

Analyst Briefing on Wolfspeed Restructuring Support Agreement (June 23, 2025) Presentation and Question & Answer Summary

Translation Disclaimer

This document has been prepared in Japanese, with an English translation attached for convenience. The English translation is provided for reference only. In case of any discrepancy or inconsistency in interpretation, the Japanese original shall prevail.

Presentation

Moderator: Good morning, everyone. Thank you very much for taking time out of your busy schedules to attend the analyst briefing on Renesas Electronics and Wolfspeed's Restructuring Support Agreement, especially on such short notice. Today's briefing session is conducted in Japanese only, and due to the sudden notice, it is intended only for our coverage analysts.

Today's briefing is attended by Hidetoshi Shibata, President and CEO, Shuhei Shinkai, Senior Vice President and CFO, and other staff members.

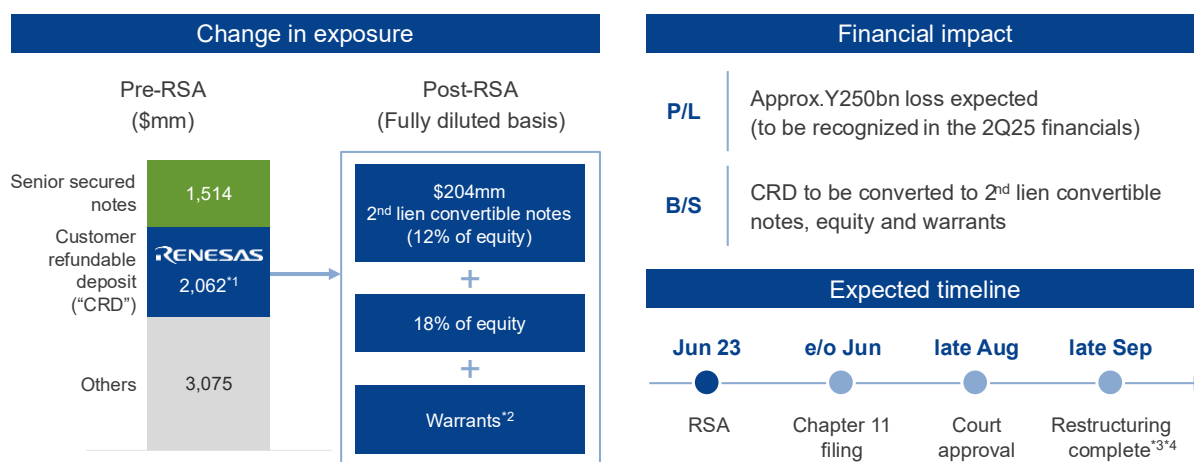
After greetings from Mr. Shibata, we will provide an explanation regarding the Restructuring Support Agreement with Wolfspeed, which was disclosed through a timely disclosure today. And then we will move on to a Q&A session. The entire session is scheduled to last 30 minutes. The materials and transcript of today's briefing will be posted on our IR website at a later date.

Mr. Shibata, the floor is yours.

Shibata: Thank you very much for starting so early in the morning. Good morning. This is Shibata.

During the first quarter earnings call, we talked about what we were doing, and we were hoping that we would be able to reach an agreement and announce something regarding Wolfspeed a little earlier. However, it took quite a bit of time due to various back-and-forth discussions, and we finally entered into this RSA this morning. The outline of the RSA and its implications are quite complex, so I will first talk about them in a very brief form.

TRANSACTION OUTLINE



^{*1}: Principal amount as of end of May 2025.
^{*2}: 5% on a fully diluted basis, struck at \$2.25bn equity value.

^{*3}: In case of pending regulatory approvals, an alternative scheme to replicate economic implications to be put in place.
^{*4}: Also referred to as emergence which is expected in 3 months from RSA.

Now, 3 pages, please.

This is the outline of the Restructuring, to put it quite simply, I think it would be helpful to refer to the figure on the left as you see.

Wolfspeed holds just over \$6.5 billion in various interest-bearing debts. The essence of this Restructuring is to convert those into a little over \$2 billion in interest-bearing debts, with the remainder converted into equity.

Originally, this large amount of interest-bearing debt was raised by Wolfspeed because of the significant capital required to manufacture advanced 8-inch SiC boules and to build a factory for 8-inch devices from scratch. However, as you know, there was a slowdown in EV adoption after that, and the SiC market did not ramp up as quickly as initially expected, so I think it is a well-known fact that this interest-bearing debt was weighing heavily on the company. The aim of this Restructuring is to reduce interest-bearing debt to a considerable extent and convert some of them into equity to remove the excessive financial burden on Wolfspeed, while at the same time ensuring financial stability, mainly from a balance sheet perspective.

The leftmost dark blue part of the picture on the left is what we call a CRD, which is practically similar to a loan. As you can see in the middle, this CRD will be converted into three instruments, first portion is to turn it into a convertible notes for roughly \$204 million. Then, second portion is to directly convert it into equity, and in addition to that, a small third portion is in the form of warrants.

Since different creditors will receive instruments with varying terms, the resulting equity ownership will change depending on the stage. Based on the assumptions that all conversions have been completed and warrants have also been exercised, as described here, we would have 12% equity and 18% equity. In addition, warrants will result in equity shifting depending on Wolfspeed's corporate value at the time of conversion and ultimately market capitalization. Therefore the exact number cannot be determined at this stage. Roughly speaking, we assume that the warrant portion will be a little more than 2%. In that case, I assume that our final equity share will be around 33% or slightly above 32%.

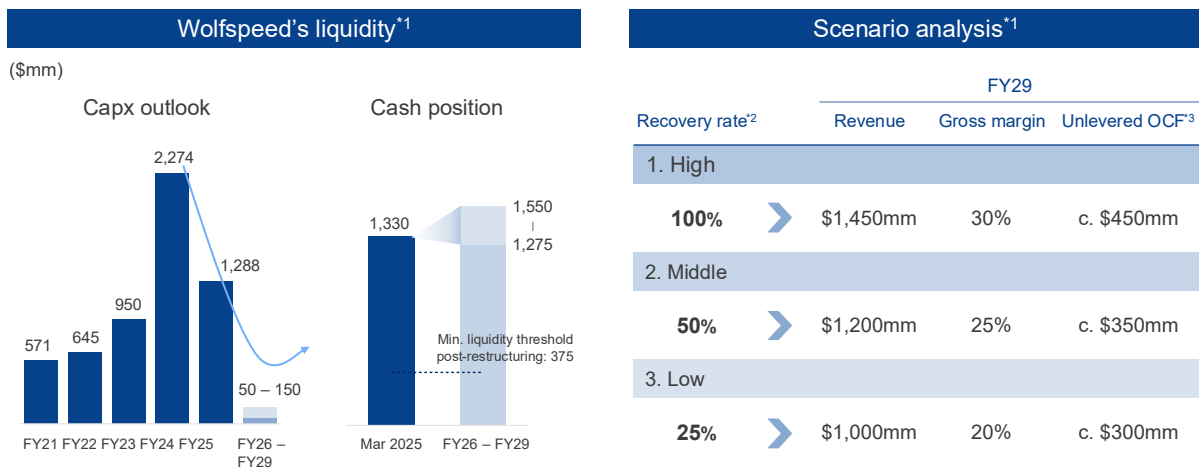
Therefore, we now have more than 2 billion CRD, which will effectively turn into an almost equity instrument, so the final recovery of this 2 billion CRD will be almost entirely determined by the value of Wolfspeed's equity in the future.

Along with this, as shown in the upper right, we will record impairment in our second quarter financial results. We will still make a final decision on this in consultation with the audit firm, but we expect that it will probably be a loss of around 250 billion yen.

And, again, whether this loss of 250 billion will become even larger after that, or whether it will eventually become smaller as recovery progresses, it depends on the future development of Wolfspeed's corporate value and equity value.

Then, as you can see in the lower right corner, we signed this RSA today, and from here, after the administrative preparations, the company will file Chapter 11. Following that, we assume that it will take about 3 months, we expect that by the end of September, we will get out of this court process, complete the Restructuring, and the new Wolfspeed will be born.

RECOVERY OUTLOOK



^{*1}: Renesas estimate based on Wolfspeed's 8-K filed on May 8, 2025. Wolfspeed's fiscal year: July 1 to June 30. Ref: Wolfspeed's projected revenue for the fiscal year ending June 30, 2025: \$756 mm.
^{*2}: Expected recovery rate to original \$2bn CRD. ^{*3}: Unlevered Operating Cash Flow (OCF) excluding 48D tax incentives, capex and interest payments.

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First of all, I would like to talk about whether this Restructuring is sufficient for Wolfspeed, and what we have talked about several times in the past, based on what we know at the moment about what will happen to our debt recovery.

On the left is the liquidity of the company, and as you can see from the chart on the far left, the big Capx has already been completed. Therefore, Capx from here on out will be limited to investments that support the increase in demand and production in stages, so to speak, it is assumed that the cash outlay will be very limited. In this context, it is assumed that it will hover between \$50 and \$150 million each year.

Then, as for the cash position on the right, this naturally depends on the performance of the company's operations, but again, since the major Capx is already completed, we do not expect to see the cash will continue to decrease by hundreds of millions of dollars from here, and as of this March, as shown in this figure, the cash balance, which was \$1,330 million, is expected to remain in the range of whether it will decrease slightly or increase slightly.

Then regarding the covenant for the first-Lien senior note holders, which was one of the major triggers for this Chapter 11 filing, it has been greatly mitigated by this transaction. As you can see from this figure, the content has been revised to maintain \$375 million as liquidity. From here, I think that the possibility of further conflicting with the covenant has been greatly limited. This is the story of sufficiency, so to speak.

Then, moving to the right side, we have run a few scenarios about what would happen to our CRD recovery. This is not for us to judge the company's plan, but rather to share with you a somewhat mechanical analysis of what our recovery will be like if this happens.

The left side is divided into cases, and we have prepared three scenarios from the perspective of collecting our CRD, such as when only about 1/4 is returned, when about half is returned, and when all are returned. Of course, the company's revenue, gross profit margin, and cash flow levels after that, and then the valuation multiplier, which is not described here, but of course it has a big impact here, so it will be a simulation with quite a large variable, so it does not make much sense to talk about each condition in detail. For the current trailing twelve-month revenue of about \$750 million, we are swinging the scenario in the range of \$1 billion to \$1.2 and \$1.45 billion in revenue as of 2029, four years out from here.

Naturally, if revenue increase, fab utilization will increase, which will work in the direction of improving gross margins, so gross margins are also expected to increase as revenue increase. Naturally, this will also increase cash flow. And though I feel it is presumptuous to say this to analysts like yourselves, as I'm sure you are well aware, I think that that in the high-case scenario, valuation multiples would likely rise compared to the middle and low cases. With cash flow and EBITDA increasing and multiples expanding, we anticipate a scenario in which our return to CRD will improve somewhat at an accelerated pace as the company's operations continue to move successfully.

Again, given the current revenue of roughly \$750 million, a certain amount of top-line growth is required in each case, but there is no doubt that demand itself is steadily increasing even though SiC has slowed down. Also, considering that Wolfspeed is the only manufacturer that consistently produces materials and devices in the United States, I think it is fair to expect a certain level of growth.

Again, we're not talking about how or likely the company's revenue will be, but we're sharing the results of simulations based on certain estimates of how our CRD recovery would have this effect if the operating metrics were to move this way.

Therefore, we still expect that there is still a considerable possibility that the collection of CRD will improve significantly. While we are anticipating a very large impairment of 250 billion yen this time, this is only to go through the necessary procedures for accounting, and the final collection of CRD will be made through the years. We hope that you will understand once again that it will be determined over time, depending on the future performance of Wolfspeed's business.

STATE OF DISCRETE BUSINESS



SiC / IGBT R&D



Suspended



Kofu Fab



MOSFET and GaN

Go to the next page.

Then, in response to the situation surrounding SiC, I would like to give an update on how we will proceed with discrete business.

First of all, we have decided to suspend R&D activities of SiC and IGBT for the time being. Since it is a business, it is not the kind of thing that we will not do forever in the future, or that we will never stop once we start it. I understand this may already be well understood, but it is something that you will judge according to the situation at that time. After all, we believe that the market situation has changed considerably compared to a few years ago, so we are now maintaining a very cautious stance toward the discrete market for SiC and IGBT, which is no different from what I have said in Earnings so far.

As for the Kofu fab, we continue to see very strong demand, and we assume it will be used for products that are truly necessary as part of a solution. For example, MOSFETs used in compute power, and GaN which requires integration with compute devices and is expected to see significant demand going forward. We are planning to make investments for this purpose, although we are cautious but planned, so there is no change in the plan itself to operate the fab in Kofu. However, the timing and the specific products to be manufactured may change. We would appreciate your understanding on that point.

That concludes my brief explanation of the outline and take questions from here.

Question & Answer

[Questioner 1]

Q: Thank you very much. I would like to ask you two questions. The first question is the background behind the decision to set this impairment loss at 250 billion yen. I think that the total amount of the receivables is 301.1 billion yen, but the difference that lands on 250 billion yen is the residual value, so what assumptions are behind that residual value? Also, could you walk us through the reasoning, probability, and process that led to determining the 250-billion-yen impairment? That is my first question.

A: Well, Mr. Shinkai will take this question. Mr. Shinkai, please.

A: As shown on the slide, we will acquire three instruments following the execution of the RSA: second-lien convertible bonds, common stock, and warrants. and we calculate the fair value for each of them based on the information currently available. The loss is calculated by calculating the difference between the total and the current CRD book value of \$2.062 billion, based on the cumulative average of 150 yen in the first half. To put it simply, we calculate these three instruments using a bottom-up approach.

Q: I see. So regarding the remaining portion, for example, 50 billion yen, the difference between the two. Does that mean the possibility of recovery or high certainty is assumed there, or is that an entirely separate matter and the loss was calculated using a bottom-up approach?

A: The collection scenario as Mr. Shibata explained earlier, and separately from that, we are doing the current calculations from an accounting perspective.

Q: I understand. The second question is that you will hold stocks, warrants, and CBs going forward, and in terms of involvement in management, what kind of involvement will you be involved in? Such as providing guidance as a shareholder or playing an active role in directing company operations? Also, it depends on the timing of whether or not the company will be listed or re-listed after that, but as for how to get involved after that, I would like to clarify whether it is a way of thinking that is only for the purpose of recovery.

A: Nothing has changed from what we talked about at Earnings, and of course we do not rule out the possibility that our judgment will change if the situation changes significantly, but basically, we will be involved as a major shareholder. In the process leading up to the conclusion of this RSA, we had numerous internal and board-level discussions. One of the most consistent and important issues that was confirmed each time was that we did not drain our management resources. Therefore, there is no need to worry that we will be more and more involved in the reconstruction of Wolfspeed, or that we will be involved in the Restructuring of Wolfspeed, and that various management resources will be diluted, but we will only have a limited and limited involvement.

Q: I see. It may be a bit of a follow-up question, but in the process, while it is important to have Power itself and to have it as a portfolio, Renesas will also quit the development of SiC and suspend it, so how to get involved in Power semiconductors in the future, or how to get involved with SiC? On the other hand, is it possible to consider it in a way that is not related to Wolfspeed, or will there be a relationship with Wolfspeed again in the future, depending on the situation?

A: We don't rule out the possibility of working with Wolfspeed in the future, for example, and for the time being, we consider Wolfspeed to be one of our partners. Therefore, we will consider collaborating with other companies, and we will also consider collaborating with Wolfspeed. That's what it means.

Q: Thank you. That's all.

[Questioner 2]

Q: Thank you. I have two questions. The first question is that the original purpose of SiC and GaN was to help maintain market share for MCUs, especially for the Automotive segment. I think there was a desire to maintain market share as much as possible through combination sales. Given that, could you please explain the potential impact and downside risks of suspending R&D on SiC, particularly from the perspective of combination sales, including MCUs?

The second question is that a 33% stake may come with things like tax advantages when sold, or rights such as veto rights. So I would like you to explain the meaning of having 33%, both on the upside and downside. That's all.

A: Now, with regard to the implications that come from the equity, I'll let Mr. Shinkai respond. But as you pointed out, it's true that we originally envisioned this as part of a solution offering, but I believe that, for better or worse, this decision will not necessarily cause a major disruption to the overall scenario. Ultimately, as you know well, IGBTs have already become quite cost-competitive in China, and the situation is almost the same for SiC. Therefore, especially large customers, it has become common practice to selectively purchase and combine compute devices and switching components as appropriate. Given that, I believe that by sharpening the value and strength of MCUs and SoCs, the combination of different discrete devices will continue to be used by customers. Again, I judge that the reality is that it is unlikely to be a development that can be very attractive just because it is combined, fortunately or unfortunately.

Now, Mr. Shinkai, please tell us about the implications of the equity stake.

A: We will acquire more than 30% of the shares, but in order for this shareholder right to be fully valid, we will first have to go through the same regulatory approval process as a normal M&A. The regulatory approval will be FDI such as CFIUS and antitrust procedures in each country. Once that is done, we envisage sending a director as a governance right. The tax implications during this holding period will need to be verified in the future. On the other hand, we have confirmed that this loss, the temporary loss, will not be deductible.

Q: Sure. Thank you. If Wolfspeed recovers so much that you sell their shares, will there be any tax incentives?

A: We don't know anything at this time.

Q: Thank you. That's all.

[Questioner 3]

Q: Thank you very much. I have two questions. First of all, as you mentioned earlier about the recovery scenario, you said that you have stopped the development of SiC and are in fact in a partnership for the time being, but I would like to ask you what you think about the future exit in the absence of anything to procure as a business. In the previous story, you said that the amount of recovery will be determined by the revenue level in 2029, but I would like to know if you will continue to hold their share until the re-listing or if you are considering selling it in the middle of the period. This is the first question.

A: We believe that the re-listing will probably be realized quite soon. That said, we will evaluate our exit approach case by case. The pace of recovery in the SiC market, and the very big factor that led to this outcome,

is how long the rise of Chinese competitors and suppliers will continue in the future. That, and the stock market's valuation of Wolfspeed, and I think those three factors are probably big factors, but the combination of these factors may lead to an early sale in some cases, or a slightly longer holding. In any case, I would like to make a decision by carefully looking at the trend without being too hasty.

Q: Thank you. As for the second question, it is regarding the Kofu fab. Previously, it was expected to start with IGBTs, but now the plan is to begin production with MOSFETs and GaN. This represents a slight shift in direction, but I think it will take a little time to fill the capacity made of MOSFETs, and it will take time to reach full capacity. I would like you to talk about the outlook for how to fill the space to the extent that you can talk about the current situation. Thank you in advance.

A: I don't think it's appropriate to say exactly how many years or what percentage, because it's too early to say, but I think the general direction is as you just pointed out. MOSFETs are small and don't require a large number of wafers. So I think the curve will be more gradual than we initially expected. It's strange to keep pace with that, but I believe it's better to launch with a somewhat steep ramp rather than prolonging the ramp-up too slowly. From that point of view, I think it's better to attract a little bit of the timing of the start of full-scale operation and aim for the timing of the start of full-scale operation.

However, in the medium to long term, there is only one 300mm factory, the Naka fab, and the capacity is not that large, so in the future, we will continue to migrate MCUs to 300mm even at the low end. Also, the prospects for in-house production of analog, which we have been working on over time, are gradually rising. Also, considering that GaN is a material or device suitable for 300mm, unlike SiC, I think that this will be filled in the medium to long term, so I am thinking that we will make a proper decision at the right time. That's all.

Q: I'm sorry. I would like to ask you to add one point, but since you said that the start-up of MOSFETs will be delayed a little or that it will take time, I wondered if there is any risk of impairment, etc., but is there any coordination with the audit firm in this area? Since it is about attracting and launching at a meaningful scale, I would like to know if it would be better to consider a little consolidation of the 8-inch line in line with that.

A: We don't think there is a problem with impairment. We are in constant communication with the audit firm, and we do not think we have to worry about that at the moment. Then we talked about 8-inch, but we have a 6-inch factory, not just 8-inch, and we are constantly updating our outlook on this production footprint. From that point of view, there is of course the possibility of making a decision like the one you pointed out at some point, but nothing has been decided at this stage. This is also the start of the Kofu fab, and then the one that will be produced at the Kofu fab, and as of today, I wrote MOSFET and GaN, but of course I don't know if it will continue as it is. There may be more of them, so I would like to consider the handling of 8-inch and 6-inch while judging them from both sides. That's all.

Q: I understand. Thank you. That's it.

[Questioner 4]

Q: Thank you. First of all, as a less substantive question, regarding the 250-billion-yen loss, will that be booked under "other expenses" on the IFRS-based P&L? And that while it affects operating income on an IFRS basis, it will not have an impact on non-GAAP figures?

A: Under IFRS, it will be recorded as a financial expense in PL. Subject to non-GAAP adjustments.

Q: When you say finance expenses, do you mean that they are affected by pre-tax profit, not by operating income?

A: Yes.

Q: I understand. Also, regarding the suspension of R&D of IGBTs, it is my understanding that there are already customers who are mass-producing 8-inch IGBTs, but in that regard, do you mean that you will continue to supply existing products, but will you continue to improve performance from here and suspend them including technology upgrades?

A: In terms of technology upgrades, there really isn't much. It's just a matter of keeping the 12-inch generation new, and that is what we are suspending. So, of course, we will supply products that have already been developed so far, and it is not the case that we need to update them more and more for running.

Q: I understand. I'm sorry for the lengthy question, but you mentioned earlier that it is actually happening that people buy compute and switching devices separately, but I understand that in the winning combination that you have been working on, Analog, SoC, and MCU apart from Power have been highly evaluated by customers and has led to many design wins. What are your thoughts on these analog products now?

A: Nothing has changed. Rather, we strongly feel that the quality of our solutions needs to be further improved than ever before, so on January 1 of this year, we created a group called UX and have been bringing together solutions teams from all over the company. As you know well, a solution is not a solution at all just by combining hardware, and how to run a system made with that hardware with software is extremely important.

In the past, the solution was more of a proof-of-concept solution, "it works properly with this combination of hardware," but in the future, we will focus more and more on software, and the solutions we provide are one that can really be used as it is, and a combination of them in the true sense of the word I think we need to raise the level of the solution a little bit so that the combination of hardware and software is exactly the right one to achieve optimal performance. The theme has not changed at all, and I think it will become more and more important. In addition, we are preparing and taking measures in consideration of the fact that the role of software will be played more than ever before. That's all.

Q: Thank you very much.

Moderator: Thank you very much. To conclude, Mr. Shibata will now deliver his closing remarks. Mr. Shibata, please.

Shibata: As of today, we have talked about the outlook for major impairments, but one point is that future recovery will depend on the performance of the company and the valuation of the stock. I would also like to reiterate that we do not anticipate such a significant impact on our discrete strategy. Compared to four or five years ago, when we originally decided to focus a little more on discrete, I would like to reiterate that the competitive landscape in the market has changed considerably due to the very rapid rise of Chinese suppliers. I think it would be a good idea to think that the change in the competitive environment is by far the most important factor in our decision-making regarding Wolfspeed, as well as our own decision-making on SiC and IGBT. Therefore, we hope that you will recognize that we are accepting the changes in the environment rather quickly and adjusting our optimal strategy in the process.

We've only talked about Wolfspeed's Chapter 11, but we'll be updating you a little bit more on the whole thing at Capital Market Day in a few days. Thank you very much for your time today.

Moderator: Thank you very much. This concludes the analyst briefing on Wolfspeed Restructuring Support Agreement. We sincerely appreciate your participation today, especially in such short notice.

[END]