

Discussion with Outside Directors

Aiming to further enhance
governance to become a
major global player

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How do you evaluate the Board of Directors at ROHM? And what matters left a particular impression on you over the past year?

Nagumo ROHM is actively continuing capital expenditure in the current Medium-Term Management Plan, and I have received various explanations at Board of Directors meetings. However, increased global demand for semiconductors has led to rising semiconductor-related capital investment costs. I believe that it is important to keep investment costs low so that we can start small and grow big, but I am concerned that outside directors are not able to easily see whether this is happening as expected.

Kenevan I was in charge of consulting at McKinsey & Company for 25 years and have seen the value chains of various industries including the semiconductor industry. Because investment and M&A can veer off course without sound strategies and tactics, I hope that we can debate targets, tactics, and methodology with other directors to make decisions and also maintain transparency. At the Board of Directors, internal directors including President Matsumoto listen carefully to what outside directors have to say and conduct lively debate, but I think that two issues remain. Firstly, I believe that the importance of each topic does not match the time allocated for debate. For example, when discussing plant construction, there are times when debates on the involvement of tens of billions of yen only last a short time, and discussions are focused on other smaller details. Secondly, I hope that the Board of Directors can promote governance with a greater awareness on the

opinions of third parties and shareholders, such as topics that come up via IR activities and queries from investors.

Nagumo As Mr. Kenevan says, the Board of Directors meetings are extremely open and encourage free debate. Every outside director can speak their mind and directors on the executive side listen to what they have to say. I also think that more time should be allocated to discussing the fundamentals of corporate management, rather than details. However, executive directors have already adequately discussed important matters before the Board of Directors meetings are held. That is why detailed points that may have been missed are brought up for debate at the Board of Directors meetings, and I believe that is the reason President Matsumoto dedicates time to them. Outside directors can also participate in the Executive Meeting as observers, and I know that a significant amount of debate is given over to such matters. That is why questions at Board of Directors meetings focus on specific points.

ROHM has set a goal of becoming a major global player by 2030. What do you think your role is in helping to achieve this goal? Also, what expertise will the Board of Directors require, and what issues should it tackle?

Kenevan I hope that I can help ROHM achieve this grand goal of becoming a major global player by turning it into concrete action, rather than simply spouting clichés. Can ROHM currently be considered a major global player? Well, this is partially true in terms of production and development, but perhaps not in terms of key account management overseas (that is, managing and developing major customers). Even over the course of a year, I do not think that the Board of Directors has adequately discussed the issues we face in getting closer to becoming a major global player. Because the definition of a “major global player” differs by person, we might need several definitions of a major global player that are unique to ROHM. The target of becoming a “one-trillion-yen company” touted in the Medium-Term Management Plan and our goal of becoming one of the top three companies in certain product categories are some examples of this definition.

Nagumo Aiming to become a one-trillion-yen company is also important for achieving our goal of becoming a major global player. Because there are limits to what we can achieve in the domestic market, we must succeed overseas. This means securing and developing overseas human capital and moving swiftly.

Kenevan Although our Board of Directors is already quite diverse, I believe that achieving this over the entire company, and promoting the utilization of overseas human capital in particular, will be the key to becoming a one-trillion-yen company that moves swiftly. Because Ms. Inoue, who joined us in June 2023, and Ms. Muramatsu are both experts in global HR, I have great hopes for their future endeavors. Each of our outside directors excels in a specialized field. Mr. Nagumo worked in top management for many years, and I have accumulated career experience in overseas consulting and strategy. Others are well-versed in fields such as law and accounting. I believe that there is a good balance of the expertise required by the Company.

Nagumo As Mr. Kenevan stated, our Board of Directors has a good spread of skills and outside directors ask questions and give opinions based on the perspective of their expertise. With the selection of three new outside directors, the number of Audit and Supervisory Committee members decreased and outside directors who are not Audit and Supervisory Committee members increased, and we debated this matter. This time, the Officer Nomination Council simply approved a proposal from the Company. But as I have been appointed to chair the Officer Nomination Council, I hope to make the selection process more open and run the council with a focus on preliminary interviews and the exchange of opinions with candidates.



ROHM has a clear strategy for a path to victory in, such fields as power devices and SiC.

What do you think about the human capital strategy at ROHM, such as the development of global talent?

Nagumo Of course global talent can play an active role overseas, but since the Company has subsidiaries overseas, we can also entrust work to outstanding local human capital. It is important to put local recruits in top positions at overseas subsidiaries and support them with global talent that can conduct management well. I have experience in establishing and managing a company in the Philippines, and I felt that compassion and appreciation are important no matter where in the world we are. I believe that overseas human capital refers to such people who can respect the local culture and feelings.

Kenevan This is a topic that we are currently discussing at the Board of Directors, but I believe that in order to utilize overseas human capital, the top management of ROHM must be globalized first. Because there are young and extremely talented executives, it is important to give them experience overseas and promote diversification. ROHM has excellent corporate DNA and the polite and delicate culture of ROHM has been utilized in human capital development in the past. However, in communication overseas, various discrepancies naturally arise. In the future, the Company must be aligned with communication styles and culture found overseas, while preserving the good points and what makes up ROHM. Although this will be a particularly great challenge for top management, I believe that Mr. Nagumo's experience in the Philippines and my experience in Japan will be able to help ROHM's globalization.

What will be required for governance to support the continued growth of ROHM?

Kenevan In terms of governance, I believe that there is no need to make a distinction between Japan and overseas. Companies have rules, people have roles and things they must achieve. For example, the Board of Directors must debate and make decisions by carefully considering the information it receives. This is the same all over the world. Global governance is an extension of current governance enhancement, which aims to improve transparency and communication. It is important that overseas human capital with a common understanding of governance enters the same circle of governance. In addition to skill and experience, this human capital requires capabilities and personal qualities, such as consideration, appreciation, and a sense of responsibility. It is also important to maintain a stance of wanting to better the company and have a mindset that enables flexible thinking that does not reject new ideas. Since Mr. Matsumoto was appointed President of ROHM, a culture of wanting to better the Company has been established, so I hope that the Company will have the courage to expand its circle to gradually encompass foreign nationals.

Nagumo Everyone is trying to achieve the targets set by their companies, whether financial or non-financial, but what is normal for their company may be abnormal outside the company, and something done for the good of the company may sometimes be seen as being against common sense in the current world. For example, the scores of middle management may not improve in engagement surveys because top management evaluate them too strictly.

It is important to invest for the future without fear and continue taking on new challenges.

This can be improved simply by thinking about how to increase employee satisfaction, so I believe that everyone including top management needs to learn about proper governance. I hope that we outside directors can also discuss these points with middle management in the future as the systems are reformed.

What issues do you think ROHM should tackle as it aims to become a major global player?

Nagumo The world currently has a negative outlook and is tending to take unassertive way of thinking about things. ROHM must avoid doing this and do what must be done for the future. It is important to invest without fear, be more proactive toward development investments, and be so encouraging of taking on new challenges as to allow failures. When it seems that the world economy may falter is the time to have the courage to step forward and do things that competitors may not.

Kenevan Although we tend to focus on the results in front of us, we need to take a step back and look at the industry as a whole. Because ROHM is smaller than its competitors, its position will become quite weak if the industry consolidates over time. In the world of semiconductors, scale is key. Although the Company currently handles product categories where scale is not such an issue, investments must be made in construction of manufacturing sites, human capital recruitment for development centers, and even M&A in some cases to gain an advantage in terms of scale. Because investors also ask questions about quarterly performances while silently wondering whether the company is



growing and how it will develop the capital they invested, I believe that aiming to become a major global player in the medium to long term, a strategy to expand the Company, is best.

Nagumo In the tire industry that I was a part of, the big three players are so dominant that other companies cannot even hope to compete in the market for passenger vehicles. The company I was at specialized in tires for agricultural machinery, a niche yet essential field. It acquired companies in places such as India and Sweden, and was able to build an unprecedented portfolio which led to its success. As Mr. Kenevan said, although ROHM cannot best its competitors in terms of scale, I believe it is important to utilize its distinguishing features and create advantages that are second to none.

Kenevan Precisely. Whether it be investment in manufacturing sites or M&A, there must be a clear strategy or path to victory. Fortunately, ROHM has such clarity. It is correct to focus on power devices, devices for various applications, and SiC technology. It is also important to consider how to control the supply chain, increase the appeal of products, and clearly decide what not to do. ROHM is currently in the middle of preparing investments for organic growth and M&A, and the Board of Directors bears the heavy responsibility for investment decisions. The Company is considering M&A responsibly and strategically and will tactically conduct negotiations and implement action plans to secure the human capital needed after making acquisitions, and I hope that the Board of Directors will help to promote these efforts in a disciplined manner.