

Message from the President

We will contribute to solving social issues through power and analog semiconductors, and aim to become a company chosen by society and our customers as a major global player.

As efforts to realize a sustainable society accelerate around the world, companies are also emphasizing activities that help solve various social issues, such as environmental problems. For ROHM, these ideas are not new, and we have been contributing to the advancement and improvement of culture through the supply and manufacture of high-quality products based on the Company Mission that we have touted since our founding.

In the more than 60 years since our founding, the size of the company and its business environment have changed dramatically, but our Company Mission has remained constant, passed down from generation to generation as part of ROHM's DNA. With the importance of semiconductors growing as we advance toward the realization of a decarbonized society, we will build a stronger management foundation, both financially and non-financially, in order to meet the expectations of society and our customers and achieve dramatic growth toward FY2030, based on our Medium-Term Management Plan.

My mission as President, carrying on the company's founding spirit

While firmly inheriting the founder's ideas, such as the "Company Mission" and "focus on the field," the company will shift from conventional top-down management to sustainability management that emphasizes dialogue with a variety of stakeholders. In order to grow for the future, we will continue to build our foundations by emphasizing dialogue with our stakeholders and gaining their empathy.

The year 2020, when I became President, was a turning point for both society and for ROHM, with the passing of our founder and the COVID-19 pandemic. In the midst of requirements for great changes, as President, I have emphasized dialogue and unified ROHM to build a foundation for sustainable growth.

This is also the management style that I have always striven for, but it all started when I was transferred to the "Asuka Project," which was launched in 2001. The organization was jointly established by major semiconductor manufacturers in Japan to promote the development of cutting-edge technologies through an all-Japan effort, and brought together engineers from renowned manufacturers. The experience I gained there gave me a good opportunity to rethink my own career as a leader. In an environment filled with engineers with strong eccentricities and personalities, one-sided instructions did not move anyone. I learned that being frank and open with my

own thoughts to those around me, while at the same time listening to their thoughts, naturally brings people together. Since then, I have become more conscious of motivating my employees by managing in a way that people can empathize with.

What I also learned from the founder, Kenichiro Sato, was that "the field is the most important." When I was making frequent long-term business trips to our Group companies in the U.S., Mr. Sato would also often visit the same factories and engage in dialogue with each employee. Watching Mr. Sato drilled into me the idea that by being in direct contact with factory operators and observing the field closely, I would be able to have my own thoughts that would be resonant and persuasive to those around me. I will guide ROHM as a leader who is field-oriented and interacts and empathizes with employees, based on my own experience and the teachings of our founder.

Isao Matsumoto

President
(Representative Director),
Chief Executive Officer

Message from the President



Leveraging ROHM's strengths in power and analog semiconductors to become a major global player

Stable growth centered on power and analog semiconductors is anticipated due to the increase in automobile production and the promotion of vehicle electrification. The company aims to become a "major global player" by FY2030 by achieving significant sales growth mainly in the automotive and overseas markets.

In 2021, ROHM launched its Medium-Term Management Plan "Moving Forward to 2025." The formulation of this Medium-Term Management Plan was a new challenge for ROHM. In the Plan, we have set the goal of becoming a "major global player" by FY2030. This means that we will aim to earn the trust and confidence of society and customers with all of our products, including power and analog semiconductors for the automotive and industrial equipment markets, on which we are focusing our efforts; have brand power that makes "ROHM" the first name that comes to mind when customers need semiconductors and electronic components; and be recognized as a company essential to society. These three ideas are built into our ambition. Put simply, the definition is "to continue to be a company that is absolutely necessary in the world." Our quantitative goals are to become one of the world's top 10 companies in the fields of power and analog semiconductors, which we are focusing on, and to achieve net sales of 1 trillion yen.

Backcasting from those goals, we formulated "Moving Forward to 2025" as a five-year plan to build a solid management foundation. Our financial targets for FY2025 are net sales of 600 billion yen or more, operating margin of 20% or more, and ROE of 9% or more. Looking back, the two years from FY2021 started out well in the midst of the pandemic, thanks to special demand for semiconductors and the weak yen.

However, in FY2023, the third year, sales and profits were down year on year due to the slowdown in the overall market and inventory adjustments by customers. Net sales increased in the automotive market, our focus market, but fell below the previous year's level in other markets, including the industrial equipment market. Due to a significant increase in the fixed cost burden associated with aggressive investment in the SiC power device business, our operating margin also declined significantly.

We are also expecting extremely tough results for FY2024, due in part to the increase in fixed costs associated with capital expenditures over the past two years. However, we recognize that this is also the bottom of the market now, and we will work to improve earnings once again over the next year. As part of this effort, we changed the duties of our directors in April 2024. This is a time-limited measure to clarify responsibilities in each area of business and to promote much more powerful business execution. Sales and earnings reached a plateau in the third year of the Medium-Term Management Plan, and the company is entering a difficult phase. In such an environment, our directors will be much more closely aligned and united with the field as we resolve to get back on the growth track towards attaining our Medium-Term Management Plan.

On the other hand, our policy of greatly expanding power and analog semiconductors, especially in the automotive and

overseas markets, remains unchanged. In the automotive market there is a high-profile slowdown in the EV market and the current growth rate is slackening. Nevertheless, stable growth centered on our focus fields of power and analog semiconductors is expected, due to the increase in automobile production and the promotion of vehicle electrification. Specifically, in power devices, we aim to achieve the goals of the Medium-Term Management Plan by expanding our market share of SiC power devices in traction inverters for EVs, and by increasing the net sales ratio of strategic top 10 products in ICs, including those of Lapis Technology.* In particular, demand for SiC power devices for EVs is expected to grow steadily in the future, and we believe that quickly establishing a supply system that can stably meet such demand will help us

* Effective April 1, 2024, ROHM merged with Lapis Technology, formerly a wholly owned subsidiary of ROHM.

improve our international competitiveness in power and analog semiconductors. Therefore, in the announcement of financial results for FY2023, we announced an increase in growth investment from 600 billion yen to 700 billion yen for the years FY2021 to FY2025, including government subsidies. Capital expenditure percentage in sales continues to be high, and although it is a heavy burden, we believe it is essential to make strategic investments to capture market share in our focus products, particularly SiC power devices.

In order to achieve the goals of the Medium-Term Management Plan and recover our business performance in FY2025, the final year of the plan, we will make a thorough review in FY2024 to build a solid management foundation and enhance our corporate value.

Business model transformation to become a major global player

For further growth, it is essential to reform the business model in readiness for market changes and geopolitical risks. Collaboration with other companies and M&A will always be considered. In preparation for the business alliance with Toshiba's semiconductor business, which has a high affinity with our operations, we will strengthen cooperation in all business activities, including technology development, production, sales, procurement, and logistics, with the aim of increasing the corporate value of both companies.

In becoming a major global player, we must keep an eye on market changes and geopolitical risks. In terms of markets, we operate in the automotive, industrial equipment, and consumer electronics fields, and by region, we operate primarily in Japan, but also in China, other Asian countries, Europe, and the Americas. If we become too biased toward a particular customer or region, sales of the company will plummet when a sudden problem arises. We strive to build a well-balanced business design to avoid such a situation. For example, in the SiC power device business, we are not dependent on a specific regional customer, but have more than 130 worldwide customers who have decided to adopt our products. We intend to take firm measures against geopolitical risks, including the dispersal of our production sites.

In addition, we will promote M&A and collaboration with other companies, while continuing to pursue organic growth as a basic policy. One example is the power semiconductor manufacturing collaboration we are pursuing with Toshiba Electronic Devices & Storage. The project has been approved for a grant from the Ministry of Economy, Trade and Industry as a measure supporting the Japanese Government's target of secure and stable semiconductor supply, and ROHM expects to receive up to 96.4 billion yen.

ROHM and Toshiba have many overlapping business areas, including analog ICs, logic ICs, microcontrollers, and small-signal devices, as well as the power devices where our manufacturing collaboration is already underway. Since the categories of products we focus on are close and have a high affinity for each other, we believe that we can generate significant synergies. Therefore, ROHM participated in taking Toshiba private in 2023. In June 2024, discussions began to enhance the corporate values of both companies by strengthening collaboration in all business activities, including technology development, production, sales, procurement, and logistics, with Toshiba Electronic Devices & Storage's semiconductor business. Over the next year, we would like to move the conversation forward firmly, leading to a better form of collaboration.

We understand that the lack of concrete explanations on this matter has raised concerns from the market. Please understand that we will endeavor to find a path for collaboration as soon as possible, and to communicate the details of such collaboration. Despite the difficult market environment, we will strive to create a solid track record of growth and clearly communicate ROHM's intentions to shareholders and stakeholders.

Message from the President

Improving the quality of the company by achieving human capital management

One of the major issues ROHM needs to address is human capital management, and the Board of Directors began discussing this in earnest in FY2023. We aim to establish a foundation for becoming a major global player by developing human resources and creating a corporate culture that shares the Company's vision and respects people's autonomous growth and diversity.

We believe that in order to become a company trusted by our stakeholders, it is important to improve the quality of the company, and we are promoting the advancement of sustainability management with ONE ROHM. We recognize that human capital management, including DE&I*, is one of the key issues, and the Board of Directors began deep discussions on this issue in FY2023.

The Board first discussed the overall human capital management story. We have set forth our Basic Policy and Management Vision as the company's vision, and our long-term goal is to become a major global player. When we identified the human resources required to achieve this, we came to the conclusion that we need people who share our Corporate Philosophy and vision, and are able to grow autonomously while respecting diversity. The challenge here is to acquire and train such human resources on a global level and to change their awareness. To that end, ROHM has been implementing a variety of initiatives in recent years. One initiative was the establishment of the Human Resources as

Business Partner (HRBP) in the Human Resources Department at the head office in April of this year. We will take on the role of working closely with each business and Group company to solve strategic and human resource issues, such as acquiring and developing global talent that will contribute to the sustainable development of the entire group on the world stage. Beyond that, we will also contribute to the development of highly skilled human resources with autonomous and growth-oriented mindsets, and build our foundation for becoming a major global player. A culture of dialogue is indispensable for changing awareness toward respect and mutual recognition of diversity, and we hope to foster an environment and culture in which people can speak frankly regardless of their position.

The Board of Directors will continue to discuss this issue so that it can lead to sustainable business growth and medium- to long-term enhancement in corporate value.

*DE&I: Diversity, Equity, and Inclusion

Further strengthen corporate governance to maximize corporate value

In order to overcome the tough times and achieve the Medium-Term Management Plan, an outside director will chair the Board of Directors and promote governance reform.

ROHM constantly pursues the best corporate governance in order to realize its objectives and policies, including the Company Mission and Basic Management Policy. Based on the recognition that ROHM is supported by all stakeholders, we believe that the company's operations and actions must be rooted in fairness, soundness, and transparency.

Governance reform efforts have produced steady results, including increasing the ratio of independent outside directors and continuing discussions on the composition of compensation and how directors should hold shares in the company. From April 2024, we have asked Tadanobu Nagumo, an outside director, to chair the Board of Directors, a position previously held by the President. When I was chairperson, there

were lively exchanges of opinions, but on the other hand, I began to feel uncomfortable with the fact that my comments and thoughts as President would also be those of the Board's chairperson. Mr. Nagumo, who served as President and Chairman of Yokohama Rubber Co., Ltd., has a wealth of knowledge and experience, and a proven track record of proactively promoting global strategies. With Mr. Nagumo as chairperson, it has become easier for me to express my opinions frankly, and I think we have more active discussions than before.

In addition, Ms. Aiko Kozaki, who has been appointed as an outside director, will join the Board of Directors and the Sustainability Management Committee. We look forward to

her advice on how to realize management that integrates both financial and non-financial aspects of the company, based on her extensive experience in business creation through the utilization of her expertise in sustainability finance. We also expect her to actively communicate with our employees and support the creation of an environment in which a diverse range of employees can take on challenges.

In June 2024, we reviewed our policy and system for directors' stock compensation with the aim of further deepening value sharing with our shareholders. In order to become a major global player, we will continue to search for the optimal compensation system that will lead to the sustainable enhancement of corporate value.



To become a company that continues to support people's affluent lives and social development 50 years and 100 years from now

Although it is difficult to predict the future 100 years from now, ROHM will continue to hold on to its founding belief that it will be a company that produces good products and is useful to society.

The outlook for the global economy is uncertain due to a variety of factors, including geopolitical risks. However, in the electronics market, in addition to further promotion of energy-saving measures to combat climate change and to achieve a decarbonized society, investment in factory automation and digitalization is expected to continue in many countries. In particular, in the automotive and industrial equipment markets, which ROHM has been focusing on, technological innovation is progressing with a focus on electrification in order to reduce environmental impact and achieve carbon neutrality. Power and analog semiconductors are key to that process. One of the major developments in recent years has been the spread of AI. There is concern that the spread of AI will expand the demand for servers which consume large amounts of power. I believe that ROHM's power and analog technologies can contribute in that kind of situation as well.

As society and our customers' expectations of us grow, we believe that ROHM's mission is to solve social issues through electronics (products and technologies), and we have clearly stated this in our Statement and Management Vision. Based on them, until around 2050, we will continue to hold on to our desire to be a company that is useful to society by using electronics technology to solve the world's problems and to create products that enrich people's lives. For further years, say

100 years from now, it is of course impossible to predict the future with accuracy. What we can say, however, is that our Company Mission since the foundation of the company, "contributing to the advancement and progress of culture through the consistent supply of good products in large quantities, on a permanent basis both domestically and internationally," will continue.

"High-quality products" 100 years from now might not be electronics, but if we conduct business activities based on our Company Mission, we will create new products that are useful to society. To that end, we will build a solid management foundation. I will take the lead in striving to contribute to the environment and society through our technologies and products under the Basic Management Policy, to "secure reasonable profit through a concerted company-wide effort for a comprehensive quality assurance program."

We thank all of our stakeholders for their understanding and support.

September 2024
President

(Representative Director),
Chief Executive Officer