FY15/3 Q3 Financial Results

Renesas Electronics Corporation

February 5, 2015
Agenda

I. FY15/3 Q3 Financial Results

II. FY15/3 Financial Forecasts
Executive Summary

I. FY15/3 Q3 Financial Results

- Though semiconductor sales decreased by 11% QoQ to 177.4 B yen, due to the impact from the transfer of shares in Renesas SP Drivers, if sales from Renesas SP Drivers were excluded, then sales remained flat versus the previous quarter, thanks to the currency impact and solid sales of automotive products, etc.

- Operating income was 29.5 B yen, a 5.9 B yen increase QoQ, mainly due to a rebound from the seasonal cost increases at the end of the first half and improved cost efficiency and product mix, in addition to currency impact.

- Despite the special loss from the early retirement program, net income was 38.2 B yen, due to special income from the transfer of shares in Renesas SP Drivers.

II. FY15/3 Financial Forecasts

- Though full-year semiconductor sales are expected to decrease by 6% YoY to 748.0 B yen, if sales from Renesas SP Drivers are excluded, it would only be a 3% YoY decrease.

- With the progress of fixed-cost reductions, operating income is expected to be 98.0 B yen, a 30.4 B yen increase YoY and net income of 74.0 B yen is expected, a 79.3 B yen increase YoY.

- Although the Group’s cost structure has been improving, this improvement includes temporary factors such as currency impact. The Group intends to continue to promote its structural reforms according to the plan to build a solid, profitable financial base.
I. FY15/3 Q3 Financial Results
**FY15/3 Q3 Financial Snapshot**

- Though semiconductor sales decreased by 11% QoQ due to the impact from the transfer of shares in Renesas SP Drivers, if sales from Renesas SP Drivers were excluded, then sales remained flat versus the previous quarter, thanks to the currency impact and solid sales of automotive products.

- Operating income increased by 5.9 B yen QoQ, mainly due to a rebound from the seasonal cost increases at the end of the first half and improved cost efficiency and product mix, in addition to currency impact.

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY14/3</th>
<th>FY15/3</th>
<th>Difference from Oct 29 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q2</td>
<td>Q3 (Oct 29 Forecast)</td>
</tr>
<tr>
<td><strong>Net Sales [Excl. Renesas SP Drivers]</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>215.6</td>
<td>207.7</td>
<td>179.0</td>
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<td>[196.7]</td>
<td>[186.7]</td>
<td>[173.0]</td>
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<tr>
<td><strong>Semi. Sales [Excl. Renesas SP Drivers]</strong></td>
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<td></td>
<td>207.6</td>
<td>199.6</td>
<td>168.0</td>
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<td></td>
<td>[188.7]</td>
<td>[178.6]</td>
<td>[166.6]</td>
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<tr>
<td><strong>Gross Profit (Ratio) [Excl. Renesas SP Drivers]</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>84.0</td>
<td>81.6</td>
<td>69.0</td>
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<tr>
<td></td>
<td>(39.0%)</td>
<td>(39.3%)</td>
<td>(38.5%)</td>
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<tr>
<td><strong>Operating Income (Loss) (Ratio)</strong></td>
<td></td>
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<tr>
<td></td>
<td>30.0</td>
<td>23.5</td>
<td>13.0</td>
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<tr>
<td></td>
<td>(13.9%)</td>
<td>(11.3%)</td>
<td>(7.2%)</td>
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<tr>
<td><strong>Ordinary Income (Loss)</strong></td>
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<td></td>
<td>29.3</td>
<td>23.8</td>
<td>11.0</td>
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<tr>
<td><strong>Net Income (Loss)</strong></td>
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<td></td>
<td>23.0</td>
<td>13.9</td>
<td>11.0</td>
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</tbody>
</table>

*Excluding (1) sales of the former Renesas SP Drivers up to the FY2015/3 Q2 and (2) sales of the former Renesas SP Drivers products supplied by commissioning after October 1 until the end of October, 2014, until the supply system was formed at Synaptics Inc., the transferee of Renesas SP Drivers (no impact on the gross profit).
Quarterly Financial Results (B Yen)

- FY15/3 Q3 semiconductor sales decreased by 11% QoQ and 15% YoY, due to the impact from the transfer of shares in Renesas SP Drivers.

- Though both gross profit ratio and operating profit ratio continued to show trends toward improvement, they include currency impact and other temporary factors.

*Excl. sales of the former Renesas SP Drivers products supplied by commissioning.
### FY15/3 Q3

**Semiconductor Sales by Application Categories (I)**

While Automotive sales increased both YoY and QoQ, General-Purpose sales decreased both YoY and QoQ impacted by the business withdrawal in addition to the impact from the transfer of shares in Renesas SP Drivers.

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY14/3</th>
<th>FY15/3</th>
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<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q1</td>
</tr>
<tr>
<td><strong>Semiconductor Sales</strong></td>
<td></td>
<td></td>
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<tr>
<td>(Total)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Excl. Renesas SP Drivers]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>207.6</td>
<td>201.2</td>
</tr>
<tr>
<td></td>
<td>[188.7]</td>
<td>[183.6]</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td>79.7</td>
<td>79.8</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General-Purpose</td>
<td>126.4</td>
<td>119.8</td>
</tr>
<tr>
<td>[Excl. Renesas SP Drivers]</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[107.4]</td>
<td>[102.2]</td>
</tr>
<tr>
<td>Other Semiconductors</td>
<td>1.6</td>
<td>1.6</td>
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</tbody>
</table>
Sales of both Automotive Control and Automotive Information increased QoQ and total Automotive semiconductor sales increased by approximately 4% QoQ.

However, excluding currency impact, sales of Automotive Information increased QoQ but sales of Automotive Control decreased slightly QoQ, and total Automotive semiconductor sales were flat with the previous quarter.

Sales of Industrial/HE increased by approximately 15% QoQ, and excluding currency impact, there was still an approximately 10% growth.

Sales of OA/ICT decreased by approximately 5% QoQ, and excluding currency impact, the drop was approximately 10%.

Sales of Other General-Purpose products decreased by approximately 40% QoQ, however, excluding sales of display driver IC that accounted for 30% of the total Other General-Purpose sales, they decreased by approximately 10% QoQ and excluding currency impact, they decreased by approximately 15% QoQ.

Total General-Purpose sales decreased by approximately 5% when excluding sales from Renesas SP Drivers, and approximately 10% when excluding currency impact.

(Note) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology
Despite the profit decline from decreased sales including the impact from the transfer of shares in Renesas SP Drivers, operating profit increased by 5.9 B yen QoQ, thanks to the reduced fixed-cost from structural reforms, rebound from the seasonal cost increases at the end of the first half and improved cost efficiency and product mix, in addition to currency impact.

- Currency impact
  - Decreased profit from sales decline (Excl. impact from transfer of Renesas SP Drivers and yen depreciation): -6.4
  - Decreased manufacturing-fixed cost, etc.: -5.2
  - Increased cost recovery from inventory variations: +4.7
  - Decreased R&D, SG&A*: +9.0

- Impact from valuation of inventory: -0.5
- Impact from amount of inventory: +0.5
- Inventory buildup for structural reforms: ±0
  (Q2: +1.7, Q3: +1.7)

*R&D: Research and Development, SG&A: Selling, general and administrative expenses
Operating Income (Loss) in Comparison with Forecasts (Oct 29, 2014) (B yen)

- Operating income increased by 16.5 B yen from the previous forecast, due to lower-than-expected R&D and other costs resulting from the improved cost efficiencies, in addition to currency impact, increased profit from sales increase and increased cost recovery from inventory variations.

*R&D: Research and Development, SG&A: Selling, general and administrative expenses
Despite the special loss from the early retirement program, net income was 38.2 B yen, due to special income from the transfer of shares in Renesas SP Drivers.

Operating Income (Loss)  Net Income (Loss)

29.5  38.2

Non-operating income +5.2
- Foreign exchange gains +4.3
- Interest expenses -0.8

Non-operating expense -1.5
- Business structure improvement expenses -9.8
- Costs related to early retirement program etc.

Special loss -10.5
- Gain on transfer of Renesas SP Drivers shares +19.8

Special income +20.6
## FY15/3 Q3
### Balance Sheets

- Aim to sustain equity ratio at the 30% range by increasing profits

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>786.0</td>
<td>836.8</td>
<td>854.6</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>265.9</td>
<td>288.2</td>
<td>335.8</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>126.1</td>
<td>119.6</td>
<td>109.5</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>558.7</td>
<td>588.2</td>
<td>568.7</td>
</tr>
<tr>
<td><strong>Interest-Bearing Debt</strong></td>
<td>270.9</td>
<td>268.9</td>
<td>262.1</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>220.6</td>
<td>230.6</td>
<td>268.8</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>227.3</td>
<td>248.6</td>
<td>285.9</td>
</tr>
<tr>
<td><strong>D/E Ratio (Gross)</strong></td>
<td>1.26</td>
<td>1.15</td>
<td>0.93</td>
</tr>
<tr>
<td><strong>Equity Ratio</strong></td>
<td>27.3%</td>
<td>27.9%</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

**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 Q3
Cash Flows

Despite the payments for extra retirement benefits in accordance with the implementation of the early retirement program, Q3 free cash flows climbed to the highest level to date on a quarterly basis, thanks to the high level of profit before income taxes and gains from transfer of shares in Renesas SP Drivers.

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY14/3</th>
<th>FY15/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>28.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>-2.5</td>
<td>-6.5</td>
</tr>
<tr>
<td>Free Cash Flows</td>
<td>25.9</td>
<td>2.5</td>
</tr>
</tbody>
</table>
II. FY15/3 Financial Forecasts
**FY15/3 Consolidated Financial Forecasts**

- Though full-year semiconductor sales are expected to decrease by 6% YoY to 748.0 B yen, excluding sales from Renesas SP Drivers, it is expected to decrease by 3% YoY.
- With the progress of fixed-cost reduction, operating income is expected to be 98.0 B yen, a 30.4 B yen increase YoY and net income of 74.0 B yen is expected, a 79.3 B yen increase YoY.

### FY15/3

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY14/3</th>
<th>FY15/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 (Cumulative)</td>
<td>Q4</td>
</tr>
<tr>
<td>Net Sales [Excl. Renesas SP Drivers]*</td>
<td>632.5 [580.9]</td>
<td>200.5 [186.4]</td>
</tr>
<tr>
<td>Semi. Sales [Excl. Renesas SP Drivers]*</td>
<td>605.0 [553.4]</td>
<td>191.8 [177.7]</td>
</tr>
<tr>
<td>Gross Profit (Ratio) [Excl. Renesas SP Drivers]*</td>
<td>234.5 (37.1%) [37.2%]</td>
<td>75.2 (37.5%) [38.0%]</td>
</tr>
<tr>
<td>Operating Income (Loss) (Ratio)</td>
<td>50.7 (8.0%)</td>
<td>17.0 (8.5%)</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>43.2</td>
<td>15.4</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>10.2</td>
<td>-15.5</td>
</tr>
<tr>
<td>(Ref) Special Income (Loss)</td>
<td>-20.7</td>
<td>-27.5</td>
</tr>
</tbody>
</table>

**1 US$ =**
- 98 yen
- 103 yen
- 100 yen
- 110 yen
- 105 yen
- 116 yen
- 6 yen
- 13 yen
- 108 yen
- 8 yen

**1 Euro =**
- 130 yen
- 141 yen
- 133 yen
- 140 yen
- 140 yen
- 141 yen
- 1 yen
- ---
- 140 yen
- 7 yen

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*Excluding (1) sales of the former Renesas SP Drivers’ sales up to the FY2015/3 Q2 and (2) sales of the former Renesas SP Drivers products supplied by commissioning after October 1 until the end of October, 2014, until the supply system was formed at Synaptics Inc., the transferee of Renesas SP Drivers (no impact on the gross profit).
Due to decreased sales, Q4 gross profit ratio is expected to decrease from the actual result that excludes the Renesas SP Drivers’ resale.

**Quarterly Financial Results and Forecasts (B Yen)**

- **FY14/3 Q1**
  - Net Sales: 199.1
  - GP Ratio: 36.5%
  - Op. Profit Ratio: 4.9%
  - Semi. Sales: 191.8
  - Op. Income (Loss): 9.8

- **FY14/3 Q2**
  - Net Sales: 217.8
  - GP Ratio: 35.7%
  - Op. Profit Ratio: 5.0%
  - Semi. Sales: 201.2
  - Op. Income (Loss): 30.0

- **FY14/3 Q3**
  - Net Sales: 215.6
  - GP Ratio: 39.0%
  - Op. Profit Ratio: 8.5%
  - Semi. Sales: 176.7

- **FY14/3 Q4**
  - Net Sales: 200.5
  - GP Ratio: 39.3%
  - Op. Profit Ratio: 11.3%
  - Semi. Sales: 173.5
  - Op. Income (Loss): 17.0

- **FY15/3 Q1**
  - Net Sales: 209.3
  - GP Ratio: 38.5%
  - Op. Profit Ratio: 12.9%
  - Semi. Sales: 183.3
  - Op. Income (Loss): 27.0

- **FY15/3 Q2**
  - Net Sales: 207.7
  - GP Ratio: 39.3%
  - Op. Profit Ratio: 15.3%
  - Semi. Sales: 184.7

- **FY15/3 Q3**
  - Net Sales: 191.9
  - GP Ratio: 39.3%
  - Op. Profit Ratio: 10.2%
  - Semi. Sales: 192.4
  - Op. Income (Loss): 10.9

- **FY15/3 Q4**
  - Net Sales: 177.1
  - GP Ratio: 40.9%
  - Op. Profit Ratio: 14.1%
  - Semi. Sales: 169.8
  - Op. Income (Loss): 18.0

**Renesas SP Driver Sales and Profit**

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FY15/3 Q4
Semiconductor Sales Forecast (QoQ / B yen)

Sales of Automotive are expected to remain almost flat versus the previous quarter, while sales of General-Purpose are expected to decrease by mid single-digit percent QoQ, due to impact from business withdrawal in addition to seasonal factors.

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY15/3 Q3 (Actual)</th>
<th>FY15/3 Q4 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Purpose</td>
<td>94.0</td>
<td>169.8</td>
</tr>
<tr>
<td>Automotive</td>
<td>82.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Other Semiconductors</td>
<td>1.2</td>
<td></td>
</tr>
</tbody>
</table>

**Growth rate**
- General Purpose: -4.3%
- Automotive: Low single-digit pct. decrease
- Other Semiconductors: Mid single-digit pct. decrease

**Major factors affecting Q4 semiconductor sales**

**General Purpose**
- Sales of Industrial/HE are expected to remain almost flat QoQ thanks to continuously solid sales of Industrial products.
- Sales of OA/ICT and Other General-Purpose products are expected to decrease QoQ mainly due to impact from business withdrawal.

**Automotive**
- Sales of Automotive Control are expected to increase QoQ, while sales of Automotive Information are expected to decrease QoQ.
Despite a currency impact and increase in cost recovery from inventory variations, operating income is expected to decrease by 11.4 B yen QoQ, mainly due to profit decline from decrease in sales and seasonal cost increases at the year-end.

**Impact from valuation of inventory**
-0.5

**Impact from amount of inventory**
+2.0

**Inventory buildup for structural reforms**
±0
  (Q3: +1.7, Q4 forecast: +1.7)

*R&D: Research and Development, SG&A: Selling, general and administrative expenses*
FY15/3 Q4
Net Income (Loss) Forecast (B yen)

- Q4 net income is expected to be 0.7 B yen, due to special loss from manufacturing-related structural reforms, etc.

Breakdown of special income (loss)

Special Loss
- Manufacturing-related structural reforms
- Realignment of design and development sites
FY15/3 Full-Year
Semiconductor Sales Forecast (YoY / B yen)

Excluding sales from Renesas SP Drivers, sales of Automotive are expected to increase by mid single-digit percent YoY supported by steady market demands, while sales of General-Purpose are expected to decrease by high single-digit percent YoY, impacted by business withdrawal.

### Major factors affecting full-year semiconductor sales

#### General Purpose
- Sales of Industrial/HE are expected to increase YoY thanks to solid sales of Industrial products.
- Sales of OA/ICT and Other General-Purpose products are expected to decrease YoY mainly due to impact from business withdrawal.

#### Automotive
- Sales of both Automotive Control and Automotive Information are expected to increase YoY.

<table>
<thead>
<tr>
<th>Category</th>
<th>FY14/3 (Actual)</th>
<th>FY15/3 (Forecast)</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>General-Purpose</td>
<td>487.2</td>
<td>796.8</td>
<td>-6.1%</td>
</tr>
<tr>
<td></td>
<td>Low 10% decrease</td>
<td></td>
<td></td>
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<tr>
<td>Automotive</td>
<td>303.7</td>
<td>748.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mid single-digit pct. increase</td>
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<tr>
<td>Other Semi.</td>
<td>5.9</td>
<td>731.1</td>
<td>3.0%</td>
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<td></td>
<td>High single-digit pct. decrease</td>
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<td></td>
<td>421.5</td>
<td>709.5</td>
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<tr>
<td></td>
<td>Mid single-digit pct. increase</td>
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</table>

*Excluding sales from Renesas SP Drivers
FY15/3 Full-Year
Operating Income (Loss) Forecast (YoY / B yen)

- Despite a decrease of profit from sales decline, operating income is expected to increase by 30.4 B yen YoY, due to improved product mix and positive impact from fixed-cost reduction.
- Although the Group’s cost structure has been improving, this improvement includes temporary factors such as currency impact. The Group intends to continue to promote its structural reforms according to the plan to build a solid, profitable financial base.

*R&D: Research and Development, SG&A: Selling, general and administrative expenses
FY15/3 Full-Year
Net Income (Loss) Forecast (B yen)

- Expect to achieve net income of 74.0 B yen, mainly due to special income of 19.8 B yen from transfer of Renesas SP Drivers shares, in spite of recording special loss from structural reforms including implementation of early retirement program.

**Breakdown of special income (loss)**

**Special Income**
- Gain on transfer of Renesas SP Drivers shares

**Special Loss**
- Early retirement program
- Manufacturing-related structural reforms
- Realignment of design and development sites
(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.