



Renesas Efforts towards Further Growth in Profits

Renesas Electronics Corporation

August 6, 2014

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Renesas' mission: to develop society and industry

Formulation of "Reform plan"
Achieve double-digit operating profit ratio in FY 2017/03

1. Structural Reforms

Build absolutely profitable structure

2. Selection and Concentration

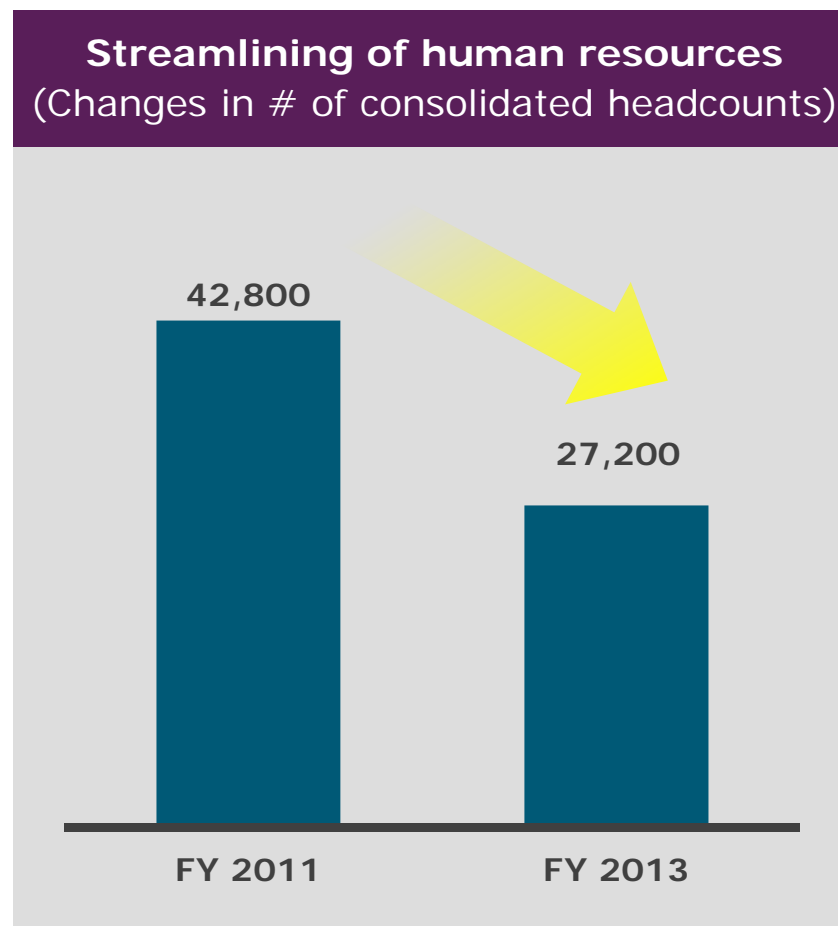
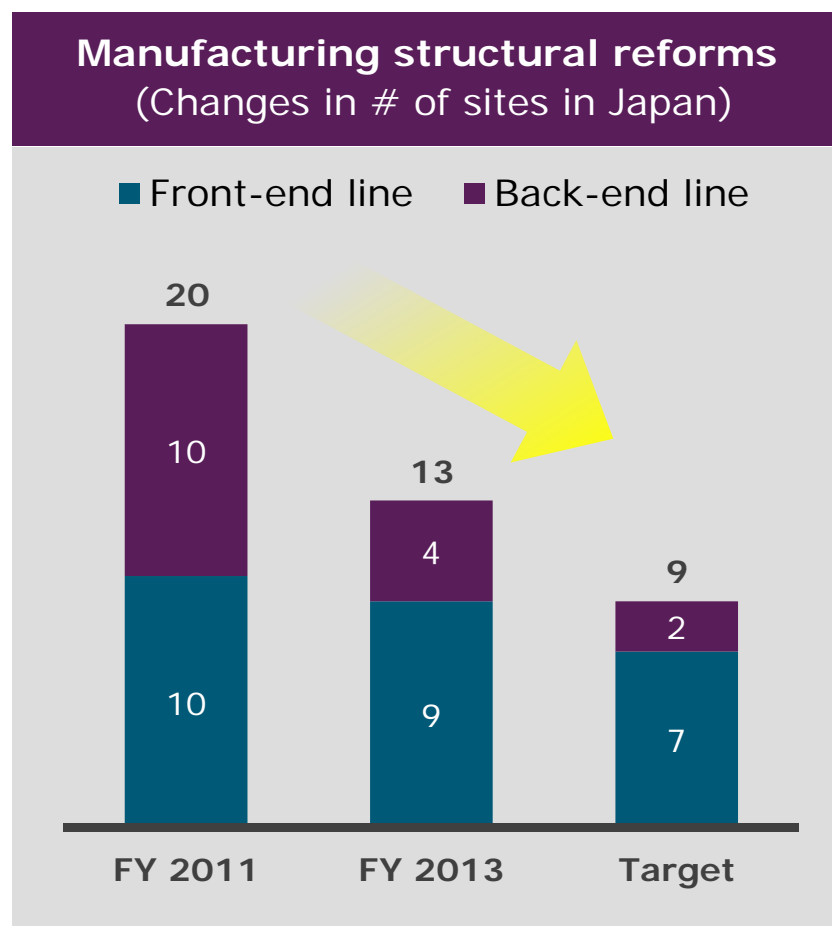
Focus on advantageous businesses

3. Operational Changes that support Business and Production reforms

Optimize management resources

1. Progress of Structural Reforms

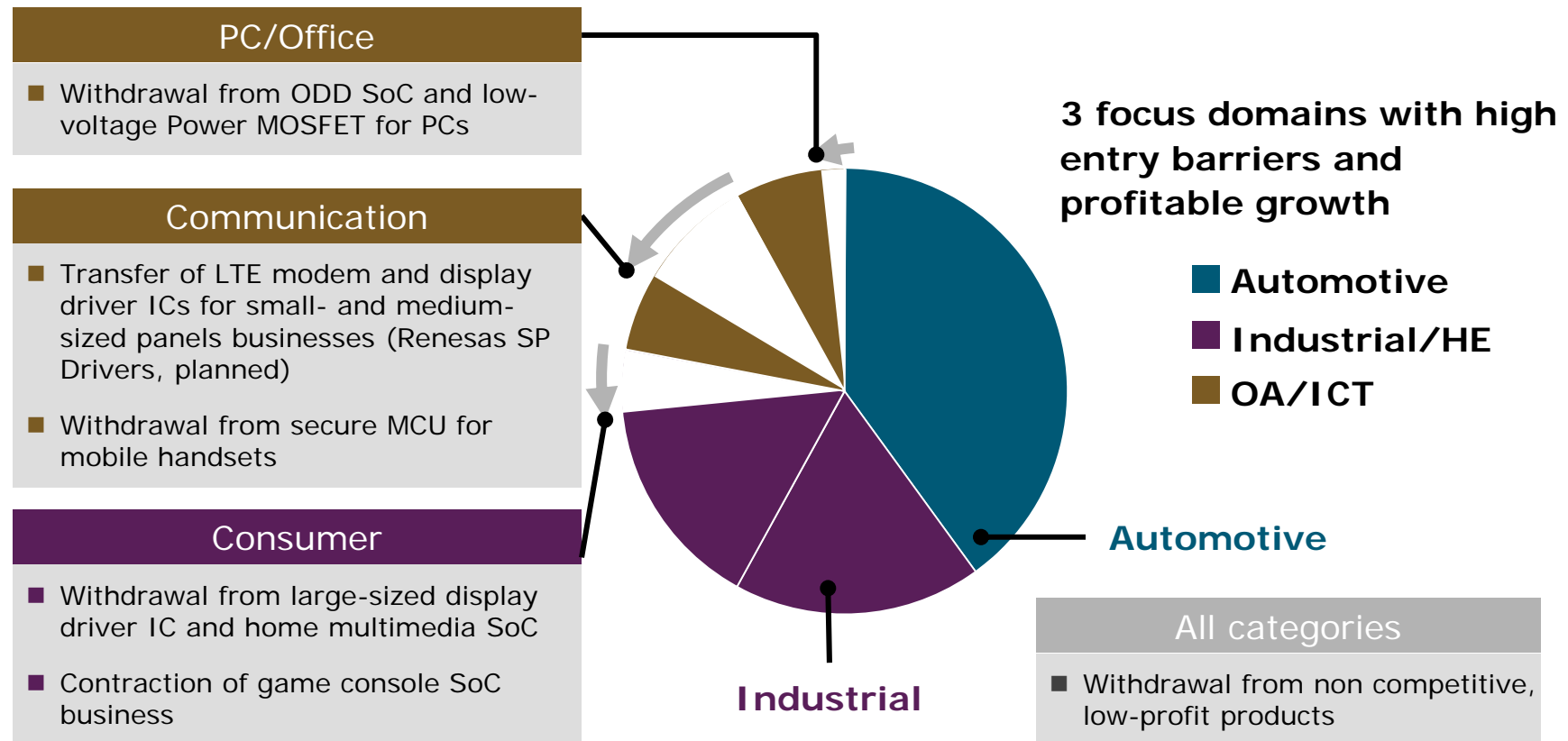
- Steadily advancing each and every structural reform measure to build a solid, profitable financial base



2. Selection and Concentration

- Enhance selection and concentration to three focus domains of “Automotive”, “Industrial/HE” and “OA/ICT”, the three domains with high entry barriers and profitable growth

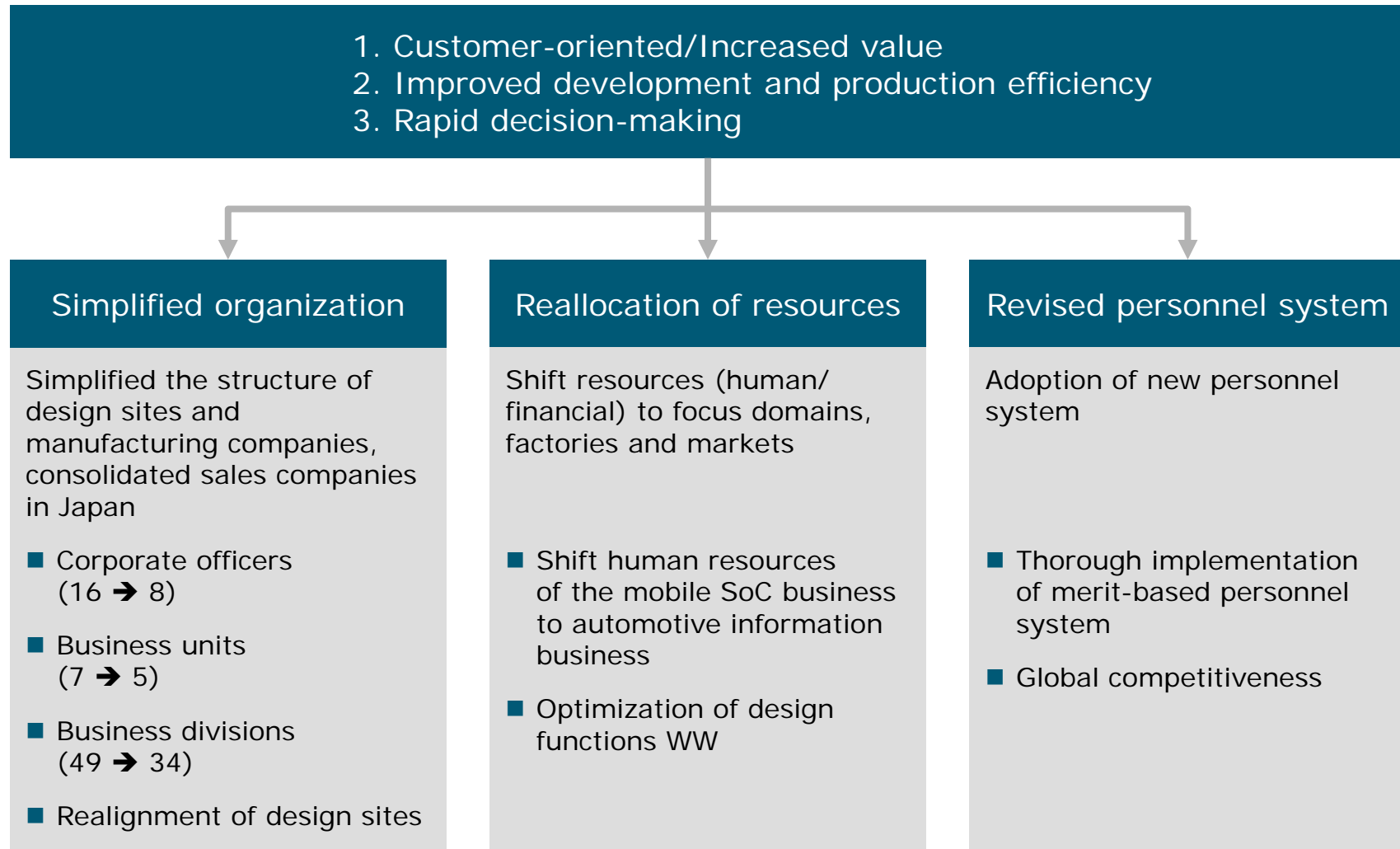
Reorganize non-focus domains



(Note 1) “Communication” includes mobile, network infrastructure, etc.

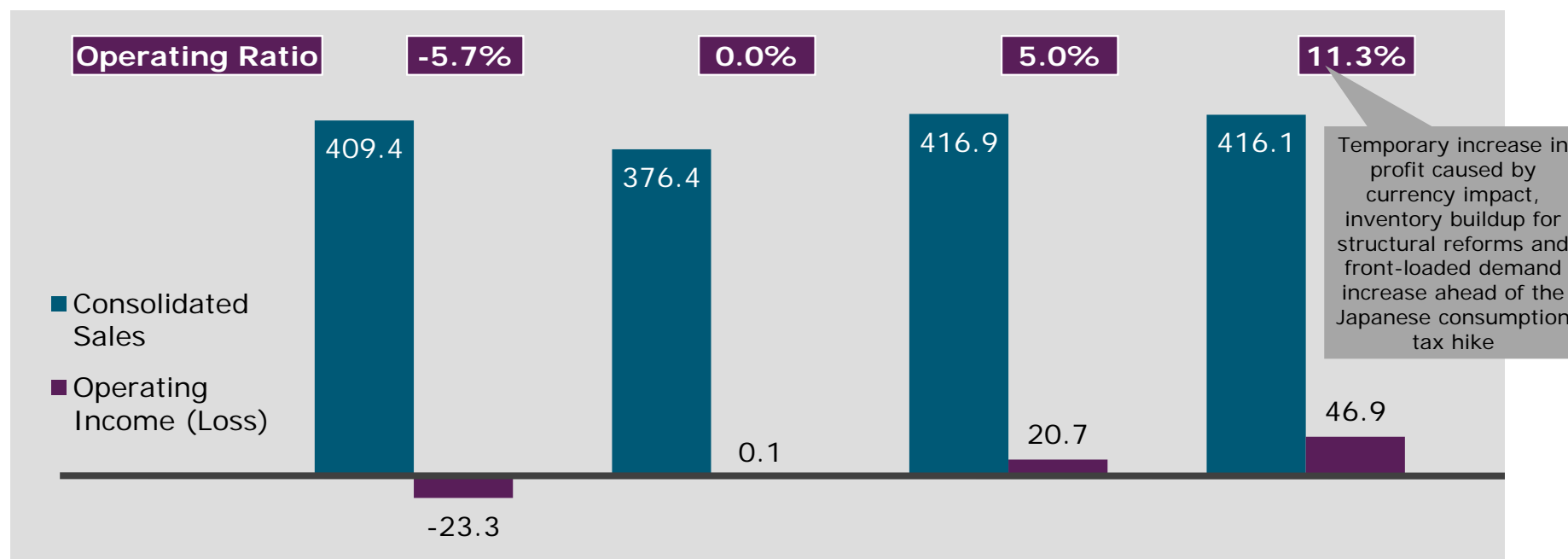
(Note 2) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology

3. Operational Changes that support Business and Production Reforms (Future Renesas)



Tangible Results of the Reform Plan

Profitable Financial Base, Back on Track for Growth



	FY 2012/1H (Sep. 30, 2012)	FY 2012/2H (Mar. 31, 2013)	FY 2013/1H (Sep. 30, 2013)	FY 2013/2H (Mar. 31, 2014)
Net Assets	106.8 B Yen	77.9 B Yen	221.8 B Yen	227.3 B Yen
Equity Ratio	13.0%	10.0%	26.2%	27.3%
D/E Ratio	2.46	4.59	1.38	1.26
Free Cash Flows	-34.0 B Yen	-63.3 B Yen	28.5 B Yen	46.0 B Yen

As a Trusted Partner for Customers

- Sustain and enforce Renesas strengths by cultivating advanced technological development and by continuously supplying high quality products in tandem with structural reforms

Lead the industry with advanced development strength

- World's first flash memory technology for 28nm MCU
- Launched 14 industry's first 40nm automotive MCUs
- Received ET award 2013 for "Integrated cockpit solution"
- Expanding adoption of "R-IN", an industrial Ethernet communication SoC supporting multiple protocols



High-quality product supply

- Launched Product Longevity Program to provide product information for long-term supply products to support customers working in markets with long product life cycles
- Received the Supplier of the Year 2013 award from Continental

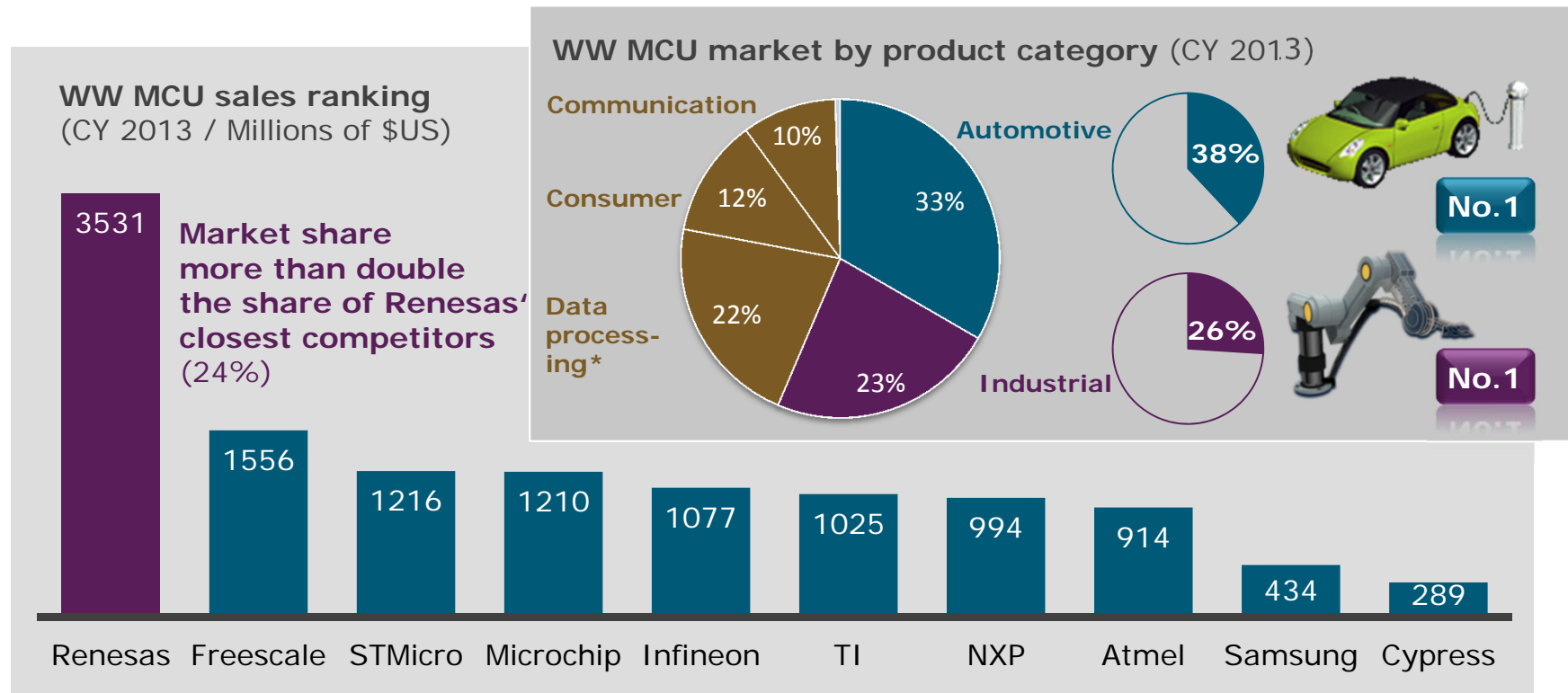


Future Focus Domains

Efforts towards Further Growth in Profits

Renesas Market Position

- No.1 MCU supplier in the world with more than double the shares of Renesas' closest competitors
- No. 1 in both the Automotive and Industrial product categories, the two largest categories in the global MCU market (56% of the whole market)







Source: Gartner, "Market Share: Semiconductor Applications, Worldwide, 2013" 31 March 2014 Chart created by Renesas Based on Gartner data

* "Data processing" includes "Compute" and "Storage". "Communication" includes "Wired communication" and "Wireless Communication".

"Industrial" includes Industrial/Medical/Others.

Renesas Strength on the Global Stage

- No. 1 supplier of automotive semiconductors in the world
- Achieved market share increase in North America, Europe and emerging countries with sales growth outpacing the market

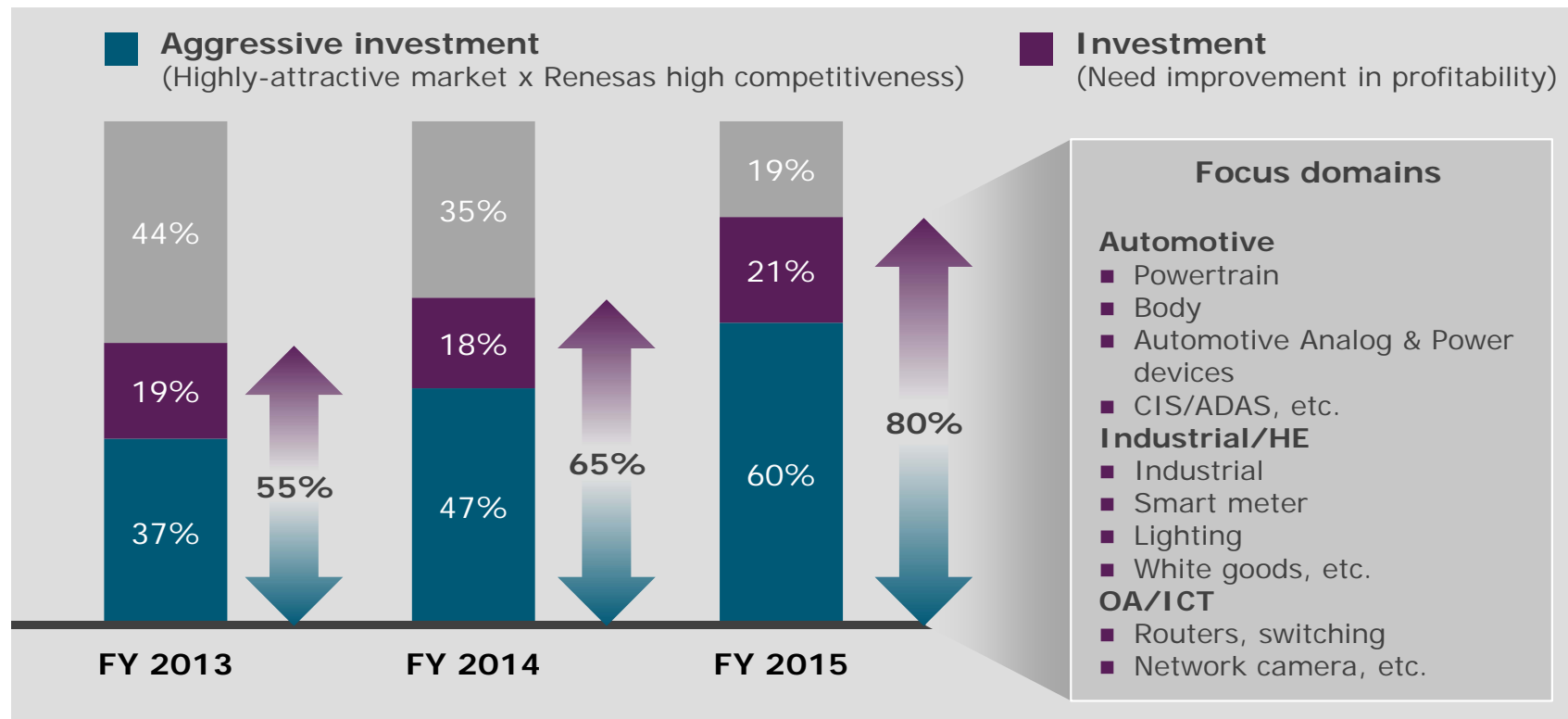
W/W Automotive Semiconductor			Automotive Semiconductor CAGR by region/Renesas share (CY 2007-2013)			
		CY 2013		CY 2007-2013 WW market CAGR	CY 2007-2013 Renesas sales CAGR	CY 2013 Renesas share
1	Renesas	13.3%	North America	1.9%	4.3%	8.1% 
2	Infineon	9.6%	Europe	2.2%	3.1%	7.3% 
3	ST	7.9%	Emerging Countries*	12.5%	14.4%	10.6% 
4	Freescale	7.4%				
5	NXP	6.5%	Japan	0.6%	0.6%	33.2% 

Source: Strategy Analytics

*Emerging countries include countries in the WW market excluding North America, Europe and Japan.

Accelerate R&D Investment in Focus Domains

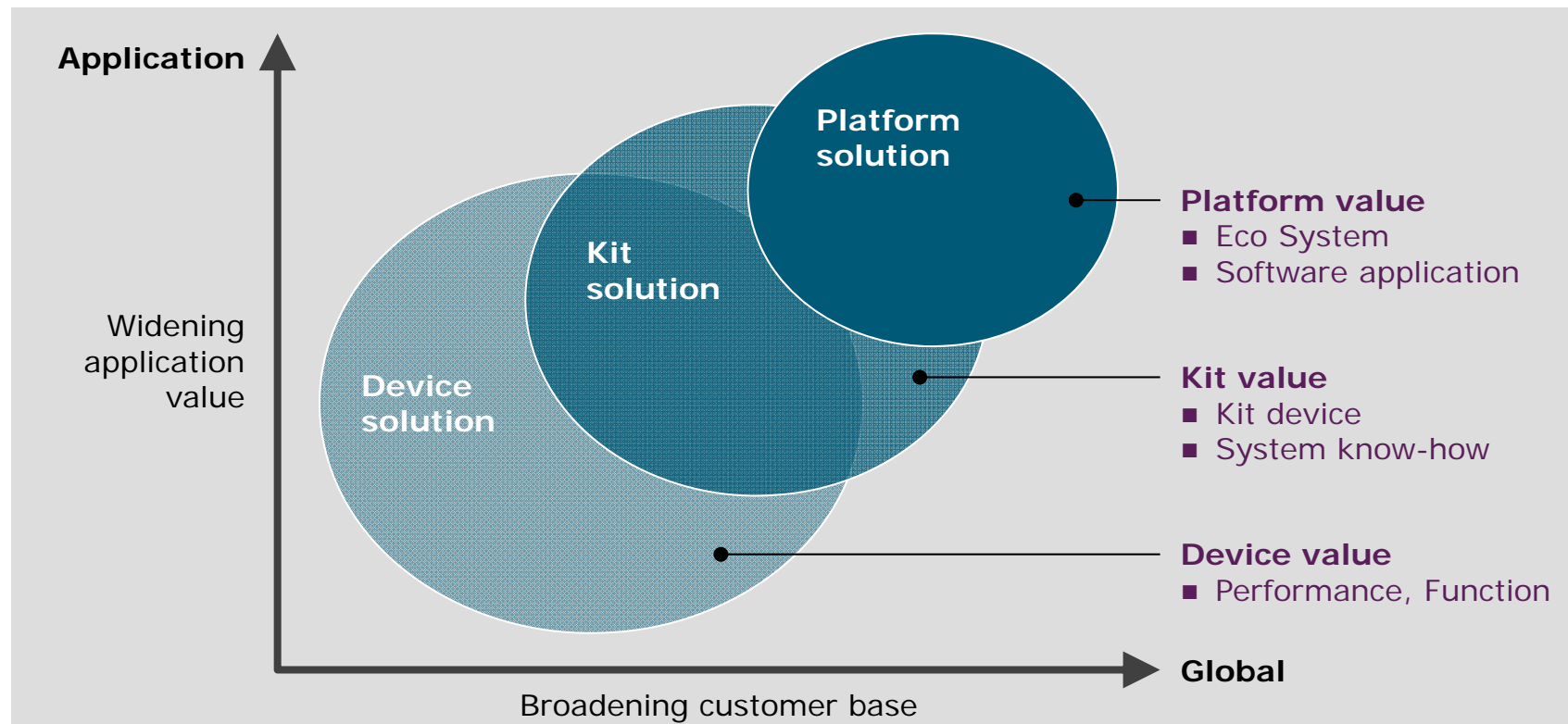
- Aggressively invest the funds acquired through third-party share allotment in competitive focus domains
- Plan R&D investment in FY 2014 on development of next-generation automotive platform and industrial communication platform, etc.



R&D Direction:

Evolving Value Proposal for Focus Domains

- Change the focus domains to shift from product-orientation to application-orientation and provide three-level solution offerings
- To widen application value and to broaden the customer base, expand solution lineups through aggressive investment of R&D cost



3 Solution Offerings from Focus Domains



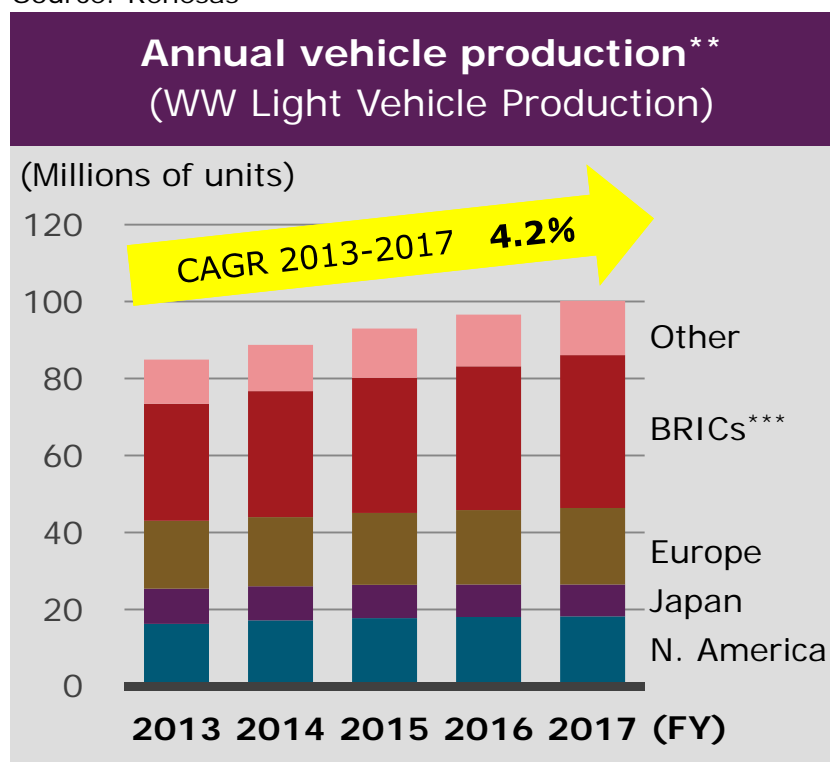
(Note) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology

Market Growth of Focus Business Domains:

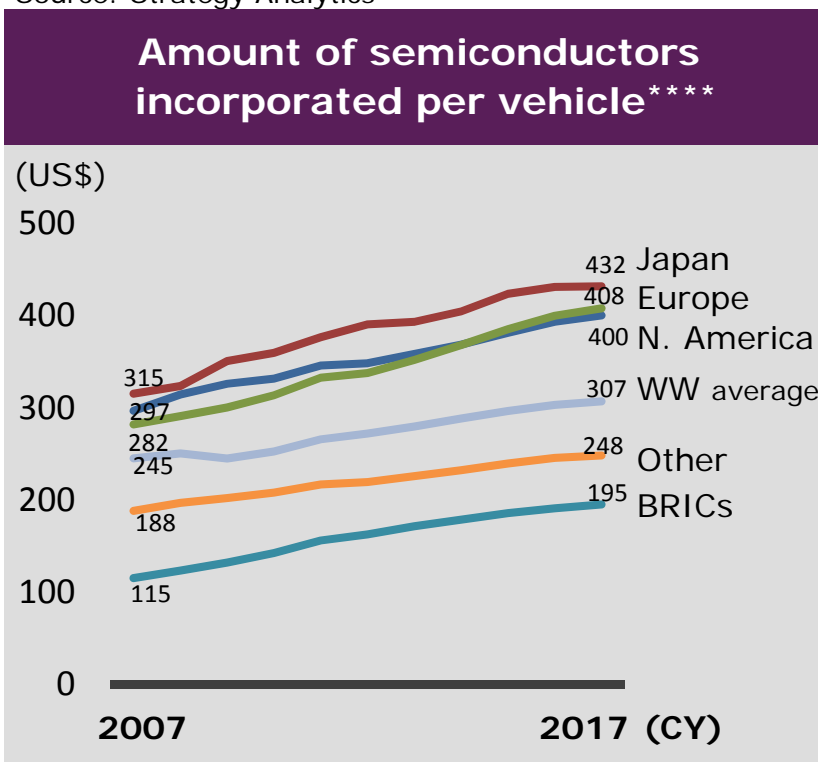
Automotive

- Annual vehicle production in FY2014 to FY2017 is expected to increase by 4.2% pushed by growth from the emerging countries
- The amount of semiconductors incorporated per vehicle increased to the 190 (emerging countries) to 400 US\$ (Europe, U.S, Japan) range
- Automotive semiconductor market grew at CAGR of 7.2% in CY2013 to CY2017 *

Source: Renesas



Source: Strategy Analytics



*Source: Strategy Analytics

Target vehicles: Light vehicle (= vehicle + light-weight truck) / *Brazil, Russia, India, China / ****Excluding sensors

Renesas Core Competence in Focus Domains:

Automotive

	Automotive Control			Automotive Information / Driver Assistance	
	Powertrain	Chassis/Safety	Body	Driver information	A D A S****
Semiconductor Market Scale*	4,898 M US\$	6,558 M US\$	5,646 M US\$	5,446 M US\$	648 M US\$
Market Growth Rate**	+8.1%	+7.5%	+5.7%	+8.4%	+20.5%
Renesas Share*** (Share of MCU+SoC)	15% (39%)	9% (22%)	16% (46%)	9% (43%)	---*****
Renesas Core Competence	<div><div></div>Next-generation combustion system</div> <div><div></div>Motor MCU+ Power kit solution for HEV/EV</div>	<div><div></div>Automotive safety MCU</div> <div><div></div>Leading-edge 90nm BiCD analog</div>	<div><div></div>Automotive network (CAN-FD, etc.)</div> <div><div></div>Integration of MCU and Analog</div>	<div><div></div>Multi-screen processing for automobiles</div> <div><div></div>Security gateway</div>	<div><div></div>Image recognition engine</div> <div><div></div>V2X communications*****</div>
	World's state-of-the-art flash MCU process technology (28/40nm) High-speed processing/ High-reliability/Low power consumption			Integrated cockpit (Convergence of control and IT, Support V2X)	
				Extensive ecosystem with support for multiple OS (R-Car platform)	
	Rich and market-proven functional safety solution lineup, Automotive security				

*Market scale in CY2013 (Source: Strategy Analytics) **CAGR in CY2013 to CY2017 (Source: Strategy Analytics)

*** Renesas market share in CY2013 (Renesas estimate calculated based on data from Strategy Analytics)

****Under the Strategy Analytics classification, ADAS includes "Distance Warning", "LDWS", "Park Assist", "Blindspot", "Drowsiness Monitor" and "Night Vision".

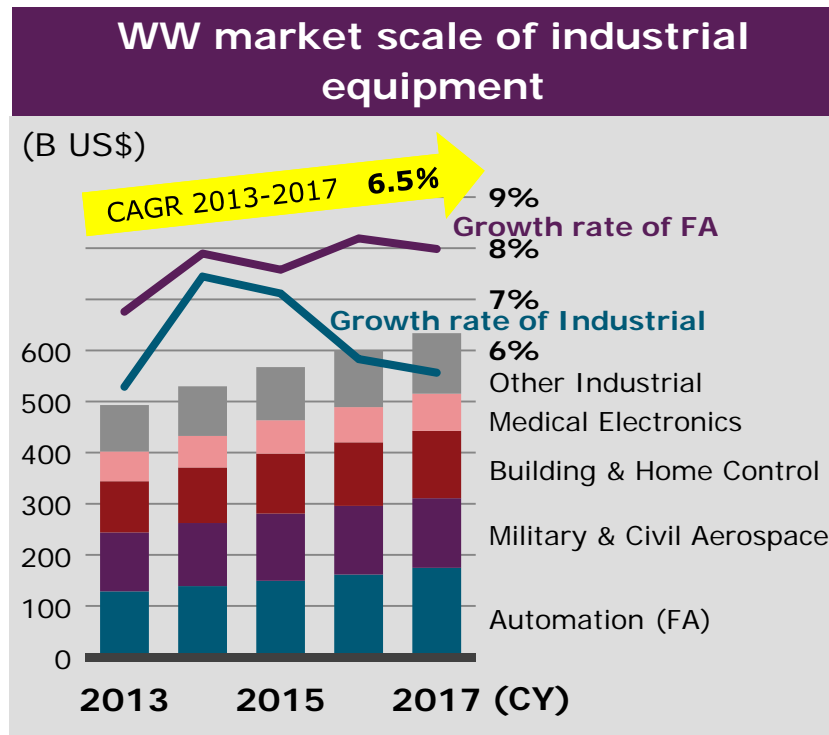
***** No data is available at the present stage due to the small scale of the market.

*****V2X= Vehicle-to-Vehicle/Road-to-Vehicle communications

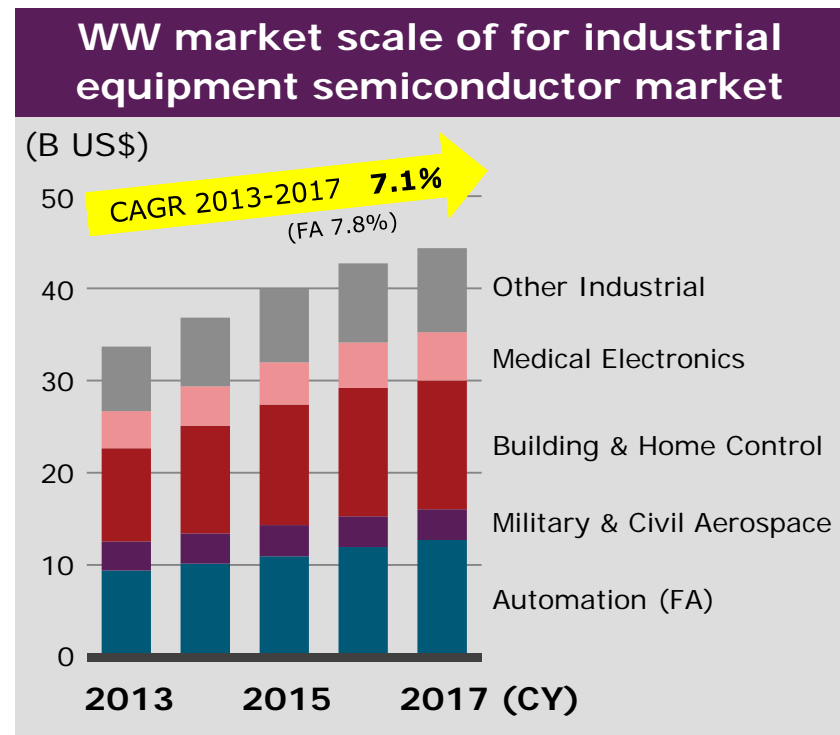
Market Growth of Focus Domains:

Industrial

- Industrial equipment market is expected to show stable growth in the medium term. FA in particular will continue to grow outpacing the growth of total industrial equipment
- Expect the industrial equipment semiconductor market to outgrow the industrial equipment market



Source: IHS



Source: IHS

Renesas Core Competence in Focus Domains:

Industrial/HE and OA/ICT

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

	Industrial/HE		OA/ICT
	Industrial	Consumer	Communication data processing*
Semiconductor Market Scale**	28.7 B US\$	38.2 B US\$	218.0 B US\$
Market Growth Rate***	7.4%	2.8%****	4.3%
Renesas MCU Position (Share)****	1st (26%)	2nd (14%)	3rd (9%)
Target Application	FA, Smart meter	White goods, Lighting	Network security, network camera
Renesas Core Competence	<ul style="list-style-type: none"> Multi-protocol SoC (R-IN) to realize high-speed/low-power industrial Ethernet networking applications Smart meter kit solutions supporting multiple communication protocols (wired/wireless) 	<ul style="list-style-type: none"> Highly-efficient motors and inverters through the world's No. 1 MCU technologies Wi-SUN Alliance certified-wireless communications platform for IoT LED lighting for BEMS***** + DALI communication solution 	<ul style="list-style-type: none"> Network security kit leveraging high-end search engine technology and high-speed memory core technology USB power delivery to evolve electricity infrastructure at offices and homes

Source: *1 & *4: Gartner "Market Share: Semiconductor Applications, Worldwide, 2013" 31 March 2014 Chart created by Renesas based on Gartner data

*2, *3 & *5: Gartner "Semiconductor Forecast Database, Worldwide, 2Q14 Update" 25 June 2014 Chart created by Renesas based on Gartner data

*Under the Gartner classification, Communication data processing includes "Data Processing-Compute", "Data Processing-Storage", "Wired Communication", and "Wireless Communication" **Estimated market scale in FY2013 (Source: Gartner)

***CAGR in FY2013 to FY2018 (Renesas estimate calculated based on the data from Gartner)

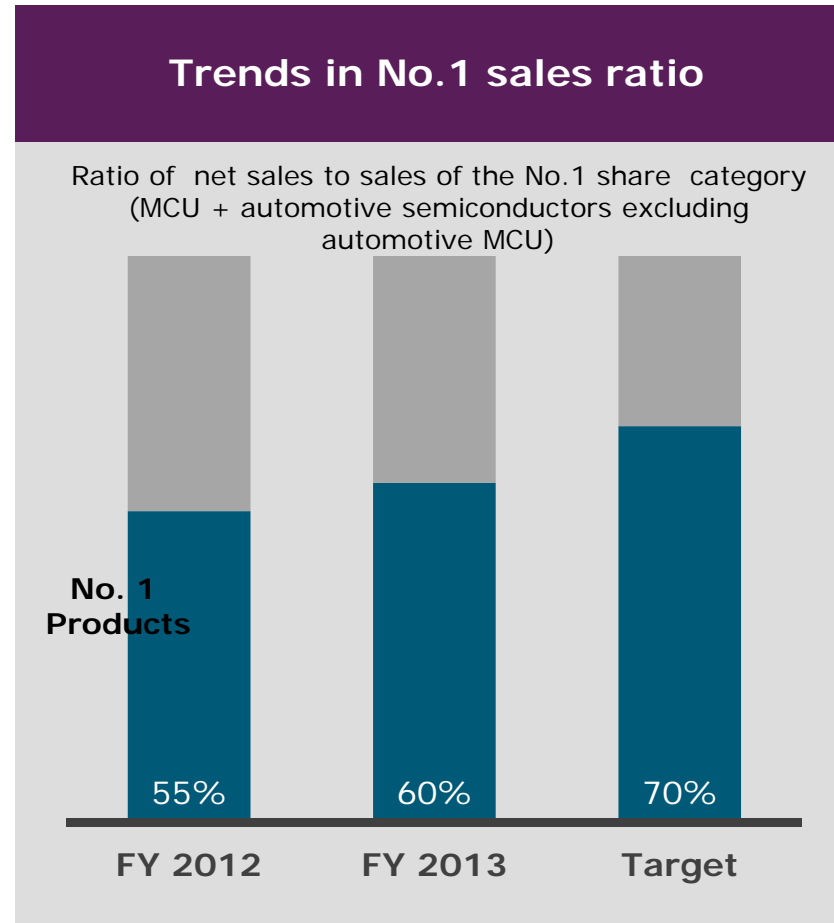
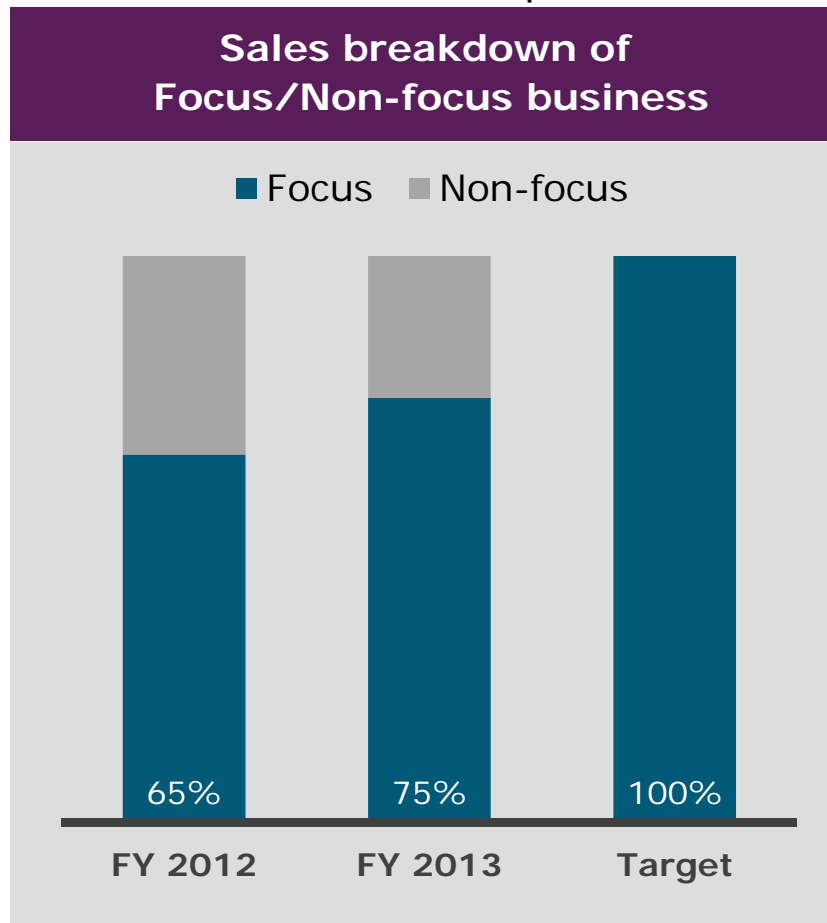
****Renesas market share in FY2013 (Source: Gartner) *****Average annual growth rate of consumer appliances in FY2013 to FY 2018

*****BEMS: Building Energy Management System

Future Renesas Management Benchmarks

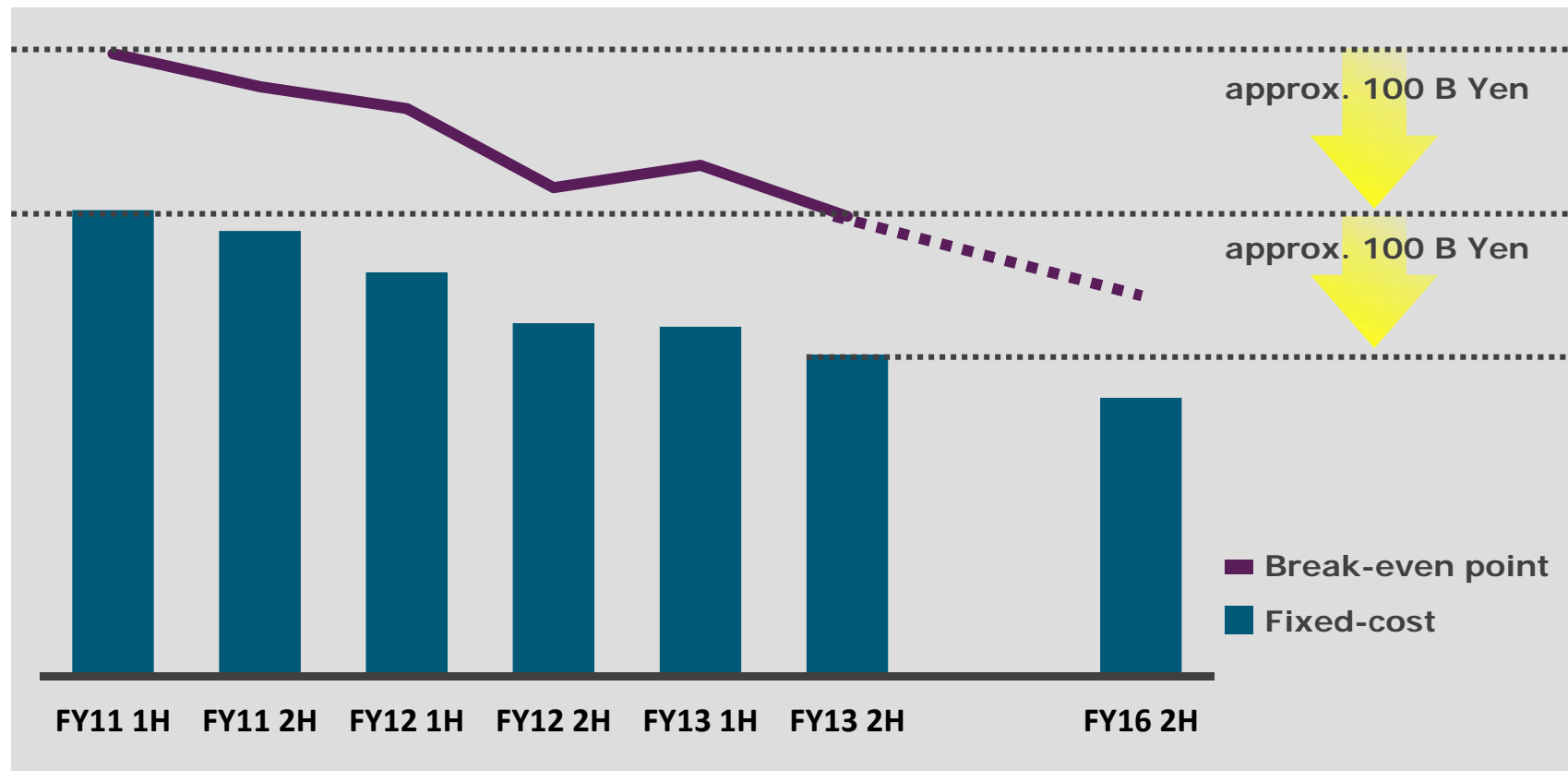
Further Selection and Concentration on Focus Domains

- Sales of non-focus businesses will decrease from acceleration of selection and concentration, at the same time sales of products with No. 1 market share will increase and realize improvement of product mix



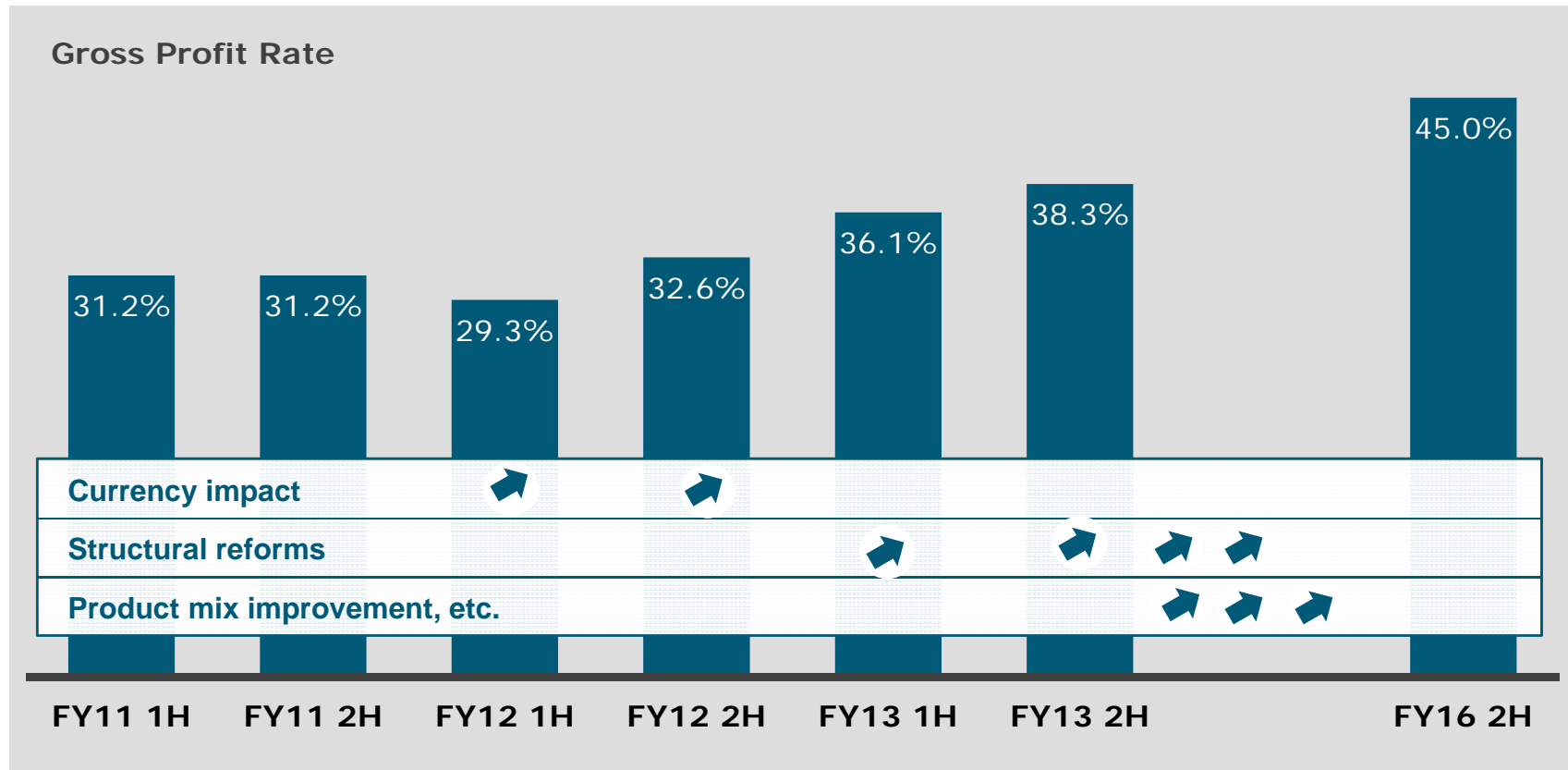
Trend in Fixed-Costs and Break-Even Point

- Aim to achieve further fixed-cost reductions and improve the break-even point through selection and concentration into highly-competitive focus domains and acceleration of manufacturing structural reforms



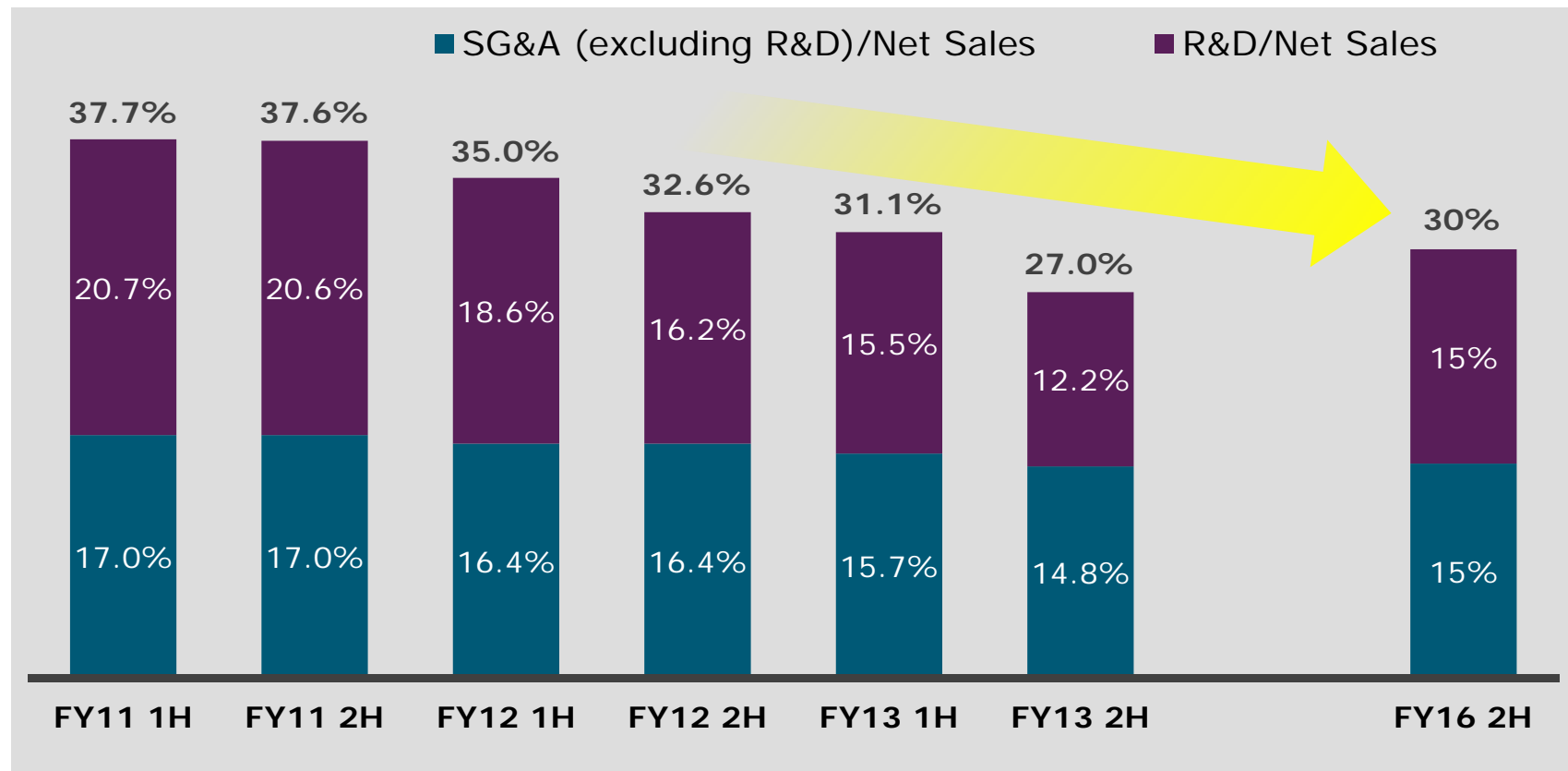
Gross Profit Ratio Improvement

- Gross profit rate is increasing, supported by strict cost management



Optimization of R&D and SG&A

- Despite a temporary cost cutback from the selection of businesses, aim to expand growing strength by concentrating R&D cost on focus domains
- SG&A-to-sales ratio will be maintained at the 15% level



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

Targeted Financial Model

(Billion yen / In comparison with net sales)

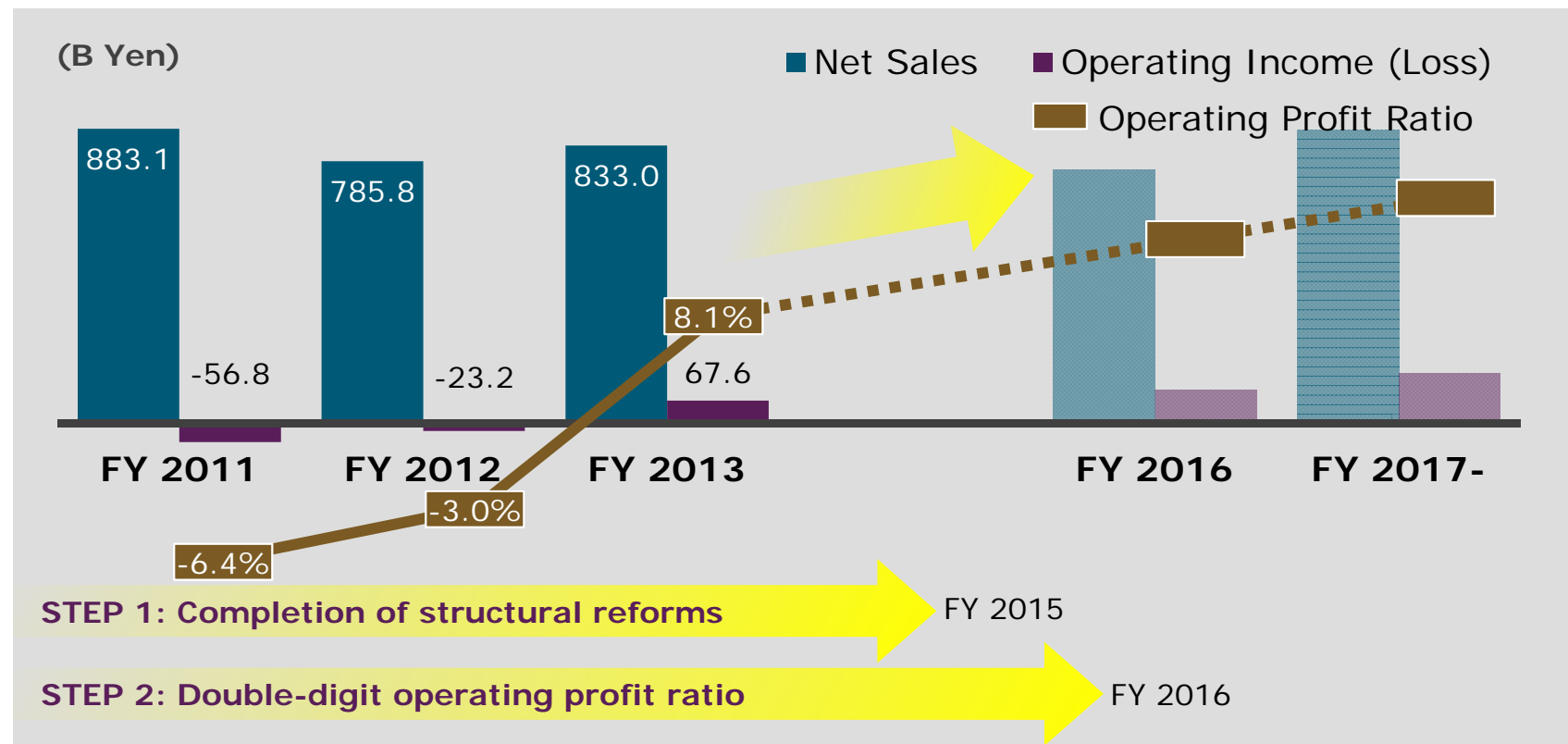
	FY 2011	FY 2012	FY 2013	FY 2016
Net Sales	883.1	785.8	833.0	Aim: Focus domains will outperform their markets
Gross Profit (Ratio)	31.2%	30.9%	37.2%	45.0%
R&D (Ratio)*	20.7%	17.5%	13.8%	15.0%
Selling, general and administrative expenses (Ratio)**	17.0%	16.4%	15.2%	15.0%
Operating Profit (Ratio)	-6.4%	-3.0%	8.1%	Over 10%

*R&D: Research and Development

**SG&A: Selling, general and administrative expenses
Excludes R&D cost

Reform Plan Milestones

- Complete structural reforms by FY2015 and arrive at stable and profitable cost structure
- Complete withdrawal from non-focus domains and return to growth after FY2016





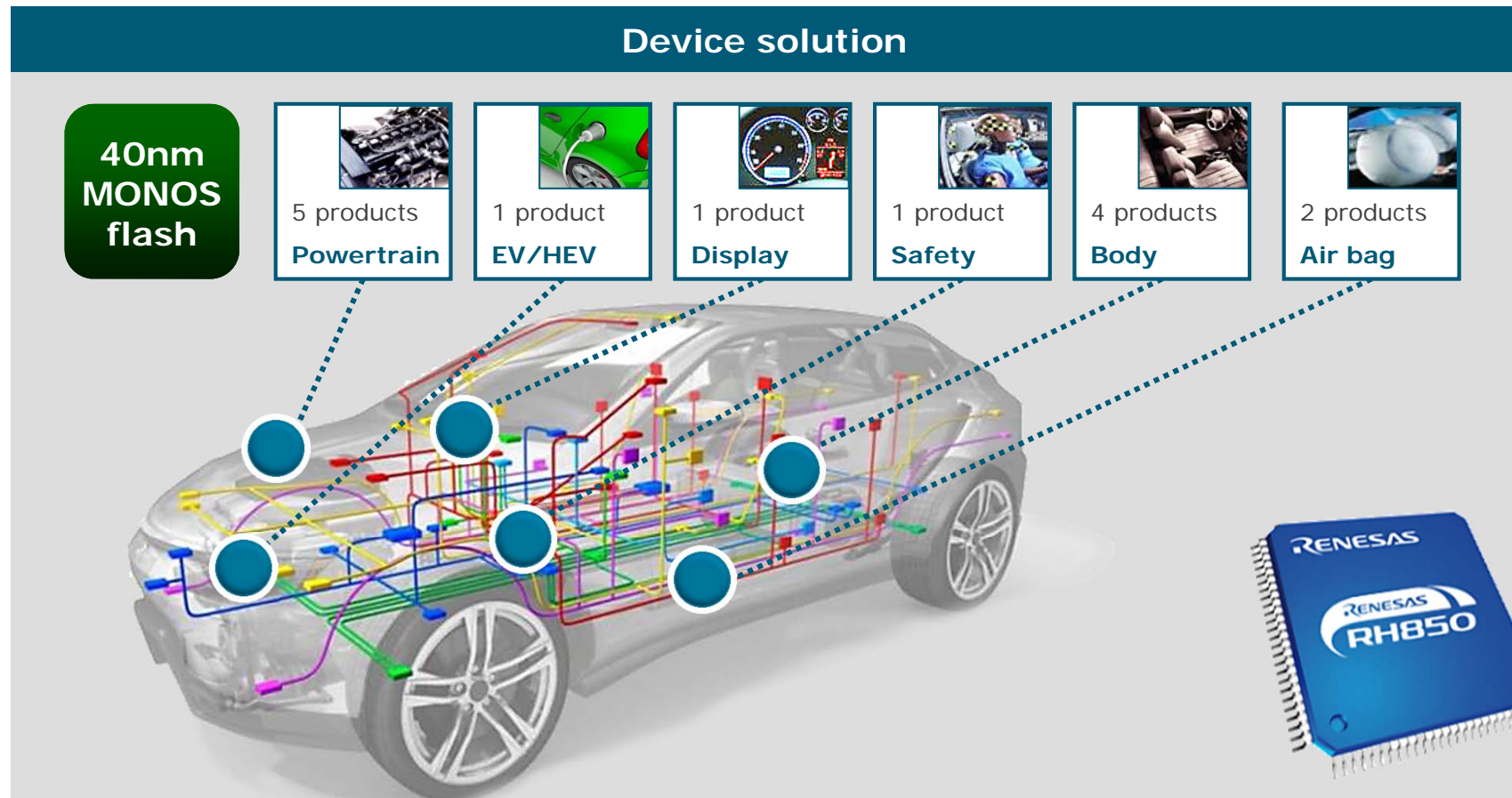
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Appendix

Appendix: Automotive Control MCU

- World's State-of-the-Art 40nm Product Lineup -

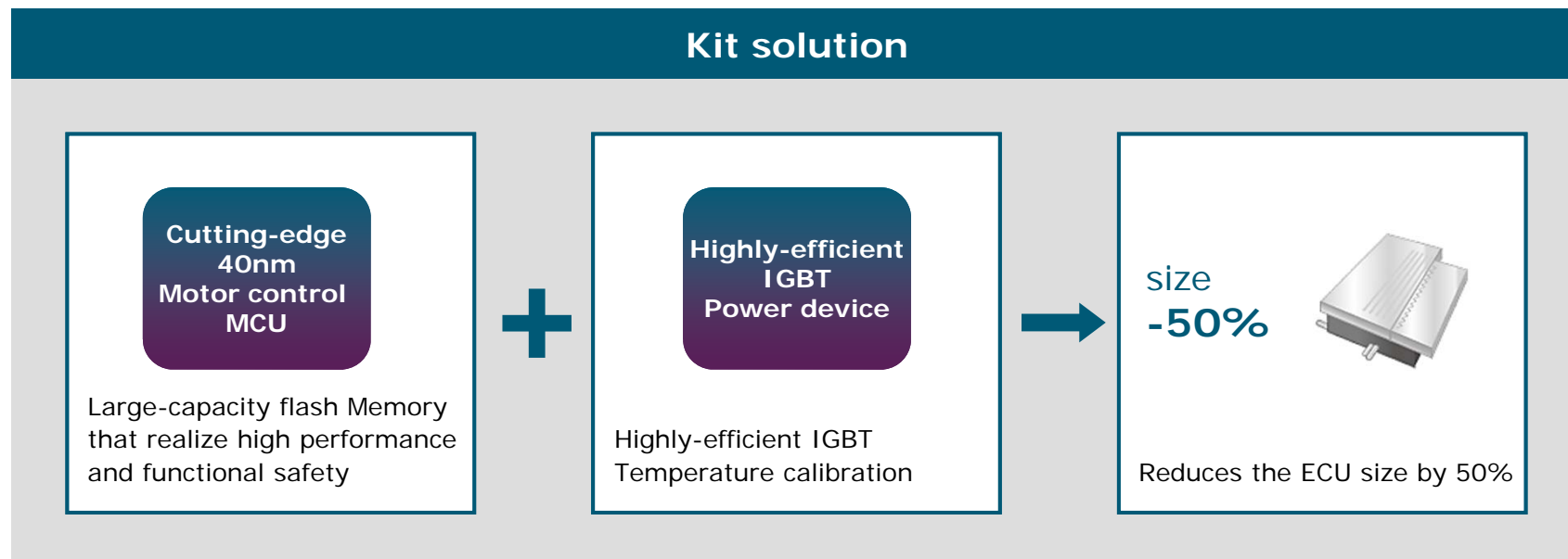
- First and only chip firm ready to begin mass production
- Expanding design-in worldwide



Appendix: Compact and Light ECU for HEV/EV

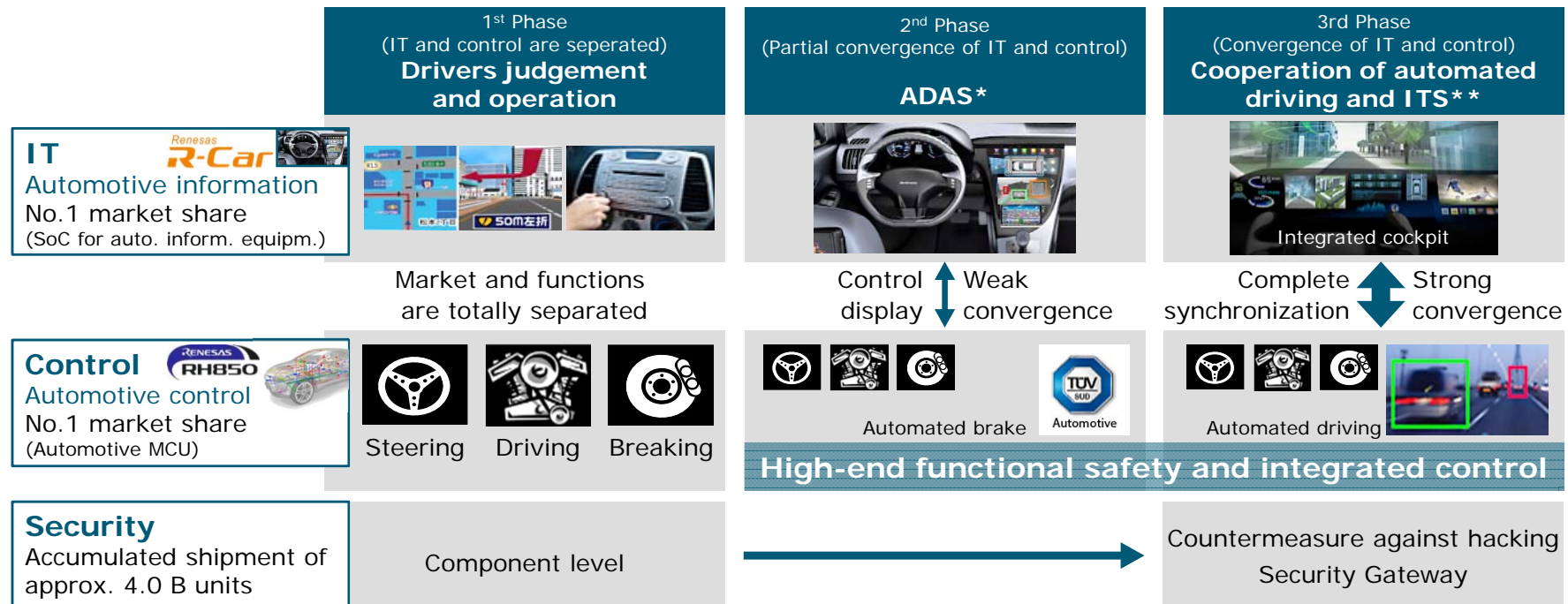
Optimal kit solution offerings that realize compact and light

- Highly-efficient control with motor control MCU
- Optimized kit solution of MCU and power devices and tuning tool offerings
- Ease the thermal design burden through temperature calibration



Appendix: Convergence of Automotive Information (IT)

- Leveraging the technologies of the No. 1 market share, advance convergence of IT and control for the realization of future safe, secure and comfortable automotive society
- Security functions are essential to guard against rapid increase in external threat from advancement of “in-car” IT
- Brace for a possible hacking attack by developing a security gateway when synchronizing IT and Control



*ADAS: Automotive driver assistance systems **ITS: Intelligent transport systems

Appendix: Power Efficiency through Industrial Ethernet Controller

- R-IN dramatically improves in-plant network performance and also allows customers to easily set up the environment by supporting multiple protocols
- Contributes to realization of smart society by applying R-IN to the factory's upper layer and improving productivity of the overall factory

