

PROGRESS UPDATE

SEPTEMBER 29, 2021
HIDETOSHI SHIBATA
PRESIDENT AND CEO
RENESAS ELECTRONICS CORPORATION

YEAR TO DATE REFLECTION



Earthquake
& Fire at N3



Dialog acquisition
& Talent infusion



Strong demand
& Supply challenge

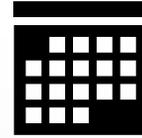


Equity finance

FIRE AT N3 FAB



No casualties



Quick resumption



Transparency to stakeholders

Crisis enhanced our teamwork

RESILIENCE AT OUR PRODUCTION SITES



Upgrade equipment for early containment



Automatic fire extinguishers



Sensitive smoke detectors

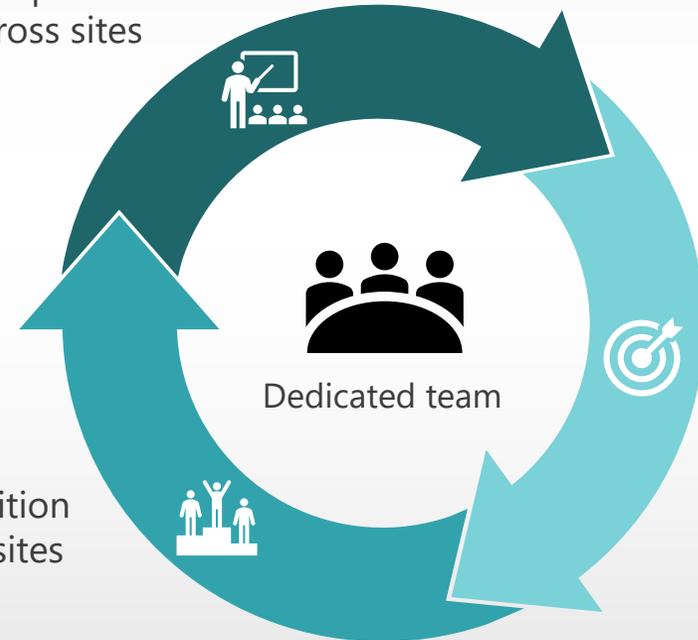


Sprinklers



Institute mechanism for thorough execution

Sharing good practices & learnings across sites

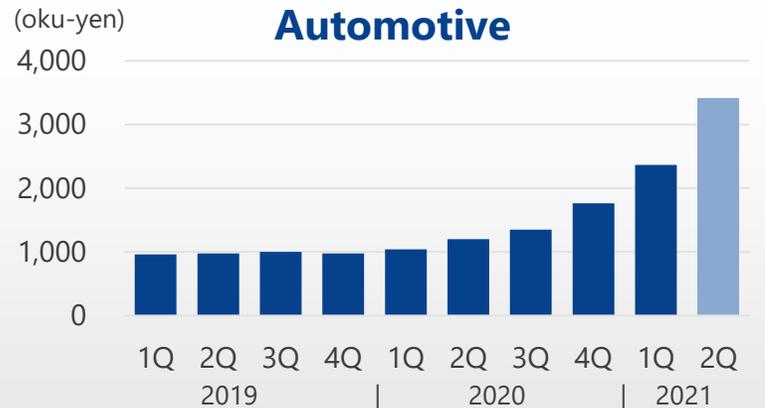
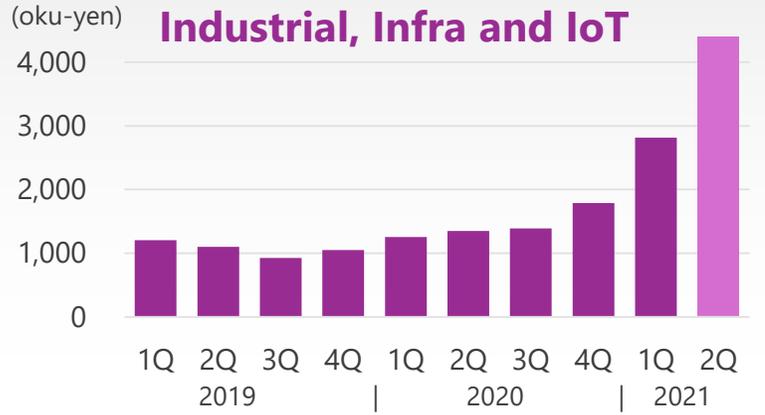


Target settings and individual trainings

Competition among sites

ENHANCEMENT OF SUPPLY STABILITY

Order backlog*1*2



Demand outlook enhancement

Advanced POs
(thru 2022)

BTO

Other

Supply outlook enhancement

Multi sourcing

Advanced POs
(or equivalents)

Strategic inventory

*1: Exchange rate based on actual rates *2: Order backlog is calculated by removing the EOL backlog from the total of the quarter

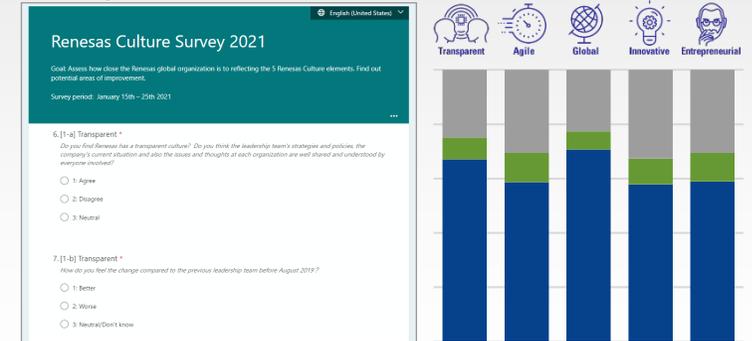
PO: Purchase Order, BTO: Build to Order

RENESAS CULTURE PROMOTION INITIATIVES



Regular pulse checks in embodiment of Culture by conducting a survey

Survey



An intranet site to share across geographies / organizations initiatives to promote Culture

Intranet site



Regular newsletter to inform of Culture intranet site updates



CEO roundtables to discuss Culture



A video to facilitate a more intuitive understanding of Culture



Function / geography-specific roundtables hosted by respective heads

ESG INITIATIVES – SOCIAL & GOVERNANCE

Analyst day March 2021

ESG INITIATIVES

Sustainability at Renesas
To Make Our Lives Easier

[Click here to learn more](#)

E Environment

- Eco-factory
- Eco-product
- Communications

S Social
Products and solutions contributing to a sustainable society

Energy Efficiency

- xEV, energy-efficient home appliances / building automation

G Governance

- Board of directors / auditors
- Nomination / compensation committees

© 2021 Renesas Electronics Corporation. All rights reserved. 3 BIG IDEAS FOR EVERY SPACE **RENESAS**

Governance




- Establishment of Sustainability Promotion Office
- Set our policy for board diversity & number of concurrent positions
- Appointed lead independent director
- Updated code of conduct / conduct employee trainings
- Disclosed details of executive comp
- Disclosed our tax policy

Social




Human capital

- Disclosed detailed HR data
- Launched diversity promotion group
- Upgraded benefits to accommodate LGBTQ+

Supply chain

- Enrolled in Responsible Business Alliance
- Updated procurement policy & supplier code of conduct
- Updated conflict mineral policy

Index Inclusion Results

MSCI 

MSCI Japan Empowering Women Index (WIN)



Aim to be included by mid-2022...

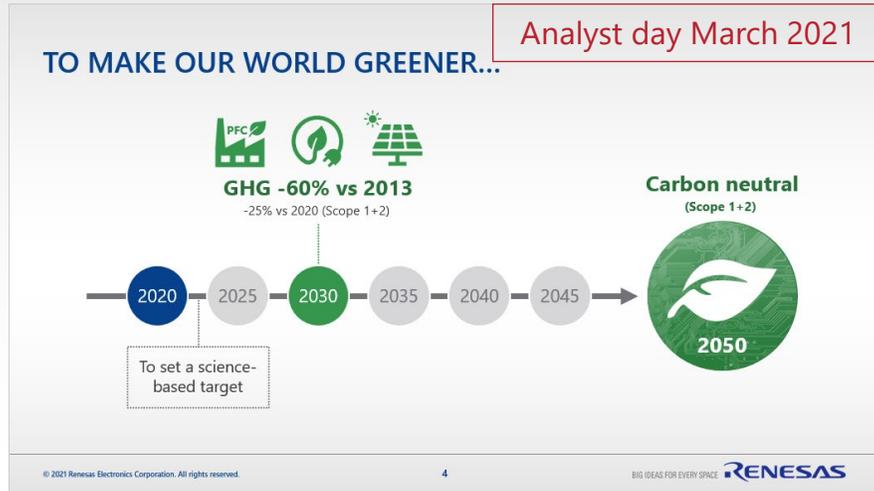


FTSE Blossom Japan

MSCI 

MSCI Japan ESG Select Leaders Index

ESG UPDATE – ENVIRONMENT

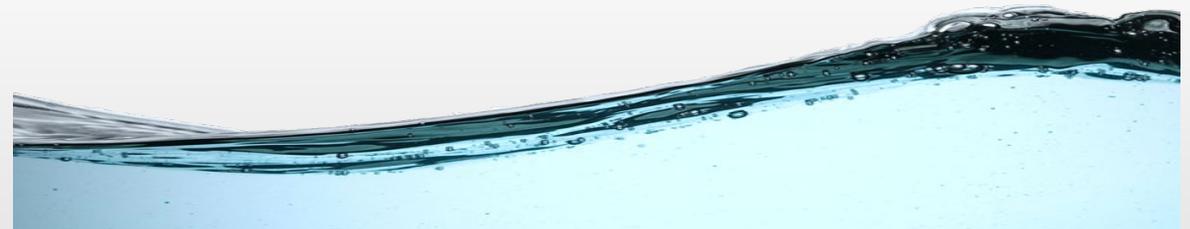
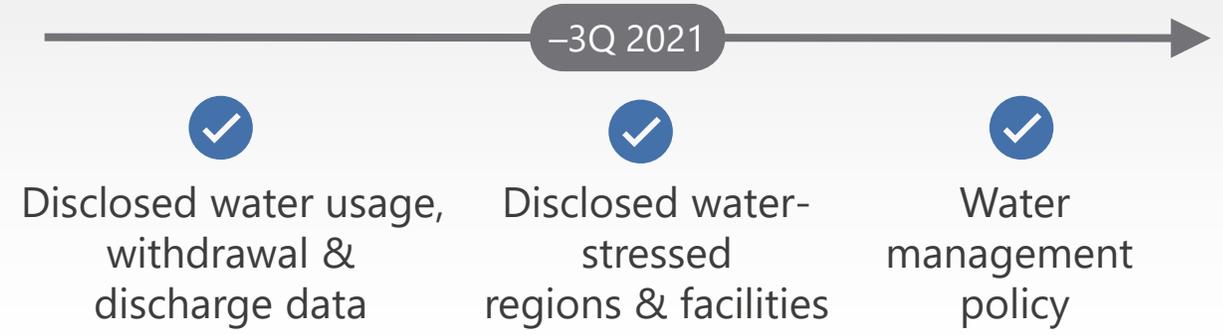


GHG emission

-  Disclosed scope 3 status
-  Submitted commitment letter to Science Based Targets initiative

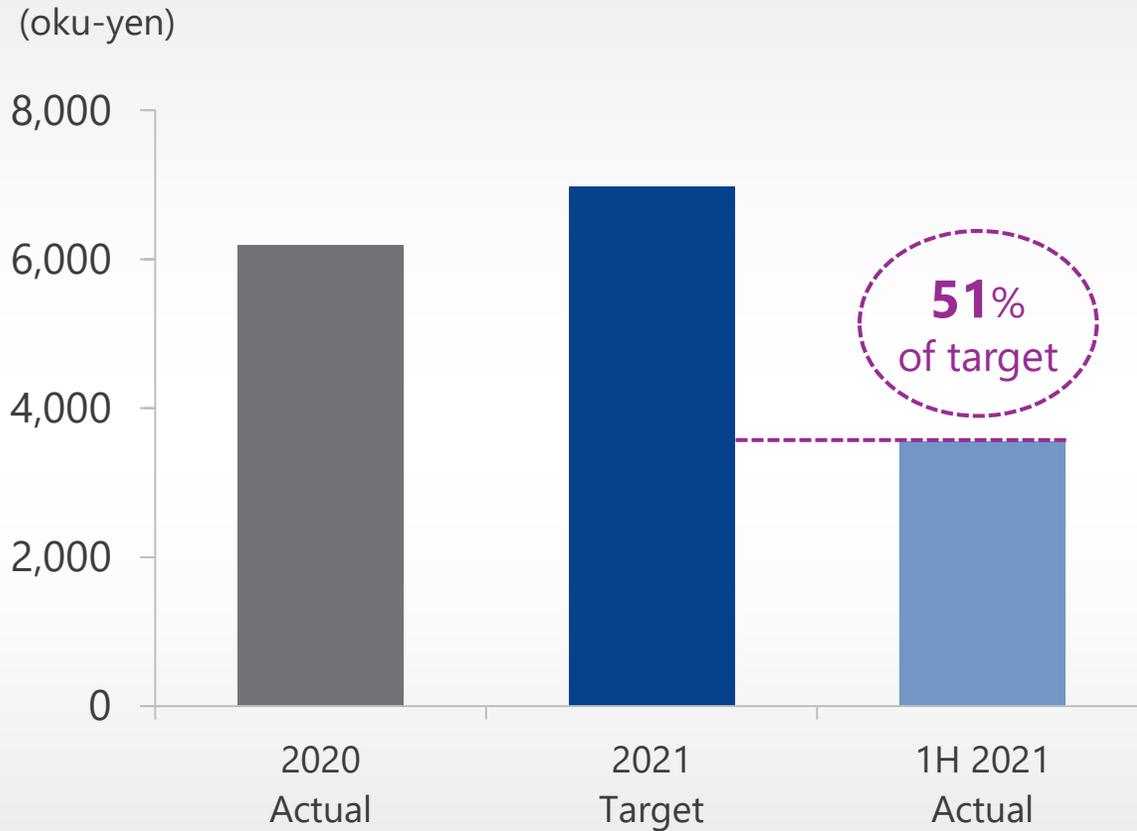


Water resources

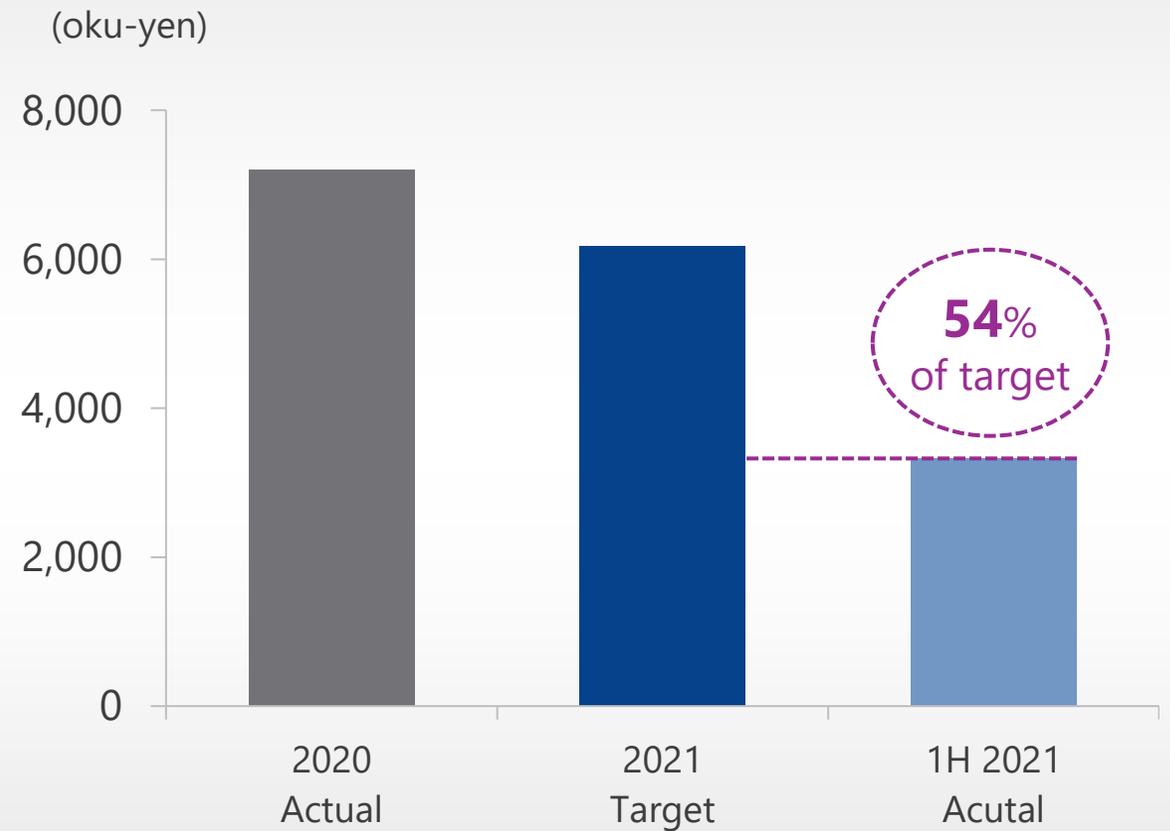


DESIGN-IN*1 PROGRESS

Industrial, Infra and IoT



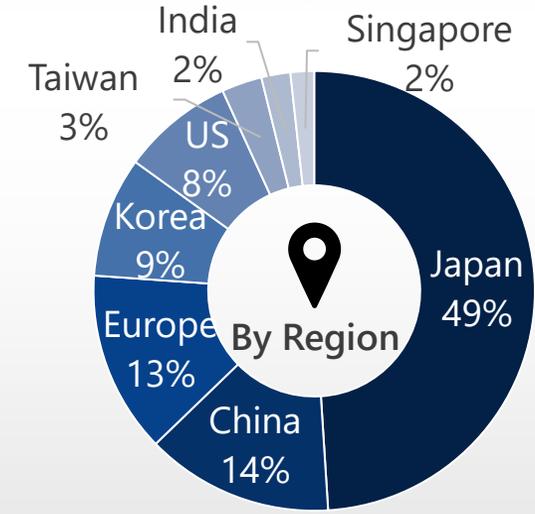
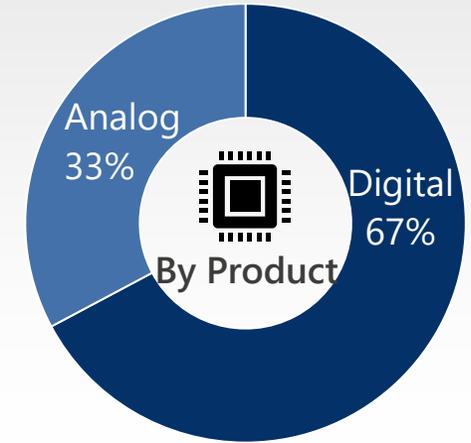
Automotive



*1: FX 1 USD = 100 JPY, 1 EUR = 120 JPY

IDT SYNERGY

| | Strategy | 2020 actual | 1H 2021 actual |
|----------------|--------------------------|----------------------|----------------------|
| Deeper | Boost sales per customer | LTV of \$ 1,208m*1 | LTV of \$ 1,215m*1 |
| Broader | Win new customers | 20,560 new customers | 17,468 new customers |



*1: Calculation of LTV was changed from the last Analyst Day in March 2021

PROGRESS VS TARGET MODEL

Long-term target*1

| | 2019 Adjusted*1 | 2020 Adjusted*1 | | Industrial, Infra and IoT | Automotive | Total | |
|------------------|--------------------|--------------------|---|------------------------------|--------------|---------------|---|
| Revenue | 6,204 oku-yen | 6,357 oku-yen | ➤ | Grow @SAM+ | Grow @SAM | Grow @SAM+ | ✓ |
| Gross margin | 43%*2 | 48%*2 | ➤ | 55-60% | 40-45% | 50% | ✓ |
| Operating margin | 12% | 19% | ➤ | 25-30% | 10-15% | 20%+ | ✓ |

*1: FX 1USD=100yen, 1EUR=120yen. Continuing business only
 *2: After reclassification (part of SG&A reclassified to CoGs and R&D)

UPDATED TARGET FINANCIAL MODEL

| | 2019 Adjusted*1 | 2020 Adjusted*1 | Long-term target*1 (Dialog included) | | |
|-------------------------|-------------------------|-------------------------|---|----------------------------|-----------------------------|
| | | | Industrial, Infra and IoT | Automotive | Total |
| Revenue | 6,204 oku-yen | 6,357 oku-yen | ➤ Grow @SAM++ | Grow @SAM | Grow @SAM+ |
| Gross margin | 43% *2 | 48% *2 | ➤ ≈60% | ≈45% | 50-55% |
| Operating margin | 12% | 19% | ➤ 30-35% | 20-25% | 25-30% |

*1: FX 1USD=100yen, 1EUR=120yen. Continuing business only
 *2: After reclassification (part of SG&A reclassified to CoGs and R&D)

MORE INGREDIENTS TO ADDRESS INTACT MEGA TRENDS

INDUSTRIAL, INFRA AND IOT STRATEGY

Enabling intelligence from the cloud to the end-point sustainably



DATA CENTER

Robust growth continuing

- DDR5 memory interface
- VR14 power
- Deliberately focused on segments where we face few competition



5G

Longer-term outlook remaining intact

- More of our contents to enable mmWave
- ORAN to allow us to leverage our datacenter capabilities
- SatCom market to grow



IoT

Expanding addressable markets

- Winning Combo solutions
- End point AI and HMI
- Connectivity



SUSTAINABILITY

Quickly becoming relevant and substantial

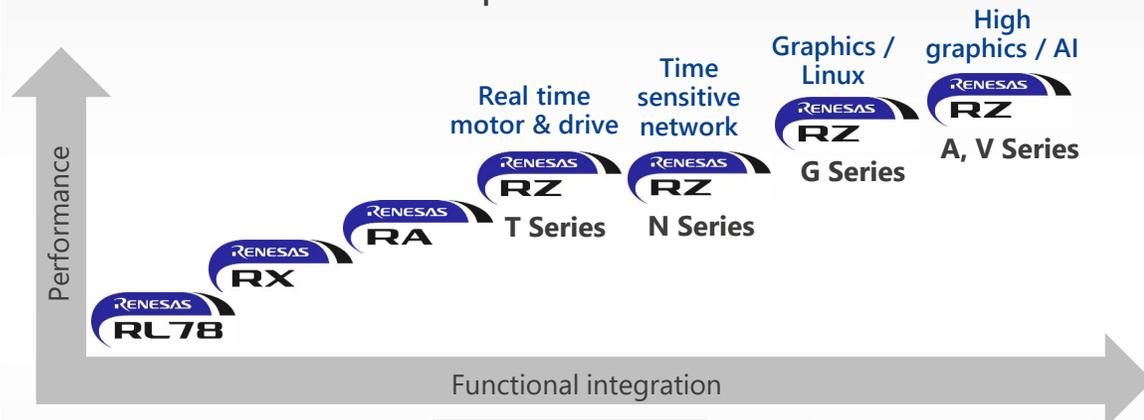
- Power efficiency as core strength in our DNA
- Ultra low power and energy-harvesting technology
- Environmental sensors

HOW WE WIN – INDUSTRIAL

Embedded compute

MCU / MPU

Scalable lineup for MCUs and MPUs



New Product

RZ/V2L new entry class AI MPU

- Unparalleled comprehensive 64bit MPU portfolio to enable AI applications
- Power efficiency by build-in AI accelerator

New Solution

AI MPU ecosystem

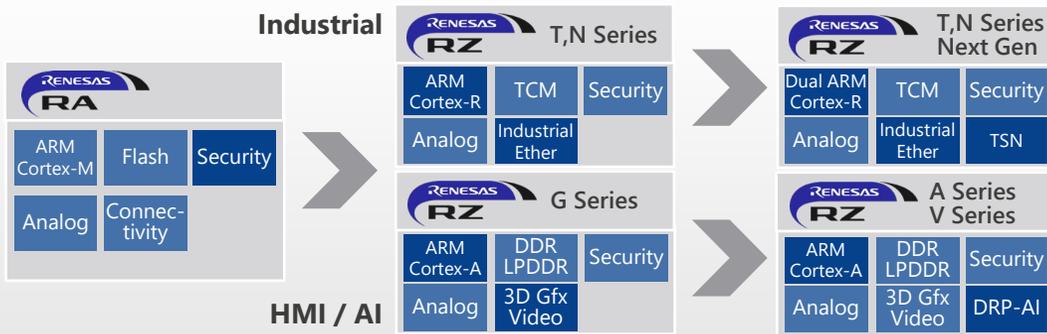
- Big improvement of UX – 30+ AI solutions being introduced by eco-system partners
- More partners employing RZ/V series to enrich their AI solution offerings

New Product

RZ/Txx & RZ/Nxx to enable TSN & FuSa*

- RZ/Txx to power 3x real-time control performance for robotics.
- RZ/Nxx to offer backward compatibility to enable TSN for existing factories

* TSN : Time Sensitive Network
FuSa : Functional Safety



EXPANDING AI SOLUTIONS



Sensor & sound



Failure prediction

- Abnormality detection in factory equipment
- Remote performance monitoring
- Gas sensing & AI tool chain

Voice



Command recognition

- Voice & vision UI
- Voice / command recognition for appliances

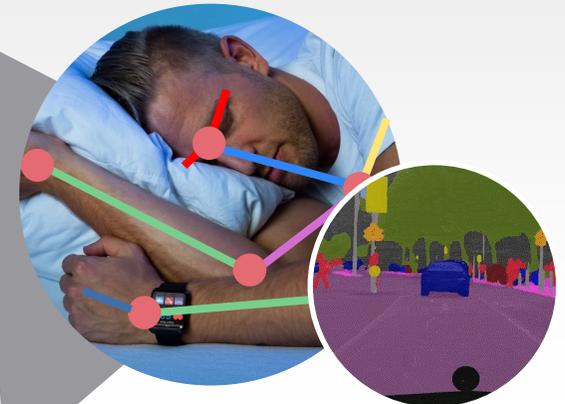
Image



Image classification Object recognition

- Face authentication
- Crowd monitoring
- Smart shopping carts
- Visual inspection in factories

Vision



Robotics Human behavior / Activity recognition

- Nursing-care support to avoid danger
- Behavioral analysis in sports
- Suspicious person detection

HOW WE WIN – INFRA AND IOT

Industrial

Industrial power



- Deeper and broader offerings expanding opportunity funnel (7x over last 3 years)

Infra

Data center



- DDR5 and VR14 on ramp into next year

IoT

RA & RL78 design-in

RA

1H 2021 design-in result 150% of target

RL78

Consecutive design-in record in 1H 2021

RISC-V

- 1st RISC-V MCU to ship samples in Q4
- Next-gen RISC-V ASSP to tape out by year end

LTE Cat-M1 w/ Sequans

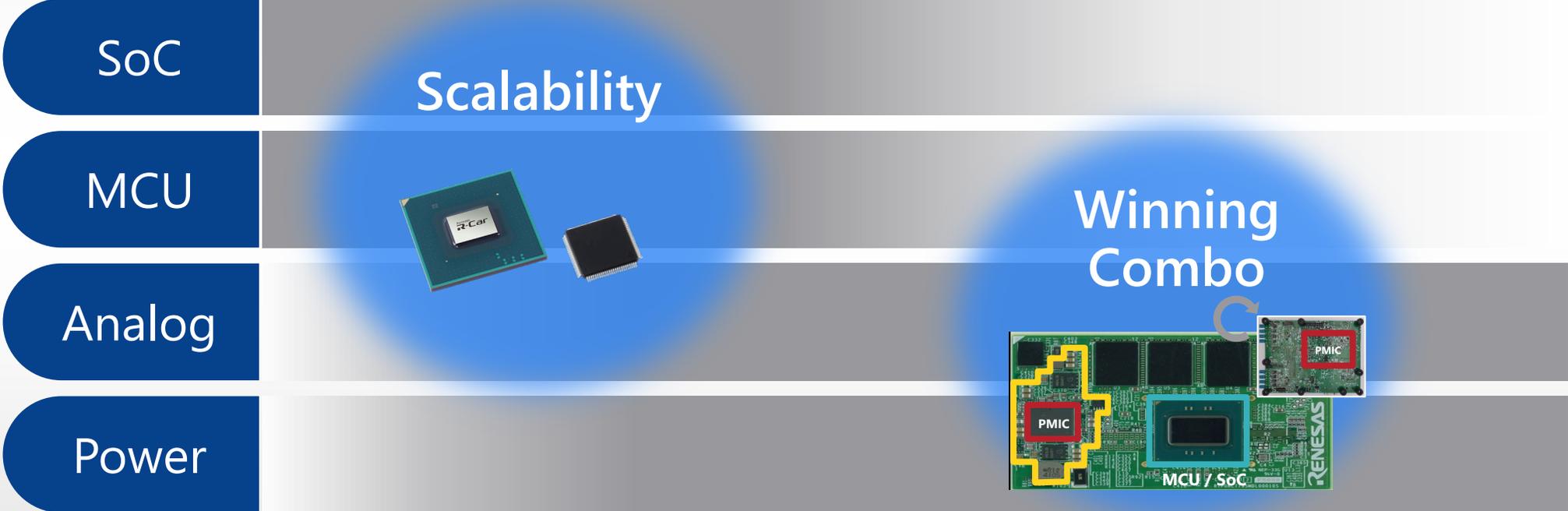
- Introduction of LTE Cat-M1 module for massive IoT in May



BIDIMENSIONAL APPROACH

AUTOMOTIVE STRATEGY

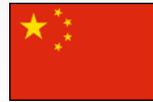
← Customer technology integration →



1H 2021 TRACK RECORD OF WINNING COMBO

EV / HEV

Design-in of battery management



BMIC + RH850/P1X-C



ADAS

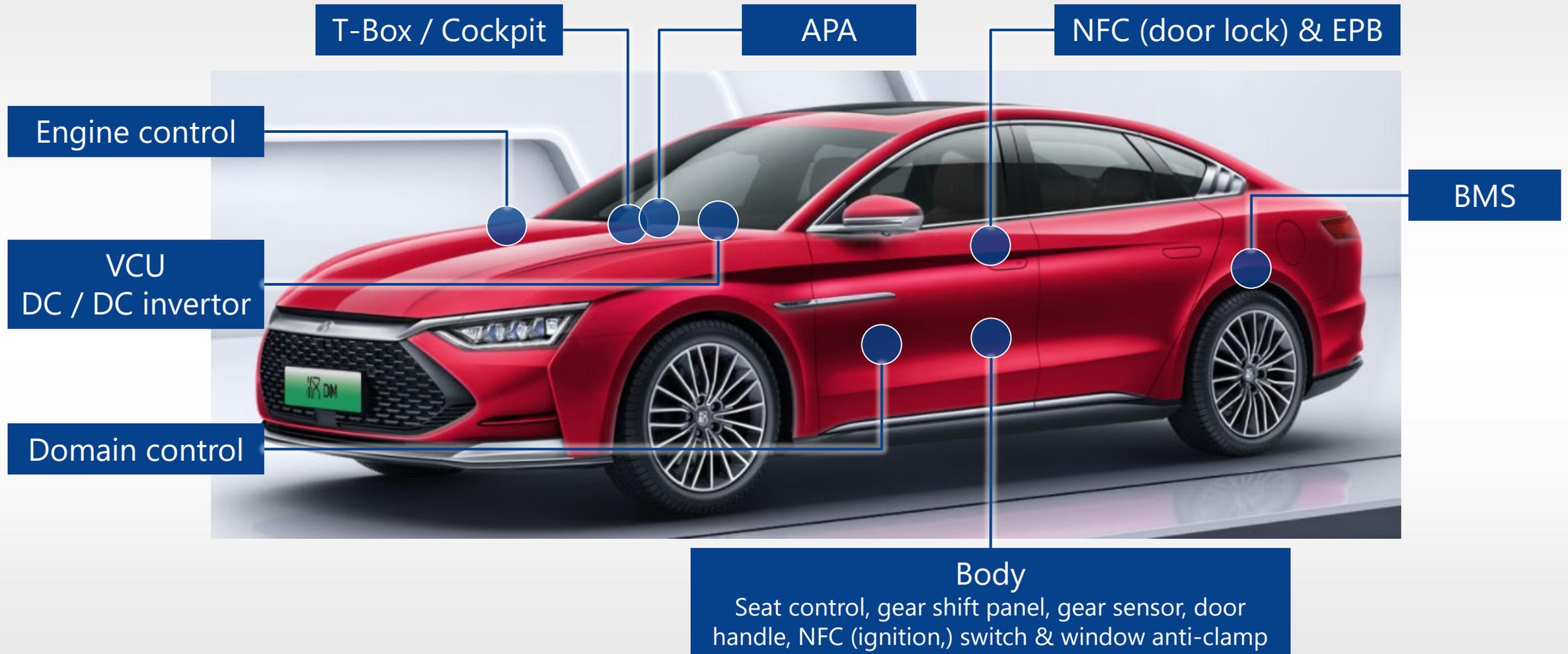
Design-in of ADAS front camera



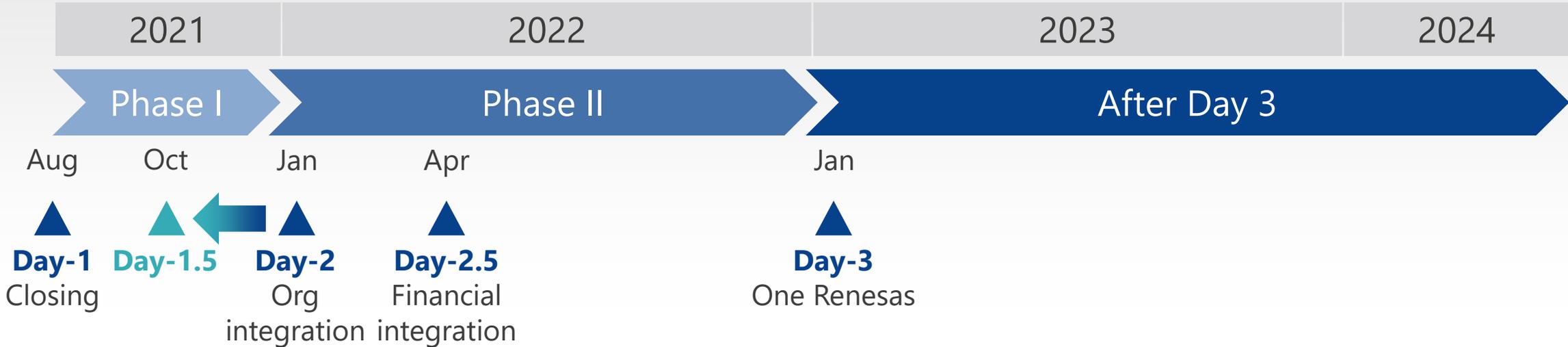
PMIC + R-Car V3H



BYD & RENESAS STRATEGIC PARTNERSHIP



INTEGRATION PLAN WITH DIALOG



MAXIMIZING SHAREHOLDER VALUE



Growth

Organic + tuck-ins



Deleverage

Quick deleverage by solid cash flow



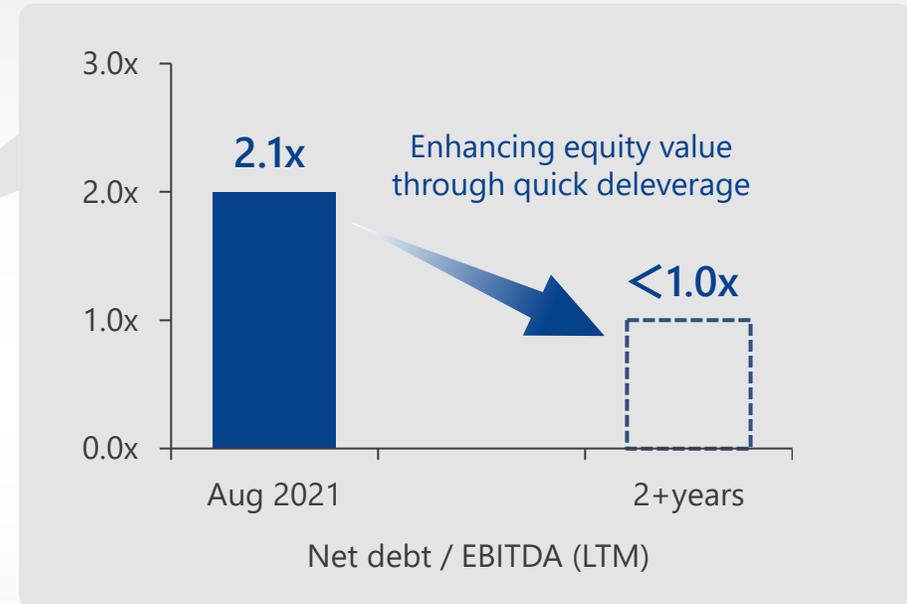
Shareholder return

To begin returns as soon as ready



OPEX

Continued reduction of fixed costs and further improvement in operational leverage



SUMMARY

Well positioned portfolio

To address high growth market

With emphasis on delivering results

✓ Further enhanced by Dialog

✓ Emphasizing faster-growing applications

✓ Making solid progress

... to make our lives easier



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