

# **FY12/3 Q3 Financial Results**

**Renesas Electronics Corporation**

**January 31, 2012**

**Yasushi Akao, President**

# Executive Summary

## I. FY12/3 Q3 Financial Results

- Although sales were below our expectations due to worse market conditions and the impacts of Thailand's flood, operating loss improved QoQ as a result of improved cost of sales and expense reduction

## II. FY12/3 Financial Forecasts

- Full-year net sales is expected to be substantially below the company's previous forecasts affected by ongoing market downturn and Thailand's flood
- Though the company will improve production efficiency and conduct further expense reductions as measures for lowered sales forecast, it is difficult to achieve operating profit and net profit in FY12/3 2H

# **I. FY12/3 Q3 Financial Results**

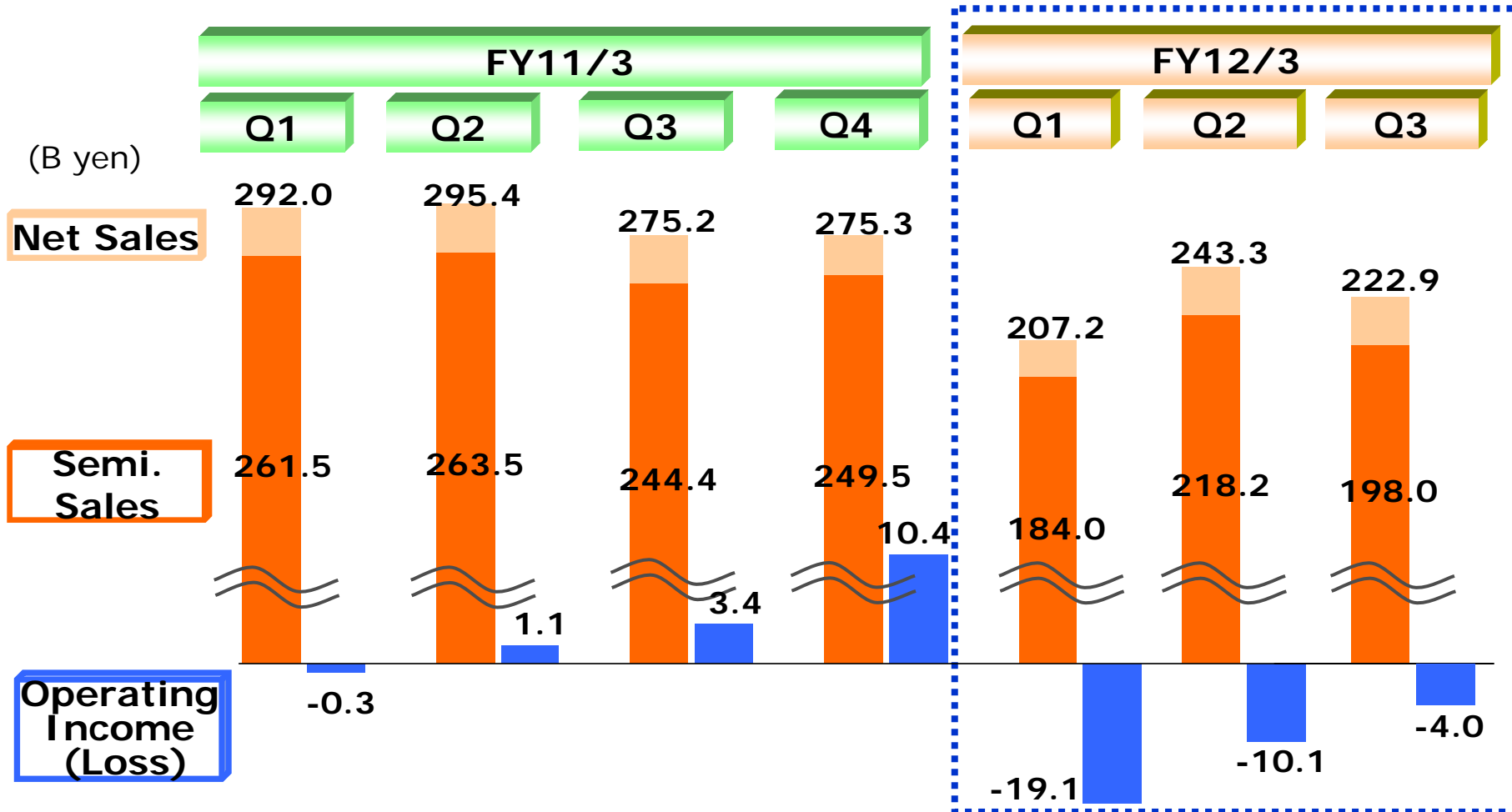
# FY12/3 Q3 Financial Snapshot

- Semiconductor sales were 198.0 B yen, decreased by 9% QoQ due to weak demand deriving from downturn mainly in Europe and China and the impacts of Thailand's flood
- Whereas, operating/net income (loss) improved QoQ by reducing cost of sales and expenses to partially offset profits drop associated with sales reduction

	FY11/3	FY12/3			
(B yen)	Q3	Q2	Q3	QoQ	YoY
<b>Net Sales</b>	275.2	243.3	<b>222.9</b>	-20.5 (-8%)	-52.3 (-19%)
<b>Semiconductor Sales</b>	244.4	218.2	<b>198.0</b>	-20.2 (-9%)	-46.4 (-19%)
<b>Operating Income (Loss)</b>	3.4	-10.1	<b>-4.0</b>	+6.1	-7.4
<b>Ordinary Income (Loss)</b>	1.1	-13.1	<b>-3.6</b>	+9.5	-4.7
<b>Net Income (Loss)</b>	-17.6	-8.8	<b>-2.4</b>	+6.4	+15.2
1 US\$=	83 yen	79 yen	77 yen	2 yen strong	6 yen strong
1 Euro=	112 yen	113 yen	105 yen	8 yen strong	7 yen strong

# Trends in Quarterly Results

- Though sales growth was suppressed by market downturn, profit and loss continuously improved overcoming earthquake impacts

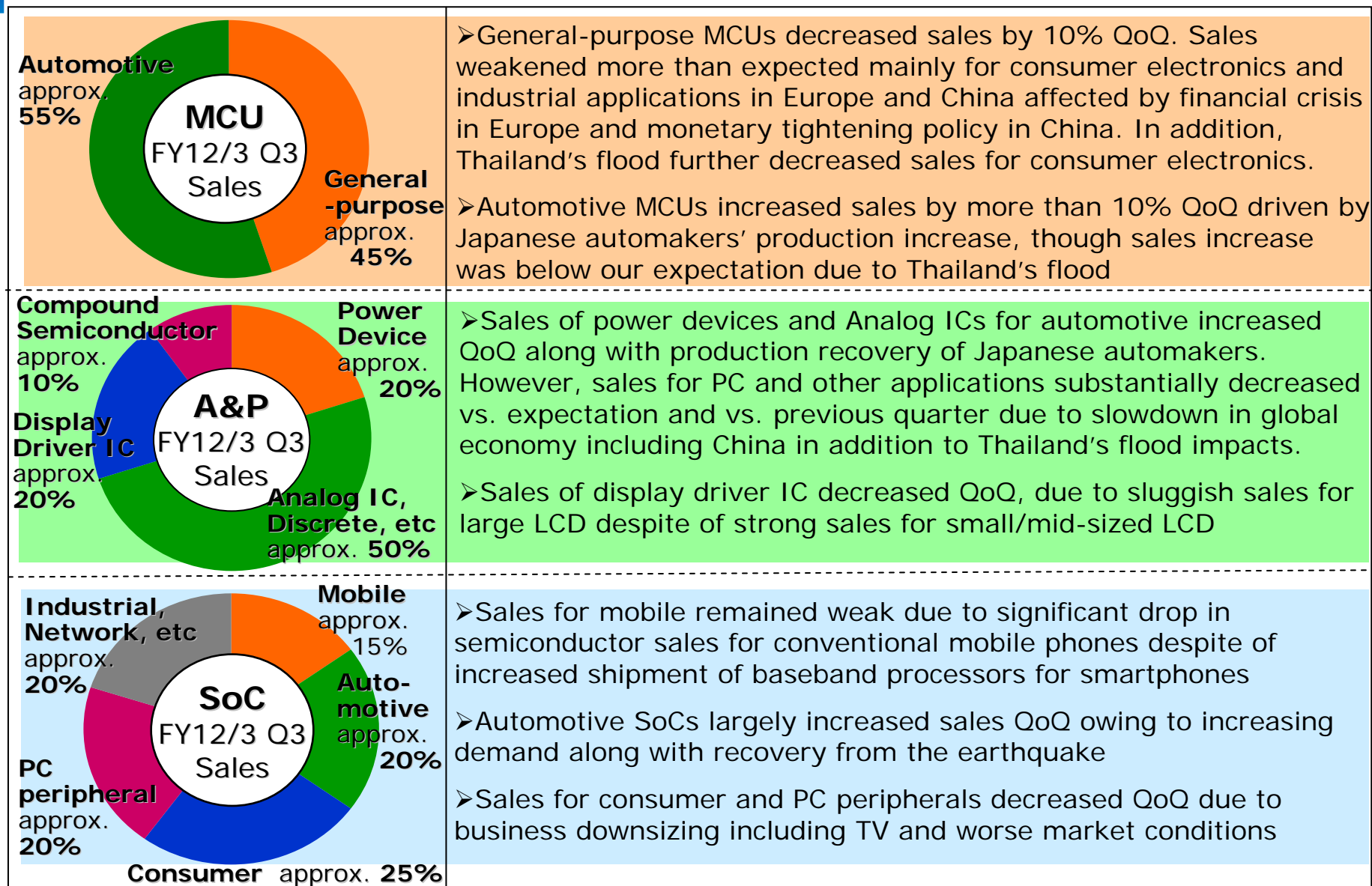


# FY12/3 Q3 Semiconductor Sales by Business (1)

- Sales for consumer electronics, PC peripherals and industrial applications decreased in each 3 business segment owing to market slowdown mainly in Europe and China and Thailand's flood impacts
- MCU business achieved revenue increase QoQ led by growth of sales for automotive applications

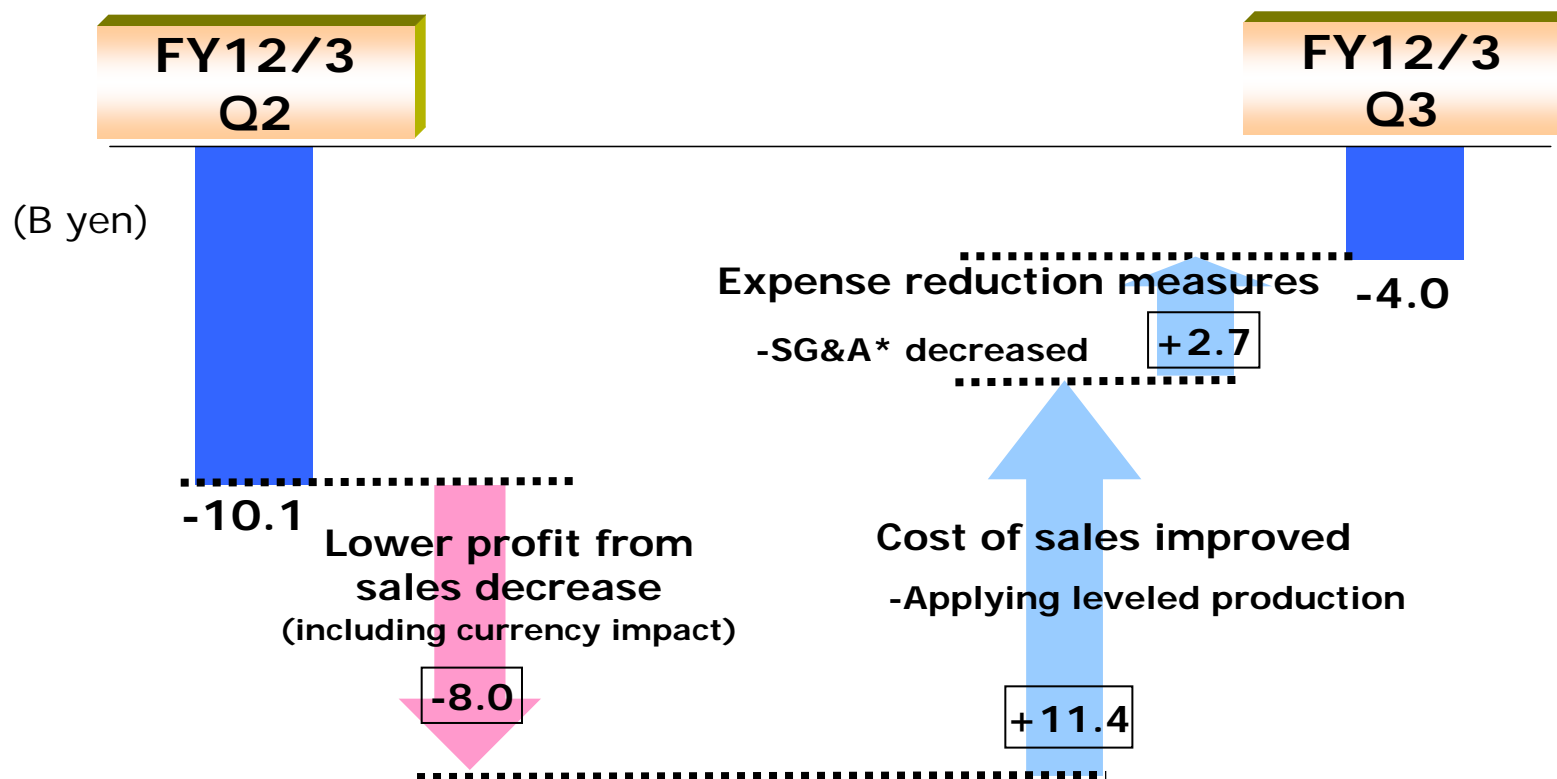
	FY11/3	FY12/3			
(B yen)	Q3	Q2	Q3	QoQ	YoY
<b>Semiconductor Sales (Total)</b>	244.4	218.2	<b>198.0</b>	-20.2 (-9%)	-46.4 (-19%)
<b>MCU</b>	93.9	87.5	<b>88.6</b>	+1.2 (+1%)	-5.2 (-6%)
<b>Analog &amp; Power</b>	73.0	67.2	<b>54.5</b>	-12.7 (-19%)	-18.4 (-25%)
<b>SoC</b>	76.1	63.2	<b>53.4</b>	-9.8 (-15%)	-22.7 (-30%)
<b>Other Semiconductors</b>	1.5	0.3	<b>1.4</b>	+1.1	-0.1

# FY12/3 Q3 Semiconductor Sales by Business (2)



# FY12/3 Q3 Operating Income (Loss) QoQ

- Operating loss improved QoQ by improving production efficiency and reducing expenses such as SG&A to partially offset lower profit from sales decrease



\*SG&A: Selling, general and administrative expenses



# Balance Sheets

(B yen)	As of Mar. 31, 2011	As of Sep. 30, 2011	As of Dec. 31, 2011
<b>Total Assets</b>	<b>1,145.0</b>	<b>917.7</b>	<b>901.7</b>
<b>Cash and Cash Equivalents</b>	<b>337.3</b>	<b>158.3</b>	<b>157.8</b>
<b>Inventories</b>	<b>123.4</b>	<b>138.6</b>	<b>157.7</b>
<b>Liabilities</b>	<b>854.0</b>	<b>679.9</b>	<b>665.4</b>
<b>Interest-Bearing Debt</b>	<b>378.2</b>	<b>265.6</b>	<b>263.3</b>
<b>Shareholder's Equity</b>	<b>306.0</b>	<b>264.0</b>	<b>261.6</b>
<b>Net Assets</b>	<b>291.1</b>	<b>237.9</b>	<b>236.3</b>
<b>D/E Ratio (Gross)</b>	<b>1.33</b>	<b>1.15</b>	<b>1.15</b>
<b>D/E Ratio (Net)</b>	<b>0.14</b>	<b>0.47</b>	<b>0.46</b>
<b>Equity Ratio</b>	<b>24.8%</b>	<b>25.1%</b>	<b>25.3%</b>

Note)

1. "Cash and Cash Equivalents": Sum of cash and deposits, and short-term investment securities minus the Time deposits with maturities of more than three months
2. "Interest-bearing debt": Short-term borrowings, Current portion of long-term borrowings, Current portion of bonds with share subscription rights, lease obligations, Long-term borrowings
3. "Equity": Shareholders' equity, Other Comprehensive Income
4. "D/E ratio (gross)": Interest-bearing debt / Equity

# Cash Flows

- Secured positive free cash flows for Q3

FY11/3				FY12/3			
(B yen)	Q3	9 months Cumulative (Apr-Dec)	Full-year	Q1	Q2	Q3	9 months Cumulative (Apr-Dec)
Cash Flows from Operating Activities	53.9	86.9	102.5	-29.2	8.0	18.0	-3.1
Cash Flows from Investing Activities	-39.0	-71.8	-95.8	-14.8	-17.8	-15.2	-47.7
Free Cash Flows	15.0	15.1	6.7	-44.0	-9.7	2.9	-50.8

## **II. FY12/3 Financial Forecasts**

# FY12/3 Consolidated Financial Forecasts

- Lowered full-year financial forecasts for sales due to ongoing market downturn and Thailand's flood impacts
- FY12/3 2H operating/net income (loss) are expected to be negative despite of production efficiency improvements and further expense reduction measures

	FY11/3		FY12/3				
	1H Actual	Full-year Actual	1H Actual	2H Forecasts	Full-year Forecasts	Previous Full-year Forecasts*	Difference from Previous Forecasts* (YoY)
(B yen)							
<b>Net Sales</b>	587.5	1,137.9	450.6	434.4	885.0	968.0	-83.0 (-252.9)
<b>Semiconductor Sales</b>	525.0	1,018.9	402.2	385.8	788.0	871.0	-83.0 (-230.9)
<b>Operating Income (Loss)</b>	0.7	14.5	-29.2	-18.8	-48.0	-28.0	-20.0 (-62.5)
<b>Ordinary Income (Loss)</b>	-7.8	1.0	-33.3	-20.7	-54.0	-37.0	-17.0 (-55.0)
<b>Net Income (Loss)</b>	-41.2	-115.0	-42.0	-15.0	-57.0	-40.0	-17.0 (+58.0)
1US\$=	90 yen	86 yen	81 yen	78 yen		78 yen	-
1Euro=	116 yen	114 yen	115 yen	100 yen		105 yen	5 yen strong

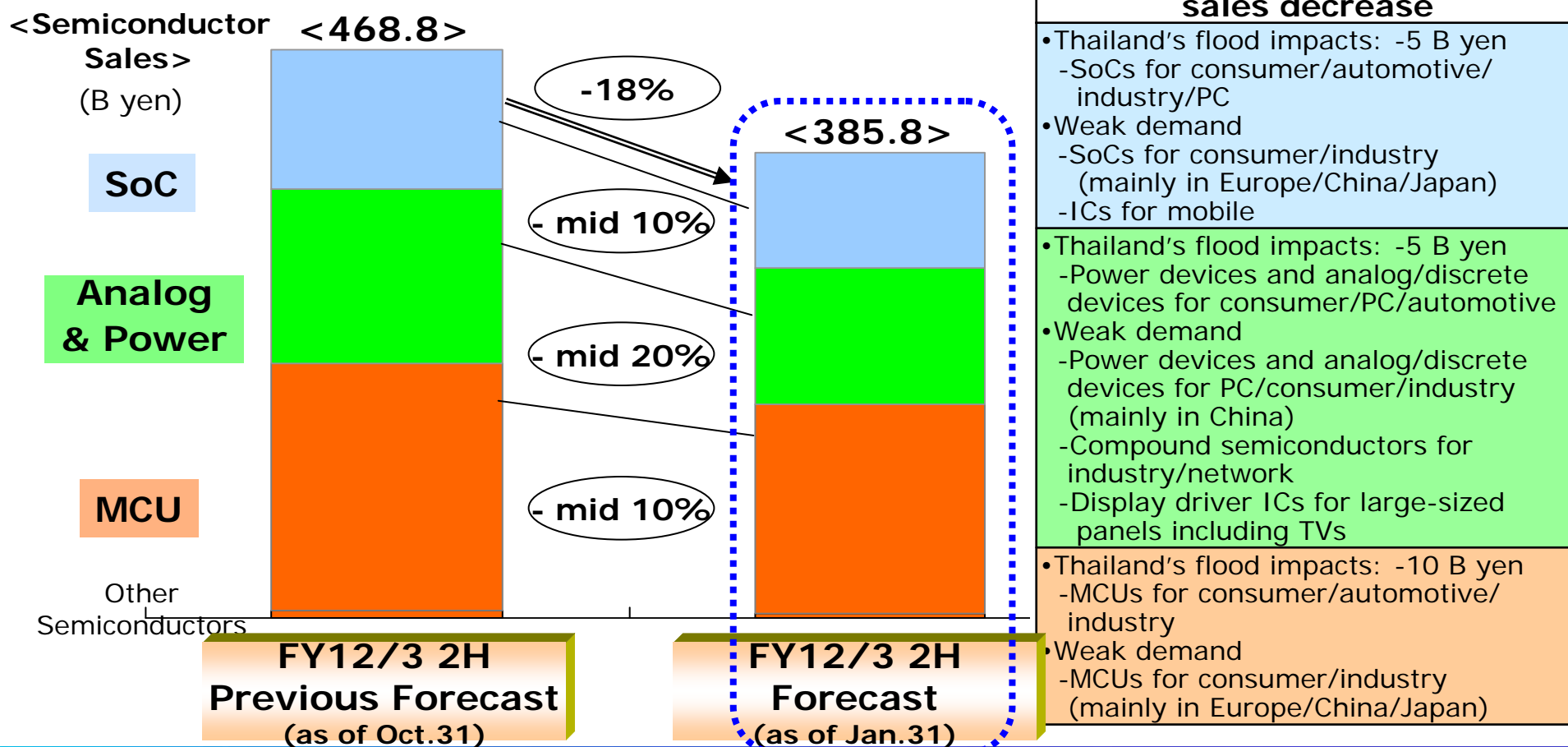
4Q assumed exchange rate

\*Previous forecasts as of October 31

# FY12/3 2H Semiconductor Sales Forecasts

## (Comparison with the previous forecasts)

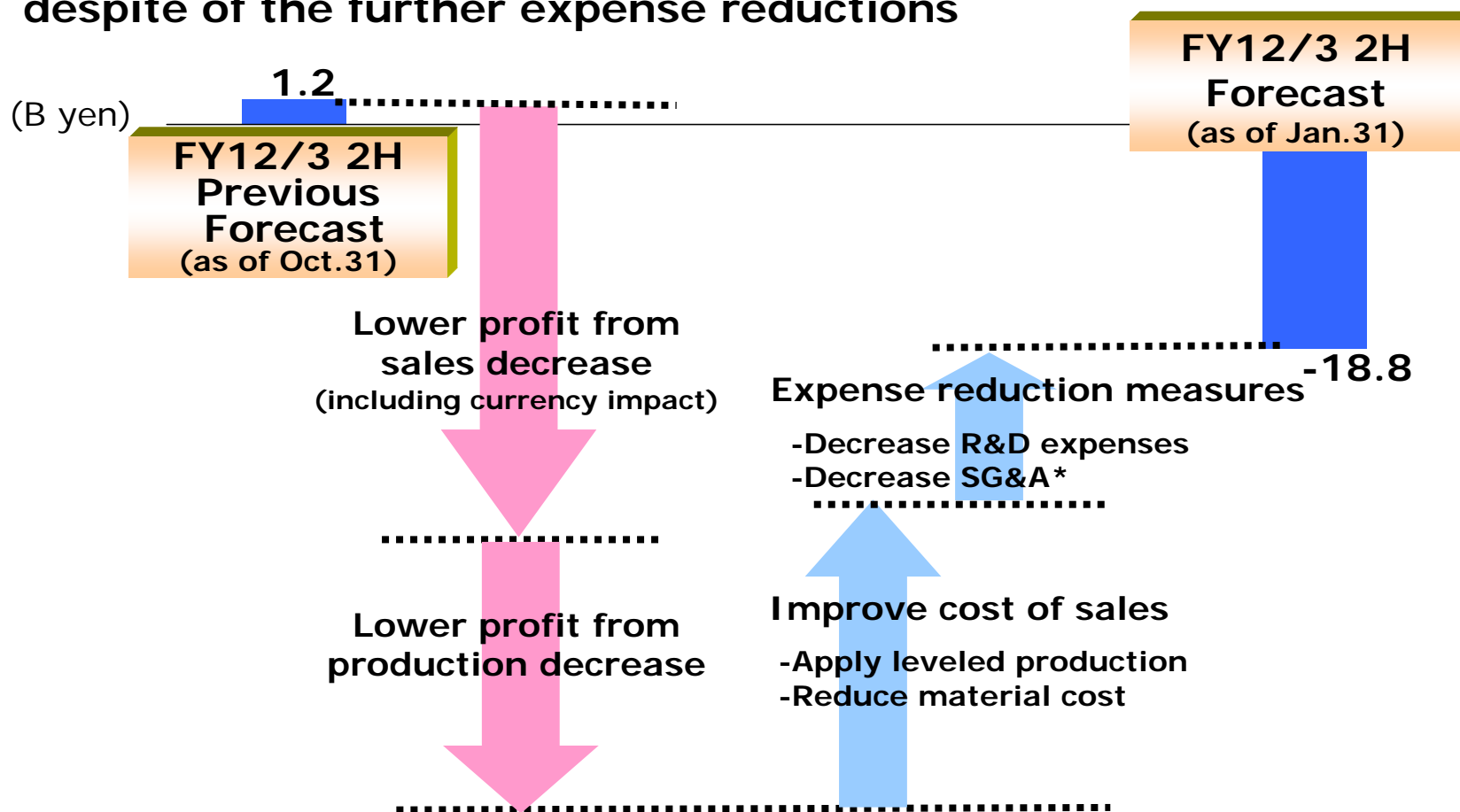
Semiconductor sales are expected to decrease by 83.0 B yen from the previous forecasts due to a reduction of approximately 20.0 B yen for Thailand's flood impacts, and weak demand driving from even worse market conditions mainly in Europe and China



# FY12/3 2H Operating Income (Loss) Forecasts

## (Comparison with the previous forecasts)

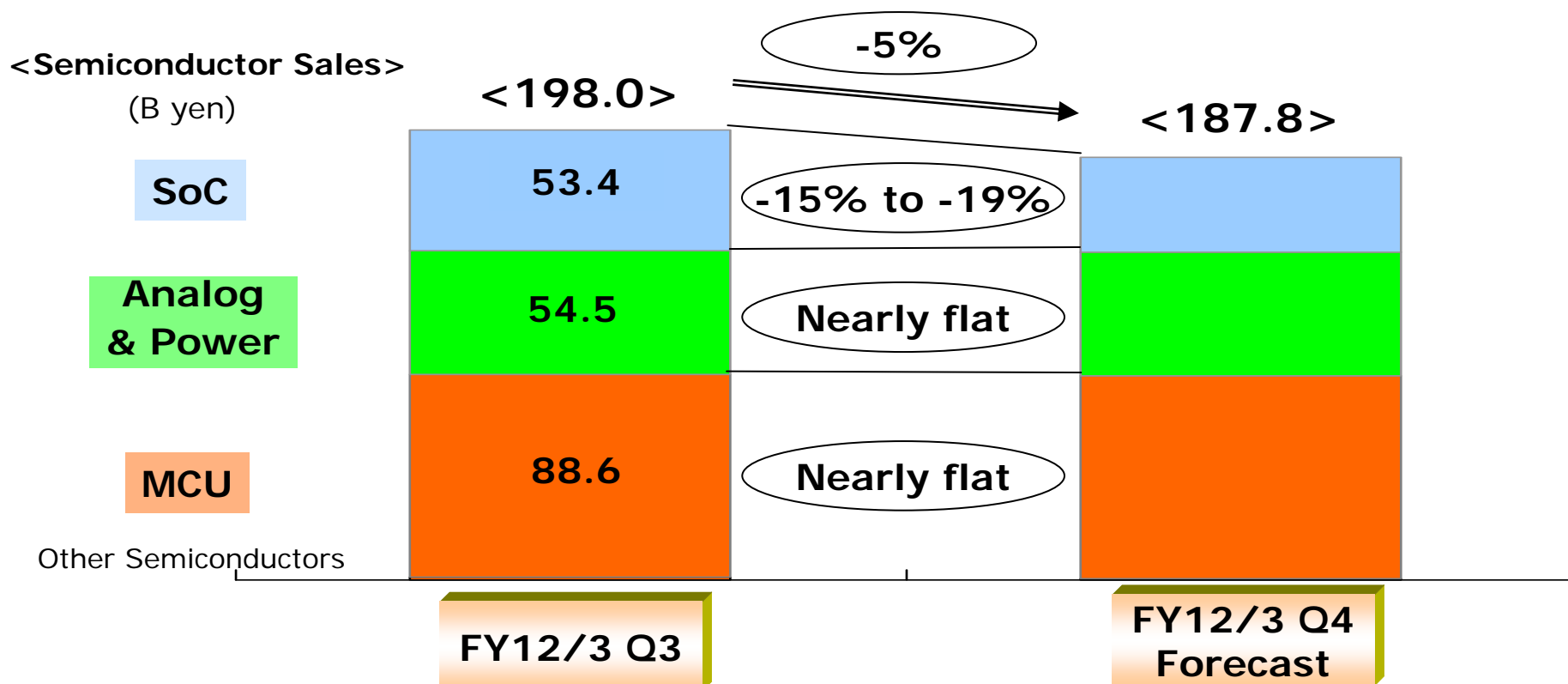
- Expect lower profit from sales and production decrease due to weak demand deriving from ongoing market downturn and Thailand's flood
- FY12/3 2H operating loss is expected to be 18.8 B yen, despite of the further expense reductions



\*SG&A: Selling, general and administrative expenses

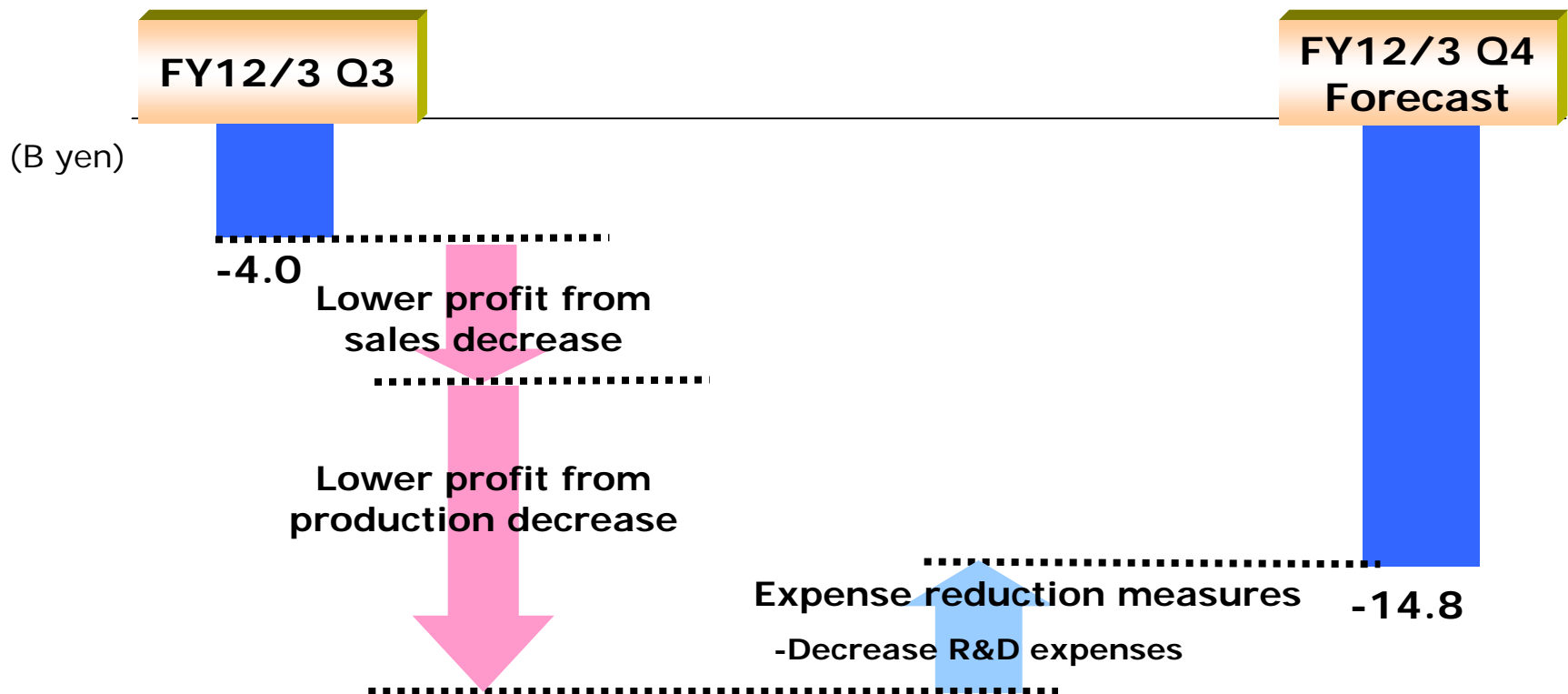
# FY12/3 Q4 Semiconductor Sales Forecasts (QoQ Comparison)

- Sales for MCU and Analog & Power semiconductor are expected to be nearly flat QoQ due to ongoing weak demand mainly in general-purpose products followed by worse macro economy despite of steady demand for automotive applications
- SoC sales are forecasted to be lower due to market downturn as well as selection and focus of businesses



# FY12/3 Q4 Operating Income (Loss) Forecasts (QoQ Comparison)

- Much lower profit from production decrease owing to ongoing weak demand followed by adverse market conditions
- FY12/3 Q4 operating loss is expected to worsen to 14.8 B yen though the company will hold down expenses including R&D which are usually increased at the year-end





# Toward Business Recovery (1)

## -Applications and Products Expected to Grow after FY13/3

- Many applications with potential growth in FY13/3 market outlook
- Accelerate selection and focus of resources for these growing applications to achieve sales volume to secure profit

### FY13/3 Market Environment

Post-quake  
recovery  
demand

Rebound and  
recovery from  
Thailand's flood

Acceleration of Smart Society

Olympic Games

Presidential  
elections and  
changes in US,  
China, etc

### Growing Applications

Automotive,  
Industrial application

Next-gen.  
high-speed  
wireless  
network

Green  
home  
appliance  
(LED  
lighting, etc)

EV/  
HEV

Smart  
grid

Consumer/  
Amusement,  
Automotive,  
Industrial  
application

### Renesas Major Products

- MCU for automotive and industrial applications
- Power device for automotive and industrial applications (IGBT, Power MOSFET)
- SoC for car navigation and industrial applications

- LTE modem SoC
- Small & middle-sized display driver IC

- Inverter MCU
- Power device

- EV/HEV motor MCU
- SoC for car navigation

- MCU for meters

- Overall semiconductor
- MCU
- Power device
- Analog IC/ discrete
- SoC

Strengthen combined products with MCU and Analog IC  
(Released "Smart Analog Series" from January 2012)

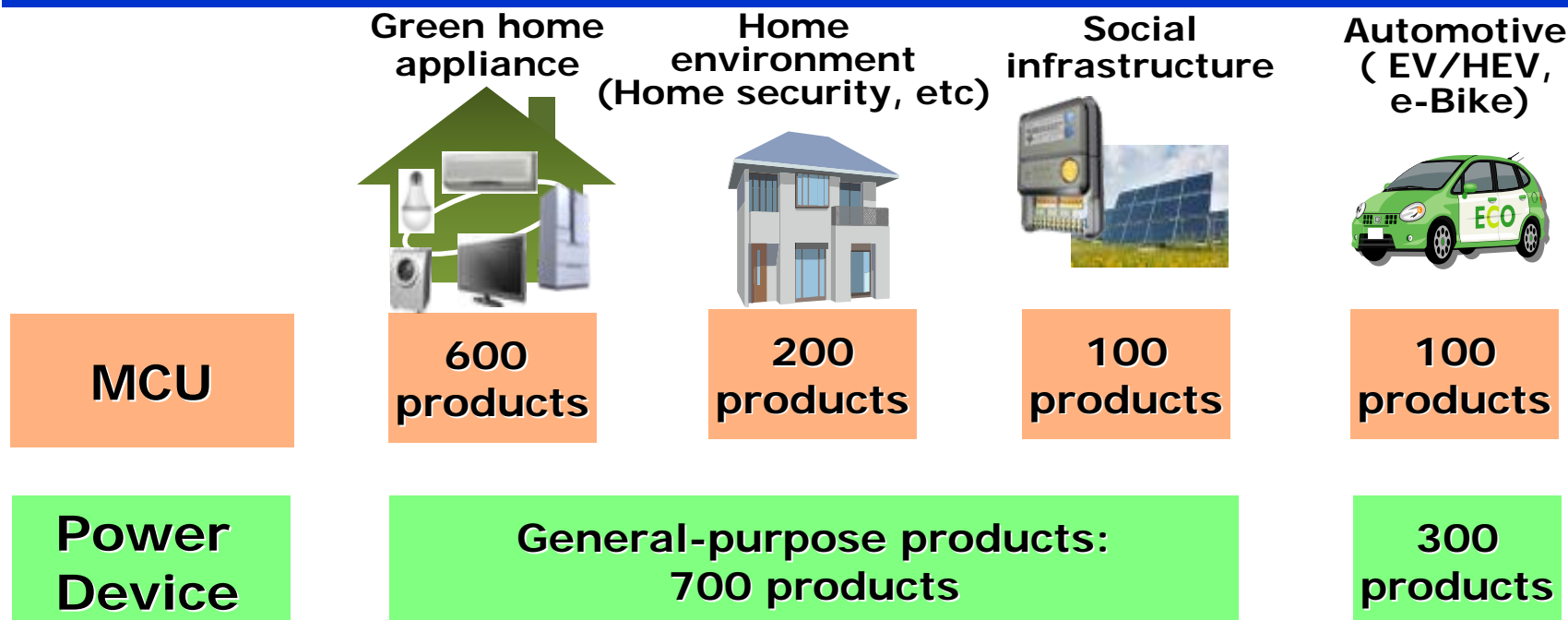
\*EV: Electric Vehicle, HEV: Hybrid Electric Vehicle, NFC: Near Field Communication

# Toward Business Recovery (2)

## -Strengthen MCUs and Power Devices

- Strengthen product lineups of MCUs and power devices for growing applications
- Launch 1,000 MCUs in 3 years for the Chinese market, planning to release approx. 700 products by the end of FY12/3
- Launch 1,000 power devices centering high-voltage products for growing applications in 3 years, planning to release approx. 700 products by the end of FY12/3

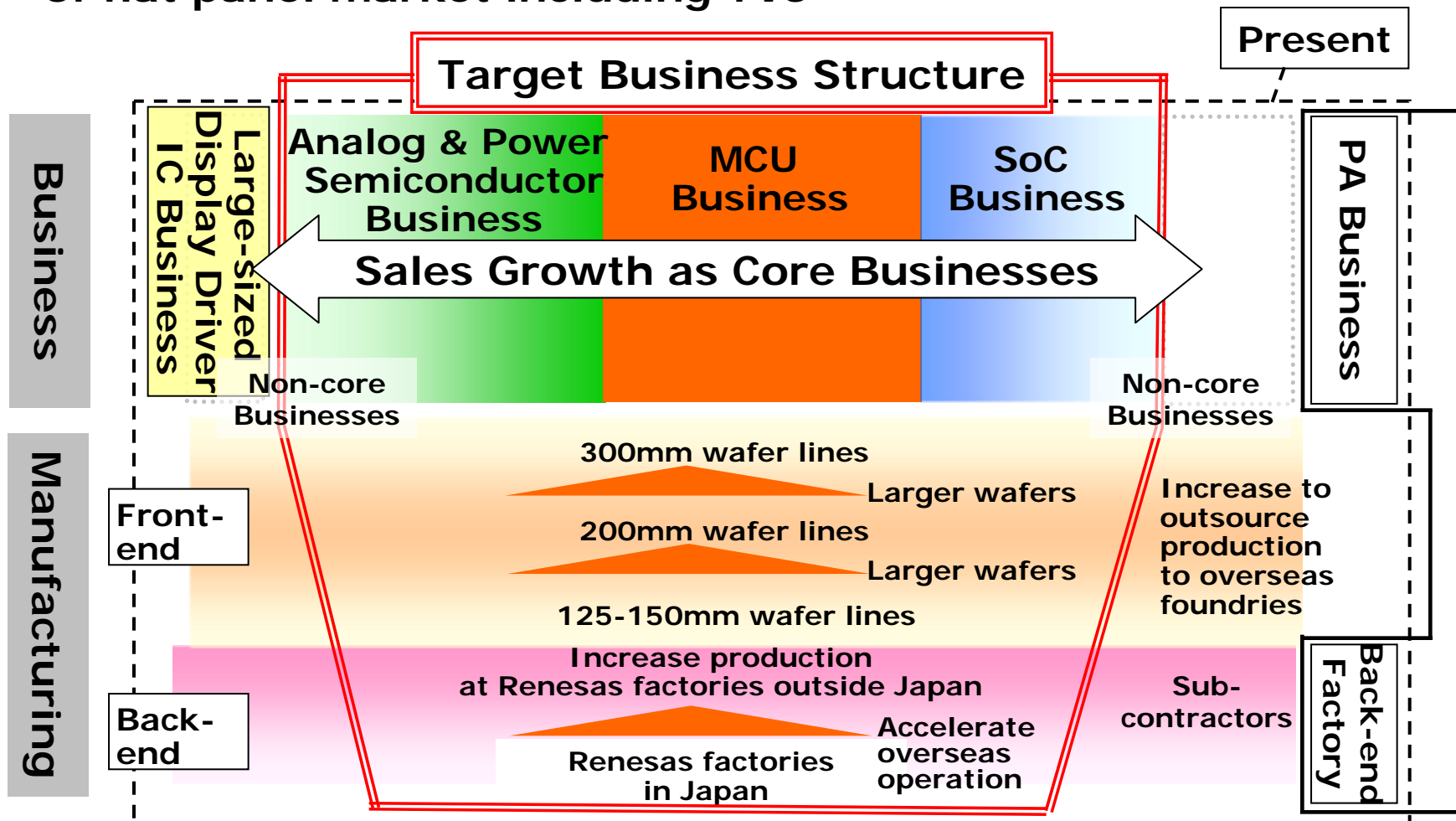
### Number of products to be launched by applications (FY11/3 – FY13/3)



# Toward Business Recovery (3)

## -Business and Production Structural Measures

- Decided to withdraw from the large-sized display driver IC business which has been unprofitable due to structural changes of flat panel market including TVs



# Summary

- Q3 sales worsened from the previous forecasts due to market downturn though earnings improved QoQ
- Lowered the full-year forecasts for net sales and earnings, mainly owing to ongoing market downturn and the impacts of Thailand's flood
- Continue to execute structural reform measures to construct a consistently-profitable business structure, and surely capture opportunities of market recovery to achieve improvements in business performance at an early point

#### (FOREWARD-LOOKING STATEMENTS)

The statements in this presentation with respect to the plans, strategies and forecasts of Renesas Electronics and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results could differ materially from such forward-looking statements due to several factors. The important factors that could cause actual results to differ materially from such statements include, but are not limited to: general economic conditions in our markets, which are primarily Japan, North America, Asia and Europe; demand for, and competitive pricing pressure on, our products and services in the marketplace; our ability to continue to win acceptance of its products and services in these highly competitive markets; and movements in currency exchange rates, particularly the rate between the yen and the U.S. dollar. Among other factors, a worsening of the world economy; a worsening of financial conditions in the world markets, and a deterioration in the domestic and overseas stock markets, would cause actual results to differ from the projected results forecast.



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