# ROHM Group Innovation Report 2016

〈Additional Volume〉 Annual Financial Report 2016

ROHM Co., Ltd.

# 2016
Annual Financial Report

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## Management Policies

### (1) ROHM's Basic Management Policy

The ROHM Group believes that, in creating and improving our overall corporate value, promoting the development of innovative products and high-quality manufacturing within our corporate business activities will both improve customer satisfaction and contribute to society. Those results will in turn boost employee confidence and pride, and inspire new challenges. Moreover, the added-values created by these business activities should be allocated in appropriate proportions to all constituents, including shareholders, employees, and stakeholders of local communities, while retained earnings should be allotted to business investment and efforts to increase competitive strength. To pursue this objective, it is also crucial to obtain the understanding and cooperation of all those with a stake in the company's performance. Therefore, since making the ROHM Group more attractive to stakeholders is one of the important missions of company management, these activities are incorporated into operations throughout the ROHM Group and seriously undertaken for the CSV (Created Shared Value) they deliver.

With these perspectives, the ROHM Group has committed itself to developing market-leading products by focusing on high value-added system ICs, power devices, sensor related products, and mobile devices for digital information appliances, mobile electronic equipment, industrial equipment and automotive components, where further market expansion is expected. As a fundamental policy, the Group pursues a stable supply of high quality, cost-competitive products in high volume through optimal utilization of its distinctive production technologies that will help to maintain a leading position in the global semiconductor and electronic components market.

### (2) Mid-to Long-term Corporate Strategies

In order to build the foundations for mid- to long-term growth needed to serve continuously globalizing markets, the ROHM Group is promoting the following growth strategies.

#### <1> ROHM's 4 Growth Solutions

The ROHM Group achieved good results via the "4 Growth Engines" that guided our business strategy, namely ① IC synergy with Lapis Semiconductor Co., Ltd., ② SiC-based power devices and power module products, ③ optical devices and related products, and ④ sensor-related products. Now, because of current market and technology trends, the ROHM Group is newly shaping that success into the following "4 Solutions."

**① Analog Solutions**

With car electronics evolving at lightning speed and IoT reaching new bounds, the ROHM Group will be developing advanced analog solutions fused with digital technologies, such as high-performance power management ICs incorporated with digital control capabilities and multifunctional LED driver ICs. We will also expand the reference business in and around the automotive and industrial equipment markets by cooperating with leading processor manufacturers.

**② Power Solutions**

Because of the growing needs to conserve and more efficiently use energy, the ROHM Group had been developing and strengthening lineups of SiC devices of smaller sizes and greatly reduced power loss compared to conventional Si semiconductors. These products have been adopted for a variety of applications centered around the automotive and industrial equipment markets. We will, therefore, be promoting the best power solutions for customers by combining our core analog power technologies with high-performance power ICs, IGBTs, power MOSFETs, etc.

**③ Sensor Solutions**

The market for sensor-related devices is expanding on the increased use of detection technologies, therefore the ROHM Group will be applying its production technologies and sensor control technologies to strengthening lineups of sensor-related devices such as MEMS accelerometers, brightness sensing devices and thin film piezo devices(*). Moreover, we will address the diversity of IoT needs and other markets by combining these devices with wireless communication and control technologies.

* Thin firm piezo devices
Piezo devices convert applied pressure into voltage and vice-versa. They are used for sensors and other oscillation circuits.

**④ Mobile Solutions**

With smartphones trending towards increasingly higher functionality and wearable electronics markets growing, the ROHM Group will be using the broad scope of technologies we have fostered as a semiconductor manufacturer to develop the world's smallest devices, which will include upgrading our lineups of products in our innovative RASMID® series of components that deliver both dramatic miniaturization and ultra-high dimensional precision.

#### <2> Enhancement Strategies for the Automotive, Industrial Equipment and New Markets

The automotive market, which is seeing increased computerization, and the industrial equipment market, which continues to grow at a steady pace, require a stable supply of high quality, high reliability products – all of which the ROHM Group can extremely provide. In the automotive and industrial equipment markets, ROHM aims to raise its sales ratio by strengthening its production systems. Also, in the IoT and other markets where growth is expected, the ROHM Group will aggressively reclaim markets by making use of the semiconductor technologies that it has cultivated.

#### <3> Sales Enhancement Strategy for Overseas Customers

Markets are globalizing at an almost delirious speed, therefore the ROHM Group is strengthening sales activities to capture and keep overseas customers not only in Europe and the USA but also in Asia and other emerging countries where markets are growing. We are building systems to cover the full gamut of services from product configuration to development, sales and technical support, which will enable us to meet a wide range of needs of overseas customers and achieve our aim of increasing both sales and shares of overseas markets.

#### <4> Production Innovation

To stably grow our business over the mid- to long-term, the ROHM Group will be configuring its network of production sites to quickly supply products all around the world. We will also be using RPS (Rohm Production System) activities to reduce waste and enhance efficiency, and will be looking to cut costs by shortening lead-times and further improving quality in all aspects of operations. Moreover, to make "Zero Defects" a reality, we will be developing technologies and investing in equipment needed to build a state-of-the-art quality management system.

### (3) Status of Corporate Governance
### Corporate Governance System

**① Status of Efforts to Improve the Internal Control System**

Enhancing our internal control system is one of the most important management topics. The ROHM Group is not only committed to maintaining proper business processes throughout the entire group but also to ensuring reliable financial reporting, thereby fulfilling our corporate social responsibility requirements. We will promote our basic policies and conduct maintenance activities to build our internal control system while taking note of the following points.

1. System for ensuring that corporate Directors perform their duties in compliance with established laws, regulations, and our Articles of Incorporation
   (a) In order to promote further progress of globalization, ROHM Group will comply not only with laws and regulations but also with the 10 principles of the United Nations Global Compact for a wide range of problems in the areas of human rights, labor, the environment, anti-corruption, etc. and promote the management focusing on CSR based on "ISO26000," the international standards for social responsibility and "Electronic Industry Citizenship Coalition (EICC) Code of Conduct", etc.
   (b) Directors should perform their duties based on the in-house regulations such as "ROHM Group Business Conduct Guidelines" and the Basic Rules of the Board of Directors and ensure the compliance with all applicable laws and regulations as well as the Articles of Incorporation.
   (c) The Director or Directors who are highly informed in a specific field should be responsible for the duties related to such field, while all Directors should hold discussions and monitor each other on a daily basis concerning the respective individual fields.
   (d) Should a Director be found having committed an illegal act by another Director or a Company Auditor, it should be promptly reported to the Board of Directors and the Board of Company Auditors.
   (e) In addition to two Outside Directors, five Outside Company Auditors should regularly hold the meeting to exchange information and opinions with each other and constantly check that Directors perform their duties in compliance with all applicable laws and regulations as well as the Articles of Incorporation.
   (f) The Compliance Hotline (the internal hotline system (including the case where the hotline system independent from the management is set up at an outside law firm) and hotline system for suppliers) should be deployed to the entire ROHM Group including overseas entities to discover any illegal conduct of a Director and to prevent recurrence thereof.

2. System to save and control information related to Directors' performance of duties
   (a) Decisions regarding Directors' performance of their duties, such as the minutes of general shareholders meetings, the minutes of the meetings of the Board of Directors, executive proposals, business plans for individual fiscal years, etc., should be saved in writing. The documents should be saved and controlled in compliance with all applicable laws and regulations as well as all in-house regulations.
   (b) The directions and notices provided to Group companies or in-house divisions concerned shall be issued via email or in writing as a rule. The directions and notices shall be saved so as to be inspected at any time by Directors and Company Auditors.
   (c) Information related to Directors' performance of duties should be kept and controlled duly by relevant sections or divisions concerned, and the leak and unjust use of such information must be prevented by giving internal notice and information security training to all employees to ensure that they are fully aware of and comply with such rule.

3. System to ensure that Directors perform their duties efficiently
   (a) The Board of Directors should consist of a small number of Directors authorized to execute business operations to realize prompt executive decision-making.
   (b) The Board of Directors should have Directors who are highly experienced in different fields. The Board should divide duties to the Director in charge of that certain field and have him/her perform the specific duties of that field.
   (c) Issues that may have a considerable influence on corporate management should be examined, analyzed and reported by in-house project teams established separately for individual issues. Upon completion of such examination, prompt decisions should be made by way of a meeting of Board of Directors or executive proposals, as appropriate, based on the Articles of Incorporation and in-house regulations.
   (d) The in-house written standards of in-house control procedures regarding various managerial issues such as risk control and information control should be strictly observed.
   (e) To increase the competitiveness of ROHM Group and to ensure a fair amount of profits, business performance targets should be established as part of annual profit-raising projects for the entire ROHM Group and individual divisions, and progress and achievement status of such projects and targets should be controlled.

4. System to ensure that employees perform their duties in compliance with all applicable laws and regulations as well as the Articles of Incorporation
   (a) The Compliance Committee should be organized and across-the-group compliance actions should be taken by implementing the "ROHM Group Business Conduct Guidelines". A compliance system of the Group companies should be created based on the system of our company, and a leader for each division should be nominated as a leader to raise the awareness of the importance of compliance and to ensure the ongoing compliance of each division.
   (b) To cope with proprietary laws and regulations in a proper manner, not only the CSR Committee but also the Corporate Safety and Health Committee, Compliance Committee, Information Disclosure Committee, and Environmental Conservation Committee, should be committed to such actions as checking the status of compliance for the entire Group and performing ongoing educational activities.
   (c) Under the control of the Information Disclosure Committee, individual sections and divisions should properly control insider information and educate employees in the interest of and raising awareness of the importance of strict information handling, to prevent insider trading.
   (d) The Compliance Hotline (the internal hotline system (including the case where the hotline system independent from the management is set up at an outside law firm) and hotline system for suppliers) should be deployed to the entire ROHM Group including overseas entities, to uncover any illegal conduct of an employee and to prevent any recurrence thereof.

5. System to ensure compliance of the Group's corporate operations
   (a) ROHM Group shares the corporate mission and policy, which are the basis of the founding spirit of the Company, and carries out the business activities with the concerted efforts as the Group in order to enhance the corporate values of the entire Group.
   (b) Each Committee under the Company's CSR Committee should supervise and control Group companies comprehensively to ensure proper execution of duties in each responsible area.
   (c) Written standards applicable to the entire ROHM Group should be established and implemented.
   (d) The compliant business operations of Group companies should be monitored by appointing employees of the Company or another Group company to Group companies' Board of Directors or Company Auditors.
   (e) A system should be operated that requires the Board of Directors' resolution or an executive decision at the Company to settle critical issues at the Group companies level and periodical reports to the Company's relevant divisions from Group companies should be made, thus enabling to control Group companies.
   (f) An internal control system that includes the Company and significant Group companies should be established and reinforced through a framework that ensures financial reporting compliance and through efforts to conform to the auditing system.
   (g) The Company's internal auditing division under the direct control of the President should perform internal audits to check each Group company's situations of execution of duties, compliance with all applicable laws and regulations as well as in-house regulations, risk management, etc.

6. Employees hired upon the request of a Company Auditor to assist the Company Auditor's duties, independence of the employees from Directors and to ensure effectiveness of the Company Auditor's instruction to such employees
   (a) The Company should, upon Company Auditor's request, appoint staff employees with proper capabilities.
   (b) The staff of Company Auditors should be independent of duties related to the execution of corporate business. In the employment, transfer and evaluation of performance of Company Auditors' staff, opinions from the Board of Company Auditors shall be respected.

7. System for Directors and employees of the Company and its subsidiaries to report to Company Auditors, other systems for reporting to Company Auditors and system for employees not to be treated disadvantageously by the reason of such reports
   (a) Should a Director be found to have committed an illegal conduct in the performance of Directors' duties, any neglect in the obligation of being duly conscious as good Directors, or any fact that may damage the Company considerably, etc. by another Director, it should be promptly reported to the Board of Company Auditors.
   (b) The meetings of committees, not only the CSR Committee but also the Risk Management/BCM Committee, Compliance Committee, and Information Disclosure Committee should be attended by full-time Company Auditors as observers, and individual committees should make periodical reports on their activities to the Company Auditors by submitting meeting minutes or by other appropriate means.
   (c) A system should be retained whereby the status and results of business operations can be properly reported to Company Auditors through executive proposals and reports.
   (d) Directors and employees of the Company and Group companies should promptly make a necessary report if they are asked by Company Auditors to make a report of their business operations.
   (e) A section in charge of the Compliance Hotline should make periodical reports on situations and results thereof to Company Auditors.
   (f) Employees that have reported to Company Auditors shall not disadvantageously treated by the reason of such reports according to applicable laws and regulations as well as in-house regulations.

8. Other systems to ensure that the audits by Company Auditors are performed effectively
   (a) Concerning the status of the operation of the internal control system, Directors should report to the Board of Company Auditors where requested.
   (b) The internal audit division should strengthen the collaboration with the Company Auditors and report the results of audit periodically.
   (c) All Company Auditors should be Outside Company Auditors. The Board of Company Auditors should be a strongly independent group consisting of diversified experts, including legal specialists, accounting specialists, and those who used to work for financial institutions.
   (d) Company Auditors should exchange opinions with Directors whenever necessary.
   (e) The expenses that Company Auditors deem to be necessary when they perform their duties should be borne by the Company.

**② Status of Efforts to Improve the Risk Control System**

We are working to improve our company's risk control system as follows.

1. Under the CSR Committee chaired by the President himself, Committees of Quality, Corporate Safety and Health, Risk Management/BCM, Compliance, Information Disclosure, Environmental Conservation, etc. should be established as company-wide cross-sectional committees. These committees will appropriately respond to various management issues and risks in each responsible area by taking necessary measures, giving directions and solving problems.

2. The Risk Management/BCM Committee should be organized to identify, analyze and control major risks that may occur in the course of the performance of business operations. In order to avoid or minimize the effect of unforeseeable circumstances such as sudden natural disasters as much as possible and enable the survival of our business as a consequence, the Risk Management/BCM Committee will verify the activities of each section in charge of risk management, establish a business continuity plan and take any and all possible preliminary measures or preparations across ROHM Group.

3. As a corporate effort to eradicate antisocial groups, a Risk Management Office should be established in the Department of

General Affairs. The Office should cooperate and exchange information with external specialist organizations such as the police department, promote specific actions and perform them thoroughly, to eradicate antisocial groups. In-house regulations should be established to eradicate antisocial groups and should be strictly observed. All ROHM Group employees should be informed by way of the "ROHM Group Business Conduct Guidelines", as distributed to all employees, or by other means, that they must take a firm stand against antisocial groups. Further, the necessity of taking a firm stand against antisocial groups should be communicated to all employees through various in-house training sessions.

### ③ Outline of the Status of the Operation of the Corporate System to Ensure Proper Operation

ROHM Group is striving to build the internal control system and properly operate it based on the aforementioned basic policies. The outline of the status of the operation of the internal control system during the fiscal year ended March 31, 2016 is as follows:

1. Compliance system
   (a) ROHM Group not only makes all Directors and employees fully aware of the "ROHM Group Business Conduct Guidelines" as their codes of conduct to comply with when they practice the mission and policy such as "Company Mission" and "Management Policy" but also thoroughly ensures that they act according to such Guidelines.
   (b) ROHM Group regularly holds the Compliance Committee in order to formulate a plan to reinforce the compliance system, implement education by rank and by role in accordance with the plan, send the message from the top concerning the compliance with the "ROHM Group Business Conduct Guidelines," etc.
   (c) ROHM Group operates the internal hotline system to prevent compliance violations, discover violations early, and take appropriate measures. ROHM Group also regularly reports the status of the operation to the Board of Directors and Company Auditors.

2. Risk management system
   ROHM Group holds the Risk Management/BCM Committee as needed to identify, analyze and control major risks that may occur in the course of the performance of business operations. Also, in order to avoid or minimize the effect of unforeseeable circumstances such as sudden natural disasters as much as possible and enable the survival of our business as a consequence, the Risk Management/BCM Committee verifies the activities of each section in charge of risk management, establishes a business continuity plan (BCP) and takes any and all possible preliminary measures or preparations across ROHM Group.

3. Directors' performance of duties
   (a) The regular Board of Directors is held according to the annual plan and the extraordinary Board of Directors is held where necessary to resolve matters stipulated in laws and regulations or Articles of Incorporation as well as matters which are important for management and to mutually supervise the performance of Directors' duties.
   (b) Information related to Directors' performance of duties is properly kept and controlled duly according to the in-house regulations, and the leak and unjust use of such information are prevented.
   (c) Matters to be discussed at the Board of Directors are defined in the Basic Rules of the Board of Directors and matters to be delegated to each Director are made clear in the in-house regulations to ensure Directors' efficient and agile performance of their duties.

4. Subsidiary management system
   (a) ROHM Group manages Group companies by operating the system that requires the approval of the Company's Board of Directors and final decision on executive proposals regarding important projects in Group companies, and also by each division of the Company regularly receiving the report.
   (b) Based on an annual plan, the Company's internal auditing division under the direct control of the President performs internal audits to check each Group company's situations of execution of duties, compliance with all applicable laws and regulations as well as in-house regulations, risk management, etc., and confirms the compliance of business. Also, the results of audits are periodically reported to Directors and Company Auditors.

5. Company Auditors' performance of duties
   (a) Company Auditors attend not only the Board of Directors but also other important meetings such as the CSR Committee to offer opinions as needed.
   (b) Company Auditors visit each division of the Company and Group companies for auditing and confirm the legality and compliance of business operations.
   (c) Company Auditors regularly exchange information and opinions with Directors, accounting auditors and internal auditing divisions to improve effectiveness of auditing.

### ④ Overview of Contents of Liability Limitation Agreement

ROHM and its outside directors and outside auditors have entered into a liability limitation agreement, in accordance with the provisions of Article 427-1 of the Companies Act of Japan and the Articles of Incorporation of the Company, regarding liability for damages as covered in Article 423-1 of the same Act, stipulating minimum total liability as per the provisions of Article 425-1 of the same Act.

### Status of Internal Audits and Auditor Audits

The Corporate Auditors attend important meetings, such as the Board of Directors meetings, and audit the individual divisions of ROHM and its affiliates at home and abroad along with the Internal Audit Department, by holding meetings with those in managerial positions, inspecting documents and reports, and performing other activities. Through these audits, ROHM checks that the Directors are performing their duties in compliance with existing laws, ROHM's internal control is well maintained and operated, in-house rules are well observed, and that ROHM's assets are secured. Currently, there are 7 personnel in the Audit Office.

Corporate Auditors, the Internal Audit Department, and Accounting Auditors regularly hold report meetings, consistently maintain close cooperation and coordination, and proactively exchange information and opinions. Sharing information obtained through individual audits enhances the accuracy of audits and allows for constant improvements in operating processes.

The contents of audits are reported to ROHM's Internal Audit Division as needed, and opinions are exchanged on matters that require improvements regarding internal control.

The Auditors, Shinya Murao and Haruo Kitamura, are certified public accountants (CPA) that possess considerable knowledge of finance and accounting.

### Status of Accounting Audits

ROHM contracts Deloitte Touche Tohmatsu LLC to conduct accounting and internal control audits related to financial reporting, and complies with both Japan's Companies Act and the Financial Instruments and Exchange Act. ROHM has established an environment where the auditing organization can perform audits from a fair, unbiased position as an independent third party. The following are the names of certified public accountants (CPAs) who audited ROHM's accounts for the fiscal year ended March 31, 2015, the number of consecutive years they have been engaged in auditing ROHM, and information on the assistants involved in the audits.

CPAs who have audited ROHM (Number of consecutive years they have been involved in ROHM audits)

Designated limited liability partners of Deloitte Touche Tohmatsu:
Yasuhiro Onishi (3 years), Seiichiro Nakashima (2 year)
Major assistants in the audits
10 CPAs and 10 others

### Outside Directors and Outside Auditors

#### ① Number of Outside Directors and Outside Auditors, Interpersonal Relationships with Submitting Company Members, Capital Relationships or Business Relationships, and Other Potential Conflicts of Interest

ROHM appoints two Outside Directors to enhance mutual supervisory functions among Directors. Also, in order to strengthen and enhance the functionality of the audit system with regards to the execution of management duties, all five Auditors are Outside Auditors. To fully accomplish these objectives, ROHM believes that both Outside Directors and Outside Auditors should be highly independent.

It should be noted that, as described in "③Profile and Reason for Designation, and Activity of Outside Directors and Outside Auditors", outside directors and outside auditors own shares of Company stock but may not have conflicts of interest, including interpersonal relationships, shareholding, capital relationships, and business relationships, that interfere with their independence.

#### ② Criteria and Policy for Independence, and Functions and Roles of Outside Directors and Outside Auditors

We strengthen our supervisory and audit functions by asking the Outside Directors and Outside Auditors to provide advice and recommendations on company management, etc. from an independent standpoint and based on the wealth of experience and wide range of insight cultivated from their careers, and by having them attend Board Meetings and other important meetings.

Our Company's Auditors are all Outside Auditors and cooperation with these Outside Auditors in internal and accounting audits is described in the above "Status of Internal Audits and Auditor Audits." As for the relationship between the Outside Directors and audits, status reports are made in writing by the Internal Audit Division to the Outside Directors on a monthly basis or as necessary.

Regarding the collaboration between the Outside Directors, Outside Auditors, and the Internal Control Division, the status of business execution, progress of profit planning, etc. are reported in writing by the Internal Audit Division to the Outside Directors and Outside Auditors monthly or whenever necessary.

The relationship between Auditor Audits, Internal Audits, and Accounting Auditor Audits is described in the "Status of Internal Audits and Auditor Audits."

With regard to the selection of outside directors and outside auditors, the Company determines their independence on the basis of the provisions of the Company's "Independence Standards for Outside Officers".

The Company's "Independence Standards for Outside Officers" are as follows:

**<Independence Standards for Outside Officers>**

The Company appoints only persons who do not fall into any of the following categories of persons as its Outside Officers.

1. A major shareholder (*1) of the Company or a person who executes the business of the Company (*2) ;
2. A person who executes the business of a company of which the Company is a major shareholder;
3. A major customer (*3) of the Group or a person who executes the business of that major customer;
4. An organization for whom the Group is a major customer (*4) or a person who executes the business of said organization;
5. A consultant, accounting expert or legal expert who, in addition to director's remuneration, receives money exceeding a certain amount or other assets (*5) from the Group (or an organization that receives the said assets or a person who belongs to the said organization);
6. A person who receives donations or grants exceeding a certain amount (*6) from the Group (or an organization that receives the said grants is, or a director of that organization or a person who executes the business of that organization);
7. A partner, member or employee of the accounting auditors of the Company;
8. A person who executes the business of a major lender of the Company (*7) ;
9. A person who fell into any of the categories described in 1 to 8 above in the last three years;
10. An organization to whom a director of the Group is transferred or a person who executes the business of said organization, or;
11. The spouse of an important person who executes the business of the Group (*8) or a relative of that person within the second degree of relationship.

*1 A major shareholder means a shareholder holding at least 10% of the total voting rights of the Company.
*2 A person who executes business means a director, an executive officer, a member or an employee.
*3 A major customer means a company whose payments account for over 2% of annual consolidated sales of the Company.
*4 An organization for whom the Group is a major customer means a company with over 2% in annual sales coming from the Company.
*5 A certain amount means ten million yen per year for an individual and over 2% of total revenue for an organization.
*6 A certain amount means over ten million yen per year.
*7 A major lender of the Company means a lender from which an amount exceeding 2% of total consolidated assets of the Company is borrowed.
*8 An important person who executes business means a director (excluding outside directors) or a person in the senior management position of general manager or above.

### ③Profile and Reason for Designation, and Activity of Outside Directors and Outside Auditors

| Name | Position | Profile | Reason for Designation | Main Activity | Number of Shares Held (Thousand Shares) |
|---|---|---|---|---|---|
| Hachiro Kawamoto | Director (Independent) | Apr. 1958 Joined The Ritsumeikan Trust<br>Apr. 1984 Standing Director of The Ritsumeikan Trust<br>Nov. 1995 Chairman of the Board of Trustees, The Ritsumeikan Trust<br>Jun. 2008 Director of the Company (Current Position)<br>Jul. 2008 Advisor of The Ritsumeikan Trust<br>Apr. 2013 Honorary Executive of The Ritsumeikan Trust (Current Position)<br>May. 2013 Honorary Advisor of The Ritsumeikan Trust (Current Position) | His designation is based on his vast knowledge and long involvement in management of an academic institution and how this knowledge and experience could help in reinforcing the management system of the Company.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | Attended 100% of the 23 meetings of Board of Directors during the fiscal year ended March 31, 2016 (including participation in 8 resolutions deemed to have been made in writing). | 1 |
| Koichi Nishioka | Director (Independent) | Apr. 1971 Reporter working at the Editorial Office of Nikkei, Inc.<br>Mar. 1991 Editorial Writer & Member of Nikkei, Inc.<br>Apr. 2003 Columnist of Nikkei, Inc.<br>Apr. 2008 Professor of Senshu University (Current Position) and Visiting Columnist of Nikkei, Inc.<br>Jun. 2011 Director of the Company (Current Position) | His designation is based on his vast knowledge and experience as a longstanding economic and financial journalist and columnist and contribution of his expertise to reinforce the management system of the Company.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | Attended 96% of the 23 meetings of Board of Directors during the fiscal year ended March 31, 2016 (including participation in 8 resolutions deemed to have been made in writing). | – |
| Yoshiaki Shibata | Company Auditor (Independent) (Full Time) | Apr. 1968 Joined The Daiwa Bank Co., Ltd.<br>Apr. 1997 General Manager of Inspection Div. of the bank above<br>Jun. 1998 Company Auditor of the Company (Current Position) | Yoshiaki Shibata has been designated as Outside Corporate Auditor because the Company was certain that he has been carrying out his duties appropriately by providing opinions regarding corporate management and other affairs from a comprehensive point of view based on his expertise as the full-time Corporate Auditor of the Company.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | Attended 100% of the 23 meetings of Board of Directors during the fiscal year ended March 31, 2016 (including participation in 8 resolutions deemed to have been made in writing). Attended all 15 meetings of the Board of Company Auditors. | 3 |
| Hiroyuki Nii | Company Auditor (Independent) (Full Time) | Apr. 1981 Joined The Daiwa Bank Co., Ltd.<br>Apr. 2006 Group Leader of Real Estate Division of Resona Bank, Ltd.<br>Apr. 2011 Senior Managing Director of The Resona Foundation for Asia and Oceania (Current Position) | Hiroyuki Nii was designated as Outside Corporate Auditor because the Company was certain that he would contribute to the Company in terms of management and other affairs by sharing expertise and knowledge based on his excellent experience and knowledge as a longtime administrator at a financial institution and other organizations through auditing.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | – | – |
| Hidero Chimori | Company Auditor (Independent) | Apr. 1983 Attorney at law (Member of Osaka Bar Association) Joined Miyake & Partners<br>May. 2002 Managing Partner of Miyake & Partners (Current Position) | Hidero Chimori was designated as Outside Corporate Auditor because the Company was certain that he would contribute to the Company in terms of management and other affairs by sharing expertise and knowledge he gained as a lawyer through auditing.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | – | – |
| Shinya Murao | Company Auditor (Independent) | Sep. 1986 Joined Tohmatsu & Co. (Osaka Office)<br>Mar. 1990 Registered as CPA<br>Sep. 1992 Founded Murao Accounting Office<br>Jun. 2001 Company Auditor of the Company (Current Position) | Shinya Murao has been designated as Outside Corporate Auditor because the Company was certain that he would contribute to the Company in terms of management and other affairs by sharing expertise and knowledge he gained as a certified public accountant through auditing.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | Attended 96% of the 23 meetings of Board of Directors during the fiscal year ended March 31, 2016 (including participation in 8 resolutions deemed to have been made in writing). Attended all 15 meetings of the Board of Company Auditors. | 0 |
| Haruo Kitamura | Company Auditor (Independent) | Sep. 1983 Joined Arthur Andersen CPA Joint Office<br>Mar. 1987 Registered as CPA<br>Aug. 2002 Founded Kitamura Accounting Office<br>Jun. 2004 Company Auditor of the Company (Current Position)<br>Dec. 2005 Outside Director of Sumisho-Grainger Co., Ltd. (Currently MonotaRO Co., Ltd.) (Current Position) | Haruo Kitamura has been designated as Outside Corporate Auditor because the Company was certain that he would contribute to the Company in terms of management and other affairs by sharing expertise and knowledge he gained as a certified public accountant through auditing.<br>Since, he meets the requirements of the independent officer the Tokyo Stock Exchange established and "Independence Standards for Outside Officers" ROHM established, and there is no risk of conflicts of interest with general shareholders, we have appointed him as an independent officer. | Attended 96% of the 23 meetings of Board of Directors during the fiscal year ended March 31, 2016 (including participation in 8 resolutions deemed to have been made in writing). Attended all 15 meetings of the Board of Company Auditors. | – |

### Remuneration for Directors and Auditors

#### ① Total Amount of Remuneration for Directors and Auditors by Category, Total Amount of Remuneration by Type, and the Target Number of Directors and Auditors

| Director and Auditor Category | Total Remuneration (¥ Million) | Total Remuneration by Type (¥ Million) | | Number of Directors and Auditors (Target) |
|---|---|---|---|---|
| | | Basic Remuneration | Bonus | |
| Director (Excluding Outside Directors) | 285 | 213 | 71 | 10 |
| Outside Director and Auditor | 85 | 85 | – | 7 |

(Note) 1. The amount of remuneration paid to Directors does not include the amount of employee salaries paid to employee Directors.

2. The 48th General Shareholders Meeting held on June 29, 2006 resolved that the maximum amount of annual remuneration for Directors should be under ¥600 million, and the 36th General Shareholders Meeting held on June 29, 1994 resolved that the maximum amount of monthly remuneration for Auditors should be under ¥6 million.

#### ② Total Amount of Consolidated Remuneration for Each Director

Not listed since no Director receives a total consolidated remuneration above ¥100 million.

#### ③ Important Wages for Directors Doubling as Employees

Not applicable.

#### ④ Determination Method and Policy on the Amount of Remuneration for Directors

Regarding executive compensation, limits on total remuneration for all Directors and Auditors are established at the General Shareholders Meeting.

Remuneration for each director is determined by the Board of Directors on the basis of the report of the Directors Compensation Committee, and the amount of remuneration for each auditor is determined through deliberations by the Auditors Compensation Committee.

Remuneration for Directors consists of performance-based remuneration that changes according to performance attainment level, which uses the ROHM Group's consolidated ordinary income as an index, and fixed remuneration, which is a fixed amount intended to identify management responsibilities. However, the amount of remuneration for outside directors is fixed, in light of the importance of their adopting an independent stance toward supervisory functions.

Regarding remuneration for Auditors, given the nature of audit functions, each Auditor receives only fixed remuneration, with no performance-based compensation.

In addition, our company does not provide stock options to Directors, and has abolished the executive retirement benefits system.

#### Resolution Requirements for the Appointment of Directors

Our company has established in the Articles of Incorporation that a Director appointment is resolved by a majority of the votes at a General Shareholders Meeting attended by at least one-third of the shareholders with voting rights, and that such resolution will not be made by cumulative voting.

#### Acquisition of Treasury Stock

As stipulated in our Articles of Incorporation, in order to be able to carry out a flexible capital policy in response to changes in the business environment, treasury stock can be obtained through market transactions and other means by resolution of the Board of Directors, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act.

#### Decision-making Body for Interim Dividends

The company, in order to flexibly return profits to shareholders, has stipulated in the Articles of Incorporation that interim dividends can be given to our shareholders by resolution of the Board of Directors, and sets September 30 every year as a dividend record date, based on the provisions in Article 454, Paragraph 5 of the Companies Act.

#### Special Resolution Requirements of the General Shareholders Meeting

In order to secure a quorum for special resolutions during the General Shareholders Meeting, our company has established in the Articles of Incorporation that special resolutions require two-thirds of the votes at meetings attended by at least one-third of the shareholders with voting rights, as specified in Article 309, Paragraph 2 of the Companies Act.

### (4) Details of Audit Fees

#### ① Remuneration paid to CPAs, etc.

| Classification | Remuneration Based on Audit Certification Work (¥ Million) | Remuneration Based on Non-Audit Work (¥ Million) |
|---|---|---|
| Submitting Company | 97 | 5 |
| Consolidated Subsidiary | 35 | - |
| Total | 133 | 5 |

#### ② Contents of Other Important Remuneration

The amount of remuneration for audit certification work at our company's 19 consolidated subsidiaries paid to Auditors who belong to the same network as our company's auditing CPAs is ¥ 97 million.

#### ③ Contents of Non-Audit Work of Auditing CPAs at Submitting Companies

The contents of the non-audit services which our company paid a remuneration to the auditing CPAs was advisory and guidance services relating to the Japanese Social Security and Tax Number System, and advisory services pertaining to correspondence and paperwork concerning environmental activities.

#### ④ Policy on Determining Audit Fees

In deciding audit fees, our company is presented with an annual plan by the auditing CPAs, that confirms the validity of the contents of the audit, the number of days required, etc. in the context of our company's size and operating characteristics. Our company then determines the amount of remuneration based on the number of days required after consulting with the auditing CPAs. Note that the consent of the Board of Corporate Auditors is obtained when decisions on these issues are made.

### (5) Priority Issues

Though there are concerns about slower growth in China and elsewhere, there are also bright spots in the world economy such as improved personal spending and more jobs in the USA.

The electronics industry is expected to see continued growth over the mid-to long-term because of expansion in the digital home appliance and IoT markets and increased use of electronics in automobiles, but this will also bring greater competition when it comes to pricing and technologies. This will likely augment the pressure to supply internationally competitive products, which means that new products and technologies will have to be developed for global markets and costs will have to be reduced across the board.

Understanding the circumstances, the ROHM Group will direct efforts at developing high value-added products that anticipate industry needs in a wide range of markets, including automotive electronics, industrial equipment, information and communications, and mobile devices.

Moreover, in order to serve expanding overseas markets, the ROHM Group will continue to strengthen our development and sales structures around the world.

In addition, we will continue to strengthen CSV activities as a contribution to the realization of a sustainable society, and our risk management system in order to maintain business intact in the face of potential and actual risks.

Also, the basic policy on the persons who govern company decisions, finance and business is as below.

#### Basic Policy

Our company's mission is to 'contribute to the advancement and progress of society through a consistent supply, under all circumstances, of high quality products in large volumes to the global market by making quality our top priority at all times.' We believe that achieving this objective will bring about the improvement and creation of permanent and comprehensive corporate values while at the same time delivering benefits to all stakeholders, including our shareholders. We also understand that our company's Board of Directors is charged by our shareholders with the responsibility to further improve our corporate values by fulfilling the aforementioned company mission and making tireless efforts to manage the company toward sustainable growth.

The ROHM Group believes the best defense against takeover attempts is to build a relationship of trust with shareholders by delivering higher stock prices via enhanced corporate value, accountability through proactive IR activities, and by conducting regular dialogs with shareholders. If a proposal for acquisition is made to our company, we believe that the final decision on whether to accept or reject the offer should be left to the current shareholders at the time, and that the Board of Directors should not make arbitrary decisions intended to protect their own personal interests. In addition, in the event of an acquisition proposal, we believe that it is vital that shareholders take a sufficient amount of time to make an 'informed decision' based on sufficient information in order to protect and improve ROHM's corporate value and the common interests of shareholders.

### (6)IR-related Activities

#### ① Disclosure Policy

ROHM's disclosure policy is posted on the company's website.

#### ② General Shareholders' Meeting

ROHM is committed to holding transparent General Shareholders' Meetings including screening of videos on company activities, responding to questions sent in advance, displaying of products, etc.

#### ③ Periodic Briefings for Analysts and Institutional Investors

The president and directors present briefings on financial results twice a year.

Financial results briefings include announcements of earnings and performance, and forecasts for securities analysts and institutional investors in Japan.

#### ④ Briefings for Individual Investors

Briefings for individual investors are presented, through securities companies, approximately four times a year.

#### ⑤ Briefings for Overseas Investors

ROHM presents briefings on trends in company performance, business strategies, etc., through twice-yearly visits to Europe and North America and once-yearly visits, through securities companies, to Hong Kong, Singapore, and elsewhere in Asia.

#### ⑥ IR Materials Posted on Website

Financial results briefing materials, securities reports and other reports, earnings report schedules, and various types of information for individual investors are viewable on the ROHM website.





## Risk Management

The following are risks that may have a significant impact on the financial status and operating results of the ROHM Group.

References to future events are based on judgments made by the ROHM Group at the end of current fiscal year.

### (1) Risks Associated with Market Changes

The semiconductor and electronics component industries are subject to sharp and abrupt changes in market conditions in the short term, caused by factors such as the production trends of end-set manufacturers, which readily fluctuate according to the sales performance of electronic products, automotive products, and industrial equipment, as well as competition in prices and technology development with rival companies. Prices are especially susceptible to sudden drops due to the supplydemand relationship, while competition from emerging Asian manufacturers tends to cause instability with regard to maintaining and increasing sales and ensuring profits.

### (2) Exchange Risks

The ROHM Group has expanded its stronghold in global development, production, and sales. Therefore, the financial statements prepared in each local currency are converted into Japanese yen in order to prepare consolidated financial statements. Accordingly, even if the values in local currencies remain the same, the profits and losses on the consolidated financial statements may be affected by the exchange rates at the time of conversion. While conducting production activities in Japan, Asian countries, the US, and European countries, the ROHM Group sells its products on the world market. This means different currencies are used between production and sales bases, and consequently exchange rate fluctuations exert a continual influence on the ROHM Group. Generally, a strong Japanese yen conversion adversely affects our business performance, while a weak yen conversion has a favorable impact.

### (3) Risks of Product Defects

As stated in the Company Mission, the ROHM Group places top priority on quality, and develops products subject to stringent quality control standards. However, this does not guarantee that defective products will never be produced or that claims arising from product defects will never be sought by buyers in the future. If a buyer should make a claim for defects regarding ROHM products, company performance may be adversely affected.

### (4) Legal Risks

In order to manufacture products distinguishable from those of other companies, the ROHM Group develops various new technologies, cultivates expertise, and manufactures and sells products worldwide based on these proprietary technologies. The ROHM Group has a division that specializes in the strict supervision of in-house activities in order to ensure that the technologies and proprietary knowledge used by the Group do not infringe on the intellectual property rights of other companies such as patent rights. In addition, in all business fields in which the ROHM Group is involved, the Group complies with all relevant laws and regulations with respect to the utilization and handling of exhaust air, drainage, harmful materials, waste treatment, surveys on soil/underground water pollution, and the protection of the environment, health, and safety. However, the Group may incur legal responsibilities in this respect due to unexpected events, which may possibly have an adverse influence on financial results.

### (5) Natural Disasters and Geopolitical Risks

The ROHM Group performs development, manufacturing, and sales activities not only in Japan but also worldwide. To distribute the associated risks, the Group locates production lines at different bases. However, these production bases may be damaged due to earthquake, typhoon, flooding, other natural disasters, political uncertainty or international conflicts. Financial results could be adversely affected by stalled product supply or considerable changes in electronics markets due to these unforeseen events.

### (6) Mergers and Acquisitions Risks

The ROHM Group, taking into account future business prospects, considers it necessary to investigate and implement mergers and acquisitions worldwide with a focus on entering new fields that are relevant to our existing business, and to always make the utmost efforts to improve corporate value and expand the size of our business. In conducting mergers and acquisitions, we thoroughly study, review, and deliberate matters before any acquisitions are made. Nonetheless, due to unexpected circumstances or significant changes in market forces after an acquisition, an acquired business may not progress as expected and we may suffer losses in some cases as a result.

### (7) Research and Development Risks

At present, new technologies and products are being developed and diffused in different electronics fields. ROHM Group, as a part of electronics related industry, continually faces stiff competition in technology and product development and therefore must exert ourselves day and night in the research and development of materials and products in order to produce new products and technologies. Consequently, our research and development expenditures in the year ended March 31, 2016 were approximately 12 percent of our consolidated sales.

In these research and development activities, plans may be considerably delayed, and the opportunity to introduce them into the market missed, for example, due to a lack of technical capabilities or the ability to develop new products. And, there is also the possibility that the new products we develop may not receive favorable acceptance by the market as anticipated. If this occurs, it may affect our business performance.

### (8) Other Risks and Our Corporate Risk Management System

In addition to the above-mentioned risks, there are various other factors that may influence our financial situation and business performance, such as risks related to logistics, material and energy procurement, security leaks, and information systems. In response, the ROHM Group has been making company-wide efforts to enhance its risk management system in order to avert these risks and, in their event, minimize their impact. To identify, analyze, control, and manage significant risks that may arise in the course of executing business within the Group, ROHM organized the "Risk Management and BCM Committee" under the CSR Committee with the President serving as the chairman. Along with overseeing the activities of the main departments that control risks, the committee crafts and enforces across the company Business Continuity Plans (BCP) so that ROHM is proactive and prepared for possible risks.

## Business Results

### General Overview of Business Performance

The world economy in the fiscal year ended March 31, 2016 lost some traction as the slowdown in China and issues elsewhere during the second half of the year dampened the recovery trajectories in the USA, Europe and Japan. By individual regions, the US economy stayed on a recovery tack, despite signs of declining growth in exports and capital expenditures, as personal spending and housing investment remained strong and the job market continued to improve. Though feeling the effects of China's slowdown, Europe, too, continued its recovery, albeit mild, on the good showing from Germany and the UK. Asia presented a mixed picture. On one side, growth in China slowed because of falling industrial output and capital expenditures, and the Thai economy retracted slightly because of waning domestic demand, while, in India, domestic demand drove an uptick in the economy. Japan made slight gains in the wake of sluggish capital expenditures and personal spending, as business earnings remained good.

In the electronics industry, 4K TVs and high-resolution audio appliances (*1) held firm, while the slump in PCs, tablets and digital still cameras continued and smartphones slid into an adjustment phase after a good showing earlier in the year. The automotive electronics market remained steady against falling vehicle sales in Japan, thanks to increased use of invehicle electronics and strong vehicle sales in the USA and Europe. Overall, the electronics industry started the year out strongly but slipped into correction mode later in the year.

Working within this business environment, the ROHM Group continued to implement important strategies aimed at improving performance in the mid-to long-term. With regards to products, efforts were directed at expanding lineups of new ICs, SiC-based power devices and power module products, and sensor-related products via the synergy with LAPIS Semiconductor Co., Ltd. In current product fields, time and resources were focused on developing and increasing sales of new industry-leading products like the RASMID® series (*2) of ultra-miniaturized components. By market, the ROHM Group strengthened its lineups of major business line ICs and semiconductors for the automotive and industrial equipment markets, both of which are treated as strategic markets. Development moved forward on new products in anticipation of market needs, such as the industry's first communication IC compliant with CXPI (*3), the world's first trench MOSFET (*4) made from SiC, ICs for monitoring lithium ion batteries, high voltage DC/DC converters, FeRAM (*5) and highly reliable NOR flash memories (*6). For consumer markets, development focused on power ICs for tablets, wireless communications ICs and microcontroller boards for Wi-SUN (*7), and USB Type-C Power Delivery (*8) controller ICs. Moreover, the ROHM Group acquired Powervation Ltd. (now Rohm Powervation Ltd.), a fabless semiconductor company that develops and sells digital power control ICs, to accelerate the development of digital power ICs, and decided to spin off its lighting business as part of the push to hone and consolidate business operations.

Overseas, the ROHM Group continued efforts to strengthen customer support systems as a means for increasing both sales and market share.

On the production front, the ROHM Group continued to promote RPS (ROHM Production System) activities (*9) aimed at enhancing both the quality and efficiency of manufacturing, and took steps to add state-of-the-art analog ICs processes as well as to strengthen the production system by building new plants in Thailand and Malaysia. Furthermore, the ROHM Group acquired some from the Shiga Factory of a subsidiary of Renesas Electronics Corporation (now ROHM Shiga Co., Ltd.), in preparation for increased demand for MEMS sensors and IGBT (*10) power devices.

Moreover, quality improvement efforts were undertaken and led to an excellent supplier award from a major automotive electronics manufacturer outside of Japan.

Under these circumstances, consolidated net sales for the fiscal year ended on March 31, 2016 were 352,398 million yen (a decrease of 2.9% from last year) and operating income was 33,635 million yen (a decrease of 13.3% from last year).

Profit attributable to owners of parent was 25,686 million yen (a decrease of 43.3% from last year).

*1 High resolution audio
Media that holds more than 3 times the data and can play back high quality audio closer to the original sound than what was achievable with conventional music CDs.

*2 RASMID® (ROHM Advanced Smart Micro Device) Series
The smallest lineup of components in the world, developed utilizing breakthrough manufacturing methods for unprecedented miniaturization and ultra-high dimensional precision (±10μm).

*3 CXPI (Clock Extension Peripheral Interface)
A next-generation in-vehicle communication standard adopted by the Society of Automotive Engineers of Japan, Inc. (JSAE). Though originated in Japan, efforts are underway to make it an international standard. The interface offers better communication response and reliability than the LINs (*11) that are used in body control applications for communication amongst ECUs (*12).

*4 MOSFET (Metal Oxide Semiconductor Field Effect Transistor)
This type of transistor enables faster switching with less power consumption than bipolar transistors, and is widely used in a variety of electronic products.

*5 FeRAM (Ferroelectric Random Access Memory)
A nonvolatile memory that retains stored data even when the power is off. Because a ferroelectric capacitor is used as the memory device, chips feature high-speed data writing, high rewriting resistance and low power consumption.

*6 NOR flash memory
Flash memories are a kind of nonvolatile memory that retains stored data even when the power is off. They come in either NAND or NOR architecture. NAND flash memories help reduce costs and are, therefore, used with mobile phones, digital cameras, digital audio devices, etc. NOR flash memories are widely used for automotive electronics, industrial equipment and other devices that require high reliability.

*7 Wi-SUN (Wireless Smart Utility Network)
An international wireless communication standard that uses sub-gigahertz radio frequencies of around 900 MHz. It enables communications over a maximum length of 500 m. It is viewed as the best standard for building smart communities where information is collected from smart meters, etc.

*8 USB Type-C Power Delivery
A USB power expansion standard for delivering up to 100W of power over USB. It allows for larger devices, such as laptops, to be powered, which is not possible using conventional USB, and speeds up charging time considerably for portables. Defined under UBS 3.1, USB Type-C is a new reversible-plug connector.

*9 RPS (Rohm Production System) Activities
A production system centered on improvement activities for integrating higher quality into products, shortening lead time and thoroughly eliminating waste in inventory and other operations at all group plants. ROHM believes that establishing production systems of unparalleled efficiency and quality is essential for strengthening the group's earning structure.

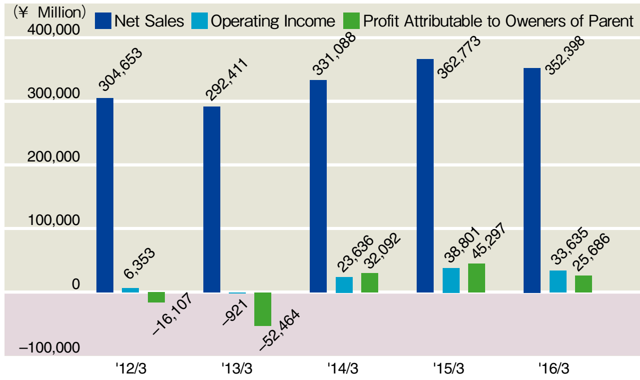
*10 IGBT
Short for Insulated Gate Bipolar Transistor, a semiconductor that combines the best features of a MOSFET and bipolar transistor, making it ideal for power control applications.

*11 LIN (Local Interconnect Network)
An in-vehicle communication standard for multiplex communications advocated primarily by auto manufacturers in Europe as a means for reducing the costs of in-vehicle networks.

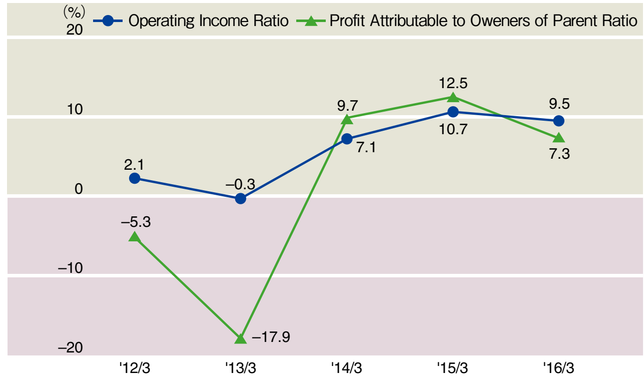
*12 ECU (Electronic Control Unit)
The microcontroller that electrically controls in-vehicle systems for powering a vehicle. ECUs are mounted on many cars and especially on luxury vehicles.

## ■ Results of Operations

1. Results of Operations



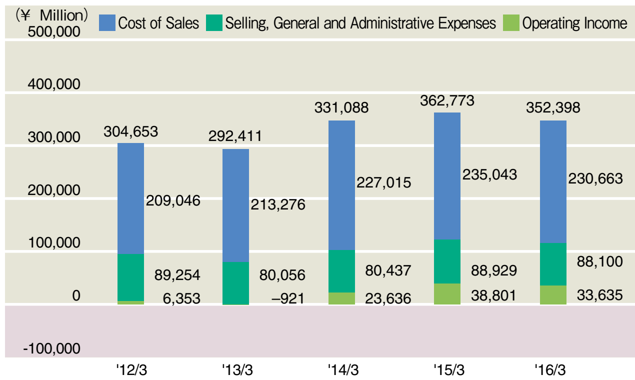

2. Income Ratio




Sales declined due to downward pressures from slumping markets, particularly for consumer products.
In terms of profits, as a result of the decreased sales, gross profits and operating income decreased, also profit attributable to owners of parent decreased owing to the decrease in operating income, the increase in foreign currency exchange losses, etc.

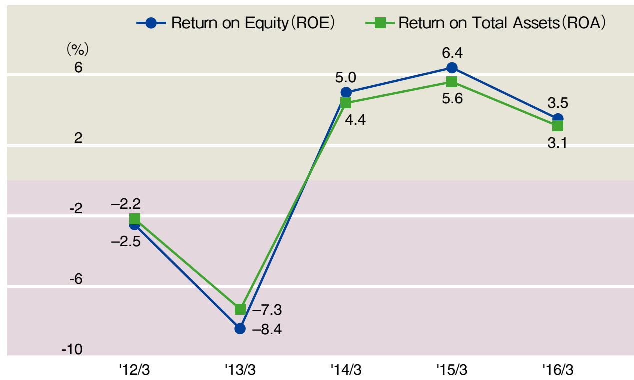
Owing to such effects, both operating income ratio and profit attributable to owners of parent ratio also worsened from the previous term.

## ■ Cost of Sales / Selling, General and Administrative Expenses / Operating Income



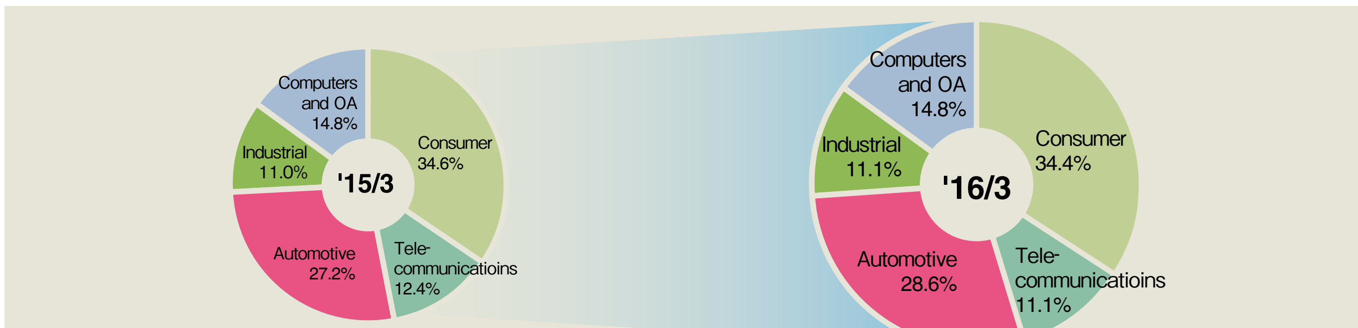

Cost of sales fell compared with the previous fiscal year as a result of lower material costs resulting from lower sales.
There was no significant increase or decrease selling, general and administrative expenses.
Operating income declined compared with the previous fiscal year due to a fall in profits commensurate with the decline in sales.

## ■ Return on Equity (ROE) / Return on Total Assets (ROA)




Because profit attributable to owners of parent decreased from the previous term owing to posted losses derived from a decrease in sales, a increase in foreign currency exchange losses, and other factors, both the return on equity (ROE) and the return on total assets (ROA) worsened from the previous term.

## ■ Sales by Application




Note : Data on this page include estimates to some extent. Please use these data for your reference.

The composition ratio of automotive increased, since net sales for automotive that we have been focusing on increased from the previous term.
On the other hand, the composition ratio of consumer and tele-communications decreased relatively, since net sales to consumer and tele-communications decreased from the previous term.

## Overview of Performance by Segment

<ICs>

Consolidated net sales for the year ended March 31, 2016 were 164,081 million yen (a decrease of 3.4% from last year) and segment income was 7,661 million yen (a decrease of 65.6% from last year).

In the automotive electronics market, sales increased overall, despite an adjustment in power ICs for car AV, as manufacturers newly adopted communication ICs, LCD timing controllers (T-CON) (*13) and power ICs for ECUs, power trains, lamps and car bodies, as well as expanded use of LED driver ICs and display driver ICs for instrument clusters overseas.

In the digital AV field, LED driver ICs and power ICs for TVs and power ICs for home appliances sold well, while power ICs for flat panel modules went into an adjustment phase.

In the IT related market, pressure sensors and color sensors were adopted more widely with smartphones, while sales of power ICs for tablets and data storage, accelerometers and general purpose EEPROM (*14) for smartphones fell.

In the industrial equipment market, sales of ICs for factory automation and measuring instruments, HEMS and BEMS (*15), and communication infrastructure grew steadily, but sales of power ICs for POS and lighting products went into an adjustment phase.

With regard to group company Lapis Semiconductor Co., Ltd., memory ICs for gaming devices fell on the one hand, but sales of display drivers for high resolution TVs increased on the other.

*13 LCD timing controller (T-CON)
ICs that generate and control the signals needed to light up the LCDs used by TVs, PC monitors, car infortainment systems, etc.

*14 EEPROM (Electrically Erasable Programmable Read-Only Memory)
A nonvolatile memory that retains stored data even when the power is off. It allows data to be erased and overwritten by electrical operations.

*15 HEMS (Home Energy Management System)/BEMS (Building Energy Management System)
A HEMS is a system for managing energy consumption in a home. A BEMS is a similar system, but for buildings. Though they serve different targets, both systems connect power meters, solar power systems, storage batteries, home appliances and other equipment over a network, visualize power consumption and economically manage equipment, using sensors and IT.

<Discrete Semiconductor Devices>

Net sales for the year ended March 31, 2016 were 126,436 million yen (a decrease of 2.0% from last year) and segment income was 21,505 million yen (an increase of 35.2% from last year).

With regard to transistors, sales of power MOSFETs for automotive electronics and home appliances grew steadily. As for diodes, sales of rectifier and Zener diodes for automotive electronics were firm. Regarding power devices, sales of SiC devices and modules for solar power systems and EV (Electric Vehicle) onboard chargers grew, while sales of customized power modules slumped. With LEDs, demand for gaming and entertainment products and wearable electronics fell. And, sales of semiconductor lasers for reading optical discs decreased.

<Modules>

Net sales for the year ended March 31, 2016 were 36,371 million yen (an increase of 0.8% from last year) and segment income was 4,594 million yen (an increase of 120.2% from last year).

With regard to printheads, sales of products for faxes and laser printers decreased, but sales for mini-printers used for mobile payment terminals and other applications increased.

As for optical modules, sales of ultra-small sensor modules for smartphones and wearable electronics increased greatly especially in the early part of the year.

Sales of power modules to the automotive electronics market slumped.

<Others>

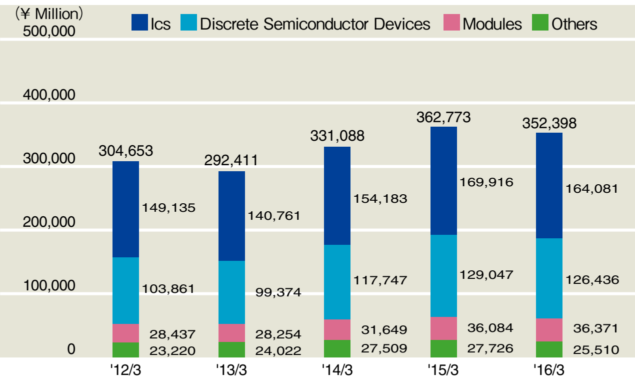
Net sales for the year ended March 31, 2016 were 25,510 million yen (a decrease of 8.0% from last year) and segment income was 262 million yen (900 million yen in segment loss last year).

Sales of resistors to the automotive electronics market increased, while sales of resistors for smartphones decreased. Sales of ultra-small tantalum capacitors for smartphones slumped.

With regard to LED lighting products, sales slumped because of competitive pricing and other factors. Sales mentioned above were to customers outside of the ROHM Group.

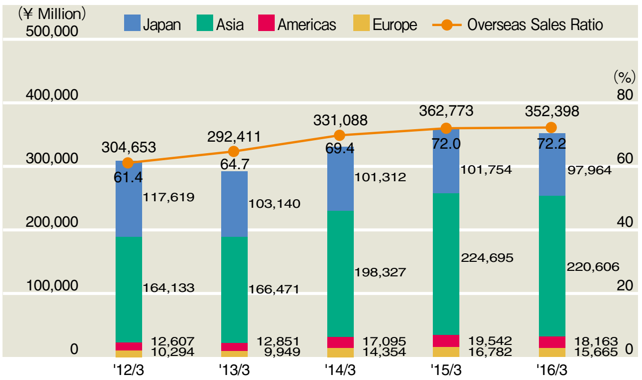
## ■ Sales

### 1. Sales by Segment



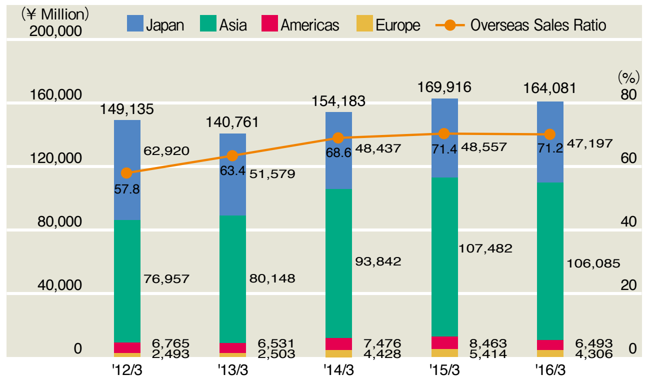

In the ICs segment, sales of various power ICs and LED driver ICs, etc. for game devices, consumer-market panels, PCs, and car audio declined.
The Discrete Semiconductor Devices segment saw a drop in sales of LEDs for amusement-related and wearable devices, and semiconductor lasers for reading optical disks.
In the Modules segment, although sales of power modules for the automotive market, etc. decreased, sales of micro-sensor modules for smartphones and wearable devices remained strong.

### 2. Sales by Geographical Region



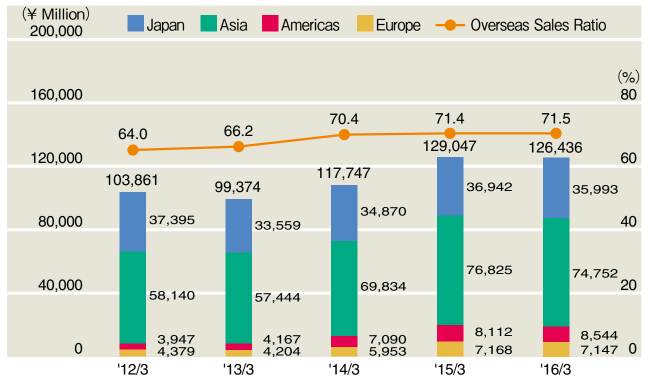

In Japan, sales of game memory and LED lighting declined.
In Asia, sales of ICs for consumer-market panels and PCs, and transistors and diodes for games, were down.
In Americas, there was a drop in sales of ICs for consumer-market panels. In Europe, sales of ICs for car audio and smartphones fell.

### 3. ICs Sales by Geographical Region



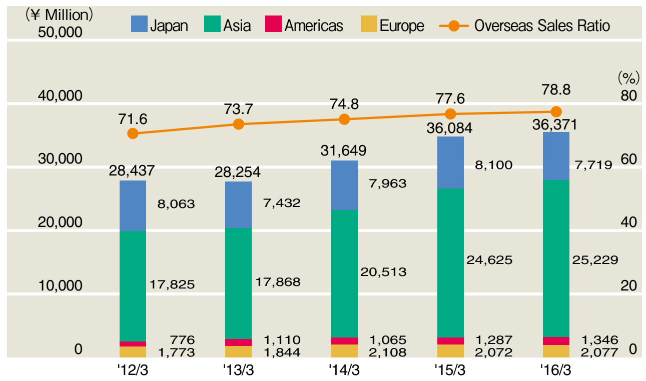

In Japan, sales of game memory declined.
In Asia, sales of ICs for consumer-market panels and PCs were down.
In Americas, there was a drop in sales of ICs for consumer-market panels.
In Europe, sales of ICs for car audio and smartphones fell.

### 4. Discrete Semiconductor Devices Sales by Geographical Region



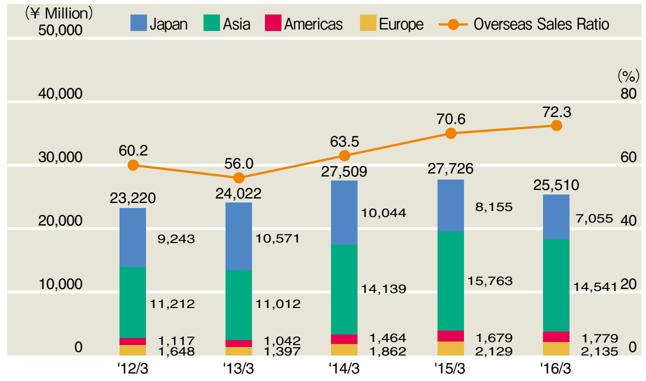

In Japan, sales of car audio and other automotive-market products declined.
In Asia, sales of consumer market products, such as for games, were down.
In Americas, sales of car meter- and car body-oriented products were up.

### 5. Modules Sales by Geographical Region




In Japan, sales of products for cameras decreased.
In Asia, sales of PC- and wearable-oriented products increased.
In Americas, sales of smartphone-oriented products rose.

### 6. Others Sales by Geographical Region




In Japan, sales of LED lighting were down.
In Asia, sales of smartphone-oriented products declined.
In Americas, sales of car meter and powertrain-oriented products were up.

## R&D Activities

Through a wide range of development initiatives, the ROHM Group is working to create products that benefit society, based on the fundamental principle of “contributing to society through electronics.” The Group is also engaged in sustained and well-coordinated R&D efforts to develop new and innovative technologies, focusing on materials, design technologies, manufacturing technologies, and maximizing quality.

Key R&D results in this fiscal year, classified by segment, are as follows:

**①ICs Product Development**

- In a first in the industry, we developed a full lineup of 600V breakdown voltage high efficiency fan motor drivers.
- We developed a new magnetic sensor (MI sensor)to achieve optimum performance in Indoor Navigation.
- We developed a USB Power Delivery Type-C Controller IC.
- In an industry first, we developed a general-purpose transceiver IC for next-generation CXPI (Clock Extension Peripheral Interfaces).
- We developed the “BD9G341AEFJ” 80V-class high-voltage DC / DC converter.
- In a world first, ROHM’s reference design obtained Wireless Power Consortium Qi Certification up to 15W (*1).
- We developed the ML7125 IC for smart Bluetooth transmission, which drives a coin battery for 70,000 hours.
- We developed a Power Management IC optimally tailored to Intel’s next generation Core™ Processors.
- We developed ultra high speed serial bus-equipped ferroelectric memory (FeRAM MR44V064B / MR45V064B).
- We developed High-Reliability NOR Flash Memory (MR29V12852B) optimal for the automotive and industrial equipment markets.

*1. WPC Qi: An international standard for wireless charging advocated by the WPC (Wireless Power Consortium).

**②Discrete Semiconductor Devices Product Development**

- New lineup of high efficiency MOS-IPM (Intelligent Power Modules).
- Color lineup of PICOLED®, the industry's smallest-class compact low-profile chip LEDs, expanded to 15 colors.
- In a world first, we developed and mass-produced a SiC MOSFET that adopts the world's first trench structure.
- We developed a new lineup of RASMID®, and the VS3V3BxxFS Series of TVS diodes (*2).

*2. TVS (Transient Voltage Suppressor) diodes: Diodes that protect electronic circuits from the suddenly generated voltage and current. They have stronger protection capabilities than other protective diodes.

**③Modules Product Development**

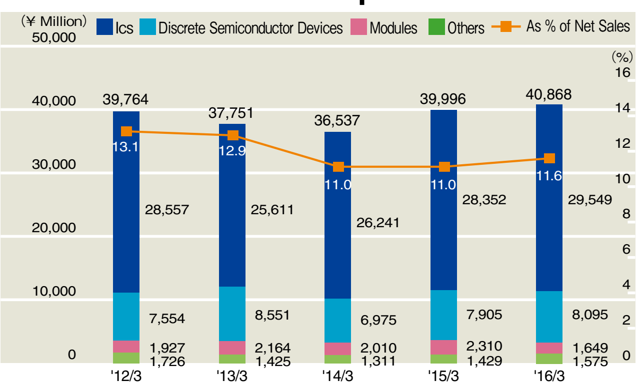
- We developed new-structure thermal print head technology that achieves the industry’s highest standard of printing quality and speed.
- In a world first, ROHM’s Specified Low-Power Wireless Module obtained Wi-SUN HAN (*3) certification.

*3. HAN (Home Area Network): A network that connects a HEMS (Home Energy Management System) controller with HEMS-controlled equipment such as air conditioning and lighting, currently employing a wide range of wired and wireless communications technologies.

**④Future-oriented Research and Development**

- In a world first, we developed a soil sensor for real-time monitoring of the soil environment.

### ■ Research and Development Costs




The ROHM Group has been focusing R&D on future growth, developing products in core areas and expanding our share of target markets.
We believe R&D costs should be about 10% of net sales as a rough target.
We will actively strengthen product lineups centering on our four solutions and further promote R&D to ensure future profits.
R&D costs in the year ended March 31, 2016 increased in the ICs segment, etc.



## Analysis on Status of Financial Condition and Cash Flow

Total assets decreased by 60,246 million yen from the end of the previous fiscal year to 804,134 million yen. The main factors that contributed to this were decreases respectively in short-term investments of 29,407 million yen, inventories of 12,681 million yen, investment securities of 10,316 million yen, notes and accounts receivable (trade) of 8,518 million yen, and investments and other assets of 9,867 million yen (including 8,861 million yen in long-term deposits), and increases respectively in cash and cash equivalents of 9,134 million yen and intangible assets of 6,291 million yen, property, plants and equipment of 5,150 million yen.

Liabilities decreased by 14,063 million yen from the end of the previous fiscal year to 97,883 million yen. The main factors that contributed to this were decreases respectively in deferred tax liabilities of 5,566 million yen, income taxes payable of 4,743 million yen, non-current liabilities (other) of 1,608 million yen (including 1,599 million yen in long-terms accounts payable), accrued expenses of 2,091 million yen and notes and accounts payable (trade) of 1,805 million yen.

Net assets decreased by 46,183 million yen from the end of the previous fiscal year to 706,251 million yen. The main factors that contributed to this were decreases respectively in foreign currency translation adjustments of 29,795 million yen, purchases of treasury shares of 17,007 million yen and valuation differences on available-for-sale securities of 7,939 million yen, and an increase of 9,647 million yen in retained earnings after recording profit attributable to owners of parent.

As a result, equity ratio increased from the 87.0% of the previous year to 87.8%.

Cash flow for the year ended on March 31, 2016 was as follows.

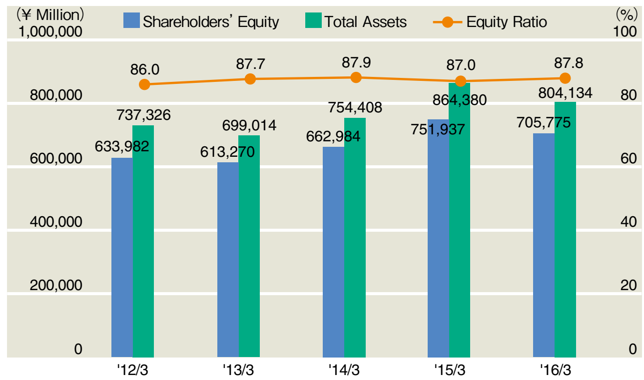
Cash flow from operating activities was a positive 78,902 million yen, which represents an increase in income of 6,521 million yen from the previous year (positive by 72,381 million yen). The positive factors behind this were reversals of foreign exchange records from a gain to a loss, notes and accounts receivable (trade) from an increase to a decrease, and inventories from an increase to a decrease. The negative factors that affected cash flow came as a decrease in profits before income taxes and a reversal of accounts payable from an increase to a decrease.

Cash flow from investment activities was a negative 22,436 million yen, which represents a decrease in payouts of 78,202 million yen from the previous year (negative by 100,638 million yen). The positive factors behind this were a reversal of time deposits from an increase to a decrease and a decrease in purchases of short-term and long-term investment securities, while the lone negative factor was an increase in purchases of property, plants and equipment.

Cash flow from financing activities was a negative 33,111 million yen, which represents an increase in payouts of 24,938 million yen from the previous year (negative by 8,172 million yen). The negative factors behind this were increases in purchases of treasury shares and cash dividends paid.

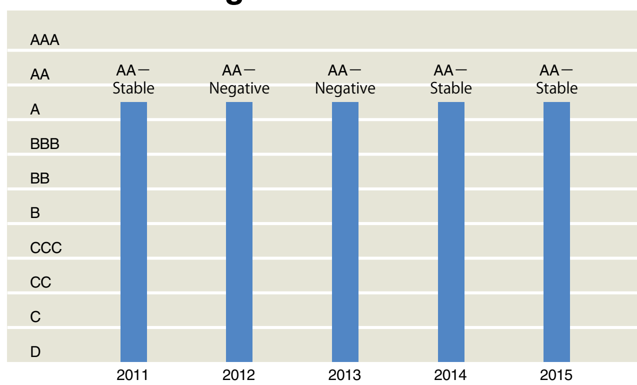
After subtracting 14,222 million yen because of the effects of exchange rate changes, cash and cash equivalents increased 9,134 million yen from the end of the previous fiscal year to 231,802 million yen.

### ■ Shareholders' Equity / Total Assets



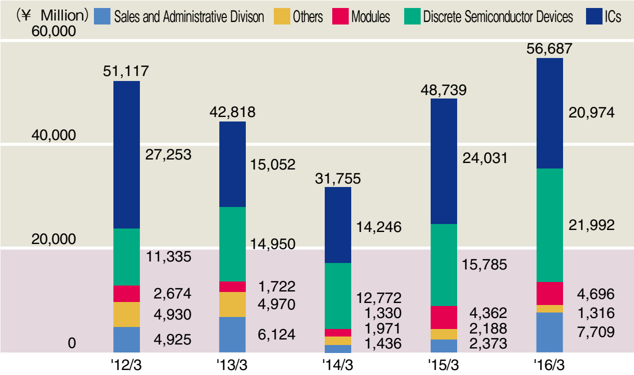

Total assets declined, due to a decrease in marketable securities and investment securities resulting from falling stock prices, and to the acquisition of treasury stock.
Shareholders' equity decreased from the previous term owing to an decrease in foreign currency translation adjustments as a result of stronger Japanese yen than at the end of the previous term and an acquisition of treasury stock.
Owing to these effects, equity ratio improved from the previous term.
The ROHM Group is committed to funding business operations with its own capital from the perspective of ensuring financial soundness.
For this reason, equity ratio remains high.

### ■ Credit Ratings



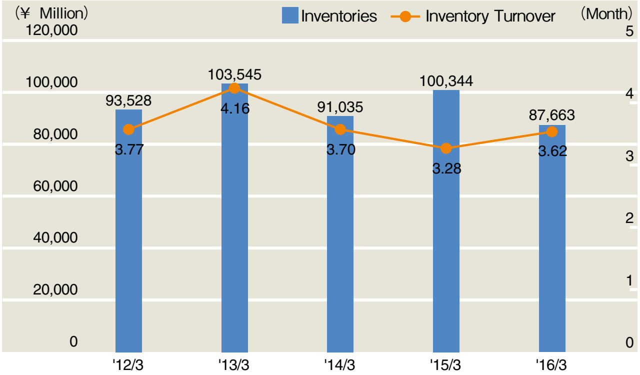

ROHM has its corporate credit rated by JCR (Japan Credit Rating Agency, Ltd.).
Although there have been changes in the forecast as a result of posting negative returns, etc. in the past, ROHM’s rating remains consistently AA (very high credit quality, i.e. very low credit risk.).

## Capital Expenditures



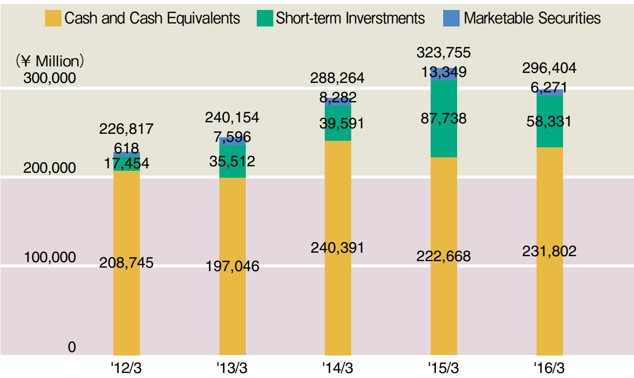

In the ICs segment, we augmented our facilities, expanding the wafer process at our headquarters and at the Hamamatsu plant, and moving forward with new plant construction in Thailand and plant expansion in the Philippines for the assembly process.
In the Discrete Semiconductor Devices segment , for the wafer process, we augmented the power device sector including IGBT etc., as well as expanding our facilities in Thailand and the Philippines for the assembly process, and building a new plant in Malaysia.
In the Modules segment, we took steps such as expanding our production line for new sensor products for optical modules.
In the Other segment, we strengthened our framework for new resistor product manufacturing.
With regard to Sales and Administrative Division, there was impact from our acquisition of ROHM Shiga Co., Ltd. and purchase of land near our headquarters.

## Inventories / Inventory Turnover



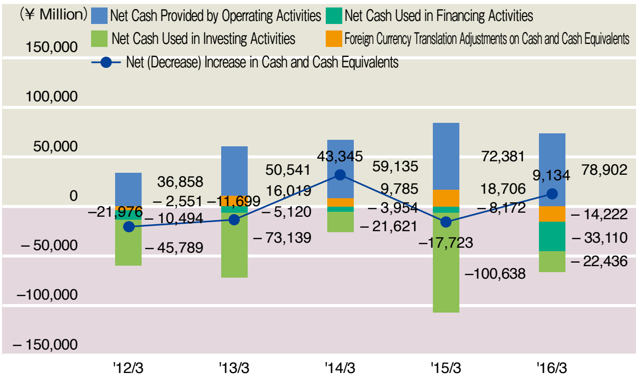

In terms of inventories, there was a decrease in merchandise and finished products, raw materials and supplies compared with the previous fiscal year due to yen appreciation and other factors.
However, as the rate of sales decrease over the past three months exceeded the decrease in inventories, the inventory turnover increased year-on-year.
The ROHM Group has been working to provide high added-value, highly reliable products by manufacturing products from the stage of raw materials, based on a business model that relies on vertically integrated manufacturing.

## Cash Reserves




ROHM Group regards the sum of cash and cash equivalents, marketable securities, short-term investments, as cash reserves.

## Cash Flows




## Return to Shareholders

### Basic Policy for Return to Shareholders

Our company believe that to increase dividends by increasing the profit and extending the business is the best way for shareholders from a point of view to improve return to shareholders. Therefore, our company does not carry out hospitality programs for shareholders at present. Also, our company is setting an aim that is at least 8% for return on equity (ROE), we believe it is important to achieve the aim by increasing the profit attributable to owners of parent which is a molecule, rather than reducing the shareholder's equity which is a denominator by the method of acquisition of treasury stock.

### ① Profit Distribution

In the semiconductor and electronic component business, the ROHM Group wants to meet shareholder expectations by improving results from a long-term perspective via forward-looking investment in equipment, plants, R&D and M&A.

While continuing efforts to achieve sustainable growth on the one hand, the ROHM Group believes it necessary to improve our overall corporate value on the other by balancing our financial condition and capital demand with investor expectations when exploring ways to share profits.

Given our current situation, the ROHM Group is returning all free cash flow * to shareholders every year for the three year from March 2015 to March 2017. To do this, the ROHM Group will buy back our own shares and take other steps in each fiscal year that allow us to flexibly return profits to shareholders via stable and continuous dividends at a targeted consolidated payout ratio of 30% or more.

Regarding the market environment surrounding the ROHM Group, market growth in the mid- to long-term can be expected alongside continued computerization and informatization. However, global competition will intensify due to global-scale restructuring and a shakeout of the industry. In order to maintain growth and increase business performance under these circumstances, it is imperative that ROHM Group develop unique products and enhance cost competitiveness. Therefore, the ROHM Group will be making every effort to further improve our corporate value, which includes making the capital investments necessary to enhance our technological strengths in development and manufacturing from which we draw a competitive advantage, and proactively investing in tie-ups, M&A and other strategic businesses in which we can expect a synergistic effect with group operations and a return on investment.

*To calculate our free cash flow, the ROHM Group simply adds depreciation to the profits attributable to the owners of the parent company, and subtracts investments in property, plants and equipment for capital expenditures and M&A.

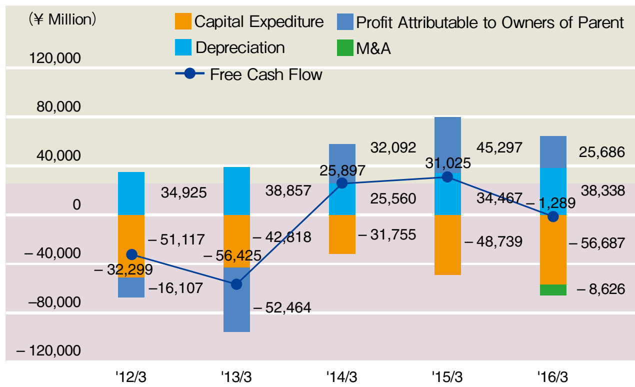
### ② Profit Distribution for the Year Ended March 31, 2016

In consideration of the financial results of the current fiscal year, the year-end dividend was 65 yen per share. As a result, the annual dividend, with 65 yen per share added as an interim dividend, was 130 yen per share.

### ③ Retirement of Treasury Stock

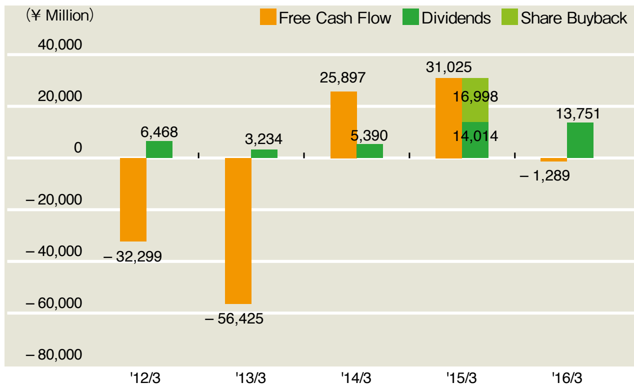
The ROHM Group considers a maximum 5% of the total outstanding shares as its treasury stock holdings, and, in principle, any amount beyond this limit is retired at the end of every fiscal year. In line with this policy, we retired 2,200,000 shares of treasury stock, which equate to about 1.94% of all outstanding shares existing as of March 31, 2016, on May 31. The Group always keeps treasury stocks on hand in order to ensure management flexibility for merger and acquisition activity and other needs as required.

## Free Cash Flow

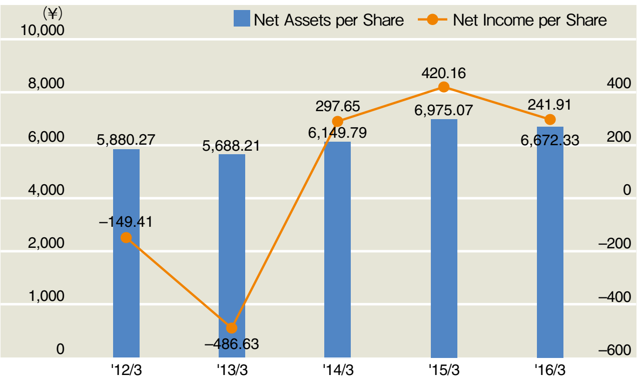



Free cash flow decreased from the previous term owing to the decrease in profit attributable to owners of parent, the increase of capital expenditures and M&A.

## Return to Shareholders

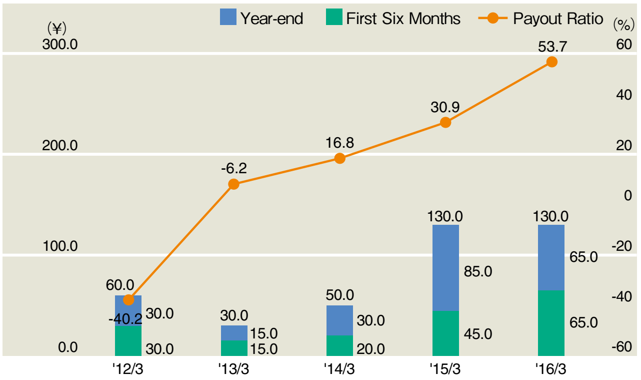


## ■ Per Share Data




Net income per share decreased from the previous year owing to the decrease in profit attributable to owners of parent, etc.
The net assets decreased owing to a decrease in foreign currency translation adjustments, an increase in treasury shares, etc.
As a result, net assets per share decreased from the previous term.

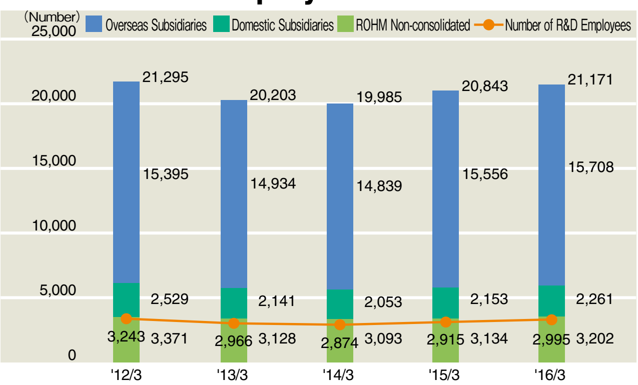
## ■ Cash Dividends per Share / Payout Ratio




This fiscal year, although earnings per share were lower than the previous fiscal year, we set a 65 yen first six months dividend and a 65 yen year-end dividend, for a total annual dividend of 130 yen, so as to provide shareholders with stable, consistent dividends.
In this way, consolidated payout ratio improved.
In the future, ROHM will strive to ensure a 30% consolidated payout ratio or more, and strengthen the return to our shareholders by improving our performance.

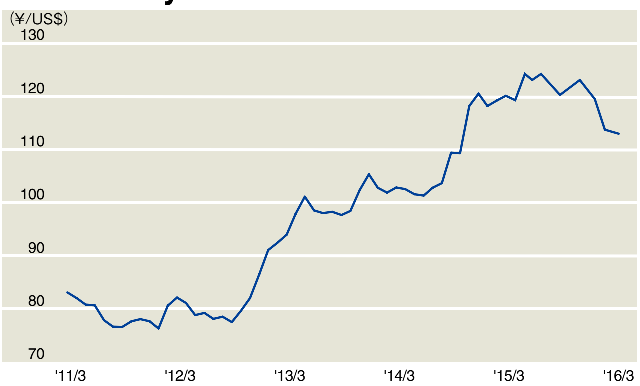
## Others

## ■ Number of Employees



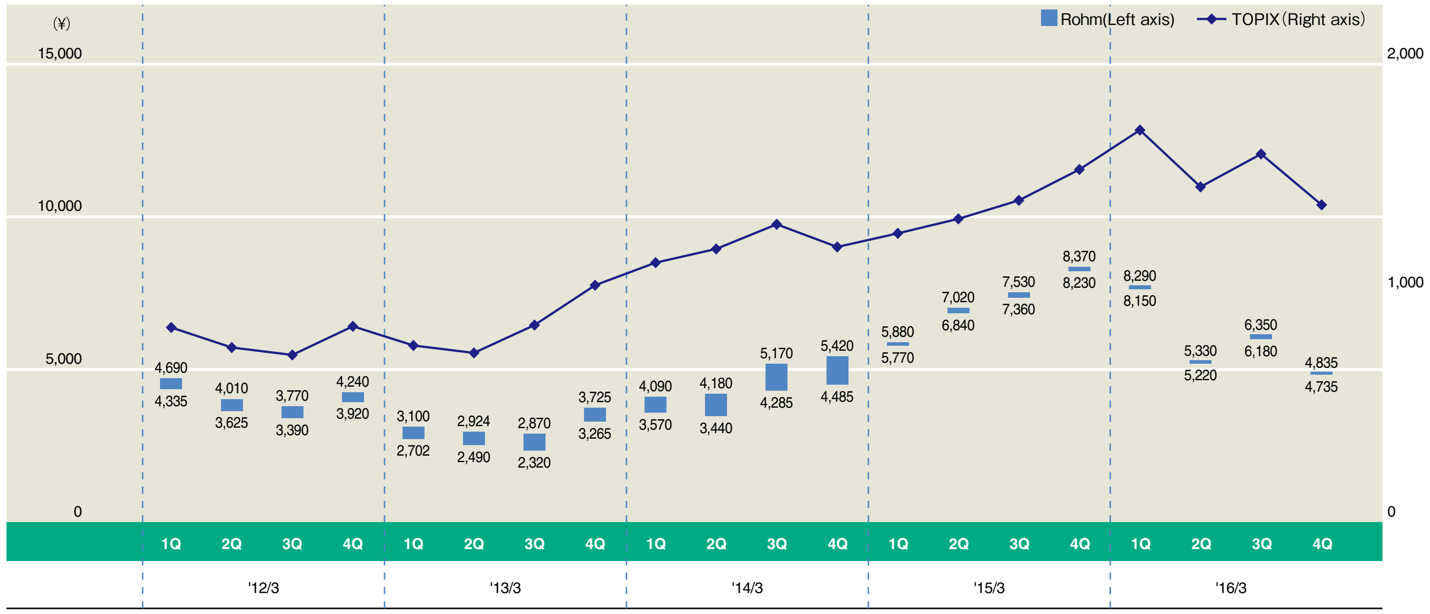

The number of employees increased from the previous term as a result of increasing of personnel mostly at overseas subsidiaries.

## ■ Currency Movement




The dollar-yen exchange rate has been marked by major, ongoing weakening of the yen, with an average for the term of 120.00 yen to the dollar, a 9.97 yen depreciation compared to the previous term's average of 110.03 yen to the dollar.

## ■ Stock Prices：Quarterly Highs and Lows in Each Year (Tokyo Securities Exchange)




(Note) Stock price is stipulated on a closing price basis.

Efforts to enhance our corporate value
The ROHM Group is making concerted efforts to enhance share value.
To that end, it is our first priority to improve our performance. We are working to expand our product lineups for new markets such as the automotive and industrial equipment markets, strengthen the sales system for overseas customers, and develop new products and new technologies for next generation applications to note first and foremost our four solutions.
The ROHM Group is also working to improve returns to shareholders by ensuring at least a 30% consolidated payout ratio or returning 100% of our free cash flow, etc.

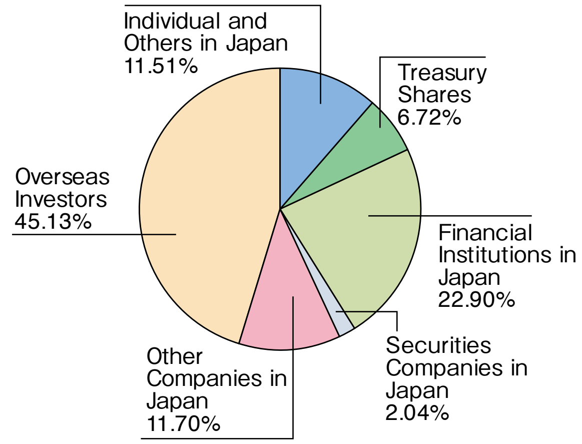
## ■ Stock Information (as of March 31, 2016)

- Authorized Common Stock 300,000,000
- Issued Common Stock 113,400,000
- Number of Shareholders 27,446
- Major Shareholders

| Ranking | Name | Number of Shares Held | Percentage (%) |
|---|---|---|---|
| 1 | Rohm Music Foundation | 8,000,000 | 7.56 |
| 2 | The Master Trust Bank of Japan, Ltd. (Trust account) | 6,265,200 | 5.92 |
| 3 | Japan Trustee Service Bank, Ltd. (Trust account) | 4,314,900 | 4.07 |
| 4 | Japan Trustee Service Bank, Ltd. (Trust account 9) | 2,904,000 | 2.74 |
| 5 | Bank of Kyoto, Ltd. | 2,606,824 | 2.46 |
| 6 | Ken Sato | 2,405,066 | 2.27 |
| 7 | BNYML - NON TREATY ACCOUNT | 2,188,360 | 2.06 |
| 8 | MSCO CUSTOMER SECURITIES | 1,675,500 | 1.58 |
| 9 | HSBC BANK PLC A/C CLIENTS 1 | 1,611,810 | 1.52 |
| 10 | STATE STREET BANK WEST CLIENT – TREATY 505234 | 1,480,639 | 1.39 |
| Total | | 33,452,299 | 31.57 |

(Note) 1. Treasury stock (7,623,743) is excluded from the above list.
2. Percentage indicates ratio to issued common stock (105,776,257).
3. The percentages are rounded off the second decimal place.

- Shareholder Mix




**Notes (Computation)**
•**Equity ratio =** shareholder's equity / total assets
•**Return on equity (ROE) =** profit attributable to owners of parent / (shareholder's equity at the beginning of the year + shareholder's equity at the end of the year) / 2
•**Return on total assets (ROA) =** profit attributable to owners of parent / (total assets at the beginning of the year + total assets at the end of the year) / 2
•**Inventory turnover =** {(inventories at the beginning of the year + inventories at the end of the year) / 2 } / monthly average sales for the most recent three months
•**Net income per share =** (profit attributable to owners of parent - amount not attributable to common shareholders) / average number of shares during the period
•**Net assets per share =** total net assets - minority interests - amount not attributable to common shareholders) / year-end number of shares outstanding
•**Payout ratio = cash dividends per share / net income per share**
*1 Shareholder's equity = total net assets - minority interests
*2 The computation of net income per share is based on the average number of shares of common stock outstanding during each year.
*3 The average number of shares of common stock used in the computation for the fiscal year was 106,175 thousand for 2016, 107,804 thousand for 2015, 107,811 thousand for 2014, 107,814 thousand for 2013, 107,815 thousand for 2012 respectively.

# Eleven-Year Summary

ROHM CO., LTD. and its Consolidated Subsidiaries
Years ended March 31

| | Millions of Yen | | | | | | | | | | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | **2016** | **2016** |
| **For the Year:** | | | | | | | | | | | | |
| Net sales | ¥ 387,790 | ¥ 395,082 | ¥ 373,406 | ¥ 317,141 | ¥ 335,641 | ¥ 341,886 | ¥ 304,653 | ¥ 292,411 | ¥ 331,088 | ¥ 362,773 | **¥ 352,398** | **$ 3,118,566** |
| Cost of sales | 243,516 | 251,516 | 230,839 | 217,282 | 229,831 | 219,150 | 209,046 | 213,276 | 227,015 | 235,043 | **230,663** | **2,041,265** |
| Selling, general and administrative expenses | 75,955 | 74,068 | 75,205 | 89,319 | 87,000 | 89,999 | 89,254 | 80,056 | 80,437 | 88,929 | **88,100** | **779,646** |
| Operating income (loss) | 68,319 | 69,498 | 67,362 | 10,540 | 18,810 | 32,737 | 6,353 | (921) | 23,636 | 38,801 | **33,635** | **297,655** |
| Income (loss) before income taxes | 73,858 | 77,874 | 57,967 | (25,520) | 10,836 | 19,400 | (2,697) | (52,414) | 40,179 | 55,240 | **31,537** | **279,089** |
| Income taxes | 25,490 | 30,400 | 26,007 | (33,775) | 4,001 | 9,524 | 13,374 | 10 | 8,056 | 9,898 | **5,835** | **51,637** |
| Net income (loss) attributable to owners of the parent | 48,305 | 47,446 | 31,932 | 9,837 | 7,134 | 9,633 | (16,107) | (52,464) | 32,092 | 45,297 | **25,686** | **227,310** |
| Capital expenditures | 80,240 | 60,926 | 38,722 | 51,491 | 30,216 | 40,042 | 51,117 | 42,818 | 31,755 | 48,739 | **56,687** | **501,655** |
| Depreciation and amortization | 57,032 | 61,141 | 55,605 | 48,951 | 48,446 | 39,019 | 34,925 | 38,857 | 25,560 | 34,467 | **38,338** | **339,274** |
| **Per Share Information (in yen and U.S. dollars):** | | | | | | | | | | | | |
| Basic net income (loss) | ¥ 416.39 | ¥ 413.56 | ¥ 284.66 | ¥ 89.76 | ¥ 65.10 | ¥ 88.07 | ¥ (149.41) | ¥ (486.63) | ¥ 297.65 | ¥ 420.16 | **¥ 241.91** | **$ 2.14** |
| Cash dividends applicable to the year | 90.00 | 100.00 | 230.00 | 130.00 | 130.00 | 130.00 | 60.00 | 30.00 | 50.00 | 130.00 | **130.00** | **1.15** |
| **At Year-End:** | | | | | | | | | | | | |
| Current assets | ¥ 568,112 | ¥ 602,705 | ¥ 535,898 | ¥ 464,187 | ¥ 462,435 | ¥ 436,247 | ¥ 434,457 | ¥ 423,064 | ¥ 461,746 | ¥ 523,376 | **¥ 473,570** | **$ 4,190,885** |
| Current liabilities | 105,779 | 80,383 | 62,775 | 68,325 | 68,850 | 64,334 | 74,337 | 55,750 | 52,955 | 69,660 | **62,352** | **551,788** |
| Equity | 787,214 | 817,818 | 755,873 | 709,841 | 707,719 | 668,779 | 634,280 | 613,647 | 663,388 | 752,434 | **706,251** | **6,250,008** |
| Total assets | 951,442 | 962,603 | 870,972 | 809,185 | 807,340 | 759,989 | 737,326 | 699,014 | 754,408 | 864,380 | **804,134** | **7,116,230** |
| Number of employees | 20,279 | 20,422 | 20,539 | 22,034 | 21,005 | 21,560 | 21,295 | 20,203 | 19,985 | 20,843 | **21,171** | |

Notes: 1. U.S. dollar amounts are provided solely for convenience at the rate of ¥113 to U.S. $1, the approximate exchange rate at March 31, 2016.
2. Certain reclassifications of previously reported amounts have been made to conform with the classifications in the 2016 financial statements.
3. Diluted net income per share for 2016, 2015, 2014, 2011, 2010, 2009, 2008, 2007 and 2006 is not disclosed because there were no outstanding potentially dilutive securities and ROHM CO., LTD., was in a net loss position for the years ended March 31, 2013 and 2012.
4. Effective April 1, 2008, ROHM CO., LTD., and its consolidated subsidiaries applied new accounting standards as follows:
(1) Applied a new accounting standard for measurement of inventories. The effect of this change was to decrease "Operating Income" by ¥3,184 million and to increase "Loss before income taxes " by ¥3,184 million for the year ended March 31, 2009.
(2) Applied a new accounting standard for lease transactions. The effect of this change to the consolidated financial statements was immaterial for the year ended March 31, 2009.
(3) Applied a new accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements. The effect of this change to the consolidated financial statements was immaterial for the year ended March 31, 2009.
5. Effective April 1, 2010, ROHM CO., LTD., and its consolidated subsidiaries applied a new accounting standard as follows:
Applied a new accounting standard for asset retirement obligations. The effect of this change was to decrease "Operating Income" by ¥73 million and "Income before income taxes " by ¥784 million for the year ended March 31, 2011.
6. Effective April 1, 2015, ROHM CO., LTD., and its consolidated subsidiaries applied the new accounting standard for consolidated financial statements. The effect of this change was as follows:
(1) The title "Net income (loss)" was changed to "Net income (loss) attributable to owners of the parent" for the year ended March 31, 2016.
(2) The title "Income (loss) before income taxes and minority interest" was changed to "Income (loss) before income taxes" for the year ended March 31, 2016.

# Consolidated Balance Sheet

ROHM CO., LTD. and its Consolidated Subsidiarie
March 31, 2016

## ASSETS

| | Millions of Yen 2016 | Millions of Yen 2015 | Thousands of U.S. Dollars (Note 1) 2016 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and cash equivalents (Note 17) | **¥ 231,802** | ¥ 222,668 | **$ 2,051,345** |
| Marketable securities (Notes 5 and 17) | **6,271** | 13,349 | **55,496** |
| Short-term investments (Notes 6 and 17) | **58,331** | 87,738 | **516,204** |
| Notes and accounts receivable (Note 17): | | | |
| Trade | **70,336** | 78,854 | **622,442** |
| Other | **2,551** | 3,267 | **22,575** |
| Allowance for doubtful accounts | **(187)** | (293) | **(1,655)** |
| Inventories (Note 7) | **87,663** | 100,344 | **775,779** |
| Deferred tax assets (Note 16) | **8,451** | 9,375 | **74,788** |
| Refundable income taxes (Note 17) | **941** | 547 | **8,327** |
| Prepaid expenses and other | **7,411** | 7,527 | **65,584** |
| Total current assets | **473,570** | 523,376 | **4,190,885** |
| **Property, Plant and Equipment:** | | | |
| Land (Note 8) | **66,161** | 64,039 | **585,496** |
| Buildings and structures (Note 8) | **224,913** | 221,834 | **1,990,380** |
| Machinery, equipment and vehicles (Notes 8 and 19) | **501,758** | 511,008 | **4,440,336** |
| Furniture and fixtures (Notes 8 and 19) | **49,935** | 51,459 | **441,903** |
| Construction in progress (Note 8) | **20,165** | 18,746 | **178,451** |
| Total | **862,932** | 867,086 | **7,636,566** |
| Accumulated depreciation | **(626,489)** | (635,793) | **(5,544,150)** |
| Net property, plant and equipment | **236,443** | 231,293 | **2,092,416** |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 5 and 17) | **62,442** | 72,758 | **552,584** |
| Investments in and advance to unconsolidated subsidiaries and associated companies (Note 17) | **705** | 705 | **6,239** |
| Asset for retirement benefits (Note 9) | **1,298** | 1,948 | **11,487** |
| Goodwill | **5,778** | 33 | **51,133** |
| Other intangible assets (Note 8) | **5,914** | 5,368 | **52,336** |
| Deferred tax assets (Note 16) | **2,492** | 3,836 | **22,053** |
| Other | **15,591** | 25,458 | **137,973** |
| Allowance for doubtful accounts | **(99)** | (395) | **(876)** |
| Total investments and other assets | **94,121** | 109,711 | **832,929** |
| **Total** | **¥ 804,134** | ¥ 864,380 | **$ 7,116,230** |

See notes to consolidated financial statements.

## LIABILITIES AND EQUITY

| | Millions of Yen 2016 | Millions of Yen 2015 | Thousands of U.S. Dollars (Note 1) 2016 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Notes and accounts payable (Note 17): | | | |
| Trade | **¥ 17,986** | ¥ 19,791 | **$ 159,168** |
| Construction and other | **25,363** | 24,486 | **224,450** |
| Income tax payable (Note 17) | **1,896** | 6,639 | **16,779** |
| Deferred tax liabilities (Note 16) | **36** | | **319** |
| Accrued expenses | **13,842** | 15,933 | **122,496** |
| Provision for loss on business liquidation (Note 13) | **442** | | **3,912** |
| Other | **2,787** | 2,811 | **24,664** |
| Total current liabilities | **62,352** | 69,660 | **551,788** |
| **Long-term Liabilities:** | | | |
| Liability for retirement benefits (Note 9) | **9,707** | 9,252 | **85,903** |
| Deferred tax liabilities (Note 16) | **24,016** | 29,618 | **212,531** |
| Other | **1,808** | 3,416 | **16,000** |
| Total long-term liabilities | **35,531** | 42,286 | **314,434** |
| **Commitments and Contingent Liabilities (Notes 18, 19 and 20)** | | | |
| **Equity (Notes 10, 21 and 22):** | | | |
| Common stock - authorized, 300,000,000 shares issued, 113,400,000 shares | **86,969** | 86,969 | **769,637** |
| Capital surplus | **102,404** | 102,404 | **906,230** |
| Retained earnings | **609,166** | 599,519 | **5,390,850** |
| Treasury stock - at cost 7,623,743 shares in 2016 and 5,596,799 shares in 2015 | **(67,148)** | (50,141) | **(594,230)** |
| Accumulated other comprehensive income | | | |
| Unrealized gain on available-for-sale securities (Note 5) | **16,504** | 24,443 | **146,053** |
| Foreign currency translation adjustments | **(37,104)** | (7,309) | **(328,354)** |
| Accumulated adjustments for retirement benefits (Note 9) | **(5,016)** | (3,948) | **(44,390)** |
| Total | **705,775** | 751,937 | **6,245,796** |
| Noncontrolling interests | **476** | 497 | **4,212** |
| Total equity | **706,251** | 752,434 | **6,250,008** |
| **Total** | **¥ 804,134** | ¥ 864,380 | **$ 7,116,230** |

# Consolidated Statement of Income

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2016

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** |
| **Net Sales** | **¥ 352,398** | ¥ 362,773 | ¥ 331,088 | **$ 3,118,566** |
| **Operating Cost and Expenses:** | | | | |
| Cost of sales | **230,663** | 235,043 | 227,015 | **2,041,265** |
| Selling, general and administrative expenses (Notes 11 and 12) | **88,100** | 88,929 | 80,437 | **779,646** |
| Total operating cost and expenses | **318,763** | 323,972 | 307,452 | **2,820,911** |
| **Operating Income** | **33,635** | 38,801 | 23,636 | **297,655** |
| **Other Income (Expenses):** | | | | |
| Interest and dividend income | **2,861** | 2,395 | 1,809 | **25,319** |
| Foreign currency exchange (losses) gains - net | **(23)** | 17,872 | 10,092 | **(204)** |
| Gain on sales of property, plant and equipment | **148** | 310 | 5,832 | **1,310** |
| Loss on sales and disposal of property, plant and equipment | **(729)** | (881) | (440) | **(6,451)** |
| Loss on impairment of long-lived assets (Note 8) | **(2,021)** | (5,876) | (951) | **(17,885)** |
| Loss on valuation of investment securities (Note 5) | **(4)** | (8) | (63) | **(35)** |
| Loss on business liquidation (Note 13) | **(1,867)** | | | **(16,522)** |
| Provision for loss on business liquidation (Note 13) | **(442)** | | | **(3,912)** |
| Loss on liquidation of subsidiaries | **(60)** | | | **(531)** |
| Special severance benefit (Note 9) | **(113)** | | | **(1,000)** |
| Gain on insurance settlement (Note 14) | | 2,487 | 896 | |
| Loss on valuation of investments in unconsolidated subsidiaries and associated companies | | (11) | | |
| Loss on transfer of business (Note 4) | | | (52) | |
| Loss on quality compensation (Note 15) | | | (850) | |
| Other - net | **152** | 151 | 270 | **1,345** |
| Total other (expenses) income - net | **(2,098)** | 16,439 | 16,543 | **(18,566)** |
| **Income before Income Taxes** | **31,537** | 55,240 | 40,179 | **279,089** |
| **Income Taxes (Note 16):** | | | | |
| Current | **5,318** | 13,383 | 5,937 | **47,062** |
| For prior periods | | 385 | 2,498 | |
| Deferred | **517** | (3,870) | (379) | **4,575** |
| Total income taxes | **5,835** | 9,898 | 8,056 | **51,637** |
| **Net Income** | **25,702** | 45,342 | 32,123 | **227,452** |
| **Net Income Attributable to Noncontrolling Interests** | **(16)** | (45) | (31) | **(142)** |
| **Net Income Attributable to Owners of the Parent** | **¥ 25,686** | ¥ 45,297 | ¥ 32,092 | **$ 227,310** |
| | Yen | | | U.S. Dollars |
| **Per Share Information (Note 2. (s)):** | | | | |
| Basic net income | **¥ 241.91** | ¥ 420.16 | ¥ 297.65 | **$ 2.14** |
| Cash dividends applicable to the year | **130.00** | 130.00 | 50.00 | **1.15** |

See notes to consolidated financial statements.



# Consolidated Statement of Comprehensive Income

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2016

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** |
| **Net Income** | **¥ 25,702** | ¥ 45,342 | ¥ 32,123 | **$ 227,452** |
| **Other Comprehensive (Loss) Income (Note 21):** | | | | |
| Unrealized (loss) gain on available-for-sale securities | **(7,939)** | 11,095 | 8,580 | **(70,257)** |
| Foreign currency translation adjustments | **(29,829)** | 38,531 | 17,676 | **(263,974)** |
| Adjustments for retirement benefits | **(1,068)** | 278 | | **(9,451)** |
| Total other comprehensive (loss) income | **(38,836)** | 49,904 | 26,256 | **(343,682)** |
| **Comprehensive (Loss) Income** | **¥ (13,134)** | ¥ 95,246 | ¥ 58,379 | **$ (116,230)** |
| **Total Comprehensive (Loss) Income Attributable to:** | | | | |
| Owners of the parent | **¥ (13,116)** | ¥ 95,150 | ¥ 58,350 | **$ (116,071)** |
| Noncontrolling interests | **(18)** | 96 | 29 | **(159)** |

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2016

| | Number of shares of common stock out standing | Millions of Yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Common stock | Capital surplus | Retained earnings | Treasury stock | Accumulated other comprehensive income: Unrealized gain on available-for-sale securities | Accumulated other comprehensive income: Foreign currency translation adjustments | Accumulated other comprehensive income: Accumlated adjustments for retirement benefits | Total | Noncontrolling interests | Total equity |
| **Balance at April 1, 2013** | 107,813,919 | ¥ 86,969 | ¥ 102,404 | ¥ 532,684 | ¥ (50,087) | ¥ 4,767 | ¥ (63,467) | | ¥ 613,270 | ¥ 377 | ¥ 613,647 |
| Net income attributable to owners of the parent | | | | 32,092 | | | | | 32,092 | | 32,092 |
| Cash dividends, ¥35.00 per share | | | | (3,774) | | | | | (3,774) | | (3,774) |
| Purchase of treasury stock | (8,357) | | | | (38) | | | | (38) | | (38) |
| Net change in the year | | | | | | 8,581 | 17,678 | ¥ (4,825) | 21,434 | 27 | 21,461 |
| **Balance at March 31, 2014** | 107,805,562 | 86,969 | 102,404 | 561,002 | (50,125) | 13,348 | (45,789) | (4,825) | 662,984 | 404 | 663,388 |
| Cumulative effect of changes in accounting policy(Note 2.(j)) | | | | 1,305 | | | | 599 | 1,904 | | 1,904 |
| Balance as restated | 107,805,562 | 86,969 | 102,404 | 562,307 | (50,125) | 13,348 | (45,789) | (4,226) | 664,888 | 404 | 665,292 |
| Net income attributable to owners of the parent | | | | 45,297 | | | | | 45,297 | | 45,297 |
| Cash dividends, ¥75.00 per share | | | | (8,085) | | | | | (8,085) | | (8,085) |
| Purchase of treasury stock | (2,361) | | | | (16) | | | | (16) | | (16) |
| Net change in the year | | | | | | 11,095 | 38,480 | 278 | 49,853 | 93 | 49,946 |
| **Balance at March 31, 2015** | 107,803,201 | 86,969 | 102,404 | 599,519 | (50,141) | 24,443 | (7,309) | (3,948) | 751,937 | 497 | 752,434 |
| Net income attributable to owners of the parent | | | | **25,686** | | | | | **25,686** | | **25,686** |
| Cash dividends, ¥150.00 per share | | | | **(16,039)** | | | | | **(16,039)** | | **(16,039)** |
| Purchase of treasury stock | **(2,026,944)** | | | | **(17,007)** | | | | **(17,007)** | | **(17,007)** |
| Net change in the year | | | | | | **(7,939)** | **(29,795)** | **(1,068)** | **(38,802)** | **(21)** | **(38,823)** |
| **Balance at March 31, 2016** | **105,776,257** | **¥ 86,969** | **¥ 102,404** | **¥ 609,166** | **¥ (67,148)** | **¥ 16,504** | **¥ (37,104)** | **¥ (5,016)** | **¥ 705,775** | **¥ 476** | **¥ 706,251** |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Accumulated other comprehensive income: Unrealized gain on available-for-sale securities | Accumulated other comprehensive income: Foreign currency translation adjustments | Accumulated other comprehensive income: Accumlated adjustments for retirement benefits | Total | Noncontrolling interests | Total equity |
| **Balance at March 31, 2015** | $ 769,637 | $ 906,230 | $ 5,305,478 | $(443,726) | $ 216,310 | $ (64,681) | $(34,938) | $ 6,654,310 | $ 4,398 | $ 6,658,708 |
| Net income attributable to owners of the parent | | | **227,310** | | | | | **227,310** | | **227,310** |
| Cash dividends, $ 1.33 per share | | | **(141,938)** | | | | | **(141,938)** | | **(141,938)** |
| Purchase of treasury stock | | | | **(150,504)** | | | | **(150,504)** | | **(150,504)** |
| Net change in the year | | | | | **(70,257)** | **(263,673)** | **(9,452)** | **(343,382)** | **(186)** | **(343,568)** |
| **Balance at March 31, 2016** | **$ 769,637** | **$ 906,230** | **$ 5,390,850** | **$ (594,230)** | **$146,053** | **$(328,354)** | **$ (44,390)** | **$ 6,245,796** | **$ 4,212** | **$6,250,008** |

See notes to consolidated financial statements.



# Consolidated Statement of Cash Flows

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2016

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** |
| **Operating Activities:** | | | | |
| Income before income taxes | **¥ 31,537** | ¥ 55,240 | ¥ 40,179 | **$ 279,089** |
| Adjustments for: | | | | |
| Income taxes – paid | **(8,852)** | (12,763) | (3,150) | **(78,336)** |
| Depreciation and amortization | **38,338** | 34,467 | 25,560 | **339,274** |
| Amortization of goodwill | **246** | 33 | 33 | **2,177** |
| Gain on sales of property, plant and equipment – net | **(14)** | (298) | (5,605) | **(124)** |
| Foreign currency exchange losses (gains) – net | **5,179** | (10,806) | (4,644) | **45,832** |
| Increase (decrease) in liability for retirement benefits | **618** | 476 | (277) | **5,469** |
| Increase in asset for retirement benefits | **(526)** | (73) | (2,140) | **(4,655)** |
| Loss on impairment of long-lived assets | **2,021** | 5,876 | 951 | **17,885** |
| Loss on valuation of investment securities and investments in unconsolidated subsidiaries and associated companies. | **4** | 19 | 63 | **35** |
| Increase in provision for loss on business liquidation | **442** | | | **3,911** |
| Proceeds from insurance income | | 2,487 | 769 | |
| Gain on insurance settlement | | (2,487) | (896) | |
| Increase in long-term prepaid expenses | | (1,410) | (545) | |
| Loss on transfer of business | | | 52 | |
| Decrease in provision for losses related to liquidation of subsidiaries | | | (1,512) | |
| Decrease in prepaid pension costs | | | 2,092 | |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in notes and accounts receivable – trade | **5,300** | (3,810) | (1,205) | **46,903** |
| Decrease (increase) in inventories | **7,393** | (1,534) | 16,474 | **65,425** |
| Increase (decrease) in notes and accounts payable – trade | **36** | (2,939) | (816) | **319** |
| (Decrease) increase in accounts payable – other. | **(1,936)** | 5,321 | (4,632) | **(17,133)** |
| Other – net. | **(884)** | 4,582 | (1,616) | **(7,823)** |
| Total adjustments. | **47,365** | 17,141 | 18,956 | **419,159** |
| Net cash provided by operating activities. | **78,902** | 72,381 | 59,135 | **698,248** |
| **Investing Activities:** | | | | |
| Decrease (increase) in time deposits – net | **34,780** | (53,712) | (1,538) | **307,787** |
| Purchases of marketable and investment securities | **(6,173)** | (17,795) | (23,664) | **(54,629)** |
| Proceeds from sales and redemption of marketable and investment securities | **11,427** | 13,034 | 14,354 | **101,124** |
| Purchases of property, plant and equipment. | **(54,212)** | (40,272) | (27,956) | **(479,752)** |
| Proceeds from sale of property, plant and equipment. | **900** | 1,843 | 17,399 | **7,965** |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation, net of cash acquired (Note 3). | **(8,626)** | | | **(76,336)** |
| Other – net | **(532)** | (3,736) | (216) | **(4,708)** |
| Net cash used in investing activities. | **(22,436)** | (100,638) | (21,621) | **(198,549)** |
| **Financing Activities:** | | | | |
| Purchase of treasury stock. | **(17,007)** | (16) | (38) | **(150,504)** |
| Dividends paid | **(16,039)** | (8,085) | (3,774) | **(141,938)** |
| Other – net | **(64)** | (71) | (142) | **(567)** |
| Net cash used in financing activities | **(33,110)** | (8,172) | (3,954) | **(293,009)** |
| **Foreign Currency Translation Adjustments on Cash and Cash Equivalents** | **(14,222)** | 18,706 | 9,785 | **(125,858)** |
| **Net Increase (Decrease) in Cash and Cash Equivalents.** | **9,134** | (17,723) | 43,345 | **80,832** |
| **Cash and Cash Equivalents at Beginning of Year** | **222,668** | 240,391 | 197,046 | **1,970,513** |
| **Cash and Cash Equivalents at End of Year** | **¥ 231,802** | ¥ 222,668 | ¥ 240,391 | **$ 2,051,345** |

See notes to consolidated financial statements.

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instrument and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, certain reclassifications have been made to the previously reported amounts to conform with current classifications. The consolidated financial statements are stated in Japanese yen, the currency of the country in which ROHM CO., LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

**(a) Consolidation**

The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 46 (46 in 2015) significant subsidiaries (together, the “Group”).

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in the unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over reasonable periods (within 20 years).

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The fiscal year end date of 7 (8 in 2015) subsidiaries, including ROHM SEMICONDUCTOR CHINA CO., LTD., is December 31, which is different from the consolidated balance sheet date of March 31. For those subsidiaries, the Group consolidated the financial statements as of the provisional closing date of March 31.

**(b) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements**

In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No.18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income attributable to owners of the parent is accounted for in accordance with Japanese GAAP, unless they are not material; 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity thorough other comprehensive income; 3) expensing capitalized development costs of R&D; and 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

**(c) Cash equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

**(d) Marketable and investment securities**

Marketable and investment securities are classified and accounted for, depending on management’s intent, as available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The Group classifies all marketable and investment securities as available-for-sale securities.

Nonmarketable available-for-sale securities are stated at cost principally determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.



**(e) Allowance for doubtful accounts**

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**(f)Inventories**

Inventories are mainly stated at the lower of cost, determined by the moving-average method for merchandise, finished products, work in process and raw materials and by the last purchase cost method for supplies, or net selling value.

**(g) Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally by the declining-balance method based on the estimated useful lives of the assets while the straight-line method is applied to buildings of the Company and its consolidated domestic subsidiaries acquired after April 1, 1998. Leased equipment is depreciated by the straight-line method over the respective lease periods.

Estimated useful lives of the assets are principally as follows:

Buildings and structures ………. 3 to 50 years

Machinery, equipment and vehicles ....... 2 to 10 years

**(h) Intangible assets**

Intangible assets are stated at cost less accumulated amortization, which is calculated by the straight-line method.

**(i) Long-lived assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**(j) Retirement and Pension Plans**

The Company and certain consolidated subsidiaries have defined benefit plans for employees, and account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10-13 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 10-13 years within the average remaining service period. The Company and certain consolidated subsidiaries also have defined contribution pension plans.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31, 2014, and for (3) above, effective April 1, 2014.

With respect to (3) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (3) above as of April 1, 2014, in retained earnings. As the result, retained earnings increased by ¥1,305 million at the beginning of the consolidated fiscal year ended March 31, 2015.

**(k) Asset retirement obligations**

In March 2008, the ASBJ published ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**(l) Research and development costs**

Research and development costs are charged to “Selling, general and administrative expenses” as incurred.

**(m) Leases**

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company and certain domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company and certain domestic subsidiaries continue to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

**(n) Bonuses to directors and audit & supervisory board members**

Bonuses to directors and audit & supervisory board members are accrued at the year-end to which such bonuses are attributable.

**(o) Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**(p) Foreign currency transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

**(q) Foreign currency financial statements**

The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation were shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rates.

**(r) Derivatives and hedging activities**

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and (2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

**(s) Per share information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

The average number of shares used to compute basic net income per share for the years ended March 31, 2016, 2015 and 2014 was 106,175 thousand shares, 107,804 thousand shares and 107,811 thousand shares, respectively.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

Diluted net income per share for 2016, 2015 and 2014 is not disclosed because there are no outstanding potentially dilutive securities.

**(t) Accounting changes and error corrections**

In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those statements are restated.

**(u) Accounting Standards for Business Combinations and Consolidated Financial Statements**

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(1) Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the previous accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(3) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.
(4) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
(5) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interest, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interest and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1 2014.

The Group applied the revised accounting standards and guidance from the beginning of the current fiscal year.

With respect to (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

As a result, operating income and income before income taxes for the year ended March 31, 2016, decreased by ¥440 million ($3,894 thousand).

**(v) New accounting pronouncements**

***Tax Effect Accounting*****—**On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

## 3. Business Combination

(Business Combination by Acquisition)
(1) Outline of the business combination
(a) Name of acquired company and its business outline
Name of the acquired company: Powervation Ltd.
Business outline: Development and sales of digital power ICs
(b) Major reason for the business combination
Powervation Ltd. is a fabless semiconductor company that develops and sells digital power control ICs and is leading innovator in digital power controllers serving high performance automatic compensation functions. Digital power control ICs seeing expanded use in data-center server and communications infrastructure markets serving high performance power-supply control and it is expected that they will be adopted more widely in a variety of markets.
The Company supplies analog power control ICs widely for the IT, automotive and industrial markets. By acquiring Powervation Ltd., the Company will gain leading-edge digital power basic technologies to strengthen its lineups, enabling the Company to increase its competitiveness by developing advanced digital power solutions.
(c) Date of business combination: July 22, 2015
(d) Legal form of business combination: Share acquisition in consideration for cash
(e) Name of the company after the combination: Powervation Ltd. (The name was changed to ROHM POWERVATION Ltd. on September 2, 2015)
(f) Ratio of voting rights acquired: 100%
(g) Basis for determining the acquirer
It is based on the fact that the Company acquired 100% of voting rights by means of share acquisition in consideration for cash.

(2) The period for which the operations of the acquired company are included in the consolidated financial statements
The operations of the acquired company for the six months from October 1, 2015 to March 31, 2016, were included in the consolidated statement of income for the year ended March 31, 2016.

(3) Acquisition cost of the acquired company and related details of each class of consideration

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Consideration for acquisition -cash | **¥ 9,162** | **$ 81,080** |
| Acquisition cost | **¥ 9,162** | **$ 81,080** |

(4) Major acquisition-related costs
Advisory fees and commissions to
the lawyers and financial advisor: ¥ 455million ($4,027 thousand)

(5) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization
(a) Amount of goodwill incurred: ¥ 6,363 million ($56,310 thousand)
(b) Reasons for the goodwill incurred
Goodwill is the amount by which the acquisition price for a subsidiary exceeds the fair value of the net assets on the date of business combination.
(c) Method and period of amortization
The goodwill is amortized on a straight-line basis over 15 years.

(6) The assets acquired and the liabilities assumed at the acquisition date are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Current assets | **¥ 754** | **$ 6,673** |
| Fixed assets | **2,357** | **20,858** |
| Total assets acquired | **3,111** | **27,531** |
| Current liabilities | **214** | **1,894** |
| Long-term liabilities | **284** | **2,513** |
| Total liabilities assumed | **498** | **4,407** |
| Net assets acquired | **¥ 2,613** | **$ 23,124** |

(7) Supplemental cash flow information

The Group acquired Powervation Ltd. during the year ended March 31, 2016. A reconciliation between cash paid for the share of Powervation Ltd. and payment for the acquisition of this new subsidiary, net of cash and cash equivalents acquired, was as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Current assets | ¥ 754 | $ 6,673 |
| Fixed assets | 2,357 | 20,858 |
| Goodwill | 6,363 | 56,310 |
| Current liabilities | (214) | (1,894) |
| Long-term liabilities | (284) | (2,513) |
| Foreign currency translation adjustments | 186 | 1,646 |
| Cash paid for the shares | ¥ 9,162 | $ 81,080 |
| Cash and cash equivalents of consolidated subsidiary | (536) | (4,744) |
| Payment for acquisition of shares of newly consolidated subsidiary, net of cash and cash equivalents acquired | ¥ 8,626 | $ 76,336 |

(8) Pro forma information (unaudited)

If this business combination had been completed as of April 1, 2015, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended March 31, 2016, would be as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Sales | ¥ 92 | $ 814 |
| Operating loss | (496) | (4,389) |

## 4. Loss on transfer of business

On March 29, 2013, Lapis Semiconductor Co., Ltd., a wholly-owned subsidiary of the Company, transferred its optical component business to NeoPhotonics Semiconductor GK, a Japanese subsidiary of NeoPhotonics Corporation. "Loss on transfer of business" for the years ended March 31, 2014 comprises loss from the business transfer.

## 5. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2016 | 2015 | 2016 |
| Current: | | | |
| Corporate bonds | ¥ 6,271 | ¥ 13,149 | $ 55,496 |
| Other | | 200 | |
| Total | ¥ 6,271 | ¥ 13,349 | $ 55,496 |
| Noncurrent: | | | |
| Marketable equity securities | ¥ 44,104 | ¥ 52,051 | $ 390,301 |
| Government and corporate bonds | 16,621 | 18,917 | 147,088 |
| Other | 1,717 | 1,790 | 15,195 |
| Total | ¥ 62,442 | ¥ 72,758 | $ 552,584 |

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2016 | | | |
| Securities classified as: Available-for-sale: | Cost | Unrealized gains | Unrealized losses | Fair value |
| Equity securities | ¥ 22,523 | ¥ 21,592 | ¥ (11) | ¥ 44,104 |
| Debt securities | 21,579 | 1,581 | (268) | 22,892 |
| Other | 954 | 171 | (16) | 1,109 |
| Total | ¥ 45,056 | ¥ 23,344 | ¥ (295) | ¥ 68,105 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2015 | | | |
| Securities classified as: Available-for-sale: | Cost | Unrealized gains | Unrealized losses | Fair value |
| Equity securities | ¥ 21,531 | ¥ 30,522 | ¥ (2) | ¥ 52,051 |
| Debt securities | 27,696 | 4,374 | (4) | 32,066 |
| Other | 1,169 | 213 | (14) | 1,368 |
| Total | ¥ 50,396 | ¥ 35,109 | ¥ (20) | ¥ 85,485 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2016 | | | |
| Securities classified as: Available-for-sale: | Cost | Unrealized gains | Unrealized losses | Fair value |
| Equity securities | $ 199,318 | $ 191,080 | $ (97) | $ 390,301 |
| Debt securities | 190,965 | 13,992 | (2,372) | 202,585 |
| Other | 8,443 | 1,513 | (142) | 9,814 |
| Total | $ 398,726 | $ 206,585 | $ (2,611) | $ 602,700 |

Any marketable and investment securities whose fair values cannot be reliably determined are not included in the table above.

The proceeds, realized gains and realized losses of the available-for-sale securities, which were sold during the years ended March 31, 2016 and 2015, were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | 2016 | | |
| Available-for-sale: | Proceeds | Realized gains | Realized losses |
| Equity securities | ¥ 45 | ¥ 22 | $ (0) |
| Total | ¥ 45 | ¥ 22 | $ (0) |

| | Millions of Yen | | |
|---|---|---|---|
| | 2015 | | |
| Available-for-sale: | Proceeds | Realized gains | Realized losses |
| Equity securities | ¥ 5 | | ¥ (0) |
| Other | 1,996 | ¥ 2 | (6) |
| Total | ¥ 2,001 | ¥ 2 | ¥ (6) |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | 2016 | | |
| Available-for-sale: | Proceeds | Realized gains | Realized losses |
| Equity securities | $ 398 | $ 195 | $ (0) |
| Total | $ 398 | $ 195 | $ (0) |

There were no proceeds from the sale of available-for-sale securities for the year ended March 31, 2014.

The losses on valuation of available-for-sale securities for the years ended March 31, 2016, 2015 and 2014, were ¥4 million ($35 thousand), ¥8 million and ¥63 million, respectively.

## 6. Short-term Investments

Short-term investments at March 31, 2016 and 2015, consisted of time deposits.

## 7. Inventories

Inventories at March 31, 2016 and 2015, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Merchandise and finished products | **¥ 28,139** | ¥ 31,962 | **$ 249,018** |
| Work in process | **35,320** | 38,976 | **312,566** |
| Raw materials and supplies | **24,204** | 29,406 | **214,195** |
| Total | **¥ 87,663** | ¥ 100,344 | **$ 775,779** |

## 8. Long-lived Assets

The Group reviewed its long-lived assets for impairment during the years ended March 31, 2016, 2015 and 2014. In recognizing impairment loss on fixed assets, for operating assets, the Group identifies asset groups according to the units of management accounting for which revenue and expenditure are managed on a continuous basis, and for idle assets, each property is deemed an asset group. As a result, the Group recognized an impairment loss of ¥2,021 million ($17,885 thousand), ¥5,876 million and ¥951 million as other expense for the years ended March 31, 2016, 2015 and 2014, respectively.

The components of impairment loss for the year ended March 31, 2016 were as follows:

a) The Group recognized an impairment loss of ¥1,670 million ($14,779 thousand) for operating assets located in Japan, China and United States of America as the estimated future cash flows fell below the carrying amounts of some asset groups due to deterioration of the revenue environment. The carrying amounts of the relevant operating assets were reduced to the recoverable amounts which were measured at their value in use, and the discount rate used for computation of present value of future cash flows was 9.2%.

b) The Group recognized an impairment loss of ¥351 million ($3,106 thousand) for idle assets located in Japan, Philippines, Thailand and China, and determined that the idle assets were not likely to be used in the future. The carrying amounts of the relevant idle assets were written down to the recoverable amounts. The recoverable amounts were measured at their net selling prices, which were based on reasonable estimations in consideration of market value of other assets.

The components of impairment loss for the year ended March 31, 2015 were as follows:

a) The Group recognized an impairment loss of ¥5,498 million for operating assets located in Japan, China and Germany as the estimated future cash flows fell below the carrying amounts of some asset groups due to deterioration of the revenue environment. The carrying amounts of the relevant operating assets were reduced to the recoverable amounts which were measured at their value in use, and the discount rate used for computation of present value of future cash flows was 7.3 - 9.3%.

b) The Group recognized an impairment loss of ¥378 million for idle assets located in Japan, Philippines, China and other as the Group determined that the idle assets were not likely to be used in the future. The carrying amounts of the relevant idle assets were written down to the recoverable amounts. The recoverable amounts were measured at their net selling prices, which were based on reasonable estimations in consideration of market value of other assets.

The components of impairment loss for the year ended March 31, 2014 were as follows:

a) The Group recognized an impairment loss of ¥118 million for operating assets located in Japan and China as the estimated future cash flows fell below the carrying amounts of some asset groups due to deterioration of the revenue environment. The carrying amounts of the relevant operating assets were reduced to the recoverable amounts which were measured at their value in use, and the discount rate used for computation of present value of future cash flows was 10.0%.

b) The Group recognized an impairment loss of ¥833 million for idle assets located in Japan, Philippines, Thailand and China as the Group determined that the idle assets were not likely to be used in the future. The carrying amounts of the relevant idle assets were written down to the recoverable amounts. The recoverable amounts were measured at their net selling prices, which were based on reasonable estimations in consideration of market value of other assets.

## 9. Retirement and Pension Plans

The Company and some of its domestic consolidated subsidiaries have a defined benefit pension plan termination allowance plan and defined contribution plan for employees.

The defined benefit plan (all savings type plan) provides lump-sum and annuity payments calculated by the cumulative number of points to be given mainly based on official position, as well as rank and length of service. In addition, some domestic consolidated subsidiaries have a cash balance plan. Under the cash balance plan, lump-sum and pension benefits are calculated by interest points based on points given depending on official position and rank of employee, and revaluation rate is maintained by the personal account of the pension. Under the termination allowance plan (a nonsavings type plan), lump-sum payments are calculated by the cumulative number of points given based on official position and rank.

Certain foreign consolidated subsidiaries have a defined benefit plan (savings and nonsavings type plan) and a defined contribution plan. Under the defined benefit plan (savings and non-savings type plan), lump-sum and annuity payments are calculated by salary and length of service.

***Years Ended March 31, 2016 and 2015***

(1) The changes in defined benefit obligation for the years ended March 31 2016 and 2015, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Balance at beginning of year | **¥ 33,433** | ¥ 31,865 | **$ 295,867** |
| Cumulative effect of changes in accounting policy | | (2,114) | |
| Balances as restated | **33,433** | 29,751 | **295,867** |
| Current service cost | **2,415** | 2,224 | **21,372** |
| Interest cost | **416** | 450 | **3,681** |
| Actuarial losses | **1,753** | 1,346 | **15,513** |
| Benefits paid | **(1,277)** | (818) | **(11,301)** |
| Others | **(437)** | 480 | **(3,866)** |
| Balance at end of year | **¥ 36,303** | ¥ 33,433 | **$ 321,266** |

(2) The changes in plan assets for the years ended March 31 2016 and 2015, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Balance at beginning of year | **¥ 26,129** | ¥ 22,639 | **$ 231,230** |
| Expected return on plan assets | **645** | 547 | **5,708** |
| Actuarial (losses) gains | **(209)** | 1,011 | **(1,850)** |
| Contributions from the employer | **2,715** | 2,304 | **24,027** |
| Benefits paid | **(1,014)** | (709) | **(8,973)** |
| Others | **(372)** | 337 | **(3,292)** |
| Balance at end of year | **¥ 27,894** | ¥ 26,129 | **$ 246,850** |

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Funded defined benefit obligation | **¥ 27,171** | ¥ 25,099 | **$ 240,452** |
| Plan assets | **(27,894)** | (26,129) | **(246,850)** |
| | **(723)** | (1,030) | **(6,398)** |
| Unfunded defined benefit obligation | **9,132** | 8,334 | **80,814** |
| Net liability arising from defined benefit obligation | **¥ 8,409** | ¥ 7,304 | **$ 74,416** |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Liability for retirement benefits | **¥ 9,707** | ¥ 9,252 | **$ 85,903** |
| Asset for retirement benefits | **(1,298)** | (1,948) | **(11,487)** |
| Net liability arising from defined benefit obligation | **¥ 8,409** | ¥ 7,304 | **$ 74,416** |

(4) The components of net periodic benefit costs for the years ended March 31, 2016, 2015 and 2014, were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2016** | 2015 | 2014 | **2016** |
| Service cost | **¥ 2,415** | ¥ 2,224 | ¥ 2,162 | **$ 21,372** |
| Interest cost | **416** | 450 | 418 | **3,681** |
| Expected return on plan assets | **(645)** | (547) | (443) | **(5,708)** |
| Recognized actuarial losses | **528** | 463 | 399 | **4,672** |
| Amortization of prior service cost | **175** | 175 | 174 | **1,549** |
| Net periodic benefit costs | **¥ 2,889** | ¥ 2,765 | ¥ 2,710 | **$ 25,566** |

In addition to the above net periodic benefit costs, the costs for the defined contribution pension plan recorded as operating expense were ¥723 million ($6,398 thousand), ¥640 million and ¥642 million for the years ended March 31, 2016, 2015 and 2014, respectively. The Group also recorded "Special severance benefit" for the year ended March 31, 2016, in the amount of ¥113 million ($1,000 thousand) as other expense.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of adjustments for retirement benefits for the years ended March 31, 2016 and 2015, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Prior service cost | **¥ 175** | ¥ 175 | **$ 1,549** |
| Actuarial gains and lossess | **(1,434)** | 128 | **(12,691)** |
| Total | **¥ (1,259)** | ¥ 303 | **$ (11,142)** |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of accumulated adjustments for retirement benefits as of March 31, 2016 and 2015, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Unrecognized prior service cost | **¥ (1,177)** | ¥ (1,352) | **$ (10,416)** |
| Unrecognized actuarial gains and losses | **(5,159)** | (3,725) | **(45,655)** |
| Total | **¥ (6,336)** | ¥ (5,077) | **$ (56,071)** |

(7) Plan assets
(a) Components of plan assets
Plan assets consisted of the following:

| | **2016** | 2015 |
|---|---|---|
| Debt investments | **78%** | 71% |
| Equity investments | **12%** | 18% |
| Others | **10%** | 11% |
| Total | **100%** | 100% |

(b) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016, 2015 and 2014, were set forth as follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Discount rate | **0.1 - 0.4%** | 0.7 - 1.1% | 0.8 – 1.2% |
| Expected rate of return on plan assets | **2.0 - 3.0%** | 2.0 - 3.0% | 2.0 – 3.0% |

The salary increase rate is not reflected in calculation of the projected benefit obligations of main retirement and pension plan.

## 10. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

**(a) Dividends**
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases / decreases and transfer of common stock, reserve and surplus**
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**(c) Treasury stock and treasury stock acquisition rights**
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 11. Research and Development Costs

Research and development costs charged to income were ¥40,868 million ($361,664 thousand), ¥39,996 million and ¥36,537 million for the years ended March 31, 2016, 2015 and 2014, respectively.

## 12. Amortization of Goodwill

Amortization of goodwill was ¥246 million ($2,177 thousand), ¥33 million and ¥33 million for the years ended March 31, 2016, 2015 and 2014, respectively.

## 13. Loss on business liquidation and Provision for loss on business liquidation

Loss on business liquidation and Provision for loss on business liquidation for the year ended March 31, 2016 were the estimated amounts of expenses and losses related to the transfer of the lighting business to IRIS Ohyama Inc. on May 31, 2016 and the liquidation of ROHM MECHATECH (TIANJIN) CO., LTD., a wholly-owned subsidiary of ROHM CO., LTD.
Loss on valuation of fixed assets described below is measured at the amount by which the balance of the carrying value of "Buildings and structures" and "Intangible fixed assets" (excluding goodwill) exceeds the net realizable value, and disposal value.

| | | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|---|
| Transfer of lighting business | Loss on valuation of inventories | **¥ 1,196** | **$ 10,584** |
| | Loss on valuation of fixed assets | **4** | **35** |
| | Loss on business liquidation total | **¥ 1,200** | **$ 10,619** |
| | Provision for loss on business liquidation | **¥ 424** | **$ 3,752** |
| Liquidation of subsidiary | Loss on valuation of fixed assets | **¥ 667** | **$ 5,903** |
| | Loss on business liquidation total | **¥ 667** | **$ 5,903** |
| | Provision for loss on business liquidation | **¥ 18** | **$ 160** |

## 14. Gain on Insurance Settlement

"Gain on insurance settlement" of ¥2,487 million for the year ended March 31, 2015 and ¥896 million for the year ended March 31, 2014, were insurance benefits received for the floods in Thailand in 2011.

## 15. Loss on Quality Compensation

"Loss on quality compensation" for the year ended March 31, 2014, was loss associated with market claims related to defects in certain Group products.

## 16. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 32.9% for the year ended March 31, 2016, and 35.5% for the year ended March 31, 2015. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Deferred tax assets: | | | |
| Marketable and investment securities | **¥ 1,478** | ¥ 1,641 | **$ 13,080** |
| Inventories | **6,782** | 8,274 | **60,018** |
| Depreciation and amortization | **2,948** | 3,516 | **26,088** |
| Tax loss carryforwards | **24,175** | 23,432 | **213,938** |
| Accrued expenses | **2,821** | 3,615 | **24,965** |
| Liability for retirement benefits | **2,755** | 2,617 | **24,381** |
| Foreign tax credit | **183** | 183 | **1,619** |
| Loss on impairment of long-lived assets | **6,490** | 9,322 | **57,434** |
| Investments in subsidiaries and associated companies | **4,252** | 4,477 | **37,628** |
| Other | **2,327** | 3,212 | **20,593** |
| Valuation allowance | **(40,443)** | (43,259) | **(357,903)** |
| Total | **13,768** | 17,030 | **121,841** |
| Deferred tax liabilities: | | | |
| Undistributed earnings of foreign subsidiaries | **(18,803)** | (20,684) | **(166,398)** |
| Asset for retirement benefits | **(361)** | (633) | **(3,195)** |
| Depreciation and amortization | **(430)** | (937) | **(3,806)** |
| Net unrealized gain on available-for-sale securities | **(6,526)** | (10,662) | **(57,752)** |
| Other | **(757)** | (521) | **(6,699)** |
| Total | **(26,877)** | (33,437) | **(237,850)** |
| Net deferred tax liabilities | **¥(13,109)** | ¥(16,407) | **$ (116,009)** |

Deferred tax assets (liabilities) were included in the consolidated balance sheet as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2016** | 2015 | **2016** |
| Current Assets - Deferred tax assets | **¥ 8,451** | ¥ 9,375 | **$ 74,788** |
| Investments and Other Assets - Deferred tax assets | **2,492** | 3,836 | **22,053** |
| Current Liabilities - Deferred tax liabilities | **(36)** | | **(319)** |
| Long-term Liabilities - Deferred tax liabilities | **(24,016)** | (29,618) | **(212,531)** |
| Net deferred tax liabilities | **¥(13,109)** | ¥(16,407) | **$ (116,009)** |

As of March 31, 2016, the Company and certain consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥86,481 million ($765,319 thousand) available for reduction of future taxable income, the majority of which will expire from 2017 to 2036.

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2016, 2015 and 2014, was as follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Normal effective statutory tax rate | **32.9%** | 35.5% | 37.9% |
| Decrease in valuation allowance | **(16.5)** | (23.4) | (21.8) |
| Lower income tax rates applicable to income in certain foreign countries | **(11.0)** | (0.8) | (5.0) |
| Difference of tax rate used for tax effect accounting | **11.1** | 12.9 | 1.0 |
| Income taxes for prior periods | | 0.7 | 6.2 |
| Book value adjustment of investments in subsidiaries | | (7.7) | |
| Other – net | **2.0** | 0.7 | 1.8 |
| Actual effective tax rate | **18.5%** | 17.9% | 20.1% |

On March 29, 2016, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 32.2% to 30.7% effective for the fiscal years beginning on or after April 1, 2016, and the fiscal years beginning on or after April 1, 2017, and to 30.5% thereafter. The effect of this change was to decrease deferred tax liabilities, net of deferred tax assets, by ¥253 million ($2,239 thousand) and increase accumulated other comprehensive income for unrealized gain on available -for- sale securities by ¥390 million ($3,451 thousand) and decrease accumulated adjustments for retirement benefits by ¥70 million ($619 thousand) in the consolidated balance sheet as of March 31, 2016, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥68 million ($602 thousand).

Income taxes for prior periods were principally the additional tax paid according to a notice from the China Taxation Bureau related to the transfer pricing taxation for the transactions between the Company and its subsidiaries (ROHM ELECTRONICS DALIAN CO., LTD. for the year ended March 31, 2015, ROHM SEMICONDUCTOR CHINA CO., LTD. and ROHM ELECTRONICS DALIAN CO., LTD. for the year ended March 31, 2014).

## 17. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

The Group manages surplus funds with low-risk financial assets and uses derivatives only as a means to hedge the foreign exchange risk of trade receivables. The Group does not conduct any speculative transactions.

(2) Nature and extent of risks arising from financial instruments and risk management

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Regarding the relevant risks, the Group controls due dates and the receivable balances by customer pursuant to the internal rules of the Group, and, at the same time, promotes the early identification and reduction of bad debt risk due to financial deterioration. Foreign currency trade receivables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risks are partially hedged by forward foreign currency contracts. Securities and investment securities, such as stocks and bonds, are exposed to the risk of market price fluctuations. The Group continually reviews the status of possessing such securities and monitoring fair value and the financial positions of issuers and others on a regular basis. The Group purchases only highly rated bonds pursuant to the internal policy approved by the Board of Directors, thereby incurring only minimal credit risks.

Payment terms of payables, such as trade notes and trade accounts, are primarily less than one year. These payables are exposed to liquidity risk and the Group manages the risk by preparing and updating financing plans as appropriate.

The Group enters into derivative transactions pursuant to the internal policy approved by the Board of Directors and reports the status of the derivative transactions once or more every half year to the Board of Directors. Furthermore, in order to reduce credit risks, the Group only conducts derivative transactions with highly rated financial institutions.

(3) Supplemental information to fair value of financial instruments

Fair values of financial instruments are measured based on quoted market prices or those calculated by other rational valuation techniques in the case a quoted price is not available. Since variation factors are incorporated to calculate this fair value, the use of different preconditions may change this value.

(4) Fair values of financial instruments

Carrying amounts of financial instruments in the consolidated balance sheet, their fair values, and differences as of March 31, 2016 and 2015, are shown in the table in (a) below. Any financial instruments whose fair values cannot be reliably determined are not included (see the table in (b) below).

(a) Fair value of financial instruments

| | Millions of Yen | | |
|---|---|---|---|
| | **2016** | | |
| | Carrying amount | Fair value | Unrealized gain/loss |
| Cash and cash equivalents | **¥ 231,802** | **¥ 231,802** | |
| Marketable securities | **6,271** | **6,271** | |
| Short-term investments | **58,331** | **58,331** | |
| Notes and accounts receivable – trade | **70,336** | | |
| Allowance for doubtful receivable | **(187)** | | |
| Notes and accounts receivable – trade net | **70,149** | **70,149** | |
| Investment securities | **61,834** | **61,834** | |
| Refundable income taxes | **941** | **941** | |
| Total | **¥ 429,328** | **¥ 429,328** | |
| Notes and accounts payable – trade | **¥ 17,986** | **¥ 17,986** | |
| Notes and accounts payable – construction and other | **25,363** | **25,363** | |
| Income tax payable | **1,896** | **1,896** | |
| Total | **¥ 45,245** | **¥ 45,245** | |

| | Millions of Yen | | |
|---|---|---|---|
| | 2015 | | |
| | Carrying amount | Fair value | Unrealized gain/loss |
| Cash and cash equivalents | ¥ 222,668 | ¥ 222,668 | |
| Marketable securities | 13,349 | 13,349 | |
| Short-term investments | 87,738 | 87,738 | |
| Notes and accounts receivable – trade | 78,854 | | |
| Allowance for doubtful receivable. | (192) | | |
| Notes and accounts receivable – trade net | 78,662 | 78,662 | |
| Investment securities | 72,136 | 72,136 | |
| Refundable income taxes | 547 | 547 | |
| Total | ¥ 475,100 | ¥ 475,100 | |
| Notes and accounts payable – trade | ¥ 19,791 | ¥ 19,791 | |
| Notes and accounts payable – construction and other | 24,486 | 24,486 | |
| Income tax payable | 6,639 | 6,639 | |
| Total | ¥ 50,916 | ¥ 50,916 | |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | **2016** | | |
| | Carrying amount | Fair value | Unrealized gain/loss |
| Cash and cash equivalents | **$ 2,051,345** | **$ 2,051,345** | |
| Marketable securities | **55,496** | **55,496** | |
| Short-term investments | **516,204** | **516,204** | |
| Notes and accounts receivable – trade | **622,442** | | |
| Allowance for doubtful receivable | **(1,655)** | | |
| Notes and accounts receivable – trade net | **620,787** | **620,787** | |
| Investment securities | **547,204** | **547,204** | |
| Refundable income taxes | **8,327** | **8,327** | |
| Total | **$ 3,799,363** | **$ 3,799,363** | |
| Notes and accounts payable – trade | **$ 159,168** | **$ 159,168** | |
| Notes and accounts payable – construction and other | **224,450** | **224,450** | |
| Income tax payable | **16,779** | **16,779** | |
| Total | **$ 400,397** | **$ 400,397** | |

*Cash and cash equivalents, Short-term investments, Notes and accounts receivable-trade, and Refundable income taxes*

The carrying values of these assets approximate fair value because of their short maturities.

*Marketable securities and Investment securities*

The fair values of marketable securities and investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The fair value information for the marketable and investment securities by classification is included in Note 5.

*Notes and accounts payable-trade, Notes and accounts payable-construction and other, and Accrued income taxes*

The carrying values of these liabilities approximate fair value because of their short maturities.

*Derivatives*

Fair value information for derivatives is included in Note 18.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

| | Carrying amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | **2016** | 2015 | **2016** |
| Unlisted stock | **¥ 509** | ¥ 547 | **$ 4,504** |
| Rights under limited partnership agreement for investment | **99** | 75 | **876** |
| Investments in unconsolidated subsidiaries and associated companies | **705** | 705 | **6,239** |

(c) Maturity analysis for financial assets and securities with contractual maturities

| | Millions of Yen | | | |
|---|---|---|---|---|
| | **2016** | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | **¥ 231,802** | | | |
| Marketable securities: | | | | |
| Government and local government bonds | **1** | | | |
| Corporate bonds | **6,254** | | | |
| Short-term investments | **58,331** | | | |
| Notes and accounts receivable – trade | **70,336** | | | |
| Investment securities: | | | | |
| Government and local government bonds | | **¥ 1** | | |
| Corporate bonds. | | **16,582** | | |
| Other | | | | **¥ 1,109** |
| Refundable income taxes | **941** | | | |
| Total | **¥ 367,665** | **¥ 16,583** | | **¥ 1,109** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2015 | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | ¥ 222,668 | | | |
| Marketable securities: | | | | |
| Corporate bonds | 13,109 | | | |
| Other | 200 | | | |
| Short-term investments | 87,738 | | | |
| Notes and accounts receivable-trade | 78,854 | | | |
| Investment securities: | | | | |
| Government and local government bonds | | ¥ 3 | | |
| Corporate bonds | | 18,836 | | |
| Other | | | | ¥ 1,167 |
| Refundable income taxes | 547 | | | |
| Total | ¥ 403,116 | ¥ 18,839 | | ¥ 1,167 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | **$ 2,051,345** | | | |
| Marketable securities: | | | | |
| Government and local government bonds | **9** | | | |
| Corporate bonds | **55,345** | | | |
| Short-term investments | **516,204** | | | |
| Notes and accounts receivable – trade | **622,442** | | | |
| Investment securities: | | | | |
| Government and local government bonds | | **$ 9** | | |
| Corporate bonds | | **146,743** | | |
| Other | | | | **$ 9,814** |
| Refundable income taxes | **8,327** | | | |
| Total | **$ 3,253,672** | **$ 146,752** | | **$ 9,814** |

## 18. Derivatives

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

### Derivative transactions to which hedge accounting is not applied

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | Contract amount | Contract amount due after one year | Fair value | Unrealized gain/loss |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | **¥ 12,530** | | **¥ 380** | **¥ 380** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2015 | | | |
| | Contract amount | Contract amount due after one year | Fair value | Unrealized gain/loss |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | ¥ 9,004 | | ¥ (0) | ¥ (0) |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | Contract amount | Contract amount due after one year | Fair value | Unrealized gain/loss |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | **$ 110,885** | | **$ 3,363** | **$ 3,363** |

## 19. Leases

The Company and certain consolidated subsidiaries lease certain machinery, computer equipment and other assets. Total lease payments under finance leases were ¥61 million ($540 thousand), ¥68 million and ¥150 million for the years ended March 31, 2016, 2015 and 2014, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

| | Millions of Yen | | | | Thousands of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | 2016 | |
| | Finance leases | Operating leases | Finance leases | Operating leases | Finance leases | Operating leases |
| Due within one year | **¥ 19** | **¥ 924** | ¥ 17 | ¥ 912 | **$ 168** | **$ 8,177** |
| Due after one year | **19** | **1,192** | 24 | 1,819 | **168** | **10,549** |
| Total | **¥ 38** | **¥ 2,116** | ¥ 41 | ¥ 2,731 | **$ 336** | **$ 18,726** |

## 20. Contingent Liabilities

The Group was contingently liable for guarantees of housing loans of employees amounting to ¥72 million ($637 thousand) at March 31, 2016.

## 21. Comprehensive (Loss) Income

**For the years ended March 31, 2016, 2015 and 2014**

The components of other comprehensive income for the years ended March 31, 2016, 2015 and 2014, were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2016 |
| Unrealized (loss) gain on available-for-sale securities: | | | | |
| Gains arising during the year | **¥ (12,093)** | ¥ 15,072 | ¥ 12,794 | **$ (107,018)** |
| Reclassification adjustments to profit or loss | **18** | 5 | 1 | **159** |
| Amount before income tax effect | **(12,075)** | 15,077 | 12,795 | **(106,859)** |
| Income tax effect | **4,136** | (3,982) | (4,215) | **36,602** |
| Total | **¥ (7,939)** | ¥ 11,095 | ¥ 8,580 | **$ (70,257)** |
| Foreign currency translation adjustments: | | | | |
| Adjustments arising during the year | **¥ (29,790)** | ¥ 38,527 | ¥ 17,667 | **$ (263,628)** |
| Reclassification adjustments to profit or loss | **(58)** | | | **(513)** |
| Amount before income tax effect | **(29,848)** | 38,527 | 17,667 | **(264,141)** |
| Income tax effect | **19** | 4 | 9 | **167** |
| Total | **¥ (29,829)** | ¥ 38,531 | ¥ 17,676 | **$ (263,974)** |
| Adjustments for retirement benefits: | | | | |
| Adjustments arising during the year | **¥ (1,962)** | ¥ (335) | | **$ (17,363)** |
| Reclassification adjustments to profit or loss | **703** | 638 | | **6,221** |
| Amount before income tax effect | **(1,259)** | 303 | | **(11,142)** |
| Income tax effect | **191** | (25) | | **1,691** |
| Total | **(1,068)** | 278 | | **(9,451)** |
| Total other comprehensive (loss) income | **¥ (38,836)** | ¥ 49,904 | ¥ 26,256 | **$ (343,682)** |

## 22. Subsequent Events

**(1) Retirement of Treasury Stock**

On May 10, 2016, the Board of Directors decided to retire a portion of its treasury stock in accordance with Article 178 of the Companies Act and retired it on May 31, 2016.

**(a) Reason for retirement**

The Company will retain its treasury stock of approximately 5 percent of total shares issued at maximum, and, in principle, the excess portion of the treasury stock will be retired at each fiscal year end.

Remaining shares will be retained in order to ensure management flexibility, including use in M&A as needed.

| | |
|---|---|
| **(b) Class of shares to be retired** | Common stock |
| **(c) Number of shares to be retired** | 2,200,000 shares |
| **(d) Amount of shares to be retired** | ¥19,377 million($171,478 thousand) |

**(2)Appropriation of retained earnings**

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's general shareholders' meeting held on June 29, 2016.

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Year-end cash dividends, ¥65.00 ($0.58) per share | **¥ 6,875** | **$ 60,841** |

## 23. Segment Information

Under ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**(a) Description of reportable segments**

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's board of directors is being performed in order to decide how resources are allocated among the Group.

The Group is a comprehensive manufacturer of electronic components, and sets up operational divisions by individual product category at its headquarters. Each operational division draws up comprehensive production plans and business strategies for both domestic and overseas operations, and develops global production activities. Therefore, from a management standpoint, the Group places great importance on monitoring profits and losses by operating segments organized as operational divisions of individual product categories. For this reason, the Group aggregates operating segments in consideration of characteristics of the products that each operational division manufactures and similarities of production processes, and has three reportable segments "ICs", "Discrete semiconductor devices" and "Modules." In the ICs segment, products such as analog ICs, logic ICs, memory ICs and ASICs are manufactured and foundry business operations are conducted.

Products manufactured in the Discrete semiconductor devices segment include diodes, transistors, light-emitting diodes, and laser diodes. Products manufactured in the Modules segment include print-heads, optical modules, and power modules.

**(b) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment**

The accounting policies of each reportable segment are basically consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Operating income is applied in "Segment profit." "Intersegment sales or transfers" are calculated based on market price.

Although assets of common divisions, such as sales and administrative divisions, are included in "Reconciliations," depreciation and amortization expense of these assets are allocated to each operating segment according to in-house criteria to calculate the profit of each segment.

**(c) Information about sales, profit (loss), assets and other items is as follows:**

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | | |
| | Reportable segments | | | | Other | Total | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | | |
| Sales: | | | | | | | | |
| Sales to external customers | **¥ 164,081** | **¥ 126,436** | **¥ 36,371** | **¥ 326,888** | **¥ 25,510** | **¥ 352,398** | | **¥ 352,398** |
| Intersegment sales or transfers | **2,549** | **3,583** | **94** | **6,226** | **51** | **6,277** | **¥ (6,277)** | |
| Total | **166,630** | **130,019** | **36,465** | **333,114** | **25,561** | **358,675** | **(6,277)** | **352,398** |
| Segment profit (loss) | **7,661** | **21,505** | **4,594** | **33,760** | **262** | **34,022** | **(387)** | **33,635** |
| Segment assets | **121,216** | **92,589** | **20,507** | **234,312** | **16,780** | **251,092** | **553,042** | **804,134** |
| Other | | | | | | | | |
| Depreciation and amortization | **17,526** | **16,677** | **2,322** | **36,525** | **2,820** | **39,345** | **(1,007)** | **38,338** |
| Amortization of goodwilll | **246** | | | **246** | | **246** | | **246** |
| Increase in property, plant and equipment and intangible assets | **20,974** | **21,992** | **4,696** | **47,662** | **1,315** | **48,977** | **7,710** | **56,687** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | | |
| | Reportable segments | | | | Other | Total | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | | |
| Sales: | | | | | | | | |
| Sales to external customers | ¥ 169,916 | ¥ 129,047 | ¥ 36,084 | ¥ 335,047 | ¥ 27,726 | ¥ 362,773 | | ¥ 362,773 |
| Intersegment sales or transfers | 2,713 | 4,495 | 208 | 7,416 | 62 | 7,478 | ¥ (7,478) | |
| Total | 172,629 | 133,542 | 36,292 | 342,463 | 27,788 | 370,251 | (7,478) | 362,773 |
| Segment profit (loss) | 22,286 | 15,910 | 2,087 | 40,283 | (900) | 39,383 | (582) | 38,801 |
| Segment assets | 115,788 | 95,930 | 19,992 | 231,710 | 21,652 | 253,362 | 611,018 | 864,380 |
| Other | | | | | | | | |
| Depreciation and amortization | 14,077 | 17,113 | 1,665 | 32,855 | 2,482 | 35,337 | (870) | 34,467 |
| Amortization of goodwill | 33 | | | 33 | | 33 | | 33 |
| Increase in property, plant and equipment and intangible assets | 24,031 | 15,785 | 4,362 | 44,178 | 2,188 | 46,366 | 2,373 | 48,739 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | | | | |
| | Reportable segments | | | | Other | Total | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | | |
| Sales: | | | | | | | | |
| Sales to external customers | ¥ 154,183 | ¥ 117,747 | ¥ 31,649 | ¥ 303,579 | ¥ 27,509 | ¥ 331,088 | | ¥ 331,088 |
| Intersegment sales or transfers | 1,974 | 3,300 | 57 | 5,331 | 81 | 5,412 | ¥ (5,412) | |
| Total | 156,157 | 121,047 | 31,706 | 308,910 | 27,590 | 336,500 | (5,412) | 331,088 |
| Segment profit (loss) | 9,217 | 14,087 | 1,443 | 24,747 | (797) | 23,950 | (314) | 23,636 |
| Segment assets | 96,149 | 91,043 | 16,386 | 203,578 | 19,231 | 222,809 | 531,599 | 754,408 |
| Other | | | | | | | | |
| Depreciation and amortization | 8,838 | 14,371 | 1,472 | 24,681 | 1,814 | 26,495 | (935) | 25,560 |
| Amortization of goodwill | 33 | | | 33 | | 33 | | 33 |
| Increase in property, plant and equipment and intangible assets | 14,246 | 12,772 | 1,330 | 28,348 | 1,971 | 30,319 | 1,436 | 31,755 |

| | Thousands of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | | |
| | Reportable segments | | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Total | Reconciliations | Consolidated |
| Sales: | | | | | | | | |
| Sales to external customers | $ 1,452,044 | $ 1,118,903 | $ 321,867 | $ 2,892,814 | $ 225,752 | $ 3,118,566 | | $ 3,118,566 |
| Intersegment sales or transfers | 22,558 | 31,708 | 832 | 55,098 | 451 | 55,549 | $ (55,549) | |
| Total | 1,474,602 | 1,150,611 | 322,699 | 2,947,912 | 226,203 | 3,174,115 | (55,549) | 3,118,566 |
| Segment profit (loss) | 67,796 | 190,310 | 40,655 | 298,761 | 2,319 | 301,080 | (3,425) | 297,655 |
| Segment assets | 1,072,708 | 819,372 | 181,478 | 2,073,558 | 148,495 | 2,222,053 | 4,894,177 | 7,116,230 |
| Other | | | | | | | | |
| Depreciation and amortization | 155,097 | 147,584 | 20,549 | 323,230 | 24,956 | 348,186 | (8,912) | 339,274 |
| Amortization of goodwill | 2,177 | | | 2,177 | | 2,177 | | 2,177 |
| Increase in property, plant and equipment and intangible assets | 185,611 | 194,619 | 41,558 | 421,788 | 11,637 | 433,425 | 68,230 | 501,655 |

"Other" includes operating segments that are not included in the reportable segments, consisting of business in resistors, tantalum capacitors, and lightings.

"Reconciliations" were as follows:

(1) The adjusted amount of the segment profit for the year ended March 31, 2016, ¥(387) million ($(3,425) thousand), mainly includes general and administrative expenses of ¥(960) million ($(8,496) thousand) not attributable to the operating segments, and the settlement adjustment of ¥573 million ($5,071 thousand) not allocated to the operating segments (such as periodic pension cost).
The adjusted amount of the segment profit for the year ended March 31, 2015, ¥(582) million, mainly includes general and administrative expenses of ¥(1,061) million not attributable to the operating segments, and the settlement adjustment of ¥479 million not allocated to the operating segments (such as periodic pension cost).
The adjusted amount of the segment profit for the year ended March 31, 2014, ¥(314) million, mainly includes general and administrative expenses of ¥(951) million not attributable to the operating segments, and the settlement adjustment of ¥637 million not allocated to the operating segments (such as periodic pension cost).

(2) The adjusted amount of the segment assets for the year ended March 31, 2016, ¥553,042 million ($4,894,177 thousand), mainly includes corporate assets of ¥555,521 million ($4,916,115 thousand) not allocated to the operating segments, and the adjustments of fixed asset of ¥(2,479) million ($(21,938) thousand). Corporate assets not attributable to the operating segments consist of cash and time deposits of ¥280,933 million ($2,486,133 thousand), notes and accounts receivable-trade of ¥66,433 million ($587,903 thousand), and land of ¥66,161 million ($585,496 thousand).
The adjusted amount of the segment assets for the year ended March 31, 2015, ¥611,018 million, mainly includes corporate assets of ¥613,407 million not allocated to the operating segments, and the adjustments of fixed asset of ¥(2,389) million. Corporate assets not attributable to the operating segments consist of cash and time deposits of ¥280,757 million, land of ¥64,039 million, and notes and accounts receivable-trade of ¥76,722 million.
The adjusted amount of the segment assets for the year ended March 31, 2014, ¥531,599 million, mainly includes corporate assets of ¥533,698 million not allocated to the operating segments, and the adjustments of fixed asset of ¥(2,099) million. Corporate assets not attributable to the operating segments consist of cash and time deposits of ¥272,983 million, land of ¥63,961 million, and notes and accounts receivable-trade of ¥67,537 million.

(3) The adjusted amount of increase in property, plant and equipment and intangible fixed assets relates to common divisions, such as sales and administrative divisions.

**(d) Relevant information**

For the years ended March 31, 2016, 2015 and 2014

(1) Information about products and services

The classification of products and services has been omitted as it is identical to the segment classification.

(2) Information about geographical areas

(i) Sales

| Millions of Yen | | | |
|---|---|---|---|
| **2016** | | | |
| Japan | China | Other | Total |
| **¥ 97,964** | **¥ 115,790** | **¥ 138,644** | **¥ 352,398** |

| Millions of Yen | | | |
|---|---|---|---|
| 2015 | | | |
| Japan | China | Other | Total |
| ¥ 101,754 | ¥ 121,770 | ¥ 139,249 | ¥ 362,773 |

| Millions of Yen | | | |
|---|---|---|---|
| 2014 | | | |
| Japan | China | Other | Total |
| ¥ 101,312 | ¥ 110,043 | ¥ 119,733 | ¥ 331,088 |

| Thousands of U.S. Dollars | | | |
|---|---|---|---|
| **2016** | | | |
| Japan | China | Other | Total |
| **$ 866,938** | **$ 1,024,690** | **$ 1,226,938** | **$ 3,118,566** |

Sales are classified by country or region based on the location of customers

(ii) Property, plant and equipment

| Millions of Yen | | | | | |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Japan | China | Thailand | Philippines | Other | Total |
| **¥ 142,074** | **¥ 22,332** | **¥ 30,642** | **¥ 24,287** | **¥ 17,108** | **¥ 236,443** |

| Millions of Yen | | | | | |
|---|---|---|---|---|---|
| 2015 | | | | | |
| Japan | China | Thailand | Philippines | Other | Total |
| ¥ 127,823 | ¥ 26,649 | ¥ 33,613 | ¥ 27,319 | ¥ 15,889 | ¥ 231,293 |

| Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Japan | China | Thailand | Philippines | Other | Total |
| **$ 1,257,292** | **$ 197,629** | **$ 271,168** | **$ 214,929** | **$ 151,398** | **$ 2,092,416** |

(3) Information about major customers

Since there are no customers who accounted for more than 10% of sales to external customers in the consolidated statement of income, the information has been omitted.

**(e) Information regarding loss on impairment of long-lived assets of reportable segments**

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Loss on impairment of long-lived assets . . . . . . . . . . . . . | **¥ 1,196** | | **¥ 598** | **¥ 1,794** | **¥ 3** | **¥ 224** | **¥ 2,021** |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Loss on impairment of long-lived assets . . . . . . . . . . . . . | ¥ 206 | ¥ 3,732 | ¥ 1,342 | ¥ 5,280 | ¥ 394 | ¥ 202 | ¥ 5,876 |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Loss on impairment of long-lived assets . . . . . . . . . . . . . | ¥ 205 | ¥ 282 | ¥ 125 | ¥ 612 | ¥ 305 | ¥ 34 | ¥ 951 |

| | Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Loss on impairment of long-lived assets . . . . . . . . . . . . . | **$ 10,584** | | **$ 5,292** | **$ 15,876** | **$ 27** | **$ 1,982** | **$ 17,885** |

The amount under "Other" for the year ended March 31, 2016, is mainly for tantalum capacitor. The amount under "Other" for the year ended March 31, 2015, is for Molding Dies. The amount under "Other" for the year ended March 31, 2014, is for lightings.

**(f) Information regarding amortization of goodwill and carrying amount of reportable segments**

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Goodwill at March 31, 2016 . . . | **¥ 5,778** | | | **¥ 5,778** | | | **¥ 5,778** |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2015 | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Goodwill at March 31, 2015 . . . | ¥ 33 | | | ¥ 33 | | | ¥ 33 |

| | Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2016** | | | | | | |
| | Reportable segment | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Reconciliations | Consolidated |
| Goodwill at March 31, 2016 . . . | **$ 51,133** | | | **$ 51,133** | | | **$ 51,133** |

Amortization of goodwill has been omitted as similar information is disclosed in "(c) Information about sales, profit (loss), assets and other items."

**(g) Information regarding profit for negative goodwill of reportable segments**

There is no relevant information for the years ended March 31, 2016 and 2015.





Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of ROHM CO., LTD.:

We have audited the accompanying consolidated balance sheet of ROHM CO., LTD. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ROHM CO., LTD. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

# 2016

**Annual Financial Report**

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