Reforming Renesas

Renesas Electronics Corporation

October 30, 2013

Hisao Sakuta
Chairman and CEO
Outline of Today’s Announcement

1. Renesas’ Current Status
2. 3 Issues Facing Renesas
3. The Future Renesas
4. Realizing the Future Renesas
5. Summary
## Renesas’ Current Status

<table>
<thead>
<tr>
<th></th>
<th>FY13/3 1H (Sep. 30, 2012)</th>
<th>FY13/3 2H (Mar. 31, 2013)</th>
<th>FY14/3 1H (Sep. 30, 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets</td>
<td>77.9 B Yen</td>
<td>80.3 B Yen</td>
<td>222.1 B Yen</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>10.0%</td>
<td>10.2%</td>
<td>26.2%</td>
</tr>
<tr>
<td>D/E Ratio</td>
<td>2.46</td>
<td>4.59</td>
<td>1.38</td>
</tr>
<tr>
<td>Free Cash Flows</td>
<td>-34.0 B Yen</td>
<td>-63.3 B Yen</td>
<td>28.5 B Yen</td>
</tr>
</tbody>
</table>
3 Challenges Facing Renesas

- Foster strong ties with market and customers with market-oriented approach
- Internal operational challenges
  - Conduct profit-oriented, autonomous management
  - Facilitate rapid decision-making and business activities
- Construct stronger financial base
The Future Renesas

Overcome the 3 Challenges and Realize a Company that ...

... excels in the global arena

... contributes to all aspects of society

Pursues profitability for future growth and achieves **double-digit operating profit ratio** (FY17/3 Target)

Launch reform plan to realize the future Renesas
Achieve double-digit operating profit ratio in FY17/3

Growth strategy

Execution phase
30 months

Structural reform

October 31, 2013 Development of framework

July 2013 Started analysis

June 30, 2013 Assumed the roles of Chairman and CEO

Framework of Reform plan
- Reform businesses to better utilize market intelligence during product development
- Reform into a profit-oriented organization
- Reform to a global management and organizational structures

Facilitate rapid decision-making and business activities
The Future Renesas
Improve Profitability by Pursuing Gross Profit (Enhance Product MIX)

- Pursue Gross Profit improvement to increase profitability
- Enhance product mix and improve fixed and variable costs

<table>
<thead>
<tr>
<th>FY14/3 (1H)</th>
<th>FY17/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Op. profit 5%</td>
<td>Op. profit 10% or more</td>
</tr>
</tbody>
</table>

- Increase outsourcing through realignment of manufacturing sites
- Variable-cost containment: Adoption of standardization of assets, etc.
- Product mix and fixed-cost improvements:
  - Realignment of manufacturing sites (consolidation and transfer)
  - Streamline design efficiency through integration of design sites
Realizing the Future Renesas
Shift From Product-Orientation to Application-Orientation and Optimize Product Mix

- Increased value offering
- Customer expansion

- Kit solution
- Device solution
- Platform solution

- Kit value
- Device value
- Platform value

- Increased value offering
- Customer expansion

- Eco System Software
- Application
- Kit device
- System know-how
- Performance Function

Widening application value (Software system know-how)

Customer-based

Application-based

Broadening customer base
Realizing the Future Renesas
Reforming towards New Business Domains

- Strengthened solution offerings by business domain in response to changes in demography and the environment as well as the technological advancements from the fusion of control and IT

<table>
<thead>
<tr>
<th>New business domains</th>
<th>Renesas’ 3 Solution Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Former business domain: MCU, A&amp;P, SoC)</td>
<td>Device Solution</td>
</tr>
<tr>
<td>Automotive</td>
<td>⭐️</td>
</tr>
<tr>
<td>Automotive control</td>
<td>⭐️</td>
</tr>
<tr>
<td>Automotive infotainment</td>
<td></td>
</tr>
<tr>
<td>Industrial, Home Electronics</td>
<td>⭐️</td>
</tr>
<tr>
<td>Office Automation</td>
<td>⭐️</td>
</tr>
<tr>
<td>Information Communication Technology</td>
<td>⭐️</td>
</tr>
<tr>
<td>General-Purpose</td>
<td>⭐️</td>
</tr>
</tbody>
</table>

⭐️ Enhanced solution
Realizing the Future Renesas
Implementation Structure / Business Unit

- Reorganize the business unit structure focusing on business domains with an application-oriented structure and,
- Enhance product mix focusing on profit and optimized solution offerings to customers

<table>
<thead>
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<th>Business Unit</th>
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<tbody>
<tr>
<td>□ MCU</td>
<td>□ Automotive Control</td>
</tr>
<tr>
<td>□ SoC</td>
<td>□ Automotive Infotainment</td>
</tr>
<tr>
<td>□ Analog &amp; Power</td>
<td>□ Industrial, HE</td>
</tr>
<tr>
<td></td>
<td>□ OA • ICT</td>
</tr>
<tr>
<td></td>
<td>□ General-Purpose</td>
</tr>
</tbody>
</table>

✓ Optimized solutions addressing customer demand
✓ Accumulated know-how on systems
✓ Easy evaluation of each domain

(Innovation/Incubation)

(Note) HE: Home Electronics, OA: Office Automation, ICT: Information Communication Technology
Realizing the Future Renesas
Implementation Structure Manufacturing / Sales

- Empower sales companies in EMEA and Americas as regional business management sites to promote sales expansion through autonomous decision making.
- Give priority to profit and turnover rate for manufacturing. Empower manufacturing companies to be run as a stand-alone profit-centers.

Global Customers

EMEA | Americas | ASEAN (Asia/Japan/China)

Sales
- Regional control
- Strengthen sales
- Profit-oriented

Design, Development (Solution Business Unit*)
- New domains
- Application-oriented
- Improve product mix

Manufacturing
- Profit-oriented
- Improved turnover rate
- Autonomous management

Front-end manufacturing companies
Back-end manufacturing companies

(Note) Solution Business Unit is a tentative name.
By actively empowering and encouraging autonomous management, Renesas will successfully **accomplish all aspects of the reform plans** and **drastically increase revenue** through sales expansion in the global market.

(Note) 1st and 2nd Solution Business Units are scheduled to be reorganized in accordance with the new business domains as of December 1, 2013.
Summary

- Use financing activities and structural reforms to arrive at strong financial base necessary for future growth
- Accomplish Renesas reform plans and achieve double-digit profit ratio to invest in future growth

**Renesas IS Back, Stronger than Ever!**
(FOREWARD-LOOKING STATEMENTS)

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.
Kit Solution Offerings

- Provide a kit solution combining MCU, power device and algorithm optimized for each motor application of the diverse motor market which accounts for approximately 60% of the overall power consumption.
Platform Solution Offerings

- Expand businesses by providing platform and construction an Eco system for new business areas including next-generation automotive infotainment systems and industrial Ethernet market

High-performance navigation and Safe driving support

Next-generation integrated cockpit

Industrial Ethernet

Eco System

Tool vendor

Soft vendor

OS vendor

System integrator

Module vendor

Standards body

Distributor Sales agent

OPEN Platform

Basic software protocol

SoC, MCU, Analog

Renesas

SoC for automotive infotainment

Market share: 70%

Industrial Ethernet SoC

X5 to x10 increased performance from previous product

Platform value

Eco System

Software, Application

Kit value

Kit device, System know-how

Device value

Performance Function

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