Third Quarter of the Year Ended December 31, 2021

Conference Call (Held October 28, 2021) Presentation and Question & Answer Summary

Presentation

Shibata: Hello, everyone. This is Shibata, CEO. At this time, there is a bit of news that I'd like to introduce at the outset. First, in August, we were able to close the Dialog acquisition, and so that is now consolidated. So, it may be difficult for you to really see the continuity of the numbers and so this is something we'd like to explain during the presentation. If you have any further questions, please do raise so.

Second, maybe you have already seen our slides, but there is an increase in channel inventory at this time. I do believe some of you would want to know more about that. And so therefore, we do have a slide to explain more about the channel inventory.

Now, as a conclusion, there is nothing for you to worry about but there is an area where we do want to pay attention to. That is also something that we hope to be able to offer explanations so that you'll be able to have more understanding. But, at any rate, it is not something that you would have to worry about so much.

Also, we also do have a slide on order backlog. This is sort of related to the channel inventory, but the numbers coming from Dialog, we still do not have the full set of numbers at this point. And so we do have the order backlog numbers from Dialog. But then, when it comes to the programs to secure the orders for Renesas, this is something that is to be completed in November when it comes to the numbers with Dialog. And so the numbers that we have for order backlog, [some of them] is still under analysis and so you will have to be careful.

Now, at Dialog, there's a lot of engineering culture and this is something that I have shared with the analysts. But then perhaps, on the other hand, when it comes to sales and supply chain, I think I would say Renesas does have a bit of a lead in that sense. But then, now that we have been able to integrate the Company, we hope to be able to better the integrated company.

Also, we do have [inaudible] the end of the presentation deck. At this time, we have also acquired an Israeli WiFi chipset company. We have also made an announcement of this acquisition. This is something that I have been saying in the past but, when it comes to connectivity devices, there are a little more that we'd like to add to the portfolio. And so I have been saying that and the acquisition of Celeno does supplement our initiatives in that sense.

That concludes my introduction. And so, with that in mind, the details will be introduced from Mr. Shinkai.

With that, I'd like to ask Mr. Shinkai.

Shinkai: I am Shinkai. I am the CFO of the Company. I would like to give a presentation about Q3 results using the materials.

3Q 2021 FINANCIAL SNAPSHOT

NON-GAAP[*1]

YoY and QoQ revenue as well as the changes from FCTs of the revenue are rounded off to one decimal place.

(B yen)	2020		2021								
	3Q (Jul-Sep)	9 months (Jan-Sep)	2Q (Apr-Jun)	3Q (Jul-Sep) Forecast	3Q (Jul-Sep) Actual	YoY	QoQ	Change from Jul 29 FCT[*2]	9 months (Jan-Sep) Actual	YoY	Change from Jul 29 FCT[*2]
Revenue	178.7	524.1	217.9	240.0 (±4.0)	**258.4**	**+44.6%**	**+18.6%**	**+7.7%**	**680.0**	**+29.7%**	**+2.8%**
Gross Margin	47.5%	47.4%	52.0%	53.0%	**55.2%**	**+7.7pts**	**+3.2pts**	**+2.2pts**	**52.7%**	**+5.2pts**	**+0.9pt**
Operating Profit/loss (Margin)	36.5 (20.4%)	100.4 (19.2%)	61.4 (28.2%)	69.6 (29.0%)	**83.9 (32.5%)**	**+47.4 (+12.0pts)**	**+22.5 (+4.3pts)**	**+14.3 (+3.5pts)**	**197.9 (29.1%)**	**+97.5 (+9.9pts)**	**+14.3 (+1.3pts)**
Profit/loss Attributable to Owners of Parent	33.6	87.2	45.8	-	**62.9**	**+29.3**	**+17.1**	-	**141.3**	**+54.1**	-
EBITDA[*3]	57.3	165.8	80.6	-	**103.6**	**+46.4**	**+23.1**	-	**256.0**	**+90.2**	-
1 US$=	107 yen	108 yen	109 yen	109 yen	**110 yen**	3 yen depreciation	1 yen depreciation	1 yen depreciation	**108 yen**	0 yen appreciation	0 yen depreciation
1 Euro=	123 yen	121 yen	131 yen	130 yen	**131 yen**	8 yen depreciation	0 yen appreciation	1 yen depreciation	**129 yen**	9 yen depreciation	0 yen depreciation

*1: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS based) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore results are provided in non-GAAP base. This adjustment and exclusion include the amortization of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments relating to acquisitions, stock-based compensation, as well as other non-recuring expenses and income the Group believes to be applicable. However, the figure provided as revenue is based on IFRS and does not include non-GAAP adjustments

*2: Each figure represents comparisons with the midpoint in the sales revenue forecast range

*3: Operating Profit + Depreciation and amortization

BIG IDEAS FOR EVERY SPACE RENESAS

First of all, page 4, this includes Dialog numbers. In the middle, the dark blue column, please look at revenue was JPY258.4 billion and the gross margin, 55.2%, OP margin, 83.9%, and the profit and loss attributable to owners of the parent, JPY62.9 billion, and EBITDA JPY103.6 billion.

3Q 2021 FINANCIAL SNAPSHOT

NON-GAAP[*1] (REFERENCE: EXCLUDING DIALOG REVENUE)

YoY and QoQ revenue as well as the changes from FCTs of the revenue are rounded off to one decimal place.

(B yen)	2020		2021								
	3Q (Jul-Sep)	9 months (Jan-Sep)	2Q (Apr-Jun)	3Q (Jul-Sep) Forecast	3Q (Jul-Sep) Actual	YoY	QoQ	Change from Jul 29 FCT[*2]	9 months (Jan-Sep) Actual	YoY	Change from Jul 29 FCT[*2]
Revenue	178.7	524.1	217.9	240.0 (±4.0)	**243.4**	**+36.2%**	**+11.7%**	**+1.4%**	**664.9**	**+26.9%**	**+0.5%**
Gross Margin	47.5%	47.4%	52.0%	53.0%	**55.6%**	**+8.0pts**	**+3.6pts**	**+2.6pts**	**52.7%**	**+5.3pts**	**+0.9pt**
Operating Profit/loss (Margin)	36.5 (20.4%)	100.4 (19.2%)	61.4 (28.2%)	69.6 (29.0%)	**80.2 (32.9%)**	**+43.7 (+12.5pts)**	**+18.8 (+4.8pts)**	**+10.6 (+3.9pts)**	**194.2 (29.2%)**	**+93.8 (+10.1pts)**	**+10.6 (+1.5pts)**
Profit/loss Attributable to Owners of Parent	33.6	87.2	45.8	-	**60.2**	**+26.6**	**+14.4**	-	**138.6**	**+51.4**	-
EBITDA[*3]	57.3	165.8	80.6	-	**99.4**	**+42.1**	**+18.9**	-	**251.8**	**+86.0**	-
1 US$=	107 yen	108 yen	109 yen	109 yen	**110 yen**	3 yen depreciation	1 yen depreciation	1 yen depreciation	**108 yen**	0 yen appreciation	0 yen depreciation
1 Euro=	123 yen	121 yen	131 yen	130 yen	**131 yen**	8 yen depreciation	0 yen appreciation	1 yen depreciation	**129 yen**	9 yen depreciation	0 yen depreciation

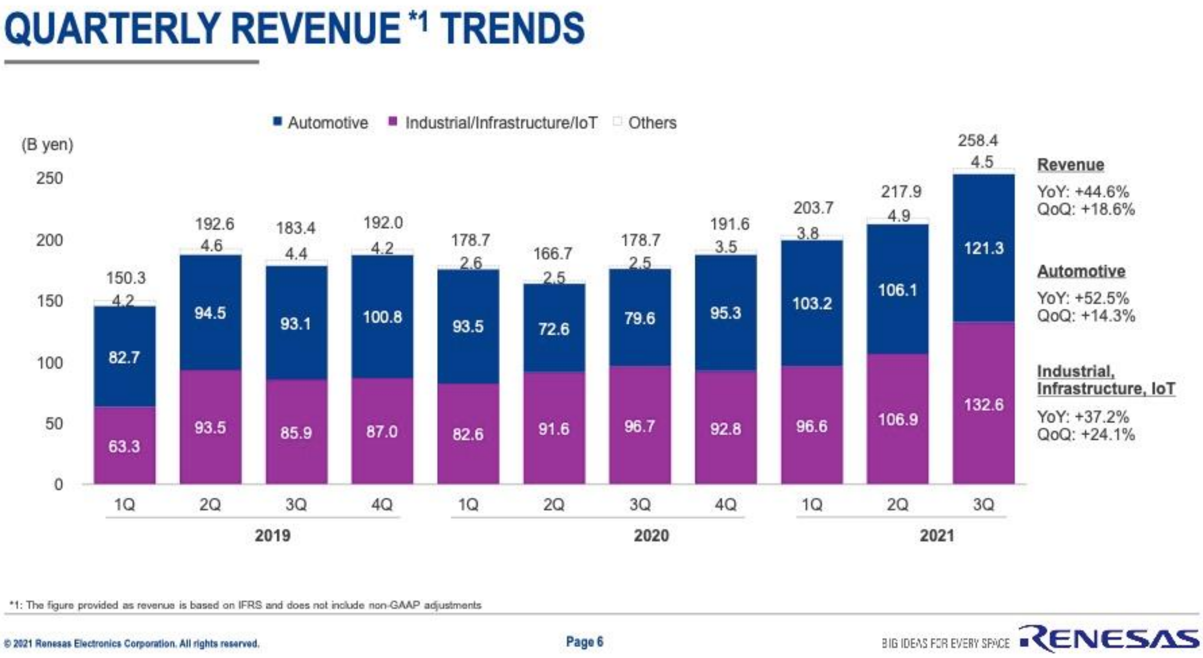
*1: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS based) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore results are provided in non-GAAP base. This adjustment and exclusion include the amortization of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments relating to acquisitions, stock-based compensation, as well as other non-recuring expenses and income the Group believes to be applicable. However, the figure provided as revenue is based on IFRS and does not include non-GAAP adjustments

*2: Each figure represents comparisons with the midpoint in the sales revenue forecast range

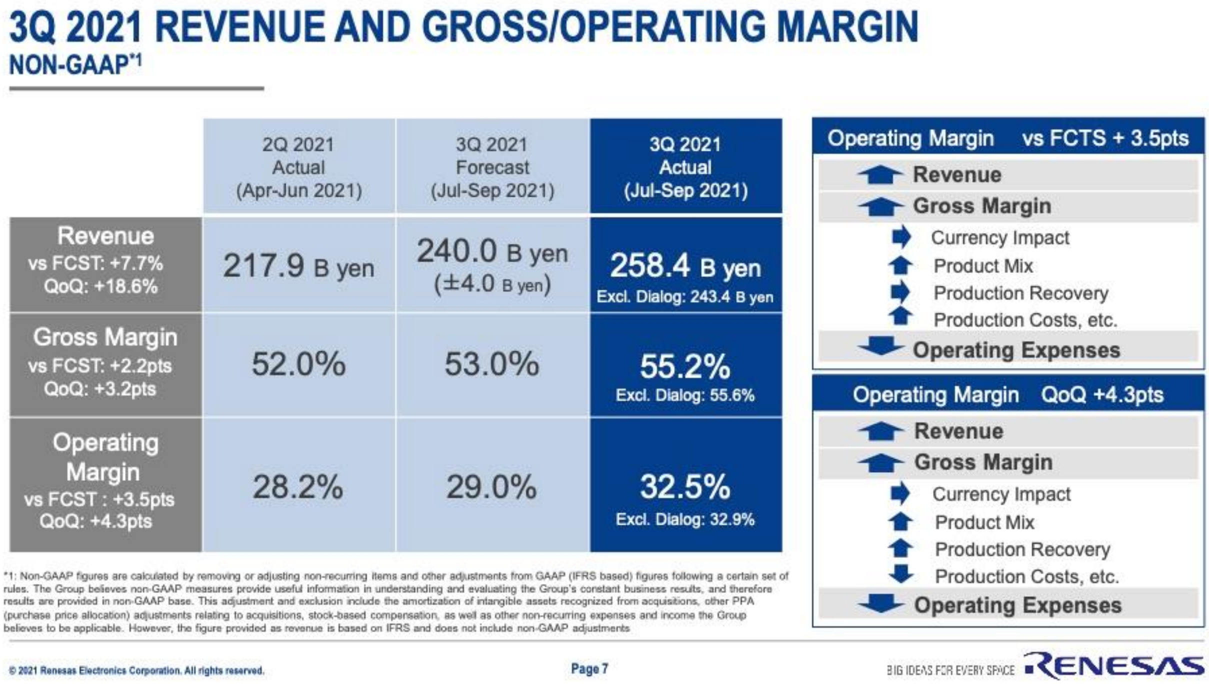
*3: Operating Profit + Depreciation and amortization

BIG IDEAS FOR EVERY SPACE RENESAS

Next page, please. This shows the numbers for 3Q excluding Dialog contribution. From the top revenue, JPY243.4 billion, and gross margin, 55.6%, and the operating profit and margin, JPY80.2 billion and 32.9%, respectively and profit attributable to owners of the parent, JPY60.2 billion, and EBITDA JPY99.4 billion. For the change from the forecast in July, the revenue is up by JPY3.4 billion, 1.4%. Gross margin is up by 2.6 points and operating profit JPY10.6 billion up, which is 3.9 percentage points up.

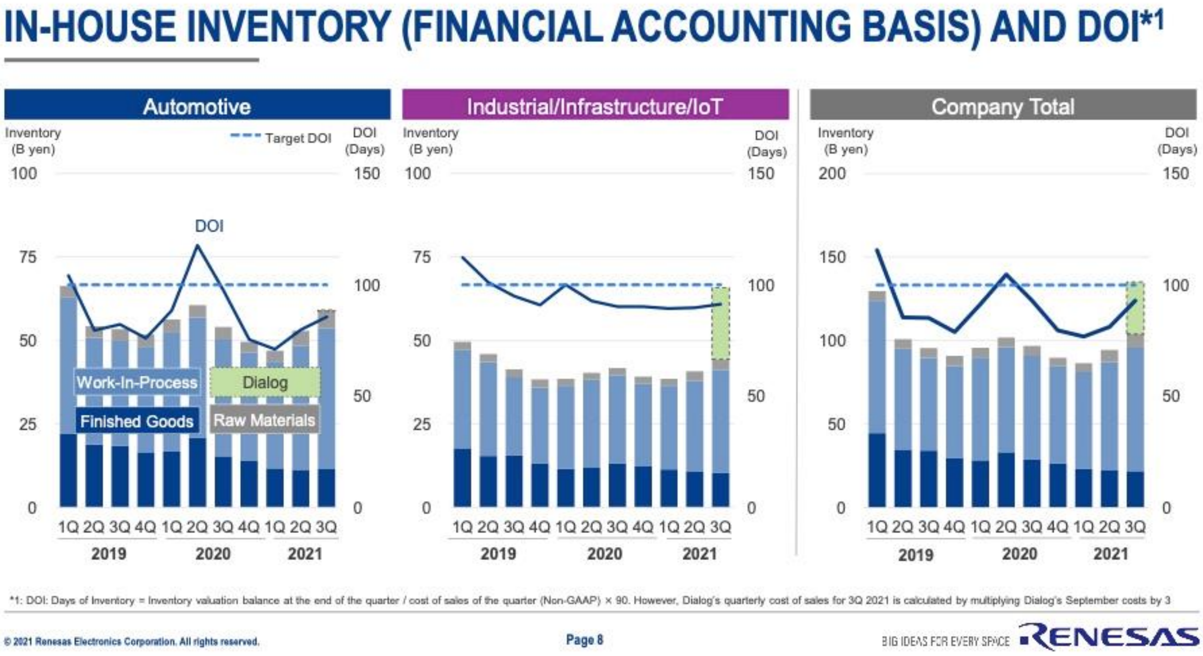


The next page, please. Regarding the revenue, I would like to explain about the quarterly trends. YoY, 44.6% up, and QoQ, 18.6% up. Excluding the Dialog contribution in Q3, the YoY 12%. And industrial and infrastructure IoT, Dialog has a major impact. Excluding that, YoY, 22%, and QoQ, 11%.

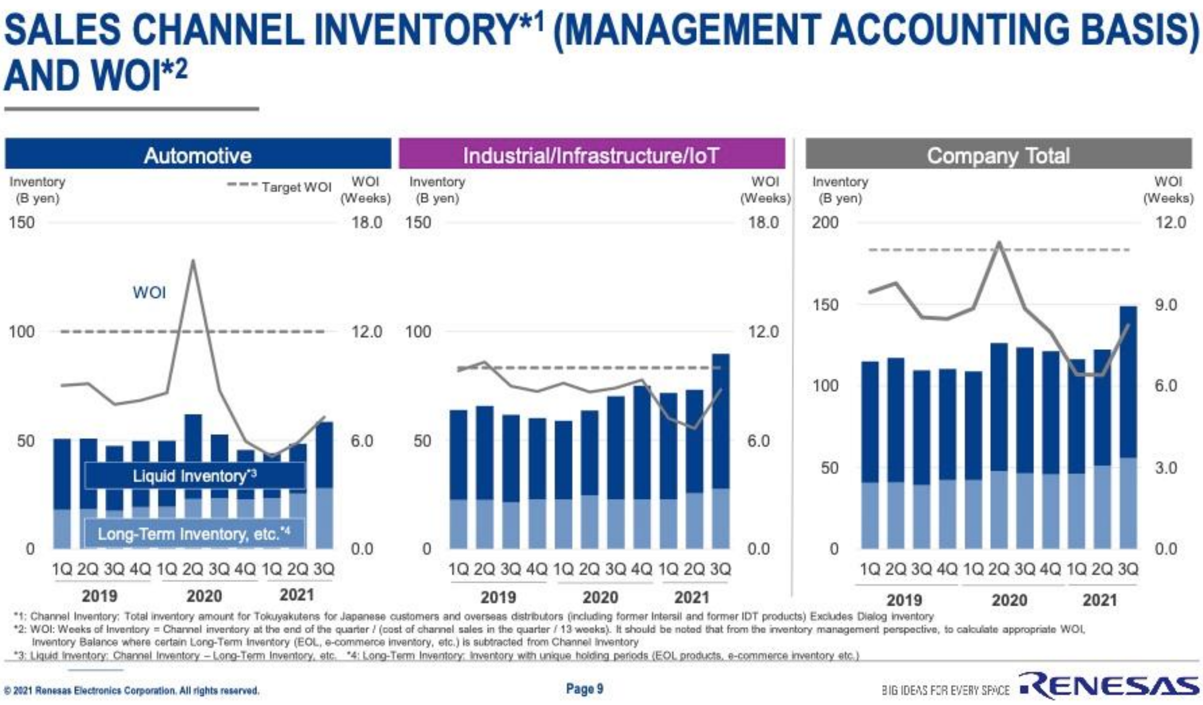


Next page is the summary of revenue and profit margins. On the right top, I would like to explain them vis-à-vis the forecasts. The operating margin is up by 3.5 percentage points from the forecast. First of all, for the revenue, there is JPY18.4 billion increase, of which Dialog contribution is JPY15.1 billion and others, JPY3.2 billion. One-third of this increase of JPY3.2 billion is from forex impact. For the segment, the automotive sector is lower and industrial, infrastructure and IoT sector is higher than the forecast. The gross margin is up 2.2 percentage point from the forecast. Dialog consolidation is negatively affected by 0.3 percentage point and other positive effects are from product mix improvement and improvement in the production cost effectiveness.

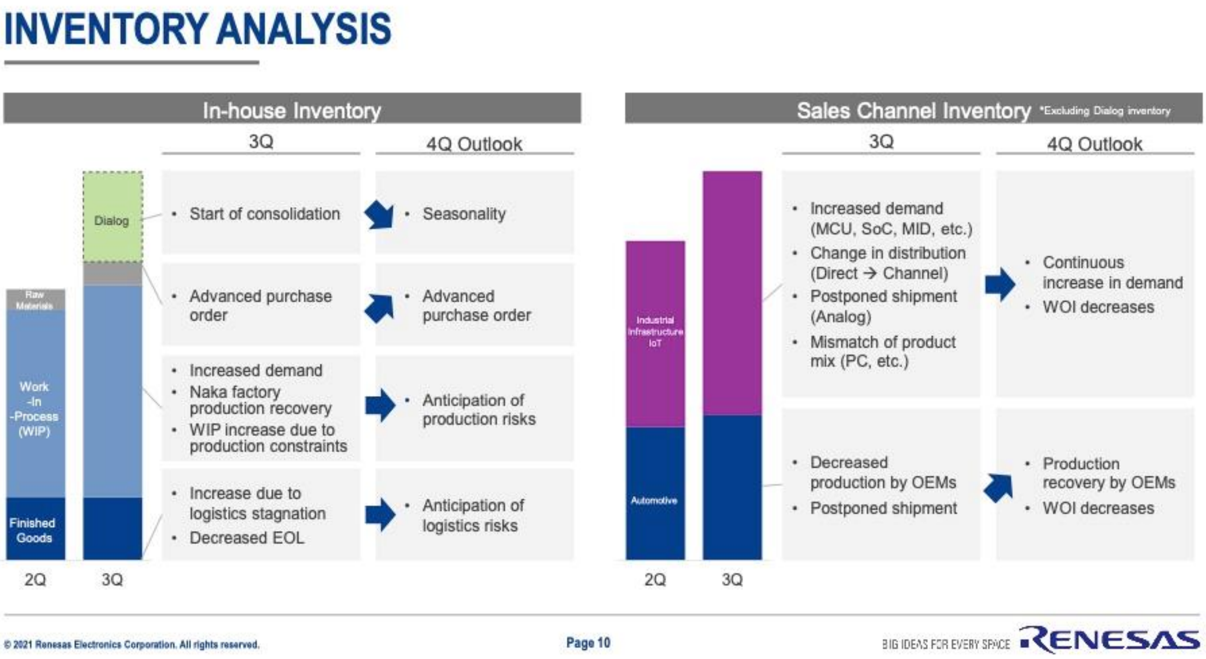
The manufacturing costs, we had conservative assumptions but, actually, the manufacturing cost is almost in line with the plan. The sales expenses went up because of the consolidation of a Dialog. But in other areas, the expenses went down. Other than Dialog, centering around, the numbers declined.



Next page, please, As Shibata said at the outset, combining our internal inventory and channel inventory, I will explain about the reasons behind the decline and increase using another slide. Our inventory as of end of Q3 increased for both automotive and infrastructure IoT. And as shown in green here, it is an increase due to Dialog consolidation. This increase includes step-up inventory evaluation of Dialog, which leads to larger balance than the actual inventory balance.



Next page, please. So sales [shadow] inventory and WOI. Regarding WOI, both automotive and infrastructure, industrial infrastructure, both went up. The channel inventory does not include Dialog. In the first half of next year, this exercise shall be completed.



Next page, please. On the left-hand side, you can see the Renesas inventory, and on the right, you can see channel inventory. For the left one, the Dialog portion, it was consolidated in Q3. And in Q4, because of the seasonality, shipment will progress but, in absolute amount, it will decline mainly due to decline in finished goods. And as for raw materials, advanced purchase orders for silicon wafer have been made. Therefore, this is a reason for increase in Q3 and the trend is likely to continue into Q4. The work in progress in Q3, responding to increasing demand, input has been increased and also due to the improvement in production costs as well as production recovery at Naka plant, it increased as well. But some semi-finished products, which are in chip, increased because of production constraints in the back-end process, and this is likely to continue to some extent. Therefore, work in progress is likely to remain virtually the same going forward.

The finished products in Q3 increased due to the logistics and supply chain problems. On a net basis, it is almost flat QoQ due to decrease in EOL products. In Q4, we assume that supply chain issues will continue to some extent. Therefore, it is likely to be at the same level.

On the right-hand side, you can see channel inventory. If I may start explaining about the industrial infrastructure IoT, it's increased significantly QoQ. There are several factors. The first one is increased demand going forward and responding to such increased demand. So, we have shipped goods in advance in order to respond to increased demand of MCU, SoC and memory interface type products.

Change in distribution, this is a technical factor from direct sale to a channel sale.

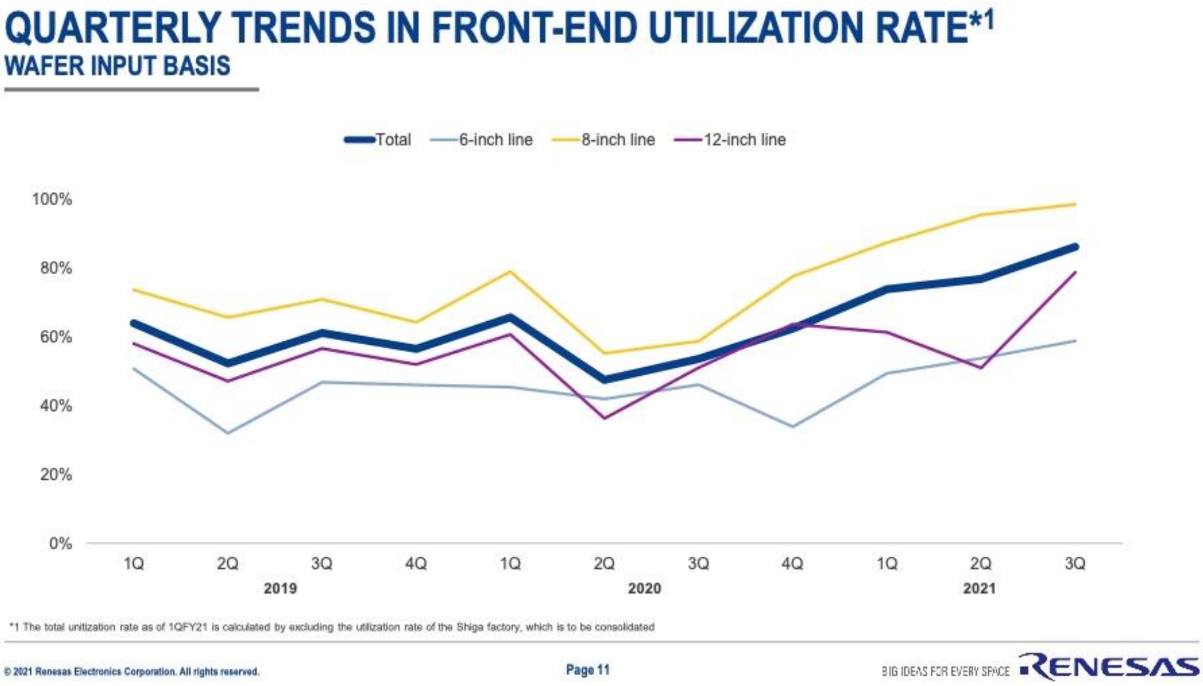
The third point is postponed shipment. So, the consumption timing, which was scheduled at the end of the quarter, has been postponed to the next one.

The fourth point is mismatch of product. Unless [bonds] are prepared, the products cannot be finished and therefore cannot be consumed by end users. Take, for example, the shortage in CPU. Power management ICU cannot be shipped or consumed. Various countermeasures have been implemented in order to counter this problem. For example, what is [short] have been shipped, given a higher priority. So, we are taking a rather conservative and cautious view towards this.

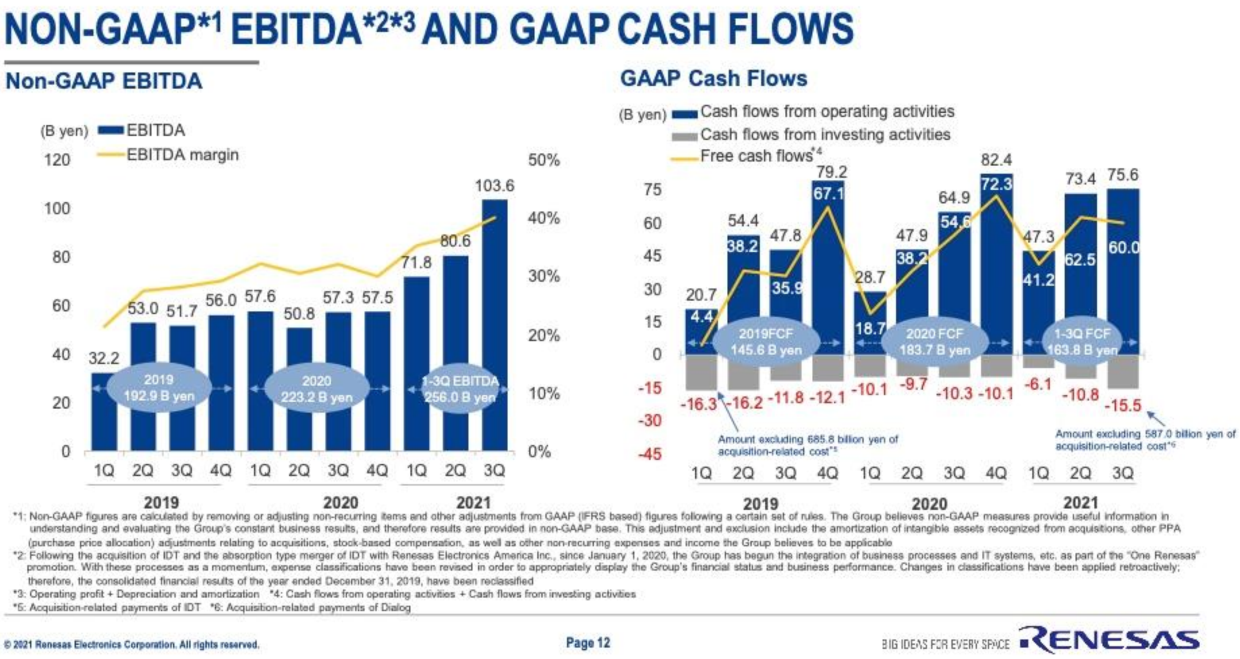
So, the first one, first point, is the regular increased demand. The second and third ones are somewhat technical factors. And the fourth one is the fact that we are taking a conservative and cautious view.

On the right-hand side, in Q4, we will continue to act on increased demand. Therefore, inventory amount is expected to increase, but WOI will be decreasing in Q4. Firstly, in the bottom hub, automotive in Q3 , it seems to be increasing QoQ since Tier 1 inventory consumption decreased due to decreased production in OEM. Secondly, in the industrial and infrastructure sector, some product shipments have been postponed and will be consumed in 4Q.

On the right-hand side, in Q4, OEM production recovery is anticipated. Therefore, absolute amount will increase. However, in terms of WOI, it will decrease because of increased demand.



Moving on to the next page for the utilization rate. The front-end process, wafer input basis, Q3, 12 inches, the Naka plant recovery had a positive impact. The 8-inch is leveled off on a high level, 85%, or slightly above 85%, which is in line with our assumption.



Next page, please. EBITDA and cash flow in Q3, EBITDA was JPY103.6 billion, of which that of Dialog was JPY4.2 billion, and JPY256 billion for 3 quarters. On the right-hand side, GAAP cash flow was JPY75.6 billion and free cashflow was JPY60.0 billion. In Q3, EBITDA yield, the reason why the cash flow yield is low is because of payment of tax and bonuses. If you look at the gray portion, in Q3 onwards, the machinery and equipment procured to respond to the fire which took place in Naka plant, it's JPY6.5 billion.

3Q 2021 FINANCIAL RESULTS BY MAIN SEGMENT

NON-GAAP[*1]

	Automotive Business	Industrial/Infrastructure/IoT Business	Company Total
Revenue (QoQ)	121.3 B yen (+14.3%)	132.6 B yen (+24.1%)	258.4 B yen (+18.6%)
Gross Margin (QoQ)	49.2% (+5.4pts)	62.1% (+0.4pt)	55.2% (+3.2pts)
Operating Margin (QoQ)	29.2% (+5.6pts)	35.8% (+3.4pts)	32.5% (+4.3pts)

*1: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS based) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore results are provided in non-GAAP base. This adjustment and exclusion include the amortization of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable. However, the figure provided as revenue is based on IFRS and does not include non-GAAP adjustments

BIG IDEAS FOR EVERY SPACE RENESAS

Here, allow me to touch more about gross margin for the automotive business, which had a big impact, there's an improvement of 5.4 percentage points QoQ. Now, again, this comes from the Naka factory improvement in production. So, there's 2 percentage points of improvement in the production. Otherwise, the impacts come from, for example, Improvement in product mix, production cost decline as well as better efficiency. So, that's the automotive business. But then going to the industrial business, there's a 0.4 percentage points improvement, and then there's the Dialog that comes in here. Excluding Dialog, it is 1.9 percentage points of improvement.

4Q AND FULL YEAR 2021 FORECAST

NON-GAAP*1

YoY and QoQ results of the revenue are rounded off to one decimal place.

(B yen)	2020		2021					
	4Q (Oct-Dec)	Full year (Jan-Dec)	3Q (Jul-Sep)	4Q (Oct-Dec) Midpoint Forecast (Range)	YoY	QoQ	Full year (Jan-Dec) Forecast	YoY
Revenue	191.6	715.7	258.4	298.0 (±4.0)	+55.5% (±2.1pts)	+15.3% (±1.5pts)	978.0 (±4.0)	+36.7% (±0.6pt)
Gross Margin*2	47.0%	47.3%	55.2%	53.0%	+6.0pts	-2.2pts	52.8%	+5.4pts
Operating Profit/loss (Margin)*2	37.2 (19.4%)	137.5 (19.2%)	83.9 (32.5%)	28.0%	+8.6pts	-4.5pts	28.8%	+9.5pts
1 US$ =	105 yen	107 yen	110 yen	111 yen	6 yen depreciation	1 yen depreciation	109 yen	1 yen depreciation
1 Euro=	124 yen	121 yen	131 yen	130 yen	5 yen depreciation	1 yen appreciation	129 yen	8 yen depreciation

*1: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS based) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore results are provided in non-GAAP base. This adjustment and exclusion include the amortization of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable

*2: Each figure represents comparisons with the midpoint in the sales revenue forecast range

Page 14

BIG IDEAS FOR EVERY SPACE RENESAS

Moving on to the next slide, here, we look at Q4 and full-year forecast. So if you look at the middle blue line, for revenue, from the midpoint forecast, that's JPY298 billion, which is a QoQ 15.3% increase. Gross margin, 53%, which is, QoQ-wise, minus 2.2 percentage points. Operating profit margin, that's a 28% QoQ; that's a decline by 4.5 points.

First of all, for the gross margin, we have the Dialog impact and also the product mix impact. Compared to the previous quarter, it's been declined. There's also the variable cost for it.

For the operating profit margin, in addition to Dialog integration, OPEX is now going to concentrate more to happen towards the year-end. For the full year, we also have the figures on the far right. But please, we'll just move on to the next slide.

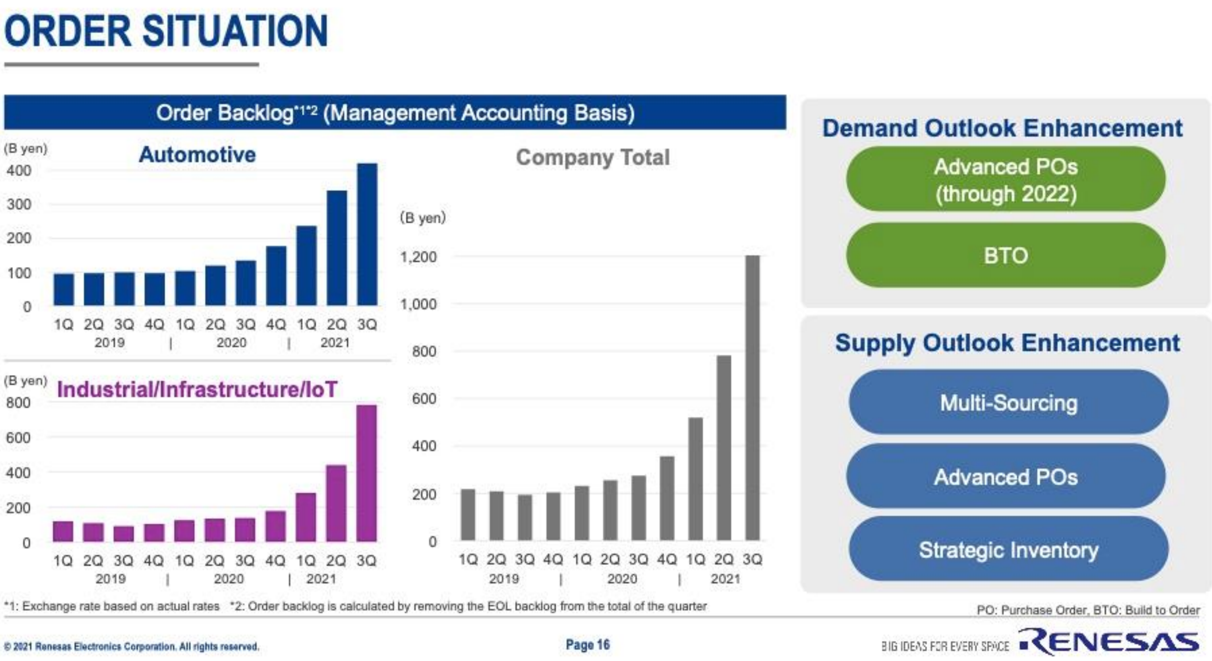
4Q 2021 REVENUE AND DEMAND FORECASTS

		Automotive Business	Industrial/Infrastructure/IoT Business	Company Total
Revenue (Sell-in) Forecast	QoQ	+	++	+15.3% ++
	YoY	++	++	+55.5% ++
Customer Demand (Sell-through) Outlook	QoQ	++	++	++
	YoY	++	++	++

 Page 15 BIG IDEAS FOR EVERY SPACE RENESAS

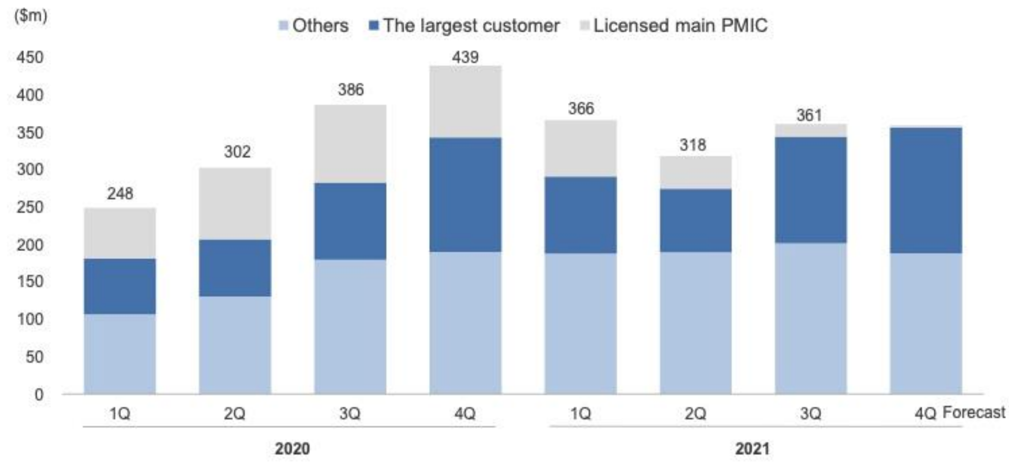
So, now, here we look into the sell-in and the sell-through for the demand. So here, we look at the Q4 forecast.

First of all, let's look at the sell-in. Again, for total, that's 15.3%, like we introduced earlier, and for automotive, late single digit. And then for, IIBU, 20%-some double digit. But then when it comes to sell-through, we are seeing a double-digit percent increase for all.



Moving on, here we look at the order situation and order backlog. And it goes back to what Mr. Shibata was saying at the outset. So, on the right, top right, you see what's in green. These orders have been building up from long-term outlook. We will be able to include almost all the Dialog figures by 4Q and so, at the moment, it is still an ongoing process in obtaining all the numbers.

(REF) DIALOG QUARTERLY REVENUE TRENDS



Now, this is just a reference slide. Here, we look at Dialog revenue and breakdown per quarter. On this gray part, which is about license payment, in October 2018, that was the time when Dialog was able to sign a license contract with a major customer to transfer the business. And so that is how the numbers have been trending . So here, based on that license, we are able to keep track with the business size. Now, you can see that, in Q4, that gray bar pretty much disappears and so this is cleaned off in next year.

STATEMENT OF FINANCIAL POSITION

GAAP

(B yen)	20/3	20/6	20/9	20/12	21/3	21/6	21/9
Total Assets	1,657.8	1,634.5	1,620.4	1,609.0	1,688.1	1,942.7	**2,328.0**
Cash and Cash Equivalents*1	136.9	148.5	175.9	219.8	243.6	504.8	**223.0**
Inventories	95.7	101.8	96.9	89.8	86.6	94.4	**135.2**
Goodwill	620.9	614.6	603.6	590.5	631.6	630.9	**1,167.7**
Intangible Assets	430.3	409.8	386.7	364.8	369.7	351.9	**379.0**
Total Liabilities	1,030.5	1,005.1	988.3	989.3	966.9	966.9	**1,280.8**
Interest-Bearing Liabilities*2	764.2	740.2	717.1	693.7	671.1	647.7	**897.6**
Total Equity	627.3	629.4	632.2	619.7	721.1	975.8	**1,047.1**
D/E Ratio (Gross)*3	1.22	1.18	1.14	1.12	0.93	0.67	**0.86**
D/E Ratio (Net)*4	1.00	0.94	0.86	0.77	0.60	0.15	**0.65**
Equity Ratio Attributable to Owners of Parent*5	37.7%	38.3%	38.8%	38.3%	42.5%	50.1%	**44.8%**
Leverage Ratio (Gross)*6	3.5	3.4	3.2	3.1	2.8	2.4	**2.9**
Leverage Ratio (Net)*7	2.9	2.7	2.4	2.1	1.8	0.5	**2.2**

*1: This is comprised of cash on hand, demand deposit, and short-term investments that are readily convertible into cash, bearing low risk of changes in value and are redeemable in three months or less from each acquisition date
*2: Borrowings (current and non-current liabilities) + Lease Liabilities (current liabilities) + Lease Liabilities (non-current liabilities) + Bonds
*3: Interest-Bearing Liabilities / Equity attributable to owners of parent *4: (Interest-Bearing Liabilities - Cash and Cash Equivalents) / Equity attributable to owners of parent
*5: Equity attributable to owners of parent / Total liabilities and equity *6: Interest-Bearing Liabilities / EBITDA (Non-GAAP) *7: (Interest-Bearing Liabilities-Cash and Cash Equivalents) / EBIDTA (Non-GAAP)

Now, I'd like to jump into a few slides in the appendix, starting from slide 21. Here, we look at the balance sheet. With the Dialog acquisition, we have JPY530 billion in goodwill. PPA, we are going through the process. And so, from Q1, we should be able to [lift] all the numbers.

GAAP / NON-GAAP*1 RECONCILIATION

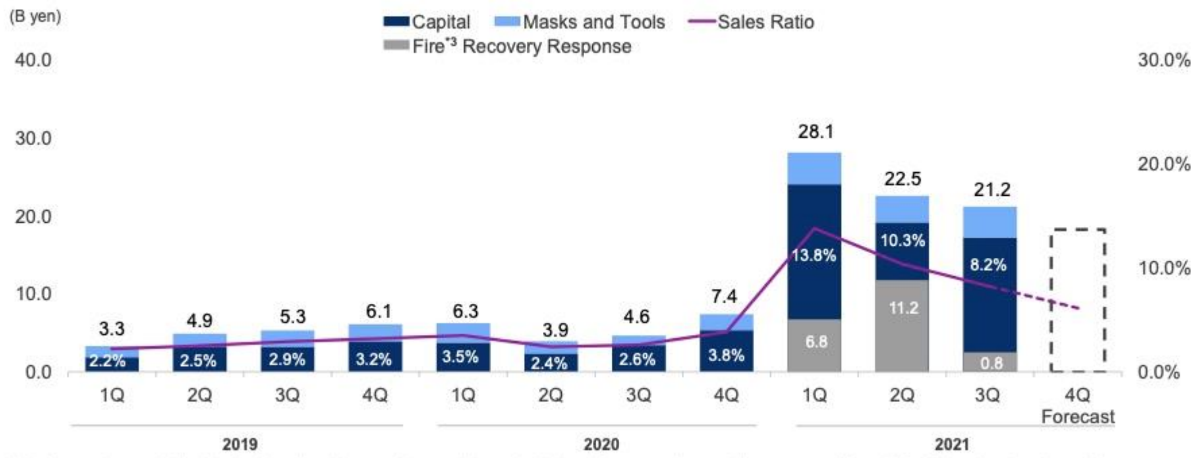
(B yen)	2020				2021		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Operating Profit/Loss (GAAP/After PPA)	13.3	17.3	17.2	17.3	30.2	35.5	53.8
Reconciliation in Gross Profit Level	+2.2	+0.1	+0.5	+0.2	+4.5	+8.3	+7.7
PPA Effects*2 (Amortization of Intangible Assets: SG&A*3)	+14.2	+13.2	+13.2	+13.0	+12.9	+13.9	+14.3
PPA Effects (Depreciation of Property, Plant and Equipment: R&D*4)	+0.1	+0.1	+0.1	+0.1	+0.0	+0.0	+0.0
PPA Effects (Depreciation of Property, Plant and Equipment: SG&A)	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
PPA Effects (Amortization of Intangible Assets, Others: R&D)	-	-	-	-	-	-	+0.1
PPA Effects (Others: SG&A)	-	-	-	-	-	-	+0.0
Stock-Based Compensation (R&D)	+1.9	+0.9	+2.4	+1.2	+1.2	+1.6	+1.6
Stock-Based Compensation (SG&A)	+1.7	+0.7	+3.0	+1.4	+1.5	+1.9	+1.6
Other Adjustments*5 (R&D)	+0.1	-0.0	-0.0	-0.0	+0.1	-0.0	-0.0
Other Adjustments*5 (SG&A)	-0.4	-0.6	-0.6	+1.5	-0.1	-0.2	-0.2
Other Non-Recurring Adjustments*6 (R&D)	-	+0.0	+0.0	+0.0	+0.0	+0.0	-
Other Non-Recurring Adjustments*6 (SG&A, Others)	+0.6	-1.5	+0.5	+2.4	+2.2	+0.5	+4.9
Operating Profit/Loss (Non-GAAP)	33.7	30.2	36.5	37.2	52.6	61.4	83.9
Operating Margin (Non-GAAP) (%)	18.8%	18.1%	20.4%	19.4%	25.8%	28.2%	32.5%

*1: Non-GAAP figures are calculated by removing or adjusting non-recurring items and other adjustments from GAAP (IFRS based) figures following a certain set of rules. The Group believes non-GAAP measures provide useful information in understanding and evaluating the Group's constant business results, and therefore results are provided in non-GAAP base. This adjustment and exclusion include the amortization of intangible assets recognized from acquisitions, other PPA (purchase price allocation) adjustments relating to acquisitions, stock-based compensation, as well as other non-recurring expenses and income the Group believes to be applicable
*2: PPA (purchase price allocation) effects include market valuations of inventories and property, plant and equipment
*3: Selling, general and administrative expenses *4: Research & development expenses
*5: Include adjustments to equalize period expenses such as taxes *6: Include non-recurring profit or loss above a certain amount such as acquisition related costs and costs related to offering

 Page 23 BIG IDEAS FOR EVERY SPACE RENESAS

Moving on to slide 23, here, we have the GAAP versus non-GAAP reconciliation. In Q3, operating profit that was non-GAAP, that was JPY83.9 billion and then, in GAAP, that's JPY53.8 billion. And so, there is like a JPY30 billion amount of reconciliation. Out of that, there's part of the PPA, JPY18 billion. And then there's also the Naka cost of JPY3 billion. There's also a JPY9 billion amount coming from Dialog adjustment.

CAPITAL EXPENDITURES*1*2



*1: The figures are investment decision basis of tangible and intangible assets and do not match the sum listed in the cash flow statement. However, the investment amount for former IDT and Dialog are based on equipment delivery
*2: The total amount of the Group's capital investment, including former IDT investments from 2Q 2019 and Dialog investments from 3Q 2021
*3: The fire which occurred at a Renesas subsidiary on March 19, 2021

 Page 26 BIG IDEAS FOR EVERY SPACE RENESAS

Please also turn to slide 26 now. This is about CapEx trend. Again, there has been a procurement of equipment after the fire. The decision has been made to complete that by Q3. And so in Q4, this is really about some of the CapEx required and has the resilience of the factories.

Turn to page 28 now. Now, this is, again, something that Mr. Shibata did mention at the outset. So, as of today, we have been able to put forth this announcement of the technology tuck-in M&A. Again, this is about Celeno, a startup company in Israel.

That concludes my presentation. Thank you very much.

Q&A session

<Questioner 1>

Q: My first question is about the guidance for Q4. First of all, excluding the effect of Dialog consolidation, revenue, gross margin and operating profit QoQ, how is it likely to evolve? And also, only the revenue numbers of Dialog have been disclosed, so I would think that it is flattish from Q3 to Q4. Would you explain that for both ABU and IIBU?

A: The revenue impact, excluding Dialog, QoQ, 6% up is anticipated. Excluding Dialog, the higher end of the single digit for ABU and IIBU was bit lower than the middle of single digit. So it's like a 5% or 6% growth, overall growth.

Q: What about the gross margin and operating profit?

A: Gross margin, excluding Dialog, decline 1.8 percentage points, and operating margin, 3.4% down QoQ.

Q: My second question is for Shibata-san about the demand forecast for the next half year or 1 year, the customers' patterns or placing orders have been changing you said in the past.

A: For the next half year, the forecast remains more or less the same. Overall, it will be solid. As of today, I maintain that view. The only concern is not the demand side but the supply side and logistics.

Compared with the beginning of the year, I am somewhat more confident to somehow manage the situation. But supply and logistics management, we are having a tough time. Without that, demand, at least up until the first half of next year, is likely to grow steadily. That is the picture we have in our mind.

As you rightly pointed out, we are looking at the Texas Instruments (TI)' quarterly results and in our portfolio, the laptop PC related will be the focal point. Chromebook is slowing down recently, and desktop terminals have been ramping and it seems to be slowing down recently. And Note, a name brand platform, generation change is one factor and Windows 11 has been introduced. So, it continues to be robust. But the strong ones and not so strong or weakening ones, the situation is very mixed.

And like TI, customers are becoming selective. In the past, customers wanted to buy anything that was available but now they are changing their behaviors. Unless things are packaged and set, they don't want to buy.

It is obvious in PC, the channel inventory of finished goods seems to be increasing on the distributer side. Therefore, they are taking a very cautious view because they don't want to increase inventory without any justifiable reason.

The notebook-PC seems to robust but we must be agile to respond to the future movement of Chromebook or desktop etc. Otherwise, inventories will further build up. So, we will remain cautious. Our exposure to smartphone and laptops is not so huge. Therefore, overall, the automotive and IoT, in a broader sense, are doing quite well and those have been the drivers. Up until the first half of next year, it will be quite robust.

Q: Thank you very much for the easy-to-understand response.

<Questioner 2>

Q: I also have 2 questions. First, can I go back to sales channel inventory? It seems WOI exceeded 10 weeks. When you look towards the year-end and also to the beginning of next year, I guess WOI is going to start to decrease. But then what about the channel inventory? Do you think it is going to increase from here up? Is that how you see it or do you think it's going to be flattish or is it going to decline?

At the same time, you just talked about PC and you said there's a lot of inventory there. But is there anything else like Factory Automation, or for home appliances? For example, perhaps there's a restraint, constraint to the production because of components; there's not enough components. But do you think, in the end, it is going to be very much a similar feature with PC inventory?

A: Yes, allow me to answer that. So for the channel inventory on actual value, we do expect it is going to increase a little, so that's something that we did illustrate in page 10. And so, for example, if you'd be able to look at where the arrow is going, this indicates our expectation as for what could happen in 4Q. So, for IoT, it's going to be flattish on absolute value. For automotive, WOI is going to be lower, but absolute value itself is going to increase. This is something that I did mention earlier but, then from Q4 and onwards, we expect that there is going to be healthy demand and so we have to cope with that. That means we have to make sure that we will have a good inventory amount, even in this channel side, because we need to respond to the increasing demand.

Now, what we're finding in PC happened in other areas. I think that's your concern. Now, of course, quality-wise, maybe we will see something very similar. But then, for example, I think the same thing could be said with decreased production by OEMs here for the auto side. You don't have all the BOMs, you don't have other parts, and so, therefore, customers cannot complete the products. I think this is going to be the same story elsewhere as well. But Factory Automation, Healthcare and auto compared to PC, I do believe the unit price of the product, is much higher. And so our customers probably would just not want to finish to the extent they have without having the full product because that is going to be too much of a burden capital-wise.

So, we do have to be careful how things will develop. But then what's going on in the PC, that lumpy situation in PC, like sometimes you'd be accelerating, sometimes you'd be stopping. I don't think that would happen in other areas. And so, for the time being, we do believe it is going to be important that we keep up with the robust demand and be able to increase our shipment. So, that's my response.

Q: Thank you very much. My second question, you also introduced about the order trend.

In total, Company-wise, that's JPY1.2 trillion size now. I take that is going to be there. That is the amount of order that will last until 2022. Do you secure the capacity for this for the next 5 quarters? And, this JPY1.2 trillion work order, of you look at QoQ trend, within that JPY1.2 trillion, I have to be sticky in asking this. Does this include some tentative order, not a complete official order, but does it include some of the tentative order?

A: Yes, in terms of the capacity, I do believe we've been able to secure the necessary capacity. I think this is the best way to answer.

As you know, when it comes to the components or parts or the wafer foundries, it's difficult to really obtain a full commitment into the future. We do believe that there is a level that we have been able to come to an agreement but then there's also some stretched amount that we have included within the yearly plan.

Now, if we look back at the previous trends, it seems like, as we go down the road, we should be able to see the actual numbers. We cope with that and that's something that we have been doing. Of course, we do not believe that all the numbers will be filled if we don't really make any proactive movements but then we have Mr. Kataoka, we have Mr. Shinkai, and I, myself, we all do communicate with the suppliers on a day-by-day basis so that we'd be able to secure enough supplies that we need.

Now, the double order or Phantom order, how much of that would be in here? That was your question. That's a million-dollar question. That is something that we always talk about internally.

Now, for example, some of the noncancelable, nonreturnable orders that we obtained from the clients, if we include that, the bar here should have been much higher. We decided to sort of make our own judgment in introducing this number because, sometimes, we'd find some inflated order. And so we did a lot of haircutting. After that, we have been able to build up the number and that is exactly what you find on slide 16.

Of course, there will be some inflated order. Some of that still might be here but we did try to make sure we do enough hair-trimming. We did make our own decision in seeing that this is a more probable number.

Now, maybe we could have been too conservative. In that case, we have to keep on making sure we have enough supply but then maybe there still could be a bit of a Phantom order remaining here. Maybe that could be the case. We will have to see. But we did do a lot of robust haircutting before we introduced this number, so I am pretty comfortable with what we have here.

Q: Thank you very much. I got that, thank you.

Moderator: Thank you, So, the Secretary will make a correction. On slide 9, Questioner said that the WOI was over 10week, talked about the channel inventory. But for auto business, if you look at the gray line, WOI was about 7 weeks, and IIoT is about 9 weeks, and that's 8 weeks in company total by the end of this third quarter. The dot line is 11 weeks, our target WOI.

<Questioner 3>

Q: I have 2 questions as well. Naka plant had hire and I think you made hard efforts to ensure the replacement products or the production. So, what is the current situation? That is my first question.

Second question is about Israeli company you announced the acquisition today. I'm wondering if there may be some overlapping products between the company and Dialog.

A: So, I would like to respond to the second question. Regarding your first question, I would like to invite Kataoka-san to the microphone because he did work marvelously for this deal.

Celeno's products are not overlapping with Dialog products. WiFi advanced version, here it's 6 and 6E, but inclusive of G5 Celeno is a tiny company that focuses on WiFi with 150 employees, so it focuses on WiFi product. On the other hand, that Dialog up to Generation 4 of WiFi and it's low-power focus products. In addition, Dialog Bluetooth, low energy, inclusive of that, other connectivities Dialog also offers. So what was lacking in Dialog, the newer generation of WiFi, will be covered by this company, Celeno obviously. So there has been progress in the client-side technology development and access point. These tiny companies need to earn money by working on access points. But now IoT and client products are becoming more enriched.

Therefore, I thought it would be good timing If 5Gmilli-wave development becomes prevalent, then the last 1 mile, WiFi capability will be very much needed. So, this will be an excellent combination.

Kataoka-san will respond to your first question.

A: This is Kataoka. So, the alternative production, there were several of them. First of all, the wafers, the mature products were produced at other plants of Renesas, and like 300mm was produced at TSMC. And because of that, for example, something which was only internally produced is now made at TSMC as well. So, supply-flexibility and sustainability have been enhanced. We would like to capitalize on that benefit going forward. We can have a dual-fab system, so to speak. We can choose either we want to make it at Naka or TSMC, so on and so forth.

Also, the bump process, the special process like that we only handled internally but a certain overseas manufacturer made those things for us. So, this company has been very supportive. So production flexibility has been dramatically increased because of dual-hub production. With that company overseas, we would like to continue a transaction in order to ensure flexibility going forward. That is the current situation.

Q: I see. So, because of that fire, you came up with these improvements?

A: Yes. I mean, in a way, we have been able to reduce our cost of production eventually.

<Questioner 4>

Q: Can I go back to Q4 gross margin in OPM? I think you were saying that it's going to decline gross margin and OP margin, and SG&A and expense is going to increase towards the year-end. Could you please explain the reasons of the decline because it seems bigger to sales than the expectation? Do you think Q3 was too high? And is there any reason behind explaining Q4?

A: I think that's something Shinkai-san should answer. Mr. Shinkai, please?

A: Certainly. In Q3, I don't know. Was it too high? Maybe. But on the gross margin line, in Q3, there was the auto side product mix, which worked well. And on the other hand, Q4 seems to have dropped or worsened.

Now, when it comes to variable costs, for example, be it ingredients or some of the procurement from the foundry, we're seeing the price increase there. That is also impacting. That is something that we have included in the forecast.

Now, for the Opex, in Q3, there has been a conservative spending. And on the other hand, Q4 will be increasing and there's also that year-end concentration of expenses. And so that is why OP margin QoQ is going to decline. That is what we expect. That's my explanation.

Well, if I may add, gross margin dropping, 1/4 of that comes from Dialog and another 1/4 comes from, again, the product mix change, And then the remaining half, again, comes from the price increase for the raw materials and also other production cost increase.

Q: Do you think you should be able to start to find better gross margin as you try to be able to level off the materials cost because I'm not exactly sure if Q4 is higher or lower than the normal level.

A: Well, that is a good question. Thank you.

At the moment, when it comes to raw material, it is very unstable at the moment. It's very difficult to define what is normal level now, so the numbers that you are seeing here, I guess we should be trending a bit higher. That's what I hope.

Q: Thank you. And also my second question, again, the actuals for Q3 for auto and non-auto, what is the growth rate, excluding Dialog?

A: So, can I go back to page 6? So, auto, excluding Dialog, about 51.8% YoY and 13.8% QoQ. In IIBU, excluding Dialog, that's 22.2%, QoQ JPY10.5%.

Q: Thank you. Got that.

<Questioner 5>

Q: Thank you very much. So, sourcing of materials, I would like to ask you a question. So, in the past, you touched upon the electricity related issues in China. In Q3, material cost increase and the risks pertaining to the sourcing, or in overall, do you have any specific points where a risk related to the sourcing would be rather high- in the future?

A: So how should I respond to this one? So, Nikkei and the other media, I think they have been making headlines already. Major suppliers' price increase impact, that is probably the largest impact on us, the size of the price increase. The materials are used there for our products, in some cases, have doubled. However, in terms of the impact of the price increase, the major foundry rose its prices, increased its prices and it's very difficult for us to cope with.

Q: Thank you. Another point is this company you acquired, this Israeli company, that's you bought. So, tech-driven acquisition, this is I would assume, this may not have an immediate impact on the business performance. But in terms of synergy, to what extent do you anticipate the synergy and how is it likely to be realized?

A: This is a small company which is growing rapidly like compared with Dialog. How should I say? We think it's very promising, I am not sure whether it is convincing or not to you all. But taking a conservative view, in 2022, the non-consolidated number is likely to grow rapidly. I don't know about 2022, but 2023 and 2024, combo chip and others. Well, actually, it's rather embarrassing but we haven't had many WiFi-related expertise. But connectivity, Wi-Fi and Bluetooth combo chip is becoming common place. So, if we can produce things like that entirely in our company, even though the absolute amount of revenue may not be huge, but compared with Celeno revenue now, there will be huge synergy. In the not-so-distant future, we should be able to come up with a very impressive number.

Q: Thank you.

<Questioner 6>

Q: Earlier, you talked about auto for next year, you are saying that there should be a robust trend all the way to first half next year. But then, regarding supplying MCU for auto purpose, what is your short-term forecast and perhaps a little more mid- to long-term forecast into like a couple of years, 3 years?

A: Yes. That's exactly why we have Mr. Kataoka here. So, Mr. Kataoka, please answer that question.

A: Yes. So, first of all, we know there's strong demand. I'm sure you know the OEMs, especially during July all the way to September, there was this reduction in production because of what's going on in Malaysia. We try to look into the end of fiscal year, all the way to March. They're hoping to be able to increase their production historically, back to like historical high. And so, that's what the OEMs are trying to do.

When we look at the inventory, inventory level of OEMs, it's really historically low. So, it's going to be important that they start building up their inventory and that is why we're expecting a very robust demand at least until the first half of next year.

Now, we will be increasing the production capacity for Naka fab. We have been investing for 40-nanometer products. Also, TSMC do understand what we're trying to do. So, our share in TSMC will be increasing. Therefore, from 2020 to 2022, the production level is going to be increasing, especially in our latest 40-nanometer products production.

Now, as we look into the long-term perspective, as you know, unit production volume of cars is going to increase. And nowadays, we're seeing that it's going to be at least 5% or 10% CAGR in terms of volume growth. But then also, if we look at the semiconductor, how much chips will be included within cars, this is going to increase because there is more electrification. You might come up with xEV, but it also has to do with a lot of functions of cars. For example, sunroof. I don't think we see so much in Japan except for the real high-end vehicles. But then, outside Japan, we see a lot of sunroofs, sunroof vehicles. We do believe MCU, SoC and Analog power will be increasing. And so, from that perspective, in the mid- to long range, there's a lot of expectation we'd be able to hold here.

So, again, here, we basically offer 40-nano but then there is also world's first 28-nano that is already being offered. So how much more can we go into this space is also very interesting but that's something that I'd be able to say

Q: Thank you. There's also 1 more follow-up question. The Chiba earthquake and eruption of Aso Mountain, are these impacting production to you?

A: Well, those natural disasters that happened recently, no, there is no impact. I think I'm correct in saying so. But again, Japan is prone to natural disasters, as you know. So, it is important that we be prepared. We do that. And so, even if something happens, we do not believe that we be late in coping with what happens. But then, of course, depending on the size of the natural disaster, there might be some of the fluctuation in production level. It's something that we have to live with. I don't know if this is the right way to say this but it's probably similar to COVID. We have to live with these natural disasters.

But then, in terms of human resource, I do believe we have enough talent or experience with these natural disasters so, even if in the event of some disasters, I'm sure we'll be able to cope with that.

<Questioner 7>

Q: I would like to ask you about Q3 gross margin. Q3 gross margin was good because of good product mix. Actually, it may have been too good you said, I think. So, R-Car grew. Am I right in understanding it that way? If that is the case, at Investor Day, Shibata-san said that you don't have to do anything and still the automotive business would grow, centering around R-Car. If that is the case, it may go down a little bit in Q4 but, next year, the gross margin target, probably I can expect that you will be achieving the upper end of the gross margin target range.

A: Well, in terms of the directionality, that maybe the case or I hope that is the case. But there are 2 things we need to keep in our mind. SoC, it's entirely outsourced and wafer prices have been increasing, as I said previously. In SoC packaging materials, the material pressures are increasing very rapidly.

Regarding price increase, we have been trying to pass on the price increase to customers to some extent. However, unit by unit, SoC is likely to have the largest impact from a price increase and the pressure on gross margin from that is probably quite strong. So, if SOC grows like it did in Q3, then the gross margin may grow rapidly [inaudible] again, you may think, but it's not likely to happen. But it is true that SoC is growing so rapidly.

Q: Understood. But as you said just now, if the cost is rising, the first round or second round of price increase might have already happened. But the third round and fourth round, am I right in understanding that you will be requesting customers to accept the price increase?

A: Well, regarding automotive business, in a [various] sense, long-term stability is important. And we have no intention of changing prices frequently but, at the same time, we would like to pass on the price increase to our customers to some extent. So, more or less, once every half year, we are requesting our customers to make adjustments.

Q: I see. Thank you very much.

A: If I may supplement, in Q3, automotive mix improved because of SoC but more in MCU, as Kataoka said, the 40-nanometer products increase contributed to product mix. That had an impact as well.

Q: I see. Thank you.

<Comments from CEO Shibata>

So, allow me to summarize once again what we announced today. Within our portfolio, for example, PC portion compared to the past is not really going that lucratively, so we do have to keep an eye on how things develop. But then, fortunately, as a result of the previous strategies, the end market exposure I do believe we have been able to diversify to quite an extent. And so, from that perspective, I think it does give us reasons to have a very strong outlook into the future. So, for the demand side, our view has not really changed but then, on the other hand, the supply side, it's always tough. Every day, all the executive members are working all together to really make sure that we'd be able to have enough supply. And still we're at this point. It's exactly where we really have to work hard on so that we will secure enough supply. But please do understand that we're really working hard so that we'll be able to secure the supplies that we need.

Maybe some of you still would have some concerns. But then, at the end of Q4, even for the channel inventory, I'm sure we'd be able to show some evidence that everything was okay. That's exactly how we need to keep our operations going. So, I hope we'll be able to obtain your understanding.

Once again, thank you very much for joining.

[END]