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.

<table>
<thead>
<tr>
<th></th>
<th>FY11/3</th>
<th>FY12/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>275.2</td>
<td>243.3</td>
</tr>
<tr>
<td><strong>Semiconductor Sales</strong></td>
<td>244.4</td>
<td>218.2</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>3.4</td>
<td>-10.1</td>
</tr>
<tr>
<td><strong>Ordinary Income (Loss)</strong></td>
<td>1.1</td>
<td>-13.1</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>-17.6</td>
<td>-8.8</td>
</tr>
</tbody>
</table>

**Exchange Rates:**

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.

<table>
<thead>
<tr>
<th>Period</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>FY11/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>292.0</td>
<td>295.4</td>
<td>275.2</td>
<td>275.3</td>
<td>261.5 - 292.0</td>
</tr>
<tr>
<td>Semi. Sales</td>
<td>261.5</td>
<td>263.5</td>
<td>244.4</td>
<td>249.5</td>
<td>207.2 - 243.3</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-0.3</td>
<td>1.1</td>
<td>3.4</td>
<td>10.4</td>
<td>-19.1 - 10.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>FY12/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>207.2</td>
<td>243.3</td>
<td>222.9</td>
<td>222.9</td>
</tr>
<tr>
<td>Semi. Sales</td>
<td>184.0</td>
<td>218.2</td>
<td>198.0</td>
<td>198.0</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-19.1</td>
<td>-10.1</td>
<td>-4.0</td>
<td>-4.0</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th></th>
<th>FY11/3</th>
<th>FY12/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q2</td>
</tr>
<tr>
<td>Semiconductor Sales (Total)</td>
<td>244.4</td>
<td>218.2</td>
</tr>
<tr>
<td>MCU</td>
<td>93.9</td>
<td>87.5</td>
</tr>
<tr>
<td>Analog &amp; Power</td>
<td>73.0</td>
<td>67.2</td>
</tr>
<tr>
<td>SoC</td>
<td>76.1</td>
<td>63.2</td>
</tr>
<tr>
<td>Other Semiconductors</td>
<td>1.5</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Notes:
- 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.
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 SLAGGISH 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.

**FY12/3 Q2**

- Lower profit from sales decrease (including currency impact) -10.1

**FY12/3 Q3**

- Cost of sales improved +11.4

- Expense reduction measures
  - SG&A* decreased +2.7

*SG&A: Selling, general and administrative expenses
## Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,145.0</td>
<td>917.7</td>
<td>901.7</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>337.3</td>
<td>158.3</td>
<td>157.8</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>123.4</td>
<td>138.6</td>
<td>157.7</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>854.0</td>
<td>679.9</td>
<td>665.4</td>
</tr>
<tr>
<td><strong>Interest-Bearing Debt</strong></td>
<td>378.2</td>
<td>265.6</td>
<td>263.3</td>
</tr>
<tr>
<td><strong>Shareholder’s Equity</strong></td>
<td>306.0</td>
<td>264.0</td>
<td>261.6</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>291.1</td>
<td>237.9</td>
<td>236.3</td>
</tr>
<tr>
<td><strong>D/E Ratio (Gross)</strong></td>
<td>1.33</td>
<td>1.15</td>
<td>1.15</td>
</tr>
<tr>
<td><strong>D/E Ratio (Net)</strong></td>
<td>0.14</td>
<td>0.47</td>
<td>0.46</td>
</tr>
<tr>
<td><strong>Equity Ratio</strong></td>
<td>24.8%</td>
<td>25.1%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>FY11/3</th>
<th>FY12/3</th>
<th>Difference from Previous Forecasts* (YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H Actual</td>
<td>Full-year Actual</td>
</tr>
<tr>
<td>Net Sales</td>
<td>587.5</td>
<td>1,137.9</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>525.0</td>
<td>1,018.9</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>0.7</td>
<td>14.5</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>-7.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-41.2</td>
<td>-115.0</td>
</tr>
</tbody>
</table>

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
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**
- Thailand’s flood impacts: -5 B yen
  - SoCs for consumer/automotive/industry/PC
- Weak demand
  - SoCs for consumer/industry (mainly in Europe/China/Japan)
  - ICs for mobile

- Thailand’s flood impacts: -10 B yen
  - MCUs for consumer/automotive/industry
- Weak demand
  - Power devices and analog/discrete devices for PC/consumer/industry (mainly in China)
  - Compound semiconductors for industry/network
  - Display driver ICs for large-sized panels including TVs

- Thailand’s flood impacts: -10 B yen
  - MCUs for consumer/automotive/industry
- Weak demand
  - MCUs for consumer/industry (mainly in Europe/China/Japan)
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.

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

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>Previous Forecast (as of Oct.31)</th>
<th>Forecast (as of Jan.31)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower profit from sales decrease (including currency impact)</td>
<td>1.2</td>
<td>-18.8</td>
</tr>
<tr>
<td>Lower profit from production decrease</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Expense reduction measures**

- Decrease R&D expenses
- Decrease SG&A*

**Improve cost of sales**

- Apply leveled production
- Reduce material cost

*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.

<table>
<thead>
<tr>
<th>&lt;Semiconductor Sales&gt;</th>
<th>FY12/3 Q3</th>
<th>FY12/3 Q4 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCU</td>
<td>88.6</td>
<td>Nearly flat</td>
</tr>
<tr>
<td>Analog &amp; Power</td>
<td>54.5</td>
<td>Nearly flat</td>
</tr>
<tr>
<td>SoC</td>
<td>53.4</td>
<td>-15% to -19%</td>
</tr>
<tr>
<td>Other Semiconductors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comparisons:
-5% decrease from FY12/3 Q3 to FY12/3 Q4 Forecast.

(B yen)
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

**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)

- Green home appliance (Home security, etc) - 600 products
- Home environment - 200 products
- Social infrastructure - 100 products
- Automotive (EV/HEV, e-Bike) - 100 products
- General-purpose products: 700 products
- Power Device
- MCU: 600 products
- Power Device: 300 products
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.