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 30, 2014

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 71,271,406 shares of the registrant's common stock, par value $1.00 per share, outstanding on April 23, 2014.

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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 30, 2014	March 24, 2013	March 30, 2014	March 24, 2013
Revenues	$ 269,269	$ 224,268	$ 808,984	$ 700,582
Cost of sales	169,135	169,860	515,574	526,544
Gross profit	100,134	54,408	293,410	174,038
Selling, general and administrative expense	45,025	43,020	133,502	135,398
Research and development expense	32,710	28,876	97,669	94,450
Amortization of acquisition-related intangible assets	1,605	1,663	4,865	5,023
Asset impairment, restructuring and other charges	1,624	880	4,041	14,787
Operating income (loss)	19,170	(20,031)	53,333	(75,620)
Other expense (income), net	451	(450)	2,723	969
Interest expense, net	28	64	34	24
Income (loss) before income taxes	18,691	(19,645)	50,576	(76,613)
Provision for (benefit from) income taxes	(449)	1,600	4,792	6,129
Net income (loss)	$ 19,140	$ (21,245)	$ 45,784	$ (82,742)
Net income (loss) per common share:				
Basic	$ 0.27	$ (0.31)	$ 0.64	$ (1.20)
Diluted	$ 0.26	$ (0.31)	$ 0.63	$ (1.20)
Weighted average common shares outstanding:				
Basic	71,248	69,273	71,075	69,234
Diluted	72,728	69,273	72,336	69,234

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

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended		Nine Months Ended	
	March 30, 2014	March 24, 2013	March 30, 2014	March 24, 2013
Net income (loss)	$ 19,140	$ (21,245)	$ 45,784	$ (82,742)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax effect of $0 for all periods presented	1,903	(13,586)	22,268	(2,955)
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on available-for-sale securities, net of tax effect of $0 for all periods presented	(867)	1,760	8,222	(77)
Other comprehensive income (loss)	1,036	(11,826)	30,490	(3,032)
Comprehensive income (loss)	$ 20,176	$ (33,071)	$ 76,274	$ (85,774)

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

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 30, 2014	June 30, 2013 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 541,288	$ 443,490
Restricted cash	637	611
Short-term investments	—	11,056
Trade accounts receivable, net of allowances	158,799	137,762
Inventories	241,982	232,315
Current deferred tax assets	4,974	4,948
Prepaid expenses and other current assets	31,359	33,002
Total current assets	979,039	863,184
Restricted cash	740	738
Property, plant and equipment, net	404,113	423,338
Goodwill	52,149	52,149
Acquisition-related intangible assets, net	17,058	21,923
Long-term deferred tax assets	29,366	32,792
Other assets	63,175	59,088
Total assets	$ 1,545,640	$ 1,453,212
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 80,112	$ 89,312
Accrued income taxes	4,112	949
Accrued salaries, wages and commissions	40,713	39,719
Other accrued expenses	77,189	78,414
Total current liabilities	202,126	208,394
Long-term deferred tax liabilities	8,695	8,970
Other long-term liabilities	18,321	24,530
Total liabilities	229,142	241,894
Commitments and contingencies		
Stockholders' equity:		
Common stock	77,559	76,590
Capital contributed in excess of par value	1,098,376	1,067,841
Treasury stock, at cost	(115,773)	(113,175)
Retained earnings	247,649	201,865
Accumulated other comprehensive income (loss)	8,687	(21,803)
Total stockholders' equity	1,316,498	1,211,318
Total liabilities and stockholders' equity	$ 1,545,640	$ 1,453,212

(1) Amounts derived from the audited financial statements at June 30, 2013.

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 30, 2014	**March 24, 2013**
Cash flows from operating activities:		
Net income (loss)	$ 45,784	$ (82,742)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	65,393	68,562
Amortization of acquisition-related intangible assets	4,865	5,023
Loss on disposal of fixed assets	180	4,333
Impairment of long-lived assets	—	2,791
Stock compensation expense	20,027	16,414
Gain on sale of investments	(36)	(8)
Other-than-temporary impairment of investments	—	350
Recovery of bad debts	—	(62)
Provision for inventory write-downs	3,627	15,279
Loss on derivatives	1,161	165
Deferred income taxes	5,926	5,615
Changes in operating assets and liabilities, net	(36,880)	43,389
Other	(256)	2,522
Net cash provided by operating activities	109,791	81,631
Cash flows from investing activities:		
Additions to property, plant and equipment	(35,836)	(60,924)
Proceeds from sale of property, plant and equipment	25	118
Sales of investments	36	52,131
Maturities of investments	11,000	21,500
Purchases of investments	—	(9,979)
Release from restricted cash	14	174
Net cash provided by (used in) investing activities	(24,761)	3,020
Cash flows from financing activities:		
Proceeds from exercise of stock options	12,638	4,342
Purchase of treasury stock	(2,598)	(5,210)
Net settlement of restricted stock units for tax withholdings	(1,160)	(1,492)
Net cash provided by (used in) financing activities	8,880	(2,360)
Effect of exchange rate changes on cash and cash equivalents	3,888	(720)
Net increase in cash and cash equivalents	97,798	81,571
Cash and cash equivalents, beginning of period	443,490	305,423
Cash and cash equivalents, end of period	$ 541,288	$ 386,994

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 worldwide proliferation of electronic features in information technology, industrial, consumer, aerospace and defense and automotive products.

With the increasing demand for energy usage worldwide and generally rising energy costs, governments, businesses, 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 product and device 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"), Gallium Nitride ("GaN") based power devices, 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 29, 2014. 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 30, 2013 filed with the SEC on August 20, 2013 (the "2013 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 2014 and 2013 each consisted of 13 weeks ending on March 30, 2014 and March 24, 2013, respectively. The nine months ended March 2014 and 2013 each consisted of 39 weeks ending on March 30, 2014 and March 24, 2013, respectively. The current fiscal year will consist of 52 weeks and end on June 29, 2014.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 may differ from those estimates.

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 or not the inputs are observable in the market and the degree that 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, 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 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 30, 2014 and June 30, 2013 (in thousands):

	As of March 30, 2014			
Assets and Liabilities:	Total	Level 1	Level 2	Level 3
Prepaid expenses and other current assets	$ 35	$ —	$ 35	$ —
Other assets	37,606	35,895	—	1,711
Other long-term liabilities	(9,414)	(9,414)	—	—
Total	$ 28,227	$ 26,481	$ 35	$ 1,711

	As of June 30, 2013			
Assets and Liabilities:	Total	Level 1	Level 2	Level 3
Short-term investments	$ 11,056	$ 6,004	$ 5,052	$ —
Prepaid expenses and other current assets	19	—	19	—
Other assets	29,725	26,837	—	2,888
Other long-term liabilities	(8,326)	(8,326)	—	—
Total	$ 32,474	$ 24,515	$ 5,071	$ 2,888

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.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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. During each of the three and nine months ended March 30, 2014 and March 24, 2013, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities. The Company records its foreign currency forward contracts at fair value using Level 2 inputs based on readily observable market parameters for all substantial terms.

Level 3 Valuations

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 30, 2014 and March 24, 2013 (in thousands):

	Level 3 Assets Derivatives
Beginning balance at December 29, 2013	$ 1,930
Total losses (realized or unrealized) included in other expense, net	(219)
Ending balance at March 30, 2014	$ 1,711

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

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 30, 2014 and March 24, 2013 (in thousands):

	Level 3 Assets Derivatives
Beginning balance at June 30, 2013	$ 2,888
Total losses (realized or unrealized) included in other expense, net	(1,177)
Ending balance at March 30, 2014	$ 1,711

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

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 a non-transferable put option on a strategic investment (the “Put Option”).

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 30, 2014, the Company determined that significant changes in the above assumptions would not materially affect the fair value of the Put Option. Additionally, the model relies on the material assumption that 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)

Non-Recurring Fair Value Measurements

During the three and nine months ended March 30, 2014, the Company did not record any other-than-temporary impairments on financial assets required to be measured at fair value on a nonrecurring basis. 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 nine months ended March 24, 2013, 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 represented the excess of the carrying values of the assets over the fair values, less the estimated cost to sell.

Adoption of Recent Accounting Standards

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). This update requires 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 adoption of this update did not have a material impact on the Company's financial statements, and additional disclosure pursuant to this update is presented in Note 10.

Recent Accounting Standards

In July 2013, the FASB issued ASC update No. 2013-11, "Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" (ASU 2013-11). Under the amendments in this update, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this update are effective for fiscal years and interim periods within those years beginning after December 15, 2013. The Company does not believe that adoption of this update will have a material impact on its financial statements.

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 other expense (income) or interest expense (income) depending upon the type of security.

Available-for-sale securities as of March 30, 2014 are summarized as follows (in thousands):

	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Market Value
Other Assets:					
Equity securities	$ 11,631	$ 14,005	$ —	$ 14,005	$ 25,636

Available-for-sale securities as of June 30, 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	$ —	$ 40	$ —	$ 40	$ 40
U.S. government and agency obligations	11,007	9	—	9	11,016
Total short-term investments	$ 11,007	$ 49	$ —	$ 49	$ 11,056
Other Assets:					
Equity securities	$ 11,631	$ 5,739	$ (5)	$ 5,734	$ 17,365

The Company's investment policy is to manage its total cash and investments balances to preserve principal and maintain liquidity while achieving market returns on the investment portfolio.

The Company also holds as strategic investments the common stock of three publicly traded foreign companies. The common stock of the three companies is shown as “Equity securities” in the table above and is 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 30, 2014, the fair value of the Put Option was $1.7 million, with changes in fair value recorded in other expense, 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 30, 2014, respectively, and $0.1 million and $0.2 million for the three and nine months ended March 24, 2013, respectively.

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.

There were no other-than-temporary impairments recorded for the Company's investments during the three and nine months ended March 30, 2014. During both the three and nine months ended March 24, 2013, total other-than-temporary impairments were $0.4 million.

2. Investments (Continued)

Unrealized loss positions are measured and determined at each fiscal quarter end. There were no available-for-sale investments in a gross unrealized loss position as of March 30, 2014. The following table summarizes 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 were held in a loss position as of June 30, 2013 (in thousands):

	Securities held in a loss position for less than 12 months at June 30, 2013		Securities held in a loss position for 12 months or more at June 30, 2013		Total in a loss position at June 30, 2013	
	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses	Market Value	Gross Unrealized Losses
Equity Securities	$ 1,052	$ (5)	$ —	$ —	$ 1,052	$ (5)
Total	$ 1,052	$ (5)	$ —	$ —	$ 1,052	$ (5)

During the three months ended March 30, 2014 and March 24, 2013, there were no sales of available-for-sale securities. During nine months ended March 30, 2014, the Company sold a de minimis amount of available-for-sale securities, and the related total proceeds and gross realized gains and (losses) were also de minimis. Available-for-sale securities were sold for total proceeds of $52.1 million during the nine months ended March 24, 2013, and gross realized gains and (losses) were de minimis. The cost of marketable securities sold was determined by the first-in, first-out method.

Fair Value of Investments

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

	As of March 30, 2014			
	Total	Level 1	Level 2	Level 3
Equity securities-strategic investments	25,636	25,636	—	—
Total securities at fair value	$ 25,636	$ 25,636	$ —	$ —

	As of June 30, 2013			
	Total	Level 1	Level 2	Level 3
Corporate debt	$ 40	$ —	$ 40	$ —
U.S. government and agency obligations	11,016	6,004	5,012	—
Equity securities-strategic investments	17,365	17,365	—	—
Total securities at fair value	$ 28,421	$ 23,369	$ 5,052	$ —

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 analysis. As of March 30, 2014, 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 achieving market returns on the investment portfolio. To achieve these objectives, the returns on the Company's investments in short-term debt generally will be compared to LIBOR or to yields on money market instruments such as U.S. commercial paper programs and U.S. Treasury Bills.

Foreign Currency Exchange Rates

A significant amount of the Company's revenues, expenses, and capital purchasing transactions are conducted on a global basis in several foreign currencies. To protect against exposure to currency exchange rate fluctuations, the Company has established a balance sheet transaction risk hedging program. Through this hedging program, the Company seeks to reduce, but does not eliminate, the impact of currency exchange rate movements.

The Company generally hedges the risks of foreign currency-denominated 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. 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. 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.

For its balance sheet transaction risk hedging program, the Company had approximately $10.8 million in notional amounts of forward contracts not designated as accounting hedges outstanding at March 30, 2014. Net realized and unrealized foreign currency gains (losses) related to foreign currency forward contracts not designated as accounting hedges, recognized in earnings as a component of other expense, net, were $0.1 million and $0.9 million for the three and nine months ended March 30, 2014, respectively, and $2.1 million and de minimis for the three and nine months ended March 24, 2013, respectively.

3. Derivative Financial Instruments (Continued)

At March 30, 2014 and June 30, 2013, the fair value carrying amounts of the Company's derivative instruments were as follows (in thousands):

	March 30, 2014	
	Derivative Assets	
	Balance Sheet Location	Fair Value
Put Option	Other assets	$ 1,711
Currency forward contracts	Prepaid expenses and other current assets	35
Total		$ 1,746

	June 30, 2013	
	Derivative Assets	
	Balance Sheet Location	Fair Value
Put Option	Other assets	$ 2,888
Currency forward contracts	Prepaid expenses and other current assets	19
Total		$ 2,907

The gain (loss) recognized in earnings as a component of other expense, net, for the Company's derivatives not designated as hedging instruments during the three and nine months ended March 30, 2014 and March 24, 2013 was comprised of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2014	March 24, 2013	March 30, 2014	March 24, 2013
Put Option	$ (219)	$ (91)	$ (1,177)	$ 111
Currency forward contracts	66	2,098	931	(46)
Total	$ (153)	$ 2,007	$ (246)	$ 65

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Derivative Financial Instruments (Continued)

Fair Value

The following tables present derivative instruments measured at fair value on a recurring basis as of March 30, 2014 and June 30, 2013 (in thousands):

	March 30, 2014			
	Total	Level 1	Level 2	Level 3
Put Option	$ 1,711	$ —	$ —	$ 1,711
Foreign currency derivatives:				
Assets	35	—	35	—
Total derivative instruments at fair value, net	$ 1,746	$ —	$ 35	$ 1,711

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Put Option	$ 2,888	$ —	$ —	$ 2,888
Foreign currency derivatives:				
Assets	19	—	19	—
Total derivative instruments at fair value	$ 2,907	$ —	$ 19	$ 2,888

4. Supplemental Cash Flow Disclosures

Components of the changes in operating assets and liabilities during the nine months ended March 30, 2014 and March 24, 2013 were comprised of the following (in thousands):

	Nine Months Ended	
	March 30, 2014	March 24, 2013
Trade accounts receivable	$ (19,963)	$ 31,933
Inventories	(10,053)	46,761
Prepaid expenses and other current assets	5,592	2,888
Accounts payable	(8,724)	(12,913)
Accrued salaries, wages and commissions	723	(6,077)
Deferred compensation	482	(544)
Accrued income taxes	4,248	(4,756)
Other accrued expenses	(9,185)	(13,903)
Changes in operating assets and liabilities, net	$ (36,880)	$ 43,389

5. Inventories

At March 30, 2014 and June 30, 2013, inventories were comprised of the following (in thousands):

	March 30, 2014	June 30, 2013
Raw materials	$ 51,994	$ 58,471
Work-in-process	118,104	97,158
Finished goods	71,884	76,686
Total inventories	$ 241,982	$ 232,315

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Goodwill and Acquisition-Related Intangible Assets

At March 30, 2014 and June 30, 2013, acquisition-related intangible assets included the following (in thousands):

		March 30, 2014		
	Amortization Periods (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Completed technology	4 - 12	$ 52,045	$ (42,619)	$ 9,426
Customer lists	5 - 12	10,430	(7,951)	2,479
Intellectual property and other	2 - 15	16,763	(11,610)	5,153
Total acquisition-related intangible assets		$ 79,238	$ (62,180)	$ 17,058

		June 30, 2013		
	Amortization Periods (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Completed technology	4 - 12	$ 52,045	$ (39,163)	$ 12,882
Customer lists	5 - 12	10,430	(7,313)	3,117
Intellectual property and other	2 - 15	16,763	(10,839)	5,924
Total acquisition-related intangible assets		$ 79,238	$ (57,315)	$ 21,923

6. Goodwill and Acquisition-Related Intangible Assets

As of March 30, 2014, the following table represents the total estimated amortization of intangible assets for the remainder of fiscal year 2014 and the five succeeding fiscal years (in thousands):

		Fiscal Year					
	Total	2014	2015	2016	2017	2018	2019 and thereafter
Estimated amortization expense	$ 17,058	$ 1,555	$ 6,220	$ 4,681	$ 1,463	$ 897	$ 2,242

Goodwill

The Company evaluates the carrying value of goodwill 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, 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.

At March 30, 2014 and June 30, 2013, the carrying amount of goodwill by reportable segment was as follows (in thousands):

Business Segments:	March 30, 2014	June 30, 2013
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 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 senior unsecured revolving credit facility (the "Credit 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, 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 30, 2014, the Company was in compliance with the financial covenants, and there were no amounts outstanding under the Credit Facility.

Bank Letters of Credit

At March 30, 2014, 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

At March 30, 2014 and June 30, 2013, other accrued expenses were comprised of the following (in thousands):

	March 30, 2014	June 30, 2013
Sales returns	$ 38,136	$ 33,902
Accrued accounting and legal costs	5,256	8,108
Deferred revenue	12,855	9,678
Accrued warranty	1,744	1,992
Accrued utilities	2,296	2,516
Accrued repurchase obligation	1,920	4,759
Accrued sales and other taxes	5,126	3,053
Accrued subcontractor costs	1,261	1,307
Accrued rent	2,693	4,858
Other	5,902	8,241
Total other accrued expenses	$ 77,189	$ 78,414

Warranty

The Company records warranty liabilities at the time of sale for the estimated costs to be incurred under the terms of its warranty agreements. The specific warranty terms and conditions vary depending upon 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 30, 2014, which is included in other accrued expenses in the table above (in thousands):

Accrued warranty, June 30, 2013	$ 1,992
Accruals for warranties issued during the period	1,811
Changes in estimates related to pre-existing warranties	(16)
Warranty claim settlements	(2,043)
Accrued warranty, March 30, 2014	$ 1,744

9. Other Long-Term Liabilities

At March 30, 2014 and June 30, 2013, other long-term liabilities were comprised of the following (in thousands):

	March 30, 2014	June 30, 2013
Income taxes payable	$ 3,144	$ 12,344
Deferred compensation	11,148	9,903
Other	4,029	2,283
Total other long-term liabilities	$ 18,321	$ 24,530

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 30, 2014 and June 30, 2013 (in thousands):

	March 30, 2014			
	Total	Level 1	Level 2	Level 3
Employee deferred compensation plan liability	$ 9,414	$ 9,414	$ —	$ —
Assets of employee deferred compensation plan (reported in other assets)	10,259	10,259	—	—

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Employee deferred compensation plan liability	$ 8,326	$ 8,326	$ —	$ —
Assets of employee deferred compensation plan (reported in other assets)	9,472	9,472	—	—

10. Changes in Accumulated Other Comprehensive Income (Loss)

The following table details the changes in the Company's accumulated other comprehensive income (loss) balance for the nine months ended March 30, 2014 (net of tax effect of $0, in thousands):

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Available-For-Sale Securities	Total
Balance at June 30, 2013	$ (22,266)	$ 463	$ (21,803)
Other comprehensive income before reclassifications	22,268	8,258	30,526
Amounts reclassified from accumulated other comprehensive income (loss)	—	(36)	(36)
Net other comprehensive income	$ 22,268	$ 8,222	$ 30,490
Balance at March 30, 2014	$ 2	$ 8,685	$ 8,687

As a result of sales of available-for-sale securities, the Company reclassified a de minimis amount from accumulated other comprehensive income (loss) to earnings as a component of interest income, net, for the three and nine months ended March 30, 2014. There were no amounts reclassified from accumulated other comprehensive income (loss) for both the three and nine months ended March 24, 2013.

11. 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 SEC, unless an applicable exemption applies.

During the nine months ended March 30, 2014, the Company granted an aggregate of 8,500 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 activity for the nine months ended March 30, 2014 (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 30, 2013	1,187	$ 17.08		$ 4,978
Granted	9	$ 24.56	$ 6.67	
Exercised	(798)	$ 15.91		$ 6,848
Expired or forfeited	(18)	$ 14.82		
Outstanding, March 30, 2014	380	$ 19.81		$ 2,875

For the nine months ended March 30, 2014 and March 24, 2013, the Company received proceeds of $12.7 million and $4.3 million, respectively, as a result of the exercise of stock options issued under its stock based compensation plans. There were no tax benefits realized from issuance of stock-based awards for each of the three and nine months ended March 30, 2014 and March 24, 2013.

11. Stock-Based Compensation (Continued)

During the nine months ended March 30, 2014, the Company granted 26,950 Restricted Stock Units ("RSUs") to employees, and 43,704 RSUs to members of the Board of Directors (the "Board"), in each case under the 2011 Plan. The RSUs provided for vesting over a period of service, subject to the terms and conditions of the 2011 Plan and the applicable award documentation. For the RSU 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 RSU awards made to members of the Board were made as part of the Board's annual director compensation program, under which the vesting of RSU 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 30, 2014 (in thousands, except per share price data):

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding, June 30, 2013	3,696	$ 21.31	$ 77,394
Granted	71	$ 24.72	
Vested	(226)	$ 19.12	$ 5,183
Expired or forfeited	(121)	$ 21.88	
Outstanding, March 30, 2014	3,420	$ 21.51	$ 91,991

The Company's stock-based compensation plans permit the reduction of a participant's RSUs for purposes of settling a participant's income tax withholding obligation. During the nine months ended March 30, 2014, the Company withheld RSUs representing 54,998 underlying shares to fund participant income tax withholding obligations.

Additional information relating to the Company's stock based compensation plans, including employee stock options and RSUs at March 30, 2014 and June 30, 2013 is as follows (in thousands):

	March 30, 2014	June 30, 2013
Outstanding options exercisable	283	1,039
Options and RSUs available for grant	6,124	6,040
Total reserved common stock shares for stock option plans	9,924	10,923

Forfeitures are estimated at the time of grant. Based on the Company's historical exercise and termination data, a four percent forfeiture rate is assumed for the majority of the options and RSUs.

For the three and nine months ended March 30, 2014 and March 24, 2013, stock-based compensation expense associated with the Company's stock options and RSUs was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 30, 2014	March 24, 2013	March 30, 2014	March 24, 2013
Cost of sales	$ 1,330	$ 1,021	$ 3,940	$ 3,302
Selling, general and administrative expense	3,233	2,693	9,883	8,711
Research and development expense	1,975	1,583	6,204	4,401
Total stock-based compensation expense	$ 6,538	$ 5,297	$ 20,027	$ 16,414

11. Stock-Based Compensation (Continued)

The total unrecognized compensation expense for outstanding stock options and RSUs was $33.2 million as of March 30, 2014. The weighted average number of years to recognize the total compensation expense for stock options and RSUs are 1.7 and 1.7, respectively.

The fair value of the stock options associated with the above compensation expense for the nine months ended March 30, 2014 and March 24, 2013 was determined at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 30, 2014	March 24, 2013
Expected life	3.5 years	3.5 years
Risk free interest rate	0.67%	0.40%
Volatility	35.89%	37.57%
Dividend yield	0.00%	0.00%

12. Asset Impairment, Restructuring and Other Charges (Recoveries)

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 employment position 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 has incurred and expects to further 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 (completed in fiscal year 2013)

12. Asset Impairment, Restructuring and Other Charges (Recoveries) (Continued)

The following tables summarize the total asset impairment, restructuring and other charges (recoveries) by initiative for the three and nine months ended March 30, 2014 and March 24, 2013 (in thousands):

Fiscal Year 2013 Initiatives	Three Months Ended March 30, 2014			
	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	$ —	$ —	$ —	$ —
Severance and workforce reduction costs	—	—	—	—
Decommissioning costs	—	81	—	81
Relocation and re-qualification costs	—	1,543	—	1,543
Total asset impairment, restructuring and other charges	$ —	$ 1,624	$ —	$ 1,624

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
Decommissioning costs	—	—	—	—
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 30, 2014			
	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	$ —	$ —	$ —	$ —
Severance and workforce reduction costs (recoveries)	(22)	141	—	119
Decommissioning costs	—	258	—	258
Relocation and re-qualification costs	4	3,660	—	3,664
Total asset impairment, restructuring and other charges (recoveries)	$ (18)	$ 4,059	$ —	$ 4,041

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Asset Impairment, Restructuring and Other Charges (Recoveries) (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 tables above, other charges related to the restructuring initiatives recorded in cost of sales were $0.5 million and $1.6 million for the three and nine months ended March 30, 2014, respectively, and $0.2 million and $1.4 million for the three and nine months ended March 24, 2013, respectively. These charges, which were primarily for accelerated depreciation, are not classifiable as restructuring costs, and were 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 30, 2014, which are included in accrued salaries, wages, and commissions 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 30, 2013	$ 197	$ —	$ —	$ 197
Accrued (recovered) during the period and charged to asset impairment, restructuring and other charges	(22)	141	—	119
Costs paid during the period	(35)	(141)	—	(176)
Accrued severance and workforce reduction costs at March 30, 2014	$ 140	$ —	$ —	$ 140

Fiscal Year 2013 El Segundo Fabrication Facility Closure Initiative

During fiscal year 2013, the Company adopted a restructuring plan to close its El Segundo wafer fabrication facility. The closure took place in March 2013. During both the three and nine months ended March 30, 2014, the Company incurred de minimis asset impairment, restructuring and other charges (recoveries). The Company incurred asset impairment, restructuring and other charges of $0.1 million and $6.4 million during the three and nine months ended March 24, 2013, respectively. In connection with the plan, the Company estimates total pre-tax costs of $6.4 million. The estimated total costs consist of $5.8 million of severance and workforce reduction costs, $0.4 million of relocation and re-qualification costs, and $0.2 million of asset impairment costs.

In addition to the restructuring charges above, the Company recorded $0.2 million and $1.4 million of other charges related to the restructuring initiative in cost of sales for the three and nine months ended March 24, 2013, respectively. These other charges, which were for accelerated depreciation and inventory write-downs, are not classifiable as restructuring costs, and affected the Energy Saving Products reporting segment. The Company recorded no such charges during either the three or nine months ended March 30, 2014.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Asset Impairment, Restructuring and Other Charges (Recoveries) (Continued)

During both the three and nine months ended March 30, 2014, the Company made de minimis cash payments for this initiative. During the three and nine months ended March 24, 2013, cash payments for this initiative were $2.9 million and $5.3 million, respectively. Remaining cash payments are estimated to be approximately $0.1 million through December 2014.

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

Fiscal Year 2013 Newport Fabrication Facility Resizing Initiative

During fiscal year 2013, the Company adopted a restructuring plan to resize its wafer fabrication facility in Newport, Wales. The resizing of the facility is planned to take place in several phases, and is expected to be completed by the middle of calendar year 2015. The Company incurred $1.6 million and $4.1 million of asset impairment, restructuring and other charges for the three and nine months ended March 30, 2014, respectively. The Company incurred $0.5 million and $2.4 million of asset impairment, restructuring and other charges for the three and nine months ended March 24, 2013, respectively. In connection with the plan, the Company estimates total pre-tax costs of approximately $16.8 million. These consist of approximately $0.7 million of asset impairment costs, $3.3 million of severance and workforce reduction costs, $4.9 million of decommissioning costs, and $7.9 million of relocation and re-qualification costs.

In addition to the restructuring charges above, the Company recorded $0.5 million and $1.6 million of other charges related to the restructuring initiative in cost of sales for the three and nine months ended March 30, 2014, respectively. These other charges, which were for accelerated depreciation, are not classifiable as restructuring costs. The Company recorded no such charges during each of the three and nine months ended March 24, 2013.

Cash payments for this initiative were $1.6 million and $4.1 million for the three and nine months ended March 30, 2014, respectively, and $0.5 million and $1.7 million for the three and nine months ended March 24, 2013, respectively. Remaining cash payments for this initiative are estimated to be approximately $8.6 million.

Fiscal Year 2013 Other Cost Reduction Activities Initiative (completed in fiscal year 2013)

During fiscal year 2013, the Company completed all actions for this initiative. These actions included reducing (i) capacity at manufacturing facilities in Mexico, California, and Arizona, and (ii) administrative and research and development costs around the world. As part of the plan, the Company incurred approximately $5.0 million of severance and workforce reduction costs during the nine months ended March 24, 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.

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. During the three and nine months ended March 24, 2013, cash payments for this initiative were $1.1 million and $4.9 million, respectively.

INTERNATIONAL RECTIFIER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. 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 with the 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 used 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 our customers to add energy-conserving features to help achieve lower operating energy and manufacturing costs. The integrated design platforms incorporate 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 analog HVICs and IGBT platforms, digital control ICs and IRAM integrated power modules. The ESP segment's iMotion platform targets the growing trend towards variable speed motors in the appliance market.

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 LED or 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 solutions, integrated circuits ("ASICs") and standard parts ("ASSPs") and generic high volume products for multiple original equipment manufacturer ("OEM") platform usage. The AP segment's key products include HVICs, intelligent power switch ICs, power MOSFETs including DirectFET®, IGBTs, Diodes and advanced power modules.

Enterprise Power ("EP") – The EP segment provides high performance analog and digital end-to-end power solutions for servers, storage, routers, switches, infrastructure equipment, notebooks, graphic cards, and gaming consoles. The large and growing server market has placed an emphasis and premium on power density, efficiency and performance. The Company sees this trend increasing in other EP segment target applications. The Company offers a broad portfolio of power management system products that deliver benchmark power density, efficiency and performance. The EP segment's key products include CHiL digital PWM controllers, PowIRstagesTM, SupIRBuckTM, DirectFET® discrete products, XPhase®, iPOWIR® voltage regulators, Low voltage ICs, and power monitoring products.

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, as well as products used in biomedical applications. The HiRel segment has a legacy of more than thirty years of experience in many of these applications, 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. The HiRel segment's key products include RAD-Hard discretes, RAD-Hard ICs, power management modules, DC-DC converters, high temperature converters, and energy storage and management systems.

Intellectual Property ("IP") - The IP segment includes revenues from the sale 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 continues, from time to time, to enter into opportunistic licensing arrangements that it believes are consistent with its business strategy.

13. 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 Chief Executive Officer ("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 product level costing, it is impractical to determine the amount of depreciation and amortization included in each segment's gross profit.

The Company's "Customer Segments" as referred to herein include its PMD, ESP, AP, EP and HiRel reporting segments.

For the three and nine months ended March 30, 2014 and March 24, 2013, revenues and gross margin by reportable segments were as follows (in thousands, except percentages):

	Three Months Ended					
	March 30, 2014			March 24, 2013		
Business Segment	Revenues	Percentage of Total	Gross Margin	Revenues	Percentage of Total	Gross Margin
Power Management Devices	$ 96,868	36.0%	30.9%	$ 85,209	38.0%	21.0%
Energy Saving Products	53,808	20.0	33.7	43,614	19.4	12.2
Automotive Products	37,901	14.1	28.4	31,107	13.9	22.0
Enterprise Power	32,057	11.9	45.3	20,488	9.1	36.1
HiRel	48,323	17.9	54.9	43,554	19.4	38.4
Customer Segments Total	268,957	99.9	37.1	223,972	99.9	24.2
Intellectual Property	312	0.1	100.0	296	0.1	100.0
Consolidated Total	$ 269,269	100.0%	37.2%	$ 224,268	100.0%	24.3%

	Nine Months Ended					
	March 30, 2014			March 24, 2013		
Business Segment	Revenues	Percentage of Total	Gross Margin	Revenues	Percentage of Total	Gross Margin
Power Management Devices	$ 301,712	37.3%	30.6%	$ 259,309	37.0%	18.7%
Energy Saving Products	150,894	18.7	32.7	124,244	17.7	13.6
Automotive Products	110,728	13.7	30.6	88,359	12.6	14.7
Enterprise Power	97,501	12.1	41.7	86,947	12.4	33.3
HiRel	147,321	18.2	51.8	139,029	19.8	46.5
Customer Segments Total	808,156	99.9	36.2	697,888	99.6	24.6
Intellectual Property	828	0.1	100.0	2,694	0.4	75.5
Consolidated Total	$ 808,984	100.0%	36.3%	$ 700,582	100.0%	24.8%

14. Income Taxes

The Company accounts for its provision for income taxes in accordance with Accounting Standards Codification ("ASC") 740, Income Taxes. In accordance with ASC 740, the Company uses an estimate of its annual effective rate for the full fiscal year in computing the year-to-date provision for income taxes for the interim periods, including federal, foreign, state and local income taxes. The effective tax rate differs from the statutory U.S. income tax rate due to changes in the reserve for uncertain tax positions, taxes in foreign jurisdictions, withholding and other taxes. The Company recorded a tax benefit of $0.4 million and a tax expense of $4.8 million for the three and nine months ended March 30, 2014, respectively, and a tax expense of $1.6 million and $6.1 million for the three and nine months ended March 24, 2013, respectively.

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, as of March 30, 2014, the Company has determined that the valuation allowance established against its federal and state deferred tax assets in the U.S. should remain in place through fiscal year 2014. These valuation allowances relate to the Company's beginning of fiscal year 2014 balances of reserves, which were initially established during fiscal year 2009.

The Company operates in multiple foreign jurisdictions with lower statutory tax rates compared to the U.S., and its operations in Singapore generally have the most significant impact on the Company's overall effective tax rate. During fiscal year 2011, the Company was granted incentives, which were then amended in fiscal year 2013, by the Singapore Economic Development Board. The incentives are conditioned upon the Company meeting certain employment and investment thresholds which have been met to date, and are expected to be met in future periods. As a result of these incentives, the Company operates under a tax holiday in Singapore, effective from December 27, 2010 through December 26, 2022. The Company did not realize a benefit from this tax holiday for this reporting period.

The Company established liabilities for possible assessments by tax authorities resulting from known tax exposures including, but not limited to, international tax positions and certain tax credits, and management believes that an appropriate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any conclusions arising from the tax audits are resolved in a manner not consistent with management's expectations, the Company would be required to adjust its provision for income tax in the period in which such resolution occurs. During the three months ended March 30, 2014, the Company's reserve for uncertain tax positions decreased by $0.4 million primarily due to lapses in applicable statutes of limitation in various foreign jurisdictions.

As of March 30, 2014, U.S. income taxes have been provided on approximately $25.1 million of undistributed earnings of foreign subsidiaries. The amount represents excess cash held by foreign subsidiaries not required for working capital, capital expenditures and other needs of the foreign subsidiaries. The remaining unrepatriated foreign earnings are considered by the Company to be invested indefinitely.

Pursuant to Sections 382 and 383 of the U.S. Internal Revenue Code (the "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 under the Code). As of March 30, 2014, 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 related tax attributes.

15. Net Income per Common Share

Basic earnings per share ("EPS") is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and RSUs.

The table below provides a computation of basic and diluted earnings per share for the three and nine months ended March 30, 2014 and March 24, 2013 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	March 30, 2014	March 24, 2013	March 30, 2014	March 24, 2013
Net income (loss)	$ 19,140	$ (21,245)	$ 45,784	$ (82,742)
Net income (loss) per common share – basic				
Basic weighted average common shares outstanding	71,248	69,273	71,075	69,234
Basic net income (loss) per common share	$ 0.27	$ (0.31)	$ 0.64	$ (1.20)
Net income (loss) per common share – diluted				
Basic weighted average common shares outstanding	71,248	69,273	71,075	69,234
Effect of dilutive securities – stock options and RSU’s	1,480	—	1,261	—
Diluted weighted average common shares outstanding	72,728	69,273	72,336	69,234
Diluted net income (loss) per common share	$ 0.26	$ (0.31)	$ 0.63	$ (1.20)

For the three and nine months ended March 30, 2014, de minimis shares of common stock equivalents were anti-dilutive and were not included in the computation of diluted earnings per share for these periods. For the three and nine months ended March 24, 2013, 1.2 million and 2.2 million shares of common stock equivalents, respectively, were anti-dilutive and were not included in the computation of diluted earnings per share for these periods. In addition, for both the three and nine months ended March 30, 2014, 0.8 million shares of contingently issuable RSUs for which all necessary conditions had not been met were not included in the computation of diluted earnings per share.

16. 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.

16. Environmental Matters (Continued)

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 DTSC 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 initiated 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.

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 1.5 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 United States Environmental Protection Agency ("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.

International Rectifier Corporation ("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 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.

16. Environmental Matters (Continued)

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.

17. Litigation

Angeles. v. Omega. See Note 16, "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.

18. Stock Repurchase Program

The Company's stock repurchase program authorizes it to repurchase up to $150.0 million of shares of the Company's outstanding 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. All of the shares repurchased by the Company through the program were purchased in open market transactions. The Company has used and plans to continue to use existing cash to fund the repurchases.

During the three and nine months ended March 30, 2014, the Company repurchased approximately 0.1 million shares for approximately $2.6 million. To date, the Company has purchased approximately 6.3 million shares for approximately $115.8 million under the program. As of March 30, 2014, the Company had not canceled the repurchased shares of common stock, and as such, they are reflected as treasury stock in the March 30, 2014 and June 30, 2013 condensed consolidated 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 20, 2013 ("2013 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 30, 2014. The discussion includes:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Polices and Estimates

Overview

Our revenues were $269.3 million and $224.3 million for the three months ended March 30, 2014 and March 24, 2013, respectively, and $809.0 million and $700.6 million for the nine months ended March 30, 2014 and March 24, 2013, respectively. For the three and nine months ended March 30, 2014, the revenue increases of $45.0 million or 20.1 percent, and $108.4 million or 15.5 percent, respectively, were primarily due to increases in customer demand in all of our customer segments. We currently expect revenues for the fourth quarter of fiscal year 2014 to be between $280 million and $295 million.

Our gross margin percentage improved by 12.9 percentage points to 37.2 percent and by 11.5 percentage points to 36.3 percent for the three and nine months ended March 30, 2014, compared to the three and nine months ended March 24, 2013, respectively. The increase in gross margin percentage was primarily driven by lower manufacturing costs and improved factory utilization. We currently expect our gross margin percentage for the fourth quarter of fiscal year 2014 to be between 35.8 percent and 36.3 percent.

Our SG&A expense increased by $2.0 million and decreased by $1.9 million for the three and nine months ended March 30, 2014, compared to the three and nine months ended March 24, 2013, respectively. The increase in SG&A expense for the three month period was primarily due to higher bonus and stock compensation expense, partially offset by lower legal expenses. The decrease in SG&A expense for the nine month period was primarily due to a decrease in litigation and other legal costs, partially offset by increased bonus expense and stock compensation expense. We currently expect SG&A expense to be between $45 million and $46 million for the fourth quarter of fiscal year 2014. We continue to work to identify additional SG&A cost savings in order to maintain our total of such expenses at approximately $45 million per quarter.

R&D expense increased by $3.8 million and $3.2 million for the three and nine months ended March 30, 2014, compared to the three and nine months ended March 24, 2013, respectively. The increase in R&D expense for the three month period was primarily due to higher bonus expense, stock compensation expense, and material related costs. The increase in R&D expense for the nine month period was primarily due to higher bonus expense, stock compensation expense, and material related costs, partially offset by a one-time asset impairment charge in the prior year comparable period. We currently expect R&D expense to be around $33 million for the fourth quarter of fiscal year 2014 as we continue to make additional investments associated with engineering builds to qualify new products and other advanced technologies.

During the three and nine months ended March 30, 2014, we continued to focus on consolidating our internal manufacturing footprint and otherwise reducing manufacturing costs. We also continued 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. In the short-term, we have targeted using external contractors for around 30 percent of our wafer fabrication needs, and around 75 percent of our packaging needs. In the longer-term, we plan to further expand our use of external contractors for up to 50 percent of our wafer fabrication needs and around 80 percent of our packaging needs. We will continue to monitor the demand environment and we may seek to further adjust our internal manufacturing 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 to better align our cost structure with business conditions. As part of the plan, we closed our El Segundo wafer fabrication facility in March 2013. As an additional part of the plan, we are resizing our Newport, Wales fabrication facility in several phases, and expect to complete the resizing by the middle of calendar year 2015. Further, as part of the plan, we completed the other cost reduction activities initiative in fiscal year 2013 to reduce our manufacturing footprint in our Mexico, California, and Arizona facilities, and to reduce administrative and research and development costs around the world.

In conjunction with our ongoing restructuring plan, during the three and nine months ended March 30, 2014, we incurred approximately $1.5 million and $3.7 million of equipment relocation and re-qualification costs, $0.1 million and $0.3 million of decommissioning costs, and de minimis and $0.1 million of severance and workforce reduction costs, respectively. We anticipate that we will incur restructuring charges during fiscal year 2014 of approximately $5.4 million (See Part I, Item 1, Notes to Consolidated Financial Statements-Note 12, “Asset Impairment, Restructuring and Other Charges”).

Our cash flows from operating activities provided $109.8 million of cash during the nine months ended March 30, 2014 compared to $81.6 million for the prior year comparable period. Our cash, cash equivalents and investments as of March 30, 2014 totaled $541.3 million (excluding restricted cash of $1.4 million), compared to $454.5 million (excluding restricted cash of $1.3 million) as of June 30, 2013. The increase in our cash, cash equivalents and investments was primarily due to net cash provided by operating activities and proceeds from the exercise of stock options, partially offset by capital purchases.

Segment Reporting

For the description of our reportable segments, see Note 13, “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 end markets and applications, there are common performance elements arising from that shared manufacturing base, as well as 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, and excludes the IP segment.

Results of Operations

Selected Operating Results

The following table sets forth certain operating results for the three and nine months ended March 30, 2014 and March 24, 2013 as a percentage of revenues (in millions, except percentages):

	Three Months Ended				Nine Months Ended			
	March 30, 2014		March 24, 2013		March 30, 2014		March 24, 2013	
Revenues	$ 269.3	100.0 %	$ 224.3	100.0 %	$ 809.0	100.0%	$ 700.6	100.0 %
Cost of sales	169.1	62.8	169.9	75.7	515.6	63.7	526.5	75.2
Gross profit	100.1	37.2	54.4	24.3	293.4	36.3	174.0	24.8
Selling, general and administrative expense	45.0	16.7	43.0	19.2	133.5	16.5	135.4	19.3
Research and development expense	32.7	12.1	28.9	12.9	97.7	12.1	94.5	13.5
Amortization of acquisition-related intangible assets	1.6	0.6	1.7	0.7	4.9	0.6	5.0	0.7
Asset impairment, restructuring and other charges	1.6	0.6	0.9	0.4	4.0	0.5	14.8	2.1
Operating income (loss)	19.2	7.1	(20.0)	(8.9)	53.3	6.6	(75.6)	(10.8)
Other expense (income), net	0.5	0.2	(0.5)	(0.2)	2.7	0.3	1.0	0.1
Interest expense, net	0.0	—	0.1	—	0.0	—	0.0	—
Income (loss) before income taxes	18.7	6.9	(19.6)	(8.8)	50.6	6.3	(76.6)	(10.9)
Provision for (benefit from) income taxes	(0.4)	(0.2)	1.6	0.7	4.8	0.6	6.1	0.9
Net income (loss)	$ 19.1	7.1 %	$ (21.2)	(9.5)%	$ 45.8	5.7%	$ (82.7)	(11.8)%

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 30, 2014 compared to the three months ended March 24, 2013 (in thousands, except percentages):

	Three Months Ended						Change	
	March 30, 2014			March 24, 2013				
	Revenues	Gross Margin	Gross Margin %	Revenues	Gross Margin	Gross Margin %	Revenues %	Gross Margin ppt
Power Management Devices (PMD)	$ 96,868	$ 29,905	30.9%	$ 85,209	$ 17,868	21.0%	13.7%	9.9
Energy Saving Products (ESP)	53,808	18,114	33.7	43,614	5,301	12.2	23.4	21.5
Automotive Products (AP)	37,901	10,748	28.4	31,107	6,848	22.0	21.8	6.4
Enterprise Power (EP)	32,057	14,512	45.3	20,488	7,389	36.1	56.5	9.2
Commercial Segments total	220,634	73,279	33.2	180,418	37,406	20.7	22.3	12.5
HiRel	48,323	26,543	54.9	43,554	16,706	38.4	10.9	16.5
Customer Segments total	268,957	99,822	37.1	223,972	54,112	24.2	20.1	12.9
Intellectual Property (IP)	312	312	100.0	296	296	100.0	5.4	0.0
Consolidated total	$ 269,269	$ 100,134	37.2%	$ 224,268	$ 54,408	24.3%	20.1%	12.9

Revenues

On a consolidated basis, revenue for the three months ended March 30, 2014 increased by $45.0 million, or 20.1 percent compared to the prior year comparable period. Revenues from our Customer Segments taken as a whole, increased by $45.0 million, or 20.1 percent, for the three months ended March 30, 2014 compared to the prior year comparable period. Revenues for our Commercial Segments, taken as a whole, increased by $40.2 million, or 22.3 percent compared to the prior year comparable period.

For the three months ended March 30, 2014, within our Commercial Segments, revenues for our PMD segment increased by 13.7 percent compared to the prior year comparable period due to an increase in demand for our computing components, industrial and consumer related products, and power supply components. Revenues for our ESP segment increased by 23.4 percent compared to the prior year comparable period due to increased demand for our consumer and appliance related products, including HVICs and IRAM modules, as well as continued recovery in general market conditions, mainly in Asia. Revenues for our AP segment increased by 21.8 percent compared to the prior year comparable period primarily due to increased demand and new design wins for MOSFET and intelligent power switch IC products, partially offset by price erosion. Revenues for our EP segment increased by 56.5 percent compared to the prior year comparable period due to an increase in demand for gaming console components, digital controllers, and high-end computing products.

For the three months ended March 30, 2014, our HiRel segment revenues increased by 10.9 percent compared to the prior year comparable period, primarily driven by an increase in shipments for RAD-Hard discrete products, integrated power modules, and DC-DC converters.

For the three months ended March 30, 2014, our IP segment revenues remained relatively flat compared to the prior year comparable period. We expect our IP segment revenues will be approximately $0.2 million per quarter in each of the next several quarters. However, we intend to continue to seek sale and/or licensing opportunities consistent with our business strategy.

Gross Margin

Our gross margin percentage increased by 12.9 percentage points to 37.2 percent for the three months ended March 30, 2014, compared to 24.3 percent for the prior year comparable period. This increase in our gross margin percentage was primarily the result of a 12.5 percentage point increase in gross margin for our Commercial Segments taken as a whole, and a 16.5 percentage point increase in gross margin for our HiRel segment. The increase in gross margin for our Commercial Segments taken as a whole was primarily driven by improved factory utilization and lower manufacturing costs. The increase in gross margin for our HiRel Segment was primarily due to lower manufacturing costs.

Our PMD segment's gross margin increased from 21.0 percent for the three months ended March 24, 2013, to 30.9 percent for the three months ended March 30, 2014, primarily due to lower manufacturing costs and improved factory utilization, partially offset by an increase in inventory excess and obsolescence expense. Our ESP segment's gross margin increased from 12.2 percent for the three months ended March 24, 2013, to 33.7 percent for the three months ended March 30, 2014, primarily due to improved factory utilization and lower inventory excess and obsolescence expense. Our ESP segment has also been favorably impacted by cost savings associated with the fiscal year 2013 closure of our fabrication facility in El Segundo, California. Our AP segment's gross margin increased from 22.0 percent for the three months ended March 24, 2013, to 28.4 percent for the three months ended March 30, 2014, primarily due to lower manufacturing costs, improved factory utilization, and improved MOSFET product mix, partially offset by price erosion. Our EP segment's gross margin increased from 36.1 percent for the three months ended March 24, 2013, to 45.3 percent for the three months ended March 30, 2014, primarily due to a one-time benefit from the release of a legacy product related claim reserve, as well as lower manufacturing costs, partially offset by price erosion.

Our HiRel segment’s gross margin increased from 38.4 percent for the three months ended March 24, 2013 to 54.9 percent for the three months ended March 30, 2014, primarily due to unusual production costs associated with a fabrication transfer in the prior year comparable period, and lower manufacturing costs in the current period.

Our IP segment’s gross margin percentage did not change compared to the prior year comparable period.

Revenues and Gross Margin - Nine Months Ended

The following table summarizes revenues and gross margin by reportable segment for the nine months ended March 30, 2014 compared to the nine months ended March 24, 2013 (in thousands, except percentages):

	Nine Months Ended							
	March 30, 2014			March 24, 2013			Change	
	Revenues	Gross Margin	Gross Margin %	Revenues	Gross Margin	Gross Margin %	Revenues %	Gross Margin ppt
Power Management Devices (PMD)	$ 301,712	$ 92,274	30.6%	$ 259,309	$ 48,496	18.7%	16.4 %	11.9
Energy Saving Products (ESP)	150,894	49,381	32.7	124,244	16,925	13.6	21.4	19.1
Automotive Products (AP)	110,728	33,924	30.6	88,359	13,013	14.7	25.3	15.9
Enterprise Power (EP)	97,501	40,659	41.7	86,947	28,915	33.3	12.1	8.4
Commercial Segments total	660,835	216,238	32.7	558,859	107,349	19.2	18.2	13.5
HiRel	147,321	76,344	51.8	139,029	64,655	46.5	6.0	5.3
Customer Segments total	808,156	292,582	36.2	697,888	172,004	24.6	15.8	11.6
Intellectual Property (IP)	828	828	100.0	2,694	2,034	75.5	(69.3)	24.5
Consolidated total	$ 808,984	$ 293,410	36.3%	$ 700,582	$ 174,038	24.8%	15.5 %	11.5

Revenues

On a consolidated basis, revenue for the nine months ended March 30, 2014 increased by $108.4 million, or 15.5 percent compared to the prior year comparable period. Revenues from our Customer Segments taken as a whole, increased by $110.3 million, or 15.8 percent, for the nine months ended March 30, 2014 compared to the prior year comparable period. Revenues for our Commercial Segments, taken as a whole, increased by $102.0 million, or 18.2 percent compared to the prior year comparable period.

For the nine months ended March 30, 2014, within our Commercial Segments, revenues for our PMD segment increased 16.4 percent compared to the prior year comparable period due to an increase in demand for our computing components, industrial and consumer related products, and power supply components, partially offset by price erosion. Revenues for our ESP segment increased by 21.4 percent compared to the prior year comparable period due to increased demand for our consumer and appliance related products including HVIC's, IRAM modules, and IGBT's, as well as a continued recovery in general market conditions, mainly in Asia, partially offset by price erosion. Revenues for our AP segment increased by 25.3 percent compared to the prior year comparable period, primarily due to increased demand and new design wins for MOSFET and intelligent power switch IC products, partially offset by price erosion. Revenues for our EP segment increased by 12.1 percent compared to the prior year comparable period due to an increase in demand for PowIRstage and digital controller products, partially offset by a decrease in MOSFET demand and price erosion.

For the nine months ended March 30, 2014, our HiRel segment revenues increased by 6.0 percent compared to the prior year comparable period, primarily driven by an increase in shipments for RAD-Hard discrete products and integrated power modules.

For the nine months ended March 30, 2014, our IP segment revenues decreased by $1.9 million or 69.3 percent, to $0.8 million compared to the prior year comparable period, primarily due to a one-time sale of patents in the prior year comparable period. We expect our IP segment revenues will be approximately $0.2 million per quarter in each of the next several quarters. However, we intend to continue to seek sale and/or licensing opportunities consistent with our business strategy.

Gross Margin

Our gross margin percentage increased by 11.5 percentage points to 36.3 percent for the nine months ended March 30, 2014 compared to 24.8 percent for the prior year comparable period. This increase in our gross margin percentage was primarily the result of a 13.5 percentage point increase in gross margin for our Commercial Segments taken as a whole. The increase in gross margin for our Commercial Segments taken as a whole was primarily driven by improved factory utilization and lower manufacturing costs.

Our PMD segment's gross margin increased from 18.7 percent for the nine months ended March 24, 2013, to 30.6 percent for the nine months ended March 30, 2014, primarily due to lower manufacturing costs and improved factory utilization, partially offset by price erosion. Our ESP segment's gross margin increased from 13.6 percent for the nine months ended March 24, 2013, to 32.7 percent for the nine months ended March 30, 2014, primarily due to improved factory utilization and lower inventory excess and obsolescence expense, partially offset by price erosion. Our ESP segment has also been favorably impacted by cost savings associated with the fiscal year 2013 closure of our fabrication facility in El Segundo, California. Our AP segment's gross margin increased from 14.7 percent for the nine months ended March 24, 2013, to 30.6 percent for the nine months ended March 30, 2014, primarily due to lower manufacturing costs, improved factory utilization, and improved MOSFET and intelligent power switch IC product mix, partially offset by price erosion. Our EP segment's gross margin increased from 33.3 percent for the nine months ended March 24, 2013, to 41.7 percent for the nine months ended March 30, 2014, primarily due to a one-time benefit from the release of a legacy product related claim reserve, as well as lower manufacturing costs and lower inventory excess and obsolescence expense, partially offset by price erosion.

Our HiRel segment’s gross margin increased from 46.5 percent for the nine months ended March 24, 2013, to 51.8 percent for the nine months ended March 30, 2014, primarily due to unusual production costs associated with a fabrication transfer in the prior year comparable period, and a decrease in inventory excess and obsolescence expense in the current period.

Our IP segment’s gross margin percentage increased by 24.5 percentage points for the nine months ended March 30, 2014 compared to the prior year comparable period due to costs associated with a one-time sale of patents in the prior year comparable period.

Selling, General and Administrative Expense

	Selling, General and Administrative Expense				
	March 30, 2014		March 24, 2013		
(Dollar amounts in thousands)	SG&A Expense	% of Revenues	SG&A Expense	% of Revenues	Change
Three months ended	$ 45,025	16.7%	$ 43,020	19.2%	(2.5) ppt
Nine months ended	$ 133,502	16.5%	$ 135,398	19.3%	(2.8) ppt

Our SG&A expense increased by $2.0 million and decreased by $1.9 million for the three and nine months ended March 30, 2014, respectively, compared to the prior year comparable periods. The increase in SG&A expense for the three month period was primarily due to higher headcount related costs, including bonus expense and stock compensation expense, partially offset by lower legal expenses. The decrease in SG&A expense for the nine month period was primarily due to a decrease in litigation and other legal costs, partially offset by increased headcount related costs, including bonus expense and stock compensation expense.

Research and Development Expense

(Dollar amounts in thousands)	Research and Development Expense				
	March 30, 2014		March 24, 2013		
	R&D Expense	% of Revenues	R&D Expense	% of Revenues	Change
Three months ended	$ 32,710	12.1%	$ 28,876	12.9%	(0.8) ppt
Nine months ended	$ 97,669	12.1%	$ 94,450	13.5%	(1.4) ppt

R&D expense increased by $3.8 million and $3.2 million for the three and nine months ended March 30, 2014, respectively, compared to the prior year comparable periods. The increase in R&D expense for the three month period was primarily due to higher materials related costs and headcount related costs, including bonus expense and stock compensation expense. The increase in R&D expense for the nine month period was primarily due to higher materials related costs and headcount related costs, including bonus expense and stock compensation expense, partially offset by a one-time asset impairment charge in the prior year comparable period.

Amortization of Acquisition-Related Intangible Assets

(Dollar amounts in thousands)	Amortization of Acquisition-Related Intangible Assets				
	March 30, 2014		March 24, 2013		
	Amortization Expense	% of Revenues	Amortization Expense	% of Revenues	Change
Three months ended	$ 1,605	0.6%	$ 1,663	0.7%	(0.1) ppt
Nine months ended	$ 4,865	0.6%	$ 5,023	0.7%	(0.1) ppt

Amortization of acquisition-related intangible assets decreased by $0.1 million and $0.2 million for the three and nine months ended March 30, 2014, respectively, compared to the prior year comparable periods. The decrease was the result of the full amortization of a certain intangible asset in the previous fiscal year.

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, R&D, or SG&A, depending upon the classification and function of the employment position 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 are incurring 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 (completed in fiscal year 2013)

The following tables summarize the total asset impairment, restructuring and other charges (recoveries) by initiative for the three and nine months ended March 30, 2014 and March 24, 2013 (in thousands):

Fiscal Year 2013 Initiatives	Three Months Ended March 30, 2014			
	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	$ —	$ —	$ —	$ —
Severance and workforce reduction costs	—	—	—	—
Decommissioning costs	—	81	—	81
Relocation and re-qualification costs	—	1,543	—	1,543
Total asset impairment, restructuring and other charges	$ —	$ 1,624	$ —	$ 1,624

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
Decommissioning costs	—	—	—	—
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 30, 2014			
	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	$ —	$ —	$ —	$ —
Severance and workforce reduction costs (recoveries)	(22)	141	—	119
Decommissioning costs	—	258	—	258
Relocation and re-qualification costs	4	3,660	—	3,664
Total asset impairment, restructuring and other charges (recoveries)	$ (18)	$ 4,059	$ —	$ 4,041

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 tables above, other charges related to the restructuring initiatives recorded in cost of sales were $0.5 million and $1.6 million for the three and nine months ended March 30, 2014, respectively, and $0.2 million and $1.4 million for the three and nine months ended March 24, 2013, respectively. These charges, which were for accelerated depreciation, are not classifiable as restructuring costs, and were recorded in cost of sales.

The following table summarizes changes in our restructuring related accruals related to our fiscal year 2013 initiatives for the nine months ended March 30, 2014, which are included in accrued salaries, wages, and commissions 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 30, 2013	$ 197	$ —	$ —	$ 197
Accrued (recovered) during the period and charged to asset impairment, restructuring and other charges	(22)	141	—	119
Costs paid during the period	(35)	(141)	—	(176)
Accrued severance and workforce reduction costs at March 30, 2014	$ 140	$ —	$ —	$ 140

Fiscal Year 2013 El Segundo Fabrication Facility Closure Initiative

During fiscal year 2013, we adopted a restructuring plan to close our El Segundo wafer fabrication facility. The closure took place in March 2013. During both the three and nine months ended March 30, 2014, we incurred de minimis asset impairment, restructuring and other charges (recoveries). We incurred asset impairment, restructuring and other charges of $0.1 million and $6.4 million during the three and nine months ended March 24, 2013, respectively. In connection with the plan, we estimate total pre-tax costs of $6.4 million. The estimated total costs consist of $5.8 million of severance and workforce reduction costs, $0.4 million of relocation and re-qualification costs, and $0.2 million of asset impairment costs.

In addition to the restructuring charges above, we recorded $0.2 million and $1.4 million of other charges related to the restructuring initiative in cost of sales for the three and nine months ended March 24, 2013, respectively. These other charges, which were for accelerated depreciation and inventory write-downs, are not classifiable as restructuring costs, and affected the Energy Saving Products reporting segment. We recorded no such charges during either the three or nine months ended March 30, 2014.

During both the three and nine months ended March 30, 2014, we made de minimis cash payments for this initiative. During the three and nine months ended March 24, 2013, cash payments for this initiative were $2.9 million and $5.3 million, respectively. Remaining cash payments are estimated to be approximately $0.1 million through June 2015.

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

We estimate annual cost savings of approximately $10 million for fiscal year 2014 and thereafter compared to our fourth quarter 2012 run rate. 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.

Fiscal Year 2013 Newport Fabrication Facility Resizing Initiative

During fiscal year 2013, we adopted a restructuring plan to resize our wafer fabrication facility in Newport, Wales. The resizing of the facility is planned to take place in several phases, and is expected to be completed by the middle of calendar year 2015. We incurred $1.6 million and $4.1 million of asset impairment, restructuring and other charges for the three and nine months ended March 30, 2014, respectively. We incurred $0.5 million and $2.4 million of asset impairment, restructuring and other charges for the three and nine months ended March 24, 2013, respectively. In connection with the plan, we estimate total pre-tax costs of approximately $16.8 million. These consist of approximately $0.7 million of asset impairment costs, $3.3 million of severance and workforce reduction costs, $4.9 million of decommissioning costs, and $7.9 million of relocation and re-qualification costs.

In addition to the restructuring charges above, we recorded $0.5 million and $1.6 million of other charges related to the restructuring initiative in cost of sales for the three and nine months ended March 30, 2014, respectively. These other charges, which were for accelerated depreciation, are not classifiable as restructuring costs. We recorded no such charges during each of the three and nine months ended March 24, 2013.

Cash payments for this initiative were $1.6 million and $4.1 million for the three and nine months ended March 30, 2014, respectively, and $0.5 million and $1.7 million for the three and nine months ended March 24, 2013, respectively. Remaining cash payments are estimated to be approximately $8.6 million for the remainder of the initiative.

After the completion of this initiative, we estimate annual cost savings of approximately $16 million compared to our fourth quarter 2012 run rate. 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 (completed in fiscal year 2013)

During fiscal year 2013, we completed all actions for this initiative. These actions included reducing (i) capacity at manufacturing facilities in Mexico, California, and Arizona, and (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 during the nine months ended March 24, 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.

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. During the three and nine months ended March 24, 2013, cash payments for this initiative were $1.1 million and $4.9 million, respectively.

We estimate annual cost savings of approximately $18 million for fiscal year 2014 and thereafter compared to our fourth quarter 2012 run rate. These cost savings will result in reduced SG&A and R&D expenses, as well as lower cost of sales. We do not anticipate these cost savings to be offset by additional costs incurred in other locations.

Other Expense (Income), Net

Other expense, net includes, primarily, gains and losses related to foreign currency fluctuations. Other expense (income), net, was $0.5 million and $(0.5) million for the three months ended March 30, 2014 and March 24, 2013, respectively. Other expense, net for the three months ended March 30, 2014 includes a foreign currency exchange loss of $0.4 million due to fluctuations in foreign currency exchange rates, and an unrealized loss of $0.2 million related to a non-transferable put option on a strategic investment (the "Put Option"). The prior year comparable period included a release of tax indemnification reserves of $1.1 million due to lapses in applicable statutes of limitation, partially offset by a foreign currency exchange loss of $0.4 million due to fluctuations in foreign currency exchange rates, and an unrealized loss of $0.1 million on the Put Option.

Other expense, net, was $2.7 million and $1.0 million for the nine months ended March 30, 2014 and March 24, 2013, respectively. Other expense, net for the nine months ended March 30, 2014 includes a foreign currency exchange loss of $1.6 million due to fluctuations in foreign currency exchange rates, and an unrealized loss of $1.2 million on the Put Option. The prior year comparable period included a foreign currency exchange loss of $1.9 million due to fluctuations in foreign currency exchange rates, partially offset by a release of tax indemnification reserves of $1.1 million due to lapses in applicable statutes of limitation.

Interest Expense, Net

Interest expense, net was de minimis for each of the three and nine months ended March 30, 2014 and March 24, 2013.

Income Taxes

We recorded a tax benefit of $0.4 million, or (2.4) percent of pre-tax income of $18.7 million, for the three months ended March 30, 2014. The main components of the tax benefit were: (i) a $0.7 million benefit primarily related to foreign and domestic taxes and (ii) a net reduction in various foreign uncertain tax positions and related interest and penalties, which arose from lapses in applicable statutes of limitation and settlements with tax authorities, totaling approximately $0.2 million. This benefit was partially offset by a $0.5 million expense related to withholding taxes.

We recorded a tax expense of $4.8 million, or 9.5 percent of pre-tax income of $50.6 million, for the nine months ended March 30, 2014. The main components of the tax expense were: (i) a $7.8 million expense primarily related to foreign income taxes, (ii) a reduction in the United Kingdom ("U.K.") statutory tax rates, reducing the value of the Company's net deferred tax assets in the U.K. by $4.0 million, (iii) $1.4 million in foreign withholding taxes, and (iv) $0.6 million in settlements with respect to income tax audits in certain tax jurisdictions. These expenses were partially offset by a net reduction in various foreign uncertain tax positions and related interest and penalties, which arose from lapses in applicable statutes of limitation and settlements with tax authorities, totaling approximately $9.0 million.

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: (i) $1.9 million in foreign income taxes, (ii) $0.5 million in withholding taxes, and (iii) $0.2 million in domestic tax expense. These expenses were partially offset by: (i) a reduction in foreign uncertain tax positions, arising from lapses in applicable statutes of limitation of approximately $0.6 million, and (ii) 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. The expense was mainly due to: (i) expenses related to foreign income taxes of $4.6 million, (ii) 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, (iii) foreign withholding taxes of $2.0 million, and (iv) domestic tax expense of $1.4 million. These expenses were partially offset by: (i) the benefit of $4.7 million arising from a reduction in uncertain tax positions during the second and third quarters, and (ii) the utilization of a $0.4 million state tax credit.

We operate in multiple foreign jurisdictions with lower statutory tax rates compared to the U.S., and our operations in Singapore generally have the most significant impact on our effective tax rate. We expect to be subject to an effective tax rate of 17 percent in Singapore for fiscal year 2014.

During the three months ended March 30, 2014, the reserve for uncertain tax positions decreased by $0.4 million to $39.2 million. The reduction in the reserve for uncertain tax position consisted primarily of $0.6 million reduction due to lapses in applicable statutes of limitation in certain foreign jurisdictions. The decrease was partially offset by $0.2 million accrual for new uncertain tax positions. For fiscal year 2014, the benefits associated with uncertain tax positions are anticipated to result in a benefit to income taxes in the consolidated statement of operations of $3.1 million, and if recognized, would reduce our future effective tax rate accordingly. The reserve is expected to decrease by $0.8 million during the next 12 months primarily due to lapses in applicable statutes of limitation in certain foreign jurisdictions.

While it is often difficult to predict the final outcome or the timing of the resolution of any particular uncertain tax position, we believe the reserve for income taxes represents the most probable outcome. We adjust this reserve, including the portion related to interest, in light of changing facts and circumstances. As of March 30, 2014, we had a reserve balance of $1.2 million of interest and penalties related to uncertain tax positions. For the three months ended March 30, 2014, penalties and interest included in the reserves decreased by $0.1 million primarily due to lapses in applicable statutes of limitation.

As of March 30, 2014, U.S. income taxes have been provided on approximately $25.1 million of undistributed earnings of foreign subsidiaries. The amount represents excess cash held by foreign subsidiaries not required for working capital, capital expenditures and other needs of the foreign subsidiaries. The remaining unrepatriated foreign earnings are considered to be invested indefinitely.

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 to repurchase common stock under our ongoing 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 are required to comply with a number of covenants and satisfy a number of conditions, including certain minimum available liquidity requirements. As of March 30, 2014, we were in compliance with the financial covenants contained in the revolving credit agreement, and there were no amounts outstanding under the Credit Facility.

Total cash (excluding restricted cash), cash equivalents, and investments at March 30, 2014 and June 30, 2013 were as follows (in thousands):

	March 30, 2014	June 30, 2013
Cash and cash equivalents	$ 541,288	$ 443,490
Investments	—	11,056
Total cash, cash equivalents, and investments	$ 541,288	$ 454,546

At March 30, 2014, we had $541.3 million of cash (excluding $1.4 million of restricted cash), cash equivalents and short-term investments, an increase of $86.7 million from June 30, 2013. The increase in our cash, cash equivalents and investments was primarily due to net cash provided by operating activities and proceeds from the exercise of stock options, partially offset by capital related purchases.

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, if any, repurchase of stock for our ongoing common stock repurchase program and capital expenditures. During the first nine months of fiscal year 2014, we took actions to meet our longer term revenue growth goals, including ongoing capital investments in our existing manufacturing operations and in the construction of a new facility in Singapore. We plan to continue expanding our manufacturing capabilities for key technologies in anticipation of meeting our long term strategic goals.

Our stock repurchase program authorizes us to repurchase up to $150.0 million of shares of our outstanding 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. We have used and plan to continue to use existing cash to fund the repurchases. All of the shares repurchased through the program were purchased in open market transactions.

During the three and nine months ended March 30, 2014, the Company repurchased approximately 0.1 million shares for approximately $2.6 million. To date, we have purchased approximately 6.3 million shares for approximately $115.8 million under the program. As of March 30, 2014, we have not canceled the repurchased shares of common stock, and as such, they are reflected as treasury stock in the March 30, 2014 and June 30, 2013 condensed consolidated balance sheets.

Our current outlook for fiscal year 2014 is that our cash flow from operating activities will continue to be positive. We estimate that cash capital equipment expenditures for the fiscal year 2014 will be about $48 million as we invest in new manufacturing process technologies, and our new facility in Singapore.

Cash Flow

Our cash flows were as follows (in thousands):

	Nine Months Ended	
	March 30, 2014	March 24, 2013
Cash flows provided by operating activities	$ 109,791	$ 81,631
Cash flows provided by (used in) investing activities	(24,761)	3,020
Cash flows provided by (used in) financing activities	8,880	(2,360)
Effect of exchange rates on cash and cash equivalents	3,888	(720)
Net increase in cash and cash equivalents	$ 97,798	$ 81,571

Non-cash adjustments to cash flows provided by operating activities during the nine months ended March 30, 2014 and March 24, 2013, respectively, included $65.4 million and $68.6 million of depreciation and amortization, $20.0 million and $16.4 million of stock compensation expense, and a $5.9 million and $5.6 million increase in our deferred income tax position. Changes in operating assets and liabilities decreased cash provided by operating activities by $36.9 million for the nine months ended March 30, 2014, primarily attributed to increases in accounts receivable and inventories, partially offset by increases in prepaid expenses and other current assets, and accrued income taxes. Changes in operating assets and liabilities increased cash provided by operating activities by $43.4 million for the nine months ended March 24, 2013, primarily attributed to decreases in accounts receivable and inventories, partially offset by an increase in other accrued expenses.

Cash used in investing activities of $24.8 million during the nine months ended March 30, 2014 was primarily the result of capital expenditures of $35.8 million, partially offset by the sales and maturities of investments of $11.0 million. Cash provided by investing activities during the nine months ended March 24, 2013 was primarily the result of sales and maturities of investments of $73.6 million, partially offset by capital expenditures of $60.9 million and purchases of investments of $10.0 million.

Cash provided by financing activities of $8.9 million during the nine months ended March 30, 2014 was primarily the result of proceeds from stock option exercises, partially offset by treasury stock purchases and cash used to fund net settlement of restricted stock units for tax withholdings. Cash used in financing activities during the nine months ended March 24, 2013 was primarily the result of treasury stock purchases and cash used to fund net settlement of restricted stock units for tax withholdings, partially offset by proceeds from stock option exercises.

Revolving Credit Facility

On October 25, 2012, 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 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 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 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 30, 2014, we were in compliance with the financial 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 30, 2014 were as follows (in thousands):

	March 30, 2014	June 30, 2013	Change
Current Assets			
Cash and cash equivalents	$ 541,288	$ 443,490	$ 97,798
Restricted cash	637	611	26
Short-term investments	—	11,056	(11,056)
Trade accounts receivable, net of allowances	158,799	137,762	21,037
Inventories	241,982	232,315	9,667
Current deferred tax assets	4,974	4,948	26
Prepaid expenses and other current assets	31,359	33,002	(1,643)
Total current assets	979,039	863,184	115,855
Current Liabilities			
Accounts payable	80,112	89,312	(9,200)
Accrued income taxes	4,112	949	3,163
Accrued salaries, wages and commissions	40,713	39,719	994
Other accrued expenses	77,189	78,414	(1,225)
Total current liabilities	202,126	208,394	(6,268)
Net working capital	$ 776,913	$ 654,790	$ 122,123

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

The increase in net trade accounts receivable of $21.0 million from June 30, 2013 to March 30, 2014 reflects the increase in our quarterly revenues of approximately 4.9 percent on a normalized 13 week quarter basis from the three months ended June 30, 2013 while our days-sales-outstanding increased by approximately 5 days.

Inventories increased $9.7 million during the nine months ended March 30, 2014 compared to June 30, 2013, primarily due to planned inventory builds to support targeted customer service levels, and included a $20.9 million increase in work-in-process, partially offset by a $6.5 million decrease in raw materials and a $4.8 million decrease in finished goods. Due to this increase in inventory, inventory weeks increased to approximately 19 weeks as of March 30, 2014, from 17 weeks as of June 30, 2013.

Contractual Obligations

There has been no material change to our contractual obligations as disclosed in our 2013 Annual Report.

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. From time to time, we provide cash collateral in support of outstanding letters of credit.

Apart from the operating lease obligations and purchase commitments discussed in our 2013 Annual Report, we do not have any off-balance sheet arrangements as of March 30, 2014.

Recent Accounting Standards

Information set forth under Note 1, "Business, Basis of Presentation and Summary of Significant Accounting Policies—Recent Accounting Standards" 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 consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of 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, inventories, 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.

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 market 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 LIBOR or to yields on money market instruments, such as industrial commercial paper and 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 30, 2014, a 100 basis point increase or decrease in interest rates would result in a de minimis annualized change 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 losses are considered to be other-than-temporary.

Foreign Currency Exchange Rates

A significant amount of our revenues, expense, and capital purchasing transactions are conducted on a global basis in several foreign currencies. To protect against exposure to currency exchange rate fluctuations, we have established a balance sheet transaction risk hedging program. Through this hedging program, we seek to reduce, but do not eliminate, the impact of currency exchange rate movements.

We generally hedge 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. At various times, we have currency exposure related 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 in U.S. Dollars and Euros, and expenses in British Pounds Sterling and U.S. Dollars. 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 to mitigate this risk.

For our balance sheet transaction hedging program, we had approximately $10.8 million in notional amounts of forward contracts not designated as accounting hedges outstanding as of March 30, 2014. Net realized and unrealized foreign-currency gains (losses) related to foreign currency forward contracts recognized in earnings as a component of other expense, were $0.1 million and $0.9 million for the three and nine months ended March 30, 2014, and $2.1 million and de minimis for the three and nine months ended March 24, 2013, 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 30, 2014, we had $541.3 million of total cash (excluding 1.4 million of restricted cash), cash equivalents and short-term investments, consisting of available-for-sale fixed income securities. We manage our total 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 market returns on the investment portfolio. To the extent that certain investments in our portfolio of investments continue to have strategic value, we generally do not attempt to reduce or eliminate our market exposure. 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.

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 30, 2014. Based upon this evaluation, our CEO and CFO concluded that, as of March 30, 2014, 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 30, 2014, 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Our disclosures regarding the matters set forth in Note 16, "Environmental Matters," and Note 17, "Litigation," to our Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1, 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 2013 Annual Report on Form 10-K, 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 fiscal monthly basis for the quarter ended March 30, 2014, with respect to the Company's purchases of equity securities under the authorized stock repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
December 30, 2013 to January 26, 2014	—	$ —	—	$ 36,824,598
January 27, 2014 to February 23, 2014	100,000	$ 25.95	100,000	$ 34,226,768
February 24, 2014 to March 30, 2014	—	$ —	—	$ 34,226,768

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

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 with the Securities and Exchange Commission on August 19, 2013)
10.1	Description of Executive Officer Cash Incentive Program Performance Goals for Third and Fourth Quarter of Fiscal Year 2014 (incorporated by reference to Item 5.2 (e) of Current Report on Form 8-K, filed February 6, 2014, 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
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

(1) Denotes document submitted herewith

(2) Denotes management contract or compensatory plan or arrangement

(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 30, 2014

/s/ ILAN DASKAL

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

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 30, 2014

/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 30, 2014

/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 30, 2014 (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.

Date: April 30, 2014

/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 30, 2014 (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.

Date: April 30, 2014

/s/ ILAN DASKAL

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