



May 9, 2023

To all concerned parties

Listed company name ROHM Co., Ltd.  
Company Representative Isao Matsumoto, President CEO  
(Code: 6963 Prime Section, TSE)  
Contact Person: Hidenari Nagayoshi,  
General Manager, IR Div.  
(Tel: 075-311-2121)

### **Notice of regarding the Board Opinion on Shareholder Proposal**

ROHM Co., Ltd. (the "Company") has received a document from its shareholder to the effect that shareholder proposals would be made in conjunction with the 65th Ordinary General Shareholders Meeting to be held on June 27, 2023 (hereinafter referred to as the "Shareholder Proposal").

The Company will announce as described below that the Board of Directors held today resolved to oppose the Shareholder Proposal after careful consideration.

#### 1. Shareholder

LONGCHAMP SICAV (Dalton Investments Inc. as a proxy)

#### 2. Proposal

##### (1) Agenda

Approval of compensation amount related to restricted stock compensation system

##### (2) Contents

Please refer to the Appendix "Details of the Shareholder Proposal".

The Appendix contains the relevant descriptions of the submitted Shareholder Proposal are set forth in the original text.

#### 3. The Board Opinion on Shareholder Proposal

The Board Opinion regarding the Shareholder Proposal has been decided by the Board of Directors in accordance with the report of the Director Remuneration Council, which is established as an advisory body of the Board of Directors composed with a majority of independent outside directors.

##### (1) The Board Opinion

The Board of Directors is opposed the Shareholder Proposal.

##### (2) Background of the Board Opinion

The Company's remuneration system for directors shall be designed so that the management responsibilities of directors will be clarified and that the remuneration, etc. of directors will fully function as a sound incentive for sustainable corporate growth and enhancement of corporate value over the medium to long term, in order to ensure appropriate value sharing with shareholders. In principle, the remuneration,

etc. of each director shall be determined at a level appropriate for his/her responsibilities.

Specifically, the remuneration, etc. of an executive director shall consist of fixed remuneration and performance-based remuneration (both monetary remuneration), as well as of non-monetary remuneration in the form of stock-based remuneration. By contrast, the remuneration, etc. of an independent outside director and a non-executive director shall consist only of fixed remuneration as they perform an oversight function independently from the execution of the Company's operations.

In addition, in order to increase independence, objectivity, and transparency in determining the remuneration, etc. of directors, the Company shall establish the Director Remuneration Council—the majority of whose members are independent outside directors—as an advisory body to the Board of Directors, wherein the remuneration system for directors and the remuneration, etc. of each director based thereon shall be deliberated on.

From the perspective of “value sharing with shareholders,” to promote this, at the Ordinary General Shareholders Meeting held in June 2020, we received approval for the introduction of “restricted stock compensation,” and at the Ordinary General Shareholders Meeting held in June 2022, we received approval for the introduction of “performance-linked restricted stock compensation.”

When introducing these, we referenced executive remuneration survey data of external research organizations (benchmark remuneration levels of companies of a similar business scale to the Company and of related industries or business models) and examined their rationality and appropriateness, including the ratio of each type of remuneration and its calculation method. The Director Remuneration Council also leads continuous work to examine the necessity of further revisions to the compensation system.

Thus, the Company's current compensation system has been decided by giving multifaceted consideration to various indicators, and we consider it to be an appropriate system capable of providing an incentive to sustainably increase corporate value while sufficiently realizing value sharing with shareholders. We also consider it to be of an appropriate level. Considering the Company's scale, level of operating income, benchmark remuneration levels of companies of a similar business scale to the Company and of related industries or business models, and so forth, we consider the introduction of a restricted stock compensation plan with separate allowances from the current stock compensation system limited to a further annual amount of no more than 900 million yen for directors excluding outside directors and a new annual amount of no more than 100 million yen for outside directors to be an unbalanced and excessive compensation allowance at this point in time.

Furthermore, the Shareholder Proposal is to introduce restricted stock compensation including for the outside directors and directors who are members of the Audit and Supervisory Committee; however, since outside directors are expected to provide advice to the Company's management and to appropriately supervise business execution by executive management, and directors who are members of the Audit and Supervisory Committee are expected to strengthen supervision of management by the Board of Directors through audits of directors business execution, the Company's policy is not to include them as eligible for restricted stock compensation in order to ensure their high level of independence.

Accordingly, the Board of Directors is opposed to the shareholder proposal; however, it will seriously consider the content of the proposal and continue to promote comprehensive discussion not only of issues such as the balance and level of remuneration composition, but also the approach to director's shareholding ratio of the Company's shares and the retention period. We will pursue the optimal status for the compensation system to promote the sustainable increase of corporate value with a view to becoming a major global player through measures including invigorating deliberation in the Board of Directors and

leveraging the Director Remuneration Council, etc.

## Appendix "Details of the Shareholder Proposal"

The Agenda, Outline and Reason of the submitted Shareholder Proposal are set forth in the original text.

### 1. Proposed Agenda

1 Approval of compensation amount related to restricted stock compensation system

### 2. Outline of the Agenda and Reason for the Proposal

1 Approval of compensation amount related to restricted stock compensation system

#### (1) Outline of the Agenda

At the 61st Ordinary General Shareholders Meeting, held on June 27, 2019, it was approved that the annual remuneration of directors who are not members of the Audit and Supervisory Committee of the Company be set at no more than ¥900 million (including no more than ¥100 million annually for outside directors) and annual remuneration for directors who are members of the Audit and Supervisory Committee be set at no more than ¥100 million. In addition, it was resolved at the 62nd Ordinary General Shareholders Meeting, held on June 26, 2020, to provide annual restricted stock compensation of no more than 100 million yen (excluding directors who are members of the Audit and Supervisory Committee and outside directors). Then, at the 64th Ordinary General Shareholders Meeting, held on June 24, 2022, it was resolved to provide performance-linked restricted stock compensation of no more than the amount obtained by multiplying 50,000 shares by the share price at the time of delivery for each Performance Cycle (excluding directors who are members of the Audit and Supervisory Committee and outside directors). Now, with the aim of providing an incentive to the directors of the Company to continuously increase the Company's corporate value and to further promote value sharing between the Company's directors and its shareholders, as a separate allowance to the above compensation allowances, it is proposed that the Company newly grant monetary remuneration receivables for the granting of restricted stock of no more than 900 million yen annually and no more than 85,800 shares to directors other than outside directors and newly grant monetary remuneration receivables for the granting of restricted stock of no more than ¥100 million annually and no more than 9,600 shares to directors who are outside directors. The transfer restriction period is to be three years from granting. Specific payment timing and distribution is to be decided by the Board of Directors; however, the proposal is designed as a performance-linked incentive system and is designed to grant restricted stock corresponding to three-times the basic remuneration in aggregate over the next three years when performance standards are met.

#### (2) Reason for the Proposal

The Company has introduced restricted stock compensation as non-monetary remuneration. However, the ratio of fixed remuneration is excessively large compared to performance-linked stock compensation, so that value sharing between directors and shareholders does not seem to be sufficiently achieved. Therefore, this proposal is to introduce a new restricted stock compensation system as an addition to the current performance-linked stock compensation system. Moreover, the proposal is to grant restricted stock corresponding to three-times the fixed remuneration in aggregate over the next three years to directors. As is noted in "Guidebook for Introducing Incentive Plans for Sustainable Corporate Growth as Board Members' Remuneration to Promote Proactive Business Management," which was published by the Ministry of Economy, Trade and Industry in April 2014 and continuously updated, to promote management

from a shareholder perspective and provide incentives to increase earnings over the medium to long term, it is considered preferable to grant appropriate and effective stock-based compensation to the management executives. Furthermore, in Europe and the United States, almost all major listed companies have adopted share retention guidelines that mandate the continued holding of shares (selling is also prohibited) for a certain volume of shares for certain period considered necessary for value sharing with shareholders. Separately from the proposal for approval of the compensation amount related to the restricted stock compensation system, it seems desirable to introduce and disclose shareholding guidelines for continuously holding shares worth three to five times the fixed remuneration for certain period in the securities report.