers (the “Acquisition Agreement”), (b) refinance certain existing indebtedness of the Borrower and its subsidiaries and the Acquired Company and its subsidiaries (such refinancings, collectively, the “Refinancing”), (c) pay fees, commissions and expenses in connection with the Transactions (as defined below) and (d) finance ongoing working capital requirements and other general corporate purposes, all as more fully described in the Summary of Proposed Terms and Conditions attached hereto as Annex A (the “Term Sheet”). This Commitment Letter (as defined below) describes the general terms and conditions for senior secured credit facilities of up to \$300.0 million to be provided to the Borrower consisting of (a) a term loan facility of \$150.0 million (the “Term Loan A Facility”) and (b) a revolving credit facility of \$150.0 million (the “Revolving Credit Facility”) and, collectively with the Term Loan A Facility, the “Senior Credit Facilities”). Except as the context otherwise requires, references to “the Borrower and its subsidiaries” shall not include the Acquired Company and its subsidiaries prior to the consummation of the Acquisition.

*Commitment Letter
Project Aerosmith*

As used herein, the term “Transactions” means, collectively, the Acquisition, the Refinancing, the initial borrowings and other extensions of credit under the Senior Credit Facilities on the Closing Date and the payment of fees, commissions and expenses in connection with each of the foregoing. This letter, including the Term Sheet and the Conditions Annex attached hereto as Annex B (the “Conditions Annex”), is hereinafter referred to as the “Commitment Letter”. The date of the initial funding under the Senior Credit Facilities is referred to as the “Closing Date”.

1. Commitment. Upon the terms set forth in this Commitment Letter and in the fee letter dated the date hereof from the Commitment Parties to you (the “Fee Letter”), and subject only to the conditions set forth in the Conditions Annex, Wells Fargo Bank is pleased to advise you of its commitment to provide to the Borrower 100% of the principal amount of the Senior Credit Facilities (the “Commitment”).

2. Titles and Roles. Wells Fargo Securities, acting alone or through or with affiliates selected by it, will act as the sole bookrunner and sole lead arranger (in such capacities, the “Lead Arranger”) in arranging and syndicating the Senior Credit Facilities. Wells Fargo Bank (or an affiliate selected by it) will act as the sole administrative agent (in such capacity, the “Administrative Agent”) for the Senior Credit Facilities. No additional agents, co-agents, arrangers or bookrunners will be appointed, no other titles will be awarded and no other compensation will be paid (other than compensation expressly contemplated by this Commitment Letter and the Fee Letter) unless you and we shall reasonably agree in writing; provided that the Lead Arranger shall have the right, in consultation with you, to award titles to other co-agents, arrangers or bookrunners who are Lenders (as defined below) that provide (or whose affiliates provide) commitments in respect of the Senior Credit Facilities (it being further agreed that (x) if requested by the Lead Arranger, each of the parties hereto shall execute a revised version of this Commitment Letter or an amendment or joinder hereto to reflect the commitment or commitments of any such institution (or its affiliate), (y) no other agent, co-agent, arranger or bookrunner (other than the Lead Arranger) will have rights in respect of the management of the syndication of the Senior Credit Facilities (including, without limitation, in respect of “market flex” rights under the Fee Letter, over which the Lead Arranger will have sole control) and (z) Wells Fargo Securities will have the “left” and “highest” placement in any and all marketing materials or other documentation used in connection with the Senior Credit Facilities and shall hold the leading role and responsibilities conventionally associated with such placement, including maintaining sole physical books for the Senior Credit Facilities.

3. Conditions to Commitment. The Commitment and undertakings of the Commitment Parties hereunder are subject solely to the satisfaction of the conditions precedent set forth in the Conditions Annex.

Notwithstanding anything in this Commitment Letter, the Fee Letter or the Financing Documentation (as defined in the Term Sheet) or any other letter agreement or other undertaking concerning the financing of the Transactions to the contrary, (a) the only representations (and related defaults) relating to the Acquired Company, RSP-TW, the Borrower, Purchaser Subsidiary and their respective subsidiaries and their respective businesses the accuracy of which shall be a condition to the availability of the Senior Credit Facilities on the Closing Date shall be (i) such of the representations made by the Acquired Company and/or the Sellers or their respective subsidiaries or affiliates in the Acquisition Agreement (without giving effect to any Excluded Modifications (as defined in the Term Sheet)) as are material to the interests of the Lenders (the “Specified Acquisition Agreement Representations”), but only to the extent that you or your affiliates have the right to terminate your or their obligations under the Acquisition Agreement or otherwise decline to close the Acquisition as a result of a breach of any such Specified Acquisition Agreement Representations or any such Specified Acquisition Agreement Representations not being accurate (in each case, determined without regard to any notice requirement) and (ii) the Specified Representations (as defined below) and (b) the terms of the Financing Documentation shall be in a form such that they do not impair the availability of the Senior Credit Facilities on the Closing Date if the conditions set forth in the Conditions Annex are satisfied or waived by the Commitment Parties (it being understood that, to the extent any security interest in any Collateral (as defined in the Term Sheet) (other than security interests that may be perfected by (x) the filing of a financing statement under the Uniform Commercial Code in the office of the Secretary of State (or equivalent filing office) of the respective jurisdiction of organization of the Borrower or any Guarantor, (y) the delivery of certificates evidencing the equity securities required to be pledged pursuant to the Term Sheet and (z) the filing of short-form security agreements with the United States Patent and Trademark Office or the United States Copyright Office, as applicable) is not or cannot be perfected on the Closing Date after your use of commercially reasonable efforts to do so, then the perfection of such security interests shall not constitute a condition precedent to the availability of the Senior Credit Facilities on the Closing Date, but instead shall be required to be perfected after the Closing Date pursuant to arrangements and timing to be mutually agreed by the Administrative Agent and the Borrower acting reasonably (but not to be less than 90 days after the Closing Date or such later date as the Administrative Agent and the Borrower mutually agree upon in good faith)). For purposes hereof, “Specified Representations” means the representations and warranties of the Borrower and the Guarantors set forth in the Term Sheet relating to corporate existence of the Credit Parties (as defined in the Term Sheet) in their respective jurisdictions of organization; power and authority, due authorization, execution and delivery and enforceability, in each case, relating to the Credit Parties’ entering into and performance of the Financing Documentation; no conflicts of the Financing Documentation with the Credit Parties’ organizational documents or applicable material law; solvency as of the Closing Date (after giving effect to the Transactions) of the Borrower and its subsidiaries (including the Acquired Company and its subsidiaries) on a consolidated basis (such representation and warranty to be consistent with the solvency certificate in the form set forth in Exhibit A to Annex B); Federal Reserve margin regulations; the Investment Company Act; the PATRIOT Act; OFAC; FCPA; and, subject to the parenthetical in the immediately preceding sentence and subject to permitted liens to be mutually agreed and the preceding provisions of this Section 3, the creation, validity and perfection of security interests in the Collateral. This paragraph, and the provisions herein, shall be referred to as the “Limited Conditionality Provision”.

4. Syndication.

(a) The Lead Arranger intends and reserves the right, both prior to and after the Closing Date, to secure commitments for the Senior Credit Facilities from a syndicate of banks, financial institutions and other entities (such banks, financial institutions and other entities committing to the Senior Credit Facilities, including Wells Fargo Bank, the “Lenders”) upon the terms and subject to the conditions set forth in this Commitment Letter, it being understood that we will not syndicate to those persons identified by you in writing to us prior to the date hereof (such persons, collectively, the “Disqualified Institutions”). Until the earlier of (i) the date that a Successful Syndication (as defined in the Fee Letter) is achieved and (ii) the date that is 90 days following the Closing Date (the “Syndication Date”), you agree to, and will use commercially reasonable efforts to cause appropriate members of management of the Acquired Company to, assist us actively in achieving a syndication of the Senior Credit Facilities that is reasonably satisfactory to us and you. To assist us in our syndication efforts, you agree that you will, and will cause your representatives and advisors to, and will use commercially reasonable efforts to cause appropriate members of management of the Acquired Company and its representatives and advisors to, (i) provide promptly to the Commitment Parties and the other Lenders upon request all information reasonably deemed necessary by the Lead Arranger to assist the Lead Arranger and each Lender in their evaluation of the Transactions and to complete the syndication, (ii) make

your senior management and use commercially reasonable efforts to cause appropriate members of management of the Acquired Company available to prospective Lenders on reasonable prior notice and at reasonable times and places, (iii) host, with the Lead Arranger, one or more meetings and/or calls with prospective Lenders at mutually agreed times and locations, (iv) assist, and cause your affiliates and advisors to assist, the Lead Arranger in the preparation of one or more confidential information memoranda and other marketing materials in form and substance reasonably satisfactory to the Lead Arranger (it being agreed that we and you shall use commercially reasonable efforts to finalize such memoranda and materials, together with (A) the Projections (as defined in the Term Sheet) and (B) pro forma financial statements for the four quarter period ended March 31, 2014 and the four quarter period ending June 29, 2013, in each case giving effect to the Transactions and in a form customary for confidential information memoranda for bank facilities of this type, no later than 45 days following the date hereof) to be used in connection with the syndication, (v) use commercially reasonable efforts to ensure that the syndication efforts of the Lead Arranger benefit materially from the existing lending relationships of the Borrower and the Acquired Company, (vi) cooperate in good faith with the Lead Arranger to agree to substantially final Financing Documentation by no later than 90 days after the date hereof and (vii) ensure that, prior to the Syndication Date, none of you, the Acquired Company, any of your respective affiliates nor any person acting on any of your or their behalves, shall have solicited, announced, offered, arranged, syndicated or issued any competing debt securities (including convertible securities) or bank financing (other than the Senior Credit Facilities), other than indebtedness of the Acquired Company and its subsidiary that is expressly permitted to be incurred pursuant to the Acquisition Agreement (without giving effect to any Excluded Modifications), without the consent of the Lead Arranger.

(b) The Lead Arranger and/or one or more of its affiliates will exclusively manage all aspects of the syndication of the Senior Credit Facilities (in consultation with you), including decisions as to the selection and number of potential Lenders to be approached, when they will be approached, whose commitments will be accepted, any titles offered to the Lenders and the final allocations of the commitments and any related fees among the Lenders, and the Lead Arranger will exclusively perform all functions and exercise all authority as is customarily performed and exercised in such capacities. Notwithstanding the Lead Arranger's right to syndicate the Senior Credit Facilities and receive commitments with respect thereto, unless otherwise agreed to by you, Wells Fargo Bank shall not be relieved or released from its obligations hereunder (including its obligation to fund the Senior Credit Facilities on the Closing Date) in connection with any syndication, assignment or participation in the Senior Credit Facilities, including its Commitment, until the initial funding under the Senior Credit Facilities has occurred on the Closing Date. Without limiting your obligations to assist with the syndication efforts as set forth herein, it is understood that the Commitment hereunder is not conditioned upon the syndication of, or receipt of commitments in respect of, the Senior Credit Facilities and in no event shall the successful completion of the syndication of the Senior Credit Facilities constitute a condition to the availability of the Senior Credit Facilities on the Closing Date.

5. Information.

(a) You represent, warrant and covenant that (i) all written information and written data (other than the Projections, as defined below, other forward-looking information and information of a general economic or general industry nature) concerning the Borrower and its subsidiaries, the Transactions, and, to your knowledge, the Acquired Company and its subsidiaries, that has been or will be made available to the Commitment Parties or the Lenders by you, or any of your or their representatives, subsidiaries or affiliates (or on your or their behalf) (the “Information”), when taken as a whole, (x) is, and in the case of Information made available after the date hereof, will be, complete and correct in all material respects and (y) does not, and in the case of Information made available after the date hereof, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading and (ii) all financial projections concerning the Borrower and the Acquired Company and their respective subsidiaries, taking into account the consummation of the Transactions, that have been or will be made available to the Commitment Parties or the Lenders by you, or any of your or their representatives, subsidiaries or affiliates (or on your or their behalf) (the “Projections”) have been and will be prepared in good faith based upon assumptions believed by you to be reasonable at the time made available to the Commitment Parties or the Lenders, it being understood that such Projections are not to be viewed as facts and that actual results may vary materially from the Projections. You agree that if, at any time prior to the later of the Closing Date and the Syndication Date, you become aware that any of the representations and warranties contained in the preceding sentence would be incorrect in any material respect if the Information and Projections were being furnished, and such representations were being made, at such time, then you will promptly supplement, or cause to be supplemented, the Information and the Projections so that such representations are correct in all material respects under those circumstances. We will be entitled to use and rely upon, without responsibility to verify independently, the Information and the Projections. You acknowledge that, subject to Section 9 hereof, we may share with any of our affiliates (it being understood that such affiliates will be subject to the confidentiality agreements between you and us), and such affiliates may share with the Commitment Parties, any information related to you, the Acquired Company, or any of your or their subsidiaries or affiliates (including, without limitation, in each case, information relating to creditworthiness) and the transactions contemplated hereby.

(b) You acknowledge that (i) the Commitment Parties will make available the Information, Projections and other marketing materials and presentations, including the confidential information memoranda (collectively, the “Informational Materials”), to the potential Lenders by posting the Informational Materials on SyndTrak Online or by other similar electronic means (collectively, the “Electronic Means”) and (ii) certain prospective Lenders may be “public side” (i.e., lenders that have personnel that do not wish to receive material non-public information (within the meaning of the United States federal securities laws, “MNPI”) with respect to the Borrower, the Acquired Company or their respective subsidiaries or affiliates or any of their respective securities, and who may be engaged in investment and other market-related activities with respect to such entities’ securities (such Lenders, “Public Lenders”). At the request of the Lead Arranger, (A) you will assist, and cause your affiliates, advisors, and to the extent possible using commercially reasonable efforts, appropriate representatives of the Acquired Company to assist, the Lead Arranger in the preparation of Informational Materials to be used in connection with the syndication of the Senior Credit Facilities to Public Lenders, which will not contain MNPI (the “Public Informational Materials”), (B) you will identify and conspicuously mark any Public Informational Materials “*PUBLIC*”, and (C) you will identify and conspicuously mark any Informational Materials that include any MNPI as “*PRIVATE AND CONFIDENTIAL*”. Notwithstanding the foregoing, you agree that the Commitment Parties may distribute the following documents to all prospective Lenders (including the Public Lenders) on your behalf, unless you advise the Commitment Parties in writing (including by email) within a reasonable time prior to their intended distributions that such material should not be distributed to Public Lenders: (w) administrative materials for prospective Lenders such as lender meeting invitations and funding and closing memoranda, (x) notifications of changes in the terms of the Senior Credit Facilities, (y) quarterly and annual financial statements regarding the Borrower, the Acquired Company and their respective subsidiaries (other than the Projections) and (z) other materials intended for prospective Lenders after the initial distribution of the Informational Materials, including drafts and final versions of the Term Sheet and the Financing Documentation. If you advise us in writing (including by email) that any of the foregoing items (other than the Financing Documentation) should not be distributed to Public Lenders, then the Commitment Parties will not distribute such materials to Public Lenders without further discussions with you. Before distribution of any Informational Materials to prospective Lenders, you shall provide us with a customary letter authorizing the dissemination of the Informational Materials and confirming the accuracy and completeness in all material respects of the information contained therein and, in the case of Public Informational Materials, confirming the absence of MNPI therefrom.

6. Indemnification. You agree to indemnify and hold harmless the Commitment Parties and each of their respective affiliates, directors, officers, employees, partners, representatives, advisors and agents and each of their respective heirs, successors and assigns (each, an “Indemnified Party”) from and against any and all actions, suits, losses, claims, damages, penalties, liabilities and expenses of any kind or nature (including reasonable and documented out-of-pocket legal expenses (provided that such legal expenses in respect of counsel shall be limited to one primary counsel, and one local counsel in each applicable jurisdiction, for the Commitment Parties)), joint or several, to which such Indemnified Party may become subject or that may be incurred or asserted or awarded against such Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (a) any matters contemplated by this Commitment Letter, the Transactions or any related transaction (including, without limitation, the execution and delivery of this Commitment Letter and the Financing Documentation and the closing of the Transactions) or (b) the use or the contemplated use of the proceeds of the Senior Credit Facilities, and will reimburse each Indemnified Party for all out-of-pocket expenses (including reasonable documented attorneys’ fees, expenses and charges (provided that such attorney’s fees, expenses and charges in respect of counsel shall be limited to one primary counsel, and one local counsel in each applicable jurisdiction, for the Commitment Parties) on demand as they are incurred in connection with any of the foregoing; provided that no Indemnified Party will have any right to indemnification for any of the foregoing to the extent resulting from such Indemnified Party’s own gross negligence, bad faith, willful misconduct or material breach of this Commitment Letter as determined by a court of competent jurisdiction in a final non-appealable judgment. In the case of an investigation, litigation or proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by you, your equity holders or creditors or an Indemnified Party, whether or not an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. You also agree that no Indemnified Party will have any liability (whether direct or indirect, in contract or tort, or otherwise) to you or your affiliates or to your or their respective equity holders or creditors arising out of, related to or in connection with any aspect of the transactions contemplated hereby, except to the extent such liability to you is determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s own gross negligence, bad faith, willful misconduct or material breach of this Commitment Letter. No party hereto will be liable for any indirect, consequential, special or punitive damages in connection with this Commitment Letter, the Fee Letter, the Financing Documentation or any other element of the Transactions; provided that nothing contained in this sentence shall limit your indemnification and reimbursement obligations to the extent set forth herein. No Indemnified Party will be liable to you, your affiliates or any other person for any damages arising from the use by others of Informational Materials or other materials obtained by Electronic Means, except to the extent that your damages are found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of such Indemnified Party. You shall not, without the prior written consent of each Indemnified Party affected thereby, settle any threatened or pending claim or action that would give rise to the right of any Indemnified Party to claim indemnification hereunder unless such settlement (x) includes a full and unconditional release of all liabilities arising out of such claim or action against such Indemnified Party and (y) does not include any statement as to or an admission of fault, culpability or failure to act by or on behalf of such Indemnified Party.

7. Expenses. You agree to reimburse each of the Commitment Parties, from time to time on demand, for all reasonable out-of-pocket costs and expenses of the Commitment Parties, including, without limitation, reasonable documented legal fees and expenses (provided that such legal fees and expenses in respect of counsel shall be limited to one primary counsel, and one local counsel in each applicable jurisdiction, for the Commitment Parties), reasonable due diligence expenses and all reasonable printing, reproduction, document delivery, travel, CUSIP, SyndTrak and communication costs, incurred in connection with the syndication and execution of the Senior Credit Facilities and the preparation, review, negotiation, execution, delivery and enforcement of this Commitment Letter, the Fee Letter, the Financing Documentation and any security arrangements in connection therewith regardless of whether the Closing Date occurs.

8. Fees. As consideration for the commitments and agreements of the Commitment Parties hereunder, you agree to cause to be paid the nonrefundable fees described in the Fee Letter on the terms and subject to the conditions set forth therein.

9. Confidentiality.

(a) This Commitment Letter and the Fee Letter (collectively, the “ Commitment Documents ”) and the existence and contents hereof and thereof shall be confidential and may not be disclosed, directly or indirectly, by you in whole or in part to any person without our prior written consent, except for disclosure (i) hereof or thereof on a confidential basis to your directors, officers, employees, accountants, attorneys and other professional advisors who have been advised of their obligation to maintain the confidentiality of the Commitment Documents for the purpose of evaluating, negotiating or entering into the Transactions, (ii) upon the request or demand of any regulatory body having jurisdiction over you or as otherwise required by law (in which case, you agree, to the extent permitted by law, to inform us promptly in advance thereof), (iii) the Commitment Documents on a confidential basis to the board of directors, officers and advisors of each Seller and the Acquired Company in connection with their consideration of the Acquisition, (provided that any information relating to pricing (including in any “market flex” provisions that relate to pricing), fees and expenses has been redacted in a manner reasonably acceptable to us) and (iv) this Commitment Letter, but not the Fee Letter, in any required filings with the Securities and Exchange Commission and other applicable regulatory authorities and stock exchanges. In connection with any disclosure by you to any third party as set forth above (except as set forth in clauses (ii) or (iv) above), you shall notify such third party of the confidential nature of the Commitment Documents. The Commitment Parties shall be permitted to use information related to the syndication and arrangement of the Senior Credit Facilities (including your name and company logo) in connection with obtaining a CUSIP number, marketing, press releases or other transactional announcements or updates provided to investor or trade publications, subject to confidentiality obligations or disclosure restrictions reasonably requested by you. Subject to the foregoing, prior to the Closing Date, the Commitment Parties shall have the right to review and approve any public announcement or public filing made by you, the Sellers or the Acquired Company or your or their representatives relating to the Senior Credit Facilities or to any of the Commitment Parties in connection therewith, before any such announcement or filing is made (such approval not to be unreasonably withheld or delayed).

(b) Each of the Commitment Parties agrees that non-public information received by it from you or your affiliates and representatives in connection with the Transactions shall be treated by such person in a confidential manner; provided that nothing herein shall prevent any Commitment Party from disclosing any such information (i) to any Lenders or participants or prospective Lenders or participants; provided further that the disclosure of any such information to any Lenders or prospective Lenders or participants or prospective participants referred to above shall be made subject to the acknowledgment and acceptance by such Lender or prospective Lender or participant or prospective participant that such information is being disseminated on a confidential basis (on substantially the terms set forth in this paragraph or as is otherwise reasonably acceptable to you and each Commitment Party, including, without limitation, as agreed in any confidential information memorandum or other marketing materials) in accordance with the standard syndication processes of such Commitment Party or customary market standards for dissemination of such type of information, (ii) in any legal, judicial, administrative proceeding or other compulsory process or otherwise as required by applicable law or regulations (in which case, such Commitment Party shall, to the extent permitted by law, inform you promptly in advance thereof), (iii) upon the request or demand of any regulatory authority having jurisdiction over such Commitment Party or its affiliates (in which case such Commitment Party shall, except with respect to any audit or examination conducted by bank accountants or any governmental bank regulatory authority exercising examination or regulatory authority, promptly notify you, in advance, to the extent practicable and lawfully permitted to do so), (iv) to the employees, legal counsel, independent auditors, professionals and other experts or agents of such Commitment Party (collectively, “Representatives”) who are informed of the confidential nature of such information and are or have been advised of their obligation to keep information of this type confidential, (v) to any of its respective affiliates (provided that any such affiliate is advised of its obligation to retain such information as confidential) solely in connection with the Transactions, (vi) to the extent any such information becomes publicly available other than by reason of disclosure by such Commitment Party, its affiliates or Representatives in breach of this Commitment Letter, (vii) to the extent that such information is received by such Commitment Party from a third party that is not to such Commitment Party’s knowledge subject to confidentiality obligations to you, (viii) to the extent that such information is independently developed by such Commitment Party, (ix) to ratings agencies in connection with the Transactions with your prior consent and (x) for purposes of establishing a “due diligence” defense. The provisions of this paragraph with respect to the Commitment Parties shall automatically terminate on the earlier of (i) two years following the date of this Commitment Letter and (ii) the Closing Date. The terms of this Section 9(b) shall supersede all prior confidentiality or non-disclosure agreements and understandings between us and you relating to the Transactions.

(c) The Commitment Parties hereby notify you that pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the “PATRIOT Act”), each of them is required to obtain, verify and record information that identifies you and any additional Credit Parties, which information includes your and their respective names, addresses, tax identification numbers and other information that will allow the Commitment Parties and the other Lenders to identify you and such other parties in accordance with the PATRIOT Act. This notice is given in accordance with the requirements of the PATRIOT Act and is effective for each of us and the Lenders.

10. Other Services.

(a) Nothing contained herein shall limit or preclude the Commitment Parties or any of their affiliates from carrying on any business with, providing banking or other financial services to, or from participating in any capacity, including as an equity investor, in any party whatsoever, including, without limitation, any competitor, supplier or customer of you, the Sellers, the Acquired Company or any of your or their affiliates, or any other party that may have interests different than or adverse to such parties.

(b) You acknowledge that the Lead Arranger and its affiliates (the term “*Lead Arranger*” as used in this section being understood to include such affiliates) (i) may be providing debt financing, equity capital or other services (including financial advisory services) to other entities and persons with which you, the Sellers, the Acquired Company or your or their respective affiliates may have conflicting interests regarding the Transactions and otherwise, (ii) may act, without violation of its contractual obligations to you, as it deems appropriate with respect to such other entities or persons, and (iii) have no obligation in connection with the Transactions to use, or to furnish to you, the Sellers, the Acquired Company or your or their respective affiliates or subsidiaries, confidential information obtained from other entities or persons.

(c) In connection with all aspects of the Transactions, you acknowledge and agree that: (i) the Senior Credit Facilities and any related arranging or other services contemplated in this Commitment Letter constitute an arm's-length commercial transaction between you and your affiliates, on the one hand, and the Commitment Parties, on the other hand, and you are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the Transactions, (ii) in connection with the process leading to the Transactions, each of the Commitment Parties is and has been acting solely as a principal and not as a financial advisor, agent or fiduciary, for you, the Acquired Company or any of your or their respective management, affiliates, equity holders, directors, officers, employees, creditors or any other party, (iii) no Commitment Party or any affiliate thereof has assumed or will assume an advisory, agency or fiduciary responsibility in your or your affiliates' favor with respect to any of the Transactions or the process leading thereto (irrespective of whether any Commitment Party or any of its affiliates has advised or is currently advising you or your affiliates or the Acquired Company or its affiliates on other matters) and no Commitment Party has any obligation to you or your affiliates with respect to the Transactions except those obligations expressly set forth in the Commitment Documents, (iv) the Commitment Parties and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from yours and those of your affiliates and no Commitment Party shall have any obligation to disclose any of such interests, and (v) no Commitment Party has provided any legal, accounting, regulatory or tax advice with respect to any of the Transactions and you have consulted your own legal, accounting, regulatory and tax advisors to the extent you have deemed appropriate. You hereby waive and release, to the fullest extent permitted by law, any claims that you may have against any Commitment Party or any of their respective affiliates with respect to any breach or alleged breach of agency, fiduciary duty or conflict of interest.

11. Acceptance/Expiration of Commitments.

(a) This Commitment Letter and the Commitment of Wells Fargo Bank and the undertakings of Wells Fargo Securities set forth herein shall automatically terminate at 11:59 p.m. (Eastern Time, Standard or Daylight, as applicable) on June 11, 2014 (the "Acceptance Deadline"), without further action or notice unless signed counterparts of this Commitment Letter and the Fee Letter shall have been delivered to the Lead Arranger by such time to the attention of Kevin J. Sanders, 550 California Street, 12th Floor, San Francisco, California 94104 (facsimile: (415) 834-4837, e-mail: Kevin.J.Sanders@wellsfargo.com).

(b) In the event this Commitment Letter is accepted by you as provided above, the Commitment and agreements of Wells Fargo Bank and the undertakings of Wells Fargo Securities set forth herein will automatically terminate without further action or notice upon the earliest to occur of (i) consummation of the Acquisition (with or without any borrowings under the Senior Credit Facilities), (ii) termination of the Acquisition Agreement, (iii) the "Drop Dead Date" (as defined in the Acquisition Agreement) and (iv) 11:59 p.m. (Eastern Time, Standard or Daylight, as applicable) on December 31, 2014, if the Closing Date shall not have occurred by such time.

12. Survival. The sections of this Commitment Letter and the Fee Letter relating to Indemnification, Expenses, Confidentiality, Other Services, Survival and Governing Law shall survive any termination or expiration of this Commitment Letter, the Commitment of Wells Fargo Bank or the undertakings of Wells Fargo Securities set forth herein (regardless of whether definitive Financing Documentation is executed and delivered), and the sections relating to Syndication and Information shall survive until the Syndication Date.

13. Governing Law. **THIS COMMITMENT LETTER AND THE FEE LETTER, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED THERETO (INCLUDING, WITHOUT LIMITATION, ANY CLAIMS SOUNDING IN CONTRACT LAW OR TORT LAW ARISING OUT OF THE SUBJECT MATTER HEREOF OR THEREOF), SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REFERENCE TO ANY OTHER CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF; PROVIDED THAT (A) THE INTERPRETATION OF THE DEFINITION OF “MATERIAL ADVERSE EFFECT” (AS DEFINED IN THE ACQUISITION AGREEMENT) AND WHETHER OR NOT A MATERIAL ADVERSE EFFECT HAS OCCURRED, (B) THE DETERMINATION OF THE ACCURACY OF ANY SPECIFIED ACQUISITION AGREEMENT REPRESENTATION AND WHETHER AS A RESULT OF ANY INACCURACY THEREOF YOU OR YOUR AFFILIATES HAVE THE RIGHT TO TERMINATE YOUR RESPECTIVE OBLIGATIONS UNDER THE ACQUISITION AGREEMENT OR OTHERWISE DECLINE TO CLOSE THE ACQUISITION AND (C) THE DETERMINATION OF WHETHER THE ACQUISITION HAS BEEN CONSUMMATED IN ACCORDANCE WITH THE TERMS OF THE ACQUISITION AGREEMENT, IN EACH CASE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF JAPAN. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS COMMITMENT LETTER OR THE FEE LETTER.** With respect to any suit, action or proceeding arising in respect of this Commitment Letter or the Fee Letter or any of the matters contemplated hereby or thereby, the parties hereto hereby irrevocably and unconditionally submit to the exclusive jurisdiction of any state or federal court located in the Borough of Manhattan, and irrevocably and unconditionally waive any objection to the laying of venue of such suit, action or proceeding brought in such court and any claim that such suit, action or proceeding has been brought in an inconvenient forum. The parties hereto hereby agree that service of any process, summons, notice or document by registered mail addressed to you or each of the Commitment Parties, in each case at the addresses set forth above, will be effective service of process against such party for any action or proceeding relating to any such dispute. A final judgment in any such action or proceeding may be enforced in any other courts with jurisdiction over you or each of the Commitment Parties.

14. Miscellaneous. This Commitment Letter and the Fee Letter embody the entire agreement among the Commitment Parties and you and your affiliates with respect to the specific matters set forth above and supersede all prior agreements and understandings relating to the subject matter hereof. No person has been authorized by any of the Commitment Parties to make any oral or written statements inconsistent with this Commitment Letter or the Fee Letter. Subject to the right of the Commitment Parties to assign their Commitments in connection with the syndication process described above (and exercise the Binding Documentation Option described in the Term Sheet), this Commitment Letter and the Fee Letter shall not be assignable by you (or us) without the prior written consent of the Commitment Parties (or you), and any purported assignment without such consent shall be void. This Commitment Letter and the Fee Letter are not intended to benefit or create any rights in favor of any person other than the parties hereto, the Lenders and, with respect to indemnification, each Indemnified Party. This Commitment Letter and the Fee Letter may be executed in separate counterparts and delivery of an executed signature page of this Commitment Letter and the Fee Letter by facsimile or electronic mail shall be effective as delivery of manually executed counterpart hereof; provided that, upon the request of any party hereto, such facsimile transmission or electronic mail transmission shall be promptly followed by the original thereof. This Commitment Letter and the Fee Letter may only be amended, modified or superseded by an agreement in writing signed by each of you and the Commitment Parties.

[Signature Pages Follow]

If you are in agreement with the foregoing, please indicate acceptance of the terms hereof by signing the enclosed counterpart of this Commitment Letter and returning it to the Lead Arranger, together with executed counterparts of the Fee Letter, by no later than the Acceptance Deadline.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Karen Byler

Name: Karen Byler

Title: Senior Vice President

WELLS FARGO SECURITIES, LLC

By: /s/ Kevin J. Sanders

Name: Kevin J. Sanders

Title: Director

Signature Page to Commitment Letter – Project Aerosmith

Agreed to and accepted as of the date first
above written:

SYNAPTICS INCORPORATED

By: /s/ Kathleen Bayless
Name: Kathleen Bayless
Title: Senior Vice President, Chief Financial
Officer, and Treasurer

Signature Page to Commitment Letter – Project Aerosmith

\$300,000,000
SENIOR SECURED CREDIT FACILITIES
SUMMARY OF PROPOSED TERMS AND CONDITIONS

Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Commitment Letter to which this Summary of Proposed Terms and Conditions is attached

Borrower:	Synaptics Incorporated, a Delaware corporation (the “Borrower”).
Sole Lead Arranger and Sole Bookrunner:	Wells Fargo Securities, LLC will act as sole lead arranger and sole bookrunner (in such capacity, the “ <u>Lead Arranger</u> ”).
Lenders:	Wells Fargo Bank, National Association and a syndicate of financial institutions and other entities (each a “ <u>Lender</u> ” and, collectively, the “ <u>Lenders</u> ”).
Administrative Agent, Issuing Bank and Swingline Lender:	Wells Fargo Bank, National Association (in such capacity, the “ <u>Administrative Agent</u> ” the “ <u>Issuing Bank</u> ” or the “ <u>Swingline Lender</u> ”, as the case may be).
Senior Credit Facilities:	<p>Senior secured credit facilities (the “<u>Senior Credit Facilities</u>”) in an aggregate principal amount of \$300.0 million, such Senior Credit Facilities to consist of:</p> <p>(a) <u>Revolving Credit Facility</u>. A revolving credit facility in an aggregate principal amount of \$150.0 million (the “<u>Revolving Credit Facility</u>”) (with (i) a \$20.0 million subfacility for standby and commercial letters of credit (each, a “<u>Letter of Credit</u>”) and (ii) a \$20.0 million subfacility for swingline loans (each, a “<u>Swingline Loan</u>”), each on customary terms and conditions). Letters of Credit will be issued by the Issuing Bank and Swingline Loans shall be made available by the Swingline Lender (on a same-day notice basis) and each Lender with a commitment under the Revolving Credit Facility will purchase an irrevocable and unconditional participation in each Letter of Credit and Swingline Loan.</p> <p>(b) <u>Term Loan A Facility</u>. A Term Loan A Facility in an aggregate principal amount of \$150.0 million (the “<u>Term Loan A Facility</u>”).</p>
Use of Proceeds:	<p>The proceeds of the Term Loan A Facility will be used, together with cash on hand and up to \$100.0 million of the Revolving Credit Facility, to finance (a) the consummation of the Acquisition, (b) the Refinancing, (c) the payment of fees and expenses incurred in connection with the Acquisition, the Refinancing and the Senior Credit Facilities and (d) to the extent of any excess after paying the amounts set forth in clauses (a) through (c), for general corporate purposes (collectively, the “<u>Transactions</u>”).</p> <p>The Revolving Credit Facility will be used to provide a portion of the financing for the Acquisition and the Refinancing and ongoing working capital and for other general corporate purposes of the Borrower and its subsidiaries, including the making of permitted share buybacks and other restricted payments.</p>

Closing Date:	The date of the initial funding under the Senior Credit Facilities (the “ <u>Closing Date</u> ”).
Availability:	<p>The Revolving Credit Facility will be available on a revolving basis from and after the Closing Date until the Revolving Credit Maturity Date (as defined below); <u>provided</u> that no more than an amount equal to \$100.0 million may be drawn on the Closing Date.</p> <p>The Term Loan A Facility will be available only in a single draw of the full amount of the Term Loan A Facility on the Closing Date.</p>
Incremental Term Loans / Revolving Facility Increase:	<p>On or after the Closing Date, the Borrower will be permitted to incur from time to time (a) additional term loans under a new term facility that will be included in the Senior Credit Facilities (each, an “<u>Incremental Term Loan</u>”) and/or (b) increases in the Revolving Credit Facility (each, a “<u>Revolving Facility Increase</u>”), in an aggregate principal amount for all such Incremental Term Loans and Revolving Facility Increases not to exceed \$100.0 million; <u>provided</u> that (i) no default or event of default exists immediately prior to or after giving effect thereto (except in connection with permitted acquisitions or similar investments, where no payment or bankruptcy event of default will be the standard but subject to, if agreed by the Lenders providing such Revolving Facility Increase or Incremental Term Loan, customary “SunGard” protections or limited conditionality, as applicable), (ii) each such Revolving Facility Increase or Incremental Term Loan shall be in a minimum amount of \$10.0 million, (iii) no Lender will be required or otherwise obligated to provide any portion of such Incremental Term Loan or Revolving Facility Increase, (iv) the Borrower is in compliance, on a <u>pro forma</u> basis after giving effect to the incurrence of any such Incremental Term Loan or any such Revolving Facility Increase (and assuming that the commitments under such Incremental Term Loan and the Revolving Credit Facility and such Revolving Facility Increase are fully drawn) and any permitted acquisition, refinancing of debt or other event giving rise to a pro forma adjustment, with the financial maintenance covenants in the Financing Documentation, (v) the maturity date of any such Incremental Term Loan shall be no earlier than the then latest Term Loan A Maturity Date (as defined below) and the weighted average life of such Incremental Term Loan shall be no shorter than the then remaining weighted average life of the then latest maturing loans under the Term Loan A Facility, (vi) subject to clause (v) above, the pricing, interest rate margins, discounts, premiums, rate floors and fees and maturity and amortization schedule applicable to any Incremental Term Loan shall be determined by the Borrower and the lenders thereunder, (vii) such Incremental Term Loans shall be term loan A loans, (viii) the other terms and documentation in respect of any Incremental Term Loans, to the extent not consistent with the Term Loan A Facility, will be reasonably satisfactory to the Administrative Agent and the Borrower and (ix) each such Revolving Facility Increase shall have the same terms, other than upfront fees, as the Revolving Credit Facility (it being understood that, to the extent that any financial maintenance covenant is added for the benefit of any Incremental Term Loan or Revolving Facility Increase, no consent shall be required from the Administrative Agent or any of the Lenders to the extent that such financial maintenance covenant is also added for the benefit of any corresponding existing Senior Credit Facilities).</p>

Incremental Term Loans and Revolving Facility Increases will have the same Guarantees from the Guarantors and will be secured on a pari passu basis by the same Collateral as the other Senior Credit Facilities.

The proceeds of any Incremental Term Loans and Revolving Facility Increases may be used for general corporate purposes of the Borrower and its subsidiaries.

Documentation:

The documentation for the Senior Credit Facilities will include, among other items, a credit agreement, guarantees and appropriate pledge, security and other collateral documents (collectively, the “Financing Documentation”), all consistent with this Term Sheet and will otherwise be negotiated in good faith within a reasonable time period to be determined based on the expected Closing Date and will be consistent with standard market terms used in transactions similar to the Transactions contemplated by this Term Sheet and the Commitment Letter as modified to reflect (i) the operational and strategic requirements of the Borrower and its subsidiaries (including the Acquired Company and its subsidiaries) in light of their size, industries, corporate structure, businesses and business practices, locations, operations, financial accounting, and the Projections used in connection with the Transactions and (ii) the term loan / revolving credit facility nature of the transaction (the “Documentation Principles”).

Binding Documentation Option:

At the option of the Lead Arranger (the “Binding Documentation Option”), the Borrower and each Lender (including Lenders to whom the Commitment Parties have assigned their Commitments pursuant to their syndication rights under the Commitment Letter) shall, upon five business days’ notice, execute and deliver the Financing Documentation (or such portions thereof as identified by the Lead Arranger) to be held in escrow by the Lead Arranger or its agent, without the provisions thereof becoming effective until such time as the conditions set forth in the Conditions Annex are satisfied, at which time the Lead Arranger shall date such documents, make any other changes of a purely technical or conforming nature, and release all such signatures from escrow.

Guarantors:

The obligations of (a) the Borrower under the Senior Credit Facilities and (b) any Credit Party (as defined below) under any hedging agreements and under any treasury management arrangements entered into between such Credit Party and any counterparty that is the Lead Arranger, the Administrative Agent or a Lender (or any affiliate thereof) at the time such hedging agreement or treasury management arrangement is executed (collectively, the “Secured Obligations”) will be unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed direct and indirect wholly-owned domestic subsidiary of the Borrower (each a “Guarantor”; such guarantee being referred to as a “Guarantee”). Notwithstanding the foregoing, Guarantees shall not be required from (i) any U.S. subsidiary of a controlled foreign corporation (within the meaning of Section 957 of the Internal Revenue Code), (ii) any U.S. subsidiary (such subsidiary, a “Foreign Subsidiary Holdco”) (A) that is disregarded as separate from its owner for U.S. federal income tax purposes and that owns capital stock of one or more foreign subsidiaries and/or other Foreign Subsidiary Holdcos, or (B) all or substantially all of the assets of which consist of capital stock of one or more foreign subsidiaries and/or other Foreign Subsidiary Holdcos, (iii) certain special purpose entities, (iv) immaterial subsidiaries (with immateriality standards to be mutually agreed upon consistent with the Documentation Principles) and (v) to the extent that the Administrative Agent and the Borrower determine the cost and/or burden of obtaining the Guarantee outweigh the benefit to the Lenders (including as a result of adverse tax consequences), in each case consistent with the Documentation Principles. All Guarantees shall be created on terms, and pursuant to documentation, consistent with the Documentation Principles or otherwise reasonably satisfactory to the Administrative Agent and the Borrower and shall be guarantees of payment and not of collection. The Borrower and the Guarantors are herein referred to as the “Credit Parties”.

Security:

The Secured Obligations will be secured by valid and perfected first priority (subject to certain customary exceptions (including permitted liens) satisfactory to the Administrative Agent and set forth in the Financing Documentation and consistent with the Documentation Principles) security interests in and liens on all of the following (collectively, the “Collateral”):

- (a) (i) 100% of the equity interests of all present and future wholly-owned domestic subsidiaries (other than Foreign Subsidiary Holdcos) of any Credit Party and (ii) 65% of the voting equity interests and 100% of the non-voting equity interests of all present and future first-tier foreign subsidiaries and Foreign Subsidiary Holdcos of any Credit Party;

- (b) All of the tangible and intangible personal property and assets of all present and future Credit Parties (including, without limitation, all equipment, inventory and other goods, accounts, licenses, contracts, intercompany loans, intellectual property and other general intangibles, deposit accounts, securities accounts and other investment property and cash); and
- (c) All products, profits and proceeds of the foregoing.

Notwithstanding anything to the contrary, (a) the Collateral shall exclude the following: (i) all real property and any leasehold interest (with no requirement to obtain landlord waivers, estoppels or collateral access letters), (ii) motor vehicles, airplanes and other assets subject to certificates of title (to the extent a lien therein cannot be perfected by the filing of a UCC financing statement), (iii) any governmental licenses or state or local franchises, charters and authorizations to the extent a security interest is prohibited or restricted thereby (but no exclusion of proceeds of governmental licenses, franchises, charters and authorizations), (iv) pledges and security interests prohibited or restricted by applicable law, (v) any lease, license or agreement or any property subject to a purchase money security interest or similar arrangement to the extent that a grant of a security interest therein would violate or invalidate such lease, license or agreement or purchase money or similar arrangement or create a right of termination in favor of any other party thereto (other than the Borrower, the Acquired Company or any of their subsidiaries) or otherwise require consent thereunder (unless such consent is obtained) (after giving effect to the applicable anti-assignment provisions of the Uniform Commercial Code or other applicable law, other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under the Uniform Commercial Code or other applicable law notwithstanding such prohibition), (vi) any intent-to-use trademark application prior to the filing of a "Statement of Use" or "Amendment to Allege Use" with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable federal law, (vii) interests in joint ventures and non-wholly owned subsidiaries to the extent not permitted to be pledged by such entity's organizational or joint venture documents and (viii) assets where the cost or burden of obtaining a security interest therein or perfection thereof outweighs the benefit to the Lenders afforded thereby as agreed in writing by the Borrower and the Administrative Agent and (b) deposit account control agreements shall not be required for de minimis accounts (the amount of which to be mutually agreed upon consistent with the Documentation Principles), payroll and deferred compensation accounts, trust accounts, zero balance accounts, employee benefit accounts, escrow, customs or other fiduciary accounts or tax withholding accounts. All such security interests in personal property will be created pursuant to, and will comply with, Financing Documentation consistent with the Documentation Principles and subject to exceptions permitted under the Financing Documentation and shall be reasonably satisfactory to the Credit Parties and the Administrative Agent. Notwithstanding the foregoing, the requirements of this "Security" section shall be, as of the Closing Date, subject to the Limited Conditionality Provision.

Final Maturity:

The final maturity of the Revolving Credit Facility will occur on the fifth anniversary of the Closing Date (the “Revolving Credit Maturity Date”) and the commitments with respect to the Revolving Credit Facility will automatically terminate on such date.

The Financing Documentation shall contain customary “amend and extend” provisions pursuant to which individual Lenders may agree to extend the maturity date of their outstanding commitments under the Revolving Credit Facility (which may include, among other things, an increase in the interest rate payable with respect to the loans under such facilities or the undrawn commitment fee payable with respect to such commitments, in each case after the existing Revolving Credit Maturity Date, with such extensions not subject to any “default stoppers”, financial tests or “most favored nation” pricing provisions) upon the request of the Borrower and without the consent of any other Lender (it being understood that (i) no existing Lender will have any obligation to commit to any such extension and (ii) each Lender under the class being extended shall have the opportunity to participate in such extension on the same terms and conditions as each other Lender under such class).

The final maturity of the Term Loan A Facility will occur on the fifth anniversary of the Closing Date (the “Term Loan A Maturity Date”).

The Financing Documentation shall contain customary “amend and extend” provisions pursuant to which individual Lenders may agree to extend the maturity date of their outstanding loans under any the Term Loan A Facility or any Incremental Term Loans (which may include, among other things, an increase in the interest rate payable with respect to such extended loans under any the Term Loan A Facility or any Incremental Term Loans, with such extensions not subject to any “default stoppers”, financial tests or “most favored nation” pricing provisions) upon the request of the Borrower and without the consent of any other Lender (it being understood that (i) no existing Lender will have any obligation to commit to any such extension and (ii) each Lender under the class being extended shall have the opportunity to participate in such extension on the same terms and conditions as each other Lender under such class).

Amortization:

The Term Loan A Facility will amortize in equal quarterly installments (commencing on the last day of the first full fiscal quarter following the Closing Date) based on the following amortization table, with the remainder due on the Term Loan A Maturity Date:

<u>Year</u>	<u>Annual Amortization</u>
Year 1:	5.0%
Years 2 through 5:	10.0%

Interest Rates and Fees:	Interest rates and fees in connection with the Senior Credit Facilities will be as specified in the Fee Letter and on <u>Schedule I</u> attached hereto.
Mandatory Prepayments:	<p>Subject to the next paragraph, the Senior Credit Facilities will be required to be prepaid with an amount equal to:</p> <ul style="list-style-type: none"> (a) 100% of the net cash proceeds of the issuance or incurrence of debt (other than any debt permitted to be issued or incurred pursuant to the terms of the Financing Documentation) by the Borrower or any of its subsidiaries; and (b) 100% of the net cash proceeds of all asset sales, insurance and condemnation recoveries and other asset dispositions by the Borrower or any of its subsidiaries (including the issuance by any such subsidiary of any of its equity interests to a third party), except for sales of inventory or obsolete or worn-out property, property no longer used or useful in such person's business and other customary exceptions to be mutually agreed consistent with the Documentation Principles and subject to reinvestment provisions and baskets to be mutually agreed upon consistent with the Documentation Principles. <p>All such mandatory prepayments will be applied <u>first</u>, to prepay outstanding loans under the Term Loan A Facility and any Incremental Term Loans on a <i>pro rata</i> basis and <u>second</u>, to prepay outstanding loans under the Revolving Credit Facility (with no permanent reduction in the commitment under the Revolving Credit Facility). All such mandatory prepayments of the Term Loan A Facility and any Incremental Term Loans will be applied to the next eight scheduled amortization payments in direct order of maturity and thereafter to the remaining amortization payments on a pro rata basis.</p> <p>Notwithstanding the foregoing, there will be no requirement to make any prepayment (to the extent attributable to foreign subsidiaries) referred to in clause (b) above at any time the pro forma Total Leverage Ratio is less than the greater of (x) 2.00:1.00 and (y) 0.25x below the maximum Total Leverage Ratio permitted at such time under the financial covenant (such greater ratio, the “<u>Specified Leverage</u>”).</p>

Optional Prepayments and Commitment Reductions:	Loans under the Senior Credit Facilities may be prepaid and unused commitments under the Revolving Credit Facility may be reduced at any time, in whole or in part, at the option of the Borrower, upon notice and in minimum principal amounts and in multiples to be agreed upon consistent with the Documentation Principles, without premium or penalty (except LIBOR breakage costs). Any optional prepayment of the Term Loan A Facility or any Incremental Term Loans will be applied as directed by the Borrower (or, in the absence of any such direction, in direct order of maturity).
Conditions to Closing and Initial Extensions of Credit:	The making of the initial extensions of credit under the Senior Credit Facilities will be subject to satisfaction of only the conditions precedent set forth in the Conditions Annex.
Conditions to All Extensions of Credit (other than the Initial Extensions of Credit on the Closing Date):	Each extension of credit under the Senior Credit Facilities after the Closing Date will be subject to satisfaction of the following conditions precedent: (a) except as otherwise provided above with respect to Incremental Term Loans or Revolving Facility Increases, all of the representations and warranties in the Financing Documentation shall be true and correct in all material respects (or if qualified by materiality or material adverse effect, in all respects) as of the date of such extension of credit, or if such representation speaks as of an earlier date, as of such earlier date, and (b) except as otherwise provided above with respect to Incremental Term Loans or Revolving Facility Increases, no default or event of default under the Senior Credit Facilities shall have occurred and be continuing or would result from such extension of credit.
Representations and Warranties:	Limited to the following (which will be applicable to the Borrower and its restricted subsidiaries and be subject to the Limited Conditionality Provision and subject to materiality thresholds and exceptions to be mutually agreed consistent with the Documentation Principles): organizational and legal status, financial statements; capital structure; organizational power and authority; no conflict with laws, organizational documents or material agreements; enforceability; absence of material litigation, material environmental regulations and liabilities; ERISA; necessary consents and approvals; compliance with all applicable laws and regulations including, without limitation, Regulations T, U and X, the Investment Company Act, the PATRIOT Act and other anti-terrorism laws, environmental laws and OFAC regulations; payment of taxes and other obligations; ownership of material properties; intellectual property; insurance; solvency (on a consolidated basis) of the Borrower and its subsidiaries (including the Acquired Company and its subsidiaries) as of the Closing Date; absence of any material adverse change; senior debt status; creation, validity, perfection and priority of liens; material contracts as of the Closing Date and accuracy of disclosure.

Affirmative Covenants:

Limited to the following (applicable to the Borrower and its restricted subsidiaries and subject to materiality thresholds and exceptions to be mutually agreed consistent with the Documentation Principles): use of proceeds; payment of taxes and other obligations; continuation of business and maintenance of existence and rights and privileges; necessary consents, approvals, licenses and permits; compliance with laws and regulations (including environmental laws, ERISA and the PATRIOT Act); maintenance of material property and customary insurance for similarly situated companies (including hazard and business interruption insurance); maintenance of books and records; right to inspect property, books and records (subject to limitations on frequency and cost reimbursement); notices of defaults, material litigation and other material events; financial and collateral reporting (including annual audited and quarterly unaudited financial statements (in each case, accompanied by covenant compliance certificates and management discussion and analysis) and annual updated budgets); additional Guarantors and Collateral; other collateral matters; and further assurances (including, without limitation, with respect to security interests in after-acquired property).

Negative Covenants:

Limited to the following (applicable to the Borrower and its restricted subsidiaries and subject to materiality thresholds and exceptions to be mutually agreed consistent with the Documentation Principles and with separate sublimits for foreign subsidiaries): limitation on debt (including disqualified equity interests); limitation on liens; limitation on negative pledges; limitation on loans, advances, acquisitions and other investments; limitation on dividends, distributions, redemptions and repurchases of equity interests (including an exception for repurchases by the Borrower of up to 10% of its outstanding equity interests (measured at the start of each fiscal year and without giving effect to any stock splits or reverse stock splits) so long as the pro forma Total Leverage Ratio is less than the Specified Leverage); limitation on fundamental changes and asset sales and other dispositions (including, without limitation, sale-leaseback transactions); limitation on prepayments, redemptions and purchases of subordinated and certain other debt (provided that after repayment in full of the Term Loan Facility and any Incremental Term Loans, the Borrower may prepay, redeem and purchase such debt so long as (i) the pro forma Total Leverage Ratio (after giving effect to such prepayment, redemption or purchase) is less than the Specified Leverage and (ii) the proceeds of the Revolving Credit Facility are not used for such prepayment, redemption or purchase); limitation on transactions with affiliates; limitation on dividend and other payment restrictions affecting subsidiaries; limitation on changes in line of business and fiscal year; limitation on capital expenditures; and limitation on amendment of organizational documents.

The Financing Documentation will permit an “available amount” basket based on 50% of consolidated net income for the most recent four consecutive fiscal quarters ending after the Closing Date for which financial statements are available plus other customary add backs which can be used for certain additional investments, certain restricted payments and certain debt prepayments on terms and conditions to be mutually agreed and consistent with the Documentation Principles.

Unrestricted Subsidiaries:	Subsidiaries may be permitted to be designated as “unrestricted” after the closing of the Senior Credit Facilities, and re-designated as “restricted”, subject to customary terms and conditions including without limitation: (a) no default or event of default exists or would exist immediately after giving effect thereto, (b) each subsidiary to be designated as “unrestricted” and its subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any debt pursuant to which the lender thereof has recourse to any of the assets of Borrower or any restricted subsidiary, (c) the fair market value of and investments in such subsidiary will constitute investments, (d) designation of any unrestricted subsidiary as a restricted subsidiary shall constitute the incurrence at the time of designation of any debt, investments and/or liens of such subsidiary existing at such time, (e) all financial covenants would be satisfied on a <u>pro forma</u> basis after giving effect to such designation, (f) no restricted subsidiary may be designated as an unrestricted subsidiary if it was previously designated an unrestricted subsidiary or if it is a restricted subsidiary for purposes of any subordinated or unsecured indebtedness and (g) other terms and conditions to be agreed.
Financial Covenants:	<p>Limited to the following:</p> <ul style="list-style-type: none"> (a) Maximum Total Leverage Ratio not to exceed 2.50:1.00, with step-downs to be mutually agreed upon; and (b) Minimum Interest Coverage Ratio of 3.50:1.00. <p>The financial covenants will apply to the Borrower and its restricted subsidiaries on a consolidated basis, with definitions to be mutually agreed upon consistent with the Documentation Principles.</p>
Events of Default:	Limited to the following (with materiality thresholds, exceptions and cure periods to be mutually agreed consistent with the Documentation Principles): non-payment of obligations; inaccuracy of representation or warranty; non-performance of covenants and obligations; default on other material debt (including material hedging agreements); change of control; bankruptcy or insolvency; material impairment of security; ERISA; material judgments; actual or asserted invalidity or unenforceability of any Financing Documentation or liens securing obligations under the Financing Documentation.

Defaulting Lender Provisions,
Yield Protection and Increased
Costs:

Customary for facilities of this type, including, without limitation, in respect of breakage or redeployment costs incurred in connection with prepayments, cash collateralization for Letters of Credit or Swingline Loans in the event any lender under the Revolving Credit Facility becomes a Defaulting Lender (as such term shall be defined in the Financing Documentation), changes in capital adequacy and capital requirements or their reasonable interpretation (provided that (i) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision or by United States or foreign regulatory authorities, in each case pursuant to Basel III, and (ii) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all request, rules, guidelines, requirements and directives thereunder or issued in connection therewith or in implementation thereof, shall in each case be deemed to be a change in law, regardless of the date enacted, adopted, issued or implemented), illegality, unavailability, reserves without proration or offset and payments free and clear of withholding or other taxes.

Assignments and Participations:

- (a) Revolving Credit Facility : Subject to the consents described below (which consents will not be unreasonably withheld or delayed), each Lender will be permitted to make assignments to Eligible Assignees (to be defined in the Financing Documentation) in respect of the Revolving Credit Facility in a minimum amount equal to \$3.0 million.
- (b) Term Loan A Facility : Subject to the consents described below (which consents will not be unreasonably withheld or delayed), each Lender will be permitted to make assignments to Eligible Assignees in respect of the Term Loan A Facility and any Incremental Term Loan in a minimum amount equal to \$2.5 million.
- (c) Consents : The consent of the Borrower will be required for any assignment unless (i) a payment or bankruptcy Event of Default has occurred and is continuing, (ii) the assignment is to an entity that is a Lender with a commitment in respect of the applicable Facility, an affiliate of such Lender or an Approved Fund (as such term shall be defined in the Financing Documentation) or (iii) the assignment is made in connection with the primary syndication of the Senior Credit Facilities to an entity that is not a Disqualified Institution; provided, that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 business days after having received notice thereof. The consent of the Administrative Agent (not to be unreasonably withheld or delayed) will be required for any assignment (i) in respect of the Revolving Credit Facility or an unfunded commitment under the Term Loan A Facility, to an entity that is not a Lender with a commitment in respect of the applicable Facility, an affiliate of such Lender or an Approved Fund and (ii) in respect of the Term Loan A Facility or any Incremental Term Loan A Facility, to an entity that is not a Lender, an affiliate of a Lender or an Approved Fund. The consent of the Issuing Bank and the Swingline Lender (not to be unreasonably withheld or delayed) will be required for any assignment under the Revolving Credit Facility. Participations will be permitted without the consent of the Borrower or the Administrative Agent.

- (d) No Assignment or Participation to Certain Persons. No assignment or participation may be made to natural persons or, without the prior written consent of all Lenders, the Borrower or any of its affiliates or subsidiaries. No assignments or participations may be made to any Defaulting Lender or Disqualified Institution.
- (e) Borrower Purchase of Term Loans. Assignments of loans under the Term Loan A Facility and any Incremental Term Loan to the Borrower and its subsidiaries shall be permitted so long as: (i) any offer to purchase or take by assignment any such loans by the Borrower or any of its subsidiaries shall have been made to all Lenders pro rata (with buyback mechanics to be set forth in the Financing Documentation), (ii) no default or event of default has occurred and is continuing, (iii) the loans purchased are immediately cancelled, and (iv) no proceeds from any loan under the Revolving Credit Facility shall be used to fund such assignments.

Required Lenders:

On any date of determination, any two or more non-Defaulting Lenders (at any time that there are two or more non-Defaulting Lenders) who collectively hold more than 50% of the outstanding loans and unfunded commitments under the Senior Credit Facilities, or if the Senior Credit Facilities have been terminated, those Lenders who collectively hold more than 50% of the aggregate outstanding loans under the Senior Credit Facilities (the “Required Lenders”); provided, that if any Lender shall be a Defaulting Lender at such time, then the outstanding loans and unfunded commitments under the Senior Credit Facilities of such Defaulting Lender shall be excluded from the determination of Required Lenders.

Amendments and Waivers:

Amendments and waivers of the provisions of the Financing Documentation will require the approval of the Required Lenders, except that (a) the consent of all Lenders directly adversely affected thereby will be required with respect to (i) increases in the commitment of such Lenders (in which case, only the Lenders increasing their commitments shall be deemed to be directly adversely affected), (ii) reductions of principal, interest, fees or other amounts (other than waivers of default interest, defaults or events of default), (iii) extensions of scheduled maturities or times for payment, (iv) reductions in the voting percentages and (v) any pro rata sharing provisions and (b) the consent of all Lenders will be required with respect to releases of all or substantially all of the value of the Collateral or Guarantees (except as otherwise permitted under the terms of the Financing Documentation).

The Financing Documentation will contain “yank-a-bank” provisions as are usual and customary for financings of this kind.

In addition, if the Administrative Agent and the Borrower shall have jointly identified an obvious error, or any error or omission of a purely technical nature, in the Financing Documentation, then the Administrative Agent and the Borrower shall be permitted to amend such provision without further action or consent of any other party if the same is not objected to in writing by the Required Lenders to the Administrative Agent within five business days following receipt of notice thereof.

Indemnification:

The Credit Parties will indemnify the Lead Arranger, the Administrative Agent, each of the Lenders and their respective affiliates, partners, directors, officers, agents and advisors (each, an “indemnified person”) and hold them harmless from and against all liabilities, damages, claims, costs and expenses (including reasonable and documented out-of-pocket fees, disbursements, settlement costs and other charges of counsel (provided that such legal fees, disbursements, settlement costs and other charges in respect of counsel shall be limited to one primary counsel to the indemnified persons, one local counsel in each applicable jurisdiction, and, in the case of an actual or potential conflict of interest, one additional counsel in each relevant jurisdiction to each affected indemnified person)) relating to the Transactions or any transactions related thereto and the Borrower’s use of the loan proceeds or the commitments; provided that no indemnified person will have any right to indemnification for any of the foregoing to the extent resulting from such indemnified person’s own gross negligence, bad faith, willful misconduct or material breach of such indemnified person’s obligations under the Financing Documentation as determined by a court of competent jurisdiction in a final non-appealable judgment.

Expenses:

The Borrower shall pay (a) all reasonable and documented out-of-pocket expenses (including, without limitation, reasonable and documented out-of-pocket fees and expenses of counsel (provided that such legal fees and expenses in respect of counsel shall be limited to one primary counsel, and one local counsel in each applicable jurisdiction, for the Commitment Parties)) of the Administrative Agent and the Lead Arranger (promptly following written demand therefor) associated with the syndication of the Senior Credit Facilities and the preparation, negotiation, execution, delivery and administration of the Financing Documentation and any amendment or waiver with respect thereto and (b) all reasonable documented out-of-pocket expenses (including, without limitation, reasonable documented out-of-pocket fees and expenses of counsel (provided that such legal fees and expenses in respect of counsel shall be limited to one primary counsel, and one local counsel in each applicable jurisdiction, for the Administrative Agent and the Lenders (and in the case of an actual or potential conflict of interest, one additional counsel in each relevant jurisdiction to each affected Lender))) of the Administrative Agent and each of the Lenders promptly following written demand therefor in connection with the enforcement of the Financing Documentation or protection of rights thereunder.

Governing Law; Exclusive
Jurisdiction and Forum:

The Financing Documentation will provide that each party thereto will submit to the exclusive jurisdiction and venue of the federal and state courts of the State of New York (except to the extent the Administrative Agent or any Lender requires submission to any other jurisdiction in connection with the exercise of any rights under any security document or the enforcement of any judgment). New York law will govern the Financing Documentation, except with respect to certain security documents where applicable local law is necessary for enforceability or perfection.

Waiver of Jury Trial and Punitive
and Consequential Damages:

All parties to the Financing Documentation shall waive the right to trial by jury and the right to claim punitive or consequential damages.

Counsel for the Lead Arranger
and the Administrative Agent:

Orrick, Herrington & Sutcliffe LLP.

Annex A – Term Sheet

SCHEDULE I

INTEREST AND FEES

Interest:

At the Borrower's option, loans (other than Swingline Loans) will bear interest based on the Base Rate or LIBOR, as described below:

A. Base Rate Option

Interest will be at the Base Rate plus the applicable Interest Margin (as described below). The "Base Rate" is defined as the highest of (a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (b) the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks) and (c) the daily LIBOR (as defined below) for a one month Interest Period (as defined below) plus 1.00%. Interest shall be payable quarterly in arrears on the last day of each calendar quarter and (i) with respect to Base Rate Loans based on the Federal Funds Rate and LIBOR, shall be calculated on the basis of the actual number of days elapsed in a year of 360 days and (ii) with respect to Base Rate Loans based on the prime commercial lending rate of the Administrative Agent, shall be calculated on the basis of the actual number of days elapsed in a year of 365/366 days. Any loan bearing interest at the Base Rate is referred to herein as a "Base Rate Loan".

Base Rate Loans will be made on one business day's notice and will be in minimum amounts to be agreed upon.

B. LIBOR Option

Interest will be determined for periods ("Interest Periods") of one, two, three, six months or, if agreed by all applicable Lenders, twelve months as selected by the Borrower and will be at an annual rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on Reuters Screen LIBOR01 Page ("LIBOR") plus the applicable Interest Margin (as described below). LIBOR will be determined by the Administrative Agent at the start of each Interest Period and, other than in the case of LIBOR used in determining the Base Rate, will be fixed through such period. Interest will be paid on the last day of each Interest Period or, in the case of Interest Periods longer than three months, every three months, and will be calculated on the basis of the actual number of days elapsed in a year of 360 days. LIBOR will be adjusted for maximum statutory reserve requirements (if any). Any loan bearing interest at LIBOR (other than a Base Rate Loan for which interest is determined by reference to LIBOR) is referred to herein as a "LIBOR Rate Loan".

LIBOR Rate Loans will be made on three business days' prior notice and will be in minimum amounts to be agreed upon.

Swingline loans will bear interest at the Base Rate plus the applicable Interest Margin.

Default Interest:	(a) Automatically upon the occurrence and during the continuance of any payment event of default or upon a bankruptcy event of default of the Borrower or any other Credit Party or (b) at the election of the Required Lenders (or the Administrative Agent at the direction of Required Lenders), upon the occurrence and during the continuance of any other event of default, all outstanding principal, fees and other obligations under the Senior Credit Facilities shall bear interest at a rate per annum of 2% in excess of the rate then applicable to such loan (including the applicable Interest Margin), fee or other obligation and shall be payable on demand of the Administrative Agent.
Interest Margins:	The applicable interest margins (the “ <u>Interest Margins</u> ”) will be initially, 1.75% for LIBOR Rate Loans and 0.75% for Base Rate Loans; <u>provided</u> that after the date on which the Borrower will have delivered financial statements for the second full fiscal quarter after the Closing Date, the Interest Margin with respect to the Senior Credit Facilities will be determined in accordance with the Pricing Grid set forth below.
Commitment Fee:	A commitment fee (the “ <u>Commitment Fee</u> ”) will accrue on the unused amounts of the commitments under the Revolving Credit Facility, with exclusions for Defaulting Lenders. Swingline loans will, for purposes of the Commitment Fee calculations only, not be deemed to be a utilization of the Revolving Credit Facility. Such Commitment Fee will initially be 0.40% per annum and after delivery of financial statements for the second full fiscal quarter ending after the Closing Date will be determined in accordance with the Pricing Grid set forth below. All accrued Commitment Fees will be fully earned and due and payable quarterly in arrears (calculated on a 360-day basis) for the account of the Lenders under the Revolving Credit Facility and will accrue from the Closing Date.
Letter of Credit Fees:	The Borrower will pay to the Administrative Agent, for the account of the Lenders under the Revolving Credit Facility, letter of credit participation fees equal to the Interest Margin for LIBOR Rate Loans under the Revolving Credit Facility, in each case, on the undrawn amount of all outstanding Letters of Credit.
Other Fees:	The Lead Arranger and the Administrative Agent will receive such other fees as will have been agreed in the Fee Letter.
Pricing Grid:	The applicable Interest Margins and the Commitment Fee with respect to the Senior Credit Facilities shall be based on the Total Leverage Ratio pursuant to the following grid:

Schedule I to Annex A

Level	Total Leverage Ratio	Interest Margin for LIBOR Rate	Interest Margin for Base Rate Loans	Commitment Fee
		Loans	Loans	
I	Greater than or equal to 2.00:1.00	2.00%	1.00%	0.45%
II	Greater than or equal to 1.50:1.00 but less than 2.00:1.00	1.75%	0.75%	0.40%
III	Greater than or equal to 1.00:1.00 but less than 1.50:1.00	1.50%	0.50%	0.35%
IV	Greater than or equal to 0.50:1.00 but less than 1.00: 1.00	1.25%	0.25%	0.30%
V	Less than 0.50:1.00	1.00%	0.00	0.25%

The applicable Interest Margins and the Commitment Fee shall be based on Level II of the Pricing Grid until the first calculation date following the receipt by the Administrative Agent and the Lenders of the financial information and related compliance certificate for the second full fiscal quarter ending after the Closing Date.

Schedule I to Annex A

PAGE 3

\$300,000,000
SENIOR SECURED CREDIT FACILITIES

CONDITIONS ANNEX

Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Commitment Letter to which this Annex is attached or in Annex A to the Commitment Letter.

Closing and the making of the initial extensions of credit under the Senior Credit Facilities will be subject to the satisfaction of the following conditions precedent:

1. (i) The Financing Documentation reflecting, and consistent with the Commitment Documents and the Documentation Principles and otherwise reasonably satisfactory to the Borrower and the Lead Arranger, will have been executed by each Credit Party that is required to be party thereto (subject to the Limited Conditionality Provision) and delivered to the Lead Arranger and the Administrative Agent, (ii) the Administrative Agent and the Lenders shall have received customary and reasonably satisfactory legal opinions (including, without limitation, opinions of special counsel and local counsel as may be reasonably requested by the Administrative Agent), which shall expressly permit reliance by the successors and permitted assigns of each of the Administrative Agent and the Lenders, (iii) the Administrative Agent and the Lead Arranger shall have received customary evidence of authorization, organizational documents, good standing certificates (with respect to the applicable jurisdiction of incorporation or organization of each Credit Party) and a customary officer's certificate of each Credit Party and (iv) the Borrower shall have used commercially reasonable efforts to provide evidence of insurance.

2. Subject to the Limited Conditionality Provision, the Lead Arranger shall have received satisfactory evidence that all actions necessary to establish that on the Closing Date the Administrative Agent (on behalf of the Lenders) shall have a valid and perfected first priority (subject to certain exceptions to be set forth in the Financing Documentation consistent with the Documentation Principles) lien and security interest in the Collateral have been taken to the extent such Collateral (including the creation or perfection of any security interest) is required to be provided on the Closing Date in accordance with the Limited Conditionality Provision and the Documentation Principles.

3. The Stock Purchase Agreement (together with the exhibits and schedules thereto, in each case delivered to the Lead Arranger prior to the execution of the Commitment Letter) dated as of the date hereof (as amended, waived, modified or supplemented from time to time in accordance with the terms thereof and hereof, the "Acquisition Agreement") shall be in full force and effect. The Acquisition and the other Transactions shall be consummated substantially concurrently with the initial funding of the Senior Credit Facilities in accordance with the terms described in the Acquisition Agreement without giving effect to any waiver, amendment, modifications or consent thereunder that is materially adverse to the interests of the Lenders unless approved in writing by the Lead Arranger (collectively, the "Excluded Modifications"), it being understood and agreed that, without limitation, (i) any purchase price adjustment expressly provided in the Stock Purchase Agreement dated as of the date hereof shall be deemed not to be materially adverse to the interests of the Lenders, (ii) any reduction in of the purchase price for the Acquisition (after giving effect to any adjustment provided in clause (i)) of less than 10% in the aggregate shall be deemed not to be materially adverse to the interests of the Lenders; provided that the amount of the Term Loan A Facility and amount of cash on hand contributed by the Credit Parties in connection with the Acquisition shall be reduced by such increase dollar for dollar on a pro rata basis, (iii) any reduction in the purchase price for the Acquisition in excess of the amounts set forth in clause (ii) but less than 20% in the aggregate shall not be deemed to be materially adverse to the interests of the Lenders to the extent it reduces the amount of the Term Loan A Facility on a dollar for dollar basis to the extent of such excess, (iv) any increase in the Acquisition consideration shall be deemed to be not materially adverse to the interests of the Lenders so long as such increase is funded with the net cash proceeds of common equity and (v) any change in the third party beneficiary rights applicable to the Lead Arranger and the Lenders or the governing law shall be deemed to be materially adverse to the interests of the Lenders unless approved by the Lead Arranger.

4. There has been no “Material Adverse Effect” or “Material Adverse Change” (as defined in Exhibit A to this Annex B).

5. The Refinancing shall have been consummated prior to, or shall be consummated substantially simultaneously with the initial borrowing under the Senior Credit Facilities, and the Lead Arranger shall have received customary payoff letters in connection therewith confirming that all indebtedness with respect thereto shall have been fully repaid (except to the extent being so repaid with the proceeds of the initial borrowings under the Facilities and except to the extent outstanding letters of credit are continued under the Revolving Credit Facility) and all commitments thereunder shall have been terminated and cancelled and all liens in connection therewith shall have been terminated and released, in each case prior to or concurrently with the initial borrowing under the Senior Credit Facilities. On the Closing Date, after giving effect to the Transactions, neither the Borrower nor any of its subsidiaries shall have any outstanding third party indebtedness for borrowed money (other than capital leases, indebtedness of the Acquired Company and its subsidiary that is expressly permitted to remain outstanding under the Acquisition Agreement (without giving effect to any Excluded Modifications), intercompany indebtedness among the Borrower and its subsidiaries in an amount to be agreed and other indebtedness that the Lead Arranger and the Credit Parties agree may remain outstanding under the Financing Documentation).

6. The Lead Arranger shall have received:

(a) with respect to the Borrower and its subsidiaries, (i) audited consolidated balance sheets and related consolidated statements of income, shareholder’s equity and cash flows for the two most recently completed fiscal years ended at least 90 days prior to the Closing Date and (ii) unaudited consolidated balance sheets and related consolidated statements of income and cash flows for each interim fiscal quarter ended since the last audited financial statements and at least 45 days prior to the Closing Date;

(b) with respect to the Acquired Company, RSP-TW and their respective subsidiaries, (i) audited consolidated balance sheets and related consolidated statements of income, shareholder’s equity and cash flows for the two most recently completed fiscal years ended at least 90 days prior to the Closing Date and (ii) unaudited consolidated balance sheets and related consolidated statements of income and cash flows for each interim fiscal quarter ended since the last audited financial statements and at least 45 days prior to the Closing Date;

(c) a pro forma consolidated balance sheet and related pro forma consolidated statements of income and cash flows of the Borrower for the fiscal year most recently ended for which audited financial statements are provided and for the four quarter period ending on the last day of the most recent fiscal quarter ending at least 45 days (or 90 days in case such period is the end of the Borrower’s fiscal year) before the Closing Date, prepared after giving pro forma effect to each element of the Transactions as if the Transactions had occurred on the last day of such four quarter period (in the case of such balance sheet) or at the beginning of such period (in the case of such other financial statements), provided that the pro forma financial statements described in this clause (c) shall be in a form customary for confidential information memoranda for bank facilities of this type and shall not be required to be prepared in accordance with Regulation S-X under the Securities Act of 1933, as amended;

(d) projections prepared by management of consolidated balance sheets, income statements and cashflow statements of the Borrower and its subsidiaries, which will be quarterly for the first year after the Closing Date and annually thereafter for the term of the Senior Credit Facilities (the “Projections”); and

(e) a certificate from the chief financial officer (or other officer with equivalent duties) of the Borrower (substantially in the form of Exhibit B to this Annex B) certifying that after giving pro forma effect to each element of the Transactions the Borrower and its subsidiaries (on a consolidated basis) are solvent.

7. The Lead Arranger shall have received, at least 5 business days prior to the Closing Date, all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the PATRIOT Act, that has been requested at least 10 business days prior to the Closing Date.

8. The Lead Arranger shall have been afforded a period of at least 15 consecutive business days (or such shorter period as agreed by the Lead Arranger) after the later of (i) receipt of a customary confidential information memoranda (in form and substance reasonably satisfactory to the Lead Arranger) to be used in connection with the syndication of the Senior Credit Facilities and (ii) the primary bank meeting related thereto, to close and to syndicate the Senior Credit Facilities; provided that if such period has not ended on or before August 15, 2014, it shall not commence before September 2, 2014, such period shall not include any date from November 26, 2014 through and including December 1, 2014 and such period shall not include any date from December 24, 2014 through and including December 31, 2014.

9. All fees and expenses (in the case of expenses, for which invoices have been received at least three days in advance of the Closing Date) due to the Lead Arranger, the Administrative Agent and the Lenders required to be paid on the Closing Date (including the documented fees and expenses of counsel for the Lead Arranger and the Administrative Agent (provided that such legal fees and expenses in respect of counsel shall be limited to one primary counsel, and one local counsel in each applicable jurisdiction, for the Commitment Parties)) will have been paid or shall have been authorized by the Borrower to be deducted from the proceeds of the initial fundings under the Senior Credit Facilities.

10. The Specified Representations and the Specified Acquisition Agreement Representations (without giving effect to any Excluded Modifications) will be true and correct in all material respects (or if qualified by materiality or material adverse effect, in all respects after giving effect to any such qualification).

“ **Material Adverse Effect** ” or “ **Material Adverse Change** ” means any event, effect, fact, circumstance, development, occurrence or change that, either alone or in combination with any other event, effect, fact, circumstance, development, occurrence or change, (X) would be materially adverse to the condition (financial or otherwise), properties, assets, Liabilities, Business, operations, results of operations or prospects of RSP and RSP-TW, taken as a whole, or (Y) would prevent or materially impede the ability of any party to the Acquisition Agreement to consummate timely the transactions contemplated by the Acquisition Agreement or by any Ancillary Agreement; *provided* that none of the following be deemed to constitute a Material Adverse Effect or Material Adverse Change:

(a) any adverse event, effect, fact, circumstance, development, occurrence or change (whether short-term or long-term) arising from or relating to (i) general business or economic conditions, including such conditions related to the business of RSP and RSP-TW, (ii) national or international political or social conditions, including the engagement by Japan or the Republic of China in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon Japan or the Republic of China or any of their respective territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of Japan or the Republic of China, (iii) securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iv) changes in GAAP, (v) changes in Laws, or (vi) to the extent attributable to actions taken (or omitted to be taken) at the prior written request of Synaptics Incorporated with the consent of the Lead Arranger (not to be unreasonably withheld, delayed or conditioned) or required to be taken or omitted, as applicable, by the express terms of the Acquisition Agreement, *except* , in each case, to the extent such event, effect, fact, circumstance, development, occurrence or change has a disproportionate effect on RSP or RSP-TW as compared with other companies operating in the same industry or has prevented or materially delayed or materially impaired or would be reasonably likely to prevent or materially delay or materially impair the ability of any Seller Party to perform its obligations under the Acquisition Agreement or any Ancillary Agreement or to consummate the transactions contemplated by the Acquisition Agreement or any Ancillary Agreement;

any failure to meet a forecast (whether internal or published) of revenue, earnings, cash flow, or other data for any period or any change in such a forecast;

any existing event, occurrence, or circumstance with respect to which the individuals listed below Synaptics Incorporated’s name on Schedule 1.1(y) to the Acquisition Agreement have actual knowledge as of June 11, 2014 and in respect of which the Administrative Agent, the Lead Arranger or their advisors have received written documents from or on behalf of Synaptics Incorporated or any of the Seller Parties evidencing or describing such existing event, occurrence or circumstance prior to the time of execution of the Commitment Letter and Fee Letter by the Lead Arranger on June 11, 2014;

the loss of current or future revenue or the cancellation or reduction of any on-going business attributable to the sale of the RSP products listed on Schedule 1.1(z) to the Acquisition Agreement that results from the announcement or the pendency of the Transactions; and

Annex B – Conditions Annex

any adverse change in or effect on the Business of RSP and RSP-TW that is cured by the Seller Parties before the earlier of (i) the Closing Date and (ii) the date on which the Acquisition Agreement is terminated pursuant to Article IX of the Acquisition Agreement.

Capitalized terms used in this Exhibit A without definition shall have the respective meanings set forth below:

“ **Acquisition Agreement** ” has the meaning given to that term in the Term Sheet to which this Exhibit A is attached, without giving effect to any Excluded Modifications (as defined in the Term Sheet).

“ **Ancillary Agreements** ” has the meaning given to that term in the Acquisition Agreement.

“ **Business** ” means the conduct of RSP’s or RSP-TW’s business, up to and including the Closing Date, including the design, development, use, import, export, manufacture, licensing, marketing, sale, offer for sale or other disposition of the Business Products.

“ **Business Products** ” means all products of RSP or RSP-TW designed, developed or sold and proposed to be designed, developed or sold, in each case by RSP or RSP-TW, in the conduct of RSP’s or RSP-TW’s Business, in the form that they existed up to and including the Closing Date.

“ **Closing Date** ” shall mean the date on which the closing of the transactions contemplated by the Acquisition Agreement occurs.

“ **GAAP** ” means United States generally accepted accounting principles as in effect from time to time, consistently applied.

“ **Governmental Entity** ” means any entity or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any national, local, or municipal government, foreign, international, multinational or other government, including any court, department, commission, board, agency, bureau, subdivision, instrumentality, official or other regulatory, administrative or judicial authority thereof, and any non-governmental regulatory body to the extent that the rules and regulations or Orders of such body have the force of Law.

“ **Indebtedness** ” of any Person means: (a) any Liability of such Person (i) for borrowed money (including the current portion thereof), (ii) under any reimbursement obligation relating to a letter of credit, bankers’ acceptance or note purchase facility, (iii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation), (iv) for the payment of money relating to leases that are required to be classified as a capitalized lease obligation in accordance with Japanese GAAP, (v) under interest rate swap, hedging or similar agreements, (vi) constituting obligations for the deferred purchase of assets or services; (vii) constituting accrued interest relating to any of items (i) to (vi); and (viii) constituting underfunded defined benefit pension plans considered on a post-Tax basis, but only to the extent (A) such Liabilities and obligations are determined on a projected benefit obligation basis consistent with how such Liability should be reported on financial statements prepared in accordance with Japanese GAAP and (B) of such underfunding, or (b) any Liability of others described in the preceding clause (a) that (i) such Person has guaranteed, that is recourse to such Person or any of its assets or that is otherwise its legal Liability or that is secured in whole or in part by the assets of such Person, and (ii) is required to be disclosed on financial statements prepared in accordance with Japanese GAAP. For purposes of this Exhibit A, Indebtedness includes (A) any and all accrued interest, success fees, prepayment premiums, make-whole premiums or penalties and fees or expenses (including attorneys’ fees) associated with the prepayment of any Indebtedness and (B) cash, book or bank account overdrafts.

Annex B – Conditions Annex

“ **Japanese GAAP** ” means Japan generally accepted accounting principles as in effect from time to time, consistently applied.

“ **Law** ” means any statute, law (including common law), constitution, treaty, ordinance, code, rule, regulation and any other binding requirement or determination of any Governmental Entity.

“ **Liability** ” means any indebtedness, debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability and any Tax liability), that would be required to be disclosed on a balance sheet prepared in accordance with Japanese GAAP and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

“ **Order** ” means any decision, ruling, charge, order, writ, judgment, injunction, decree, stipulation, determination, award or binding agreement issued, promulgated or entered by or with any Governmental Entity.

“ **Person** ” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity or a Governmental Entity (or any department, agency, or political subdivision thereof).

“ **RSP** ” means Renesas SP Drivers, Inc., a Japanese *kabushiki kaisha*

“ **RSP-TW** ” means Renesas SP Drivers Taiwan, Inc., a company limited by shares incorporated in the Republic of China.

“ **Seller Party** ” or “**Seller Parties** ” means, individually or collectively, Renesas Electronics Corporation, a Japanese *kabushiki kaisha* , Sharp Corporation, a Japanese *kabushiki kaisha* , Powerchip Technology Corp., a company limited-by-shares incorporated in the Republic of China, Global Powertec Co. Ltd., a British Virgin Islands company, Quantum Vision Corporation, a company limited-by-shares incorporated in the Republic of China, RSP and RSP-TW.

“ **Tax** ” or “ **Taxes** ” means any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Annex B – Conditions Annex

FORM OF SOLVENCY CERTIFICATE

[•], 2014

This Solvency Certificate is being executed and delivered pursuant to Section [•] of that certain [•] ¹ (the “Credit Agreement”); the terms defined therein being used herein as therein defined.

I, [•], the [chief financial officer/equivalent officer] of the Borrower, in such capacity and not in an individual capacity, hereby certify that I am the [chief financial officer/equivalent officer] of the Borrower and that I am generally familiar with the businesses and assets of the Borrower and its Subsidiaries ² (taken as a whole), I have made such other investigations and inquiries as I have deemed appropriate and I am duly authorized to execute this Solvency Certificate on behalf of the Borrower pursuant to the Credit Agreement.

I further certify, in my capacity as [chief financial officer/equivalent officer] of the Borrower, and not in my individual capacity, as of the date hereof and after giving effect to the Transactions and the incurrence of the indebtedness and obligations being incurred in connection with the Credit Agreement and the Transactions, that, (i) the sum of the debt and liabilities (including contingent liabilities) of the Borrower and its Subsidiaries, taken as a whole, does not exceed the present fair saleable value of the assets (at a fair valuation) of the Borrower and its Subsidiaries, taken as a whole; (ii) the capital of the Borrower and its Subsidiaries, taken as a whole, is not unreasonably small in relation to the business of the Borrower and its Subsidiaries, taken as a whole, contemplated as of the date hereof; and (iii) the Borrower and its Subsidiaries, taken as a whole, do not intend to incur, or believe that they will incur, debts or liabilities including current obligations beyond their ability to pay such debt as they come due. For the purposes hereof, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

IN WITNESS WHEREOF, I have executed this Solvency Certificate on the date first written above.

By: _____

Name: [•]

Title: [•]

¹ Describe the Credit Agreement

² To include the Acquired Company and its Subsidiaries

List of Subsidiaries

NAME	STATE OR JURISDICTION OF ORGANIZATION
Pacinian Corporation	Delaware
Synaptics International, Inc.	California
Synaptics Hong Kong Limited	Hong Kong
Synaptics Europe Sarl	Switzerland
Synaptics Holding GmbH	Switzerland
Synaptics LLC	Delaware
Synaptics (Shanghai) Company Limited	China
Synaptics Japan (K.K.) Limited	Japan
Synaptics Canada Limited	Canada
Validity Sensors, LLC	Delaware
Validity Biometric Sensors (India) Private Limited	India

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Synaptics Incorporated:

We consent to the incorporation by reference in the registration statements (Nos. 333-81820, 333-99529, 333-99531, 333-146146, 333-170400, 333-170401, and 333-193470) on Form S-8, (Nos. 333-155582 and 333-193469) on Form 3, and (No. 333-115274) on Form S-4 of Synaptics Incorporated of our report dated August 22, 2014, with respect to the consolidated balance sheets of Synaptics Incorporated and subsidiaries as of June 28, 2014 and June 29, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 28, 2014, and the effectiveness of internal control over financial reporting as of June 28, 2014, which report appears in the June 28, 2014 annual report on Form 10-K of Synaptics Incorporated.

/s/ KPMG LLP

Santa Clara, California
August 22, 2014

**Certification of Chief Executive Officer Pursuant to
Rule 13a-14(a)/15d-14(a)**

I, Richard A. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K of Synaptics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2014

/s/ Richard A. Bergman

Richard A. Bergman
Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to
Rule 13a-14(a)/15d-14(a)**

I, Kathleen A. Bayless, certify that:

1. I have reviewed this annual report on Form 10-K of Synaptics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2014

/s/ Kathleen A. Bayless

Kathleen A. Bayless
Chief Financial Officer

Section 1350 Certification of Chief Executive Officer

In connection with the Annual Report on Form 10-K of Synaptics Incorporated (the “Company”) for the year ended June 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard A. Bergman, President and Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard A. Bergman

Richard A. Bergman
Chief Executive Officer
August 22, 2014

Section 1350 Certification of Chief Financial Officer

In connection with the Annual Report on Form 10-K of Synaptics Incorporated (the “Company”) for the year ended June 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kathleen A. Bayless, Senior Vice President, Chief Financial Officer, Secretary, and Treasurer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kathleen A. Bayless

Kathleen A. Bayless
Chief Financial Officer
August 22, 2014