FY12/3 Q3 Financial Results

Renesas Electronics Corporation

January 31, 2012

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Thank you for joining Renesas Electronics' earnings briefing for the third quarter of the fiscal year ending March 2012.

Before we begin, please be sure to review the cautionary statement on page 21.

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

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This is an overview of the points we will discuss today.

First, although sales were below our expectations due to worse market conditions and the impacts of Thailand's flood, operating loss improved quarter on quarter as a result of improved cost of sales and expense reduction.

Second, full-year net sales is expected to be substantially below the 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 the second half of the fiscal year ending March 2012.

I. FY12 / 3 Q3 Financial Results

Now let us discuss the financial results for the third quarter of the fiscal year ending March 2012.

FY12/3 Q3 Financial Snapshot

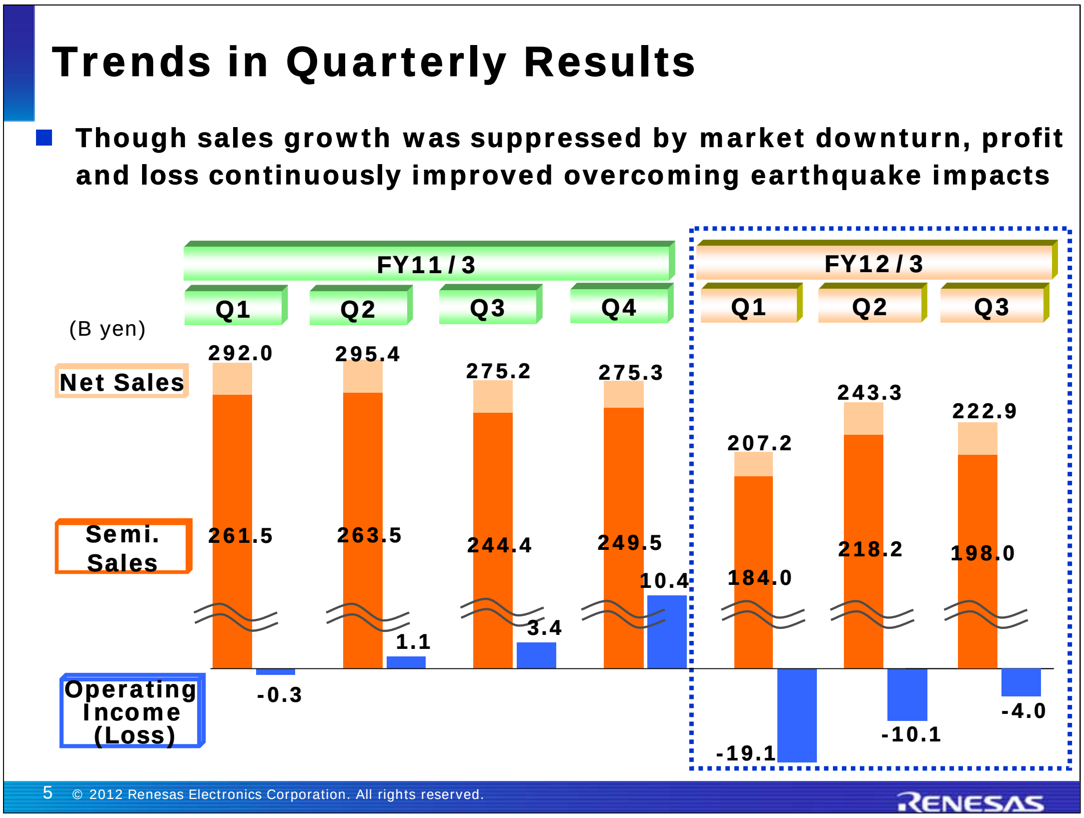
- **Semiconductor sales were 198.0 B yen, decreased by 9% QoQ due to weak demand deriving from downturn mainly in Europe and China and the impacts of Thailand's flood**
- **Whereas, operating/net income (loss) improved QoQ by reducing cost of sales and expenses to partially offset profits drop associated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

	FY11/3	FY12/3			
(B yen)	Q3	Q2	Q3	QoQ	YoY
Net Sales	275.2	243.3	**222.9**	-20.5 (-8%)	-52.3 (-19%)
Semiconductor Sales	244.4	218.2	**198.0**	-20.2 (-9%)	-46.4 (-19%)
Operating Income (Loss)	3.4	-10.1	**-4.0**	+6.1	-7.4
Ordinary Income (Loss)	1.1	-13.1	**-3.6**	+9.5	-4.7
Net Income (Loss)	-17.6	-8.8	**-2.4**	+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

Slide 4 shows the summary of the third quarter results.

Semiconductor sales were 198.0 billion yen, decreased by 9% quarter on quarter due to weak demand deriving from downturn mainly in Europe and China and the impacts of Thailand's flood. This figure is below our forecasts as of the second quarter earnings announcement in October.

Operating loss was 4.0 billion yen and net loss was 2.4 billion yen in the third quarter. Both operating and net loss improved quarter on quarter by reducing cost of sales and expenses to partially offset profits drop associated with sales reduction.



This slide shows the trend of quarterly financial results.

Semiconductor sales in the first quarter significantly reduced due to negative impact of the earthquake including decreased production. Semiconductor sales recovered in the second quarter along with production resumption, however, its sales growth was suppressed by market downturn in the third quarter. Whereas, 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**

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

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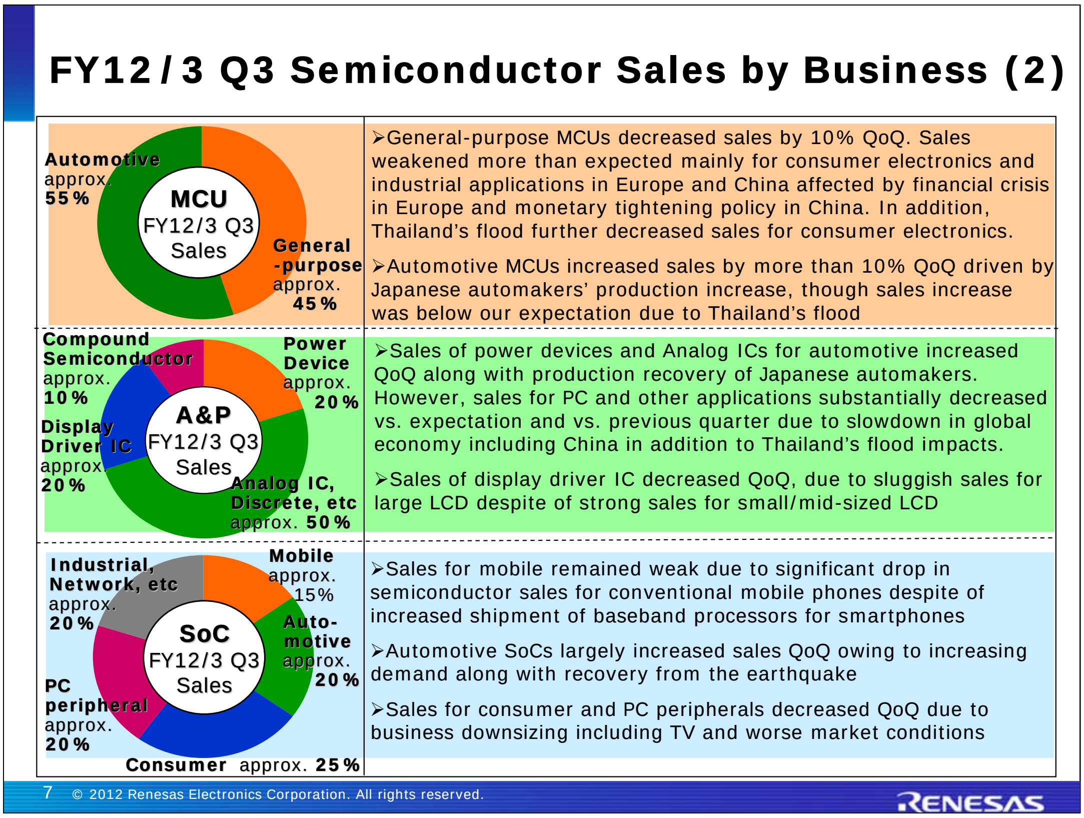
Next, we will explain the breakdown of the third quarter semiconductor sales by business unit.

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.

However, MCU business achieved revenue increase quarter on quarter led by growth of sales for automotive applications.

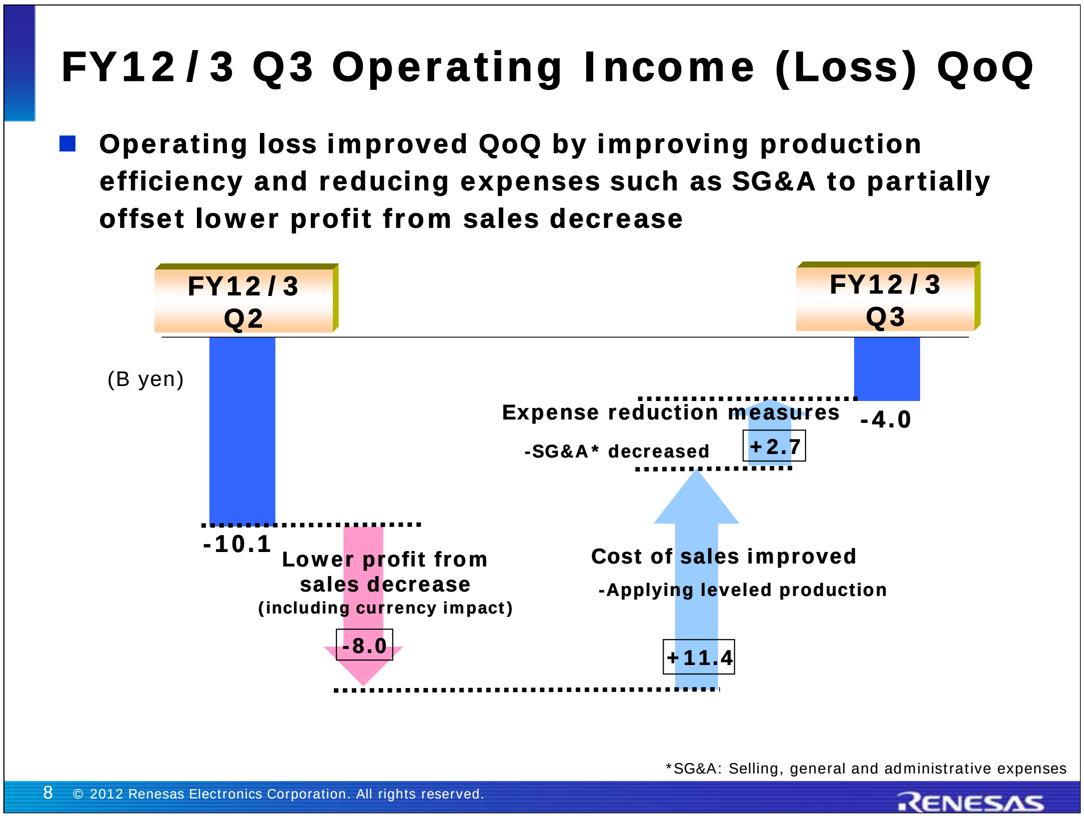


Slide 7 shows details on the third quarter sales of each business unit per application segment.

Though MCU sales increased quarter on quarter, general-purpose MCUs decreased sales by 10% quarter on quarter due to weaker demand than expected mainly for consumer and industrial applications in Europe and China. On the other hand, despite of the impact of Thailand's flood, automotive MCUs increased sales by more than 10% quarter on quarter driven by Japanese automakers' production increase.

As for Analog & Power semiconductors, sales for automotive applications increased quarter on quarter as same in the case of MCUs. However, sales for PC and other applications substantially decreased compared with the previous quarter and our expectations due to slowdown in global economy and Thailand's flood impacts.

As for SoCs, sales for automotive applications largely increased quarter on quarter as well. Whereas, sales for mobile remained weak due to significant drop in semiconductor sales for conventional mobile phones despite of increased shipment of baseband processors for smartphones. Sales for consumer and PC peripherals also decreased quarter on quarter due to business downsizing including TV and worse market conditions.



Slide 8 shows the increase and decrease of operating income and loss from the second quarter to the third quarter.

Operating loss in the third quarter improved by 6 billion yen quarter on quarter by improving production efficiency and reducing expenses such as SG&A to partially offset lower profit from sales decrease.

Balance Sheets

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

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

Slide 9 shows the status of the company's balance sheet.

Cash and cash equivalents remained almost flat quarter on quarter to 157.8 billion yen. We think the appropriate cash level should be about two-month sales amount, and current sales volume exceeds this appropriate level.

Cash Flows

■ **Secured positive free cash flows for Q3**

(B yen)	FY11/3 Q3	FY11/3 9 months Cumulative (Apr-Dec)	FY11/3 Full-year	FY12/3 Q1	FY12/3 Q2	FY12/3 Q3	FY12/3 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

Slide 10 shows the status of cash flows.

As for the third quarter of this fiscal year, cash flows from operating activities were positive 18.0 billion yen, improved from the previous quarter due to better financial results.

Despite negative cash flows from investing activities, free cash flows resulted in positive for the first time after the earthquake.

II. FY12/3 Financial Forecasts

Next, we will explain financial forecasts of the fiscal year ending March, 2011.

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

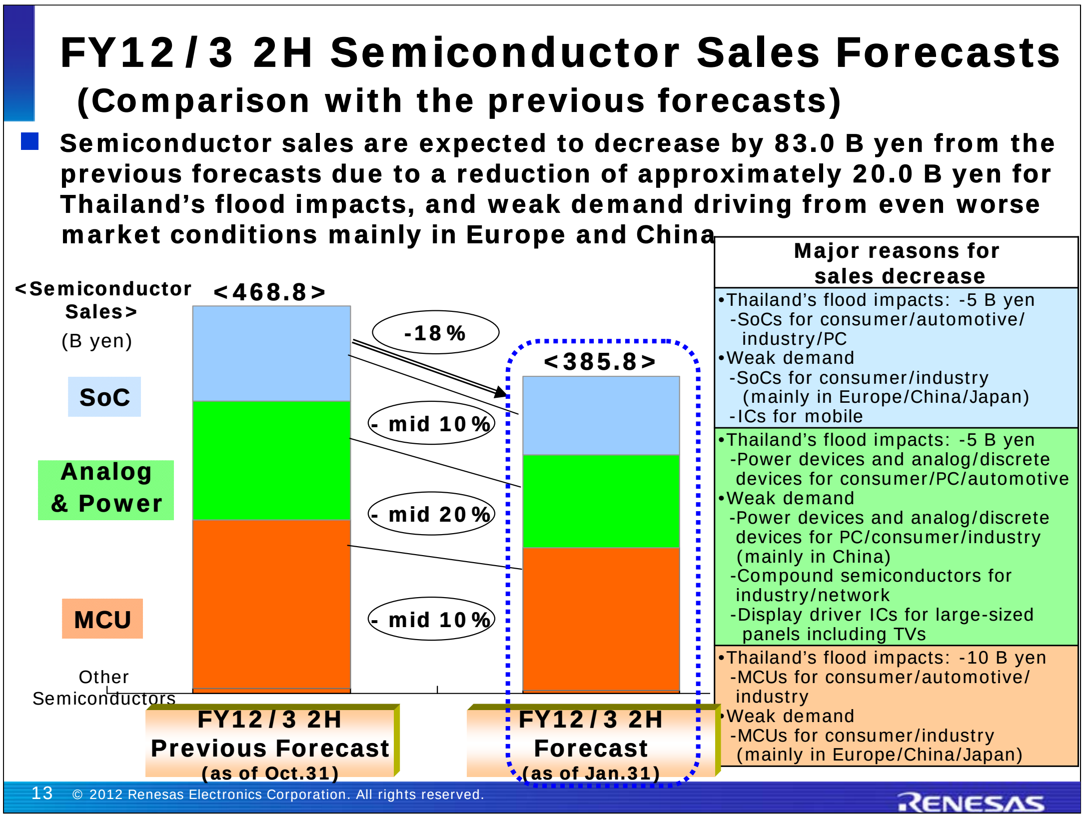
(B yen)	FY11/3 1H Actual	FY11/3 Full-year Actual	FY12/3 1H Actual	FY12/3 2H Forecasts	FY12/3 Full-year Forecasts	FY12/3 Previous Full-year Forecasts*	Difference from Previous Forecasts* (YoY)
Net Sales	587.5	1,137.9	450.6	434.4	885.0	968.0	-83.0 (-252.9)
Semiconductor Sales	525.0	1,018.9	402.2	385.8	788.0	871.0	-83.0 (-230.9)
Operating Income (Loss)	0.7	14.5	-29.2	-18.8	-48.0	-28.0	-20.0 (-62.5)
Ordinary Income (Loss)	-7.8	1.0	-33.3	-20.7	-54.0	-37.0	-17.0 (-55.0)
Net Income (Loss)	-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

Regarding consolidated financial forecasts for the fiscal year ending March 2012, we lowered both sales and earnings forecasts as we separately announced on the same day.

Full-year net sales were lowered to 885.0 billion yen, decreased by 83.0 billion yen from the previous forecasts as of the second quarter financial announcement in October. This was because semiconductor market condition further worsened from October along with ongoing global economy slowdown and Thailand's flood impacts.

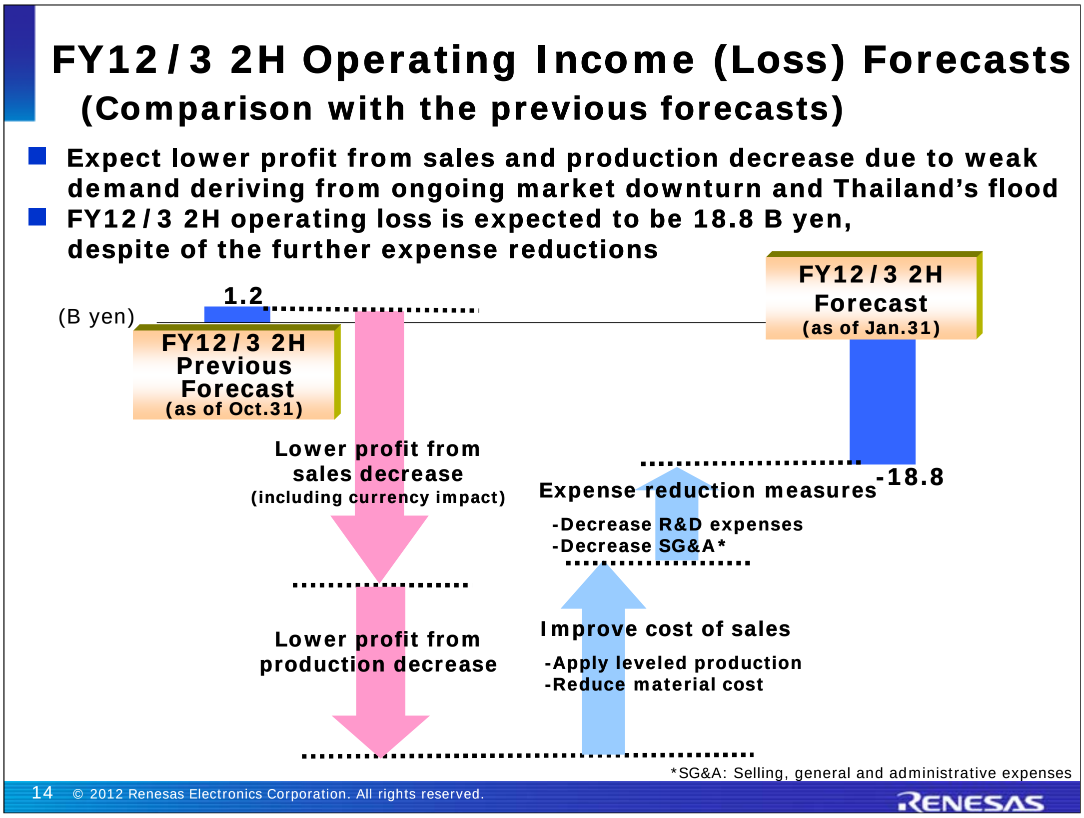
Despite of improving production efficiency and further expense reductions for the significant sales drop, operating and net income and loss are expected to be negative in the second half of the fiscal year ending March 2012. We regret to say that it is difficult to achieve net income in the second half as we targeted in the previous forecasts.



Slide 13 shows semiconductor sales forecasts for the second half of this fiscal year by business unit compared with the previous forecasts.

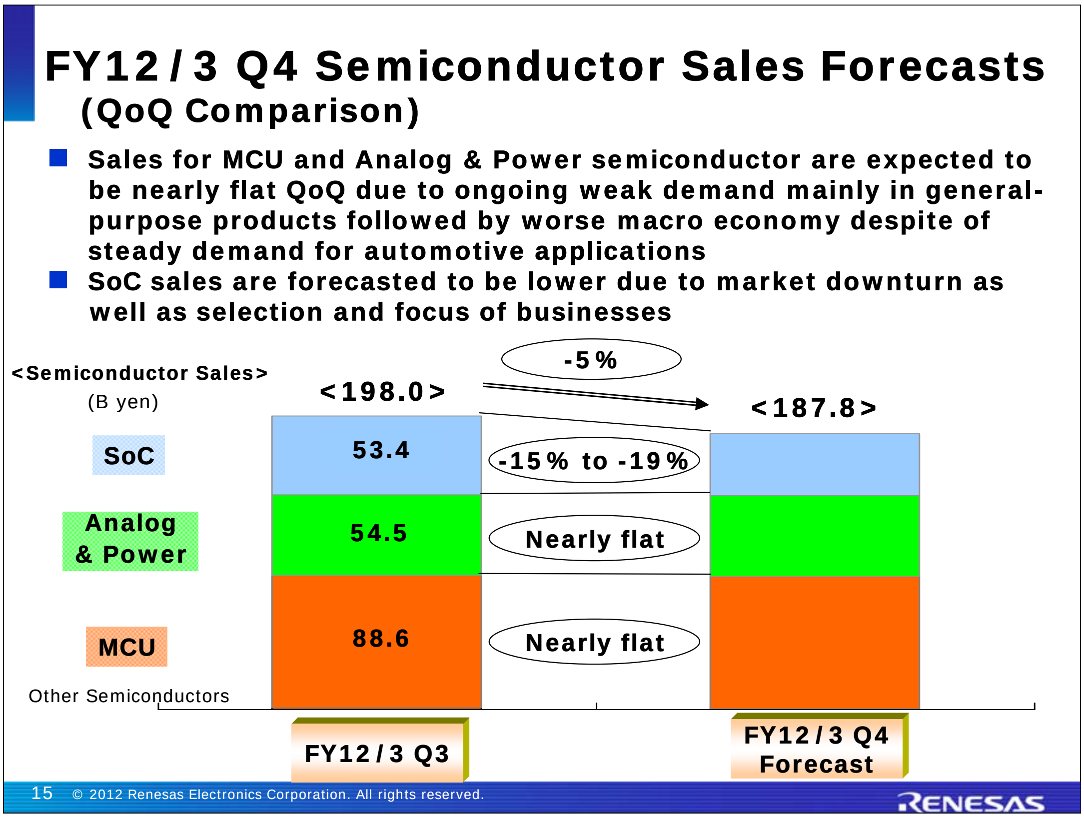
Semiconductor sales for the second half are expected to be 385.8 billion yen, decreased by 83.0 yen from the previous forecasts. One of the reasons for a significant drop of 83.0 billion yen is a reduction of 20 billion yen for Thailand's flood impacts. Weak demand driving from even worse market conditions mainly in Europe and China should reduce semiconductor sales as well.

Also in each three business, major reasons for sales decrease are Thailand's flood impacts in consumer, automotive, industry and PC applications as well as weak demand in general-purpose products mainly for Europe and China. As a result, sales of MCU and SoC are expected to decrease by mid-10% and sales of analog & power semiconductor are expected to decrease by mid-20% from the previous forecasts respectively.



Slide 14 shows the increase and decrease of operating income and loss in the second half of this fiscal year compared with the previous forecasts.

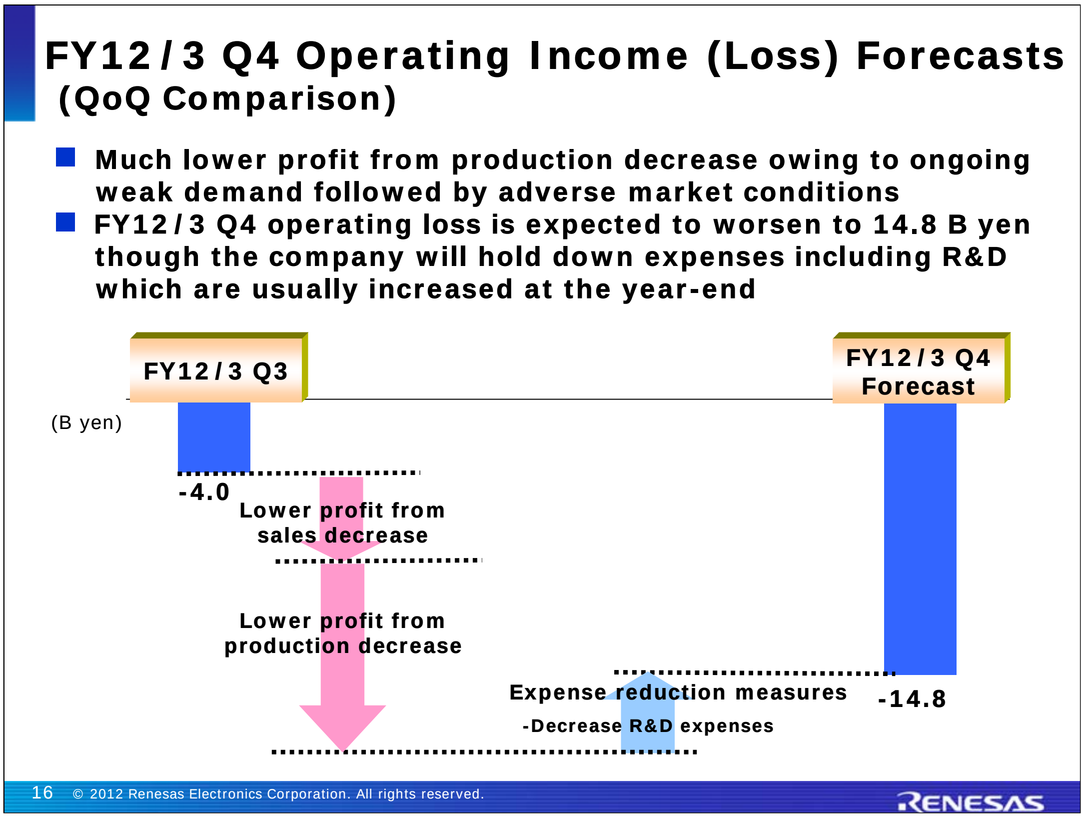
We see a large drop in profit from sales decrease due to weaker semiconductor demand than previously expected. As we also see lower profit from production decrease, we will execute further expense reduction measures. However, operating loss in the second half is expected to be 18.8 billion yen.



Slide 15 shows semiconductor sales forecasts for the fourth quarter of this fiscal year by business unit.

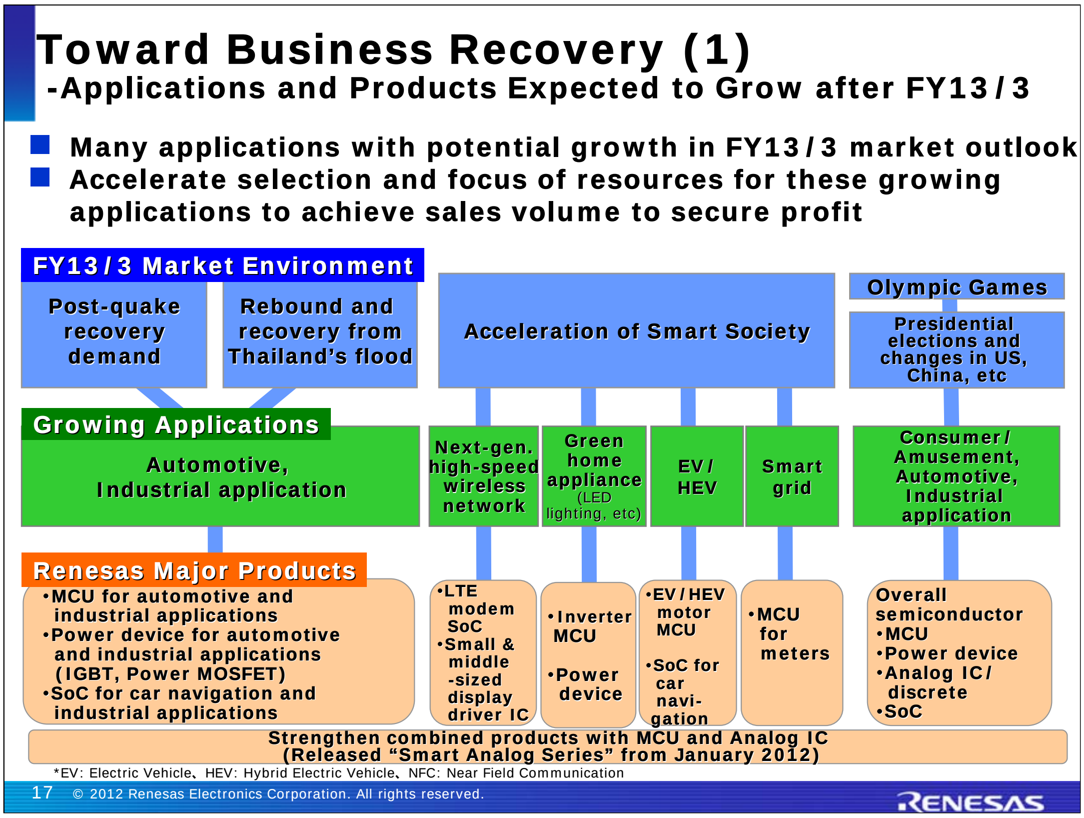
Semiconductor sales for the fourth quarter are expected to be 187.8 billion yen, decreased by 5% from the previous quarter.

Sales of MCU and Analog & Power semiconductor are expected to be nearly flat quarter on quarter due to ongoing weak demand in general-purpose products 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.



Slide 16 shows the increase and decrease of operating income and loss from the third quarter to the fourth quarter.

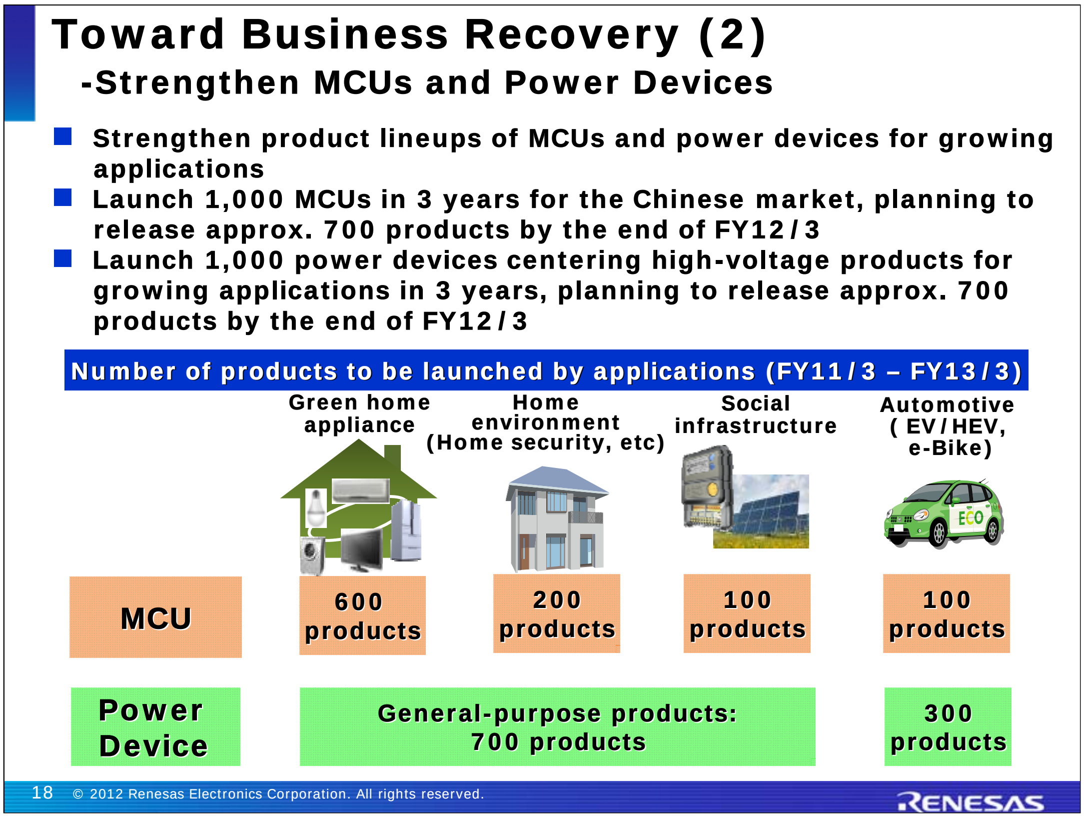
We expect further decrease in profit from production decrease owing to ongoing weak demand followed by adverse market conditions also in the fourth quarter in addition to lower profit from sales decrease. We will hold down expenses including R&D which are usually increased at the year-end, however, operating loss is expected to worsen to 14.8 billion yen.



From slide 17, we will explain applications and products expected to grow from the next fiscal year ending March 2013 as well as our approaches for the market toward business recovery.

There are many applications with potential growth in the market outlook of the next fiscal year with big events such as Olympic Games and presidential elections in big countries as well as with expectations for post-quake recovery demand. We are ready to provide variety of products with world's top market share for these growing applications.

Particularly, we see eco-conscious Smart Society will become reality in the near future based on developing cloud infrastructure. We will offer best solutions combining MCUs, Analog & Power semiconductors and SoCs for new growing applications including smart meter. We are accelerating selection and focus of resources for these growing applications to achieve sales volume to secure profit.

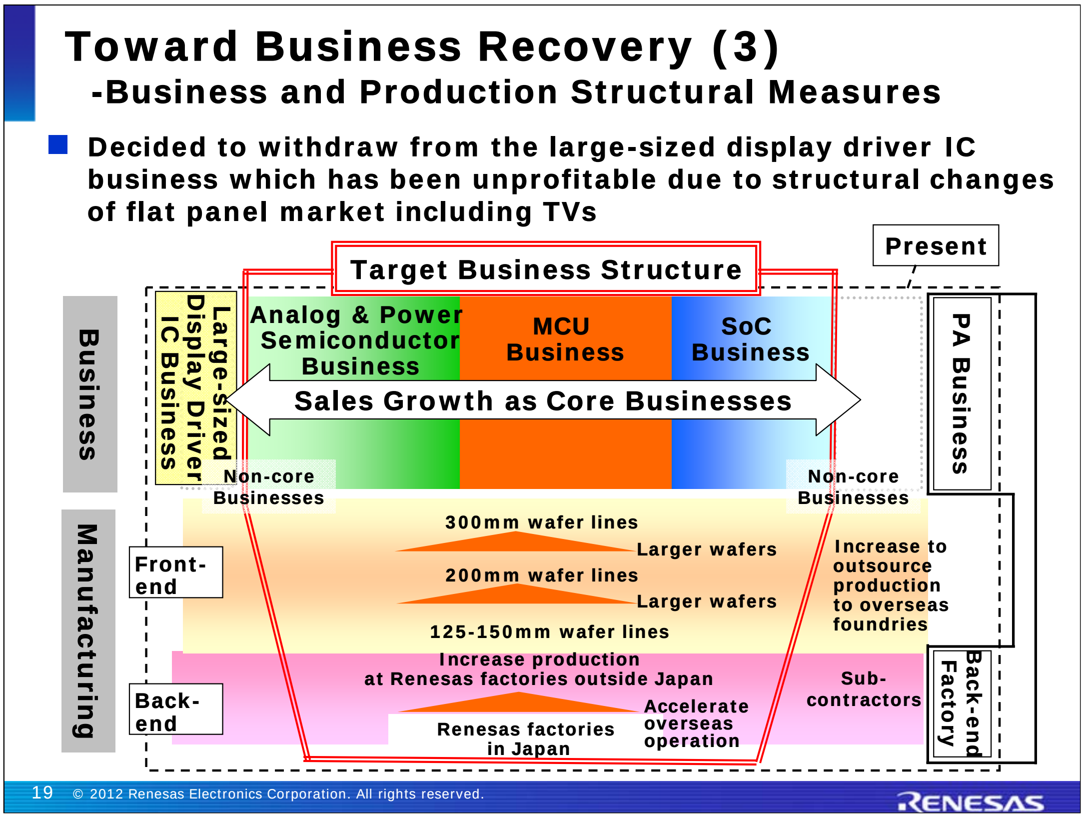


Furthermore, we are enhancing product lineups of MCUs and power devices to aggressively capture opportunities of market growth, not just relying on the growth itself.

We will launch 1,000 MCUs in 3 years for emerging markets centering China, planning to release approximately 700 products by the end of the fiscal year ending March 2012.

Also, as for power devices, we will launch 1,000 products centering high-voltage products in 3 years, planning to release approximately 700 products by the end of the fiscal year ending March 2012 as well.

By further enhancing product lineups for growing markets and securing a steady position, we will promote changing our corporate structure so that our sales will be less affected by market fluctuations.



Following the previous slide, we will explain our business and production structural measures toward business recovery.

Slide 19 shows our target business structure which we already presented in the business strategy presentation in August 2011.

We are now executing business and production structural measures to achieve stable growth and higher profitability. As for business structural measures, we plan to shrink or withdraw from non-core businesses in SoC and Analog & Power businesses.

In addition to the transfer of the power amplifier business within SoC business to Murata Manufacturing as we already announced, we newly decided to withdraw from the large-sized display driver IC business which has been unprofitable. We will continue executing structural measures as planned.

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

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Lastly, this slide summarizes today’s presentation.

Sales in the third quarter of the fiscal year ending March 2012 worsened from the previous forecasts due to market downturn though earnings improved quarter on quarter.

We lowered the full-year forecasts for net sales and earnings, mainly owing to ongoing market downturn and the impacts of Thailand’s flood.

Therefore, we continue to execute structural reform measures to construct a consistently-profitable business structure, and surely capture the 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.

Thank you very much for your continuous support of Renesas Electronics.

This concludes our presentation today.