2Q of the year Ended December 31, 2025
Conference Call (Held July 25, 2025)
Presentation and Question & Answer Summary

Presentation

Moderator: Good morning, everyone. Thank you very much for taking the time despite your busy schedule to attend Renesas Electronics Corporation's 2025 Q2 earnings call. We thank you very much indeed.

For today, simultaneous interpretation service is provided. Please click the interpretation icon at the bottom of the screen and select the language of your choice

For today's session, we have our President and CEO, Hidetoshi Shibata; and Senior Vice President and CFO, Shuhei Shinkai; and some other staff members from the Company.

After the opening remarks from Mr. Shibata, Mr. Shinkai will explain the Q2 results. After that, we would like to take questions. We expect to finish the entire session in about 60 minutes.

Please be advised that the material to be used for today's session is already posted on the IR site of our homepage.

Now, Mr. Shibata, please turn the microphone on, and the floor is yours.

Shibata: Good morning, everyone. This is Shibata.

First of all, recently, we have seen a certain conclusion with respect to the tariff issue, which I think is wonderful. The government, I think, has arrived at the best possible solution out of the options available. So, from here onwards, the private companies in the current environment will have to consider how to respond and deliver results. I think that is the phase that we are currently moving into.

Having said that, however, the uncertainty still remains. The numbers that we have provided to you, including the Q3 numbers, where we have not factored in any numbers that could be affected by this tariff rate of 15%. Instead, the Q2, a 5% or so risk had been factored in the Q2 numbers, which is something that we had already announced, but this did not materialize, fortunately. Still, uncertainty continues. So, around 3%, the haircut numbers outlook is provided this time around. So, that is the overall picture.

Now, in particular about Q2, no big surprises. The tariff impact did not materialize. So, no big surprises for the Q2 numbers. Wolfspeed impairment, as we have informed you before, we've been able to land the numbers in line with the projection that we had given to you earlier. And that is reflected in the difference between GAAP and non-GAAP numbers.

As for Q3, the conventional servers and other data centers and because we've been able to acquire market share slightly and because of seasonality, mobile is expected to grow quite healthily. And in the area of IIoT, solid growth is therefore expected. On the other hand, when it comes to automotive, Q2, in particular in China, the performance was stronger than expected.

The subsidies are now coming to an end, and there are some reactions about that. So, therefore, in Q3, China is expected to slow down slightly. So, that is factored in the numbers. So, automotive, therefore, is expected to remain flattish.

Overall, the tariff impact still is uncertain. Therefore, although not as significantly as Q2, we have made a little haircut. And in order to include some risks, that is the overview of the guidance for Q3. So, that is the overall picture.

So, from here, as always, we would like to go through the presentation and have more details explained by Mr. Shinkai. Mr. Shinkai, please begin.

Shinkai: Thank you very much. This is Shinkai, CFO. I would like to explain the results for Q2 of the year ending December 2025 using the material.

2Q 2025 FINANCIAL SNAPSHOT

NON-GAAP

(B yen)	2024		2025								
	2Q (Apr-Jun)	1H (Jan-Jun)	1Q (Jan-Mar)	2Q (Apr-Jun) Forecast	2Q (Apr-Jun) Actual	YoY	QoQ	Change from Apr 24 FCT*1	1H (Jan-Jun) Actual	YoY	Change from Apr 24 FCT*1
Revenue	358.8	710.6	308.8	302.0 (±7.5)	324.6	-9.5%	+5.1%	+7.5%	633.4	-10.9%	+3.7%
Revenue (Excluding FX Impact)	-	-	-	-	-	-9.6%	+9.0%	+3.9%	-	-13.2%	+2.0%
Device Revenue*2 (Excluding FX Impact)	-	-	-	-	-	-11.9%	+9.1%	+3.6%	-	-15.5%	+1.9%
Gross Margin	56.7%	56.7%	56.7%	55.0%	56.8%	+0.1pt	+0.0pt	+1.8pts	56.8%	+0.1pt	+0.9pt
Operating Profit (Margin)	110.6 (30.8%)	224.1 (31.5%)	83.8 (27.1%)	25.0%	91.9 (28.3%)	-18.7 (-2.5pts)	+8.0 (+1.2pts)	(+3.3pts)	175.7 (27.7%)	-48.4 (-3.8pts)	(+1.7pts)
Profit Attributable to Owners of Parent	96.7	202.5	73.3	-	77.8	-18.9	+4.5	-	151.1	-51.4	-
EBITDA*3	132.8	266.6	103.5	-	110.2	-22.6	+6.6	-	213.7	-52.8	-
1 US$=	153 yen	150 yen	154 yen	142 yen	146 yen	7 yen appreciation	8 yen appreciation	4 yen depreciation	150 yen	0 yen depreciation	2 yen depreciation
1 Euro=	165 yen	162 yen	161 yen	156 yen	162 yen	3 yen appreciation	2 yen depreciation	6 yen depreciation	161 yen	1 yen appreciation	3 yen depreciation

*1: Each figure represents comparisons with the midpoint in the sales revenue forecast range *2: Excluding former Altium from reportable segments *3: Operating profit + Depreciation and amortization

Page 4

RENESAS

If you can go to the fourth page. These are the Q2 results.

As for the actuals of Q2, please look at the column in dark blue in the middle. Revenue, JPY324.6 billion; gross margin, 56.8%; operating profit, JPY91.9 billion; and the OP margin 28.3%; profit attributable to the parent, JPY77.8 billion; EBITDA, JPY110.2 billion; foreign exchange rate, JPY146 to the US dollar and JPY162 to the euro.

Compared to the difference with the forecast, if you look at the three columns to the right, and for H1 at the far right, the dark blue part. What is written on this slide is the non-GAAP-based results. The GAAP-based results are in the appendix.

There, the deposit to Wolfspeed has been recorded as valuation losses, JPY235 billion. For this fiscal year, it was originally anticipated to be JPY250 billion, but it came in at JPY235 billion at the end of the day. That's the final number. Those are recorded under financial expenses and have impacted our profit attributable to the owner of the parent.

2Q 2025 REVENUE AND GROSS / OPERATING MARGIN

NON-GAAP

	Company Total	Automotive	Industrial / Infrastructure / IoT
Revenue	324.6 B yen vs FCT: +7.5% QoQ: +5.1%	161.8 B yen vs FCT: + QoQ: +4.2%	161.3 B yen vs FCT: + QoQ: +7.0%
Gross Margin	56.8% vs FCT: +1.8pts QoQ: +0.0pt	52.4% QoQ: +0.2pt	61.1% QoQ: -0.8pt
Operating Margin	28.3% vs FCT: +3.3pts QoQ: +1.2pts	23.4% QoQ: -6.3pts	25.9% QoQ: +4.6pts

vs FCT

- ✓ **Revenue: +**
- ✓ **Gross Margin: +**
  (+) Yen depreciation, Increased utilization, Decreased production cost
- ✓ **Operating Margin: +**
  (+) Yen depreciation, Increased gross profit

QoQ

- ✓ **Revenue: +**
- ✓ **Gross Margin: +**
  (+) Increased utilization
  (-) Yen appreciation
- ✓ **Operating Margin: +**
  (+) Increased gross profit
  (-) Yen appreciation, Increased operating cost

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Next page, please. This is the Q2 revenue, gross margin, and operating margin. I would like to explain them here.

Compared to the forecast on the upper right, if you look at the upper right box, revenue was up 7.5% compared to the forecast median number. Less than half of that was due to the weaker yen, and remaining slightly over half was due to the fact that, as Mr. Shibata mentioned, when we developed our Q2 forecast due to the uncertainties over the reciprocal tariff impact, we factored in some risk, but those risks did not really materialize.

To give you some more details, automotive achieved an increase compared to the forecast that accounted for 80% and the remaining coming from the IIoT area.

As for the gross margin, 56.8% and compared to the medium value, 180 basis points higher. So, that was an improvement and due mainly to the weaker yen, increased utilization, and improved production costs. Those were the factors behind this increase.

As for the utilization, the input, the utilization increased slightly and also for the manufacturing cost, the manufacturing-related projects footprint optimization and those project expenses were pushed out, and those are going to be delayed into Q3.

As for the operating margin, 28.3%. So, compared to the median value, a 3.3-percentage-point improvement. This was due to the size increase of the gross profit. So, the size improvement and the COGS improvement and push out of the expenses, due to these factors, we've arrived at these numbers. The cost itself, Opex itself, excluding the foreign exchange impact, came in as projected.

If you look at the bottom right on the QoQ, revenue was an increase of 5.1%, excluding the impact of foreign exchange, up 9%. Both automotive and IIoT achieved an increase.

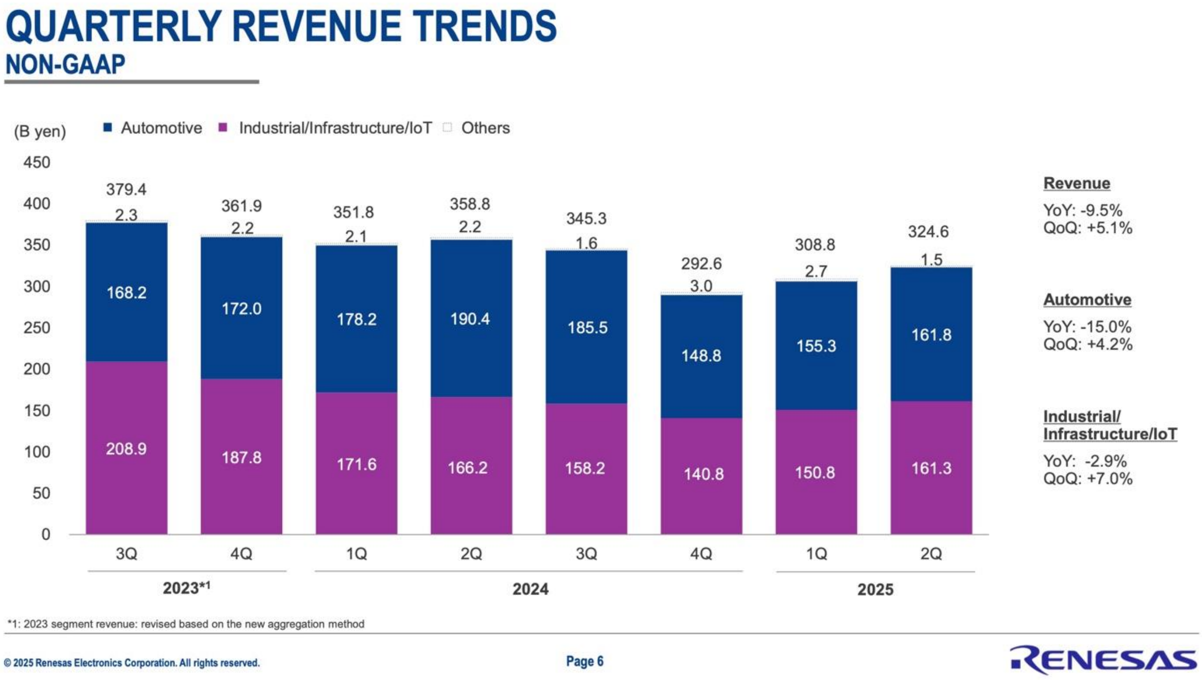
For the gross margin was nearly flat. The foreign exchange and the deterioration due to the manufacturing expenses were offset by utilization improvement.

For operating profit, because of the foreign exchange and the expense increases, these were offset by utilization, so up 1.2 percentage points on a QoQ basis.

By segment, if I look at the middle part here, I would like to give some commentary here. The P&L by segment, the one-off P&L, this is excluded from the non-GAAP adjustment for the entire company. But for segment-specific P&L, it is already adjusted for in each segment. So, therefore, the segment total, it does not really match up with the Company total.

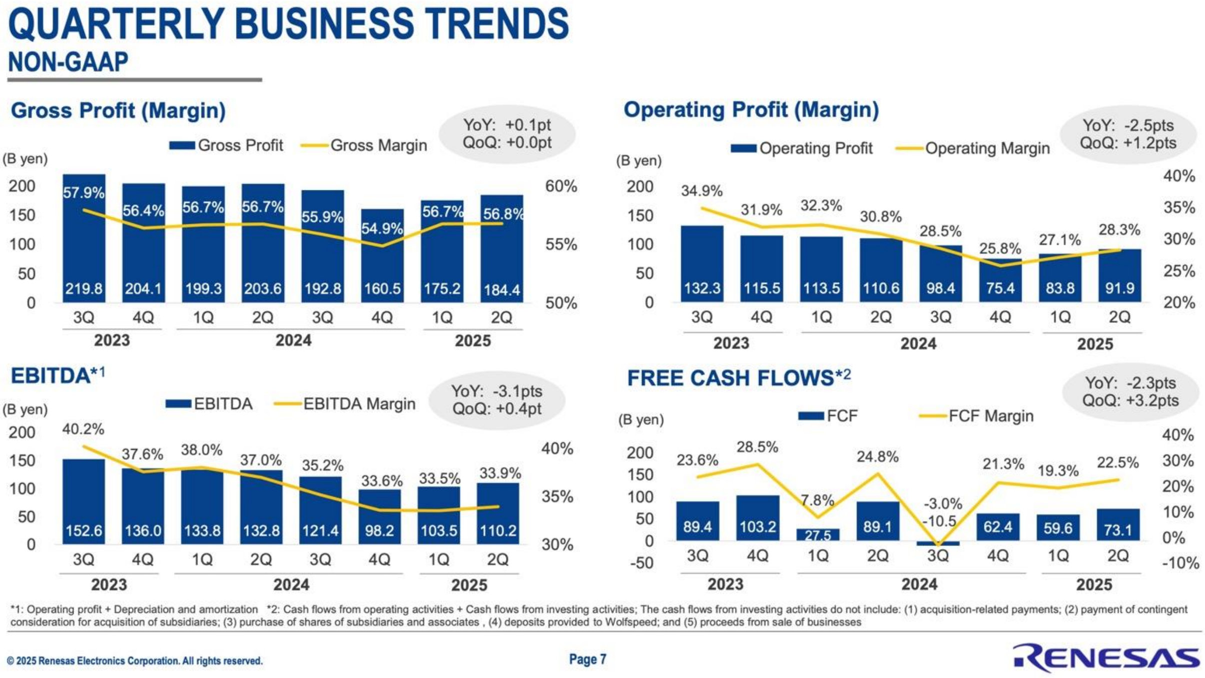
So, I would like to just add some comments here. For the automotive sector, in Q2, we have added back the losses, such as the impairment losses from the SiC business. Those are recorded here. So, therefore, the OP margin on a QoQ basis was down 6.3 percentage points. And because of this irregular factor, if they were not for this impact, automotive QoQ was almost flat.

When it comes to IIoT, in Q1, there were one-off factors factored in, such as the legal expenses, allowances mainly. And because of this reaction on a QoQ basis, in Q2, the operating profit improved more than the growth of the revenue.

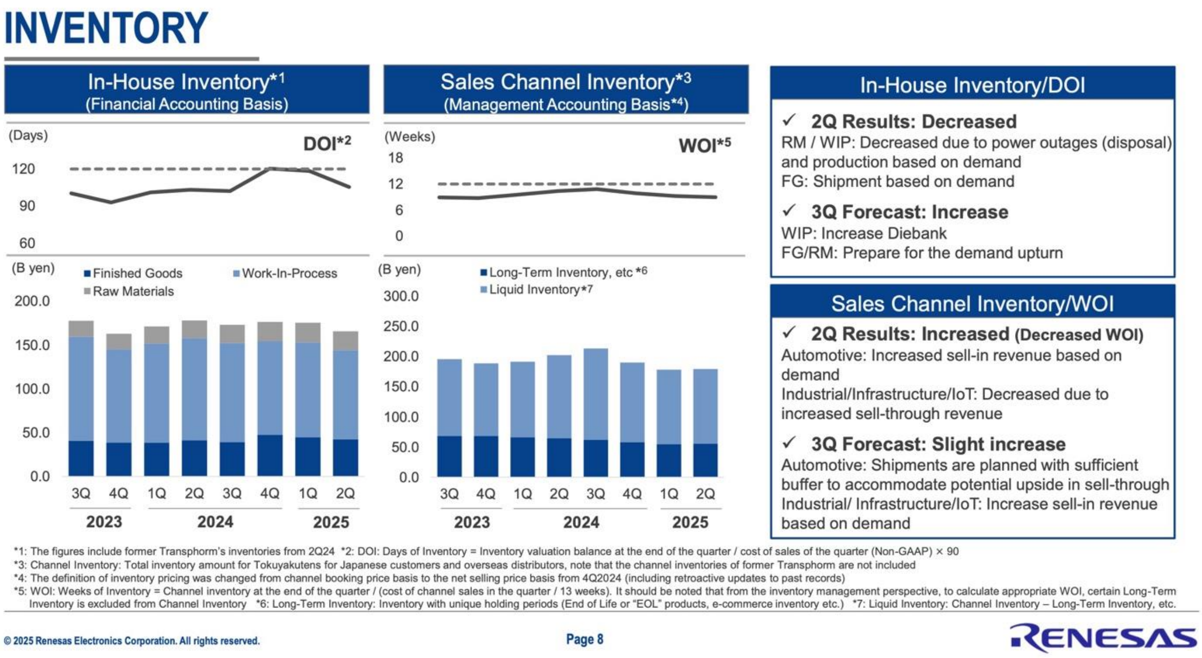


The next page, please. This is the quarterly revenue trend.

You can see the Q2 results on the far right. YoY, overall, we had minus 9.5%, and revenue QoQ, plus 5.1%. Excluding the FX impact, as you can see on page four, YoY, our revenue was down 9.6% and increased 9% QoQ, and as you can see this by segment results as follows.



These are the financial numbers and their trends at this time. There's nothing in particular that I would like to highlight, so this is just for your reference.



Please go on to the next page. This is showing in-house inventory and channel inventory changes and forecast.

First, please take a look at the top right, in-house inventory and DOI. In Q2, both inventory, the actual amount and DOI decreased QoQ. As for DOI, from 118 days to 106 days at the end of Q2, there was a decrease. The main reason comes from a decrease in line with the revenue increase. Particular reasons include the April power outages in Naka factory, disposals and recovery efforts in line with that. Other than that, due to production and shipment, the raw materials and work-in-process decreased as a result.

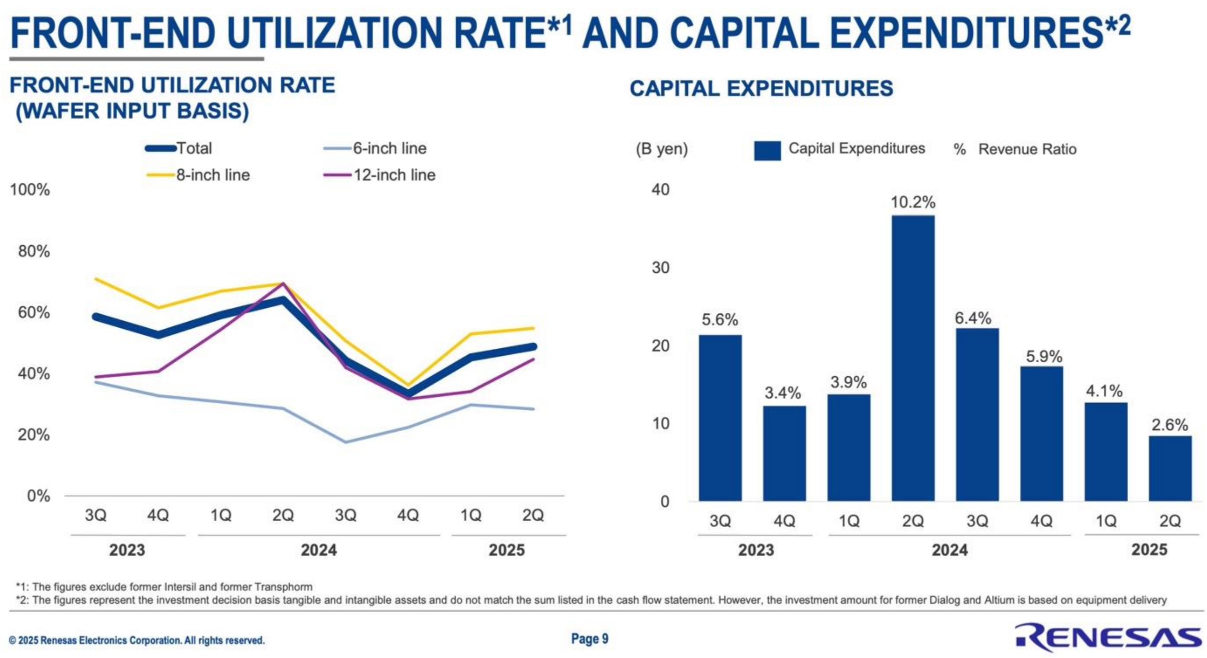
As for the Q3 forecast, we expect an increase QoQ. Diebank is to be increased according to our plan. And this is for DDR5 and others. And as for the finished goods, we expect there may be some upturn in the demand, so we would like to build up the inventory to some extent.

In the lower half, this is for the channel inventory. In Q2, although inventory increased QoQ, sell-through also increased. As a result, WOI decreased QoQ. At the end of Q1, it was 9.2 weeks decreased to 9 weeks at the end of the quarter.

As for the automotive, sell-through was mostly in line with our expectation, but we have increased the sell-in to the channel inventory, with the expectation that demand increases in Q3. As for the IIoT, sell-through increased slightly above our expectation, and as a result, the sell-in also increased. And as a result, the channel inventory decreased in line with our expectation.

For Q3, we expect a slight increase QoQ. For automotive, this will follow shipment in line with sell-through, but we would like to accommodate a potential upside in the sell-through with sufficient buffer. As Shibata said at the outset, in Q3, of course, there remains uncertainties with regard to tariff issues. And we expect some impact of that. In case risks materialize and if there is going to be an upside, we would like to be in a position to accommodate with sufficient buffer. Therefore, for WOI, we expect a slight increase, but if there is an upturn in the end demand, of course, the amount as well as WOI would decrease as a result.

As for the IIoT, the plan is to further expand channel inventory. And this is to accommodate seasonality coming from the mobile, among others. And as a result, WOI is expected to increase.



Please go on to the next page. This is on the utilization rate.

On the left-hand side, you can see front-end utilization rate based on wafer input. From the initial expectation in Q2, our utilization rate increased. It was mid-40% as originally expected, but the result was slightly below 50%. Partly, this is in relation to the power outages at the Naka factory and the recovery efforts in production.

There was a temporary increase, but mostly this increase in utilization rate came from other factors. As for Q3, we expect a flat QoQ. So, from mid-40% to upper 40% is our expectation.

As for the capital expenditures, the recent trend is that the capital expenditures are mostly for non-production related. But Q2, in addition to R&D, for increasing efficiency in the production equipment, there were some investments made. In Q3, capital expenditures will increase mostly around R&D.

3Q 2025 FORECAST
NON-GAAP

(B yen)	2024		2025					
	3Q (Jul-Sep)	9 months (Jan-Sep)	2Q (Apr-Jun)	3Q (Jul-Sep) Midpoint Forecast (Range)*1	YoY	QoQ	9 months (Jan-Sep) Forecast	YoY
Revenue	345.3	1,055.9	324.6	**330.0 (±7.5)**	**-4.4% (±2.2pts)**	**+1.7% (±2.3pts)**	**963.4 (±7.5)**	**-8.8% (±0.7pt)**
Revenue (Excluding FX Impact)	-	-	-	-	**-4.6%**	**+2.0%**	-	**-10.4%**
Device Revenue*2 (Excluding FX Impact)	-	-	-	-	**-4.9%**	**+2.0%**	-	**-12.1%**
Gross Margin	55.9%	56.4%	56.8%	**56.5%**	**+0.6pt**	**-0.3pt**	**56.7%**	**+0.3pt**
Operating Margin	28.5%	30.5%	28.3%	**27.0%**	**-1.5pts**	**-1.3pts**	**27.5%**	**-3.1pts**
1 US$ =	154 yen	151 yen	146 yen	**145 yen**	**9 yen appreciation**	**1 yen appreciation**	**148 yen**	**3 yen appreciation**
1 Euro=	168 yen	164 yen	162 yen	**169 yen**	**1 yen depreciation**	**7 yen depreciation**	**164 yen**	**0 yen appreciation**

*1: Each figure represents comparisons with the midpoint in the sales revenue forecast range
*2: Excluding former Altium from reportable segments

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Please go on to the next page. This is the Q3 forecast.

Please refer to the dark blue column in the middle of the slide. The midpoint revenue forecast, JPY330 billion; gross margin, 56.5%; operating margin, 27%. FX assumes JPY145 to the US dollar and JPY169 to the euro.

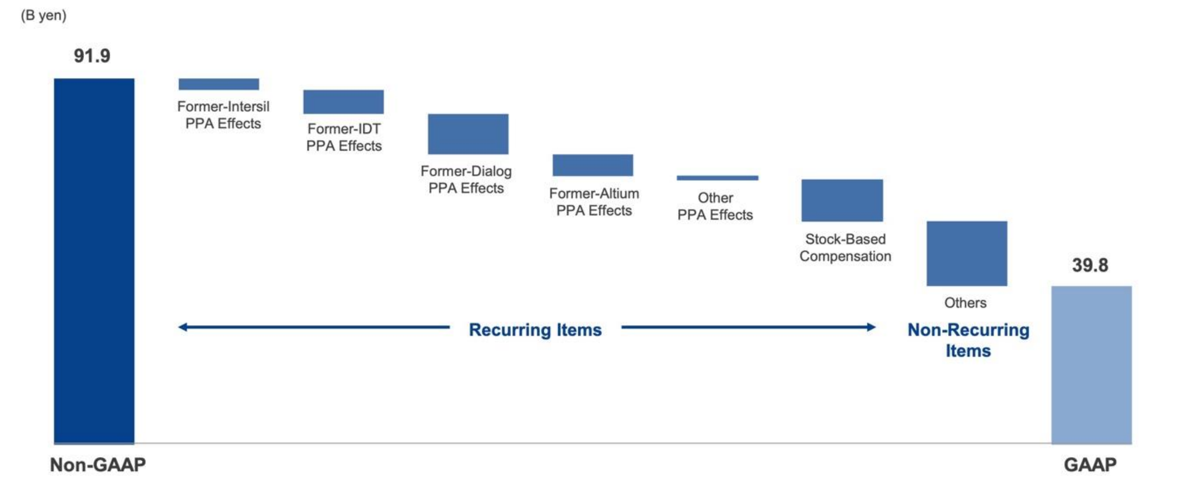
As for the revenue forecast, I would like to give additional comments here. We expect YoY minus 4.4%, plus 1.7% QoQ for revenue. If you look at two rows below, device sales, excluding FX impact, we expect a plus 2% QoQ.

Furthermore, the gross margin forecast is 56.5%. This is a 0.3% decrease QoQ. Overall, because of the weaker euro, this will have an upturn. But due to the mix with mobile increasing and also the cost increased in Q2, as a result, the gross margin is expected to slightly decrease.

OP margin, 27%. We expect a 130-basis-point decrease QoQ. This is mainly due to Opex increases. On a QoQ basis, we expect JPY3 billion or so increase. 70% comes from R&D, 30% from SG&A. This year, in H1,Opex had a slow start. We maintained the low levels. And in H2, we will gradually increase our Opex spending.

2Q 2025 CONSOLIDATED OPERATING PROFIT

BRIDGE FROM NON-GAAP TO GAAP



  RENESAS

For the appendix, I will also give some additional comments. Page 16, please. This is a bridge from non-GAAP to GAAP on an operating margin basis.

Second from the right, non-recurring items, in Q2, there was JPY16.3 billion, a substantive amount. This includes restructuring-related one-off costs and the suspension of the SiC business. This is also a onetime cost and the provision for litigation costs, as well as loss as a result of the power outages at a factory are all included here.

2Q 2025 FINANCIAL SNAPSHOT

GAAP

(B yen)	2024		2025					
	2Q (Apr-Jun)	1H (Jan-Jun)	1Q (Jan-Mar)	2Q (Apr-Jun)	YoY	QoQ	1H (Jan-Jun)	YoY
Revenue	358.8	710.6	308.8	325.5	-9.3%	+5.4%	634.3	-10.7%
Gross Margin	56.0%	56.1%	56.0%	55.7%	-0.3pt	-0.3pt	55.8%	-0.2pt
Operating Profit (Margin)	69.7 (19.4%)	147.5 (20.8%)	21.5 (7.0%)	39.8 (12.2%)	-29.9 (-7.2pts)	+18.3 (+5.2pts)	61.3 (9.7%)	-86.2 (-11.1pts)
Profit Attributable to Owners of Parent (Loss)	59.7	139.6	26.0	-201.3*1	-261.1	-227.4	-175.3	-314.9
EBITDA*2	120.6	246.3	75.8	83.6	-37.1	+7.8	159.3	-87.0
1 US$=	153 yen	150 yen	154 yen	146 yen	7 yen appreciation	8 yen appreciation	150 yen	0 yen depreciation
1 Euro=	165 yen	162 yen	161 yen	162 yen	3 yen appreciation	2 yen depreciation	161 yen	1 yen appreciation

*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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In the next page, page 17, this is what I referred to at the beginning of my explanation, the results in a GAAP basis.

The impairment loss related to Wolfspeed is included here. As a result, profit attributable to owners of parent was minus JPY201.3 billion.

This concludes my explanation. Thank you.

Question & Answer

[Questioner 1]

Q: First, as Mr. Shibata said at the outset that the tariff is now set to be 15%. So, we have a better visibility in that regard compared to before. In the realm of what you can see right now, after Q4 into 2026, automotive and IIoT, what are the scenarios that you are foreseeing in that time frame? So, that's my first question.

Shibata: Well, it's very difficult for me to foresee 2026 at this point of time. Even Q4, still at this point, it's very difficult for us to foresee what is going to happen then. But as an overall trend, we are expecting flattish or slight increase. Well, that is a modest forecast as we have right now. The vectors of the growth remain unchanged from Q3. I think nearly unchanged. Data center AI-related will be driving the growth, I believe.

As far as automotive is concerned, although the size is still very limited, but still in Q4, the fourth-generation ADAS-related SoC for automotive will start to pick up, so I think that will be a positive development for us. For the 28-nano MCU, those were driven by China, but these will be expanded into Japan and Europe, so that is going to sustain the growth, I believe. But on the other hand, when it comes to the overall demand for automotive, we still have no clue as to how that will unfold. So, there will be both positives and negatives, and therefore, on a net-net basis, we believe we will be happy if it's a slight increase compared to now.

Q: A follow-up question. Other companies, compared to three years ago, they believe that they have a more cautious view on the market environment forecast. That was a comment by your competitor. But have you changed your forecast as for the market outlook compared to before?

Shibata: Well, as we have always been pointed out and criticized in many cases, but we always have a modest view, or it doesn't mean that we have moderated our forecast compared to before. This is something that we have factored in from before.

Q: Okay. My second question, at the Capital Market Day event in the end of June, you talked about the initiatives for competitiveness improvement, and you're going to run the R&D projects in order to raise your competitiveness. And therefore, the OP margin target was changed compared to before. But also, the Company message after that, you also talked about the time horizon.

So, what is your financial model that you're currently contemplating? It's getting difficulty to see what your current model is. So as of this point, compared to the message that you have given at the Capital Market Day, are there any changes or anything that you would like to add as a comment to what you said at the Capital Market Day?

For the OP margin, the target range was changed. And also, the 2- percentage-point increase of the OP margin, you are going to work on cost reduction this fiscal year. So then, what is the net results out of that? If you can comment on those points, that would be appreciated.

Shibata: The latter half will be explained by Shinkai-san later after me.

But for the former part of the question, there are no changes. These are things that's not going to change so suddenly. But what are the issues for us? Although this was pointed out by some of the investors, but we cannot compare the performance of the Company unless we use a constant foreign exchange. So, JPY100 to the US dollar and JPY120 to the euro. We have been comparing our performance based on the constant currency basis. And the numbers that we show on a quarterly basis is based on the actual foreign exchange rate, and therefore, the baseline is different. So that kind of explanation was insufficient. So that was pointed out by some of the investors. And therefore, if that is the case, then I want you to deepen your understanding. So, that's one point.

In recent years, JPY100 to the US dollar and JPY120 to the euro, if that is the case, this is lower than 25%. So, we would like to put it to somewhere in the range of 25% to 30%. So that remains unchanged as a message that we have given you at the Capital Market Day. And this is something that we have to apologize for. Mr. Shinkai mentioned back then, regarding the R&D intensity, there was a simple miscalculation. So, we would like to make that correction.

Those are the two points that I would like to convey here. The total message remains unchanged, 25% to 30% range. This range of margin, this is what we like to adhere to in our operations because in Japan, we often do this, but the emergency and the priority, when we look at things at those quadrants, then previously, important but not that urgent, those items had been postponed in many cases, and we're not really able to tackle them so much. So, important but not urgent, we have decided to steadily tackle these issues. So, that is the main focus here. Especially when it comes to R&D, we have decided to focus more on the R side of R&D. And that is the reason why we have decided to take on this initiative.

So, having said that, it's not going to be that we are going to recklessly make investments, and we don't want to dilute the operating margin as a result of that. If you look at the Q2 numbers and if you look at the guidance of Q3, you should be able to confirm. I think that it is best for you to confirm those numbers with the Q2 and Q3 numbers.

Shinkai-san will follow up.

Shinkai: As we've been talking about from the beginning of the year, the full year run rate, 2 percentage points of improvement of the operating margin, that worth of cost reduction is currently in progress, and we are making progress on track with our plan. And this 2-percentage-point COGS and Opex-related initiatives, 1.5 percentage points is related to the Opex run rate verification. So, on a full-year basis, this is currently in progress.

And also, for the run rate impact on the operating profit margin, there was a change due to the accounting rules and also the change of depreciation period. Because of these impacts, 3 percentage points worth of cost reduction is currently in progress. But this is only at a run rate basis. And for example, if you compare with the last fiscal year, the YoY revenue reduction impact is also kicking in here. And also, there is also a onetime cost reduction, so that caused a little bit of inflation. So, in reaction to that, there is an increase. So, if you compare this year versus last year, at the current margin, it doesn't really seem to be visible. But again, on a run rate basis, the reduction is making good progress as planned.

So, that's all for myself. Thank you.

[Questioner 2]

Q: First, from the April to June term, you talked about onetime costs. SG&A, I think, seems to be bigger by JPY8 billion. And also, the power outages-related costs, should they be considered onetime? In my calculation on a non-GAAP basis, the OP margin, I think, was above 31% according to my calculation. So, how should we consider this? That's my first question.

My second question also relates to 1st Quaetioner's question. At the Capital Market Day, the way you communicated was what I would like to talk about. What was the message? Was the message that the OP margin would decrease? I think that was how we understood your message. So, once again, we would like to clarify what the message is.

The actual OP margin or the OP profitability compared to the target, since it is low, should we expect the increase? And by how many percentage points should we expect an increase in the profitability going forward? I would like to get specific numbers. Sorry for asking this in a roundabout way, but what are the assumptions? And how many percentage point increases should we expect in terms of profitability?

Shibata: First, regarding automotive, the onetime costs seem more concentrated for the automotive segment, and they are onetime costs. Since these involve counterparties, I would not go into details, but for a prolonged period, this has been going on. Going back certain periods, the so-called patent trolls initiated lawsuits. And then, regarding these litigations, we would like to settle them finally. In order to do so, we allocated certain costs for bringing those lawsuits to an end.

Also, as Shinkai said, mostly around SiC, we made capital expenditures and investments. Without setting any timeline, we have made a decision to suspend this business. So, this portion would be impaired, and that is why we refer to these as onetime costs.

As for the Capital Day market, I did not understand the intention behind your questions, but we introduced the lower end for the range, and that's precisely what we did. So, it is not that we will unilaterally lower the profitability, but rather than trying to increase, we would like to ensure there is flexibility in our management, nothing more, nothing less.

As for what the numbers would look like based on constant currencies, I would like to refer to Shinkai-san for this part of the question.

Shinkai: On a constant currency basis, our currency sensitivity for this year is as follows. Well, going forward, so I will first talk about Q3 for revenue, with a JPY1 change against the US dollar, JPY1.7 billion. On an operating margin basis, JPY700 million in terms of the euro; JPY200 million against JPY1, OP margin; JPY100 million sensitivity against a JPY1 difference. So, using these, if you calculate, you can see what the numbers would look like today on a constant currency basis or the exchange rate of JPY100 to the US dollar, JPY120 to the euro.

As Shibata said, the 25% to 30% range, as we've been saying, currently, we are below the 25% level.

Q: Thank you very much. So, when excluding those onetime factors, what would be the amount for the operating profit? Is it going to be JPY100 billion on the dot?

Shinkai: When you say JPY100 billion, this is the company-wide impact, I believe.

Q: Now, I'm talking about Q2, JPY91.9 billion, so would that be JPY100 billion with constant currency or excluding onetime factors?

Shinkai: I would like to go back to the presentation materials, page five. If you look at the numbers on page five, company-wide numbers, there are litigation-related costs, as was mentioned, and also SiC, impairment loss costs. So, these have been excluded from the company-wide numbers. They have been excluded.

But for segment-specific factors, they have been added to the segment-specific numbers. So, for the automotive segment, if you look at this segment, the operating margin is 23.4%, and QoQ, it's 6.3% decrease. This minus 6.3%, almost all of it comes from onetime factors. So, excluding onetime factors QoQ, automotive would have been flat, around 30%. So, company-wide impact will be neutral.

Q: I see. Sorry, I did not understand the point. Thank you. It's clear now. Thank you very much.

[Questioner 3]

Q: The first question, the Q3 revenue guidance, I just wanted you to give us some more breakdown about IIoT, there are three segments. And the growth rate that you have in your current guidance, this 3% haircut you talked about, is this going to be applied across the board, including automotive? So, can you give us some more color to that?

And also, you mentioned that the automotive business is expected to be flattish, but I think with Japanese customers, are you expecting a number increase, the volume increase among the Japanese customers? So, what is your view, Mr. Shibata, on that? So, that's my first question.

Shibata: As of this point of time, there are both ups and downs. The situation is mixed. Even if it's the Japanese customer, the same Japanese customer, some customers are increasing, other customers are not increasing. So, it's quite divided. On a net-net basis, then a slight increase, I would say. So, the big variance comes from China.

On a QoQ basis, if I talk about the QoQ changes, China, Q2 reactionary decrease in Q3 will be most noteworthy or most conspicuous. Europe, from our viewpoint, remains weak. We don't really see any strong signs out of Europe. Japan is mixed. Some companies increasing, others decreasing. China, not really a weak trend, but there is a reactionary decrease that is going to be quite remarkable in Q3. And then, in Europe, will continue to be weak. That is the color that we see at the moment.

For the guidance, how we develop the guidance, the approach to developing guidance for Q3, if I give you some breakdowns of the elements, if I talk about the data center first. We believe this is going to be firm, as I mentioned earlier, mid-teen percentage increase is what we project here for the data centers in Q3. Consumer mobile, when we blend them all together, only high single-digit level growth, but if you just talk about mobile in particular, high-teen level of growth is what we are projecting right now. But then, other than mobile segments, those growths are muted when it comes to consumer segment. So that's how we look at things.

As for industrial, the core industrial automation-related as far as those demands are concerned, I think double-digit growth can be expected, as we see things right now. But again, this is just like the Chinese automotive. But in China, the white appliances, home appliances in China from Q2 to Q3, we are expecting a reactionary decrease in Q3. So, industrial overall, if you look at the entire industrial, we're not really sure. There is some growth in some areas but decrease in other areas. And therefore, we are expecting generally a flattish growth for industry overall.

So, a haircut of around 3 percentage points, 3%, I said. So, we are seeing some solid growth in applications, data center mobile. We have not applied a universal haircut there. Just a rounding level haircut was applied there. But other than that, when it comes to particular subjects where there is a solid decrease or insufficiency in supply, otherwise, other than those elements, we have applied a universal haircut in general.

Q: Okay. My second question. Not really sure if I can ask this in an easy-to-understand way, but the other day, during the Capital Market Day, you talked about reinforcing your capabilities for the mid to longer term. And I do understand that you are taking all these initiatives for that direction, for that purpose. But investors are not really looking at things on a three-year horizon. I think they have to live with the reality that they have to improve their capital gains in like a six-month range. And I think it's difficult to achieve both.

So, in that environment, I think software strategies will take time for you to materialize and deliver results. Given that in the one-year, two-year time frame, what do you want us to evaluate on you from an outsider's perspective? What is going to be the driver for you to raise your stock price? I'm sure you are thinking about that. So, in terms of your communication with the stock market, how are you going to harmonize your views vis-a-vis the investors or the stock market? If you have any plans for the Company in the next six months, one-year period, what are the elements for us to evaluate the Company? Or in your view, what will drive the growth of the stock price in the next six-month, one-year time frame exactly?

Shibata: Capital Market Day, we have been setting this at a cadence of once a year. So, at the next Capital Markets Day, we'll try to provide information that could specifically address your question. I will try to comment on that and provide your communication in a very easy-to-understand way as much as possible, especially when it comes to software and digital.

How should I put it? We are looking at things quite aggressively, so we would like to translate them into a metrics so that you can precisely understand what that means. But before that, like in the six-month, 12-month time frame, within that time frame, this is not really about software digital. This is rather more about the conventional semiconductor center topics that I think will be key, and that's more suitable for that growth. So, we would like to continue to provide information on the extensions of what we have done so far. And right now, 15% tariff, I think, is a wonderful conclusion but still uncertainty remains. That is true. So, therefore, we have to move in line with the visibility enhancing in the total market. And give you more visibility as to the semiconductor market. We'll try to respond to your request based on that approach.

Thank you.

Q: So, correct me if I'm wrong, but in the next six months, 12 months, you will talk more about the conventional things like SaaS semiconductor. And for IIoT, you'll try to raise revenues based on different product level. But for automotive, the 15% tariff, given that this conclusion, if this turns positive, now we are seeing slight signs of that, and therefore, the expectations are beginning to increase. And I think that you're expecting those, hopefully, to be the driver of your stock price. Is that correct as my interpretation?

Shinkai: Yes, that's true. But also, as I said, the 28-nano MCU, at last, in other geographies than China, this is expected to take off, although the number is not going to increase significantly, but Gen 4 SoC also, we would like to also give you some more color on that product as well.

[Questioner 4]

Q: My first question is this, regarding utilization of your factories. In total, in 2025, you had a slight increase, I believe, for 12 inches, 8 inches. But for 6 inches, it's below 40%. I think that's the level you're continuing to see with regard to the utilization rate. So, I would like to know more about the outlook, particularly for the 6 inches. Is it going to increase?

Shinkai: That's a difficult question. It's not that we have a plan to launch new products for 6 inches, so our approach is to maintain the utilization rate.

Q: Thank you. And my second question is this. I apologize for asking this every time, but for the Kofu factory, are there any updates? In the previous Capital Market Day, you talked about 300 mm GaN and also power MOSFET. The future vision was presented to be used for these products. For GaN, what is your timeline for the mass production to start? I think it's going to be a longer range, so what is the current utilization outlook? How are you going to use this plant for the time being?

Shibata: Well, I don't have any new information to share since last time, as it's only been one month. No big situational change has taken place in over a month. We've made a decision for the Capex. So, for the MOSFET process, we will make sure that the process will be launched. And I would say, in a low single-digit number of years, we hope that this will be fully launched. So, currently, we are making preparations in a very steady manner.

That's all for me.

[Questioner 5]

Q: My first question regarding your gross margin, your approach thereof. In Q3, automotive and IIoT, when you separate between the two, what is the gross margin projection? The reason why I'm asking is because, of course, mobile is going to increase, and the mix may deteriorate, but industrial and data center applications increasing in ADAS and automotive, if those increased, I thought that the gross margin would improve, if you can give a comment on that.

Also, the mid to longer term, during the IR Day, you said that you're going to increase your gross margin, and also the SG&A ratio would also increase. But so long as the gross margin is going to increase, I think you said that the profit margin would stay flat. But then, the gross margin has not been revised upwards. So, if you can comment on the reason behind that?

Shibata: And that can be explained by Shinkai-san, right?

Shinkai: Yes. Over the medium term, the model for the medium term, if I can comment on that, the gross margin is 55%, remains unchanged from the last presentation. So, the reason for that is because the mix improvement will be there, but we are not expecting a significant change in the mix. And therefore, depending on how things unfold in the future, such as pricing and also the cost base, there could be variations there, changes there, so we'll try to offset them properly so that we can manage in a good way.

So, with that, that's the reason why we are expecting flattish growth for the gross margin. The details pertaining to automotive and the changes between the mix between automotive and the industrial, there might be some short-term changes. But if you even them out over a longer time horizon, the gross margin is not going to increase sharply given the current situation. So, we are not foreseeing a significant increase in the gross margin at this point of time. But we are not expecting a decrease either.

For example, if you look at the Q2, Q3 gross margin trends, in Q2, if you look at the slides, there's a gross margin by segment. On a QoQ, the changes are not that significant, automotive 0.2 percentage point, for IIoT, 0.8 percentage point. So, that is the change that we have been seeing. So, we are not expecting a dynamic change from that level of changes.

Q: Thank you. My second question is about, now that the autonomous driving is increasing, you're expecting SoC to increase this fiscal year. But even in the mid to long term, are you having tangible progress in terms of the order received for autonomous driving? Do you rather believe there's something needed, such as R&D and reinforcement. So, if you can talk about the autonomous driving-related SoC or microprocessor units, order acquisition status over the mid to longer term?

Shibata: Well, this is not going to change significantly from what we had commented before. In this segment, in this area, we are not a dedicated automotive portfolio, mobile graphics, all these things. We are not bringing automotive. These things developed for mobile and graphics, bringing them to automotive, because we are a dedicated automotive player in that regard. So, looking at the entire customer as a target and building up things, that is not our direction because that does not make sense in terms of our strategic rationale.

Since last year, we have made announcements that we are going to collaborate with a major Japanese OEM. I think I'm sure you have read that press release. So, we are going to meticulously build up those kinds of projects going forward. That is the approach that is fit to our strategy, so that's what we are doing. So therefore, it's only six months since we have made this comment or announcement. So, we are not seeing a significant increase of these orders.

So, these things can increase only one to three cases or maybe one to two cases per one year. That kind of increase is going to be very matching with our strategy, so that is what we are looking at right now. That is the level we are looking at. So, if the next opportunity arrives, maybe sometime around the end of this year or early next year, if those materialize, that will make us believe that we are in a favorable trend and a steady progress.

Gen 4, those are going to take off from here onwards. So, for those products, fortunately, we have so far not been able to enter the Korean market in a significant way. But fortunately, we are able to make a foray into that market. So, for the next several years, not five, seven years, but in a shorter timeframe, we believe this is a very exciting opportunity for us. So, we have high expectations there. What I'm trying to say here is that we are doing okay, so, so okay, I believe. We cannot be too proud with this current level of performance, but we are not facing a dire situation either. I think we’re doing reasonably well. That's about the SoC.

When it comes to R&D, SoC consumes money. That's exactly correct, but not only that, as I mentioned earlier, important but not urgent, those kinds of initiatives will have to be executed. So, the design methodology, drastically modernized, implementing AI, or as far as the research part, as you may be aware, SiC, we have been a laggard. We try to enter that space as a laggard, and the situation is what you have seen. So, those things, those research that will lead us to our future, we have to tackle them earlier on. Based on that awareness, we have decided to reinforce our research activities. So, that is currently being contemplated. So, with respect to SoC, it is true that SoC requires a lot of money, but not only that, we are a technology company. We would like to brush up our technology, and we would like to spend the necessary investments for that.

Again, at the risk of repeating myself, but the important but not urgent, pushing out to next year or the next half, we tend to fall into that trap. But instead of that, we'll try to prioritize things and tackle them one by one. Our operating cadence is about, once a year, we develop an annual operating plan, and we decide on the theme of the year and make investments according to the theme. So, on an annual basis, we run the cycle of planning. And the model that we talked about the other day, all the things that I'm talking about right now will be factored in in the plan for next fiscal year. That's already factored in the plan for next fiscal year, so if you ask me what we are doing right now, we are doing only the things on the extensions of what I mentioned the last time. But for next fiscal year, we are developing the multiyear plan that will continue from next fiscal year.

[Questioner 6]

Q: First, regarding automotive. Based on what you've said so far, the idiosyncratic automotive driver will be 28-nano microcontroller unit. And although the scale is small, you have ADAS SoC based on what you said. But with regard to 28-nano MCU, for Japanese OEMs, certain models will have a significant volume, and they will be making a shift to the new E/E architecture. And as a result, the overall MCU market, for example, content growth is expected for the next one to two years or two to three years.

Do you think such improvement will be made? Will this have certain impact to result in such improvement? Or the MCU growth will remain just as before? And as a result of that, your company for the next one to three years, the automotive revenue will grow at a higher pace than TAM. There are many uncertainties, I understand, and therefore, difficult to make a prediction, but whether you will be able to outperform the market or not? I would like to get your views on this.

The second question is this, it's more on the short-term horizon after the acquisition of Altium. It's been almost one year since the acquisition, so looking back at the past one year, what would you say were the good things? What are some areas where you were lacking to some extent? And also, compared to before the acquisition, have you seen accelerated revenue growth? Or has it remained the same in the mid-10% range?

Shibata: With respect to Altium, over the past one year, I would say not much has changed. This will be something we will cover again in next year's Capital Market Day. Of course, we target aggressive growth, and that's where we are shifting our focus. We are pivoting. And hopefully, next year, we will be able to share the progress of that. So, I think we hope to go in the direction of accelerating growth from now on.

As for automotive, what will happen in one year or one to three years, all I can say is that we will do our best. For 28-nano, this will be launched, this will take off. But in reality, customers other than in China, how should I put it? Should I say migration, changing platforms, the speed with which they are changing platforms, China is overwhelmingly fast. Other geographies, we have not seen much change, the same for Europe or the Americas. I think five years is the reality with which we are working with. We will have the ramp-up, the launch, and this will have a positive impact in an incremental manner. Of course, we would like to further accelerate. We are working hard in China as well. So, our views remain the same.

SAM, we will outpace the SAM growth, and we will make efforts to achieve that. But what will happen one year from now, or three years out, it's difficult to say unless we reach that time horizon to share more details with you. And this topic in my mind is basically the same as the MCU share discussion. As we've said before, for 28-nano in the initial phase, we were quite rushed. We were overzealous. And I think that shows in the real share status.

Going forward, we will launch products to be aligned with the market pace. That's something we've already shared with you. And for these to fully take off, how much longer do we need, I believe, is going to be the answer to your question. I wouldn't say one year, but we are looking more in the period of two to three years. That's when we will start to see these fully take off. So, I don't know all these things combined, if you allow us a three-year time, then you will be able to see what I'm talking about today.

Moderator: Thank you very much. With this, we would like to finish the Q&A session.

Finally, we would like to close the meeting with the closing remarks from Mr. Shibata.

Shibata: So, there's nothing new in particular as of today. In many different regards, we are in a very difficult situation, but the Japanese government has made a lot of efforts and achieved this great result. So, we would like to pay respect to that.

Also, although we are a very small private company, only a single private company, but now it's the part of the private sector to exert efforts. We would like to give out our best and lead it to our growth. So, we continue to seek your support and collaboration.

Thank you very much for your participation today.

Moderator: With that, we will conclude Renesas Electronics' 2025 Q2 earnings call. Thank you very much indeed for your participation today.

[END]