

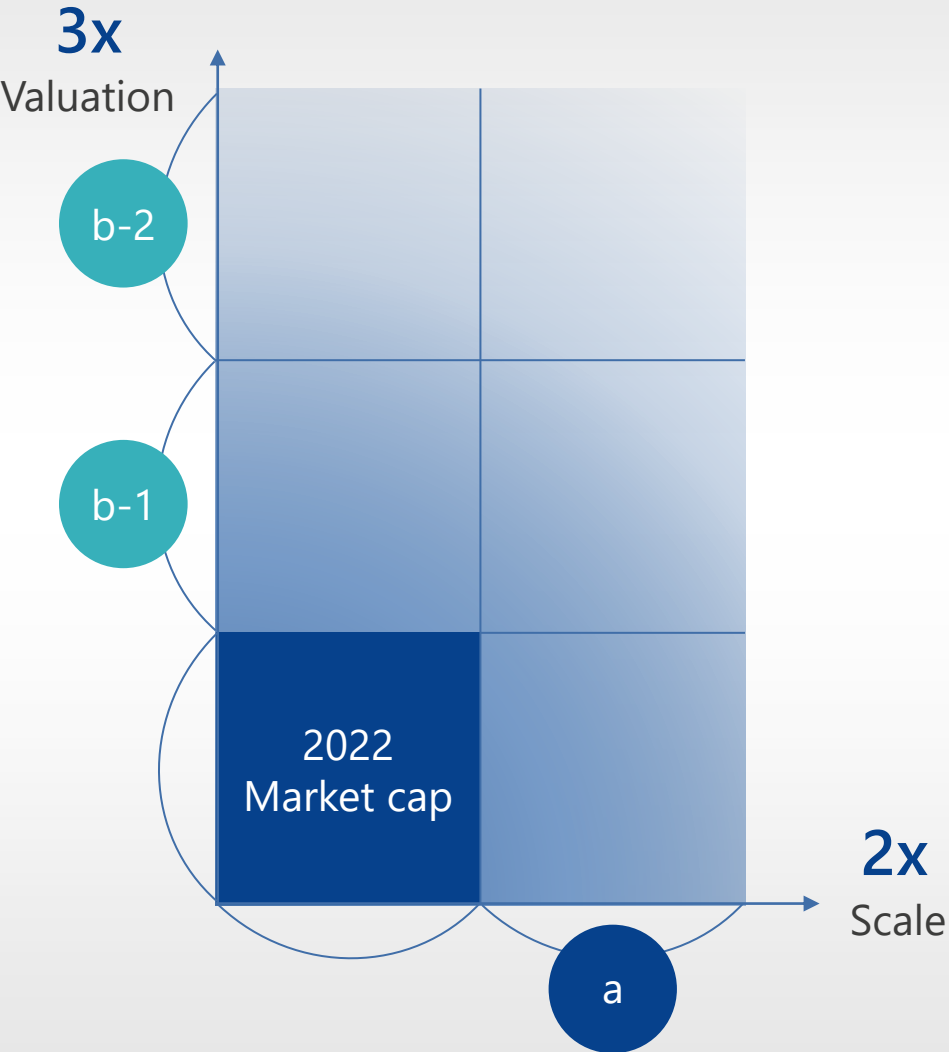
FINANCE



MAY 19, 2023

SHUHEI SHINKAI
SVP AND CFO
RENESAS ELECTRONICS CORPORATION

6x BREAK DOWN – NEAR TERM PRIORITIES



a

Execution of mid-term plan

- Capacity expansion
- Inventory management
- M&A

b-1

Valuation gap-fill

- Down cycle management
- Shareholder return
- FCF conversion

b-2

Multiple expansion

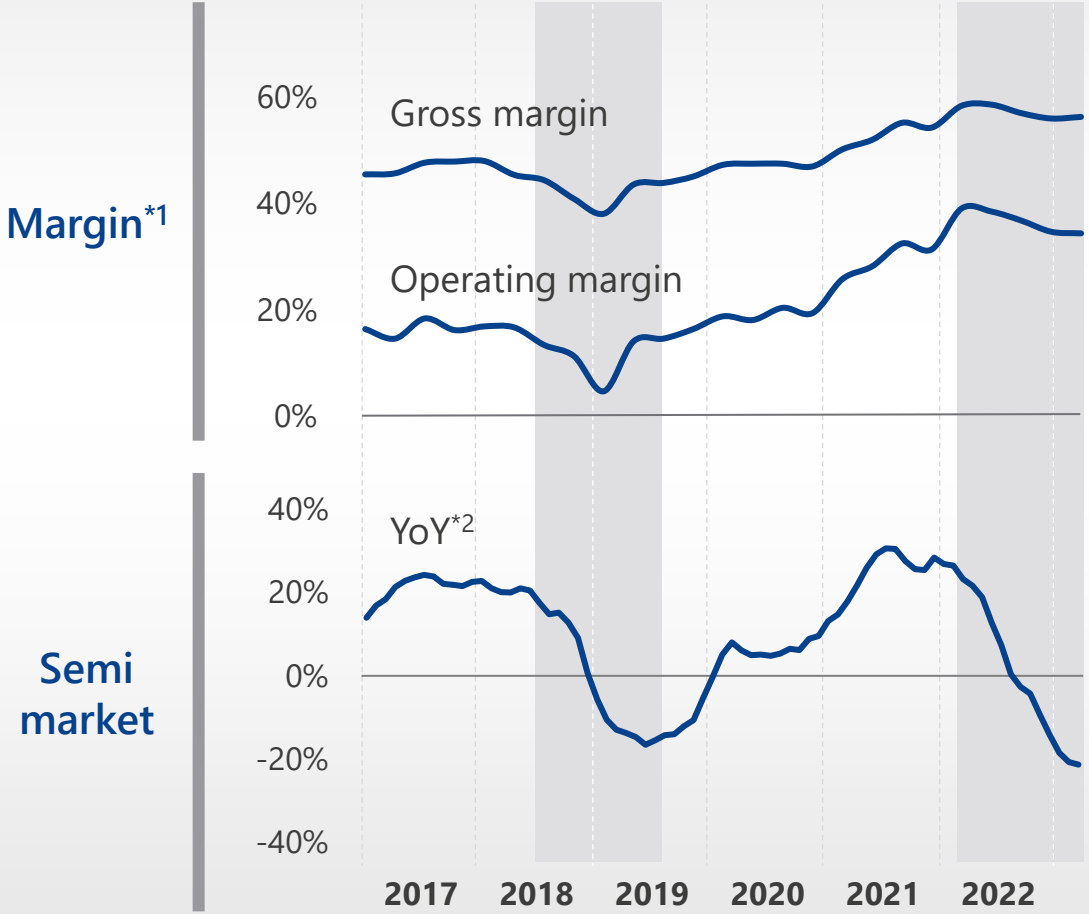
PROGRESS TO DATE

	2019	2020	2021	2022	Mid-term model*1			
	Adjusted*1	Adjusted*1	Adjusted*1	Adjusted*1	Total	Automotive	Industrial, Infra and IoT	
Revenue	6,204 oku yen	6,357 oku yen	8,894 oku yen	12,282 oku yen	➤	Grow @SAM+ ✓	Grow @SAM	Grow @SAM++
Gross margin	43%	48%	54%	56%	➤	50-55% ✓	≈45%	≈60%
Operating margin	12%	19%	29%	35%	➤	25-30% ✓	20-25%	30-35%

*1: FX 1USD=100yen, 1EUR=120yen. Excluding 6" fab shutdown & structural reform-related EOLs. Excluding NREs

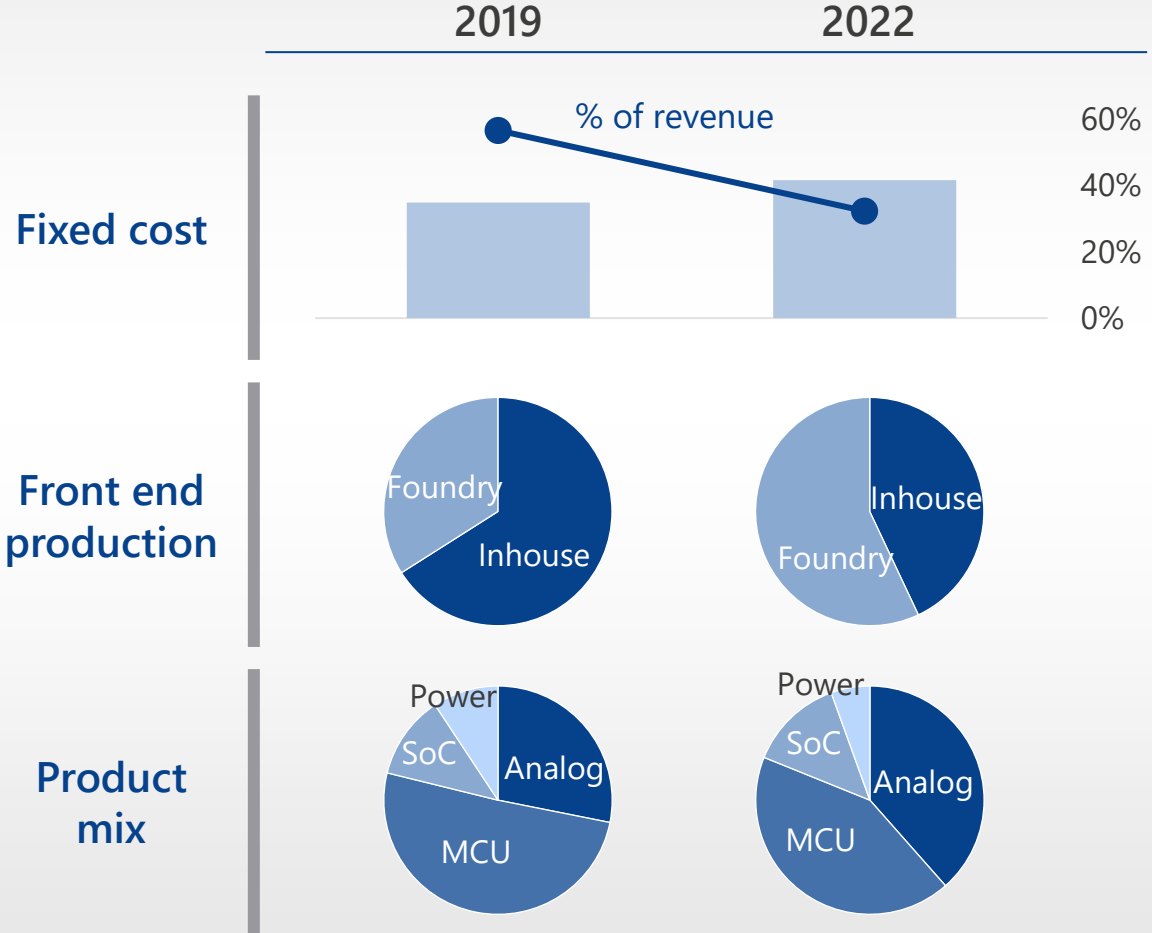
OPERATIONAL RESILIENCE

Margin trajectory

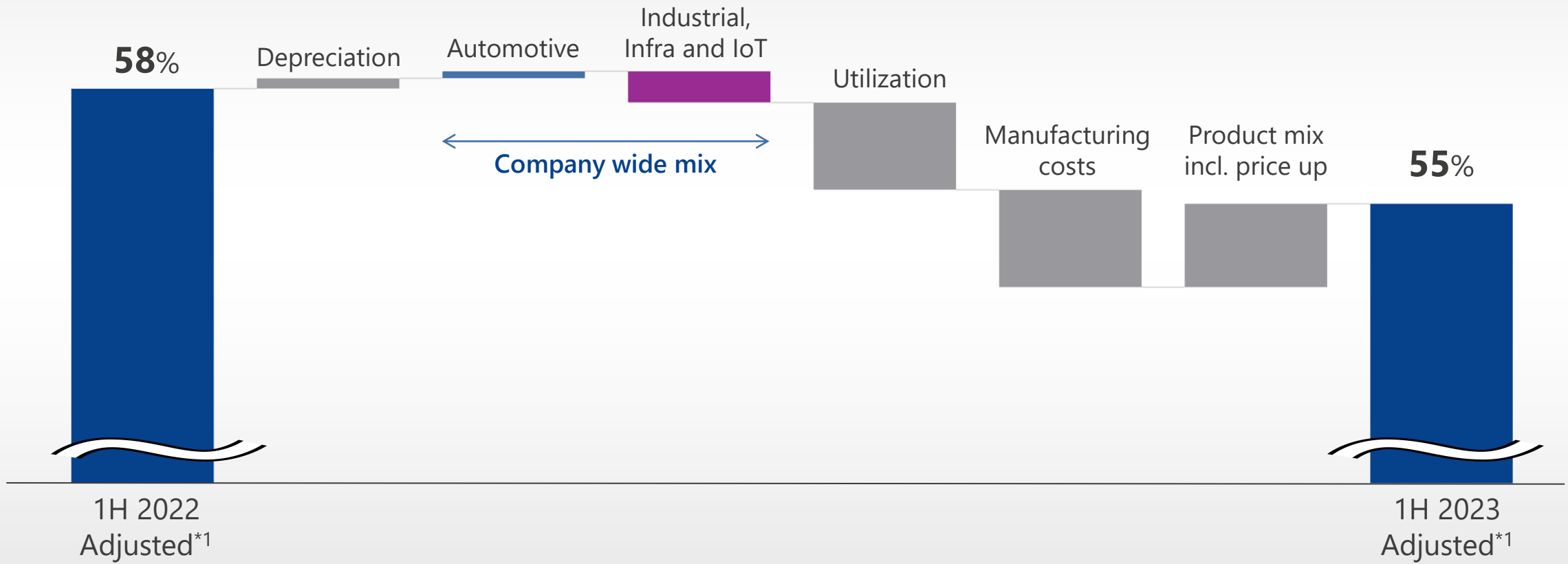


*1: Company data, Non-GAAP. Quarterly basis. *2: Semiconductor Industry Association

Key trend



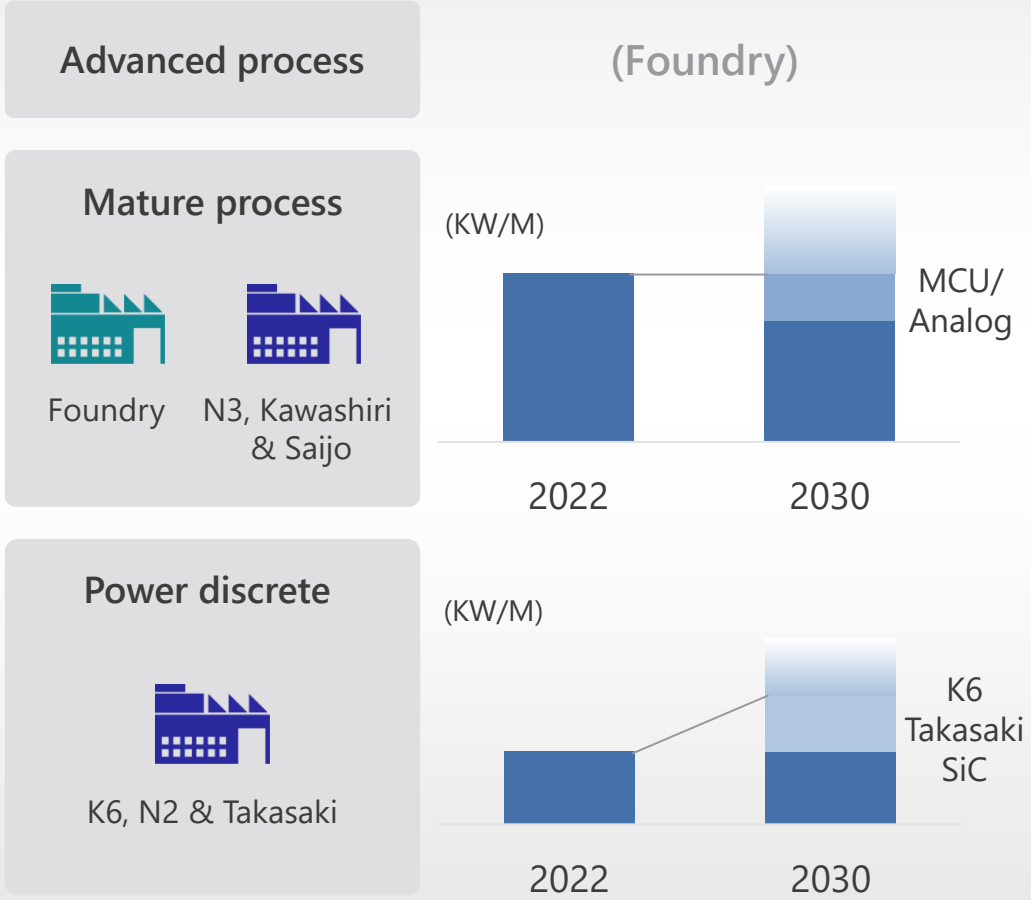
YoY GROSS MARGIN



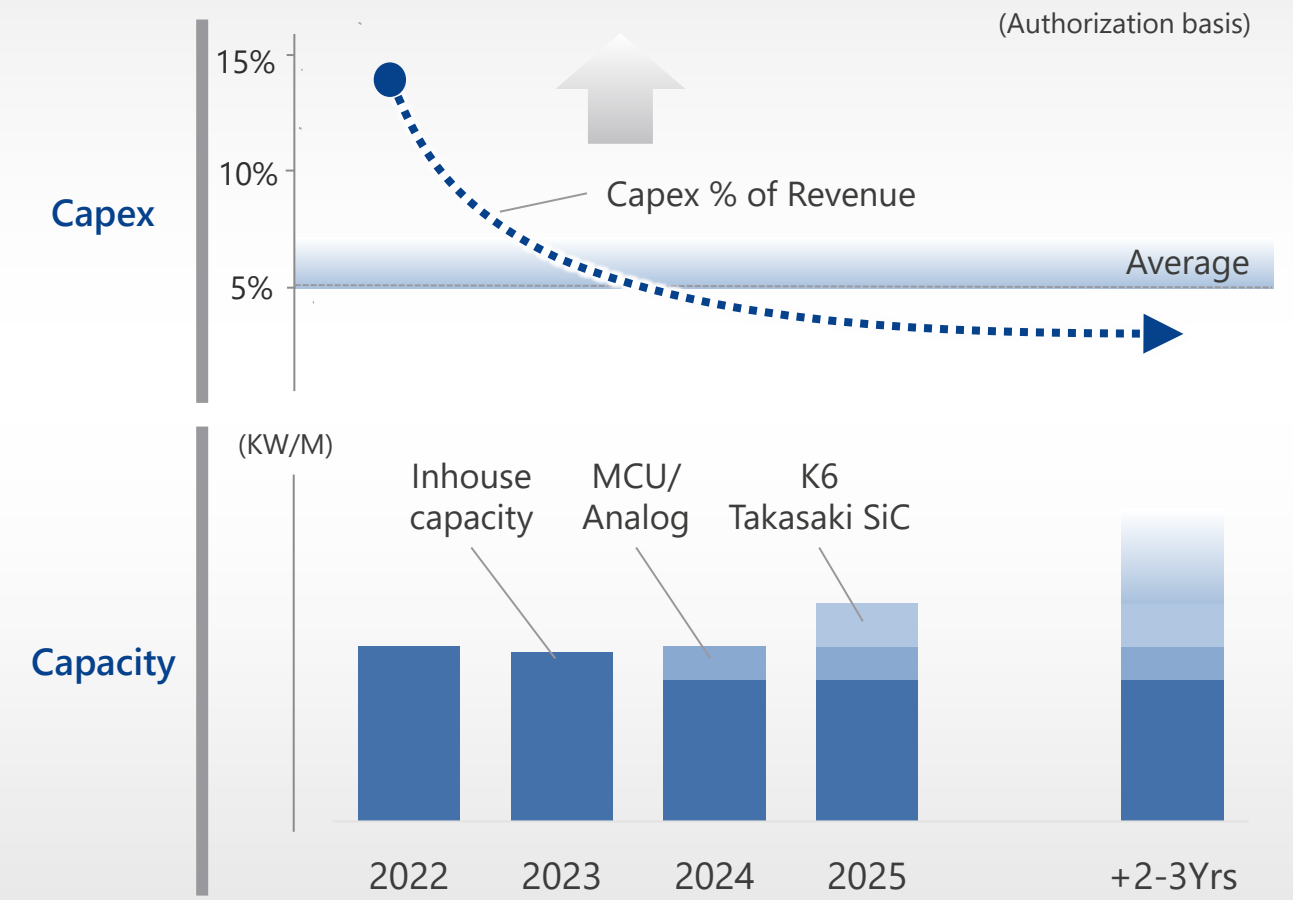
*1: Based on adjusted revenue. FX 1USD=100yen, 1EUR=120yen. Excluding 6" fab shutdown & structural reform-related EOLs. Excluding NREs. 1H 2023: 1Q 2023 actual + 2Q 2023 Guidance mid-point.

CAPEX & CAPACITY EXPANSION

Inhouse capacity expansion*1



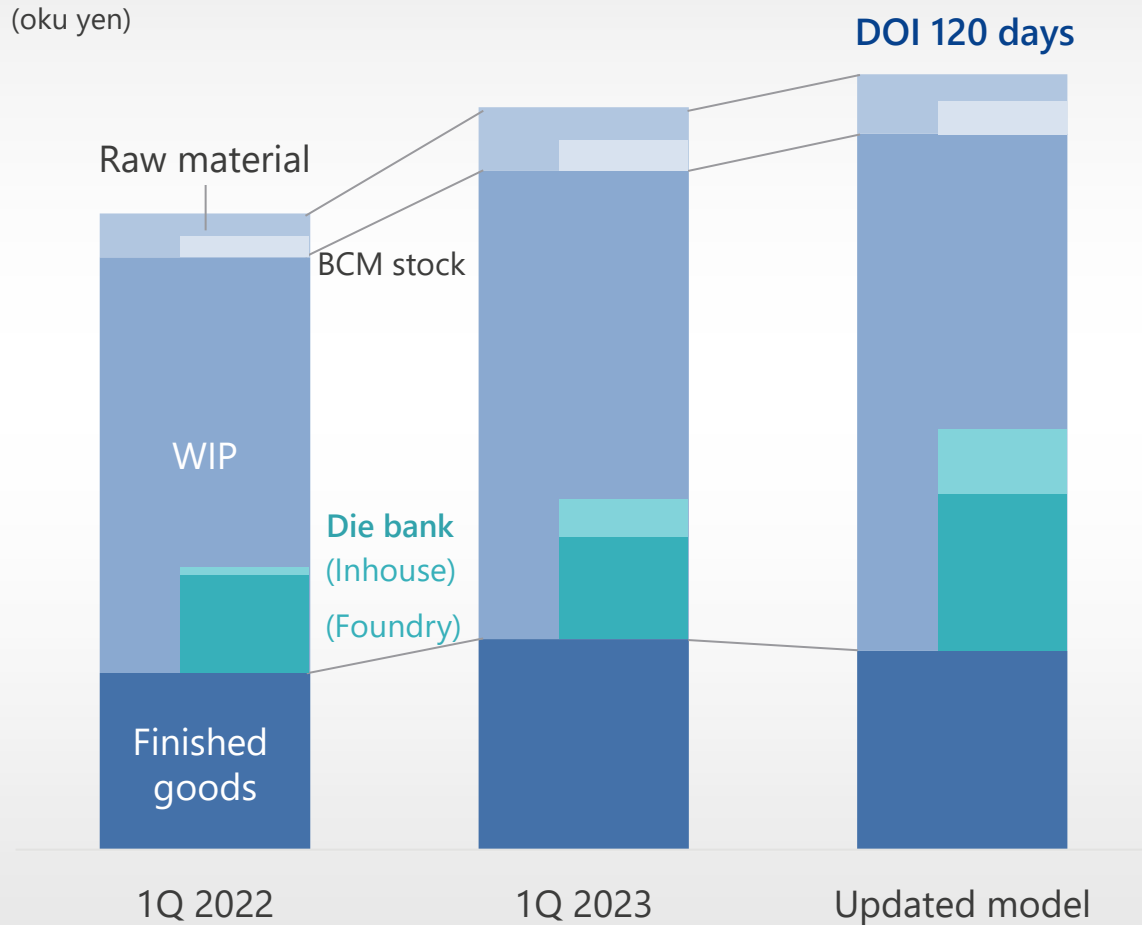
Capacity & capex% of revenue*2



*1: 8inch equivalent, *2: Management accounting and authorization basis

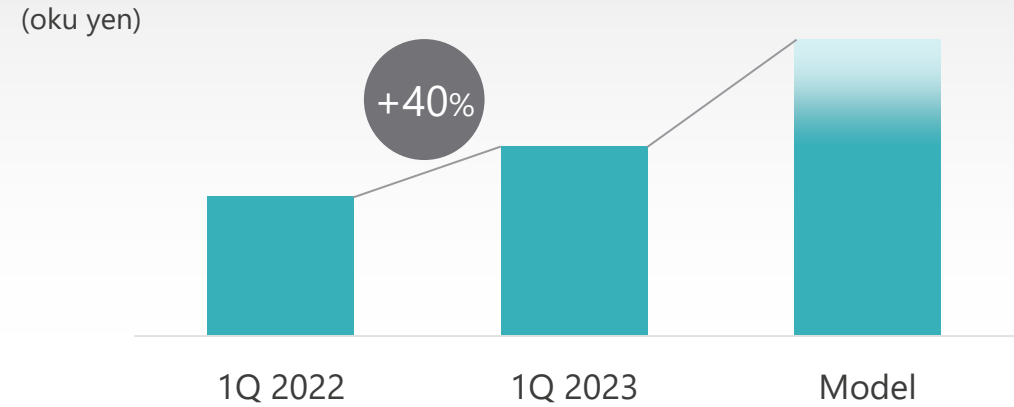
INVENTORY STRATEGY

Strategic inventory*1

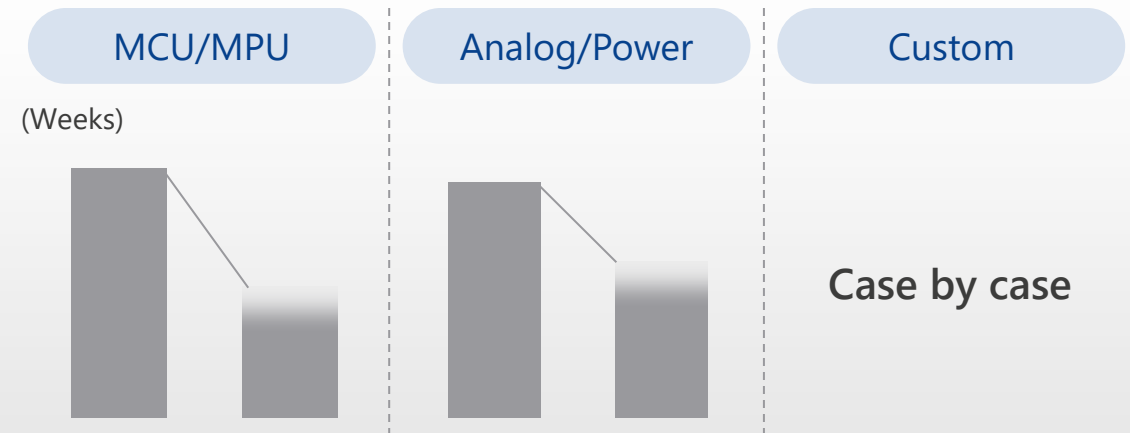


*1: Excluding FX effects DOI: Days of Inventory

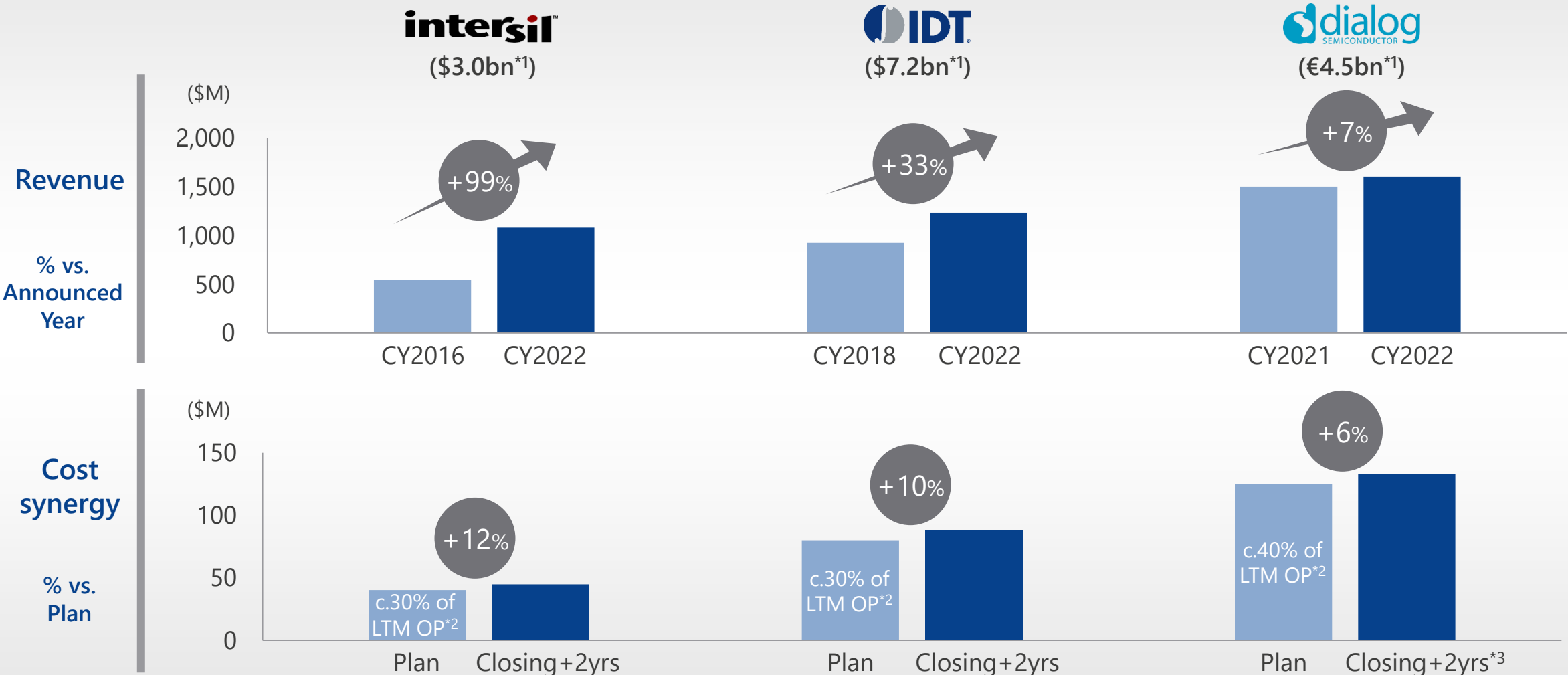
Die bank



Leadtime



LOOKBACK ON CAPITAL ALLOCATION – SIZABLE M&A



*1: Enterprise value basis, *2: Non-GAAP basis

*3: Calculated in annual run rate which is determined by multiplying the 4Q result of the relevant year or the forecast by 4

LOOKBACK ON CAPITAL ALLOCATION – TUCK-IN



Connectivity



AI / Software



Platform

Acquisition



Advanced Wi-Fi chipsets



4D imaging radar solution



Embedded AI solutions



NFC solutions

Minority investment



Cellular IoT chipsets



Wireless transceiver solution



AI based chipsets



Shared platform & Customer expansion

Total Investment: c.\$450mm

CAPITAL ALLOCATION POLICY



Organic growth

- Invest to capture demand in mature process
- Increase DOI to shorten lead time and BCM purpose



Financial soundness

- Target <1.0x net leverage



M&A

- Continue to acquire complementary technology



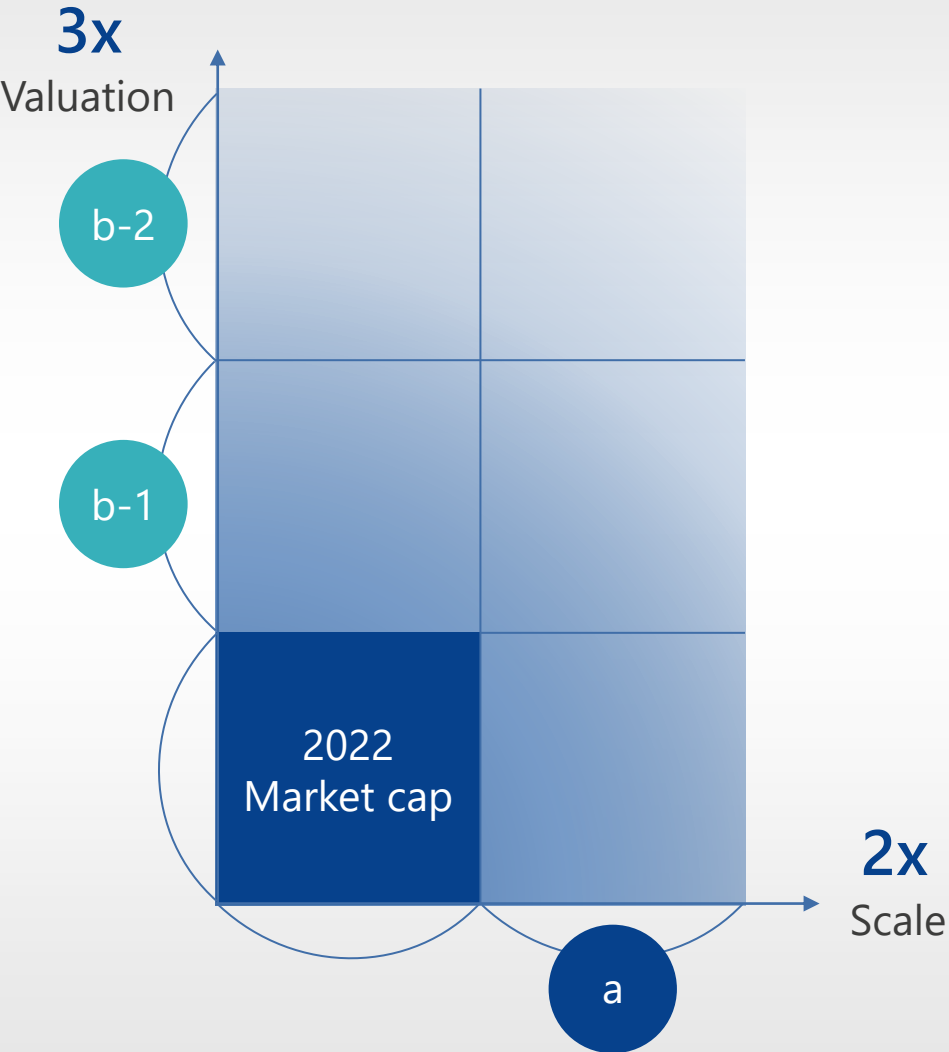
Shareholder return

- Resume dividend payments as reasonably soon as possible, starting at a modest level
- Consider share buyback as a flexible alternative

MODEL HOUSE KEEPING

Revenue growth	SAM+
Gross margin	50~55%
R&D %	≈16%
SG&A %	≈8%
Operating margin	25~30%
EBITDA margin	35~40%
Tax rate	15~20%
Capital expenditures	5% as mid-term average
Inventory	120 days
FCF margin	20~30%
Net leverage	<1.0x in mid-term

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THANK YOU

(FORWARD-LOOKING STATEMENTS)

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