

## Message from the President

### Becoming a major global player needed and trusted by society in 2030

#### Isao Matsumoto

President, CEO  
(Representative)



In our Medium-Term Management Plan, we state that our vision for ROHM in 2030 is being a major global player, which has three main elements. First of all, customers and overall society can trust all of our products, including power and analog semiconductors for automobiles and industrial equipment, our core products, and use them with a peace of mind because “ROHM can be trusted.” Second, this implies that our brand is so strong that when customers need semiconductors and electronic components, ROHM is the first company that comes to their mind. Finally, the most important point is being seen as a company that society needs.

As for numerical targets, for the power and analog semiconductor field, we have set the targets of being one of the top ten companies in the world and posting net sales of 1 trillion yen. Although there is growing uncertainty regarding conditions in society, we will continue to not only steadily implement the Medium-Term Management Plan and build a firm management foundation impervious to changes in the outside environment, but also accelerate integrated Group management and work to achieve true growth and enhancement of corporate value through ONE ROHM.

#### ROHM's strength in the field of power and analog semiconductors

The market for power and analog semiconductors is expected to continue to grow in the future because of the electrification and more extensive use of electronics in automobiles and industrial equipment. Based on our Company Mission, which we have touted since our founding, ROHM has contributed to solutions to social issues by leveraging its strengths related to quality-first manufacturing, advanced integral technologies, and its integrated development and manufacturing system to supply high-value-added products.

It is said that in 2022, the semiconductor market was about 78 trillion yen, but power and analog semiconductors, the main type of semiconductors ROHM handles, accounted for only 26 trillion yen, about one-third of that total. Demand for power and analog semiconductors, however, is expected to continue to grow in the future because of greater electrification and more extensive use of electronics in various products, particularly automobiles and industrial equipment.

In the field of digital semiconductors, such as microcontrollers and memory, investments in miniaturization and other capabilities provide competitiveness, and most players in the industry have adopted horizontal specialization that leverages such assets as foundries. On the other hand, for power and analog semiconductors, developing optimal designs that meet the needs of customers by leveraging the distinguishing aspects of our production process is the source of our competitiveness. With a system that integrates circuit design, layout, and production processes, ROHM provides high-value-added products that meet the needs of customers and the market by matching those technologies and know-how at a high level. What supports this product development is our vertically integrated production system known as integrated development and

manufacturing (IDM), in which production processes, from the material stage to completed product, are completed within the Group. (See p.4)

This makes it possible not only to increase value added for design and realize thorough product quality but also contributes to the construction of a stable supply system. This forms the foundation of our Company Mission, which we have touted since the Company was established, and “making quality our top priority and contributing to the advancement and progress of culture through a supply, under all circumstances, of high quality products” has been passed down through the years as ROHM's DNA.

The true value of this was demonstrated during the floods in Thailand in 2011. Production at local plants in Thailand was suspended because of flooding, and there was the danger of a stoppage in automobile production because automobile manufacturers use many of the products manufactured in Thailand but we could not supply them. However, ROHM possesses advanced know-how related to all production processes within the Group, and it was possible to relaunch production within only one month as a result of the support provided by Group engineers with expertise in each production process. Furthermore, we were able to fully restore the supply of products within

## Message from the President

about two and a half months, which was dramatically quicker than initially expected, through the quick introduction of alternative production.

The floods in Thailand were an emergency, and I, too, hastily supervised the alternative production in the Philippines. We received words of encouragement from many customers, and I truly felt a sense of responsibility as ROHM supports the Japanese industry, and the incident made it possible to once again recognize the advanced

production technology ROHM has acquired since its founding and the Group's immense power when it unites.

ROHM has pursued quality-first manufacturing for more than 60 years, which is supported by our IDM business model. We aim to become a major global player by supplying customers with high value added products and contributing to solutions to social issues by sticking to our integrated production system.

### Actively investing in growth fields to become a major global player

We are also moving forward with aggressive capital expenditures, and the target value of investments for growth through FY2025 was increased to 600.0 billion yen. In addition to reinforcing our production lines for products used in fields where the market is rapidly growing, particularly SiC power devices, we are building a system to steadily capture growth opportunities through aggressive M&As and other activities.

FY2022 was the second year of the Medium-Term Management Plan "Moving Forward to 2025," which covers the period FY2021–FY2025. During the fiscal year, we were able to record strong performance as net sales hit a record high, rising 12.3% year on year to 507.8 billion yen, on account of growth in automobiles and industrial equipment, and operating profit, ordinary profit, and profit attributable to owners of parent grew at double-digit paces. However, a major factor behind this strong performance was an overall robust semiconductor market and weaker-than-expected yen, and we have to improve performance even more.

In particular, since FY2021, capital expenditures as a percentage of net sales has remained high. Although these expenditures are a heavy burden, we are aware that they are necessary to capture market share, and because of this, we will continue to make large-scale investments and have increased the amount of investments for growth through FY2025 to 600 billion yen from 500 billion yen. Capital expenditures primarily are related to improving production capacity, acquiring land and buildings, particularly for handling 8-inch SiC power devices, and reinforcing 12-inch Bi-CDMOS for IC production lines.

For the SiC power device business, the market is quickly growing as electrification of automobiles progresses, and it is important to rapidly develop a system to provide a stable supply in response to this strong demand. Therefore, we brought forward SiC investments and plan to invest 510 billion yen over seven years, through 2027, and in July of this year, we agreed the acquisition of SOLAR FRONTIER

K.K.'s former Kunitomi Plant, which will be our 4th SiC FAB. On the other hand, for the IC business, we are reinforcing the development of application specific standard products (ASSP) that meet a broad range of needs, and plan to reinforce our production line in order to expand high-value-added strategic products.

We are also moving forward with capital investments and M&As with an eye toward expanding future business opportunities and announced that ROHM will participate in efforts to privatize Toshiba Corporation in July 2023. As for procuring investment funds (300 billion yen in total), we plan to borrow the funds, which is separate from the 600 billion yen in investments for growth. We will also carefully consider M&A deals to expand our business portfolio, but will not acquire new businesses unrelated to our existing businesses. In order to achieve the vision in the Medium-Term Management Plan, we want to actively examine M&As if there are any that would generate synergies in the long term.

Since taking up the position of President in 2020, I have implemented various management reforms, and our ability to steadily generate cash flows has increased over the past several years, with cash flows from operating activities expected to grow to 650 billion yen over the five years of the Medium-Term Management Plan. While working to improve investment efficiency, we will increase our ability to generate cash flows, such as making aggressive capital expenditures, to the extent possible with our own funds, and lay the groundwork to implement the Medium-Term Management Plan one piece at a time.



### Improving the "quality of the company" by further increasing the sophistication of sustainability management

To become a company trusted and selected by stakeholders, it is important to increase the quality of not only products but also the company itself. Based on our Management Vision and Statement, we will move forward with efforts to increase the sophistication of our sustainability management, which includes reinforcing governance.

For ROHM to become a company trusted and selected by stakeholders, it is important to improve the quality of not only products but also the company itself. Therefore, we are moving forward with introducing more sophisticated sustainability management. As part of this effort, we have been clearly separating management and execution roles since April 2022 by establishing the Sustainability Management Committee on the management side and EHSS General Committee on the executive side, which was done to accelerate decision making and reinforce supervision functions. In FY2022, the Sustainability Management Committee met once a month and deepened deliberations regarding sustainability issues, such as TCFD, measures to strengthen governance, and indicators related to human capital.

To strengthen governance, we welcomed three newly appointed outside directors in FY2023. One of the newly appointed outside directors is involved in actual operations and possesses broad knowledge of human capital management and global management, and it is expected that she will provide advice based on her experience. The

person was appointed on account of expectations that they will work with us on considering how ROHM should be, not take a critical perspective of a commentator. I would like the two Audit and Supervisory Committee members to use their knowledge to provide advice regarding the ideal type of audits and information management for integrated Group management, and this is one aspect of our governance reforms.

By formulating a Management Vision in 2020, we have clarified that "we focus on power and analog solutions and solve social problems by contributing to our customers' needs for "energy savings" and "miniaturization" of their products." In addition to clarifying the direction that ROHM should move, this also clearly states our intention to raise the awareness of all Group employees and to make additional contributions to society as a Group. In the statement based on the Management Vision, we tout the phrase "Electronics for the Future," and aim to "solve a variety of social issues with our electronics technology." Among these "variety of social issues," the most serious ones that require

## Message from the President

a quick response are the ones related to the environment, as you might expect. Power and analog semiconductors are becoming more important as key devices for decarbonization and energy savings, and I consider it our mission to improve the efficiency of motors and power supplies, which are said to account for a majority of the electricity consumed globally. The trend towards electrification of automobiles is accelerating throughout the world on account of growing awareness of climate change and the environment, and this is leading to greater need for energy savings and miniaturization of devices used in automobiles. It can be argued that we live in an era in which power and analog products that can do that are what the world needs.

Furthermore, we set Environmental Vision 2050 as a decarbonization promotion measure for ROHM's business activities. Based on this vision, we are actively working to

achieve carbon neutrality (net zero CO<sub>2</sub> emissions) and zero emissions and actively undertake various environmental preservation activities and make environmental investments, all of which are centered on the three topics of "climate change," "resource recycling," and "coexistence with nature." In April 2022, we joined "RE100 (100% Renewable Electricity)," an international corporate initiative that aims for 100% renewable energy for electricity used in business operations. With the goal of "100% of electricity used in all business activities in Japan and overseas to be derived from renewable energy sources by FY2050," we are gradually increasing the volume of renewable energy that we use.

In addition to developing solutions to social issues through product development, ROHM is working to reduce the environmental burden of its business activities and will contribute to the realization of a sustainable society.

## Creating a system in which each employee can envision a career path that leverages their individuality and hold dreams

One of the main issues that ROHM should work on now is human capital management. ROHM will move forward with building a system in which each employee can identify with ROHM's vision and take the initiative in achieving that dream.

ROHM will not be a major global player unless its products are considered indispensable for making people's lives more affluent and envisioning the future. The idea underlying the formulation of the Medium-Term Management Plan is to firmly build up our strength through FY2025. The Medium-Term Management Plan is centered on formulating and implementing the measures necessary to reinforce the management foundation for the overall Group as ONE ROHM. In particular, production worksites and all administrative divisions will consider for themselves what is necessary for ROHM to become a major global player and what must be done to achieve that. On all fronts, including organization and finances, I want to create a system in which each and every Group employee envisions what it means for ROHM to be a major global player and works with a dream.

We recognize that human capital management is an important issue to achieve that. We have implemented various human resource measures in order to continue to win the competition for global human resources, but are aware that we still lack a sufficient human capital strategy linked to the management strategy. It is necessary to firmly develop an overall image of various points, including what type of human resources we need to train by backcasting

from our vision for ROHM in FY2030 and what impact the percentage of managers who are women will have on that.

In addition, what is important is not only each employee's individuality but also the creation of an environment in which each employee can envision what type of career they can achieve if they stay at ROHM because each employee is different. Therefore, we have established mechanisms to promote autonomous career development and skill development. The Specialist System, which was created in FY2019, is based on this idea.

Promoting diversity is also important to leverage the individuality of employees. First of all, I think that it is important to listen to diverse opinions, including those of non-Japanese and female employees. In particular, in terms of decision making, we are aware that incorporating diverse ideas, not relying on uniformity, is necessary for superior decisions. In order to communicate this idea to employees, we routinely use various media, including online channels, and have created opportunities for direct dialogue with employees at round-table discussions. I would like to continue these efforts in the future because direct dialogue through round-table discussions makes it possible to deepen the mutual understanding of participants.

## Desire to become a company that contributes to the enrichment of people's lives 50 or 100 years into the future

I want ROHM, which provides "Electronics for the Future," to continue to be a company that contributes to the enrichment of people's lives through its products and technology regardless of how the world evolves.

Demand for semiconductors continues to grow as the world transitions to a decarbonized society. Furthermore, SiC power devices are indispensable for generating renewable energy, and demand for power and analog semiconductors will continue to grow as society shifts to a recycling-oriented society.

It is impossible to accurately forecast what society will be like in the future. Perhaps we will return to a way of living in which people are in harmony with nature, or society may become one in which people get around in flying cars. Of course, when the world changes, the issues that must be solved also change. The statement "Electronics for the Future" is based on the idea of using electronics to respond to social issues through around 2050. It is, however, very likely that 100 years in the future, the "Electronics" part may change even if "for the Future" remains the same.

Even so, since the founding of the Company, the

Company Mission has stayed the same—our objective is to contribute to the advancement and progress of culture through a consistent supply, under all circumstances, of high quality products in large volumes to the global market—and I would like ROHM to continue to be a company that can contribute to society through manufacturing no matter how society changes. Therefore, we will work to develop new technology and offer a stable supply of high quality products while always playing a leading role in the time.

I think that the structural reforms we have implemented since the 2000s are bearing fruit and have placed ROHM on a growth trajectory. We will move forward so that we can contribute to the environment and society through our technology and products in order to continue to be a company that the world needs as it changes.

I hope for the understanding and support of all our stakeholders.



President, CEO  
(Representative)  
September 2023

*Isao Matsuda*