

FY16/3 Q3 Financial Results

Renesas Electronics Corporation
February 9, 2016

FY16/3 Q3 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 Q3 Summary of Financial Results

Major factors affecting increase or decrease in Q3 semiconductor sales

■ Semiconductor Sales

Semiconductor sales decreased by 9% both YoY and QoQ to 160.9 billion yen, roughly in line with the Group's expectation

■ Automotive Business

Despite a YoY and QoQ decrease of 4%, Automotive Control and Automotive Information sales were better than expected

■ General-Purpose Business

14% decline YoY and QoQ, mainly due to structural reforms and decrease in sales of Other General-Purpose sales

Major factors affecting increase or decrease in Q3 profit

■ Gross Margin

While gross margin decreased by 3.5 Pts. to 43.6% QoQ due to a decrease in sales, it improved YoY by 2.6 Pts., supported mainly by cost improvements and positive currency impact; and also by 5.2 Pts. from the previous forecast thanks to temporary improvement factors including inventory buildup

■ Operating Income

Resulted in 25.0 billion yen operating income, an 11.0 billion yen increase from the previous forecast, due to better-than-expected gross margin and streamlined R&D and SG&A costs

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

FY16/3 Q3 Financial Snapshot

Net sales were in line with the Group's forecast

Gross margin improved YoY, and also from the previous forecast 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					9 months cumulative
	Q3	Q2	Q3	YoY	QoQ	Difference from previous forecasts	
Net Sales	191.9	181.4	164.8	-14.1%	-9.2%	+1.1%	525.5
Semiconductor Sales	177.4	177.0	160.9	-9.3%	-9.1%	+1.2%	512.4
Gross Margin	40.9%	47.1%	43.6%	+2.6Pts.	-3.5Pts.	+5.2Pts.	45.1%
Operating Income (Margin)	29.5 (15.3%)	30.7 (16.9%)	25.0 (15.1%)	-4.5 (-0.2Pts.)	-5.8 (-1.8Pts.)	+11.0 (+6.6Pts.)	88.1 (16.8%)
Net Income Attributable to Shareholders of Parent Company	38.2	27.5	18.6	-19.6	-8.9	+13.1	76.0
EBITDA*1	46.5	46.3	41.0	-5.6	-5.3	+11.5	134.9
1 US\$ =	110 yen	123 yen	121 yen	11 yen weak	2 yen strong	4 yen weak	122 yen
1 Euro =	140 yen	137 yen	134 yen	6 yen strong	3 yen strong	4 yen weak	134 yen

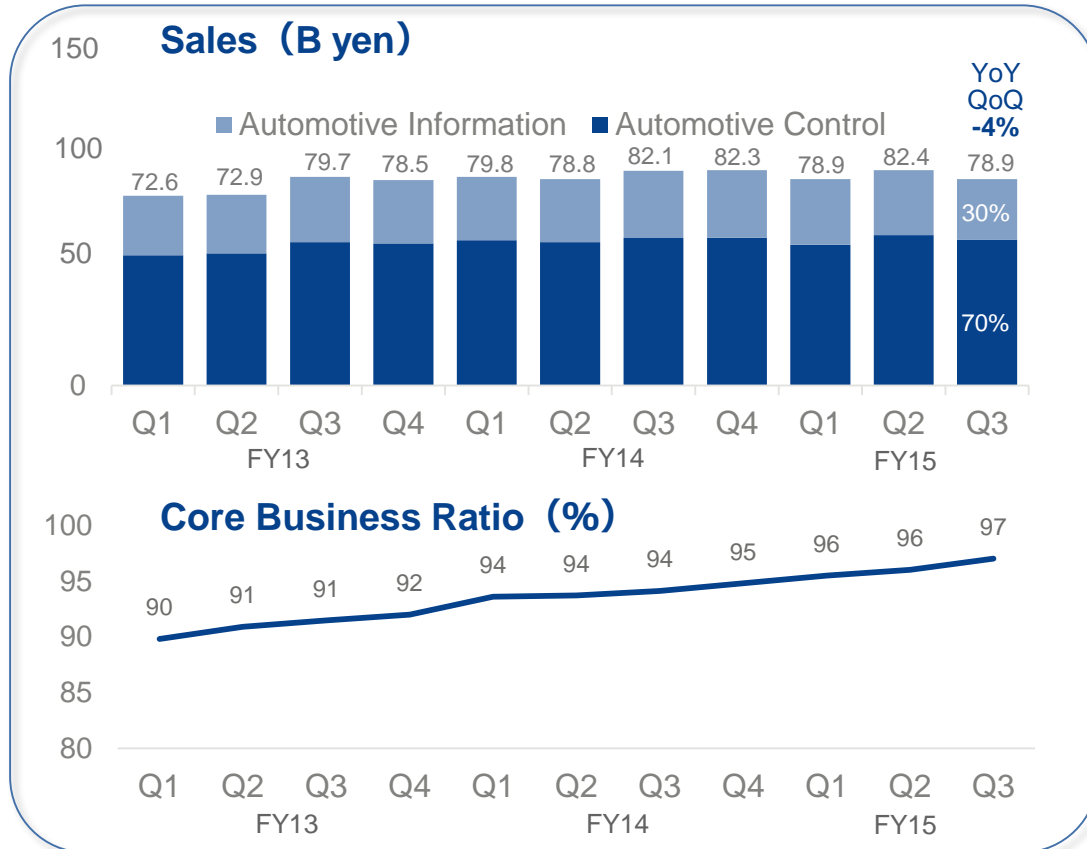
*1 EBITDA: Operating income + Depreciation and amortization + Amortization of long-term prepaid expenses

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

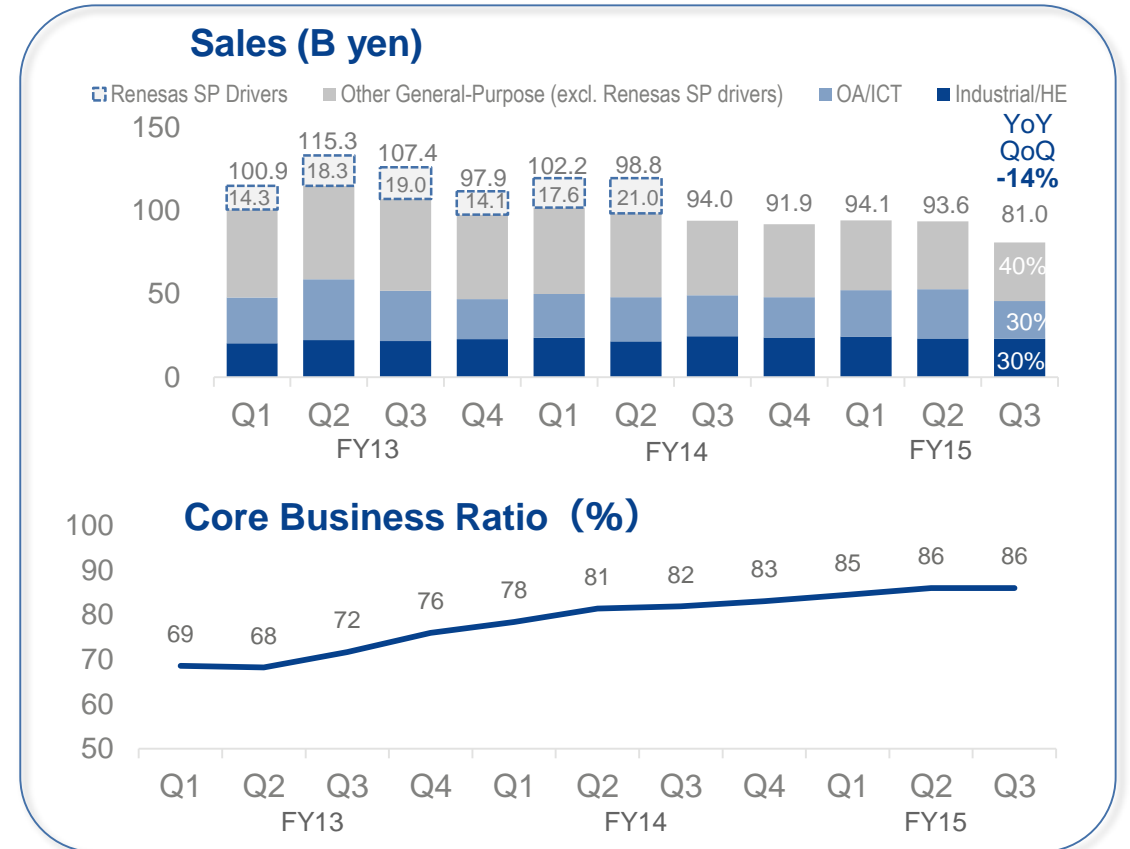
Automotive: Despite a YoY and QoQ decrease of 4%, Automotive Control and Automotive Information sales were better than expected

General-Purpose: 14% decline YoY and QoQ, mainly due to structural reforms and decrease in sales of Other General-Purpose sales

Automotive Business



General-Purpose Business

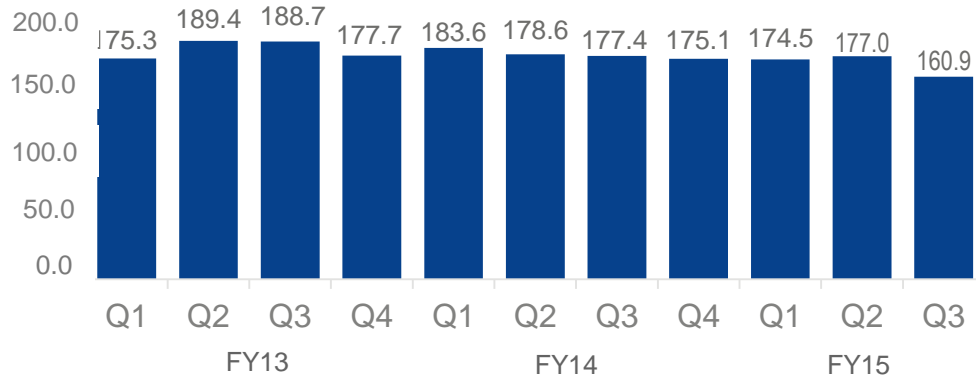


*1 Non-GAAP; Results excluding the impacts of sales and profit (loss) of Renesas SP Drivers, impacts of profit (loss) of LTE modem business and profit (loss) from inventory buildup

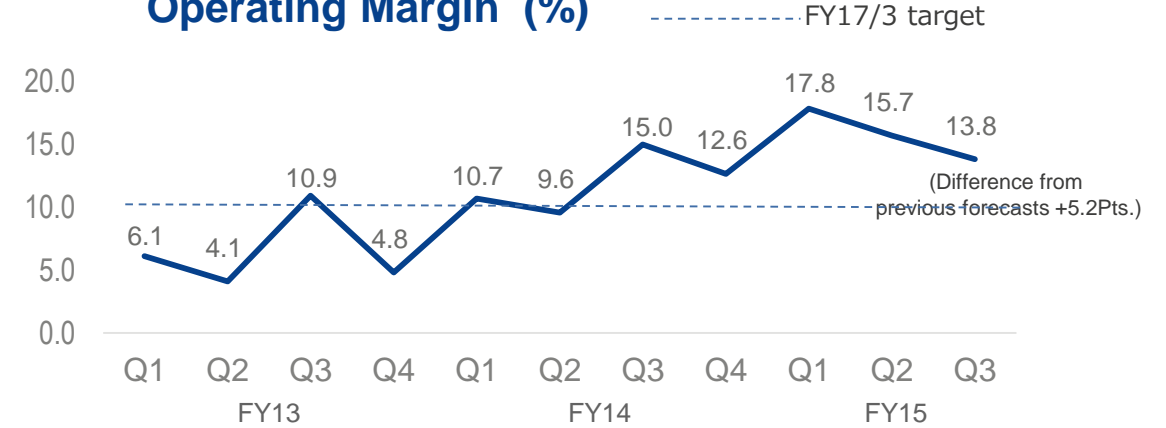
Quarterly Financial Results (Non-GAAP Basis)

Despite a QoQ decline in gross and operating margins due to a rebound from temporary factors that contributed to the first-half gross margin, in addition to decreased sales, they both improved in the Q3 from the previous forecasts

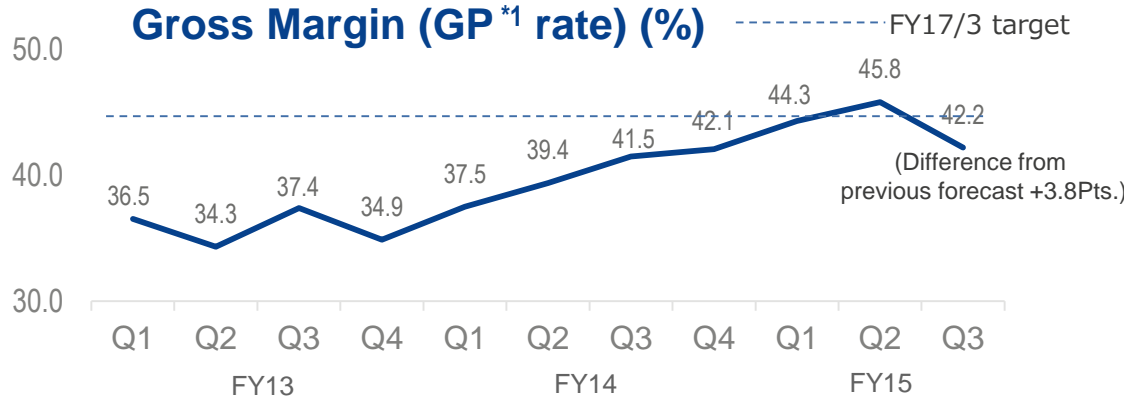
Semiconductor Sales (B Yen)



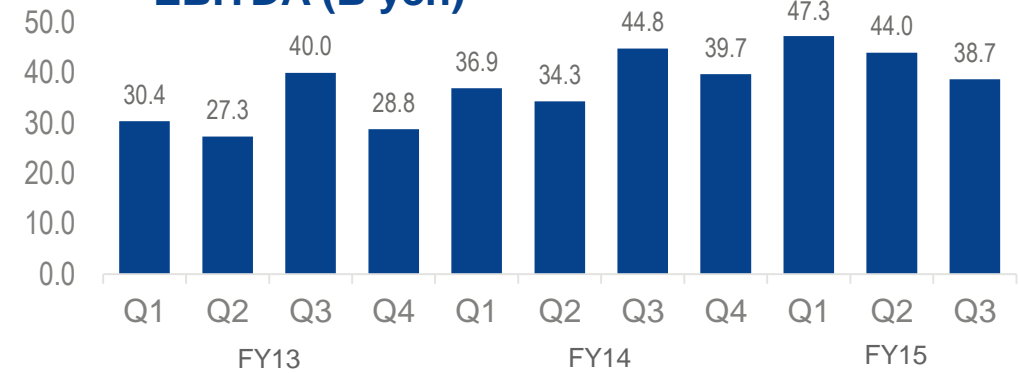
Operating Margin (%)



Gross Margin (GP^{*1} rate) (%)



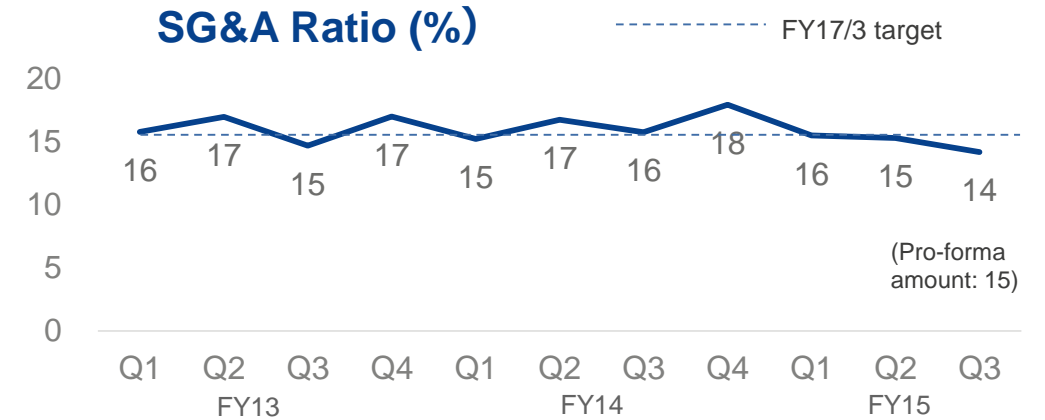
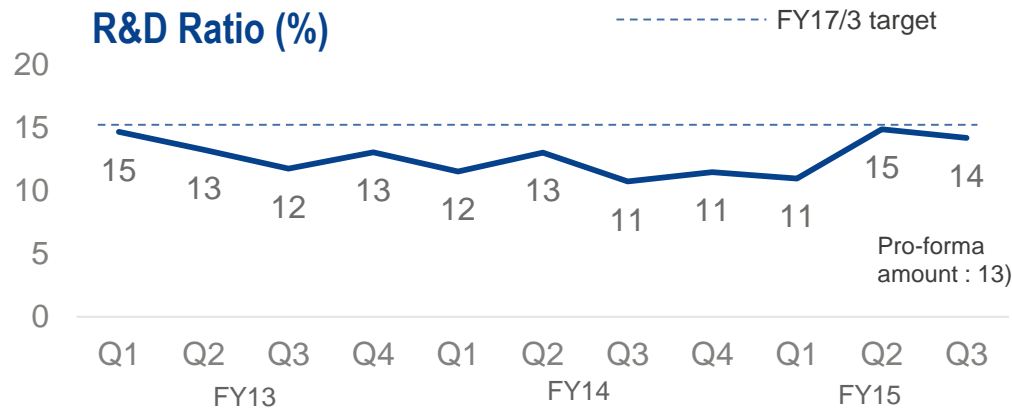
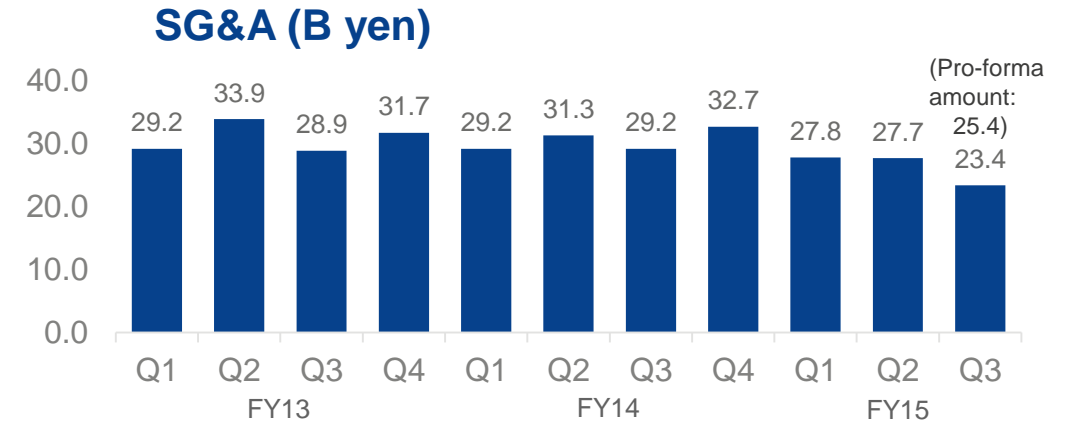
EBITDA (B yen)



*1 GP: Gross Profit

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

With the enhanced development of focus domains, R&D ratio is on a rising trend



*1 Pro-forma amount: An amount calculated based on the same structural unit as FY15/Q2 (before the realignment of design and development sites)

FY16/3 Consolidated Forecasts

FY16/3 Q4 and Full-Year Summary of Forecasts

Major factors affecting increase or decrease in Q4 semiconductor sales

■ Semiconductor Sales

Expected to be 160.1 billion yen, and Automotive and General-Purpose businesses are both expected to be flat QoQ

Major factors affecting increase or decrease in Q4 profit

■ Gross Margin and Operating Income

While semiconductor sales are expected to remain flat QoQ, gross margin is expected to decrease QoQ to 40.1%, due to a decrease in inventory buildups and negative currency impact. Operating income is expected to be 11.9 billion yen despite the seasonal cost increases from R&D and SG&A, etc. at the end of the fiscal term

Major factors affecting increase or decrease in Full year semiconductor sales

■ Semiconductor Sales

Expected to be 672.5 billion yen (10.7% down YoY) due to withdrawal from non-core products as a result of the structural reforms

Major factors affecting increase or decrease in Full year profit

■ Gross Margin and Operating Income

Gross margin is expected to increase by +3.6 Pts. YoY to 43.9% due to positive currency impact in addition to manufacturing-related cost reduction effects from structural reforms. Operating income is expected to decrease YoY but is forecast to be 100.0 billion yen supported by the streaming of R&D and SG&A costs

FY16/3 Q4 and Full-Year Financial Forecasts

(B Yen)	FY15/3		FY16/3					
	Q4	Full- year	Q3	Q4	YoY	QoQ	Full-year (12 months cumulative)	YoY
Net Sales	182.2	791.1	164.8	164.5	-9.7%	-0.2%	690.0	-12.8%
Semiconductor Sales	175.1	753.3	160.9	160.1	-8.6%	-0.5%	672.5	-10.7%
Gross Margin	42.8%	40.3%	43.6%	40.1%	-2.8Pts.	-3.5Pts.	43.9%	+3.6Pts.
Operating Income (Margin)	24.4 (13.4%)	104.4 (13.2%)	25.0 (15.1%)	11.9 (7.3%)	-12.5 (-6.2Pts.)	-13.0 (-7.9Pts.)	100.0 (14.5%)	-4.4 (+1.3Pts.)
Net Income <small>Attributable to Shareholders of Parent Company</small>	9.0	82.4	18.6	6.0	-3.0	-12.6	82.0	-0.4
EBITDA	41.1	171.0	41.0	28.0	-13.2	-13.0	162.9	-8.1
1 US\$ =	119 yen	108 yen	121 yen	120 yen	1 yen weak	1 yen strong	121 yen	13 yen weak
1 Euro =	140 yen	140 yen	134 yen	130 yen	10 yen strong	4 yen strong	133 yen	7 yen strong

Business Topics

Accelerate focus on: Automotive, Industrial and IoT



- ✓ Adoption of the 40nm MCUs is accelerating worldwide
- ✓ Leading development of 28nm MCUs



- ✓ Announced the cutting-edge R-Car H3 SoC for ADAS*1 that realizes autonomous driving
- ✓ Participating companies of the R-Car consortium grew to over 170



- ✓ Strategic cooperation with Nevs, a major Chinese car-maker, on eco-cars targeting the Chinese market

*1 ADAS: Advanced Driver Assistance Systems



- ✓ Announced AI solutions that improve factory productivity
- ✓ Following the successful R-Car consortium, the R-IN consortium now has over 50 participating companies



- ✓ New optimized solution for IoT now available in the US, Europe and Japan



- ✓ Held Renesas' private event DevCon in January 2016 in India, introducing solutions designed for the Indian market such as smart meters

APPENDIX

GAAP/Non-GAAP Reconciliation

(B Yen)	FY14/03				FY15/03				FY16/03		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Semiconductor Sales (GAAP) ①	189.6	207.7	207.6	191.8	201.2	199.6	177.4	175.1	174.5	177.0	160.9
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	160.9
Gross Profit (GAAP) ①	72.7	77.9	84.0	75.2	80.5	81.6	78.6	78.1	79.8	85.5	71.8
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	-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	69.5
Operating Income(GAAP) ①	9.8	10.9	30.0	17.0	27.0	23.5	29.5	24.4	32.4	30.7	25.0
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	-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	22.7
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

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

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

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	As of Dec. 31, 2015
Total Assets	840.1	851.8	866.4	862.8
Cash and Cash Equivalents	343.7	368.7	388.1	405.1
Inventories	111.4	113.1	116.6	114.9
Liabilities	528.2	507.0	506.0	483.4
Interest-Bearing Debt	259.7	259.4	254.8	252.1
Shareholders' Equity	277.8	307.7	335.3	353.8
Net Assets	311.9	344.7	360.4	379.3
D/E Ratio (Gross)	0.84	0.76	0.71	0.67
Equity Ratio	36.8%	40.2%	41.3%	43.7%

Notes

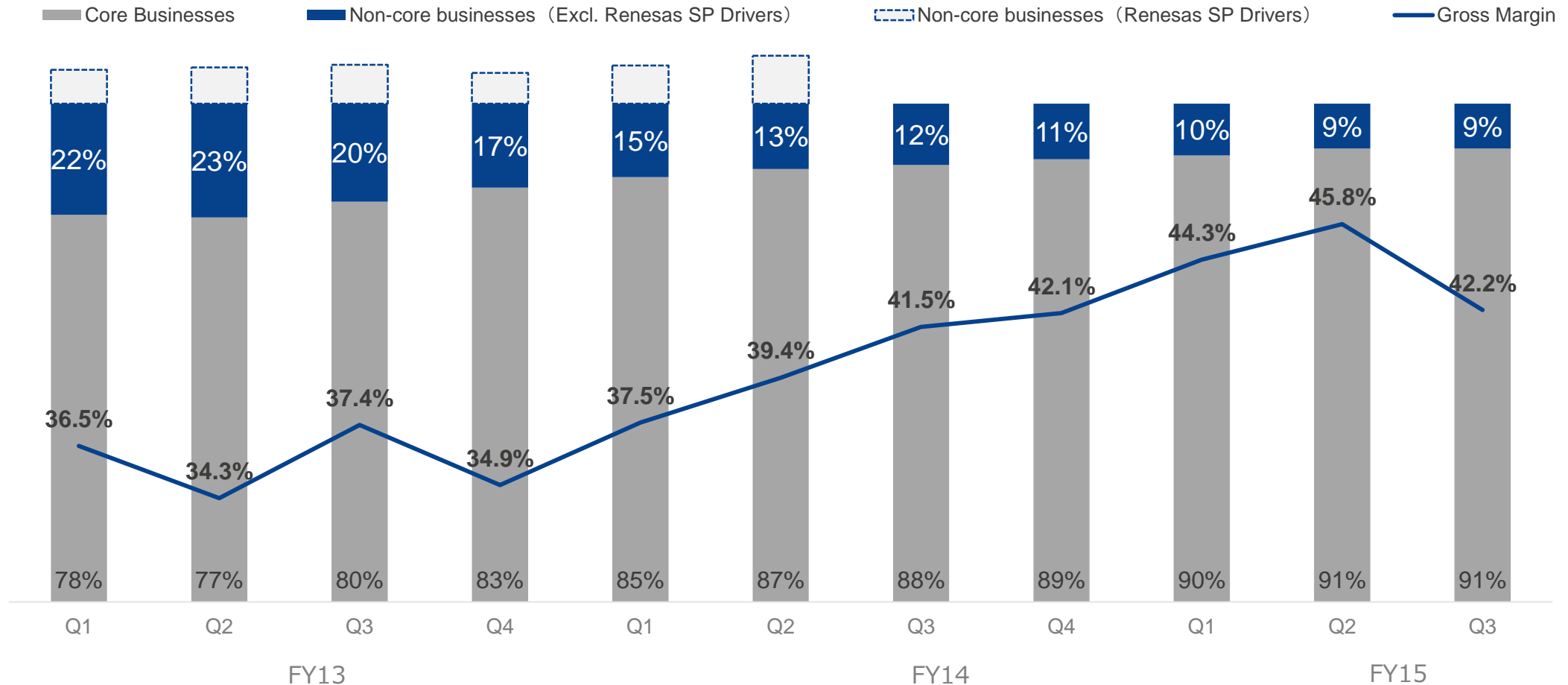
1. "Cash and Cash Equivalents": Sum of cash and deposits, and short-term investment securities minus the Time deposits with maturities of more than three months
2. "Interest-Bearing Debt": Short-term borrowings, Current portion of long-term borrowings, Lease obligations, Long-term borrowings
3. "Equity": 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	Q3
Cash Flows from Operating Activities	2.0	49.5	41.0	24.2	31.5	45.1	32.6
Cash Flows from Investing Activities	-10.9	-14.9	7.2	-8.0	-5.4	-12.0	-9.7
Free Cash Flows	-8.9	34.7	48.2	16.2	26.2	33.1	23.0

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

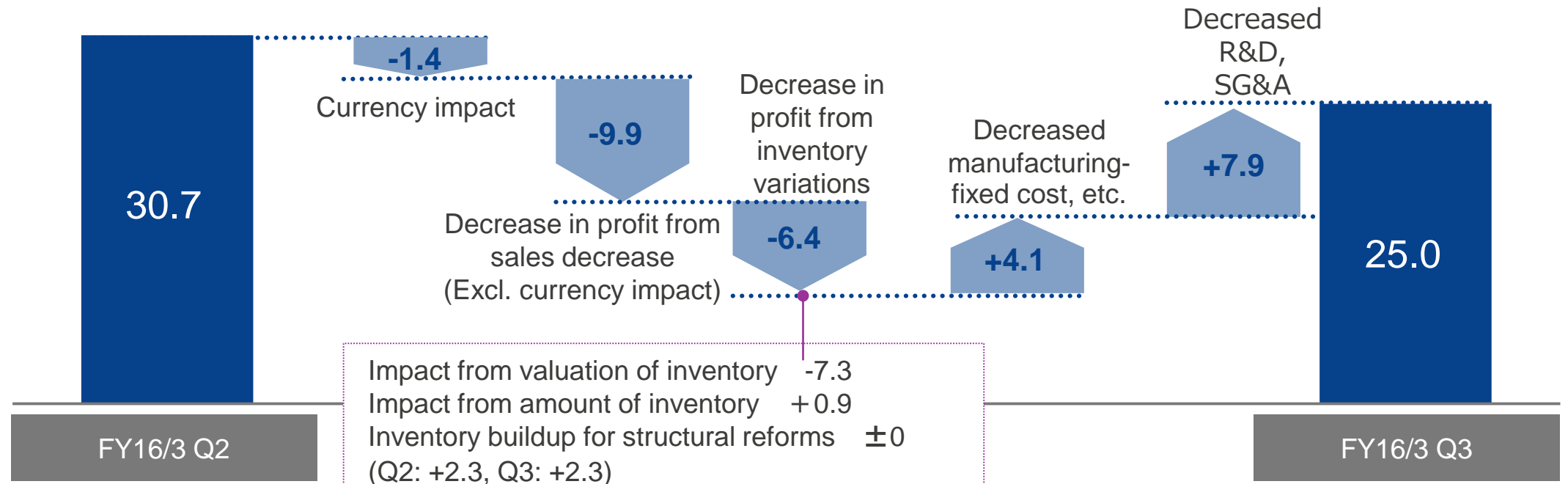
Continuously improving gross margin through structural reforms and reforming business structure to become resistant to market volatility



FY16/3 Q3 Operating Income

QoQ (B yen)

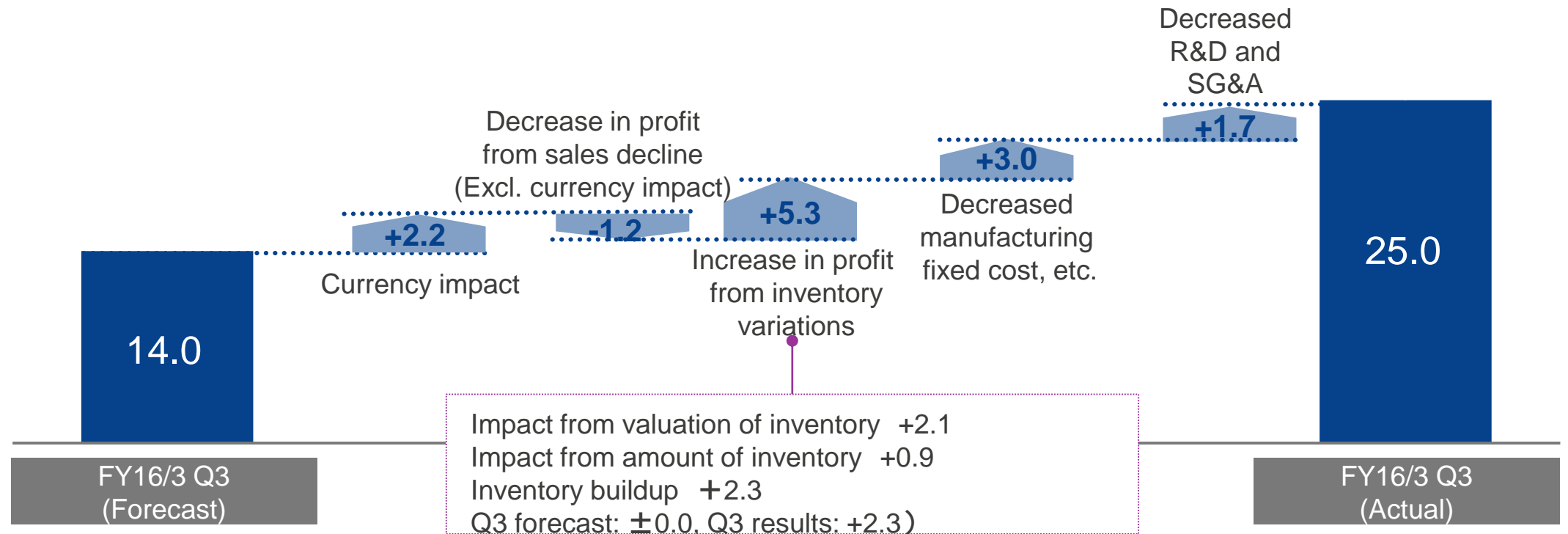
- Despite cost containment efforts, Q3 operating profit decreased by 5.7 billion yen QoQ due to a sales decline, a decrease in profit from inventory variations and negative currency impact



FY16/3 Q3 Operating Income Forecast

In Comparison with Forecasts (Oct 30, 2015) QoQ (B Yen)

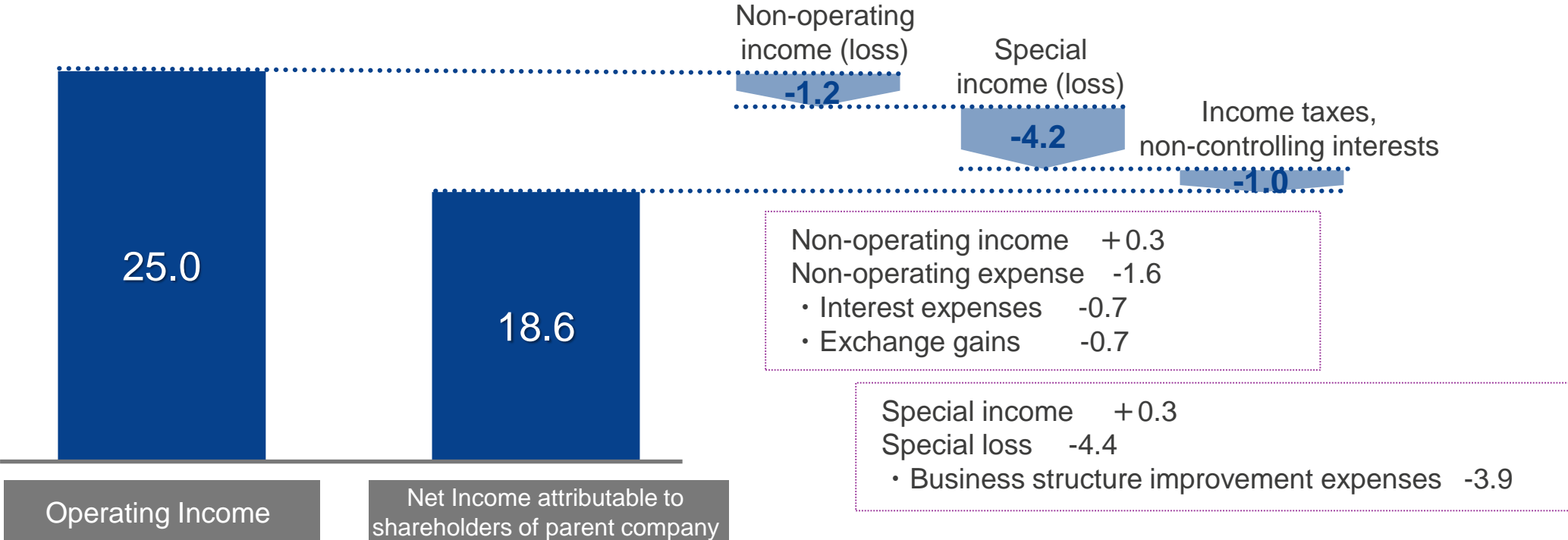
- Increased by 11.0 billion yen from the previous forecast supported by an increase in profit from inventory variations including increased inventory buildups, cost containment effects and positive currency impact



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

(B Yen)

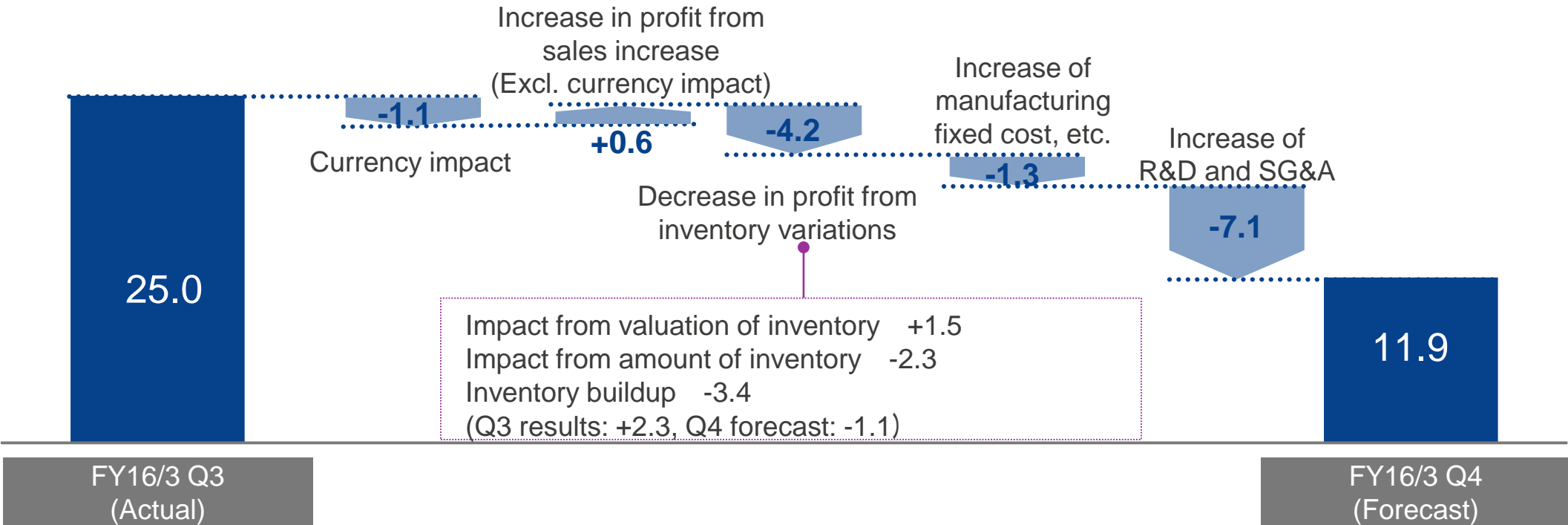
- Recorded 18.6 B yen as a result of lower-than-expected special losses



FY16/3 Q4 Operating Income Forecast

QoQ (B Yen)

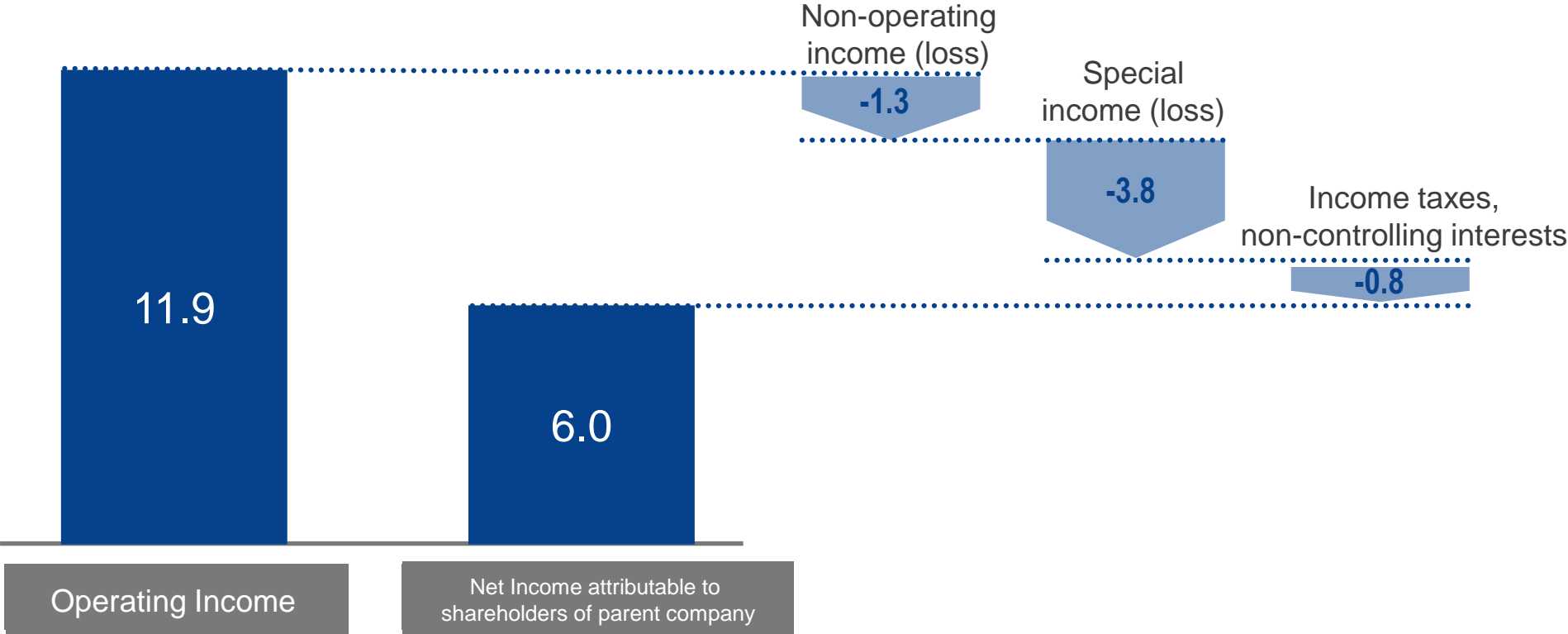
- Expect to decrease by 13.1 billion yen QoQ due to decrease in profit from inventory variations including decrease in impact from inventory buildups, seasonal cost increases at the end of the fiscal term and negative currency impact



FY16/3 Q4 Net Income Attributable to Shareholders of Parent Company Forecast

(B yen)

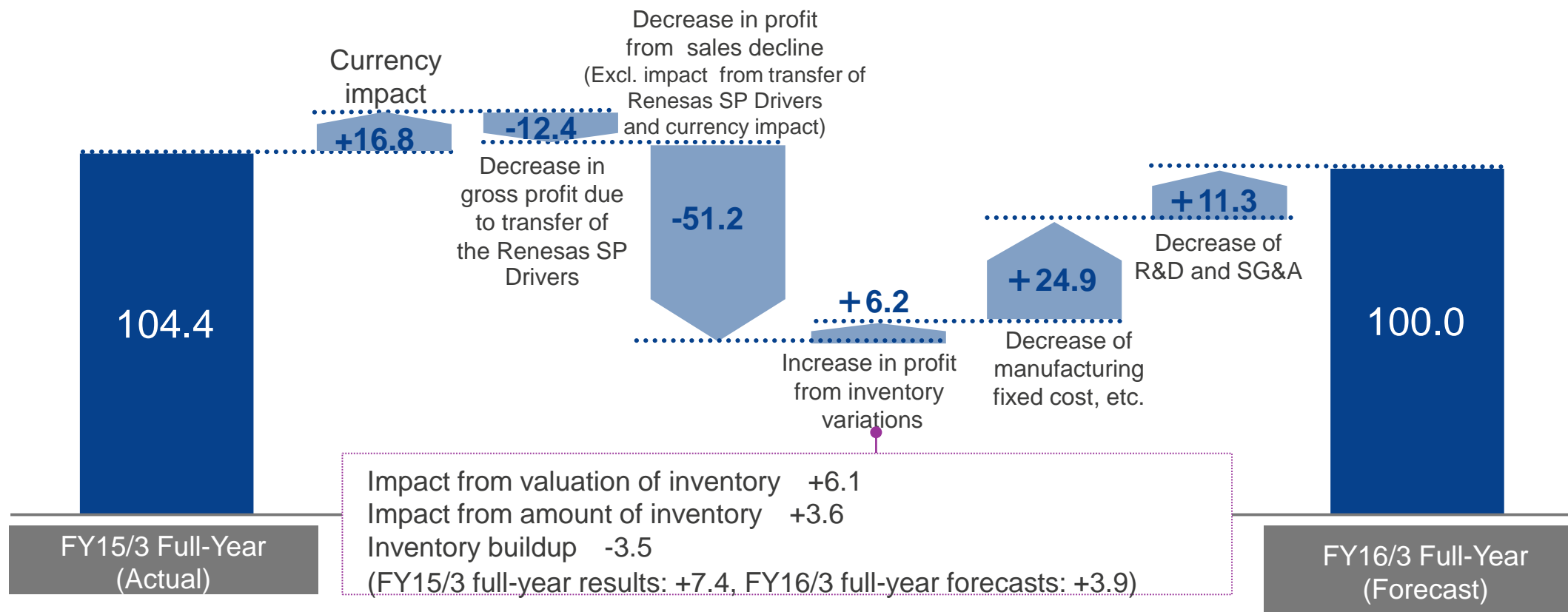
- Expect to be 6.0 billion yen, mainly due to decrease in special income (loss) which is expected to remain flat QoQ



FY16/3 Full-Year Operating Income Forecast

(B Yen)

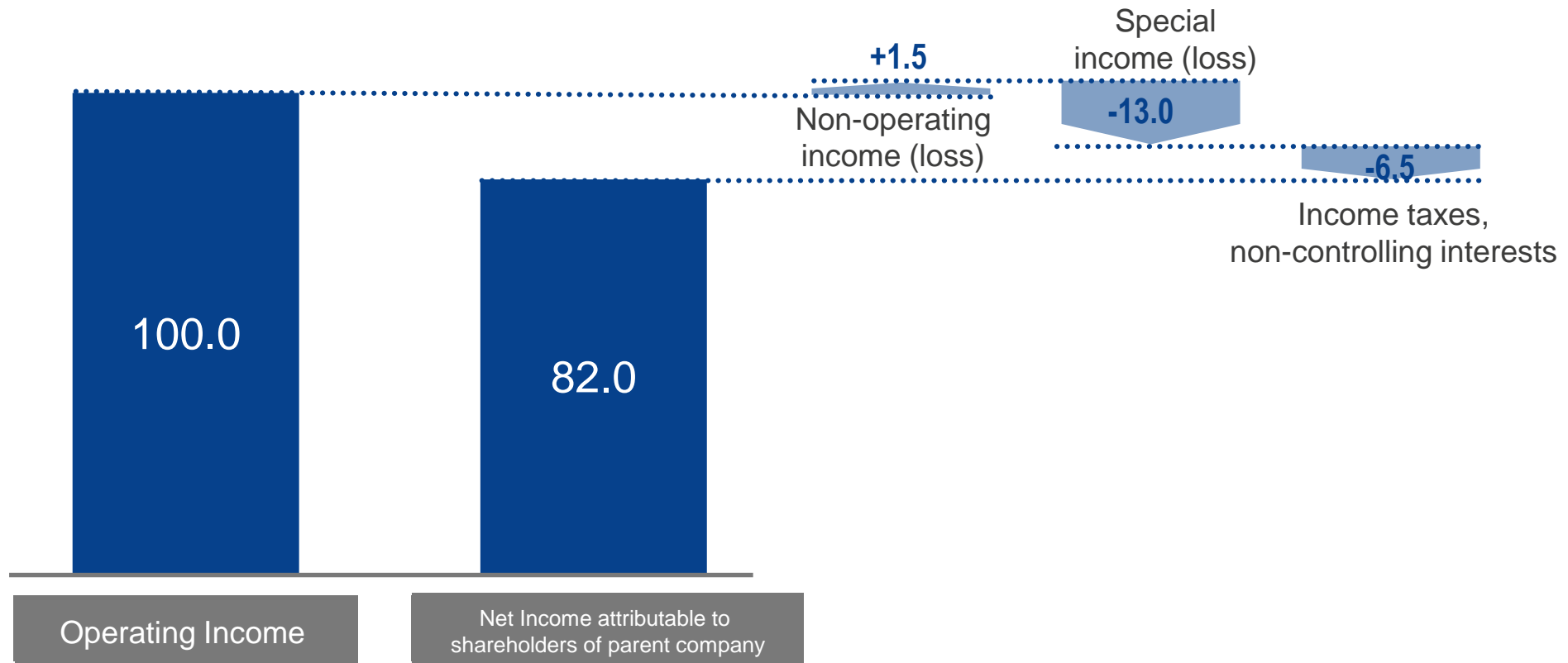
- Despite the large decline in profit caused by sales decreases and gross profit from the transfer of Renesas SP Drivers, operating income is expected to decrease slightly to 100.0 billion yen, due to: the decrease in manufacturing-fixed costs from structural reforms; streamlining of R&D and SG&A costs; and positive currency impact



FY16/3 Full-Year Net Income Attributable to Shareholders of Parent Company Forecast

(B Yen)

- Expect to achieve 82.0 billion yen, due to decrease in special income (loss) in FY16/3 as opposed to the previous year that had 11.3 billion yen special income (loss) supported by a special income of 23.1 billion 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.