



Thank you for joining Renesas Electronics' earnings briefing for the first quarter of the fiscal year ended March 2014.



Today I will explain the financial results of the first quarter of the fiscal year ended March 2014 and the forecasts of the second quarter.

Executive Summary

I. FY14/3 Q1 Financial Results

- Semiconductor sales were 189.6 B yen, an increase by 9.0% QoQ, mainly due to increased sales of automotive and mid/small sized display driver ICs, and favorable exchange rate.
- Further reforms are required to ensure constant positive results, although the effects of the structural reforms are being materialized, as evidenced by the operating income for the two consecutive quarters.

II. FY14/3 Q2 Financial Forecasts

- Semiconductor sales is expected to be 200.4 B yen, an increase by 5.7% QoQ in line with the seasonal cycle.
- Operating income of 4.2 B yen is expected, a decrease of 5.6 B yen QoQ mainly due to the reduction of inventories and seasonal cost increase at the end of first half.
- Net loss of 36.0 B yen is expected mainly due to special losses related to early retirement program and structural reforms of business and production

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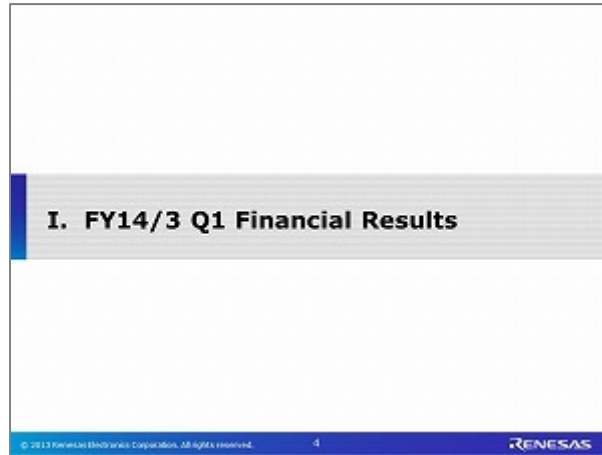
This is an executive summary.

The first item is the financial results.

Semiconductor sales were 189.6 B yen, an increase by 9.0% QoQ, mainly due to increased sales of automotive and mid/small sized display driver ICs, and favorable exchange rate. Further reforms are required to ensure constant positive results, although the effects of the structural reforms are being materialized, as evidenced by the operating income for the two consecutive quarters.

The second item is the financial forecasts for the second quarter.

Semiconductor sales is expected to be 200.4 B yen, an increase by 5.7% QoQ in line with the seasonal cycle. Operating income of 4.2 B yen is expected, a decrease of 5.6 B yen QoQ mainly due to the reduction of inventories and seasonal cost increase at the end of first half. Net loss of 36.0 B yen is expected mainly due to special losses related to early retirement program and structural reforms of business and production



Now let us discuss the detailed financial results for the first quarter of the fiscal year ended March 31, 2014.

FY14/3 Q1 Financial Snapshot

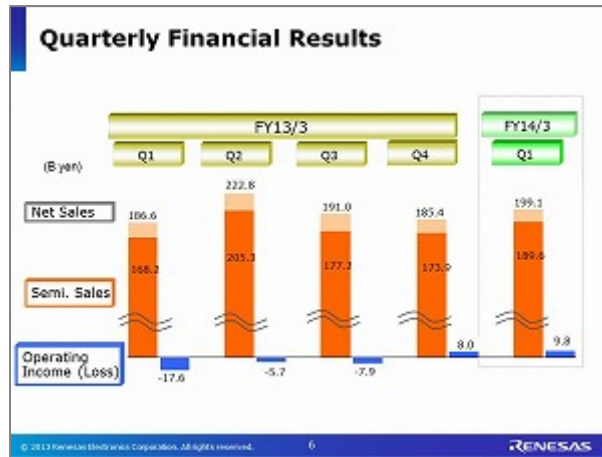
(B yen)	FY13/3		FY14/3		
	Q1	Q4	Q1	Yqr (%)	QoQ (%)
Net Sales	186.6	185.4	199.1	12.4 (+6.7%)	13.7 (+7.0%)
Semiconductor Sales	168.2	173.9	189.6	21.4 (+12.7%)	15.7 (+9.0%)
Operating Income (Loss)	-17.6	8.0	9.8	+27.4	+1.8
Ordinary Income (Loss)	-17.6	8.7	8.5	+26.1	-0.1
Net Income (Loss)	-20.8	-5.9	-4.0	+16.8	+1.9
1 US\$=	81 yen	89 yen	98 yen	17 yen weak	9 yen weak
1 Euro=	106 yen	118 yen	127 yen	21 yen weak	9 yen weak

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Slide 5 shows the summary of the financial results of the first quarter.

Semiconductor sales were 189.6 B yen, an increase of 9.0% QoQ mainly due to the sales increase of automotive and mid/small sized display driver ICs, and the favorable exchange rate.

Operating income was 9.8 B yen, an increase of 1.8 B yen QoQ mainly due to increased sales.



Slide 6 shows the trend of quarterly financial results.

Semiconductor sales increased by 9.0% QoQ and 12.7% YoY.

Further reforms are required to ensure constant positive results, although the effects of the structural reforms are being materialized, as evidenced by the operating income for the two consecutive quarters.

FY14/3 Q1 Semiconductor Sales by Product Categories (1)

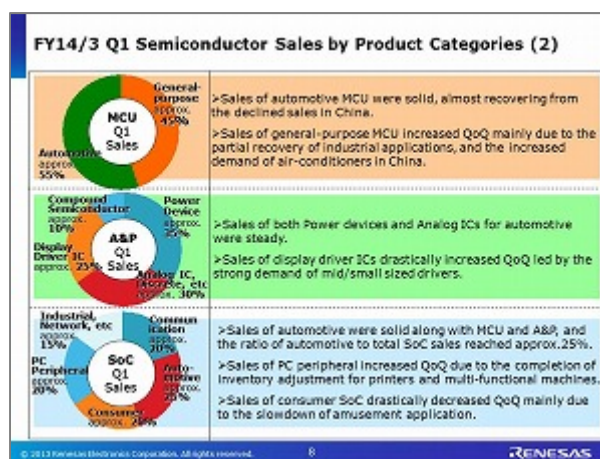
(B yen)	FY13/3		FY14/3		
	Q1	Q4	Q1	YoY	QoQ
Semiconductor Sales (Total)	168.2	173.9	189.6	+21.4 [+12.7%]	+15.7 [+9.0%]
MCU	75.4	77.6	85.6	+10.2 [+13.5%]	+8.0 [+10.3%]
Analog & Power	54.7	54.6	65.3	+10.6 [+19.3%]	+10.7 [+19.6%]
SoC	34.4	39.1	36.8	+2.5 [+7.3%]	-2.2 [-5.7%]
Other Semiconductors	3.7	2.7	1.8	-1.9 [-51.4%]	-0.8 [-31.2%]

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This slide shows the breakdown of semiconductor sales by business unit in the first quarter.

Sales of MCU and A&P drastically increased, led by the strong demand of automotive.

On the other hand, sales of SoC decreased QoQ mainly due to the slowdown of consumer segment, although the demand of automotive was strong.



This slide shows the breakdown of semiconductor sales by business unit and application segment in the first quarter.

Sales of automotive MCU were solid, almost recovering from the declined sales in China.

Sales of General-purpose MCU increased QoQ mainly due to the partial recovery of industrial applications, and the increased demand of air-conditioners in China.

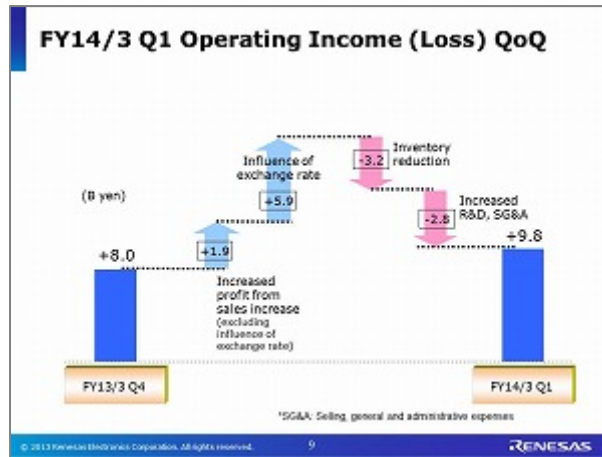
Sales of both Power devices and Analog ICs for automotive were steady.

Sales of display driver ICs drastically increased QoQ led by the strong demand of mid/small sized drivers.

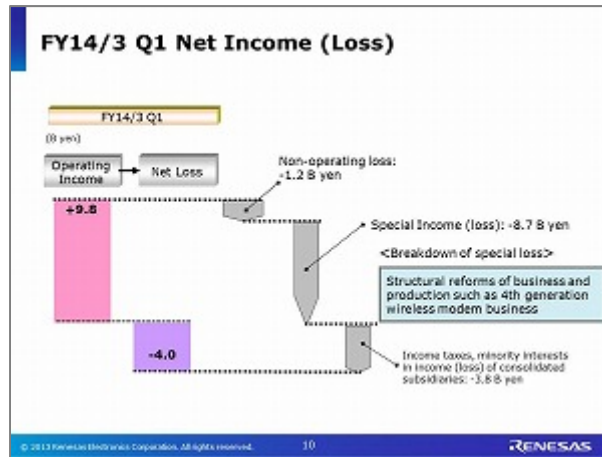
Sales of automotive were solid along with MCU and A&P, and the ratio of automotive to total SoC sales reached approx.25%.

Sales of PC peripheral increased QoQ due to the completion of inventory adjustment for printers and multi-functional machines.

Sales of consumer SoC drastically decreased QoQ mainly due to the slowdown of amusement application.



This slide shows the reason of increase and decrease of operating income and loss QoQ. The operating profit was 9.8 B yen, an increase of 1.8 B yen QoQ, mainly due to the inventory reduction as well as increased R&D and SG&A, despite the profit increase led by the sales increase and favorable exchange rate.



This slide shows the items between operating income and net loss in the first quarter.

Net loss of 4 B yen was recorded mainly due to the special losses of 8.9 B yen related to retirement fees for the employees outside of Japan, the detail of which was described in the announcement made on June 27, 2013, “Termination of 4th Generation Modem Business”.

FY14/3 Q1 Balance Sheets

(B yen)	As of Mar. 31, 2013	As of Jun. 30, 2013
Total Assets	669.1	668.4
Cash and Cash Equivalents	77.7	95.8
Inventories	151.3	143.7
Liabilities	591.2	588.1
Interest-Bearing Debt	306.4	299.4
Shareholders' Equity	75.8	71.9
Net Assets	77.9	80.3
D/E Ratio (Gross)	4.59	4.41
D/E Ratio (Net)	3.43	3.00
Equity Ratio	10.0%	10.2%

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.

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This slide shows the balance sheets.

Cash and cash equivalents increased QoQ.

FY14/3 Q1 Cash Flows

(B yen)	FY13/3				FY14/3
	Q1	Q2	Q3	Q4	Q1
Cash Flows from Operating Activities	-18.1	4.6	-47.5	6.9	28.4
Cash Flows from Investing Activities	-10.7	-9.8	-6.1	-16.6	-2.5
Free Cash Flows	-28.7	-5.2	-53.6	-9.7	25.9

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This slide shows the cash flows.

Free cash flows turned into a profit mainly because the payment for the early retirement program was not accrued in Q1 as opposed to Q3 and Q4 of the previous fiscal year.

However, it is a little too early to expect constant positive results in Q2 onward, because the payment for the early retirement program will accrue again in Q2 onward.



Next, we will explain the second quarter financial forecasts.

Change in Disclosure Method for Financial Forecasts					
<Before Change>					
	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Q2 (and Half-year)					
Full-year					
<After Change>					
	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Q2					
<Reason of Change>					
It is difficult to forecast reliable full-year financial results due to the characteristics of semiconductor market in which business environment drastically fluctuates in a short period. Therefore, from this quarter onward, Renesas will announce financial forecasts on a quarterly basis, as is the case with many semiconductor companies worldwide.					
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Now, let me explain the changes in the disclosure method for financial forecasts we will adopt from this quarter.

Until the last fiscal year, we announced the first half and full-year forecasts.

However, from this quarter onward, we will announce financial forecasts on a quarterly basis, as is the case with many semiconductor companies worldwide.

The reason of this change is that it is difficult to forecast reliable full-year financial results due to the characteristics of semiconductor market in which business environment drastically fluctuates in a short period.

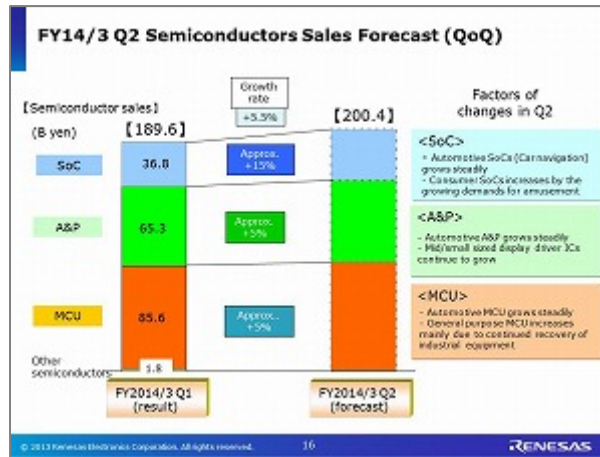
FY14/3 Q2 Consolidated Financial Forecasts						
(B yen)	FY2013/3	FY2014/3				
	Q2	Q1	Q2	YoY	QoQ	1H
Net Sales	222.8	199.1	206.9	-13.9	+9.8	408.0
Semiconductor Sales	205.3	189.6	200.4	-4.9	+10.8	390.0
Operating Income (Loss)	+5.7	9.8	4.2	+9.9	-5.6	14.0
Ordinary Income (Loss)	-6.8	8.5	0	+6.8	-8.5	8.5
Net Income (Loss)	-94.3	+4.0	-36.0	+58.3	-32.0	+40.0
EPS	79 yen	98 yen	98 yen	19 yen weak	0	98 yen
1 Euro	98 yen	127 yen	129 yen	31 yen weak	2 yen weak	128 yen

This slide shows the summary of consolidated financial forecasts for the second quarter.

Semiconductor sales is expected to be 200.4 B yen, an increase by 5.7% QoQ in line with the seasonal cycle.

Operating income of 4.2 B yen is expected, a decrease of 5.6 B yen QoQ mainly due to the reduction of inventories and seasonal cost increase at the end of first half.

Net loss of 36.0 B yen is expected mainly due to special losses related to early retirement program and structural reforms of business and production.



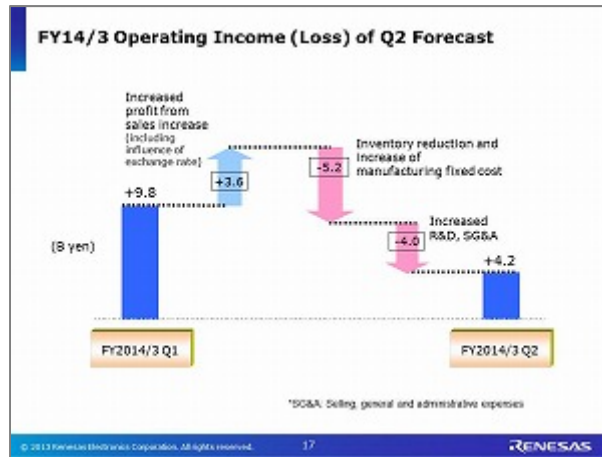
This slide shows the sales forecast by business unit.

Overall, we expect automotive application continues to be strong for all three business units.

For MCU, we expect to increase by low single-digit percentage QoQ due to the continued recovery of industrial equipment.

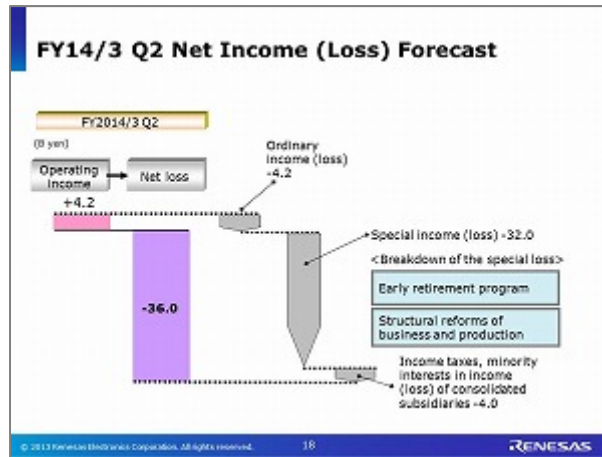
For A&P, we expect to increase by mid single-digit percentage QoQ due to continuously growing mid/small sized display driver ICs.

For SoC, we expect to increase by mid-teen percentage QoQ due to the demand recovery of amusement application, which drastically slowed down in Q1.



This slide shows the reason of increase and decrease of operating income and loss QoQ.

The operating profit is expected to be 4.2 B yen, a decrease of 5.6 B yen QoQ, mainly due to the inventory reduction and an increase of manufacturing fixed cost as well as increased R&D and SG&A, offsetting the profit increase from sales increase.



This slide shows the items between operating income and net loss in the second quarter.

Net loss of 36.0 B yen is expected mainly due to the special losses of 32.0 B yen related to early retirement program scheduled to be occur at the end of September as well as structural reforms of business and production.



These are the financial results of the first quarter and the forecasts of the second quarter.