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

Earthquake

Front-end

Renesas Semiconductor Manufacturing Co., Ltd, Kawashiri Factory
- Operation Resumed
  - April 22
- Recovery*1
  - Target Date
  - May 22

Subcontractors:
- Several subcontractors were affected by the quake
- Renesas has been supporting their recovery, targeting to reach full pre-earthquake capacity level at the earliest possible date

Back-end

Other Renesas Semiconductor Manufacturing Co., Ltd factories:
- Normal operation

Renesas Semiconductor Package & Test Solutions Co., Ltd.:
- Normal operation

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

Renesas Electronics Group

Outsourced production

Customers

Automotive, Industrial, Home Electronics, OA, ICT, Others

Renesas Electronics Corporation: Design-in Development

20%

Renesas Electronics Corporation: Shipment

80%

Foundries:
- Normal operation

20%

80%

Several subcontractors were affected by the quake.
Renesas has been supporting their recovery, targeting to reach full pre-earthquake capacity level at the earliest possible date.

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Impact on Performance by Kumamoto Earthquake

<table>
<thead>
<tr>
<th>Impact on Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Impact from shutdown/low operation of production line (April - June)</td>
</tr>
<tr>
<td>✓ Impact from shutdown/low operation of contractors’ production lines</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact on Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Profit decrease from decrease in net sales (production)</td>
</tr>
<tr>
<td>✓ Recording of restoration-related expenses</td>
</tr>
</tbody>
</table>

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

Execution Phase
30 months
(Oct 2013 - March 2016)

Selection and Concentration

Manufacturing Structural Reforms

Structural Reforms of the Underlying Business- and Manufacturing Operations

Formulated in Oct 2013
Selection and Concentration
Focus on advantageous businesses to significantly improve gross margin

Change of Business Portfolio

FY 2012

Semiconductor Sales 724.7 B yen
Consumer 25% PC/Office 10% Industrial 20%

FY 2015

Semiconductor Sales 675.6 B yen
Consumer 20% PC/Office 5% Industrial 20%

Growth of Core Business

Semiconductor Sales (B yen)
FY12 724.7 FY13 796.8 FY14 753.3 FY15 675.6

Non-Core Business
FY12 34% FY13 26% FY14 17% FY15 9%

Core Business
FY12 30.9% FY13 37.2% FY14 40.1% FY15 44.1%

Gross Margin

Market Characteristics of Renesas’ Core Businesses

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

Selection and Concentration
Manufacturing Structural Reform
Realigned manufacturing sites with selection and concentration of businesses

Consolidated or transferred production lines

- Hakodate
- Fukui
- Yamaguchi
- Kumamoto-Otsu
- Takasaki 5"
- Tsuruoka 12" 
- Kofu 8"
- Kofu 6"
- Shiga 8"
- Yanai
- Tsuruoka 5"

March 31, 2013
March 31, 2014
March 31, 2015
March 31, 2016
March 31, 2017 (Plan)

In-house / Outsourced

<March 31, 2013>
<March 31, 2016>

Sub-contractor
In-house
Back-end (LSI)
Back-end (Discrete)
Foundry
In-house
Front-end
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.

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

Higher functionality requires finer nodes.

Production technology (process node used by wafer)

Minimum Line Width (nm)
Streamlining of Human Resources
Streamlined headcounts in line with selection and concentration of businesses and manufacturing reforms

<table>
<thead>
<tr>
<th># of Employees</th>
<th>March 31, 2013</th>
<th>33,840</th>
<th>20.5 M yen (Sales per Headcount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2014</td>
<td>27,200</td>
<td>-14,680</td>
<td>Approx. 4,500 Early retirement program</td>
</tr>
<tr>
<td>March 31, 2015</td>
<td>21,100</td>
<td>-14,680</td>
<td>Approx. 3,400 Realignment of manufacturing structure</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>19,160</td>
<td>-14,680</td>
<td>Approx. 1,700 Business transfer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Approx. 5,100 Natural decrease, others</td>
</tr>
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</table>

- Approx. 4,500 Early retirement program
- Approx. 3,400 Realignment of manufacturing structure
- Approx. 1,700 Business transfer
- Approx. 5,100 Natural decrease, others

Sales per Headcount:
- March 31, 2013: 20.5 M yen
- March 31, 2014: 34.5 M yen
Operational Reforms
Realized optimized management resources with various measures

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 (ongoing))
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

FY12 | FY13 | FY14 | FY15

Approx. 150 B yen

Reform Plan Achievements
Improved Profit through the Reform Plan

Improved gross margin and cost efficiency measures have expanded operating margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (B yen)</th>
<th>Gross Margin (%)</th>
<th>Operating Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>785.8</td>
<td>30.9%</td>
<td>-3.0%</td>
</tr>
<tr>
<td>FY13</td>
<td>833.0</td>
<td>37.2%</td>
<td>8.1%</td>
</tr>
<tr>
<td>FY14</td>
<td>791.1</td>
<td>40.3%</td>
<td>13.2%</td>
</tr>
<tr>
<td>FY15</td>
<td>693.3</td>
<td>44.1%</td>
<td>15.0%</td>
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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
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.