

# FY16/3 Q1 Financial Results

Renesas Electronics Corporation  
July 31, 2015

# FY16/3 Q1 Financial Results

Since FY16/3, Renesas Electronics Group (hereinafter “the Group”) started to disclose Non-GAAP financial measures (hereinafter “Non-GAAP basis”) used for management’s decision making. The Group defines the Non-GAAP consolidated financial results as financial accounting figures (hereinafter “GAAP”) excluding non-recurring and other items. The Group believes Non-GAAP operating income is useful information to understand its recurring operating performance.

# FY16/3 Q1 Financial Snapshot

Net sales were in line with the Group's expectation and profitability increased both YoY, QoQ and also from the previous forecasts

YoY and QoQ results as well as the Difference from previous forecasts of the Net Sales and Semiconductor Sales are rounded off to one decimal place.

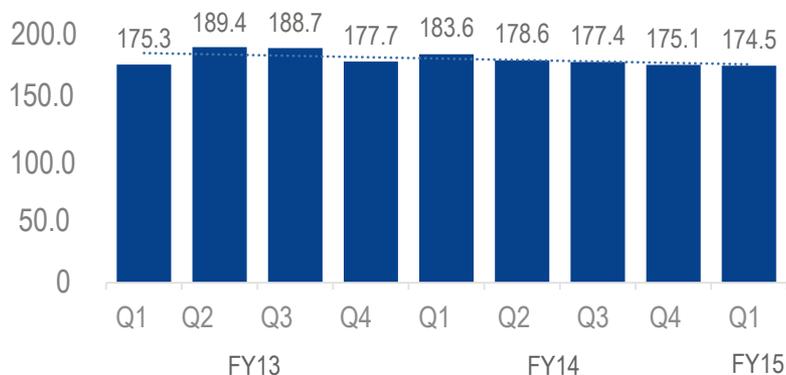
(B Yen)	FY15/3		FY16/3			
	Q1	Q4	Q1	YoY	QoQ	Difference from previous forecasts
Net Sales	209.3	182.2	<b>179.3</b>	-14%	-2%	±0%
Semiconductor sales	201.2	175.1	<b>174.5</b>	-13%	±0%	±0%
Gross Margin	38.5%	42.8%	<b>44.5%</b>	<b>+6.1pts.</b>	<b>+1.7pts.</b>	<b>+2.9pts.</b>
Operating Income (Margin)	27.0 (12.9%)	24.4 (13.4%)	<b>32.4 (18.0%)</b>	<b>+5.4 (+5.2pts.)</b>	<b>+7.9 (+4.6pts.)</b>	<b>+7.4 (+4.2pts.)</b>
Net Income Attributable to Shareholders of Parent Company	21.2	9.0	<b>29.9</b>	+8.7	+20.8	+9.9
EBITDA*1	43.4	41.1	<b>47.7</b>	+ 4.3	+6.6	-
1 US\$ =	102 yen	119 yen	<b>120 yen</b>	18 yen weak	1 yen weak	4 yen weak
1 Euro =	141 yen	140 yen	<b>131 yen</b>	10 yen strong	8 yen strong	2 yen weak

\*1 EBITDA: Operating income + Depreciation and amortization + Amortization of long-term prepaid expenses

# Quarterly Financial Results (Non-GAAP Basis\*1)

Profitability increased with reduced fixed-cost and improved product mix

Semiconductor Sales (B Yen)



Operating Margin (%)



Gross Margin (%)



EBITDA (B Yen)

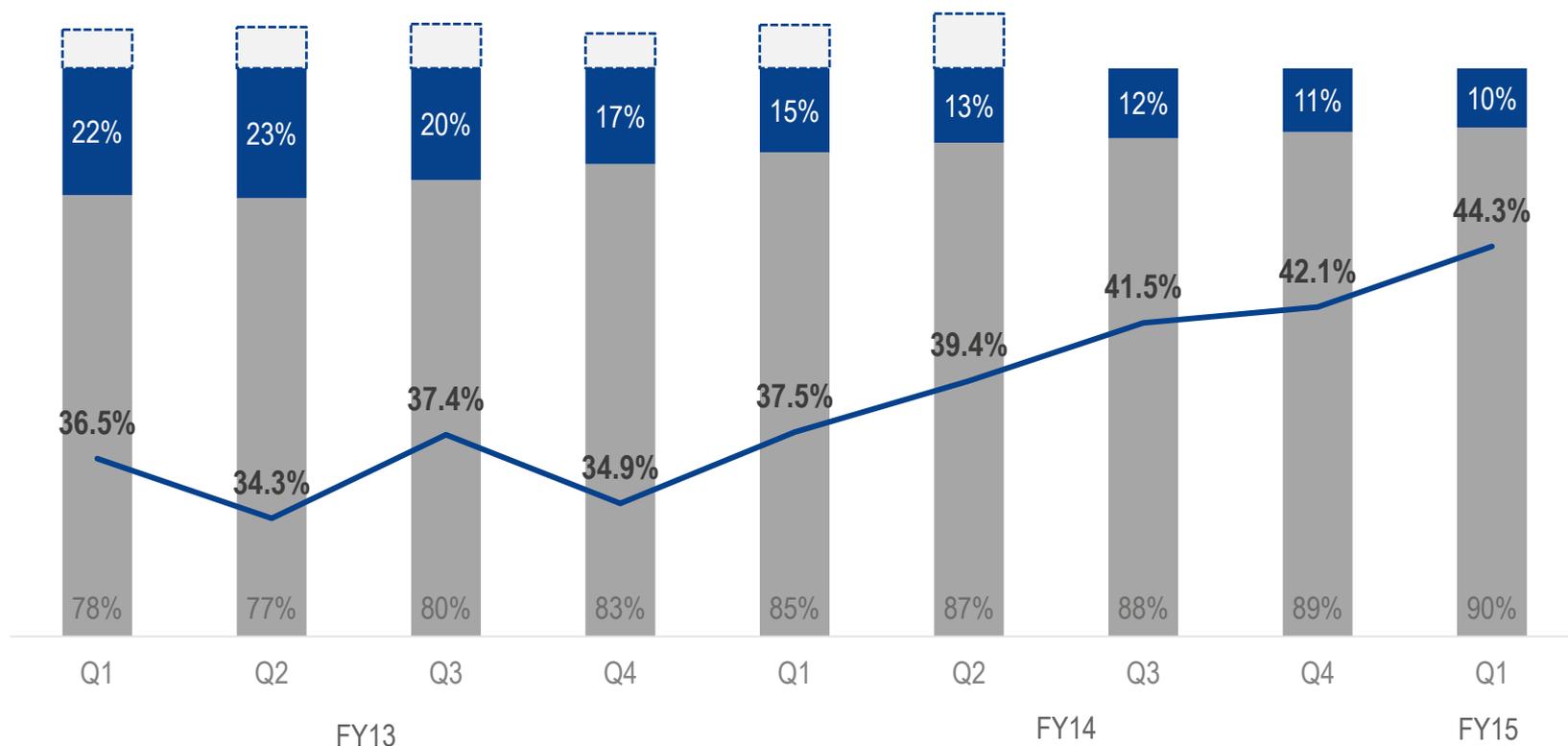


\*1 Non-GAAP : Results excluding the impacts of sales and profit (loss) of Renesas SP Drivers, impacts of profit (loss) of LTE modem business and profit (loss) from inventory buildup

# Trends in Core and Non-Core Business Sales Ratio and Gross Margin (Non-GAAP Basis)

The improved Q1 gross margin (YoY +6.8pts.) is thanks largely to General-Purpose business

■ Core business ■ Non-core business (Excl. Renesas SP Drivers) ▨ Non-core business (Ref: Renesas SP Drivers) — Gross Margin



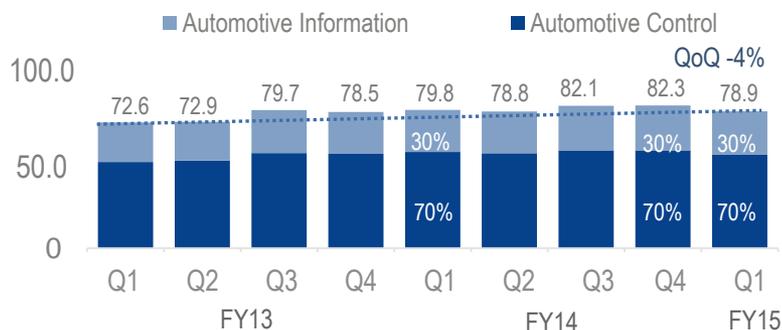
# Semiconductor Sales by Business

(Non-GAAP Basis)

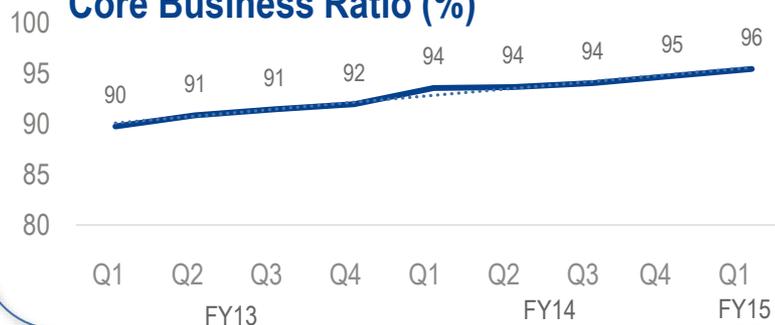
Ratio of core business grew steadily as a result of withdrawal from non-core businesses

## Automotive Business

Sales (B Yen)

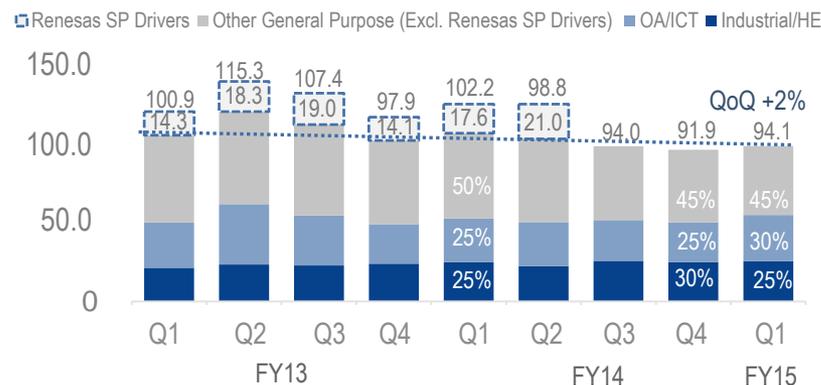


Core Business Ratio (%)

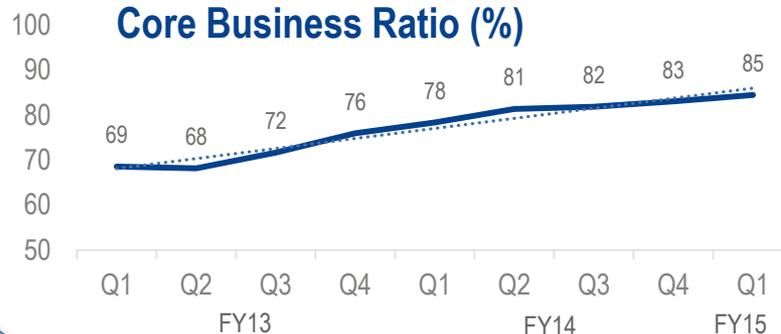


## General-Purpose Business

Sales (B Yen)



Core Business Ratio (%)



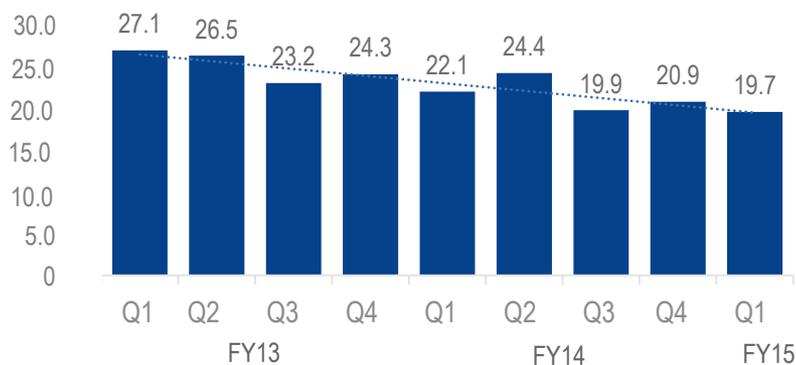
# Trends in R&D and SG&A Results

(Non-GAAP Basis)

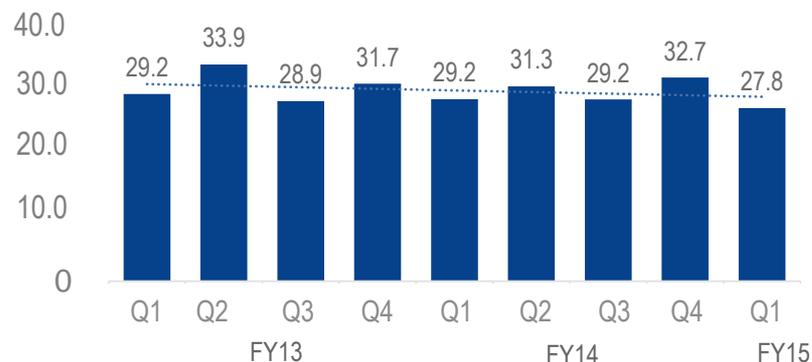
The R&D <sup>\*1</sup> gear will be shifted to expand investments on focus domains and

SG&A <sup>\*2</sup> has been in line with the target

R&D (B Yen)



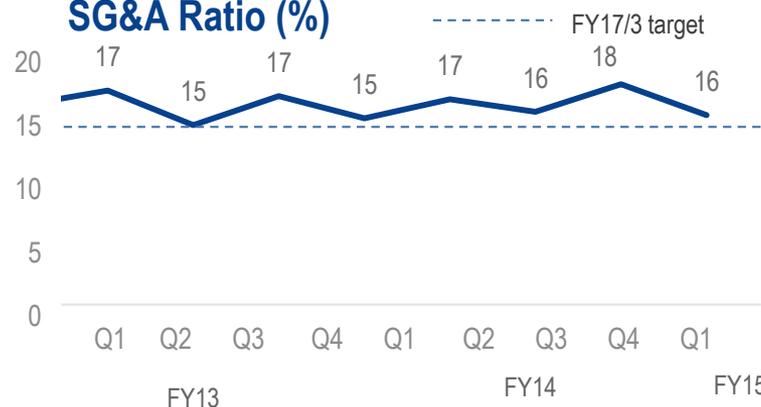
SG&A (B Yen)



R&D Ratio (%)



SG&A Ratio (%)



\*1 R&D: Research and Development

\*2 SG&A: Selling, general and administrative expenses

# FY16/3 Q1

## Summary of Financial Results

### Major factors affecting increase or decrease in Q1 semiconductor sales

#### ■ Automotive Business

Automotive sales decreased both YoY and QoQ, negatively impacted by Japanese car manufacturers' sluggish sales in Japan and ASEAN regions

#### ■ General-Purpose Business

Decreased YoY but increased QoQ, due partly to increase in sales from Industrial/HE and OA/ICT products, despite the downward trends in sales of non-core products

### Major factors affecting increase or decrease in Q1 profit

#### ■ Gross Margin

Improved both YoY and QoQ, due to decreased amortization and manufacturing-related fixed costs in addition to some impact on reversal of valuation allowance in inventory, etc.

#### ■ Operating Income

Increased both YoY and QoQ, thanks partly to improved gross margin and strict cost management

# FY16/3 Q2 Consolidated Forecasts

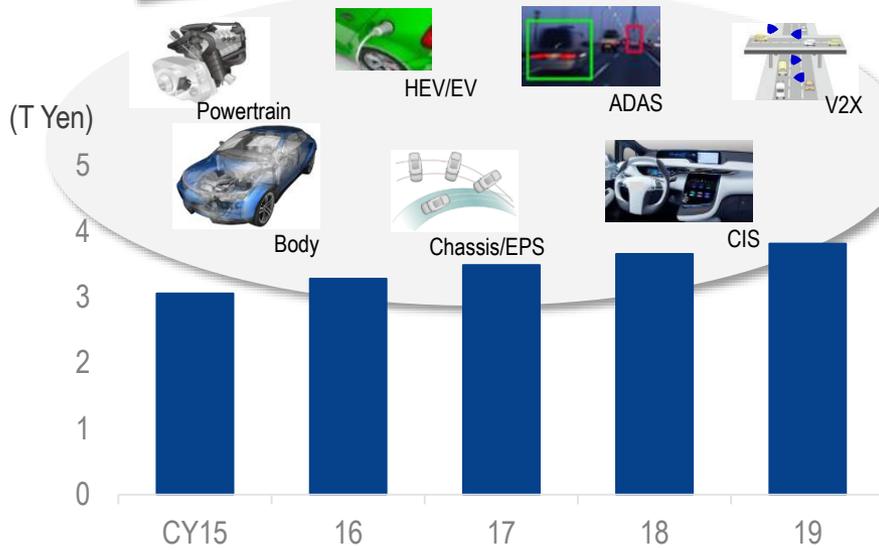
# Semiconductor Market Trends

(Sales in Value Terms)

Renesas' core semiconductor market is forecast to grow at a **CAGR (Compound Annual Growth Rate) of 6-7%**

## Automotive

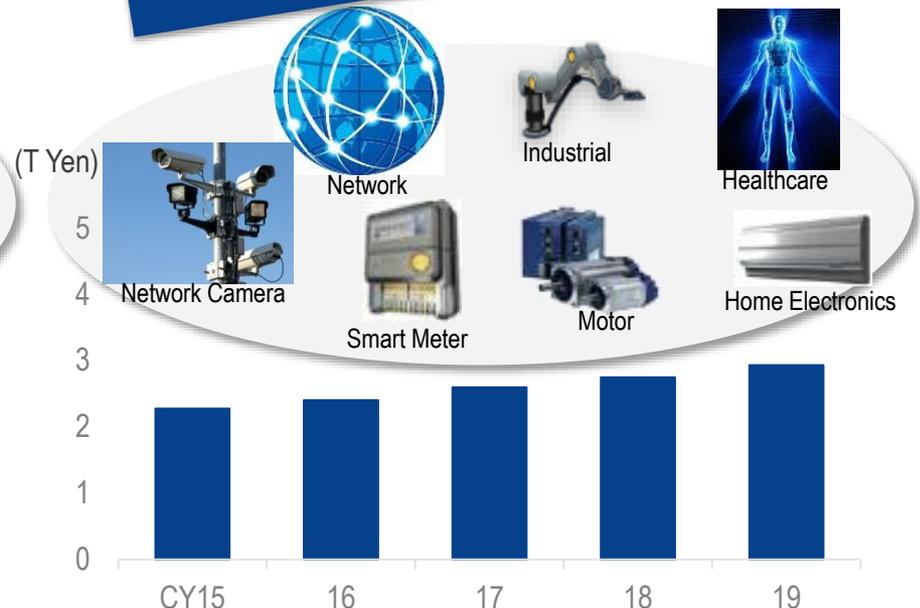
CAGR +6%



(Source: Calculated based on data provided by Strategy Analytics at the rate of 110 yen per US\$)

## General-Purpose\*1

CAGR +7%



\*1 General-Purpose: Renesas' core markets including FA and white goods (Source: Renesas)

# FY16/3 Q2

## Forecast Highlights

### Major factors affecting increase or decrease in Q2 semiconductor sales

#### ■ Automotive Business

Expected to increase by low single-digit percent both YoY and QoQ mainly due to seasonal factors

#### ■ General-Purpose Business

Expected to decrease YoY but to increase QoQ, due partly to increase in sales from OA/ICT products, despite the downward trends in sales of non-core products, particularly in sales of Other General-Purpose

### Major factors affecting increase or decrease in Q2 profit

#### ■ Operating Income

Expect to be in the amount of 26.6 B yen, a 5.7 B yen decrease QoQ, due to seasonal cost increase at the end of the first half

#### ■ Net Income Attributable to Shareholders of Parent Company

Expect to be in the amount of 14.1 B yen, a 15.8 B yen decrease QoQ, mainly due to special loss from structural reforms

# FY16/3 Q2 Financial Forecasts

(B Yen)	FY15/3	FY16/3				
	Q2	Q1	Q2	YoY	QoQ	First Half of the Year
Net Sales	207.7	179.3	<b>184.7</b>	-11%	+3%	<b>364.0</b>
Semiconductor Sales	199.6	174.5	<b>179.5</b>	-10%	+3%	<b>354.0</b>
Gross Margin	39.3%	44.5%	<b>43.1%</b>	<b>+3.8pts.</b>	<b>-1.4pts.</b>	<b>43.8%</b>
Operating Income (Margin)	23.5 (11.3%)	32.4 (18.0%)	<b>26.6 (14.4%)</b>	<b>+3.1 (+3.1pts.)</b>	<b>-5.7 (-3.6pts.)</b>	<b>59.0 (16.2%)</b>
Net Income Attributable to Shareholders of Parent Company	13.9	29.9	<b>14.1</b>	+0.2	-15.8	<b>44.0</b>
EBITDA	40.0	47.7	<b>42.2</b>	+2.1	-5.5	<b>89.9</b>
1 US\$ =	102 yen	120 yen	<b>122 yen</b>	20 yen weak	2 yen weak	<b>121 yen</b>
1 Euro =	138 yen	131 yen	<b>135 yen</b>	3 yen strong	4 yen weak	<b>133 yen</b>

# Business Highlights

Established post of Chief Technology Officer (CTO) to facilitate strengthening of core technology and to change gears for future growth



Audi

90nm  
BiCDMOS\*1

- ✓ World's first to mass produce 40nm MCU for automotive
- ✓ Selected as strategic partner by Audi (first Japanese company)
- ✓ The world's leading-edge BiCDMOS is currently under mass production



- ✓ Adopted by 200 companies
- ✓ Aim to expand the Consortium members to 100 companies



- ✓ Scalable lineup from high-end to low-end



- ✓ New optimized solution for IoT



\*1 BiCDMOS : Bipolar CMOS DMOS

# Appendix

# GAAP/Non-GAAP Reconciliation

(億円)	FY14/03				FY15/03				FY16/03
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Semiconductor Sales (GAAP) ①	189.6	207.7	207.6	191.8	201.2	199.6	177.4	175.1	174.5
Renesas SP Drivers*1 ②	-14.3	-18.3	-19.0	-14.1	-17.6	-21.0	-	-	-
Semiconductor Sales (Non-GAAP) ①+②	175.3	189.4	188.7	177.7	183.6	178.6	177.4	175.1	174.5
Gross Profit (GAAP) ①	72.7	77.9	84.0	75.2	80.5	81.6	78.6	78.1	79.8
Renesas SP Drivers ②	-5.2	-6.6	-6.9	-4.4	-6.0	-6.4	-	-	-
Inventory Buildup*2 ③	-	-2.8	-3.6	-5.8	-2.6	-1.7	-1.7	-1.4	-0.4
Gross Profit (Non-GAAP) ①+②+③	67.5	68.5	73.6	65.0	71.9	73.5	76.9	76.7	79.4
Operating Income (GAAP) ①	9.8	10.9	30.0	17.0	27.0	23.5	29.5	24.4	32.4
Renesas SP Drivers ②	-3.8	-4.7	-4.9	-2.2	-3.9	-4.0	-	-	-
LTE Modem Business*2 ③	5.2	4.8	-	-	-	-	-	-	-
Inventory Buildup ④	-	-2.8	-3.6	-5.8	-2.6	-1.7	-1.7	-1.4	-0.4
Operating Income (Non-GAAP) ①+②+③+④	11.2	8.1	21.5	9.0	20.5	17.9	27.8	23.0	32.0
R & D (Renesas SP Drivers)	1.1	1.5	1.6	1.8	1.8	1.9	-	-	-
SG & A (Renesas SP Drivers)	0.3	0.3	0.4	0.4	0.3	0.5	-	-	-
R & D (LTE modem business)	4.3	3.8	-	-	-	-	-	-	-
SG & A (LTE modem business)	0.9	0.9	-	-	-	-	-	-	-

\*1 Renesas SP Drivers: Sales and operating income (loss) of the former Renesas SP Drivers, which was transferred on October 1, 2014

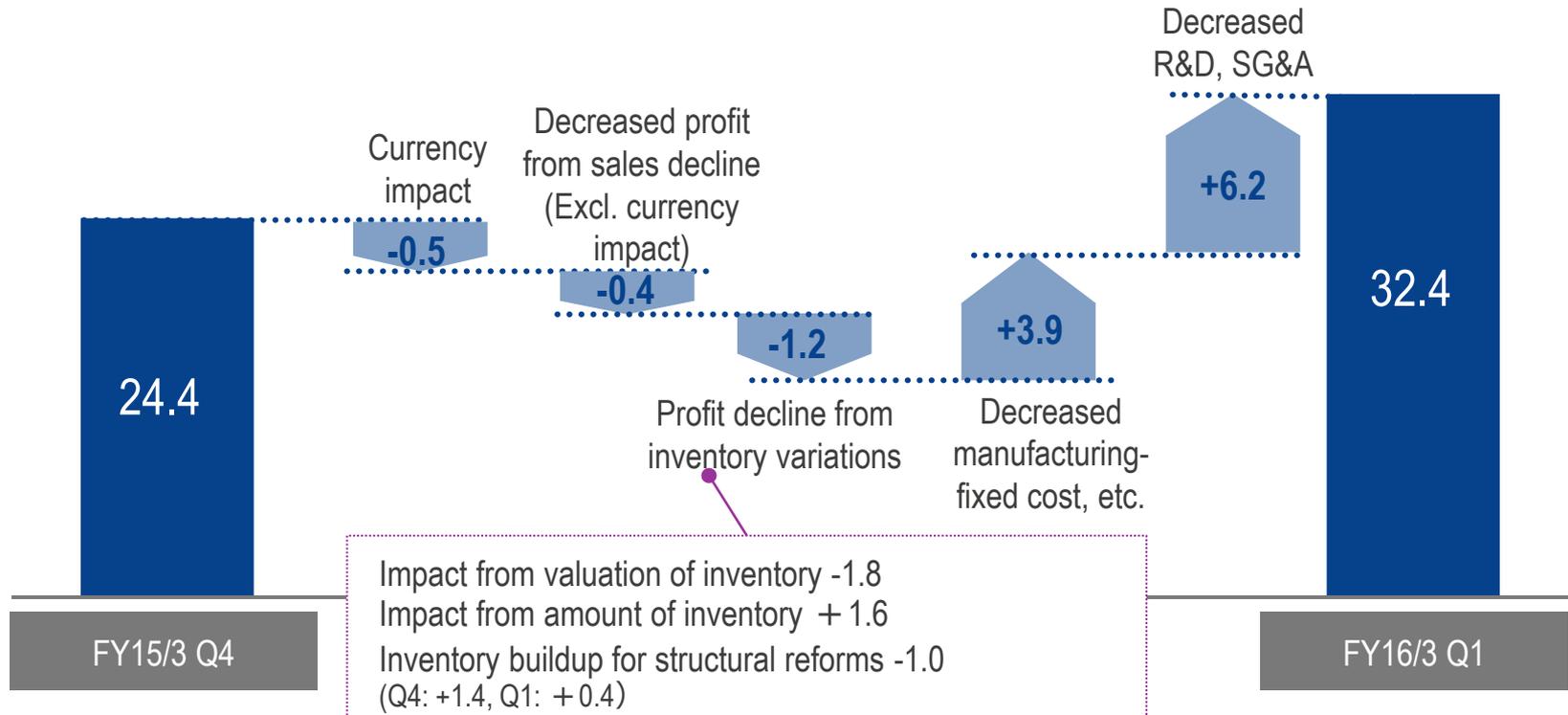
\*2 LTE Modem Business: R&D and SG&A used for the LTE modem business, which was transferred on October 1, 2013

\*3 Inventory Buildup: Amount of income (loss) from inventory buildup of the EOL products resulting from realignment of the factories

# FY16/3 Q1 Operating Income

## QoQ (B Yen)

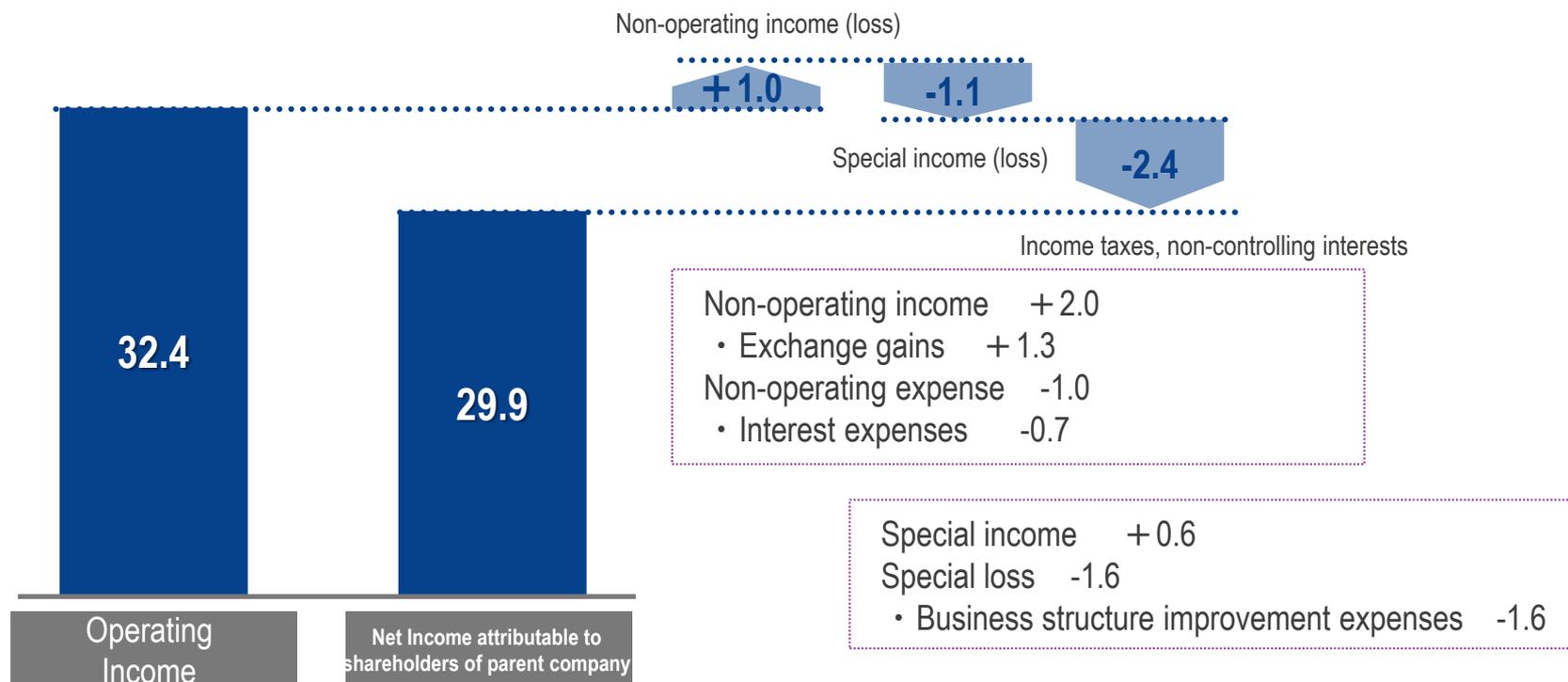
- Q1 operating profit increased by 8.0 B yen QoQ, thanks to rebound of the seasonal cost increase at the year end, despite the negative currency impact and profit decline from decreased sales



# FY16/3 Q1 Net Income Attributable to Shareholders of Parent Company

(B Yen)

- Recorded net income attributable to shareholders of parent company of 29.9 B yen without the exchange gains and major special loss in Q1

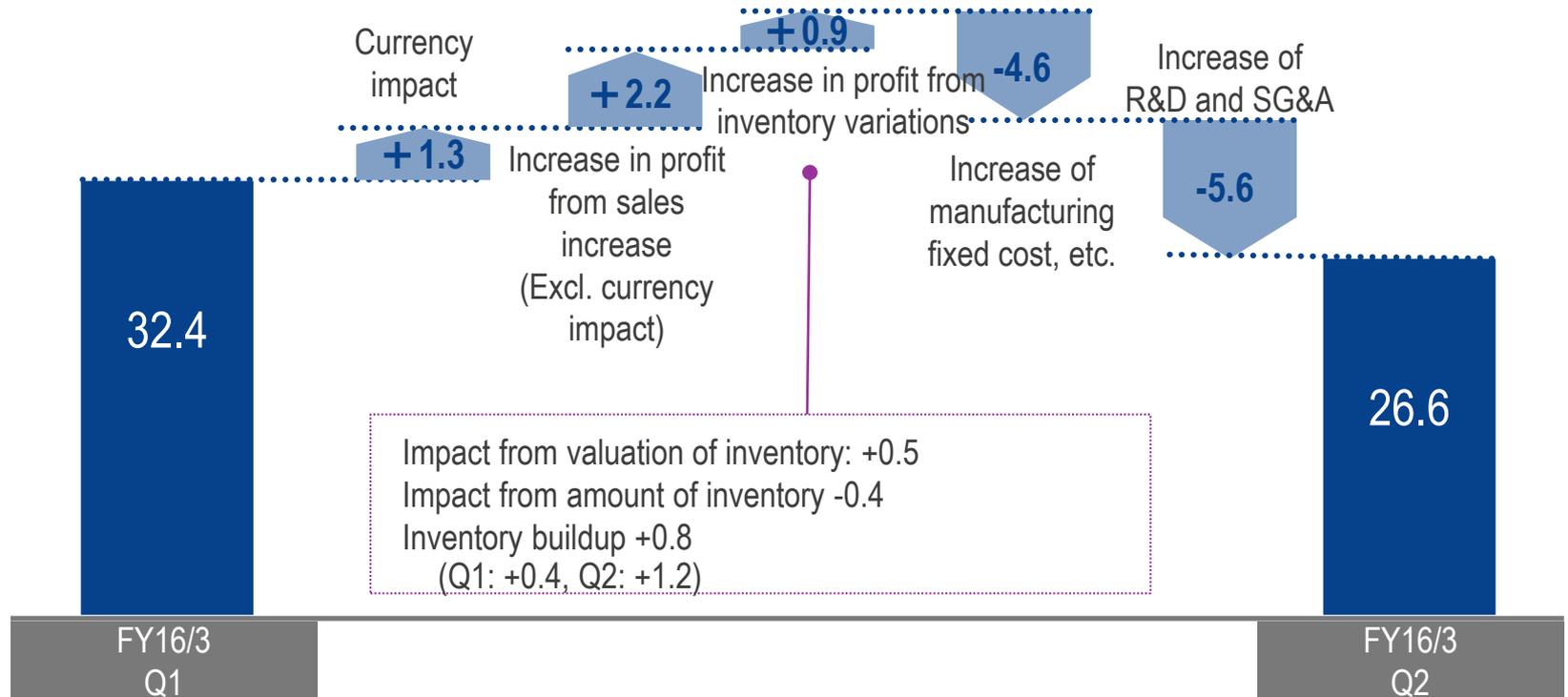


# FY16/3 Q2

## Operating Income Forecast

QoQ (B Yen)

- Despite positive currency impact; an increase in profit from sales increase; and an increase in profit from inventory variations; operating income is expected to decrease by 5.7 B yen QoQ, due to seasonal cost increase at the end of the first half

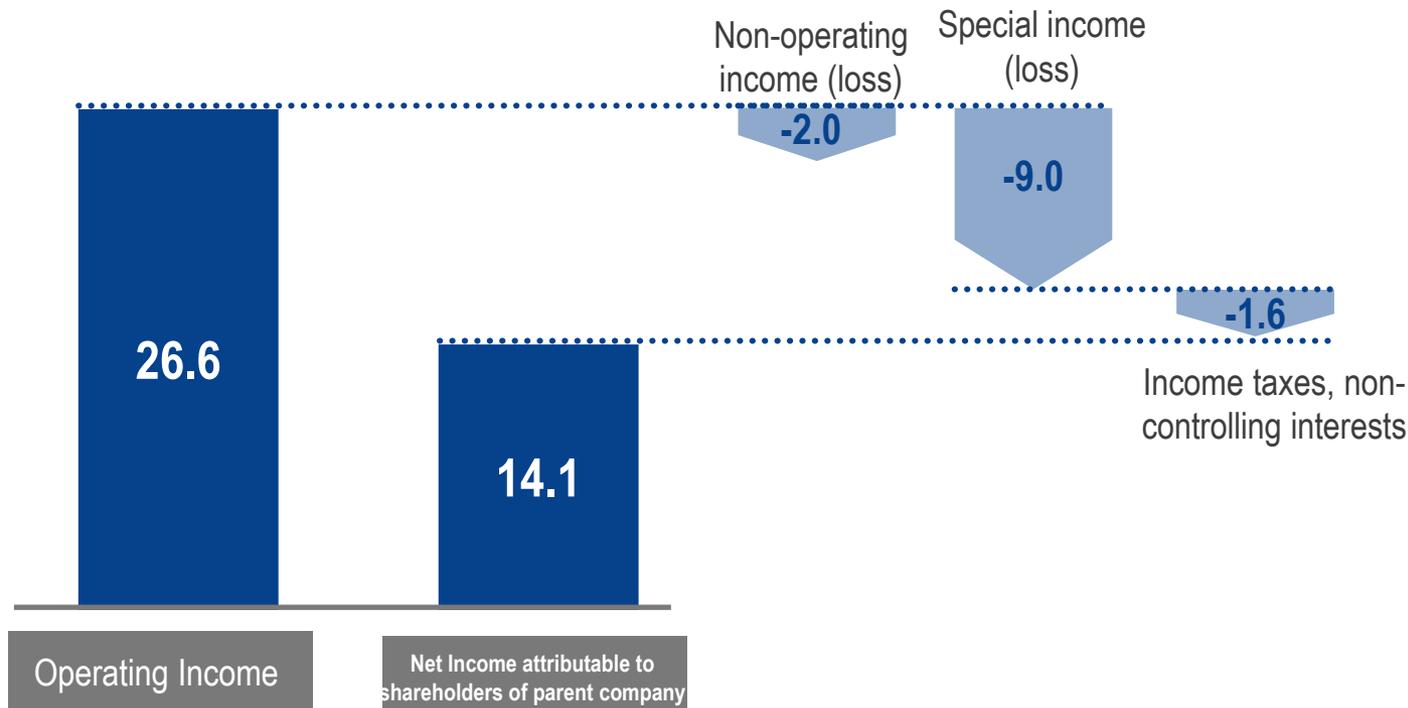


# FY16/3 Q2

## Net Income Attributable to Shareholders of Parent Company Forecast

(B Yen)

- Expect to achieve net income attributable to shareholders of parent company of 14.1 B yen in Q2, mainly due to special loss from structural reforms concerning realignment of manufacturing and design and development sites



# Balance Sheets

## Equity ratio improved up to the 40% range

(B Yen)	As of Mar. 31, 2015	As of Jun 30, 2015
Total Assets	840.1	<b>851.8</b>
Cash and Cash Equivalents	343.7	<b>368.7</b>
Inventories	111.4	<b>113.1</b>
Liabilities	528.2	<b>507.0</b>
Interest-Bearing Debt	259.7	<b>259.4</b>
Shareholders' Equity	277.8	<b>307.7</b>
Net Assets	311.9	<b>344.7</b>
D/E Ratio (Gross)	0.84	<b>0.76</b>
Equity Ratio	36.8%	<b>40.2%</b>

### 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

# Cash Flows

---

(B Yen)	FY15/3				FY16/3
	Q1	Q2	Q3	Q4	Q1
Cash Flows from Operating Activities	2.0	49.5	41.0	24.2	<b>31.5</b>
Cash Flows from Investing Activities	-10.9	-14.9	7.2	-8.0	<b>-5.4</b>
Free Cash Flows	-8.9	34.7	48.2	16.2	<b>26.2</b>

---

(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.