



FY15/3 Q2 Financial Results

Renesas Electronics Corporation

October 29, 2014



Agenda

I.

FY15/3 Q2 Financial Results

II.

FY15/3 Q3 Consolidated Forecasts

Executive Summary

I.

FY15/3 Q2 Financial Results

- Despite an impact from business withdrawal, semiconductor sales were 199.6 B yen, almost flat with the previous quarter, mainly due to the solid sales of automotive and general-purpose products
- Operating income was 23.5 B yen, a 3.4 B yen decrease QoQ, mainly due to seasonal cost increases at the end of the first half

II.

FY15/3 Q3 Consolidated Forecasts

- Due to the significant impact from the transfer of Renesas SP Drivers that became effective in October 2014, semiconductor sales and operating income are both expected to decrease
- Excluding sales and operating profit from Renesas SP Drivers, semiconductor sales are expected to decrease by 5.9% QoQ and operating income is expected to decrease by 6.6 B yen QoQ
- Net income of 11.0 B yen is expected, a 2.9 B yen decrease QoQ

I. FY15/3 Q2 Financial Results

FY15/3 Q2 Financial Snapshot

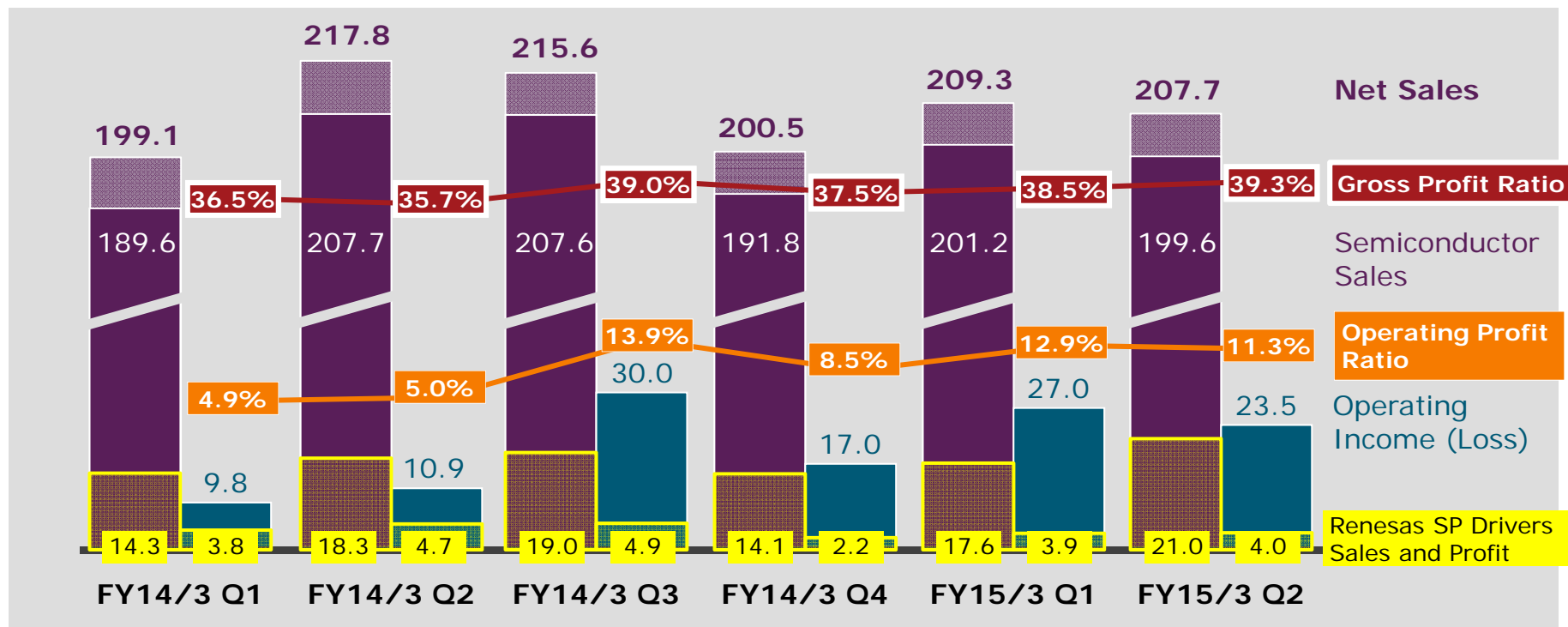
- Despite an impact from business withdrawal, semiconductor sales were 199.6 B yen, almost flat (0.8% decrease) with the previous quarter, mainly due to solid sales of automotive and general-purpose products
- Operating income was 23.5 B yen, a 3.4 B yen decrease QoQ, mainly due to seasonal cost increases at the end of the first half

(B yen)	FY14/3	FY15/3				
	Q2	Q1	Q2	YoY	QoQ	Difference from previous forecasts (August 6, 2014)
Net Sales	217.8	209.3	207.7	-10.1 (-4.7%)	-1.6 (-0.8%)	+3.9 (+1.9%)
Gross Profit (Ratio)	77.9 (35.7%)	80.5 (38.5%)	81.6 (39.3%)	+3.8 (+3.6Pt.)	+1.2 (+0.8Pt.)	+2.1 (+0.3Pt.)
Semiconductor Sales	207.7	201.2	199.6	-8.1 (-3.9%)	-1.6 (-0.8%)	+2.8 (+1.4%)
Operating Income (Loss) (Ratio)	10.9 (5.0%)	27.0 (12.9%)	23.5 (11.3%)	+12.6 (+6.3Pt.)	-3.4 (-1.6Pt.)	+4.5 (+2.0Pt.)
Ordinary Income (Loss)	5.4	25.3	23.8	+18.4 (+342.1%)	-1.6 (-6.3%)	+8.1 (+51.7%)
Net Income (Loss)	-8.8	21.2	13.9	+22.7	-7.3 (-34.3%)	+7.1 (+104.7%)
(Ref) Special Income (Loss)	-11.2	-0.9	-5.6	+5.5	-4.7	-1.6
1 US\$ =	98 yen	102 yen	102 yen	4 yen weak	---	---
1 Euro =	130 yen	141 yen	138 yen	8 yen weak	3 yen strong	1 yen strong

Quarterly Financial Results

(B Yen)

- Semiconductor sales were almost flat with the previous quarter, but it decreased by 3.9% YoY
- Though gross profit ratio continued to show a trend toward improvement, Q2 operating profit ratio was 11% due to seasonal cost increases at the end of the first half



FY15/3 Q2

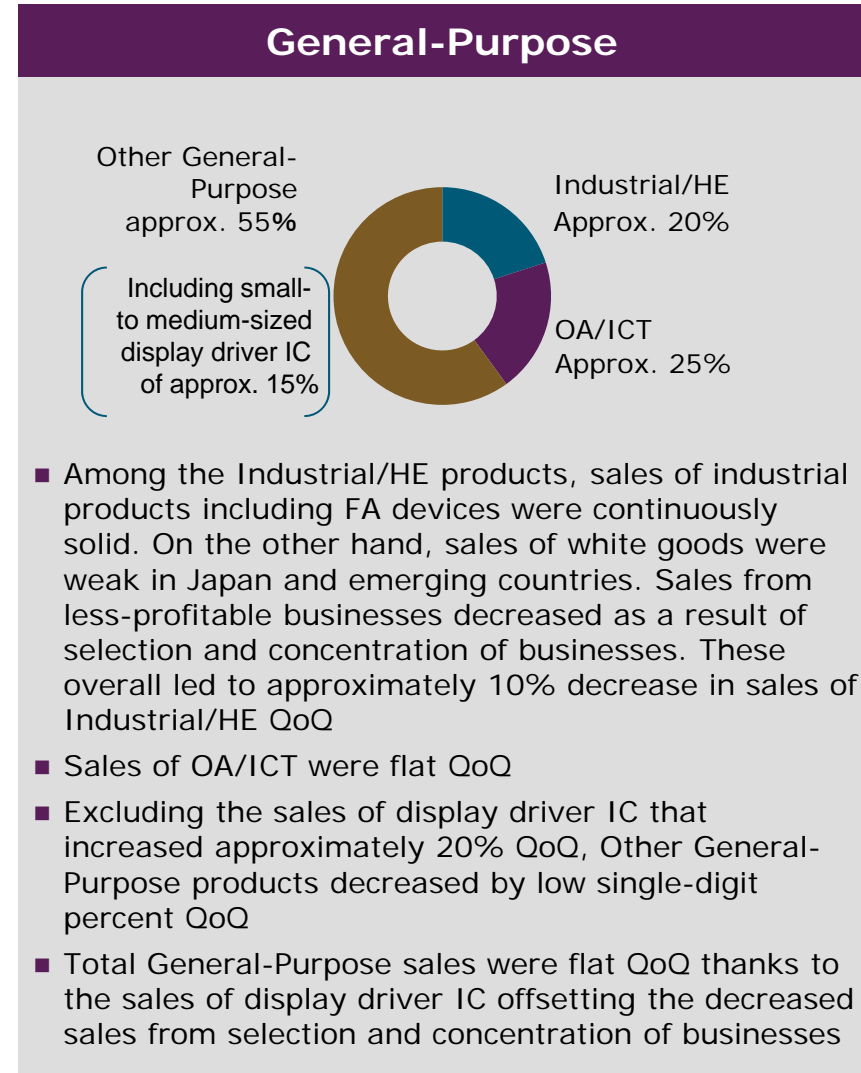
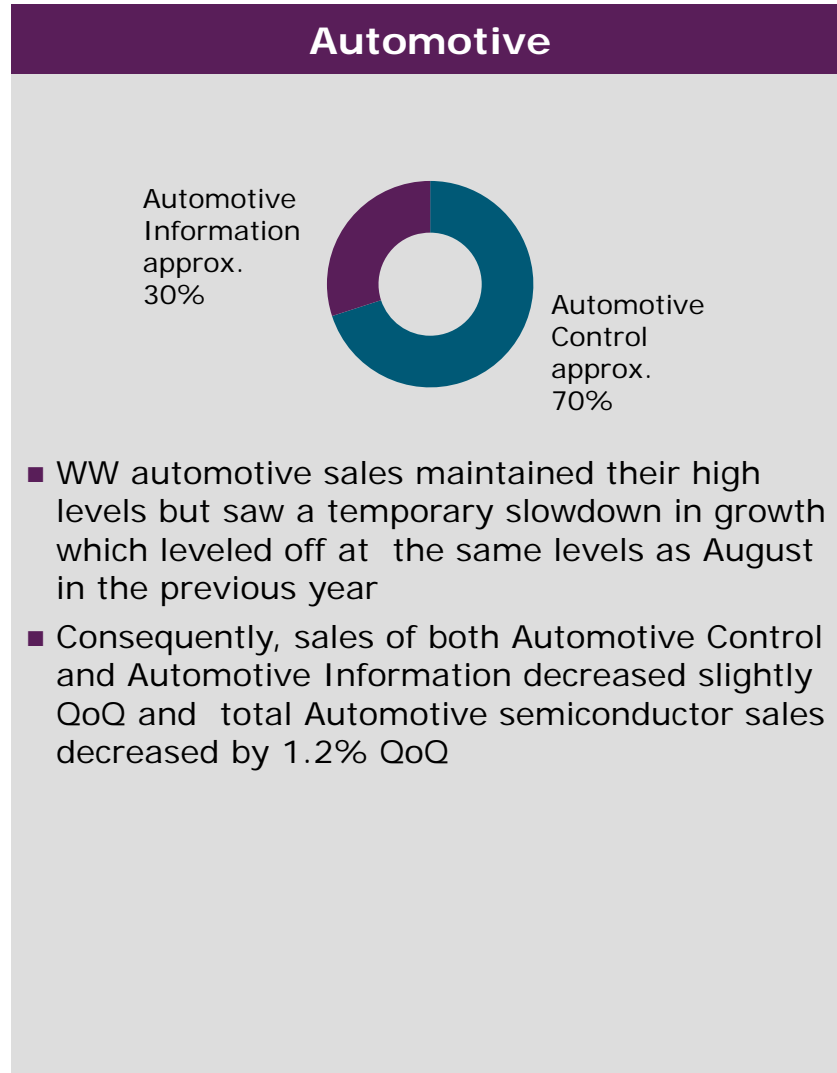
Semiconductor Sales by Application Categories (I)

- While Automotive sales increased YoY, General-Purpose sales decreased impacted by the business withdrawal

(B yen)	FY14/3	FY15/3			
	Q2	Q1	Q2	YoY	QoQ
Semiconductor Sales (Total)	207.7	201.2	199.6	-8.1 (-3.9%)	-1.6 (-0.8%)
Automotive	72.9	79.8	78.8	+5.9 (+8.1%)	-1.0 (-1.2%)
General-Purpose	133.6	119.8	119.7	-13.8 (-10.4%)	-0.1 (-0.1%)
Other Semiconductors	1.2	1.6	1.0	-0.2 (-17.5%)	-0.6 (-36.8%)

FY15/3 Q2

Semiconductor Sales by Application Categories (II)

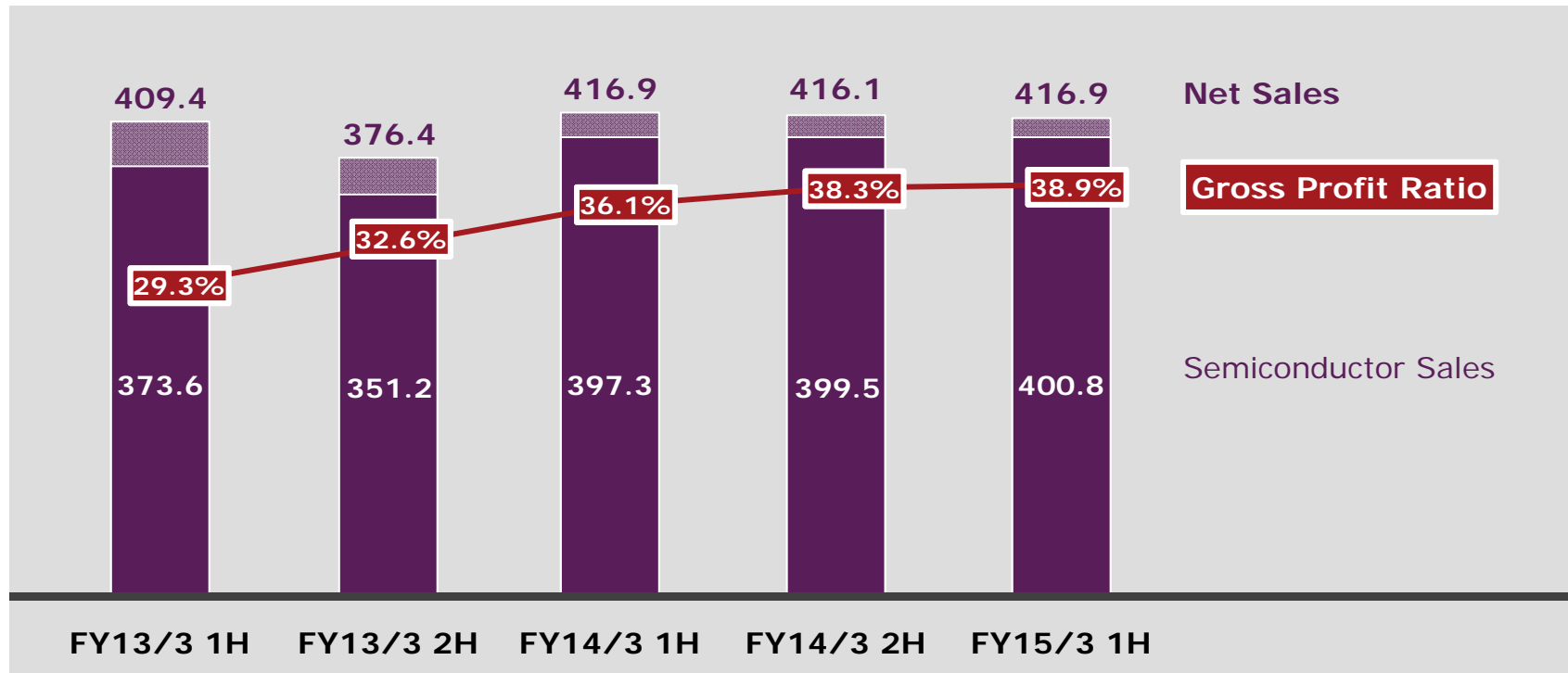


(Note) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology

Trends in Semi-Annual Net Sales and GP Ratio

(B Yen)

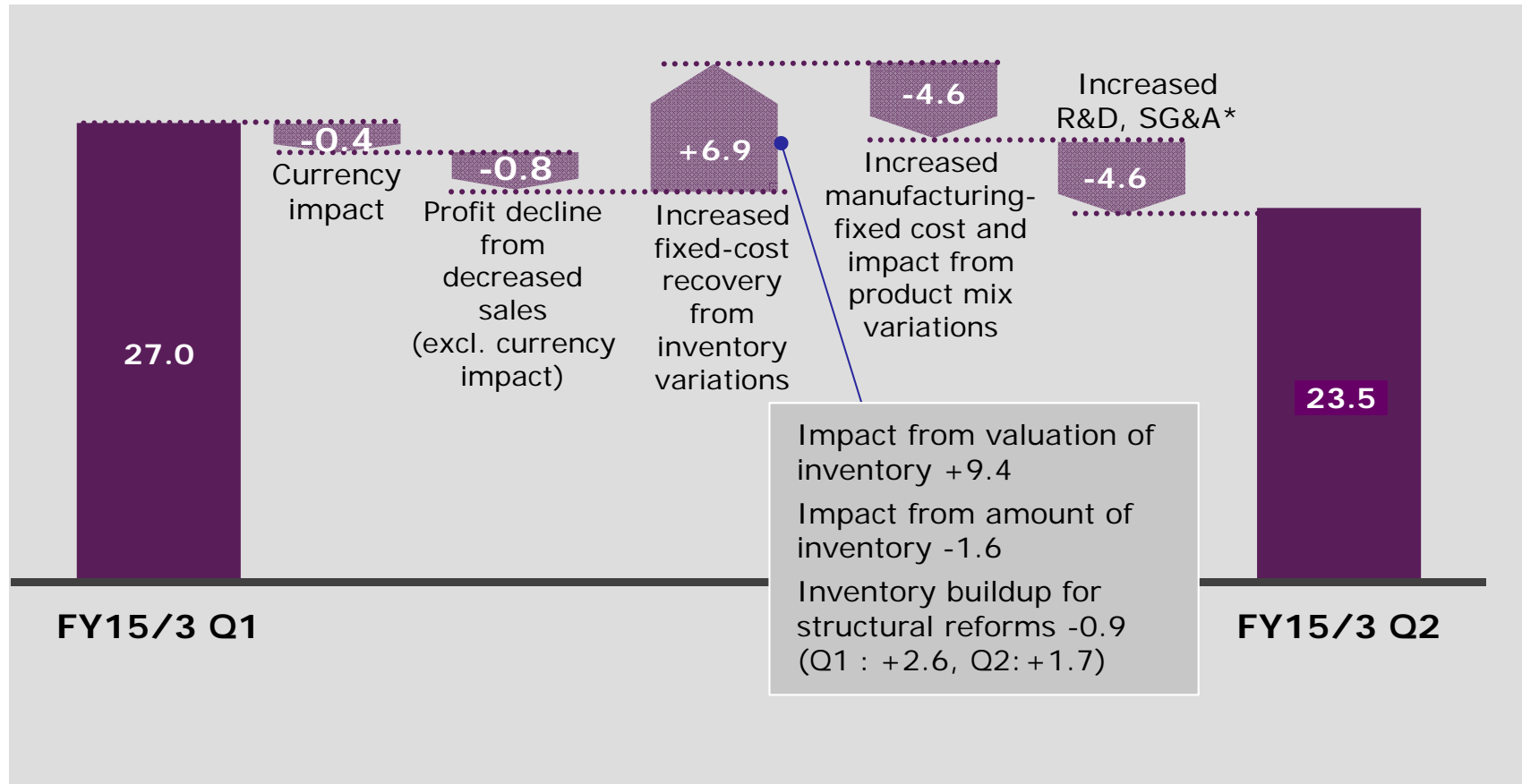
- Though net sales from FY13/3 1H to FY15/3 1H remained flat, gross profit ratio has shown signs of improvement mainly due to fixed-cost reduction measures, etc.



FY15/3

Q2 Operating Income (Loss) QoQ (B yen)

- Although the fixed-cost recovery increased from Q1 due to the great impact of the changes in inventories, operating profit decreased by 3.4 B yen QoQ, due to decreased profit from increased manufacturing fixed costs, the impact of product mix variations and seasonal cost increases at the end of first half

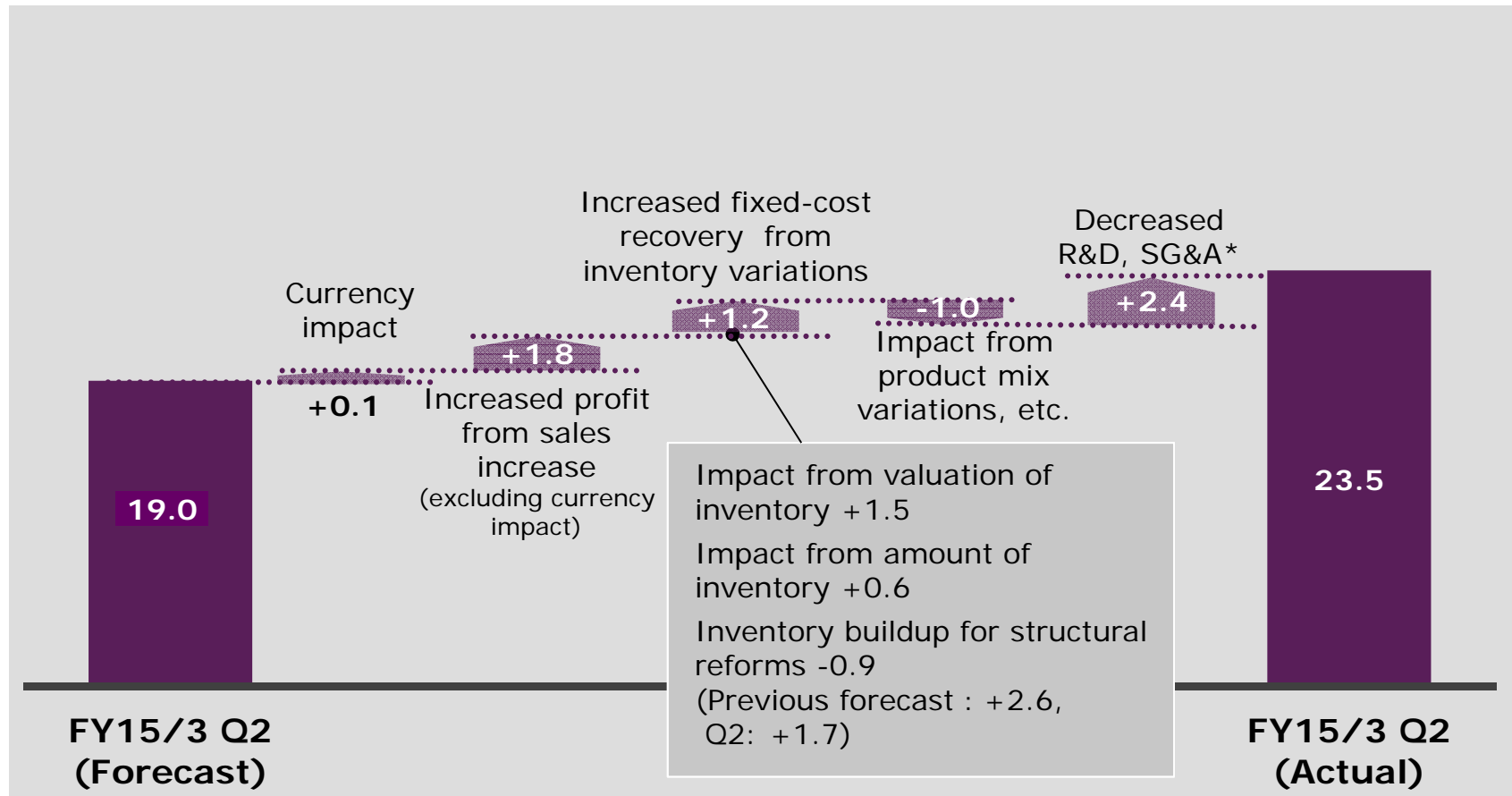


*R&D: Research and Development, SG&A: Selling, general and administrative expenses

FY15/3 Q2

Operating Income (Loss) in Comparison with Forecasts (Aug 6, 2014) (B yen)

- Operating income increased by 4.5 B yen from the previous forecast, mainly due to lower-than-expected R&D and SG&A costs in addition to increased profit from increased sales and inventories

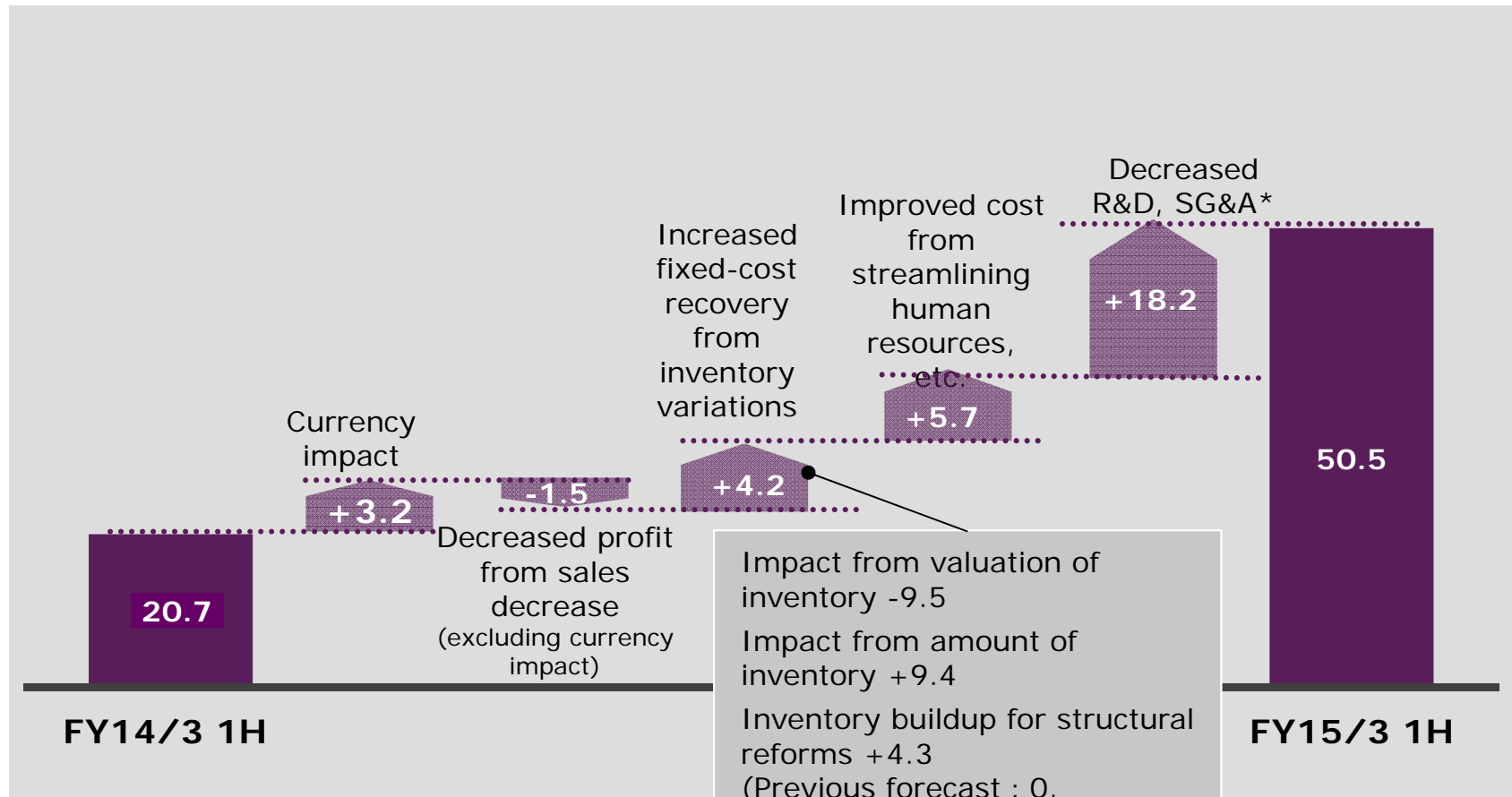


*R&D: Research and Development, SG&A: Selling, general and administrative expenses

FY15/3 1H

Operating Income (Loss) YoY (B yen)

- Operating profit improved significantly YoY supported by fixed-cost reductions from structural reform measures and inventories that boosted the profits

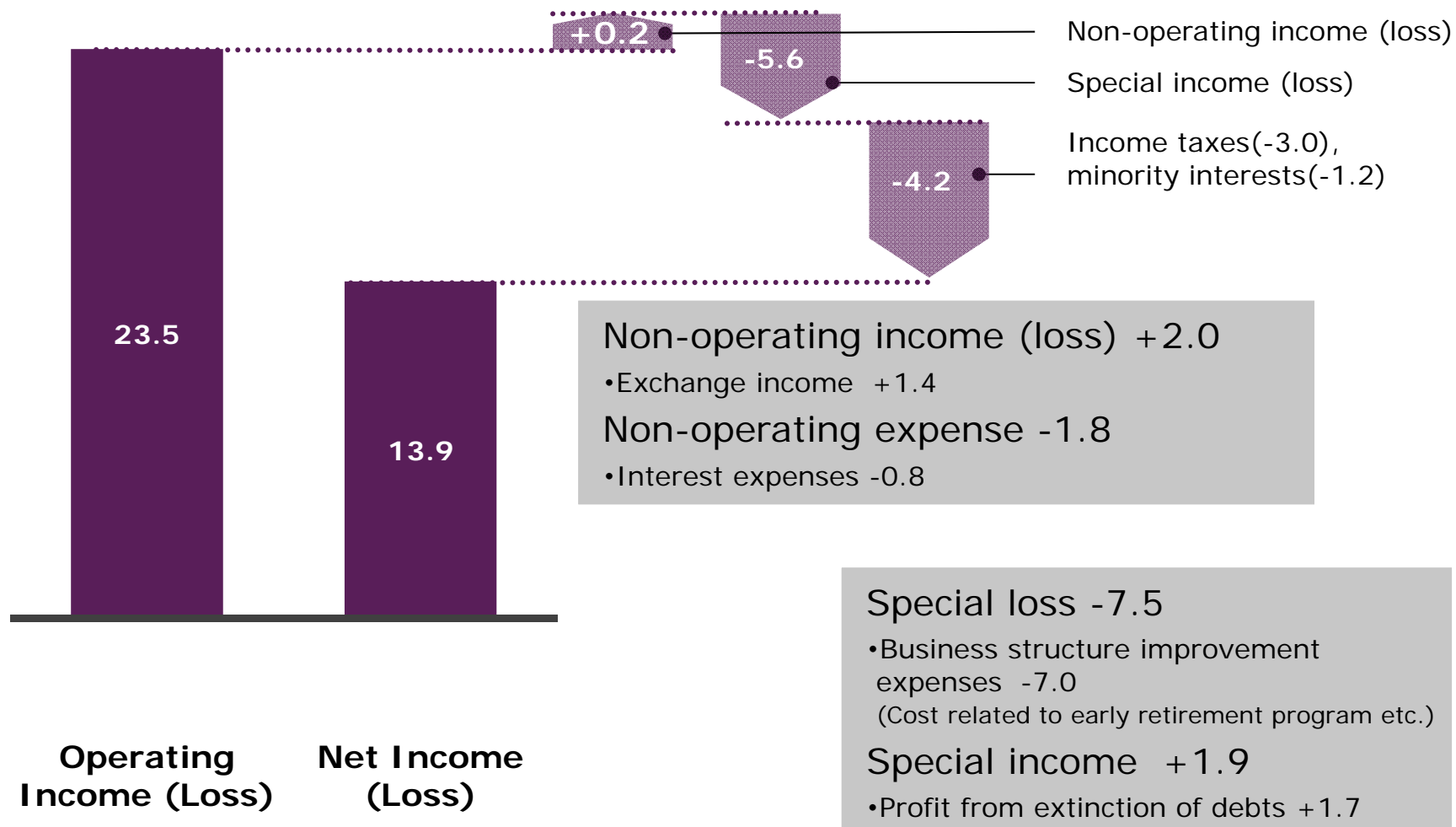


*R&D: Research and Development,
SG&A: Selling, general and administrative expenses

FY15/3 Q2

Net Income (Loss) (B yen)

- Although Q2 special loss decreased by 1.6 B yen from the original forecast, quarterly net income was 7.1 B yen higher than expected, mainly due to increased operating profit by 4.5 B yen from the forecast and exchange income



FY15/3 Q2

Balance Sheets

- Aim to recover the equity ratio to the 30% range by increasing profits

(B yen)	As of Mar. 31, 2014	As of Jun. 30, 2014	As of Sep. 30, 2014
Total Assets	786.0	796.9	836.8
Cash and Cash Equivalents	265.9	251.8	288.2
Inventories	126.1	118.1	119.6
Liabilities	558.7	573.4	588.2
Interest-Bearing Debt	270.9	270.1	268.9
Shareholders' Equity	220.6	216.7	230.6
Net Assets	227.3	223.5	248.6
D/E Ratio (Gross)	1.26	1.29	1.15
D/E Ratio (Net)	0.02	0.09	-0.08
Equity Ratio	27.3%	26.3%	27.9%

Notes

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, Lease obligations, Long-term borrowings
3. "Equity": Shareholders' equity, Other Comprehensive Income
4. "D/E ratio (gross)": Interest-bearing debt / Equity

FY15/3 Q2

Cash Flows

- Although Q1 free cash flows turned negative temporarily due to payments for extra retirement benefits in accordance with the implementation of early retirement program, positive free cash flows were secured in Q2 with no additional cash outgo from structural reform measures

(B yen)	FY14/3				FY15/3	
	Q1	Q2	Q3	Q4	Q1	Q2
Cash Flows from Operating Activities	28.4	9.0	33.9	22.4	2.0	49.5
Cash Flows from Investing Activities	-2.5	-6.5	-3.4	-6.8	-10.9	-14.9
Free Cash Flows	25.9	2.5	30.5	15.6	-8.9	34.7

II. FY15/3 Q3 Consolidated Forecasts

FY15/3 Q3 Consolidated Financial Forecasts

- Semiconductor sales are expected to be 168.0 B yen, a decrease by 15.8% QoQ and operating income is expected to be 13.0 B yen, a 10.5 B yen decrease QoQ
- Excluding sales and operating profit from Renesas SP Drivers*1, semiconductor sales are expected to decrease by 5.9% QoQ and operating income is expected to decrease by 6.6 B yen QoQ

(B yen)	FY14/3	FY15/3				
	Q3	Q2	Q3	YoY	QoQ	Q3 (Cumulative)
Net Sales [Excl. Renesas SP Drivers resale]*2	215.6	207.7	179.0 [173.0]*2	-36.6 (-17.0%)	-28.7 (-13.8%)	595.9 [589.9]*2
Gross Profit Ratio	84.0 (39.0%)	81.6 (39.3%)	69.0 (38.5%) [39.9%]*2	-15.0 (-0.5Pt.) [+0.9Pt.]*2	-12.6 (-0.8Pt.) [0.6Pt.]*2	231.1 (38.8%) [39.2%]*2
Semiconductor Sales	207.6	199.6	168.0	-39.6 (-19.1%)	-31.6 (-15.8%)	568.8
Operating Income (Loss) (Ratio)	30.0 (13.9%)	23.5 (11.3%)	13.0 (7.3%)	-17.0 (-6.6Pt.)	-10.5 (-4.1Pt.)	63.5
Ordinary Income (Loss)	29.3	23.8	11.0	-18.3 (-62.5%)	-12.8 (-53.8%)	60.1
Net Income (Loss)	23.0	13.9	11.0	-12.0 (-52.2%)	-2.9 (-20.9%)	46.1
(Ref) Special Income (Loss)	-0.8	-5.6	3.0	+3.8	+8.6	-3.6
1 US\$ =	99 yen	102 yen	103 yen	4 yen weak	1 yen weak	102 yen
1 Euro =	134 yen	138 yen	135 yen	1 yen weak	3 yen strong	138 yen

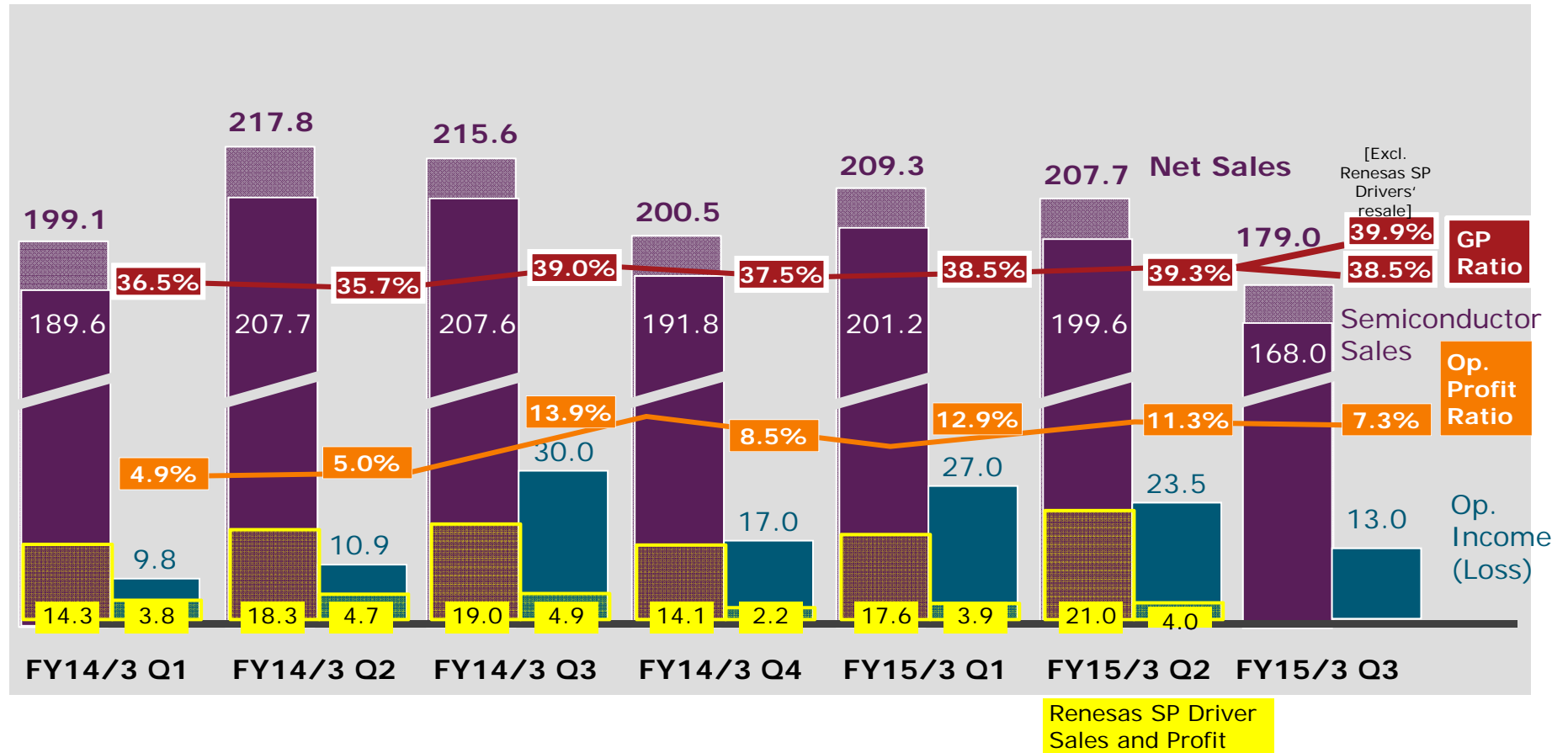
*1: Excluding sales and operating profit from Renesas SP Drivers, semiconductor sales and operating income in Q2 were 178.6 billion yen and 19.6 billion yen, respectively. Q3 semiconductor sales are expected to decrease by 5.9% QoQ and operating profit ratio is expected to decrease from 10.5% in Q2 to 7.3% in Q3.

*2: Excluding sales of the former Renesas SP Drivers products that are scheduled to be supplied by commissioning until the end of October, 2014, when the supply system is formed at Synaptics Inc., the transferee of Renesas SP Drivers (no impact on the gross profit).

Quarterly Financial Results

(B Yen)

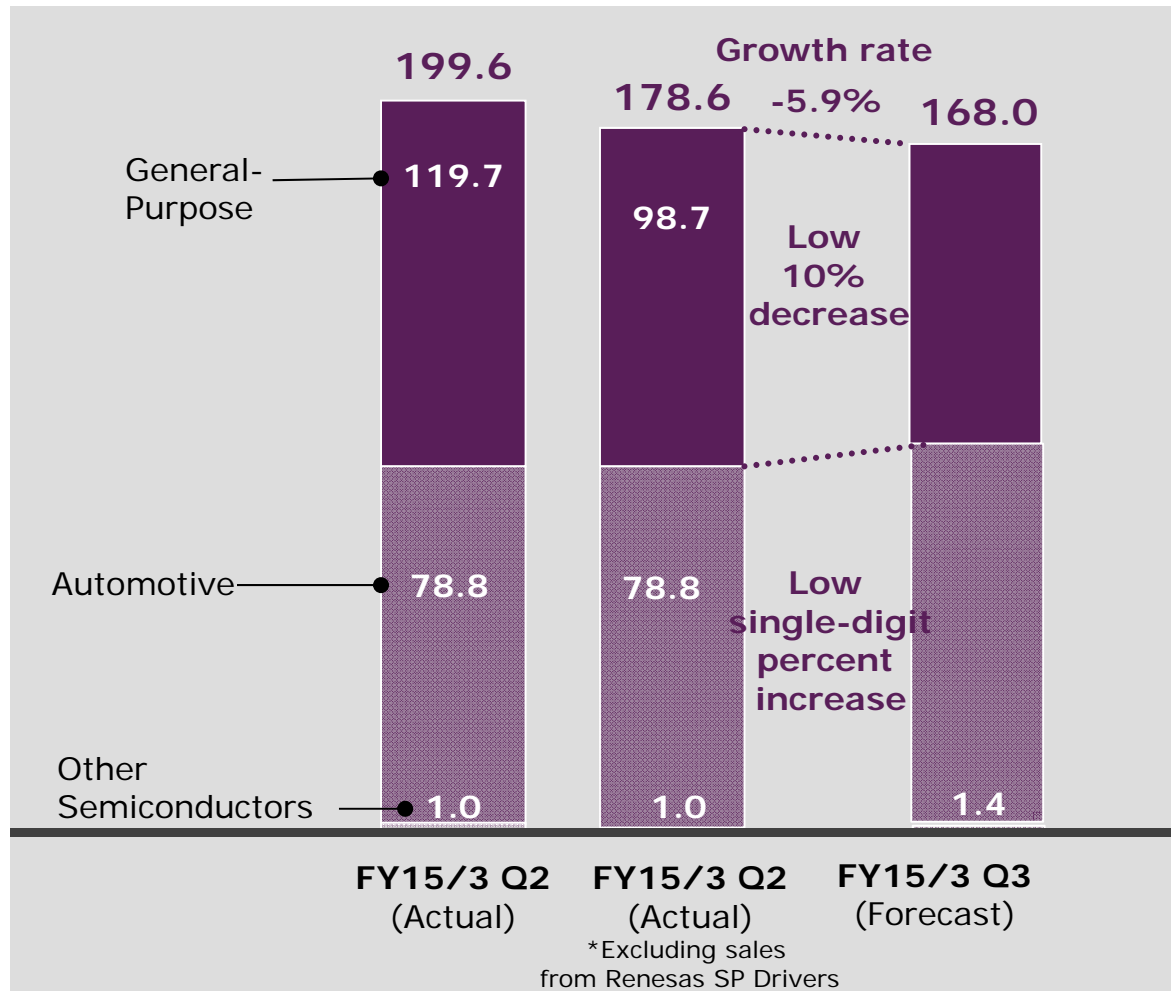
- Though Q3 sales and profit decreased QoQ, gross profit ratio continued to be flat



FY15/3 Q3

Semiconductor Sales Forecast (QoQ / B yen)

- Excluding sales from Renesas SP Drivers, sales of Automotive are expected to increase by low single-digit percent QoQ supported by steady market demands, while sales of General-Purpose are expected to decrease by low 10% QoQ



Major factors affecting Q3 semiconductor sales

General Purpose

- Sales of Industrial/HE are expected to increase QoQ thanks to continuously solid sales of Industrial products
- Sales of OA/ICT and Other General-Purpose products are expected to decrease QoQ mainly due to impact from business withdrawal

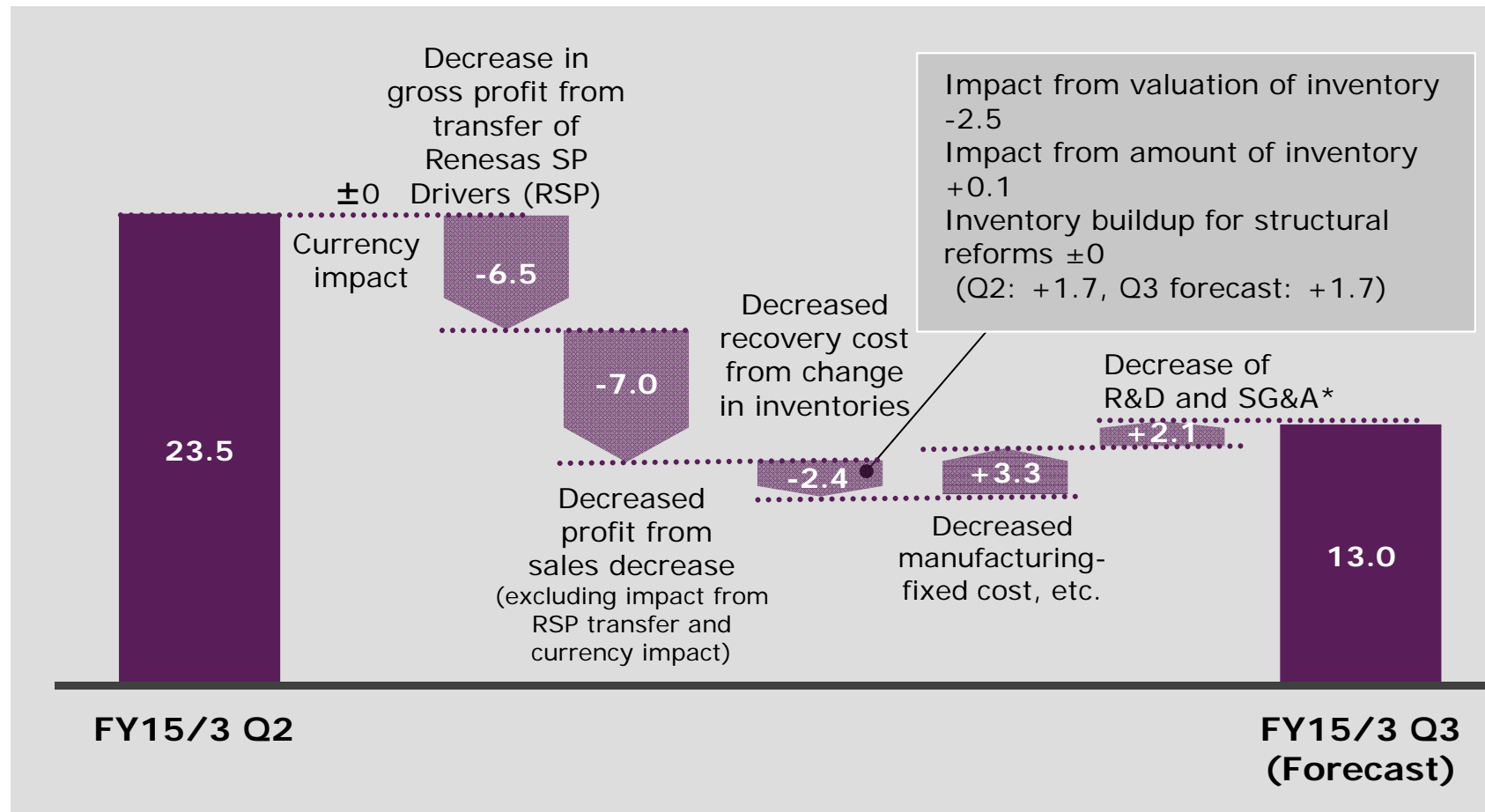
Automotive

- Sales of Automotive Information are expected to decline QoQ, while sales of Automotive Control are expected to increase

FY15/3 Q3

Operating Income (Loss) Forecast (QoQ / B yen)

- Despite a positive impact from fixed-cost reduction measure, operating income is expected to decrease by 10.5 B yen QoQ, mainly due to decreased profit from decrease in sales (sales of Renesas SP Drivers, etc.) and inventories

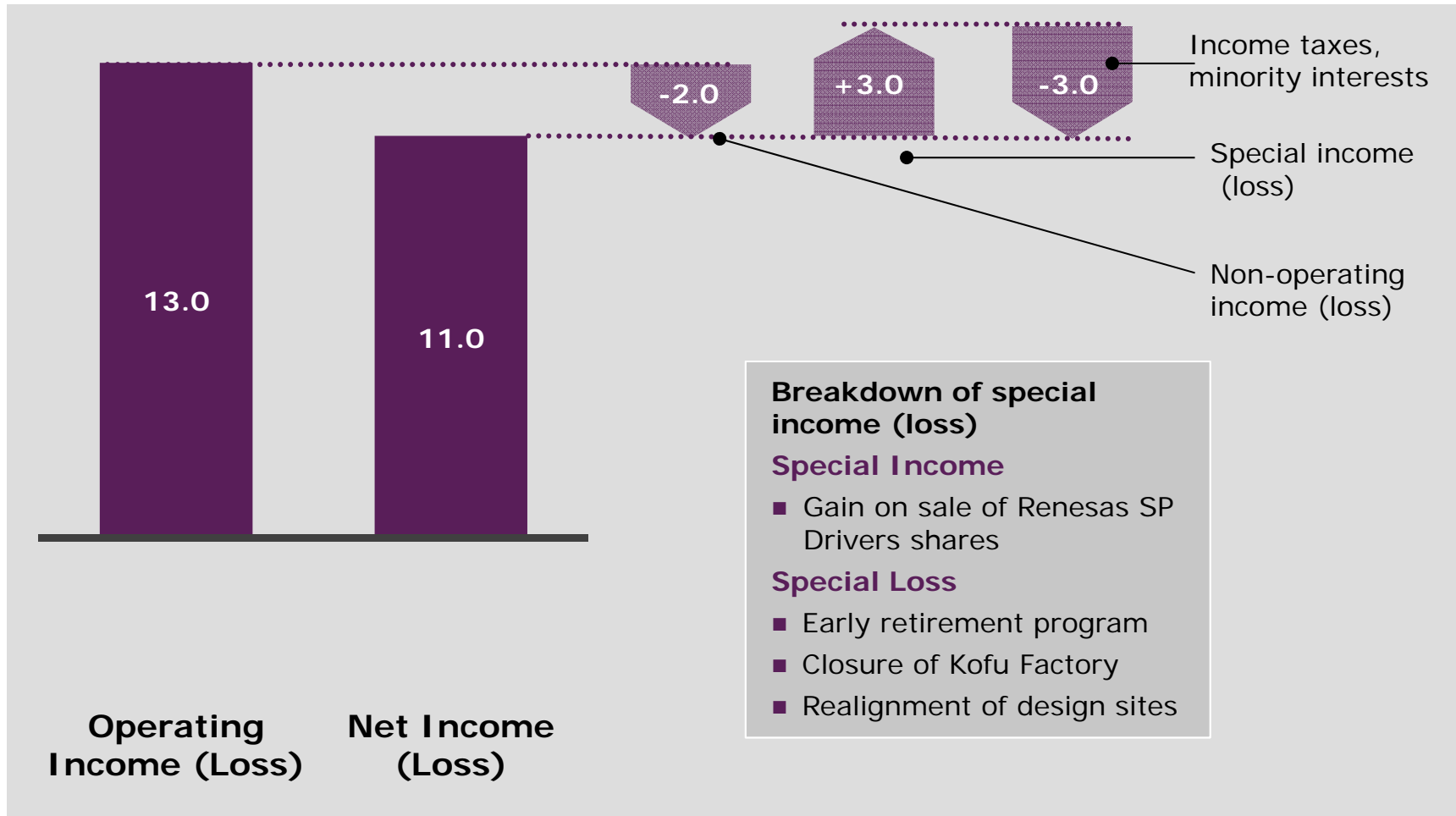


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FY15/3 Q3

Net Income (Loss) Forecast (B yen)

- Expect to achieve net income of 11.0 B yen in Q3, mainly due to special income from sale of Renesas SP Drivers shares, in spite of recording special loss from implementation of early retirement program



(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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