1Q of the year Ended December 31, 2025
Conference Call (Held April 24, 2025)
Presentation and Question & Answer Summary

Presentation

Moderator: Good morning, everyone. Thank you very much for taking time out of your busy schedule today to attend Renesas Electronics Corporation's earnings call for Q1 of FY2025.

The speakers today are Hidetoshi Shibata, President and CEO, and Shuhei Shinkai, Senior Vice President and CFO. Staff members are also present.

After the brief remarks from Mr. Shibata, Mr. Shinkai will explain the Q1 financial results, which will be followed by a question-and-answer session. The entire presentation is scheduled to last 60 minutes.

Mr. Shibata, the floor is yours. Please unmute yourself.

Shibata: Good morning, everyone. This is Shibata speaking.

Regarding the guidance for Q2, the tariff impact is still uncertain. We have not logically reflected the impact of the tariff in the guidance. However, having said that, even with uncertainties, we do see some abstract view about the upside opportunity and downside risk. We did reflect on some haircuts. There is no logical background behind that, but it's more of a psychological haircut.

Looking at the market view, roughly speaking, sorry for repeating myself, but there are both the positives and the negatives. But for the automotive business, I think there will be some conservatism, mainly in a wait-and-see mode. For industrial and FA, it seems that no material change has taken place. The inventory correction was nearly completed in Q1, and we observed some very gradual recovery.

Looking out in the future, there are still uncertainties rolling over the tariff impact. Relatively speaking, some disruptions may be from segments closer to consumers like home appliances and PC. There could be some spike in the demand before the impact of the tariff, maybe in Q1 or Q2.

Regarding the data center and AI, as a trend, things have not changed. Steady growth is on the horizon. Especially for H2, DDR5 generation upgrade, I think, will progress. For mobile, a modest upside could be expected. For auto, the 28 nano, I think will be positive outside of China.

For H2, we had seen some positive news. Our expectation was getting elevated, but of course, at this point, we cannot foresee the exact impact of the tariff. Over the short term, there could be some disruption, but we do not want to be disrupted by that.

Also, we position this year as the year of the change, and also, with the tariff situation, a lot of uncertainties were moving out of the business. Also, volatility is something that we need to be ready for. We need to really focus on the medium- to longer-term initiatives.

From that perspective, especially with the organic opportunities, we will focus on looking at investment opportunities with a mid- to long-term perspective, especially in such an environment that we stand today.

For the Q1 results and the guidance for Q2, I would like to hand over to Mr. Shinkai, and he will give you the presentation on the numbers. Mr. Shinkai, please.

Shinkai: This is Shinkai, CFO. I would like to quickly go over the Q1 results based on the presentation material.

1Q 2025 FINANCIAL SNAPSHOT
NON-GAAP

(B yen)	2024		2025				
	1Q (Jan-Mar)	4Q (Oct-Dec)	1Q (Jan-Mar) Forecast	1Q (Jan-Mar) Actual	YoY	QoQ	Change from Feb. 6 FCT*1
Revenue	351.8	292.6	309.0 (±7.5)	308.8	-12.2%	+5.5%	-0.1%
Revenue (Excluding Foreign Exchange Impact)	-	-	-	-	-16.8%	-0.9%	-0.8%
Device Revenue*2 (Excluding Foreign Exchange Impact)	-	-	-	-	-19.0%	+1.0%	-1.2%
Gross Margin	56.7%	54.9%	54.0%	56.7%	+0.1pt	+1.9pts	+2.7pts
Operating Profit (Margin)	113.5 (32.3%)	75.4 (25.8%)	24.0%	83.8 (27.1%)	-29.7 (-5.1pts)	+8.4 (+1.4pts)	(+3.1pts)
Profit Attributable to Owners of Parent	105.9	71.9	-	73.3	-32.6	+1.4	-
EBITDA*3	133.8	98.2	-	103.5	-30.3	+5.3	-
1 US$=	147 yen	149 yen	155 yen	154 yen	7 yen depreciation	5 yen depreciation	1 yen appreciation
1 Euro=	159 yen	162 yen	161 yen	161 yen	1 yen depreciation	1 yen appreciation	0 yen appreciation

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

Page 4

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Please turn to page four.

Please refer to the dark blue column in the middle for the first quarter results. Revenue was JPY308.8 billion. The gross margin was 56.7%. Operating profit was JPY83.8 billion, operating margin was 27.1% Profit Attributable to Owners of Parent was JPY73.3 billion, and EBITDA, that was JPY103.5 billion. As for foreign exchange rate, the USD was 154 yen, and the EUR was 161 yen. For forecasts and QoQ, please refer to the right-hand side.

Just one point to explain on this slide- the top three rows show revenue, particularly Device Revenue. The row that excludes the impact of foreign exchange shows that we expected a 2.2% QoQ increase. However, the actual results came in lower, with a 1.0% increase compared to the previous quarter.

1Q 2025 REVENUE AND GROSS / OPERATING MARGIN

NON-GAAP

	Company Total	Automotive	Industrial / Infrastructure / IoT
Revenue	308.8 B yen vs FCT: -0.1% QoQ: +5.5%	155.3 B yen vs FCT: - QoQ: +4.4%	150.8 B yen vs FCT: + QoQ: +7.1%
Gross Margin	56.7% vs FCT: +2.7pts QoQ: +1.9pts	52.2% QoQ: +1.6pts	61.9% QoQ: +2.1pts
Operating Margin	27.1% vs FCT: +3.1pts QoQ: +1.4pts	29.7% QoQ: -1.0pt	21.4% QoQ: +1.1pts

vs FCT

- ✓ **Revenue:** −
- ✓ **Gross Margin:** +
  (+) Decreased production cost, Improved product mix, Increased utilization
- ✓ **Operating Margin:** +
  (+) Increased gross profit, Decreased operating cost

QoQ

- ✓ **Revenue:** +
- ✓ **Gross Margin:** +
  (+) Foreign Exchange, Increased utilization,
  (-) Decreased Altium
- ✓ **Operating Margin:** +
  (+) Increased gross profit
  (-) Increased operating cost

Next page, please. Let me explain revenue, gross margin, and operating margin compared to our forecast, using the chart on the upper right.

Revenue landed at 0.1% below the midpoint of the forecast. FX had a slightly positive impact overall. While exchange rates moved toward a stronger yen compared to our assumptions, the increase in foreign currency-denominated revenue led to a net positive effect. Excluding FX, revenue was slightly below forecast. Altium performed slightly above expectations, but device revenue came in slightly lower. As mentioned earlier, device revenue excluding FX was expected to grow 2.2% QoQ, but the actual result was a 1.0% QoQ increase.

Looking at segment performance, industrial, infrastructure, and IoT exceeded expectations, while Automotive fell short. Automotive was negative against the forecast. The reason is because we suppressed the shipment so that the inventory will not increase too much. The upside in industrial, Infrastructure, and IoT was driven by stronger-than expected demand, particularly for AI-related digital power and home appliances. Gross margin improved by 2.7% points. The key factors were decreased production costs, improved product mix, and increased utilization, with the reduction in production costs accounting for approx. 70% of the total.

There were several contributing factors, but the largest was that fixed manufacturing cost savings exceeded our expectations. Specifically, improvements in repair and maintenance costs, as well as consumables, had a positive impact. Additionally, efforts to reduce power consumption resulted in lower utility expenses, which also came in better than forecast.

Another factor that we hadn't fully accounted for was the rebound effect from inventory valuation adjustments. In addition, various other cost increases have contributed to this. Regarding the improved product mix and increased utilization, the increase in utilization was slightly higher than expected based on input utilization rates, which contributed positively to the gross margin.

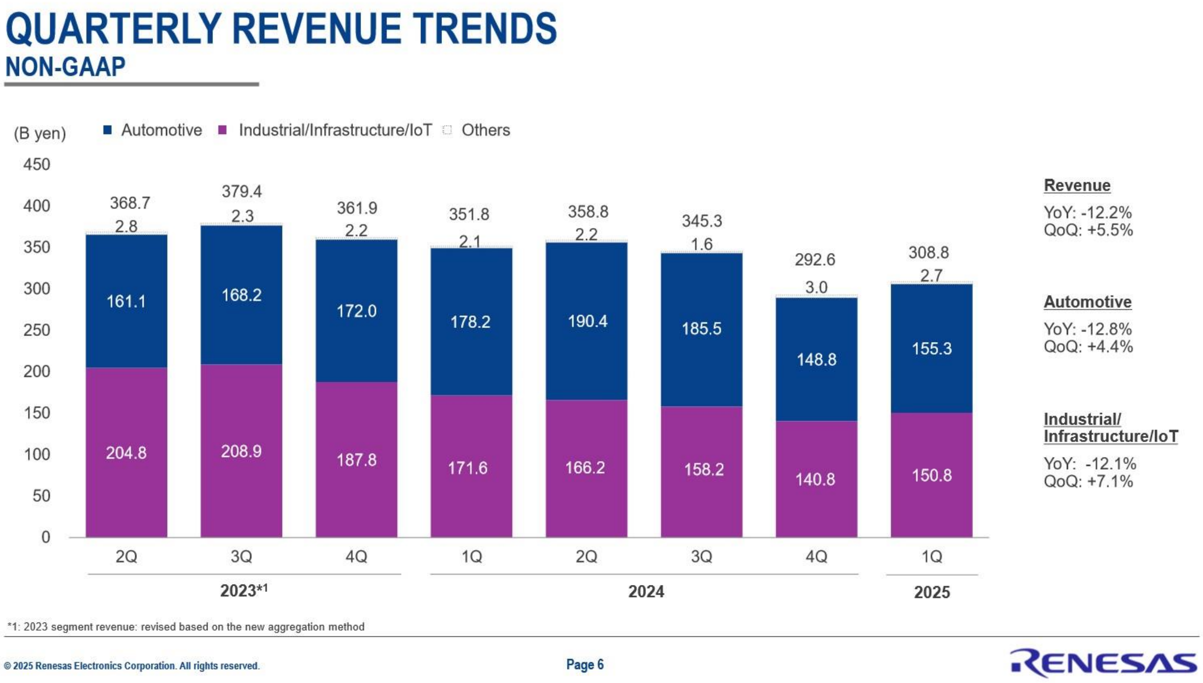
Operating profit margin increased by 3.1 percentage points compared to the forecast. In addition to the improvement in gross margin, the effectiveness of cost-saving initiatives was greater than expected, and delays in development projects resulted in a reduction in operating costs, particularly in R&D, compared to the forecast.

QoQ, revenue excluding exchange rates decreased by 0.9%, device revenue increased by 1.0%, and gross profit margin increased by 1.9 percentage points due to yen depreciation and increased utilization.

Regarding depreciation, from FY2025, we have revised the depreciation period for manufacturing equipment based on changes in product lifecycle and actual usage, extending the average depreciation period from about 5 years to 8 years. This resulted in a 3.8-billion-yen reduction in depreciation costs in Q1.

Operating profit margin increased QoQ due to cost control efforts, but also due to a rebound from one-time cost reductions in Q4.

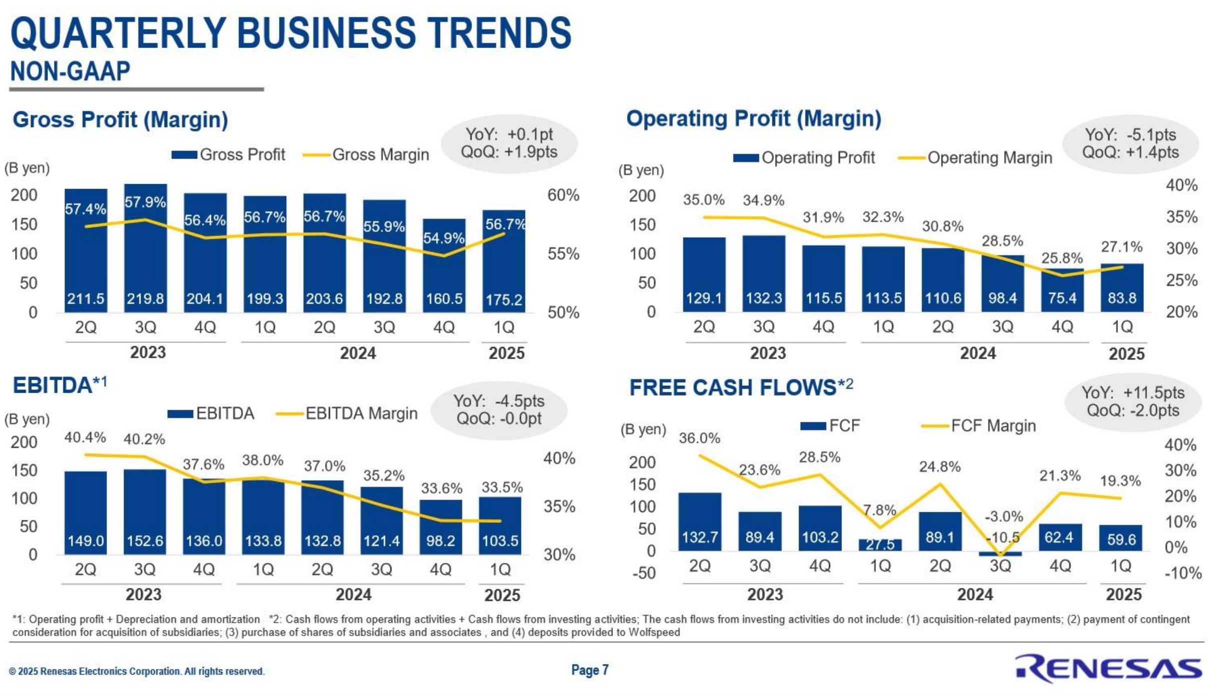
Segment-wise, automotive operating profit margin decreased QoQ due to a rebound from one-time development cost income in Q4. Industrial and IoT operating profit margin did not increase as expected due to one-time litigation provisions in Q1.



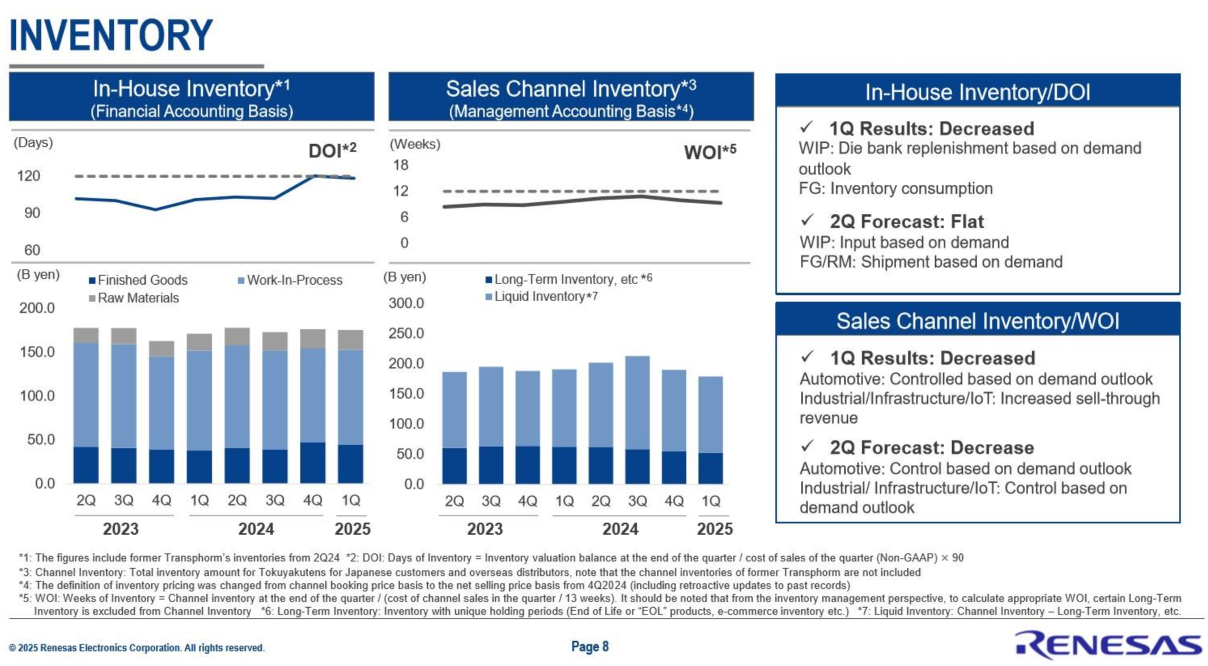
Next page, please, showing quarterly revenue trends.

Please refer to the column on the far right for the Q1 results.

Overall, we had a decrease of 12.2% YoY and plus 5.5% QoQ. However, exchange impact excluded, we had minus 16.8% YoY. You can see the breakdown by segment.



Please go to the next slide. These are showing financial numbers and their trends for your reference.



Please go to the next slide. This is the inventory status.

We have our own in-house inventory and sales channel inventory.

Starting with the top right, this shows the in-house inventory. In Q1, QoQ, both the actual amount and DOI, both decreased. DOI decreased by two days.

For die bank, we mainly received replenishment from the foundries. For smartphones, AI servers, and digital power, die banks were mainly replenished. On the other hand, the consumption of finished goods and also the appreciation of the yen at the end of the quarter resulted in a decrease in the actual amount.

As for Q2, the production plans are expected to remain largely unchanged, and inventory levels are expected to remain roughly flat.

We want to support short-term demand, so we don't want to limit inventory too much. This has been the policy, and we will continue with this policy.

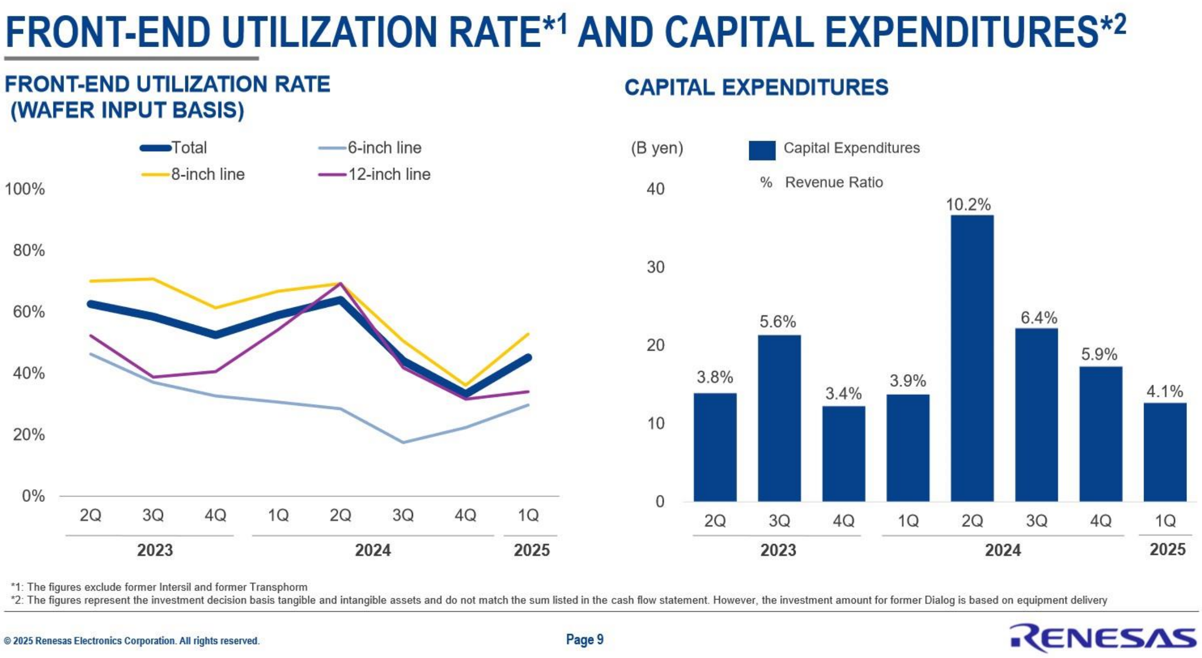
The bottom right is showing channel inventory. You can see in Q1, sell-through was higher than expected, mainly due to IIoT, and overall channel inventory was reduced more than expected. Both actual amount and WOI decreased QoQ.

For automobiles, channel inventory decreased, but mainly for Japanese companies, sell-through increased more than our expectations. As a result, WOI increased slightly. This goes back to what I said about reduced shipment when I explained about the revenues. As for IIoT, sell-through increased from our expectation. As a result, channel inventory decreased steadily.

In Q2, in the base case, we plan to reduce channel inventory for both automotive and IIoT. The intention here is to keep inventory lean due to the large uncertainties.

As for the upside, we will cover the upside from the in-house inventory.

In order to assess the impact of tariffs, as Shibata mentioned at the outset, we are being rather conservative in our views. Particularly on the sell-in side, we have been conservative. On the other hand, for the sell-through, in Q2, we assume that sell-through will be greater than sell-in, resulting in a decrease in channel inventory and WOI. However, there are still some uncertainties with respect to sell-through. If the situation turns downside, both inventory and WOI will be higher than expected in Q2.



Please go to the next slide. This is showing utilization rate and CapEx.

On the left-hand side is the utilization rate. In Q1, we had a slight increase in the utilization rate from the forecast. From Q2 and beyond, we expect the overall utilization rate to be flat from Q1. Depending on the factories, there may be increased production. However, some others are slightly reducing their utilization rates due to holidays. Overall, we expect the rates to be flat.

As for capital expenditures, we continue to see the same trend. We will have a lot of capital expenditures outside of production, but from this fiscal year, we have been imposing stronger control over CapEx, from the viewpoint of cost and cash management.

2Q 2025 FORECAST

NON-GAAP

(B yen)	2024		2025					
	2Q (Apr-Jun)	1H (Jan-Jun)	1Q (Jan-Mar)	2Q (Apr-Jun) Midpoint Forecast (Range)*1	YoY	QoQ	1H (Jan-Jun) Forecast	YoY
Revenue	358.8	710.6	308.8	302.0 (±7.5)	-15.8% (±2.1pts)	-2.2% (±2.4pts)	610.8 (±75.0pts	-14.0% (±1.1pts
Revenue (Excluding Foreign Exchange Impact)	-	-	-	-	-13.1%	+4.8%	-	-14.9%
Device Revenue*2 (Excluding Foreign Exchange Impact)	-	-	-	-	-15.0%	+5.3%	-	-17.0%
Gross Margin	56.7%	56.7%	56.7%	55.0%	-1.7pts	-1.7pts	55.9%	-0.8pt
Operating Margin	30.8%	31.5%	27.1%	25.0%	-5.8pts	-2.1pts	26.1%	-5.4pts
1 US$ =	153 yen	150 yen	154 yen	142 yen	11 yen appreciation	12 yen appreciation	148 yen	2 yen appreciation
1 Euro=	165 yen	162 yen	161 yen	156 yen	9 yen appreciation	5 yen appreciation	158 yen	4 yen appreciation

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

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On the next slide, this is the Q2 forecast.

Please refer to the dark blue column in the middle. The midpoint forecast is JPY302 billion, gross margin, 55%, operating profit margin of 25%. The exchange rate assumption is JPY142 to the US dollar—this is JPY12 higher QoQ—and JPY156 to the euro, which is a JPY5 increase QoQ.

I would like to give additional information on the revenue. The midpoint forecast is JPY302 billion. As you can see on the right-hand side, this is minus 15.8% YoY and minus 2.2% QoQ. This QoQ is minus 2.2% and the breakdown to the device revenue, the appreciation of the yen will be minus 7%. On the second line, you can see an increase by 4.8%, excluding exchange impact.

On the other hand, the Altium impact results in minus 0.5%.

Device revenue, excluding the FX impact, is plus 5.3%, as you see on line three. This 5.3% increase QoQ is broken down as follows: automotive is slight increase; on the other hand, IIoT mainly contributes to this plus 5.3% increase.

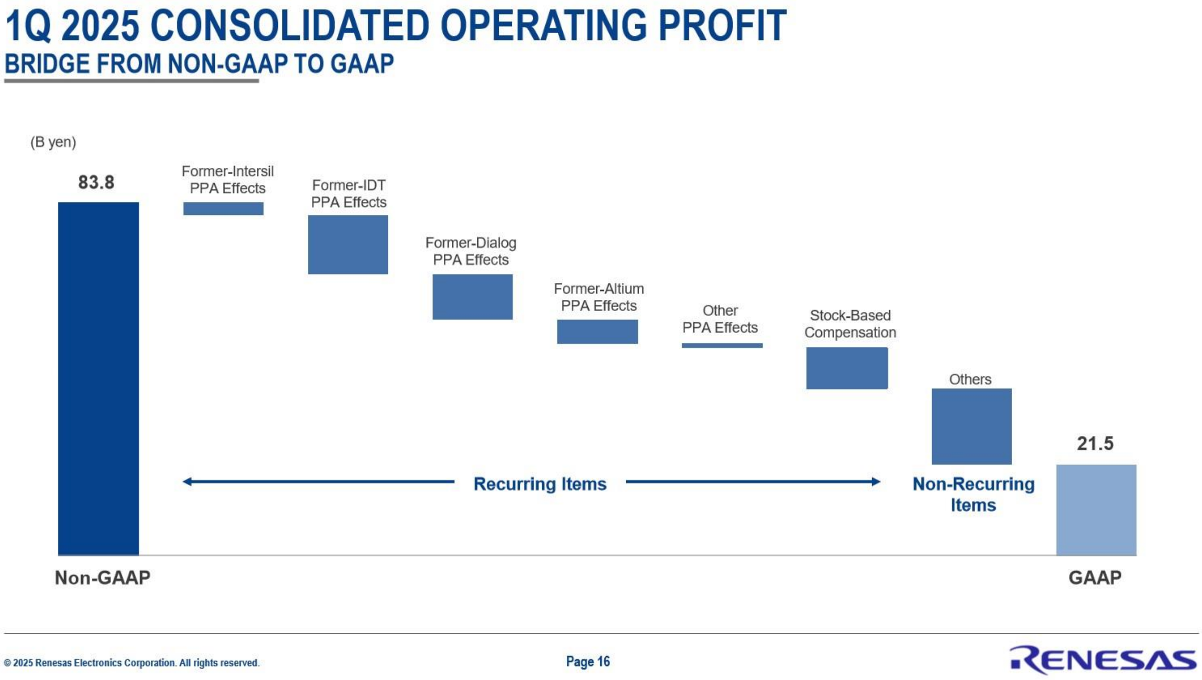
As for the impact of Altium, minus 0.5%, this is due to a technical reason. In Q1, new sales recognition standards have been introduced. Because this shift took place midway through Q1, the timing, or rather, the periods, for which these new standards are applied longer in Q2 than in Q1, and this results in the revenue numbers.

The gross margin of 55%, this is minus 175 basis points QoQ. This is mainly due to the exchange impact and increase in manufacturing costs, 1/3 coming from the exchange impact and 2/3 from the manufacturing costs. We have an increase in utilities, both in unit price and the usage volume, resulting in increased costs and also repair costs and project costs to optimize the production footprint. This contributes to the increase.

We have continued our efforts to reduce costs, but looking at the QoQ numbers, the operation-related cost increase and project-related cost increase were bigger than cost reduction.

As for the 25% operating profit margin, this is a 215 basis points decrease QoQ. Major reasons are the exchange impact and the decrease in the gross profit margin. Also, we have factored in an R&D expense increase. This is mainly SoC for automotive. The Generation 5 R-Car R&D increase contributes to the increase in R&D. For example, hiring more people in India and procurement. Overall, cost increases.

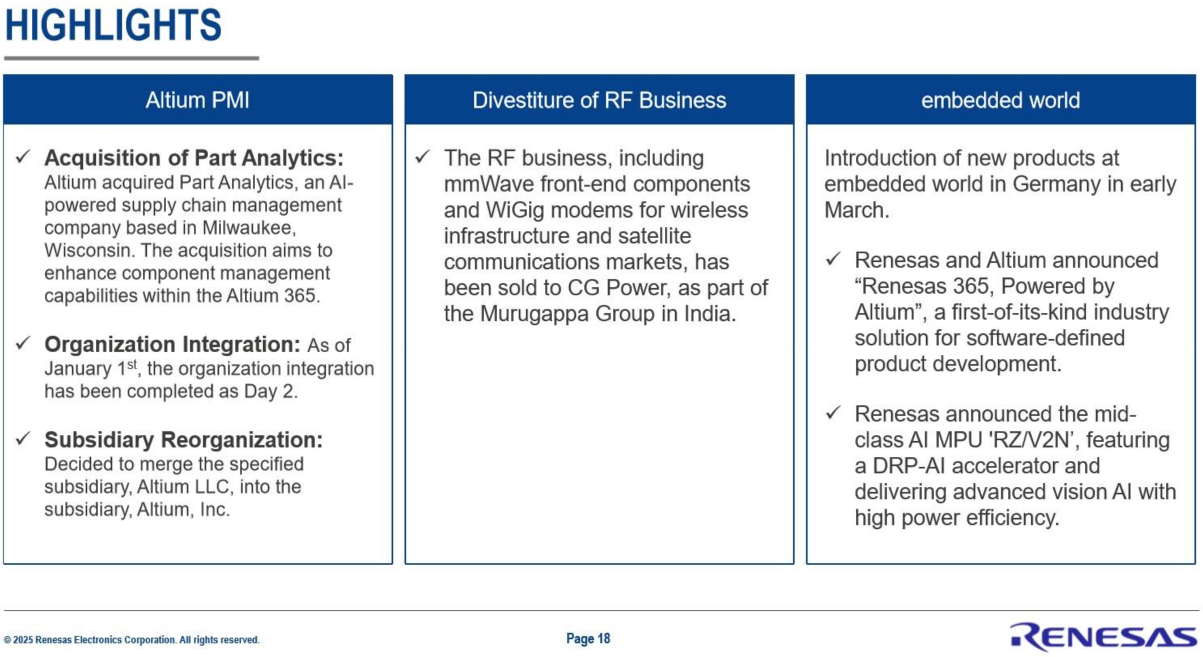
That's the forecast for Q2.



I would like to also provide an explanation on the appendix slides.

Please go to page 16. This is the non-GAAP to GAAP reconciliation.

Second from right, the non-recurring items appear to be large. There is JPY18.1 billion, and this is onetime costs related to structural reform, business sales, and goodwill related. The write-off RIF and other structural reform-related costs, as well as provision for litigation costs, are included in these one-time items.



Please go to page 18. These are the highlights.

Altium PMI, as part of this effort, although small in scale, Altium acquired a company called Part Analytics, and for the divestiture of the RF business, I talked about goodwill in relation to the sale of business and the fixed asset impairment. This comes from this divestiture of the RF business. In the embedded world, Renesas 365 has been launched.

This concludes my explanation. Thank you very much.

Question & Answer

[Questioner 1]

Q: I have two questions.

First, Mr. Shibata mentioned in his comments that there was some modest haircut to the guidance. What is the magnitude of that? What exactly do you mean by that? I guess this will be subject to the tariff. What would be the direct impact and indirect impact on your business? I would assume the direct impact will be small, but would the tariff mean less volume for you to a certain extent? The supply chain sharing would be done for the tariff. Can you explain the actual impact of the tariff?

A: Yes. The psychological haircut is what I said in my comment. It's like a middle-single-digit-percentage-point haircut, I guess that's fair to say. For our operation, we fixed the currency because, otherwise, we will make it quite difficult to manage the business. With the fixed currency basis, we kind of rounded it down. There's no logic behind that. It's very emotional or psychological.

Regarding the impact of the tariff, as you pointed out, the direct impact will not be that material. For indirect impact, of course, within the supply chain, there could be some share of burden, but more than that, I think the impact may be greater on volume. Of course, it depends on the product and depends on the future outlook, but generally speaking, if the product is priced at JPY5 million and if the price spike is 25%, normally, the volume will come down. I would expect the volume to decline, the indirect impact of the tariff.

Q: To confirm, you mentioned you rounded it down. In Q2, you may have had this level of expectation of revenue, and you reduced that outlook by a mid-single-digit percentage point. Is that right?

A: Yes, that is correct.

Q: So does that mean it wasn’t particularly tied to any specific application?

A: Broadly speaking, yes, that’s correct.

Q: My second question is for IIoT. I want to understand the specific trends for different businesses. DDR5 Gen3, you are increasing your market share, and also the AI PMIC and also mobile apps, I think those are the three key factors. From Q2, I expect the trend to continue as you expected in Q1, as you look out into H2. Or are you seeing some signs of weakness?

A: I will try not to mislead you, but this is about H2. From Q3 onwards, it's really difficult to see the future, but at this point, to a certain extent, in trying to foresee our business, we do see some positive data. For example, in Q1, compared to the earnings of Q4, if you ask if we are more optimistic or pessimistic, we are slightly more optimistic. I'm repeating myself again, but due to the tariff, at this point, it's difficult to foresee the impact on the volume. That factor needs to be discounted. Looking at the specific factors, in H2, we do see some positive signs of trends.

Q: You mentioned that from Q3 onwards, but in your Q2 guidance, you mentioned revenue going up by roughly 5%. In fact, you mentioned that it's mostly from the non-auto business. Is this upside coming from a different factor?

A: Yes. For Q2, the demand will not go up substantially by different factors, but as I said earlier, in Q1, the channel inventory has been nearly fully corrected. With that, looking at the underlying demand, we will be reflecting on the underlying demand. Our sell-in should grow to a certain extent. Sell-through may be more stabilized or maybe just a slight pickup from the trough. That's how we see the trend.

The end demand may be weak, but if you ask, if it is positive or negative, we see some positive growth. Then, our sell-in, because the inventory correction has been completed, sell-through should grow.

[Questioner 2]

Q: I have two questions.

The first question, the negative factors seem to abound. Having said that, within the expectations of the tariff impact, if you have any positive upside, for example, anything on the supply chain or for data centers, we are seeing significant changes. Perhaps you want to capture the data center demand ahead of others. At this time, are there any factors for you to think that demand may be stronger for some businesses? Do you foresee any positive factors at this time? That's my first question.

The second question, the automotive impact, I believe, is something you mentioned, and companies that can be on the offensive are now taking the approach of wait and see. I would like to ask about the demand situation given that automotive demand is uncertain. Have you seen any differences in behavior amongst your customers? Are they more active in introducing new platforms? Have you seen any strategic change among your customers?

Those are my questions.

A: Regarding your first question, needless to say, this is not something structural or sustained, but looking at the recent situation, for example, PC and home appliances. Home appliances, perhaps Q2 will have a slight decrease from Q1. However, these are areas that will be maintained at relatively high levels.

China's economic stimulus measures, the government giving out subsidies for replacement with new products, or because of the 90-day pause on tariffs, maybe companies want to make and sell products during this probationary period. I think there is a mix of both reasons.

Areas closer to consumers, like the PC, consumer devices, and home appliances, these are the business areas that in the near term may have an upside. Maybe they will remain at a relatively higher level or even have an upside. That's the image.

As for the automotive segment, towards H2, as I said in the beginning, there is a topic of Gen 4 of R-Car. This is small, but the launch of 28-nano MCU will be bigger. There are two reasons.

The first one is that China clients, China customers continue to be quite robust, and they continue to adopt this into their new platforms. For EV, we have the powertrain, and the component chips for the ADAS, we are seeing greater adoption in these areas. Of course, in the short term, BEV, PHV, which is better, there may be some ups and downs, but the momentum is there. We expect a strong and robust launch, mainly in China, in EV, ADAS, and powertrain. These are the possible areas.

The other factor is Japan, Europe, these are the central regions. We are seeing Tier 1 customers and their platforms evolving their generations of their platforms. Partially, this will result in net increase and replacement from 40 nano. 28 nano will replace the 40 nano in an increasing manner. The new platforms will be launched, and this gives us somewhat of a certainty. This is certainly a positive factor.

Ultimately, the final demand, we are not sure about China's OEMs. Compared to them, there are greater uncertainties with respect to the demand.

Those are largely the factors that I can share with you now.

Q: I have something to supplement. Regarding data centers, data centers are certainly garnering attention. Bianca auto assembly, perhaps they are struggling a little bit. In relation to the supply, maybe this is lagging behind. Will this have any impact on the demand? Have you seen any increase or decrease?

A: Our AI business in terms of growth has been strong, but it only accounts for less than 5% of the total company revenues. Whether it's big enough to shift our company's posture, it is not, but in terms of growth, we do expect the growth to continue to be robust. The reasons I say this are because, of course, I will not go into individual customers or details, but business related to power, this is an endeavor.

This is a difficult business. Just because a company isn't an established supplier, they will not be called upon, and they will not be able to increase their sales. This is not how things go in this business.

Given the situation, the generations that are currently being mass produced and the ones next and the ones to be launched in H2, in terms of the platforms that are expected, of course, we are working on many trials. So far, we have been able to avoid any troubles. Two or three companies are now fighting over the power socket business or maybe segmenting.

Overall, we are positioned relatively in a very strong position. Coming from Q1 to Q2, we see steady growth. Furthermore, from Q2 to Q3 and beyond, of course, these are future quarters. It's perhaps better not to have any predictions or estimates in terms of figures, but we do expect steady growth. As you has just now indicated, the troubles that you referred to, or these small mishaps, whether they are headwinds or tailwinds, for us, are tailwinds.

[Questioner 3]

Q: I have two questions.

The first question is on cost. In the previous earnings call, you said improving 2 percentage points by optimizing cost. Mr. Shinkai mentioned the cost reduction is making good progress, and at this point, how much cost savings in an uncertain environment can you achieve to reflect in the profit? What's your progress at the end of Q1?

That's my first question.

A: Yes. I will ask Mr. Shinkai to take that question.

A: Yes. Regarding the cost reduction plan and the progress of the plan, as we mentioned previously, for the year, we want to improve the operating margin by 2 percentage points. In today's earnings call, I mentioned that the impact of the change in the accounting policy, like changing the depreciation expenses, is not within that plan. Overall, if you include that, we should expect a percentage point approximately on the operating margin.

Overall, the impact is more skewed to the end of the year. In Q1 and Q2, the improvement may look modest. It may actually not even be visible because it's very modest, but the cost reduction program, overall, is progressing slightly above the plan. But in H2, we will continue to make efforts so that we can reap the benefits of the cost reduction program in H2.

Q: I see.

My second question is about Wolfspeed, with which you put JPY2 billion as deposits, there are concerns in the market that you may have to write down that amount, or that you might become involved in Wolfspeed's restructuring. At this point, what is your behavior to the Wolfspeed situation?

A: To add to Mr. Shinkai's previous comments, before answering that question, the cost reduction effort is making steady progress. As Mr. Shinkai said, we are seeing good progress, but as I said at the outset, we are also keen to make investments.

Of course, there will be short-term impacts from the tariffs and the impact on the economy and the demand, but these events that we are observing today, too many countries were wake-up calls because to date, for many years, there were talks about global trade being changed in the global economy separately into different blocks. Despite those noises, we ourselves and also many of the markets were, in a way, dismissing that. I think with this recent event, many companies and the countries have been awakened. It's not just ourselves.

Like China, who benefited from being part of the supply chain, for China, this will be a bigger wake-up call. Also, how business is run by the competitors and the clients may fundamentally change. Having said that, in order for us to survive and to be a company that's needed, that topic needs to be addressed with a mid- to long-term perspective, in a way, utilizing the power of digital.

Also, we need to accelerate our investment because with automotive, we see some change in the market share of microphones, microcontrollers. Chinese players are rapidly increasing their presence. As you can imagine, we would like to be active in investment. We will be looking at the operating margin, but we will not just pursue improvement in the operating margin but also have more focus and emphasis on investing for future opportunities.

Switching to your next question about Wolfspeed, we are actually in the middle of dealing with that. At this point, there are not many things that I can talk about, but one direction is in early May after the Golden Week. There will be the earnings announcement from Wolfspeed and the 10-Q submission. I think that will be one milestone for us. We will be looking at that and hope that we can make some progress. We are currently working on this issue. In the next two weeks or so, this should make some progress. I hope to ask for your patience for another couple of weeks.

Are we going to be involved in the management of Wolfspeed? At this point, my answer is no. With the long-term perspective, the SiC demand, and the EV take-up, and also, with the change in the geopolitical situation, I think a lot of things will be changing. We are open to what we are going to do over the long run. At this point, we are not going to roll out our sleeves to deeply get involved in the turnaround of Wolfspeed. At this point, we have no intention of doing that.

[Questioner 4]

Q: I have two questions.

The first one, IIoT segment, there may be some overlaps, but the Q2 forecast, just IIoT, it's a 10% growth QoQ. But you have industry infrastructure and IoT. If you break down by these different areas, what is the growth, respectively? Texas Instruments had an announcement this morning, and they were quite aggressive for the industrial business, but I didn't get that from this presentation. I was wondering if there are any differences.

That's my first question.

A: Industry, this term is always difficult. What do we mean by industry? I think depending on the answer, we mean different things. Industry automation, factory automation, these so-called things, the hardcore industrial, then if we only look at that, I don't think this is going to have a very strong performance, and the end demand is moderate. As I said before, the inventory reduction is now completed. In terms of sell-in from us, we expect growth in Q2.

However, given the current situation, investments into factories are unlikely. There may be some semiconductor factories constructed in the US, but elsewhere, we cannot expect much, at least that's my thinking.

In terms of industry, normally, we may refer to energy, or in our case, we have home appliances, or we call them smart appliances. All these things may or may not be included. It depends on the categorization, and how you look at it. As I said before, sequentially, QoQ, there may be some ups and downs, but the underlying trend remains strong.

Perhaps this area may also be impacted by China-related factors and some last-minute demand or rush demand. Whether these things continue in H2 or not, we have to be cautious in observing. At least for Q1 and Q2, we think that this remains quite robust.

As a data point that I can share with you, MCU for non-automotive segments, this is mainly industrial, and this is used in broad-based markets, but for this business, looking at the current booking trends so far, it's very robust. In terms of the four product group segmentations, it is the strongest actually of the four. If TI is saying that this area is strong, then that's the same for us. We are strong. Given the current situation, it's unlikely that huge investments will be made into the industrial area. We should reserve a cautious view of this.

Q: The second question, regarding the software, the new platform between Renesas and Altium, what has been your views so far? What has been the reaction? Other companies are also making investments in the software area. Is there any area that you would like to strengthen going forward? Are there any areas that is currently lacking? Is that why R&D expenses are going to increase?

A: Well, we've only just showcased this. The full-scale launch will be next year. It is still early to talk about it. Having said that, at a glance, what you see on the screen and in videos, you may feel that there may be similar products out there. What is decisively different is that in the background, all the data is connected.

In the past, there have been similar things, similar products available, but interpreting data, or data being connected to something else, or the validation, the verification, all of these things were done manually by humans. What we've showcased is that everything is connected, data is all linked, and everything is automated, and that is the fundamental difference.

At least technology-wise, the launch and the preparations have been going steadily. I myself am very much looking forward to the launch. The remaining challenge is what to be put on top of this. I call them ingredients. What devices, what solutions can be on board? This requires a substantial effort. We need to be on top of that.

To ensure success, the technology that goes into the platform, there's no doubt about it. I'm very confident. But what's to be placed on top of this platform is going to be a significant challenge for us. You and others, I hope you will have a critical eye on this.

What is lacking today? Largely, there are two things. Function-wise, some of the functions are already there, but for PLM, product life cycle management, this is where we are still lacking. This is an area that needs to be addressed. Of course, we are working in an organic manner, but perhaps at some point in the future, a bolton, something like an acquisition, may be necessary. There's nothing concrete that we are currently considering. This is something we've been talking about since before. We may need something in the future.

Our platform is for the broad-based market, for a broader audience. Last year, when we made the announcement back in February, we are going to reach a broader audience, but that will not be sufficient. We also need to go after the enterprise segment customers. In order to attract them, we may need to come up with something to attract these customers. Maybe very sophisticated simulations or design capabilities may be required to do so. Are we going to acquire them through partnerships or through other means? This is another thing to consider, but for now, we've just made this announcement of Renesas 365. Towards the launch next year, we will continue to thoroughly work on the implementation. That is our absolute priority.

[Questioner 5]

Q: I have two questions.

My first question is about the Auto business. We are starting to see some impact from the tariffs including yourself, the impact of that tariff, how is that going to be shared within the supply chain? What is your view, Mr. Shibata, on that point? Over the short run, Toyota was saying that they will try to make sure that the tariff burden will not go to the component suppliers. But not all the prices can be raised. Toyota will not be able to bear the burden of the tariff forever. How is the burden going to be shared within the supply chain?

A: Well, from that point, that's a very difficult question to answer. I'm hoping that the impact will not be material. In reality, the reason could be the tariff or the demand, but at the end of the day, what is going to be the strong factor in price setting is the competitive landscape of the suppliers. Also, someone says, I will take the tariff burden, and we will lower the price. That is going to be the biggest determining factor. With the tariff, the demand and the volume outlook are uncertain. If there is impact on the ASP, then the situation is going to be very challenging. With a good way, we will try to get the understanding of the client to overcome this. That's about all we can see at this point.

Q: I see.

My second question is short-term. Looking at the inventory level, the in-house inventory is now close to your target level. I think that that's been the case for two consecutive quarters. With uncertainties of the demand, the in-house inventory, do you consider lowering the in-house inventory further? Also, for your factory, can you give us the update on your Kofu plant ?

A: Regarding the in-house inventory, compared to a few years ago, we should not be proud about this, but we've been able to manage the inventory well. At this point, we do not feel the need to make changes here, but if we were to point out some need for change, if the global demand shrinks significantly, then that will mean that the DOI will spike up. We will try to manage that and control that. We will take countermeasures.

As we have seen in the peers' results today, and they have been saying that, like that, we have a lot of short lead time orders. We do not want to lose this opportunity. We will have some robust level of die bank. When there is an immediate request, we will be able to cater to that. At this point, we do not want to reduce the DOI from this level. For the Kofu plant, the demand is very uncertain. We have not set any deadlines. We are maintaining a very extremely conservative view. That remains unchanged.

Q: I have a follow-up question regarding the Kofu plant. Could you have taken a pause in taking up the operation? Are there any impairment risks on Kofu?

A: Well, at this point, for the Kofu plant, we have not decided to downsize permanently or decided not to start the operation. Looking out into the future, the power demand will definitely grow. For the products that need to be manufactured in Kofu, not just over the short term but over the next few years, we are working on the development. I think the biggest uncertainty is how long this pause is going to last. In the future, we will continue to maintain the view of operating this plant. At this point, we do not feel the need to make a big impairment.

Moderator: Thank you very much. We are almost at the time to wrap up. This concludes with the Q&A session. Lastly, Shibata will give some remarks. Mr. Shibata, please.

Shibata: Certainly, things are uncertain, and how to respond to these uncertainties is different among companies, industries, client industries. Situations vary depending on who you are. Given the circumstances, we are being a bit more conservative than usual, given the recent developments. What is more important, I believe this is a wake-up call, taking this as a trigger, something we have thought about.

Going forward, we will be more grounded and focused on improving our long-term competitiveness. That should be our focus. Situations change rapidly.

As we've done before, if needed, we will communicate to you and share information with the relevant stakeholders. We ask for your continued dialogue with us. Thank you very much.

Moderator: This concludes Renesas Electronics' 2025 Q1 earnings call. Thank you very much for joining us today.

[END]