FY14/3 Q2 Financial Results

Renesas Electronics Corporation
October 30, 2013
Tetsuya Tsurumaru, Representative Director, President and COO
I. FY14/3 Q2 Financial Results

II. FY14/3 Q3 Forecasts
Executive Summary

I. FY14/3 Q2 Financial Results

- Semiconductor sales were 207.7 billion yen, 9.6% increase QoQ, mainly due to a seasonal sales peak that recur in Q2 from year to year.
- Secured operating profit by three quarters in a row with 10.9 billion yen operating income, an increase by 1.1 billion yen QoQ, mainly due to the effects of structural reform measures.

II. FY14/3 Q3 Forecasts

- Semiconductor sales are expected to be 190 billion yen, a decrease by 8.5% QoQ.
- Despite the decreased profit from sales decline, Renesas expects to achieve operating profit in the amount of 16 billion yen, an increase by 5.1 billion yen QoQ, mainly due to the effects of structural reform measures.
- Expect to achieve quarterly net profit of 24 billion yen mainly due to increased operating profit and recording of special income from gain on transfer of mobile business.
I. FY14/3 Q2 Financial Results
# FY14/3 Q2 Financial Results

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY13/3</th>
<th>FY14/3</th>
<th>Difference from Aug 2, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Net Sales</td>
<td>222.8</td>
<td>199.1</td>
<td>217.8</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>205.3</td>
<td>189.6</td>
<td>207.7</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-5.7</td>
<td>9.8</td>
<td>10.9</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>-6.8</td>
<td>8.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-94.3</td>
<td>-4.0</td>
<td>-8.8</td>
</tr>
<tr>
<td>(Ref) Special Income (Loss)</td>
<td>-85.9</td>
<td>-8.7</td>
<td>-11.2</td>
</tr>
</tbody>
</table>

| 1 US$=    | 79 yen | 98 yen | 98 yen | ±0 yen | ±0 yen |
| 1 Euro=  | 98 yen | 127 yen| 130 yen| 3 yen weak | 1 yen weak |

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Quarterly Financial Results

(B Yen)

- Net Sales
  - FY13/3
    - Q1: 186.6
    - Q2: 222.8
    - Q3: 191.0
    - Q4: 185.4
  - FY14/3
    - Q1: 199.1
    - Q2: 217.8
- Semiconductor Sales
  - FY13/3
    - Q1: 168.2
    - Q2: 205.3
    - Q3: 177.2
    - Q4: 173.9
  - FY14/3
    - Q1: 189.6
    - Q2: 207.7
- Operating Income (Loss)
  - FY13/3
    - Q1: -17.6
    - Q2: -5.7
    - Q3: -7.9
    - Q4: 8.0
  - FY14/3
    - Q1: 9.8
    - Q2: 10.9

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## FY14/3 Q2 Semiconductor Sales by Product Categories (1)

<table>
<thead>
<tr>
<th></th>
<th>FY13/3</th>
<th>FY14/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q1</td>
</tr>
<tr>
<td>Semiconductor Sales (Total)</td>
<td>205.3</td>
<td>189.6</td>
</tr>
<tr>
<td>MCU</td>
<td>80.9</td>
<td>85.6</td>
</tr>
<tr>
<td>Analog &amp; Power</td>
<td>68.1</td>
<td>65.3</td>
</tr>
<tr>
<td>SoC</td>
<td>55.0</td>
<td>36.8</td>
</tr>
<tr>
<td>Other Semiconductors</td>
<td>1.3</td>
<td>1.8</td>
</tr>
</tbody>
</table>
FY14/3 Q2 Semiconductor Sales by Product Categories (2)

- Sales of automotive MCU remained strong mainly in Japan
- Sales of general-purpose MCU increased QoQ, due to steady movements of (1) the consumer electronics from the increase in demand for air conditioners during a heat wave, and (2) the industrial equipment from the increase in capital investment mainly in Japan and U.S

- Sales of both power devices and analog ICs for automotive stayed solid
- Sales of display driver IC showed a sharp increase driven by strong demand of mid/small sized display driver ICs

- Sales of automotive SoCs continued to increase due to solid sales of Japanese car navigation makers supported by solid car sales in Japan
- Sales of SoCs for PC and PC peripherals increased with strong demand for business-use equipment (printers and multi-function printers, etc.) in the emerging countries and some of the consumer electronics
Trends in Net Sales and Gross Profit Ratio

Gross Profit Ratio

Consolidated Net Sales

FY11 1H | FY11 2H | FY12 1H | FY12 2H | FY13 1H
---|---|---|---|---
450.6 | 432.5 | 409.4 | 376.4 | 416.9
31.2% | 31.2% | 29.3% | 32.6% | 36.1%
**FY14/3 Q2 Operating Income (Loss) in QoQ Comparison**

- **(B Yen)**
  - Improved profit from increased sales (including currency impact): +6.6
  - Increase in manufacturing cost: -1.4
  - Increase in R&D and SG&A: -4.1

Fiscal Year 2014/3 (Q1): +9.8
Fiscal Year 2014/3 (Q2): +10.9

R&D: Research and development cost, SG&A: Selling, general and administrative expenses
FY14/3 Q2 Operating Income (Loss) in Comparison with Forecasts (As of August 2, 2013)

- **FY14/3 Q2 (Forecast)**
  - Improved profit from increase in sales (including currency impact): +2.9
  - Decrease in manufacturing cost: +3.7
  - Decrease in R&D, SG&A: +0.1

- **FY14/3 Q2 (Result)**
  - +10.9

(B Yen)
FY14/3 1H Operating Income Loss in YoY Comparison

 FY13/3 1H
-23.3

 Improved profit from increase in sales (including currency impact)

 FY14/3 1H
+16.1

 Reduced fixed-cost, etc.

+27.9

+20.7

(B Yen)
FY14/3 Q2 Net Income (Loss)

Operating Income (Loss) +10.9

Net Income (Loss)

Non-operating income (loss) -5.5 B Yen

Special income (loss) -11.2 B Yen

[Breakdown of special loss]

- Implementation of early retirement program
- Business and manufacturing-related structural reforms

Income tax, etc. and minority interests -3.0 B Yen
FY14/3 Q2 Special Income (Loss) in Comparison with Forecasts (As of August 2, 2013)

(B Yen)

-32.0

FY14/3 Q2 (Forecast)

Lower-than-estimated early retirement cost

+10.9

Gain on transfer of mobile business, etc. (including reviewing of provision from Q1)

+9.9

-11.2

FY14/3 Q2 (Result)
# Balance Sheets

(B Yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>669.1</td>
<td>668.4</td>
<td>796.2</td>
</tr>
<tr>
<td><strong>Cash and Cash</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equivalents</strong></td>
<td>77.7</td>
<td>95.8</td>
<td>239.3</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>151.3</td>
<td>143.7</td>
<td>136.7</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>591.2</td>
<td>588.1</td>
<td>574.4</td>
</tr>
<tr>
<td><strong>Interest-Bearing Debt</strong></td>
<td>306.4</td>
<td>299.4</td>
<td>287.4</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>75.8</td>
<td>71.9</td>
<td>213.0</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>77.9</td>
<td>80.3</td>
<td>221.8</td>
</tr>
<tr>
<td><strong>D/E Ratio (Gross)</strong></td>
<td>4.59</td>
<td>4.41</td>
<td>1.38</td>
</tr>
<tr>
<td><strong>D/E Ratio (Net)</strong></td>
<td>3.43</td>
<td>3.00</td>
<td>0.23</td>
</tr>
<tr>
<td><strong>Equity Ratio</strong></td>
<td>10.0%</td>
<td>10.2%</td>
<td>26.2%</td>
</tr>
</tbody>
</table>

Note 1) Cash and Cash Equivalents: Cash and deposits, Short-term investment securities
Note 2) Inventories: Merchandise and finished goods, Work in process, Raw materials and supplies
Note 3) Interest-bearing debt: Short-term borrowings, Current portion of long-term borrowings, Current portion of lease obligations, Bonds with share subscription rights, Long-term borrowings
Note 4) Equity: Shareholders’ equity, Valuation and Translation Adjustments
Note 5) D/E ratio (gross): Interest-bearing debt / Equity

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## Cash Flow

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY13/3</th>
<th>FY14/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-18.1</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-10.7</td>
<td>-9.8</td>
</tr>
<tr>
<td><strong>Free Cash Flows</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-28.7</td>
<td>-5.2</td>
</tr>
</tbody>
</table>

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II. FY14/3 Q3 Forecasts
## FY14/3 Q3 Consolidated Financial Forecasts

<table>
<thead>
<tr>
<th>(B Yen)</th>
<th>FY13/3</th>
<th>FY14/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 (Actual)</td>
<td>Q2 (Actual)</td>
</tr>
<tr>
<td>Net Sales</td>
<td>191.0</td>
<td>217.8</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>177.2</td>
<td>207.7</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-7.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>-11.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-46.6</td>
<td>-8.8</td>
</tr>
<tr>
<td>(Ref) Special Income (Loss)</td>
<td>-32.8</td>
<td>-11.2</td>
</tr>
</tbody>
</table>

1 US$ = 79 yen
98 yen weak 1 yen strong 98 yen
1 Euro = 102 yen
130 yen weak ±0 yen 129 yen
Forecast for FY14/3 Q3 Semiconductor Sales (QoQ Comparison)

(B Yen)

【Semiconductor Sales】

- **SoC**: 453 (FY14/3 Q2: 723)  
- **A&P**: 723 (FY14/3 Q2: 889)  
- **MCU**: 889 (FY14/3 Q2: 18)  
- **Other Semiconductors**: 18 (FY14/3 Q2: 18)

Growth rate:
- **SoC**: -6-9%  
- **A&P**: -6-9%  
- **MCU**: -1-5%  
- **Other Semiconductors**: -8.4%

【190.0】

[Major factors affecting Q3 semiconductor sales]

- Expect overall automotive products to show steady growth
- Expect mid/small sized display driver ICs to continue to stay solid
- While sales of other general-purpose semiconductors overall are expected to decrease due to seasonal sales peak that recur in Q2 from year to year, sales of general-purpose MCU are expected to decline but only to a small extent
FY14/3 Q3 Operating Income (Loss) Forecasts (QoQ Comparison)

- Decreased profit from sales decline (including currency impact): +10.9
- Manufacturing cost (reduced inventory, etc.): -6.6
- Decreased cost: -2.9
- Total: +16.0

FY14/3 Q2

FY14/3 Q3
### FY14/3 Q3 Net Income (Loss) Forecasts

<table>
<thead>
<tr>
<th>Operating Income (Loss)</th>
<th>Non-operating income (loss)</th>
<th>Special income (loss)</th>
<th>Net Income (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+24 B Yen</td>
<td>-3.0 B Yen</td>
<td>+14.5 B Yen</td>
<td>+24 B Yen</td>
</tr>
</tbody>
</table>

**Income taxes, etc. and minority interests:** -3.5 B Yen

**Factors affecting special income (loss):**
- Special income from gain on transfer of mobile business

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(FOREWARD-LOOKING STATEMENTS)
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