2Q of the year Ended December 31, 2026
Conference Call (Held July 31, 2026)
Presentation and Question & Answer Summary

Presentation

Moderator: Good afternoon, ladies and gentlemen. Thank you very much for joining us despite your busy schedule today for Renesas Electronics Corporation’s Q2 2026 earnings call. With regard to the starting time of this earnings call, I would like to sincerely apologize for making the change on short notice.

In today's earnings call, we have our CEO, Mr. Hidetoshi Shibata and our CFO, Mr. Shuhei Shinkai, as well as our other staff attending this meeting. First, we will have our CEO, Mr. Shibata, give you an opening remark, and then Mr. Shinkai will be explaining about the Q2 earnings. That will be followed by Q&A.

We're planning to spend a total of 60 minutes for this earnings call. The materials that are used in this earnings call are the same as the materials posted on our IR webpage.

Mr. Shibata, please turn on your mic.

Shibata: Hello. My name is Shibata. So as the meeting moderator Sato-san mentioned earlier, we’re very sorry about changing of the time on short notice and in regards to the earthquake, we've had to make some internal confirmation work, so very sorry, we had to change the time for this earnings call.

As for the earthquake, of course, there are some things that are not yet known, but overall as we speak, the impact to our earnings should be limited. As for the Nishiki factory, the back-end factory, the full production has been resumed and the impact seems to be limited. As for the Kawashiri, the front-end factory, this accounts for about 13% of the company-wide sales and already the wafer testing has been resumed in operation.

Now, regarding utilities, such as pure water systems and water leakage, repairs and confirmation have been going on, and there has been some damage to the facilities, which we are trying to repair and resume. We expect the production to resume on August 5. But as for the Die bank and the inventory, fortunately speaking, we have secured those beforehand so we think that these impacts on our performance should be limited. As for the Kyushu area, OSAT, the partner, has been impacted by the earthquake as well. As of today, their outlook, we think is going to be limited on the business as well.

All in all, the impact of the earthquake on our results should be limited.

However, on the other hand, when it comes to our customers' situation, there are some cases that the supply chain has been suspended, so we need to be very carefully monitoring them in the future. That is about the earthquake.

In terms of the human safety and injuries, it is limited and it's nothing serious. At the same time, as for the Takasaki site, the 6-inch, the power plant that is for the front end and also for the power, analog R&D site is also at this site and so from now on, we will take our time and gradually suspend and close our operation, which has been already announced. Please refer to that information.

Looking back at the Q2, versus our guidance for Automotive and IIoT, both have been very strong, and we have exceeded our expectation. As for Automotive, overall, there has been quite a strong demand, especially in Japan. The Gen 4 R-Car has been going very well and from Q1, there has been some increase compared to Q1. Some of the customers, in some cases, the inventory were also decreased and then they have to increase it.

As for IIoT versus guidance, overall, it is exceeding the guidance. In Industrial, data center-related demand and demand in China were very strong, and it's exceeding the guidance. For infrastructure, up until now, the GPU customers have been our significant customer group. But when it comes to ASIC demand, it is also strong, which is exceeding our expectation.

As for the IoT area, there are some issues of memory shortage in some areas. But as for our customers, the memory shortage issue has been absorbed to a certain extent. We have strong sales for those customers who have secured the memory beforehand.

For Q3, like it was mentioned earlier, the impact of the earthquake to our business itself should be limited. But for the supply chain and the Automotive, especially, we need to carefully monitor moving forward. So those are the unknown parts. But in terms of the Automotive, generally speaking, versus last year, we are doing very well. Sequentially, we expect end demand to be roughly flat.

As for IIoT, we expect things to be quite strong continuously, especially Industrial and also in the Infrastructure area, the strength from Q2 should be sustained. On the other hand, as for IoT, like I indicated earlier, the memory price hike and the memory shortage impact has been seen to a certain extent and overall, we expect a slight increase.

Like I mentioned earlier, for our main customers, I wouldn't say they were not impacted, but there are some customers who have been able to absorb such impact, with whom our sales would remain strong. So that's why we expect a slight increase. So from Q2 to Q3, we expect the strong demand to continue.

That is our current situation and the outlook for Q3. That is my view. From now on, we will move on to our presentation and the details of the numbers from the CFO, Shinkai-san. Shinkai-san, go ahead, please.

Shinkai: My name is Shinkai. I am the CFO and I will be explaining based on the presentation material.

DISCLAIMER

- **Adoption of IFRS:** With the outlook that the Group will continue to expand globally and to provide financial figures that can be compared on a global scale, the Group discloses its consolidated financial statements in accordance with IFRS starting from the annual securities report for FY2018/12.
- **Non-GAAP figures:** Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS) figures following a certain set of rules. This adjustment and exclusion include the amortization of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable. In addition, the Timing business, for which a business transfer was announced in February 2026, has been excluded from Non-GAAP financial measures starting from February 2026.
- **Presentation of financial forecasts:** Starting from the consolidated forecasts for the three months ended March 31, 2019, the Group presents its financial forecasts as a range, and gross margin and operating margin figures in the Non-GAAP format. The gross margin and operating margin forecasts are given assuming the midpoint in the sales revenue forecast.
- **Change of the method for aggregating Reportable Segment:** Due to the Group's organizational changes in the three months ended March 31, 2024, the methodology for aggregating revenue for reportable segments changed from the use of product axis to the use of customer axis. The reportable segment classification for the Timing business has been reclassified from "Automotive Business" and "Industrial/Infrastructure/IoT Business" to "Others" beginning with the six months ended June 30, 2026. Note that segment information from FY2025 has been prepared based on the categorization method following the change.

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Next page, please. Well, this is the disclaimer.

Please refer to page four, the timing business. The transfer of the business was closed on July 1, 2026, so with regard to the reporting segment for timing business, it used to be categorized for Automotive and IIoT, but it has been changed to others. We are retroactively making the changes for the comparison years out to 2025.

2Q 2026 FINANCIAL SNAPSHOT
NON-GAAP

(B yen)	2025 2Q (Apr-Jun)	2025 1H (Jan-Jun)	2026 1Q (Jan-Mar)	2026 2Q (Apr-Jun) Forecast	2026 2Q (Apr-Jun) Actual	2026 YoY	2026 QoQ	2026 Change from Apr.24 FCT[1]	2026 1H (Jan-Jun)	2026 YoY	2026 Change from Apr.24 FCT[1]	Results adjusted for the Timing business[3]: 2025 2Q (Apr-Jun)	YoY (Adjusted)	2026 1Q (Jan-Mar)	QoQ (Adjusted)
Revenue	324.6	633.4	372.3	388.0 (±7.5)	**405.3**	**+24.8%**	**+8.8%**	**+4.5%**	**777.6**	**+22.8%**	**+2.3%**	317.3	+27.7%	369.1	+9.8%
Revenue (Excluding FX Impact)	-	-	-	-	**-**	**+15.4%**	**+6.5%**	**+2.3%**	**-**	**+15.7%**	**+1.2%**	-	+18.0%	-	+7.4%
Gross Margin	56.8%	56.8%	59.2%	57.0%	**58.1%**	**+1.3pts**	**-1.1pts**	**+1.1pts**	**58.6%**	**+1.8pts**	**+0.5pt**	56.3%	+1.7pts	59.1%	-1.0pt
Operating Profit (Margin)	91.9 (28.3%)	175.7 (27.7%)	125.4 (33.7%)	(29.0%)	**132.7 (32.7%)**	**+40.9 (+4.5pts)**	**+7.3 (-0.9pt)**	**(+3.7pts)**	**258.2 (33.2%)**	**+82.5 (+5.5pts)**	**+20.2 (+1.9pts)**	(27.5%)	(+5.2pts)	(33.6%)	(-0.8pt)
EBITDA[2]	110.2	213.7	146.2	-	**154.3**	**+44.1**	**+8.1**	**-**	**300.5**	**+86.8**	**-**	-	-	-	-
Profit Attributable to Owners of Parent	77.8	151.1	102.9	-	**113.3**	**+35.5**	**+10.3**	**-**	**216.2**	**+65.1**	**-**	-	-	-	-
1 US$=	146 yen	150 yen	156 yen	156 yen	**159 yen**	**13 yen** JPY dep.	**3 yen** JPY dep.	**3 yen** JPY dep.	**157 yen**	**7 yen** JPY dep.	**1 yen** JPY dep.	146 yen	13 yen JPY dep.	156 yen	3 yen JPY dep.
1 Euro=	162 yen	161 yen	183 yen	180 yen	**185 yen**	**23 yen** JPY dep.	**2 yen** JPY dep.	**5 yen** JPY dep.	**184 yen**	**23 yen** JPY dep.	**2 yen** JPY dep.	162 yen	23 yen JPY dep.	183 yen	2 yen JPY dep.

1. Each figure represents comparisons with the midpoint in the sales revenue forecast range 2. Operating profit + Depreciation and amortization
3. Reference figure calculated by excluding the Timing business from the results of the comparable period

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Next is the overview of the Q2 earnings. Please refer to the blue column fifth from the left. Revenue was JPY405.3 billion, gross margin 58.1%, operating profit JPY132.7 billion, and OP margin 32.7%. EBITDA was

JPY154.3 billion, while profit attributable to owners of parent reached JPY113.3 billion. In terms of foreign exchange, JPY159 equated to one US dollar and JPY185 to the euro.

Please refer to the shade four columns to the right for cumulative results. Excluding the timing business impact, the apple-to-apple basis comparison YoY as well as QoQ is as shown on the light blue column on the right-hand side.

2Q 2026 REVENUE AND GROSS / OPERATING MARGIN

	Company Total	vs FCT	QoQ[1]	Automotive[2]	Industrial / Infrastructure / IoT[2]
Revenue	405.3 B yen vs FCT: +4.5% QoQ[1]: +9.8%	+	+	187.1 B yen vs FCT: + QoQ: +9.0%	216.3 B yen vs FCT: + QoQ: +10.4%
Gross Margin	58.1 % vs FCT: +1.1pts QoQ[1]: -1.0pt	+ ▲ Yen depreciation ▲ Mix improvement ▲ Decreased manufacturing costs	− ▲ Increased utilization ▼ Mix deterioration ▼ Increased manufacturing costs	55.3 % QoQ: -0.9pt	60.7 % QoQ: -1.2pts
Operating Margin	32.7 % vs FCT: +3.7pts QoQ[1]: -0.8pt	+ ▲ Increased gross profit ▲ Decreased operating expenses	− ▲ Increased gross profit ▼ Increased operating expenses	34.4 % QoQ: -1.5pts	31.9 % QoQ: -0.2pt

1. Reference figures calculated excluding the Timing business from 1Q 2026
2. The Timing business has been reclassified from "Automotive" and "Industrial/Infrastructure/IoT" to "Others" from 1Q 2025 through 1Q 2026 (January 2026)

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Next page, please. Here, I would like to explain the comparison against guidance as well as QoQ.

First, regarding the Q2 result against the expectation, which is shown on the right-hand side. In terms of revenue, it was 4.5% against the forecast median; it was an upside of 4.5%. More than half was due to FX and the others were contribution from the increase in demand for Automotive and IIoT. That was mentioned from the comment from Shibata-san, the Automotive and the end-market demand was very strong. Also for IIoT, in addition to data center, the Industry, IoT and the Mass market were better than our expectation.

With regard to the gross margin, which is the second line, compared to the guidance, it increased by 1.1 points mainly due to depreciation of the yen, also mix improvement and manufacturing cost decrease accounting for 30% each.

In terms of the manufacturing cost, there's an increase in labor cost and fuel cost as well as maintenance cost, which was in line with the expectation, but inventory valuation that was considered more conservatively was a positive contribution.

As for OP margin, it was 32.7% and so compared to the median, it was plus 3.7 points, so there was a significant upside. In addition to revenue and gross profit margin improvement, there was a decline in Opex compared to the assumption and that accounted for more than half of growth in margin.

In terms of the amount, more than JPY7 billion plus Opex reduction. There are three major factors. First, about 30% is regarding the investment that we're considering where the execution was pushed out. For example, hiring has been delayed or the arrangement with the partners has been delayed, or the plan itself was revised and we might have pushed it to the next period. Because of that, the expenses are expected to be postponed.

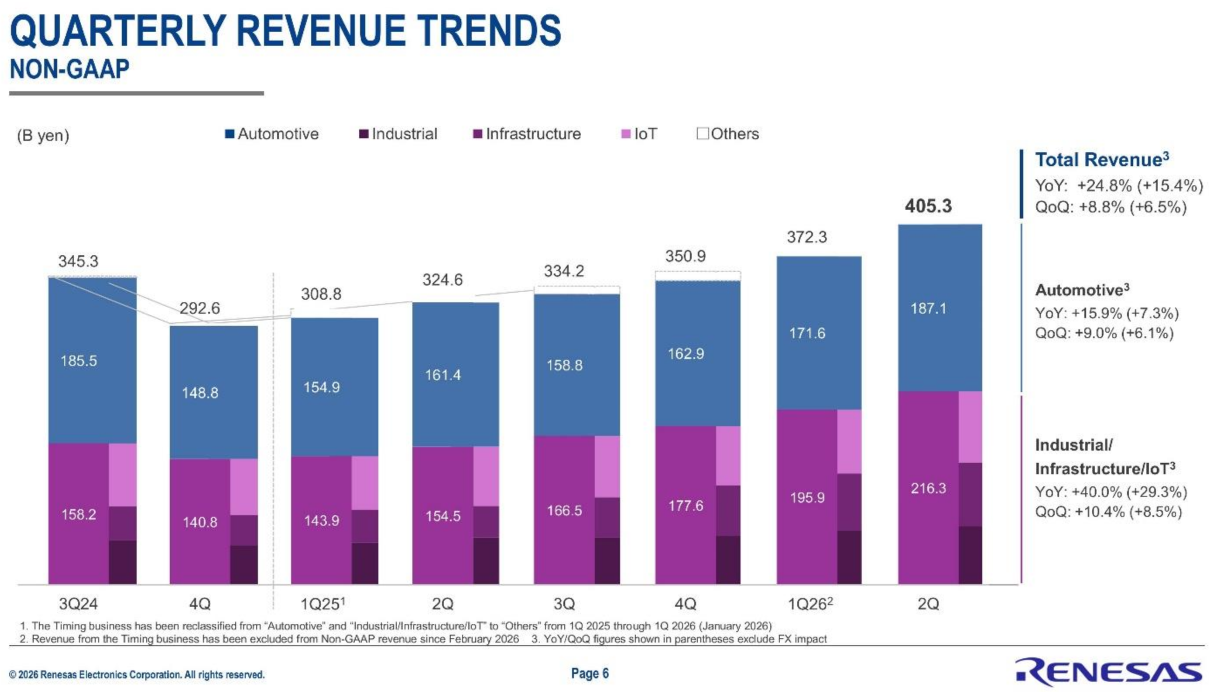
Around 20% or a little bit less than 20% is related to the ERP integration schedule that was revised and shifted to next year onwards. The company that was acquired, the ERP of the company were planned to be integrated, and we were planning to execute that in Q2, but considering the recent supply situation, we realized that this is not the appropriate timing, so we have postponed that to next fiscal year onwards. The cost related to that was expected to happen this quarter, but it did not occur.

The rest is the timing delay of projects. Also, between Q1 and Q2, we were expecting some seasonal factors that were conservatively considered, but they're not happening.

Next is the QoQ result. In terms of revenue, it was plus 9.8%. Gross margin on a QoQ basis was minus 1.0 point. The decline was due to higher manufacturing cost caused by increases in fuel, labor, and maintenance costs increase were the reasons for the decline.

OP margin on a QoQ basis was a 0.8 point decline, mainly due to the increase in operating cost. Compared to the expectation, the Opex was much lower, but on a QoQ basis, it has gone up and half of that was mainly due to a rebound from the one-time reduction in costs in Q1 —more than half of the increase was linked to equipment and the labor cost increase reflecting the merit increase from Q1.

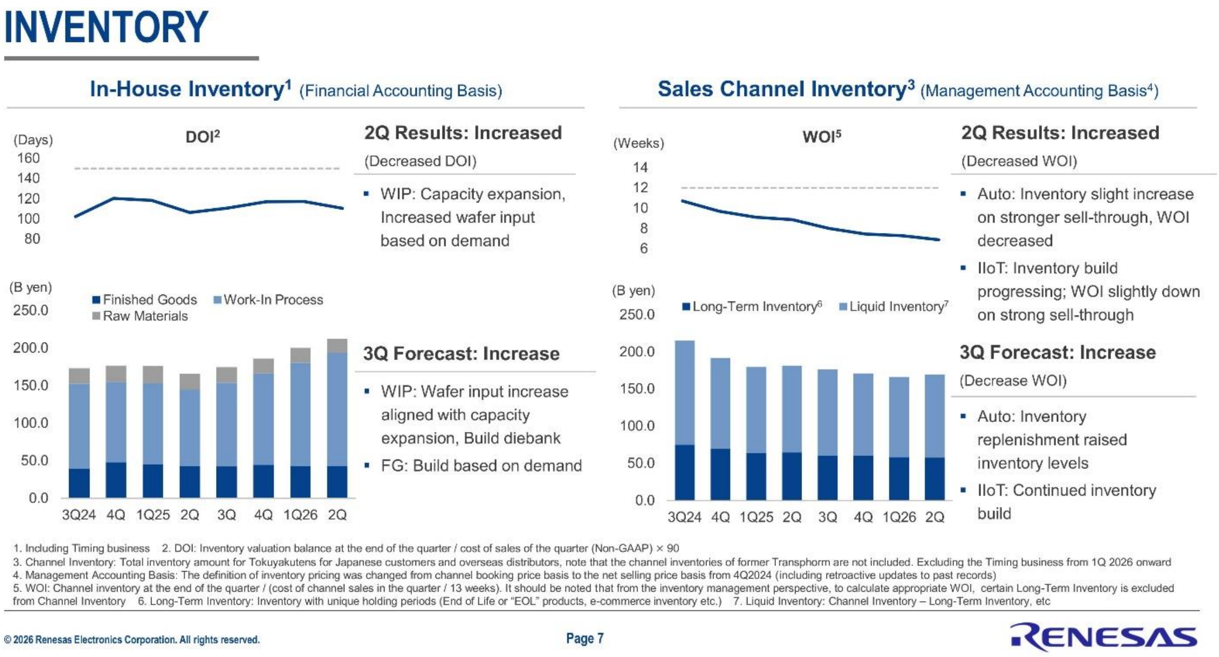
On the right-hand side, you see the segment results. There's not much to highlight, but the OP margin of auto has gone down 1.5 point on a QoQ basis, and one-time cost increase has impacted the auto business in Q1.



Next page, please. This shows the quarterly revenue trend.

I explained this in the disclaimer at the beginning. For the timing business, from Q1 of 2025, it's been categorized into others, which is shown in white, and you see the dotted line, the figures after Q1 are based on the same definition

In Q2, the results are shown on the right-hand side at the top. In total, on a YoY basis, it's a 24.8% increase and on a QoQ basis, it's an increase of 8.8%. The segment breakdown is shown at the bottom so please refer to what's written on the bottom.



Next page, please. The next is about inventory.

On the left-hand side, you see the in-house inventory in Q2. Inventory increased QoQ, mainly due to work in progress. And with the production capacity increase, the input has increased. Also because of the seasonality of mobile, we have been working on more products or there's more work in progress. For DOI, because of the sales increase, DOI has gone down.

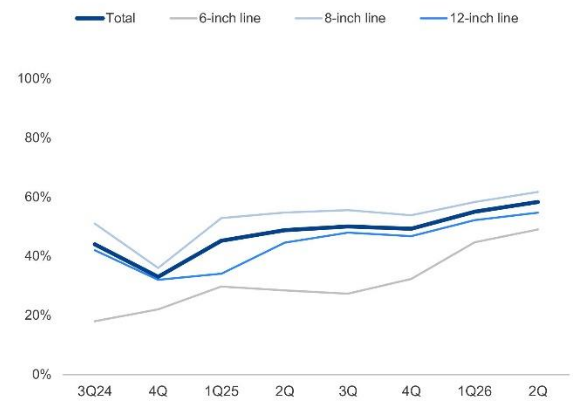
For Q3 outlook, on a QoQ basis, we're expecting inventory to increase. Input will continue to increase along with the expansion of production capacity, and also Die bank will be enhanced. Based on that policy, we're planning to increase the inventory.

On the right-hand side, you see the channel inventory. In Q2, on a QoQ basis, the absolute channel inventory amount has increased, but WOI, because sell-through has increased a lot, WOI has declined. For Automotive and IIoT, we are planning to increase inventory because of the demand, but we have not been able to increase our inventory in Q2. In Q3, we will continue to increase inventory. But on the other hand, for WOI, because the sell-through volume will increase, we're expecting WOI to decline.

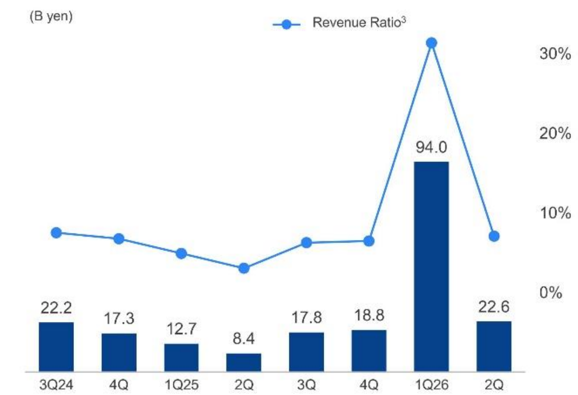
On a segment basis, Automotive, because of the increase in demand, we will continue enhancing our inventory. For IIoT, it will be the same. In general, we are planning to enhance inventory, but mainly around the data center segment where the sell-through demand continues to be strong, so WOI will look like it's going down. On a segment basis, the situation varies.

FRONT-END UTILIZATION RATE[1] AND CAPITAL EXPENDITURES[2]

Front-end Utilization Rate (Wafer Input Basis)



Capital Expenditures



1. The figures exclude former Intersil and former Transphorm
2. The figures represent the investment decision-basis amounts for tangible and intangible fixed assets, converted using the budgeted exchange rate for the fiscal period. Therefore, they do not match the sum listed in the cash flow statement. However, for investments related to former Dialog and former Altium, amounts based on equipment delivery are used through 2025 actuals
3. Calculated based on total company revenue converted and capital expenditures amount at the current-period budgeted exchange rate

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Next page, please. This is related to utilization and Capex.

On the left-hand side, you see the utilization rate. In Q2, the actual utilization was 58% and the input utilization has slightly gone up compared to the forecast. In Q3, we are expecting this to increase slightly.

For Capex, as you see here, in Q2, R&D investments were the main Capex.

3Q 2026 FORECAST
NON-GAAP

(B yen)	2025 3Q (Jul-Sep)	2025 9 months (Jan-Sep)	2026 2Q (Apr-Jun)	2026 3Q (Jul-Sep) Midpoint Forecast (Range)[1]	2026 YoY	2026 QoQ	2026 9 months (Jan-Sep) Forecast	2026 YoY	Adjusted for the Timing business[2] 2025 3Q (Jul-Sep)	Adjusted for the Timing business[2] YoY
Revenue	334.2	967.6	405.3	**430.0 (±7.5)**	**+28.7% (±2.2pts)**	**+6.1% (±1.9pts)**	**1,207.6 (±7.5)**	**+24.8% (±0.8pt)**	326.7	**+31.6%**
Revenue (Ex-FX Impact)	-	-	-	-	**+20.1%**	**+6.6%**	-	**+17.2%**	-	**+22.7%**
Gross Margin	57.6%	57.1%	58.1%	**57.5%**	**-0.1pt**	**-0.6pt**	**58.2%**	**+1.1pts**	57.2%	**+0.3pt**
Operating Margin	30.9%	28.8%	32.7%	**32.5%**	**+1.6pts**	**-0.2pt**	**33.0%**	**+4.1pts**	30.2%	**+2.3pts**
1 US$=	146 yen	149 yen	159 yen	**159 yen**	**13 yen** JPY dep.	**0 yen** JPY dep.	**158 yen**	**9 yen** JPY dep.	146 yen	**13 yen** JPY dep.
1 Euro=	170 yen	164 yen	185 yen	**184 yen**	**14 yen** JPY dep.	**1 yen** JPY app.	**184 yen**	**20 yen** JPY dep.	170 yen	**14 yen** JPY dep.

3Q 2026 Forecast
FX Sensitivity Impact of a 1 JPY fluctuation

(B yen)	US$	Euro
Revenue	20	2
Operating Profit	9	1

1. Each figure represents comparisons with the midpoint in the sales revenue forecast range 2. Reference figures calculated excluding the Timing business from actual results

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Next page, please. This is our Q3 forecast.

As you can see on the left-hand side, please refer to the dark blue, center of the table, the revenue median, JPY430 billion. The gross profit margin is 57.5%, operating margin 32.5%, and exchange rate assumptions are JPY159 to the US dollar and JPY184 to the euro.

For each of the items, let me give you the background. For the revenue median, JPY430 billion is up 28.7% YoY and it's up 6.1% QoQ. As Shibata-san mentioned in the beginning, Automotive, industrial, infrastructure, and IoT are expected to grow. For Automotive, we expect growth mainly from the increase in new 28-nanometer MCU products in China, as well as the build-up of overall channel inventory mainly in Japan. For Industrial, Infrastructure and IoT, we expect growth from data center growth as well as increased industrial demand.

Also, now the gross margin, 57.5%, down 0.6 percentage point QoQ. There are some improvements from the increased utilization, but the margin's expected to decline QoQ due to rising manufacturing costs—the hike is mainly due to higher energy consumption, the expected maintenance cost increase during the summertime.

Also, as for the OP margin, it’s 32.5%, down 0.2% percentage point QoQ, a slight decrease.

QoQ, the Opex should be increasing slightly because, as I mentioned regarding the Q2 results, some expenses that were not incurred in Q2 will shift to Q3.

So as for the FX sensitivity, you can see here with every JPY1 fluctuation, there is an impact: JPY2 billion to the revenue and JPY0.9 billion to the OP in the US dollar; and JPY0.2 billion to the revenue and JPY0.1 billion to the OP in the euro. So, for the Q3 forecast, based on the constant-currency rates, the US dollar at JPY100 and the euro at JPY120, operating profit margin will be 27%.

2Q 2026 FINANCIAL SNAPSHOT
GAAP

	2025		2026					
(B yen)	2Q (Apr-Jun)	1H (Jan-Jun)	1Q (Jan-Mar)	2Q (Apr-Jun)	YoY	QoQ	1H (Jan-Jun)	YoY
Revenue	325.5	634.3	380.3	**418.4**	**+28.5%**	**+10.0%**	**798.7**	**+25.9%**
Gross Margin	55.7%	55.8%	58.7%	**58.6%**	**+2.9pts**	**-0.1pt**	**58.6%**	**+2.8pts**
Operating Profit (Margin)	39.8 (12.2%)	61.3 (9.7%)	90.6 (23.8%)	**102.1 (24.4%)**	**+62.3 (+12.2pts)**	**+11.6 (+0.6pt)**	**192.7 (24.1%)**	**+131.4 (+14.5pts)**
Profit Attributable to Owners of Parent (Loss)	-201.3[1]	-175.3	68.1	**149.2**	**+350.5**	**+81.0**	**217.3**	**+392.7**
EBITDA[2]	83.6	159.3	138.0	**148.9**	**+65.3**	**+10.9**	**286.9**	**+127.5**
1 US$=	146 yen	150 yen	156 yen	**159 yen**	**13 yen JPY dep.**	**3 yen JPY dep.**	**157 yen**	**7 yen JPY dep.**
1 Euro=	162 yen	161 yen	183 yen	**185 yen**	**23 yen JPY dep.**	**2 yen JPY dep.**	**184 yen**	**23 yen JPY dep.**

1: In 2Q25, a valuation loss of ¥235.0 billion was recorded on the deposit to Wolfspeed
2: Operating profit + Depreciation and amortization

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Please look at page 17, the GAAP overview, financial results of the GAAP basis.

In Q2, the net profit was JPY149.2 billion, reflecting the positive impact from financial income recorded for Wolfspeed-related financial assets. Also, the gain on the transfer of the timing business is not included in Q2, but it will be recorded from Q3 onward.

TAKASAKI FACTORY PRODUCTION PHASE-OUT
R&D FUNCTIONS MAINTAINED AND STRENGTHENED

Overview

- Phase out production amid structural changes in 6-inch wafer lines (i.e. end of production materials and maintenance support, plus aging equipment and facilities)
- Maintain and secure employment as a basic approach, through reassignments and career support both internally and externally

R&D Functions

- Maintain and strengthen on-site R&D functions at current and nearby areas as primary candidate sites
- Focus on growth areas: analog ICs and power semiconductors for data center and automotive applications

Outlook

- Production to end within 2-3 years, followed by factory closure; close collaboration with customers to ensure stable supply
- Timing and R&D details not yet determined; to be announced once finalized

The next page provides an update on the phased termination of production at the Takasaki site and its R&D functions.

IMPACT OF THE 2026 KUMAMOTO EARTHQUAKE ON OPERATIONS (AS OF JULY 30)

Impact on operations

- All employees were safely evacuated, and employee safety has been fully confirmed. No injuries to employees have been reported
- The impact on the supply chain is under assessment
- Further updates will be provided as additional information becomes available

Kawashiri Factory

- Front-end factory
- Initial safety inspections within the cleanroom have been completed, and evaluations of the impact on equipment and WIP are ongoing
- Production is expected to resume in phases beginning on August 5

Nishiki Factory

- Back-end factory
- Confirmed the safety of the cleanroom environment
- Production resumed in phases beginning on the evening of July 29

Next page, please. This slide briefly covers the impact of the Kumamoto earthquake on our business operations.

That concludes my presentation.

Question & Answer

[Questioner 1]

Q: I would like to ask you about the impact of the earthquake. This time, the impact on the performance is going to be limited is what you have explained. But the impact of the earthquake itself, compared to 10 years ago, is it fair for us to believe that the impact was smaller than 10 years ago?

The second is that I'm sure you're taking different countermeasures, but the restart of the operation seems to be pretty fast. Is there any effective countermeasure you have taken?

Shibata: Well, there are many things that are still under confirmation. But as of now, compared to 10 years ago, the impact from the earthquake is smaller. In the first place, the size of the shake in the factory, I've talked about the level of the shake at the factory, I believe, was much smaller than the earthquake 10 years ago. That's a fact. Obviously, we had an experience from the earthquake 10 years ago and we had been gradually taking countermeasures against the earthquake. In some cases, we have been placing the equipment on top of the anti-seismic facilities and in some cases, we had some BCP inventory that we used to call a little while ago.

By taking those different countermeasures, the shake itself was smaller. With the combination of those countermeasures, we are able to restart the operations earlier than before. That is our assumption at this point.

[Questioner 2]

Q: One is Q3, the gross margin plan, which I want to ask about. There are some energy costs you mentioned, and so when it comes to utilization the revenue should be strong. So maybe I'm thinking that gross margin could be higher with a higher utilization. Like you have been mentioning about the data center complexity and that's limiting the earnings increase, we know. How do you view the gross margin moving forward?

Shibata: Yes. Shinkai-san can answer that, please.

Shinkai: As for Q3, gross margin QoQ, a 0.6% decrease is what I mentioned. When I break this down, the improvement from the utilization increase is 50 basis points plus and the increased production cost is up 100 basis points minus. Net-net-wise, 0.6 percentage point.

The impact from the FX is not so much. And as for the mix, it is almost quite flat, plus/minus 0. As a result, as you can see, the mix impact is expected to be broadly neutral.

Moving forward, the outlook, when it comes to utilization, like I mentioned, for Q3 and Q4, gradually will increase, and we will expect some contributions from those. As for the manufacturing costs, because there are some crude oil costs that will be linked to it, and there's not much certainty about that, I think after summer, it will be peaking out.

Thank you.

Q: Thank you. My second question is about the data center-related business.

This time, for ASIC, you said this area has significantly increased compared to plan. Is that about the share or the supply? I think last time in the call, you said that might be a bottleneck. Is it that they turned out to be fine? Looking ahead to the next quarter, how do you see the growth of digital power versus memory interface products within the data center business?

Shibata: Well, for Q2 and Q3 as well, as you can see from the major MPU earnings, the MPU has been very strong. As a result, our memory interface as well has been growing quite strongly and continuously. Digital power and memory interface products are both performing strongly and continue to serve as the two key growth drivers of our data center business.

As for digital power and memory interface, the difference could be the spread of the customer base. For power, we have the ASIC customers, several of them and GPU customers as well. We have multiple customers as such. For each of them, for each of their products and depending on their generation, the share could be changing quite a lot.

I think I would be repeating myself from before. As of now, I think we are in a very good position. I'm confident about that. In order to maintain our good position, we have to do a very strong execution. That is very important. If we can do that, I think we will be able to maintain our high share.

For Q2, what was very good is that because I think based on our assumption, I think as of now, demand for the customers that we have been supplying quite exclusively have been very strong. The strength of customer demand translated directly into our revenue. that's why things have been very strong. When it comes to supply, the WOI numbers, you can see in those numbers as well that we are seeing continuous tightness.

Everywhere you look, everything seems very tight. It's not like we had a breakthrough around that, but we have been trying to gradually increase supply. From here on until the end of the year and next year, the step function type of increase is something we are working on right now. If that could happen, I think we will be able to increase revenue based on the supply capability increase. As of now, the incremental supply capacity increase is what we are working on and responding to the situation.

[Questioner 3]

Q: With regard to the earthquake, I'd like to understand how you're going to communicate the information from the CEO. You mentioned that the impact on the performance has been explained and you have changed the timing of the earnings call to confirm the status. But with regard to communicating the information, I'd like to understand how you think of the importance of communicating the information.

I believe this is important. There were other major earthquakes like the Great East Japan Earthquake and also you had experienced the earthquake in Kumamoto 10 years ago. Is there anything you were extra careful of in communicating the information?

Shibata: This time, there was nothing particular. At least ever since I assumed the CEO position, I have been trying to be most transparent about communicating the information. Therefore, we tried to disclose as much information as possible. Of course, the situation can change. But for whatever information that we are aware of at this point, we have disclosed as much as we can.

That's all. Thank you.

Q: One more question is that at this time, the impact on the business performance is limited and also the damage was relatively limited too. But for the semi industry, the impact that's giving on the economy in general is increasing. With regard to the overall recovery of the economy in Kumamoto, what is your intention or what is your idea around promoting the recovery in Kumamoto as a region?

Shibata: Well, as soon as possible, we want to bring the utilization back to full utilization. Of course, we need to do some catch-up production as well. With that, we would like to try and recover the damage and hope to make our contribution as we can.

Of course, the economy is important, too, but most important is ensuring the safety of the lives of the people. We are not an industry with particularly strong logistical capabilities compared with some other industries.

I mean compared to the other industries, there's a limit to what we can do. But even with that, we will do whatever we can and try and contribute as much as possible to have the situation recover.

[Questioner 4]

Q: I have a question about the semiconductor chip price. The peers have been hiking their prices, and we hear news like that. As for Renesas, for the automotive IoT and micro and analog, maybe by usage or by product, you can tell us what's your view and what's happening with the pricing? Any comments you can give us about the pricing in the current situation?

Shibata: Yes. Yes, I understand what you're asking because I have to respect one side and also the other side as well when I answer. From July 1, some of the products, we have revised the pricing. As a result, for H2 this year, we will see the effect of that price hiking. I don't think it's a significant price hike that becomes a news headline or anything like that. It's not like we have done so across the board or anything like that. We have implemented price revisions for selected products for those that we really have to and made our adjustments as such. From Q3 earnings onwards, I think we will see the effect of those initiatives.

Q: So, from Q3, all of a sudden, the GM goes up or it's not like that then I see. So because from before, you have adopted the surcharge system for passing on the cost hike to the price. My understanding is that Renesas has not historically pursued aggressive price increases simply because supply and demand conditions were tight. Is that conventional system still in place?

Shibata: Yes, that's right.

[Questioner 5]

Q: Earlier, in Takasaki, you announced that the gradual close down of the Takasaki factory in Gunma Prefecture, I'd like to understand from Shibata-san, the CEO, in terms of the reason why you have decided to close down the Takasaki factory. According to the material, you mentioned that the basic policy is to maintain employment, so I'd like to also understand your thinking about employment.

Shibata: Well, as we have announced already, this is basically in line with what we have announced. Our Takasaki factory is a 6-inch factory and ever since the operation started, it's been more than 50 years. The semiconductor factories, of course, it depends on the companies, but ourselves, as well as many semi manufacturers, are not producing the production equipment themselves.

I mean, right now, the [SPEs] who are enjoying very strong performance are selling the equipment to us, and we're purchasing from them to conduct the production. Unfortunately, 6-inch is a very old manufacturing process. As the industry in total, the 6-inch manufacturing is shrinking. Taking that into account, the maintenance from our suppliers and also the supply of the parts are becoming more difficult.

In those lines, if we continue the manufacturing, if there's any problem with the manufacturing line, that would impact the suppliers right away and also it would impact the quality right away and to our customers, we would be giving a significant impact.

Until now, we have been doing our best to do the maintenance ourselves. But at this point, that is becoming very difficult. So, we have decided to discontinue the production of 6-inch. For 8-inch plus, where we can still expect the support from the [SPEs], we are going to migrate the production and migrate into those products.

As for employment, our basic policy remains unchanged. For factory employees, we intend to discuss transfers to other Renesas sites and provide opportunities for them to continue contributing within the company. For R&D, we are planning to increase the resources, and we are considering to continue the operation locally. In case of R&D, there are many heavy instruments for experiment, and it cannot be installed in ordinary office spaces, so we are looking at the different location.

So, factories, the employees, we are expecting for them to demonstrate their capabilities in the other locations, and we will start communicating that to those employees. But on the other hand, this applies to our factories as well as to the overall manufacturing industry, there are strong needs for human resources. I mean, it's different to before. I mean, the employees have more options to choose from. That is what we're seeing now. So, if they were to relocate and had to move to a different location, a lot of employees would prefer to work for another company. For those type of people, for employees who prefer opportunities outside Renesas rather than relocating, we will support as smooth a transition as possible.

Of course, ensuring employment is a very important theme, but the sensitivity at this point, at least compared to the time I joined this company has changed. Right now, it's easier for the employees to look for jobs. That is the situation now.

Q: Thank you very much. I have one more question with regard to the Takasaki factory. I think it's a very familiar business in Takasaki and the resident and the partners have been very familiar with the factory. Shibata-san, if you have any comments to the people who are in the surrounding neighborhood, please share them.

Shibata: Well, once again, for more than 50 years, we have been working with the local people and the factory has been flourishing along with the local people. So to the people as well as the local administration, I would like to thank you deeply for your support.

At the same time, because of the reasons I had illustrated before, physically, it's becoming very difficult to continue the operation. I hope we would get your understanding of the reason why we are closing the factory because the factory is physically difficult to continue the operation.

But for the value-added R&D efforts, we will continue the operation and we will put in the efforts to try and enhance the R&D. Through those efforts, we would like to contribute to the local society, and we look forward to gaining your support so that we can work on the design and development of value-added semi, and we would like to continue expanding and advancing our semiconductor design and development activities locally together with the local community. And so I look forward to your continuous support.

[Questioner 6]

Q: From Kawashiri plant, I want to ask you. You said that you will resume production from August 5. Is that going to be a full—well, how long do you think you need to reach full operation resumption?

Shibata: Now we don't have sure information about that. From the resumption of production, we currently expect it will take about three weeks to return to full operations. Of course, each day at a time, we will try to front-load and advance the full operation resumption so that we can report to you and let you know that everything is back in normal. As of now, we are expecting about three weeks to go back to full operation. That is our target as of now. Thank you.

[Questioner 7]

Q: At the beginning, you were saying that you're trying to clarify the impact, but you have a lot of confusion in the auto industry and supply chain and throughout the region, there's a lot of confusion, and this is caused by reasons other than semi. But with the closing of your semi factories, is there any case where your semi products are going to be short in the customer side? Is there any concern? Or because you're restarting the operation within one week, from our perspective, is it difficult to see that the auto production is going to be confused.

Shibata: Well, yes, I believe the impact right now is going to be limited.

[Questioner 8]

Q: One is about the demand environment for automobiles. Overseas semiconductor manufacturers, there are some restocking at manufacturers or maybe there are some peers with content increase they are working on. How is your view on that?

Shibata: Well, yes, I think both could work. In case of our business, In our case, products such as the R-Car Gen 4 SoC and 28nm MCUs are expected to drive new growth. I don't know if we can call it content increase, but they are the products that can drive new growth, so we can expect continuous growth.

For instance, let's say that, that is the X-axis and now I'm talking about the Y-axis would be the customers' regions. But as of now, looking at the situation, relatively speaking, of course, there are some ups and downs depending on the quarters, but as a trend, there are some trends—the stable growth trend can be seen in Japan and China. On the other hand, there are some uncertainties in Europe, relatively speaking. The US, I don't have a sense that it's going to grow so much, but I don't think it's going to go down either so it's quite stable, I think. So in that sense, our growth will likely be determined by a combination of regional customer characteristics, the product mix in each region, and the growth of the specific products that are driving our business in the future.

As of now, compared to last year, I think we can see strong growth in a moderate pace continuously. That is our view. In other words, it's not like we can expect a strong growth on and on, but we don't expect a cyclical decrease either. We expect growth to remain broadly stable, ranging from modest growth to somewhat stronger growth, with some ups and downs, that is the growth trend that we expect in the future as of now.

Q: Thank you. My second question is about operating expenses. What's your view? With the system introduction, you have postponed the ERP release and also R&D has been shifted. I think you said six months ago that you will be more active about that. But with the production very active right now, is it like the operating expenses are going to increase gradually? Or should we expect another phase where you step on the accelerator and increase spending more aggressively?

Shibata: Well, actively speaking, mainly, we will be using more operating expenses for R&D. Of course, we will be using those expenses for the improvement of the employees' workplace, but R&D would be the main focus for operating expenses. We don't expect the SG&A to increase continuously. I hope you don't misunderstand about that.

In terms of the ERP integration pushout, because we wanted to eliminate any risk that could arise. So, like I mentioned in the earlier Q&A session, especially for data center, in a very tight situation, execution is the key. If ERP should impact the supply in some cases, that's something we really want to avoid. That's why we decided to postpone in the very short notice. As Shinkai-san mentioned, those things that were expected to be used, turned out to be not used.

I think when it comes to R&D, long-term future growth, there are some capital investments and expense investments. So, rather than being very cautious about making investments, I think we want to build a very solid ground right now. That's how we allocate our budget. My point is that if our budget is very tight, we don't want teams to feel constrained by a very tight budget or have to operate in an overly cost-conscious manner; we are allocating budget to be able to step on our accelerator as well. It's just that it is less than we expected initially.

This trend, I think, will continuously—I think it's possible that this trend will likely continue. I think it's not good to really exceed the expectation either. So, the financial outlook, based on the guidance, I think we want to try to limit the volatility so that we do some haircuts in order to do so. The range of the change, we want to make in a moderate manner as much as possible.

At the end of Q3, I don't know if we will be able to tell you the same thing, but we might need to increase more, but we try to limit the volatility range. That would be my comment. Thank you.

Moderator: Thank you very much. We have received some questions, but because we're getting close to the end time, we would like to close the Q&A session. We will have Shibata-san making a closing remark.

Shibata: Yes, I think I will be repeating myself, but when it comes to data center, it will be the main thing, that is the data center and the AI. When it comes to underlying demand, the demand itself is likely to continue very strongly.

As for consumers in IoT space, there are some mixed situations, but mainly around our main customers, I think we will be able to continue the strength in the business.

Also with automobiles, like I mentioned earlier, at least by the end of this year, I think things will continue to be quite moderate and positive trend, likely to continue.

Also for this outlook, I hope it will materialize. We need to recover from the earthquake and also the supply chain around the data center, execution is very important. At the same time, for the mid- to the long-term investment as well as the post-earthquake and the Takasaki, related support for the stakeholders will be provided so that we will be able to report solid update to you on that in the next earnings call.

We will kindly request for your continued support. Thank you very much for your time today.

Moderator: Thank you. We would like to conclude the Q2 FY2026 Renesas Electronics earnings call.

[END]