

Message from the Corporate Officer in Charge of Finance

Deepening the integration between financial and non-financial strategies to increase corporate value



Motohiro Ando
Corporate Officer, in charge of Finance and Director of Corporate Strategy Headquarters

I started my career in IC development, and after heading the Power Devices Business Unit, I have been in charge of corporate planning, accounting, finance, investor relations, and public relations as the Director of Corporate Strategy Headquarters. Adding a financial perspective to my experience in both the power and IC businesses, I believe that my role is to draft corporate and financial strategies with an awareness of the capital costs and the stock price and steadily execute those strategies.

Progress of the Medium-Term Management Plan

The first and second years of the Medium-Term Management Plan "MOVING FORWARD to 2025" posted record high sales for two consecutive terms, while FY2023, the third year of the plan, saw a year-on-year decrease of 7.9% to 467.7 billion yen, with operating profit decreasing by 53.1% year-on-year to 43.3 billion yen, and the operating profit margin declining from 18.2% in the previous fiscal year to 9.3%. In addition, EBITDA, which is emphasized as a management indicator, decreased 22.3% year-on-year to 115.3 billion yen.

In FY2023, the semiconductor cycle, which indicates the state of the semiconductor market, entered a trough, and it was a challenging year of stalled growth. At the same time, we steadily advanced the development of new products and technologies for power and analog semiconductors which are ROHM's strengths, aimed at the automotive and industrial equipment markets, which are expected to grow over the medium- to long-term. We also acquired land with existing buildings in Kunitomi, Miyazaki Prefecture as the main production site for SiC power devices to ensure production capacity. As a result, this will enable us to shorten the time to the start of mass production by approximately two years compared to a green-field investment which starts with constructing plants on a vacant lot, and address rapidly expanding demand going forward. In addition, because the investment plan for this site has been certified as a

plan concerning efforts to ensure a stable supply of semiconductors from the Japanese government, and up to 96.4 billion yen in subsidies are expected, it has become possible to reduce the investment burden over the next several years.

While the outlook for the global economy in FY2024 remains uncertain, the trend of energy conservation aimed at climate change measures and a decarbonized society is expected to steadily advance in the electronics market. Regarding the state of the semiconductor market, we expect that the adjustment phase from FY2023 will continue for a certain period of time, and we are planning for sales of 480 billion yen, operating profit of 14 billion yen, operating profit margin of 2.9%, and EBITDA of 106.7 billion yen. The increase in depreciation and R&D expenses through prior investment aimed at strengthening production capacity in SiC power devices renders the plan particularly challenging in terms of profitability, but we regard it as hunkering down in order to level up to significant growth.

It is expected that the state of the semiconductor market will gradually recover from the second half of FY2024, and there is a strong possibility that the semiconductor cycle will begin to improve in FY2025. We believe that this will bring us closer to achieving the Medium-Term Management Plan not only through the dramatic growth of SiC power devices but by once again putting our other businesses on a growth path.

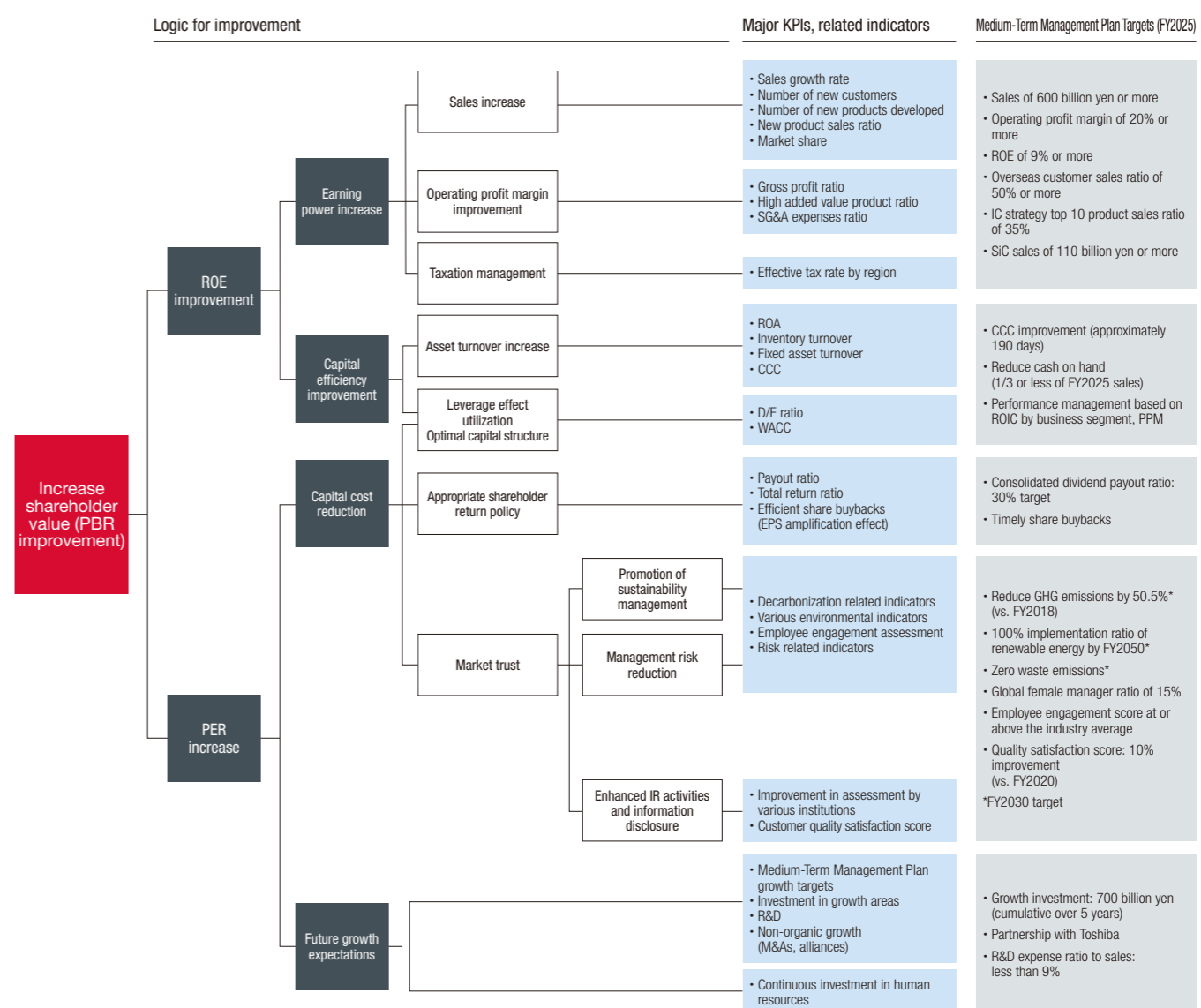
Financial Position

	FY2019	FY2020	FY2021	FY2022	FY2023
Total assets (millions of yen)	848,873	926,240	1,029,132	1,123,283	1,481,274
Shareholder's equity (millions of yen)	714,990	768,972	839,817	914,912	967,471
Cash and deposits + Securities (millions of yen)	315,723	319,430	342,400	329,247	244,575
Equity ratio (%)	84.2	83.0	81.6	81.4	65.3
Dividend per share (yen)	37.50	37.50	46.25	50.00	50.00
Payout ratio (%)	60.6	39.9	27.2	24.4	36.0
ROE (%)	3.5	5.0	8.3	9.2	5.7

*The company implemented a four-for-one common stock split, effective October 1, 2023. The "dividend per share" prior to FY2022 is calculated by taking said stock split into account.

ROHM's Financial Logic Tree

$$PBR \div ROE \times PER$$



Initiatives to Improve Corporate Value

ROHM believes that improving its ability to generate cash, cash management, and managing with an awareness of capital costs are important for improving corporate value. The results of achieving sustainable business growth, improving profitability, and finding the appropriate asset structure will be visible in our sales and ROE.

At the end of FY2023, ROHM's PBR was 1.0 or lower, but we believe that this is due to a low ROE relative to a PER of approximately 17. Our ROE, which was 9.2% in FY2022, declined to 5.7% in FY2023. We believe that the greatest issue in improving ROE lies in improving total asset turnover. While total assets increased by approximately 400 billion yen over these two years through an increase in fixed assets due to capital investment; an investment of 300 billion yen in Toshiba; and an increase in inventories, total asset turnover is

declining because the corresponding sales growth is in a period of transition. We believe that steady sales growth in previously invested businesses and the realization of synergies through a partnership with Toshiba will lead to an increase in ROE and in turn improve PBR. From the perspective of future profitability as well, we are striving to improve investment efficiency, which has been an issue to date, by conducting annual business evaluations through the business portfolio management introduced in FY2022 which is centered on market growth, our market position, and ROIC by business segment, introducing NPV and IRR methods in addition to the conventional pay-back period method in capital investment decision-making, and making decisions based on a comprehensive overview of profit advantages based on hurdle rates that take into account capital costs and business risks.

Message from the Corporate Officer in Charge of Finance

Investments in Intangible Assets

In deepening our understanding of corporate activities in recent years, the importance of disclosing not only financial information but also non-financial information is increasing. We recently reviewed ROHM's financial logic tree and incorporated non-financial information in addition to financial information to comprehensively visualize how such information will lead to increased shareholder value. (→P.31)

In particular, management strongly recognizes that strategic investment in human capital to achieve sustainable corporate growth is directly linked to increases in future corporate value, and from the perspective of appropriately securing and allocating investment funds and introducing company-wide systems, we are accelerating initiatives as company-wide issues rather than as an extension of conventional individual departments. In addition to the introduction of internal selective training and the job posting system, from FY2024 we offered increased career autonomy and skill development opportunities through the newly established MBA/MOT* dispatch program supported by company stock transfers and realized a mechanism to achieve the mutual growth of employees and the company. In addition, we are promoting activities to encourage participation in the employee stock ownership plan as part of our efforts to improve employee engagement. With the Investor Relations Department taking the lead in holding regular internal briefing sessions, we are providing explanations of external evaluations of the company's performance and stock price. Our goal is to have the

employees take an interest in management by owning shares of the company and being exposed to related information to broaden their viewpoint while also sharing their perspectives with investors, which will lead to increased corporate value in the future.

In the field of research and innovation, we are investing in internal and external human resources to support future business through innovation days with external researchers, joint research with universities through open calls for research, and the promotion of CVC* activities, in addition to conventional internal research and development activities.

In the environmental field, we are steadily implementing the introduction of ICP,* planned investment in PFC* detoxification equipment, and early progress on the introduction of renewable energy.

In considering non-financial initiatives as important activities tied to future increases in corporate value, we believe that quantifying the results of investments in such non-financial matters and indicating how they are tied to future corporate value will be an issue going forward. For ROHM's future prospects to be properly evaluated, we will strive to disseminate both financial and non-financial information to stakeholders in an easy-to-understand manner, such as increasing the frequency of dissemination through ESG briefings by top management while coordinating with the sustainability division and other related divisions.

* Explained in the Glossary

Growth Investment and Cash Management

Regarding capital investment, we are planning to increase the cumulative total over the five years of the Medium-Term Management Plan from 600 billion yen to 700 billion yen. This investment will focus on increasing the production capacity for 8-inch wafers for SiC power devices, which are expected to experience dramatic growth, as well as Si power devices and analog ICs, and it will be carried out as investment that is essential for future growth. Investment funds will, in principle, be covered by cash flow from operating activities. However, due to the prolonged slowdown in market conditions, the cumulative cash flow from operating activities over the five years up to FY2025 is expected to be lower than initially forecasted, and we plan to cover this by reducing cash on hand and utilizing Japanese government subsidies. Capital investment has reached a historically unprecedented high level due to prior investment in SiC power devices, and it will decline after peaking in FY2023. We will transition from the prior investment phase to a normal investment phase which will increase the likelihood of returns by delaying the investment

decision period as much as possible, while ascertaining market conditions and order trends to approach a level that is roughly 10 to 15% of sales over the medium term.

We are gradually preparing to demonstrate the results of activities to improve the cash conversion cycle (CCC), which have been promoted since FY2022. From FY2024 to FY2025, we will generate cash internally, which will lead to the effective utilization of funds.

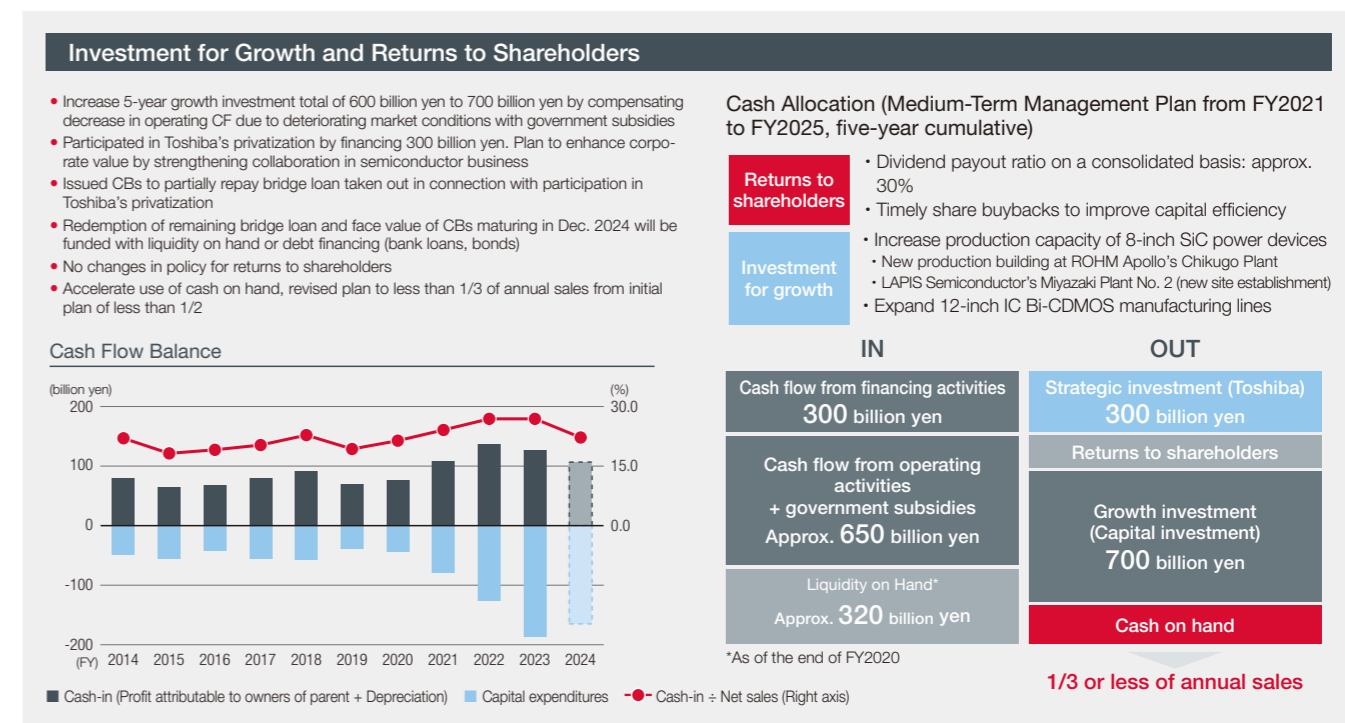
In FY2023, we raised debt financing in the form of a bridge loan for 300 billion yen as a financial resource for the investment in Toshiba. The 200 billion yen raised through convertible bonds (CB) in April 2024 was allocated to part of the repayment. For redemption of the 40 billion yen par value of the previously issued convertible bonds maturing in December, we plan to allocate cash on hand or debt financing. ROHM's balance sheet is significantly changing, and in terms of financial discipline we will set the D/E ratio to less than 0.5 and conduct balance sheet management.

Shareholder Return

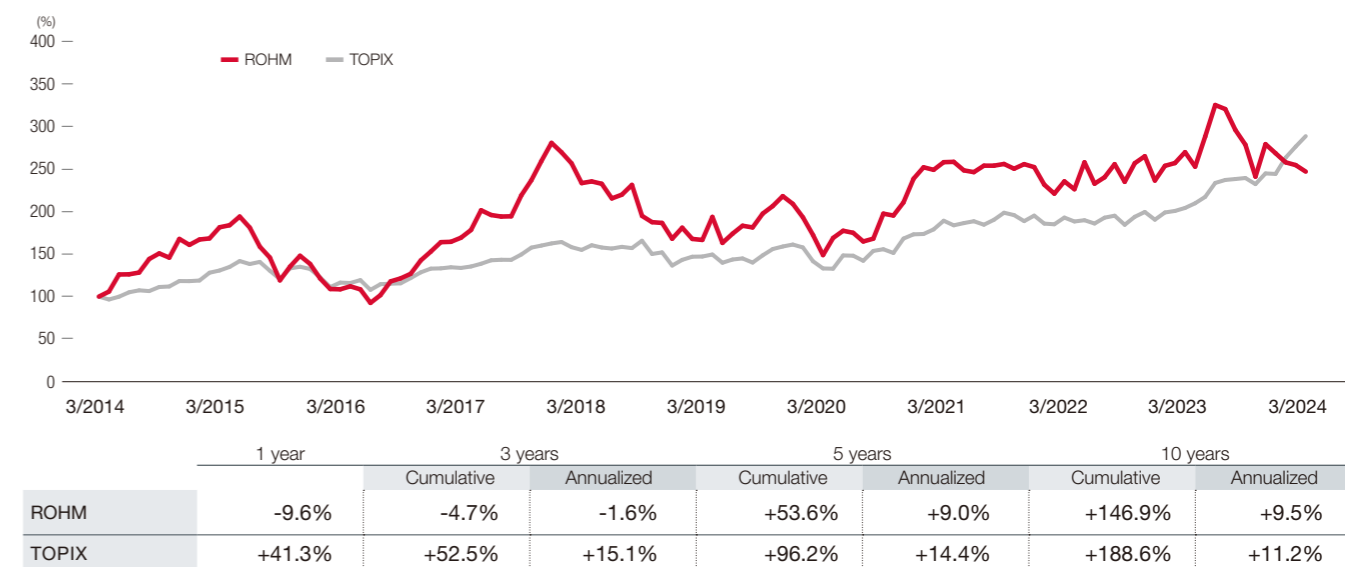
Our policy is to provide shareholder return with a consolidated dividend payout ratio of approximately 30%.

The next few years will be a phase of proactive investment aimed at strengthening business growth and future cash generating ability. However, we will review the balance between investment and shareholder returns according to the progress of future business growth.

Share buybacks will be carried out in a timely manner for the purpose of improving capital efficiency. In addition, we have set an upper limit of treasury stock to be held at roughly 5% of the total number of issued shares, and shares exceeding this limit will in principle be retired each period. We will continue to hold treasury stocks to ensure management flexibility such as utilizing it for M&A as needed.



TSR (10 years, dividends included)



* Total shareholder return (TSR): Total rate of return on investment that combines capital gains with dividends

* TSR for ROHM is calculated based on cumulative dividends and stock price fluctuations. TSR for TOPIX is calculated with a stock price index including dividends. (Created by ROHM using Bloomberg data and other sources.)

* TSR values in the graph are indexed to market prices as of March 31, 2014, as 100 (assuming the stock was held until March 31, 2024).