



ROHM Corporate Governance Policy

December 2018
ROHM Co., Ltd.

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Where there are any discrepancies between the Japanese original and the translated document,
the original Japanese document shall prevail.

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Introductory Chapter: General Provisions

Article 1. Objective of ROHM Governance Policy

ROHM Governance Policy (hereinafter referred to as “this Policy”) is established to describe the basic views and guidelines on corporate governance based on the intent and spirit of Japan’s Corporate Governance Code.

Article 2. Basic Views and Guidelines on Corporate Governance

1. We strive to pursue the best possible corporate governance in order to achieve our mission and policy as described in the Company Mission and the Basic Management Policy (Appendix 1).
2. We recognize that a company is supported by all of its stakeholders including its customers, business partners, employees, shareholders, investors, and local communities. We believe that the management and conduct of a company must be based on fairness, integrity, and transparency. Our basic view on corporate governance is to achieve sustainable corporate growth and maximize corporate value over the mid- to long-term from the stakeholders' perspective after accurately identifying the Company’s cost of capital. We strive to improve corporate governance in accordance with the following guidelines.
 - (1) To properly cooperate with all stakeholders including shareholders into consideration, and properly address and deal with ESG (environmental, social, and governance) issues.
 - (2) To respect the rights of shareholders, secure their equal treatment, and engage in constructive dialog with shareholders who the mid- to long-term perspective.
 - (3) To disclose corporate information in a timely and appropriate manner as a part of ensuring our transparency.
 - (4) To make the roles and responsibilities of the Board of Directors clear, hold meetings of the Board of Directors in a timely and appropriate manner, facilitate decision-making processes, and ensure that Outside Officers proactively express their views from an independent and objective standpoint and that the Board of Directors oversees the execution of business.

Chapter 1. Securing the Rights and Equal Treatment of Shareholders

Article 3. Securing the Rights and Equal Treatment of Shareholders

1. We take appropriate measures to fully secure shareholder rights and ensure that the exercise of shareholder rights is not impeded.
2. We treat all shareholders equally according to their holdings and disclose information in a timely and appropriate manner to ensure that information is provided fairly and equally to the shareholders.

Article 4. General Shareholders Meeting

1. We fully recognize that a general shareholders meeting is the highest decision-making organ of the Company consisting of shareholders with voting rights and offers opportunities to engage in constructive dialog with shareholders. We hold general shareholders meeting lawfully and appropriately from the shareholders' perspective.
2. We set an appropriate date and venue for general shareholders meeting that take audit schedules into consideration and afford shareholders the time to consider proposed resolutions.
3. In order to provide shareholders with sufficient time to consider the agenda of a general shareholders meeting and enable all of them to exercise their voting rights appropriately, we:
 - (1) strive to send a convening notice for general shareholders meeting at least four weeks before they are held;
 - (2) disclose the information contained in the notice on TDnet or our website when it is sent;
 - (3) make the convening notice for general shareholders meeting available in English on our website when it is sent, and;
 - (4) participate in an electronic voting platform.
4. If institutional investors who hold shares in the name of a trust bank express an interest, in advance of a general shareholder meeting, in exercising their voting rights on behalf of the trust bank at the general shareholder meeting, we work with the trust bank to take appropriate measures.
5. If a considerable number of votes have been cast against a proposal by the Company at a general shareholders meeting, the Board of Directors will analyze the reasons behind the opposing votes and consider the need for dialog with shareholders and other measures.

Article 5. Basic Strategy for Capital Policy

Our basic strategy for capital policy (including shareholders' equity and shareholder return) is described below.

< Basic Strategy for Capital Policy >

1. Shareholders' equity

The semiconductor and electronics industry is very often affected by environmental changes. In order to make effective and prompt investments to maintain and increase our global competitiveness and growth potential in this industry, it is absolutely essential for us to keep ourselves financially healthy and solid. We need to reserve shareholders' equity necessary and sufficient for such purpose and set aside funds to pay ordinary expenses necessary to facilitate global development, production, and sales activities and to make timely capital investments. In addition, we also need to be prepared for non-regular expenses, including extraordinary expenses that may be additionally incurred in future Group reform, reserve funds for emergency situations, and funds that may be required for potential M&As.

2. Shareholder return

Our policy for return to shareholders is implemented as follows in consideration of the structure of our balance sheet, including limiting the increase in surplus funds within the reasonable range.

(1) Appropriation of dividends of surplus

We endeavor to stably and continuously distribute dividends in through consideration of relevant factors, including the business result and the financing situation.

(2) Acquisition of treasury stock

The acquisition of treasury stock must be approved by the Board of Directors. Any such acquisition would serve to implement a financial policy that allows us to respond quickly to any changes in the business environment and to improve shareholder value. We may hold roughly up to 5% of the total issued shares as treasury stock, and any shares exceeding the number must be retired as a general rule.

3. Capital Efficiency

To achieve sustainable corporate growth and increase corporate value over the mid- to long-term, we aims to improve capital efficiency by increasing the current net income through improved performance based on ensured financial stability. A return on equity (ROE) that is higher than the Company's cost of capital is also sought as we regard the ROE as an important business performance indicator.

Article 6. Basic Policy on Cross-shareholdings and the Exercise of Voting Rights with Respect to Cross-shareholdings

1. The basic policy on cross-shareholdings of listed companies and the exercise of voting rights with respect to cross-shareholdings is established by the Board of Directors as follows:

< Basic Policy on Cross-shareholdings of Listed Companies >

To achieve sustainable corporate growth and increase corporate value over the mid- to long-term of the ROHM Group, we believe that cross-shareholding of our major business partners in order to maintain strong business relationships with them is an important way. With this end in view, annually the Board of Directors quantitatively and qualitatively examines each of cross-shareholdings in terms of economic rationality, the benefits of holding and other factors. And shares unneeded to continue holding will be gradually reduced.

< Basic Policy on the Exercise of Voting Rights with Respect to Cross-shareholdings >

We exercise the right to vote after scrutinizing proposals based on the purpose of shareholding and verifying that proposals will contribute to increase corporate value. Votes against such proposals may be casted if there is a situation that could damage corporate value or a concern that could arise over corporate governance for reasons like social misconduct.

2. When cross-shareholders indicate their intention to sell their shares, we will consent without any action to hinder the sale.
3. We will select our suppliers in accordance with fair and rational criteria that incorporate quality, delivery, price, safety, environment and other key factors, and transactions with cross-shareholders are conducted in the same way as with other suppliers.

Article 7. Related Party Transactions

1. In order to protect the interests of shareholders, we endeavor to prevent Directors, employees, and other persons related to ROHM from engaging in any transactions that may be detrimental to ROHM or its shareholders by exploiting their position.
2. When we engage in transactions with Officers or major shareholders, we follow the proper approval procedures of the Board of Directors in accordance with the Company's rules and regulations.

Chapter 2. Appropriate Cooperation with Stakeholders Other Than Shareholders

Article 8. Establishment and Implementation of a Code of Conduct

1. To achieve our mission and policy as described in the Company Mission and the Basic Management Policy (Appendix 1) and to be trusted by our stakeholders worldwide, the Board of Directors establishes and discloses the ROHM Group Business Conduct Guidelines as a code of conduct that all Officers and employees must comply with.
2. The Board of Directors endeavors to ensure compliance with the ROHM Group Business Conduct Guidelines mentioned in the preceding Paragraph in both domestic and global business operations.

Article 9. Response to Social and Environmental Issues

1. We establish a ROHM Group Basic CSR Policy to protect the environment at all times and to make a contribution to the sustainable development of a society, the healthy existence of all mankind, and the permanent prosperity of all group companies.
2. We proactively recruit, train, and promote a diverse workforce regardless of gender or nationality.

Article 10. Whistleblowing

1. We introduce a whistleblowing system throughout the ROHM Group including overseas group companies (we may set up a whistleblowing hotline in a law firm, which is independent of ROHM management) and report its implementation status to the Board of Directors.
2. We ensure that the confidentiality of the information provider is secure and the information provider will not suffer from disadvantageous treatment, and that it is clearly stated in the Company rules.

Article 11. Roles of Corporate Pension Funds as Asset Owners

1. Regarding the management of the reserve funds of the defined-benefit corporate pension plan, because the management of such funds impacts stable asset formation for our employees and the Company's own financial standing, we endeavor to allocate and develop personnel with necessary experience and qualification to perform monitoring and other necessary activities on the management institution.
2. We ensure appropriate management of such funds without causing a conflict of interest between the pension fund beneficiaries and the Company, asset management institutions are selected from among those having declared the adoption of Japan's Stewardship Code and entrusted to select individual investment destinations and to exercise the right to vote.

Chapter 3. Ensuring Appropriate Information Disclosure and Transparency

Article 12. Information Disclosure and Transparency

1. We formulate a Disclosure Policy on information disclosures and disclose financial information, non-financial information, and any other important management information in a timely and appropriate manner.
2. We disclose the following information under this Policy and others in order to achieve effective corporate governance.
 - (1) Business strategies and business plans
 - (2) Basic views and guidelines on corporate governance
 - (3) Policies and procedures for determining Director remuneration
 - (4) Policies and procedures in the appointments/dismissals of the President and Executive directors and for nominating Director and Company Auditor (*kansayaku*) candidates
 - (5) Reasons for the appointments/dismissals of the President and Executive directors and the individual nominations of Director and Company Auditor candidates

Chapter 4. Responsibilities of the Board

Article 13. Roles and Responsibilities of the Board of Directors

1. The Board of Directors is responsible for realizing efficient and effective corporate governance, achieving sustainable corporate growth, and maximizing corporate value over the mid- to long-term.
2. As part of fulfilling the responsibilities described in the preceding Paragraph, the Board of Directors has oversight of overall management of the Company so as to ensure fair and transparent management and make appropriate decisions when nominating management members, determining their remuneration, and executing important operations.
3. The rules governing the Board of Directors specify matters related to board resolutions, while Company rules specify matters delegated to each Director.
4. The Board of Directors formulates a President's Policy as a business strategy that reflects the Company's mid- to long-term direction.
5. The Board of Directors and Directors formulate mid-term business plans, review them annually and do their best to achieve the goals therein.
6. Based on the mission and policy as described in the Company Mission and the Basic Management Policy (Appendix 1) and specific business strategies, the President trains his/her successor and the Board of Directors proactively engages and appropriately oversees the systematic development of succession candidates.

Article 14. Composition of the Board of Directors and the Board of Company Auditors

1. In order to facilitate the agile decision-making process, the number of Directors is limited to ten or fewer. Moreover, at least two of whom must be independent Outside Directors who are not involved in the execution of business in order to ensure effective and objective oversight of the management.
2. In order to ensure the effectiveness of the Board of Company Auditors, the Board is constituted to all independent outside auditors and all auditors are appointed by the criteria that require appropriate experience and skills as well as necessary knowledge on financial, accounting and the law.
3. The Board of Directors establishes standards of independence for independent Outside Directors and Outside Company Auditors (hereinafter referred to as “Outside Officers”).

Article 15. Roles and Responsibilities of Directors and Company Auditors

1. As members of the Board of Directors, Directors recognize their fiduciary responsibilities to shareholders. In order to respond the shareholders' trust, secure the appropriate cooperation with stakeholders, and increase corporate value and shareholders' common interests in the mid- to long-term, Directors conduct themselves.
2. Independent Directors provide advices and monitor on business policies and business improvement based on their knowledge and experience with the aim of promoting sustainable corporate growth and increasing corporate value over the mid- to long-term.
3. Company Auditors and the Board of Company Auditors bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint, when executing their roles and responsibilities in audits of how Directors execute their duties, appointments and dismissals of external independent auditors, and the determination of independent auditor remuneration.
4. Outside Officers hold their meetings on a regular basis to exchange information, views and ideas on business operations or corporate governance.

Article 16. Director Remuneration

1. Officer Remuneration Rules are in place to set forth Director remuneration and bonus (hereinafter referred to as the “Remunerations”) and the Director Remuneration Council, a majority of the member shall be independent Outside Directors, is established as an advisory body to the Board of Directors, and discusses a system of Director remuneration and each Director's Remunerations based on this system.
2. The system of Director remuneration and each Director's Remunerations based on this system are determined by the Board of Directors on the basis of reports from the Director Remuneration Council.
3. In order to clarify management responsibilities and allow Director Remunerations to operate as a healthy incentive for sustainable growth, Director Remunerations consists of performance-linked remuneration, which varies according to the performance levels evaluated based on the ROHM Group's consolidated ordinary income, and fixed remuneration, which remains fixed.
4. Given that their oversight capacity must be performed independently of the execution of business, the remuneration for independent Outside Directors consists only of fixed remuneration.

Article 17. Qualification and Procedures in the Appointment/Dismissal and Nomination for Directors and Company Auditors

1. We take into consideration the diversity of the members of the Board of Directors and the Board of Company Auditors in establishing selection criteria for Directors and Company Auditors, and the Officer Nomination Council, a majority of the member shall be independent Outside Directors, is established as an advisory body to the Board of Directors,.
2. The appointments/dismissals of the President and Executive directors are determined by the Board of Directors on the basis of reports from the Officer Nomination Council.
3. The Director candidates are nominated by the Board of Directors on the basis of reports from the Officer Nomination Council, in accordance with the first Paragraph.
4. The Company Auditor candidates are nominated by the Board of Directors on the basis of reports from the Officer Nomination Council, in accordance with the first Paragraph.

Article 18. Serving as Officers at Other Listed Companies

Directors and Company Auditors devote sufficient time required to execute their respective duties and, if they also serve as Officers at other listed companies, we disclose their positions.

Article 19. Effectiveness of the Board of Directors

1. The schedule of meetings of the Board of Directors is determined by the end of the previous fiscal year after considering the agenda and schedule for the coming fiscal year.
2. The President acts as the chairman of meetings of the Board of Directors. As chairman of meetings of the Board of Directors, he/she endeavors to improve the quality of discussions and to conduct meetings of the Board of Directors effectively and efficiently.
3. Outside Directors and Company Auditors may, at any time when they deem it necessary or appropriate, request Directors and employees to provide explanations or reports or to submit internal documents, and may also, if they deem it necessary, consult with external specialists at the expense of the Company.
4. Each year, the Board of Directors analyzes and evaluates its effectiveness as a whole, taking into consideration relevant matters, including the self-evaluations of each Director, and discloses a summary of the evaluation results in a timely and appropriate manner.

Article 20. Director and Company Auditor Training

1. Newly-appointed Directors (including Outside Directors) participate in training programs conducted by lawyers and receive briefings on the Company's management strategies, financial condition, and any other important matters by the President or any other person appointed by the President.
2. Based on the Basic Policy for Education and Training, Directors and Company Auditors must always and proactively collect information on and endeavor to familiarize themselves with the Company's financial condition, legal compliance, corporate governance, and any other issues, in order to perform their respective roles.

Chapter 5. Dialogue with Shareholders

Article 21. Dialogue with Shareholders

1. We engage in constructive dialogue with shareholders in order to contribute to sustainable growth and increase corporate value over the mid- to long-term.
2. The senior management, Directors, and the IR Department respond to shareholder requests for dialogue (or meetings) to the extent reasonable.
3. In order to promote constructive dialogue with shareholders, we:
 - (1) appoint a Director who is responsible for ensuring that constructive dialogue takes place;
 - (2) establish an IR Department that works with the relevant departments including the General Affairs Department and the Accounting Department, with the aim of supporting dialogue with shareholders;
 - (3) organize financial results briefings, briefings for private investors, and IR tours for overseas investors in order to explain the Company's financial result or business strategies;
 - (4) regularly report shareholder information and views learned through dialogue to senior management and the Board of Directors, and;
 - (5) establish Company rules to control insider information when engaging in dialogue.

Chapter 6. Other

Article 22. Amendments

The amendment of this Policy shall be resolved by the Board of Directors.

Supplementary Provisions

Article 1

This Policy shall go into effect on December 7, 2018.

Enacted on November 5, 2015

Revised on December 7, 2018

<Company Mission>

Quality is our top priority at all times.

Our objective is to contribute to the advancement and progress of our culture through a consistent supply, under all circumstances, of high quality products in large volumes to the global market.

<Basic Management Policy>

Secure reasonable profit through a concerted company-wide effort for a comprehensive quality assurance program.

Develop globally leading products by improving upon technologies held by each department for continued advancement of the company.

Maintain healthy and vigorous lifestyles and refine intellect and humanitarianism, hence contributing to society.

Search extensively for capable human resources and cultivate them as cornerstones for building long-term prosperity.