



FY15/3 Q1 Financial Results

Renesas Electronics Corporation

August 6, 2014



Agenda

I.

FY15/3 Q1 Financial Results

II.

FY15/3 Q2 Consolidated Forecasts

Executive Summary

I.

FY15/3 Q1 Financial Results

- Semiconductor sales were 201.2 B yen, an increase by 4.9% QoQ, mainly due to solid sales of automotive and an increase in sales of general-purpose products
- Though the effects of the structural reforms are being materialized as seen with six consecutive quarters of operating income, taking into consideration that income was pushed up by structural reform measures (inventory buildup), then further reforms are required to ensure constant positive results

II.

FY15/3 Q2 Consolidated Forecasts

- Semiconductor sales are expected to be 196.8 B yen, a decrease by 2.2% QoQ
- Operating income of 19.0 B yen is expected, despite a decrease of 8.0 B yen QoQ mainly due to a seasonal cost increase at the end of the first half
- Net income of 6.8 B yen is expected, a 14.4 B yen decrease QoQ

I. FY15/3 Q1 Financial Results

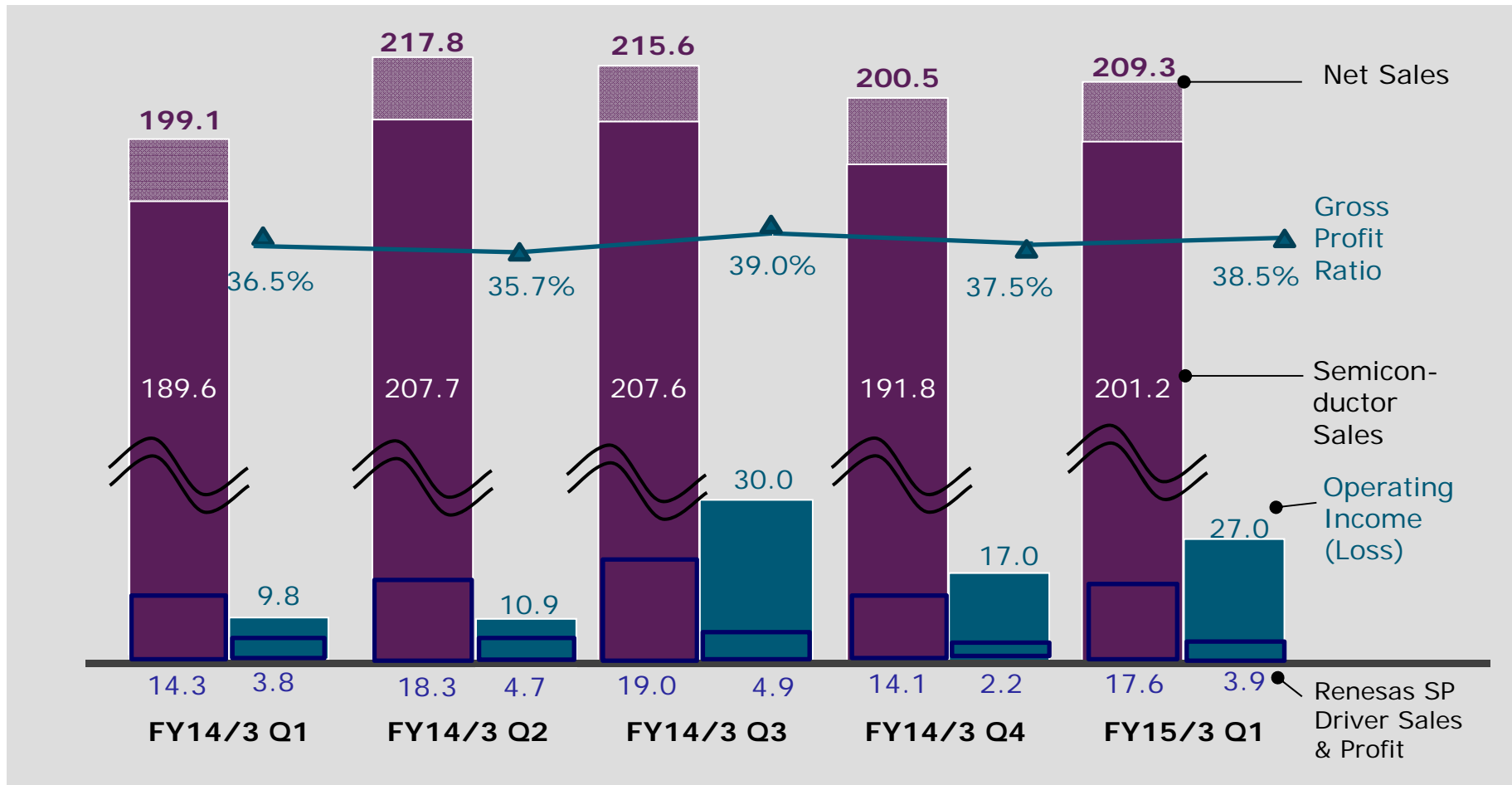
FY15/3 Q1 Financial Snapshot

- Semiconductor sales were 201.2 B yen, an increase by 4.9% QoQ, mainly due to solid automotive sales and an increase in sales of general-purpose products
- Operating income increased by 10.0 B yen QoQ to 27.0 B yen, due to profit growth from increased sales

(B yen)	FY14/3		FY15/3			
	Q1	Q4	Q1	YoY	QoQ	Difference from previous forecasts (May 9, 2014)
Net Sales	199.1	200.5	209.3	+10.2 (+5.1%)	+8.8 (+4.4%)	+7.3 (+3.6%)
Gross Profit (Ratio)	72.7 (36.5%)	75.2 (37.5%)	80.5 (38.5%)	+7.8 (+2.0Pt.)	+5.3 (+1.0Pt.)	+5.0 (+1.1Pt.)
Semiconductor Sales	189.6	191.8	201.2	+11.6 (+6.1%)	+9.4 (+4.9%)	+5.2 (+2.7%)
Operating Income (Loss)	9.8	17.0	27.0	+17.2 (+175.9%)	+10.0 (+59.0%)	+7.0 (+34.9%)
Ordinary Income (Loss)	8.5	15.4	25.3	+16.8 (+196.8%)	+10.0 (+64.8%)	+7.8 (+44.8%)
Net Income (Loss)	-4.0	-15.5	21.2	+25.2	+36.7	+7.2
(Ref) Special Income (Loss)	-8.7	-27.5	-0.9	+7.8	+26.5	+0.1
1 US\$ =	98 yen	103 yen	102 yen	4 yen weak	1 yen strong	2 yen weak
1 Euro =	127 yen	141 yen	141 yen	14 yen weak	---	5 yen weak

Quarterly Financial Results (B yen)

- Semiconductor sales increased by 4.9% QoQ and by 6.1% YoY, by sustaining solid growth of automotive and industrial sales
- Excluding sales from Renesas SP Drivers, semiconductor sales increased by 3.3% QoQ and by 4.7% YoY
- Secured operating profit for the sixth fiscal quarter in a row supported mainly by sales from Renesas SP Drivers, but also by fixed-cost reductions from structural reforms



FY15/3 Q1

Semiconductor Sales by Application Categories (I)

- Business domains have been changed to shift from product-orientation to application-orientation, therefore, the sales breakdown for “Automotive” (Automotive Control and Automotive Information) and “General Purpose,” (Industrial/HE, OA/ICT and other General-Purpose product) are listed
- Q1 semiconductor sales increased both QoQ and YoY, driven by increases in automotive sales and general-purpose products, respectively

(B yen)	FY14/3		Q1	FY15/3	
	Q1	Q4		YoY	QoQ
Semiconductor Sales (Total)	189.6	191.8	201.2	+11.6 (+6.1%)	+9.4 (+4.9%)
Automotive	72.6	78.5	79.8	+7.2 (+10.0%)	+1.3 (+1.6%)
General-Purpose	115.2	112.0	119.8	+4.6 (+4.0%)	+7.8 (+6.9%)
Other Semiconductors	1.8	1.3	1.6	-0.2 (-12.0%)	+0.3 (+27.2%)

(Note) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology

FY15/3 Q1

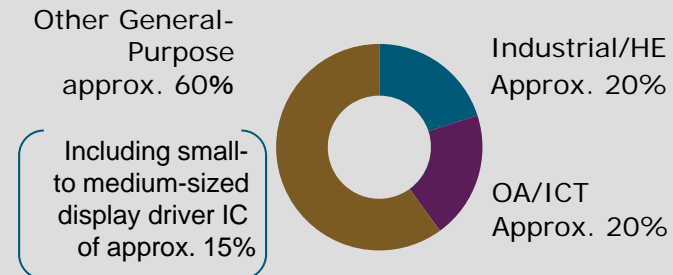
Semiconductor Sales by Application Categories (II)

Automotive



- Despite the seasonal slowdown of automotive production, automotive semiconductor market during the Q1 showed stable growth with solid worldwide sales spurred by strong consumer spending
- Consequently, sales of Automotive Control increased by low single-digit percent and sales of Automotive Information was flat QoQ. Total Automotive semiconductor sales increased by 2%

General-Purpose

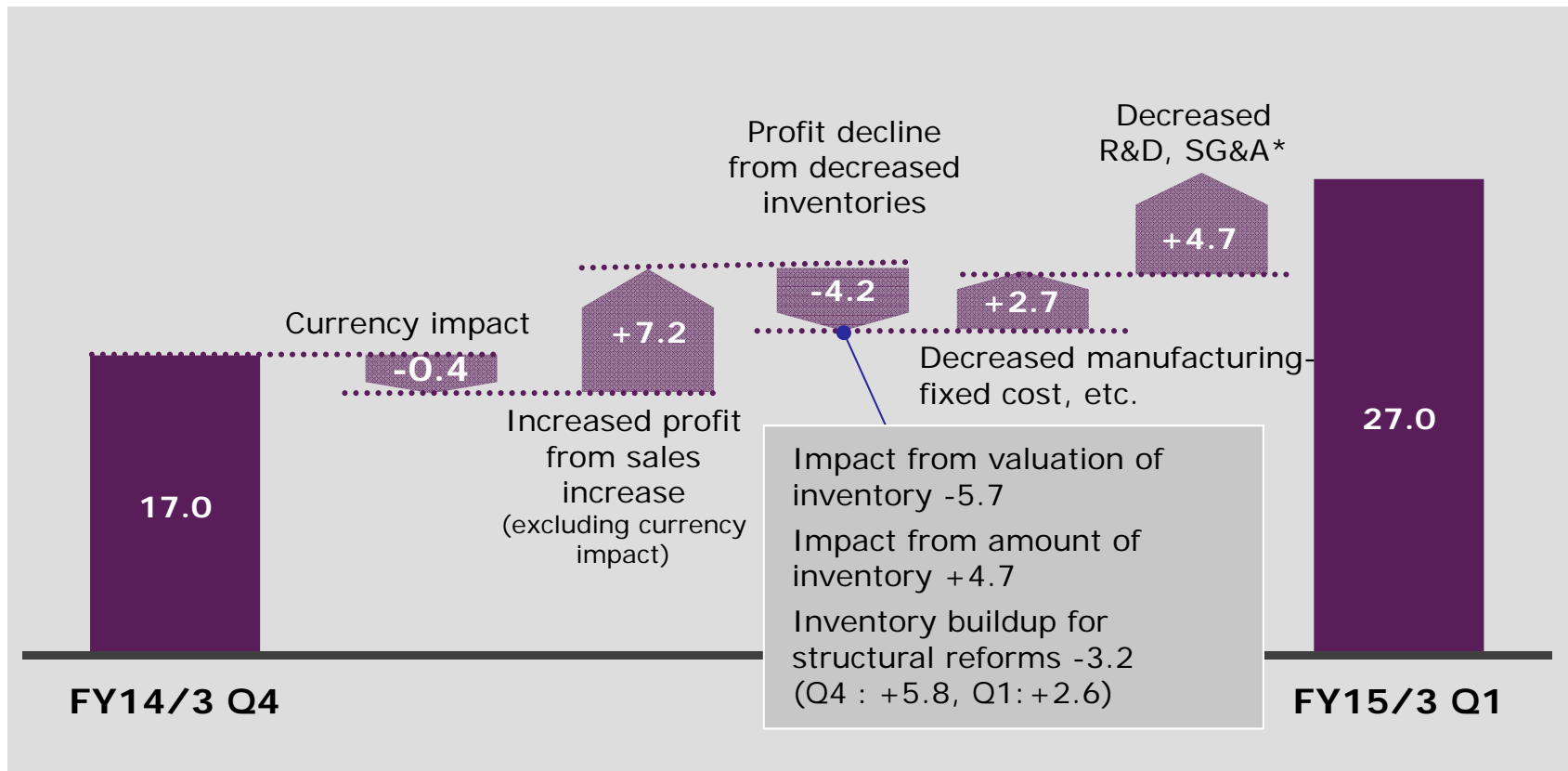


- Spurred by the continuous recovery of the worldwide economy, capital investments and component procurement from semiconductor customers increased and consumer spending was also solid
- Consequently, demands for Other General-Purpose products expanded and sales increased by over 5% QoQ
- Among the Other General-Purpose products, sales of display driver IC in particular increased significantly by approx. 30%
- Industrial/HE increased by middle single-digit percent and OA/ICT increased by approx. 10% QoQ
- Total General-Purpose sales increased by 7%

FY15/3

Q1 Operating Income (Loss) QoQ (B yen)

- Despite the inventory buildup for structural reforms that pushed up the income, inventories decreased in total QoQ and led to profit decline
- On the other hand, operating profit increased by 10.0 B yen, mainly due to profit growth from increased sales and rebound of the seasonal cost increase at the year end

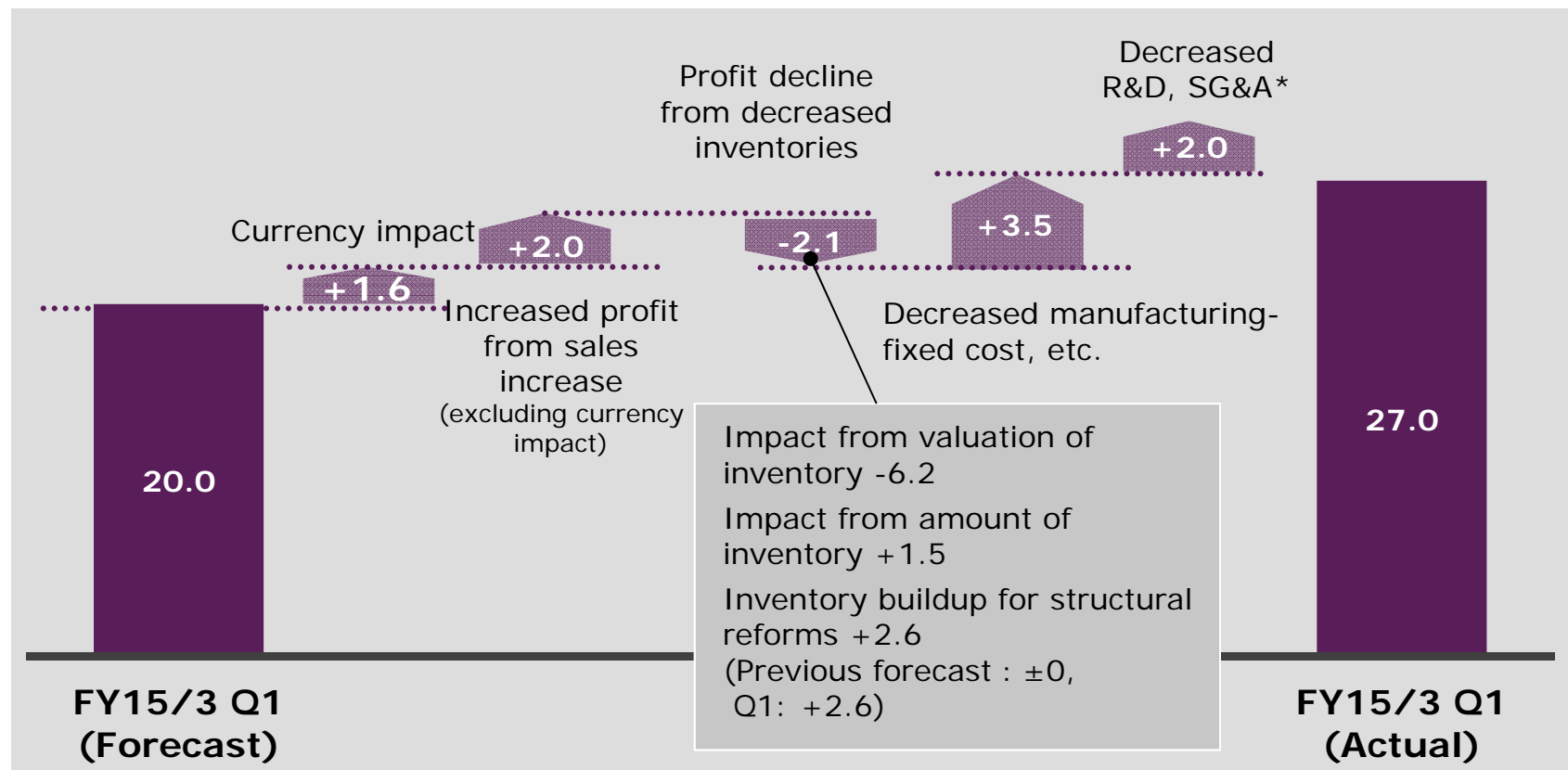


*R&D: Research and Development, SG&A: Selling, general and administrative expenses

FY15/3 Q1

Operating Income (Loss) in Comparison with Forecasts (May 9, 2014) (B yen)

- Operating income improved by 7.0 B yen from the previous forecast, mainly due to price improvement and cost containment effects by pursuing profit improvement

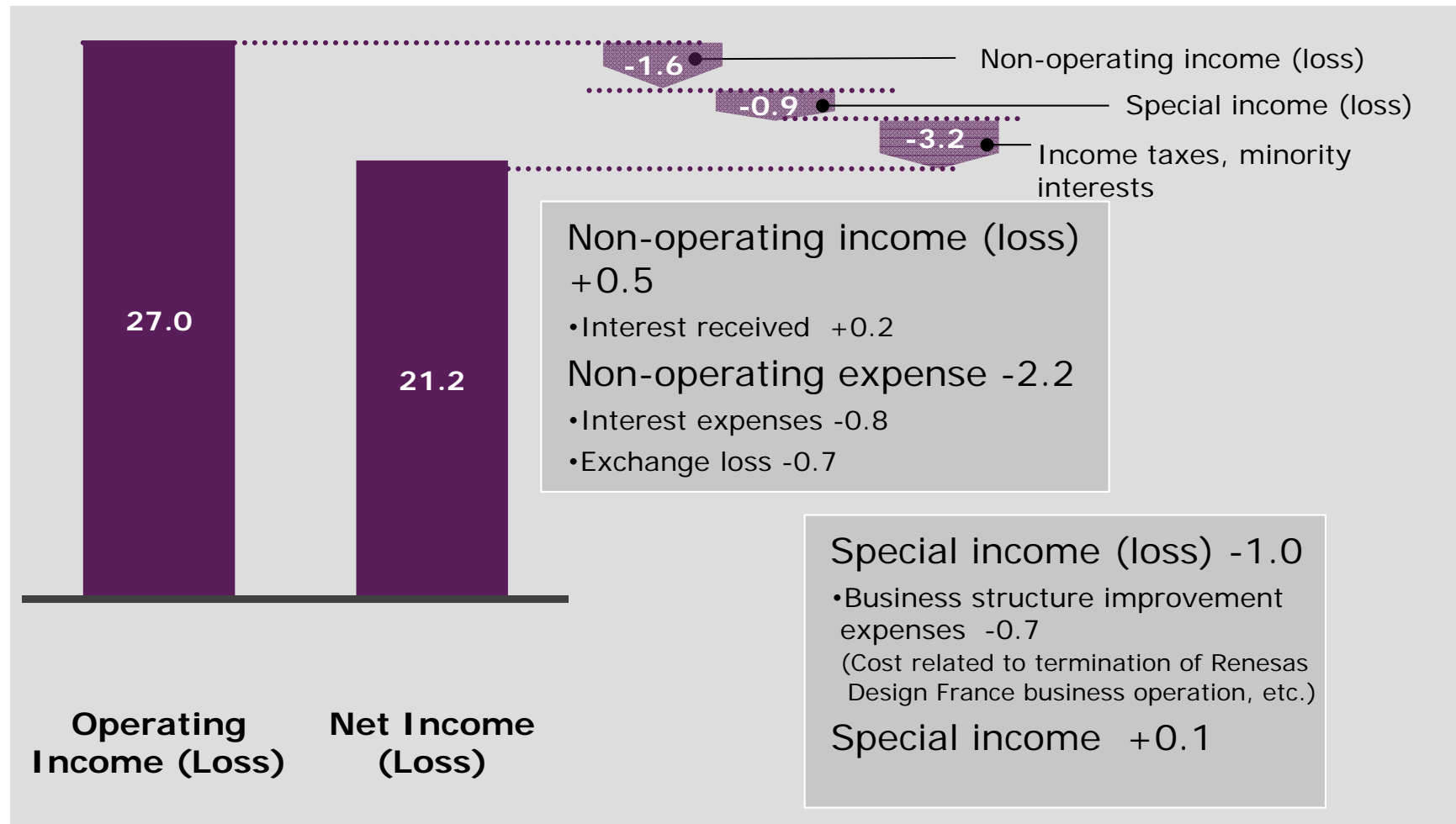


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FY15/3 Q1

Net Income (Loss) (B yen)

- No major special loss was recorded and quarterly net income improved significantly both QoQ and YoY



FY15/3 Q1

Balance Sheets

- Despite recording net income, equity decreased slightly by applying the Accounting Standard for Retirement Benefits
- Aim to recover the equity ratio to the 30% range by increasing profits

(B yen)	As of Mar. 31, 2014	As of Jun. 30, 2014
Total Assets	786.0	796.9
Cash and Cash Equivalents	265.9	251.8
Inventories	126.1	118.1
Liabilities	558.7	573.4
Interest-Bearing Debt	270.9	270.1
Shareholders' Equity	220.6	216.7
Net Assets	227.3	223.5
D/E Ratio (Gross)	1.26	1.29
D/E Ratio (Net)	0.02	0.09
Equity Ratio	27.3%	26.3%

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

FY15/3 Q1

Cash Flows

- Although operating profit was achieved due to promotion of structural reforms, free cash flows were negative due to termination of the liquidation of notes and accounts receivable and payments for extra retirement benefits in accordance with the implementation of early retirement program

(B yen)	FY14/3				FY15/3
	Q1	Q2	Q3	Q4	Q1
Cash Flows from Operating Activities	28.4	9.0	33.9	22.4	2.0
Cash Flows from Investing Activities	-2.5	-6.5	-3.4	-6.8	-10.9
Free Cash Flows	25.9	2.5	30.5	15.6	-8.9

II. FY15/3 Q2 Consolidated Forecasts

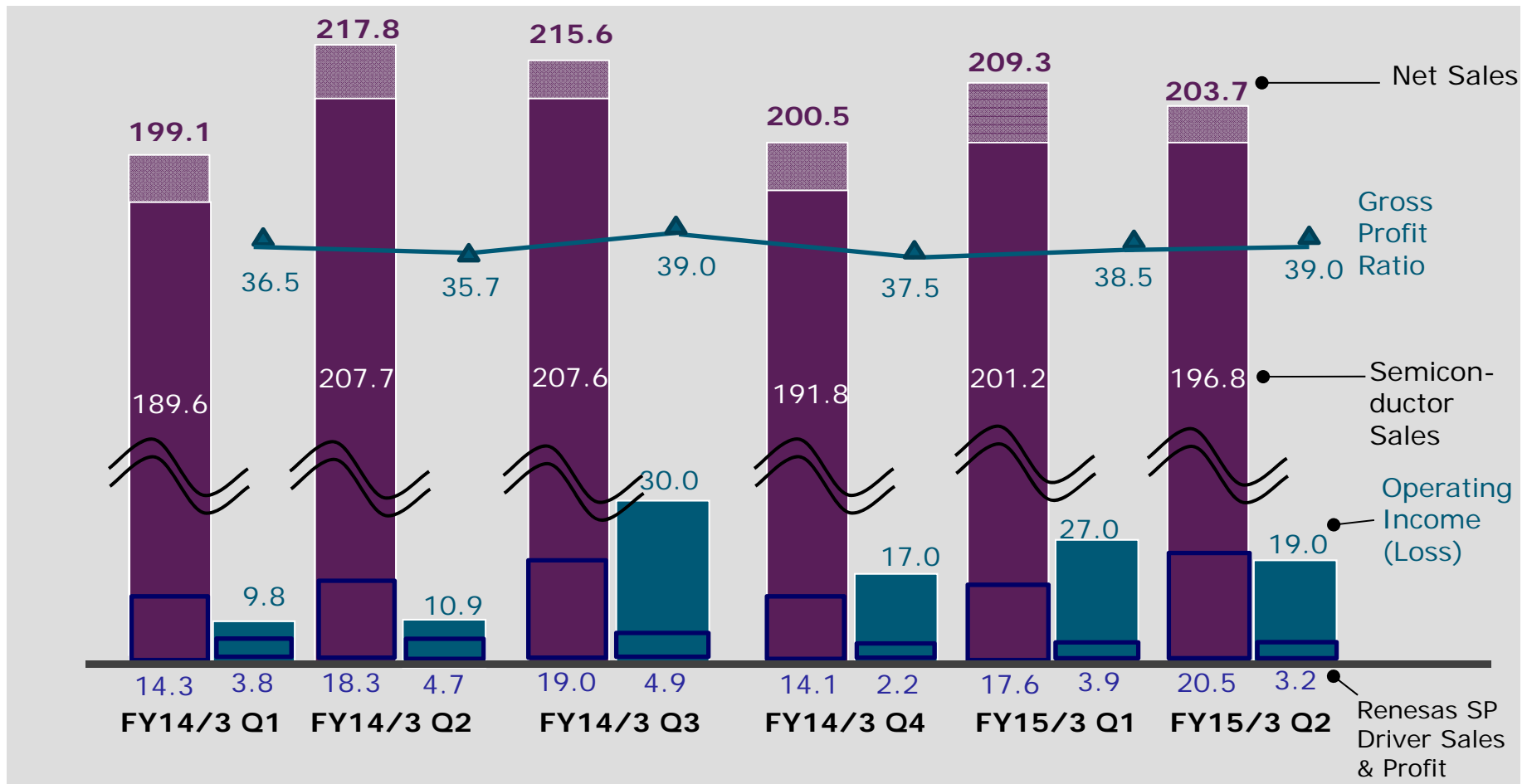
FY15/3 Q2 Consolidated Financial Forecasts

- Semiconductor sales are expected to be 196.8 B yen, a decrease by 2.2% QoQ
- Operating income, ordinary income, and net income are all expected to decrease QoQ, but to rise YoY, continuing in the black from the previous quarter

(B yen)	FY14/3	FY15/3				
	Q2	Q1	Q2	YoY	QoQ	1H
Net Sales	217.8	209.3	203.7	-14.1 (-6.5%)	-5.5 (-2.6%)	413.0
Gross Profit Ratio	77.9 (35.7%)	80.5 (38.5%)	79.5 (39.0%)	+1.6 (+3.3Pt.)	-1.0 (+0.5Pt.)	160.0 (38.7%)
Semiconductor Sales	207.7	201.2	196.8	-10.9 (-5.3%)	-4.4 (-2.2%)	398.0
Operating Income (Loss)	10.9	27.0	19.0	+8.1 (+74.3%)	-8.0 (-29.5%)	46.0
Ordinary Income (Loss)	5.4	25.3	15.7	+10.3 (+191.5%)	-9.7 (-38.2%)	41.0
Net Income (Loss)	-8.8	21.2	6.8	+15.6	-14.4 (-67.9%)	28.0
(Ref) Special Income (Loss)	-11.2	-0.9	-4.1	+7.1	-3.1	-5.0
1 US\$ =	98 yen	102 yen	102 yen	4 yen weak	---	102 yen
1 Euro =	130 yen	141 yen	139 yen	9 yen weak	2 yen strong	140 yen

Quarterly Financial Results (Forecast) (B yen)

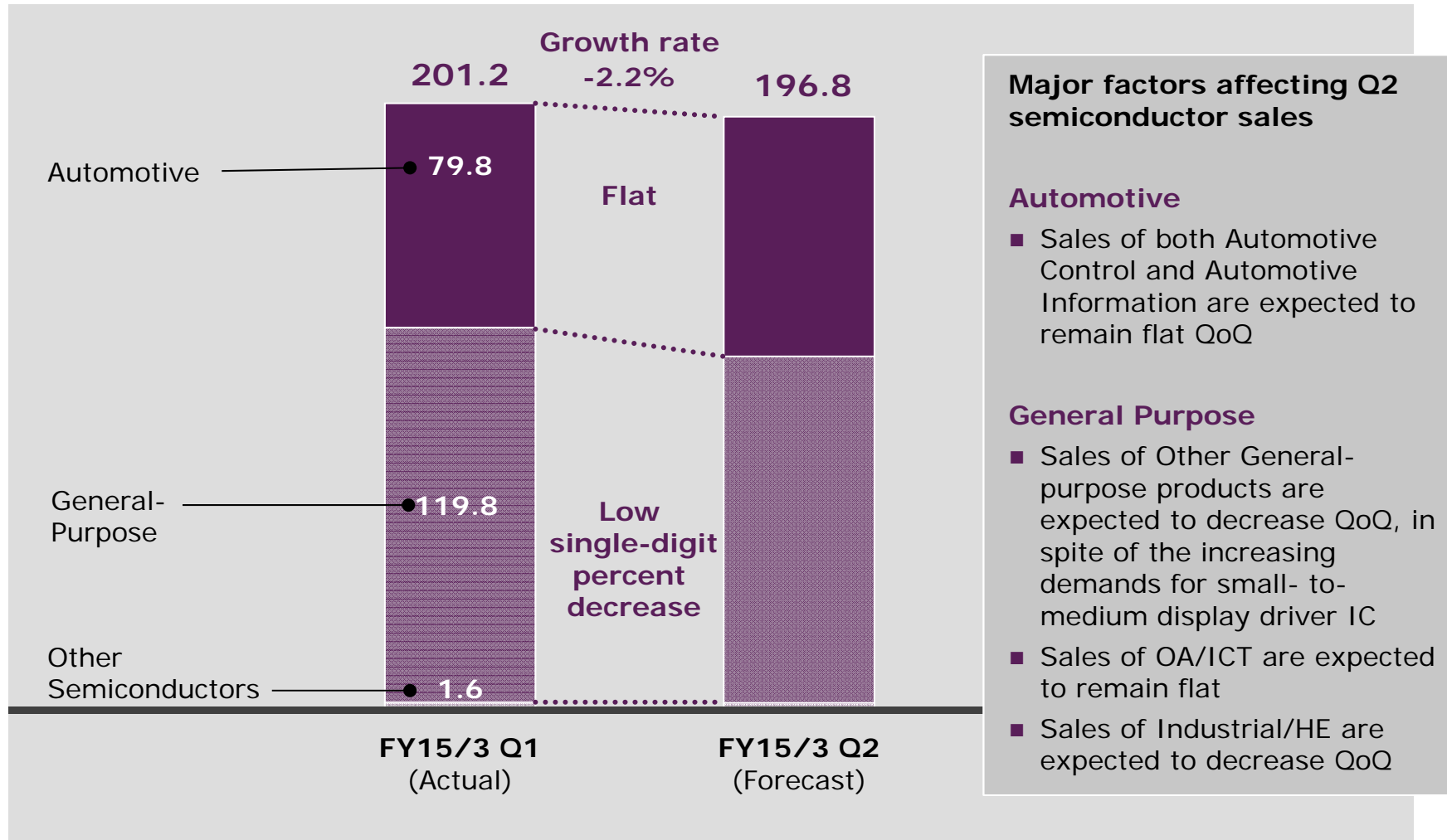
- Excluding sales contributed by Renesas SP Drivers, semiconductor sales are expected to decrease by 3.9% QoQ and by 6.9% YoY
- Expect to record operating income, more than 15% of income is supported by income from Renesas SP Drivers



FY15/3 Q2

Semiconductor Sales Forecast (QoQ / B yen)

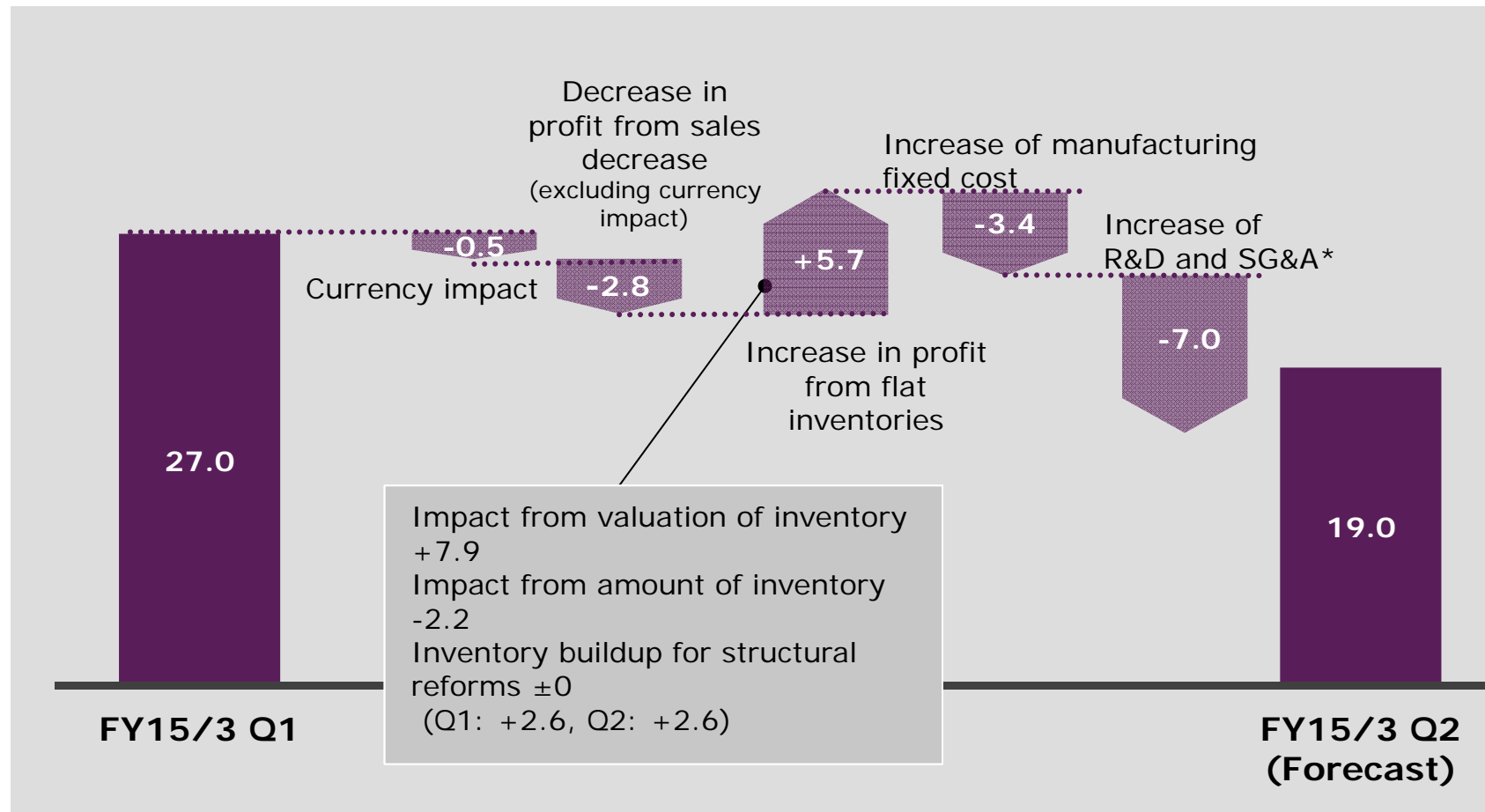
- While sales of Automotive are expected to continue to stay at their strong level, sales of General-Purpose are expected to decrease by low single-digit percent QoQ



FY15/3 Q2

Operating Income (Loss) Forecast (QoQ / B yen)

- Despite an increase in profit due to inventory remaining flat from Q1, operating income is expected to decrease by 8.0 B yen QoQ, mainly due to decrease in profit from sales decline and the seasonal cost increase at the end of the first half

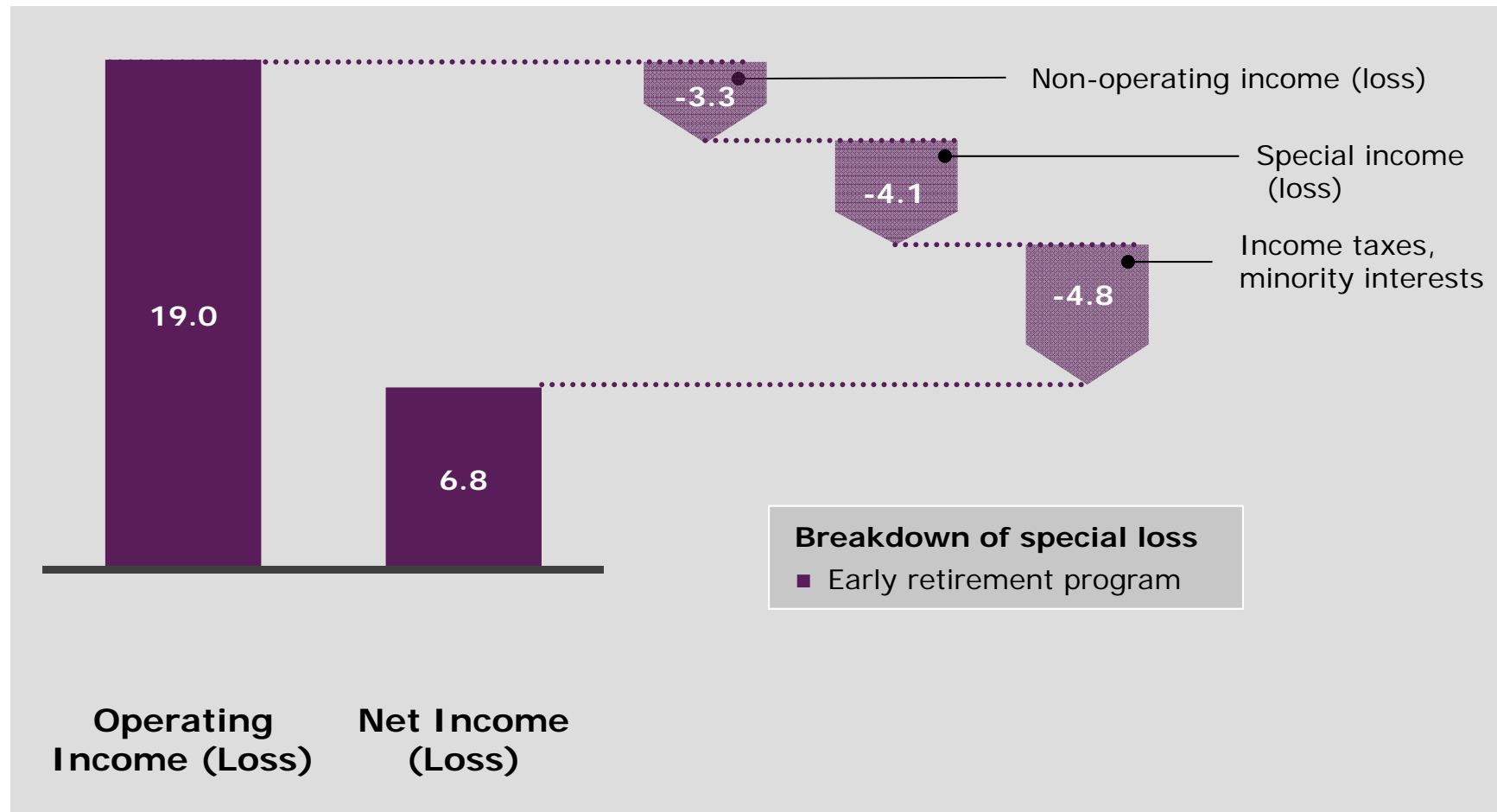


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FY15/3 Q2

Net Income (Loss) Forecast (B yen)

- Expect to achieve net income of 6.8 B yen, an increase by 15.6 B yen YoY, in spite of recording special loss from implementation of early retirement program



(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.



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