



FY14/3 Financial Results

Renesas Electronics Corporation
May 9, 2014



Agenda

I. FY14/3 Financial Results

II. FY15/3 Q1 Financial Forecasts

**III. Fundamental Reforms
towards profitable Growth**

Executive Summary

I . FY14/3 Financial Results

- Semiconductor sales were 796.8 billion yen, a 10% increase YoY, mainly due to the solid growth of automotive and industrial sales and the effects of the yen appreciation correction
- Operating income was 67.6 billion yen, largely impacted by cost-reduction effects from the structural reforms in addition to profit increase from increase in sales
- Achieved net profit of 7.5 billion yen in the second-half and net loss for full-year improved by 162.3 billion yen from the previous year to 5.3 billion yen

II. FY15/3 Q1 Financial Forecasts

- Semiconductor sales are expected to increase slightly QoQ and YoY to 196.0 billion yen
- Expect operating profit of 20.0 billion yen from improving the Group's earning strength through business- and manufacturing-related structural reforms
- Expect to return to profitability and achieve quarterly net profit of 14.0 billion yen

I. FY14/3 Financial Results

FY14/3 Financial Results

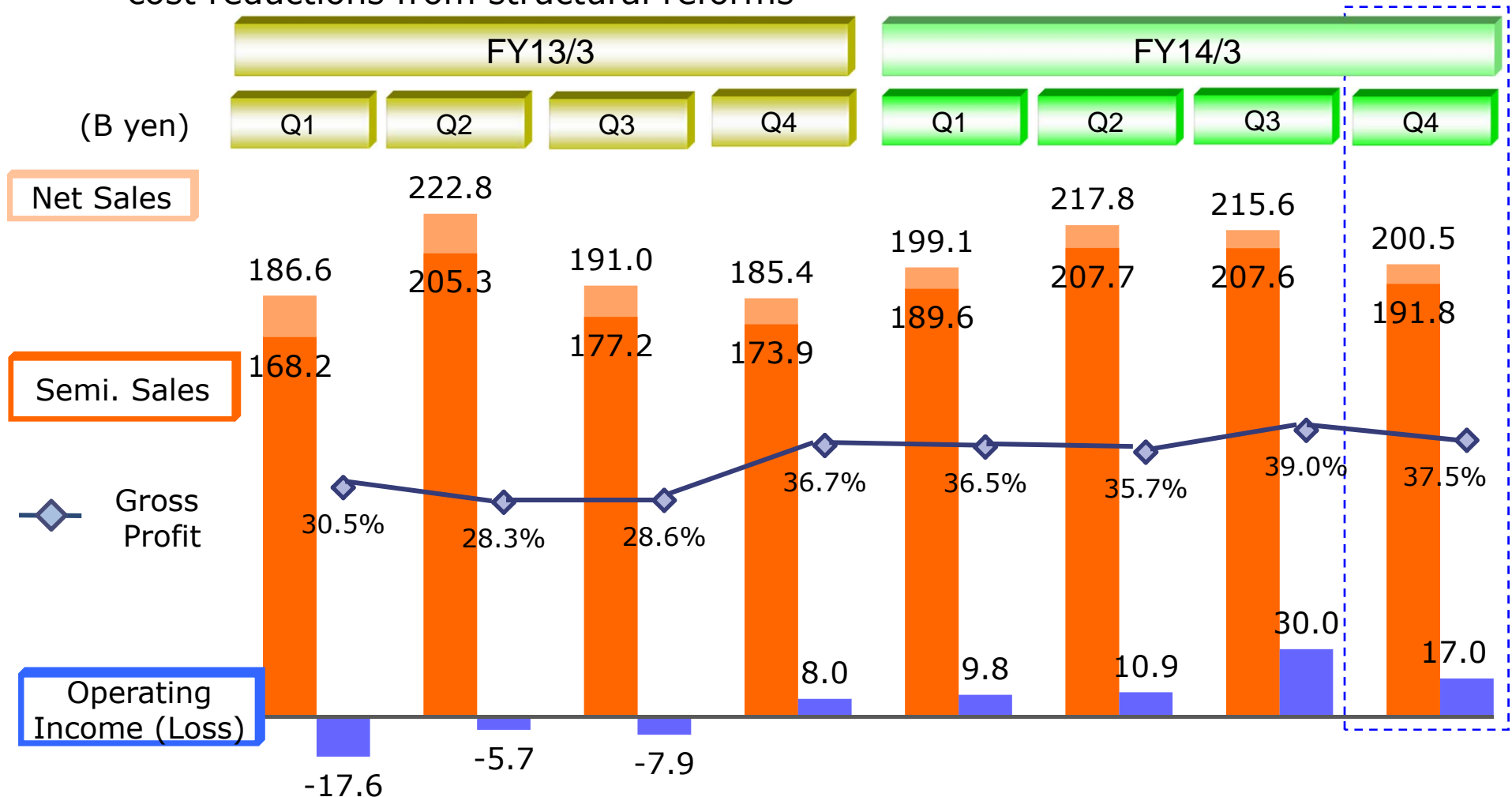
- Semiconductor sales for full-year were 796.8 billion yen, a 10% increase YoY due to solid growth of automotive and industrial sales throughout the year and influence of the yen appreciation correction
- Operating income for full-year was 67.6 billion yen largely impacted by cost reduction effects from structural reforms
- Achieved net profit of 7.5 billion yen in the second-half and net loss for full-year improved by 162.3 billion yen from the previous year to 5.3 billion yen
- Net sales and net income (loss) for Q4 were both above the Group's expectations owing to the solid growth of automotive and industrial sales covering the seasonal sales decline

FY14/3								
(B Yen)	Q4	YoY	QoQ	Difference from previous forecasts	2nd half	Full-year	YoY	Difference from previous forecasts
Net Sales	200.5	+15.1 (+8.2%)	-15.1 (-7.0%)	+10.5 (+5.5%)	416.1	833.0	+47.2 (+6.0%)	+10.5 (+1.3%)
Gross Profit (Ratio)	75.2 (37.5%)	+7.1 (+0.8Pt.)	-8.8 (-1.5Pt.)	—	159.2 (38.3%)	309.7 (37.2%)	+66.9 (+6.3Pt.)	—
Semiconductor Sales	191.8	+17.9 (+10.3%)	-15.8 (-7.6%)	+6.8 (+3.7%)	399.5	796.8	+72.1 (+10.0%)	+6.8 (+0.9%)
Operating Income (Loss)	17.0	+8.9	-13.0	+13.0	46.9	67.6	+90.9	+12.9
Ordinary Income (Loss)	15.4	+6.7	-14.0	+14.4	44.7	58.6	+85.5	+14.4
Net Income (Loss)	-15.5	-9.6	-38.4	+16.5	7.5	-5.3	+162.3	+16.5
(Ref) Special Income (Loss)	-27.5	-17.4	-26.6	+1.5	-28.3	-48.1	+82.8	+1.6
1US\$=	103 yen	14 yen weak	4 yen weak	2 yen weak	101 yen	100 yen	18 yen weak	1 yen weak
1 Euro=	141 yen	23 yen weak	7 yen weak	3 yen weak	137 yen	133 yen	27 yen weak	1 yen weak

*The figures in this slide are rounded to the nearest billion yen.

Quarterly Financial Results

- While the semiconductor sales declined QoQ due to seasonal factors, it still increased by 10% YoY
- Secured operating profit for five fiscal quarters in a row supported by fixed-cost reductions from structural reforms

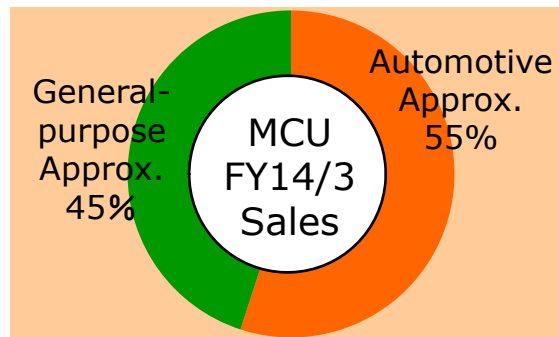


FY14/3 Semiconductor Sales by Product Categories (1)

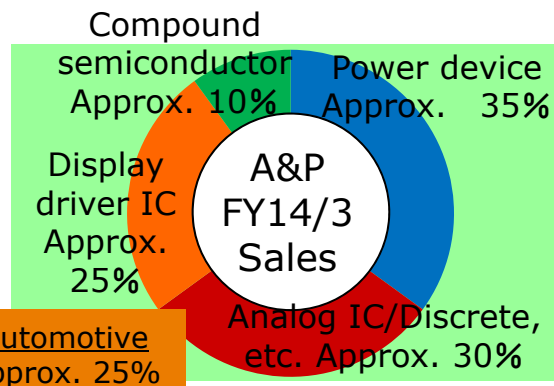
- MCU sales in Q4 remained flat from the previous quarter due to solid growth of automotive and industrial sales covering the seasonal factors
- Full-year sales of MCU and Analog & Power devices showed mid-teen percentage growth thanks to the strong automotive and industrial sales throughout the year

FY14/3					
(B Yen)					
	Q4	YoY (%)	QoQ (%)	Full-year	YoY (%)
Semiconductor Sales (Total)	191.8	+10.3%	-7.6%	796.8	+10.0%
MCU	89.2	+15.0%	-0.7%	353.6	+15.9%
Analog & Power	62.5	+14.4%	-13.7%	272.5	+15.9%
SoC	38.8	-0.5%	-11.4%	164.8	-5.0%
Other Semiconductors	1.3			5.9	

FY14/3 Semiconductor Sales by Product Categories (2)

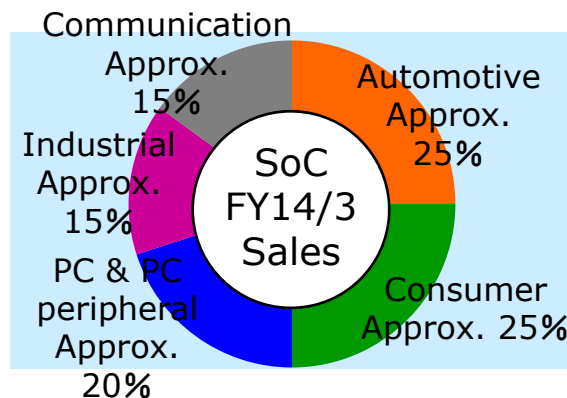


- Although the sales of automotive MCUs in the previous year were impacted by end of eco-car subsidy in Japan and the slowdown of automotive production by Japanese car makers shipped to China, they remained solid throughout this fiscal year and increased by 15% YoY
- Despite the continued downturn of the global market in the previous year, the sales of general-purpose MCUs increased by 15% thanks to the revitalization of the capital and infrastructure investments and growth in consumer spending spurred by improvement in business confidence especially within the industrial and consumer markets



- Sales of both power devices and analog ICs for automotive stayed solid throughout the year and increased by more than 20% YoY
- Sales of display driver IC increased YoY with the rapid increase in demand from smartphone
- Sales of general-purpose analog ICs decreased slightly while sales of general-purpose power devices showed small increase

Automotive
Approx. 25%

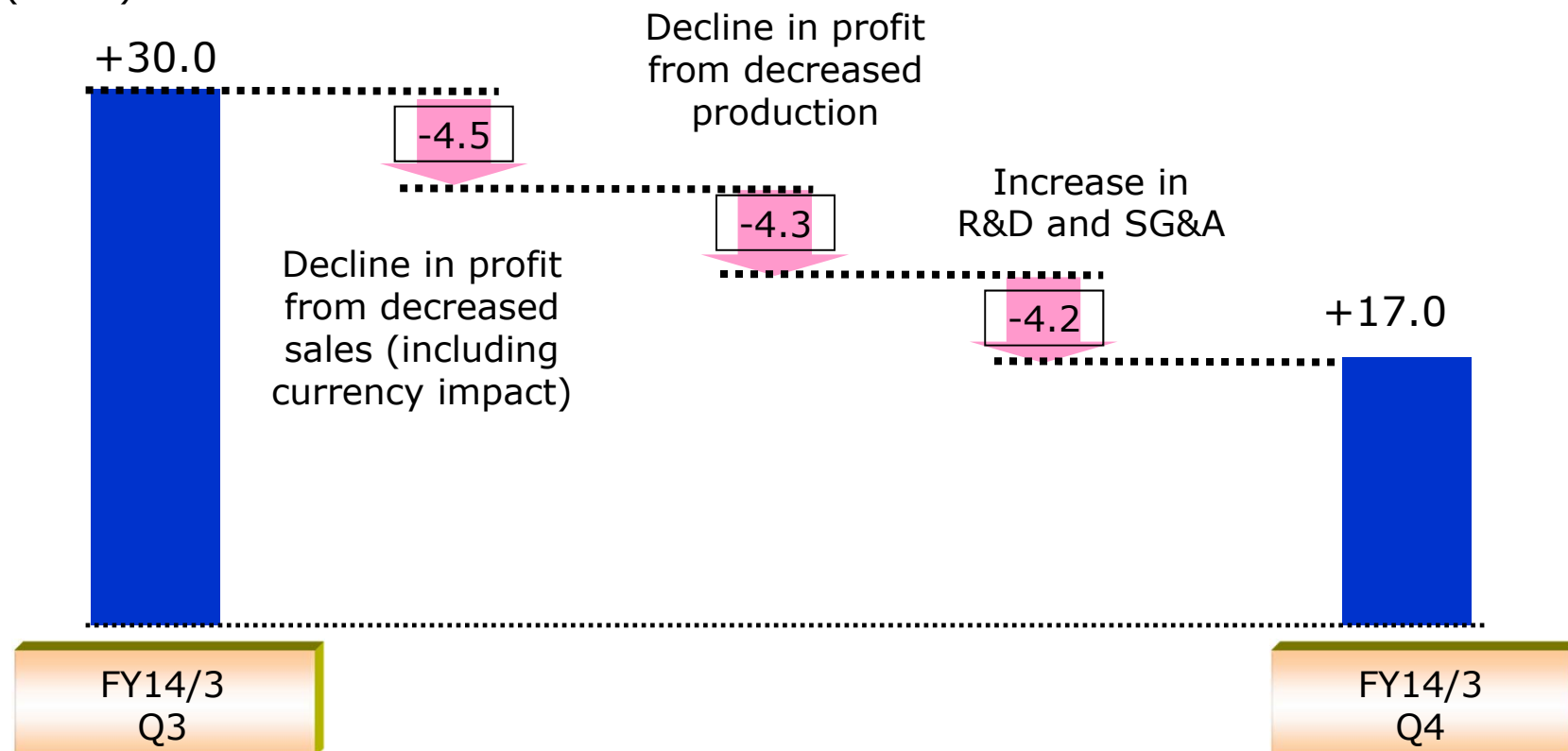


- Sales of automotive SoCs increased by approximately 50% YoY due to solid sales of SoCs for car navigation and automotive information devices throughout the year
- Sales of SoCs for consumer and communication decreased YoY as a result of concentration to focus businesses

FY14/3 Q4 Operating Income (Loss) in QoQ Comparison

- Secured operating profits despite a decline in profits from decreased sales and production, as well as an increase in costs at the end of the fiscal year

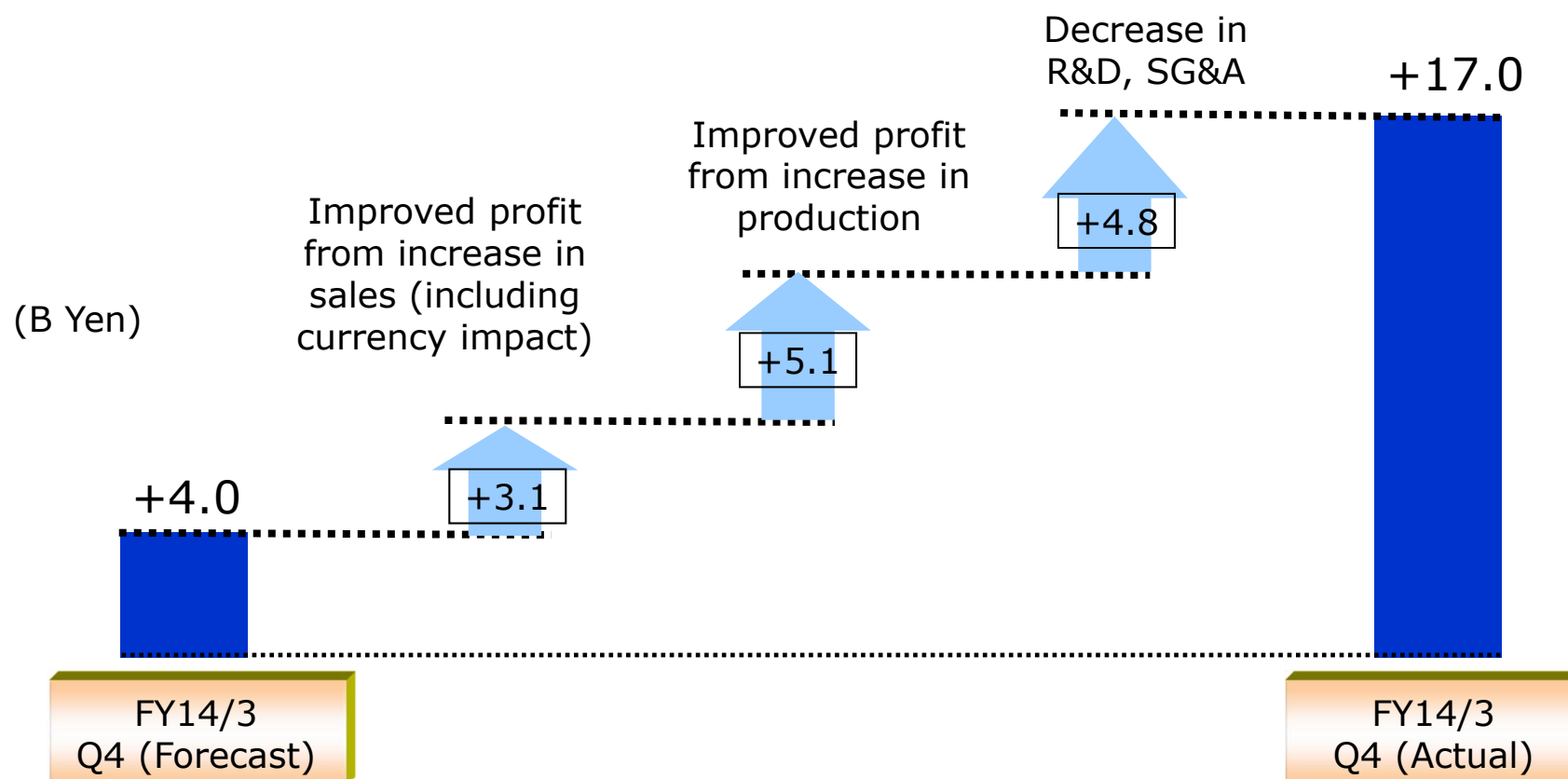
(B Yen)



R&D: Research and development cost, SG&A: Selling, general and administrative expenses

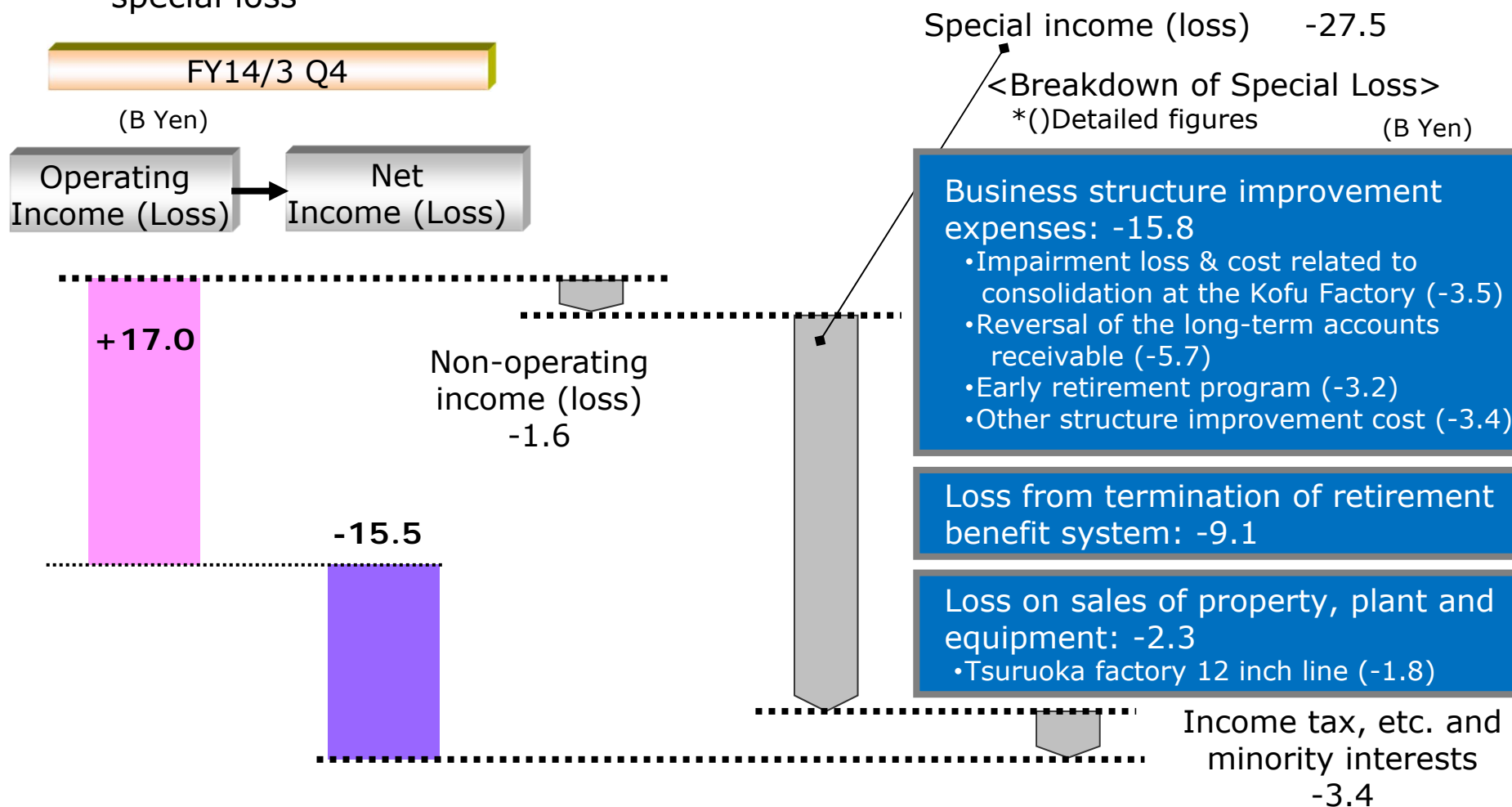
FY14/3 Q4 Operating Income (Loss) in Comparison with Previous Forecasts (As of February 6, 2014)

- Operating income for Q4 was 13.0 billion yen higher than the previous forecast, mainly due to cost containment effects by pursuing profit improvement, in addition to profit growth from increased sales and production



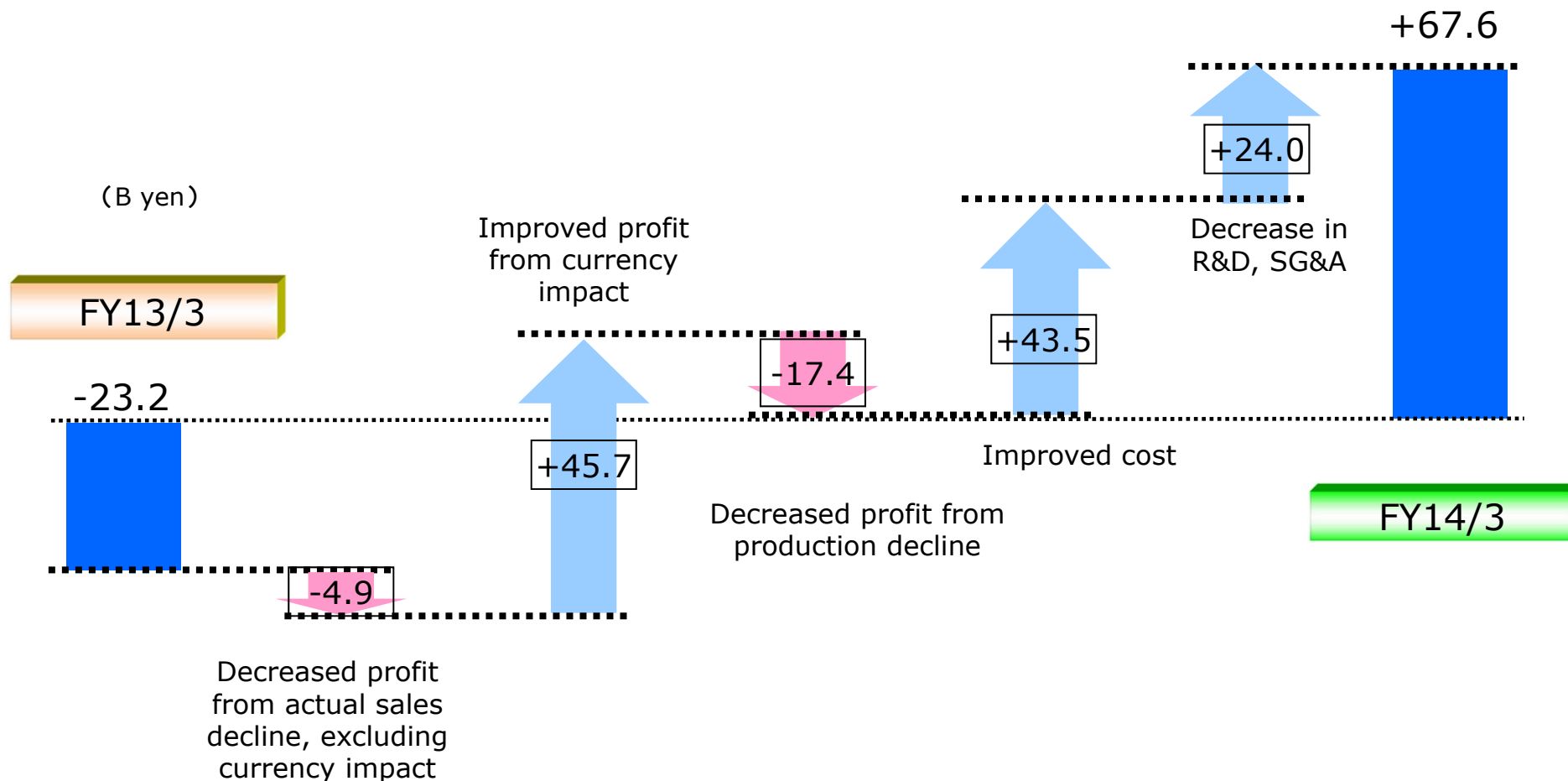
FY14/3 Q4 Net Income (Loss)

- Though operating profit was secured, net income (loss) was negative 15.5 billion yen mainly owing to recording business structure improvement expenses and loss from termination of retirement benefit system in the amount of 27.5 billion yen as a special loss



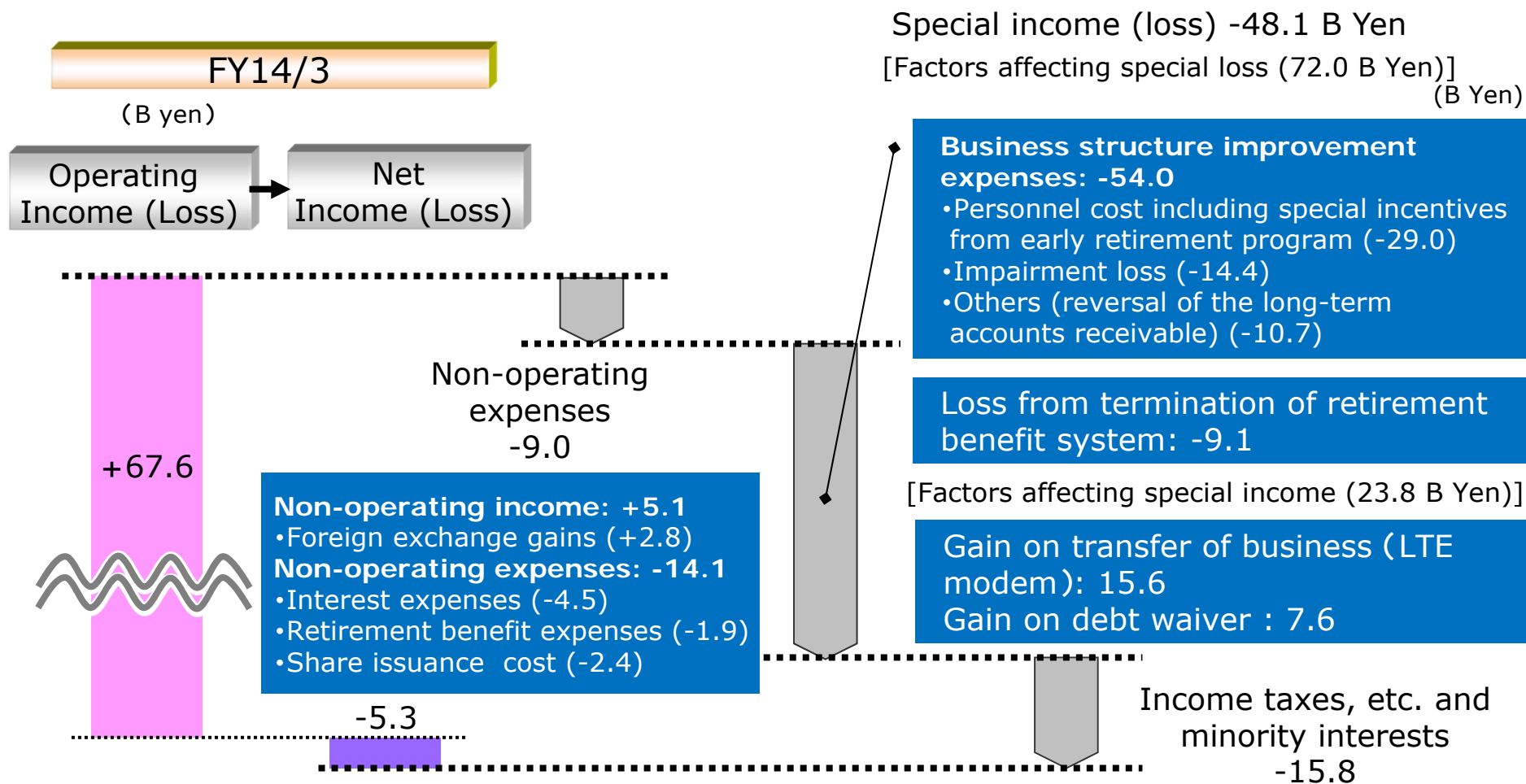
FY14/3 Full-year Operating Income (Loss) in YoY Comparison

- Operating income improved by 90.9 billion yen mainly due to improved profit structure from implementing structural reforms in addition to increase in sales resulting from correction of the yen appreciation



FY14/3 Full-year Net Income (Loss)

- Net loss for full year was 5.3 billion yen, mainly due to recording business structure improvement expense and others of 72.0 billion yen as special loss, despite the recording of gain on transfer of business and debt waiver of 23.8 billion yen as special income



FY14/3 Balance Sheets

- Equity ratio rose to around 30% and the Group's financial base showed significant improvement

(B Yen)	As of Mar. 31, 2013	As of Dec. 31, 2013	As of Mar. 31, 2014
Total Assets	669.1	795.8	786.0
Cash and Cash Equivalents	77.7	266.0	265.9
Inventories	151.3	128.5	126.1
Liabilities	591.2	543.6	558.7
Interest-Bearing Debt	306.4	280.9	270.9
Shareholders' Equity	75.8	236.0	220.6
Net Assets	77.9	252.2	227.3
D/E Ratio (Gross)	4.59	1.17	1.26
D/E Ratio (Net)	3.43	0.06	0.02
Equity Ratio	10.0%	30.2%	27.3%

Note 1) Cash and Cash Equivalents: Cash and deposits, Short-term investment securities

Note 2) Inventories: Merchandise and finished goods, Work in process, Raw materials and supplies

Note 3) Interest-bearing debt: Short-term borrowings, Current portion of long-term borrowings, Current portion of lease obligations, Bonds with share subscription rights, Long-term borrowings

Note 4) Equity: Shareholders' equity, Valuation and Translation Adjustments Note 5) D/E ratio (gross): Interest-bearing debt / Equity

FY14/3 Cash Flows

- Achieved positive free cash flows in all four quarters in FY14/3 and showed significant increase in free cash flows for full-year from the previous year by securing operating profits through promotion of structural reforms

	FY13/3	FY14/3				
(B Yen)	Full-year	Q1	Q2	Q3	Q4	Full-year
Cash Flows from Operating Activities	-54.1	28.4	9.0	33.9	22.4	93.7
Cash Flows from Investing Activities	-43.2	-2.5	-6.5	-3.4	-6.8	-19.2
Free Cash Flows	-97.3	25.9	2.5	30.5	15.6	74.5

II. FY15/3 Q1 Financial Forecasts

FY15/3 Q1 Consolidated Financial Forecasts

- Semiconductor sales are expected to increase by 3.4% YoY to 196.0 billion yen
- Operating income is expected to be 20.0 billion yen from implementing business- and manufacturing-related structural reform measures
- Quarterly net income is expected to improve significantly to 14.0 billion

(B yen)

FY14/3

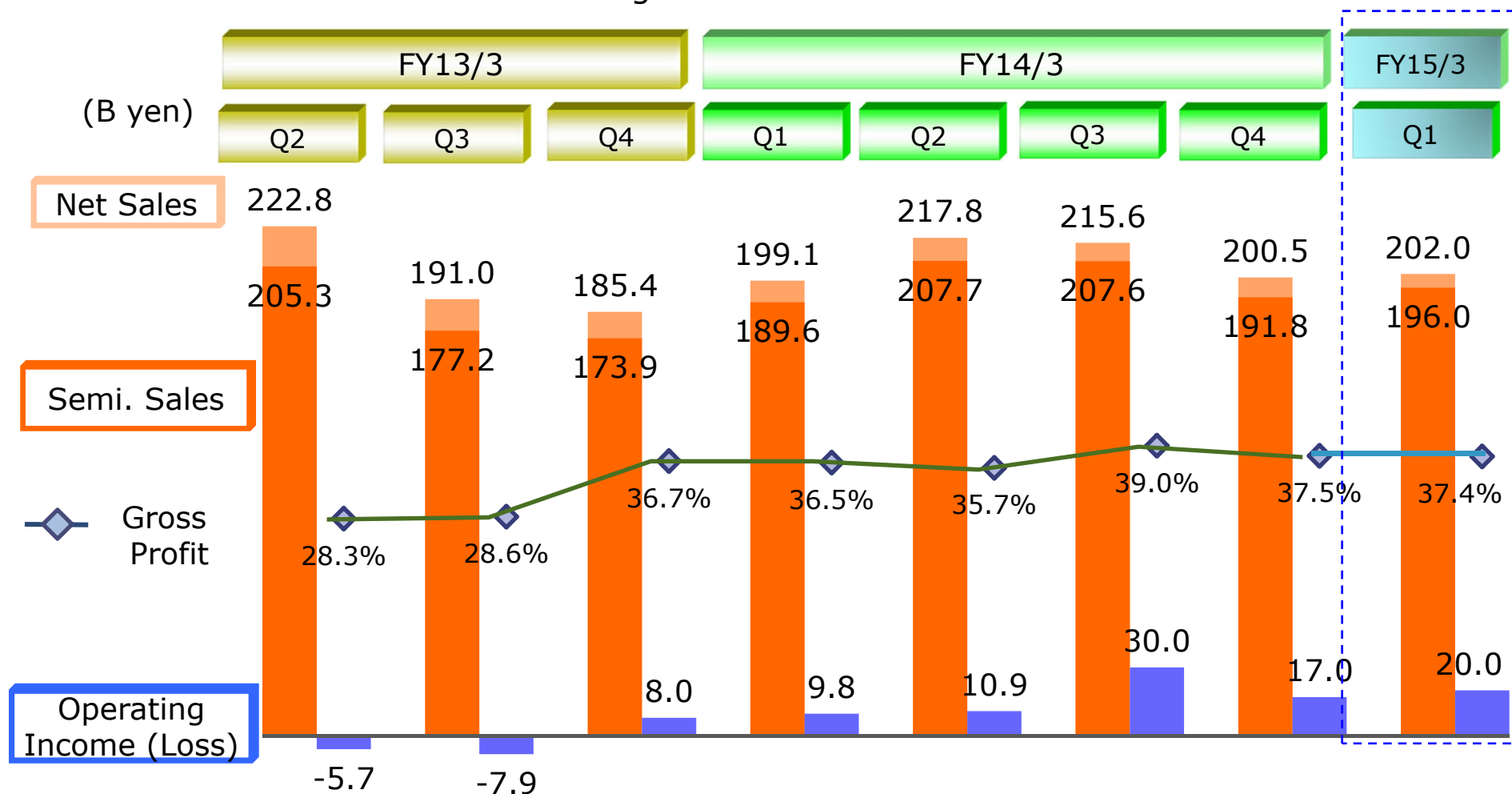
	Q1 (Actual)
Net Sales	199.1
Gross Profit (Ratio)	72.7 (36.5%)
Semiconductor Sales	189.6
Operating Income (Loss)	9.8
Ordinary Income (Loss)	8.5
Net Income (Loss)	-4.0
[Reference] Special Income (Loss)	-8.7
1US\$=	98 yen
1 Euro=	127 yen

FY15/3

Q1 (Forecast)	QoQ	YoY
202.0	+1.5 (+0.7%)	+2.9 (+1.5%)
75.5 (37.4%)	+0.3 (-0.1Pt.)	+2.8 (+0.9Pt.)
196.0	+4.2 (+2.2%)	+6.4 (+3.4%)
20.0	+3.0 (+17.9%)	+10.2 (+104.5%)
17.5	+2.1 (+13.8%)	+9.0 (+105.0%)
14.0	+29.5	+18.0
-1.0	+26.5	+7.7
100 yen	3 yen strong	2 yen weak
136 yen	5 yen strong	9 yen weak

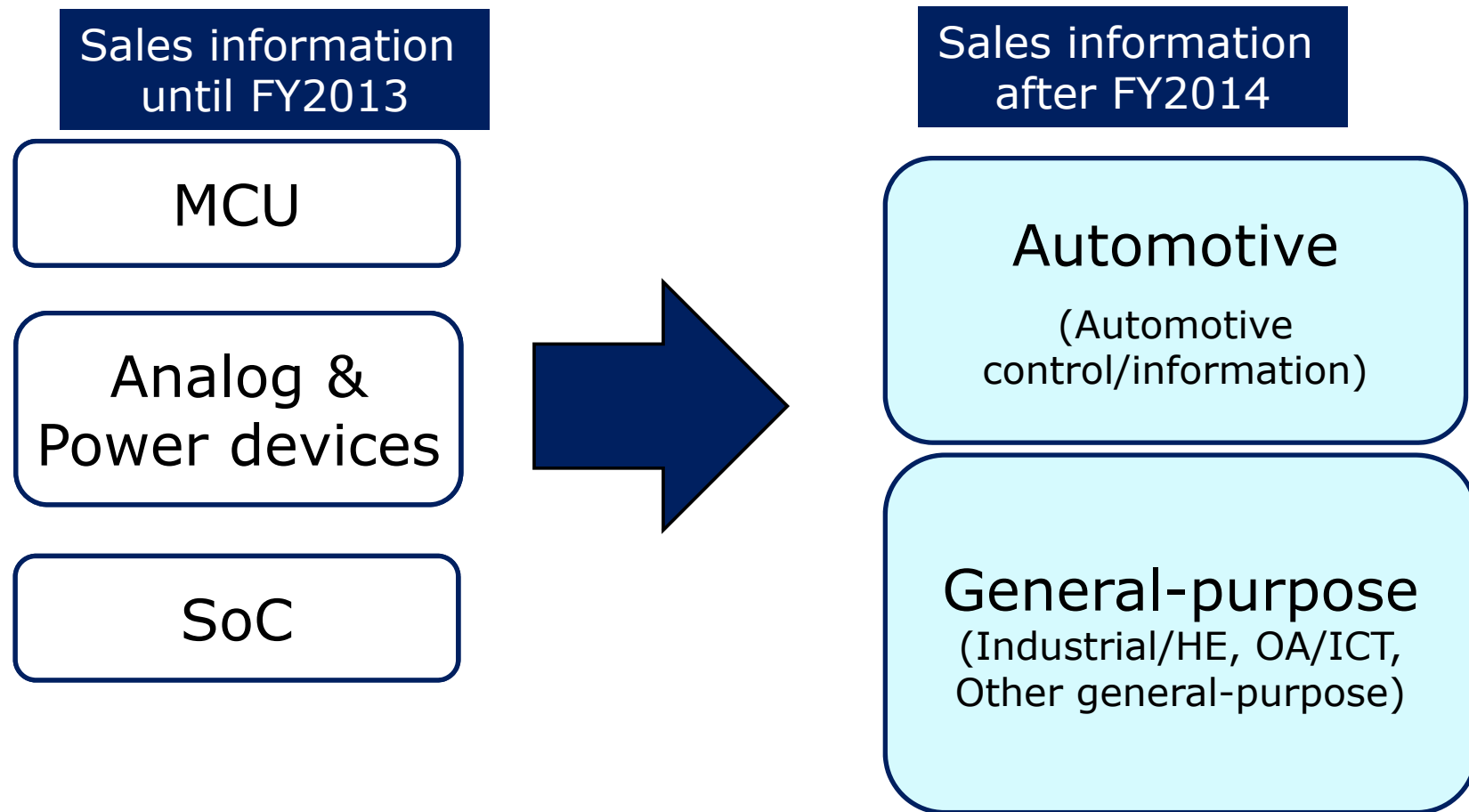
Quarterly Financial Results and Forecasts

- FY15/3 Q1 semiconductor sales are expected to increase slightly both QoQ and YoY
- Operating profits are expected to double YoY from effects of implementing business- and manufacturing-related structural reform measures



Change in Sales Information from Change in Business Domains

- Changed the conventional sales information in accordance with the renewed business domains which were shifted from product-orientation to application-orientation structure



(Note) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology

Forecast for FY15/3 Q1 Semiconductor Sales (QoQ Comparison)

- Semiconductor sales in Q1 are expected to increase by 2.2% QoQ with solid demand for automotive devices and display driver ICs

(B Yen)

[Semiconductor sales]

Growth
rate

+2.2%

[Major factors affecting
Q1 semiconductor sales]

[191.8]

[196.0]

Automotive

Approx.40%

Flat

General-
purpose
(Industrial/
HE, OA/ICT,
Other general-
purpose)

Approx.60%

Middle single-
digit
percentage
increase

FY14/3 Q4
(Actual)

FY15/3 Q1
(Forecast)

- Automotive semiconductors are expected to be almost flat QoQ

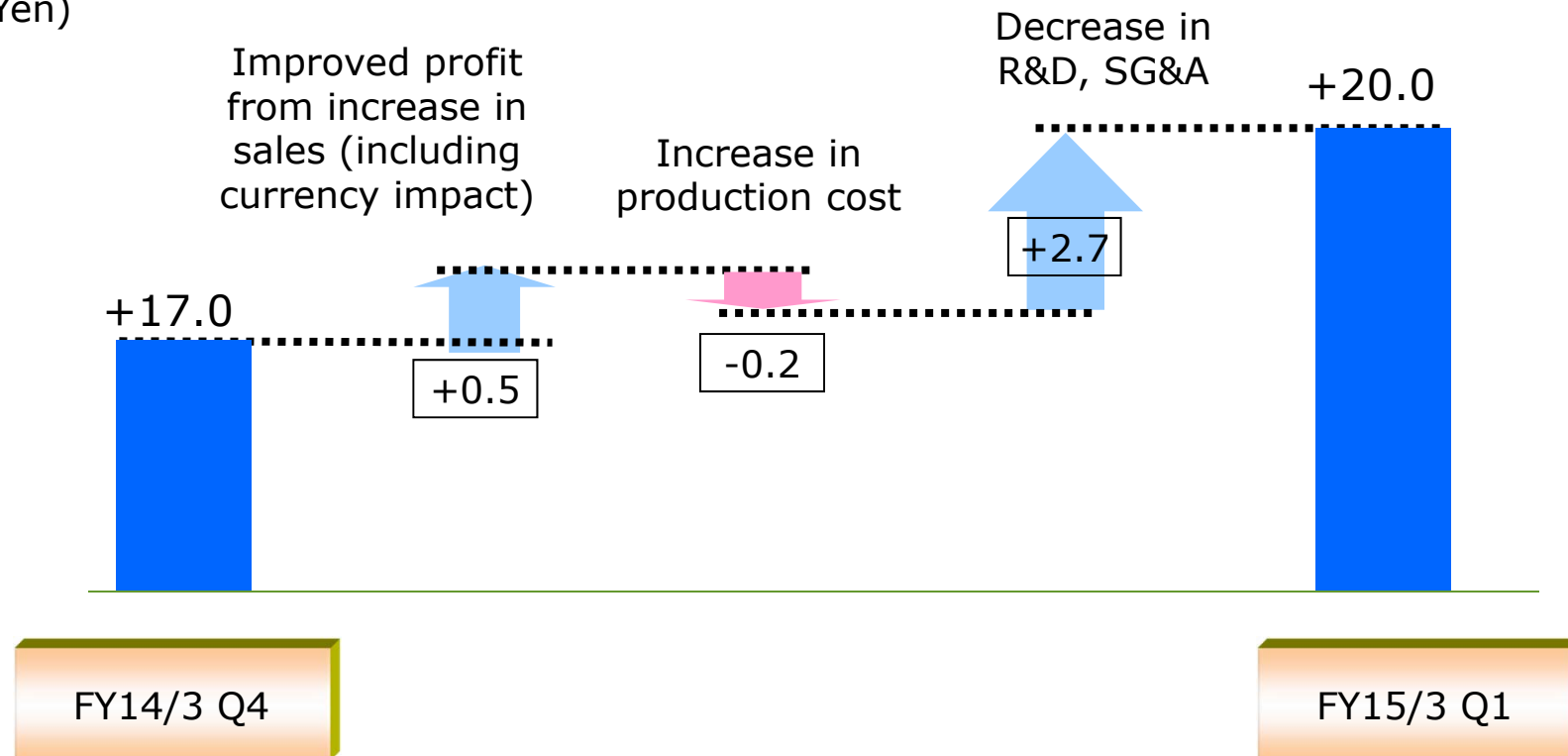
- Despite a decrease from seasonal factors and backlash from the front-loaded demand increase ahead of the Japanese consumption tax hike, semiconductor demand is expected to remain solid supported by strong automotive market

- General-purpose semiconductors are expected to increase by middle single-digit percentage through seasonal factors such as display driver ICs

FY15/3 Q1 Operating Income (Loss) Forecasts in QoQ Comparison

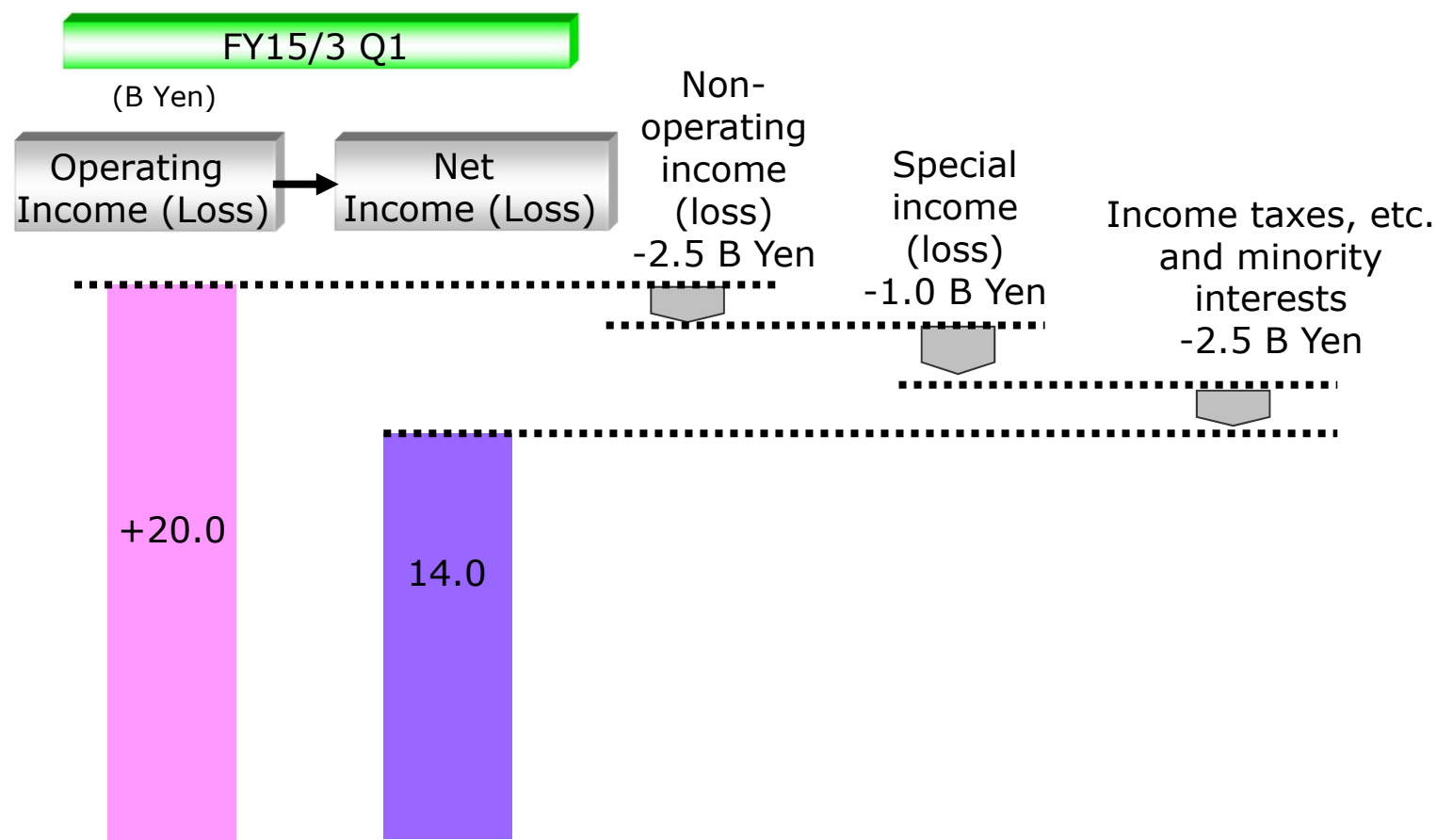
- Expect operating income to increase QoQ, rebounding from concentrated expenses in the year-end as well as improving profits from an increase in sales

(B Yen)



FY15/3 Q1 Net Income (Loss) Forecasts

- With no major special loss from business structure improvement expenses or others planned in Q1, expect to achieve net income of 14.0 billion yen



III. Fundamental Reforms towards Profitable Growth

Direction of Renesas Group

(Announced on August 2, 2013
after the inception of the new management structure)

Renesas' mission – to develop society and industry

To realize the above

Selection and Concentration

Focus on advantageous businesses

Structural Reforms

Build absolutely profitable structure

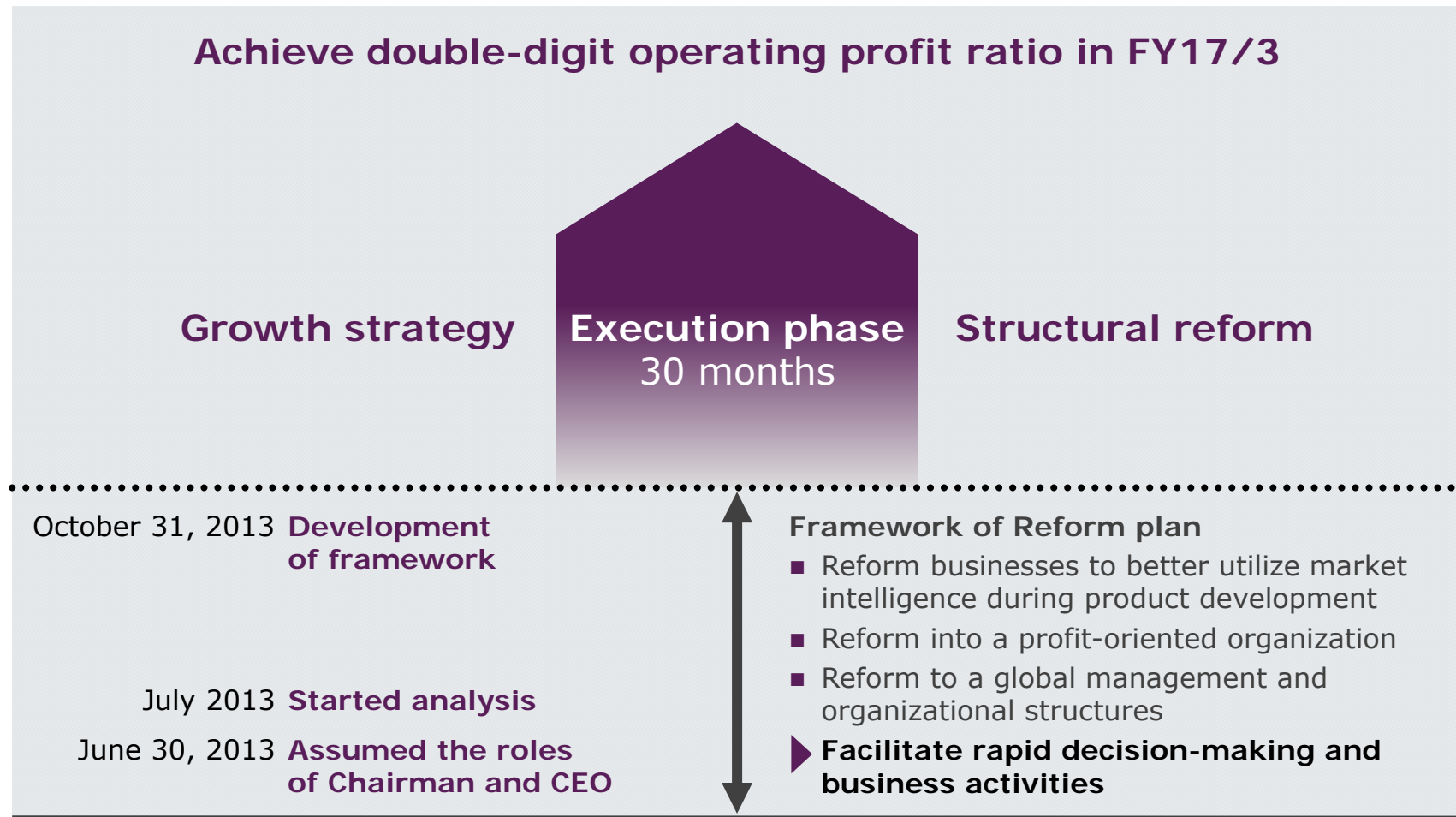
Operational Changes that supports Business and Production Reforms

Optimize management resources

Reform Plan to Achieve the Future Renesas

(Announced on October 30, 2013

after the inception of the new management structure)



Efforts toward the Future Renesas

Steadily implementing the Structural Reforms

	FY2013				FY2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Business policies		Business Direction "Direction of Renesas Group"	Reform plan and index "Reforming Renesas"					
Reinforcement of business base and structural reforms	Launch of the new management structure	Financing of 150 billion yen (Third-Party Allotment)	Strengthening of the management					
	Withdrawal from the LTE modem business	Transfer of the business related to LTE modem technology	Implementation of the early retirement program	Transfer of Tsuruoka factory's 12φ line				
	Transfer of Hakodate, Fukui and Kumamoto factories (back-end)		Change of the business domains	Implementation of the early retirement program				
			Termination of production at Yamaguchi factory (back-end) and Takasaki factory's 5φ line					
Efficiency improvement (streamlined organization)			Consolidation of design sites and sales companies in Japan					
				Establishment of the new manufacturing companies (Realignment of front- and back-end lines)				
Key new products and technologies, etc.	Product launch of the R-CAR H2 SoC for automotive infotainment		Development of new RX CPU core for industrial and consumer					
		Joint development of high-speed network connection technology for automotive information devices with Murata and Ubiquitous						
	Joint development of ultra-low power short range radios with IMEC			Development of the industry's first 28nm MCU with embedded flash memory				

Issues to Address for Profitable Growth

Ensure the Implementation of the Reform Plan

1. Improve profit ratio through structural reforms
2. Achieve further growth in profits through selection and concentration of businesses

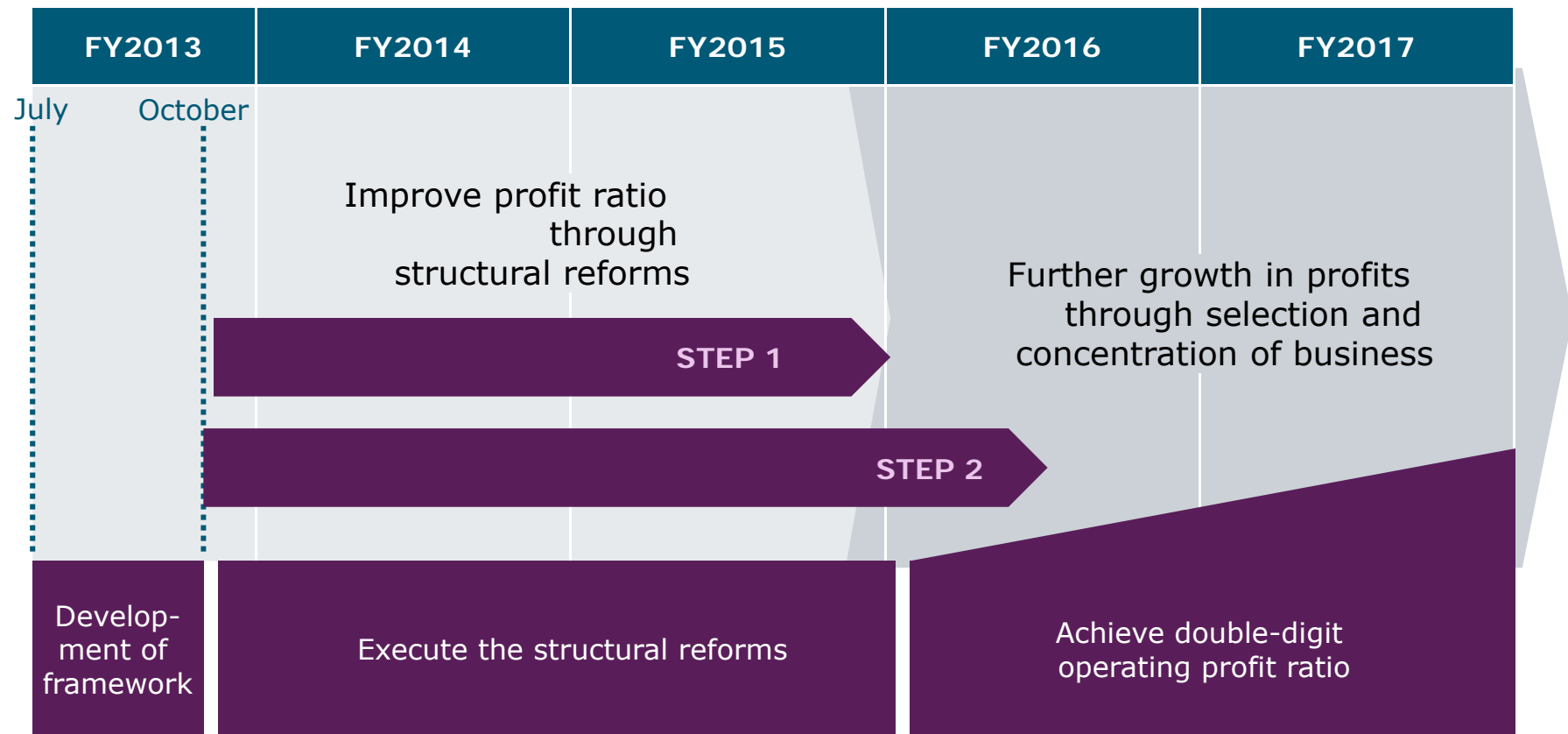
- Secure promotion of the manufacturing structural reforms
- Relocate design resources to match the business domains
- Pursue profitability



Promote fundamental reform to achieve profitable growth

Realize Business Structure with Stable Profit

- Accomplish structural reform measures to realize a company that excels in the global arena



(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.



Renesas Electronics Corporation

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