UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 24, 2013
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-7935

International Rectifier Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**95-1528961**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
101 N. Sepulveda Blvd El Segundo, California	**90245**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(310) 726-8000**

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 Exchange Act). Yes ☐ No ☒

There were 69,448,496 shares of the registrant's common stock, par value $1.00 per share, outstanding on April 22, 2013.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to expectations concerning matters that (a) are not historical facts, (b) predict or forecast future events or results, or (c) embody assumptions that may prove to have been inaccurate. These forward-looking statements involve risks, uncertainties and assumptions. When we use words such as "believe," "expect," "anticipate," "will" or similar expressions, we are making forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give readers any assurance that such expectations will prove correct. The actual results may differ materially from those anticipated in the forward-looking statements as a result of numerous factors, many of which are beyond our control. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." All forward-looking statements attributable to us are expressly qualified in their entirety by the factors that may cause actual results to differ materially from anticipated results. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinion only as of the date hereof. We undertake no duty or obligation to revise these forward-looking statements. Readers should carefully review the risk factors described in this document as well as in other documents we file from time to time with the Securities and Exchange Commission ("SEC").

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	March 24, 2013	March 25, 2012	March 24, 2013	March 25, 2012
Revenues	$ 224,268	$ 248,094	$ 700,582	$ 780,913
Cost of sales	169,860	174,132	526,544	510,694
Gross profit	54,408	73,962	174,038	270,219
Selling, general and administrative expense	43,020	49,578	135,398	149,127
Research and development expense	28,876	34,798	94,450	100,053
Amortization of acquisition-related intangible assets	1,663	2,097	5,023	6,651
Asset impairment, restructuring and other charges	880	—	14,787	—
Gain on disposition of property	—	(5,410)	—	(5,410)
Operating income (loss)	(20,031)	(7,101)	(75,620)	19,798
Other expense (income), net	(450)	(46)	969	4,113
Interest expense (income), net	64	(47)	24	(287)
Income (loss) before income taxes	(19,645)	(7,008)	(76,613)	15,972
Provision for (benefit from) income taxes	1,600	(4,518)	6,129	2,836
Net income (loss)	$ (21,245)	$ (2,490)	$ (82,742)	$ 13,136
Net income (loss) per common share—basic (1)	$ (0.31)	$ (0.04)	$ (1.20)	$ 0.19
Net income (loss) per common share—diluted (1)	$ (0.31)	$ (0.04)	$ (1.20)	$ 0.19
Average common shares outstanding—basic	69,273	69,104	69,234	69,306
Average common shares and potentially dilutive shares outstanding—diluted	69,273	69,104	69,234	69,811

(1) Net income per common share is computed using the two-class method. See Note 14, "Net Income Per Common Share".

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three Months Ended		Nine Months Ended	
	March 24, 2013	March 25, 2012	March 24, 2013	March 25, 2012
Net income (loss)	$ (21,245)	$ (2,490)	$ (82,742)	$ 13,136
Other comprehensive income (loss):				
Foreign currency translation adjustments	(13,586)	4,634	(2,955)	(3,046)
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on available-for-sale securities, net of tax effect of $0, $1,579, $0 and $(1,962), respectively	1,760	2,654	(77)	(3,300)
Other comprehensive income (loss)	(11,826)	7,288	(3,032)	(6,346)
Comprehensive income (loss)	$ (33,071)	$ 4,798	$ (85,774)	$ 6,790

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 24, 2013	June 24, 2012 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 386,994	$ 305,423
Restricted cash	613	595
Short-term investments	15,058	63,872
Trade accounts receivable, net of allowances	134,987	168,499
Inventories	231,703	294,702
Current deferred tax assets	5,040	5,110
Prepaid expenses and other receivables	35,529	29,845
Total current assets	809,924	868,046
Restricted cash	738	940
Long-term investments	—	15,054
Property, plant and equipment, net	432,635	461,115
Goodwill	52,149	52,149
Acquisition-related intangible assets, net	23,553	28,576
Long-term deferred tax assets	34,775	40,850
Other assets	58,160	65,093
Total assets	$ 1,411,934	$ 1,531,823
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 64,565	$ 88,726
Accrued income taxes	470	750
Accrued salaries, wages and commissions	34,721	40,403
Other accrued expenses	77,211	83,164
Total current liabilities	176,967	213,043
Long-term deferred tax liabilities	4,479	6,653
Other long-term liabilities	25,882	35,800
Total liabilities	207,328	255,496
Commitments and contingencies		
Stockholders' equity:		
Common shares	75,609	75,125
Capital contributed in excess of par value	1,056,515	1,037,736
Treasury stock, at cost	(113,175)	(107,965)
Retained earnings	207,943	290,685
Accumulated other comprehensive loss	(22,286)	(19,254)
Total stockholders' equity	1,204,606	1,276,327
Total liabilities and stockholders' equity	$ 1,411,934	$ 1,531,823

(1) Amounts derived from the audited financial statements at June 24, 2012.

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended	
	March 24, 2013	March 25, 2012
Cash flows from operating activities:		
Net income (loss)	$ (82,742)	$ 13,136
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	68,562	62,086
Amortization of acquisition-related intangible assets	5,023	6,651
Loss on disposal of fixed assets	4,333	1,674
Gain on disposition of property	—	(5,410)
Impairment of long-lived assets	2,791	—
Stock compensation expense	16,414	12,109
Gain on the sale of investments	(8)	(44)
Other-than-temporary impairment of investments	350	2,383
(Recovery of) provision for bad debt	(62)	957
Provision for inventory write-downs	15,279	11,534
Loss (gain) on derivatives	165	(29)
Deferred income taxes	5,615	(8,837)
Tax benefit from stock-based awards	—	1,674
Excess tax benefit from stock-based awards	—	(830)
Changes in operating assets and liabilities, net	43,389	(119,323)
Other	2,522	5,007
Net cash provided by (used in) operating activities	81,631	(17,262)
Cash flow from investing activities:		
Additions to property, plant and equipment	(60,924)	(96,524)
Proceeds from sale of property, plant and equipment	118	5,524
Sale of investments	52,131	27,109
Maturities of investments	21,500	183,623
Purchase of investments	(9,979)	(160,260)
Release from restricted cash	174	690
Net cash provided by (used in) investing activities	3,020	(39,838)
Cash flows from financing activities:		
Proceeds from exercise of stock options	4,342	2,351
Excess tax benefit from stock-based awards	—	830
Purchase of treasury stock	(5,210)	(23,576)
Net settlement of restricted stock units for tax withholdings	(1,492)	(2,510)
Net cash used in financing activities	(2,360)	(22,905)
Effect of exchange rate changes on cash and cash equivalents	(720)	(1,226)
Net increase (decrease) in cash and cash equivalents	81,571	(81,231)
Cash and cash equivalents, beginning of period	305,423	298,731
Cash and cash equivalents, end of period	$ 386,994	$ 217,500

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

International Rectifier Corporation ("IR" or the "Company") designs, manufactures and markets power management semiconductors. Power management semiconductors address the core challenges of power management, power performance and power conservation, by increasing system efficiency, allowing more compact end-products, improving features on electronic devices and prolonging battery life.

Power semiconductors convert raw power from an electrical outlet, a battery, an alternator running off an internal combustion engine, a hybrid electric vehicle ("HEV") or electric vehicle ("EV"), or other renewable energy sources into more efficient and useful power for a wide range of electrical and electronic systems and equipment. The more sophisticated the end product, the greater the need for specially-formatted, finely-regulated power. The importance of power semiconductor technology rises with the increasing complexity of electronic products and the proliferation of electronic features in information technology, industrial, consumer, aerospace and defense and automotive products.

With the demand for energy usage increasing worldwide and energy costs generally rising, governments and consumers alike are striving to conserve energy and demand more efficient uses of power in all types of electronic products including computers, appliances, military aircraft, and hybrid cars. The information technology, industrial, computing, consumer, high reliability and automobile industries use power management semiconductors to promote energy efficiency and improve performance metrics. Power management semiconductors enable energy savings by delivering the power tailored for a particular electrical device, rather than delivering a constant stream of power.

The Company's products include power metal oxide semiconductor field effect transistors ("MOSFETs"), high voltage analog and mixed signal integrated circuits ("HVICs"), low voltage analog and mixed signal integrated circuits ("LVICs"), digital integrated circuits ("ICs"), radiation -resistant ("RAD-Hard") power MOSFETs, insulated gate bipolar transistors ("IGBTs"), high reliability DC-DC converters, digital controllers, integrated power modules, and automotive product packages.

Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), and therefore do not include all information and notes normally provided in audited financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The condensed consolidated financial statements include the accounts of the Company and its subsidiaries, which are located in North America, Europe and Asia. Intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation of the Company's results of operations, financial position, and cash flows have been included. The results of operations for the interim periods presented are not necessarily comparable to the results of operations for any other interim period or indicative of the results that will be recorded for the full fiscal year ending June 30, 2013. These condensed consolidated financial statements and the accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2012 filed with the SEC on August 23, 2012 (the "2012 Annual Report").

Fiscal Year and Quarter

The Company operates on a 52-53 week fiscal year with the fiscal year ending on the last Sunday in June. The three months ended March 2013 and 2012 consisted of 13 weeks ending on March 24, 2013 and March 25, 2012, respectively. The current fiscal year will consist of 53 weeks and end on June 30, 2013.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Company evaluates events subsequent to the end of the fiscal quarter through the date the financial statements are filed with the SEC for recognition or disclosure in the consolidated financial statements. Events that provide additional evidence about material conditions that existed at the date of the balance sheet are evaluated for recognition in the consolidated financial statements. Events that provide evidence about conditions that did not exist at the date of the balance sheet but occurred after the balance sheet date are evaluated for disclosure in the notes to the consolidated financial statements.

Fair Value Measurements

Fair value is 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. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree to which the inputs are observable. The categorization of financial assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels (with Level 3 being the lowest) defined as follows:

- Level 1—Inputs are based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2—Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly.
- Level 3—Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The financial assets and liabilities which are measured and recorded at fair value on a recurring basis are included within the following items on the Company's consolidated balance sheet as of March 24, 2013 and June 24, 2012 (in thousands):

	As of March 24, 2013			
Assets and Liabilities:	**Total**	**Level 1**	**Level 2**	**Level 3**
Short-term investments	$ 15,058	$ 6,005	$ 9,053	$ —
Prepaid expenses and other receivables	432	—	432	—
Other assets	27,927	24,982	—	2,945
Other long-term liabilities	(8,448)	(8,448)	—	—
Total	$ 34,969	$ 22,539	$ 9,485	$ 2,945
Fair value as a percentage of total	100.0%	64.5%	27.1%	8.4%
Level 3 as a percentage of total assets				0.2%

	As of June 24, 2012			
Assets and Liabilities:	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 9,997	$ —	$ 9,997	$ —
Short-term investments	63,872	33,058	30,814	—
Prepaid expenses and other receivables	622	—	622	—
Long-term investments	15,054	10,001	5,053	—
Other assets	27,358	24,439	85	2,834
Other long-term liabilities	(8,139)	(8,139)	—	—
Total	$ 108,764	$ 59,359	$ 46,571	$ 2,834
Fair value as a percentage of total	100.0%	54.6%	42.8%	2.6%
Level 3 as a percentage of total assets				0.2%

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The Company considers as cash and cash equivalents all investments that are highly liquid with an initial maturity of three months or less from the date of purchase.

The fair value of investments, derivatives, and other assets and liabilities are disclosed in Note 2, Note 3, and Note 9, respectively.

During the nine months ended March 24, 2013 and March 25, 2012, for each class of assets and liabilities, there were no transfers between those valued using quoted prices in active markets for identical assets (Level 1), those valued using significant other observable inputs (Level 2), and those valued using significant unobservable inputs (Level 3). The Company determines at the end of the reporting period whether a given financial asset or liability is valued using Level 1, 2, or 3 inputs.

As of March 24, 2013, the Company's investments recorded at fair value using Level 2 inputs included corporate debt securities and U.S. government agency obligations. The above assets and liabilities recorded at fair value using Level 2 inputs were valued primarily using an independent valuation firm based on the market approach using various inputs such as trade data, broker/dealer quotes, observable market prices for similar securities and other available data. The Company also records its foreign currency forward contracts at fair value using Level 2 inputs based on readily observable market parameters for all substantial terms of derivatives.

Level 3 Valuation Techniques

The following tables provide a reconciliation of the beginning and ending balance of items measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 24, 2013 and March 25, 2012 (in thousands):

	Level 3
	Assets
	Derivatives
Beginning balance at December 23, 2012	$ 3,036
Total losses (realized or unrealized):	
Included in other expense	(91)
Ending balance at March 24, 2013	$ 2,945

	Level 3			
	Liabilities	Assets		
	Contingent Consideration	Derivatives	Investments	Total
Beginning balance at December 25, 2011	$ 400	$ 3,028	$ 266	$ 3,294
Total losses (realized or unrealized):				
Included in other expense	—	(232)	(14)	(246)
Purchases, maturities, and sales:				
Maturities/prepayments	—	—	(31)	(31)
Sales	—	—	(221)	(221)
Ending balance at March 25, 2012	$ 400	$ 2,796	$ —	$ 2,796

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The following tables provide a reconciliation of the beginning and ending balance of items measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended March 24, 2013 and March 25, 2012 (in thousands):

	Level 3 Assets Derivatives
Beginning balance at June 24, 2012	$ 2,834
Total gains (realized or unrealized):	
Included in other expense	111
Ending balance at March 24, 2013	$ 2,945

	Level 3			
	Liabilities	Assets		
	Contingent Consideration	Derivatives	Investments	Total
Beginning balance at June 26, 2011	$ 400	$ 2,773	$ 781	$ 3,554
Total gains or (losses) (realized or unrealized):				
Included in other expense	—	23	18	41
Included in unrealized holding losses on available-for-sale securities in other comprehensive income	—	—	(190)	(190)
Purchases, maturities, and sales:				
Maturities/prepayments	—	—	(78)	(78)
Sales	—	—	(531)	(531)
Ending balance at March 25, 2012	$ 400	$ 2,796	$ —	$ 2,796

When at least one significant valuation model assumption or input used to measure the fair value of financial assets or liabilities is unobservable in the market, they are deemed to be measured using Level 3 inputs. These Level 3 inputs may include pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. The Company uses Level 3 inputs to value financial assets that include a non-transferable put option on a strategic investment (the "Put Option") and a liability for an acquisition-related contingent consideration arrangement. Level 3 inputs were also used to value investment securities that included a certain asset-backed security for which there was decreased observability of market pricing for these investments.

The Company accounts for the Put Option as a derivative instrument not designated as an accounting hedge. The fair value was determined using the Black-Scholes option pricing model. The model uses inputs such as exercise price, fair market value of the underlying common stock, expected life (years), expected volatility, risk-free rate equivalent, and dividend yield. The expected life is the remaining life of the Put Option. Expected volatility is based on historical volatility of the underlying common stock. As of March 24, 2013, the Company determined that significant changes in the above assumptions would not materially affect the fair value of the Put Option. Additionally, the model materially relies on the assumption the issuer of the Put Option will uphold its financial obligation up to its common equity value should the Company exercise the Company's right to put the associated number of common shares back to the issuer at a fixed price in local currency.

1. Business, Basis of Presentation and Summary of Significant Accounting Policies (Continued)

For the three and nine months ended March 24, 2013, the Company measured at fair value, on a non-recurring basis, the carrying values of certain equipment in its research and development group, its Newport, Wales, and Mexico manufacturing facilities, and a subcontractor facility located in southeast Asia, due to the non-use of that equipment. During the three months ended March 24, 2013, the Company determined that the carrying values of certain assets located at the subcontractor facility of $0.3 million exceeded their estimated fair values of zero. The fair values were determined using the market approach, which considered the estimated fair value of the equipment using significant unobservable inputs (Level 3) obtained from third party equipment brokerage firms. In addition to the above, during the six months ended December 23, 2012, the Company determined that the carrying values of certain assets in its research and development group, and manufacturing facilities located in Newport, Wales, and Mexico of $8.7 million exceeded their estimated fair values of $4.0 million. The fair values were determined using the market approach, which considered the estimated fair value of the equipment using significant unobservable inputs (Level 3) obtained from third party equipment brokerage firms. Consequently, during the three and nine months ended March 24, 2013, the Company recorded impairment charges of $0.3 million and $5.0 million, respectively, which represents the excess of the carrying values of the assets over the fair values, less the estimated cost to sell. The Company had no significant measurements of assets or liabilities at fair value on a non-recurring basis during the three months and nine months ended March 25, 2012.

Adoption of Recent Accounting Standards

In June 2011, the FASB issued ASC update No. 2011-05, "Comprehensive Income (Topic 220), Presentation of Comprehensive Income" ("ASC 2011-05"). The FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity, among other amendments in this update. The amendments require that all non-owner changes in stockholder's equity be presented in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both alternatives, a company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. A company is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of comprehensive income are presented. The adoption of this update did not have a material impact on the Company's financial statements, and the statement of comprehensive income was presented as a separate consecutive statement following the unaudited condensed consolidated statements of operations (See Part I, Item 1, Financial Statements- "Unaudited Condensed Consolidated Statements of Comprehensive Income").

Recent Accounting Standards

In July 2012, the FASB issued ASC update No. 2012-02, "Intangibles-Goodwill and Other (Topic 350), Testing Indefinite-Lived Intangible Assets for Impairment" ("ASC 2012-02"). Under the amendments in this update, a company has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If after assessing the qualitative factors, a company determines it does not meet the more-likely-than-not threshold, a company is required to perform the quantitative impairment test by calculating the fair value of an indefinite-lived intangible asset and comparing the fair value with the carrying amount of the asset. The amendments in this update are effective for annual and interim impairment test performed for fiscal years beginning after September 15, 2012 (early adoption permitted). The Company does not believe that adoption of this update will have a material impact on its financial statements.

In February 2013, the FASB issued ASC update No. 2013-02, "Comprehensive Income (Topic 220), Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASC 2013-02). The objectives of this update require companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, a company is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The amendments in this update are effective for fiscal years and interim periods within those years beginning after December 15, 2012. The Company does not believe that adoption of this update will have a material impact on its financial statements.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Investments

Available-for-sale investments are carried at fair value, inclusive of unrealized gains and losses, and net of discount accretion and premium amortization computed using the level yield method. Net unrealized gains and losses are included in other comprehensive income (loss) net of applicable income taxes. Gains or losses on sales of available-for-sale investments are recognized using the first-in, first-out method and are included in either other income or interest income depending upon the type of security.

Available-for-sale securities as of March 24, 2013 are summarized as follows (in thousands):

	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Market Value
Short-Term Investments:					
Corporate debt	$ —	$ 13	$ —	$ 13	$ 13
U.S. government and agency obligations	15,033	12	—	12	15,045
Total short-term investments	$ 15,033	$ 25	$ —	$ 25	$ 15,058
Equity securities	$ 11,631	$ 3,931	$ (152)	$ 3,779	$ 15,410

Available-for-sale securities as of June 24, 2012 are summarized as follows (in thousands):

	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Market Value
Short-Term Investments:					
Corporate debt	$ 6,045	$ 26	$ —	$ 26	$ 6,071
U.S. government and agency obligations	57,796	10	(5)	5	57,801
Total short-term investments	$ 63,841	$ 36	$ (5)	$ 31	$ 63,872
Long-Term Investments:					
U.S. government and agency obligations	$ 15,053	$ 7	$ (6)	$ 1	$ 15,054
Total long-term investments	$ 15,053	$ 7	$ (6)	$ 1	$ 15,054
Equity securities	$ 11,631	$ 3,848	$ —	$ 3,848	$ 15,479

2. Investments (Continued)

The Company manages its total portfolio to encompass a diversified pool of investment-grade securities. The investment policy is to manage its total cash and investments balances to preserve principal and maintain liquidity while achieving moderate returns on the investment portfolio.

In addition, the Company has a note receivable from a privately held company which was carried at cost of $0.4 million in other assets. This investment was carried at cost as the Company determined that it was nonmarketable since the issuer is a start-up company whose securities are not publicly traded, and as a result, it was not practicable to estimate the fair value of the investment. During the three months ended March 24, 2013, the privately held company in which the Company has an equity investment experienced a negative change in financial condition. The Company then evaluated that the investment was permanently impaired and recorded an impairment charge of $0.4 million during the three months ended March 24, 2013.

The Company also holds as strategic investments the common stock of three publicly traded foreign companies. The common stock of the three companies are shown as "Equity securities" in the tables above and are included in other assets on the consolidated balance sheets. The common shares of the publicly traded companies are traded on either the Tokyo Stock Exchange or the Taiwan Stock Exchange. The Company holds an option on one of the strategic investments to put the associated number of common shares back to the issuer at a fixed price in local currency (which is described as the "Put Option" in Note 1). The Put Option became effective September 1, 2009 and is reported at fair value. As of March 24, 2013, the fair value of the Put Option was $2.9 million, with changes in fair value recorded in other expense (income), net (See Note 3, "Derivative Financial Instruments"). Dividend income from these investments was $0.1 million and $0.2 million for the three and nine months ended March 24, 2013, respectively, and $0.1 million for the nine months ended March 25, 2012. The Company received no dividend income from these equity investments during the three months ended March 25, 2012.

The Company evaluates securities for other-than-temporary impairment on a quarterly basis. Impairment is evaluated considering numerous factors, and their relative significance varies depending on the situation. Factors considered include the length of time and extent to which the market value has been less than cost; the financial condition and near-term prospects of the issuer of the securities; and the intent and ability of the Company to retain the security in order to allow for an anticipated recovery in fair value. If, based upon the analysis, it is determined that the impairment is other-than-temporary, the security is written down to fair value, and a loss is recognized through earnings.

The following table provides the Company's other-than-temporary impairments for equity and mortgage-backed securities for the three and nine months ended March 24, 2013 and March 25, 2012 (in thousands):

	Three Months Ended		Nine Months Ended	
	March 24, 2013	March 25, 2012	March 24, 2013	March 25, 2012
Privately held domestic company-common and preferred stock	$ —	$ —	$ —	$ 1,504
Privately held company-note receivable	350	—	350	—
Publicly traded foreign company(s)-common stock	—	—	—	850
Mortgage-backed security	—	—	—	29
Total other-than-temporary impairments	$ 350	$ —	$ 350	$ 2,383

2. Investments (Continued)

The unrealized loss position is measured and determined at each fiscal quarter end. The following tables summarize the fair value and gross unrealized losses related to available-for-sale investments, aggregated by type of investment and length of time that individual securities have been held (in thousands):

	Securities held in a loss position for less than 12 months at March 24, 2013		Securities held in a loss position for 12 months or more at March 24, 2013		Total in a loss position at March 24, 2013	
	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses
Equity securities	$ 4,631	$ (152)	$ —	$ —	$ 4,631	$ (152)
Total	$ 4,631	$ (152)	$ —	$ —	$ 4,631	$ (152)

	Securities held in a loss position for less than 12 months at June 24, 2012		Securities held in a loss position for 12 months or more at June 24, 2012		Total in a loss position at June 24, 2012	
	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses
U.S government and agency obligations	$ 46,420	$ (11)	$ —	$ —	$ 46,420	$ (11)
Total	$ 46,420	$ (11)	$ —	$ —	$ 46,420	$ (11)

As of March 24, 2013, the Company evaluated whether equity securities with gross unrealized losses of $0.2 million was other-than-temporarily impaired. The Company determined there was no indication of other-than-temporary impairment with regards to gross unrealized losses. The determination was based on the fact the Company has evaluated the near-term prospects of the equity investments in relation to the severity and duration of the impairment, and based on that evaluation, has the ability and intent to hold these investments until a recovery of fair value.

The amortized cost and estimated fair value of investments at March 24, 2013, by contractual maturity, are as follows (in thousands):

	Amortized Cost	Estimated Market Value
Due in 1 year or less	$ 15,053	$ 15,058
Total investments	$ 15,053	$ 15,058

The Company may decide to dispose of securities prior to the contractual maturity date indicated in the table above.

During the nine months ended March 24, 2013, available-for-sale securities were sold for total proceeds of $52.1 million, and for the three and nine months ended March 25, 2012 were sold for total proceeds of $12.2 million and $27.1 million, respectively. During the three months ended March 24, 2013, there were no sales of available-for-sale securities, and as a result, the Company did not recognize any gross realized gains (losses). Gross realized gains (losses) for the nine months ended March 24, 2013 and March 25, 2012 were de minimis.

2. Investments (Continued)

As a result of sales of available-for-sale securities, the Company reclassified $0.0 million for the nine months ended March 24, 2013, and $(0.0) million and $(0.2) million for the three and nine months ended March 25, 2012, respectively, from accumulated other comprehensive income to earnings as a component of interest income. During the three months ended March 24, 2013, the Company did not reclassify realized gains (losses) from accumulated other comprehensive income to earnings, as there were no sales of available-for-sale securities.

Fair Value of Investments

The following tables present the balances of investments measured at fair value on a recurring basis (in thousands):

	As of March 24, 2013			
	Total	Level 1	Level 2	Level 3
Corporate debt	$ 13	$ —	$ 13	$ —
U.S. government and agency obligations	15,045	6,005	9,040	—
Equity securities-strategic investments	15,410	15,410	—	—
Total securities at fair value	$ 30,468	$ 21,415	$ 9,053	$ —

	As of June 24, 2012			
	Total	Level 1	Level 2	Level 3
Corporate debt	$ 6,071	$ —	$ 6,071	$ —
U.S. government and agency obligations	72,855	43,059	29,796	—
Equity securities-strategic investments	15,479	15,479	—	—
Total securities at fair value	$ 94,405	$ 58,538	$ 35,867	$ —

3. Derivative Financial Instruments

The Company is exposed to financial market risks, including fluctuations in interest rates, foreign currency exchange rates and market value risk related to its investments. The Company uses derivative financial instruments primarily to mitigate foreign exchange rate risks, but also as part of its strategic investment program. In the normal course of business, the Company also faces risks that are either non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk, and are not discussed or quantified in the following analyses. As of March 24, 2013, the Company's only derivatives were currency forward contracts which were not designated as accounting hedges, the Put Option (See Note 2, "Investments"), and a call option on the equity of a private domestic company. The private domestic company is a development stage entity, and as such, the Company is unable to determine the fair value of the call option at this time.

Interest Rates

The Company is subject to interest rate risk through its investments. The objectives of the Company's investments in debt securities are to preserve principal and maintain liquidity while maximizing returns. To achieve these objectives, the returns on the Company's investments in short-term debt generally will be compared to yields on money market instruments such as U.S. Commercial Paper programs, LIBOR, or U.S. Treasury Bills. Investments in long-term debt securities will be generally compared to yields on comparable maturity of U.S. Treasury obligations, investment grade corporate instruments with an equivalent credit rating or an aggregate benchmark index.

The Company had no outstanding interest rate derivatives as of March 24, 2013.

3. Derivative Financial Instruments (Continued)

Foreign Currency Exchange Rates

The Company generally hedges the risks of foreign currency-denominated repetitive working capital positions with offsetting foreign currency denominated exchange transactions, using currency forward contracts or spot transactions. Transaction gains and losses on these foreign currency-denominated working capital positions are generally offset by corresponding gains and losses on the related hedging instruments, usually resulting in reduced net exposure. The Company does not hedge its revenues and expenses against changes in foreign currency exchange rates, as it does not perceive the net risk of changes to translated revenues and expenses from changes in exchange rates as significant enough at this time to justify hedging.

A significant amount of the Company's revenues, expense, and capital purchasing transactions are conducted on a global basis in several foreign currencies. At various times, the Company has currency exposure related to the British Pound Sterling, the Euro, and the Japanese Yen. For example, in the United Kingdom, the Company has a sales office and a semiconductor wafer fabrication facility with revenues in U.S. Dollars and Euros, and expenses in British Pounds Sterling and U.S. Dollars. To protect against exposure to currency exchange rate fluctuations on non-functional currency payables and receivables, the Company has established a balance sheet transaction risk hedging program. This risk hedging program generally uses spot and currency forward contracts. These contracts are not designated as hedging instruments for accounting purposes. Through this hedging program, the Company seeks to reduce, but does not always entirely eliminate, the impact of currency exchange rate movements.

For its balance sheet transaction risk hedging program, the Company had approximately $43.8 million in notional amounts of currency forward contracts not designated as accounting hedges at March 24, 2013. The net realized and unrealized foreign -currency gains (losses) related to forward contracts not designated as accounting hedges recognized in earnings, as a component of other expense (income), net, were $2.1 million and $(0.0) million for the three and nine months ended March 24, 2013, respectively, and $(0.9) million and $(5.7) million for the three and nine months ended March 25, 2012, respectively.

At March 24, 2013 and June 24, 2012, the fair value carrying amount of the Company's derivatives not designated as hedging instruments were as follows (in thousands):

	March 24, 2013		June 24, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Put Option	Other assets	$ 2,945	Other assets	$ 2,834
Currency forward contracts	Prepaid expenses and other receivables	432	Prepaid expenses and other receivables	622
Currency forward contracts		—	Other assets	85
Total		$ 3,377		$ 3,541

The gain or (loss) recognized in other expense (income), net for the Company's derivatives not designated as hedging instruments during the three and nine months ended March 24, 2013 and March 25, 2012 was comprised of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	March 24, 2013	March 25, 2012	March 24, 2013	March 25, 2012
Put Option	$ (91)	$ (232)	$ 111	$ 23
Currency forward contracts	2,098	(856)	(46)	33
Total	$ 2,007	$ (1,088)	$ 65	$ 56

3. Derivative Financial Instruments (Continued)

Fair Value

The following tables present derivative instruments measured at fair value on a recurring basis as of March 24, 2013 and June 24, 2012 (in thousands):

	March 24, 2013			
	Total	Level 1	Level 2	Level 3
Put Option	$ 2,945	$ —	$ —	$ 2,945
Currency forward contracts	432	—	432	—
Total derivative instruments at fair value	$ 3,377	$ —	$ 432	$ 2,945

	June 24, 2012			
	Total	Level 1	Level 2	Level 3
Put Option	$ 2,834	$ —	$ —	$ 2,834
Currency forward contracts	707	—	707	—
Total derivative instruments at fair value	$ 3,541	$ —	$ 707	$ 2,834

4. Supplemental Cash Flow Disclosures

Components in the changes of operating assets and liabilities for the nine months ended March 24, 2013 and March 25, 2012 were comprised of the following (in thousands):

	Nine Months Ended	
	March 24, 2013	March 25, 2012
Trade accounts receivable	$ 31,933	$ 23,182
Inventories	46,761	(69,489)
Prepaid expenses and other receivables	2,888	(6,130)
Accounts payable	(12,913)	(45,052)
Accrued salaries, wages and commissions	(6,077)	(16,343)
Deferred compensation	(544)	1,156
Accrued income taxes payable	(4,756)	(2,491)
Other accrued expenses	(13,903)	(4,156)
Changes in operating assets and liabilities	$ 43,389	$ (119,323)

5. Inventories

Inventories at March 24, 2013 and June 24, 2012 were comprised of the following (in thousands):

	March 24, 2013	June 24, 2012
Raw materials	$ 59,300	$ 64,112
Work-in-process	102,495	121,190
Finished goods	69,908	109,400
Total inventories	$ 231,703	$ 294,702

6. Goodwill and Acquisition-Related Intangible Assets

At March 24, 2013 and June 24, 2012, acquisition-related intangible assets included the following (in thousands):

		March 24, 2013		
	Amortization Periods (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Completed technology	4-12	$ 52,045	$ (38,012)	$ 14,033
Customer lists	5-12	10,430	(7,101)	3,329
Intellectual property and other	2-15	16,763	(10,572)	6,191
Total acquisition-related intangible assets		$ 79,238	$ (55,685)	$ 23,553

		June 24, 2012		
	Amortization Periods (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Completed technology	4-12	$ 52,045	$ (34,556)	$ 17,489
Customer lists	5-12	10,430	(6,463)	3,967
Intellectual property and other	2-15	16,763	(9,643)	7,120
Total acquisition-related intangible assets		$ 79,238	$ (50,662)	$ 28,576

As of March 24, 2013, the following table represents the total estimated amortization of intangible assets for the remainder of fiscal year 2013 and the five succeeding fiscal years (in thousands):

		Fiscal Year					
	Total	2013	2014	2015	2016	2017	2018 and thereafter
Estimated Amortization Expense	$ 23,553	$ 1,630	$ 6,420	$ 6,220	$ 4,681	$ 1,463	$ 3,139

Goodwill

The Company evaluates the carrying value of goodwill and other intangible assets annually during the fourth quarter of each fiscal year and more frequently if it believes indicators of impairment exist. In evaluating goodwill, a two-step goodwill impairment test is applied to each reporting unit. The Company identifies reporting units and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. In the first step of the impairment test, the Company estimates the fair value of the reporting unit. If the fair value of the reporting unit is less than the carrying value of the reporting unit, the Company performs the second step which compares the implied fair value of the reporting unit with the carrying amount of the reporting unit and writes down the carrying amount of the goodwill to the implied fair value.

The carrying amount of goodwill by reportable segment as of March 24, 2013 and June 24, 2012 was as follows (in thousands):

Business Segments:	March 24, 2013	June 24, 2012
Energy Saving Products	$ 33,190	$ 33,190
HiRel	18,959	18,959
Total goodwill	$ 52,149	$ 52,149

7. Revolving Credit Facility and Bank Letters of Credit

Revolving Credit Facility

On October 25, 2012 (the "Closing Date"), the Company entered into a Credit Agreement (the "Credit Agreement"), as borrower, with Wells Fargo Bank, National Association, as Administrative Agent ("Agent"), and certain lenders (the "Lenders"), pursuant to which it established a new senior unsecured revolving credit facility (the "Facility") in an aggregate principal amount of $100 million with sublimits for swingline loans (of $25 million) and the issuance of letters of credit (of $10 million). The Credit Facility matures on October 25, 2016. The proceeds of the Credit Facility may be used by the Company to finance certain capital expenditures and acquisitions permitted thereunder, to provide for the working capital and general corporate needs as well as to pay fees, commissions and expenses associated with the Credit Facility.

The terms of the Credit Agreement require the Company to comply with certain financial tests, and include various affirmative and negative covenants, and customary representations and warranties, conditions and events of default. Additionally, the Credit Facility is subject to a commitment fee on the unused portion at an initial rate equal to 0.25 percent per annum. As of March 24, 2013, the Company was in compliance with the financial tests and covenants, and there were no amounts outstanding under the Credit Facility.

Bank Letters of Credit

At March 24, 2013, the Company had $0.7 million of outstanding letters of credit. These letters of credit are secured by cash collateral provided by the Company equal to their face amount.

8. Other Accrued Expenses

Other accrued expenses were comprised of the following as of (in thousands):

	March 24, 2013	June 24, 2012
Sales returns	$ 30,884	$ 32,185
Accrued accounting and legal costs	10,603	10,192
Deferred revenue	9,059	13,634
Accrued warranty	1,847	2,190
Accrued utilities	2,253	2,625
Accrued repurchase obligation	4,556	3,240
Accrued sales and other taxes	4,574	1,862
Accrued subcontractor costs	1,567	3,386
Accrued rent	4,890	4,381
Other	6,978	9,469
Total other accrued expenses	$ 77,211	$ 83,164

Warranty

The Company records warranty liabilities at the time of sale for the estimated costs that may be incurred under the terms of its warranty agreements. The specific warranty terms and conditions vary depending upon the product sold and the country in which the Company does business. In general, for standard products, the Company will replace defective parts not meeting the Company's published specifications at no cost to the customers. Factors that affect the liability include historical and anticipated failure rates of products sold, and cost per claim to satisfy the warranty obligation. If actual results differ from the estimates, the Company revises its estimated warranty liability to reflect such changes.

8. Other Accrued Expenses (Continued)

The following table details the changes in the Company's warranty reserve for the nine months ended March 24, 2013, which is included in other accrued expenses (in thousands):

Accrued warranty, June 24, 2012	$ 2,190
Accruals for warranties issued during the period	1,421
Changes in estimates related to pre-existing warranties	(104)
Warranty claim settlements	(1,660)
Accrued warranty, March 24, 2013	$ 1,847

9. Other Long-Term Liabilities

Other long-term liabilities were comprised of the following as of (in thousands):

	March 24, 2013	June 24, 2012
Income taxes payable	$ 13,239	$ 19,543
Divested entities' tax obligations	866	1,918
Deferred compensation	10,023	10,147
Other	1,754	4,192
Total other long-term liabilities	$ 25,882	$ 35,800

Fair Value of Long-term Liabilities

The following tables present the long-term liabilities and the related assets measured at fair value on a recurring basis as of March 24, 2013 and June 24, 2012 (in thousands):

	March 24, 2013			
	Total	Level 1	Level 2	Level 3
Employee deferred compensation plan liability	$ 8,448	$ 8,448	$ —	$ —
Assets of employee deferred compensation plan (reported in other assets)	9,573	9,573	—	—

	June 24, 2012			
	Total	Level 1	Level 2	Level 3
Employee deferred compensation plan liability	$ 8,139	$ 8,139	$ —	$ —
Assets of employee deferred compensation plan (reported in other assets)	8,960	8,960	—	—

10. Stock-Based Compensation

The Company issues new shares to fulfill the obligations under all of its stock -based compensation awards. Such shares are subject to registration under applicable securities laws, including the rules and regulations promulgated by the Securities and Exchange Commission, unless an applicable exemption applies.

During the nine months ended March 24, 2013, the Company granted an aggregate of 111,000 stock options to Company employees under its 2011 Performance Incentive Plan (the "2011 Plan"). Subject to the terms and conditions of the 2011 Plan and applicable award documentation, such awards generally vest and become exercisable in equal installments over each of the first three anniversaries of the date of grant, with a maximum award term of five years.

The following table summarizes the stock option activities for the nine months ended March 24, 2013 (in thousands, except per share price data):

	Stock Option Shares	Weighted Average Option Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Aggregate Intrinsic Value
Outstanding, June 24, 2012	2,044	$ 16.76	—	$ 7,031
Granted	111	$ 19.89	$ 5.56	—
Exercised	(294)	$ 19.69	—	$ 1,447
Expired or forfeited	(34)	$ 18.41	—	—
Outstanding, March 24, 2013	1,827	$ 17.24	—	$ 7,209

For the nine months ended March 24, 2013 and March 25, 2012, the Company received $4.3 million and $2.4 million, respectively, for stock options exercised. There were no tax benefits realized from issuance of stock-based awards for the three and nine months ended March 24, 2013 and March 25, 2012, respectively.

During the nine months ended March 24, 2013, the Company granted 48,300 restricted stock units ("RSUs") to employees, and 61,227 RSUs to members of the Board of Directors, in each case under the 2011 Plan. The awards provided for vesting over a period of service, subject to the terms and conditions of the 2011 Plan and applicable award documentation. For the awards made to employees, the vesting of awards generally takes place in equal installments over each of the first three anniversaries of the date of grant. The awards made to members of the Board of Directors were made as part of the Board's annual director compensation program, under which the vesting of awards takes place generally on the first anniversary of the date of grant.

The following table summarizes the RSU activity for the nine months ended March 24, 2013 (in thousands, except per share price data):

	Restricted Stock Units	Weighted Average Grant Date Fair Value per Share	Aggregate Intrinsic Value
Outstanding, June 24, 2012	2,905	$ 21.72	$ 57,932
Granted	110	$ 18.23	—
Vested	(267)	$ 19.66	$ 5,024
Forfeited	(307)	$ 20.38	—
Outstanding, March 24, 2013	2,441	$ 21.93	$ 51,181

The Company's stock based compensation plans and award documentation permit the reduction of a grantee's RSUs for purposes of settling a grantee's income tax obligation. During the nine months ended March 24, 2013, the Company withheld RSUs representing 77,222 underlying shares to fund grantees' income tax obligations.

10. Stock-Based Compensation (Continued)

Additional information relating to the Company's stock based compensation plans, including employee stock options and RSUs (including RSUs with performance based and market-based vesting criteria) at March 24, 2013 and June 24, 2012 is as follows (in thousands):

	March 24, 2013	June 24, 2012
Outstanding options exercisable	1,666	1,749
Options and RSUs available for grant	8,724	8,505
Total reserved common stock shares for stock option plans	12,992	13,454

For the three and nine months ended March 24, 2013 and March 25, 2012, stock -based compensation expense associated with the Company's stock options and RSUs (including RSUs with performance-based vesting and market-based vesting criteria) was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 24, 2013	March 25, 2012	March 24, 2013	March 25, 2012
Selling, general and administrative expense	$ 2,693	$ 2,166	$ 8,711	$ 7,097
Research and development expense	1,583	1,155	4,401	3,054
Cost of sales	1,021	819	3,302	1,958
Total stock-based compensation expense	$ 5,297	$ 4,140	$ 16,414	$ 12,109

During the nine months ended March 25, 2012, and included in the above table, the Company recorded a net credit of $1.3 million to stock compensation expense relating to performance based awards, based on the determination that the achievement of certain of the performance goals that the Company in the prior year had determined were probable to be achieved were no longer considered probable.

The total unrecognized compensation expense for outstanding stock options and RSUs was $28.5 million as of March 24, 2013. The unrecognized compensation expense for the outstanding stock options and RSUs will generally be recognized over three years. The weighted average number of years to recognize the total compensation expense for stock options and RSUs are 2.4 years and 1.8 years, respectively. As of March 24, 2013, the Company had no RSUs with performance (non-market) based vesting conditions outstanding.

The fair value of the Company stock options issued during the nine months ended March 24, 2013 and March 25, 2012, was determined at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine Months Ended	
	March 24, 2013	March 25, 2012
Expected life	3.5 years	3.5 years
Risk free interest rate	0.40%	0.37%
Volatility	37.57%	46.3%
Dividend yield	0.0%	0.0%

11. Asset Impairment, Restructuring and Other Charges

Asset impairment, restructuring and other charges reflect the impact of certain cost reduction programs and initiatives implemented by the Company. These programs and initiatives include the closing of facilities, the termination of employees and other related activities. Asset impairment, restructuring and other charges include program-specific exit costs, severance benefits pursuant to an ongoing benefit arrangement, and special termination benefits. Severance costs unrelated to the Company's restructuring initiatives are recorded as an element of cost of sales, research and development ("R&D") or selling, general and administrative expense ("SG&A"), depending upon the classification and function of the employee terminated. Restructuring costs are expensed during the period in which all requirements of recognition are met.

Asset write-downs are principally related to facilities and equipment that will not be used subsequent to the completion of exit or downsizing activities being implemented, and cannot be sold for amounts in excess of carrying value. In determining the asset groups for the purpose of calculating write-downs, the Company groups assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In determining whether an asset is impaired, the Company evaluates estimated undiscounted future cash flows and other factors such as changes in strategy and technology. An impairment loss exists if the estimated undiscounted future cash flows are less than the carrying amount of the asset group. The Company then determines the fair value of the asset group by discounting the estimated future cash flows, consistent with the cash flows of a market participant, at a discount rate that is used when analyzing potential acquisitions. The Company then compares the fair value of the asset group with the carrying amount of the asset group and writes down the carrying amount of the asset group to its fair value.

During the first quarter of fiscal year 2013, the Company announced a restructuring plan to modify its manufacturing strategy and lower its operating expenses in order to align its cost structure with business conditions. As part of the plan, the Company expects to incur costs recorded in asset impairment, restructuring and other charges related primarily to the following:

- Fiscal Year 2013 El Segundo Fabrication Facility Closure Initiative
- Fiscal Year 2013 Newport Fabrication Facility Resizing Initiative
- Fiscal Year 2013 Other Cost Reduction Activities Initiative

The following tables summarize the total asset impairment, restructuring and other charges by initiative for the three and nine months ended March 24, 2013 (in thousands):

Fiscal Year 2013 Initiatives	Three Months Ended March 24, 2013			
	El Segundo Fabrication Facility Closure Initiative	Newport Fabrication Facility Resizing Initiative	Other Cost Reduction Activities Initiative	Total
Reported in asset impairment, restructuring and other charges:				
Asset impairment	$ —	$ 9	$ —	$ 9
Severance and workforce reduction costs (recoveries)	(5)	—	205	200
Relocation and re-qualification costs	142	529	—	671
Total asset impairment, restructuring and other charges	$ 137	$ 538	$ 205	$ 880

11. Asset Impairment, Restructuring and Other Charges (Continued)

Fiscal Year 2013 Initiatives	Nine Months Ended March 24, 2013			
	El Segundo Fabrication Facility Closure Initiative	**Newport Fabrication Facility Resizing Initiative**	**Other Cost Reduction Activities Initiative**	**Total**
Reported in asset impairment, restructuring and other charges:				
Asset impairment	$ 178	$ 675	$ 1,062	$ 1,915
Severance and workforce reduction costs	5,852	597	4,993	11,442
Decommissioning costs	—	55	—	55
Relocation and re-qualification costs	352	1,023	—	1,375
Total asset impairment, restructuring and other charges	$ 6,382	$ 2,350	$ 6,055	$ 14,787

In addition to the amounts in the table above, $0.2 million and $1.4 million of other charges related to the restructuring initiatives were recorded in cost of sales during the three and nine months ended March 24, 2013, respectively. These charges, which were for accelerated depreciation and inventory write-downs, are not classifiable as restructuring costs, and were therefore recorded in cost of sales.

The following table summarizes changes in the Company's restructuring related accruals related to its fiscal year 2013 initiatives for the nine months ended March 24, 2013, which are included in accrued salaries, wages, and benefits on the balance sheet (in thousands):

Fiscal Year 2013 Initiatives	**El Segundo Fabrication Facility Closure Initiative**	**Newport Fabrication Facility Resizing Initiative**	**Other Cost Reduction Activities Initiative**	**Total**
Accrued severance and workforce reduction costs at June 24, 2012	$ —	$ —	$ —	$ —
Accrued during the period and charged to asset impairment, restructuring and other charges	5,852	597	4,993	11,442
Costs paid during the period	(5,282)	(597)	(4,893)	(10,772)
Accrued severance and workforce reduction costs March 24, 2013	$ 570	$ —	$ 100	$ 670

11. Asset Impairment, Restructuring and Other Charges (Continued)

Fiscal Year 2013 Initiatives

Fiscal Year 2013 El Segundo Fabrication Facility Closure Initiative

During the first quarter of fiscal year 2013, the Company adopted a restructuring plan to close its El Segundo wafer fabrication facility by the third quarter of fiscal year 2013. In connection with the plan, the Company estimates it will incur total pre-tax costs of $7.3 million. These costs consist of $5.9 million of severance and workforce reduction costs, $1.2 million of relocation and re-qualification costs, and $0.2 million of asset impairment costs. In addition to the restructuring charges above, during the three and nine months ended March 24, 2013, the Company recorded $0.2 million and $1.4 million of other charges related to the restructuring initiative in cost of sales. These other charges, which were for accelerated depreciation and inventory write-downs, are not classifiable as restructuring costs, and affected the ESP reporting segment.

During the three and nine months ended March 24, 2013, cash payments for this initiative were $2.9 million and $5.3 million, respectively, and are estimated to be approximately $0.9 million and $1.0 million for the remainder of fiscal year 2013 and thereafter, respectively.

In addition, the Company estimates it will make cash expenditures of $2.5 million for the decontamination and restoration of this fabrication facility. These costs were previously considered as part of the asset impairment of the El Segundo Fabrication Facility recorded in the fourth quarter of fiscal year 2012, and are not anticipated to result in additional restructuring charges.

Fiscal Year 2013 Newport, Wales Fabrication Facility Resizing Initiative

During the first quarter of fiscal year 2013, the Company adopted a restructuring plan to resize its wafer fabrication facility in Newport, Wales in several phases by the middle of calendar year 2015. In connection with the plan, the Company estimates it will incur total pre-tax costs of approximately $13.6 million. These costs consist of approximately $0.7 million of asset impairment costs, $2.4 million of severance and workforce reduction costs, $4.4 million of decommissioning costs, and $6.1 million of relocation and re-qualification costs.

During the three and nine months ended March 24, 2013, cash payments for this initiative were $0.5 million and $1.7 million, respectively, and are estimated to be approximately $1.5 million and $9.7 million for the remainder of fiscal year 2013 and thereafter, respectively.

Fiscal Year 2013 Other Cost Reduction Activities Initiative

During the first nine months of fiscal year 2013, the Company undertook certain actions to reduce (i) capacity at manufacturing facilities in Mexico, California, and Arizona, as well as (ii) administrative and research and development costs around the world. As part of the plan, the Company has incurred approximately $5.0 million of severance and workforce reduction costs so far in fiscal year 2013. The severance and workforce reduction costs recorded during the three months ended March 24, 2013 included $0.2 million for research and development functions. During the nine months ended March 24, 2013, severance and workforce reduction costs included $2.6 million related to manufacturing functions, and $1.1 million for general and administrative functions, and $1.3 million for research and development functions.

As part of those ongoing efforts, during the nine months ended March 24, 2013, the Company incurred $1.1 million of asset impairment costs for the planned disposition of certain manufacturing equipment related to its manufacturing facility in Mexico, and may incur additional amounts in the future.

The Company has identified a few additional cost reduction actions to be implemented during the three months ending June 30, 2013, at which point this initiative is expected to be completed.

During the three and nine months ended March 24, 2013, cash payments for this initiative were $1.1 million and $4.9 million, respectively, and are estimated to be approximately $0.2 million for the remainder of fiscal year 2013.

12. Segment Information

The Company reports in six segments which correspond to the way the Company manages its business and interacts with customers. These reportable segments, which correspond to operating segments include:

Power Management Devices ("PMD") - The PMD segment provides high performance power MOSFETs which include the lowest $R_{DS(on)}$ and widest range of packages up to 250V within the power management semiconductor industry for a range of applications including power supply, data processing, telecommunications, industrial, and commercial battery-powered systems. Key products sold by the PMD segment include, Trench HEXFET®MOSFETs, Discrete HEXFET®MOSFETs, Dual HEXFET®MOSFETs, FETKY®s, and DirectFET®s.

Energy Saving Products ("ESP") – The ESP segment provides integrated design platforms that enable the Company's customers to add energy-conserving features to help achieve lower operating energy and manufacturing costs. The Company's integrated design platforms incorporate its silicon packaging technology to help improve system performance. The ESP segment's primary market applications include motor control appliances, industrial automation, lighting and display, audio and video. The ESP segment's key products include the Company's analog HVICs and IGBT platforms, digital control ICs and IRAM integrated power modules.

Automotive Products ("AP") - The AP segment provides high performance and energy saving solutions for a broad variety of automotive systems, ranging from typical 12V power net applications up to 1200V hybrid electric vehicle applications. The Company's automotive expertise includes supplying products for various automotive applications including AC and DC motor drives of all power classes, actuator drivers, automotive lighting (such as high intensity discharge lamps), direct fuel injection for diesel and gasoline engines, hybrid electric vehicle power train and peripheral systems for micro, mid, full and plug-in hybrids for electric vehicles, as well as for body electronic systems like glow plugs, Positive Temperature Coefficient ("PTC") heaters, electric power steering, fuel pumps, Heating Ventilation and Air Conditioning ("HVAC") and rear wipers. The Company's automotive product designs are used in application-specific solutions, application-specific integrated circuits ("ASICs") and application-specific standard parts ("ASSPs") and generic high volume products for multiple original equipment manufacturer ("OEM") platform usage. Key products sold by the AP segment include HVICs, intelligent power switch ICs, power MOSFETs including DirectFET ® and IGBTs.

Enterprise Power ("EP") – The EP segment's primary applications include servers, storage, routers, switches, infrastructure equipment, notebooks, graphic cards, and gaming consoles. The Company offers a broad portfolio of power management system products that deliver benchmark power density, efficiency and performance. These products include the Company's DirectFET® discrete products, CHil digital PWM controllers, power monitoring products, XPhase®, SupIRBuckTM, iPOWIR® voltage regulators, Low voltage ICs, and PowIRstagesTM.

HiRel - The HiRel segment provides high-reliability power components and sub-assemblies designed to address power management requirements in mission critical applications including satellites and space exploration vehicles, military hardware and other high reliability applications such as commercial aircraft, undersea telecommunications, and oil drilling in heavy industry and products used in biomedical applications. The Company's HiRel segment has a legacy of more than thirty years of experience in many of these market segments, has developed strategic relationships with major system integrators worldwide and has the knowledge, technology and processes required to meet the requirements of customers in the high-reliability markets. Key products of the HiRel segment include RAD-Hard discretes, RAD-Hard ICs, power management modules and DC-DC converters.

Intellectual Property ("IP") - The IP segment includes revenues from the sale and/or licensing of the Company's technologies and manufacturing process know-how, in addition to the operating results of the Company's patent licensing and settlements of claims brought against third parties. The Company from time to time enters into opportunistic sale and/or licensing arrangements that it believes are consistent with its business strategy.

12. Segment Information (Continued)

The Company does not allocate assets, sales and marketing, information systems, finance and administrative costs and asset impairment, restructuring and other charges to the operating segments, as these are not meaningful statistics to the CEO in making resource allocation decisions or in evaluating performance of the operating segments. Because operating segments are generally defined by the products they design and sell, they do not make sales to each other.

The Company does not directly allocate assets to its operating segments, nor does the CEO evaluate operating segments using discrete asset information. However, depreciation and amortization related to the manufacturing of goods is included in gross profit for the segments as part of manufacturing overhead. Due to the Company's methodology for cost build up at the product level, it is impractical to determine the amount of depreciation and amortization included in each segment's gross profit.

The Company's "Customer Segments" includes PMD, ESP, AP, EP and HiRel reporting segments.

For the three and nine months ended March 24, 2013 and March 25, 2012, revenues and gross margin by reportable segments were as follows (in thousands, except percentages):

	Three Months Ended					
	March 24, 2013			March 25, 2012		
Business Segment	Revenues	Percentage of Total	Gross Margin	Revenues	Percentage of Total	Gross Margin
Power Management Devices	$ 85,209	38.0%	21.0%	$ 80,653	32.5%	19.0%
Energy Saving Products	43,614	19.4	12.2	57,362	23.1	29.7
Automotive Products	31,107	13.9	22.0	28,799	11.6	18.2
Enterprise Power	20,488	9.1	36.1	32,194	13.0	31.0
HiRel	43,554	19.4	38.4	48,652	19.6	53.3
Customer Segments total	223,972	99.9	24.2	247,660	99.8	29.7
Intellectual Property	296	0.1	100.0	434	0.2	100.0
Consolidated total	$ 224,268	100.0%	24.3%	$ 248,094	100.0%	29.8%

	Nine Months Ended					
	March 24, 2013			March 25, 2012		
Business Segment	Revenues	Percentage of Total	Gross Margin	Revenues	Percentage of Total	Gross Margin
Power Management Devices	$ 259,309	37.0%	18.7%	$ 264,350	33.9%	26.2%
Energy Saving Products	124,244	17.7	13.6	192,357	24.6	36.5
Automotive Products	88,359	12.6	14.7	82,345	10.5	22.7
Enterprise Power	86,947	12.4	33.3	98,690	12.6	36.0
HiRel	139,029	19.8	46.5	141,905	18.2	53.0
Customer Segments total	697,888	99.6	24.6	779,647	99.8	34.5
Intellectual Property	2,694	0.4	75.5	1,266	0.2	100.0
Consolidated total	$ 700,582	100.0%	24.8%	$ 780,913	100.0%	34.6%

13. Income Taxes

The Company recorded a tax expense of $1.6 million or 8.1 percent against a loss of $19.6 million for the three months ended March 24, 2013. The expense was mainly due to $1.9 million in foreign income taxes, $0.5 million in withholding taxes, and $0.2 million in domestic tax expense. This expense was partially offset by a reduction in foreign uncertain tax positions, arising from lapses in statutes of limitation of approximately $0.6 million, and the utilization of a $0.4 million state tax credit.

The Company recorded a tax expense of $6.1 million or 8.0 percent against a loss of $76.6 million for the nine months ended March 24, 2013. This was mainly due to a decrease in the United Kingdom ("U.K.") statutory tax rates, which reduced the value of the Company's net deferred tax assets in the U.K. by $3.2 million, expenses related to foreign income taxes of $4.6 million, foreign withholding taxes of $2.0 million, and domestic tax expense of $1.4 million. The expense was partially offset by the benefit of $4.7 million arising from reduction in uncertain tax positions during the second and third quarters, and the utilization of a $0.4 million state tax credit.

The Company recorded a tax benefit of $4.5 million or 64.5 percent against a loss of $7.0 million for the three months ended March 25, 2012, and an expense of $2.8 million or 17.8 percent against income of $15.9 million for the nine months ended March 25, 2012. For the three months ended March 25, 2012, the Company recorded a tax benefit of $4.5 million due to a valuation allowance release of $7.8 million related to deferred tax assets in the U.K., $3.1 million related to deferred tax assets in the U.S., a tax benefit of $1.6 million from an unrealized gain which was partially offset by $3.5 million in withholding taxes, $2.3 million in foreign taxes, $1.8 million of deferred charges, and $0.6 million increase in uncertain tax positions. For the nine months ended March 25, 2012, the Company recorded a tax expense of $2.8 million due to foreign taxes of $7.3 million, withholding taxes of $3.5 million, deferred charges of $1.8 million, an increase in uncertain tax positions of $1.4 million, tax rate changes that decreased the Company's deferred tax assets by $0.6 million, and $0.6 million in domestic tax expense which was partially offset by the release of $10.9 million of valuation allowances and a $1.6 million benefit from an unrealized gain.

The Company evaluates its net deferred income tax assets quarterly to determine if valuation allowances are required. Based on the consideration of all available evidence using a "more-likely-than-not" standard, the Company determined that the valuation allowance established against its federal and California deferred tax assets in the U.S. should remain in place through fiscal year 2013. These valuation allowances relate to beginning of fiscal year 2013 balances of reserves that were established during fiscal year 2009.

The Company operates in multiple foreign jurisdictions with lower statutory tax rates, and its operations in Singapore generally have the most significant impact on the Company's effective tax rate. During fiscal year 2011, the Company was granted certain incentives by the Singapore Economic Development Board. As a result, the Company operates under a tax holiday in Singapore, effective from December 27, 2010 through December 26, 2020. The tax holiday is conditioned upon the Company meeting certain employment and investment thresholds which have been met to date. The Company has not realized a benefit for this reporting period.

During the three months ended March 24, 2013, the reserve for uncertain tax positions increased by $1.6 million to $45.1 million. This increase resulted primarily from a $3.0 million increase to reserves associated with domestic uncertain tax positions. The increase was offset by an expiration of statute of limitations of $0.6 million and $0.8 million from changes in currency exchange rates related to prior year uncertain tax positions in certain foreign jurisdictions. For fiscal year 2013, the benefits associated with uncertain tax positions would result in a benefit to income taxes on the consolidated statement of operations of $13.2 million, and if recognized, would reduce the Company's future effective tax rate. The reserve is expected to decrease by $7.5 million during the next 12 months primarily due to a lapse in the statute of limitations in certain foreign jurisdictions.

As of March 24, 2013, the Company's accrual of interest and penalties related to uncertain tax positions was $4.0 million. For the three months ended March 24, 2013, penalties and interest included in the reserves decreased by $0.3 million.

While it is often difficult to predict the final outcome or the timing of the resolution of any particular uncertain tax position, the Company believes its reserve for income taxes represents the most probable outcome. The Company adjusts this reserve, including the portion related to interest, in light of changing facts and circumstances.

As of June 24, 2012, U.S. income taxes have not been provided on approximately $95.3 million of undistributed earnings of foreign subsidiaries since those earnings are considered to be invested indefinitely. Determination of the amount of unrecognized deferred tax liabilities for temporary differences related to investments in these non-U.S. subsidiaries that are essentially permanent in duration is not practicable.

13. Income Taxes (Continued)

Pursuant to Sections 382 and 383 of the U.S. Internal Revenue Code, the utilization of net operating losses ("NOLs") and other tax attributes may be subject to substantial limitations if certain ownership changes occur during a three-year testing period (as defined). The Company does not believe an ownership change has occurred that would limit the Company's utilization of any NOL, credit carry forward or other tax attributes.

14. Net Income per Common Share

The Company calculates earnings per share using the two-class method. The two-class method requires allocating the Company's net income to both common shares and participating securities. The Company's participating securities include the unvested, outstanding RSUs to the extent the RSUs provide for the right to receive dividend equivalents.

The following table provides a reconciliation of the numerator and denominator of the basic and diluted per-share computations for the three and nine months ended March 24, 2013 and March 25, 2012 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	March 24, 2013	March 25, 2012	March 24, 2013	March 25, 2012
Net income (loss)	$ (21,245)	$ (2,490)	$ (82,742)	$ 13,136
Less: Income allocated to participating securities	—	—	—	148
Income (loss) available to common stockholders	$ (21,245)	$ (2,490)	$ (82,742)	$ 12,988
Basic				
Weighted average common shares outstanding	69,273	69,104	69,234	69,306
Net income (loss) per common share-basic	$ (0.31)	$ (0.04)	$ (1.20)	$ 0.19
Diluted				
Basic weighted average common shares outstanding	69,273	69,104	69,234	69,306
Effect of dilutive securities – stock options and RSUs	—	—	—	505
Weighted-average common shares and potentially dilutive securities outstanding-dilutive	69,273	69,104	69,234	69,811
Net income (loss) per common share-dilutive	$ (0.31)	$ (0.04)	$ (1.20)	$ 0.19

For the three and nine months ended March 24, 2013, 1.2 million shares and 2.2 million shares of common stock equivalents, respectively, were antidilutive and were not included in the computation of diluted earnings per share for these periods. Additionally, for the three and nine months ended March 25, 2012, 0.9 million shares and 0.3 million shares of common stock equivalents, respectively, were antidilutive and were not included in the computation of diluted earnings per share for these periods. In addition, for the three and nine months ended March 24, 2013, 0.8 million shares and 0.8 million shares, respectively, of contingently issuable restricted stock units for which all necessary conditions had not been met were not included in the computation of diluted earnings per share.

15. Environmental Matters

Federal, state, local and foreign laws and regulations impose various restrictions and controls on the storage, use and discharge of certain materials, chemicals and gases used in semiconductor manufacturing processes, and on the operation of the Company's facilities and equipment. The Company believes it uses reasonable efforts to maintain a system of compliance and controls for these laws and regulations. Despite its efforts and controls, from time to time, issues may arise with respect to these matters. Additionally, under some of these laws and regulations, the Company could be held financially responsible for remedial measures if properties are contaminated or if waste is sent to a landfill or recycling facility that becomes contaminated. Also, the Company may be subject to common law claims if released substances damage or harm third parties. The Company cannot make assurances that changes in environmental laws and regulations will not require additional investments in capital equipment and the implementation of additional compliance programs in the future, which could have a material adverse effect on the Company's results of operations, financial position or cash flows, as could any failure by or violation of the Company to comply with any prior, current or future environmental laws and regulations.

In February 2012, the Company notified the California Department of Toxic Substances Control ("DTSC") and local districts that the Company's Temecula California manufacturing facility previously shipped wastes for disposal offsite as non-hazardous wastes which may have contained fluoride levels that are considered to constitute hazardous waste under California regulations. The Company has taken steps to ensure compliance with the applicable waste disposal regulations in this regard. The Company has received a notice of minor administrative violation from one of the local districts requiring updated permit documentation without the assessment of any penalty. The Company has not as yet been contacted by all applicable regulatory authorities, including the DTSC, in respect of this matter and it is too early to assess what, if any, penalties or other actions may be taken in the future in respect of the matter.

In December 2010, the owner by foreclosure of a property in El Segundo, California formerly owned and leased by the Company notified the Company of its claim that the Company is a potentially responsible party for the remediation of hazardous materials allegedly discovered by that owner at the property. The Company had also been contacted by the California Department of Toxic Substances Control in connection with that 2010 notice. Separately, in July 2012, the Company received notice from a subsequent owner of that property seeking reimbursement of investigation costs and increased construction costs allegedly resulting from the presence of hazardous materials at the property. The Company intends to vigorously defend against all of the claims asserted by the various parties in respect of the property.

During negotiations for the Company's April 2007 divestiture of the Company's Power Control Systems business to Vishay Intertechnology, Inc., certain chemical compounds were discovered in the groundwater underneath one of the Company's former manufacturing plants in Italy, and the Company advised appropriate governmental authorities at about the time of such divestiture. In August 2010, the Company received a letter from the relevant local authority requiring a confirmation of intention to proceed with preparation of a plan of characterization in relation to the site in question. The Company has restated to local authorities its prior position from the period following such divestiture that it had not committed to take further action with respect to the site. In October 2012, local authorities contacted the current site owner suggesting that additional groundwater testing should take place and testing was conducted prior to the close of calendar year 2012. The Company has not been assessed any penalties with respect to the site, and it is too early to assess whether any such penalties will be assessed or other regulatory actions may be taken in the future.

15. Environmental Matters (Continued)

In November 2007, the Company was named as one of approximately 100 defendants in Angeles Chemical Company, Inc. et al. v. Omega Chemical PRP Group, LLC et al., No. EDCV07-1471 (TJH) (JWJx) (C.D. Cal.) (the "Angeles Case"). Angeles Chemical Company, Inc. and related entities ("Plaintiffs") own or operate a facility (the "Angeles Facility") which is located approximately one and a half miles down gradient of the Omega Chemical Superfund Site (the "Omega Site") in Whittier, California. Numerous parties, including the Company, allegedly disposed of wastes at the Omega Site. Plaintiffs claim that contaminants from the Omega Site migrated in groundwater from the Omega Site to the Angeles Facility, thereby causing damage to the Angeles Facility. In addition, they claim that the EPA considers them to be responsible for the groundwater plume near the Angeles Facility, which Plaintiffs contend was caused by disposal activities at the Omega Site. Plaintiffs filed claims based on the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), nuisance and trespass, and also seek declaratory relief. Plaintiffs seek to require the defendants to investigate and clean-up the contamination and to recover damages. The case has been stayed by the court pending the Environmental Protection Agency's completion of its remedial investigation. The Company previously entered into a settlement with other parties associated with the Omega Site pursuant to which the Company paid those entities money in exchange for an agreement to defend and indemnify the Company with regard to certain environmental claims (the "Omega Indemnification"). In that agreement, it was estimated that the Company's volumetric share of wastes sent to the Omega Site was in the range of 0.08 percent. The Company believes that much, if not all, of the risks associated with the Angeles Case should be covered by the Omega Indemnification. In addition, the Company has tendered the complaint to several of its insurance carriers, one of which has agreed to defend under a reservation of rights. Therefore, the Company does not expect its out-of-pocket defense costs to be significant. In addition, in light of the Omega Indemnification, the potential for insurance coverage and the fact that its volumetric share of Omega Site wastes was less than 0.1 percent, the Company does not believe that an adverse judgment against the Company would be material.

IR and Rachelle Laboratories, Inc. ("Rachelle"), a subsidiary of the Company that discontinued operations in 1986, were each named a potentially responsible party ("PRP") in connection with the investigation by the United States Environmental Protection Agency ("EPA") of the disposal of allegedly hazardous substances at a major superfund site in Monterey Park, California ("OII Site"). Certain PRPs who settled certain claims with the EPA under consent decrees filed suit in Federal Court in May 1992 against a number of other PRPs, including IR, for cost recovery and contribution under the provisions of the CERCLA. The Company has settled all outstanding claims that have arisen against IR relating to the OII Site. No claims against Rachelle have been settled. The Company has taken the position that none of the wastes generated by Rachelle were hazardous.

Counsel for Rachelle received a letter dated August 2001 from the U.S. Department of Justice, directed to all or substantially all PRPs for the OII Site, offering to settle claims against such parties for all work performed through and including the final remedy for the OII Site. The offer required a payment from Rachelle in the amount of approximately $9.3 million in order to take advantage of the settlement. Rachelle did not accept the offer.

It remains the position of Rachelle that its wastes were not hazardous. In addition, Rachelle operated as an independent corporation and the Company did not believe that a complaining party would be successful in reaching the assets of IR even if it could prevail on a claim against Rachelle. Because Rachelle has not been sued, none of the Company's insurers has accepted liability, although at least one of the Company's insurers previously reimbursed IR for defense costs for the lawsuit filed against IR.

The Company received a letter in June 2001 from a law firm representing UDT Sensors, Inc. ("UDT") relating to environmental contamination (chlorinated solvents such as trichlorethene) purportedly found in UDT's properties in Hawthorne, California. The letter alleges that the Company operated a manufacturing business at that location in the 1970's and/or 1980's and that it may have liability in connection with the claimed contamination. The Company has made no accrual for any potential losses since there has been no assertion of specific facts on which to form the basis for determination of liability.

16. Litigation

EPC/Lidow Litigation.

In September 2008, the Company filed suit in the U.S. District Court for the Central District of California against Efficient Power Conversion Corp. ("EPC"), certain of EPC's employees and other defendants (including Alex Lidow, a former chief executive officer and director of the Company, and now a principal of EPC) alleging improper and unauthorized use and/or misappropriation of certain Company confidential information, trade secrets and technology related to the Company's Gallium Nitride development program. In 2009, the Company refiled the suit in the Los Angeles Superior Court, Case No. BC409749. Alex Lidow and EPC asserted claims against the Company arising out of Lidow's employment with and separation from the Company, for violations of the California Labor Code and California *Business and Professions Code*, and alleging the Company unfairly competed and interfered with EPC. Those claims have been consolidated with and in the Company's action.

In January 2012, the trial court granted summary adjudication in favor of the Company on the wrongful termination cause of action filed by Lidow; however, on June 23, 2012, the Court of Appeal filed a writ of mandate directing that the trial court's order be vacated and that a new order denying summary adjudication be entered. The Company subsequently filed a petition for review in the California Supreme Court, which was denied.

Discovery is ongoing, and the Company intends to vigorously pursue all rights and defenses available to it in these matters.

Angeles v. Omega. See Note 15, "Environmental Matters."

In addition to the above, the Company is involved in certain legal matters that arise in the ordinary course of business. The Company intends to pursue its rights and defend against any claims brought by third parties vigorously. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be unfavorable, the Company's business, financial condition, results of operations or cash flows could be materially and adversely affected.

17. Commitments and Contingencies

In connection with the divestiture of the Company's Power Control Systems business in fiscal year 2007, the Company recorded a provision of $18.6 million for certain tax obligations with respect to divested entities. The balance of the divested entities tax obligations have decreased over time due to settlement of tax audits, lapsing of applicable statutes of limitations, and the decrease in foreign currency translation on the underlying obligation. As of March 24, 2013, the balance of the divested entities tax obligations was $0.9 million.

18. Stock Repurchase Program

The Company's stock repurchase program authorizes it to repurchase up to $150.0 million of common stock. Stock repurchases under this program may be made in the open market or through privately negotiated transactions. The timing and actual number of shares repurchased depend on market conditions and other factors. The stock repurchase program may be suspended at any time without prior notice. The Company has used and plans to continue to use existing cash to fund the repurchases. All of the shares repurchased by the Company through the program were purchased in open market transactions. For the nine months ended March 24, 2013, the Company repurchased approximately 0.3 million shares for approximately $5.2 million, and to date the Company has purchased approximately 6.2 million shares for approximately $113.2 million under the program. During the three months ended March 24, 2013, the Company did not repurchase any shares under the stock repurchase program. As of March 24, 2013, the Company had not cancelled the repurchased shares of common stock, and as such, they are reflected as treasury stock in the March 24, 2013 and June 24, 2012 consolidated condensed balance sheets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our audited historical consolidated financial statements which are included in our Form 10-K, filed with the SEC on August 23, 2012 ("2012 Annual Report"). Except for historic information contained herein, the matters addressed in this MD&A constitute "forward -looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Exchange Act, as amended. Forward-looking statements may be identified by the use of terms such as "anticipate," "believe," "expect," "intend," "project," "will," and similar expressions. Such forward-looking statements are subject to a variety of risks and uncertainties, including those discussed under the heading "Statement of Caution Under the Private Securities Litigation Reform Act of 1995," in Part II, Item 1A, "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, that could cause actual results to differ materially from those anticipated by us. We undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect actual outcomes.

Introduction

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion should be read in conjunction with our condensed consolidated financial statements and accompanying notes for the three and nine months ended March 24, 2013. The discussion includes:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies

Overview

Our revenues were $224.3 million and $248.1 million for the three months ended March 24, 2013 and March 25, 2012, respectively, and $700.6 million and $780.9 million for the nine months ended March 24, 2013 and March 25, 2012, respectively. Our revenues increased $0.4 million or 0.2 percent compared to the three months ended December 23, 2012. We currently expect revenues for the fourth quarter of fiscal year 2013 to be between $255 million and $265 million. The fourth quarter of fiscal year 2013 is a 14-week quarter, though, rather than the usual 13 weeks. If pro-rated to a typical 13-week quarter, this range would translate to $237 to $246 million in comparison to the $224.3 million in the third quarter; however, since business is not strictly linear in any given quarter, proration is only an approximate comparison.

Our gross margin percentage declined on a year-over-year basis by 5.5 percentage points to 24.3 percent for the three months ended March 24, 2013 compared to the three months ended March 25, 2012 and by 9.8 percentage points to 24.8 percent for the nine months ended March 24, 2013 compared to the nine months ended March 25, 2012. The decrease in gross margin percentage for both the three months and nine months ended March 24, 2013 was mainly a result of a decrease in factory utilization and an unfavorable product mix due to a decline in industrial component sales, which generally have higher gross margins than our consumer and computing component product sales. We currently expect our gross margin percentage for the fourth quarter of fiscal year 2013 to be between 28 percent and 30 percent.

During the nine months ended March 24, 2013, we continued to implement a number of initiatives to adjust our internal manufacturing footprint and otherwise reduce costs. We also continued our existing efforts to increase our manufacturing flexibility by qualifying additional technologies and higher value-added products and programs with our contract wafer fabrication and assembly and test suppliers. We will continue to monitor the demand environment and we may seek to further adjust our operational footprint and take other actions to reflect changes in demand in future periods.

In August 2012, we adopted a restructuring plan to modify our manufacturing strategy and lower our operating expenses in order to more closely align our cost structure with current business conditions. As part of the plan, we closed our El Segundo wafer fabrication facility in March 2013 with an estimated annual cost savings of approximately $10 million. As an additional part of the plan, the resizing of our Newport, Wales fabrication facility is expected to continue in several phases through the middle of calendar year 2015 with estimated annual cost savings of approximately $16 million following completion. Further, we have taken other cost reduction actions to reduce our manufacturing footprint, primarily in our Tijuana, Mexico assembly facility and our worldwide manufacturing overhead groups.

Also as part of our restructuring plan, during the nine months ended March 24, 2013, we reduced our selling, general and administrative ("SG&A") costs and research and development ("R&D") costs mainly through headcount reductions. In the third quarter of fiscal year 2013, when compared to our run rate exiting the three months ended June 24, 2012, we realized annual cost savings of over $40 million attributed to the combination of headcount reductions from the restructuring and other reductions in spending in our SG&A and R&D expenses. We will continue to identify additional SG&A and R&D cost savings in order to seek to maintain our total of such expenses at approximately $75 million per quarter when our business is operating at higher revenue levels, even as certain costs (such as incentive bonuses and freight costs) scale upward. In conjunction with our ongoing operational restructuring plans, we incurred approximately $11.4 million of severance and workforce reduction costs, $1.9 million of asset impairment costs, $1.4 million of equipment relocation and re-qualification costs, and $0.1 million of decommissioning costs during the nine months ended March 24, 2013. Additionally, we anticipate that we will incur restructuring charges during the remainder of fiscal year 2013 of approximately $1.9 million (See Part I, Item 1, Notes to Consolidated Financial Statements-Note 11, "Asset Impairment, Restructuring and Other Charges").

During the three and nine months ended March 24, 2013, our SG&A expenses decreased by $6.6 million and $13.7 million compared to the three and nine months ended March 25, 2012, respectively. The year-over-year decrease in SG&A expenses was primarily due to a decrease in headcount related expenses, decreased professional services and decreased travel expenses, partly offset by higher litigation expenses and increased stock compensation expense. Additionally, depreciation increased by $2.8 million for the nine months ended March 24, 2013 due to the implementation of our Enterprise Resource Planning ("ERP") system at the beginning of the second quarter of fiscal year 2012. We expect our SG&A expenses to be about $47 million in the fourth quarter of fiscal year 2013.

During the three and nine months ended March 24, 2013, R&D expenses decreased $5.9 million and $5.6 million compared to the three and nine months ended March 25, 2012, respectively. The year-over-year decrease in R&D was primarily driven by lower headcount related expenses as a result of our restructuring initiatives and lower material costs, which were partly offset by the exhaustion of certain reimbursable grant funding at the end of fiscal year 2012, increased asset impairment expense, and increased stock compensation expense. We expect our R&D expenses to be about $32 million in the fourth quarter of fiscal year 2013.

Our cash flows from operating activities provided $81.6 million of cash during the first nine months of fiscal year 2013 compared to a use of cash of $17.3 million for prior year comparable period. Our cash, cash equivalents and investments as of March 24, 2013 totaled $402.1 million (excluding restricted cash of $1.4 million), compared to $384.3 million (excluding restricted cash of $1.5 million) as of June 24, 2012. The increase in our cash and investments was primarily due to a $63.0 million reduction in inventory and a $33.5 million reduction in accounts receivable, significantly offset by our $76.6 million operating loss during the nine months ended March 24, 2013.

Segment Reporting

For the description of our reportable segments, see Note 12, "Segment Information," to our Consolidated Financial Statements set forth in Part I, Item 1.

Four of our five Customer Segments (as identified below), namely, PMD, ESP, AP and EP, generally share the same manufacturing base and sales, marketing, and distribution channels. While each segment focuses on different target markets and applications, there are common performance elements arising from that shared manufacturing base and sales, marketing, and distribution channels. As a result, while we manage performance of these segments individually, we also analyze performance of these segments together, separately from our other customer segment, HiRel. For ease of reference, we refer to these four segments collectively as our "Commercial Segments." What we refer to as our "Customer Segments" include our PMD, ESP, AP, EP and HiRel reporting segments.

Fiscal Calendar

When operating under a 52/53 week fiscal calendar, it becomes necessary to have a longer fiscal period approximately every 5-6 years. In fiscal year 2013, our fiscal year will be 53 weeks long and end on Sunday June 30, 2013. Accordingly, our fourth fiscal quarter will be 14 weeks long, instead of 13 weeks. As a result, we expect that revenues and most costs (but not all) will be increased in that quarter to approximately 108 percent of what they otherwise would have been for the typical 13-week quarter.

Results of Operations

Selected Operating Results

The following table sets forth certain operating results for the three and nine months ended March 24, 2013 and March 25, 2012 as a percentage of revenues (in millions, except percentages):

	Three Months Ended				Nine Months Ended			
	March 24, 2013		March 25, 2012		March 24, 2013		March 25, 2012	
Revenues	$ 224.3	100.0%	$ 248.1	100.0%	$ 700.6	100.0%	$ 780.9	100.0%
Cost of sales	169.9	75.7	174.1	70.2	526.5	75.1	510.7	65.4
Gross profit	54.4	24.3	74.0	29.8	174.1	24.8	270.2	34.6
Selling, general and administrative expense	43.0	19.2	49.6	20.0	135.4	19.3	149.1	19.1
Research and development expense	28.9	12.9	34.8	14.0	94.5	13.5	100.1	12.8
Amortization of acquisition-related intangible assets	1.7	0.8	2.1	0.8	5.0	0.7	6.7	0.9
Asset impairment, restructuring and other charges	0.9	0.4	—	—	14.8	2.1	—	—
Gain on disposition of property	—	—	(5.4)	(2.2)	—	—	(5.4)	(0.7)
Operating income (loss)	(20.0)	(9.0)	(7.1)	(2.9)	(75.6)	(10.8)	19.8	2.5
Other expense (income), net	(0.5)	(0.2)	—	—	1.0	0.1	4.1	0.5
Interest expense (income), net	0.1	—	—	—	—	—	(0.3)	—
Income (loss) before income taxes	(19.6)	(8.8)	(7.0)	(2.9)	(76.6)	(10.9)	16.0	2.0
Provision for (benefit from) income taxes	1.6	0.7	(4.5)	(1.8)	6.1	0.9	2.8	0.4
Net income (loss)	$ (21.2)	(9.5)%	$ (2.5)	(1.0)%	$ (82.7)	(11.8)%	$ 13.1	1.7%

Amounts and percentages in the above table may not total due to rounding.

Revenues and Gross Margin – Three Months Ended

The following table summarizes revenues and gross margin by reportable segment for the three months ended March 24, 2013 compared to the three months ended March 25, 2012. The amounts in the following table are in thousands:

	Three Months Ended						Change	
	March 24, 2013			March 25, 2012				
	Revenues	Gross Margin	Gross Margin %	Revenues	Gross Margin	Gross Margin %	Revenues	Gross Margin
Power Management Devices (PMD)	$ 85,209	$ 17,868	21.0%	$ 80,653	$ 15,344	19.0%	5.6%	2.0ppt
Energy Saving Products (ESP)	43,614	5,301	12.2	57,362	17,051	29.7	(24.0)	(17.5)
Automotive Products (AP)	31,107	6,848	22.0	28,799	5,234	18.2	8.0	3.8
Enterprise Power (EP)	20,488	7,389	36.1	32,194	9,980	31.0	(36.4)	5.1
Commercial Segments total	180,418	37,406	20.7	199,008	47,609	23.9	(9.3)	(3.2)
HiRel	43,554	16,706	38.4	48,652	25,919	53.3	(10.5)	(14.9)
Customer Segments total	223,972	54,112	24.2	247,660	73,528	29.7	(9.6)	(5.5)
Intellectual Property (IP)	296	296	100.0	434	434	100.0	(31.9)	0.0
Consolidated total	$ 224,268	$ 54,408	24.3%	$ 248,094	$ 73,962	29.8%	(9.6)%	(5.5)ppt

Revenues

Revenues from all our segments, taken as a whole, decreased by $23.8 million, or 9.6 percent, attributed to revenues from our Customer Segments (which excludes the IP segment) decreasing by $23.7 million, or 9.6 percent, for the three months ended March 24, 2013 as compared to three months ended March 25, 2012. Revenues for our Commercial Segments taken as a whole decreased 9.3 percent from the three months ended March 25, 2012. Revenues for our HiRel segment decreased 10.5 percent from the three months ended March 25, 2012.

Within our Commercial Segments, revenue from our AP segment increased 8.0 percent for the three months ended March 24, 2013 as compared to the three months ended March 25, 2012. Revenues for our AP segment increased due to increased demand for new IGBT and MOSFET products. Revenues for our PMD segment increased 5.6 percent due to increased demand for our universal power supply and industrial products components. Revenues for our EP segment decreased 36.4 percent due to a decrease in demand for high performance computing and prior generation server components resulting from customer push outs and loss of market share in upcoming server generation components. Revenues for our ESP segment decreased 24.0 percent due to decreased demand in our industrial and consumer appliance related products resulting from a significant market slowdown in Asia and inventory reductions at our customers.

For the three months ended March 24, 2013, our HiRel segment revenues decreased 10.5 percent compared to the three months ended March 25, 2012. HiRel experienced a decrease in shipments due to production issues associated with a fabrication transfer.

For the three months ended March 24, 2013 , our IP segment revenues decreased $0.1 million, to $0.3 million, compared to the three months ended March 25, 2012.

Gross Margin

Our gross margin percentage decreased by 5.5 percentage points to 24.3 percent for the three months ended March 24, 2013 compared to the three months ended March 25, 2012. This decrease in our gross margin percentage was the result of a decrease of 3.2 percentage points in gross margin for our Commercial Segments taken as a whole, and a decrease of 14.9 percentage points in gross margin for our HiRel segment. The decrease in gross margin for our Commercial Segments taken as a group was primarily due to unfavorable product mix from all of segments except our EP segment. Our ESP segment's gross margin decline was due primarily to increased costs associated with lower factory utilization and unfavorable product mix. ESP has been particularly severely impacted by the underutilization of several of our manufacturing plants, including our recently closed fabrication facility in El Segundo, California. As a result, we expect ESP gross margins to improve as our revenue grows and the effects of underutilization diminish. Our PMD segment's gross margin improved due to lower manufacturing variances, partially offset by unfavorable product mix resulting from lower sales of our industrial component sales. Our AP segment's gross margin improved due to lower manufacturing expenses from increased production volumes, partially offset by an unfavorable product mix primarily due to an increase in sales of MOSFET products, which are typically lower margin products. Our EP segment's gross margin improved primarily due to favorable product mix as a result of a much larger decrease in the computing components business than in the server business. Our computing components business has lower gross margins than our server business.

For the three months ended March 24, 2013, our HiRel segment gross margin percentage decreased by 14.9 percentage points compared to the three months ended March 25, 2012 due to unusual production costs associated with a fabrication transfer. We anticipate that our margins will increase in the upcoming quarter back to recent prior historical levels.

Revenues and Gross Margin – Nine Months Ended

The following table summarizes revenues and gross margin by reportable segment for the nine months ended March 24, 2013 compared to the nine months ended March 25, 2012. The amounts in the following table are in thousands:

	Nine Months Ended							
	March 24, 2013			March 25, 2012			Change	
	Revenues	Gross Margin	Gross Margin %	Revenues	Gross Margin	Gross Margin %	Revenues	Gross Margin
Power Management Devices (PMD)	$ 259,309	$ 48,496	18.7%	$ 264,350	$ 69,302	26.2%	(1.9)%	(7.5)ppt
Energy Saving Products (ESP)	124,244	16,925	13.6	192,357	70,152	36.5	(35.4)	(22.9)
Automotive Products (AP)	88,359	13,013	14.7	82,345	18,727	22.7	7.3	(8.0)
Enterprise Power (EP)	86,947	28,915	33.3	98,690	35,498	36.0	(11.9)	(2.7)
Commercial Segments total	558,859	107,349	19.2	637,742	193,679	30.4	(12.4)	(11.2)
HiRel	139,029	64,655	46.5	141,905	75,274	53.0	(2.0)	(6.5)
Customer Segments total	697,888	172,004	24.6	779,647	268,953	34.5	(10.5)	(9.9)
Intellectual Property (IP)	2,694	2,034	75.5	1,266	1,266	100.0	112.7	(24.5)
Consolidated total	$ 700,582	$ 174,038	24.8%	$ 780,913	$ 270,219	34.6%	(10.3)%	(9.8)ppt

Revenues

Revenues from all our segments, taken as a whole, decreased by $80.3 million, or 10.3 percent, attributed to revenues from our Customer Segments (which excludes the IP segment) decreasing by $81.8 million, or 10.5 percent, for the nine months ended March 24, 2013 as compared to nine months ended March 25, 2012. Revenues for our Commercial Segments taken as a whole decreased 12.4 percent compared to the nine months ended March 25, 2012. Revenues for our HiRel segment decreased 2.0 percent compared to the nine months ended March 25, 2012.

Within our Commercial Segments, AP revenue increased 7.3 percent for the nine months ended March 24, 2013 compared to the nine months ended March 25, 2012. Revenues for our AP segment increased due to increased demand for new IGBT and MOSFET products. Revenues for our ESP segment decreased 35.4 percent due to decreased demand in our consumer appliance related products resulting from a significant market slowdown in Asia and inventory reductions at our customers. Revenues for our EP segment decreased 11.9 percent due to a decrease in demand for high performance computing and prior generation server components resulting from customer push outs and loss of market share in upcoming server generation components. Revenues for our PMD segment decreased 1.9 percent due to a decrease in demand for our universal power supply and consumer products components.

For the nine months ended March 24, 2013, our HiRel segment revenues decreased 2.0 percent compared to the nine months ended March 25, 2012.

For the nine months ended March 24, 2013 , our IP segment revenues increased $1.4 million or 112.7 percent, to $2.7 million. The increase in revenue arose from a one-time $1.7 million sale of patents. W e expect our IP segment revenues will be approximately $0.2 million per quarter in each of the next several quarters. However, we do intend to continue to seek sale and/or licensing opportunities consistent with our business strategy.

Gross Margin

Our gross margin percentage decreased by 9.8 percentage points to 24.8 percent for the nine months ended March 24, 2013 compared to 34.6 percent for the nine months ended March 25, 2012. This decrease in our gross margin percentage was the result of a decrease of 11.2 percentage points in gross margin for our Commercial Segments taken as a whole, and a decrease of 6.5 percentage points in gross margin for our HiRel segment. The decrease in gross margin for all of our Commercial Segments was primarily due to increased costs associated with lower factory utilization, unfavorable change in product mix and increased inventory reserves. Our ESP segment's gross margin declined due to unfavorable product mix as a result of decreased HVIC product demand which generally are higher margin products than our IGBT products. Additionally, ESP has been particularly severely impacted by the underutilization of several of our manufacturing plants, including our recently closed fabrication facility in El Segundo, California. As a result, we expect ESP gross margins to improve as our revenue grows and the effects of underutilization diminish. Our AP segment's gross margin declined due to unfavorable product mix as a result of an increase in sales of our MOSFET products, which are typically lower margin products. Our PMD segment's gross margin declined due to an unfavorable change in product mix as a result of reduced revenues from our industrial products, which have higher gross margins than our consumer components business, as well as price erosion. Our EP segment's gross margin declined primarily due to unfavorable product mix as a result of a decrease in our server business, which has higher gross margins than our computing components business.

HiRel segment's gross margin percentage declined by 6.5 percentage points for the nine months ended March 24, 2013 compared to the nine months ended March 25, 2012 primarily due to unusual production costs associated with a fabrication transfer.

IP segment's gross margin percentage declined by 24.5 percentage points for the nine months ended March 24, 2013 compared to the nine months ended March 25, 2012 due to costs associated with the sale of patents.

Selling, General and Administrative Expense

(Dollars in thousands)	**Selling, General and Administrative Expense**				
	March 24, 2013	**% of Revenues**	**March 25, 2012**	**% of Revenues**	**Change**
Three months ended	$ 43,020	*19.2%*	$ 49,578	*20.0%*	*(0.8)ppt*
Nine months ended	$ 135,398	*19.3%*	$ 149,127	*19.1%*	*0.2ppt*

SG&A expense decreased by $6.6 million and $13.7 million for the three and nine months ended March 24, 2013, respectively, compared to the prior year comparable period. The decrease in SG&A expense was primarily due to a decrease in headcount related expenses as a result of the restructuring initiatives, decreased professional services and decreased travel expenses, partly offset by higher litigation expenses and increased stock compensation expense. Additionally, depreciation increased by $2.8 million for the nine months ended March 24, 2013 due to the implementation of our ERP system at the beginning of the second quarter of fiscal year 2012. We expect our SG&A expenses to be about $47 million in the fourth quarter of fiscal year 2013.

Research and Development Expense

(Dollars in thousands)	Research and Development Expense				
	March 24, 2013	% of Revenues	March 25, 2012	% of Revenues	Change
Three months ended	$ 28,876	*12.9%*	$ 34,798	*14.0%*	*(1.1)ppt*
Nine months ended	$ 94,450	*13.5%*	$ 100,053	*12.8%*	*0.7ppt*

R&D expense decreased by $5.9 million and $5.6 million for the three and nine months ended March 24, 2013, respectively, compared to the prior year comparable period. The decrease was primarily driven by lower headcount related expenses as a result of our restructuring initiatives and lower material costs, which were partly offset by the exhaustion of certain reimbursable grant funding at the end of fiscal year 2012, increased asset impairment expense, and increased stock compensation expense. We expect our R&D expenses to be about $32 million in the fourth quarter of fiscal year 2013.

Amortization of Acquisition-Related Intangible Assets

(Dollars in thousands)	Amortization of Acquisition-Related Intangible Assets				
	March 24, 2013	% of Revenues	March 25, 2012	% of Revenues	Change
Three months ended	$ 1,663	*0.8%*	$ 2,097	*0.8%*	*— ppt*
Nine months ended	$ 5,023	*0.7%*	$ 6,651	*0.9%*	*(0.2)ppt*

Amortization of acquisition-related intangible assets decreased $0.4 million and $1.6 million for the three and nine months ended March 24, 2013, respectively, compared to the prior year period, primarily a result of the full amortization of various intangible assets during the second half of fiscal year 2012.

Asset Impairment, Restructuring and Other Charges

Asset impairment, restructuring and other charges reflect the impact of certain cost reduction programs and initiatives implemented by us. These programs and initiatives include the closing of facilities, the termination of employees and other related activities. Asset impairment, restructuring and other charges include program-specific exit costs, severance benefits pursuant to an ongoing benefit arrangement, and special termination benefits. Severance costs unrelated to our restructuring initiatives are recorded as an element of cost of sales, research and development ("R&D") or selling, general and administrative expense ("SG&A"), depending upon the classification and function of the employee terminated. Restructuring costs are expensed during the period in which all requirements of recognition are met.

During the first quarter of fiscal year 2013, we announced a restructuring plan to modify our manufacturing strategy and lower operating expenses in order to align our cost structure with business conditions. As part of the plan, we expect to incur costs recorded in asset impairment, restructuring and other charges related primarily to the following:

- Fiscal Year 2013 El Segundo Fabrication Facility Closure Initiative
- Fiscal Year 2013 Newport Fabrication Facility Resizing Initiative
- Fiscal Year 2013 Other Cost Reduction Activities Initiative

The following tables summarize the total asset impairment, restructuring and other charges by initiative for the three and nine months ended March 24, 2013 (in thousands):

Fiscal Year 2013 Initiatives	Three Months Ended March 24, 2013			
	El Segundo Fabrication Facility Closure Initiative	Newport Fabrication Facility Resizing Initiative	Other Cost Reduction Activities Initiative	Total
Reported in asset impairment, restructuring and other charges:				
Asset impairment	$ —	$ 9	$ —	$ 9
Severance and workforce reduction costs (recoveries)	(5)	—	205	200
Relocation and re-qualification costs	142	529	—	671
Total asset impairment, restructuring and other charges	$ 137	$ 538	$ 205	$ 880

Fiscal Year 2013 Initiatives	Nine Months Ended March 24, 2013			
	El Segundo Fabrication Facility Closure Initiative	Newport Fabrication Facility Resizing Initiative	Other Cost Reduction Activities Initiative	Total
Reported in asset impairment, restructuring and other charges:				
Asset impairment	$ 178	$ 675	$ 1,062	$ 1,915
Severance and workforce reduction costs	5,852	597	4,993	11,442
Decommissioning costs	—	55	—	55
Relocation and re-qualification costs	352	1,023	—	1,375
Total asset impairment, restructuring and other charges	$ 6,382	$ 2,350	$ 6,055	$ 14,787

In addition to the amounts in the table above, $0.2 million and $1.4 million of other charges related to the restructuring initiatives were recorded in cost of sales during the three and nine months ended March 24, 2013, respectively. These charges, which were for accelerated depreciation and inventory write-downs, are not classifiable as restructuring costs, and were therefore recorded in cost of sales.

The following table summarizes changes in the Company's restructuring related accruals related to its fiscal year 2013 initiatives for the nine months ended March 24, 2013, which are included in accrued salaries, wages, and benefits on the balance sheet (in thousands):

Fiscal Year 2013 Initiatives	El Segundo Fabrication Facility Closure Initiative	Newport Fabrication Facility Resizing Initiative	Other Cost Reduction Activities Initiative	Total
Accrued severance and workforce reduction costs at June 24, 2012	$ —	$ —	$ —	$ —
Accrued during the period and charged to asset impairment, restructuring and other charges	5,852	597	4,993	11,442
Costs paid during the period	(5,282)	(597)	(4,893)	(10,772)
Accrued severance and workforce reduction costs March 24, 2013	$ 570	$ —	$ 100	$ 670

Fiscal Year 2013 Initiatives

Fiscal Year 2013 El Segundo Fabrication Facility Closure Initiative

During the first quarter of fiscal year 2013, we adopted a restructuring plan to close our El Segundo wafer fabrication facility by the third quarter of fiscal year 2013. In connection with the plan, we estimate to incur total pre-tax costs of $7.3 million. These consist of $5.9 million of severance and workforce reduction costs, $1.2 million of relocation and re-qualification costs, and $0.2 million of asset impairment costs. In addition to the restructuring charges above, during the three and nine months ended March 24, 2013, we recorded $0.2 million and $1.4 million of other charges related to the restructuring initiative in cost of sales. These other charges, which were for accelerated depreciation and inventory write-downs are not classifiable as restructuring costs, and affected the ESP reporting segment.

During the three and nine months ended of March 24, 2013, cash payments for this initiative were $2.9 million and $5.3 million, respectively, and are estimated to be approximately $0.9 million and $1.0 million for the remainder of fiscal year 2013 and thereafter, respectively. After the completion of this initiative, we estimate annual cost savings of approximately $10 million. These cost savings are the result of reduced manufacturing overhead costs, which will impact cost of sales. We do not anticipate these overhead cost savings to be offset by additional costs incurred in other locations.

In addition, we estimate we will make cash expenditures of $2.5 million for the decontamination and restoration of this fabrication facility. These costs were previously considered as part of the asset impairment of the El Segundo Fabrication Facility recorded in the fourth quarter of fiscal year 2012, and are not anticipated to result in additional restructuring charges.

Fiscal Year 2013 Newport, Wales Fabrication Facility Resizing Initiative

During the first quarter of fiscal year 2013, we adopted a restructuring plan to resize our wafer fabrication facility in Newport, Wales in several phases by the middle of calendar year 2015. In connection with the plan, we estimate to incur total pre-tax costs of approximately $13.6 million. These consist of approximately $0.7 million of asset impairment costs, $2.4 million of severance and workforce reduction costs, $4.4 million of decommissioning costs, and $6.1 million of relocation and re-qualification costs.

During the three and nine months ended March 24, 2013, cash payments for this initiative were $0.5 million and $1.7 million, respectively, and are estimated to be approximately $1.5 million and $9.7 million for the remainder of fiscal year 2013 and thereafter, respectively. After the completion of this initiative, we estimate annual cost savings of approximately $16 million . These cost savings are the result of reduced manufacturing overhead costs, which will impact cost of sales. We do not anticipate these cost savings to be offset by additional costs incurred in other locations.

Fiscal Year 2013 Other Cost Reduction Activities Initiative

During the first nine months of fiscal year 2013, we undertook certain actions to reduce (i) capacity at manufacturing facilities in Mexico, California, and Arizona, as well as (ii) administrative and research and development costs around the world. As part of the plan, we incurred approximately $5.0 million of severance and workforce reduction costs so far in fiscal year 2013. The severance and workforce reduction costs recorded during the three months ended March 24, 2013 included $0.2 million for research and development functions. During the nine months ended March 24, 2013, severance and workforce reduction costs included $2.6 million related to manufacturing functions, $1.1 million for general and administrative functions, and $1.3 million for research and development functions.

As part of those ongoing efforts, during the nine months ended March 24, 2013, we incurred $1.1 million of asset impairment costs for the planned disposition of certain manufacturing equipment related to our manufacturing facility in Mexico, and may incur additional amounts in the future.

We have identified a few additional cost reduction actions to be implemented during the three months ending June 30, 2013, at which point this initiative is expected to be completed.

During the three and nine months ended March 24, 2013, cash payments for this initiative were $1.1 million and $4.9 million, respectively, and are estimated to be approximately $0.2 million for the remainder of fiscal year 2013. After the completion of this initiative, we estimate annual cost savings of approximately $18 million. These cost cuts will result in reduced cost of sales, as well as lower SG&A and R&D expenses. We do not anticipate these cost savings to be offset by additional costs incurred in other locations.

Other Expense, Net

Other expense (income), net includes, primarily, gains and losses related to foreign currency fluctuations and investment impairments. Other income, net was $0.5 million and $0.0 million for the three months ended March 24, 2013 and March 25, 2012, respectively. Other income, net for the three months ended March 24, 2013 includes a release of tax indemnification reserves of $1.1 million, which was partly offset by a foreign currency exchange loss of $0.3 million due to fluctuations in foreign exchange currencies, and a cost-based investment impairment charge of $0.4 million. The prior year comparable period included a foreign currency exchange loss of $0.2 million and a derivative impairment charge of $0.2 million, which were partially offset by a release of tax indemnification reserves.

Other expense, net was $1.0 million and $4.1 million for the nine months ended March 24, 2013 and March 25, 2012, respectively. Other expense, net for the nine months ended March 24, 2013 includes a foreign currency exchange loss of $1.9 million due to fluctuations in foreign exchange currencies, and a cost-based investment impairment charge of $0.4 million, which were partially offset by a release of tax indemnification reserves. The prior year comparable period included a foreign currency exchange loss of $2.1 million due to fluctuations in foreign exchange currencies, and investment impairment charges of $2.4 million, which were partially offset by a release of tax indemnification reserves.

Interest Income, Net

Interest expense (income), net, was $0.1 million and $0.0 million for the three and nine months ended March 24, 2013, respectively, compared to interest expense (income), net, of $(0.0) million and $(0.3) million for the prior year comparable periods, respectively.

Income Taxes

We recorded a tax expense of $1.6 million or 8.1 percent against a loss of $19.6 million for the three months ended March 24, 2013. The expense was mainly due to $1.9 million in foreign income taxes, $0.5 million in withholding taxes, and $0.2 million in domestic tax expense. This expense was partially offset by a reduction in foreign uncertain tax positions, arising from lapses in statutes of limitation of approximately $0.6 million, and the utilization of a $0.4 million state tax credit.

We recorded a tax expense of $6.1 million or 8.0 percent against a loss of $76.6 million for the nine months ended March 24, 2013. This was mainly due to a decrease in the United Kingdom ("U.K.") statutory tax rates, which reduced the value of our net deferred tax assets in the U.K. by $3.2 million, expenses related to foreign income taxes of $4.6 million, foreign withholding taxes of $2.0 million, and domestic tax expense of $1.4 million. The expense was partially offset by the benefit of $4.7 million arising from a reduction in uncertain tax positions during the second and third quarters, and the utilization of a $0.4 million state tax credit.

We recorded a tax benefit of $4.5 million or 64.5 percent against a loss of $7.0 million for the three months ended March 25, 2012, and an expense of $2.8 million or 17.8 percent against income of $15.9 million for the nine months ended March 25, 2012. For the three months ended March 25, 2012, we recorded a tax benefit of $4.5 million due to a valuation allowance release of $7.8 million related to deferred tax assets in the U.K., $3.1 million related to deferred tax assets in the U.S. and a $1.6 million benefit from an unrealized gain which was partially offset by $3.5 million in withholding taxes, $2.3 million in foreign taxes, $1.8 million of deferred charges, and $0.6 million increase in uncertain tax positions. For the nine months ended March 25, 2012, we recorded a tax expense of $2.8 million due to foreign taxes of $7.3 million, withholding taxes of $3.5 million, deferred charges of $1.8 million, an increase in uncertain tax positions of $1.4 million, tax rate changes that decreased our deferred tax assets by $0.6 million, and $0.6 million in domestic tax expense which was partially offset by the release of $10.9 million of valuation allowances and a $1.6 million benefit from an unrealized gain.

We operate in multiple foreign jurisdictions with lower statutory tax rates, and our operations in Singapore have the most significant impact on the effective tax rate. We expect to be subject to an effective tax rate of 17 percent in Singapore for fiscal year 2013.

Liquidity and Capital Resources

Cash Requirements

Sources and Uses of Cash

We require cash to fund our operating expense and working capital requirements, capital expenditures, strategic growth initiatives, and funds to repurchase our common stock under our stock repurchase program. Our primary sources for funding these requirements are cash and investments on hand and cash from operating activities. On October 25, 2012 we entered into a $100 million unsecured revolving credit facility as discussed below. To maintain the availability of the facility, we have to comply with a number of covenants and satisfy a number of conditions, including a minimum available liquidity requirement. We are currently in compliance with the financial tests and covenants contained in the revolving credit agreement.

Total cash, cash equivalents, and investments at March 24, 2013 and June 24, 2012 were as follows (in thousands):

	March 24, 2013	June 24, 2012
Cash and cash equivalents	$ 386,994	$ 305,423
Investments	15,058	78,926
Total cash, cash equivalents, and investments	$ 402,052	$ 384,349

As of March 24, 2013, we had $402.1 million of cash (excluding $1.4 million of restricted cash), cash equivalents and short-term and long-term investments, consisting of available-for-sale fixed income and investment-grade securities, an increase of $17.7 million from June 24, 2012. The increase in our cash and investments was primarily due to a $63.0 million reduction in inventory and a $33.5 million reduction in accounts receivable, significantly offset by our $76.6 million operating loss during the nine months ended March 24, 2013. As of March 24, 2013, we had an increase of $81.6 million in cash and cash equivalents, and a decrease in investments of $63.9 million from June 24, 2012. We reduced our investments and increased our cash and cash equivalents in the short-term in an effort to align our long-term investment strategy to preserve principal and maintain liquidity while achieving moderate returns on the investment portfolio.

We believe that our existing cash and cash equivalents will be sufficient to meet operating requirements and satisfy our existing balance sheet liabilities and other cash obligations for at least the next twelve months. Our cash and cash equivalents are available to fund working capital needs, strategic growth initiatives, business acquisitions if any, repurchase of stock for our common stock repurchase program and capital expenditures. During the nine months of fiscal year 2013, we have taken actions to meet our longer term revenue growth goals, including making capital investments in our manufacturing operations. We plan to continue expanding our manufacturing capabilities for key technologies in anticipation of meeting our long term strategic goals.

Our outlook for the remainder of fiscal year 2013 is that our cash flow from operating activities in the final quarter will be positive. We estimate that cash capital equipment expenditures for the fourth quarter of fiscal year 2013 will be about $ 15 million as we invest in new manufacturing process technologies.

Cash Flows

Our cash flows were as follows (in thousands):

	Nine Months Ended	
	March 24, 2013	March 25, 2012
Cash flows provided by (used in) operating activities	$ 81,631	$ (17,262)
Cash flows provided by (used in) investing activities	3,020	(39,838)
Cash flows used in financing activities	(2,360)	(22,905)
Effect of exchange rate changes on cash and cash equivalents	(720)	(1,226)
Net increase (decrease) in cash and cash equivalents	$ 81,571	$ (81,231)

Non-cash adjustments to cash flow generated by operating activities during the nine months ended March 24, 2013 included $68.6 million of depreciation and amortization, $16.4 million of stock compensation expense, and $15.3 million from the provision for inventory write-downs. Changes in operating assets and liabilities increased cash provided by operating activities by $43.4 million, primarily attributed to decreases in trade accounts receivable and inventories, partially offset by decreases in accounts payable, accrued salaries, wages and benefits, accrued income taxes payable, and other accrued expenses. These sources of cash flows from operations were partially offset by the net loss incurred during the period.

Cash provided by investing activities during the nine months ended March 24, 2013 was primarily the result of proceeds from the sale and maturities of investments of $73.6 million, almost fully offset by capital expenditures of $60.9 million and purchases of investments of $10.0 million.

Cash used in financing activities during the nine months ended March 24, 2013 of $2.4 million was primarily the result of cash used for stock repurchases under the stock repurchase program, partly offset by cash receipts from stock option exercises.

Revolving Credit Facility

On October 25, 2012 (the "Closing Date"), we entered into a Credit Agreement (the "Credit Agreement"), as borrower, with Wells Fargo Bank, National Association, as Administrative Agent ("Agent"), and certain lenders (the "Lenders"), pursuant to which we established a new senior unsecured revolving credit facility (the "Facility") in an aggregate principal amount of $100 million with sublimits for swingline loans (of $25 million) and the issuance of letters of credit (of $10 million). The Credit Facility matures on October 25, 2016.

The proceeds of the Credit Facility may be used by us to finance certain capital expenditures and acquisitions permitted thereunder, to provide for the working capital and general corporate needs as well as to pay fees, commissions and expenses associated with the Credit Facility.

Outstanding amounts under the Credit Facility will initially bear interest at a rate per annum equal to, at our option, either (a) LIBOR plus 1.25 percent or (b) a "Base Rate" (equal to the greatest of (i) the Agent's prime rate; (ii) the federal funds rate plus 0.50 percent; and (iii) LIBOR plus 1.00 percent) plus 0.25 percent. From and after our fiscal quarter ending on March 24, 2013, the margin over LIBOR and the Base Rate may be adjusted periodically based on our ratio of total funded debt to consolidated EBITDA as defined under the Credit Facility, with 1.75 percent per annum being the maximum LIBOR margin and 0.75 percent per annum being the maximum Base Rate margin established by such adjustment mechanism. We are required to pay a commitment fee on the unused commitments under the Credit Facility at an initial rate equal to 0.25 percent per annum (subject to a similar leverage-based adjustment up to a maximum of 0.35 percent per annum).

The terms of the Credit Agreement require us (subject to certain limited exceptions and conditions) to comply with the following financial tests: (i) maintenance of maximum total funded debt to consolidated EBITDA of not more than 2.50 to 1.0; (ii) maintenance of minimum consolidated EBITDA to consolidated interest charges of 4.00 to 1.0; and (iii) maintenance of minimum available liquidity of at least $200 million. Liquidity is generally defined as cash and cash equivalents, short-term investments and long-term investments (not to exceed $50 million), and the undrawn amount of the Credit Facility. As a result of the requirement to comply with the financial tests, we will not be able to access the Credit Facility during periods where the financial tests, including the minimum liquidity threshold, are not met, thereby limiting our ability to draw on the line during a period of illiquidity or at any other time where the minimum liquidity threshold is not met.

In addition, the Credit Agreement contains certain covenants that, among other things, restrict additional indebtedness, liens and encumbrances, investments, acquisitions, loans and advances, mergers, consolidations and asset dispositions, dividends and other restricted payments, transactions with affiliates, capital expenditures (limited to between $175 million and $200 million per annum during the term of the Credit Facility) and other matters customarily restricted in such agreements, in each case, subject to certain customary exceptions.

The Credit Agreement also contains customary provisions related to: (i) events of default, including payment defaults, (ii) breaches of representations and warranties, (iii) covenant defaults, (iv) cross-defaults to certain material indebtedness in excess of specified amounts, (v) certain events of bankruptcy and insolvency, (vi) judgments in excess of specified amounts, (vii) certain impairments to the guarantees or collateral documents, and (viii) change in control defaults.

As of March 24, 2013, we were in compliance with the financial tests and covenants, and there were no amounts outstanding under the Credit Facility.

Working Capital

Our working capital is dependent on demand for our products and our ability to manage accounts receivable and inventories. Other factors which may result in changes to our working capital levels are our restructuring initiatives, investment impairments and share repurchases.

The changes in working capital for the nine months ended March 24, 2013 were as follows (in thousands):

	March 24, 2013	June 24, 2012	Change
Current Assets			
Cash and cash equivalents	$ 386,994	$ 305,423	$ 81,571
Restricted cash	613	595	18
Short-term investments	15,058	63,872	(48,814)
Trade accounts receivable, net	134,987	168,499	(33,512)
Inventories	231,703	294,702	(62,999)
Current deferred tax assets	5,040	5,110	(70)
Prepaid expenses and other receivables	35,529	29,845	5,684
Total current assets	$ 809,924	$ 868,046	$ (58,122)
Current Liabilities			
Accounts payable	64,565	$ 88,726	$ (24,161)
Accrued income taxes	470	750	(280)
Accrued salaries, wages and commissions	34,721	40,403	(5,682)
Other accrued expenses	77,211	83,164	(5,953)
Total current liabilities	176,967	213,043	(36,076)
Net working capital	$ 632,957	$ 655,003	$ (22,046)

For the changes in cash and investments, please see the discussions above under sources and uses of cash and cash flows.

The decrease in net trade accounts receivable of $33.5 million reflects the decrease in quarterly revenues of approximately 17 percent from the three months ended June 24, 2012 while our days-sales-outstanding decreased by approximately 2 days.

The decrease in inventories of $63.0 million included a $39.5 million decrease in finished goods, a $18.7 million decrease in work-in-process, and a $4.8 million decrease in raw materials. Due to this decrease in inventory, inventory weeks decreased to approximately 18 weeks from 19 weeks.

The decrease in accounts payable of $24.2 million reflects reduced manufacturing activity, lower capital expenditures, and the timing of payments.

Other

In connection with certain tax matters described in Note 13, "Income Taxes," in the Notes to Unaudited Condensed Consolidated Financial Statements, we are pursuing refunds for income taxes we believe to have overpaid in certain jurisdictions. In these jurisdictions, we cannot determine that the realization of the tax refunds of $2.7 million is more likely than not and as such, we have not recognized them as income tax benefits in our consolidated financial statements.

Contractual Obligations

There has been no material change to our contractual obligations as disclosed in our 2012 Annual Report except as follows:

During the second quarter of fiscal year 2013, we entered into an operating lease agreement for a facility in Southeast Asia. The total lease payments for the 10 year lease term effective March 1, 2013 will be approximately $14 million.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various operating leases for buildings and equipment. In addition, we provide standby letters of credit or other guarantees as required for certain transactions. We have historically provided cash collateral for any outstanding letters of credit.

Apart from the operating lease obligations and purchase commitments discussed in our 2012 Annual Report, we do not have any off-balance sheet arrangements as of March 24, 2013.

Recent Accounting Standards

Information set forth under Note 1, "Business, Basis of Presentation and Summary of Significant Accounting Policies— Recent Accounting Standards" in the Notes to Unaudited Condensed Consolidated Financial Statements is incorporated herein by reference.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of condensed consolidated financial statements in accordance with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. The U.S. Securities and Exchange Commission has defined critical accounting policies as those that "are both most important to the portrayal of the company's financial condition and results, and they require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain." As such, we have identified the following policies as our critical accounting policies: Revenue recognition and allowances for sales returns and price concessions, fair value of financial instruments, impairment of long-lived assets, intangibles and goodwill, other-than-temporary impairments, inventory valuation, income taxes and loss contingencies.

The judgments and estimates we make in applying the accounting principles generally accepted in the U.S. affect the amounts of assets and liabilities reported, disclosures, and reported amounts of revenues and expenses. As such, we evaluate the judgments and estimates underlying all of our accounting policies, including those noted above, on an ongoing basis. We have based our estimates on the latest available historical information as well as known or foreseen trends; however, we cannot guarantee that we will continue to experience the same patterns in the future. If the historical data and assumptions we used to develop our estimates do not properly reflect future activity, our net sales, gross profit, net income and earnings per share could be materially and adversely impacted. Since the filing of our Annual Report on Form 10-K for the fiscal year ended June 24, 2012 on August 22, 2011, there have been no significant changes to our critical accounting policies and estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

Our exposure to interest rate risk is primarily through our investment portfolio as we currently do not have outstanding long-term debt. The objectives of our investments in debt securities are to preserve principal and maintain liquidity while achieving moderate returns on the investment portfolio. To achieve these objectives, the returns on our investments in short-term fixed-rate debt securities will be generally compared to yields on money market instruments such as industrial commercial paper, LIBOR, or Treasury Bills. Investments in longer term fixed-rate debt securities will be generally compared to yields on comparable maturity Government or high grade corporate instruments with an equivalent credit rating. Based on our investment portfolio and interest rates at March 24, 2013, a 100 basis point increase or decrease in interest rates would result in an annualized change of approximately $0.1 million in the fair value of the investment portfolio. Changes in interest rates may affect the fair value of the investment portfolio; however, unrealized gains or losses are not recognized in net income unless the investments are sold or the gains or losses are considered to be other-than-temporary.

Foreign Currency Exchange Rates

We hedge the risks of foreign currency denominated working capital positions with offsetting foreign currency denominated exchange transactions and currency forward contracts. Exchange gains and losses on these foreign currency denominated working capital positions are generally offset by corresponding gains and losses on the related hedging instruments, usually resulting in negligible net exposure. We do not hedge our revenues and expenses against changes in foreign currency exchange rates, as we do not perceive the net risk of changes to translated revenues and expenses from changes in exchange rates as significant enough at this time to justify hedging.

A significant amount of our revenues, expense, and capital purchasing transactions are conducted on a global basis in several foreign currencies. At various times, we have currency exposure related mainly to the British Pound Sterling, the Euro and the Japanese Yen. For example, in the United Kingdom we have a sales office and a semiconductor wafer fabrication facility with revenues primarily in U.S. Dollars and Euro and expenses in British Pound Sterling and U.S. Dollars. To protect against exposure to currency exchange rate fluctuations on non-functional currency payables and receivables, we have established a balance sheet transaction risk hedging program. This risk hedging program generally uses spot and currency forward contracts. These contracts are not designated as hedging instruments for accounting purposes. Through our hedging program we seek to reduce, but do not always entirely eliminate, the impact of currency exchange rate movements.

For its balance sheet transaction risk hedging program, we had approximately $43.8 million in notional amounts of currency forward contracts not designated as accounting hedges at March 24, 2013. The net realized and unrealized foreign -currency gains (losses) related to forward contracts not designated as accounting hedges recognized in earnings, as a component of other expense, were $2.1 million and $(0.0) million for the three and nine months ended March 24, 2013, respectively, and $(0.9) million and $(5.7) million for the three and nine months ended March 25, 2012, respectively.

In the normal course of business, we also face risks that are either non-financial or non-quantifiable. Such risks principally include country risk, credit risk and legal risk and are not discussed or quantified in the preceding analysis.

Market Value Risk

We carry certain assets at fair value. Generally, for assets that are reported at fair value, we use quoted market prices or valuation models that utilize market data inputs to estimate fair value. In certain cases quoted market prices or market data inputs may not be readily available or availability could be diminished due to market conditions. In these cases, our estimate of fair value is based on best available information or other estimates determined by management.

At March 24, 2013, we had $402.1 million of total cash (excluding $1.4 million of restricted cash), cash equivalents and investments, consisting of available-for-sale fixed income securities. We manage our total investment portfolio to encompass a diversified pool of investment -grade securities. The average credit rating of our investment portfolio is AAA/Aaa. Our investment policy is to manage our total cash and investment balances to preserve principal and maintain liquidity while achieving moderate returns on the investment portfolio. Additionally, there are certain equity investments in our portfolio which continue to have strategic value, and we generally do not attempt to reduce or eliminate our market exposure in these investments. For securities that we no longer consider strategic, we evaluate legal, market, and economic factors in our decision on the timing of disposal. We may or may not enter into transactions to reduce or eliminate the market risks of our investments.

During the three and nine months ended March 24, 2013, there was no other-than-temporary impairment to our market priced available-for-sale securities. See Part I, Item 1A, "Risk Factors—Our investments in certain securities expose us to market risks", set forth in our 2012 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

This Report includes the certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") required by Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including the CEO and CFO, to allow timely decisions regarding required disclosures.

Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 24, 2013. Based upon this evaluation, our CEO and CFO concluded that, as of March 24, 2013, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

"Internal control over financial reporting" is a process designed by, or under the supervision of, our CEO and CFO, and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

During the fiscal quarter ended March 24, 2013 there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations Over Internal Controls

We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must acknowledge the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the deliberate acts of one or more persons. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error may occur and not be detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Our disclosures regarding the matters set forth in Note 15, "Environmental Matters," and Note 16, "Litigation," to our Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item I, herein, are incorporated herein by reference.

ITEM 1A. RISK FACTORS

Statement of Caution Under the Private Securities Litigation Reform Act of 1995

This Quarterly Report on Form 10-Q includes some statements and other information that are not historical facts but are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. The materials presented can be identified by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "may," "should," "view," or "will" or the negative or other variations thereof. We caution that such statements are subject to a number of uncertainties, and actual results may differ materially. Factors that could affect our actual results include those set forth under "Item 1A. Risk Factors" in our 2012 Annual Report on Form 10-K, and our fiscal year 2013 first quarterly report on Form 10-Q filed on November 2, 2012 with the SEC, as supplemented by other uncertainties disclosed in our reports filed from time to time with the SEC (all of the foregoing of which is incorporated by reference).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None

(b) None

(c) Purchase of Equity Securities

The following provides information on a monthly basis for the three months ended March 24, 2013 with respect to the Company's purchases of equity securities:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans Programs (1)	Maximum Number (or approximate Dollar Value) of Shares that May Yet be Purchased under the Plans or Programs
December 24, 2012 to January 20, 2013	—	$ —	—	$ 36,824,598
January 21, 2013 to February 17, 2013	—	$ —	—	$ 36,824,598
February 18, 2013 to March 24, 2013	—	$ —	—	$ 36,824,598

(1) The Company's stock repurchase program authorizes it to repurchase up to $150.0 million of common stock.

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ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Index:

3.1	Certificate of Incorporation of the Company, as amended through July 19, 2004 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 19, 2004, Registration No. 333-117489)
3.2	Amendment to Certificate of Incorporation, dated November 13, 2009 (incorporated by reference to Exhibit 3.2 of Quarterly Report on Form 10-Q for the quarterly period ended December 27, 2009, filed with the Securities and Exchange Commission on February 3, 2010)
3.3	Bylaws as Amended and Restated (incorporated by reference to Exhibit 3.1 of Current Report Form 8-K filed March 26, 2012, with the Securities and Exchange Commission)
10.1	Amendment to Credit Agreement, dated as of March 25, 2013, among International Rectifier Corporation, the Lenders named therein, and Wells Fargo Bank, National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, and Wells Fargo Securities, LLC, as Lead Arranger and Sale Bookrunner. (1)
10.2	Letter Agreement dated December 7, 2012, between International Rectifier Corporation and Gary Tanner (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 11, 2012). (2)
10.3	Change-in-Control Severance Agreement dated December 7, 2012 between International Rectifier Corporation and Gary Tanner (incorporated by reference to Exhibit 10.2 of Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 11, 2012). (2)
10.4	Description of Executive Officer Cash Incentive Program Performance Goals for Third and Fourth Quarter of Fiscal Year 2013 (incorporated by reference to Item 5.2 (e) of Current Report on Form 8-K, filed February 7, 2013, with the Securities and Exchange Commission). (2)
31.1	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, Adopted Pursuant to Section 302 of the Sarbanes -Oxley Act of 2002 (1)
31.2	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, Adopted Pursuant to Section 302 of the Sarbanes -Oxley Act of 2002 (1)
32.1	Certification Pursuant to 18 U.S.C. 1350, Adopted Pursuant to Section 906 of the Sarbanes -Oxley Act of 2002 (1)
32.2	Certification Pursuant to 18 U.S.C. 1350, Adopted Pursuant to Section 906 of the Sarbanes -Oxley Act of 2002 (1)
101.INS	XBRL Instance (3)
101.SCH	XBRL Taxonomy Extension Schema (3)
101.CAL	XBRL Extension Calculation (3)
101.LAB	XBRL Extension Labels (3)
101.PRE	XBRL Taxonomy Extension Presentation (3)
101.DEF	XBRL Taxonomy Extension Definition (3)

(1) Denotes document submitted herewith.

(2) Denotes management contract or compensation arrangement or agreement.

(3) Furnished, not filed.

SIGNATURES

Pursuant to the requirements 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.

INTERNATIONAL RECTIFIER CORPORATION

Date: April 29, 2013

/s/ ILAN DASKAL

Ilan Daskal
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 10.1

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated as of March 25, 2013

International Rectifier Corporation
101 N. Sepulveda Boulevard
El Segundo, CA 90245
Attn: Chief Financial Officer and General Counsel

Re: Amendment to Credit Agreement

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of October 25, 2012 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among International Rectifier Corporation, a Delaware corporation (the " Borrower"), each of the financial institutions party thereto from time to time (the " Lenders"), and Wells Fargo Bank, National Association, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms are used in this letter agreement as defined in the Credit Agreement, unless otherwise defined herein.

The Borrower has requested certain amendments to the Credit Agreement and the Administrative Agent and the Required Lenders are willing to grant such requests on the terms and subject to the conditions set forth herein.

On the terms and subject to the conditions of this letter agreement:

(i) The definition of "Guaranty Obligation" in Section 1.01 of the Credit Agreement is hereby amended by replacing the phrase ""Guaranty Obligation" shall not include endorsements for collection or deposit in the ordinary course of business" with the following:
""Guaranty Obligation" shall not include (x) endorsements for collection or deposit in the ordinary course of business, (y) keepwell agreements or comfort letters issued by any Loan Party to, and for the sole benefit of, any Borrower Party at the request of its auditors or its board of directors or other similar governing body and (z) guarantees or other contingent obligations of any Borrower Party made with respect to trade accounts payable owed by any other Borrower Party; provided that (A) such trade accounts payable arise in the ordinary course of business and (B) no material part of any such account is more than ninety (90) days past due (the exclusions in the foregoing clauses (x), (y) and (z), collectively, the " Excluded Contingent Obligations"" in lieu thereof;

(ii) The definition of "Investment" in Section 1.01 of the Credit Agreement is hereby amended by replacing the phrase "or (b) prepaid expenses of such Person incurred and prepaid in the ordinary course of business consistent with past practice" with the following:
", (b) prepaid expenses of such Person incurred and prepaid in the ordinary course of business consistent with past practice or (c) any Excluded Contingent Obligations (except to the extent that any loan or advance of funds, capital contribution or other payment is actually made by such Person to satisfy the Excluded Contingent Obligations of another Person)" in lieu thereof;

(iii) Section 5.02(a)(vi) of the Credit Agreement is hereby amended and restated in its entirety as follows:
"(vi) Indebtedness owing to any other Borrower Party; provided, that any Investment constituting such Indebtedness is permitted by Section 5.02(e);"

(iv) Section 5.02(e)(ii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(ii) (x) Investments (other than Investments in Borrower Parties) existing on October 19, 2012 (it being understood that the aggregate value (as determined by the Borrower in good faith) of such Investments as of October 19, 2012 was approximately $15,700,000) and (y) Investments directly or indirectly in Foreign Subsidiaries, R Labco, Inc. and IR International Holdings China, Inc. (including, without limitation, (1) any loans or advances, less any repayments or prepayments of such loans or advances and (2) any other investment less any return of such investment (by way of dividend, return of capital or otherwise and whether in whole or in part)) in an aggregate amount not to exceed $1,377,300,000 at any one time outstanding;"

(v) Section 5.02(e)(iii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(iii) Investments by the Loan Parties in each other;"

(vi) Schedule 5.02(e) of the Credit Agreement is hereby deleted in its entirety; and

(vii) Exhibit H of the Credit Agreement is hereby deleted in its entirety and Exhibit H hereto is hereby inserted in lieu thereof.

The provisions of this letter agreement shall be effective upon the date the Administrative Agent shall have received this letter agreement, duly executed and delivered by the Administrative Agent, the Required Lenders, the Borrower and the Guarantors. Upon effectiveness of this letter agreement, the amendments contained in this letter agreement shall be deemed effective as of the Closing Date.

The Borrower hereby confirms that the representations and warranties contained in the Credit Agreement and the other Credit Documents are (immediately before and after giving effect to this letter agreement) true and correct in all material respects as of the date hereof (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as if made on such date (except for representations and warranties expressly made as of a specified date, which shall be true and correct in all material respects (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as of such specified date) and no Default or Event of Default has occurred and is continuing as of the date hereof.

The Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed by the Borrower in all respects. This letter agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes. This letter agreement shall be governed by and construed according to the laws of the State of New York without reference to conflicts of law rules other than Section 5-1401 of the General Obligations Law of the State of New York.

This letter agreement is a Credit Document as defined in the Credit Agreement, and the provisions of the Credit Agreement generally applicable to Credit Documents are applicable hereto and incorporated herein by this reference.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By: /s/ Brian Weber
Name: Brian Weber
Title: SVP

Agreed to and accepted:

INTERNATIONAL RECTIFIER CORPORATION,
a Delaware corporation

By: /s/ Ilan Daskal
Name: Ilan Daskal
Title: EVP & CFO

Each of the undersigned hereby acknowledges, agrees and consents to this letter agreement, and confirms and agrees that the Guaranty executed by it in connection with the Credit Agreement remains in full force and effect in accordance with its terms and is hereby reaffirmed and ratified by each of the undersigned.

INTERNATIONAL RECTIFIER HIREL PRODUCTS, INC.,
a Delaware corporation

By: /s/ W. Joseph Thesing
Name: W. Joseph Thesing
Title: Secretary

IR EPI SERVICES, INC.,
a Delaware corporation

By: /s/ Lawrence Michlovich
Name: Lawrence Michlovich
Title: Assistant Secretary

CHIL SEMICONDUCTOR CORPORATION,
a Delaware corporation

By: /s/ Lawrence Michlovich
Name: Lawrence Michlovich
Title: Assistant Secretary

IR INTERNATIONAL HOLDINGS, INC.,
a Delaware corporation

By: /s/ Lawrence Michlovich
Name: Lawrence Michlovich
Title: Secretary

Agreed to and accepted:

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ Anna C. Araya
Name: Anna C. Araya
Title: Vice President

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Kathryn E. Benjamin
Name: Kathryn E. Benjamin
Title: Vice President

BANK OF THE WEST,

as a Lender

By: /s/ Brock Mullins
Name: Brock Mullins
Title: VP

Signature Page to Amendment - IRF

EXHIBIT H

COMPLIANCE CERTIFICATE

(See attached)

EXHIBIT H

COMPLIANCE CERTIFICATE

_____________ ___, 201_

Wells Fargo Bank, National Association
2030 Main Street, Suite 900
Irvine, CA 92614
Attention: Brian S. Weber
Tel. No. (949) 251-4117
Fax No. (949) 851-8159
E-mail. Brian.S.Weber@wellsfargo.com

This Compliance Certificate is delivered pursuant to Section 5.01(a)(iii) of that certain Credit Agreement, dated as of October 25, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement"), by and among (1) INTERNATIONAL RECTIFIER CORPORATION, a Delaware corporation (the "Borrower"); (2) each of the financial institutions party thereto from time to time (the "Lenders"); and (3) WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), as Swing Line Lender and as L/C Issuer.

Terms defined in the Credit Agreement and not otherwise defined in this Compliance Certificate (this " Certificate") shall have the meanings defined for them in the Credit Agreement. Section references herein relate to the Credit Agreement unless stated otherwise. In the event of any conflict between the calculations set forth in this Compliance Certificate and the manner of calculation required by the Credit Agreement, the terms of the Credit Agreement shall govern and control.

This Compliance Certificate is delivered in accordance with Section 5.01(a)(iii) of the Credit Agreement by the undersigned president, chief executive officer, chief operating officer or chief financial officer of the Borrower, on behalf of the Borrower. This Compliance Certificate is delivered for the fiscal [quarter/year] ended ___________, ____ (the " Test Date"). Computations indicating compliance with respect to the covenants in Section 5.02(e)(ii)(y) and Section 5.03 of the Credit Agreement are set forth below:

1. Section 5.02(e)(ii)(y). As of the Test Date, the aggregate amount of outstanding Investments made by the Borrower Parties directly or indirectly in Foreign Subsidiaries, R Labco, Inc. and IR International Holdings China, Inc. (including, without limitation, (1) any loans or advances, less any repayments or prepayments of such loans or advances and (2) any other investment less any return of such investment (by way of dividend, return of capital or otherwise and whether in whole or in part)) is approximately $______________ (subject to adjustment after the Test Date for the actual amount of interest accrued on such Investments, provided that such adjustment does not exceed $2,000,000). [The amount of such Investments (including, without limitation, (1) any loans or advances, less any repayments or prepayments of such loans or advances and (2) any other investment less any return of such investment (by way of dividend, return of capital or otherwise and whether in whole or in part)) shall not exceed $1,377,300,000 in the aggregate at any one time outstanding.][1]

2. Section 5.03(a) – Total Leverage Ratio. As of the Test Date, the Total Leverage Ratio was _____:1.00. The maximum permitted Total Leverage Ratio is 2.50:1.00.

The Total Leverage Ratio as of the Test Date was computed as follows:

(a) Total Funded Debt of the Borrower Parties on a consolidated basis as of the Test Date

(i) all obligations evidenced by notes, bonds, debentures or other similar instruments and all other obligations for borrowed money (including obligations to repurchase receivables and other assets sold with recourse) $____________

(ii) all obligations for the deferred purchase price of property or services (including obligations under letters of credit and other credit facilities which secure or finance such purchase price), except for trade accounts payable; provided that (A) such trade accounts payable arise in the ordinary course of business and (B) no material part of any such account is more than ninety (90) days past due +$____________

(iii) all obligations under conditional sale or other title retention agreements with respect to property acquired by such Person (to the extent of the value of such property if the rights and remedies of the seller or the lender under such agreement in the event of default are limited solely to repossession or sale of such property) +$____________

(iv) all obligations arising as lessee under or with respect to Capital Leases and synthetic leases and all other off-balance sheet financing +$____________

(v) all obligations, contingent or otherwise, under or with respect to Surety Instruments +$____________

(vi) all obligations arising under acceptance facilities or under facilities for the discount of accounts receivable +$____________

(vii) all Contingent Obligations

(viii) all Disqualified Securities +$____________

(ix) with respect to any terminated Rate Contracts, the Termination Value thereof (as calculated pursuant to clause (a) of the definition of "Termination Value" in the Credit Agreement) +$____________

(x) all obligations with respect to letters of credit, whether drawn or undrawn, contingent or otherwise

+$____________

(xi) all Guaranty Obligations with respect to the obligations of other Persons of the types described in clauses (i) - (x) above

+$____________

(xii) all obligations of other Persons ("primary obligors") of the types described in clauses (i) - (xi) above to the extent secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien on any property (including accounts and contract rights), even though such Person has not assumed or become liable for the payment of such obligations (and, for purposes of this clause (xii), the amount of the Indebtedness shall be deemed to be the lesser of (1) the amount of all obligations of such primary obligors so secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) such property and (2) the value of such property)

+$____________

(a) Total Funded Debt – equals
[(i)+(ii)+(iii)+(iv)+(v)+(vi)+(vii)+(viii)+(ix)+(x)+(xi)+(xii)] $____________

(b) the lesser of (x) $4,000,000 and (y) the aggregate amount of obligations of the Borrower Parties with respect to undrawn letters of credit as of the Test Date

$____________

(c) the lesser of (x) $3,000,000 and (y) the aggregate amount of Contingent Obligations attributable to the acquisition of CHiL Semiconductor Corporation as of the Test Date $____________

(d) EBITDA[2] for the four fiscal quarter period ending on the Test Date

(i) Net Income $____________

(ii) Interest Expense (as calculated in paragraph 3(b) below) +$____________

(iii) income tax expense +$____________

(iv) depreciation and amortization +$____________

(v) non-cash charges and expenses related to stock-based compensation +$____________

(vi) in-process research and development charges and expenses with respect to Permitted Acquisitions for such period incurred in accordance with Financial Accounting Standards Board Statement No. 141 +$____________

(vii) extraordinary non-cash charges and expenses +$____________

(viii) non-recurring non-cash charges and expenses (including in respect of restructurings, facilities closings or other similar actions) (it being understood and agreed that, for the avoidance of doubt, multiple restructuring or impairment charges shall not constitute a recurring event) +$____________

(ix) interest income -$____________

(x) aggregate amount of extraordinary non-cash income and gains and non-recurring non-cash income and gains -$____________

(xi) any cash payment in respect of charges and expenses that have been added to EBITDA pursuant to (viii) above in any prior period -$____________

Items (ii) through (viii) are included to the extent deducted in determining such Net Income for such period (without duplication).
Items (ix) through (xi) are included to the extent added in determining such Net Income for such period (without duplication).

(d) – EBITDA – equals
[(i)+(ii)+(iii)+(iv)+(v)+(vi)+(vii)+(viii)-(ix)-(x)-(xi)] $____________

Total Leverage Ratio equals [(a)-(b)-(c)]÷(d) _____:1.00

The maximum permitted Total Leverage Ratio as of the last day of the fiscal quarter ended on the Test Date is: 2.50:1.00

In compliance: [YES][NO]

3. Section 5.03(b) – Interest Coverage Ratio. As of the Test Date, the Interest Coverage Ratio was _____:1.00. The minimum permitted Interest Coverage Ratio is 4.00:1.00.

Interest Coverage Ratio was computed as follows:

(a) EBITDA for the four fiscal quarter period ending on the Test Date (as calculated in paragraph 2(d) above)

$_________

(b) Interest Expense for the four fiscal quarter period ending on the Test Date

(i) all interest, fees, charges and related expenses payable to any Person in connection with Indebtedness or the deferred purchase price of assets that is treated as interest in accordance with GAAP $____________

(ii) the portion of rent actually paid during such period under Capital Leases that should be treated as interest in accordance with GAAP +$____________

(iii) the net amounts payable (or minus the net amounts receivable) under Rate Contracts accrued to the extent treated as interest expense under GAAP +/- $____________

(b) – Interest Expense – equals [(i)+(ii)+/-(iii)] $____________

Interest Coverage Ratio equals [(a)÷(b)] _____:1.00

The minimum permitted Interest Coverage Ratio as of the last day of the fiscal quarter ending on the Test Date is: 4.00:1.00

In compliance [YES][NO]

4. Section 5.03(c) – Minimum Available Liquidity. As of the Test Date, Available Liquidity was $______________. The minimum permitted Available Liquidity is $200,000,000.

Available Liquidity was computed as follows:

(a) Available Liquidity as of the Test Date

(i) Unused Revolving Commitment $____________

(ii) cash and any securities described in the Investment Policy that mature within one year (measured as of the Test Date) of the Borrower Parties +$____________

(ii) up to $50,000,000 of Long Term Investments of the Borrower Parties +$____________

(a) – Available Liquidity – equals [(i)+(ii)+(iii)] $____________

The minimum Available Liquidity at any time $ 200,000,000

In compliance [YES][NO]

5. No Default. During the fiscal quarter ending on the Test Date, no Default has occurred and is continuing, with the exceptions set forth below in response to which the Borrower has taken (or caused to be taken) or propose to take (or cause to be taken) the following actions (if none, so state).

____

[This Space Intentionally Left Blank]

[1] To the extent such Investments exceed $1,377,300,000 and the Borrower is relying on another basket in Section 5.02(e), this sentence can be modified to note such fact and which other basket is being utilized.

[2] Pro forma credit shall be given for an Acquired Person's EBITDA as if owned on the first day of the Test Period; companies (or identifiable business units or divisions) sold, transferred or otherwise disposed of during the Test Period will be treated as if not owned during the entire Test Period.

The undersigned [president, chief executive officer, chief operating officer or chief financial officer] [3] of the Borrower hereby certifies, solely in his or her capacity as the [president, chief executive officer, chief operating officer or chief financial officer] [4] of the Borrower (and not in any personal capacity), on behalf of the Borrower, that the calculations made and the information contained herein are derived from the books and records of the Borrower and that each and every matter contained herein correctly reflects in all material respects those books and records.

Dated: __________, 201__

BORROWER:

INTERNATIONAL RECTIFIER CORPORATION

By:
Name:
Title:

[3] To match the signature block below.
[4] To match the signature block below.

EXHIBIT 10.1

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated as of March 25, 2013

International Rectifier Corporation
101 N. Sepulveda Boulevard
El Segundo, CA 90245
Attn: Chief Financial Officer and General Counsel

Re: Amendment to Credit Agreement

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of October 25, 2012 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among International Rectifier Corporation, a Delaware corporation (the " Borrower"), each of the financial institutions party thereto from time to time (the " Lenders"), and Wells Fargo Bank, National Association, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms are used in this letter agreement as defined in the Credit Agreement, unless otherwise defined herein.

The Borrower has requested certain amendments to the Credit Agreement and the Administrative Agent and the Required Lenders are willing to grant such requests on the terms and subject to the conditions set forth herein.

On the terms and subject to the conditions of this letter agreement:

(i) The definition of "Guaranty Obligation" in Section 1.01 of the Credit Agreement is hereby amended by replacing the phrase ""Guaranty Obligation" shall not include endorsements for collection or deposit in the ordinary course of business" with the following:
""Guaranty Obligation" shall not include (x) endorsements for collection or deposit in the ordinary course of business, (y) keepwell agreements or comfort letters issued by any Loan Party to, and for the sole benefit of, any Borrower Party at the request of its auditors or its board of directors or other similar governing body and (z) guarantees or other contingent obligations of any Borrower Party made with respect to trade accounts payable owed by any other Borrower Party; provided that (A) such trade accounts payable arise in the ordinary course of business and (B) no material part of any such account is more than ninety (90) days past due (the exclusions in the foregoing clauses (x), (y) and (z), collectively, the " Excluded Contingent Obligations"" in lieu thereof;

(ii) The definition of "Investment" in Section 1.01 of the Credit Agreement is hereby amended by replacing the phrase "or (b) prepaid expenses of such Person incurred and prepaid in the ordinary course of business consistent with past practice" with the following:
", (b) prepaid expenses of such Person incurred and prepaid in the ordinary course of business consistent with past practice or (c) any Excluded Contingent Obligations (except to the extent that any loan or advance of funds, capital contribution or other payment is actually made by such Person to satisfy the Excluded Contingent Obligations of another Person)" in lieu thereof;

(iii) Section 5.02(a)(vi) of the Credit Agreement is hereby amended and restated in its entirety as follows:
"(vi) Indebtedness owing to any other Borrower Party; provided, that any Investment constituting such Indebtedness is permitted by Section 5.02(e);"

(iv) Section 5.02(e)(ii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(ii) (x) Investments (other than Investments in Borrower Parties) existing on October 19, 2012 (it being understood that the aggregate value (as determined by the Borrower in good faith) of such Investments as of October 19, 2012 was approximately $15,700,000) and (y) Investments directly or indirectly in Foreign Subsidiaries, R Labco, Inc. and IR International Holdings China, Inc. (including, without limitation, (1) any loans or advances, less any repayments or prepayments of such loans or advances and (2) any other investment less any return of such investment (by way of dividend, return of capital or otherwise and whether in whole or in part)) in an aggregate amount not to exceed $1,377,300,000 at any one time outstanding;"

(v) Section 5.02(e)(iii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(iii) Investments by the Loan Parties in each other;"

(vi) Schedule 5.02(e) of the Credit Agreement is hereby deleted in its entirety; and

(vii) Exhibit H of the Credit Agreement is hereby deleted in its entirety and Exhibit H hereto is hereby inserted in lieu thereof.

The provisions of this letter agreement shall be effective upon the date the Administrative Agent shall have received this letter agreement, duly executed and delivered by the Administrative Agent, the Required Lenders, the Borrower and the Guarantors. Upon effectiveness of this letter agreement, the amendments contained in this letter agreement shall be deemed effective as of the Closing Date.

The Borrower hereby confirms that the representations and warranties contained in the Credit Agreement and the other Credit Documents are (immediately before and after giving effect to this letter agreement) true and correct in all material respects as of the date hereof (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as if made on such date (except for representations and warranties expressly made as of a specified date, which shall be true and correct in all material respects (except to the extent that such representation and warranty is qualified by materiality, in which case such representation and warranty must be true in all respects) as of such specified date) and no Default or Event of Default has occurred and is continuing as of the date hereof.

The Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed by the Borrower in all respects. This letter agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes. This letter agreement shall be governed by and construed according to the laws of the State of New York without reference to conflicts of law rules other than Section 5-1401 of the General Obligations Law of the State of New York.

This letter agreement is a Credit Document as defined in the Credit Agreement, and the provisions of the Credit Agreement generally applicable to Credit Documents are applicable hereto and incorporated herein by this reference.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By: /s/ Brian Weber
Name: Brian Weber
Title: SVP

Agreed to and accepted:

INTERNATIONAL RECTIFIER CORPORATION,
a Delaware corporation

By: /s/ Ilan Daskal
Name: Ilan Daskal
Title: EVP & CFO

Each of the undersigned hereby acknowledges, agrees and consents to this letter agreement, and confirms and agrees that the Guaranty executed by it in connection with the Credit Agreement remains in full force and effect in accordance with its terms and is hereby reaffirmed and ratified by each of the undersigned.

INTERNATIONAL RECTIFIER HIREL PRODUCTS, INC.,
a Delaware corporation

By: /s/ W. Joseph Thesing
Name: W. Joseph Thesing
Title: Secretary

IR EPI SERVICES, INC.,
a Delaware corporation

By: /s/ Lawrence Michlovich
Name: Lawrence Michlovich
Title: Assistant Secretary

CHIL SEMICONDUCTOR CORPORATION,
a Delaware corporation

By: /s/ Lawrence Michlovich
Name: Lawrence Michlovich
Title: Assistant Secretary

IR INTERNATIONAL HOLDINGS, INC.,
a Delaware corporation

By: /s/ Lawrence Michlovich
Name: Lawrence Michlovich
Title: Secretary

Agreed to and accepted:

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ Anna C. Araya
Name: Anna C. Araya
Title: Vice President

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Kathryn E. Benjamin
Name: Kathryn E. Benjamin
Title: Vice President

BANK OF THE WEST,

as a Lender

By: /s/ Brock Mullins
Name: Brock Mullins
Title: VP

EXHIBIT H

COMPLIANCE CERTIFICATE

(See attached)

EXHIBIT H

COMPLIANCE CERTIFICATE

_____________ ___, 201_

Wells Fargo Bank, National Association
2030 Main Street, Suite 900
Irvine, CA 92614
Attention: Brian S. Weber
Tel. No. (949) 251-4117
Fax No. (949) 851-8159
E-mail. Brian.S.Weber@wellsfargo.com

This Compliance Certificate is delivered pursuant to Section 5.01(a)(iii) of that certain Credit Agreement, dated as of October 25, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the " Credit Agreement"), by and among (1) INTERNATIONAL RECTIFIER CORPORATION, a Delaware corporation (the "Borrower"); (2) each of the financial institutions party thereto from time to time (the "Lenders"); and (3) WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), as Swing Line Lender and as L/C Issuer.

Terms defined in the Credit Agreement and not otherwise defined in this Compliance Certificate (this " Certificate") shall have the meanings defined for them in the Credit Agreement. Section references herein relate to the Credit Agreement unless stated otherwise. In the event of any conflict between the calculations set forth in this Compliance Certificate and the manner of calculation required by the Credit Agreement, the terms of the Credit Agreement shall govern and control.

This Compliance Certificate is delivered in accordance with Section 5.01(a)(iii) of the Credit Agreement by the undersigned president, chief executive officer, chief operating officer or chief financial officer of the Borrower, on behalf of the Borrower. This Compliance Certificate is delivered for the fiscal [quarter/year] ended ___________, ____ (the " Test Date"). Computations indicating compliance with respect to the covenants in Section 5.02(e)(ii)(y) and Section 5.03 of the Credit Agreement are set forth below:

1. Section 5.02(e)(ii)(y). As of the Test Date, the aggregate amount of outstanding Investments made by the Borrower Parties directly or indirectly in Foreign Subsidiaries, R Labco, Inc. and IR International Holdings China, Inc. (including, without limitation, (1) any loans or advances, less any repayments or prepayments of such loans or advances and (2) any other investment less any return of such investment (by way of dividend, return of capital or otherwise and whether in whole or in part)) is approximately $______________ (subject to adjustment after the Test Date for the actual amount of interest accrued on such Investments, provided that such adjustment does not exceed $2,000,000). [The amount of such Investments (including, without limitation, (1) any loans or advances, less any repayments or prepayments of such loans or advances and (2) any other investment less any return of such investment (by way of dividend, return of capital or otherwise and whether in whole or in part)) shall not exceed $1,377,300,000 in the aggregate at any one time outstanding.][1]

2. Section 5.03(a) – Total Leverage Ratio. As of the Test Date, the Total Leverage Ratio was _____:1.00. The maximum permitted Total Leverage Ratio is 2.50:1.00.

The Total Leverage Ratio as of the Test Date was computed as follows:

(a) Total Funded Debt of the Borrower Parties on a consolidated basis as of the Test Date

(i) all obligations evidenced by notes, bonds, debentures or other similar instruments and all other obligations for borrowed money (including obligations to repurchase receivables and other assets sold with recourse)	$____________
(ii) all obligations for the deferred purchase price of property or services (including obligations under letters of credit and other credit facilities which secure or finance such purchase price), except for trade accounts payable; provided that (A) such trade accounts payable arise in the ordinary course of business and (B) no material part of any such account is more than ninety (90) days past due	+$____________
(iii) all obligations under conditional sale or other title retention agreements with respect to property acquired by such Person (to the extent of the value of such property if the rights and remedies of the seller or the lender under such agreement in the event of default are limited solely to repossession or sale of such property)	+$____________
(iv) all obligations arising as lessee under or with respect to Capital Leases and synthetic leases and all other off-balance sheet financing	+$____________
(v) all obligations, contingent or otherwise, under or with respect to Surety Instruments	+$____________

(vi) all obligations arising under acceptance facilities or under facilities for the discount of accounts receivable +$____________

(vii) all Contingent Obligations

(viii) all Disqualified Securities +$____________

(ix) with respect to any terminated Rate Contracts, the Termination Value thereof (as calculated pursuant to clause (a) of the definition of "Termination Value" in the Credit Agreement) +$____________

(x) all obligations with respect to letters of credit, whether drawn or undrawn, contingent or otherwise

+$____________

(xi) all Guaranty Obligations with respect to the obligations of other Persons of the types described in clauses (i) - (x) above

+$____________

(xii) all obligations of other Persons ("primary obligors") of the types described in clauses (i) - (xi) above to the extent secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien on any property (including accounts and contract rights), even though such Person has not assumed or become liable for the payment of such obligations (and, for purposes of this clause (xii), the amount of the Indebtedness shall be deemed to be the lesser of (1) the amount of all obligations of such primary obligors so secured by (or for which any holder of such obligations has an existing right, contingent or otherwise, to be secured by) such property and (2) the value of such property)

+$____________

(a) Total Funded Debt – equals
[(i)+(ii)+(iii)+(iv)+(v)+(vi)+(vii)+(viii)+(ix)+(x)+(xi)+(xii)] $____________

(b) the lesser of (x) $4,000,000 and (y) the aggregate amount of obligations of the Borrower Parties with respect to undrawn letters of credit as of the Test Date

$____________

(c) the lesser of (x) $3,000,000 and (y) the aggregate amount of Contingent Obligations attributable to the acquisition of CHiL Semiconductor Corporation as of the Test Date $____________

(d) EBITDA[2] for the four fiscal quarter period ending on the Test Date

(i) Net Income $____________

(ii) Interest Expense (as calculated in paragraph 3(b) below) +$____________

(iii) income tax expense +$____________

(iv) depreciation and amortization +$____________

(v) non-cash charges and expenses related to stock-based compensation +$____________

(vi) in-process research and development charges and expenses with respect to Permitted Acquisitions for such period incurred in accordance with Financial Accounting Standards Board Statement No. 141 +$____________

(vii) extraordinary non-cash charges and expenses +$____________

(viii) non-recurring non-cash charges and expenses (including in respect of restructurings, facilities closings or other similar actions) (it being understood and agreed that, for the avoidance of doubt, multiple restructuring or impairment charges shall not constitute a recurring event) +$____________

(ix) interest income -$____________

(x) aggregate amount of extraordinary non-cash income and gains and non-recurring non-cash income and gains -$____________

(xi) any cash payment in respect of charges and expenses that have been added to EBITDA pursuant to (viii) above in any prior period -$____________

Items (ii) through (viii) are included to the extent deducted in determining such Net Income for such period (without duplication).
Items (ix) through (xi) are included to the extent added in determining such Net Income for such period (without duplication).

(d) – EBITDA – equals
[(i)+(ii)+(iii)+(iv)+(v)+(vi)+(vii)+(viii)-(ix)-(x)-(xi)] $____________

Total Leverage Ratio equals [(a)-(b)-(c)]÷(d) _____:1.00

The maximum permitted Total Leverage Ratio as of the last day of the fiscal quarter ended on the Test Date is: 2.50:1.00

In compliance: [YES][NO]

3. Section 5.03(b) – Interest Coverage Ratio. As of the Test Date, the Interest Coverage Ratio was _____:1.00. The minimum permitted Interest Coverage Ratio is 4.00:1.00.

Interest Coverage Ratio was computed as follows:

(a) EBITDA for the four fiscal quarter period ending on the Test Date (as calculated in paragraph 2(d) above)

$_________

(b) Interest Expense for the four fiscal quarter period ending on the Test Date

(i) all interest, fees, charges and related expenses payable to any Person in connection with Indebtedness or the deferred

purchase price of assets that is treated as interest in accordance with GAAP	$____________
(ii) the portion of rent actually paid during such period under Capital Leases that should be treated as interest in accordance with GAAP	+$____________
(iii) the net amounts payable (or minus the net amounts receivable) under Rate Contracts accrued to the extent treated as interest expense under GAAP	+/- $____________
(b) – Interest Expense – equals [(i)+(ii)+/-(iii)]	$____________
Interest Coverage Ratio equals [(a)÷(b)]	_____:1.00
The minimum permitted Interest Coverage Ratio as of the last day of the fiscal quarter ending on the Test Date is:	4.00:1.00
In compliance	[YES][NO]

4. Section 5.03(c) – Minimum Available Liquidity. As of the Test Date, Available Liquidity was $______________. The minimum permitted Available Liquidity is $200,000,000.

Available Liquidity was computed as follows:

(a) Available Liquidity as of the Test Date	
(i) Unused Revolving Commitment	$____________
(ii) cash and any securities described in the Investment Policy that mature within one year (measured as of the Test Date) of the Borrower Parties	+$____________
(ii) up to $50,000,000 of Long Term Investments of the Borrower Parties	+$____________
(a) – Available Liquidity – equals [(i)+(ii)+(iii)]	$____________
The minimum Available Liquidity at any time	$ 200,000,000
In compliance	[YES][NO]

5. No Default. During the fiscal quarter ending on the Test Date, no Default has occurred and is continuing, with the exceptions set forth below in response to which the Borrower has taken (or caused to be taken) or propose to take (or cause to be taken) the following actions (if none, so state).

____

[This Space Intentionally Left Blank]

[1] To the extent such Investments exceed $1,377,300,000 and the Borrower is relying on another basket in Section 5.02(e), this sentence can be modified to note such fact and which other basket is being utilized.

[2] Pro forma credit shall be given for an Acquired Person's EBITDA as if owned on the first day of the Test Period; companies (or identifiable business units or divisions) sold, transferred or otherwise disposed of during the Test Period will be treated as if not owned during the entire Test Period.

The undersigned [president, chief executive officer, chief operating officer or chief financial officer] [3] of the Borrower hereby certifies, solely in his or her capacity as the [president, chief executive officer, chief operating officer or chief financial officer] [4] of the Borrower (and not in any personal capacity), on behalf of the Borrower, that the calculations made and the information contained herein are derived from the books and records of the Borrower and that each and every matter contained herein correctly reflects in all material respects those books and records.

Dated: __________, 201__

BORROWER:

INTERNATIONAL RECTIFIER CORPORATION

By:
Name:
Title:

[3] To match the signature block below.
[4] To match the signature block below.

EXHIBIT 31.1

CERTIFICATION

I, Oleg Khaykin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Rectifier Corporation;

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 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: April 29, 2013

/s/ OLEG KHAYKIN

Oleg Khaykin
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Ilan Daskal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Rectifier Corporation;

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 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: April 29, 2013

/s/ ILAN DASKAL

Ilan Daskal
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

The undersigned, Oleg Khaykin, the Chief Executive Officer of International Rectifier Corporation (the "Company"), pursuant to 18 U.S.C. §1350, hereby certifies that:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 24, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

Date: April 29, 2013

/s/ OLEG KHAYKIN

Oleg Khaykin
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

The undersigned, Ilan Daskal, the Chief Financial Officer of International Rectifier Corporation (the "Company"), pursuant to 18 U.S.C. §1350, hereby certifies that:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 24, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

Date: April 29, 2013

/s/ ILAN DASKAL

Ilan Daskal
Chief Financial Officer
(Principal Financial and Accounting Officer)