

FINANCE

FEBRUARY 17, 2020

SHUHEI SHINKAI

SVP AND CFO

RENESAS ELECTRONICS CORPORATION

2016 MID-TERM GROWTH STRATEGY REVIEW

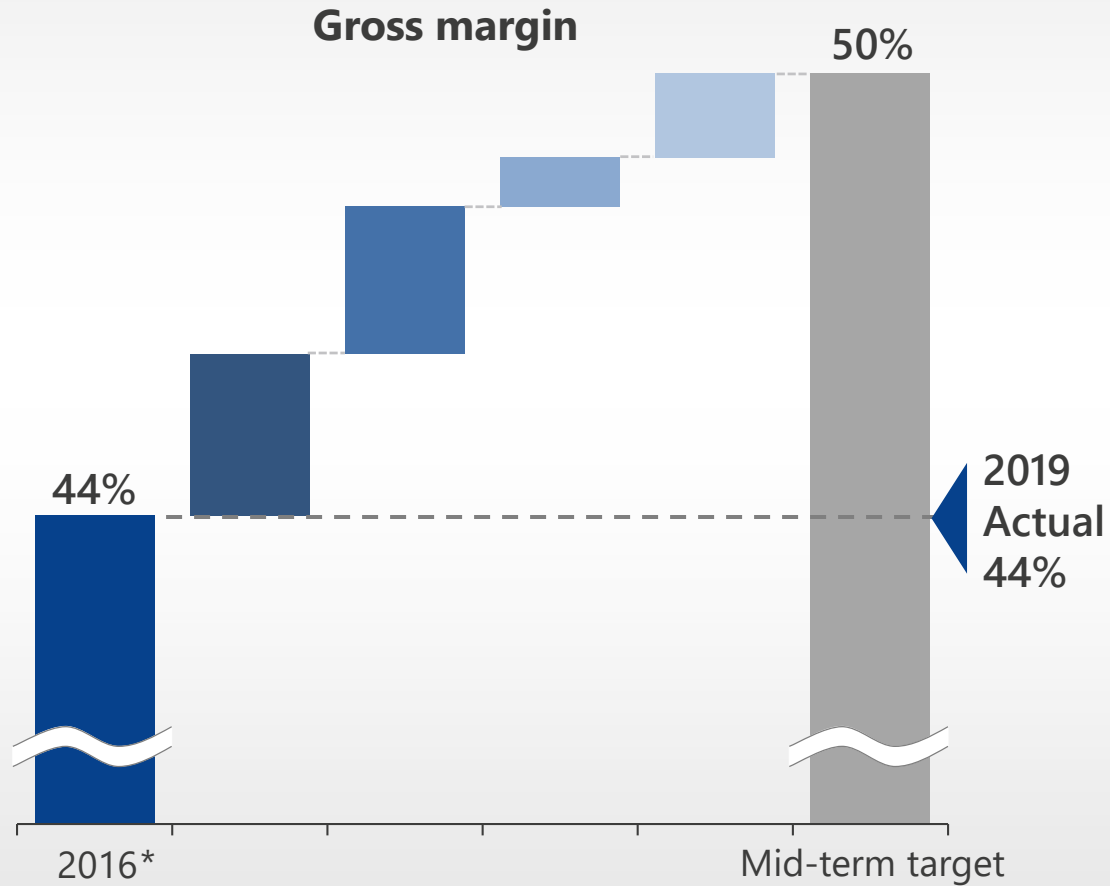
2016 MID-TERM GROWTH STRATEGY REVIEW

	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

2016 Mid-term growth strategy



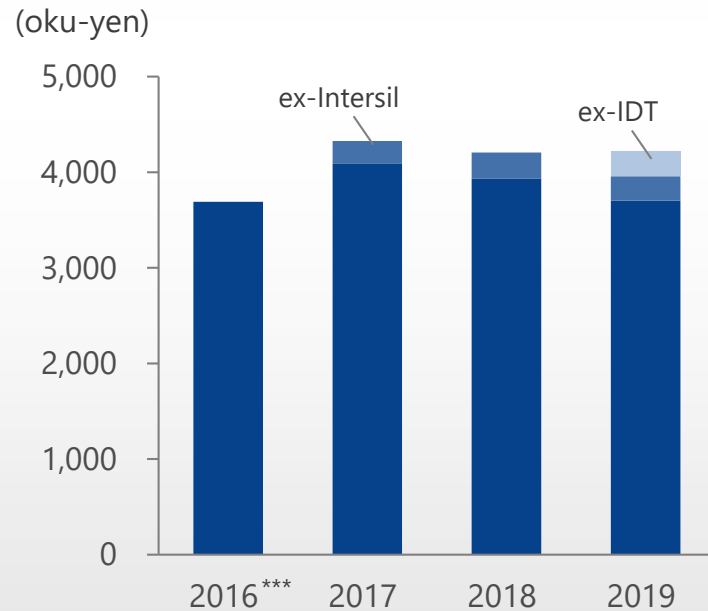
* Calendar year basis

	Initiatives	Contribution
Planned	Intersil consolidation: Completed in February 2017	+
	Product mix improvement: Elimination of "low GM products" on track	+
	Manufacturing optimization: Production innovation plan including 6inch fabs closure/divestiture on track	++
	Revenue growth: <2x market growth	--
Unplanned	Excess Capex: Depreciation added to margin pressure	---
	Excess inventory: Adjustment completed in December 2019	-
	IDT consolidation: Completed in March 2019	++

ACHIEVEMENTS IN 2016-2019

Fixed cost*

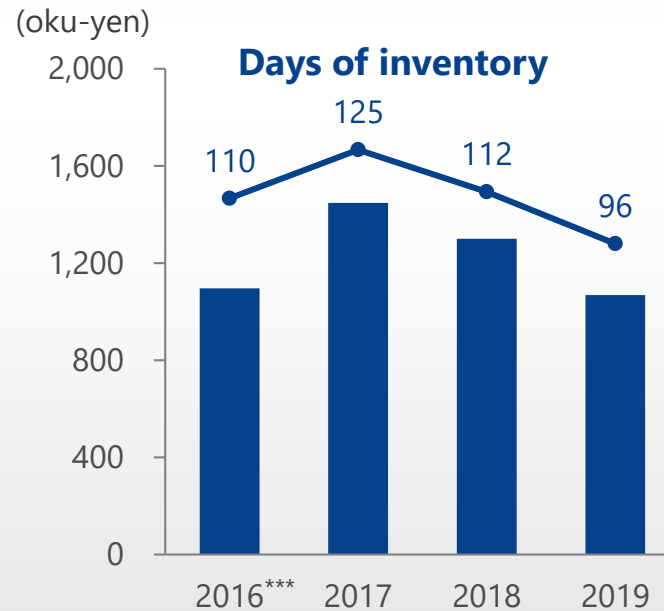
- Integration synergies
- Early retirement program



* Management accounting basis *** Calendar year basis

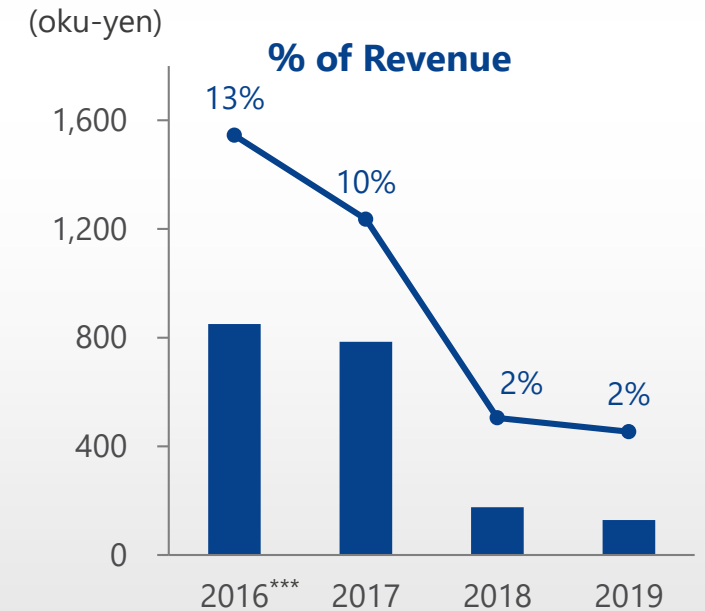
Inventory*

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



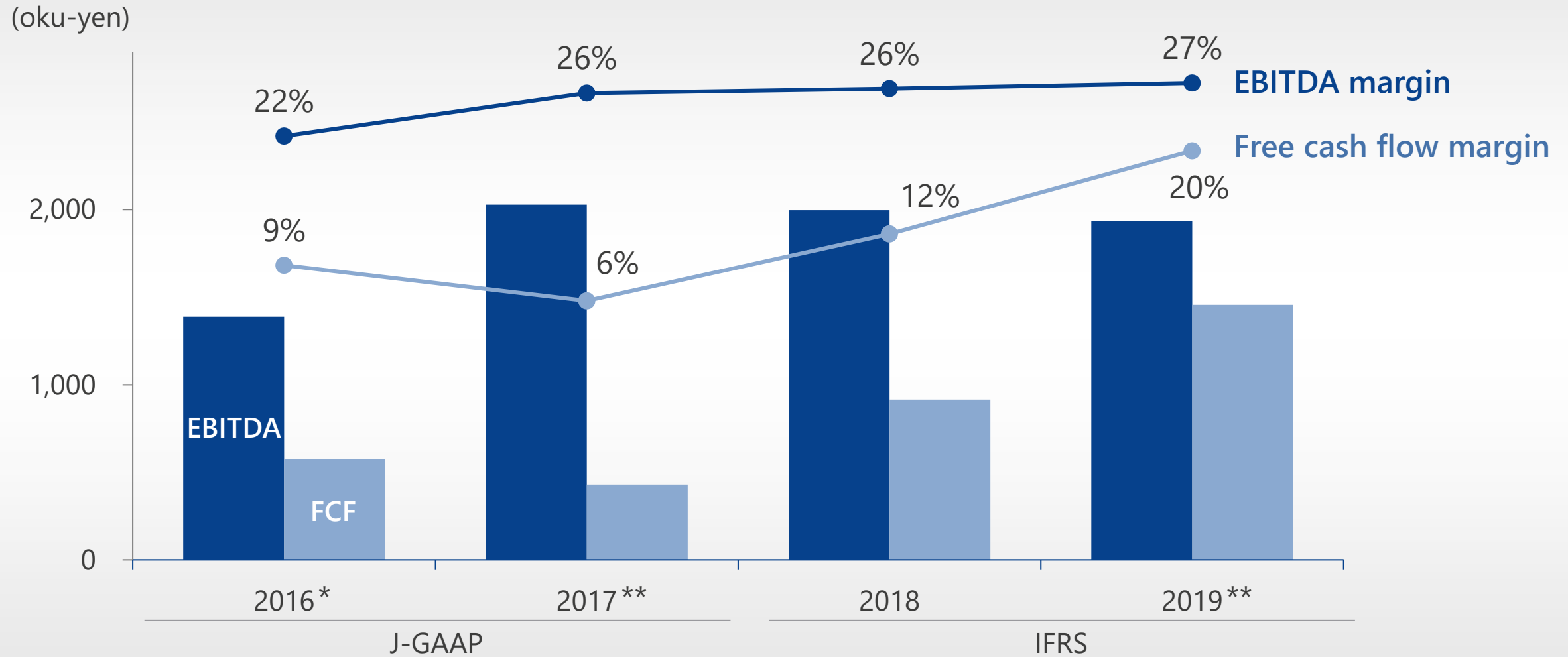
Capex**

- KPI
- Financial validation



** Management accounting and authorization basis

FREE CASH FLOW GENERATION



* Calendar year basis ** FCF excluding cash outlay for acquisition of Intersil and IDT

TARGET FINANCIAL MODEL

TARGET FINANCIAL MODEL

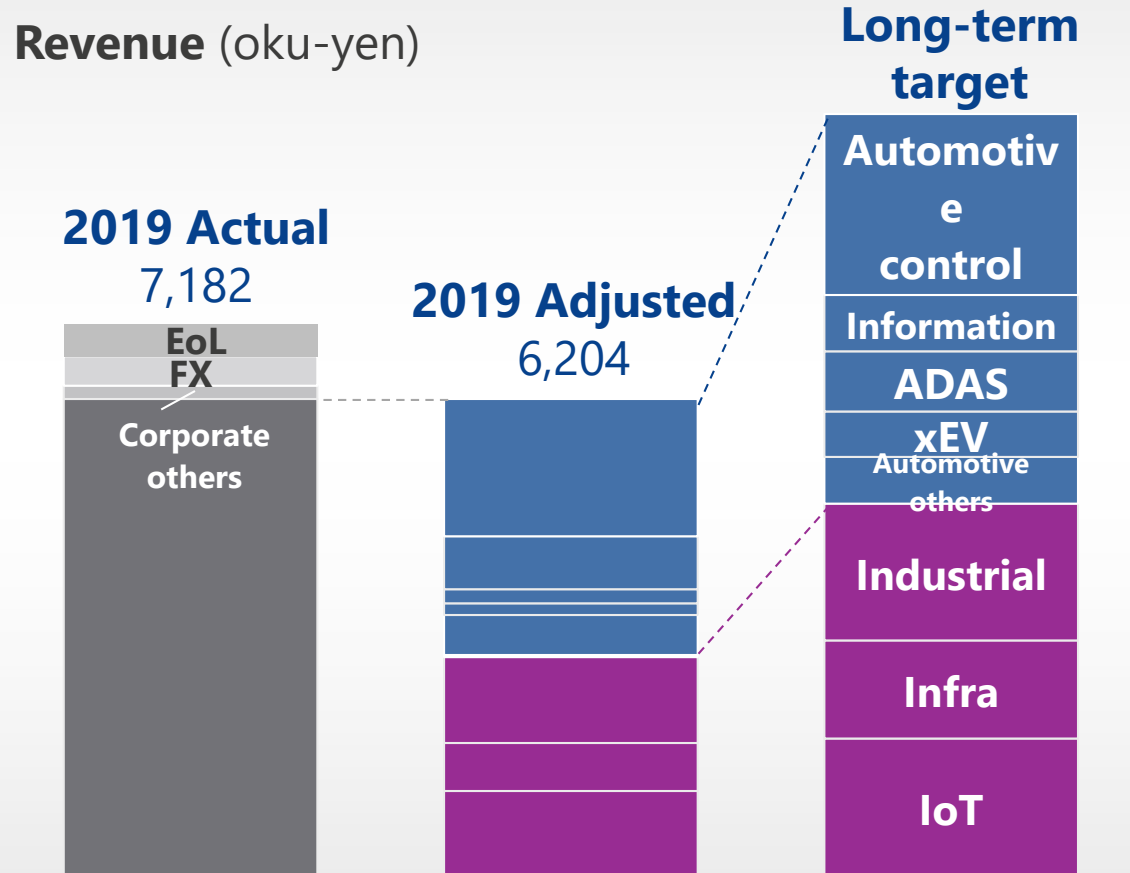
	2019 Actual	2019 Adjusted*	Long-term target*		
			Automotive	Industrial, Infra and IoT	Corporate
Revenue	7,182 oku-yen	6,204 oku-yen	Grow @SAM	Grow @SAM+	Grow @SAM+
Gross margin	44%	43%**	40-45%	55-60%	50%
Operating margin	13%	12%	10-15%	25-30%	20%+

* 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	≡	8%**
Automotive control	≡	4%
Information	—	4%
ADAS	++	17%
xEV	+	18%
Industrial, Infra and IoT	+	7%***
Industrial	+	7%
Infra	++	5%
IoT	≡	8%

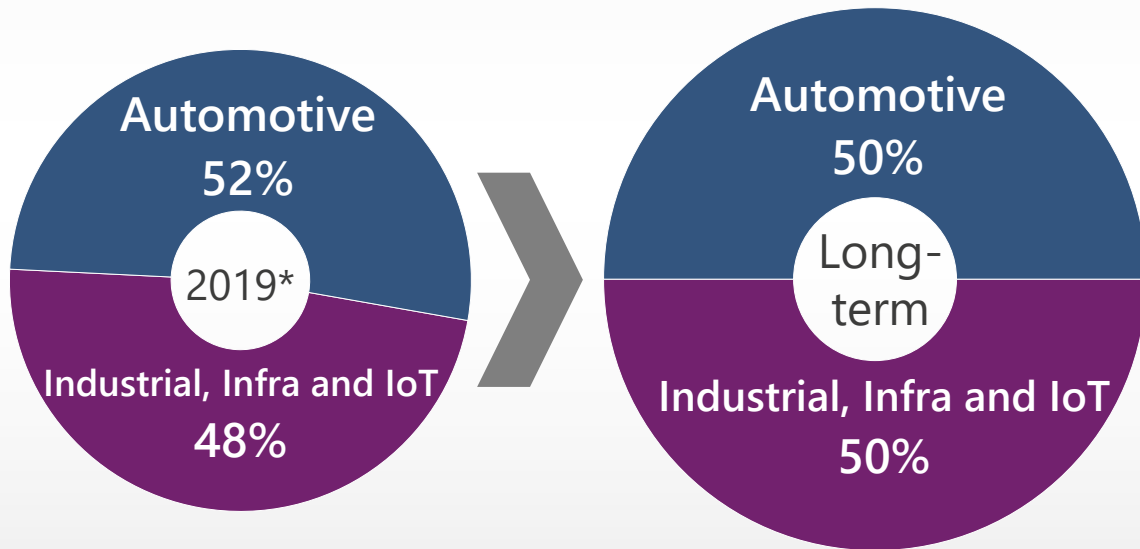
FX for 2019 Actual: 1USD=109yen, 1EUR=123yen, FX for 2019 Adjusted and Long-term target: 1USD=100yen, 1EUR=120yen

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

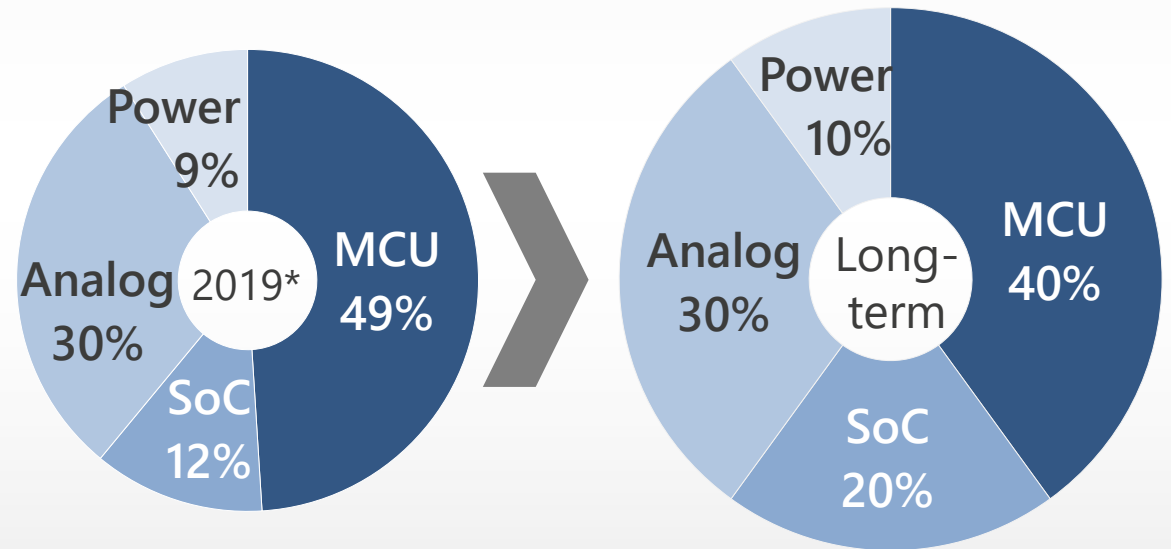
*** Source: 2019-2023 chart created by Renesas based on Gartner Research, Semiconductor Forecast Database, Worldwide, 4Q19 Update, Ben Lee et al., 24 December 2019. After 2024, Renesas estimate

PORTFOLIO TRANSFORMATION

By segment

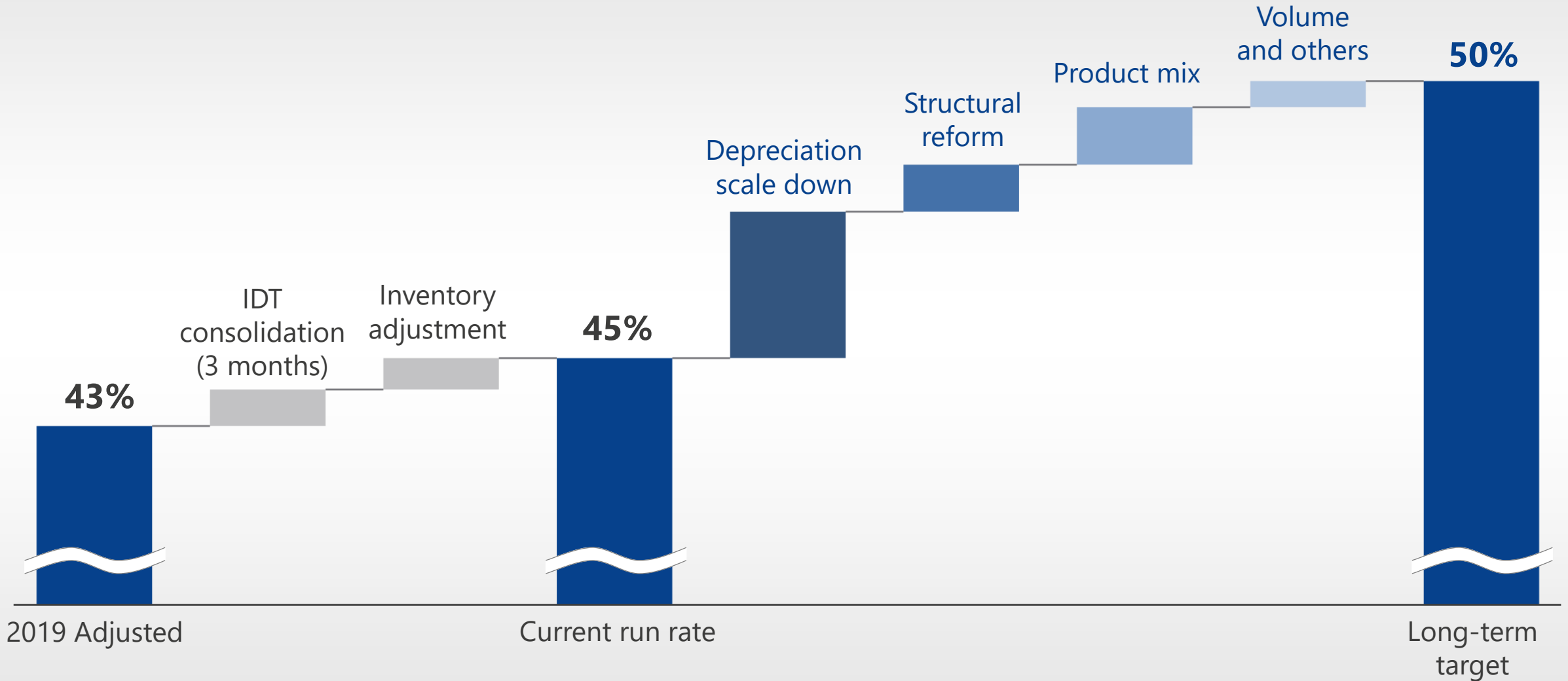


By product

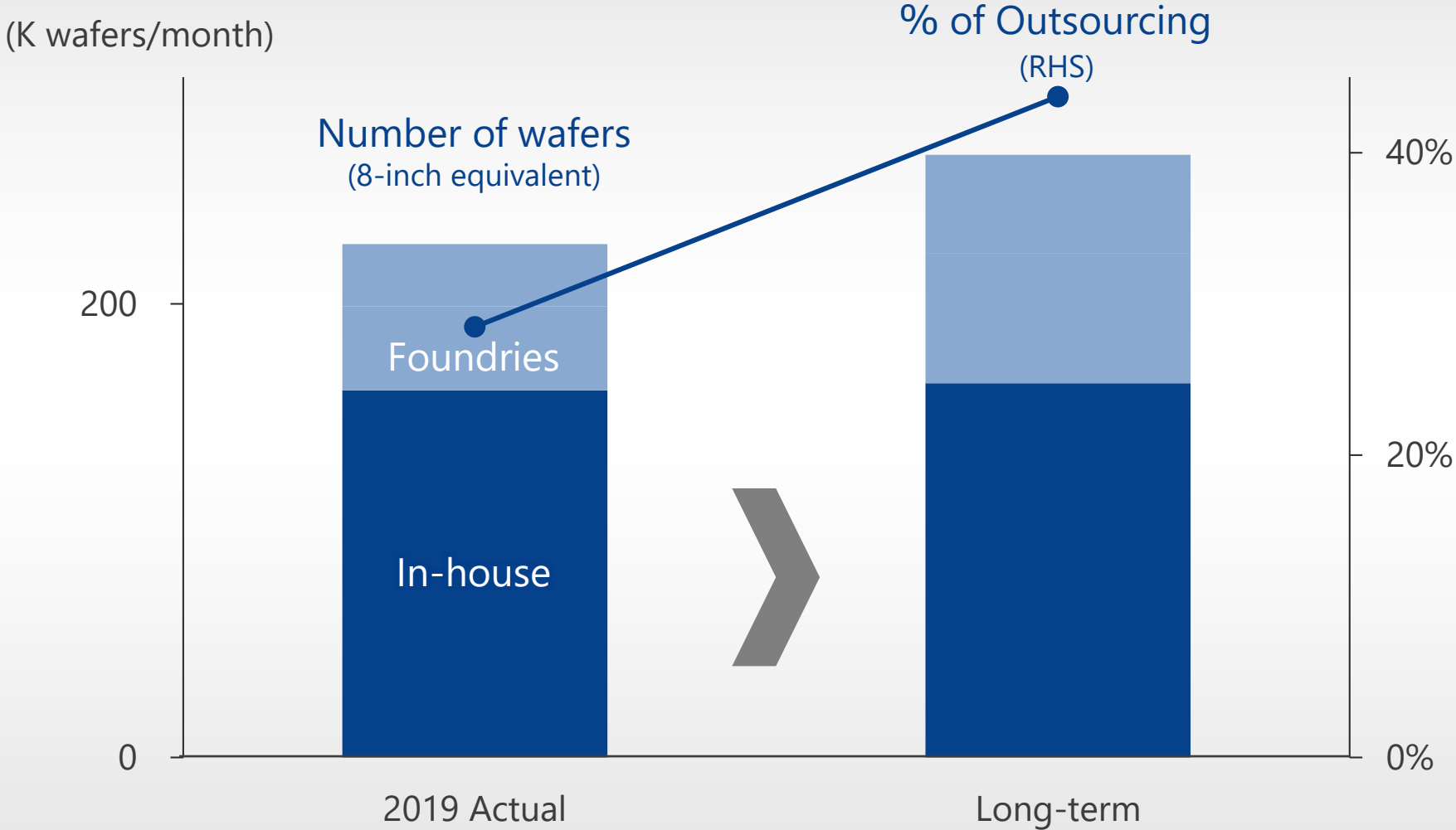


* Renesas management accounting, pro-forma basis

ROADMAP TO GROSS MARGIN TARGET

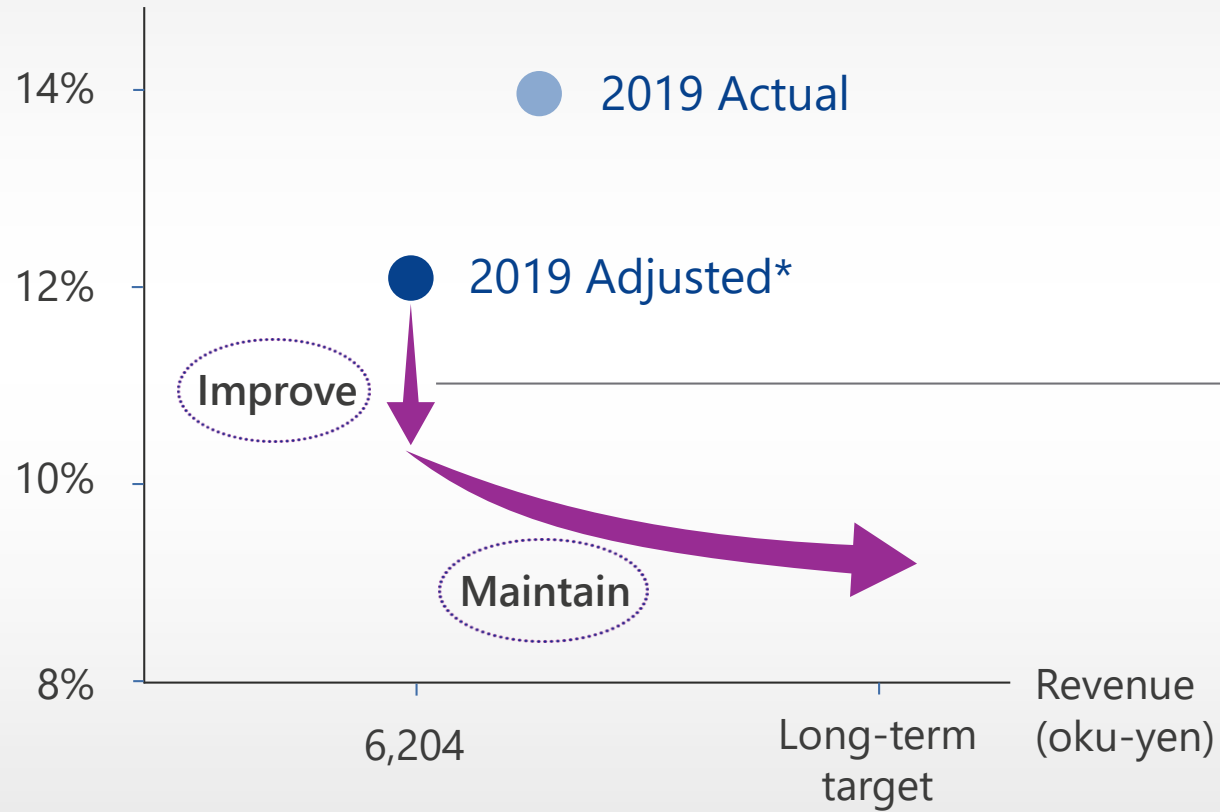


FRONT END PRODUCTION MIX



SG&A REDUCTION INITIATIVES IN PLACE

(% of Revenue)



Logistics cost

IT spend

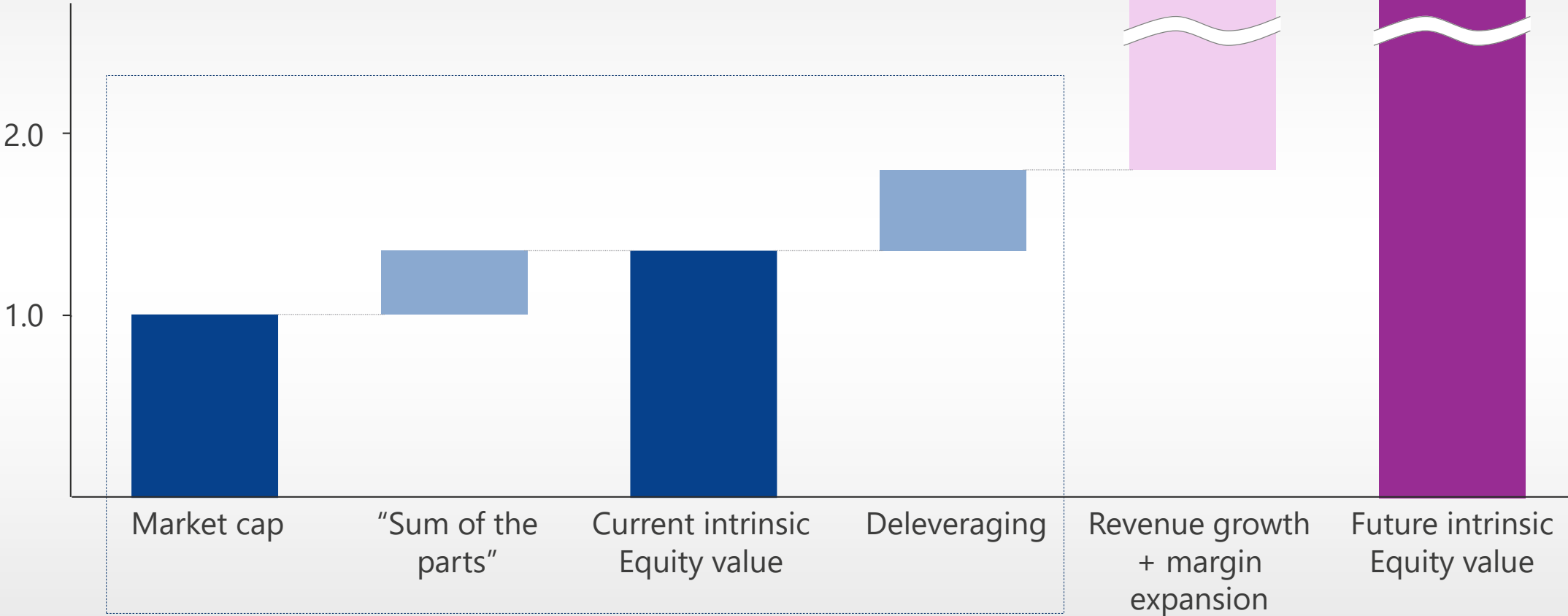
G&A outsourcing spend

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

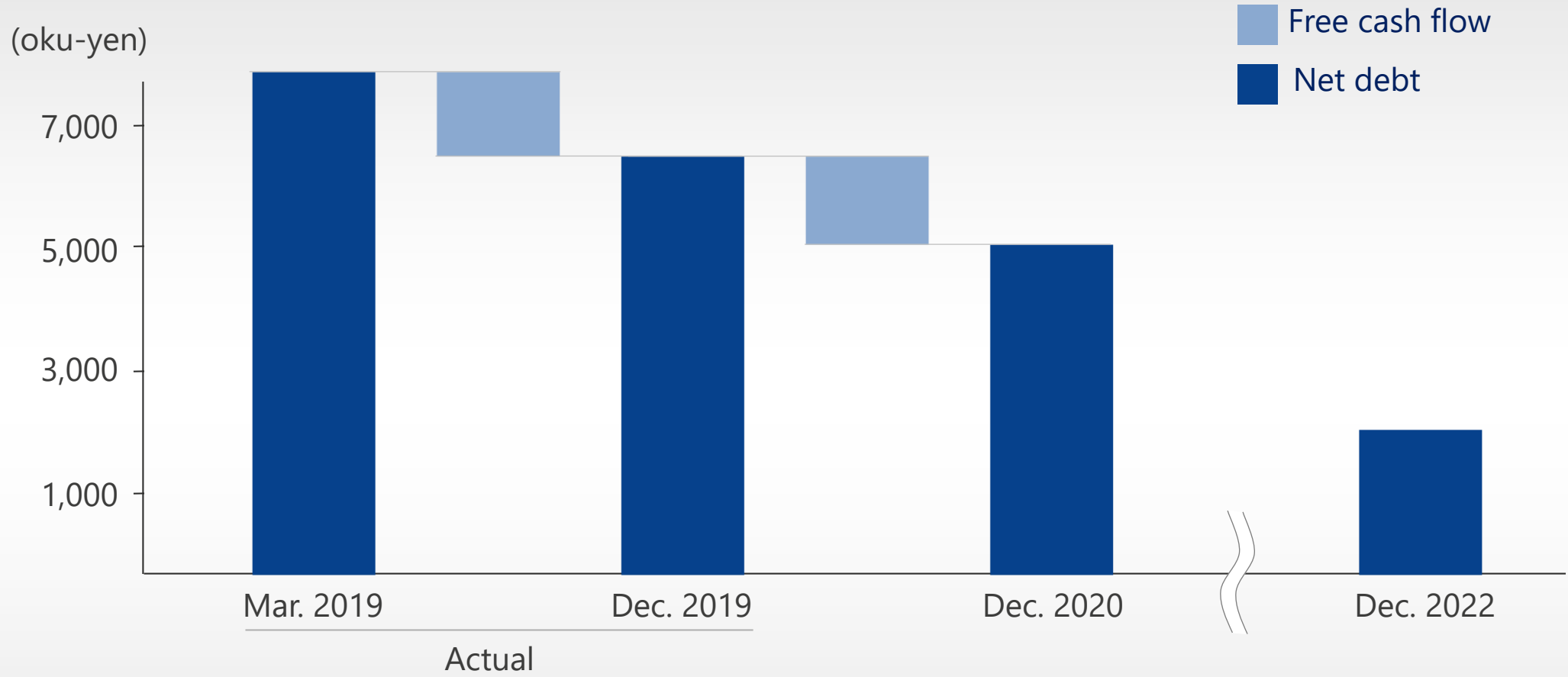
SHAREHOLDER VALUE CREATION

EQUITY VALUE INCREMENTS

(Current market cap = 1.0)



SOLID DELEVERAGING



Net debt /EBITDA *

3.6x

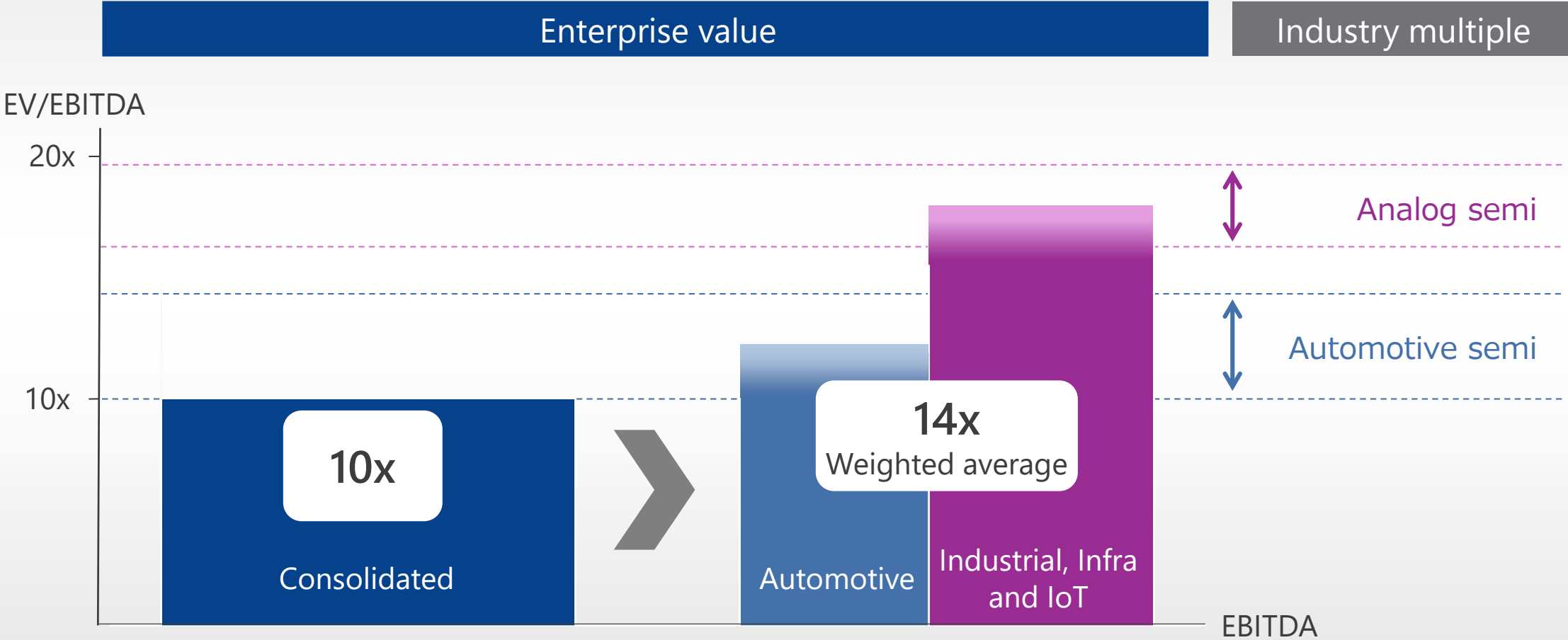
3.2x

2.5x

<1.0x

* Mar. 2019 and Dec. 2019 EBITDA: LTM (last twelve months) and proforma basis

SUM OF THE PARTS

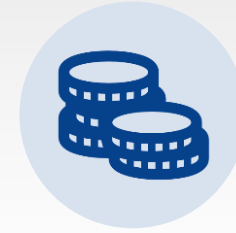


KEY INITIATIVES TO DELIVER SHAREHOLDER RETURN



Commitment to results

Achievable financial targets



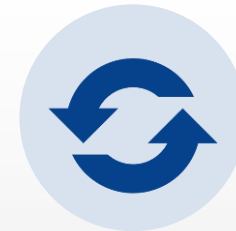
Focus on cash generation

Optimizing leverage



Investing for growth

Sustained R&D
Disciplined Capex and M&A



Shareholder return

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](https://www.renesas.com)