

FEBRUARY 17, 2020 SHUHEI SHINKAI SVP AND CFO RENESAS ELECTRONICS CORPORATION



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2016 MID-TERM GROWTH STRATEGY REVIEW



2016 MID-TERM GROWTH STRATEGY REVIEW

	Mid-term target		2019 Actual
Growth (Focus area)	2x Market growth*	>	Renesas (Focus area; 2016-19) 7% vs Market 6%
Gross margin	50%	>	44%
R&D ^{**} (% of Revenue)	16-18%	>	17%
SG&A ^{***} (% of Revenue)	12-14%	>	14%
Operating margin	>20%	>	13%

* Market growth indicates growth rate of Renesas SAM (served available market). ** Research & development expenses. *** Selling, general and administrative expenses



PERFORMANCE REVIEW



BIG IDEAS FOR EVERY SPACE

ACHIEVEMENTS IN 2016-2019

Fixed cost*

- Integration synergies
- Early retirement program



Inventory*

- Forecast accuracy
- Shorter decision-making chain
- Procurement flexibility

Capex**

- KPI
- Financial validation





BIG IDEAS FOR EVERY SPACE RENESAS

FREE CASH FLOW GENERATION



TARGET FINANCIAL MODEL



TARGET FINANCIAL MODEL



* FX 1USD=100yen, 1EUR=120yen. Continuing business only

** After reclassification (part of SG&A reclassified to CoGs and R&D)



GROWTH PLAN

Revenue (oku-yen)



	Long-term Renesas CAGR	Long-term Market (SAM) CAGR
Renesas	+	7% *
Automotive	i i	8%**
Automotive control	•	4%
Information		4%
ADAS	++	17%
xEV	+	18%
Industrial, Infra and IoT	-	7% ^{***}

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Industrial	•	7%
Infra	++	5%
IoT	•	8%

BIG IDEAS FOR EVERY SPACE

RENESAS

FX for 2019 Actual: 1USD=109yen, 1EUR=123yen, FX for 2019 Adjusted and Long-term target: 1USD=100yen, 1EUR=120yen

* Renesas estimate. ** Source: Strategy Analytics automotive semiconductor demand forecast by business segment in December 2019.

*** Source: 2019-2023 chart created by Renesas based on Gartner Research, Semiconductor Forecast Database, Worldwide, 4Q19 Update, Ben Lee et al., 24 December 2019. After 2024, Renesas estimate

Long-term

PORTFOLIO TRANSFORMATION



* Renesas management accounting, pro-forma basis

BIG IDEAS FOR EVERY SPACE **RENESAS**

ROADMAP TO GROSS MARGIN TARGET





FRONT END PRODUCTION MIX





SG&A REDUCTION INITIATIVES IN PLACE



* After reclassification (part of SG&A reclassified to CoGs and R&D)



SHAREHOLDER VALUE CREATION



EQUITY VALUE INCREMENTS

(Current market cap = 1.0) 2.0 1.0 Market cap Current intrinsic Deleveraging Revenue growth "Sum of the Future intrinsic parts" Equity value + margin Equity value expansion



BIG IDEAS FOR EVERY SPACE RENESAS

SOLID DELEVERAGING



SUM OF THE PARTS





KEY INITIATIVES TO DELIVER SHAREHOLDER RETURN



Commitment to results

Achievable financial targets



Focus on cash generation

Optimizing leverage



Disciplined Capex and M&A



Priority on buyback Dividends



APPENDIX



SAM DEFINITION FOR INDUSTRIAL, INFRA AND IOT

Source: Gartner Semiconductor Forecast Database, Worldwide, 4Q19 Update

SAM: semiconductor "TAM" excluding "microprocessor compute", "multimedia processor", "baseband processor", "DRAM", "Flash" and "Non-optical sensors"

Industrial: "Industrial Electronics"

Infra: "Communication" + "Data processing" – "Communication(Phone)"

IoT: "Consumer Electronics" + "Communication(MCU)" + "Data processing (MCU)" + "Communication (Phone)"

Renesas.com

