Capital Market Day 2026 (1st half) (Held June 25, 2026)
Presentation and Question & Answer Summary

Presentation

Moderator: Thank you very much everyone for taking your precious time to attend Renesas Electronics Capital

Market Day 2026.

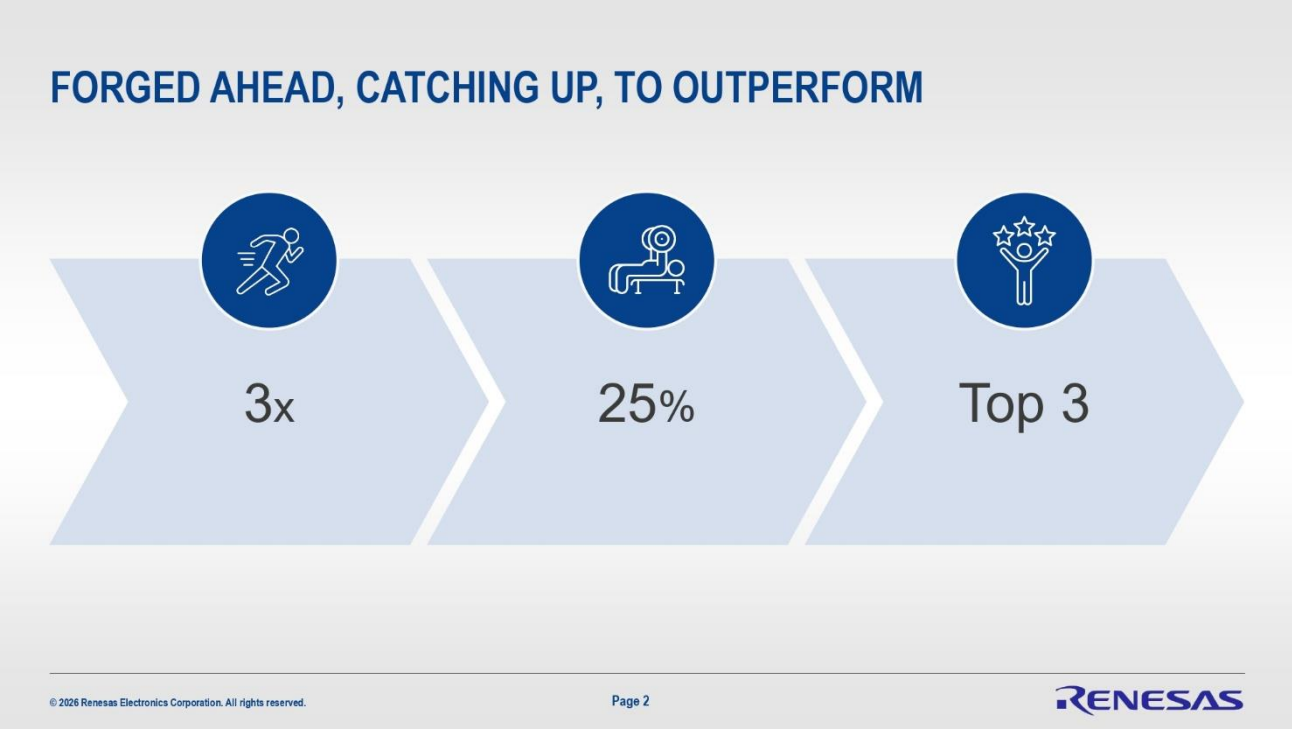
Now, first of all, we would like to invite the President and CEO of the Company, Hidetoshi Shibata. Mr. Shibata, the floor is yours.

Shibata: Good morning, everyone. There was an earthquake earlier today, and the weather has also been poor, so thank you very much for joining us. We have a factory in Yamagata, the nearby prefecture at the site of the earthquake. There have been no issues, and we have confirmed that operations can continue smoothly even in this tight supply-demand environment.

Capital Market Day has been conducted over the years online. This time around, I think we are having this in-person meeting for the first time in six years. Why have we decided to do this? Of course, there are many benefits to online meetings. But as you can see at the back of the room, there are some exhibitions. I thought that all the things that we are going to explain today will be difficult to understand only by a verbal explanation so we wanted to show you some exhibits of our products. That's one of the purposes of having this in-person meeting. I'm sure that you have a lot of exposure to myself and Shinkai-san, but our global leadership team is all here today, so we encourage you to speak with them directly so that you can have a Q&A session with them individually.

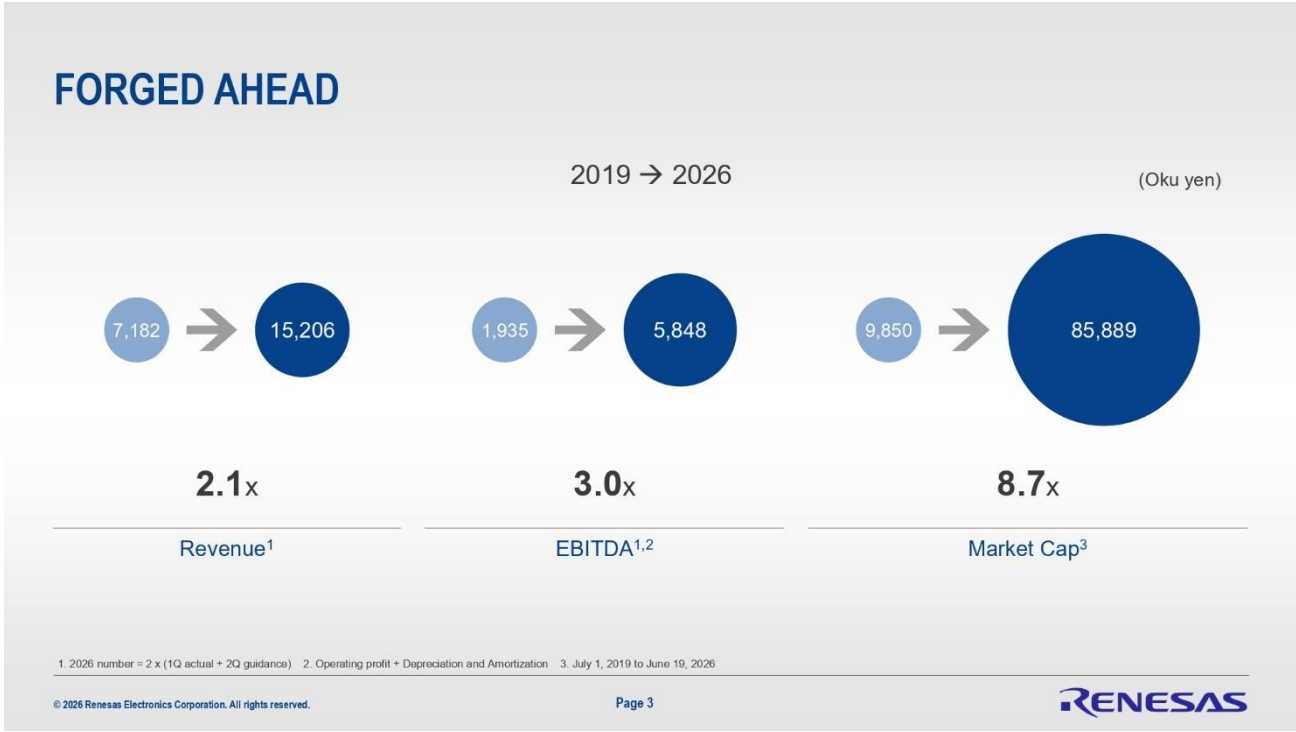
The details of the presentations and the numbers are very important. But more importantly, what is driving those numbers, and how we think about our priorities. We hope this will help you better interpret and model our performance going forward. I think it makes it easier for you to make your analysis. Please actively take advantage of this session so that you can deepen your conversation with our ELT members.

All right. My remarks are just an introduction to the sessions that follow, so I will try to be brief. Usually, I believe that Renesas as a company is not really good at making appeals. I just wanted to summarize the last seven years after I took office as CEO.



In the last seven years, I decided to break them into three different periods. One is the corner that says 3x. I'll give you some additional explanation after this, but we strived and delivered this 3x. Now we are at the middle section. Also, we are in a phase that overlaps the middle and the far right, 25%, that you see in the middle. Last year, with the analysts and investors, I think this caused a lot of disruptions because we set a range for the operating margin model. The far right is the same thing as we have been communicating as before, Top 3. Revenue, market share, that's also important, but most important for us is that amongst our customers and from the prospective users, we have to be one of the Top 3 when it comes to embedded. We have to be the Top 3 share of their mind when they speak about embedded. That was the aspiration that we shared with you last year in 2025.

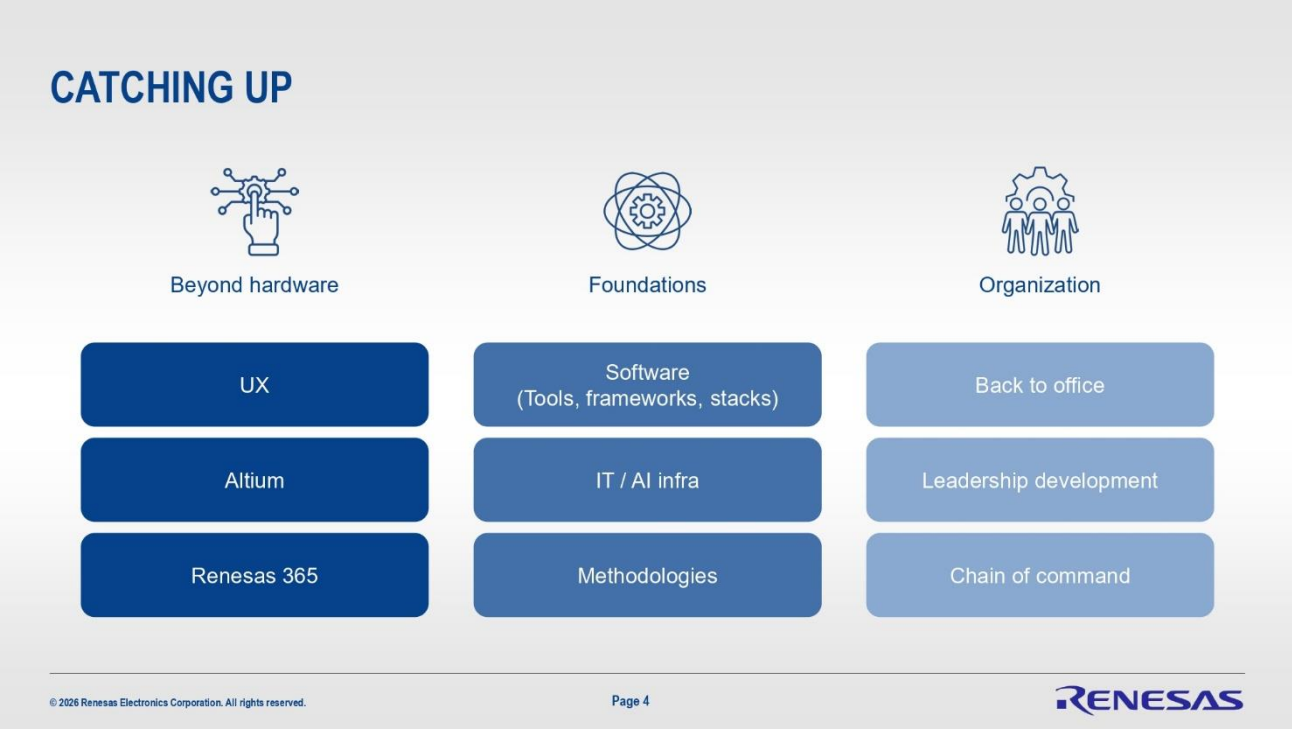
Now, 3x, what is this 3x now? This is what I mean by 3x.



This is the performance from 2019 and compared to today, it's 2.1 times. The guidance for the full year, we don't provide that for this fiscal year. 2.1 times means the Q1 results and the guidance for Q2, a simple sum of that and double that. With that, it's 2.1 times. The Micron results yesterday, I think, was encouraging, and the demand so far this year has been quite favorable. If there's not any disruptions, I think we are well-positioned to attain these numbers this year.

Fifteen-something numbers that I have given to you is still conservative in my personal view. The numbers to be covered in Shinkai-san's session later will be more analytical. It's a more of an apples-to-apples comparison. The numbers that he was going to give is different from mine. I'm just giving you the numbers that I piled up based on the facts. 3x refers to EBITDA. Q1, Q2 numbers, if you add them and double them altogether, this will be the number. Over the past seven years, this represents roughly a threefold increase from 2019. That's the reason why I have decided to use this 3x number because this is the most evident track record that we have achieved.

Market cap in parallel, compared to 2022, we have an aspiration to increase by 6 times. But compared with 2019, as of Friday last week, it was already 8.7 times. 2019 is the year that I took office as CEO. I think this is a so-so good number. It's not so bad. Of course, we can aspire for high numbers, but I think this is so-so good. There are bad times and good times, of course. But throughout this period, in the seven years, this is the progress that we have achieved. For all of you, I just wanted you to remember these numbers. When we take actions, if there's anything surprising, I want you to consider that we have done and achieved certain results, and this time around, we should be safe. That's the reason why I prepared this slide.



Now, the middle 25%, this is the catch-up part.

What are we going to do here? What's going to happen with the ROI? When are we going to finish this effort? It's difficult to give you a proper explanation. We have to devise a good explanation, but it's very difficult for me to come up with a good idea as to what would be the good explanation. I just decided to present with you that this is what we are trying to do, what we have been doing, so that we can reassure you. That's the reason why I prepared this slide.

The first element here, I talk about this once in a while, beyond hardware. Qualcomm announced the acquisition of Modular, but hardware alone is not sufficient. AI and software performance, these cannot be delivered by hardware alone. How can we maximize the power of hardware and deliver the maximum value on the part of the users? It's about how to utilize those hardware.

For that purpose, UX covers a broad area in terms of its meaning. But UX, we are undertaking many good efforts, and Ivo is here so I want you to talk with him if you have the opportunity. With AI, the UX importance is going to be increasing significantly exponentially. We would like to double down on the UX efforts going forward.

Altium, the acquisition that we made two years ago. We also hear a lot of questions regarding the progress of Altium acquisition. Shinkai-san will talk about that after this in his session. Now we are making this pivot from a product company to a platform company. We are tracking some numbers in order to track the progress. These will be explained by Shinkai-san later.

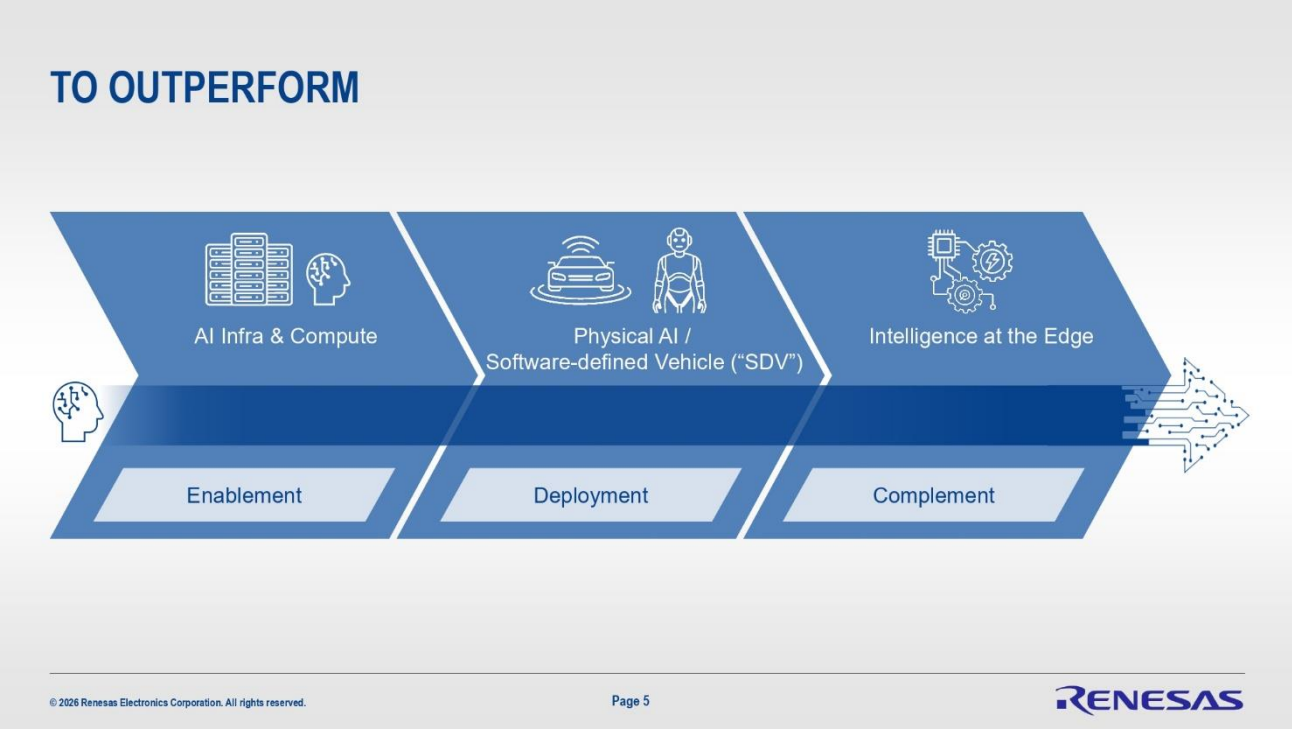
Renesas 365, Leigh is here. He is the person who has devised this initiative from scratch. There's a demo afterwards. I hope that you will take a look at it. Once you see it, I hope that you'll be able to have an idea what we are talking about, what this is about, what Renesas 365 is about. 365 demo itself, that makes me very proud, but the robot hand that you see at the back, this is connected with 365. I want you to see that and see the potential, what can be enabled with this in the future. If that helps you envision the future potential, I would be very pleased. It may take time, but so far, I think things are progressing quite favorably. I hope that you'll share the same understanding. If that's the case, that would be very pleasant for me.

Now, the middle one, the foundational technology. These are the things that we are going to do. These are a matter of fact, but we are going to accelerate these efforts, be it software or be it the IT infrastructure or ERP integration. Those are the main themes for our internal company because we have made a series of acquisitions. But now, we have to roll out the AI infrastructure for us to utilize ourselves. We have been very particular about our equipment and semiconductor manufacturing methods. Previously, we were relying on our own efforts. But rather than that, we would like to utilize technology and be smoother in this manufacturing processes because this will have direct repercussions on our competitiveness. These are the areas that we are making investments. It's not that we are going to spend tens of billions of yen all at once. JPY10 million, JPY20 million, we would like to accelerate investment in a phased approach. That will be explained by Shinkai-san in his part so that you can see the overall picture.

Lastly, the organization capability. This is something that we have to work on from here onwards. We have to reinforce the capability of our organization. This is a must. The collaboration environment, the leadership development, and also the organizations to work organically, we have to revise the mechanism, the structure, and make necessary investments. Those are the things that we have been communicating to you so far.

This year, the San Jose office we made a sizable investment, about JPY15 billion, and we remodeled the office completely. The office is very easy to use now. Quite comfortable. The next is the Kokubunji Musashi R&D site. We would like to modernize that facility, make it easier for the engineers to use so that we can stimulate the innovation and the imagination of the engineers.

Now, from here, I would like to talk about the future. This is only a prelude. My speech is only a prelude and the details will follow by each leader in their respective presentation after this. I just want to give you an introduction.



First of all, in the next several years, our growth will be driven predominantly by AI and IT infrastructure.

In three, four years from now, if things go smoothly, 40% of our total revenues will perhaps come from AI and infrastructure-related businesses according to our analysis. AI enabler, these are the devices and solutions that will enable AI. We are going to provide the devices and solutions for that. That's the first engine of our growth.

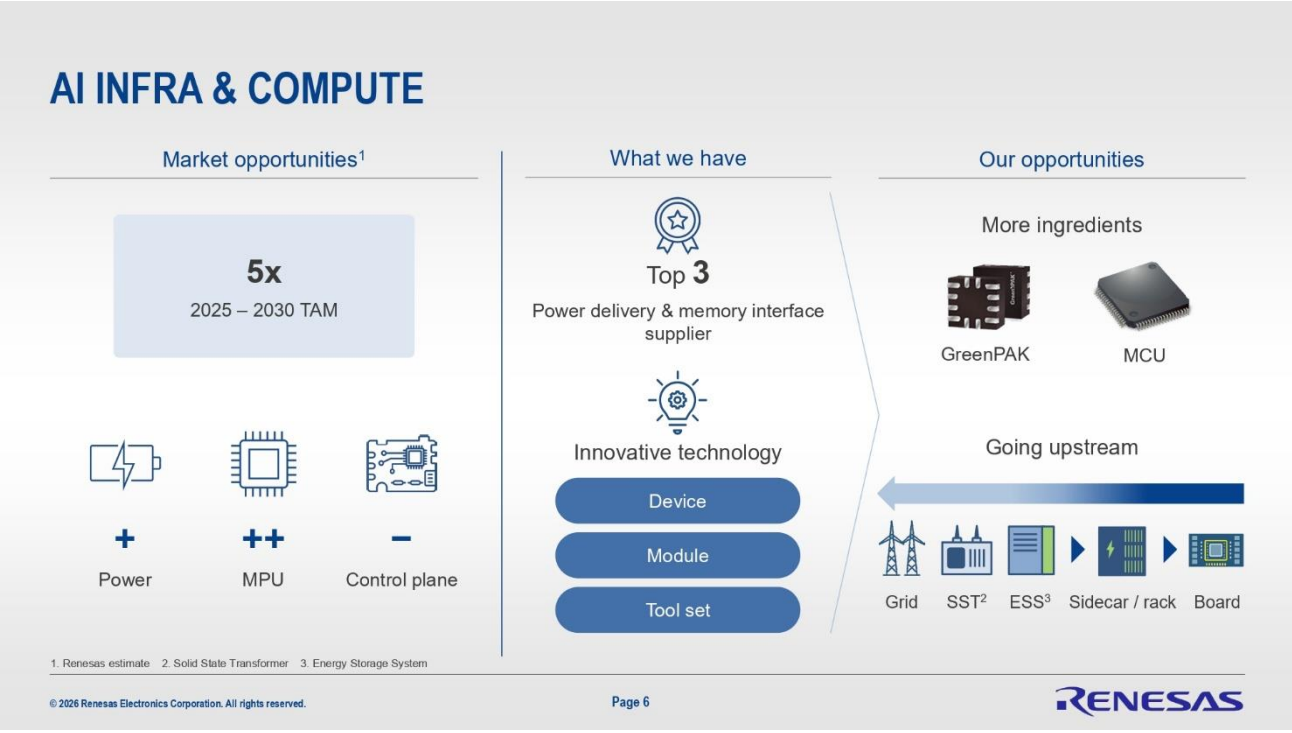
Then we will go to the second rocket. This is the Physical AI, a buzzword recently. In our case, this includes software-defined vehicles, but Physical AI will be the second stage of our rocket. Then this will boost the growth from 2030 onwards.

The first one was the AI enablement. The second one is the AI deployment. We are going to deploy AI in areas close to our everyday life, and that will be driving the second stage of our growth.

The third piece is about 2035, digitalization vision that we have set the target for 2035.

This remains unchanged from before. But one thing that is changing in this space is the role played by AI. Previously, utilizing AI, we said that human works will be made easier. From that perspective, we thought about how to utilize AI. But given the enormous speed of evolution of AI agents, rather than that previous concept, we believe that AI agent will replace the human work quite considerably. We made that change of consideration. We are not just simply using AI in a light way and provide them for human beings. Rather, AI will be the user of our digital. We've made this change in the way of thinking. We would like to use AI as a companion, as a complement. With that mindset, we are going to further enrich our platform going forward.

Now, the second and third rocket that I just explained, for each of them, what are the opportunities and what are the approaches to be taken by Renesas? I will just give you a prelude, and the details will be provided and explained by the respective sessions after myself. That is how I plan to continue my story today.



AI infrastructure, up until now, up until the previous earnings, we have been centering around power delivery. We have been saying power, power, power. Right at that point, Intel's earnings results came out, and the market started to shift and our engagement with the customers also started to shift. We're not just talking about GPU and power anymore. It's not as simple as that. We need to become heterogeneous. We are faced with a complex environment in which parameters are growing rapidly. Even in such environments, the question is how to reduce latency and improve compute efficiency. Regardless of the power involved, how can we swiftly deliver computational results? That is the major shift.

MPU-related devices are on the rise in terms of demand. The flip side of this coin is that the board control or workload optimization and power consumption optimization becomes economically important because the model itself is growing. Unless we take care of this aspect, the model will not function.

Control plane is something that we started to hear a lot about. The demand for this is growing rapidly. That is how we see the current market. All in all, in the next four-to five years, the semiconductor market as a whole could grow fivefold. That is how I see it based on third-party research results, which we have analyzed, and customer forecasts are also included in our analysis. We have been triangulating various types of information and came up with our own estimate. We came to the conclusion that this could reach fivefold, very honestly speaking.

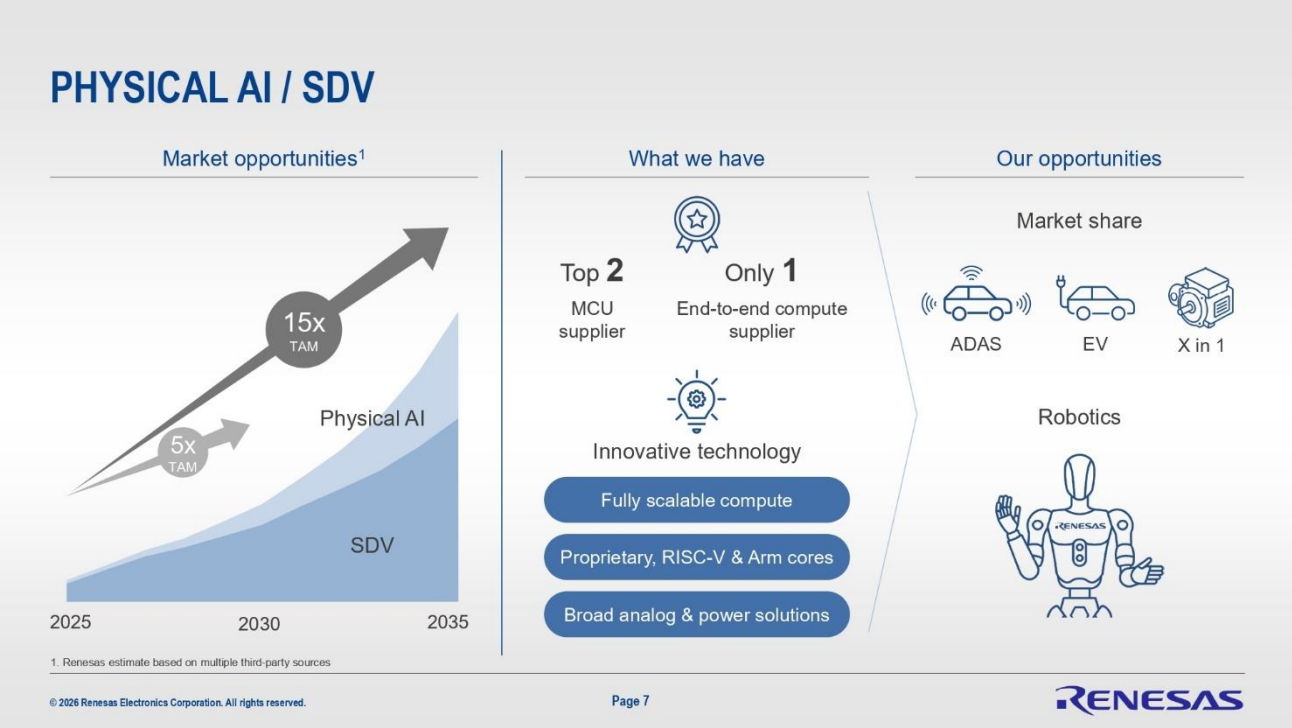
Towards this end, this five-fold growth, power delivery should grow even further. MPU-related products, including the Memory interface, started to grow rather late. It has a potential to grow even further. That is why I have put ++ here. Control plane, also expected to grow. But compared to the overall semiconductor, maybe this is going to be a slower growth. All in all, the applications to which we provide our solutions, all these related segments should grow by fivefold more or less. The opportunity in the three, four, or five years will become fivefold in our assumption.

Where do we stand? Regarding power and memory interface, I think we have a relatively strong foothold. Leveraging this, we will venture into other areas. In terms of technology, I think it's in the corridor, but we have our modules put on exhibition. As of last year, when I talked about module, people would go like, why module? Why Renesas? I think that was the reaction, but now we have a solid product. Please take a look and discover that we were able to live up to our own words.

Now, moving on, we have a positioning. We have our ways of winning and utilizing this. How are we going to utilize the opportunity for growth, not just market potential or opportunity, but how is growth going to look like for Renesas is written on the right-hand side.

Fortunately, we have a lot of embedded devices. Control demand is going to be increasing, and that is going to be favorable for us. As a simple example, we have configurable mixed-signal device and other MCUs that are traditional lineup of our product. AI workload power optimization, related ASSP, and others are included as well. On the left, I talked about fivefold growth. In that future, control-related technology will be needed, and that is where we want to provide our products into. At the bottom, we are talking about grid to core. From the grid level, we are getting closer to the left end. We used to be on the board core power, but we are moving more towards racks.

Going forward, energy storage and solid-state transformers, because of the discrete elements and battery management elements, there are many strong competitors. It’s not that we can just make a lump sum investment for IGBT and update our technology. That's not the kind of approach we're looking at now. Control device, analog device, will be necessary. This peripheral segment and moving towards the grid more than now is what we are thinking about.



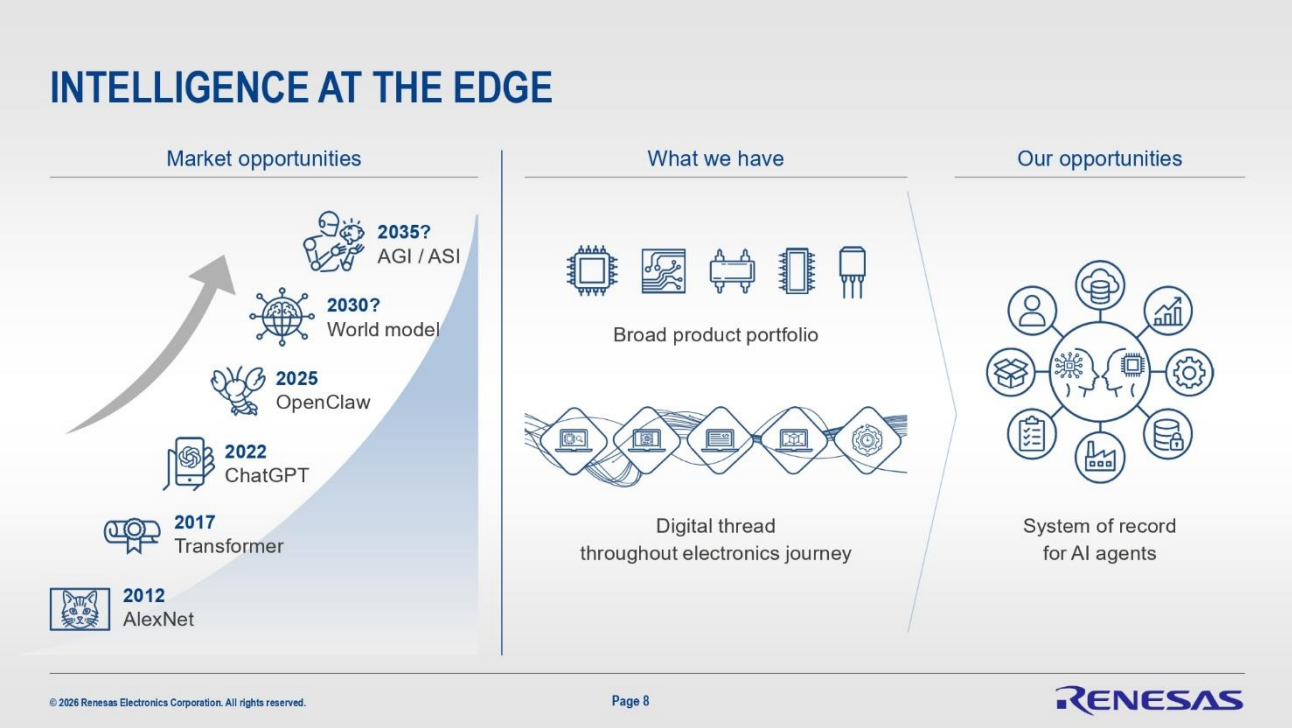
Regarding Physical AI, similar story.

Market will grow significantly. This will be covered by Vivek on SDV, and Ivo and Pete will talk about robotics. 2035 seems like a long way ahead so a 15-fold increase might not mean much at this point. But the overall direction is that in the five years to come, I think the automotive industry would be the growth driver. But beyond that, robots will come into the picture in full scale.

In this world, especially in automotive segment, MCU, although there are some fluctuations, we are among the top three in the market. This I have been repeatedly saying, but from the low end to 2,000 TOPS high-end compute, this end-to-end scalability is offered only by us. We have traditionally focused on automotive, but we are now expanding into robotics and humanoids. That is going to be the direction in which we will grow.

R-Car demo is made available at the back of this venue. What can you do with Renesas device, especially ADAS and infotainment? This level of high-performance delivery can be done by Renesas products is something that I expect you to react in. The customers and the users are reacting very strongly. Until last week, our teams were in Germany negotiating a significant deal. Here, in terms of growth direction, this is where we want to gain market share.

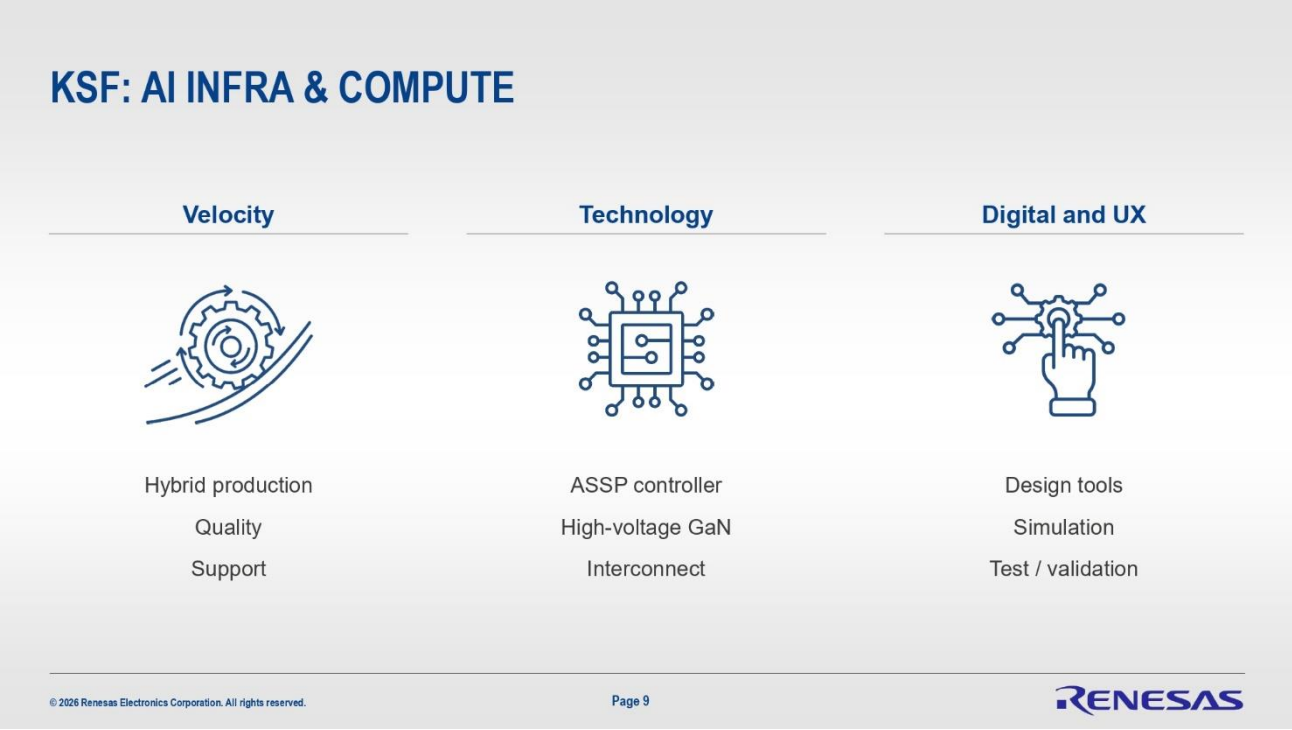
Regarding MCU, there was an opposite trend in the previous several years, not just us. One company would grow significantly and others would lose share. That has been the situation. Unfortunately, automotive industry changes only slowly. This trend will not become a significant shift starting from next year or so. But we have a plan ahead as Renesas. Rest assured, we are not concerned. I'm not sure if it's going to be 2027 or 2028, but our preparation should bear fruit at some point. It's just a matter of time.



Intelligence at the Edge.

As I have mentioned earlier, we need to complement AI agents' performance as a companion and partner. On the left-hand side, you know very well, but AI is evolving in a rapid speed, as you can see in this chart. Yes, it's a speedy development, but transformer came about in 2017 and in the world of embedded products, applications using transformers are increasingly being developed right now. It's not like LLM in the Internet world. It has taken 10 years. In the physical world, deployment of embedded takes time. OpenClaw is currently on the rise, and the world model should eventually emerge. But whether that's going to be deployed on robots and humanoids, this should take more time. I think that's a realistic view.

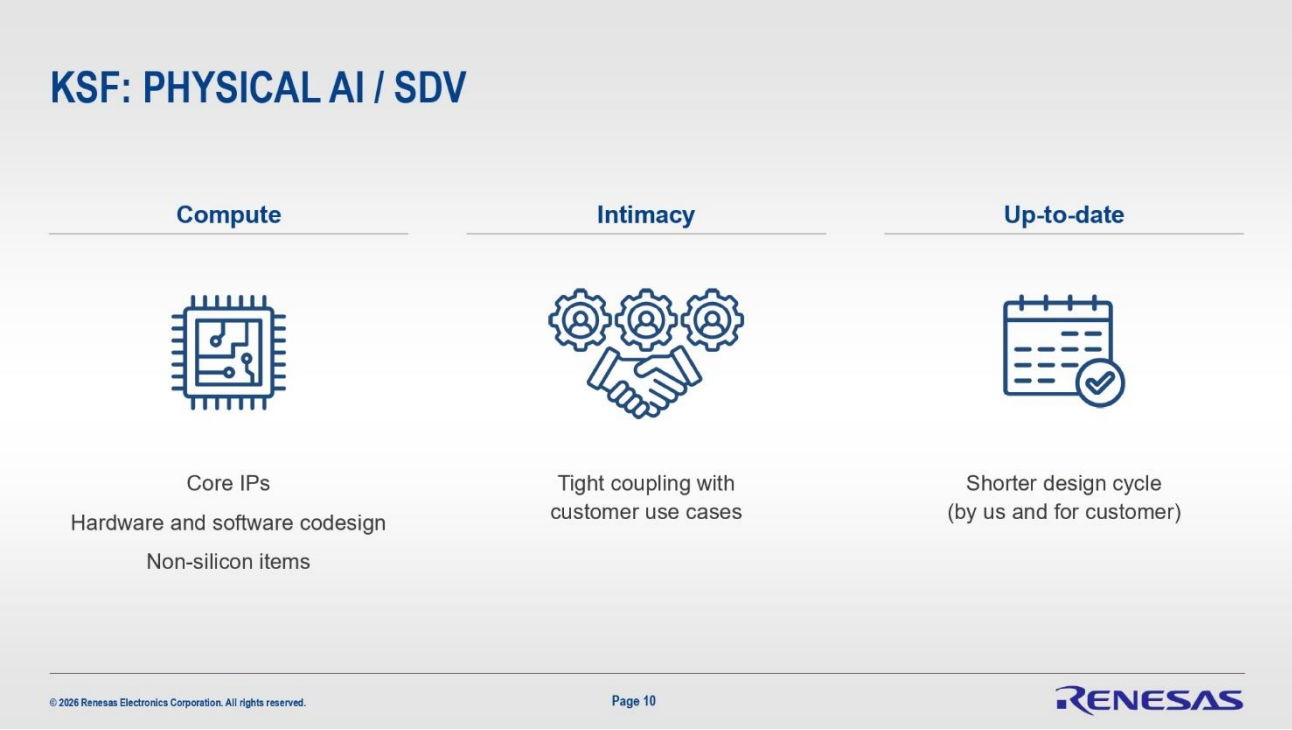
Let's assume that five years from the introduction of ChatGPT in 2022, will that be the point in which this will actually be deployed? I don't think so. I think it's going to be 2030 onwards, realistically speaking, that we will see the world shift in that direction. We are planning ahead. Utilizing our platform, we are going to have a wide range of portfolio. The digital thread, something that can make full use of AI, we will be focusing our resources in this area. Unless we do that, when AI comes to a platform and plays around, that is all good, but AI can only work based on probabilities. It can say something that is probable, but from the user's perspective, validation is necessary. If we have a solid digital thread, we can allow AI to make deterministic proposals. Those are usable proposals. I see a huge gap here. We need to invest in a meaningful way so that we are well prepared.



Next, how are we going to win in this area? AI infrastructure, Physical AI, intelligence at the Edge, we have three slides covering those topics. AI infrastructure, in this segment, we're positioned well. We're not going to do something drastically new. I think we should be strengthening what we already have. We have been enabling ramp-up of customers in relatively good speed. Some customer says it's a combination of American speed and Japanese quality. We pride ourselves in the speed of deployment.

Regarding technology, I talked about module earlier, but going forward, we have interconnect technology fostered through Memory interface. Using Control plane, we can achieve connectivity within the racks. That is where we intend to win.

On the far right, digital and UX. In the corridor, you will be able to see the actual emulators of ours. Please take a look. Using these, our users before assembling their products, power and thermal simulation can be done. Time to market of our customers can be shortened rapidly or significantly. It might look slightly different, but outside of the silicon, we see opportunity and bottleneck. You will be able to feel that for yourself.



Regarding Physical AI, this is something that should happen in a longer term. Near-term targets will be explained by Vivek. This is not so much about what we can already do today, but something we intend to go into by investing in the foundations. We will be investing in the foundation, enhancing our competitiveness in this area. That is the key topic for us. One key phrase you should be looking at is the combination or the advanced design of hardware and software. AI models are advancing and hardware processes also. Some hardware do not have the necessary performance, and Modular has been acquired by Qualcomm because of this. We are taking our own approach. Our hardware performance will show true value through our customers' usage. That is something that we would like to show.

KSF: INTELLIGENCE AT THE EDGE

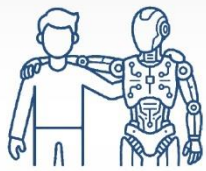
Coverage

Rich solutions
on platform

Openness

Vertically integrated,
horizontally open ecosystem

Partner to AI



Digital thread to
work with AI agents

Intelligence at the Edge, this is something that we expect to happen down the road. Many things are in the future. But on the left, I'm talking about content that we will enrich. Our platform, although being vertical, will be open horizontally. Our competitors and passive users can actively use our platform. It's not just us. But going forward, utilizing this platform, the market itself can democratize or free platforms. That is something that we want to realize.

SUMMARY

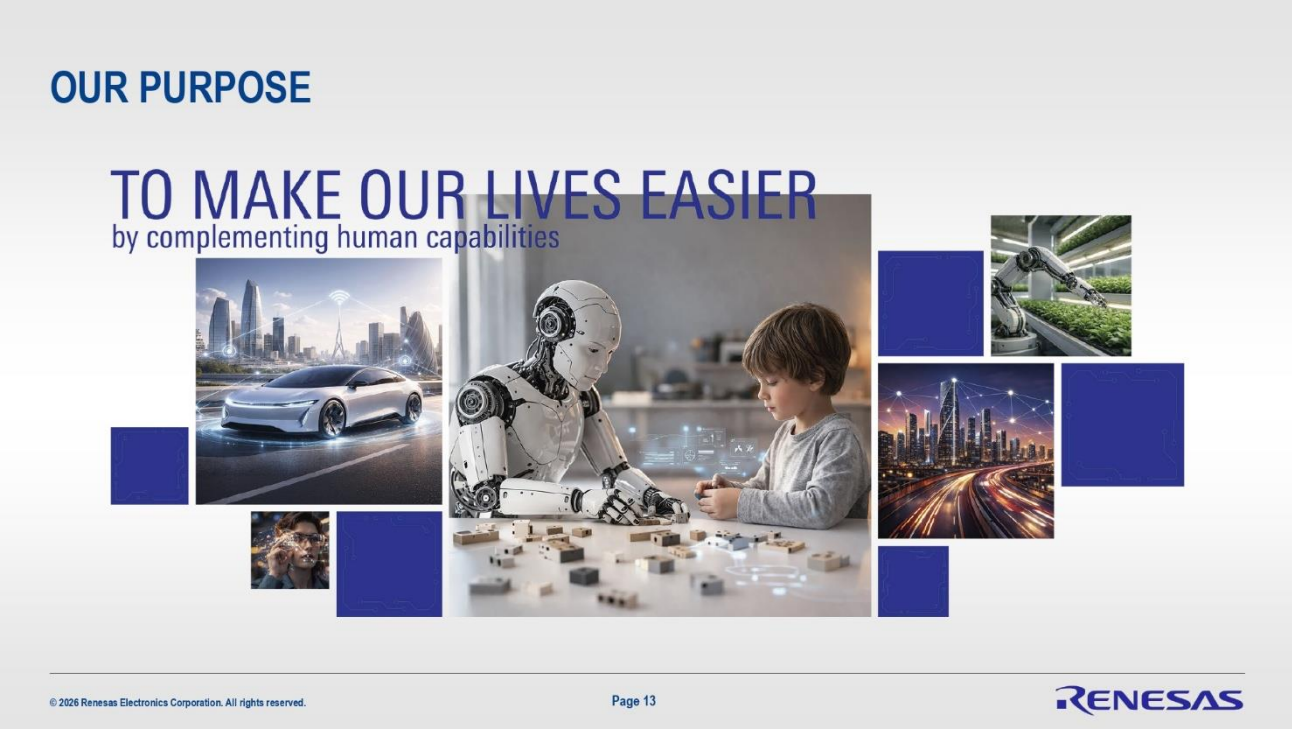
AI to thrust through three stages of growth

More contents to drive SAM+ growth

North star to stay as bringing electronics to broader participants, more so together with AI

To sum up, a big topic for our growth is AI. AI will appear in the three-stage rocket that we envision. Not just five years down the road, but in 10 years' time and beyond, this is going to lead the way in terms of growth. This is going to be the backbone.

In addition, I talked about control in terms of AI infrastructure, but SDV, Physical AI, even Pete will talk about this later. But in the world of Physical AI, we have a lot of ingredients to realize this. Many of our solutions will be offered so that we can achieve growth beyond SAM.

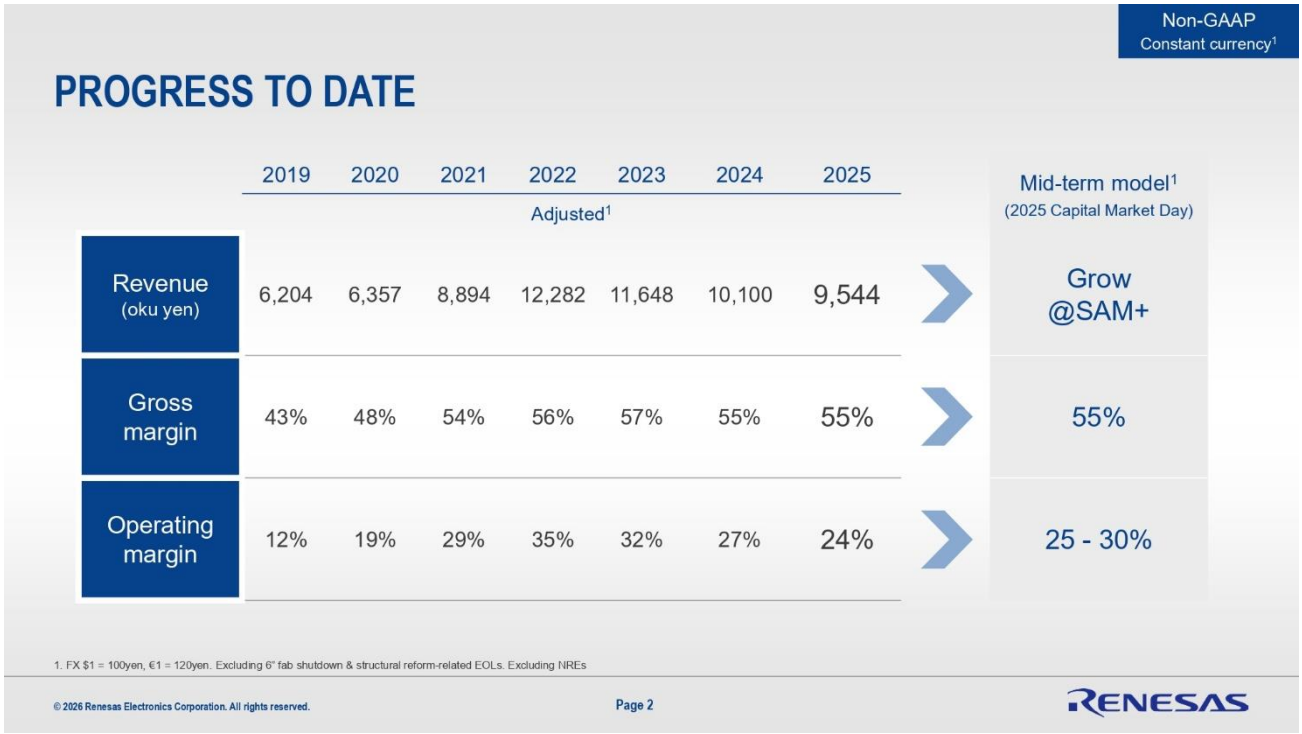


Lastly, in 10 years' time, we want to utilize our digital platform so that AI-friendly environment will be created by our platform. Our purpose remains the same. With the introduction of AI and Physical AI becoming more real than ever, we want to make our lives easier, and that can be realized in this world.

With that, I would like to wrap up my part, and I will hand it over to Shinkai-san. He is going to talk about more solid numbers.

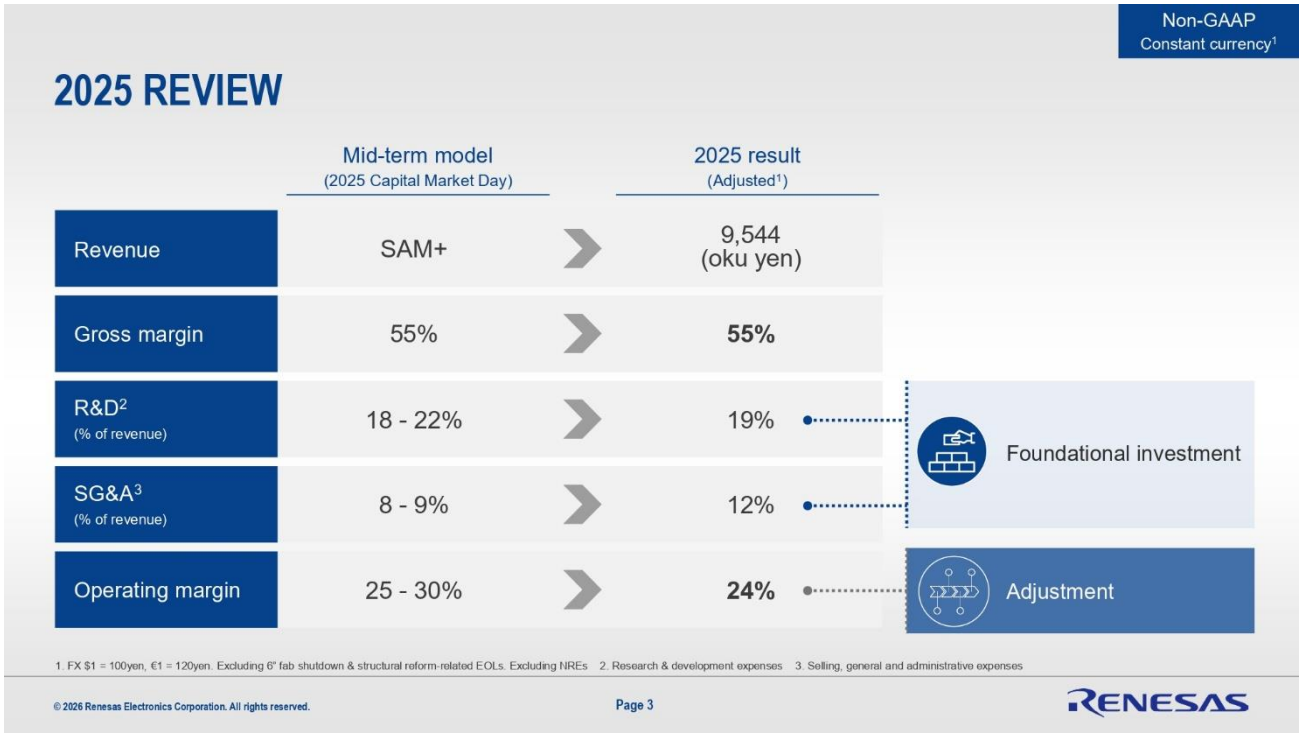
Sato: Thank you very much. Now we want to invite Shuhei Shinkai, Senior Vice President and CFO.

Shinkai: Good morning. This is Shinkai, CFO. In my finance part, this is a regular format. Towards the 2035 aspiration, we want to talk about the progress and also the model.



A recap on the past.

This is the normal regular format. Since the past, you can see the trend of our numbers, just like we usually go. On a constant currency basis, looking at JPY100 to USD, JPY120 to euro. In 2025, revenue for the full year, it declined YoY. But as you know, for the quarter basis, the revenue already hit the bottom. In 2024, Q4 was the bottom. In 2025, Q1 onwards, including forecast for six quarters in a row, we continue to post positive growth, and that is the current situation. In 2026, for the full year, we expect to see a full-scale steady result to come.

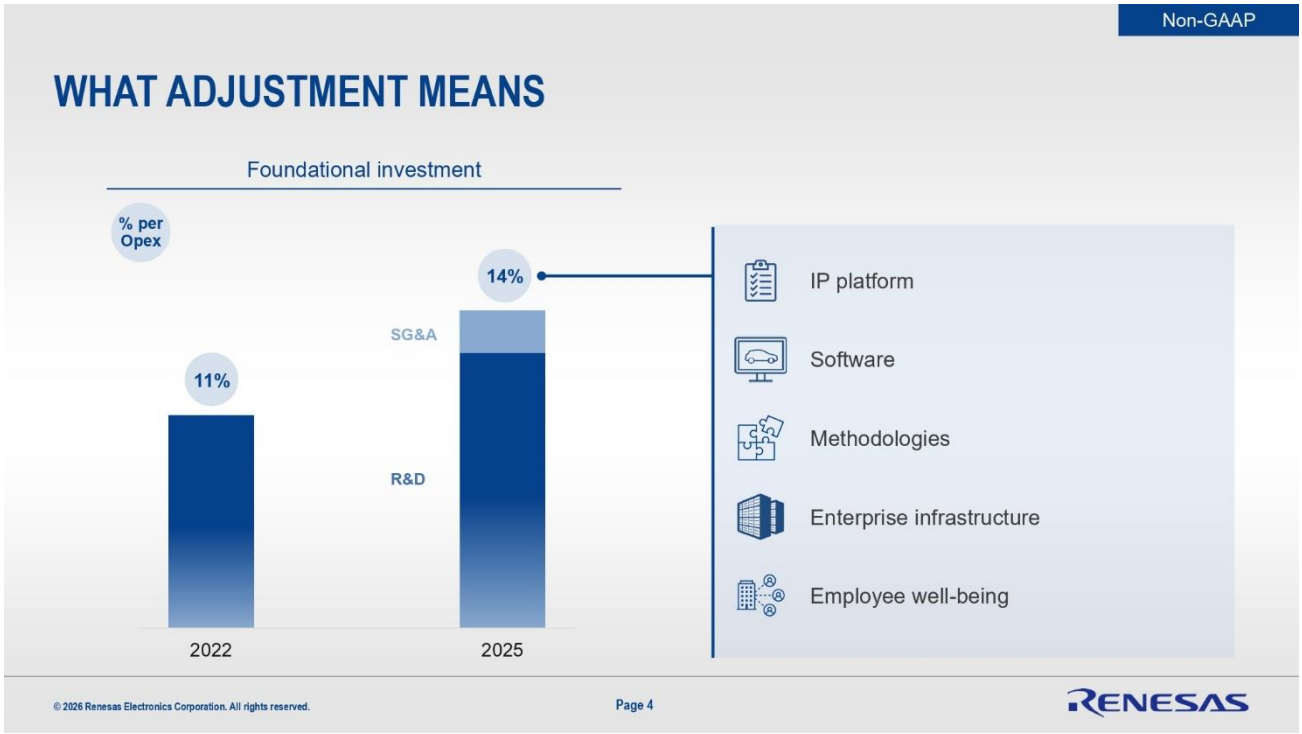


Income statement for 2025.

The second from the top, gross margin. The revenue YoY declined, but gross margin stayed solid. As expected in the model, we ended up achieving 55%. But our operating margin at the very bottom, the model showed 25% to 30%, but we ended up being at 24%.

As you can see at the right bottom, for the operating margin, when we explained by updating the model, we mentioned adjustment to make a change to the model. The purpose of this change was that, currently, we are looking through the deliberate plateau condition with an intention when we will make the solid investment for the future growth. That's what we want to have at this point to allow this adjustment to happen.

R&D and SG&A is something that we did to make this adjustment where it says foundational investment. It was important, but we weren't really addressing enough and we were behind, but we decided to go ahead and make more investment in these areas. Also, this is what we are seeing. In the past, we've said it's catching up, but this is what we are starting to see. The R&D is 19% within a scope of model. We were going through the selection and concentration for R&D since 2024, and we saw the lower baseline. SG&A, we will take actions to lower the baseline as part of improving productivity. This is expected to improve. The operating margin improvement is expected, and this will be the driver.

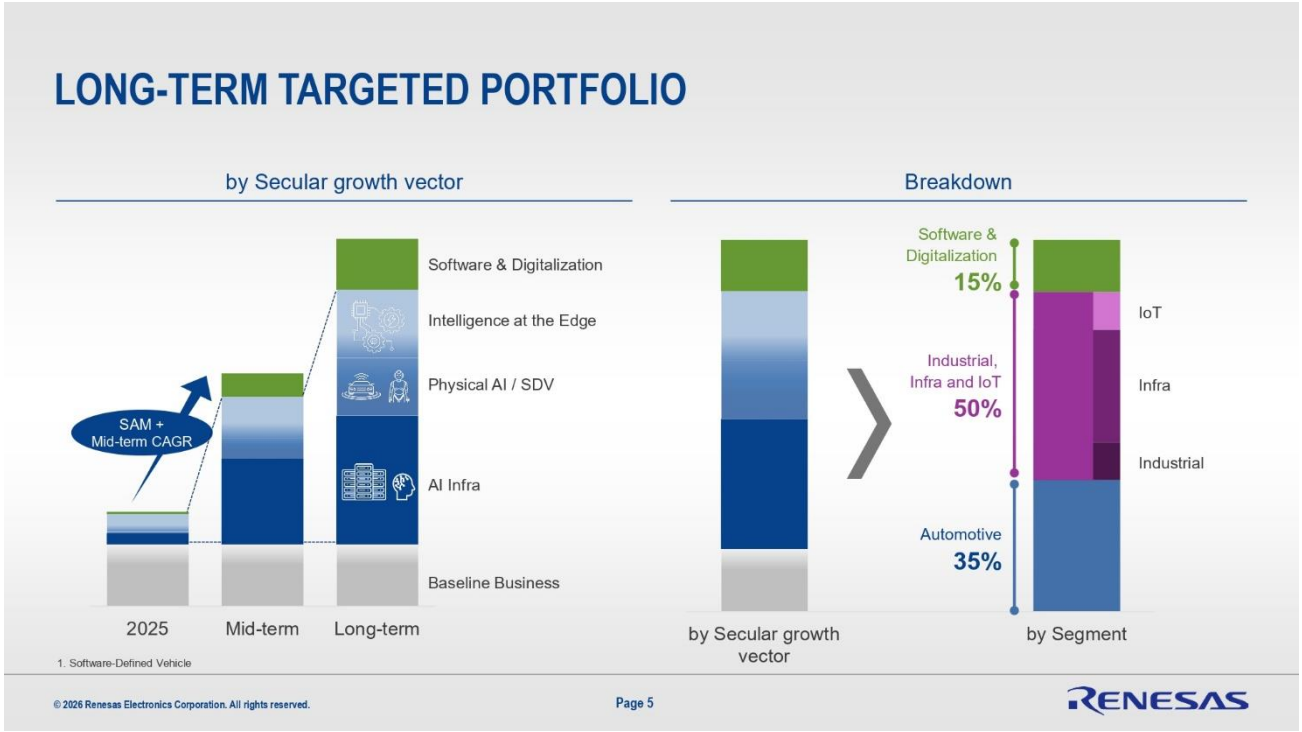


What is this foundational investment? I think we briefly went through the items, but now I'm showing more numbers.

2025 is compared to 2022, three years ago. In 2022, not just top line, but operating margin was also highest in 2022. I'm sure there is a difference in definition, but this is the perspective that we took to show. We call this as foundational investment, the investment in the business foundation. Comparing 2022 and 2025, the yen amount increased by 1.5 times. Ratio was 11% to 14%. We increased the percentage.

What's included in this investment? As you can see on the right-hand side, the common IP platform, software, R&D development, and improvements in design processes to enhance design efficiency, enterprise infrastructure including AI, and employee well-being improvement so investment into office. R&D, SG&A, so many different areas where we are investing right now, and we're trying to also promote future growth of the business.

As we move forward with this investment, what is the revenue breakdown we expect to get and the size we hope to get to?

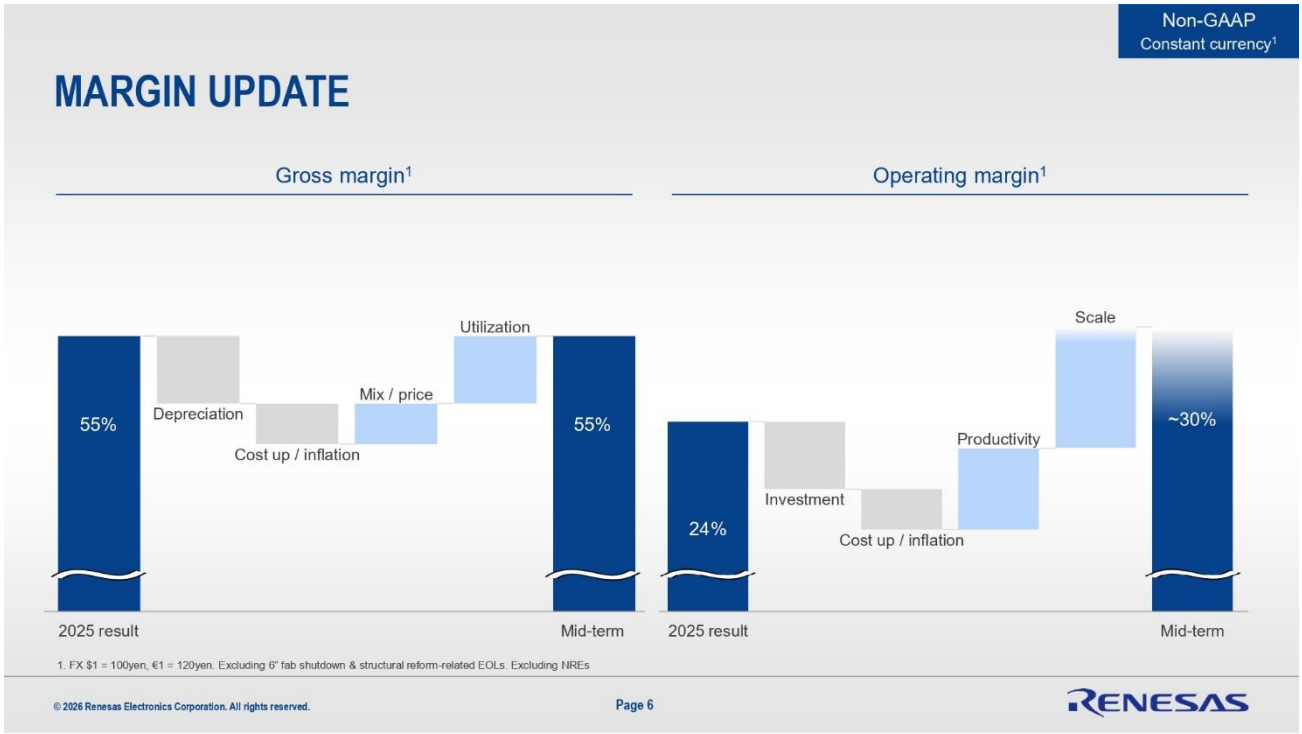


In 2035, this is a portfolio we are looking at. The midterm is around five years ahead and long term is like 10 years ahead in 2035 or something like that. The left-hand side is the size and also which segment that we expect to see the growth. AI infrastructure will be the main driver and Physical AI, SDV, and lastly, intelligence at the Edge. Those are the three steps to see the growth.

Looking at the height of the bar, in 2025, we look at that as one. In midterm, we want to double first. In long term, we want to triple this 2025 number. I know it's quite ambitious, but this is what we are looking at to see the top line growth.

We break down by segment on the right-hand side. Our reporting segment, Automotive, Industrial, Infra, IoT and also Software & Digitalization, we also want to grow this. This is not current segment, but we want to grow this. 35% for Automotive; Industrial, Infra, IoT, 50%; and Software & Digitization, 15%. This is the breakdown we are trying to accomplish in our revenue.

I also touched on this in the valuation in the past. Software & Digitalization sales percentage within the sales, by growing this to a certain level, to enhance valuation, so we can increase our overall corporate value. That's how we have calculated this portfolio.



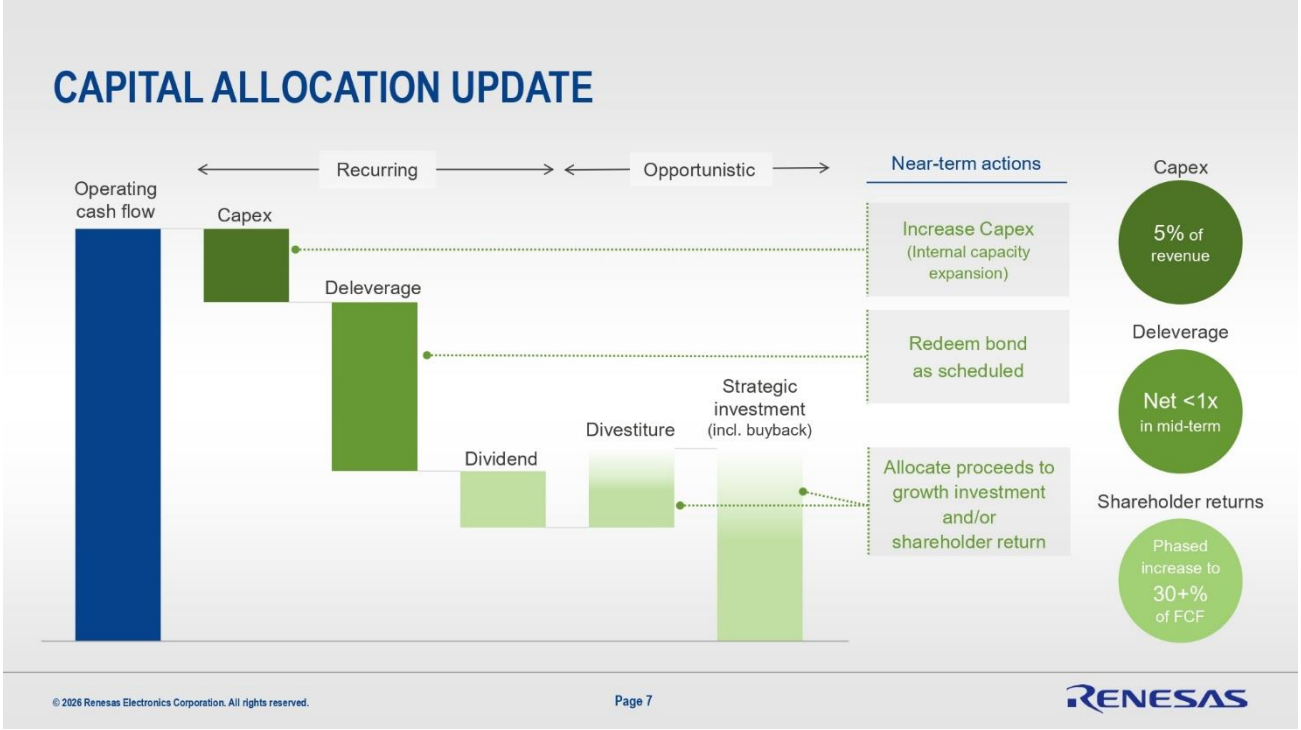
Next, on the margin.

Left is the gross margin and right-hand side, OP margin. Time line is starting from 2025 and midterm. Roughly around five years is shown on this slide. Overall, the gross margin will be 55%, around 55%. It's almost flat. Operating margin, 25% to 30% range, expanding in this range.

Starting with the gross margin. On the left, in-house capacity expansion through the investment. That increases depreciation. Also, we see a very tight supply. There is component cost increases expected. But the price increase and mix improvement to offset the negative impact, utilization improvement to offset the negative impact, to end up being flat in total.

Operating margin, the foundational investment, as I mentioned earlier, looking at earnings, we need to make the right balance to control the investment, but we'll continue to make investments. Just like component cost increases, under the current situation, we expect to see the cost increases in many different elements, but utilizing technologies, including AI to improve the productivity, to offset the cost increases, and top line growth to enjoy operating leverage.

In this model, it's not taking place by time line. It's more like an actual section view regardless of the time. We're not talking about going down and going up by that sequentially. Looking at the time, 2026 operating margin level, the scale portion will be seen. But then also, investment is taking place. That's what we see for 2026. Depending on the time we see, this movement could happen differently from what you see on the screen. We're not talking about the margin will be coming down from now onwards. Depending on the top line growth and earnings growth, we will control the spending amount.



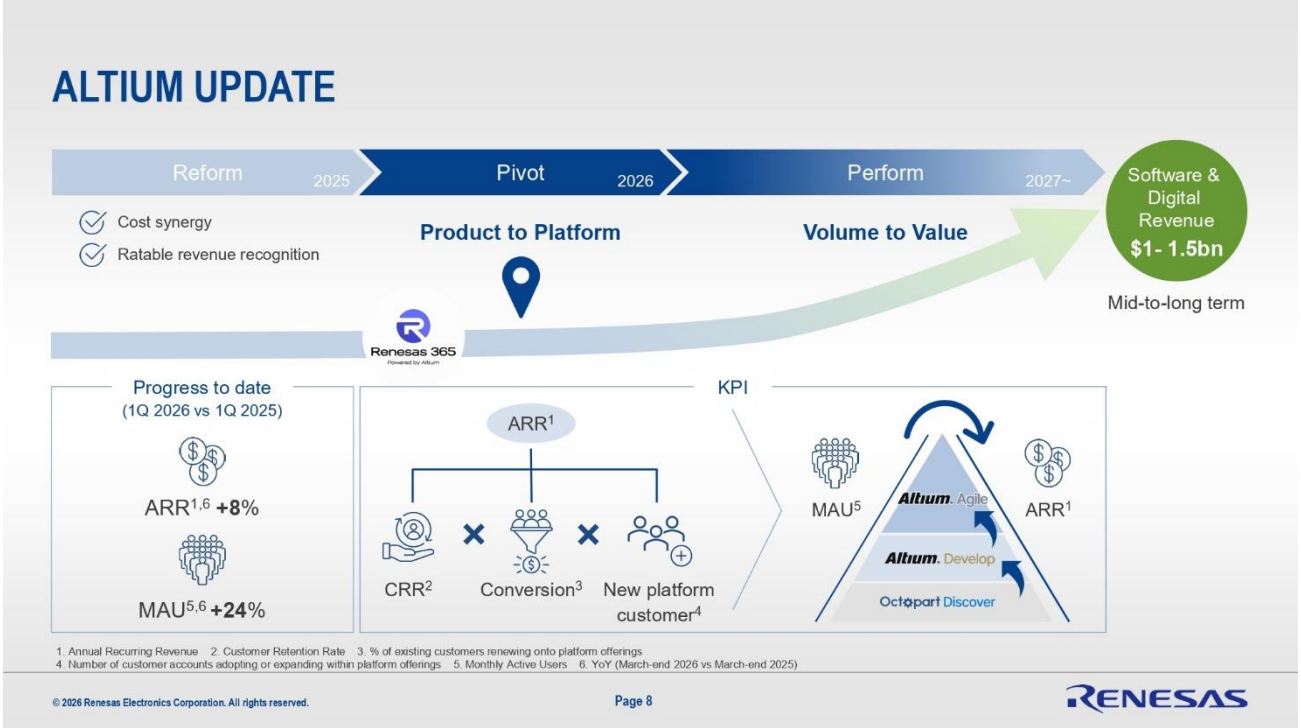
Talking about capital allocation.

The overall framework hasn't changed. Capex, deleverage, dividend, and strategic investment, these will be the order of our capital allocation. Recently, on the Capex, as I mentioned, we are increasing Capex to reinforce our in-house capability. The embedded area where we want to focus more on, the mature node technology will be utilized. The capacity for this is quite tight globally. We want to have an in-house capacity in reinforcement.

In deleverage portion, there's a dollar bond which comes to maturity. We redeemed them to accelerate deleveraging on a gross basis.

Divestitures, the Timing business process, we're making good progress so far. We are accomplishing the condition needed for the closing. We are expecting to come to closing in the near future. The proceeds coming from this transfer will be utilized for the growth investment, but also at the same time, the return to shareholders.

This Timing transfer, the use of proceeds, we don't try to decide quickly. We want to take some time to think with caution. The capital cash need to be secured under the current environment to stay flexible. I'm sure different players trying to raise the funds so that they can increase the balance sheet. Of course, we remain the same policy, but when making a decision to start spending, we would like to adjust the timing of decisions. We are not making decision too fast or not immediately.



Regarding Altium, I know this is a quite busy slide. Somewhat busy.

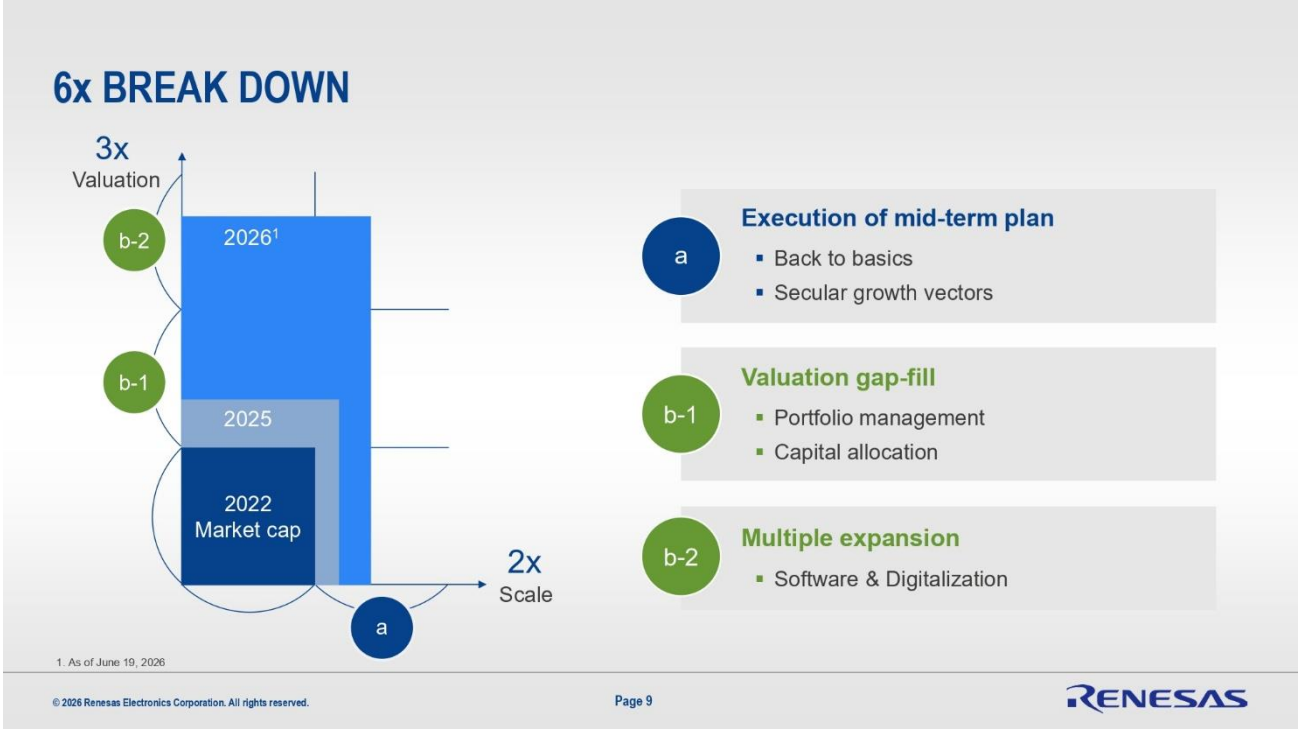
In 2024, we completed the acquisition. For 2025 beyond, for three years, these are the stages we're looking at, Reform, Pivot, and Perform. Those are the three years that we have segmented here. We are in Pivot phase. We are shifting our offering from a desktop application product to a SaaS platform. By the end of this year, we should be through with the shift, this transition to be completed. Then from next year onward, we will go into the Perform stage. By increasing volume, we will convert them into values. That is what we are preparing right now.

What are the actual numbers and KPIs we're looking at, which are shown at the bottom half? Starting with the left bottom, for the past one year, looking at the progress of the past year, ARR, this is the KPI linked to the revenue. It's growing at 8% per annum right now. Compared to historical numbers, the sales growth, ARR growth, has slowed down, but as you see at the bottom, MAU, monthly active user, has been growing by 24%.

Intentionally, we shifted our marketing methodology to grow the scale. First, we focus on the scale to grow, and this is the result of that such effort. In the Pivot section where we are in right now, the theme is to expand the scale. As a KPI to accomplish this, we're looking at CRR, customer retention rate, maintaining existing business, also conversion rate. This is a shift to the new platform and new platform customer, expansion of new customers. Those are what we are looking at to move on this Pivot phase.

When this is completed, then the expanded volume to be converted into value. In this triangle, we will increase the maturity level of the pyramid while ensuring the scale, but moving up the pyramid by utilizing the upper platform so we can raise the unit price. We can convert the scale into value, and that is expected to come in next year onward in the perform phase.

The final goal is set over here. There's no change since from last year. Mid-to-long term, looking at USD1 billion to USD1.5 billion.



Here's the summary.

This is the six-fold breakdown image that we always show. Size, two times and valuation three times. Just like Shibata's slide, we are taking the stock price from the end of the last week. We're talking about six times. We still have a big upside from there. What do we need to do is summarized on the right-hand side. These are pretty much the same as what we explained last year. We are basically executing what we explained last year, and we'll continue to do so.

In section a, back to basics. We will invest in foundational area to ensure the future growth. In valuation gap-fill, portfolio is reviewed and capital allocation to be implemented in a disciplined manner. Software and digitalization to increase the valuation, improve the valuation, and expand furthermore by making investments. We can fill in this 6x table chart.

Lastly, one more comment. The model results and constant currency basis are shown on the same slide here just for your reference. This concludes my presentation.

Sato: Thank you. Now we'd like to move on to the next session. We would like to invite Vice President and CSO, Stephen Limoges, to make the presentation. Stephen, the floor is yours.

Limoges: Good morning. My name is Stephen Limoges, and I'm the Chief Sales Officer for Renesas.

Today, I will present Renesas' sales strategy and discuss our plans to accelerate growth within our existing customer base and the mass market for future growth.

For the last few years, Renesas has been consistent with our high-level sales strategy. Our strategy is to go deeper and drive more revenue out of our existing customer base. Also, to go broader and expand into a new customer base.

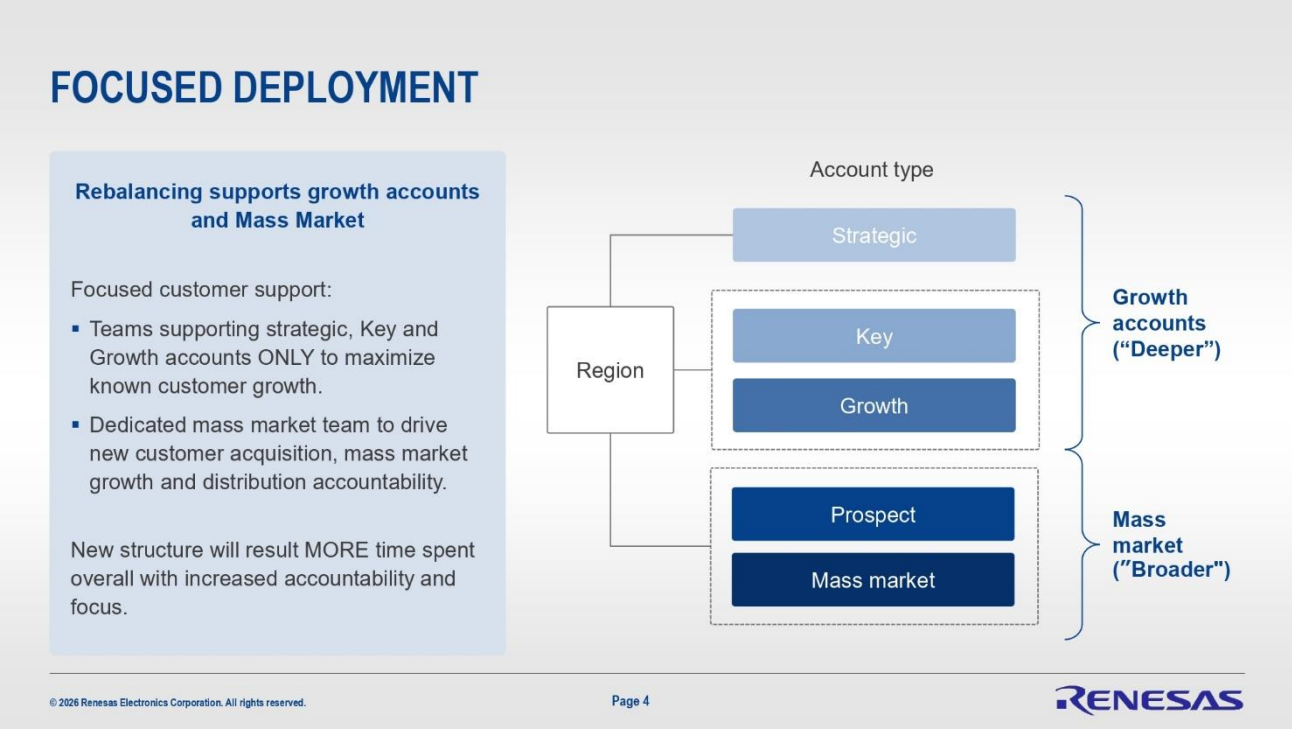
While the high-level strategy stays the same, we've made some key strategic shifts to accelerate our growth faster than the market. First, we increased our penetration into the fastest-growing markets by investing our direct resources in secular growth markets. As Shibata-san mentioned, these are AI infrastructure and compute, Physical AI and Software-defined vehicles, and Intelligence at the Edge. Second, we diversify our revenue through dedicated mass market deployment focused on new customer acquisition. Finally, we centralize to scale, deploying highly technical centralized support using Renesas AI tools to respond to customer needs quickly anywhere in the globe in 24 hours.

I'd like to add a little more depth into what broader and deeper means to the sales team.

Deeper means our sales teams are intensely focused on gaining share within our known revenue-generating customers. Our mentality is how to continuously increase our relationship within these customers, and our sales metrics are aligned with this focus. Design and manufacturing is global, and we are leveraging Renesas' scale and global sales footprint to gain share at our largest customers, and having a constant curiosity and ambition to find and create more opportunities to maximize Renesas' success on every customer product.

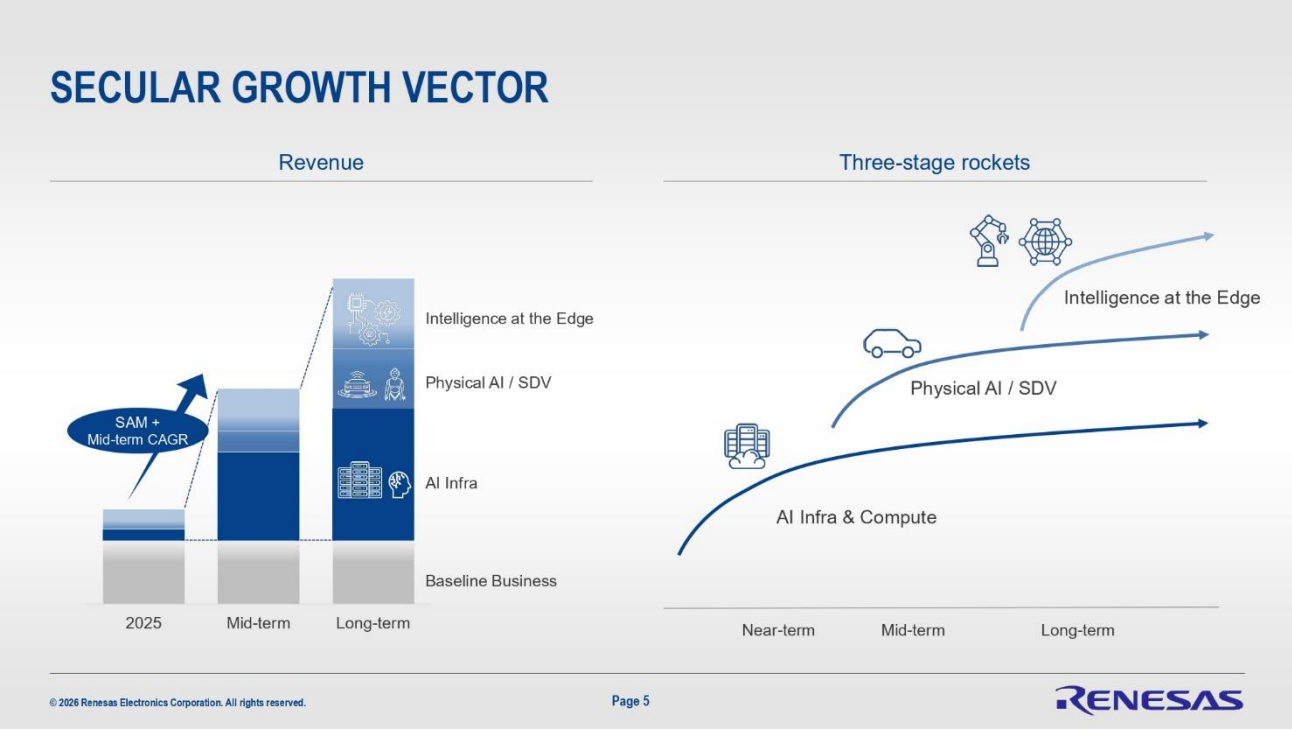
For broader, this is Renesas' next frontier for growth, gaining access to the thousands of customers we currently do not interact with. It's about increasing Renesas mindshare by leveraging our extensive distribution relationships and partnerships to amplify our solutions in all major markets, and searching for the next big customer or end equipment, which will drive future growth for Renesas.

The most valuable resource in sales is our people. How and where they are deployed is a key factor in driving growth.



In 2026, the key word is focus. All customers have access to Renesas. However, our sales teams will focus their proactive engagement on two areas, growth accounts and mass market. The teams will operate separately within each region, focusing on gaining share of growth accounts, which are revenue-generating accounts within our secular growth markets, and dedicated mass market teams in all major regions, focusing on new customer acquisition and cultivating those markets to find the next generation of growth accounts for Renesas. The new deployment will increase our time spent without drastically increasing our resources in markets providing explosive growth for Renesas.

What differentiates Renesas in the market is a high level of customer intimacy as well as the proven track record of manufacturing expertise. The feedback that I get directly from customers is Renesas is a technology leader and a partner who helps them innovate and accelerate their time to market. Using our differentiation to outgrow the market, it requires focus, investing our resources in the fastest-growing segments, and partnering with industry-leading customers. It also requires some patience as the technology adoption and speed of these markets varies widely.

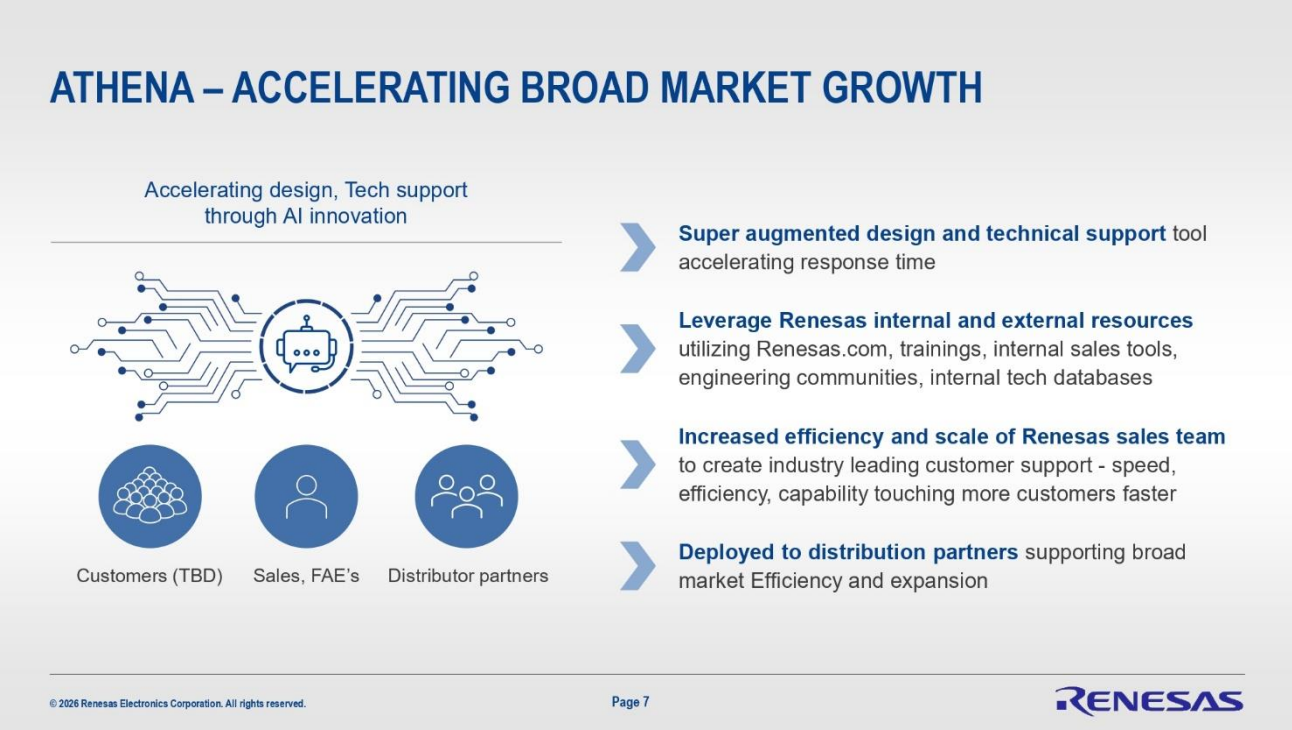


This is why we'd like to visualize the revenue contributions of our secular growth markets as three-stage rockets. By heavily investing in the three-stage rocket, we are accelerating and diversifying our revenue to grow faster than the market. Beginning in 2026, with our AI infrastructure leadership, we will achieve this consistently throughout the mid and long term.

Our growth expectations include significant mass market acceleration.

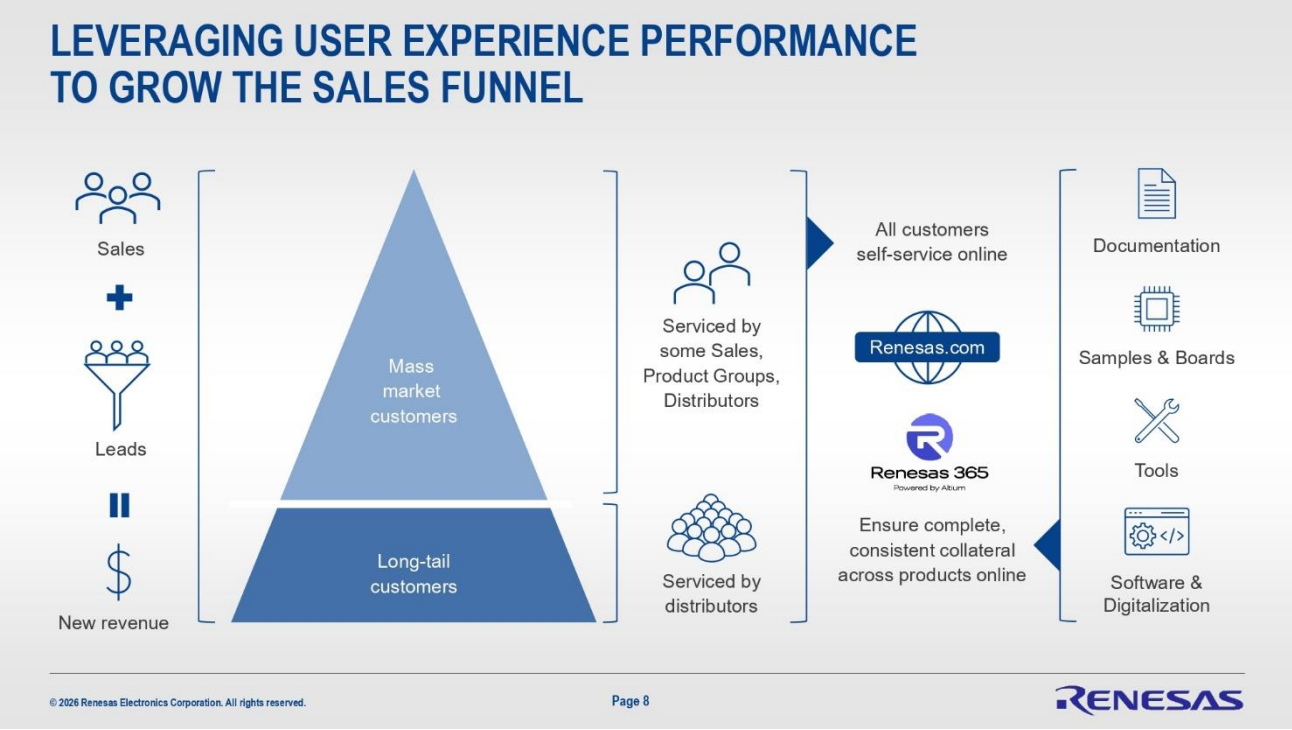
In the mass market, margins are healthy, the next generation of engineers are being developed, and the next big revenue-generating customers are born. In 2026, we have already implemented an ecosystem to

accelerate our mass market growth. We will be achieving this through five pillars, dedicated mass market teams solely focused on developing large semiconductor markets, leveraging our distribution and e-commerce partners to gain access to every customer in those regions, industry-leading technical support. Customers want efficient experiences with fast, thorough technical answers. We're going to deploy our Renesas AI ATHENA support tool to our sales teams and our distribution partners. This will enhance our ability to scale quickly and maintain our technical support leadership. Finally, finding who is next. Many customers who are large revenue drivers for Renesas had small beginnings. Our teams will search the market and place bets to see the long-term growth for Renesas.



What is ATHENA?

If we want to go broad, we must evolve our support strategy to scale and support the entire market quickly and efficiently. ATHENA is helping us to achieve this scale. It is a super augmented AI design and technical support tool that is enabling support for all customers in a fraction of the amount of time it has taken in the past. Much like well-known AI tools, the answer to your question is right at your fingertips in seconds. But what differentiates ATHENA is its ability to use all Renesas internal resources, fine-tuned, internally tested, and quality controlled to be fast and accurate. Deployed to both Renesas sales, our distribution partners, and in the future, our growth customers, the tool improves scale significantly, accelerating customer support and new acquisition.

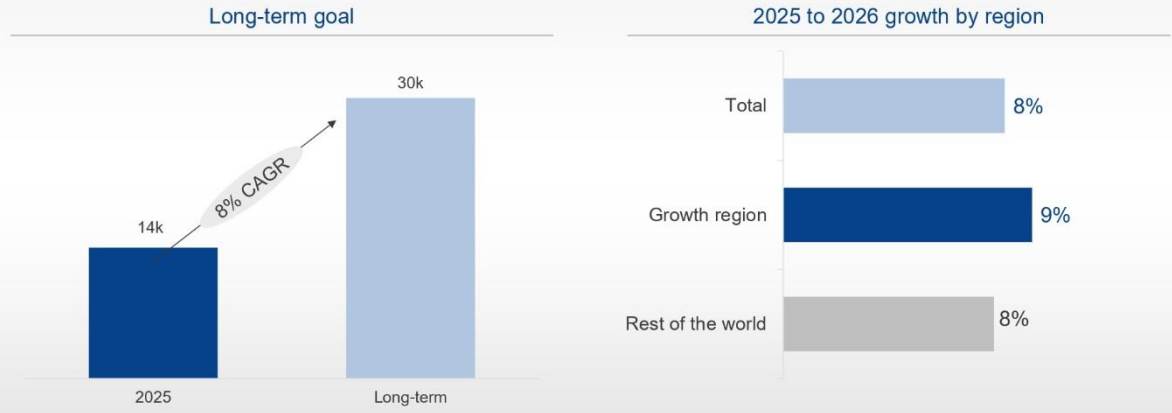


As I mentioned previously, our mass market strategy hinges on our dedicated sales team and our extensive distribution network.

Both center around people making connections with customers. Proper guidance and focus is needed to know where to invest and place those bets. This is where our Renesas user experience journey is utilized to generate and, most importantly, qualify customer leads. Customer activity, which might begin at a sample, a download, a tool use, or a new design on Renesas 365, generate intelligent leads, not just leads, intelligent leads, growing our sales funnel and guiding our sales teams to focus their engagement on the next big revenue drivers for Renesas.

NEW CUSTOMER ACQUISITION PROGRESS

- Renesas results in 2026 tracking to +8% increase in new customer acquisition
- 2035 goal – grow new customer acquisition at 8% CAGR



The good news is our sales strategy is already yielding results in new customer acquisition. For H1 of 2026, our new customer acquisition results are tracking to 8% growth overall, with consistent results across all regions. Our long-term goal is to double the number of new customers using Renesas.

SUMMARY

Going **deeper & broader with solution selling** approach

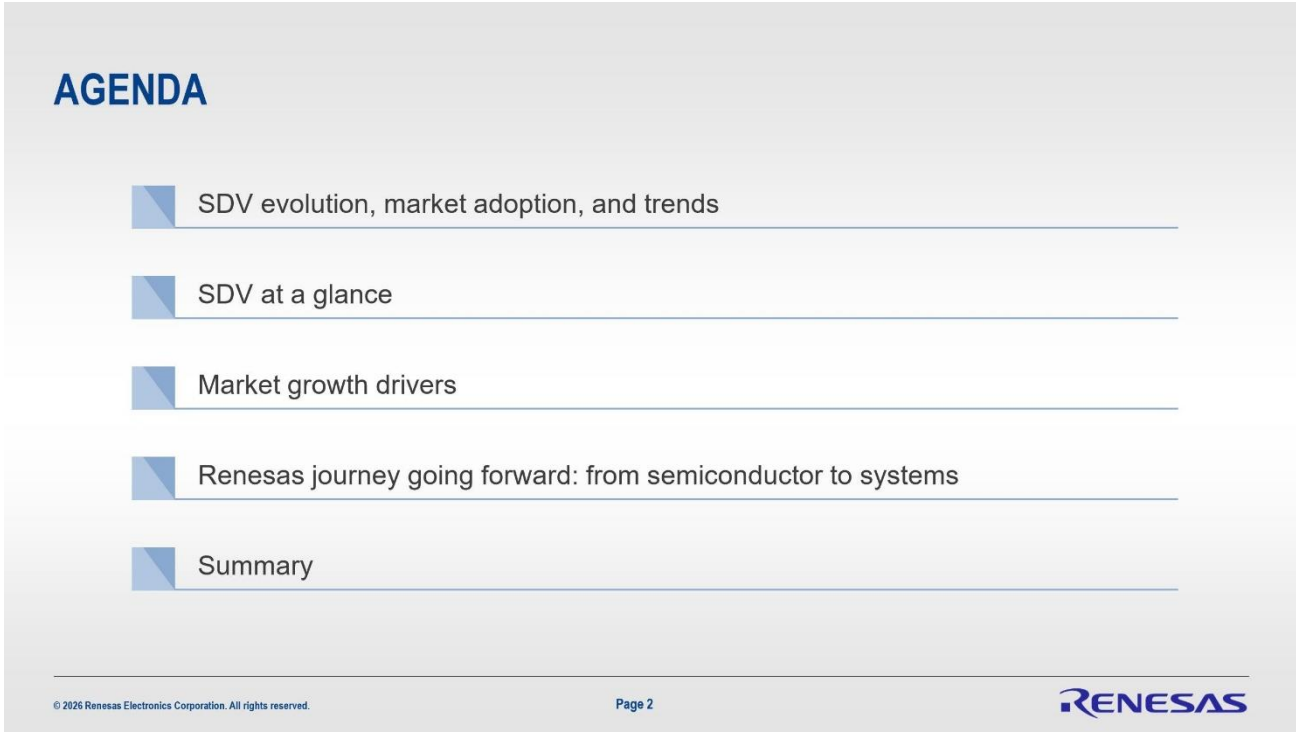
Sharpen focus for secular and mass market growth

Broaden Renesas customer based through target new customer acquisition strategy

In closing, we're going to go deeper into our existing customer base, and we're going to go broader by developing an expanded customer base. We will sharpen our focus and deploy to secular growth markets and the mass market. We'll broaden our customer base through a targeted new customer acquisition strategy.

With that, I'll close my presentation. I sincerely thank you all, and I appreciate your time. Thank you.

Sato: Thank you very much. We will hear from Vivek Bhan, Senior Vice President and General Manager of High Performance Computing, to talk about Software-defined vehicles. The floor is yours.



Bhan: Good morning and good afternoon. I'm Vivek Bhan, Senior Vice President and General Manager of the High Performance Computing Business at Renesas.

Today, I will walk you through Renesas' strategic direction for Software-defined vehicles. I will also outline how our compute and power portfolio are positioning us for sustained growth and long-term value delivery for our customers.

The automotive industry is fundamentally shifting from static machines to dynamic upgradable technology platforms. As vehicles become software-defined, new features will be continuously enhanced, also driving architectures that lead to increase in semiconductor content per vehicle. Hopefully, through this presentation, we will explain how Renesas delivers the brains, the distributed thinking, and the power nervous system of the Software-defined vehicle of the future, thereby positioning us to address system-level challenges and customer pain points that will define the SDV era.

SEMICONDUCTOR GROWTH AND SDV ADOPTION

- **SDV becoming mainstream**: by 2030, **>50%** of new vehicles globally are expected to be software-defined
- **Semiconductor content**: automotive semiconductor projected growth 7-8% CAGR

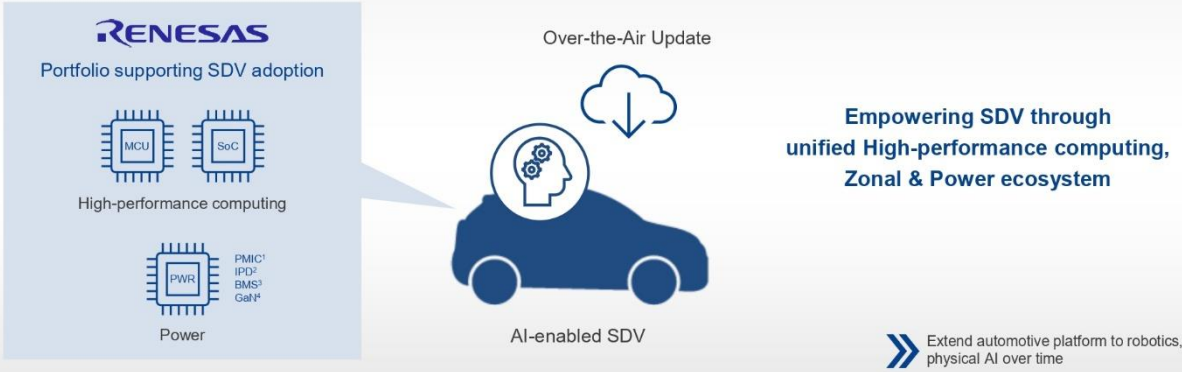
1. TechInsights 2026 June, SAM (excl DRAM, Flash) 2. Renesas estimate based on multiple third-party sources

SDV architectures are expected to dominate new vehicle sales, with projections showing that over 75% of the new cars built on SDV principles by 2035.

Every major global automaker is now increasing their investments in SDV programs. While it increases value through software, silicon also becomes very mission-critical, driving a step change in compute power management and overall semiconductor content per vehicle potentially more than doubling over time. OEMs are very interested to expand beyond closed proprietary SDV ecosystems and are actively seeking partners to reduce risk and preserve control. This is a clear opportunity for Renesas to emerge as a top-tier SDV supplier, offering an open, collaborative, and flexible platform with the key OEM partners.

AI-ENABLED SOFTWARE-DEFINED VEHICLE

- SDV demands **upgradable and adaptable** automotive platform combined with **AI** technology and **software stacks**
- **Renesas's growth pillars**: Central computing with AI (**SoC**), zonal compute (**MCU**), **Power, Renesas 365** solutions

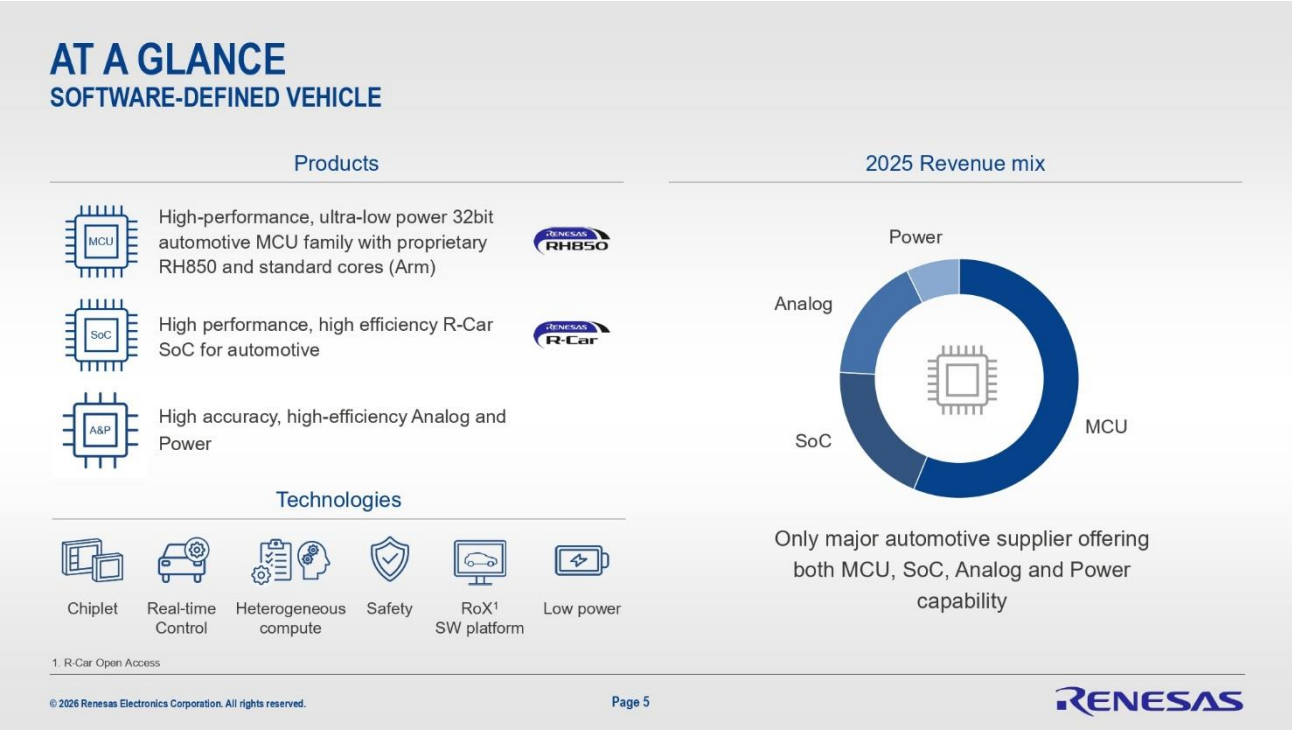


1. Power Management IC 2. Intelligent Power Device 3. Battery Management System 4. Gallium Nitride

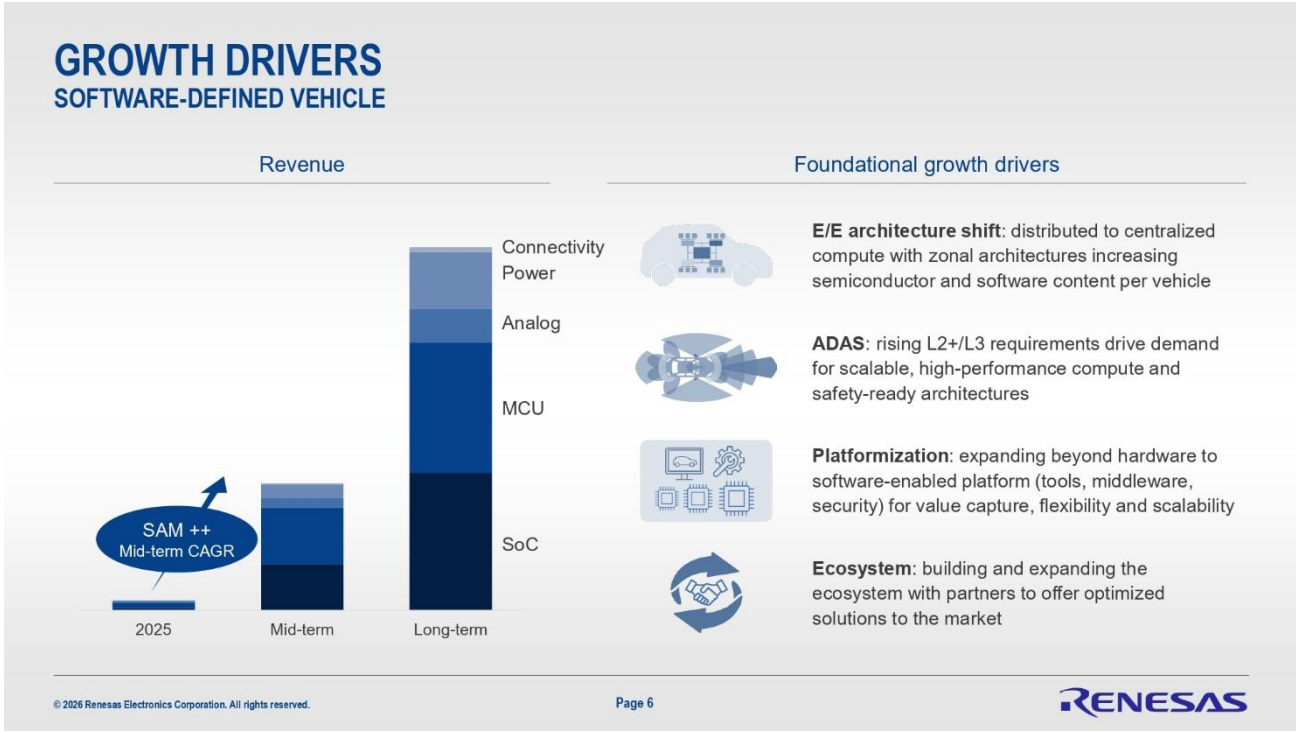
Today, together, SDV and AI are transforming vehicles into intelligent, continuously evolving platforms.

AI-enabled Software-defined vehicles increase volume and complexity of automotive software from ADAS Level 2 to Level 4 transition stacks to GenAI integration with LLMs and VLMs to over-the-air updates along with complex supporting tool chains and frameworks. Cornerstone of AI-enabled SDVs is high-performance computing hardware, which is addressed by the R-Car SoC portfolio, and multiple zonal controllers, which are addressed through Renesas' MCU portfolio. All combined with our advanced power solutions.

Renesas' platform vision is also extendable beyond automotive into adjacent markets such as robotics, Physical AI, as market adopts those technologies in those new areas. Let me start by outlining the products Renesas offers in the SDV market space.

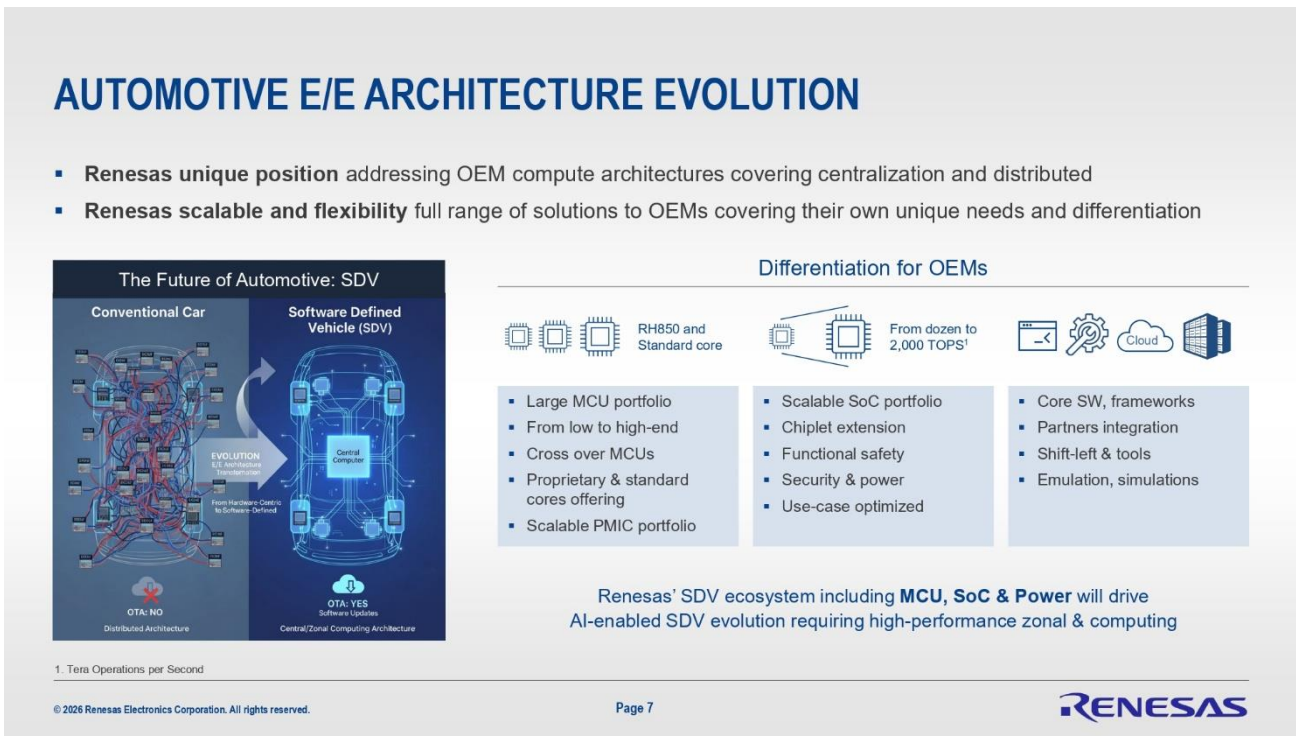


We are uniquely positioned. In automotive, we have differentiated MCU to SoC portfolio, powered by advanced chiplets and leading-edge process technologies. We offer scalable heterogeneous compute that has neural processors, graphic processors, compute engines, and industry leadership in real-time performance, latency, safety, and power efficiency, delivered all through Renesas' Open Access SDV platform to enable software reuse, portability, and a common architecture for our customers. In addition to compute, we offer a wide range of analog and power products targeted for better automotive system performance.



SDV is accelerating revenue growth from today into the Mid to long term.

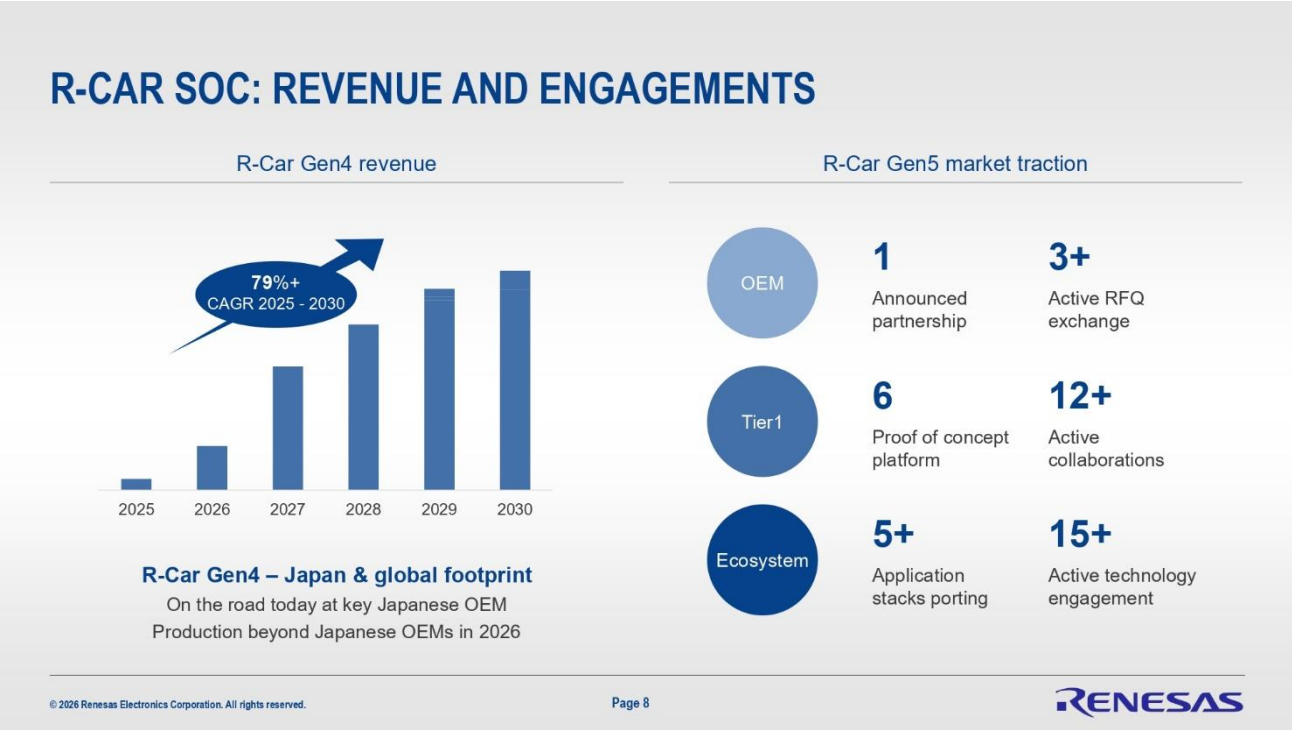
The foundational forces behind the growth are E/E architecture centralization structurally increasing silicon and software content per vehicle, ADAS L2+, L3 adoption driving step function demand for scalable, high-performance, safety-certified compute platforms. The platformization or transition from component sales to software-enabled platforms expands value capture and life cycle scalability. Finally, partnering with ecosystems enables us to deliver optimized solutions and accelerate customer adoption. Specifically, we, as Renesas, are focusing on a select group of OEMs that are seeking differentiation, building deep platform-level partnerships while working very closely with those OEMs.



OEMs also are moving at different speeds and adopting different architecture models.

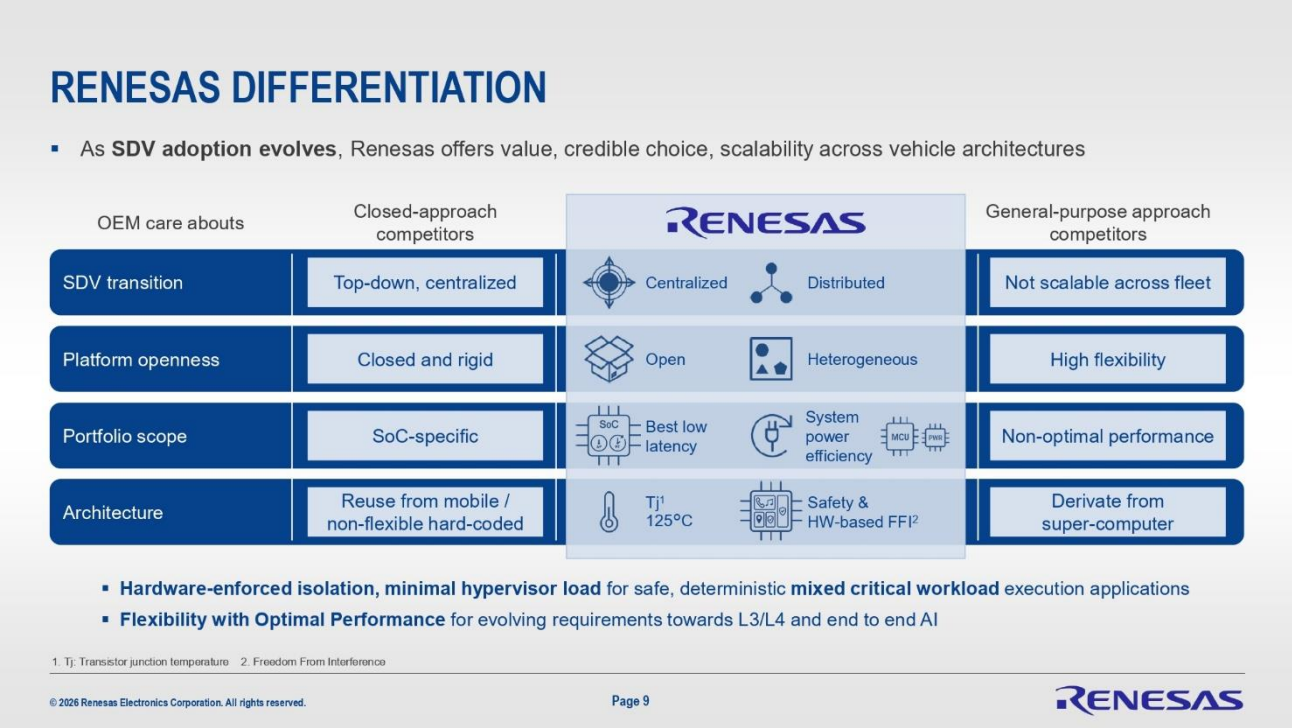
Some are quickly moving to heavily centralized designs while others are adopting hybrid and zonal approaches. This diversity is exactly where Renesas differentiates and is positioned well to offer and address full range of OEM compute strategies, offering scalability and flexibility rather than forcing a single architecture.

OEMs want choice and control, and Renesas enables both. We bring one of the industry's broadest MCU portfolios, spanning low-end to high-end real-time control, zonal control, as well as crossover MCUs with both proprietary as well as standard cores. Our scalable SoC portfolio extends from dozens of TOPS to thousands of TOPS and is further enhanced through chiplet architecture, addressing the growing needs for AI-enabled high-performance central compute with built-in functional safety, security, and power efficiency. We complement all this with core software framework, tools, and a development ecosystem. All this enables faster development, validation and deployment for our OEMs going forward. Taken together, Renesas MCU to SoC continuum is well aligned to serving AI-enabled SDV evolution.



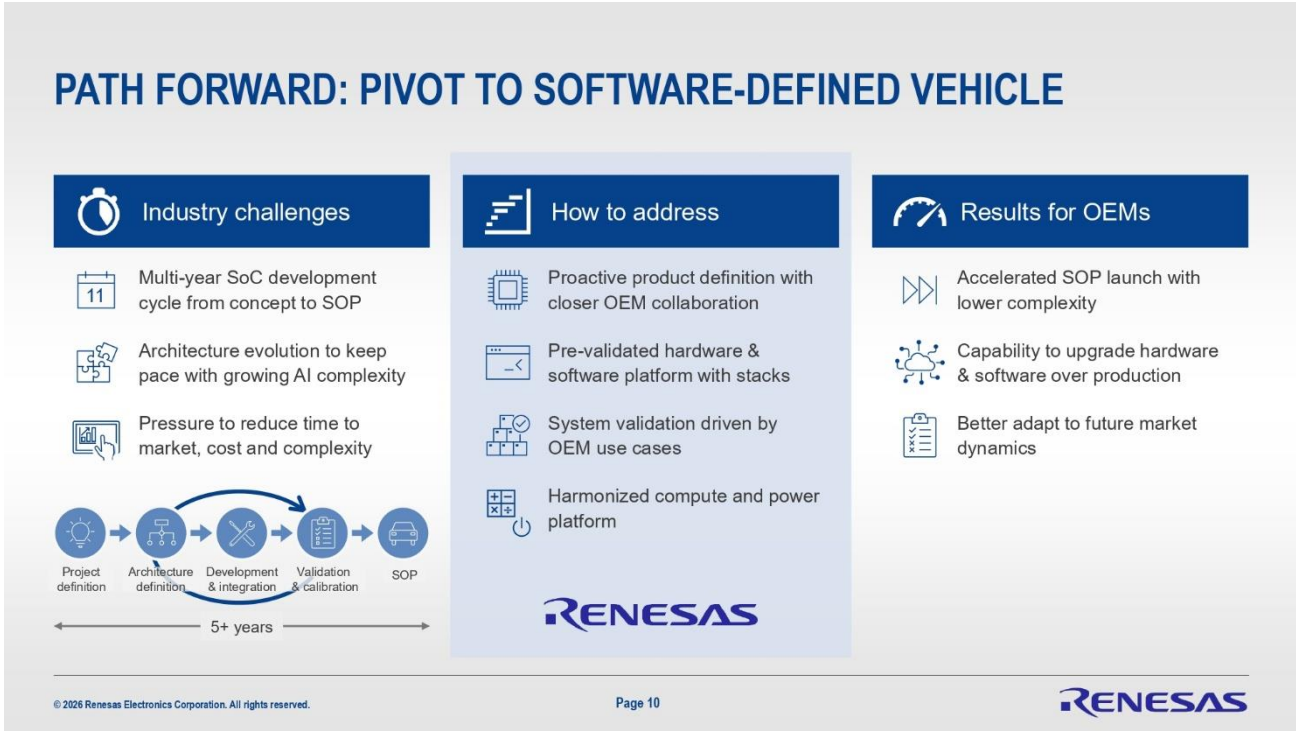
Let me briefly zoom into our R-Car SoC business and what it talks about our SDV activities.

We are seeing strong traction across OEMs, Tier1s, and the software ecosystem. Today, R-Car Gen4 is already in production, and Gen5 is gaining momentum across next-generation SDV programs, with announced design-ins and multiple active RFQs. On the Tier1 side, we have over a dozen active engagements, including proof-of-concept and platform collaborations. We now have more than 15 active software and technology partners. This collaboration shortens integration cycles and reduces deployment risk for our customers.



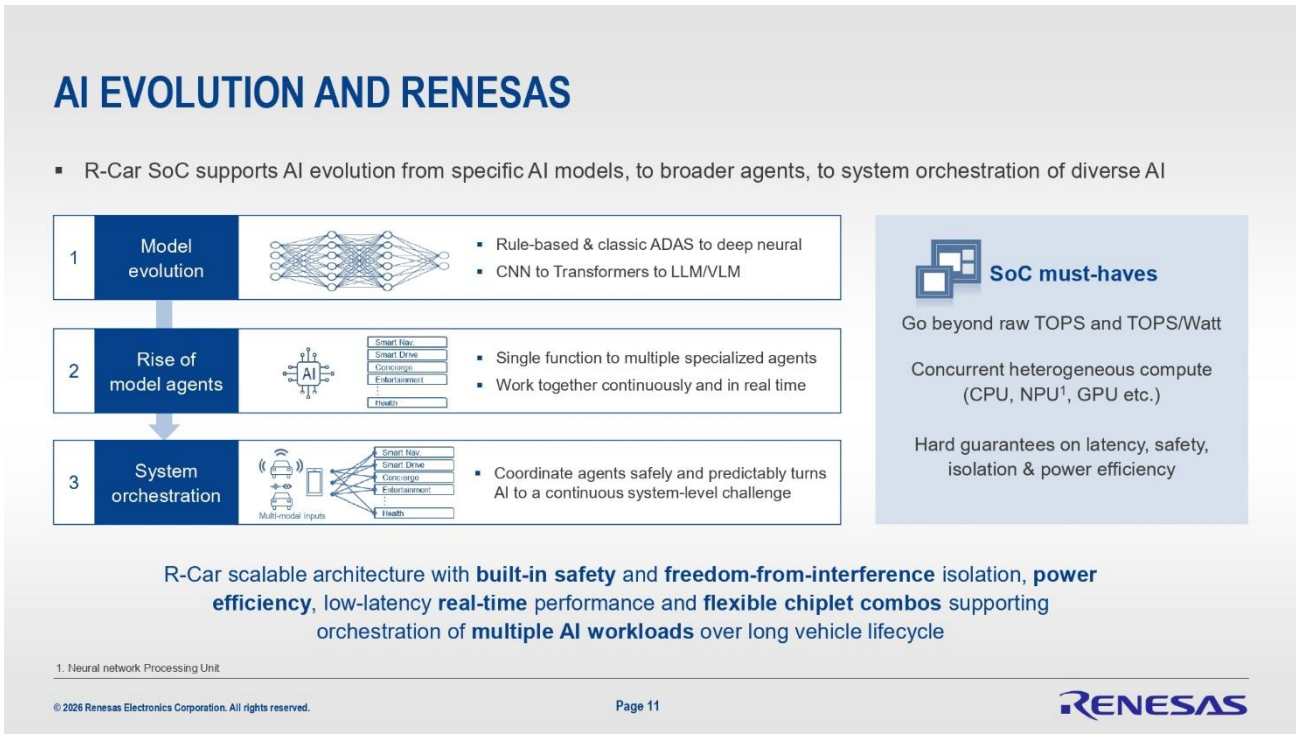
We are also, as Renesas, further aligning to how OEMs are actually adopting SDV architectures.

This positions Renesas not just as an SoC supplier, but as a long-term SDV platform partner, with OEMs seeking this differentiation. OEMs are adopting different architectures, I mentioned that, from central compute to zonal, and we are uniquely positioned to offer a true MCU to SoC road map, combined with power on an architecturally open platform, which is not a black box. With our approach, OEMs have flexibility, control, and optimal embedded performance across the whole fleet of vehicles they make. While other competitors focus on a limited range of compute sockets or some other competitors are very closed and have a very rigid ecosystem to work with, Renesas participates across multiple vehicle segments through a flexible partnership and realizable differentiation for our customers.



Let me also talk about the transformation pivot that we are making happen at Renesas.

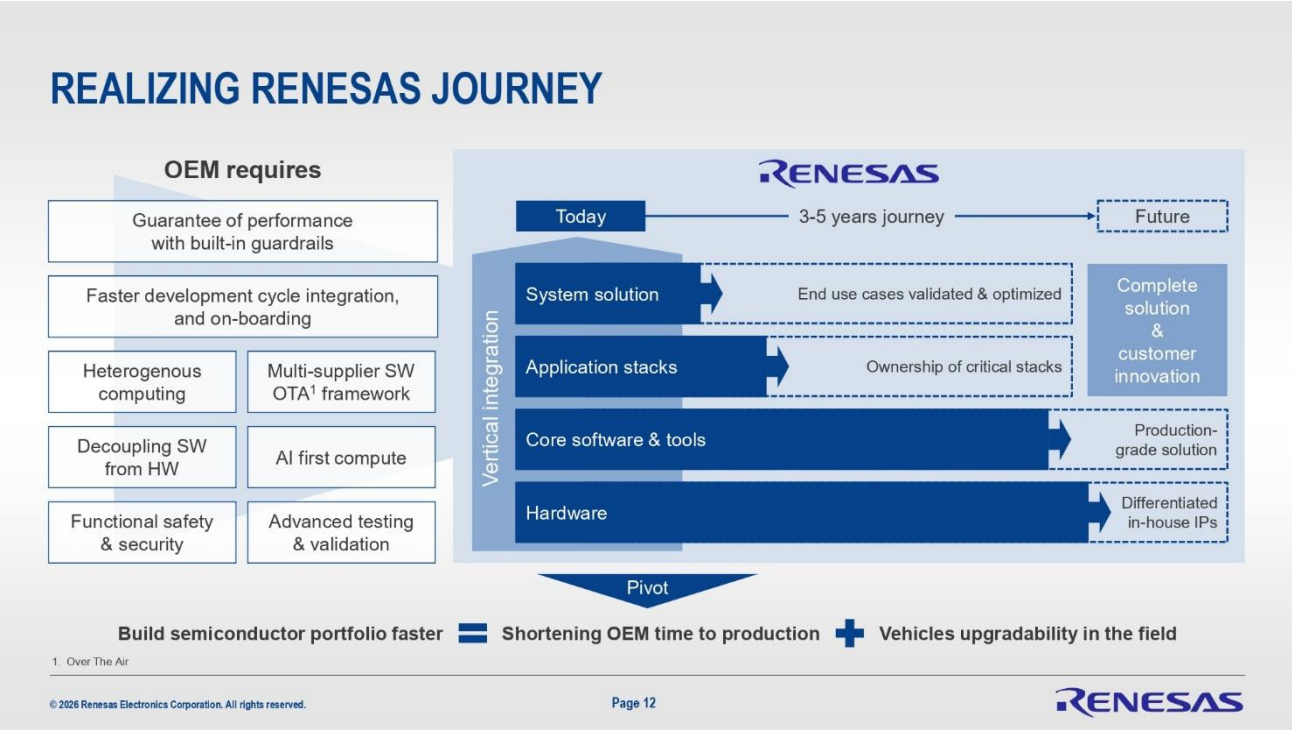
Today, vehicle silicon cycles are lengthy from early engagement to start of production. Auto SDVs are pushing for an integrated hardware software story. They want end-to-end systems, which can be better realized with SoC supplier building foundational investments that Shibata-san also talked about to enable this SDV acceleration. Through this pivot that we are executing on, Renesas wants to further accelerate time to production and number of products that we can release into the market. We want to enable our customers to have a faster time to market and they be able to upgrade their solution over the years.



Let me also touch briefly on how AI is evolving inside the vehicle and why this is strategically important for the Renesas transformation.

Automotive AI beyond raw TOPS is around how AI evolves safely and predictably over a long vehicle life cycle. The systems are no longer just single functions like perception but also a combination of multiple specialized AI agents that all have to be orchestrated together to work correctly in a vehicle. This is why AI-enabled SDV must go beyond raw compute. It requires heterogeneous architectures, which Renesas offers, integrating compute processing, graphics processing, AI processing, all working together while delivering automotive-grade safety and real-time performance.

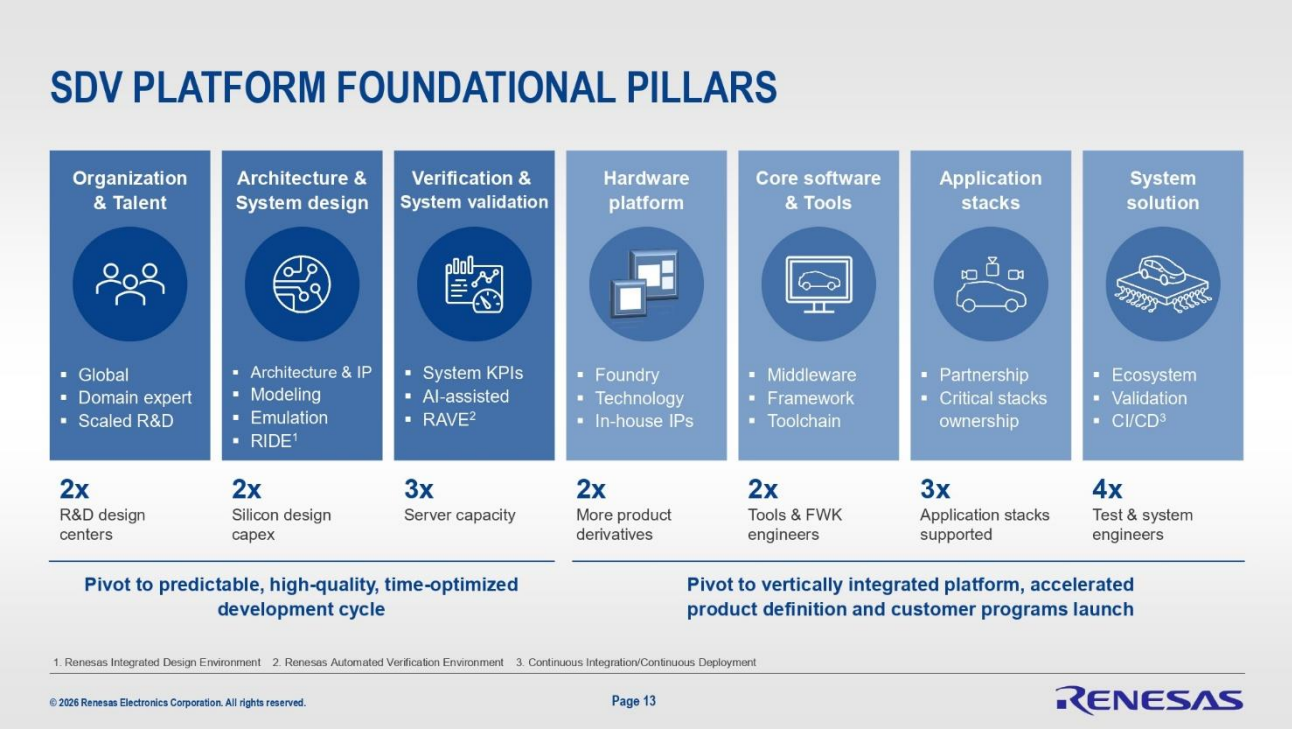
Our R-Car scalable architecture is designed to integrate the AI evolution, combining heterogeneous compute, offering built-in safety, enable virtualization of different systems, and deliver it at efficient power so that OEMs can continuously evolve these AI capabilities without having to redesign their platform over a longer life cycle.



This Renesas journey continues the transformation of the Company from a semiconductor supplier into a true system solution provider.

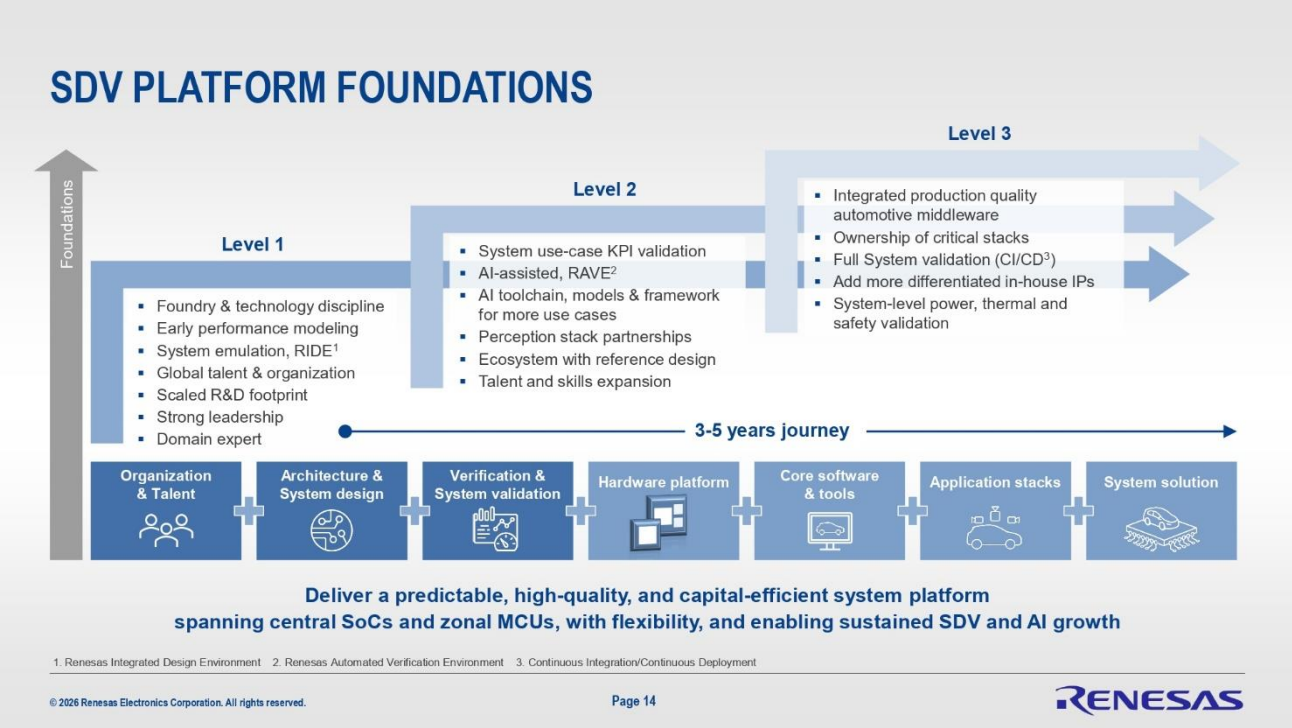
SDV requires guaranteed performance with built-in rails. Customers need predictability, and they need trust as software takes on more safety critical functions. Customers want portability. They want reuse. They want faster development cycles. They want to have longer product cycles while also moving towards these AI compute architectures. Renesas, through this journey, is moving to a vertical integration from hardware with new differentiated IP to core software and tools to eventually application stacks and ultimately system solutions. This will be the heart of our platform transformation.

Our vision as Renesas is to deliver integrated platforms that reduce customer complexity, accelerate deployment, and derisk system adoption. In doing so, Renesas moves up the value stack, capturing differentiation better for the market. Renesas' focus is to scale SDV and AI growth with repeatability and discipline through better foundations within the Company. As automotive systems become more complex, it is about delivering repeatable high-quality platforms, both across SoCs and MCUs.



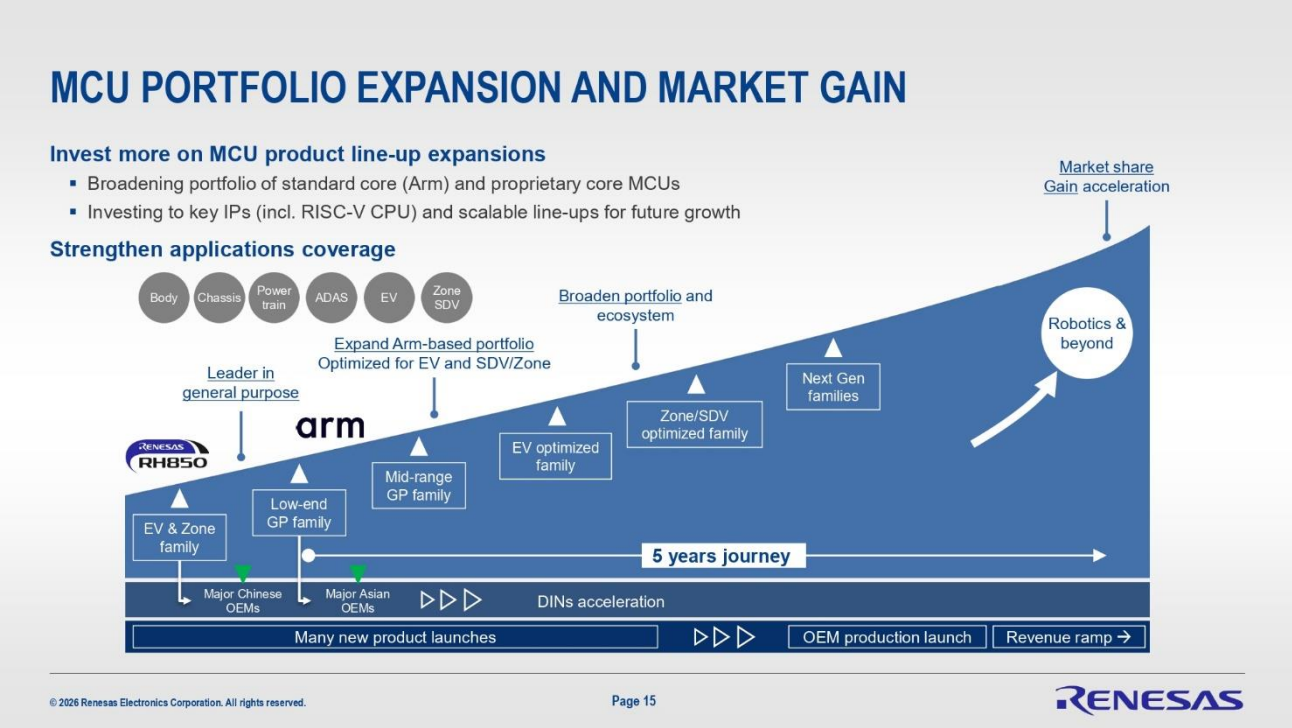
We are building foundations that span architecture, organization, validation, hardware, software, and system solutions.

Early performance modeling, system emulation, automated verification are all part of these foundations. We want to build more differentiated in-house IP to ensure consistency, scale and capital efficiency. These results will be measurable over time. We will see early defect discovery, faster regression cycles, and improvements in development efficiency while enabling maximum reuse across programs. Step changes to build this foundation is what will allow Renesas to grow faster in the future with higher confidence as SDV adoption accelerates.



Further talking about the foundations behind how we scale Renesas for SDV growth, we are building capabilities continuously spread over time. Focus on fundamentals, global talent, strong domain leadership, disciplined foundry strategy, and an early system-level modeling and emulation to shift risk left, we expand that with Level 2, moving into system-driven validation, use case-based KPIs, automated verification, AI-assisted tools, and ecosystem-based reference designs.

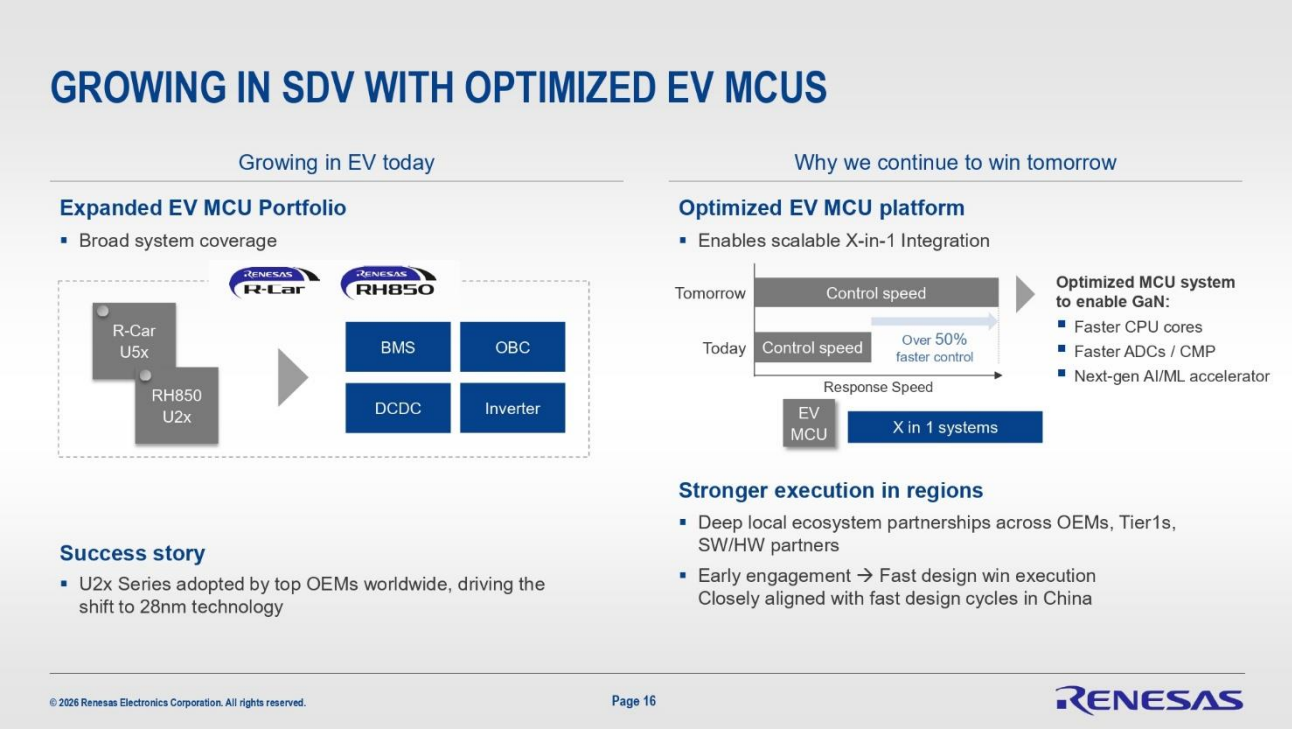
Our next level, Level 3, is where value scales, ownership of critical software stacks, system validation with CI/CD, and differentiated in-house IP running on our hardware. These foundations that we are investing in will help Renesas build technology leadership and execution into a durable long-term value creation.



Let me also talk about our MCU road map.

Our strategy on MCUs is to broaden the portfolio, with full scalable compute running through various core options, deepening our ecosystem, and translate that into accelerating market gains over the next five, six years. We are extending our general purpose leadership from midrange down into low-end and forward into next-generation families. We are expanding our Arm-based lineup in addition to our proprietary offerings. We are building MCUs that are purpose-built for EV and SDV zone, eventually evolving to a fully zone and SDV optimized generation of those products. For IP, we are getting ready for the RISC-V adoption in the future.

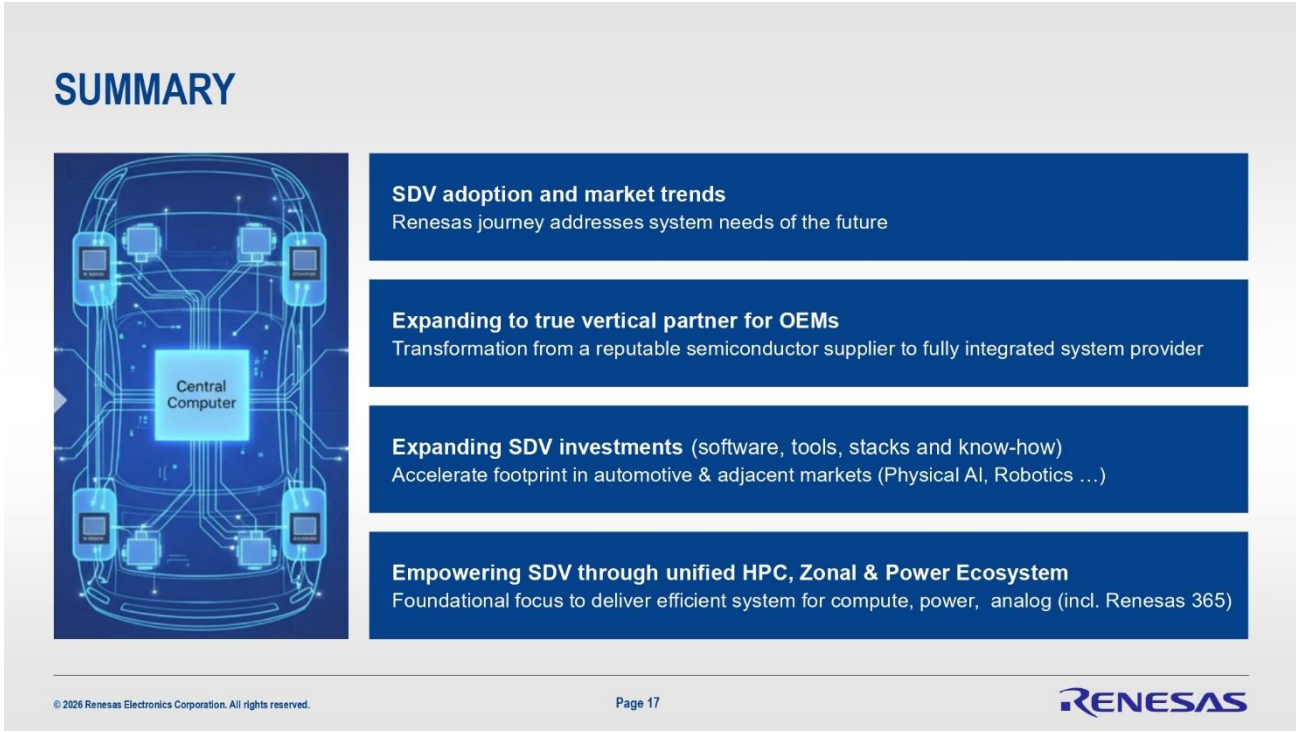
The result of these activities that we are executing on will provide us a full-vehicle coverage for automotive and eventually taking those products and technologies and IP into adjacent areas like robotics. New product launches have started to generate design-in acceleration. Eventually, that will turn into OEM production in the later years, followed by revenue ramp. Over the next five years, MCU portfolio should see a wide range of products and families being introduced into the market, followed by customer adoption as well as customer ramp sometime later.



I will also quickly touch on EVs, where we are growing today and positioned to win tomorrow.

We are expanding our EV portfolio across the full system, integrating BMS, inverters, DCDC, onboard chargers with our R-Car U5x family and RH850 U2x family. They are already driving the industry shift to 28-nanometer, and some of these products are already adopted by top OEMs worldwide, including some of the leading players in China.

Looking ahead, our next-generation EV platform will enable further scalable X in 1 integration, with about 50% faster control optimized to unlock power technologies that will be integrated through these faster cores, faster ADCs, and a next-gen AI/ML accelerator. We are executing early through deep local system partnerships to enable our products into quick adoption by our customers.



Let me summarize and close by summarizing the Renesas story, which is about offering a compelling road map that is built on market realities and decisive strategic execution.

First, Software-defined vehicles adoption is accelerating around centralized compute, software, and AI. Renesas' journey is directly aligned to the market trends and is focused on addressing the system needs of the future. Second, we are expanding from a leading semiconductor supplier to a true vertical partner for our OEMs. By moving towards fully integrated systems, combining hardware, software, tools and know-how, we deepen and strengthen our customer relationships and increase long-term value capture for us and for our customers. Third, we will work and increase our SDV investments across software, tools, stacks, and expertise over the coming years. This strengthens our automotive journey and also positions Renesas to expand into adjacent growth markets such as Physical AI, robotics, and intelligent systems over time.

Taken together, Renesas is uniquely positioned at the intersection of compute, power, and software, enabling the SDV transition from end to end. This is how we are building a sustainable growth engine for the next decade, by aligning with secular trends, expanding our role in customer systems, and executing with discipline.

Thank you for your time and your continued interest in Renesas.

Sato: Thank you. After this, we would like to move on to the Q&A session. We have to prepare the stage, so please give us a few minutes. Thank you.

Question & Answer

[Questioner 1]

Q: My first question, this time around, I think you have highlighted AI, in particular, in this Capital Market Day presentation. I think you are convinced that this growth in the AI market is quite stable. Is there anything that you have not presented last year? I could sense your strong ambition this year. Previously, timing, PMIC, and those interfaces has been the case. But are there any new applications that will be broadening going forward? That's my first question.

Shibata: Well, I think I can give you more details sometime later. But in my presentation, I talked about the control plane and the interconnect related. In these areas, product definition and product design or development is already in progress. I wouldn't say it will be massive, but I expect it to drive solid growth, but I think quite a good pace of growth will be driven by these product lines. We're not going to begin something totally that we have not touched. Rather, we would like to accelerate the efforts that we have been undertaking so far or give more resource to them. That, I think, will be the basic activities that we are going to focus this year.

AI, it's a common thread, but I think hardware was quite splendid already. But as I mentioned during my part, it takes more time and effort than expected to fully extract the performance of the hardware. In order to deliver those performance, time and labor, more than anticipated, is needed in order to deliver the performance of hardware. We wanted to address that. That effort is going to be more sizable compared to before.

I'm sorry with that going back and forth, but AI is going to be utilized in order to realize AI. That is the situation that is happening today. According to our activities, AI model will have to be mapped with the hardware in order to do the computation. Previously, these were manual work or the human-coded software were required in order to do this. But this can be replaced by AI, and this is what we are working on right now. The preliminary results show a very promising outcome. This is an area that we would like to further enrich going forward. We will, of course, work on the hardware. Maybe this is too exaggerated but I think the software proportion is going to become much larger compared to before, especially in our R&D efforts. That's what I'm thinking about.

Q: Thank you. My second question is to the three of you. You talked about the potential for growth. Last fiscal year, you mentioned that the Chinese market is going to be important, and that will have a downside pressure on margin because you're going to make investments in China. I think Physical AI included, I think China is a central market for AI. Mass market, I think, as an approach is quite reasonable aligns well with Altium's strengths to deliver synergies. I think you're achieving an expansion in customer acquisition. Including AI, compared to last year, what is the potential you're looking at for the mass market expansion? If you can just give us a hint.

Shibata: Well, the mass market overall, Stephen's part and also after this, in Gaurang's part, we would like to talk about the mass market expansion potential. Compared to last year, Stephen, who can talk about the mass market and of course, for the China market opportunity, we would like to talk about that during this Q&A session. Maybe later in Gaurang's session, I think you can listen to him present them, or you can ask a question directly to him maybe. But Stephen, can you go ahead with?

Limoges: Investments in the mass market in China, there's quite a few end markets that are always developing in China. Industrial has been growing in China, new customers popping up to serve the market consistently in the last couple of years. Now, on the AI infrastructure side, you have many new players in every region but

also in China. Our expectation is that we will start to penetrate these customers and catch them very early so that we can grow with them. China is behind the US maybe by a couple of years in AI. The good news is that the products that we're developing for the leading customers now will serve that market very, very well. It's just a matter of making sure that our teams are focused on developing the AI infrastructure market.

[Questioner 2]

Q: I have a question for Shibata-san and also Shinkai-san, so two questions in total. First, when listening to your presentation today, Shibata-san had a tone of confidence. It is not just about the current demand being strong, but the competitiveness and positioning in years to come, I think you have confidence in them. First of all, whether this is an accurate understanding or not is part of my question. When it comes to Software-defined vehicles and infrastructure focusing more on control, and CPU and NPU, in addition to your strong position there, you are well prepared, I guess, and you are ready to deploy. That is why you think that your competitiveness and positioning will be better going forward. I just wanted to know if my understanding of your confidence was correct or not.

When creating value, you need to be able to deliver. Supply capability is key. You mentioned this previously in the call, but you need to move quickly, especially for automotive. But when it comes to your supply capacity, have you overcome your bottleneck? Some updates there would be appreciated.

Shibata: When it comes to power of supply, if needed, Steve will supplement, but this is a challenging task. In our case, and Zaher will explain this later today, fortunately, we are fab-lite or maybe hybrid is a better term right now. Our own production capacity combined with our partners' capacity is something that we are working with. Of course, it goes without saying that our production capacity is for ourselves to use so there is a limitation. OSATs and foundries, they have more partners so they tend to have more accommodation capability in terms of capacity. If we want to expand in a short period of time, we need to pay more, but that could mean that if needed, we can secure additional capacity relatively quickly, although at a higher cost. When you see a short-term demand increase, this hybrid is more suitable, but down the road, we need to enhance our own in-house capacity, as Shinkai-san mentioned. We won't increase just in a single year and then decrease, but we will enhance the Capex so that we have enough in-house capability. That is regarding your question on our supply capability.

Regarding my confidence, the fact that our confidence is building up is supported by a clear visibility on our future. If I were to try to explain this more thoroughly, we have the first stage of rocket and the third stage of rocket. For the third, we do have a lot of tools, and if we continue on this path, we will see a bright future. The confidence comes from the fact that we can go as planned in this direction. But for stage number two, Physical AI, this is something that we need to focus more on because we have strong competitors. As Vivek mentioned, against our existing strengths, we need to build up more to compete. Whether I have the confidence that we have a winning strategy, that is not the case yet, but I now have a clear vision on what needs to be done. In that sense, maybe I am being optimistic overall. That is how I feel. But Steven can talk about the supply factor maybe more specifically.

Limoges: Sure. I think the first-stage rocket on the infrastructure side is the most critical right now and the most aggressive growth. I do want to point out that with the investments that we've already made in the hybrid model, you can see in our results, the significant growth of our AI revenue. That comes through hard work, investment, and strategic partnerships, and that will continue. While we may not catch up to the unprecedented demand in infrastructure until 2027, we will continually increase and our output will be significantly more. Like Shibata-san mentioned, our ability to use a hybrid model will help us to hold our suppliers accountable so that we can sustain an aggressive cost structure to ship into the market as well. With our plans, I am confident that in the next year, we will catch up the demand.

Q: Another question for Shinkai-san. You have a broader definition of AI this time around. While listening to your presentation, I had thought about how much in numeric terms are you going to see a growth. Time-wise, you mentioned that TAM could expand fivefold, but maybe you are looking into more growth. I just want to know how is your company structured towards that growth. Regarding the Forex, if it becomes JPY150 per dollar, then there is going to be about a 5-point difference, but now you've reached JPY160 per dollar. So what kind of range should we foresee going forward?

Shinkai: Regarding the AI revenue definition, we previously focused on Digital power. That Memory interface or core AI, that was the focus and the timing business. We reviewed this, and we have a new definition, which is wider or broader. AI plus data center. GPU and CPU, Digital power, and Memory interface. It's a wider definition or coverage.

Regarding the timing business, which was divested, this will be excluded. That's the overall definition change.

Regarding our growth rate, each company have their own ways of looking at this. But as I showed you in my slides, in the diagram, that was based on the understanding that the market, in five years' time, will grow at about 40% over the next five years. Towards that end, we will grow even faster than the market. Our SAM+ assumption is based on that view.

The second point, Forex, you have rightfully understood our assumption. The sensitivity range is as you spelled out. It would have an impact on our operating margin.

Q: What is the scale of AI/DC sales under the new definition?

Shinkai: I don't have the numbers off the top of my head, but probably twofold.

Shibata: 1.5 times more or 2 times more in the current situation.

[Questioner 3]

Q: My first question, regarding R-Car, recently, RAV4, you adopted this and other OEMs. You have a pipeline for them. I think the business is quite favorable. Today, you talked about the business model. You have MCU and SoC. That is the strength of your business model and including a time-to-market advantage. Once again, I would like to ask this question. In RAV4, when you were adopted, Renesas R-Car, what were the key functional advantages from the customer's perspective that led to adoption? Is it the superior power consumption? What is the strength from the customer viewpoint regarding R-Car? Regarding the chart, the R-Car revenue in 2025, in the start year, the revenue, how much was it as a result of R-Car? That's my first question. Vivek, can you answer the question?

Bhan: I think you had two questions or more. I'll answer it. Thank you for asking the question. As far as R-Car benefits are concerned, Gen4 and Gen5, as we go from one generation to the next, we try to add more and more benefits to our features and performance. But at a high level, where we differentiate is power consumption, number one. Number two is because we are an MCU supplier also, we have intrinsic information and knowledge about real-time performance, low latency performance. We are able to take those concepts and also implement that on the SoC side. Power consumption, one, low latency, better real-time performance, and then executing to the other specifications the customer are asking for, all these come together to why a customer would adopt our product for Gen4.

On Gen5, it is a broader product for centralized compute for SDVs. It has a significant amount of compute capabilities on CPUs, on AI processing, NPUs, on graphic processing. It is done in 3-nanometer. It's designed to integrate a lot of features in a smaller monolithic die as well as provide low power consumption. In terms

of when you look at frames per watt and AI TOPS per watt, we can get to lower power consumption. As I mentioned, we don't need in our SoCs an external MCU, safety MCU, because we know how to do safety islands. We bring it into our SoCs itself. So that allows us to do many things, how we get a workload and distribute it to our application processor versus our real-time processor because it's done within the same chip. We're able to show a lot of different improvements in performance and educate the customers on what we can do by having that kind of integration.

We also have IP in the next generation, what is called freedom from interference, which allows ASIL B islands, ASIL D islands, different type of safety and security levels, to be integrated without them interfering with each other. That becomes important in the future of SDVs because you will see a lot of ADAS, IVI coming together. Their safety, security, real-time performance is not the same, but we are able to handle that with the architectures we are bringing out to address some of these trends that are coming into the market. I hope I answered your question.

On the revenue side, we just started with RAV4. Revenue is small in the first year, but it will grow as more and more adoption happens in the subsequent years. We also expect in the next three quarters Gen4 to be adopted outside Japan with another leading OEM. That would also help increase the revenue. We are building more OEMs behind Gen4. Revenue is small, in tens of millions in the first year, but it grows over time.

Q: Thank you very much. My follow-up question for the second part. The reason I ask that question is I'd like to have a sense how big the sales in 2030. One million, 5 million, that makes a lot of difference.

Bhan: 2030 specifically is your question. We will see continuous ramp of Gen4. We started now, and it will grow as more vehicles adopt it and more OEMs adopt it. But also, we expect the beginning of our Gen5 launch also to happen around 2030. That doesn't mean we will ramp very quickly, but we'll have customers and then they will ramp in the subsequent years with more and more volume. We see a transition from Gen3. Gen3 is actually getting used more than we expected. Gen4 is ramping up. By 2030, Gen5 will start kicking in, but it will also take time to ramp up.

[Questioner 4]

Q: I have two questions. First is regarding gross margin target. You showed a chart and talked about product mix and price. Those are the two upside factors you explained. Regardless of the exact figures, I just want to understand your way of thinking. What kind of product mix shift would result in margin increase?

Regarding your pricing strategy, In a tight supply environment, do you raise prices based on demand. Are you going to pass that through, or maybe change of product mix would directly lead to your price increase? What is your take?

Shibata: Shinkai-san will talk about the product mix, and regarding the pricing strategy, Stephen will take that. If supplementary explanation is needed, I will jump in. Shinkai-san, please.

Shinkai: Regarding gross margin and bridge, it has been an illustrative chart, and mix and price has been dealt with together. But regarding product mix, analog products will be at the core. Segment-wise, Physical AI to Intelligence at the Edge, these are the segments covered. These are expected to grow, and the product mix will improve as a result. In other words, within the infrastructure, Digital power and Automotive tend to be relatively lower-margin, comparatively speaking, and Physical AI and edge-related applications tend to be higher-margin. Data center-related infrastructure will be high, but the power-related segments will be low. That is how I think about the situation.

Limoges: I would take a look at the market. Almost every semiconductor company is experiencing increases in raw materials all the way through fab, assembly, and test. You see many semiconductor companies who have increased price one or two times in the last year. Renesas will do the same in some areas, but we're going to do it strategically. When I say that is we will work with our customers to make sure that we don't lose share and that we continue to grow. We do it in areas where maybe there are older legacy products that become a bit more expensive, but also make sure that we are balancing where we increase price to be competitive with our competitors as well. It's not as simple as just increasing pricing because of cost. We evaluate all those factors, but at the end of the day, that is absolutely something that we will do and continue to evaluate moving forward.

Shibata: In the short term, because of the demand and supply balance, this could trigger the price adjustment. In terms of cost, similarly, we need to make adjustments. But when it comes to figures, mass market and digital alike, ASP needs to go up. This is the mainstream or this is the most effective way. Large sockets and large customers in the vertical, these deals can go up and down. This is the tendency. Trend-wise, we will improve our mix, ASP, and margin. That can be done by changing our engagement model with our customers, engaging with a broader customer base, in terms of engagement. I think that is the way to go. This will take time. Shinkai-san's chart reflected this kind of mindset.

Q: Thank you. Second point, this is regarding the core of MCU. Your own IP to Arm and RISC-V, you are expanding. How are you going to use core? By application? What kind of mindset is behind the changing way of usage for core? Arm is entering into the CPU market. How do you see this move?

Shibata: Okay, Vivek.

Bhan: Again, thank you for your question. I think your question about how do we deploy our cores because we will have multiple cores into the market, a great question. We have been very thoughtful about our core strategy. We had proprietary cores based on RH850 that were highly power efficient, had great latency and real-time performance. A lot of our customers have developed software and systems around them, and they want to continue using the RH850 core. For those customers and where we see RH850 benefits in performance, we will continue to expand that family.

Having said that, there is a decent group of OEMs and customers coming up, they want to stay with standard cores and not adopt proprietary cores partly because of multi-sourcing also. If you have Arm-based cores and they want to have at least two leading suppliers and use Arm cores, unify their software capability to integrate with these suppliers, those customers prefer standard cores, and that's why we are introducing strongly our Arm-based families across the scale of products.

The other important thing is when you introduce a family, you have to make sure customers get a range of products, not just a high-end product or just a middle-end. They are expecting to have a full-scale portfolio to adopt. Core strategy is one, making sure it is a scalable strategy so that a customer adopting a certain core, proprietary or standard, has a full set of solutions in play. Then RISC-V is being monitored and opportunistically looked at. There are different market sentiments and interest right now. But we do believe at a certain time, it will have a role to play in this whole MCU architecture of cores, and we'll be very well prepared to address that also.

Q: Regarding CPU chip manufacturing by Arm, what is your take on that, the development by Arm?

Bhan: It is known that Arm, who used to be an IP supplier, is also making products and some subsystems that may eventually compete with their customers today. That is what it looks like is happening. We are not seeing a significant element of that in the automotive side. It doesn't mean that it may not happen, but they are focusing on non-auto applications. Maybe eventually, they will look at auto also, but we don't see a lot of that activity happening today.

Number two is in the automotive space, besides the Arm cores, there is a lot of what is called routing latency requirements that are coming in zonal. There's a lot of reliability and temperature requirements that are coming in auto. The safety requirements are also increasing. The solution is just not the core itself, but your capability to deliver reliability, functional safety, right temperature, routers and AI performance, latency to the edge. We need to continue to make sure we differentiate on those levels. Competition will also try to proceed and Arm could be one of the competitors in the future, but in auto, we don't see them as active today.

[END]