




FY11/3 Q2 Financial Results

Renesas Electronics Corporation

October 27, 2010

Yasushi Akao, President



(NOTE) FY10/3 consolidated results are sum of respective results of the former NEC Electronics Corporation and the former Renesas Technology Corp. The amount of "Net sales" and "Sales from semiconductors" are presented by rearranging the former Renesas Technology's sales account to adjust presentation to the former NEC Electronics' presentation.

(FOREWARD-LOOKING STATEMENTS)

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Executive Summary

- Net sales in the first half ended September 30, 2010 were in line with the company's expectation. Achieved operating profit by improving the sales cost ratio and by streamlining R&D cost through reviewing of product portfolio.
- Expect to maintain operating profit in the second-half. Sales are expected to remain flat from the first-half and will be lower-than-expected from the original forecast. This is mainly due to stagnant market condition and influence of exchange rate fluctuations.
- Aim to achieve full-year operating profit of 7.0 billion.

I. FY11/3 Q2 Financial Results

FY11/3 Q2 Financial Snapshot

- Q2 sales increased by 1% QoQ
- Achieved operating profit

(B Yen)	FY10/3	FY11/3			
	Q2	Q1	Q2	YoY	QoQ
Net Sales	265.0	292.0	295.4	+30.4	+3.4
Semiconductor Sales	234.4	261.5	263.5	+29.1	+2.0
Operating Income (Loss)	-43.9	-0.3	1.1	+45.0	+1.4
Ordinary Income (Loss)	-48.4	-3.5	-4.3	+44.1	-0.7
Net Income (Loss)	-54.8	-33.1	-8.2	+46.6	+24.9
1US\$=	-	92 yen	88 yen	-	4 yen strong
1 Euro=	-	121 yen	111 yen	-	10 yen strong

Q2 Semiconductor Sales (YoY / QoQ)

- Sales of both MCUs and Analog & Power devices increased significantly YoY

(B Yen)	FY11/3		
	Q2	YoY (%)	QoQ (%)
Semiconductor Sales	263.5	+12%	+1%
MCU	95.9	+17%	-3%
Analog & Power	83.5	+30%	+1%
SoC	83.2	-5%	+7%
Other Semiconductors	0.9	+30%	-53%

Sales Overview by BU (QoQ)

MCU

- [→]: General-purpose MCU stayed flat
- [↓]: Decrease in sales of automotive MCU mainly in Japan

Analog & Power

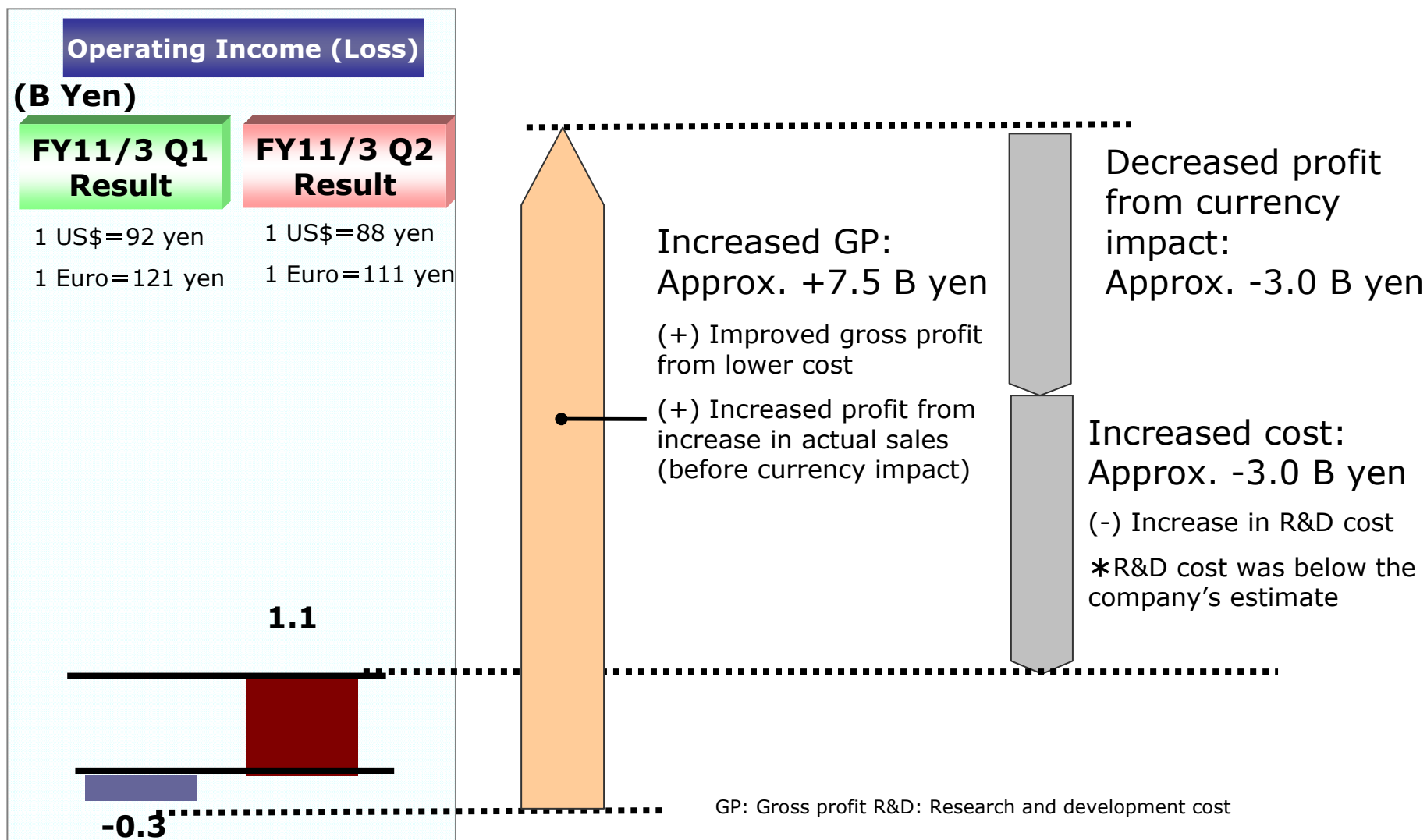
- [↑]: Sales of power devices were solid
- [↓]: Decrease in sales of display drivers due to drop in demand

SoC

- [↑]: Increase in sales of SoCs for consumer electronics and industrial applications
- [↓]: Decrease in SoCs for communication devices especially mobile phones in Japan

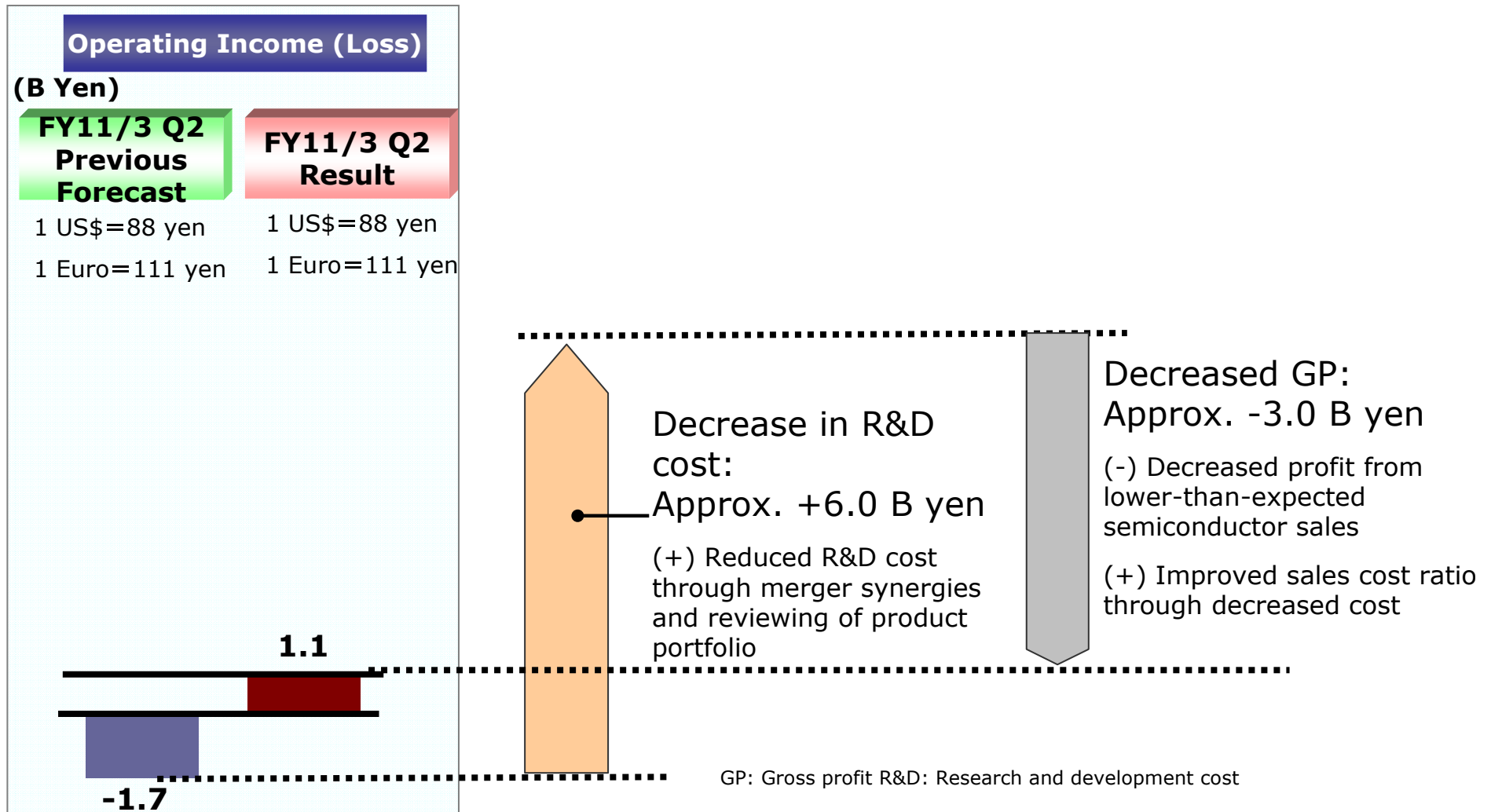
Factors in Operating Income (Loss) in QoQ Comparison

■ Achieved operating profit in Q2



Factors in Operating Income (Loss) in Comparison with Forecasts

- Q2 operating income was higher than had been estimated despite the lower-than-estimated sales



Balance Sheets

(B yen)

	As of Apr. 1, 2010 (After the capital injection)	As of Jun. 30, 2010	As of Sep. 30, 2010
Total Assets	1,215.4	1,151.0	1,162.7
Cash and Cash Equivalents	337.7	318.6	331.8
Inventories	126.6	130.7	135.9
Liabilities	801.7	777.5	799.2
Interest-bearing Debt	372.0	375.4	374.4
Shareholders' Equity	421.0	388.0	379.8
Net Assets	413.6	373.5	363.5
D/E Ratio (Gross)	0.91	1.02	1.05
D/E Ratio (Net)	0.08	0.15	0.12
Equity Ratio	33.5%	31.9%	30.7 %

Note 1)

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, Current portion of bonds with share subscription rights, Lease obligations, Bonds with share subscription rights, Long-term borrowings
3. "Equity": Shareholders' equity, Valuation and translation adjustments
4. "D/E ratio (gross)": Interest-bearing debt / Equity
5. "Liabilities" as of April 1, 2010 (after the capital injection) includes negative goodwill

Note 2) Figures for "As of Apr.1, 2010 (After the capital injection)" reflect accounting treatment relating to the corporate merger on April 1, 2010 of figures at the start of fiscal 2011 and approximately 134.6 billion yen capital injection by way of third-party allotments on the same date.

Cash Flow

(B yen)	FY10/3	FY11/3		
	Q2	Q1	Q2	1H
Cash Flows from Operating Activities	18.0	-2.0	35.0	33.0
Cash Flows from Investing Activities	-16.2	-14.4	-18.4	-32.8
Free Cash Flows	1.8	-16.4	16.6	0.2

II. FY11/3 2H and Full-Year Forecasts

FY11/3 Financial Forecasts

- Aim to secure operating profit by steadily implementing plans decided through the 100-Day Project
- Revised second-half and full-year net sales addressing stagnant market conditions and currency impact

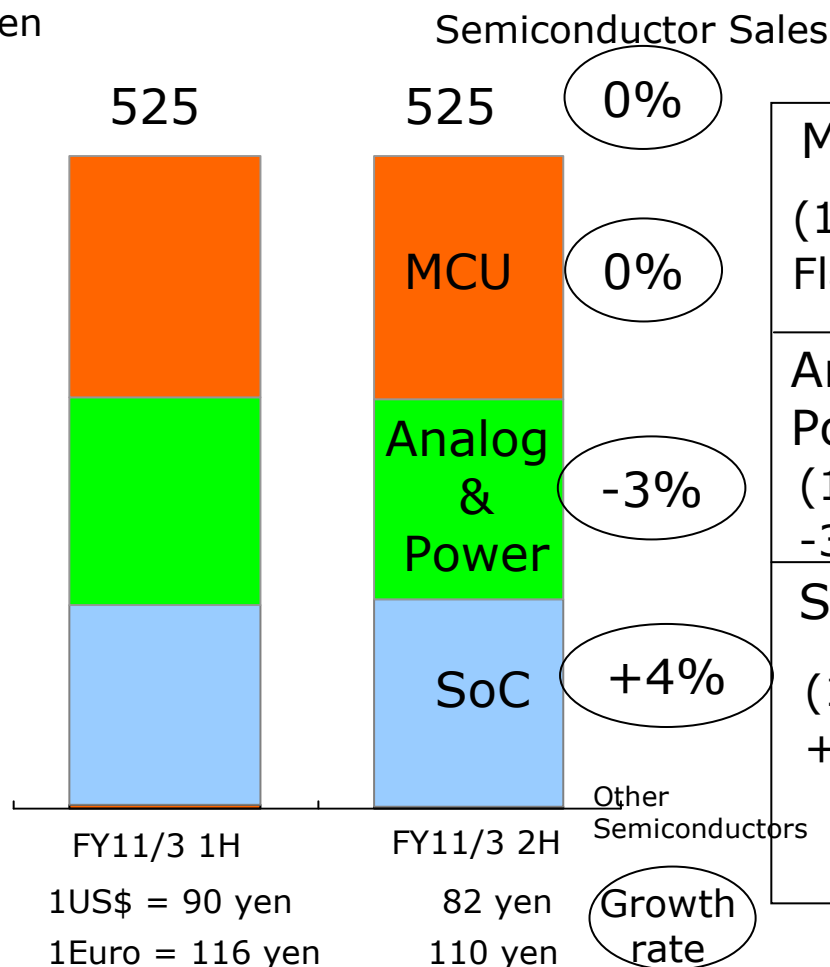
(B Yen)	FY10/3			FY11/3			
	1H	2H	Full-Year	1H Actual	2H Forecasts	Full-Year Forecasts	Difference from July 29, 2010
Net Sales	500.3	562.1	1,062.4	587.5	582.5	1,170.0	-20.0
Semiconductor Sales	443.1	499.4	942.5	525.0	525.0	1,050.0	-40.0
Operating Income (Loss)	-87.9	-25.4	-113.3	0.7	6.3	7.0	-
Ordinary Income (Loss)	-93.4	-32.0	-125.3	-7.8	2.8	-5.0	-
Net Income (Loss)	-99.2	-38.5	-137.8	-41.2	-38.8	-80.0	-
				1US\$=	90 yen	82 yen	
				1 Euro=	116 yen	110 yen	

Forecast for FY11/3 2H Semiconductor Sales

- Expect to increase in actual sales excluding currency impacts though remaining flat compared with 1H results

FY11/3

B yen



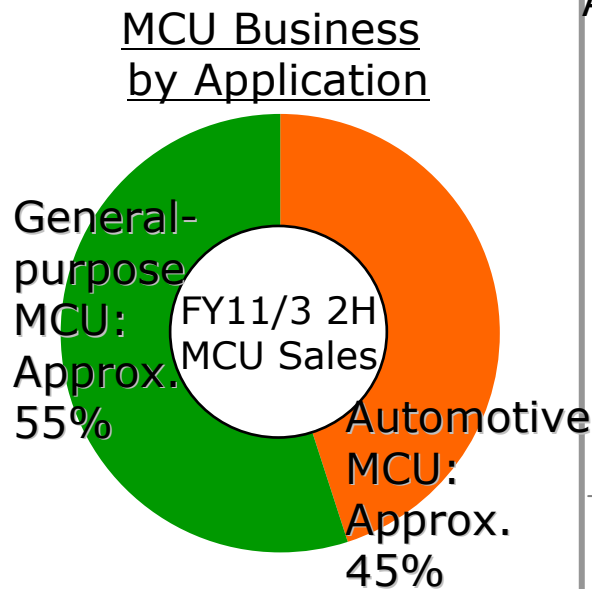
Sales Overview by BU (Compared with FY11/3 1H)

MCU (1H→2H) Flat	[→]: Demands for automotive MCUs are expected to recover from Q4. General-purpose MCUs are expected to stay flat.
Analog & Power (1H→2H) -3%	[↓]: Demands from PC peripherals including HDDs and optical disks are expected to decrease due to inventory adjustment. Also expect demands for analog ICs.
SoC (1H→2H) +4%	[↑]: Sales of SoCs for mobile devices including SoCs for camera phones and CIS, are expected to increase. [↑]: Expect solid demand for image-processing ASIC SoCs for DTV.

*CIS: Car information systems such as car navigation systems

FY11/3 2H MCU Sales Forecast

Forecast by Business Area (FY11/3 1H →2H)

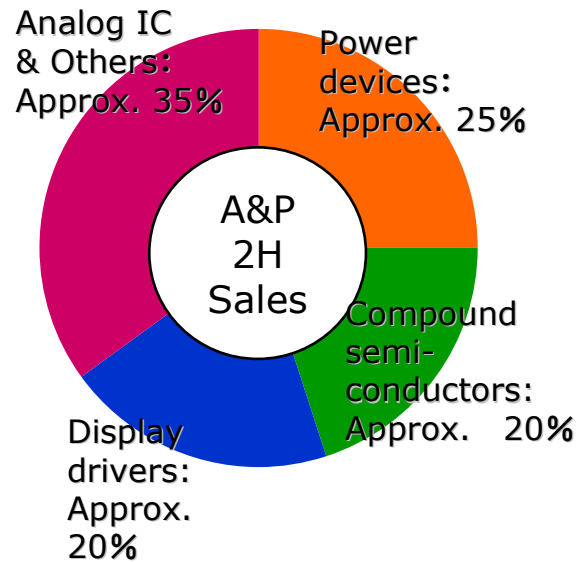


<p>Automotive MCU</p> <p>2H sales forecast (HoH)</p> <p>➔</p>	<p>Market trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> •Expect Vehicle production to increase due to continuously solid sales in the US, China and other emerging markets. •Automotive sales in Japan are expected to decrease followed by termination of the government's subsidy program that encouraged consumer expenditure. <hr/> <ul style="list-style-type: none"> •Continue to expect steady demand from China and other emerging markets. •There will be a decline in orders from domestic automakers affected by the termination of the government's subsidy program, yet still anticipate recovery from January 2011 with increase in production.
<p>General-purpose MCU</p> <p>2H sales forecast (HoH)</p> <p>➔</p>	<p>Market trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> •Demand for consumer electronics is expected to decrease from seasonal factors. <hr/> <ul style="list-style-type: none"> •Expect steady demand for inverter equipment. •Expect steady demand from industry segment and the smart meter market to expand in China.

FY11/3 2H Analog & Power Device Sales Forecast

Forecast by Business Area (FY11/3 1H→2H)

A&P business by application

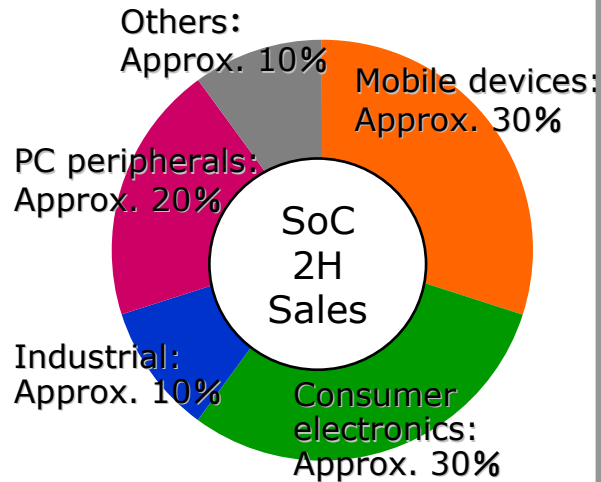


<p>Power Devices</p> <p>2H sales forecast (HoH)</p> <p>➔</p>	<p>Market Trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> • Despite a temporary deceleration due to inventory adjustments of the PC market, sales of motherboards and power supply are expected to recover. • Despite decelerating demand in Western Europe and Japan, automobiles are expected to show steady growth led by demand from emerging countries. • Expect increase in demand from inverter home appliances and industrial equipment area until the end of 2010 and demand mainly from PC area in the beginning of 2011 • Expect recovery in demand from the automotive area from January 2011, thereby expect solid growth throughout the fiscal year
<p>Analog IC and others</p> <p>2H sales forecast (HoH)</p> <p>➔</p>	<p>Market Trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> • Despite a recovery trend in the PC market, market of PC peripherals including HDD and optical disks continue to expect inventory adjustment from excess inventory. • Expect continuous demand for automobiles led by demand in emerging countries. • Continue to expect inventory adjustment of components for PC peripherals including HDD and optical disks. • Continue to expect solid demand from automobiles.

FY11/3 2H SoC Sales Forecast

Forecast by Business Area (FY11/3 1H→2H)

SoC business by application



<p>Mobile Devices (Mobile phones, CIS, etc)</p> <p>2H sales forecast (HoH)</p>	<p>Market Trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> •Smartphones are expected to spur repurchase demand in developed countries. •Strong repurchase demand in emerging countries. •Expect solid demand for mobile phones W/W. <hr/> <ul style="list-style-type: none"> •Expect camera module for smartphone to show strong growth. •Expect sales of power amplifiers to increase from repurchase demand in emerging countries. •Expect SoCs for CIS to show solid growth.
<p>Consumer Electronics</p> <p>2H sales forecast (HoH)</p>	<p>Market Trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> •Expect the demand to calm down after year-end shopping season. <hr/> <ul style="list-style-type: none"> •Expect steady growth mainly with image-processing ASIC despite overall decrease in demand with slack demand.
<p>Industrial Equipment</p> <p>2H sales forecast (HoH)</p>	<p>Market Trend</p> <hr/> <p>Forecast</p>	<ul style="list-style-type: none"> • Continue to expect solid demand from industrial equipment market. <hr/> <ul style="list-style-type: none"> •Continue to expect solid demand especially in China and other emerging countries.

*CIS: Car information systems such as car navigation systems

FY11/3 2H Operating Income (Loss) Forecasts (HoH Comparison)

Operating Income (Loss)

(B Yen)

FY11/3 1H
Result

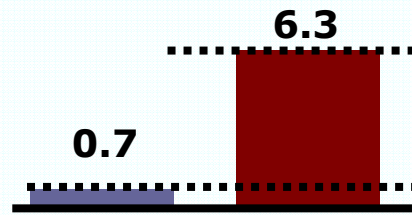
FY11/3 2H
Forecast

1 US\$=90 yen

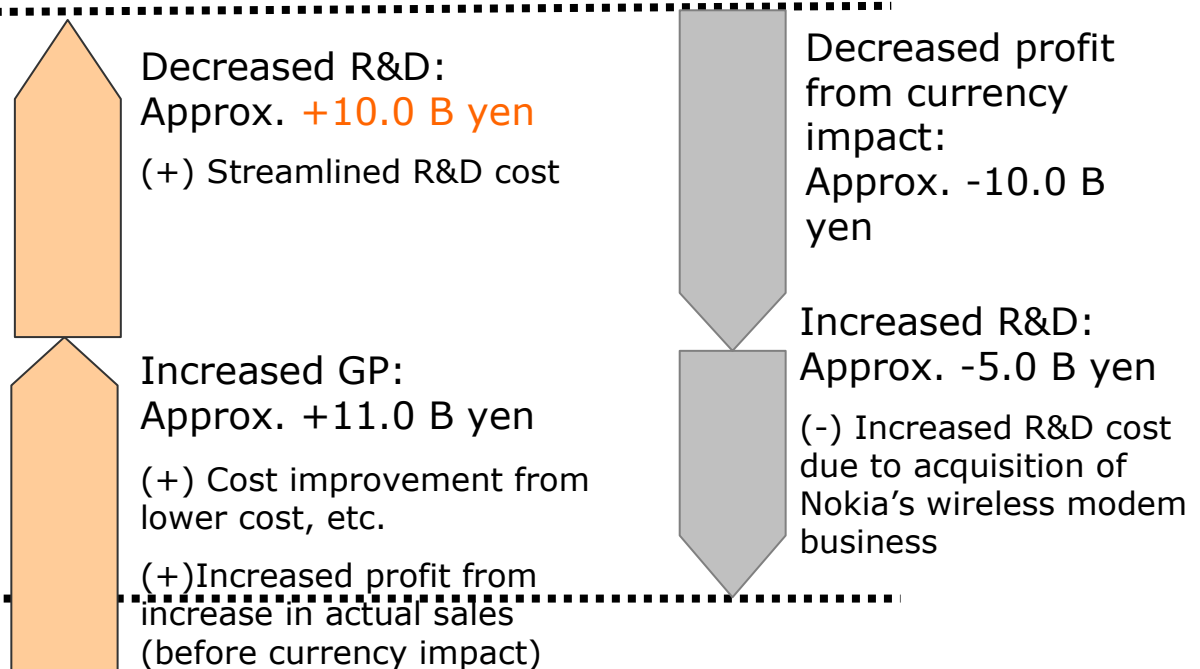
1 US\$=82 yen

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Secure operating profit in the second half by executing plans formulated through the 100-day Project

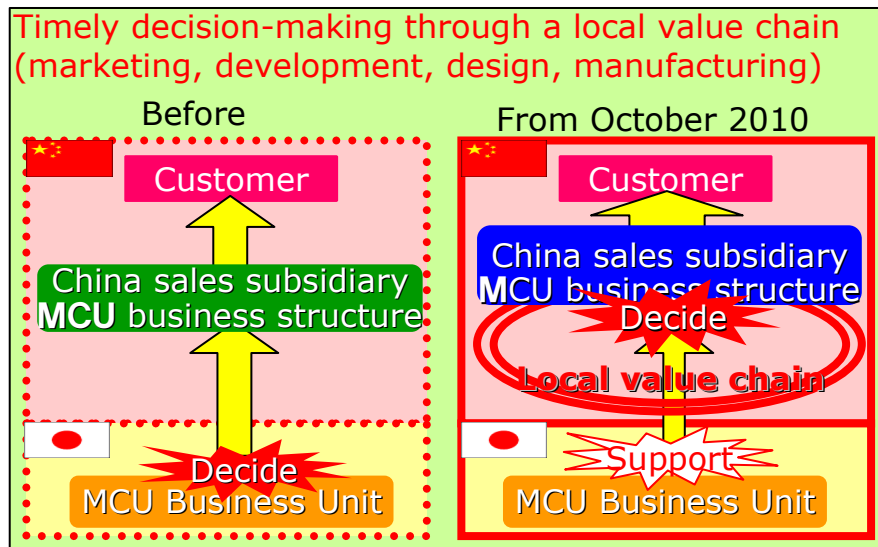


GP: Gross profit R&D: Research and development cost

III. Progress on the 100-Day Project

Establish MCU-Dedicated Business Division in China

- Position China, which drives w/w market, as the most important market and **strengthen MCU business structure in China starting October 1, 2010**
- Rapidly capture the dramatically changing Chinese market environment and customer needs and achieve **"Just in Function, Just in Quality"**.
- Provide competitive products worldwide through global support structure of the MCU that boast the global top market share



Strengthen business structure in China and focus on the growing market

Supply competitive products developed for China to the global market



Promote the Strengthening of Analog & Power Device Business

Achieve a growth rate that exceeds the market growth rate

Measures to Attain growth outperforming the market

- Strengthen product lineups of power devices extending from low-voltage to high-voltage (Launch 1,000 products in 3 years)
- Expand kit solutions that combine analog/power/opto devices by utilizing the MCU sales channels. Expand sales by providing kit solutions that facilitate system development to China and other emerging countries.
 - Provide reference boards
 - Offer complete documents (Including 107 application catalogue)
 - Provide technical data and power supply development tool

Example of reference board



PFC IC

(Power Factor Correction Control IC)



LED lighting control



Li-ion battery control

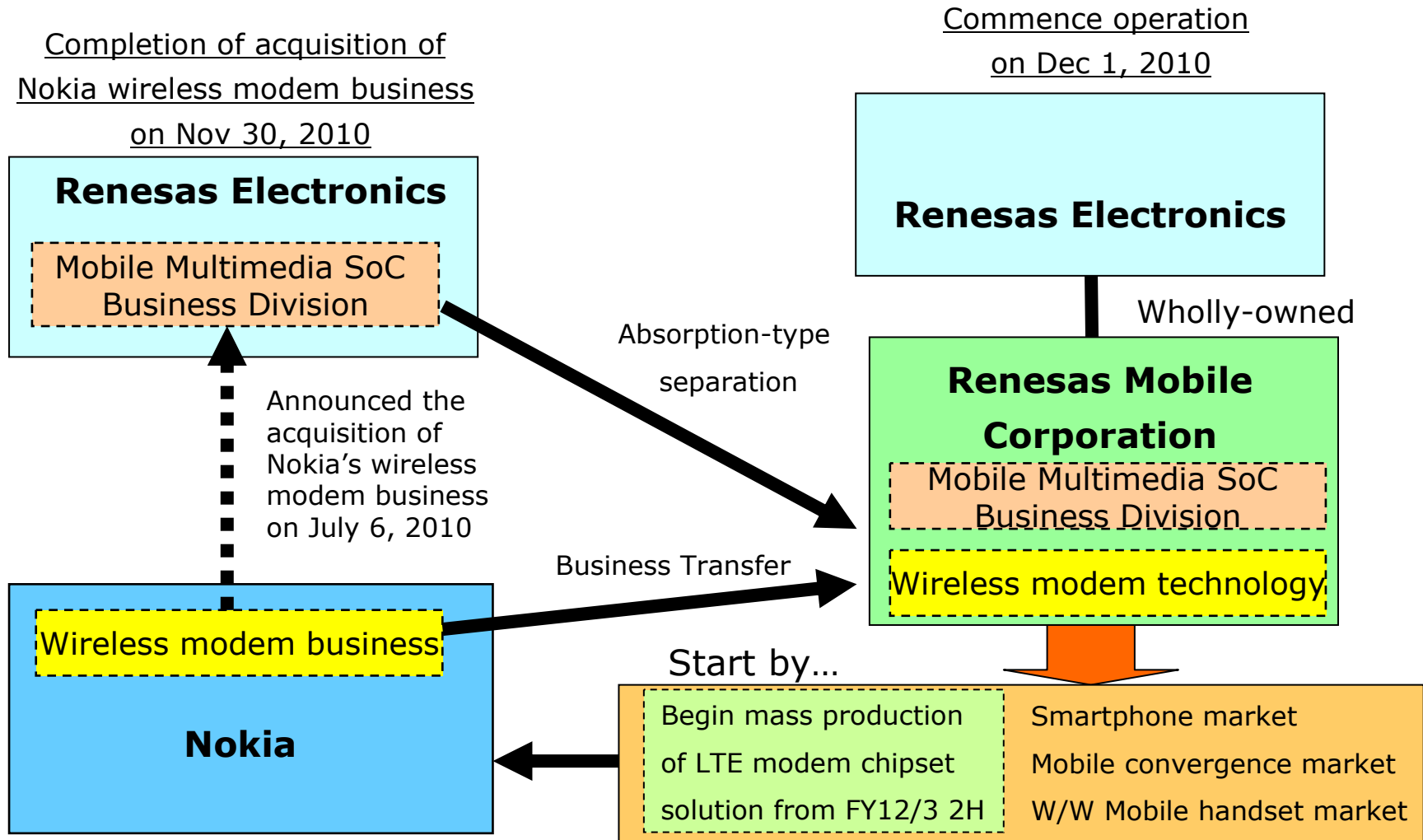
Expand the basis for growth

Front-end: Promote 6-inch → 8-inch and fab-network (Kofu, Shiga)

Back-end: Shift to overseas

Strengthen Mobile Multimedia SoC Business

- Establish new company for mobile multimedia SoC business and conclude agreement of absorption-type separation
- Acquire new orders of LTE modem chipset solutions



Merger Synergies

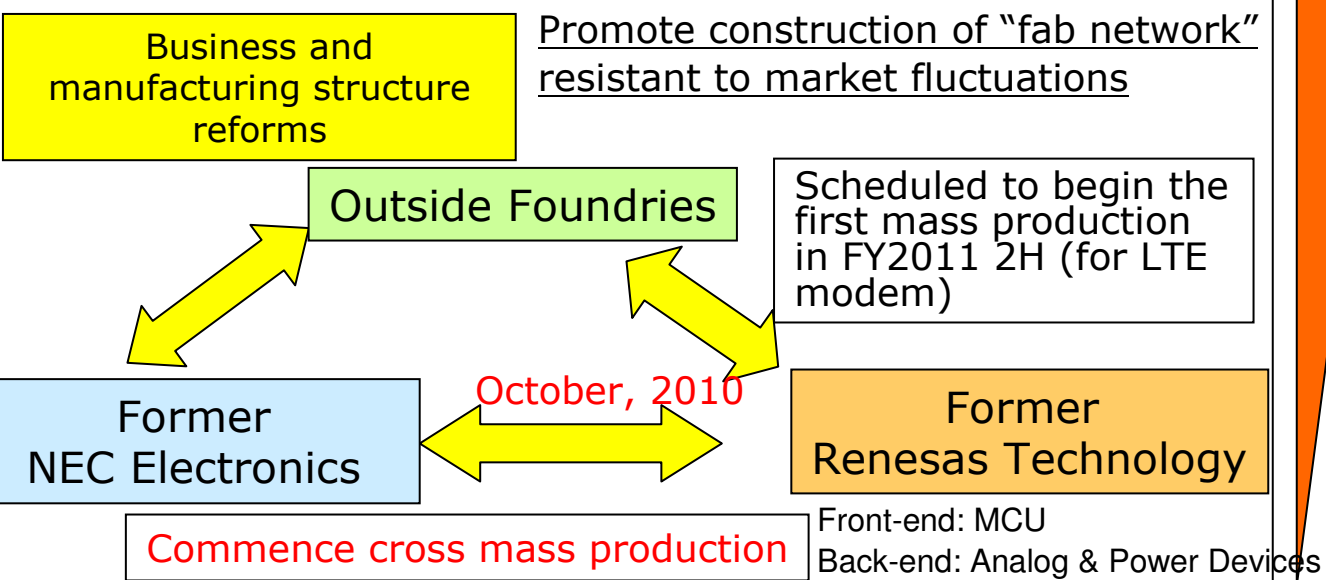
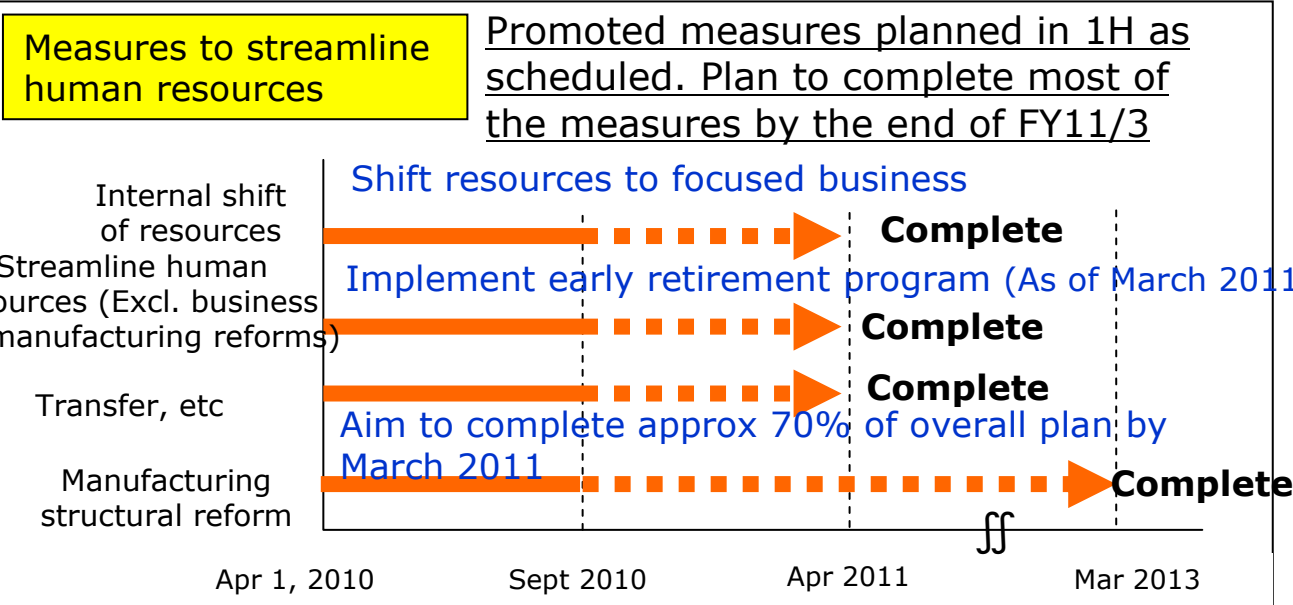
Improve sales efficiency

- Optimization of sales channels
 - ✓ Decreased the number of distributors from 30 to 16 and started new sales channels from Oct 1
- Integrate sales sites
 - ✓ Integrate major domestic branch company/office from 17 to 11
Close down 5 offices to 6 sites by the end of December, 2010
 - ✓ Close to completing integration of overlapping overseas sales sites including sales companies and sales offices in every region
- Integrate logistics, warehouses and information systems by mid-FY2010 (proceeding as planned)
 - ✓ Integrate domestic/overseas warehouses
 - ✓ Consolidate exporters and integrate packaging materials and exporting

Integrate products and improve design technology as well as manufacturing efficiency


- In the final stage to release new low-end MCU (Integrate 2 cores derived from both companies)
- Integrate environment development and reduce design cost (proceeding as planned)
- Miniaturization of chip size and package and reduction of testing time, etc (proceeding as planned)

Construction Measures



Implementing construction measures to execute structural reforms

IV. Summary

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- Sales in the second half are expected to remain flat from the first half despite the stagnant market condition and currency impact.
 - Achieve operating profit by steadily implementing all the measures formulated through the 100-day Project.
 - Promote structural reforms to attain net profit in FY12/3 and two-digit operating profit ratio in the mid-term period.



Renesas Electronics Corporation

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