

FY16/12 Q2 FINANCIAL RESULTS

RENESAS ELECTRONICS CORPORATION
November 2, 2016

FY16/12 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.

Renesas Electronics Group implemented a change of the fiscal term in which the fiscal year-end will change from March 31 to December 31 starting from the fiscal year 2016. The current fiscal year (fiscal year ending December 31, 2016) in which the transition to the new accounting period is to take place, will comprise the financial results for the nine months from April 1, 2016, to December 31, 2016.

FY16/12 Q2 FINANCIAL SNAPSHOT

YoY and QoQ results as well as the Change from Aug. 10 FCT of the Net Sales and Semiconductor Sales are rounded off to one decimal place

(B yen)	FY16/3	FY16/12						1H
	Q2	Q1	Q2 Forecasts	Q2	YoY	QoQ	Change from Aug.10 FCT	
Net Sales	181.4	152.0	149.0	152.6	-15.9%	+0.4%	+2.4%	304.6
Semiconductor Sales	177.0	147.5	145.0	148.3	-16.2%	+0.5%	+2.3%	295.8
Gross Margin	47.1%	42.8%	38.9%	41.2%	-5.9Pts.	-1.6Pts.	+2.4Pts.	42.0%
Operating Income (Margin)	30.7 (16.9%)	18.6 (12.2%)	7.4 (5.0%)	14.6 (9.5%)	-16.2 (-7.4Pts.)	-4.0 (-2.7Pts.)	+7.1 (+4.5Pts.)	33.1 (10.9%)
Net Income Attributable to Shareholders of Parent Company	27.5	10.0	1.5	9.4	-18.1	-0.6	+7.9	19.4
EBITDA*1	46.3	33.1	21.9	29.5	-16.8	-3.6	+7.5	62.6
1 US\$	123 yen	111 yen	103 yen	104 yen	19 yen strong	7 yen strong	1 yen weak	107 yen
1 Euro	137 yen	124 yen	116 yen	116 yen	21 yen strong	8 yen strong	-	120 yen

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

FY16/12 Q2 HIGHLIGHTS (NON-GAAP BASIS*1)

Results

Semi. Sales ¥148.3 B

QoQ: +0.5%
vs FCT: +2.3%

Gross Margin 42.5%

QoQ: -1.8 Pts.
YoY: -3.3 Pts.

Operating Margin 10.8%

QoQ: -2.9 Pts.
YoY: -4.8 Pts.

Major factors

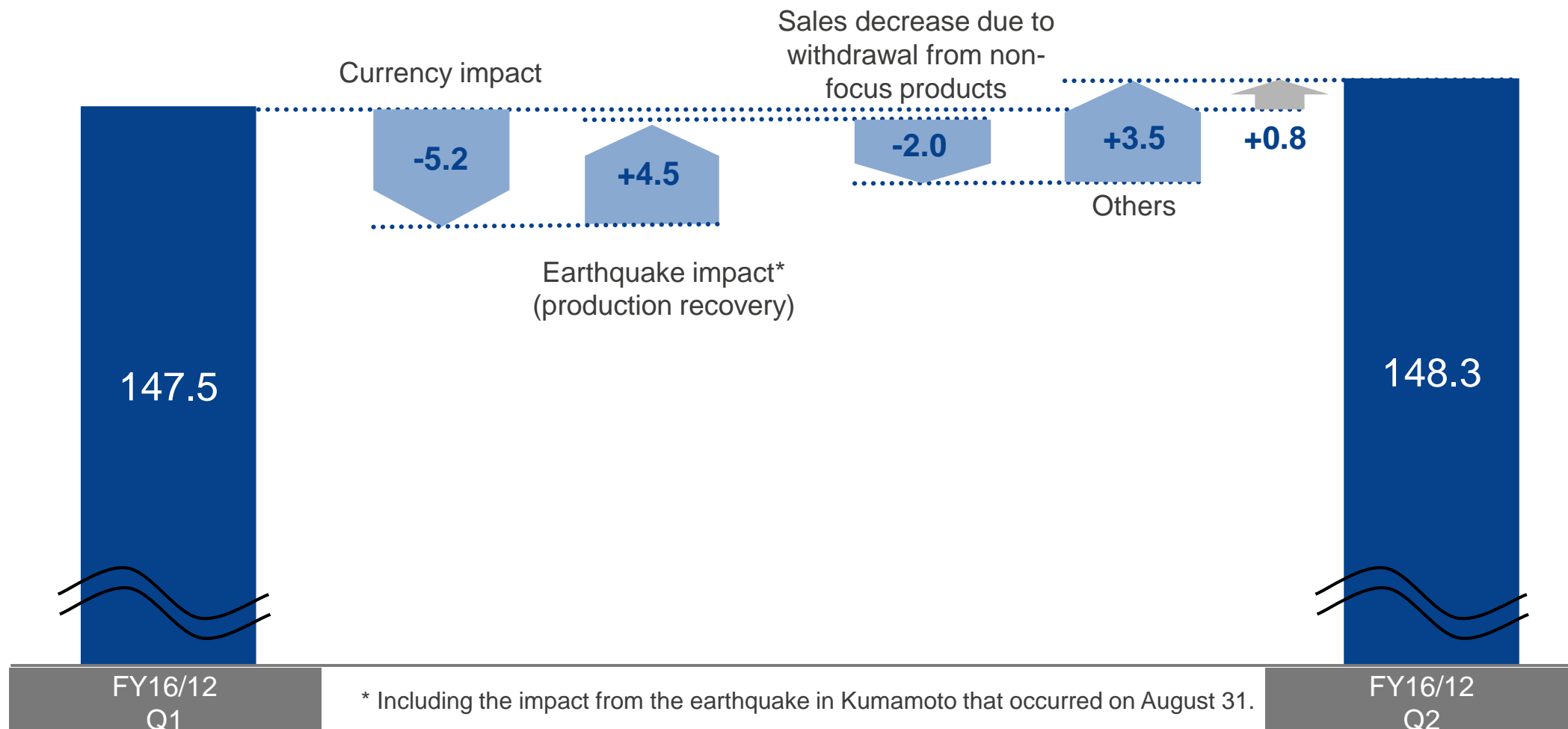
- Slightly increased QoQ due to the reduced earthquake impact supported by solid demand especially of automotive products despite some negative impacts from stronger yen and withdrawal from non-focus products
- Increased versus the previous forecast due to an increase in overall production from the original plan despite some of the negative impacts of the Kumamoto Earthquake at the end of August
- Decreased QoQ due to seasonal cost increases such as increased demand for electricity in the summer
- Decreased YoY due to a stronger yen and a decrease in sales after the earthquake, despite the continuing positive effects of the structural reform measures
- Decreased QoQ due to seasonal cost increases in R&D*2 and SG&A*3, in addition to decreased gross profit
- Decreased YoY, however maintained double-digit margin supported by the effects of structural reform measures

*1 Non-GAAP Basis: 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

*2 R&D : Research & Development *3 SG&A : Selling, general and administrative expenses

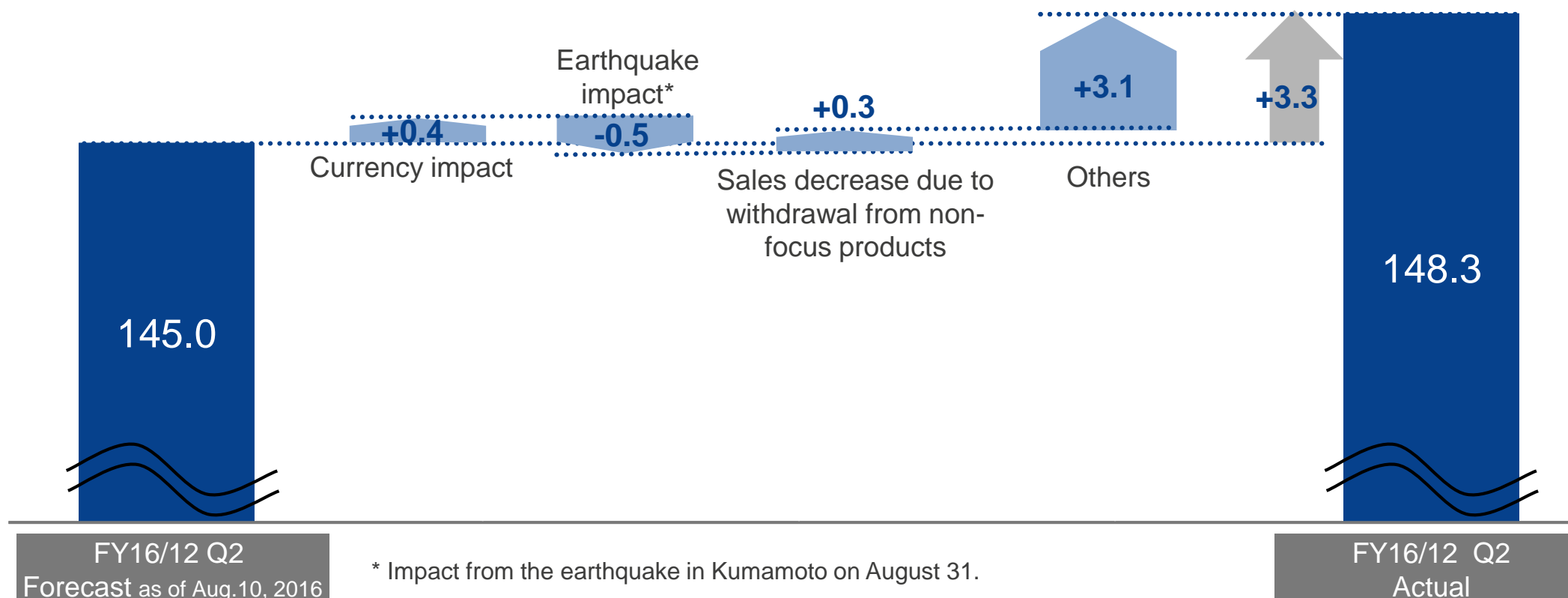
FY16/12 Q2 SEMICONDUCTOR SALES (NON-GAAP BASIS)

QOQ (B YEN)



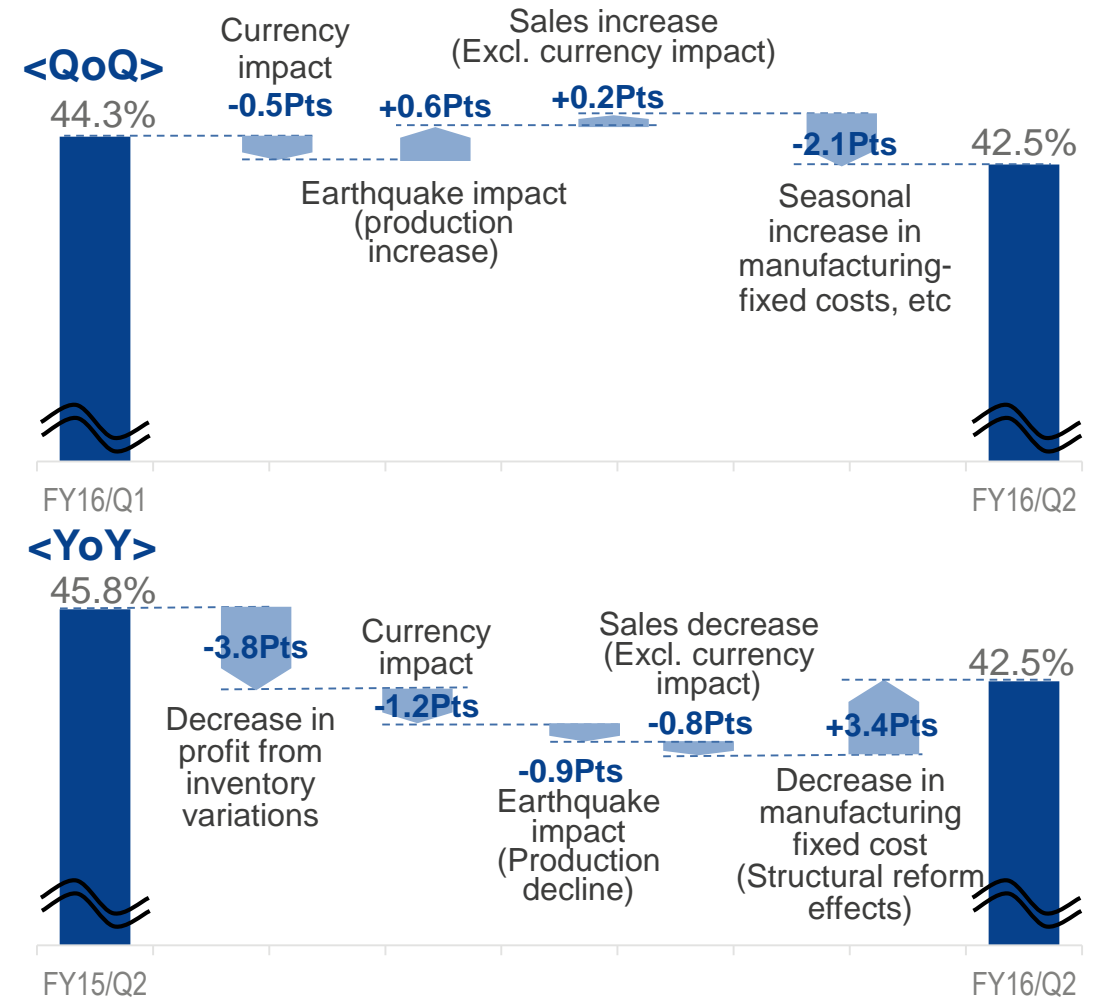
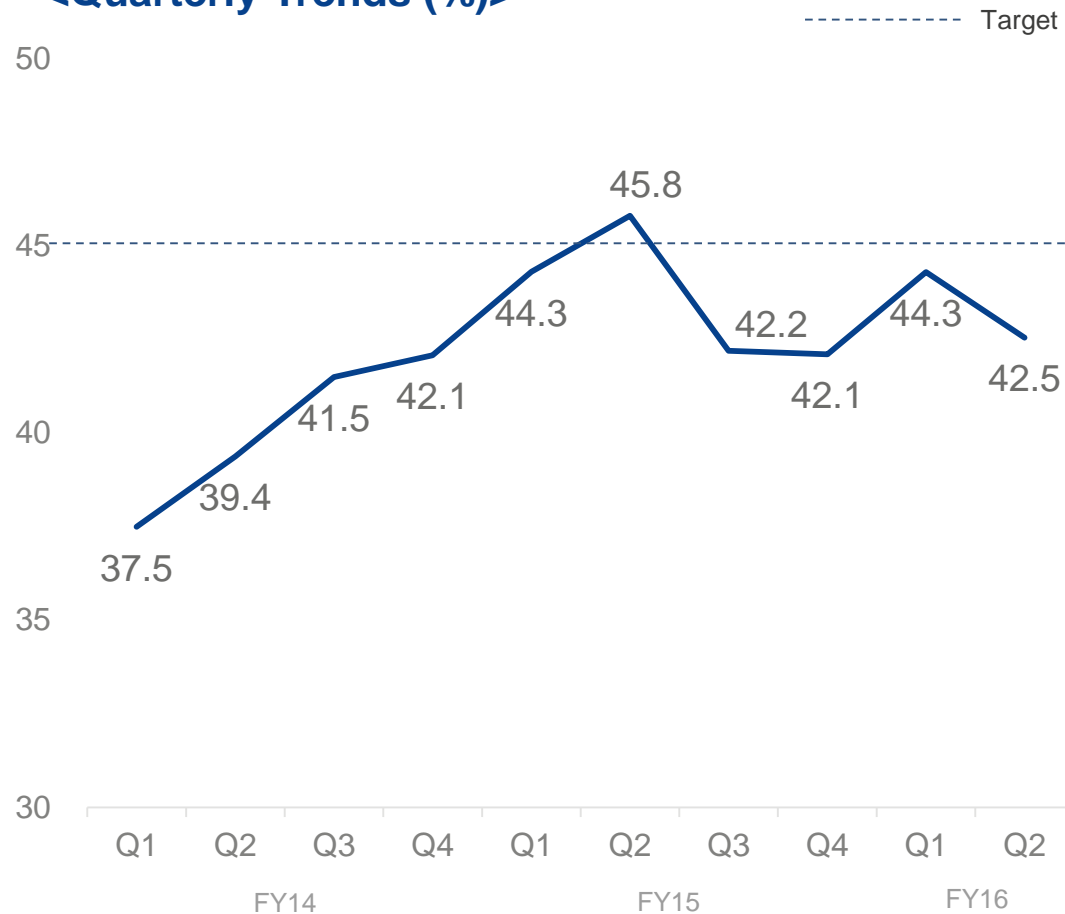
FY16/12 Q2 SEMICONDUCTOR SALES (NON-GAAP BASIS)

CHANGE FROM THE PREVIOUS FORECAST (B YEN)

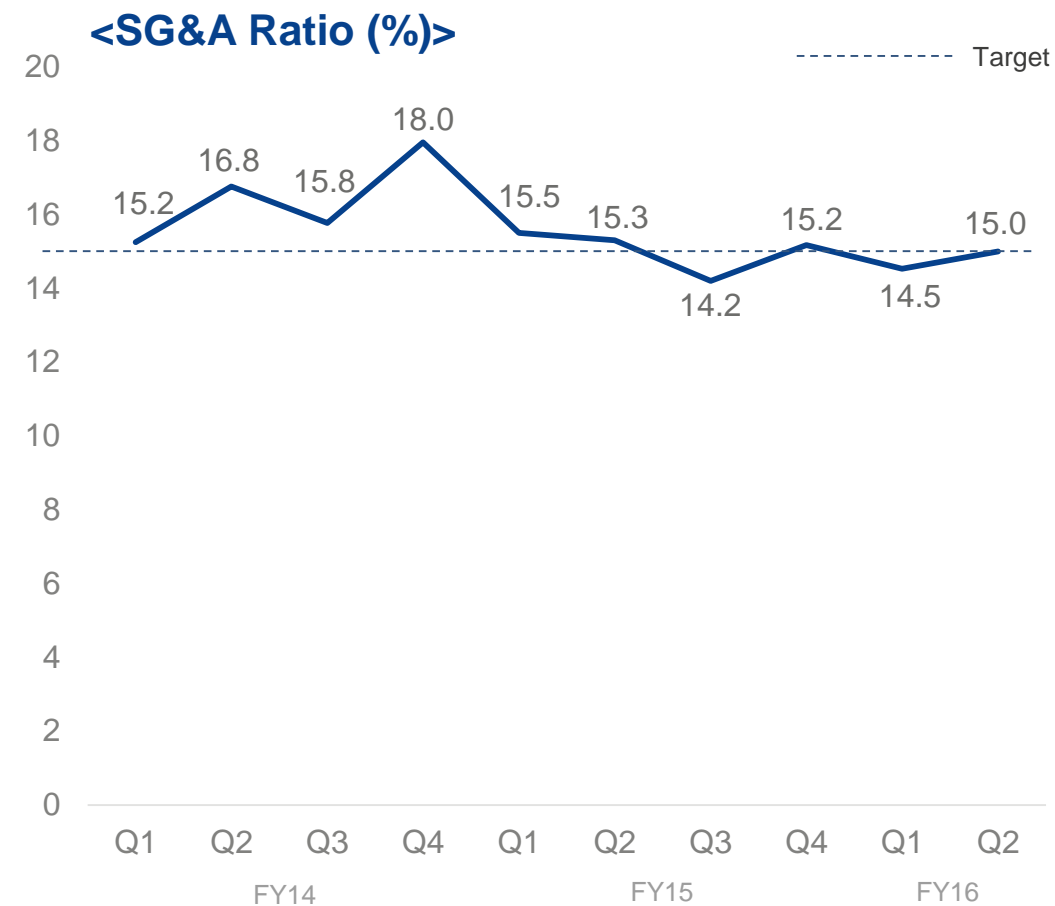
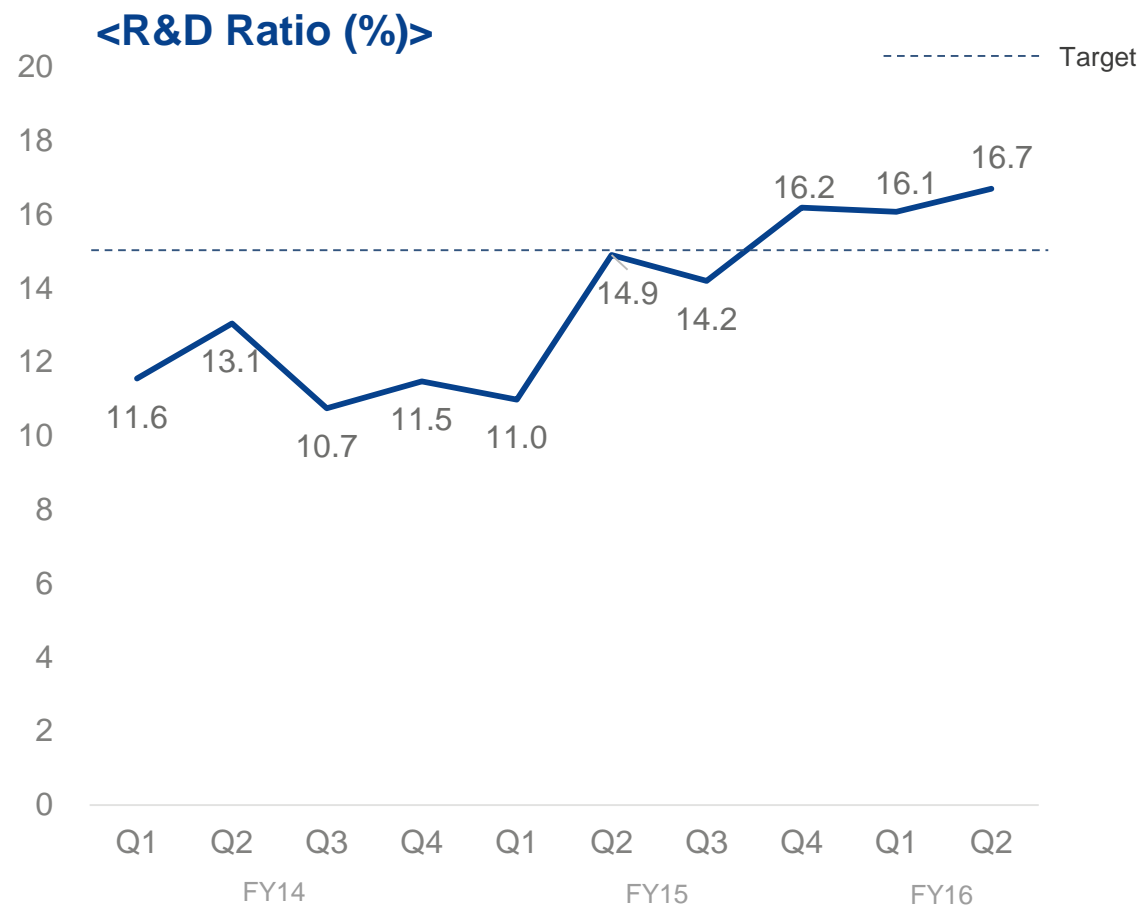


GROSS MARGIN (NON-GAAP BASIS)

<Quarterly Trends (%)>



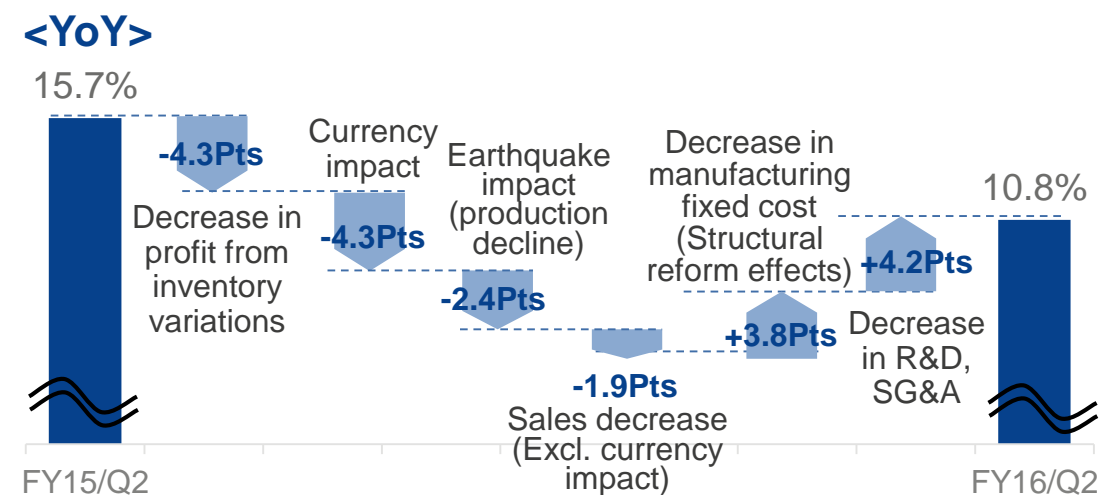
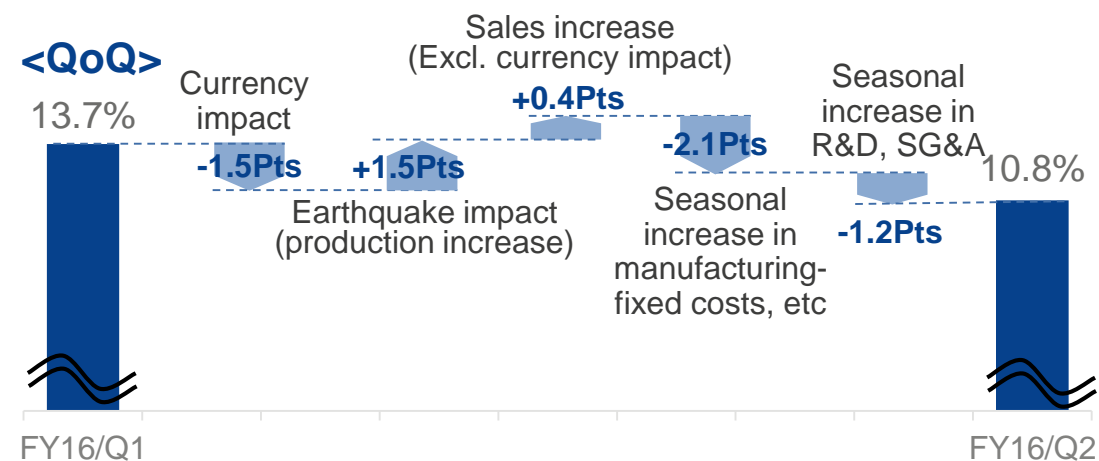
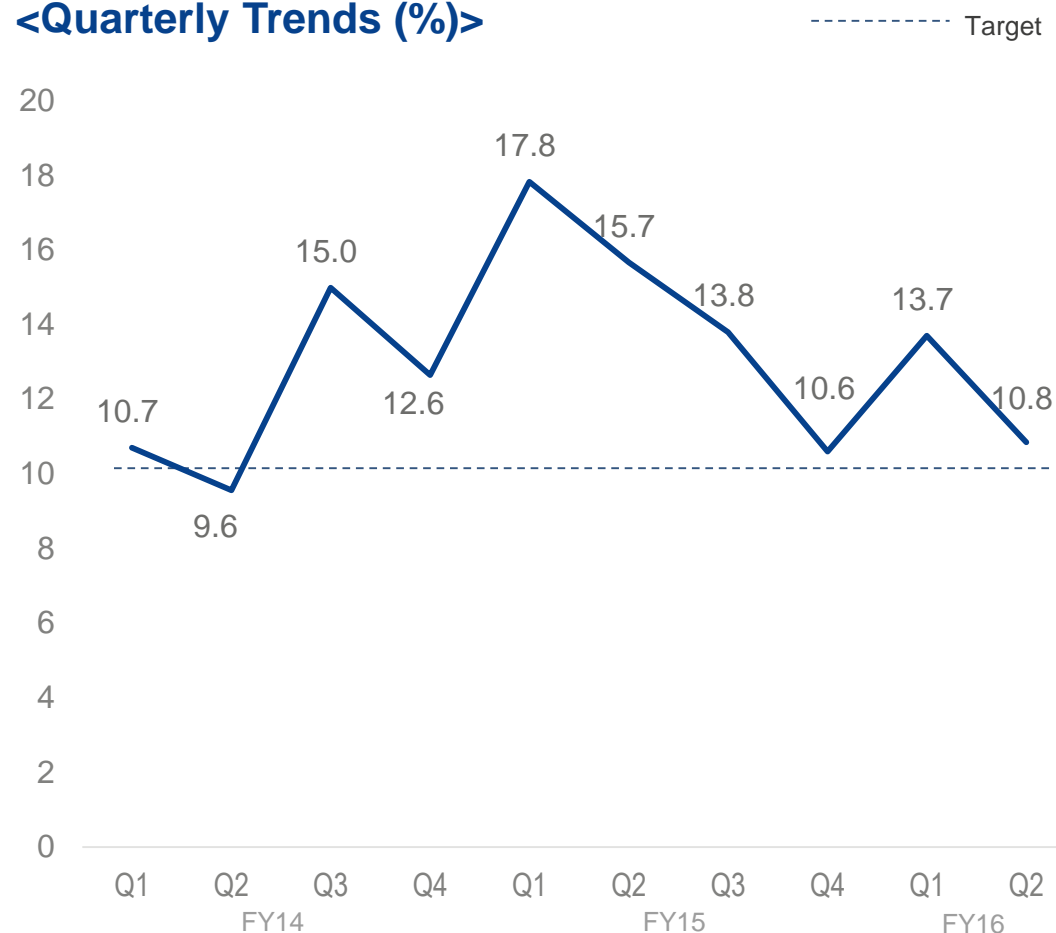
OPEX*1 (NON-GAAP BASIS)



*1 OPEX : Operating expenses such as R&D and SG&A

OPERATING MARGIN (NON-GAAP BASIS)

<Quarterly Trends (%)>



FY16/12 Q3 AND FULL-YEAR FINANCIAL FORECASTS

SUMMARY OF FY16/12 Q3 FINANCIAL FORECASTS

Forecasts

Semi Sales ¥157.2 B
QoQ: +6.0%

Gross Margin 42.8%
QoQ: +1.5 Pts.

Operating Margin 12.9%
QoQ: +3.4 Pts.

Major factors

- Expect to increase QoQ due to less negative impact from the earthquake and increases in production to address solid demand
- Expect to increase QoQ due to an increase in sales
- Expect to increase QoQ due to an increase in gross profit despite expected R&D and SG&A levels of approximately the same amount as the previous quarter

SUMMARY OF FY16/12 FULL-YEAR (APR-DEC 2016) FINANCIAL FORECASTS

Forecasts

Semi Sales ¥453.0 B
YoY: -11.6%

Gross Margin 42.3%
YoY: -2.8 Pts.

Operating Margin 11.6%
YoY: -5.2 Pts.

Major factors

- Expect to decrease YoY due to a stronger yen, withdrawal from non-focus products and negative impact of the earthquake
- Expect both gross profit/margin to decrease linked to the decrease in sales, however, the decrease will be softened by the positive impact of the structural reform measures
- Expect to decrease YoY due to an increase in R&D for stimulating growth, however expect to secure double-digit margin supported by the positive impact of the structural reform measures

Note: Renesas Electronics Group implemented a change of the fiscal term in which the fiscal year-end will change from March 31 to December 31 starting from the fiscal year 2016. The current fiscal year (fiscal year ending December 31, 2016) in which the transition to the new accounting period is to take place, will comprise the financial results for the nine months from April 1, 2016, to December 31, 2016. YoY indicates the comparison with the financial results for the nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)

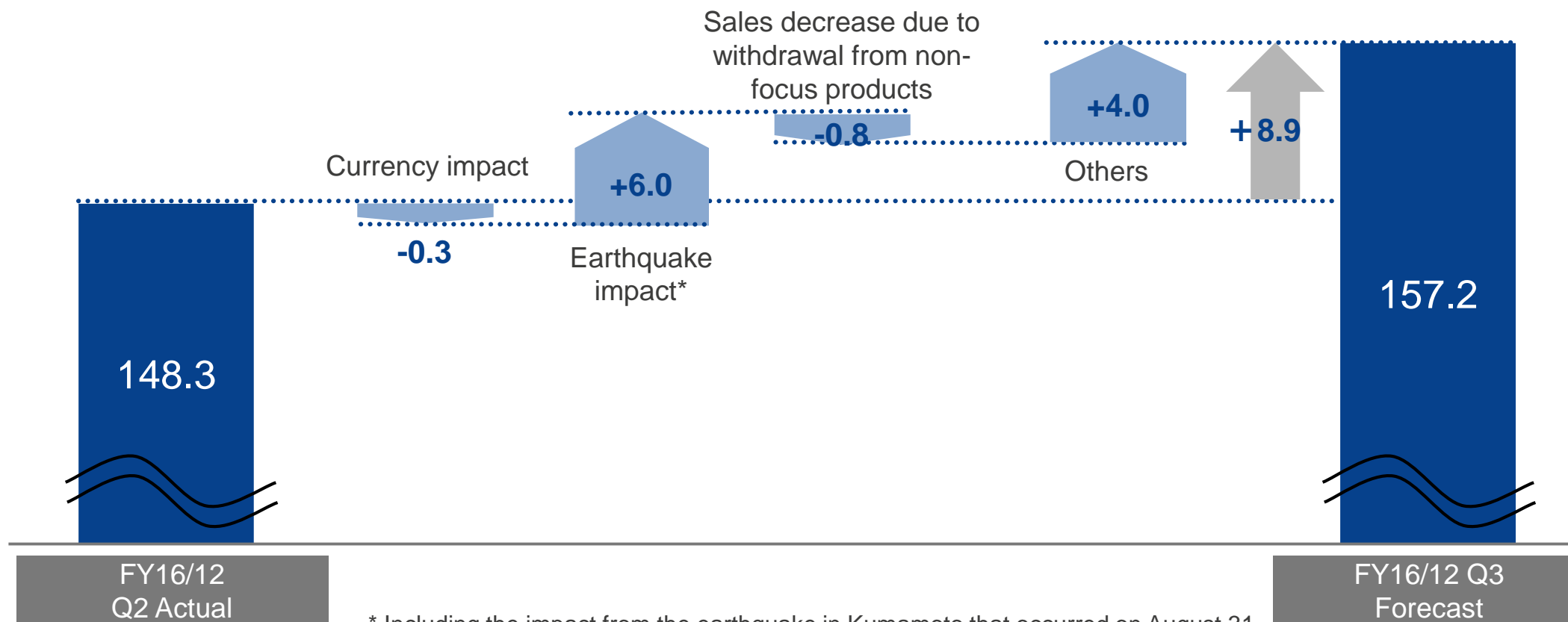
FY16/12 Q3 AND FULL-YEAR FINANCIAL FORECASTS

YoY and QoQ results of the Net Sales and Semiconductor Sales are rounded off to one decimal place

(B yen)	FY16/3		FY16/12				
	Q3	9 months cumulative	Q2	Q3 FCT	YoY	QoQ	Full-Year (9 months) FCT
Net Sales	164.8	525.5	152.6	161.4	-2.1%	+5.7%	466.0
Semiconductor Sales	160.9	512.4	148.3	157.2	-2.3%	+6.0%	453.0
Gross Margin	43.6%	45.1%	41.2%	42.8%	-0.8Pts.	+1.5Pts.	42.3%
Operating Income (Margin)	25.0 (15.1%)	88.1 (16.8%)	14.6 (9.5%)	20.9 (12.9%)	-4.1 (-2.2Pts.)	+6.3 (+3.4Pts.)	54.0 (11.6%)
Net Income Attributable to Shareholders of Parent Company	18.6	76.0	9.4	17.6	-1.0	+8.2	37.0
EBITDA	41.0	134.9	29.5	36.4	-4.6	+6.9	99.0
1 US\$=	121 yen	122 yen	104 yen	104 yen	17 yen strong	-	106 yen
1 Euro=	134 yen	134 yen	116 yen	114 yen	20 yen strong	2 yen strong	118 yen

FY16/12 Q3 SEMICONDUCTOR SALES FORECAST

QoQ (B YEN)



* Including the impact from the earthquake in Kumamoto that occurred on August 31.

APPENDIX

GAAP/NON-GAAP RECONCILIATION

(B Yen)	FY15/03				FY16/03				FY16/12	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Semiconductor Sales (GAAP) ①	201.2	199.6	177.4	175.1	174.5	177.0	160.9	163.2	147.5	148.3
Renesas SP Drivers*1 ②	-17.6	-21.0	-	-	-	-	-	-	-	-
Semiconductor Sales (Non-GAAP) ①+②	183.6	178.6	177.4	175.1	174.5	177.0	160.9	163.2	147.5	148.3
Gross Profit (GAAP) ①	80.5	81.6	78.6	78.1	79.8	85.5	71.8	68.5	65.1	62.9
Renesas SP Drivers ②	-6.0	-6.4	-	-	-	-	-	-	-	-
Inventory Buildup*2 ③	-2.6	-1.7	-1.7	-1.4	-0.4	-2.3	-2.3	+2.1	+2.3	+2.0
Gross Profit (Non-GAAP) ①+②+③	71.9	73.5	76.9	76.7	79.4	83.2	69.5	70.6	67.4	64.9
Operating Income (GAAP) ①	27.0	23.5	29.5	24.4	32.4	30.7	25.0	15.7	18.6	14.6
Renesas SP Drivers ②	-3.9	-4.0	-	-	-	-	-	-	-	-
Inventory Buildup ④	-2.6	-1.7	-1.7	-1.4	-0.4	-2.3	-2.3	+2.1	+2.3	+2.0
Operating Income (Non-GAAP) ①+②+③+④	20.5	17.9	27.8	23.0	32.0	28.4	22.7	17.8	20.9	16.6
R&D (Renesas SP Drivers)	1.8	1.9	-	-	-	-	-	-	-	-
SG&A (Renesas SP Drivers)	0.3	0.5	-	-	-	-	-	-	-	-

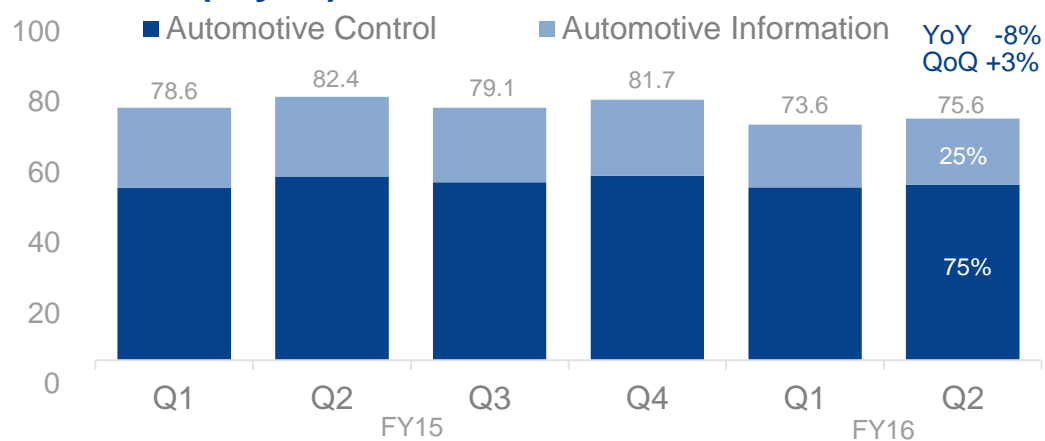
*1 Renesas SP Drivers: Sales and operating income (loss) of the former Renesas SP Drivers, which was transferred on October 1, 2014

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

SEMICONDUCTOR SALES BY BUSINESS (NON-GAAP BASIS)

Automotive Business

Sales (B yen)

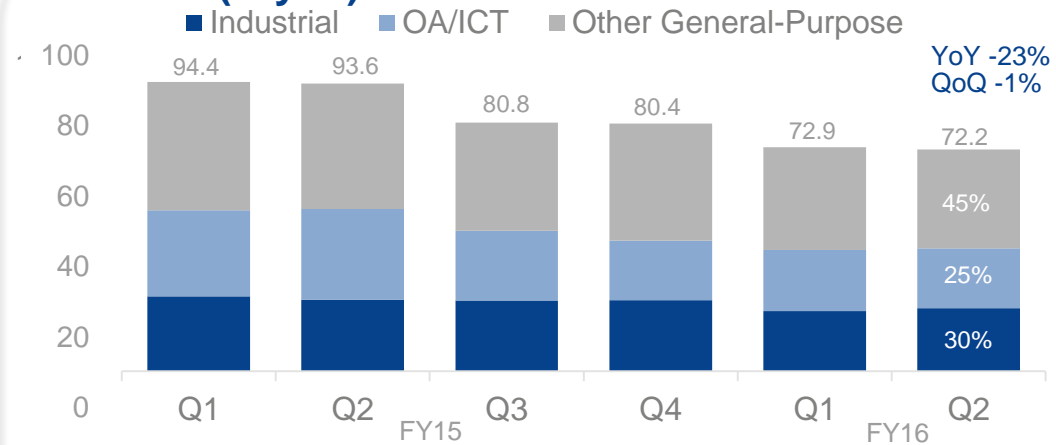


Core Business Ratio (%)



General-Purpose Business

Sales (B yen)

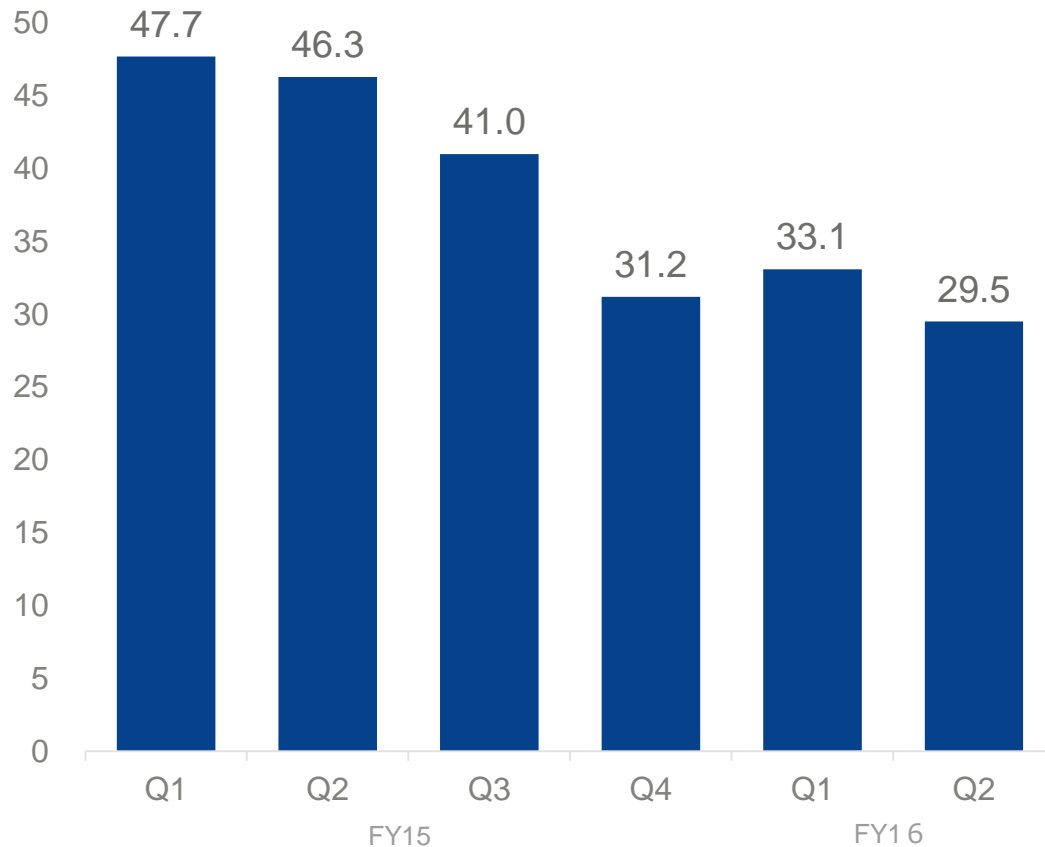


Core Business Ratio (%)

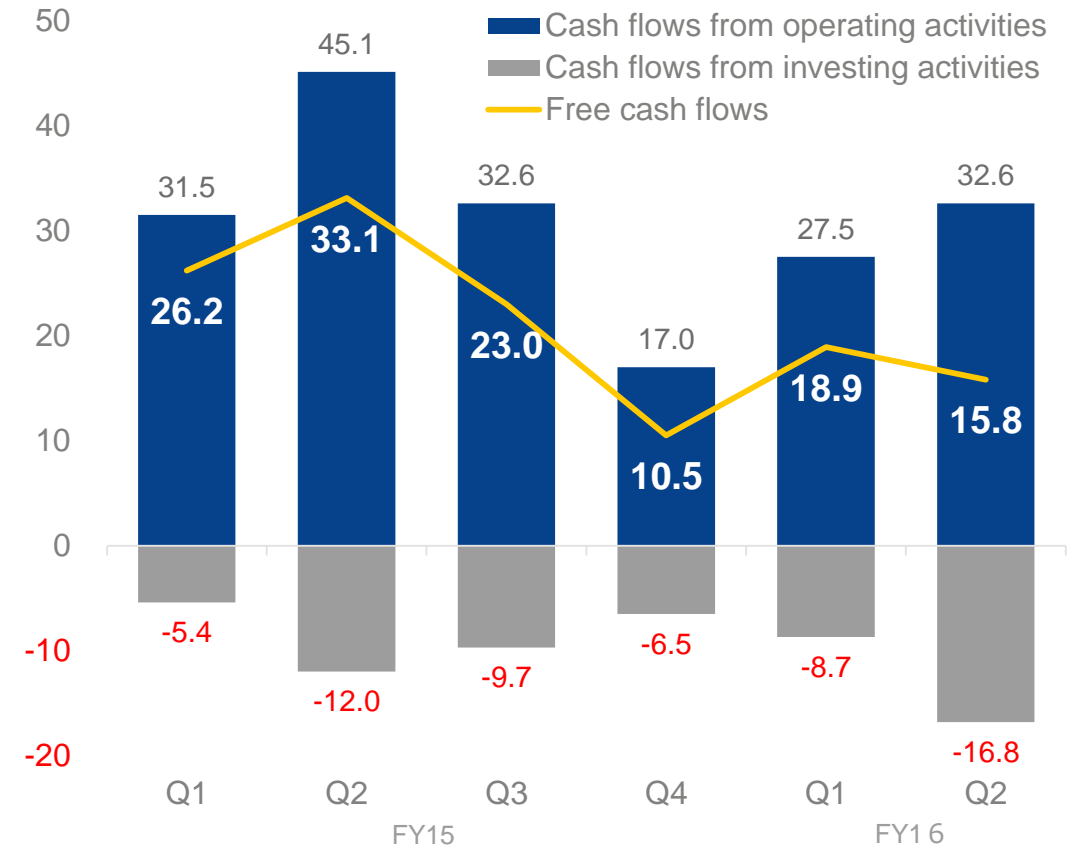


EBITDA AND CASH FLOWS

<EBITDA (B yen)>



<Cash Flows (B yen)>



BALANCE SHEETS

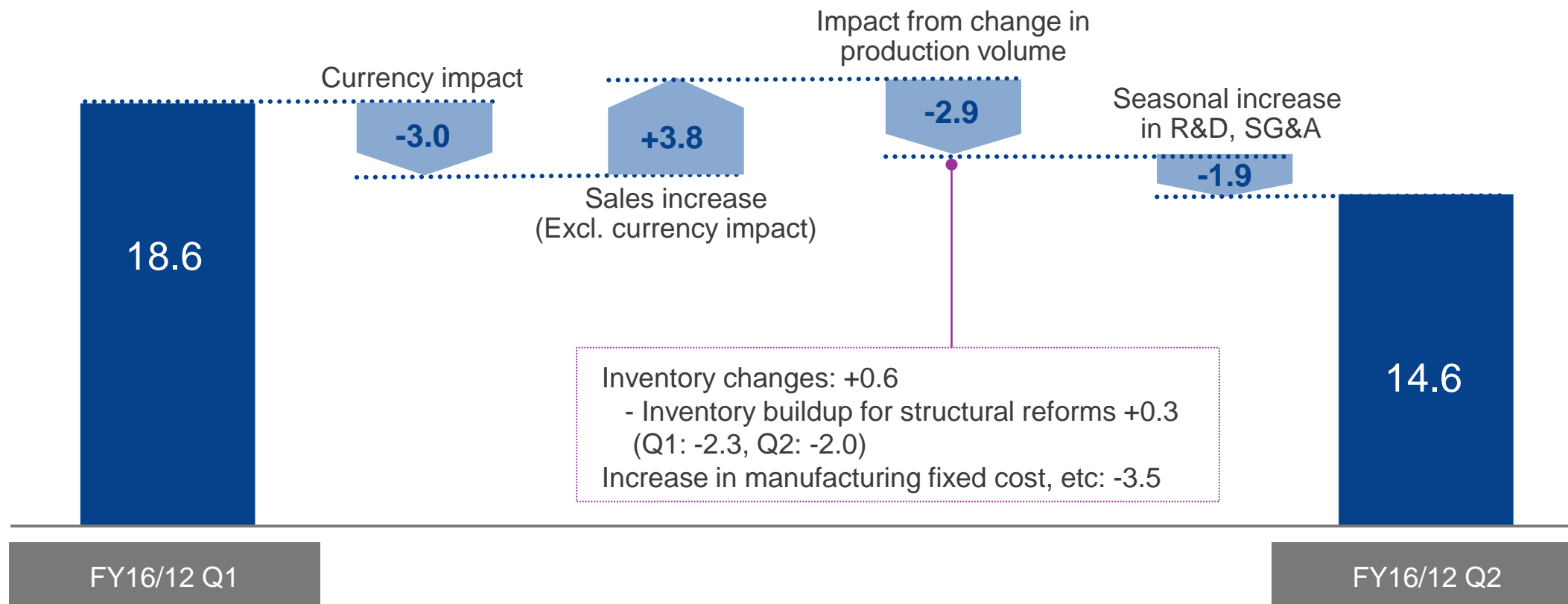
(B Yen)	As of Mar. 31, 2016	As of Jun. 30, 2016	As of Sep. 30, 2016
Total Assets	849.4	823.2	758.2
Cash and Cash Equivalents	398.4	397.3	326.2
Inventories	108.4	97.0	92.1
Liabilities	467.6	447.7	376.2
Interest-Bearing Debt	244.3	237.9	157.9
Shareholders' Equity	364.1	374.1	383.5
Net Assets	381.7	375.5	382.0
D/E Ratio (Gross)	0.64	0.64	0.42
Equity Ratio	44.7%	45.4%	50.1%

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

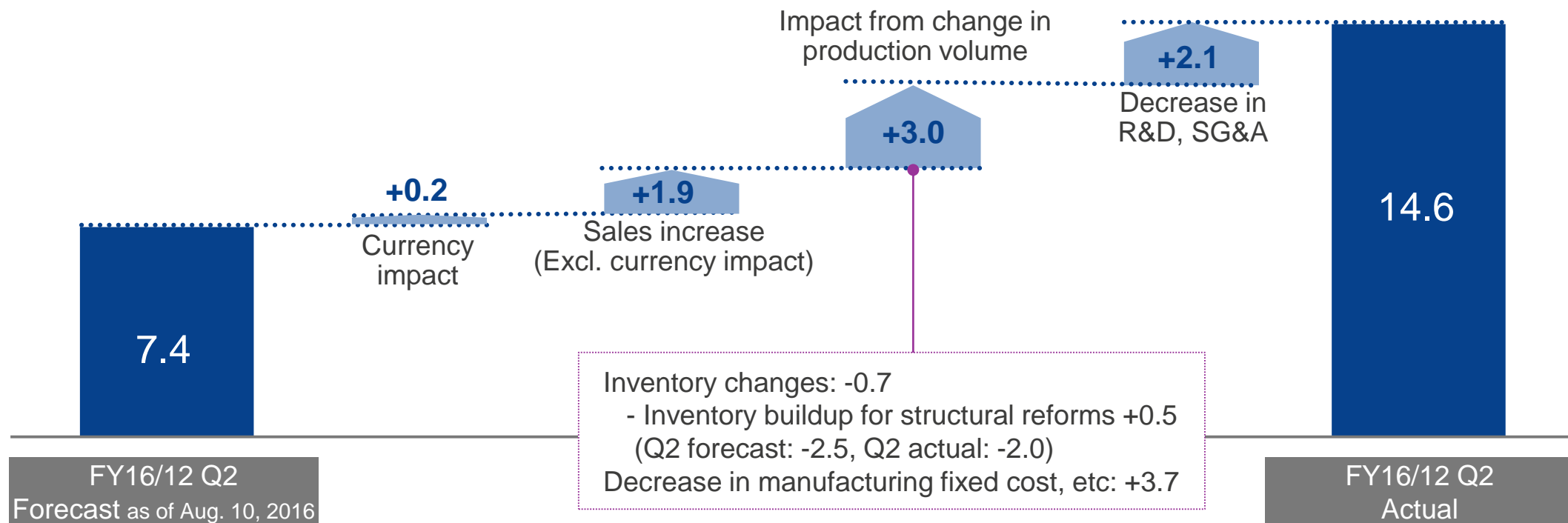
FY16/12 Q2 OPERATING INCOME

QOQ (B YEN)



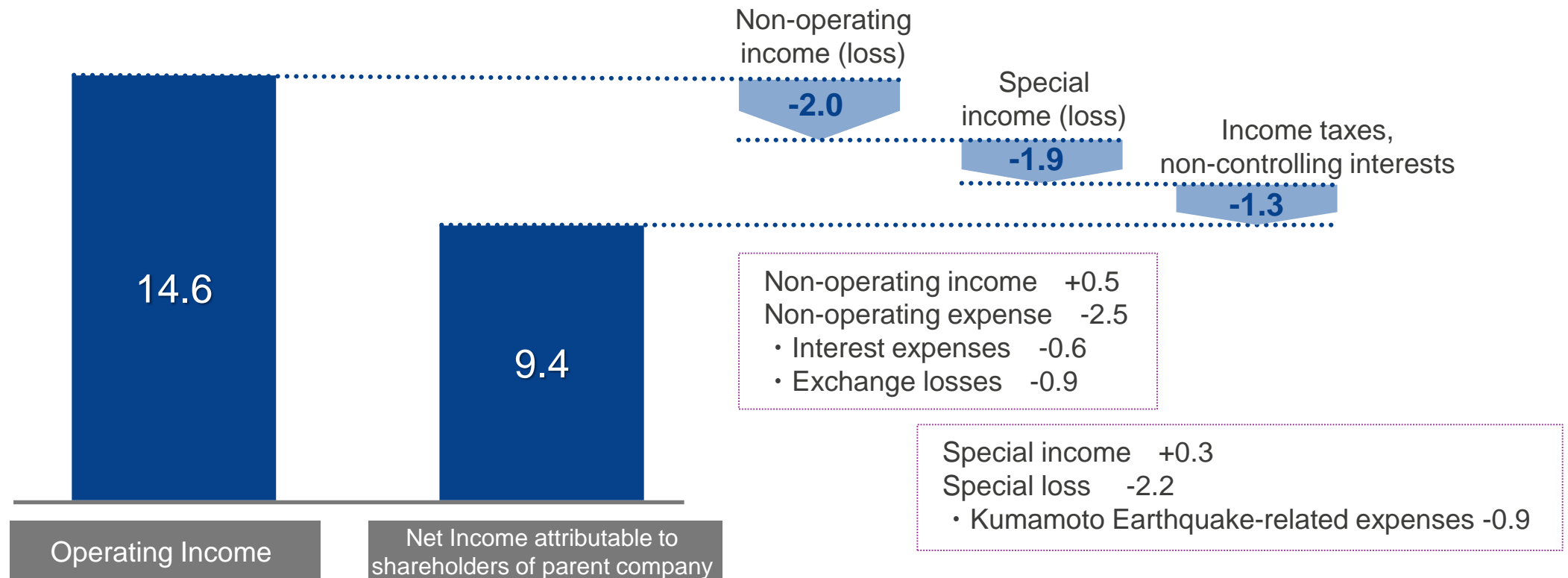
FY16/12 Q2 OPERATING INCOME

CHANGE FROM THE PREVIOUS FORECAST (B YEN)



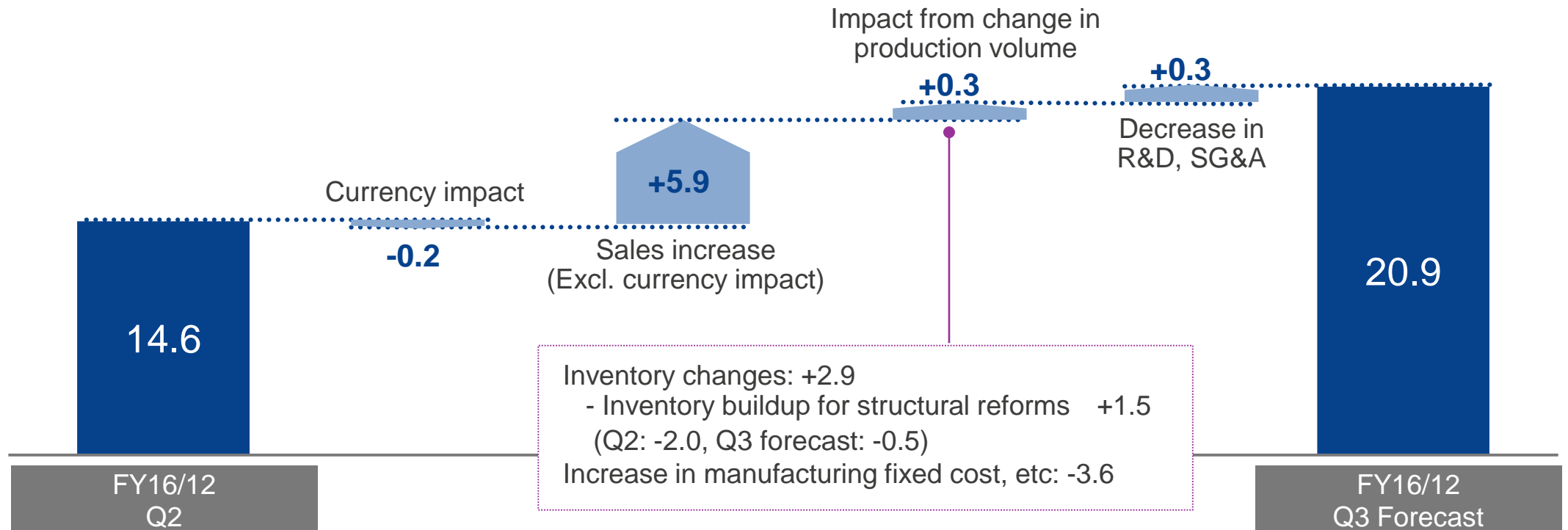
FY16/12 Q2 NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY

(B YEN)



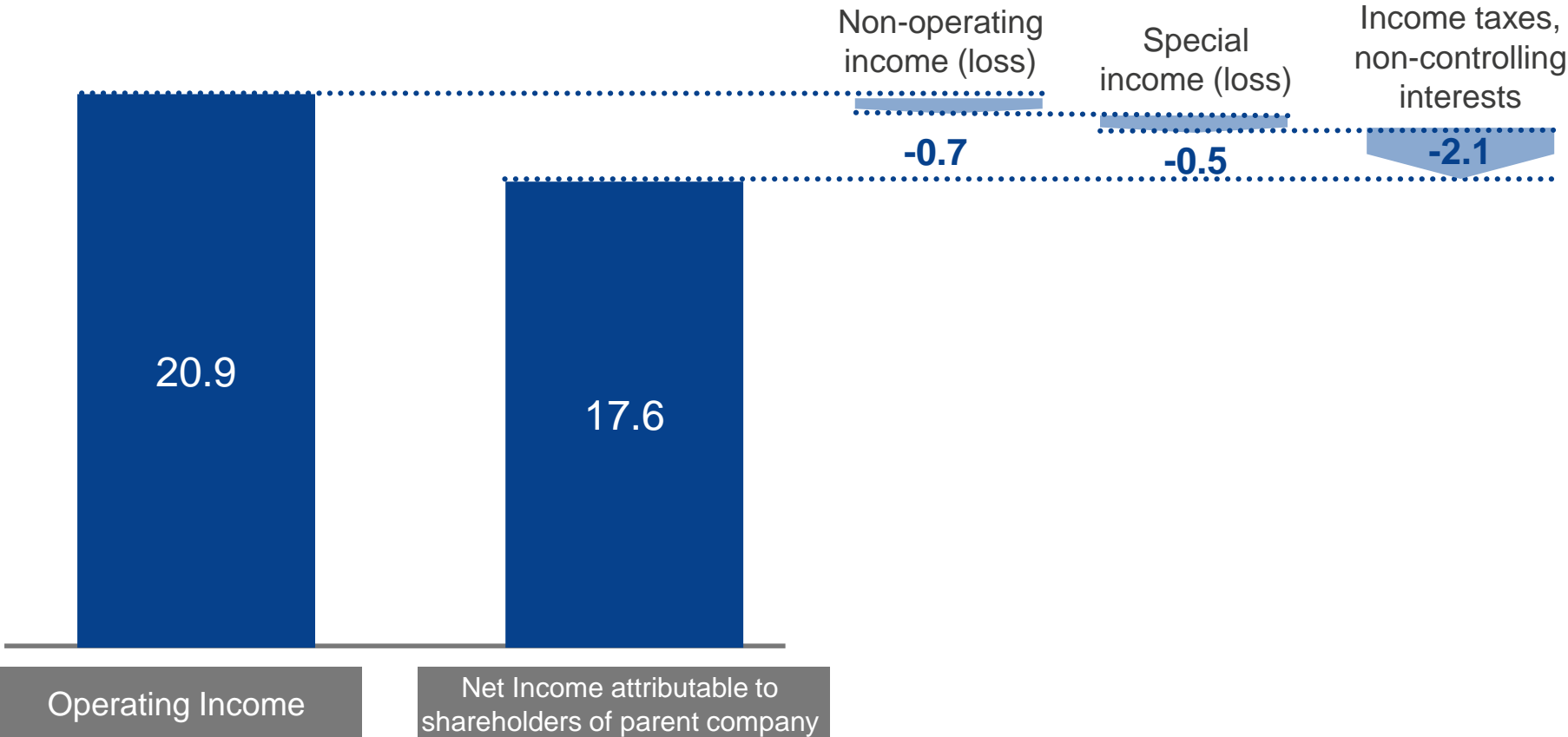
FY16/12 Q3 OPERATING INCOME FORECAST

QOQ (B YEN)



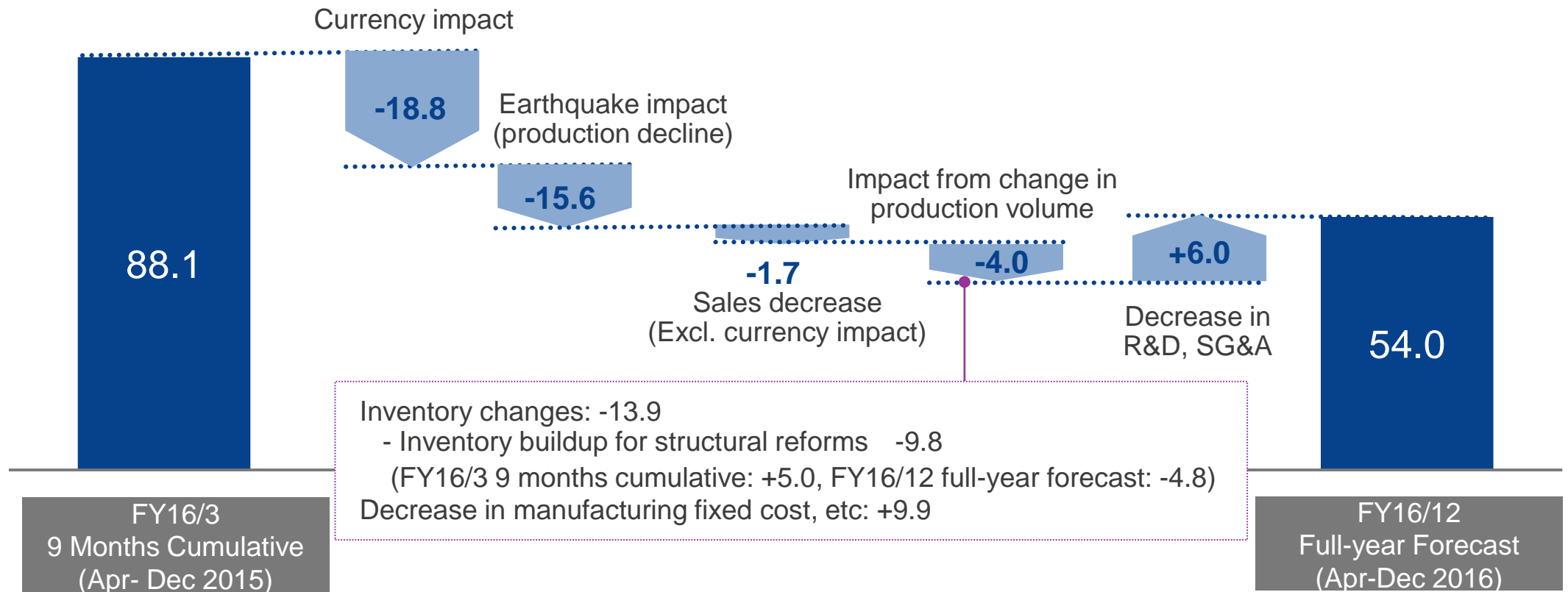
FY16/12 Q3 NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY FORECAST

(B YEN)



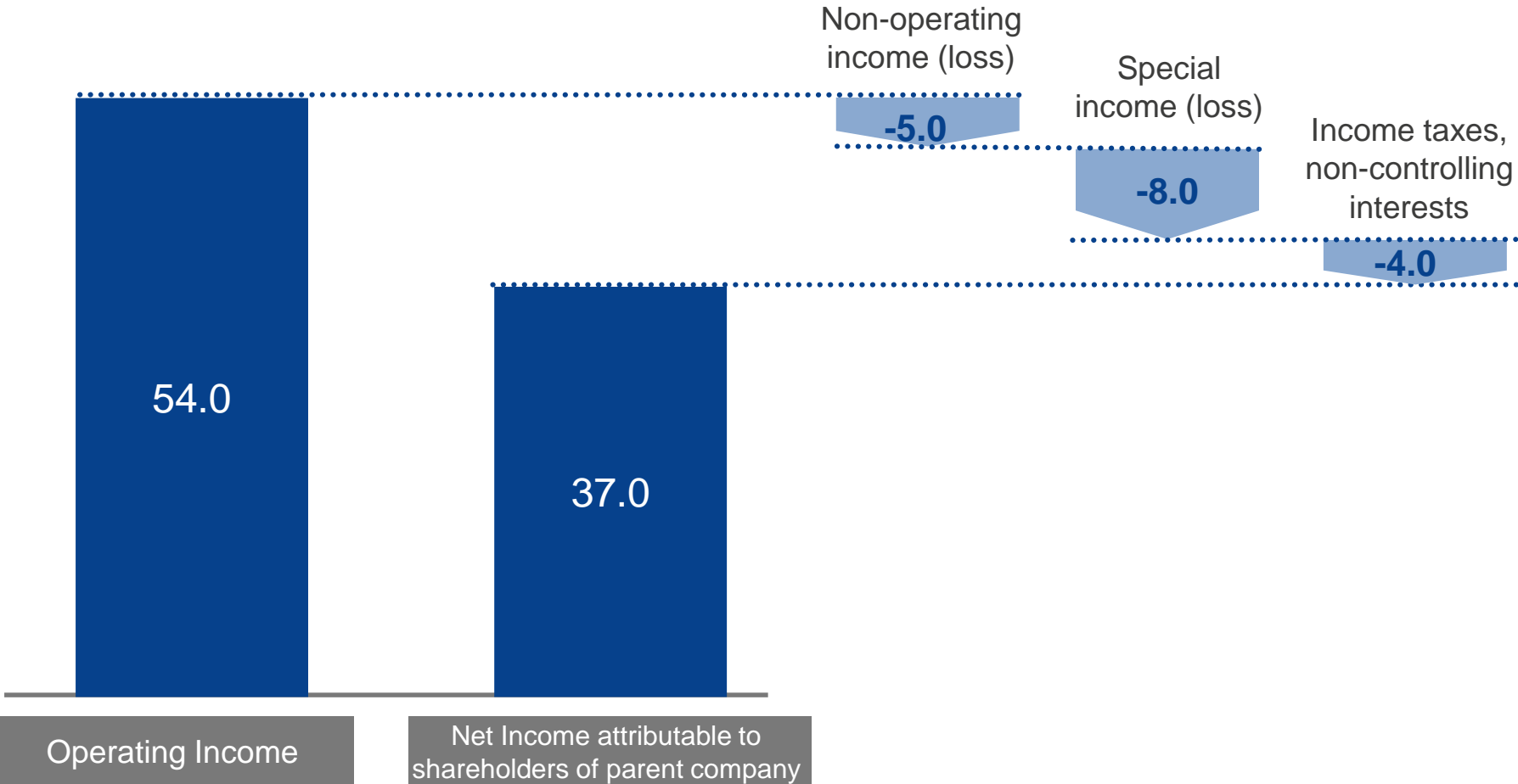
FY16/12 FULL-YEAR OPERATING INCOME FORECAST

YOY (B YEN)



FY16/12 FULL-YEAR NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY FORECAST

(B YEN)



(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.