

Looking Back on the “Reform Plan”

Renesas Electronics Corporation
May 11, 2016

Impact of the Kumamoto Earthquake

Situation of the Kawashiri Factory After the Disaster

Personnel

- No human casualties
 - Safety confirmation system
 - Confirmed safety of all employees



Building & Clean room



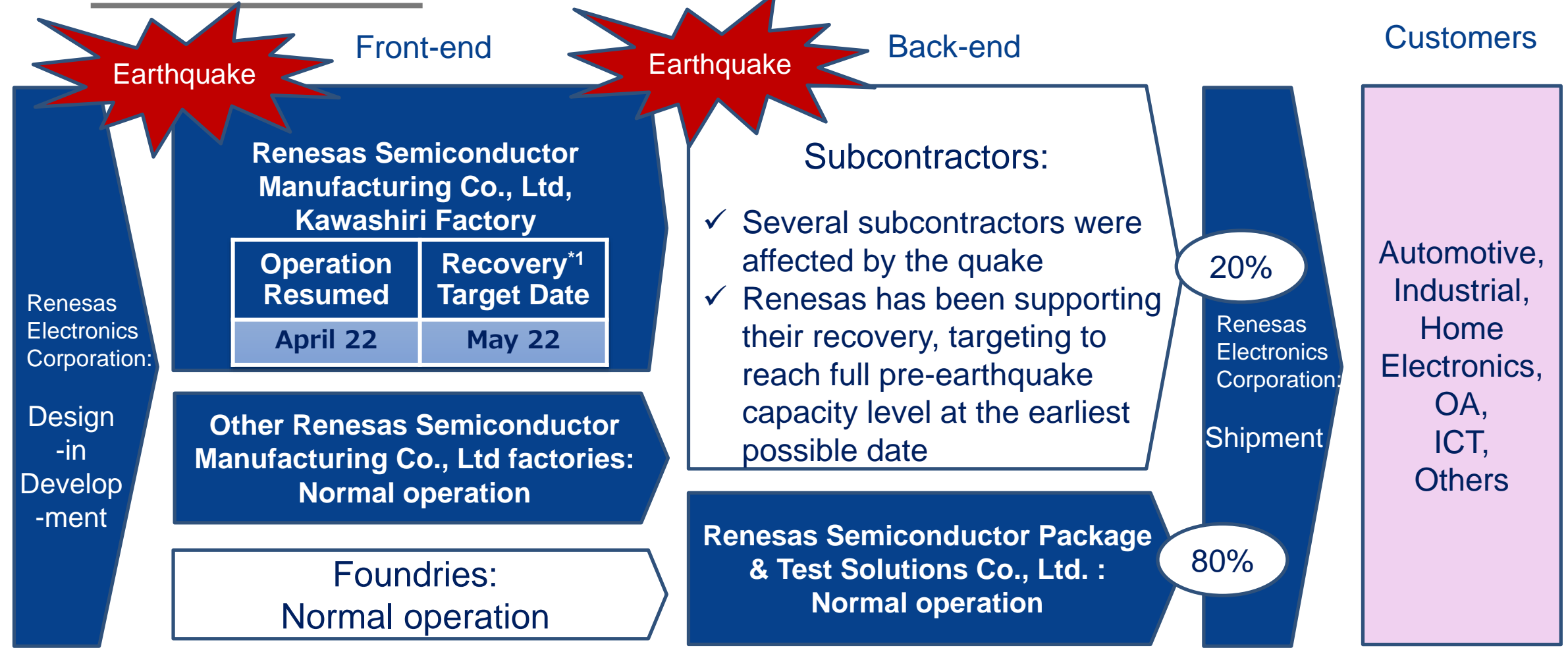
- No large-scale damage
 - Maintained CR power
 - Reinforced facilities up to 6+ seismic intensity resistance level

Equipment & Components (Jigs & Tools)

- Damage to the quartz jigs
 - Switched to stockpiles
 - Requested assistance



Current Supply Chain Situation



*1: Recovery to full pre-earthquake capacity level (wafer input capacity)

Impact on Performance by Kumamoto Earthquake

Impact on Net Sales

- ✓ Impact from shutdown/low operation of production line (April - June)
- ✓ Impact from shutdown/low operation of contractors' production lines

Impact on Profits

- ✓ Profit decrease from decrease in net sales (production)
- ✓ Recording of restoration-related expenses

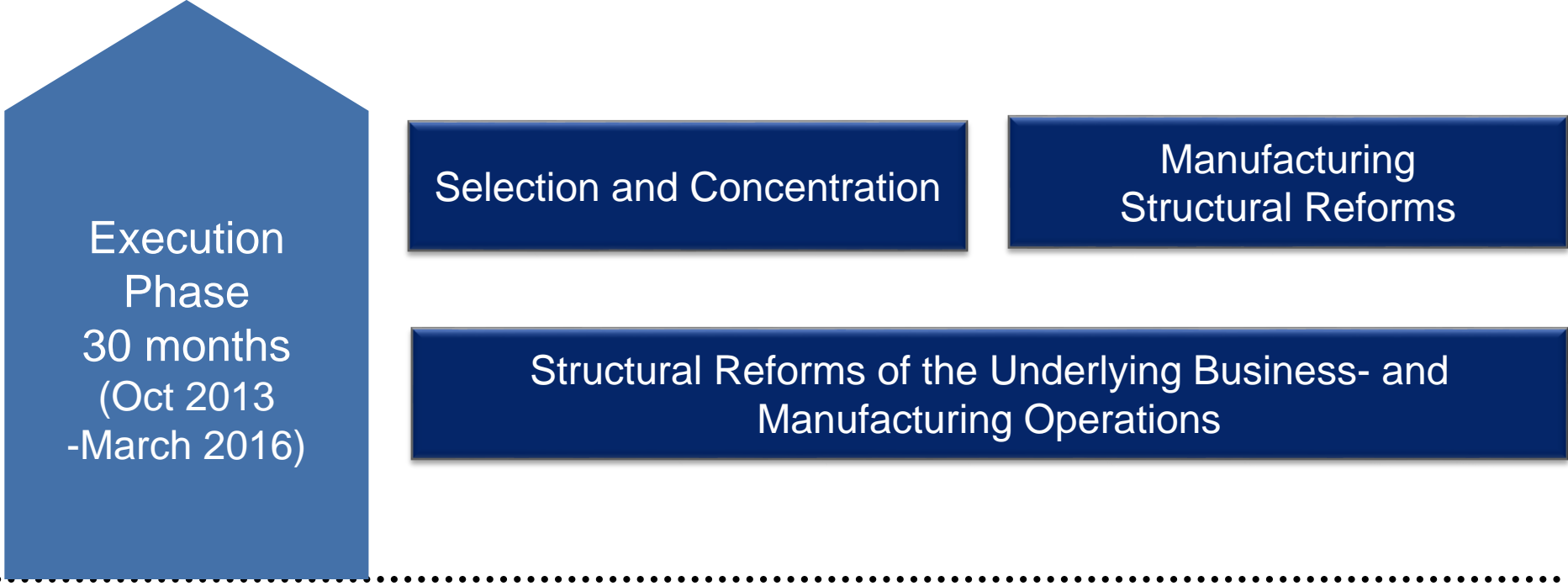


The first products since the resumption of operations were shipped from the Kawashiri factory at 1:10 p.m. on April 23.

Looking Back on the Reform Plan

Reform Plan Targets

Achieve gross margin of 45% and double-digit operating margin in FY2016

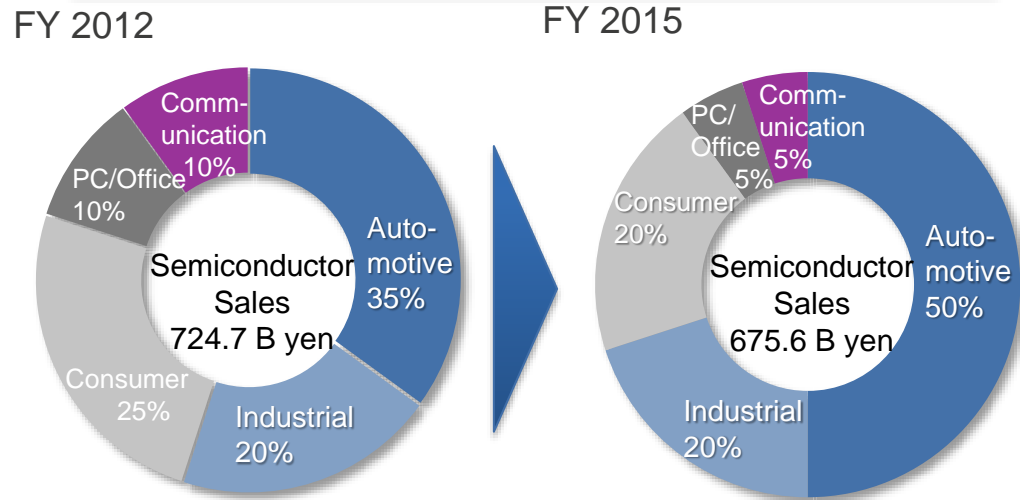


Formulated in Oct 2013

Selection and Concentration

Focus on advantageous businesses to significantly improve gross margin

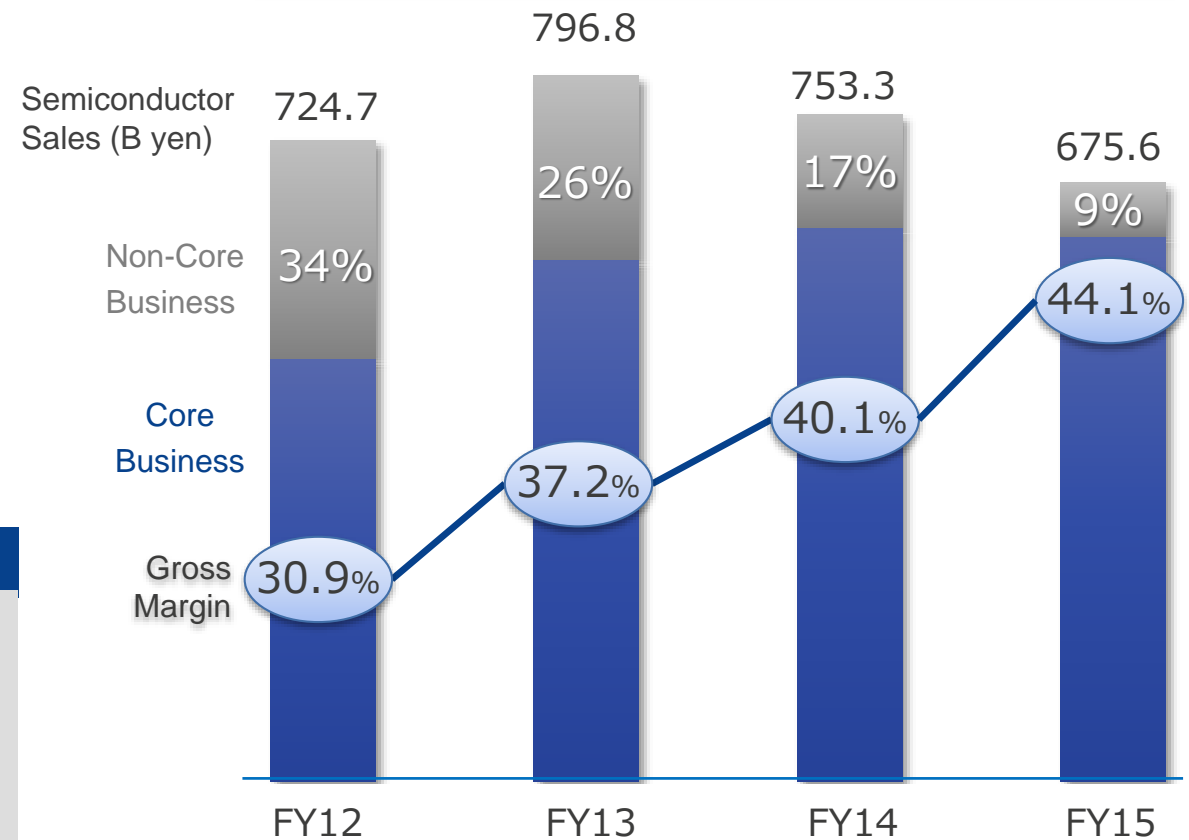
Change of Business Portfolio



Market Characteristics of Renesas' Core Businesses

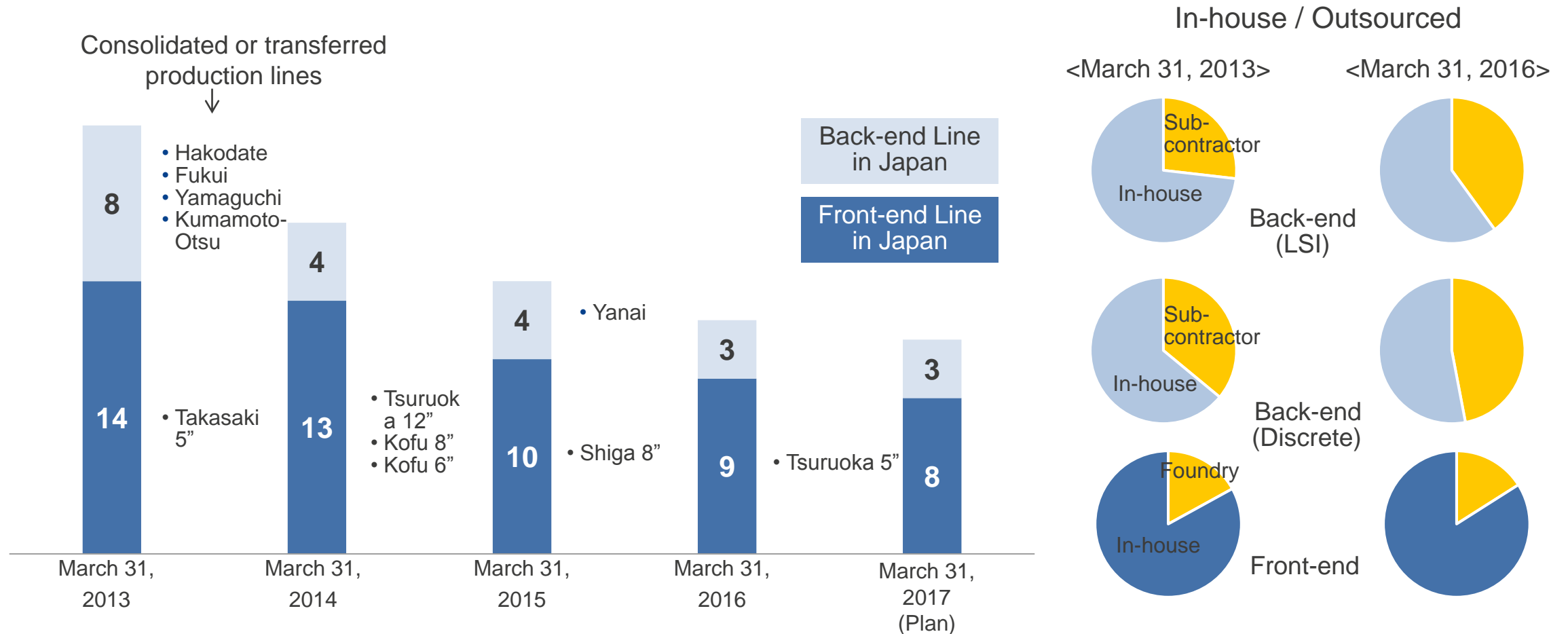
- ✓ Require continuous innovation
- ✓ High reliability and quality are essential
- ✓ Long product life cycle
- ✓ Low market volatility

Growth of Core Business



Manufacturing Structural Reform

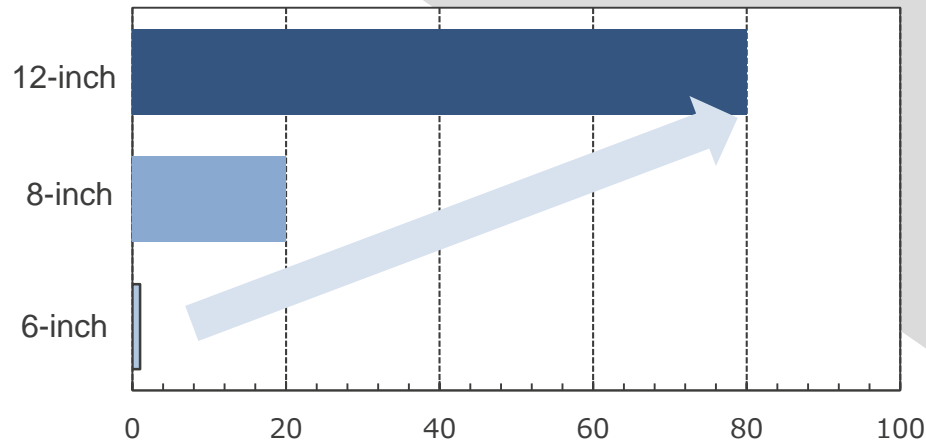
Realigned manufacturing sites with selection and concentration of businesses



Towards an Optimal Manufacturing Structure

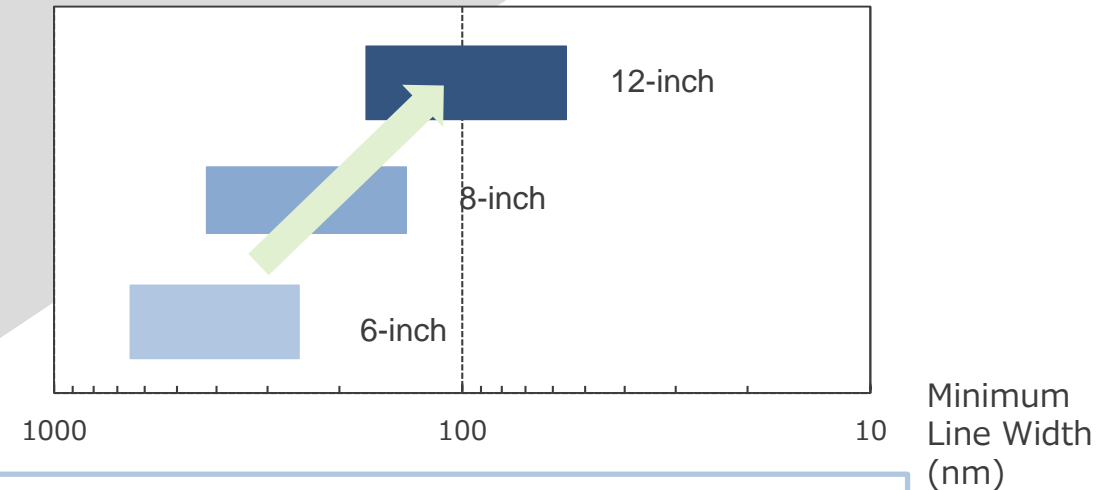
Production data available from manufacturing equipment
(1 data per Die 6-inch wafer)

- ✓ Efficient production system that realizes high quality and reliability requires massive data



Production technology
(process node used by wafer)

- ✓ Higher functionality requires finer nodes

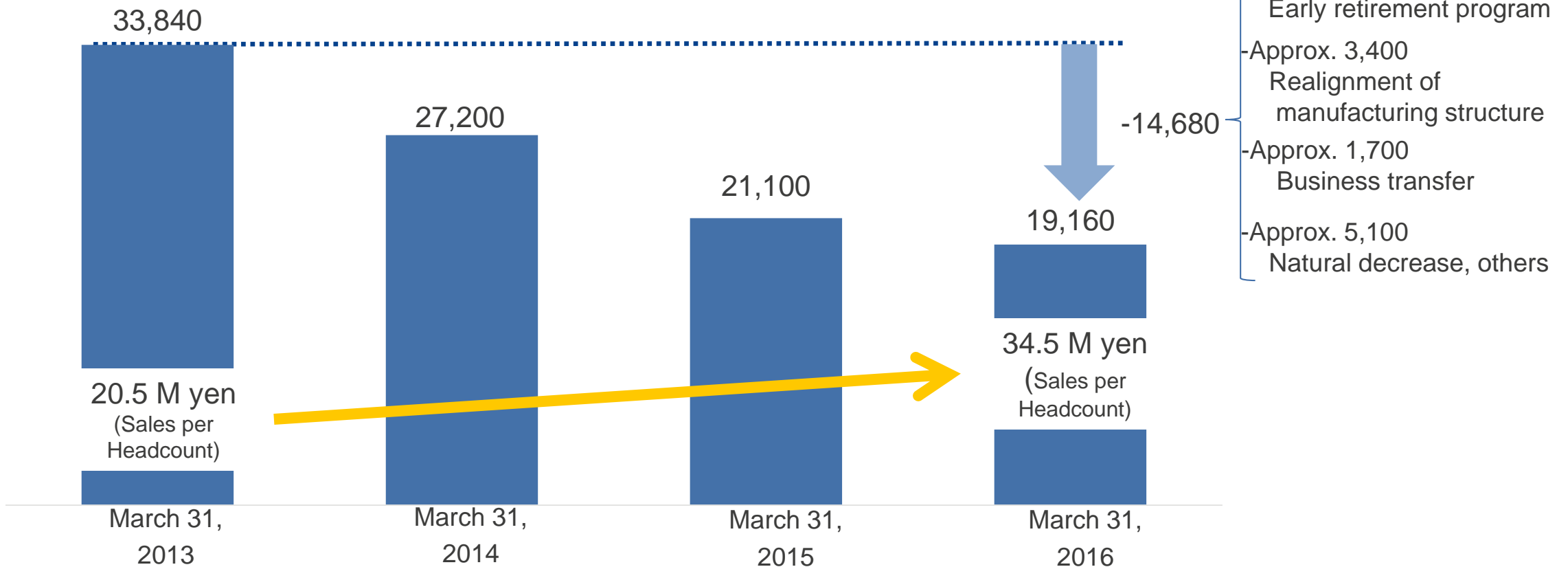


After recovery efforts from the 2016 Kumamoto Earthquake settles down, Renesas will investigate every possible alternative, including realignment, for the Group's 6-inch production lines with the goal of establishing a manufacturing structure optimized with Renesas' future business environment

Streamlining of Human Resources

Streamlined headcounts in line with selection and concentration of businesses and manufacturing reforms

of Employees



Operational Reforms

Realized optimized management resources with via various measures

**Realignment of
manufacturing/
Design Sites**

New HR System

**Business
Management**

**Global
Management**

Realigned companies/sites by function to enhance operational efficiency

- Realigned manufacturing/design companies (April 2015)
- Realigned design sites (June 2015)
- Relocated headquarters to Toyosu (July 2015)

Introduced merit-based system to increase motivation

- Introduced new HR (Human Resource) system (October 2014)

Established KPI according to function of each organization

- Set company-wide KPI (Key Performance Indicator) (April 2015)
- Evaluation of business/product development profitability and improved approval system (September 2014)

Efforts to enhance global competitiveness

- Adoption of global approval system (October 2014)
- Global HR system (began gradual introduction from September 2015 (on-going))

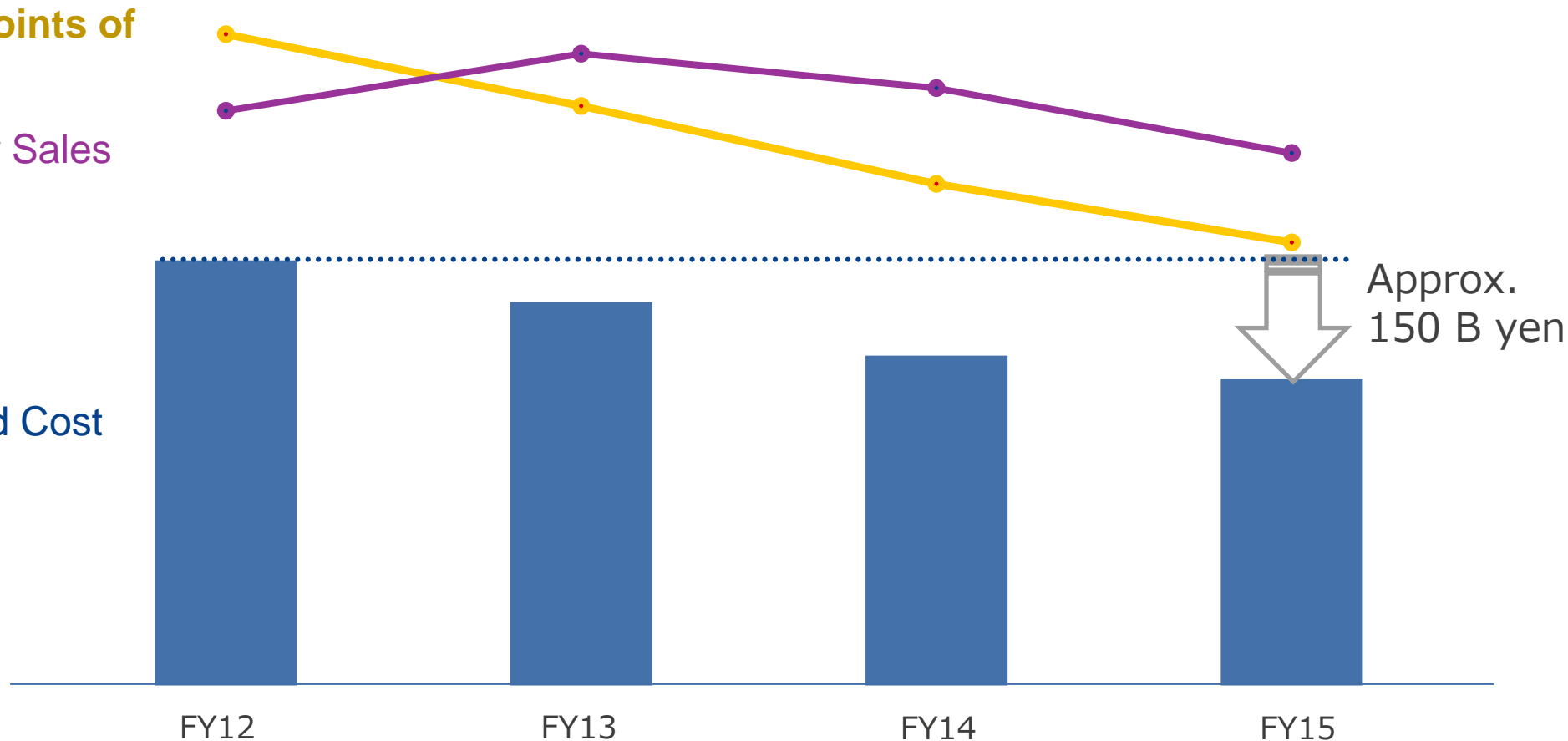
Fixed Cost and Break Even Point

Became more resistant to the highly volatile semiconductor market

Break-Even Points of Net Sales

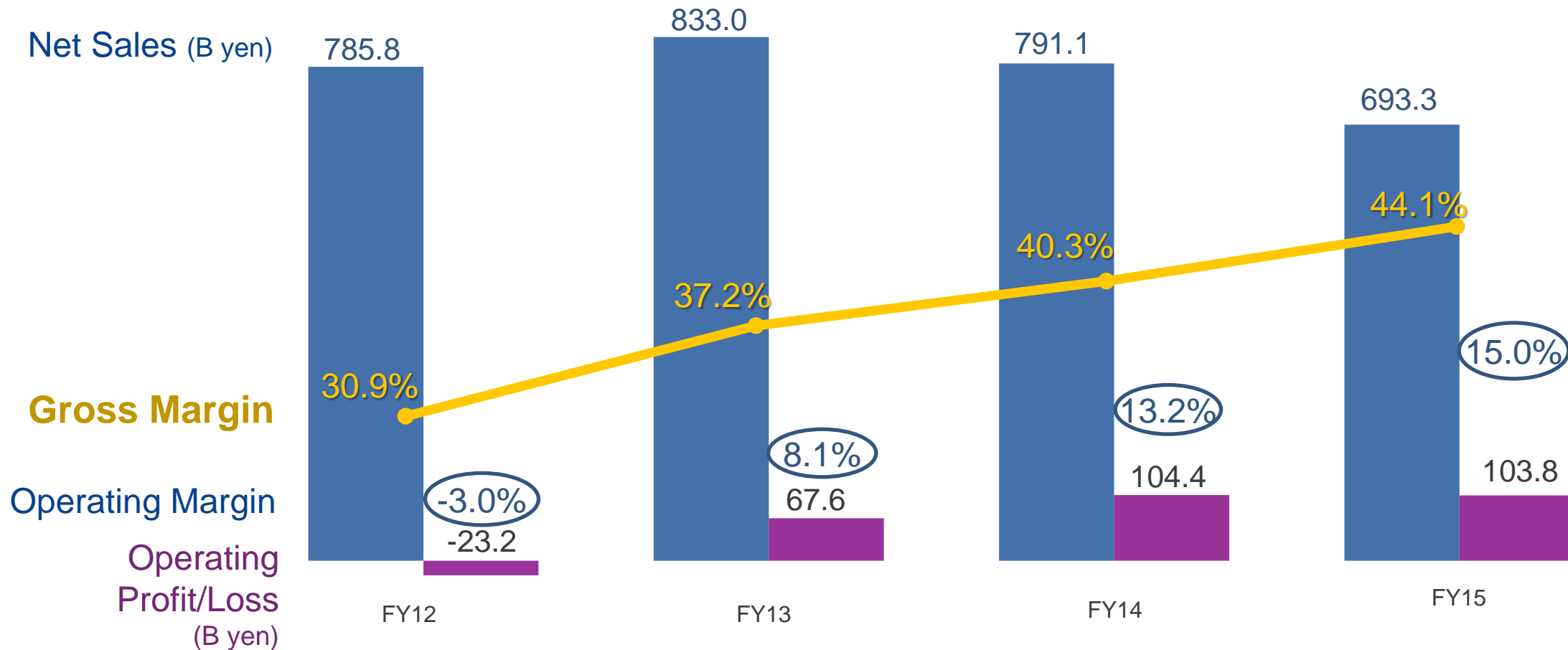
Semiconductor Sales

Trends in Fixed Cost



Improved Profit through the Reform Plan

Improved gross margin and cost efficiency measures have expanded operating margin



Future Challenges

Need to tackle emerging issues in addition to the remaining Reform Plan issues

Optimization of Manufacturing Structure

- Consider every means including realignment to establish a manufacturing structure optimized with Renesas' future business environment

Low GP Products

- Continue to withdraw from non-core products
- Take measures against low GP products among core products

Further Acceleration of Selection and Concentration

- Concentrate management resources on focus businesses
- Select key base technologies and concentrate R&D resources on them

Summary

- ✓ Based on the Reform Plan, Renesas promoted: (1) Selection and concentration of business; (2) Structural reforms concentrating on streamlining of production and human resources; and (3) Operational reforms
- ✓ Improved gross and operating margins by strengthening its capacity to address fluctuations of the highly volatile semiconductor market
- ✓ However, future challenges remain such as low-GP products among core products and optimization of the production structure
- ✓ While addressing these challenges, after effects of the earthquake clears, Renesas will again continue to target a 45% gross margin and a double-digit operating margin to prove that the Reform Plan was completed in the end of FY2015

(FOREWARD-LOOKING STATEMENTS)

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