

To Our Shareholders,

## **ROHM Co.,Ltd.**

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### **The Board Opinion on the Institutional Shareholder Services, Inc.'s Proxy Advisory Service Recommendation on the Shareholder Proposal**

It came to our attention that on June 6<sup>th</sup>, 2009, one of the proxy advisory service firms, Institutional Shareholder Services, Inc. ("ISS"), issued its voting recommendation regarding agendas in our 51<sup>st</sup> Annual Shareholders' Meeting to be held on June 26<sup>th</sup> 2009. Although ISS recommends to vote "For" Item 4, Approve Share Repurchase Framework ("the Shareholder Proposal"), the Board of Directors of ROHM CO., LTD. ("the Board") recommends our shareholders to vote "AGAINST" Item 4.

The Board understands the main reasons why ISS recommended a vote "For" this agenda item are that they remain skeptical of the level of ROHM CO., LTD ("ROHM" or "the Company")'s financial assets, and feels this has contributed to equity valuations below book value, preempting the option of efficient equity financing. ISS also points out that if this share repurchase framework is established and its use is announced by the Board, it would result in an improvement in the price to book ratio and reopen equity financing as a realistic part of the financial toolkit for the Company.

The Board believes that the Company requires over 150 billion yen in order to run the global businesses. In addition, not knowing how long the worldwide economy will be depressed, it is crucial for the Company to retain the current level of cash to support global operations, fund the structural renovation costs including the integration costs related to our recent acquisition, reserves for emergencies, provide for capital expenditures and research and development costs and to fund possible future business or M&A activities. At the same time, the Company is committed to provide both sustainable growth in its business operations and continuous shareholder returns during this time when borrowing in the world capital markets is difficult. Through the discussions with our global shareholders during the recent road show, we have received many favorable words to the effect that "Given the current situation, ROHM's financial strength is worthy of praise. Having and keeping a strong financial platform in this uncertain economy is ROHM's advantage". According to an analyst report from Nomura Securities as of November 7<sup>th</sup>, 2008, "the Company has a highly valued strong balance sheet consisting of sufficient cash", and the one from Nikko Citigroup Securities as of November 17<sup>th</sup>, 2008, commented that with "net financial assets per share high among its peer group, the risk of underperformance will be minimal."

In the previous ten (10) years, our share price has never been traded for less than book value, except during the brief period since the collapse of Lehman Brothers (September 2008), which clearly shows that the level of financial assets of the Company is not the cause of the share value being less than its book value. Also,

our latest share price has recovered quickly to the level around that time period. This is because our investors understand and value our latest prompt actions on structural renovations by fully utilizing our strong financial platform. The Board will continue to make investments aggressively based on its strategy in order to improve the earnings even in this severe financial crisis.

The Board therefore disagrees with ISS position in favor of Item 4 primarily due to our strong financial platform.

The Board fully understands the importance of taking the balance between the Company's cash needs and the shareholder returns. As mentioned in our "Supplementary Explanation on the Board Opinion on the Shareholder Proposal" issued on June 4<sup>th</sup>, 2009, with prudent consideration of the circumstances, such as the degree of market recovery, the capital market environment, future need of cash and consolidated free cash flow generation, the Board is planning to announce its view on the shareholder return program including share buybacks for fiscal year 2010 in the second quarter financial announcement to be made in November 2009. As for further shareholder return programs after fiscal year 2011, the Board is planning to announce its new policy in the year-end financial announcement to be made in May 2010, carefully considering the circumstances including business performance, future need of cash, shareholders' equity and its financial assets.

Our Articles of Incorporation state that the Board shall expedite share buybacks on a timely basis (approved by our Annual Shareholders' Meeting on June 29<sup>th</sup>, 2004), which allowed the Board to repurchase shares for a total of 91.5 billion yen to date beginning in fiscal year 2005 with a repurchase amount of 19.9 billion yen. Our dividend has also been increased gradually, which will be paid in a total of 71.4 billion yen in the last five (5) years through fiscal year 2009 (the consolidated payout ratio will be 39.1% on average). The Board is committed to ensure steady profit returns to our shareholders, including share buybacks and dividends.

For these reasons, the Board again recommends a vote "AGAINST" Item 4 (the Shareholder Proposal).

### 【ROHM's Track Record of Shareholder Returns】

