

# **FY12/3 Q3 Financial Results**

**Renesas Electronics Corporation**

**January 31, 2012**

**Yasushi Akao, President**

# Executive Summary

## I. FY12/3 Q3 Financial Results

- Although sales were below our expectations due to worse market conditions and the impacts of Thailand's flood, operating loss improved QoQ as a result of improved cost of sales and expense reduction

## II. FY12/3 Financial Forecasts

- Full-year net sales is expected to be substantially below the company's previous forecasts affected by ongoing market downturn and Thailand's flood
- Though the company will improve production efficiency and conduct further expense reductions as measures for lowered sales forecast, it is difficult to achieve operating profit and net profit in FY12/3 2H

# I. FY12/3 Q3 Financial Results

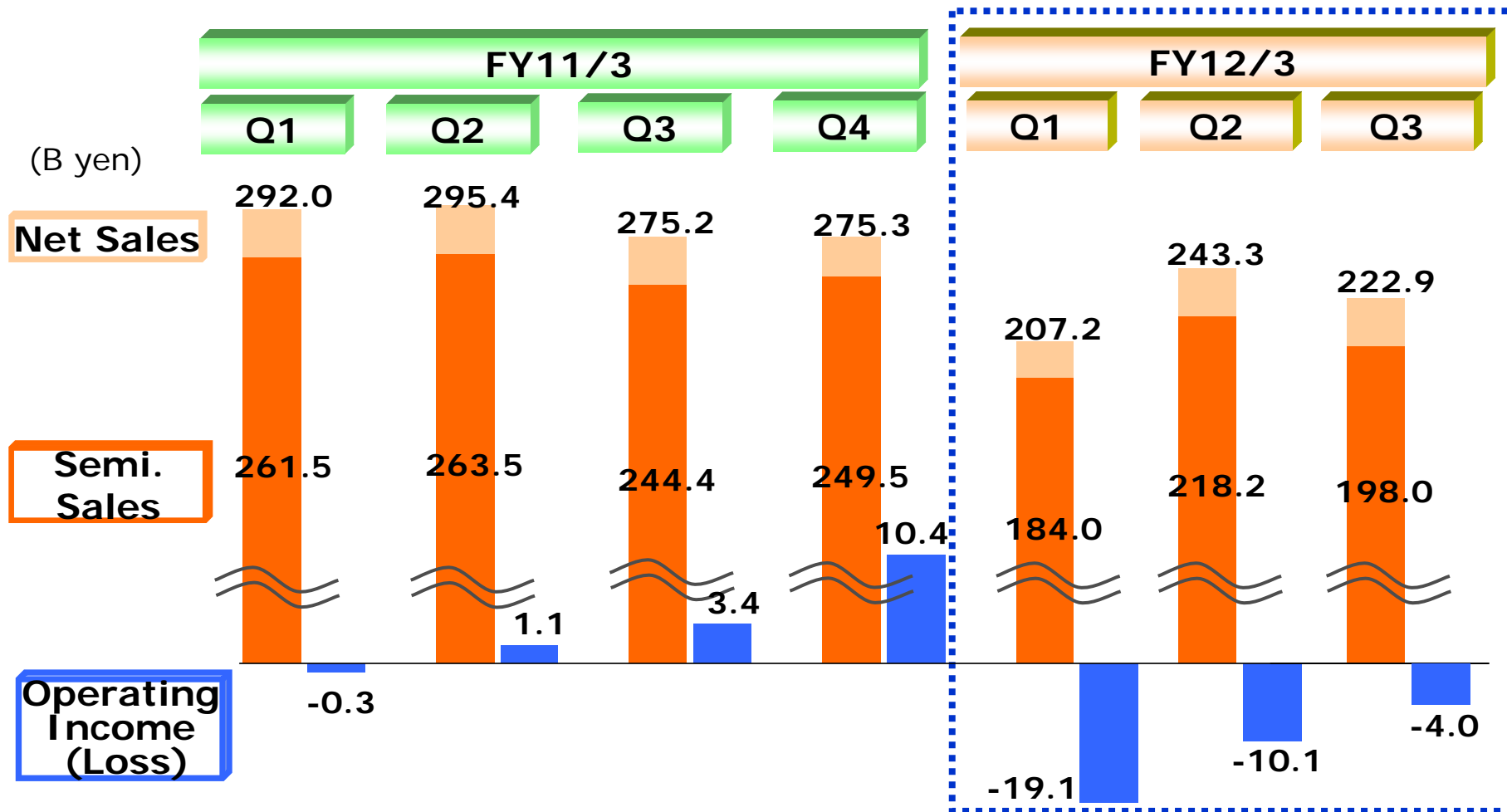
# FY12/3 Q3 Financial Snapshot

- Semiconductor sales were 198.0 B yen, decreased by 9% QoQ due to weak demand deriving from downturn mainly in Europe and China and the impacts of Thailand's flood
- Whereas, operating/net income (loss) improved QoQ by reducing cost of sales and expenses to partially offset profits drop associated with sales reduction

	FY11/3	FY12/3			
	Q3	Q2	Q3	QoQ	YoY
(B yen)					
<b>Net Sales</b>	275.2	243.3	<b>222.9</b>	-20.5 (-8%)	-52.3 (-19%)
<b>Semiconductor Sales</b>	244.4	218.2	<b>198.0</b>	-20.2 (-9%)	-46.4 (-19%)
<b>Operating Income (Loss)</b>	3.4	-10.1	<b>-4.0</b>	+6.1	-7.4
<b>Ordinary Income (Loss)</b>	1.1	-13.1	<b>-3.6</b>	+9.5	-4.7
<b>Net Income (Loss)</b>	-17.6	-8.8	<b>-2.4</b>	+6.4	+15.2
1 US\$=	83 yen	79 yen	77 yen	2 yen strong	6 yen strong
1 Euro=	112 yen	113 yen	105 yen	8 yen strong	7 yen strong

# Trends in Quarterly Results

- Though sales growth was suppressed by market downturn, profit and loss continuously improved overcoming earthquake impacts

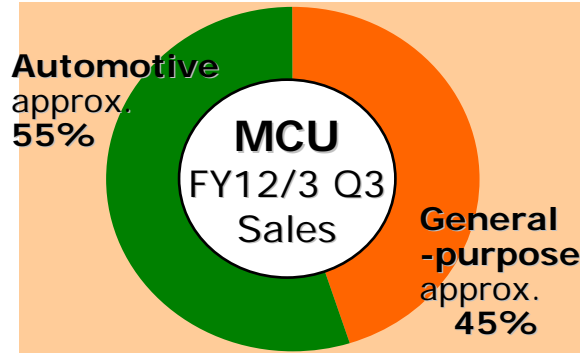


# FY12/3 Q3 Semiconductor Sales by Business (1)

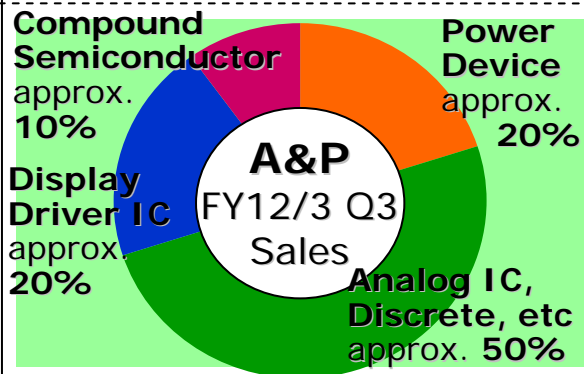
- Sales for consumer electronics, PC peripherals and industrial applications decreased in each 3 business segment owing to market slowdown mainly in Europe and China and Thailand's flood impacts
- MCU business achieved revenue increase QoQ led by growth of sales for automotive applications

(B yen)	FY11/3	FY12/3			
	Q3	Q2	Q3	QoQ	YoY
<b>Semiconductor Sales (Total)</b>	244.4	218.2	<b>198.0</b>	-20.2 (-9%)	-46.4 (-19%)
<b>MCU</b>	93.9	87.5	<b>88.6</b>	+1.2 (+1%)	-5.2 (-6%)
<b>Analog &amp; Power</b>	73.0	67.2	<b>54.5</b>	-12.7 (-19%)	-18.4 (-25%)
<b>SoC</b>	76.1	63.2	<b>53.4</b>	-9.8 (-15%)	-22.7 (-30%)
<b>Other Semiconductors</b>	1.5	0.3	<b>1.4</b>	+1.1	-0.1

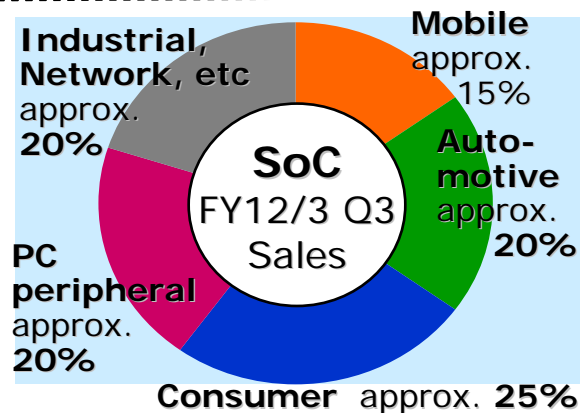
# FY12/3 Q3 Semiconductor Sales by Business (2)



- General-purpose MCUs decreased sales by 10% QoQ. Sales weakened more than expected mainly for consumer electronics and industrial applications in Europe and China affected by financial crisis in Europe and monetary tightening policy in China. In addition, Thailand's flood further decreased sales for consumer electronics.
- Automotive MCUs increased sales by more than 10% QoQ driven by Japanese automakers' production increase, though sales increase was below our expectation due to Thailand's flood



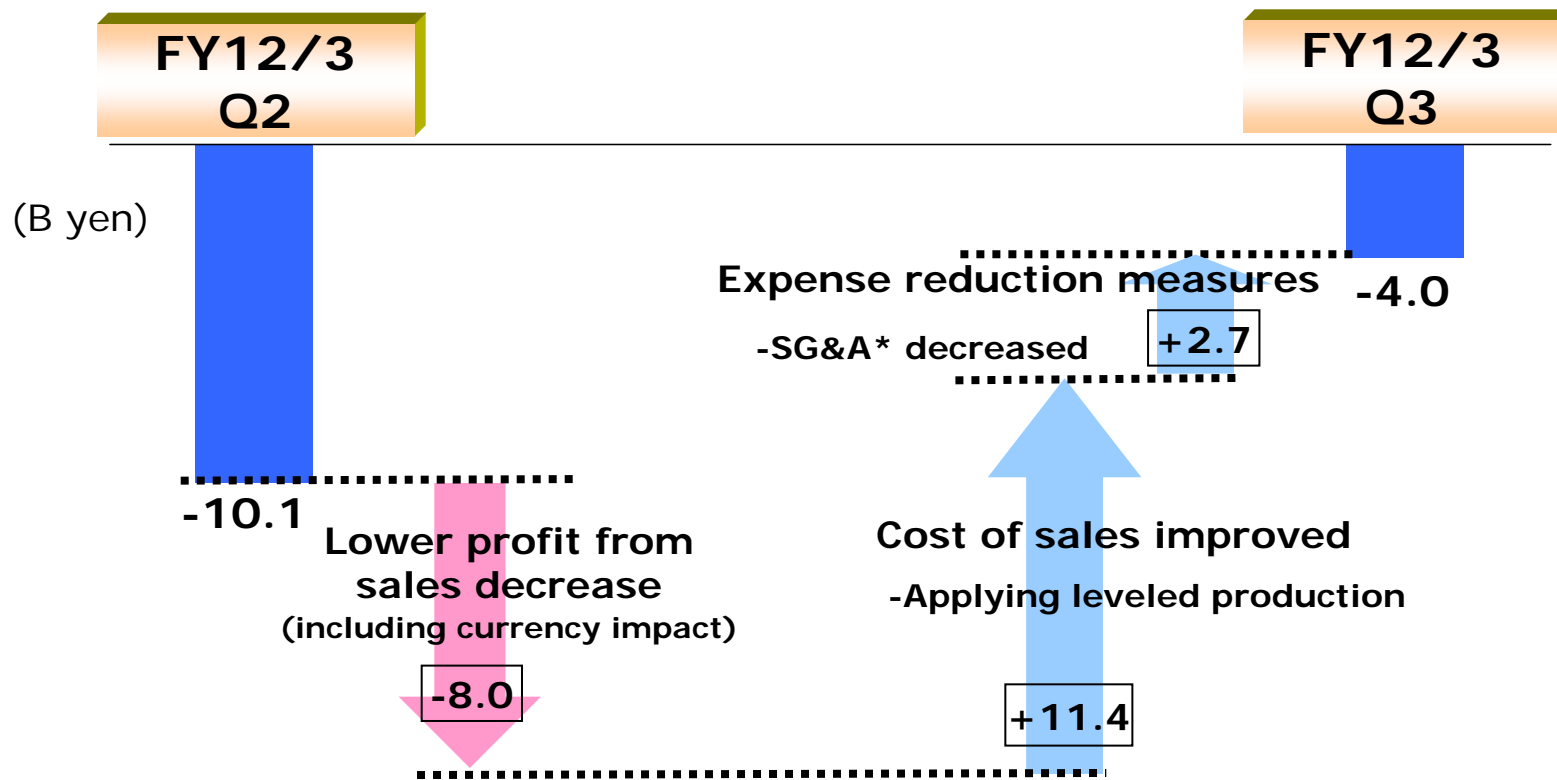
- Sales of power devices and Analog ICs for automotive increased QoQ along with production recovery of Japanese automakers. However, sales for PC and other applications substantially decreased vs. expectation and vs. previous quarter due to slowdown in global economy including China in addition to Thailand's flood impacts.
- Sales of display driver IC decreased QoQ, due to sluggish sales for large LCD despite of strong sales for small/mid-sized LCD



- Sales for mobile remained weak due to significant drop in semiconductor sales for conventional mobile phones despite of increased shipment of baseband processors for smartphones
- Automotive SoCs largely increased sales QoQ owing to increasing demand along with recovery from the earthquake
- Sales for consumer and PC peripherals decreased QoQ due to business downsizing including TV and worse market conditions

# FY12/3 Q3 Operating Income (Loss) QoQ

- Operating loss improved QoQ by improving production efficiency and reducing expenses such as SG&A to partially offset lower profit from sales decrease



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



# Balance Sheets

(B yen)	As of Mar. 31, 2011	As of Sep. 30, 2011	As of Dec. 31, 2011
<b>Total Assets</b>	1,145.0	917.7	901.7
<b>Cash and Cash Equivalents</b>	337.3	158.3	157.8
<b>Inventories</b>	123.4	138.6	157.7
<b>Liabilities</b>	854.0	679.9	665.4
<b>Interest-Bearing Debt</b>	378.2	265.6	263.3
<b>Shareholder's Equity</b>	306.0	264.0	261.6
<b>Net Assets</b>	291.1	237.9	236.3
<b>D/E Ratio (Gross)</b>	1.33	1.15	1.15
<b>D/E Ratio (Net)</b>	0.14	0.47	0.46
<b>Equity Ratio</b>	24.8%	25.1%	25.3%

Note)

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, Long-term borrowings
3. "Equity": Shareholders' equity, Other Comprehensive Income
4. "D/E ratio (gross)": Interest-bearing debt / Equity

# Cash Flows

- Secured positive free cash flows for Q3

FY11/3	FY12/3
--------	--------

(B yen)	FY11/3			FY12/3			
	Q3	9 months Cumulative (Apr-Dec)	Full-year	Q1	Q2	Q3	9 months Cumulative (Apr-Dec)
<b>Cash Flows from Operating Activities</b>	53.9	86.9	102.5	-29.2	8.0	18.0	-3.1
<b>Cash Flows from Investing Activities</b>	-39.0	-71.8	-95.8	-14.8	-17.8	-15.2	-47.7
<b>Free Cash Flows</b>	15.0	15.1	6.7	-44.0	-9.7	2.9	-50.8

## II. FY12/3 Financial Forecasts

# FY12/3 Consolidated Financial Forecasts

- Lowered full-year financial forecasts for sales due to ongoing market downturn and Thailand's flood impacts
- FY12/3 2H operating/net income (loss) are expected to be negative despite of production efficiency improvements and further expense reduction measures

	FY11/3		FY12/3				
	1H Actual	Full-year Actual	1H Actual	2H Forecasts	Full-year Forecasts	Previous Full-year Forecasts*	Difference from Previous Forecasts* (YoY)
(B yen)							
<b>Net Sales</b>	587.5	1,137.9	450.6	434.4	885.0	968.0	-83.0 (-252.9)
<b>Semiconductor Sales</b>	525.0	1,018.9	402.2	385.8	788.0	871.0	-83.0 (-230.9)
<b>Operating Income (Loss)</b>	0.7	14.5	-29.2	-18.8	-48.0	-28.0	-20.0 (-62.5)
<b>Ordinary Income (Loss)</b>	-7.8	1.0	-33.3	-20.7	-54.0	-37.0	-17.0 (-55.0)
<b>Net Income (Loss)</b>	-41.2	-115.0	-42.0	-15.0	-57.0	-40.0	-17.0 (+58.0)
1US\$=	90 yen	86 yen	81 yen	78 yen		78 yen	-
1Euro=	116 yen	114 yen	115 yen	100 yen		105 yen	5 yen strong

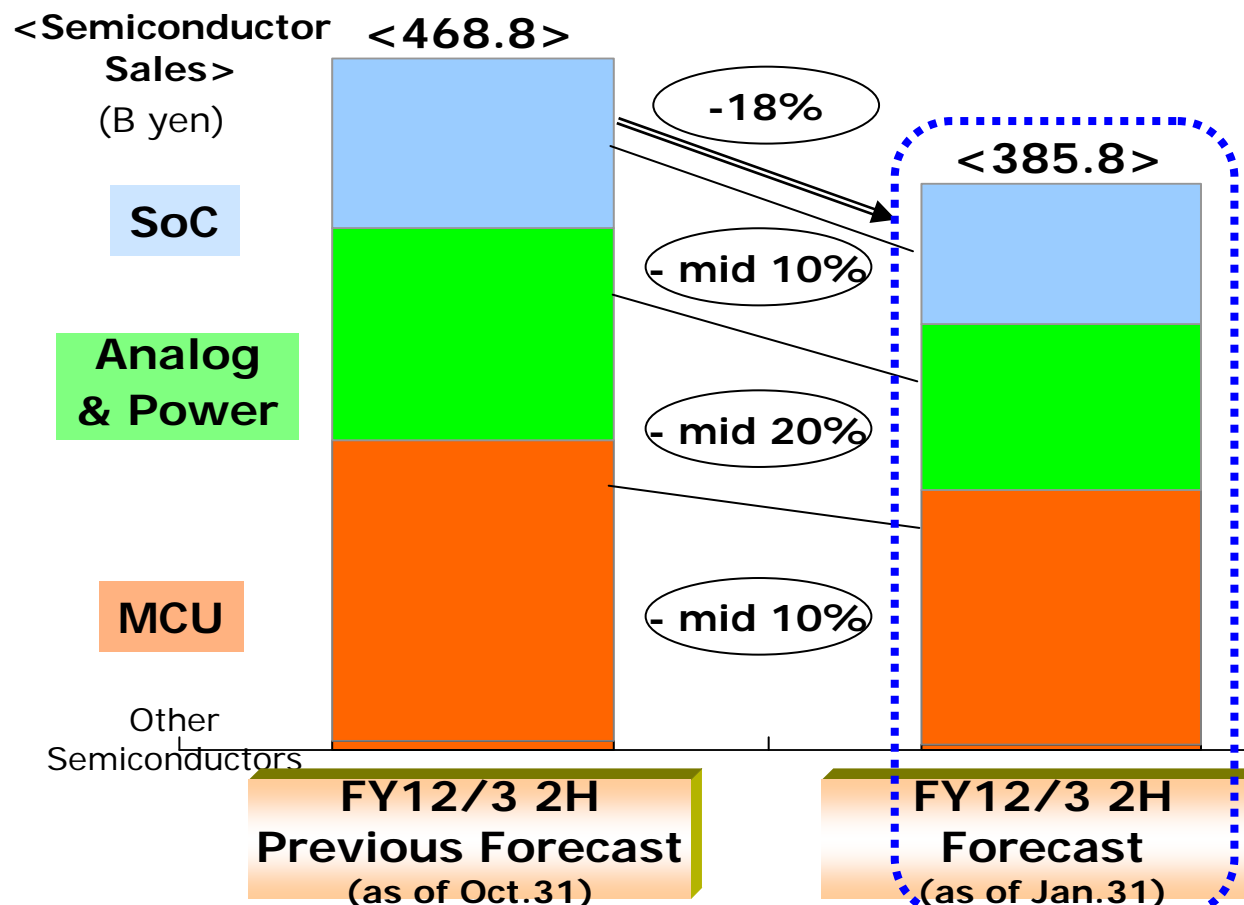
4Q assumed exchange rate

\*Previous forecasts as of October 31

# FY12/3 2H Semiconductor Sales Forecasts

## (Comparison with the previous forecasts)

Semiconductor sales are expected to decrease by 83.0 B yen from the previous forecasts due to a reduction of approximately 20.0 B yen for Thailand's flood impacts, and weak demand driving from even worse market conditions mainly in Europe and China

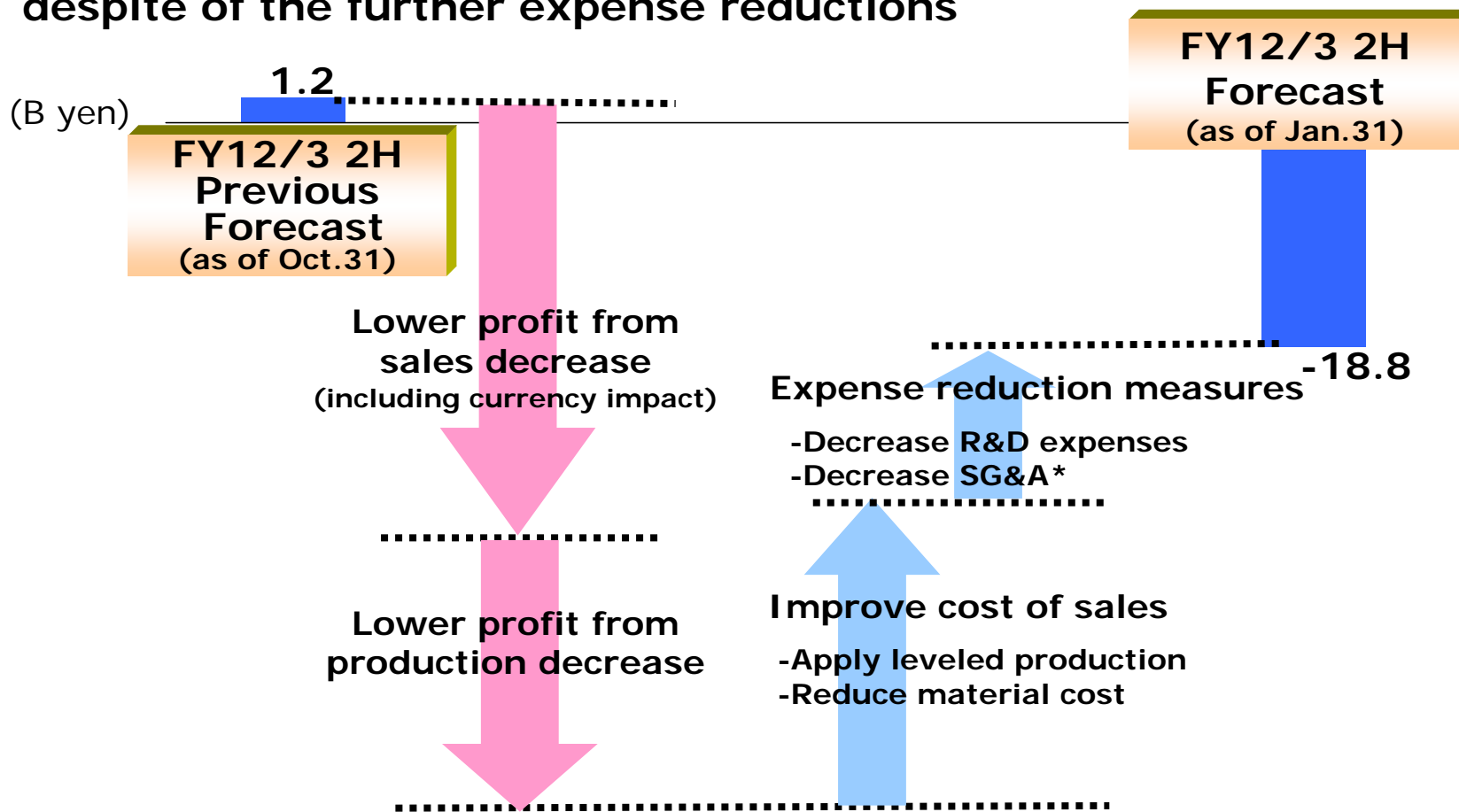


Major reasons for sales decrease	
<ul style="list-style-type: none"> <li>Thailand's flood impacts: -5 B yen                             <ul style="list-style-type: none"> <li>-SoCs for consumer/automotive/industry/PC</li> </ul> </li> <li>Weak demand                             <ul style="list-style-type: none"> <li>-SoCs for consumer/industry (mainly in Europe/China/Japan)</li> <li>-ICs for mobile</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Thailand's flood impacts: -5 B yen                             <ul style="list-style-type: none"> <li>-Power devices and analog/discrete devices for consumer/PC/automotive</li> </ul> </li> <li>Weak demand                             <ul style="list-style-type: none"> <li>-Power devices and analog/discrete devices for PC/consumer/industry (mainly in China)</li> <li>-Compound semiconductors for industry/network</li> <li>-Display driver ICs for large-sized panels including TVs</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>Thailand's flood impacts: -10 B yen                             <ul style="list-style-type: none"> <li>-MCUs for consumer/automotive/industry</li> </ul> </li> <li>Weak demand                             <ul style="list-style-type: none"> <li>-MCUs for consumer/industry (mainly in Europe/China/Japan)</li> </ul> </li> </ul>	

# FY12/3 2H Operating Income (Loss) Forecasts

## (Comparison with the previous forecasts)

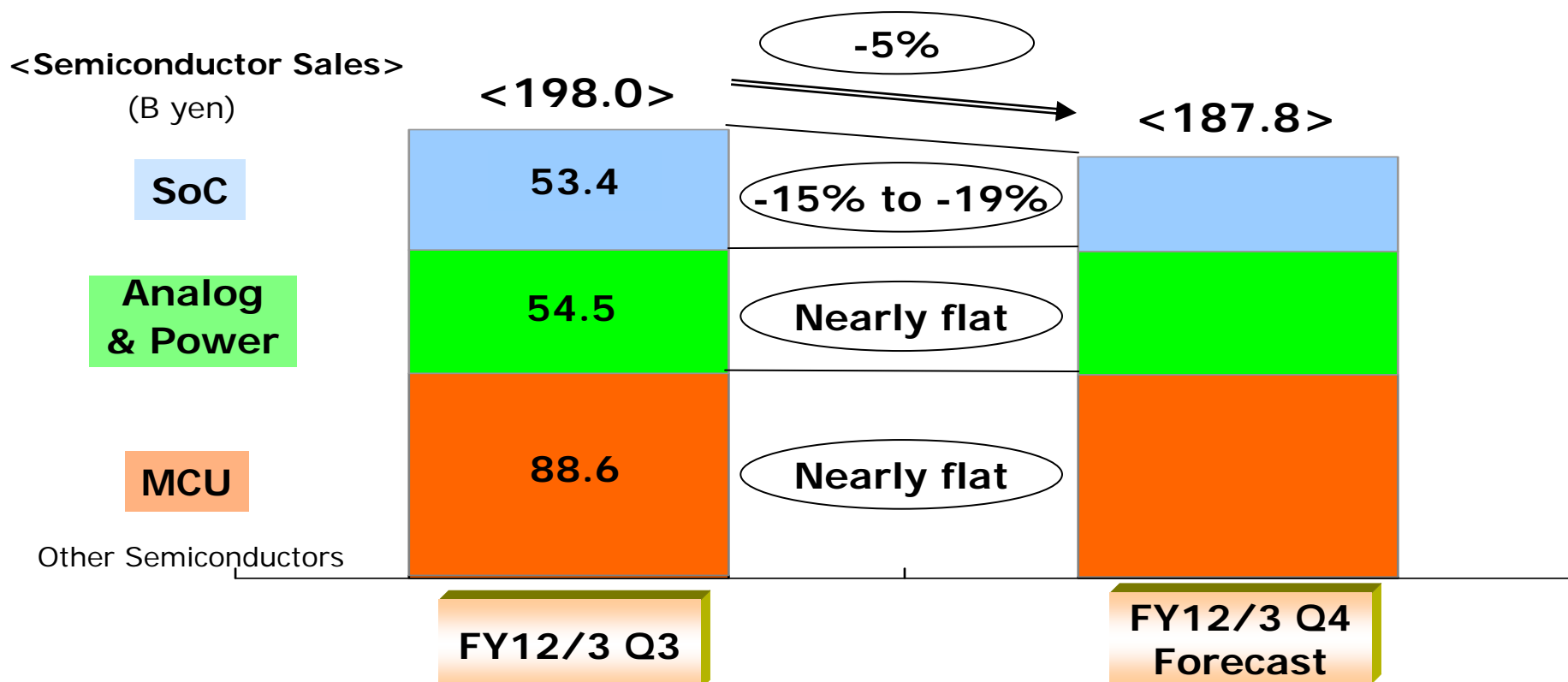
- Expect lower profit from sales and production decrease due to weak demand deriving from ongoing market downturn and Thailand's flood
- FY12/3 2H operating loss is expected to be 18.8 B yen, despite of the further expense reductions



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

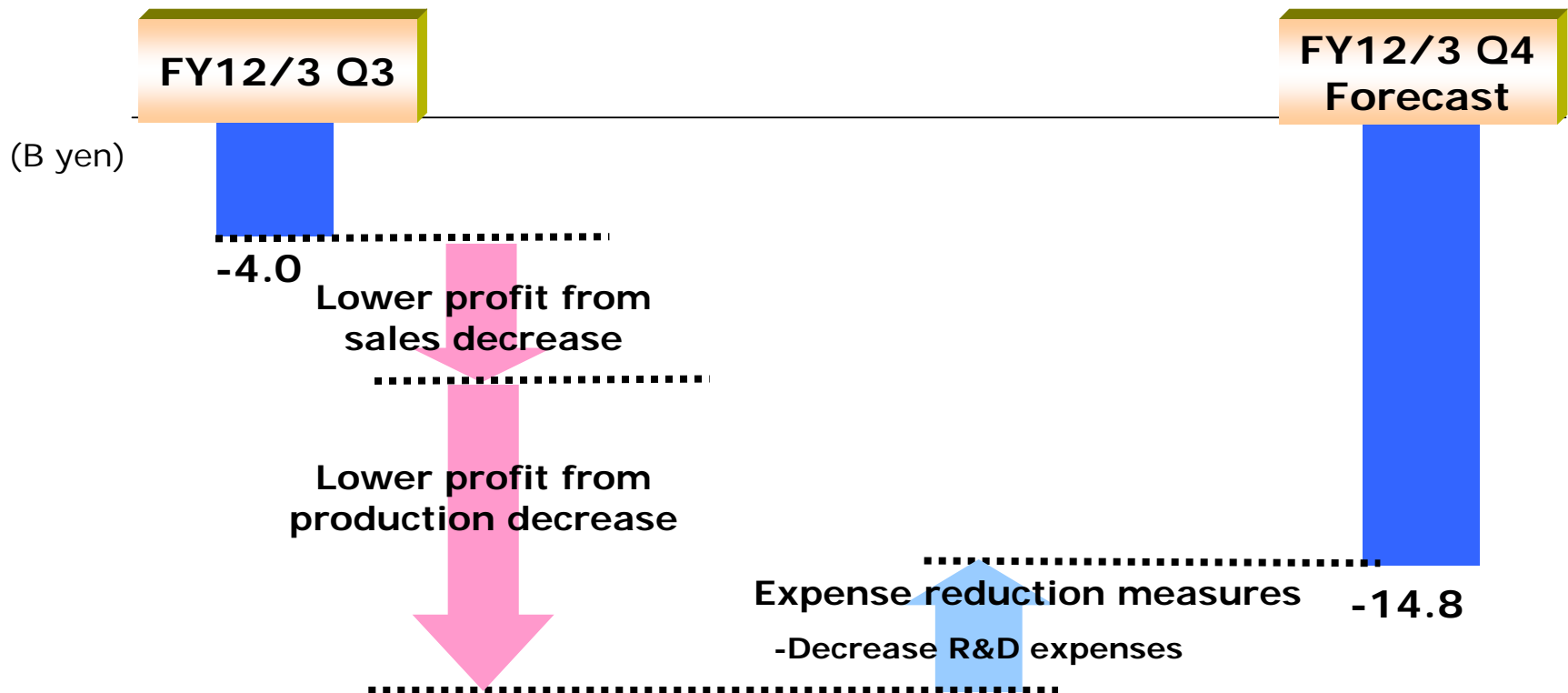
# FY12/3 Q4 Semiconductor Sales Forecasts (QoQ Comparison)

- Sales for MCU and Analog & Power semiconductor are expected to be nearly flat QoQ due to ongoing weak demand mainly in general-purpose products followed by worse macro economy despite of steady demand for automotive applications
- SoC sales are forecasted to be lower due to market downturn as well as selection and focus of businesses



# FY12/3 Q4 Operating Income (Loss) Forecasts (QoQ Comparison)

- Much lower profit from production decrease owing to ongoing weak demand followed by adverse market conditions
- FY12/3 Q4 operating loss is expected to worsen to 14.8 B yen though the company will hold down expenses including R&D which are usually increased at the year-end





# Toward Business Recovery (1)

## -Applications and Products Expected to Grow after FY13/3

- Many applications with potential growth in FY13/3 market outlook
- Accelerate selection and focus of resources for these growing applications to achieve sales volume to secure profit

### FY13/3 Market Environment

Post-quake recovery demand

Rebound and recovery from Thailand's flood

Acceleration of Smart Society

Olympic Games

Presidential elections and changes in US, China, etc

### Growing Applications

Automotive, Industrial application

Next-gen. high-speed wireless network

Green home appliance (LED lighting, etc)

EV/HEV

Smart grid

Consumer/Amusement, Automotive, Industrial application

### Renesas Major Products

- MCU for automotive and industrial applications
- Power device for automotive and industrial applications (IGBT, Power MOSFET)
- SoC for car navigation and industrial applications

- LTE modem SoC
- Small & middle-sized display driver IC

- Inverter MCU
- Power device

- EV/HEV motor MCU
- SoC for car navigation

- MCU for meters

- Overall semiconductor
- MCU
- Power device
- Analog IC/ discrete
- SoC

Strengthen combined products with MCU and Analog IC (Released "Smart Analog Series" from January 2012)

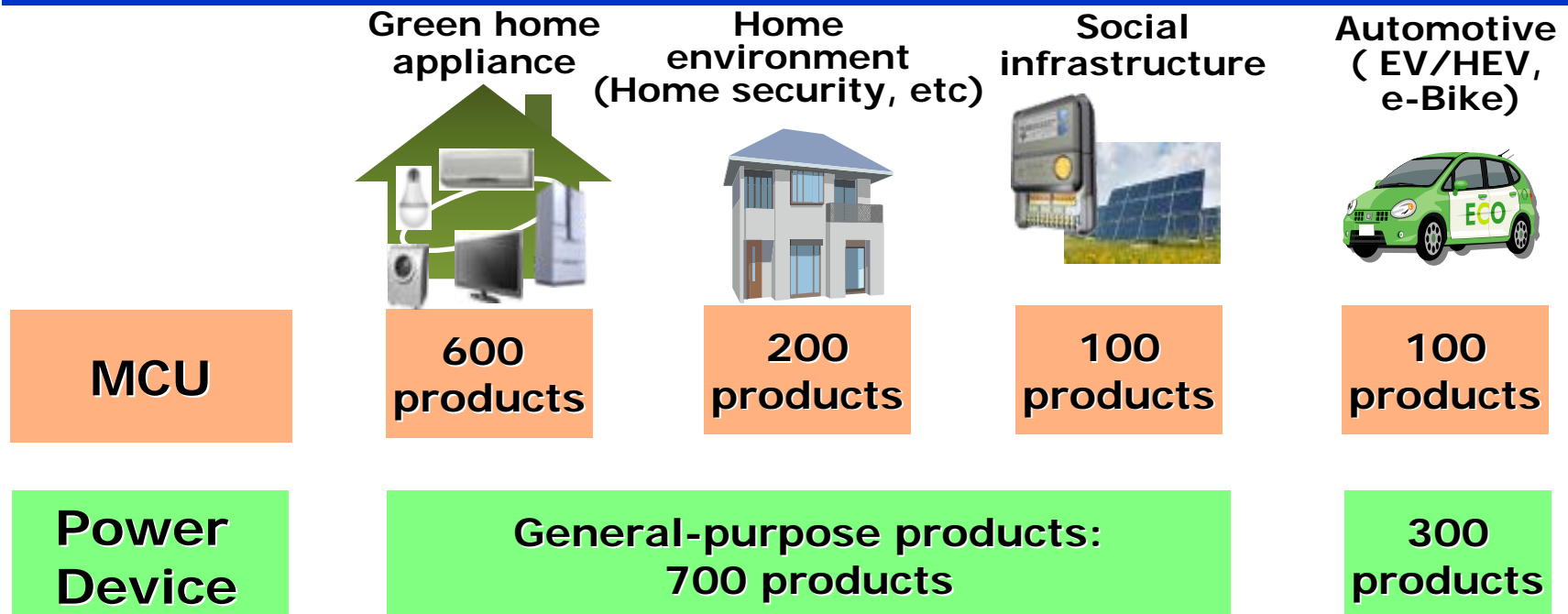
\*EV: Electric Vehicle, HEV: Hybrid Electric Vehicle, NFC: Near Field Communication

# Toward Business Recovery (2)

## -Strengthen MCUs and Power Devices

- Strengthen product lineups of MCUs and power devices for growing applications
- Launch 1,000 MCUs in 3 years for the Chinese market, planning to release approx. 700 products by the end of FY12/3
- Launch 1,000 power devices centering high-voltage products for growing applications in 3 years, planning to release approx. 700 products by the end of FY12/3

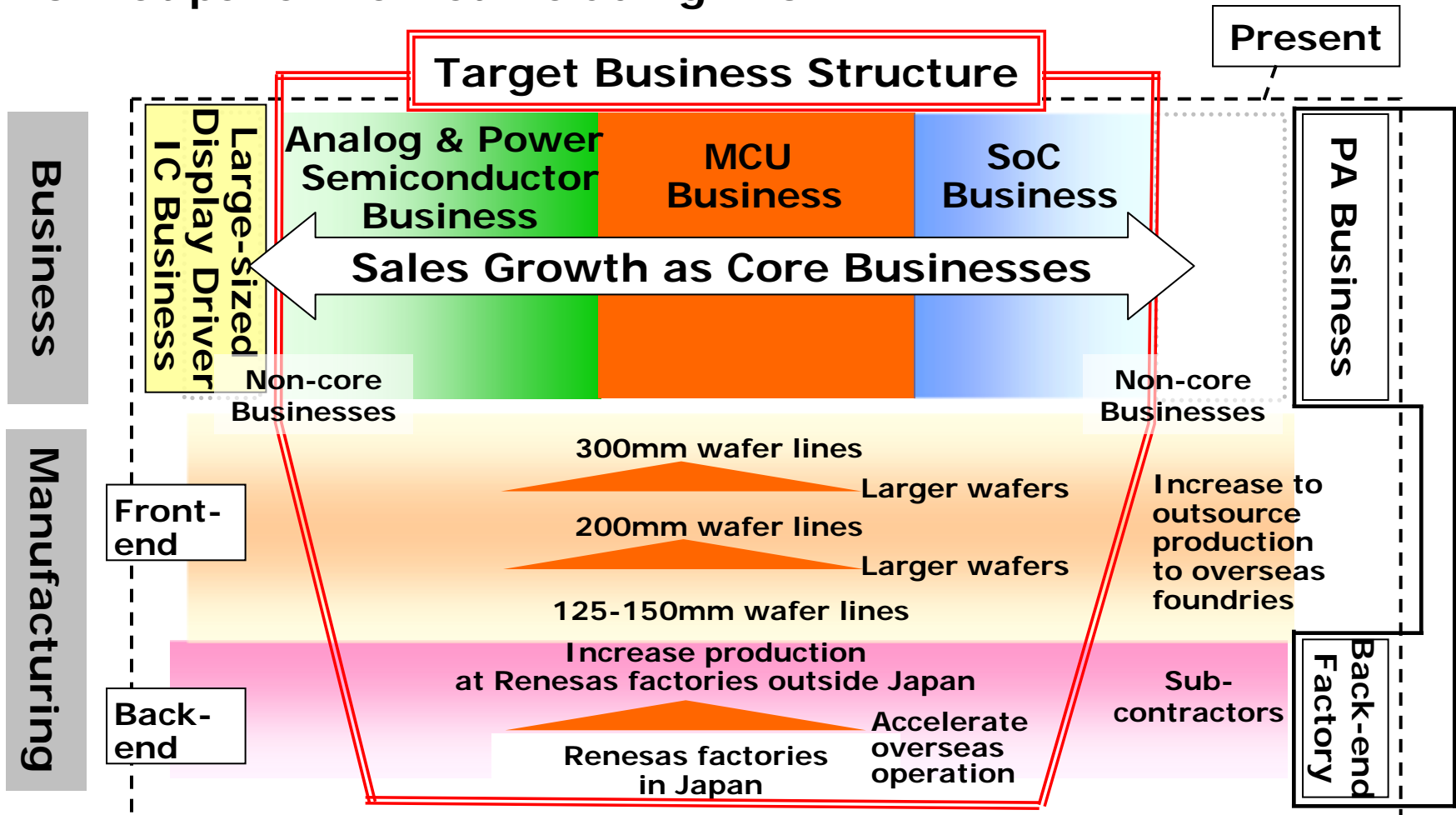
### Number of products to be launched by applications (FY11/3 – FY13/3)



# Toward Business Recovery (3)

## -Business and Production Structural Measures

- Decided to withdraw from the large-sized display driver IC business which has been unprofitable due to structural changes of flat panel market including TVs



# Summary

- Q3 sales worsened from the previous forecasts due to market downturn though earnings improved QoQ
- Lowered the full-year forecasts for net sales and earnings, mainly owing to ongoing market downturn and the impacts of Thailand's flood
- Continue to execute structural reform measures to construct a consistently-profitable business structure, and surely capture opportunities of market recovery to achieve improvements in business performance at an early point

#### (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.



Renesas Electronics Corporation

© 2012 Renesas Electronics Corporation. All rights reserved.