FY11/3 Q1 Financial Results

Renesas Electronics Corporation
July 29, 2010
Yasushi Akao, President
(NOTE) FY10/3 consolidated results are sum of respective results of the former NEC Electronics Corporation and the former Renesas Technology Corp. The amount of “Net sales” and “Sales from semiconductors” are presented by rearranging the former Renesas Technology’s sales account to adjust presentation to the former NEC Electronics’ presentation.

(FOREWARD-LOOKING STATEMENTS)
FY10/3 consolidated results are sum of respective results of the former NEC Electronics Corporation and the former Renesas Technology Corp. The amount of “Net sales” and “Sales from semiconductors” are presented by rearranging the former Renesas Technology’s sales account to adjust presentation to the former NEC Electronics’ presentation. The statements in this presentation with respect to the plans, strategies and forecasts of Renesas Electronics and its consolidated subsidiaries (collectively “we”) are forward-looking statements involving risks and uncertainties. We caution you in advance that actual results could differ materially from such forward-looking statements due to several factors. The important factors that could cause actual results to differ materially from such statements include, but are not limited to: general economic conditions in our markets, which are primarily Japan, North America, Asia and Europe; demand for, and competitive pricing pressure on, our products and services in the marketplace; our ability to continue to win acceptance of its products and services in these highly competitive markets; and movements in currency exchange rates, particularly the rate between the yen and the U.S. dollar. Among other factors, a worsening of the world economy; a worsening of financial conditions in the world markets, and a deterioration in the domestic and overseas stock markets, would cause actual results to differ from the projected results forecast.
Executive Summary

I. FY11/3 Q1 Financial Results
- Achieved 10 billion yen increase in sales as compared to the combined sales of the former companies (NEC Electronics Corporation and Renesas Technology Corp.) before the merger. Operating result nearly reached break-even level.
- Recorded structural reform costs (impairment loss for long-term assets, etc) as part of first-quarter net loss

II. FY11/3 Forecasts
- Expect operating profit for full-year mainly by absorbing the integration cost through sales increase and structural reforms
- Expect net loss of 80 billion yen from recording structural reform costs

III. Results and Action Plans of 100-day Project

IV. Summary
I. FY11/3 Q1 Financial Results
FY11/3 Q1 Financial Snapshot

- Q1 sales increased by 4% QoQ
- Operating loss improved dramatically, into black without merger-cost
- Recorded significant net loss due to impairment loss for long-term assets

<table>
<thead>
<tr>
<th></th>
<th>FY10/3</th>
<th></th>
<th>FY11/3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q4</td>
<td>Q1</td>
<td>YoY</td>
</tr>
<tr>
<td>Net Sales (B yen)</td>
<td>235.3</td>
<td>281.7</td>
<td>292.0</td>
<td>+56.7</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>208.7</td>
<td>251.7</td>
<td>261.5</td>
<td>+52.7</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-43.9</td>
<td>-12.7</td>
<td>-0.3</td>
<td>+43.6</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>-45.0</td>
<td>-16.2</td>
<td>-3.5</td>
<td>+41.5</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-44.5</td>
<td>-17.6</td>
<td>-33.1</td>
<td>+11.4</td>
</tr>
</tbody>
</table>

1US$= 92 yen
1 Euro= 121 yen
Both semiconductor sales and operating loss improved in FY11/3 Q1

Trends in Quarterly Results

- Net Sales
- Semiconductor Sales
- Operating Income (Loss)

FY10/3

Q1: 208.7
Q2: 234.4
Q3: 247.7
Q4: 251.7
FY11/3 Q1: 261.5

FY11/3

Q1: 292.0
Q1 Semiconductor Sales (YoY / QoQ)

- Semiconductor sales increased by 4% QoQ
- The MCU sales in particular increased dramatically in emerging countries centering around the Chinese market

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY11/3</th>
<th>Q1</th>
<th>YoY</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>261.5</td>
<td>+25%</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td>SoC</td>
<td>77.7</td>
<td>-3%</td>
<td>-4%</td>
<td></td>
</tr>
<tr>
<td>MCU</td>
<td>99.3</td>
<td>+42%</td>
<td>+6%</td>
<td></td>
</tr>
<tr>
<td>Analog &amp; Power</td>
<td>82.6</td>
<td>+45%</td>
<td>+9%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1.8</td>
<td>-17%</td>
<td>+101%</td>
<td></td>
</tr>
</tbody>
</table>

Sales Overview by BU (QoQ)

- SoC [↓] Decrease in sales of PC peripherals and consumer electronics area
- MCU [↑] Increase in sales of automotive and general-purpose MCUs
- Analog & Power Devices [↑] Overall increase
FY11/3 Q1 Factors in Net Income (Loss) from Operating Profit (Loss)

Although operating loss improved dramatically QoQ, FY11/3 Q1 net loss worsened significantly, due to recording of impairment loss for long-term assets.

-33.1

Non-operating income (loss):
-3.2 B yen

special income (loss):
-29.3 B yen

Impairment loss for long-term assets
-33.1 B yen

- Tsuruoka 300mm line
- Roseville (US) 200mm line

Income taxes, minority income (loss) of consolidated subsidiaries
-0.3 B yen
# Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>As of Apr. 1, 2010 (After the capital injection)</th>
<th>As of Jun. 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>1,215.4</td>
<td>1,151.0</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>337.7</td>
<td>318.6</td>
</tr>
<tr>
<td>Inventories</td>
<td>126.6</td>
<td>130.7</td>
</tr>
<tr>
<td>Liabilities</td>
<td>801.7</td>
<td>777.5</td>
</tr>
<tr>
<td>Interest-bearing Debt</td>
<td>372.0</td>
<td>375.4</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>421.0</td>
<td>388.0</td>
</tr>
<tr>
<td>Net Assets</td>
<td>413.6</td>
<td>373.5</td>
</tr>
<tr>
<td>D/E Ratio (Gross)</td>
<td>0.91</td>
<td>1.02</td>
</tr>
<tr>
<td>D/E Ratio (Net)</td>
<td>0.08</td>
<td>0.15</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>33.5%</td>
<td>31.9%</td>
</tr>
</tbody>
</table>

**Note 1)**
1. “Cash and Cash Equivalents”: Sum of cash and deposits, and short-term investment securities minus the Time deposits with maturities of more than three months
2. “Interest-bearing debt”: Short-term borrowings, Current portion of long-term borrowings, Current portion of bonds with share subscription rights of lease obligations, Bonds with share subscription rights, Long-term borrowings
3. “Equity”: Shareholders’ equity, Valuation and Translation Adjustments
4. “D/E ratio (gross)”: Interest-bearing debt / Equity
5. “Liabilities” as of April 1, 2010 (after the capital injection) includes negative goodwill

**Note 2)** Current portion of bonds with share subscription rights, Lease obligations, rights of lease obligations
## Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>FY10/3</th>
<th>FY11/3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q4</td>
</tr>
<tr>
<td>Cash Flows from</td>
<td>-40.6</td>
<td>16.8</td>
</tr>
<tr>
<td>Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows from</td>
<td>-24.0</td>
<td>-21.2</td>
</tr>
<tr>
<td>Investing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free Cash Flows</td>
<td>-64.7</td>
<td>-4.3</td>
</tr>
</tbody>
</table>

(B yen)
II. FY11/3 Forecasts
Semiconductor Market Trend

Semiconductor market annual growth rate (in yen)

(Note) SAM: Semiconductor market excluding DRAM, MPU, Flash and Sensor.
Source: WSTS, Renesas Electronics Corporation

*SAM base

Total Semiconductor

FY09/3 FY10/3 FY11/3 FY12/3 FY13/3

-16.2% 0.1% 14.6% 5.2% 7.3%

-20.6% -5.6% 16.6% 8.4% 7.0%

-10% 0% 10% 20%
## FY11/3 Financial Forecasts

Aim to achieve operating profit for the full-year. Net loss is expected to widen significantly, expected amount of 77 billion yen in special loss from promoting structuring reforms as part of the “100-day project”.

<table>
<thead>
<tr>
<th>(B yen)</th>
<th>FY10/3</th>
<th>FY11/3 Forecast</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>2H</td>
<td>Full-year</td>
</tr>
<tr>
<td>Net Sales</td>
<td>500.3</td>
<td>562.1</td>
<td>1,062.4</td>
</tr>
<tr>
<td>Semiconductor Sales</td>
<td>443.1</td>
<td>499.4</td>
<td>942.5</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>-87.9</td>
<td>-25.4</td>
<td>-113.3</td>
</tr>
<tr>
<td>Ordinary Income (Loss)</td>
<td>-93.4</td>
<td>-32.0</td>
<td>-125.3</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>-99.2</td>
<td>-38.5</td>
<td>-137.8</td>
</tr>
</tbody>
</table>

| 1 US$= | 90 yen |
| 1 Euro= | 110 yen |
FY11/3 Semiconductor Sales Forecast

- Expect to exceed the market growth, absorbing the dis-synergies from restructuring of product portfolio
- Raised semiconductor sales target by 20.0 billion yen from May 2010, reflecting the recent healthy environment
- Expand sales in the global market

FY10/3

- Other Sales <942.5> (B yen)
- Semiconductor Sales *< >
- Other Semiconductors

FY11/3 Forecast

- Analog & Power
  - 15-19%
- MCU
  - 15-19%
- SoC
  - 10-14%

Semiconductor Sales +16%

<1,090.0>
FY11/3 Q2 Operating Income (Loss) Forecasts

Operating Income (Loss)

- FY11/3 Q1
- FY11/3 Q2 Forecast

Expect to record operating loss due to various expenses concentrated in the half year-end, despite the profit increase from sales increase.

Difference between Q1 expense and Q2 expense: Approx. 10 B yen

Higher profit due to increased sales: Approx. +8.5 B yen

FY11/3 Q2 Operating Income (Loss) Forecasts
-0.3
-1.7

(B yen)
FY11/3 1H/2H Operating Income (Loss) Forecasts (YoY)

Expect profit growth exceeding sales growth (approx. 10.0 billion yen), due to effects of merger synergies including fixed-cost reductions.

- Initial merger cost (2H): Approx. 3.0 B Yen
- Increased fixed-costs by acquiring Nokia’s wireless modem business: Approx. +5B yen
- Decreased material costs from merger synergies: Approx. +2 B yen
- Decreased fixed costs from merger synergies: Approx. +8 B yen
- Increased profit due to increased sales: Approx. +6 B yen

Operating Income (Loss)

FY11/3 1H Forecast
FY11/3 2H Forecast

Initial merger cost (2H): Approx. 3.0 B Yen
Initial merger cost (1H): Approx. 3.0 B Yen
FY11/3 Full-Year Net Income (Loss)
(In comparison with operating profit/loss)

Implement fundamental restructuring reforms in FY11/3. Expect to post special loss of 77.0 billion yen

- Non-operating income (loss): Approx. -12 B yen
- Special income (loss): Approx. -72 B yen
  - Structural reforms: Approx. 53 B yen
    - Impairment loss of fixed-assets: Approx. 33 B yen
    - Other manufacturing-related measures: Approx. 20 B yen
  - Streamline human resources: Approx. 24 B yen
- Income taxes, minority income (loss) of consolidated subsidiaries: Approx. -3.0 B yen
III. Results and Action Plans of the “100-Day Project”
Outline of the “100-Day Project”

- Formulate growth strategies
  - Optimize business portfolio-

- Strengthen cost-competitiveness

- Strengthen product competitiveness

- Strengthen sales force

- Realize merger synergies
  - Integrate development environment, design platforms, various infrastructures-

- Sustain stable growth through profit recovery

- Implement structural reforms
  - Reconstruction of the manufacturing structure-
Summary: Effects of the “100-Day Project”

- Formulate growth strategies: Annual average sales growth rate: 7-10% per year from FY11/3 to FY13/3
- Realize merger synergies: Generate synergies of total of approx. 40 billion yen from FY11/3 to FY13/3
- Implement structural reforms: Cumulative cost reductions of approx. 70 billion yen from FY11/3 to FY13/3
Semiconductor Sales Plan

- Focus resources on growing businesses through optimization of the business portfolio
- Realize 7-10% CAGR growth in FY13/3 from FY11/3 centering on growing businesses
- Strengthen cost-competitiveness by streamlining on-going core businesses

Note: CAGR: Compound Annual Growth Rate
Formulate Growth Strategies: Focused Business Areas

Utilizing the business advantages gained through the merger, contribute to the realization of feature-rich society by focusing on application areas that support the society’s infrastructures, such as living/social environment, entertainment, advanced information-communications, Multimedia/Digital consumer, Cloud-Computing, General-purpose MCU, Automotive MCU, SoCs for mobile devices, SoCs for consumer, SoCs for industrial network, Power devices, Optical, High voltage devices, Power supply analog, Motor drivers, Smart Grid, Social infrastructure, Industry, A&P Devices, Living/Social environment, Entertainment, SoC Solutions, Advanced information-communications.
Formulate Growth Strategies: SoC Solutions

Focus on developing “infrastructure” businesses where Renesas Electronics has comprehensive competitive value

(B yen)

Approx. 350.0

10-15% CAGR

76%

61%

Growing business

13%

10%

On-going core businesses

14%

Shrinking businesses

Growth Strategies

<table>
<thead>
<tr>
<th>Communication Infrastructure</th>
<th>- Expand businesses by strengthening advanced modem technology (LTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multimedia Infrastructure</td>
<td>- Build integrated platform</td>
</tr>
<tr>
<td></td>
<td>- Strengthen cost-competitiveness</td>
</tr>
<tr>
<td></td>
<td>→ DTV, STB, CIS, etc.</td>
</tr>
<tr>
<td>Industry Infrastructure</td>
<td>- Maintain the world’s No. 1 share on USB3.0</td>
</tr>
<tr>
<td></td>
<td>→ Entertainment (Game)</td>
</tr>
<tr>
<td></td>
<td>- Maintain position and further enhancement in share at domains</td>
</tr>
<tr>
<td></td>
<td>such as network memory, industrial ASICs and smart grid</td>
</tr>
</tbody>
</table>

(Note) CAGR: Compound Annual Growth Rate
Formulate Growth Strategies: Strengthening of Communication Infrastructure (1) - Acquisition of Nokia’s wireless modem business

- Advantages of the acquiring technology
  > Special IP requiring long-term accumulated technology expertise
  > W/W No. 1 share
  > Proven track record by being adopted in billions of handsets
  > IOT completed with over 200 network operators W/W
- Target
  > Aim to become the world’s top mobile platform vendor

![Diagram showing 3G modem technology share and transfer of Nokia wireless business to top companies.]

(Note: Sales for mobile multimedia business include sales of communication SoCs and multimedia SoCs)
Formulate Growth Strategies: Strengthening of Communication Infrastructure (2)

- **Strengths of Renesas Electronics**

> Network market: Close relationship with customers using Renesas Electronics’ extensive range of MCUs

→ **Renesas Electronics’ competitive advantage in the mobile convergence market**

> Acquiring modem technology enables to enhance competences for platform development and technology support

---

**Segment**
- Mobile Convergence Devices

**Existing market**
- Low-end
- High-end

**Renesas’ Competence**

**Technology**
- 2G/3G/3.5G → LTE/HSPA+

Entry barrier for technology
Formulate Growth Strategies:
Realize stable growth on MCU business

Aim to achieve steady growth exceeding market growth rate by combining strengths of the former NEC Electronics Corporation and the former Renesas Technology Corp.

- Strengthen businesses in the emerging countries (China) and other focused areas utilizing management resources generated through the merger
- Fortify the world’s No.1 MCU share by making use of short TAT and rich IP lineup through development of the next-generation integration platform

Focus areas of MCU and core grouping

(B Yen)

Approx. 400.0

High-end
40%

Middle range
19%

Low-end
34%

SecureMCU 6%

FY11/3 FY13/3

8-10% CAGR

39% Growth rate 6%

20% Growth rate 12%

Sales ratio 35%

6%

Core grouping

High-end
Automotive, Industrial/Infrastructure

Middle range
Automotive, Inverter, Medical

Low-end
Automotive, Digital home Appliance, Smart grid

Focused area

Product development
Achieve short TAT by adopting common platform development

Development Environment
Seamless development support by concentrating latest tool technologies

IP
Standardize extensive peripheral IPs of respective companies, Integrate tools

(Note) CAGR: Compound Annual Growth Rate
Formulate Growth Strategies: MCU Business, Business strategies targeting China

- Maximize business effects through local-led structure, responding to changing market environment

[China’s changing market environment]

- Government-led ➔ Expansion of social infrastructure, promotion of energy savings
- Rise income levels ➔ Rapid promotion of automobiles, Improvement of living environment

[Promote structure strengthening meeting changing market environment]

- Launch a new organization from Oct 1 led by local executives
- Open Shanghai office that handles from marketing to sales: Approx. 150 employees
- Strengthen development force in China: currently 600
- ➔ continue to expand, aim to launch 1,000 products in 3 years

[Determine target segments responding to changing market environment]

- Expand social infrastructure
  - Electric meters (Accelerate smart grid development on a regional base)
  - Water, gas meter
  - NO.1 record

- Promote energy savings
  - Inverter home appliances (air-conditioners, refrigerators, washing machines)
  - LED light
  - No. 1 record

- Rapidly promote automobiles
  - Body, Dash board, e-Bike
  - NO.1 record

- Improve living environment
  - Home security, etc
  - NO.1 record

Expected products until FY2013/3

<table>
<thead>
<tr>
<th>Product Area</th>
<th>NO.1 record</th>
<th>100</th>
<th>200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand social infrastructure</td>
<td></td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Promote energy savings</td>
<td></td>
<td>600</td>
<td>200</td>
</tr>
<tr>
<td>Rapidly promote automobiles</td>
<td></td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Improve living environment</td>
<td></td>
<td></td>
<td>200</td>
</tr>
</tbody>
</table>
Formulate Growth Strategies: Analog & Power Devices

- Focus on areas of developing power supplies and automobiles with large market scale
- Enhance product lineups by providing kit solutions for analog ICs, power devices and optical devices
- Aim to expand business by providing solutions utilizing broad MCU sales channels especially in China and other emerging markets

(B yen)

<table>
<thead>
<tr>
<th>FY11/3</th>
<th>FY13/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ratio</td>
<td>42%</td>
</tr>
<tr>
<td>Growing Business</td>
<td>45%</td>
</tr>
</tbody>
</table>

Growth Strategies

- **Power Supply**
  - Enhance product lineup
  - Provide kit solutions with MCU
  - Expand sales in China and emerging markets

- **Automotive**
  - Enhance lineups of power MOSFETs, IGBTs and power ICs (IPDs)
  - Expand overseas sales utilizing MCU sales channels

7-10% CAGR
Formulate Growth Strategies: Synergies through MCU and Analog & Power Devices

- Strengthen Analog & Power Business by enhancing product lineups based on system integration capabilities and sales channels obtained by MCU business.

Examples of kit solutions for MCU and A&P devices

<table>
<thead>
<tr>
<th>Application</th>
<th>Product</th>
<th>Kit Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>Home appliance and air-conditioner</td>
<td>IGBT + IBGT-driving photocoupler + PFC-IC + MCU</td>
</tr>
<tr>
<td>Industrial</td>
<td>Industrial inverter (Motor)</td>
<td>IGBT + IGBT-driving photocoupler + MCU</td>
</tr>
<tr>
<td>Automotive</td>
<td>Automobile (HEV/EV)</td>
<td>IGBT + Photocoupler + MCU</td>
</tr>
<tr>
<td>Industrial</td>
<td>Power supply</td>
<td>Power MOSFET + Power management IC</td>
</tr>
<tr>
<td>Industrial</td>
<td>Electric meter</td>
<td>Three-terminal regulators + EEPROM + Photocoupler + MCU</td>
</tr>
<tr>
<td>Consumer</td>
<td>LED light</td>
<td>Power MOSFET + LED driver</td>
</tr>
</tbody>
</table>

MCU share by platform (2009)

- **Automotive**
  - 41% No.1
- **Consumer**
  - 24% No.1
- **Industrial**
  - 26% No.1

Source: Sum of former NEC Electronics and the former Renesas Technology share based on Gartner Quest data.
Formulate Growth Strategies: Enhance Overseas Business

- Enhance global semiconductor sales ratio to over 60% by FY13/3
- Strengthen MCU business in China and expand overseas sales with kit solutions for MCU and A&P devices
- Expand sales by strengthening the wireless communication infrastructure

Measures to expand overseas business

<table>
<thead>
<tr>
<th>Business</th>
<th>Measures</th>
<th>Focused Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>SoC</td>
<td>• Expand next-generation high-speed communication infrastructure business</td>
<td>Europe, China, Emerging-countries</td>
</tr>
</tbody>
</table>
| MCU        | • Strengthen organizational structure for Chinese market (new organization to be launched on Oct 1)  
            | • Determine target segments                                                | China, Emerging-countries           |
| A&P Devices| • Increase product lineups of kit solutions for MCUs                      | China, Emerging-countries           |
Realize Merger Synergies: Cost Effects

**Effects of cost efficiency**

Cumulative cost reductions of 40 B yen FY11/3 – FY13/3

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Merger synergies (Combination of synergies and dis-synergies)</th>
<th>Information system ➔ Integrate IT operation cost</th>
<th>Sales SCM ➔ Integration/Consolidation of distributors/sales agencies and warehouses</th>
<th>Procurement ➔ Integrate suppliers and unit price, Volume purchase</th>
<th>Design environment ➔ Integrate EDA tools and developing/ purchasing IPs</th>
<th>Business synergies ➔ Integrate overlapping businesses (Reduce developing costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11/3</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>FY12/3</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>FY13/3</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>

**Effects of restrained investment**

Restrain investment in times of sales expansion from improving manufacturing efficiency ➔ Integrate and standardize manufacturing technology, Unify manufacturing SCM, Simplify approval procedures of materials

Reduce cumulative of approx. 12 B yen during FY11/3 – FY13/3
Realize Merger Synergies: Optimization of Sales Channels Including Halving Domestic Distributors

- Reinforce sales force by reconstructing sales channels
- Reduce sales expenses by enhancing sales efficiency

**Targets**
- Reorganize sales channels by concentrating competitive distributors and sales agencies
- Enhance sales capabilities by expanding and centralizing each channel
- Reduce sales expenses
- Reduce logistic costs

**Measures**
- Restructure distributors and sales agencies
- Review trade terms with distributors
- Streamline sales staffs
- Integrate warehouse worldwide and packaging materials, Review transport costs
Implement Structural Reforms

Promote fundamental cost structural reforms to realize stable growth aiming two-digit operating profit ratio

100-day Project

Streamline human resources by approx. 5,000

Reorganize manufacturing structures:
Approx. 53 B yen
- Fab strategies
- Impairment of Tsuruoka plant and Roseville plant (US)

Streamline human resources:
Approx. 24 B yen
special loss: Approx. 77 B yen

Merger synergies
- Integrate information systems: sales
  SCM: manufacturing materials and design environment
- Business synergies

Cost effect from implementation of structural reforms and synergy effects

Cumulative cost reductions by approx.
110 B yen during
FY11/3 to FY13/3
FY11/3: 10 B yen
FY12/3: 40 B yen
FY13/3: 60 B yen
Implement Structural Reforms: Fab Strategies

Front-end (in-house): Restrain Capex for capacity ramp up, enhance productivity
Back-end (in-house): Enhance overseas production capacity

Front-end
- Increase manufacturing efficiency by promoting large wafers and miniaturization
- Utilize foundry services for increased production for advanced products, etc
- Construct “fab network” including foundry services to reduce risks for deficient loading

Back-end
- Enhance overseas production capacity for in-house production
- Construct “fab network” with sub contractors
- Streamline partner companies and sub contractors

Production plan

<table>
<thead>
<tr>
<th>Foundries</th>
<th>8-inch</th>
<th>12-inch</th>
<th>5/6-inch</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11/3 In-house production capacity</td>
<td>39%</td>
<td>16%</td>
<td>35%</td>
</tr>
<tr>
<td>Target</td>
<td>38%</td>
<td>19%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Production plan

<table>
<thead>
<tr>
<th>FY11/3</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>50%</td>
</tr>
<tr>
<td>Overseas</td>
<td>50%</td>
</tr>
<tr>
<td>Partner company</td>
<td>28%</td>
</tr>
<tr>
<td>Sub contractor</td>
<td>23%</td>
</tr>
</tbody>
</table>
Implement Structural Reforms: Advanced Process Development

Thoroughly utilize outside foundries on manufacturing of advanced products at 28 nm node and beyond

- Fully utilize 300mm lines at the Tsuruoka and the Naka fabs for the mass production of SoCs and future MCUs up to 40nm process
- Continue R&D of advanced processes by unifying existing development structures. Continue to join the technology research project with IBM for fundamental research of advanced semiconductor process technology
Implement Structural Reforms: Optimize Human Resources

- Plan to streamline human resources of approx. 5,000 employees mostly in FY11/3, complete by FY13/3
- Reduce total human resources including outsourcing by 10%

In-house
48,000 employees

- Review business portfolio, Manufacturing structural reforms
- 5,000 employees

Outsourcing to outside Renesas Group

- In-house reallocation: 1,000 employees
- Increase through M&A: 1,100 employees
- Reduce outsourcing resources by approx. 1,000

Net cutback: approximately 3,000

In-house
45,000 employees

- Overseas ratio: 29%
- Reduce outsourcing to 2/3 of FY11/3

Overseas ratio: 32%

In-house
5,000 employees

Review business portfolio, Manufacturing structural reforms
5,000 employees

Increase through M&A: 1,100 employees

In-house reallocation: 1,000 employees

Reduce outsourcing resources by approx. 1,000

FY11/3

FY13/3
IV. Summary
Management Targets

- Aim to attain operating profit in the first fiscal year after the merger

- Target net profit in the second fiscal year by focusing on structural reforms at an early stage of the integration process

- Aim to achieve two-digit operating profit ratio in the mid-term period by constructing solid management bases