Increasing Business Resilience

ROHM's Value Creation Story / Strategy for Becoming a Major Global Player / Improving Corporate Value / Increasing Business Resilience / Data

# Risk Management

To conduct sustainable business activities, ROHM formulates measures to minimize the occurrence of risks, which are events that may impede business operations and business performance. To earn the trust of all stakeholders, we have established a compliance system and are working to thoroughly manage the risk of violations of laws and regulations as well as corporate ethics.
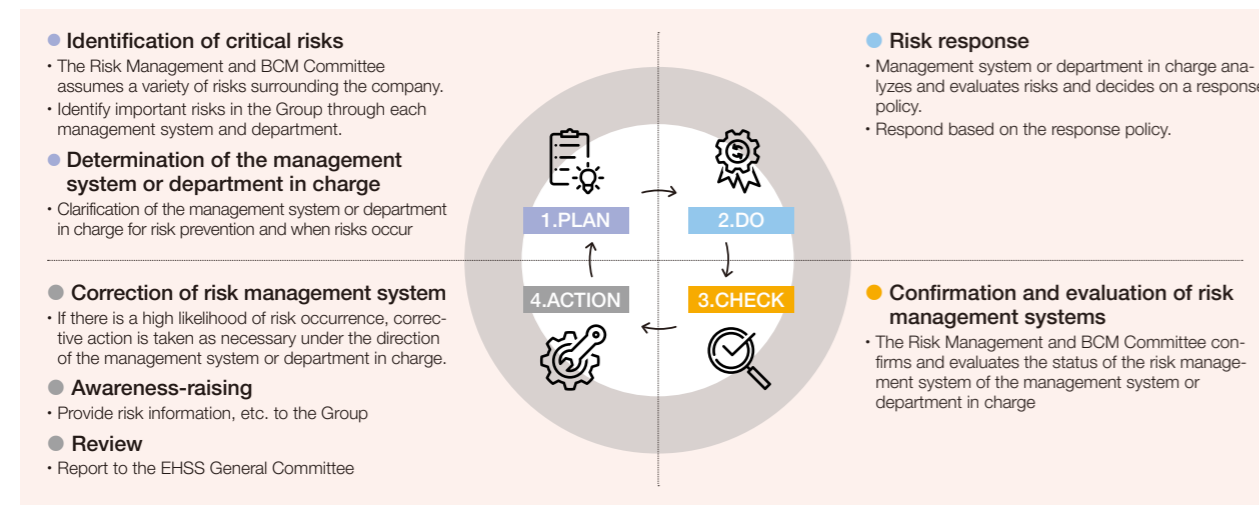
Risk Management
https://www.rohm.com/sustainability/foundation/risk-management

| Material issues | Risk Management | ▶ P26 FY2023 results and KPIs |
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## System for Promoting Enterprise Risk Management

Various risks may affect our financial position and operating results in the course of our business activities. ROHM is working to strengthen enterprise risk management (ERM) in order to avoid or minimize the impact of such risks. The Risk Management and BCM Committee (meets four times a year) is organized under the Board of Directors and the EHSS General Committee, which oversees the company-wide management system. It identifies important risks that may occur in the Group, evaluates them on a risk map in terms of their frequency of occurrence and impact on the business, and manages and promotes countermeasures. In conjunction with each management system, the status of ERM activities and risk assessment/management indicators are reported to the EHSS General Committee once every six months, and important risks to be disclosed outside the company are reported to and approved by the Board of Directors. The Risk Management and BCM Committee is chaired by the general manager of the Corporate Strategy Headquarters, who is also a corporate officer, and the committee and its secretariat are independent of the business units.

### Activity cycle for risk management

- **Identification of critical risks**
  - The Risk Management and BCM Committee assumes a variety of risks surrounding the company.
  - Identify important risks in the Group through each management system and department.
- **Determination of the management system or department in charge**
  - Clarification of the management system or department in charge for risk prevention and when risks occur
- **Correction of risk management system**
  - If there is a high likelihood of risk occurrence, corrective action is taken as necessary under the direction of the management system or department in charge.
- **Awareness-raising**
  - Provide risk information, etc. to the Group
- **Review**
  - Report to the EHSS General Committee

- **Risk response**
  - Management system or department in charge analyzes and evaluates risks and decides on a response policy.
  - Respond based on the response policy.
- **Confirmation and evaluation of risk management systems**
  - The Risk Management and BCM Committee confirms and evaluates the status of the risk management system of the management system or department in charge

1.PLAN  2.DO  3.CHECK  4.ACTION

### Internal and external audits

The Risk Management and BCM Committee conducts annual internal checks within the PDCA cycle of the management system to confirm its effectiveness. In addition, the Internal Audit Department, an independent organization under the direct control of the President, conducts internal audits of business and compliance risks in the Group, and summarizes key details in an assurance map, which is shared and coordinated with each management system through the Risk Management and BCM Committee.

The quarterly meetings of the Risk Management and BCM Committee are attended not only by representative members of each management system, but also by Board members, including outside directors, full-time audit and supervisory committee members, and the head of the Internal Audit Division, to monitor and supervise whether risk management is working effectively. The outside directors have past experience in risk management and internal control at financial companies and provide advice and supervise ROHM's risk management based on their professional expertise.

Each management system is subject to periodic external audits, including the RBA Validated Audit Process and ISO audits, to confirm the effectiveness of the management structure, including risk management, from an external perspective.

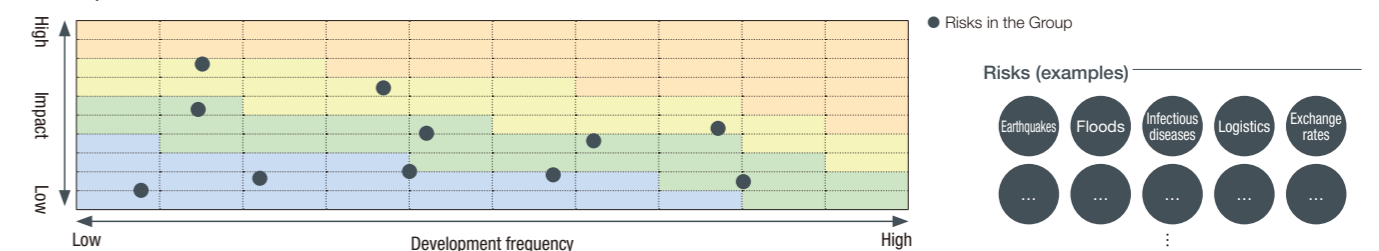### Risk management indicators and reporting structure

The Risk Management and BCM Committee analyzes and evaluates the impact and frequency of key risks in management, business, compliance, sustainability, and other areas, and then reviews and organizes them into a risk map four times a year. In addition, in order to effectively monitor ERM, we have established Key Risk Indicators for all key financial and non-financial risks, which measure the signs of potential risks and the progress of countermeasures. By establishing quantitative indicators as much as possible through sensitivity analysis and other means, we can visualize the signs of risk occurrence, impact, and the status of responses, and promptly reflect them in management.

In the event of a risk event, we have established and are promoting a culture and structure to promptly notify the appropriate parties and management (Board members) within the company, and to respond to the event through an internal emergency reporting system and communication tools prepared in advance, regardless of the country or location.

For compliance risks, we have established hotlines for employees and suppliers, and an internal hotline for quality risks.

Risk map


● Risks in the Group

Risks (examples): Earthquakes, Floods, Infectious diseases, Logistics, Exchange rates

### Business Continuity Management

ROHM conducts development, manufacturing, and sales activities throughout the world. Therefore, we believe that one of the key issues for our management is BCM. We have established and are implementing the ROHM Group Risk Management and Business Continuity Policy as well as the ROHM Group Fire and Disaster Prevention Policy. In particular, at domestic and overseas sites with production functions, we take various measures to prepare for contingencies, including identifying disaster and other risks and use this to organize countermeasure committees, formulate BCP, and conduct drills based on such plans.

### [Actions for Water Risks]

#### Identification of water risks by using the WRI Aqueduct tools and countermeasures

ROHM uses World Resources Institute (WRI) Aqueduct, a set of global assessment tools, to identify water risks. In manufacturing semiconductors, which requires large amounts of water, the securing of water is critical. In Japan, where front-end processing (wafer processing) functions are concentrated, we have set drought risk as a priority issue and have set long-term targets for securing water intake and reducing water usage. We have been proceeding with a water intake plan that is linked to production plans and environmental targets.

Overseas, where assembly, inspection and other back-end processes take place, we have identified flood risk as an issue. The 2011 flood in Thailand caused the Group's manufacturing sites to shut down, and the loss of facilities and equipment along with the economic loss due to the suspension of production had a great impact both internally and externally. We use WRI Aqueduct as a flood risk assessment tool for our manufacturing sites, while the Risk Management and BCM Committee also assesses and analyzes flood risks. By designing inventories based on the estimated number of days of suspended production from a BCP perspective, we are working to reduce risk of production shutdowns due to flooding.

#### Conducting drills based on lessons learned from the flooding in Thailand

Every year at our manufacturing site in Thailand, we conduct BCM Countermeasures Headquarters drills in preparation of flooding. Based on the action plan drawn up using the experiences of the 2011 flood, items for implementation are checked for hypothetical situations assuming each of the phases of "upstream flooding" and "flooding of a similar scale to 2011, with a flood wall in the industrial park washed away." We also run training in essential skills, including assembling flood walls prepared as a flooding countermeasure, starting up drainage pumps, operating boats, and other activities such as checking items to be used in the event of flooding.


Flood wall assembly training at the manufacturing site in Thailand

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## Risk Management

### [Responding to Other Risks]

#### ▌ Earthquake risks

We have installed the Building Safety Judgment Support System at major sites and buildings in Japan to enable rapid responses in the event of an earthquake in terms of both human safety and business continuity. This system analyzes the shaking of the building immediately after the earthquake and judges the safety of the building in three stages. By utilizing this system, we can judge the safety of buildings in a timely, professional and objective manner in addressing earthquake risks, one of the most significant risks in doing business in Japan.

In addition, each of ROHM's business sites has established a BCM task force to ensure the safety of employees and others in the event of an emergency and to ensure the continuity and early recovery of core businesses. In FY2023, we conducted information sharing training assuming a Nankai Trough megaquake for the BCM Countermeasures Headquarters of the ROHM head office and members of its subordinate operational team. The training clarified issues related to the roles and activities of each team and its members as well as reconfirmed courses of action. It also improved awareness of BCM and BCP as well as readiness.

#### ▌ Geopolitical risks

International relations in various countries and regions are increasingly uncertain, including the prolonged Russia-Ukraine conflict and heightened military tensions in the Taiwan Strait, South China Sea and Middle East. For ROHM, with its global business activities, geopolitical risks may not only have a direct impact on production and sales activities in the form of business withdrawals and suspended operations, but may also impact our entire supply chain, including material procurement and business with customers.

In response, ROHM established the Economic Security Office as a specialist unit in December 2023. Led by this unit and the Risk Management and BCM Committee, we collect in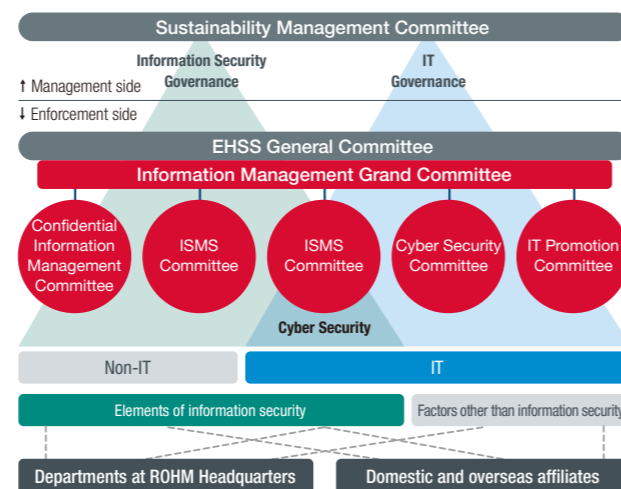formation, monitor, and implement measures regarding geopolitical risks that may impact management. While continuing to formulate and promote risk management measures and BCP based on risks identified for business sites in all regions and ensuring the safety of employees, we are working to minimize the impacts on our business.

In regard to export control regulations on semiconductor-related products, ROHM conducts proper export controls while the Export Control Specialist Subcommittee, comprising related departments across the company, works in close collaboration with lawyers.

Other Risks
https://www.rohm.com/sustainability/foundation/risk-management#anc04

### Actions for Information Security

#### ▌ Information management system

ROHM has identified the establishment of an information security system that enhances business continuity, and the establishment, provision, and utilization of IT tools that support the Medium-Term Management Plan as key issues in information security governance, cyber security, and IT governance, and the Information Management Grand Committee takes the lead in the operation of the information management system. This committee is established as a subordinate organization of the EHSS General Committee, in which directors with executive authority and divisional managers participate, and is responsible for the appropriate management of information security risks, cyber security risks, and IT governance risks in ROHM.

The Head Office and some manufacturing sites have obtained ISO/IEC 27001 information security management system certification. The scope of certification covers the planning, development, maintenance and operation of the Group's internal information systems as well as the development, manufacture and sales of semiconductors and electronic components. Furthermore, the Head Office, LAPIS Semiconductor's head office and Miyazaki Plant and ROHM Semiconductor GmbH have received TISAX (Trusted Information Security Assessment Exchange) certification, which was developed by the German Association of the Automotive Industry for the assessment of information security.

We are advancing proper information management to prevent leaks and end fraudulent use of confidential information, which is key for our business, through conventional audits and evaluations within and outside the organization as well as by continuously expanding their implementation and the scope of certifications.

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                 Sustainability Management Committee

↑ Management side    Information Security          IT
↓ Enforcement side      Governance             Governance

                    EHSS General Committee
           Information Management Grand Committee

  Confidential    ISMS       ISMS      Cyber Security   IT Promotion
  Information    Committee   Committee   Committee        Committee
  Management
  Committee
                         Cyber Security

      Non-IT                         IT

  Elements of information security    Factors other than information security

  Departments at ROHM Headquarters    Domestic and overseas affiliates
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Information Security
https://www.rohm.com/sustainability/foundation/information-security

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## Compliance Initiatives

ROHM must continuously comply with laws, international norms, business ethics and in-house rules and fulfill its social responsibility as a company in order to continue to gain the trust of various stakeholders in relation to its business activities. ROHM has the awareness and responsibility that "the company is a public institution of society" and establishes a system for compliance in accordance with the ROHM Group Basic Ethics Policy and the ROHM Group Business Conduct Guidelines, committed to rigorous management of risks of legal and corporate ethics violations.

### Whistleblowing System

ROHM has established a compliance hotline established by an external law firm as a whistleblowing system to accept reports and consultations regarding compliance violations from all employees including non-regular employees, of Group companies in Japan. As for overseas Group companies, in addition to setting up hotlines, we have also established a global compliance hotline that allows employees to report misconduct or potential misconduct by officers to the ROHM Head Office*.

In order to ensure the appropriate operation of the system, we have established internal regulations to ensure that those who make reports or seek consultation are not treated unfairly for use of the whistleblowing system and that we thoroughly ensure that information provided or uncovered through investigations is kept confidential. We also provide in-house training to employees who are engaged in compliance hotline-related work.

Furthermore, we are working to identify information on risks such as violations at an early stage as well as respond promptly and appropriately by distributing ROHM Compliance Cards and promoting awareness of the hotline through noticeboards and internal training.

*Number of whistleblower reports in FY2023 (from April 1, 2023 through March 31, 2024): 86

### Education and Training System

ROHM must increase the level of compliance literacy for each individual employee for compliance of business ethics. In order to spread and increase compliance awareness, ROHM conducts regular compliance-themed training as well as in-house education and awareness-raising activities such as legal e-learning. By also conducting level-specific compliance training from management (directors) through new employees, all employees are able to understand and acquire knowledge of the rules that they must observe at each level.

Compliance
https://www.rohm.com/sustainability/foundation/compliance

### Tax Compliance Response

#### ▌ Basic policy

ROHM strives to pay taxes appropriately in compliance with national and regional laws and regulations under its system that appropriately ascertains and manages tax relationships in its business activities. We respond to domestic and international tax reforms, including the Organization for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) Project, fulfilling our corporate social responsibility (CSR) at an even higher level.

Tax Data by Country and Region for FY2023
(Millions of yen)

| Tax jurisdiction | Revenues | Profit (loss) before income tax | Income tax paid (on cash basis) | Income tax accrued-current year |
|---|---|---|---|---|
| Japan | 631,626 | 22,669 | 27,463 | 4,585 |
| Thailand | 138,937 | 6,153 | 817 | 661 |
| Hong Kong | 93,537 | 3,735 | 646 | 577 |
| Philippines | 83,329 | 3,611 | 515 | 624 |
| China | 69,420 | 5,880 | 831 | 1,071 |
| Germany | 50,435 | 4,633 | 188 | 833 |
| South Korea | 46,720 | 2,635 | 756 | 632 |
| Singapore | 35,901 | 4,974 | 582 | 922 |
| Americas | 28,823 | 1,611 | 114 | 95 |
| Taiwan | 26,816 | 1,419 | 278 | 249 |
| Malaysia | 26,258 | 1,772 | -421 | 206 |
| Subtotal | 1,231,802 | 59,091 | 31,767 | 10,456 |
| Other | 7,675 | 279 | 44 | 64 |
| Total | 1,239,477 | 59,370 | 31,812 | 10,520 |

* Countries and regions for which the subtotal of the items exceeds 90% of total are shown.
* The amounts in the left are based on Country-by-Country Reports submitted to Japan's Tax Agency and have no direct bearing on consolidated financial statements.

Tax Policy
https://www.rohm.com/sustainability/foundation/governance/taxpolicy