



I'm Hisao Sakuta.

For today, I introduce my opinion of the direction of the business and the direction of Renesas Group.
Then Tsurumaru explains the measures based on the company's direction.

1. Overview of the Direction



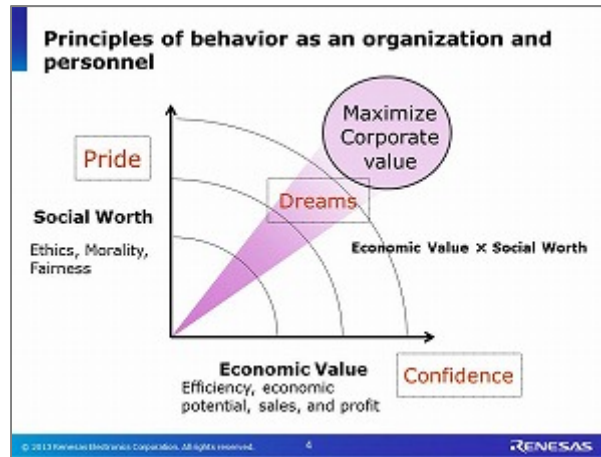
Thus far, I have run a company, putting particular emphasis on “Autonomy”. “Autonomy” means, in my case, “By own will, by own thinking, by own action”. And there are three kinds of “Autonomy”; “Autonomous Management”, “Autonomous Business” and “Autonomous Individuals”.

What the “Autonomous Management” aspires to is independent - literally to stand by oneself.

“Autonomous Business” mentions “Business Domain”. They are 3Cs, in sum, inside of triangles of the three points; the Customers, the Competitors and the Corporation. Accordingly, seeking “Autonomous Business” makes our business domain clear. That is to say, asking “Who is customer? Who is competitor? How do we contribute to the society?” is the way to achieve “Autonomous Business”.

The last item, “Autonomous Individuals” is most important. The prime factor of the management resources is personnel. I have been thinking that Creativity of each personnel leads contributions to customers and then it becomes the ultimate weapon to compete.

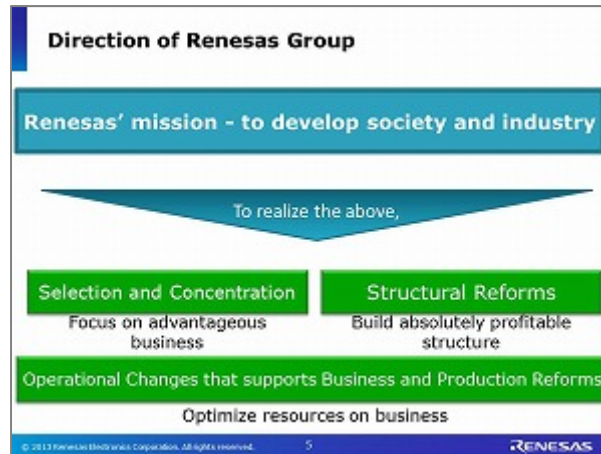
I believe these three “Autonomies” are extremely significant for employees, managements, and top executives.



“What does a company do?” is another major question. A company should be needed by society. I call it “Maximization of corporate value”.

The maximization of corporate value is calculated with multiplication of social value and economic value. If social worth or economic value is zero, the result would be zero, even though other is very large. This balance is essential to persist in society, as a required company.

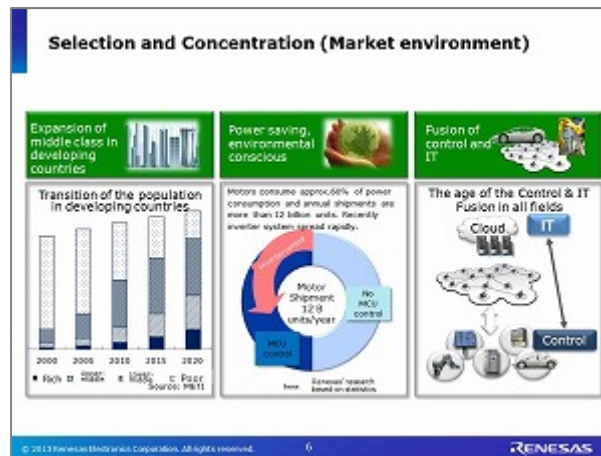
I tell you Renesas’ Ethics, Morality and Fairness. Without Dreams, Pride and Confidence of a company and its employees and managements, continuous effort would be impossible. The business operation and business activity backed by these things are multiplication of social value and economic value ultimately.



What is Renesas? Renesas was suffered by serious damage on our major sites on March 11, 2011 (the Great East Japan Earthquake). At that time, we promptly achieved recovery with support of various people such as our customers.

I strongly felt the fact that Renesas is indispensable company for society. We are now earnestly struggling to survive, in severe circumstance especially for economic value.

Specifically, we are dealing with the selection and concentration of business, and improvement of operation. Although it is just one month since I assumed the post, I strongly feel and raise the need of simplification and speed. These are the primal things to win and survive in competition. Then these will be returns of favors to customers and society.

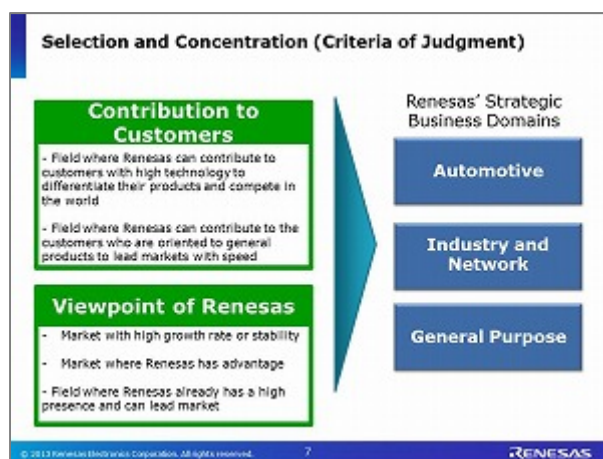


Next I explain the environmental factors around our business. The graph at the left area on this slide indicates the expansion of middle class in developing countries. We are Japanese company and Japan is in Asian region where the economy potentially continues to grow for at least 25 years, perhaps more than 100 years. We should vitally utilize such a geographical advantage of being located in the potential market.

The picture at the right area on this slide indicates the fusion of control and IT, and “Cloud”. In sum, it illustrates the way to leverage our advantage in developed countries and the basic strategy.

The picture at the middle area on this slide shows the point of business chances in both of developing and developed countries. There are approximately 4 billion people in Asian region including Japan. Many of these countries are developing and people want to get economic wealth. As the result, the problem of power shortage will appear certainly.

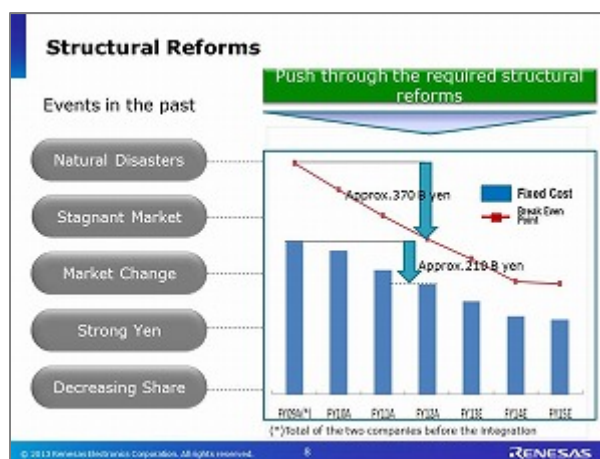
People on the Earth depend on fossil fuel for 70% of electric energy for now. It can lead to environmental contamination. There is a significant need around us that reduce environmental contamination, compensating of power shortage. I think power and energy saving technologies of our company have strong demands.



This slide explains the fields where our company expands our business. Automotive fields have very long term growth and capacity for growth, and the technologies are always cutting-edge. We should exert our advantage in this field as was expected. Although we are dominant in this field already, we should be stronger in application base in automotive for developed regions, and then generalize them to introduce in developing regions to compete globally.

We will utilize our advantage of energy and power saving in the vast range of industry and network field in both of developing and developed regions.

General purpose devices don't have particular market or field. That is, they don't have a specialized feature. However, we need to narrow down the range of these devices lineup also, based on our experience and technologies cultivated by automotive and industry and the energy and power saving technologies as our strong points.



This slide shows reduction of our fixed costs and improvement of our break-even point. Tsurumaru will explain more specific detail after this. For now, I have to say “Although we are making effort to improve the cost structure, sales are decreasing in faster pace than our structure improvement. So we are still on the way to overcome deficit balance.”

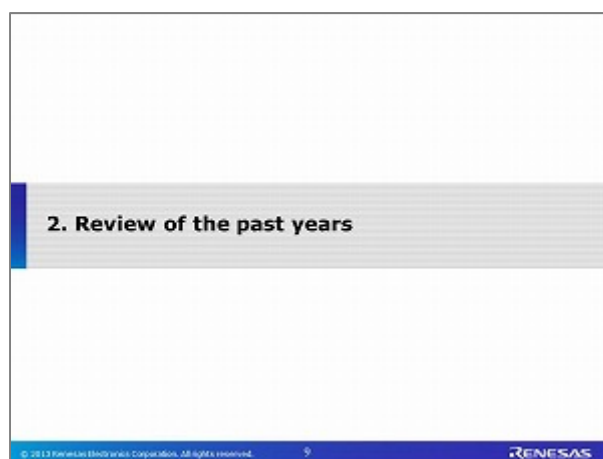
In addition, various events actually happened such as strong yen and earthquake. We have to be a “tougher company” with readiness under such circumstances.

A “tough company” continues improvement of productivity and reduction of fixed costs.

There is no end for such improvements. For example, automotive companies have already had such ways and they are continuously improving their various structures. We will get such toughness as well as the automotive companies and continue improving the break-even point.

From my experience, these three factors - “reducing fixed costs with improving productivity” or “improving the break-even point”, and “making tough company with readiness” - would be broken when we seek growth too much. We would be caught by a trap if we persist in growth. Of course a company needs growth. However, the company would depart from toughness with readiness when the company falls into over-growth.

I have illustrated my thought and direction of the company ideally. After this, Tsurumaru will explain these thoughts a bit specifically, with a direction of business.



This is Tsurumaru, a Representative Director and President.

I explain the specific measures based on the overall direction of our Group as Sakuta showed now.
I begin with the review of the past.

Review of the past years <Production Reforms and personnel streamlining>			
<Production Reforms>			
	Renesas Electronics started	Aug.2, 2013	Current status
Front end (in Japan)	10 sites, 16 lines	9 sites, 14 lines	Being restructured to build a stable supply system and Rob-network
Back end (in Japan)	12 sites	5 sites	Focusing on main factories in Japan, and enhancing own sites abroad
<Personnel Streamlining>			
	Renesas Electronics started	Jun.30, 2013	Current status
Number of employees (Consolidated)	Approx. 48,000	Approx. 32,850	Achieved approx. 30% of personnel streamlining since the start of operations

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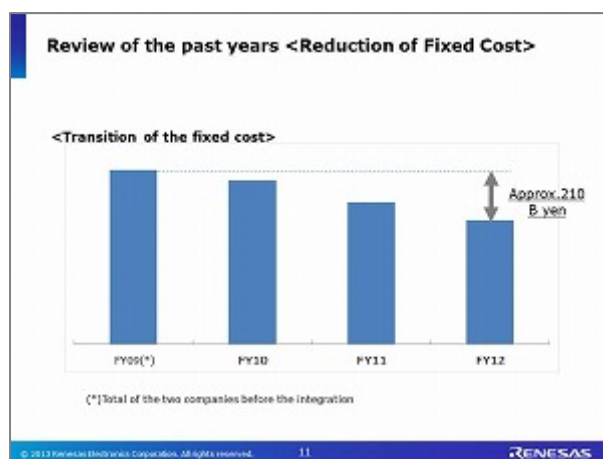
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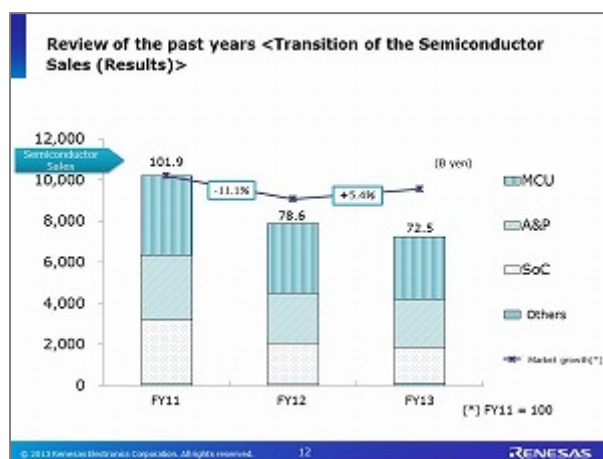
Our Group implemented various structural reforms steadily for 3 years after the companies' integration on April 2010.

For production, we implemented streamlining of our sites, reducing the number of our sites from 12 to 5 for back-end factories.

For personnel, we streamlined employees from 48,000 personnel at the companies' integration to about 32,850 personnel, along with the business and production reforms.

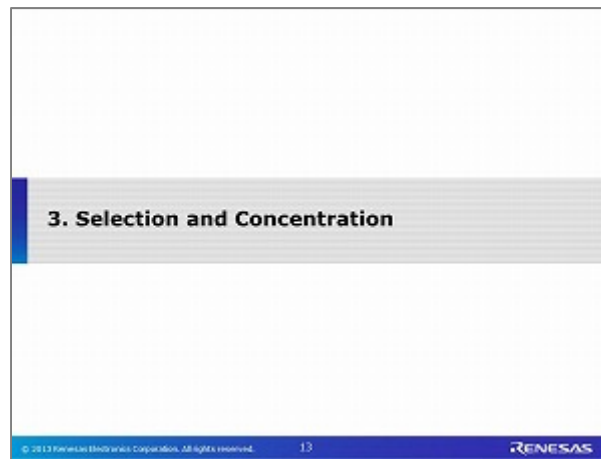


With these steady implementation of various reforms, our Group reduced the fixed cost by about 210 billion yen compared with it before companies integration in April 2010.



On the other hand, our sales decreased drastically in the past 3 years and posted great net losses, in spite of implementation of the structural reforms, because of natural disasters such as the Great East Japan Earthquake, stagnant market in Europe and China, structural change in market, strong yen till the end of last year and so on.

We need to change our portfolio to become more competitive and to quickly expand kit and platform solutions in addition to our device business.



I explain the selection and concentration of our business in this section.

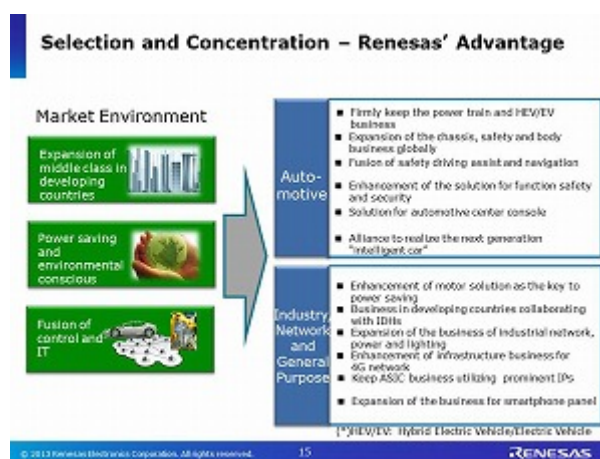
Selection and Concentration – Renesas' Advantage

<div style="background-color: #92d050; padding: 5px; margin-bottom: 5px;"> <p>Expansion of middle class in developing countries</p>  </div> <div style="background-color: #92d050; padding: 5px; margin-bottom: 5px;"> <p>Power saving and environmental conscious</p>  </div> <div style="background-color: #92d050; padding: 5px;"> <p>Fusion of control and IT</p>  </div> <p style="text-align: center; margin-top: 10px;">Comfortable society with safety and security</p>	<p>No.1 MCU maker in the world market</p> <ul style="list-style-type: none"> - Global sales network and customer support - Solution for home appliances in developing countries <p>Power saving technology contributing energy saving</p> <ul style="list-style-type: none"> - Low power devices (e.g. RL78 Series) - Low power system technology cultivated by MCUs and A&P (Inverter control) <p>Integration of MCU (Control) and SoC (IT)</p> <ul style="list-style-type: none"> - Top level integration technology in the world - High integration technology of multicore CPU (e.g. Car Navigation SoC) <p>High Reliability, Safe and Secured technology</p> <ul style="list-style-type: none"> - High reliability and quality lead automotive and industry field - Function safety technology cultivated by automotive field - Security technology to prevent attack by hackers and virus
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As Sakuta explained, there are business environmental trend such as Expansion of middle class in developing countries, Power saving and environmental conscious and Fusion of control and IT.

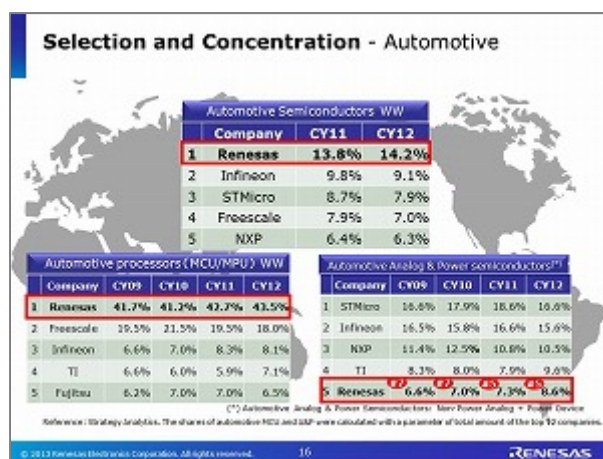
With such an environment, we will fully leverage our advantage in the fields such as world's share No.1 MCU, low power technology contributing to power saving, fusion technology of controlling with MCU and leading IT with SoC, high reliability which is cultivated in industrial field and safety and security technologies.



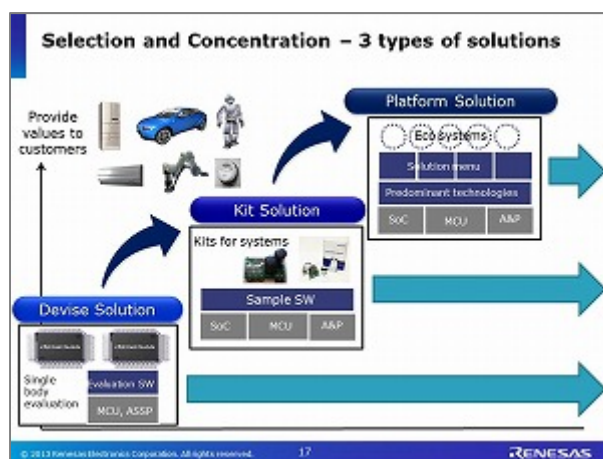
Especially in the automotive field, we are not only utilizing the position we have built up as a solid foundation, but also working with the automotive industry on efforts to create next-generation self-driving “smart cars” and participating in industry projects aimed at the realization of a safe, dependable and convenient driving experience for all.

In the various segments of the automotive field, we are collaborating with both customers and strategic partners toward the enhancement of ecosystems, and working to accelerate their expansion worldwide.

On the other hand, in the industrial/networking and general-purpose fields we are aiming to expand the presence of the Renesas Group by growing our business through motor solutions with power efficiency as a key and collaboration with design houses in emerging markets.



In the automotive field, our shares of MCU and A&P are rising with the results of our prior efforts. We are further expanding our share with the basic strategy as I mentioned.



Next, I explain the three solutions in our focused fields.

Until now the semiconductor business model has centered on supplying individual MCUs, analog devices, and power semiconductor products that customers need to build their products. This device solutions business will continue to be an important source of revenue for the Renesas Group moving forward.

At the same time, demand is growing for a model in which customers are provided with kit solutions consisting of combinations of MCUs, analog devices, and power semiconductor devices optimized for their products, and, as products become more complex and attain more advanced functionality, for a model based on platform solutions incorporating advantageous technology and solution menu. We at the Renesas Group are bolstering our efforts to meet a wide range of different requirements according to the circumstances of our customers.



I introduce the actual examples of solution businesses that our group is now enhancing.

The first example is a kit solution.

We deliver appropriate solutions for customers' application products, based on our reference kits of combination of our proper devices, cooperating with our partners. This service is suitable for the customers who put much value on speed.

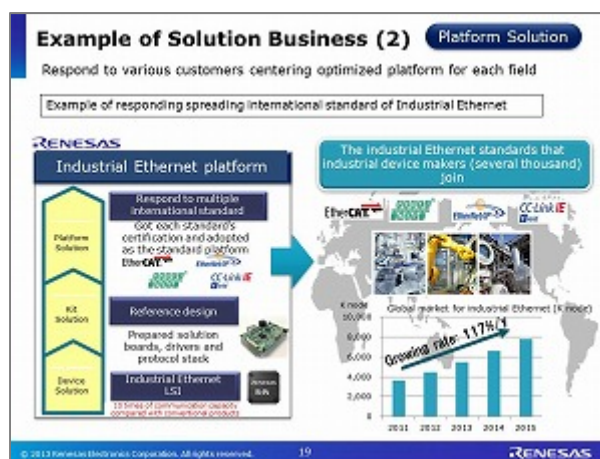
For example, 40 millions of home appliances with motors are shipped in a year in India.

Furthermore, spread of inverter control by MCUs has just begun and thus the market has high potential.

We collaborate with potent IDHs in India.

We provide sets of appropriate MCUs and power semiconductors for motor devices as reference kits for IDHs. Then the IDHs provide turn-key solutions along with motor home appliances in India. Now about 4 million deals for home appliances are in progress.

We are expanding these success cases and business models in many developing countries.



The second example is a platform solution.

Platform solution is the service that provides high-value added solutions to various customers, based on our advanced technologies and products and kits, building reference design including software design.

For example, building network in factories based on industrial Ethernet is spreading rapidly to raise productivity of industrial automation in the world.

The industrial Ethernet needs high performance of communication. Thus many standards are advocated and many companies join these standards to spread their standards.

We are proposing industrial Ethernet SoC with communication speed from 5 to 10 times compared with existing products as standard platforms of each standard to customers, building reference designs including software, to spread industrial automation with higher convenience, with each standard organization and group.

We drastically succeeded in reducing developing period of several thousands of industrial equipment makers that join industrial Ethernet standard group. Our products are being adopted globally as a result of dramatic improvements of products' convenience.



In this section I explain the structural reforms.

Implementation of production Reforming and further progress		
Policy of the Production Reforms <ul style="list-style-type: none"> ➢ Retain and enhance Renesas' advantageous technology (power saving and high quality) ➢ Build a flexible production system to correspond market change ➢ Raise efficiency of production (to realize cost performance for customers) 		
Own sites	Front-end	<ul style="list-style-type: none"> ✓ Keep production of power saving and high quality devices in Japan (Flash MCU technology: Naka, Kawashiri, Saijo) ✓ Downsize or close other sites based on the production efficiency and cost performance principle
	Back-end	<ul style="list-style-type: none"> ✓ Enhance 2 sites in Japan (Yonezawa, Oita) to lead high quality technology ✓ Expand and enhance own sites abroad to improve production efficiency
Outsourcing (Foundries / Subcontractors)		<ul style="list-style-type: none"> ✓ Mass production and collaborated development on long-term partnership with strategic partners ✓ Optimal QCD utilizing general outsourcing

First, we are carrying out further reforms in the production reforms.

The basic thinking behind our production reforms is represented in the following three points: (1) Retain and enhance Renesas' advantageous technology (power-saving and high-quality), (2) Build a flexible production system to correspond market change, and (3) Raise efficiency of production (to realize cost performance for customers).

In accordance with these basic policies, we will continue to operate the Naka factory, Kawashiri factory, and Saijo factory sites as our main front-end production facilities in order to maintain and strengthen our high-quality technology in on-chip flash memory MCU, power saving, etc., at which the Renesas Group excels. Our other front-end facilities will be either scaled back or consolidated on the basis of production efficiency and cost performance.

We will continue to operate the Yonezawa and Oita sites as our main back-end production facilities in Japan in order to maintain and strengthen our high-quality technology. However, to boost production efficiency we will expand and strengthen our overseas production facilities. As we scale back the facilities we operate ourselves, the importance of outsourcing will increase, and we plan to strengthen our relationships with foundries/subcontractors as strategic partners.

In addition to moving forward with mass production and joint development tie-ups, we will take steps to ensure that our foundries/subcontractors maintain the same standards as our own facilities in the areas of quality, cost, and delivery.

Production Reforms (Front-end)			
Site	Process (inch)	Before Structural Reforms	After Structural Reforms
Naka	12	Continue production as Renesas' main sites	
	8		
Kawashiri	8		
Saijo	8	Planned to be closed in 2 or 3 years	<ul style="list-style-type: none"> Production will be transferred to own sites or outsourcing sites. EOL
Tsuruoka	12		
	5		
Shiga	8	Planned to be closed in 2 or 3 years	<ul style="list-style-type: none"> Production will be transferred to own sites or outsourcing sites. EOL
	6	Downsize and continue production to keep some products	
Kofu	8	Planned to be closed in 1 or 2 years	
	6	Continue production, downsizing to be appropriate scale	<ul style="list-style-type: none"> Production will be transferred to own sites or outsourcing sites. EOL
Takasaki	6		
	5	Planned to be closed 1 year	
Kochi	6	Continue production, downsizing to be appropriate scale	
Yamaguchi	6	Continue production with downsizing, but considering transfer	

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This slide shows specific details of the production reforms.

First, reforms of front-end sites are as this table.

- We continue operation of Naka (12 and 8 inch), Kawashiri and Saijo (8 inch) as our main sites.
- We will close Tsuruoka (12 and 5 inch), Shiga (8 inch), Kofu (8 and 6 inch) and Takasaki (5 inch) after certain period and transfer their production to other sites or outsource factories, and get some products EOL.
- We will downsize the capacity to be appropriate scale and continue operation at each 6 inch line at Takasaki, Kochi and Yamaguchi.
- We will downsize and continue production to keep some products at Shiga (6 inch).
- We consider transfer also for Yamaguchi (6 inch) ongoingly from last year.

Production Reforms (Back-end)		
Site	Before Structural Reforms	After Structural Reforms
Yonezawa	Continue production as Renesas' main sites	
Oita		
Yanai	Planned to be closed in 2 years	<ul style="list-style-type: none">• Production will be transferred to own sites or outsourcing sites.• EOL
Yamaguchi (Ube)	Planned to be closed in 1 year	
Kumamoto (Nishiki)	Will be decided to be transferred or closed within 2 years	

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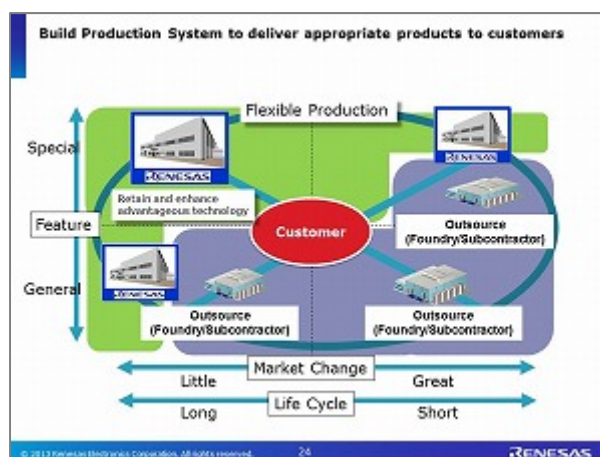
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There is no major change for back-end factories from what we announced last year.

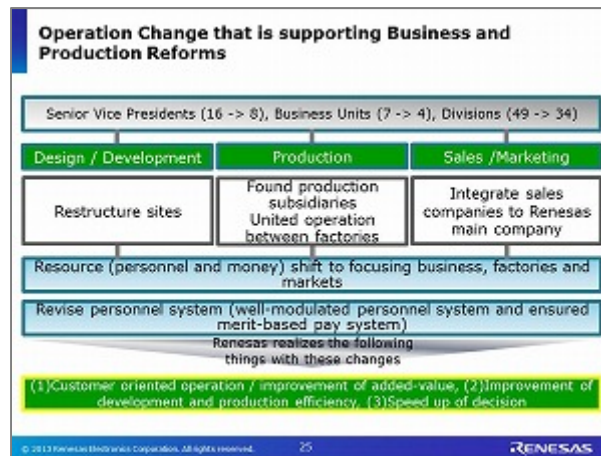
Specifically,

- We will continue and enhance two sites - Yonezawa and Oita.
- We will close two sites - Yanai within two years and Oita within a year, and transfer production to other sites or outsource factories ,and get some products EOL.
- We will decide transfer or closure for Nishiki within two years.



We are building the production system to deliver appropriate service to customers, while we are carrying out these production reforms. Specifically,

- We are working to build a flexible production system, including outsourcing, that matches the special characteristics of our customers' products,
- while at the same time strengthening our fab network to eliminate supply interruptions in case of natural disaster.

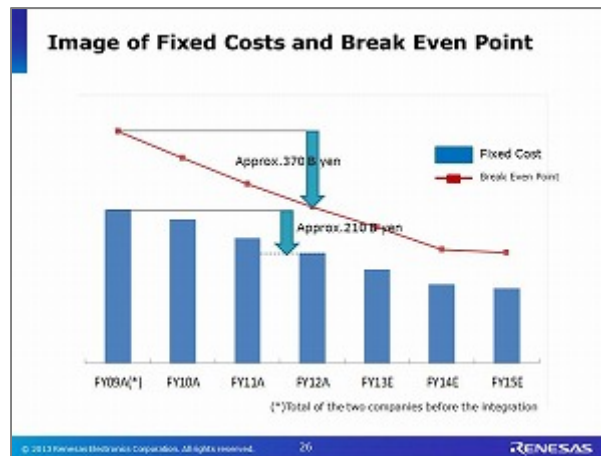


I explain the operational changes to support the selection and concentration of businesses and structural reforms.

Already, the number of company executives, units, and business divisions in the Renesas Group has been reduced substantially, as we move forward with efforts to slim down the organization to achieve speedier decision-making. In addition, we will reorganize our research and design centers, establish production subsidiaries and implement more unified operation throughout our factories, integrate our Japanese sales subsidiary with Renesas Electronics itself, and focus corporate resources on key businesses.

We will also revise our personnel system, introduce more responsive personnel and treatment policies while strengthening our emphasis on results. In these ways we aim to increase the motivation of our employees.

Through these operational changes, the Renesas Group will strengthen its customer focus, boost added value, increase development and production efficiency, and speed up decision-making.

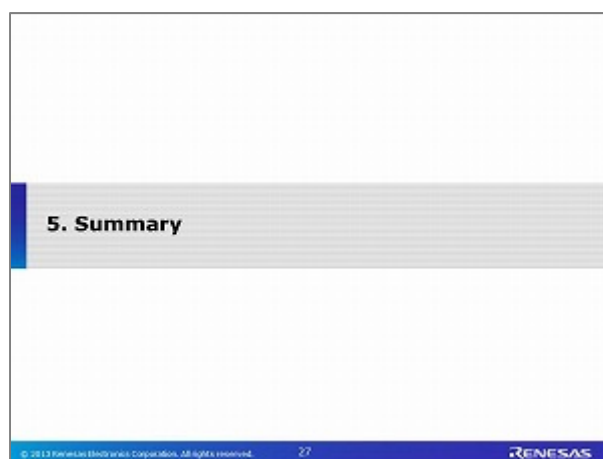


Lastly, I show you an image of the fixed cost and break-even point, as the factors that affect our profit with the respective measures I mentioned before.

In the three years since the merger that established the Renesas Group in April 2010, fixed costs have been reduced by approximately 210 billion yen, and the company's break-even point has improved by approximately 370 billion yen. On the other hand, semiconductor sales have dropped, resulting in a substantial current-term deficit in spite of concerted efforts at structural reforms.

Moving forward, we will rearrange our portfolio in favor of businesses in which we are highly competitive and continue broadening our offerings in kit and platform solutions, while at the same time strengthening our device business. We will also carry out further production reforms and efforts to reduce fixed costs in order to achieve a corporate constitution that is reliably profitable without presuming sales growth.

These are direction of our Group and specific measures.



As today's summary, Sakuta gives last words.



We Renesas Group have caused troubles over many stakeholders, and at the same time we have been greatly supported by them.

Although our Group is still on the way of the structural reforms as we explained today, we survive and compete in the world by sharing this sense of crisis and responsibility among employees and dealing problems with full force.

We would like ask you and related parties for understanding and support as ever.

Thank you for your kind attention today.

