



FY16/3 Q2 Financial Results

Renesas Electronics Corporation
October 30, 2015

FY16/3 Q2 Financial Results

Since FY16/3, Renesas Electronics Group (hereinafter “the Group”) started to disclose Non-GAAP financial measures (hereinafter “Non-GAAP basis”) used for management’s decision making. The Group defines the Non-GAAP consolidated financial results as financial accounting figures (hereinafter “GAAP”) excluding non-recurring and other items. The Group believes Non-GAAP operating income is useful information to understand its recurring operating performance.

FY16/3 Q2 Summary of Financial Results

Major factors affecting increase or decrease in Q2 semiconductor sales

■ Semiconductor Sales

Though General-Purpose business was slightly lower, overall semiconductor sales were in line with the Group's expectation

■ Automotive Business

Despite the continuously sluggish Japanese and ASEAN automotive markets, sales of Renesas' Automotive Business increased both YoY and QoQ, thanks to the rebound from the sales decline in Q1

■ General-Purpose Business

Although sales of OA/ICT improved due to seasonal and temporary increases in demand, overall sales of General-Purpose business decreased both YoY and QoQ, impacted by a downturn in sales from both non-focus and industrial products

Major factors affecting increase or decrease in Q2 profit

■ Gross Margin

Improved YoY mainly due to cost reductions, cost improvement of General-Purpose products and positive currency impact and also QoQ mainly due to sales increase from improved profit and temporary improvement factors including inventory buildup as a result of withdrawal from non-core businesses

■ Operating Income

Improved YoY thanks to improved gross margin, but decreased QoQ due in part to seasonal cost increases at the end of first half and the strengthening of R&D*¹ investments

*1 R&D: Research & Development

FY16/3 Q2 Financial Snapshot

Net sales were in line with the Group's expectation

Though gross margin improved YoY, QoQ and from the previous forecasts, part of this growth was supported by temporary improvement factors

YoY and QoQ results as well as the Difference from previous forecasts of the Net Sales and Semiconductor Sales are rounded off to one decimal place .

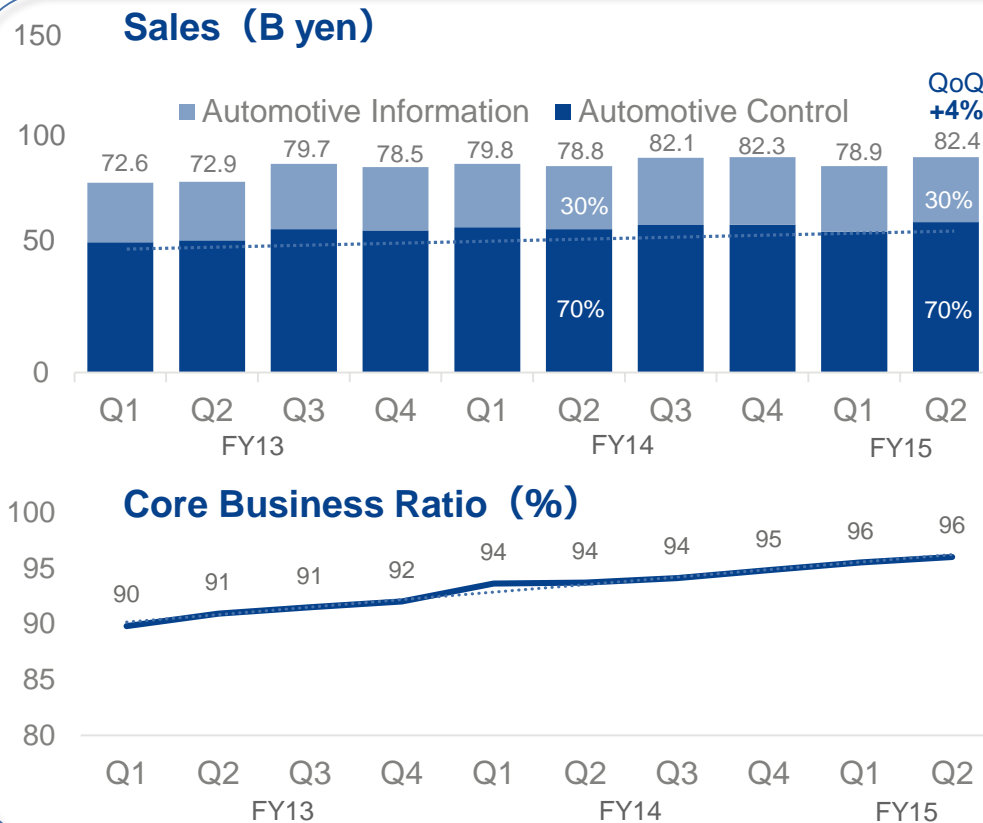
(B Yen)	FY15/3	FY16/3					1H
	Q2	Q1	Q2	YoY	QoQ	Difference from previous forecasts	
Net Sales	207.7	179.3	181.4	-13%	+1%	-2%	360.7
Semiconductor sales	199.6	174.5	177.0	-11%	+1%	-1%	351.5
Gross Margin	39.3%	44.5%	47.1%	+7.8Pts.	+2.6Pts.	+4.0Pts.	45.8%
Operating Income (Margin)	23.5 (11.3%)	32.4 (18.0%)	30.7 (16.9%)	+7.2 (+5.6Pts.)	-1.6 (-1.1Pts.)	+4.1 (+2.5Pts.)	63.1 (17.5%)
Net Income Attributable to Shareholders of Parent Company	13.9	29.9	27.5	+13.6	-2.3	+13.4	57.4
EBITDA*1	40.0	47.7	46.3	+6.2	-1.5	+4.1	94.0
1 US\$ =	102 yen	120 yen	123 yen	21 yen weak	3 yen weak	1 yen weak	122 yen
1 Euro =	138 yen	131 yen	137 yen	1 yen strong	6 yen weak	2 yen weak	134 yen

*1 EBITDA: Operating income + Depreciation and amortization + Amortization of long-term prepaid expenses

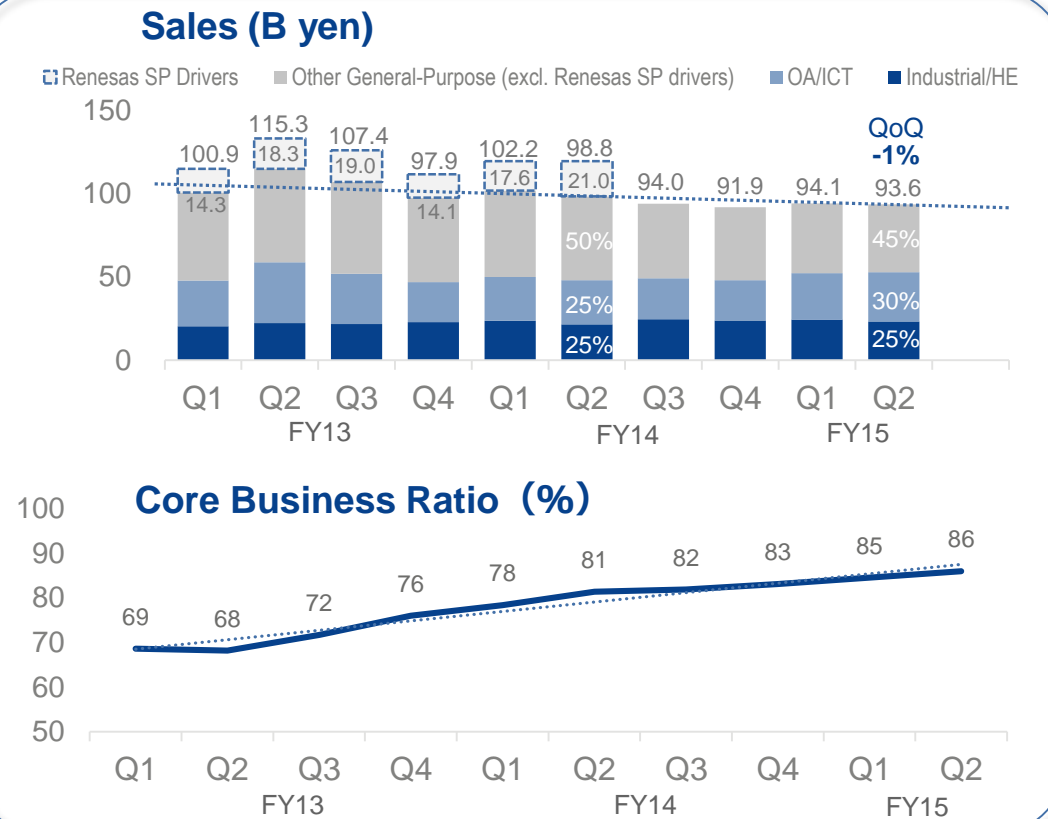
Semiconductor Sales by Business (Non-GAAP Basis *1)

Sales of Automotive Business increased both YoY and QoQ, supported by rebound from the sales decline in Q1
 Sales of General-Purpose Business decreased both YoY and QoQ as a result of the structural reforms and slowdown of the industrial products

Automotive Business



General-Purpose Business

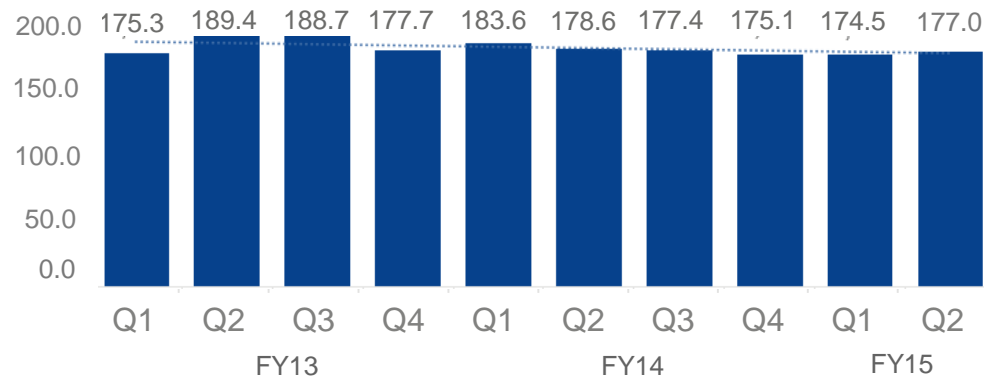


*1 Non-GAAP; Results excluding the impacts of sales and profit (loss) of Renesas SP Drivers, impacts of profit (loss) of LTE modem business and profit (loss) from inventory buildup

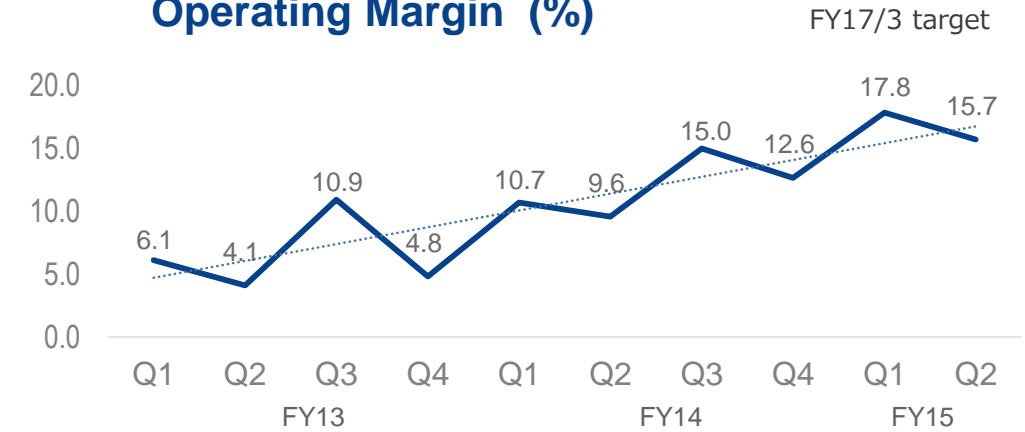
Quarterly Financial Results (Non-GAAP Basis)

Gross margin increased from temporary factors

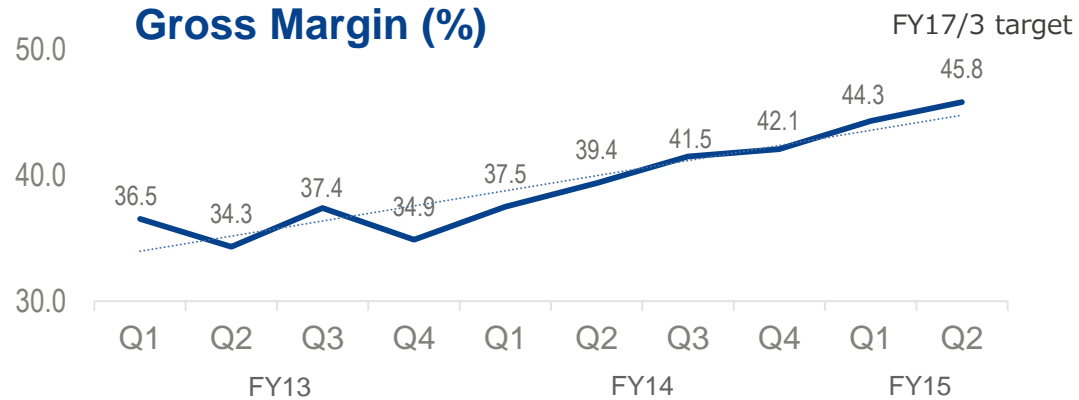
Semiconductor Sales (B Yen)



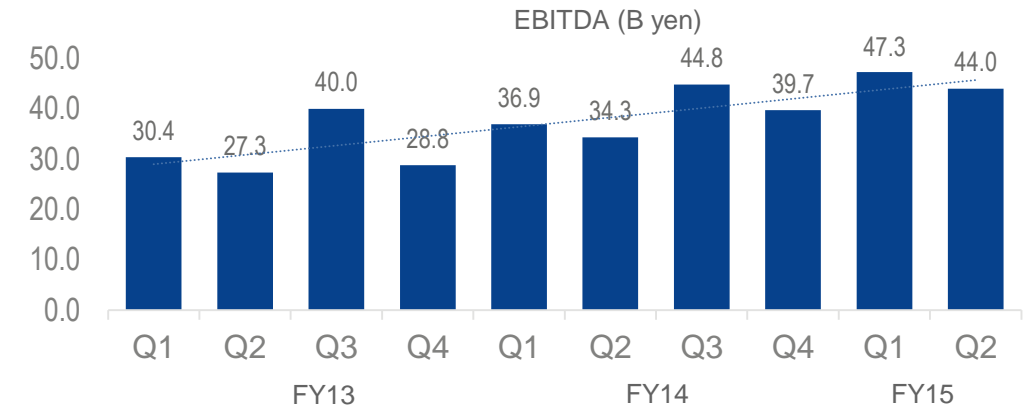
Operating Margin (%)



Gross Margin (%)



EBITDA (B yen)



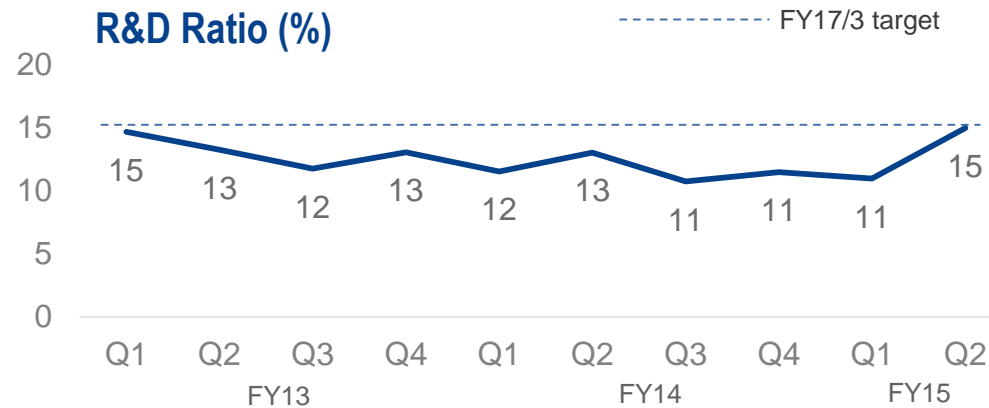
Trends in R&D and SG&A Results (Non-GAAP Basis)

The R&D increased QoQ from development of focus domains and SG&A^{*1} was flat QoQ

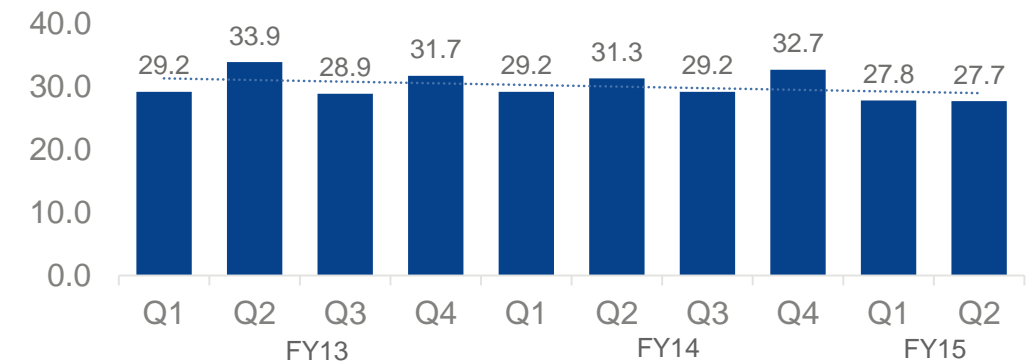
R&D (B yen)



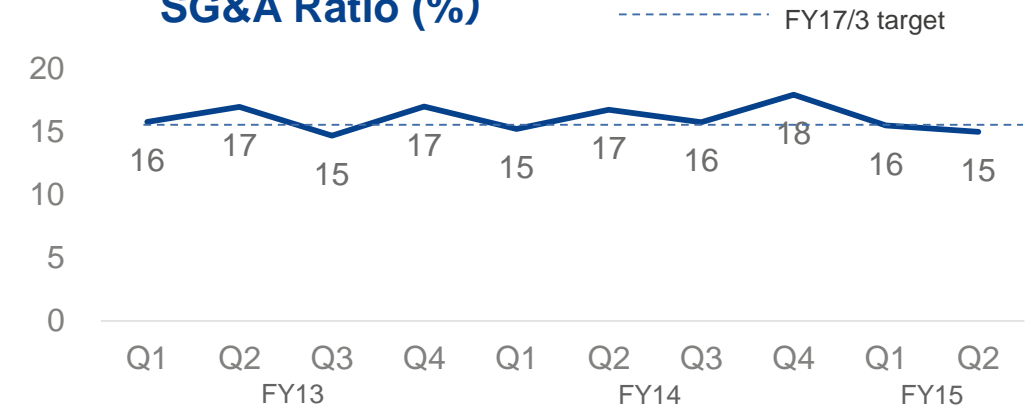
R&D Ratio (%)



SG&A (B yen)



SG&A Ratio (%)



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

FY16/3 Q3 Consolidated Forecasts

FY16/3 Q3 Summary of Forecasts

Major factors affecting increase or decrease in Q3 semiconductor sales

■ Semiconductor Sales

Expect to decrease by 10% QoQ

■ Automotive Business

Automotive market is expected to remain uncertain due to sluggish sales in Japan and ASEAN regions

Sales of Automotive Control are expected to decrease by mid single-digit percent QoQ

Sales of Automotive Information are expected to decrease by low teen percent QoQ due to slump in non-genuine car navigation and car audio systems

■ General Purpose Business

Expect to decrease by mid teen percent QoQ, due to rebound of the temporary sales increase of OA/ICT in Q2 and the continuing withdrawal from non-focus businesses in the Other General Purpose segment

Major factors affecting increase or decrease in Q3 profit

■ Gross Margin

Expected to drop by 8.8 points QoQ due to the decrease in sales, negative currency impact; and rebound of the positive temporary factors that contributed to the gross margin increases in the first half

■ Operating Income

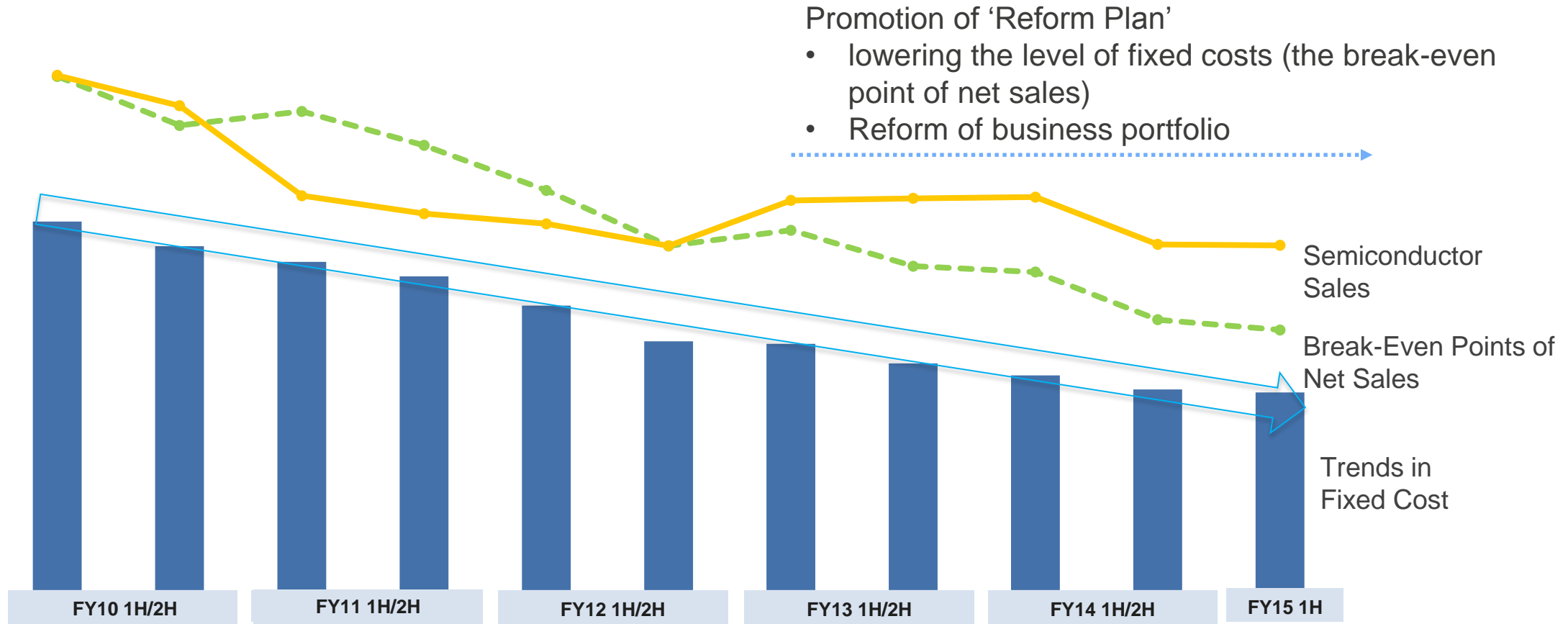
While there will be no seasonal cost increases as of the end of the fiscal term, Q3 operating income is expected to decrease from downturn in gross profit

FY16/3 Q3 Financial Forecasts

(B Yen)	FY15/3	FY16/3				
	Q3	Q2	Q3	YoY	QoQ	9 months cumulative
Net Sales	191.9	181.4	163.0	-15.1%	-10.1%	523.7
Semiconductor Sales	177.4	177.0	159.0	-10.4%	-10.2%	510.5
Gross Margin	40.9%	47.1%	38.4%	-2.6Pts.	-8.8Pts.	43.5%
Operating Income (Margin)	29.5 (15.3%)	30.7 (16.9%)	14.0 (8.6%)	-15.5 (-6.8Pts.)	-16.7 (-8.3Pts.)	77.1 (14.7%)
Net Income Attributable to Shareholders of Parent Company	38.2	27.5	5.5	-32.7	-22.0	62.9
EBITDA	46.5	46.3	29.5	-17.0	-16.8	123.5
1 US\$ =	110 yen	123 yen	117 yen	6 yen weak	7 yen strong	120 yen
1 Euro =	140 yen	137 yen	130 yen	10 yen strong	7 yen strong	133 yen

Becoming Resistant to Market Volatility

Shift to low volatility market while strengthening financial base to become more resistant to market volatility by lowering the break-even point through fixed-cost reduction



APPENDIX

GAAP/Non-GAAP Reconciliation

(B Yen)	FY14/03				FY15/03				FY16/03	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Semiconductor Sales (GAAP) ①	189.6	207.7	207.6	191.8	201.2	199.6	177.4	175.1	174.5	177.0
Renesas SP Drivers*1 ②	-14.3	-18.3	-19.0	-14.1	-17.6	-21.0	-	-	-	-
Semiconductor Sales (Non-GAAP) ①+②	175.3	189.4	188.7	177.7	183.6	178.6	177.4	175.1	174.5	177.0
Gross Profit (GAAP) ①	72.7	77.9	84.0	75.2	80.5	81.6	78.6	78.1	79.8	85.5
Renesas SP Drivers ②	-5.2	-6.6	-6.9	-4.4	-6.0	-6.4	-	-	-	-
Inventory Buildup*2 ③	-	-2.8	-3.6	-5.8	-2.6	-1.7	-1.7	-1.4	-0.4	-2.3
Gross Profit (Non-GAAP) ①+②+③	67.5	68.5	73.6	65.0	71.9	73.5	76.9	76.7	79.4	83.2
Operating Income(GAAP) ①	9.8	10.9	30.0	17.0	27.0	23.5	29.5	24.4	32.4	30.7
Renesas SP Drivers ②	-3.8	-4.7	-4.9	-2.2	-3.9	-4.0	-	-	-	-
LTE Modem Business*2 ③	5.2	4.8	-	-	-	-	-	-	-	-
Inventory Buildup ④	-	-2.8	-3.6	-5.8	-2.6	-1.7	-1.7	-1.4	-0.4	-2.3
Operating Income (Non-GAAP) ①+②+③+④	11.2	8.1	21.5	9.0	20.5	17.9	27.8	23.0	32.0	28.4
R & D (RSP)	1.1	1.5	1.6	1.8	1.8	1.9	-	-	-	-
SG & A (RSP)	0.3	0.3	0.4	0.4	0.3	0.5	-	-	-	-
R & D (LTE modem business)	4.3	3.8	-	-	-	-	-	-	-	-
SG & A (LTE modem business)	0.9	0.9	-	-	-	-	-	-	-	-

*1 Renesas SP Drivers: Sales and operating income (loss) of the former Renesas SP Drivers, which was transferred on October 1, 2014

*3 LTE Modem Business: R&D and SG&A used for the LTE modem business, which was transferred on October 1, 2013

*2 Inventory Buildup: Amount of income (loss) from inventory buildup of the EOL products resulting from realignment of the factories

Balance Sheets

Equity ratio improved up to the 40% range

(B Yen)	As of Mar. 31, 2015	As of Jun. 30, 2015	As of Sep. 30, 2015
Total Assets	840.1	851.8	866.4
Cash and Cash Equivalents	343.7	368.7	388.1
Inventories	111.4	113.1	116.6
Liabilities	528.2	507.0	506.0
Interest-Bearing Debt	259.7	259.4	254.8
Shareholders' Equity	277.8	307.7	335.3
Net Assets	311.9	344.7	360.4
D/E Ratio (Gross)	0.84	0.76	0.71
Equity Ratio	36.8%	40.2%	41.3%

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

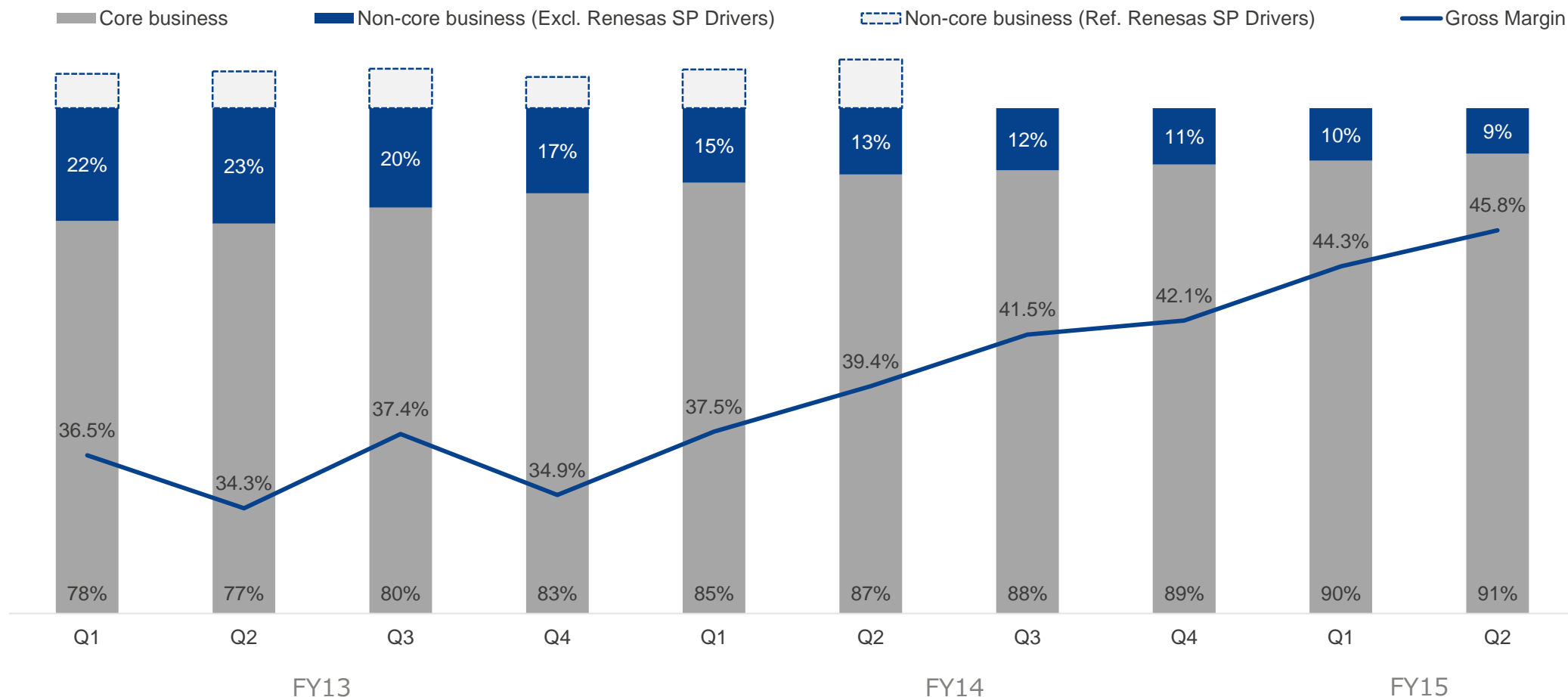
Cash Flows

(B Yen)	FY15/3				FY16/3	
	Q1	Q2	Q3	Q4	Q1	Q2
Cash Flows from Operating Activities	2.0	49.5	41.0	24.2	31.5	45.1
Cash Flows from Investing Activities	-10.9	-14.9	7.2	-8.0	-5.4	-12.0
Free Cash Flows	-8.9	34.7	48.2	16.2	26.2	33.1

Trends in Core and Non-Core Business Sales Ratio and Gross Margin (Non-GAAP Basis)

Non-GAAP

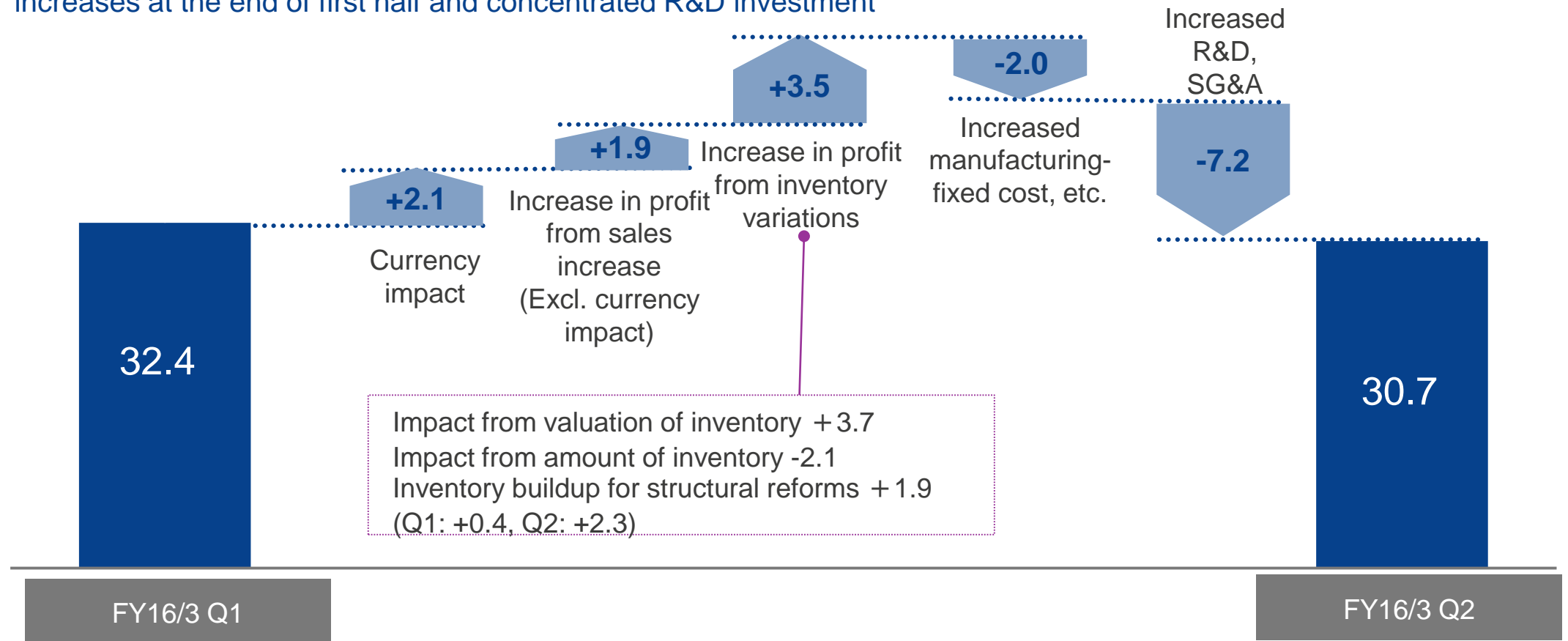
Continuously improving gross margin through structural reforms and reforming business structure to become resistant to market volatility



FY16/3 Q2 Operating Income

QoQ (B yen)

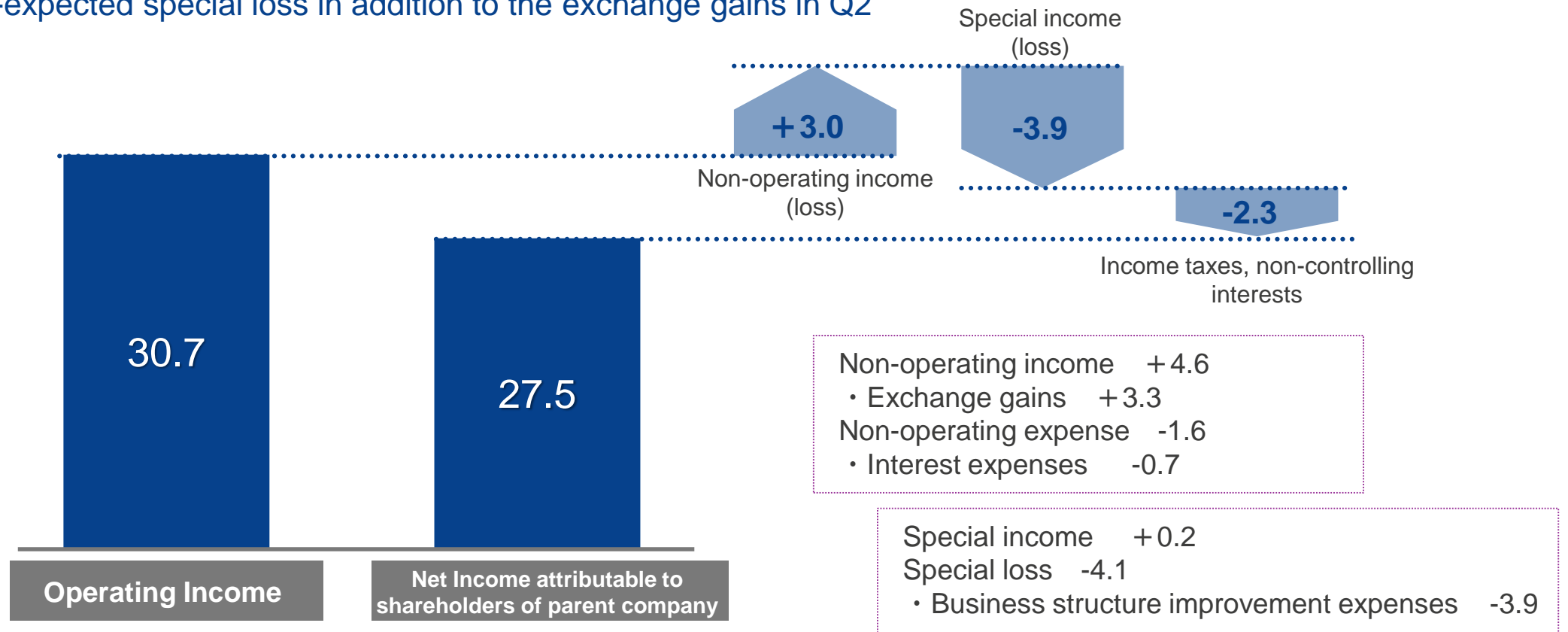
- Q1 operating profit decreased by 1.7 B yen QoQ, mainly due to seasonal cost increases at the end of first half and concentrated R&D investment



FY16/3 Q2 Net Income Attributable to Shareholders of Parent Company

(B Yen)

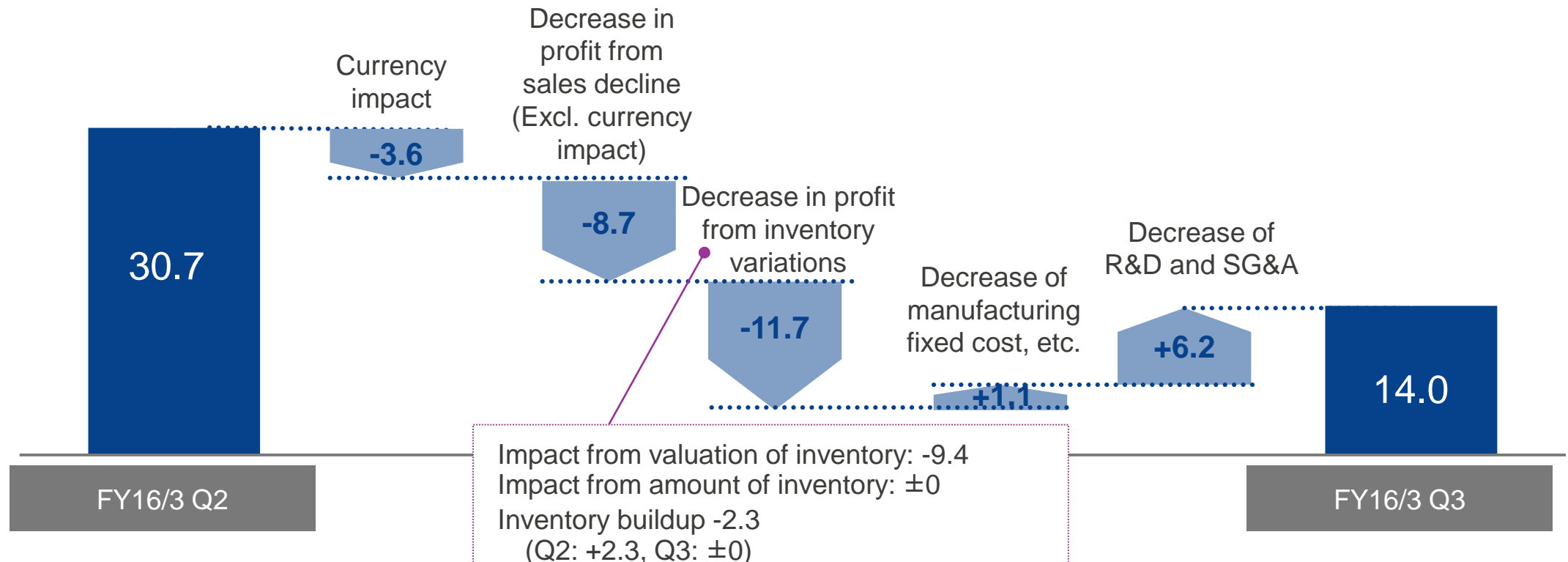
- Recorded net income attributable to shareholders of parent company of 27.5 B yen due to lower-than-expected special loss in addition to the exchange gains in Q2



FY16/3 Q3 Operating Income Forecast

QoQ (B Yen)

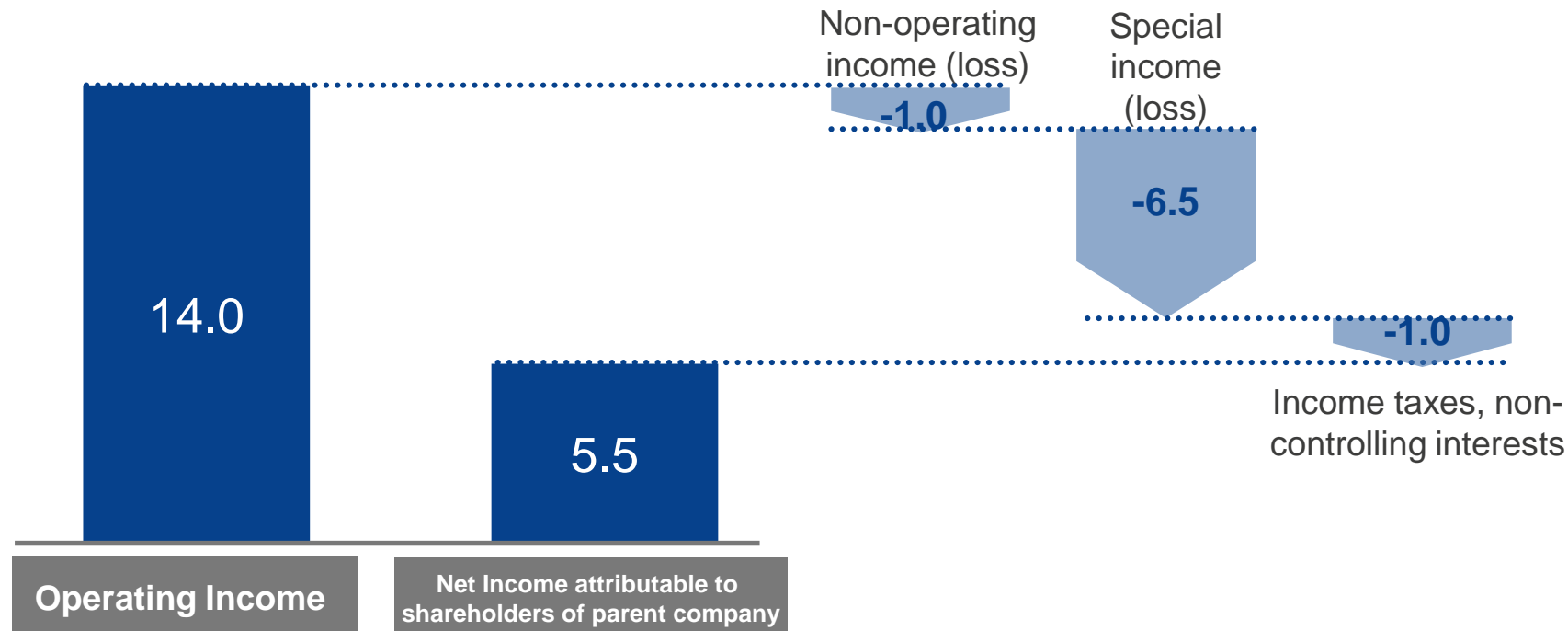
- Despite seasonal cost increases at the end of the first half, operating income is expected to decrease by 16.7 B yen QoQ, due to decrease in profit from inventory variations, decrease in profit from sales decline and negative currency impact



FY16/3 Q3 Net Income Attributable to Shareholders of Parent Company Forecast

(B yen)

- Expect to achieve net income attributable to shareholders of parent company of 5.5 B yen in Q3, mainly due to special loss from manufacturing-related structural reforms



(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.