

# ROHM CO., LTD. Financial Highlights for Year Ended March 31, 2005



May 12, 2005

## 1. Consolidated Financial Results

(Figures are rounded down to the nearest million yen. Any fraction less than the unit are rounded off.)

|  |                   | Year ended<br>March 31, 2005<br>Actual | Year ended<br>March 31, 2004<br>Actual | Increase/decrease from the year<br>ended March 31, 2004 |            | Year ending March 31, 2006 (Projected) |  |                  |   |
|--|-------------------|--|--|---|------------|--|--|------------------|---|
|  |                   |  |  | Amount  | Percentage | Annual                                 | Increase/<br>decrease<br>from the<br>previous year | First six months | Increase/<br>decrease from the<br>corresponding six<br>months of the<br>previous year |
| Net sales  | Millions of yen   | 369,023                                | 355,630                                | +13,393   | +3.8%      | 387,500                                | +5.0%  | 198,000          | -1.2%   |
| Cost of sales                                      | Millions of yen   | 221,132                                | 194,856                                | +26,276   | +13.5%     | 232,000                                |  | 118,000          |   |
| Selling, general and administrative expenses       | Millions of yen   | 71,836                                 | 66,266                                 | +5,570  | +8.4%      | 75,500                                 |  | 38,000           |   |
| Operating income                                   | Millions of yen   | 76,054                                 | 94,507                                 | -18,453   | -19.5%     | 80,000                                 | +5.2%  | 42,000           | -22.2%  |
| (Operating income margin)                          |                   | (20.6%)                                | (26.6%)                                | (-6.0%)   |            | (20.6%)                                |  | (21.2%)          |   |
| Ordinary income                                    | Millions of yen   | 79,320                                 | 92,083                                 | -12,763   | -13.9%     | 83,500                                 | +5.3%  | 43,000           | -26.7%  |
| (Ordinary income margin)                           |                   | (21.5%)                                | (25.9%)                                | (-4.4%)   |            | (21.5%)                                |  | (21.7%)          |   |
| Net income   | Millions of yen   | 45,135                                 | 63,717                                 | -18,582   | -29.2%     | 54,500                                 | +20.7%   | 28,000           | -23.8%  |
| (Net income margin)                                |                   | (12.2%)                                | (17.9%)                                | (-5.7%)   |            | (14.1%)                                |  | (14.1%)          |   |
| Basic net income per share                         | Yen               | 380.22                                 | 535.62                                 | -155.40   | -29.0%     | 469.98                                 |  | 241.46           |   |
| Return on equity                                   | %                 | 6.2                                    | 9.2                                    | -3.0  |            |  |  |                  |   |
| Ordinary income to total assets                    | %                 | 9.3                                    | 11.1                                   | -1.8  |            |  |  |                  |   |
| Total assets                                       | Millions of yen   | 867,322                                | 846,799                                | +20,523   | +2.4%      |  |  |                  |   |
| Shareholders' equity                               | Millions of yen   | 739,329                                | 715,938                                | +23,391   | +3.3%      |  |  |                  |   |
| Shareholders' equity ratio                         | %                 | 85.2                                   | 84.5                                   | +0.7  |            |  |  |                  |   |
| Shareholders' equity per share                     | Yen               | 6,326.64                               | 6,026.56                               | +300.08   | +5.0%      |  |  |                  |   |
| Capital expenditures                               | Millions of yen   | 85,171                                 | 51,958                                 | +33,213   | +63.9%     | 62,000                                 | -27.2%   | 37,200           | +4.6%   |
| Depreciation (Tangible fixed assets)               | Millions of yen   | 47,102                                 | 45,539                                 | +1,563  | +3.4%      | 60,000                                 | +27.4%   | 27,800           | +32.2%  |
| Research and development costs                     | Millions of yen   | 32,342                                 | 31,380                                 | +962  | +3.1%      | 35,000                                 | +8.2%  | 17,800           | +15.8%  |
| Net financial revenue                              |                   |  |  |   |            |  |  |                  |   |
| (Interest and dividend income)                     | (Millions of yen) | (3,318)                                | (2,370)                                | (+948)  | (+40.0%)   |  |  |                  |   |
| Foreign currency exchange gains/losses             | Millions of yen   | (gain) 332                             | (loss) 5,529                           | (gain) 5,861  |            |  |  |                  |   |
| Foreign exchange rate (Average yen-dollar rate)    | Yen/US\$          | 107.28                                 | 113.97                                 | -6.69   | -5.9%      | 105                                    |  | 105              |   |
| Number of employees                                |                   | 19,803                                 | 18,591                                 | +1,212  | +6.5%      |  |  |                  |   |
| (Number of R&D employees)                          |                   | (2,155)                                | (1,943)                                | (+212)  | (+10.9%)   |  |  |                  |   |
| Overseas production ratio                          | %                 | 56                                     | 52                                     | +4  |            | 58                                     |  |                  |   |
| Number of consolidated subsidiaries                |                   | 47                                     | 47                                     | 0   |            |  |  |                  |   |
| (Domestic)   |                   | (13)                                   | (13)                                   | (0)   |            |  |  |                  |   |
| (Overseas)   |                   | (34)                                   | (34)                                   | (0)   |            |  |  |                  |   |
| Number of companies accounted for by equity method |                   | 2                                      | 2                                      | 0   |            |  |  |                  |   |
| Number of non-consolidated subsidiaries            |                   | 0                                      | 0                                      | 0   |            |  |  |                  |   |

\* The projected data are based on the information available at the time of release of this report. Therefore, a number of important factors including changes in business conditions may cause actual results to differ materially from those projected.

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Note: This report is a translation of the financial highlights of the Company prepared in accordance with the provisions set forth in the Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan. The original version of this report is written in Japanese. In the event of any discrepancies in words, accounts, figures or the like between this report and the original, the original Japanese version shall govern.

## 1. Consolidated Financial Results (Continued from previous page)

(Figures are rounded down to the nearest million yen. Any fraction less than the unit are rounded off.)

|   |                 | Year ended<br>March 31, 2005<br>Actual | Year ended<br>March 31, 2004<br>Actual | Increase/decrease from the year<br>ended March 31, 2004 |            | Year ending March 31, 2006 (Projected) |  |                  |   |  |
|---|-----------------|--|--|---|------------|--|--|------------------|---|--|
|   |                 |  |  | Amount  | Percentage | Annual                                 | Increase/decrease<br>from the previous<br>year | First six months | Increase/<br>decrease from the<br>corresponding six<br>months of the<br>previous year |  |
| Sales by product category and geographical region |                 |  |  |   |            |  |  |                  |   |  |
| Integrated circuits                               | Millions of yen | 159,022                                | 155,446                                | +3,576  | +2.3%      | 171,478                                | +7.8%  | 85,998           | -1.0%   |  |
| (Japan)   |                 | (81,750)                               | (78,902)                               | (+2,848)  | (+3.6%)    | (82,708)                               | +1.2%  | (41,535)         | -2.1%   |  |
| (Asia)  |                 | (68,391)                               | (67,146)                               | (+1,245)  | (+1.9%)    | (78,903)                               | +15.4%   | (40,121)         | +1.5%   |  |
| (Americas)  |                 | (3,207)                                | (3,550)                                | (-343)  | (-9.7%)    | (3,661)                                | +14.2%   | (1,835)          | -3.3%   |  |
| (Europe)  |                 | (5,672)                                | (5,847)                                | (-175)  | (-3.0%)    | (6,204)                                | +9.4%  | (2,505)          | -15.4%  |  |
| Discrete semiconductor devices                    |                 | 141,787                                | 139,009                                | +2,778  | +2.0%      | 146,611                                | +3.4%  | 76,808           | +0.4%   |  |
| (Japan)   |                 | (53,345)                               | (54,591)                               | (-1,246)  | (-2.3%)    | (54,048)                               | +1.3%  | (27,695)         | -1.5%   |  |
| (Asia)  |                 | (74,000)                               | (69,020)                               | (+4,980)  | (+7.2%)    | (79,118)                               | +6.9%  | (42,345)         | +4.8%   |  |
| (Americas)  |                 | (6,811)                                | (7,501)                                | (-690)  | (-9.2%)    | (5,880)                                | -13.7%   | (2,968)          | -22.0%  |  |
| (Europe)  |                 | (7,629)                                | (7,896)                                | (-267)  | (-3.4%)    | (7,564)                                | -0.9%  | (3,799)          | -9.2%   |  |
| Passive components                                |                 | 23,610                                 | 24,601                                 | -991  | -4.0%      | 23,602                                 | -0.0%  | 12,097           | -2.8%   |  |
| (Japan)   |                 | (8,446)                                | (8,593)                                | (-147)  | (-1.7%)    | (8,070)                                | -4.5%  | (4,054)          | -7.2%   |  |
| (Asia)  |                 | (10,510)                               | (10,369)                               | (+141)  | (+1.4%)    | (11,284)                               | +7.4%  | (5,916)          | +7.3%   |  |
| (Americas)  |                 | (1,612)                                | (1,992)                                | (-380)  | (-19.1%)   | (1,112)                                | -31.0%   | (568)            | -41.1%  |  |
| (Europe)  |                 | (3,040)                                | (3,645)                                | (-605)  | (-16.6%)   | (3,134)                                | +3.1%  | (1,558)          | -2.7%   |  |
| Displays  |                 | 44,603                                 | 36,573                                 | +8,030  | +22.0%     | 45,807                                 | +2.7%  | 23,095           | -6.2%   |  |
| (Japan)   |                 | (18,308)                               | (14,675)                               | (+3,633)  | (+24.8%)   | (14,617)                               | -20.2%   | (6,479)          | -40.3%  |  |
| (Asia)  |                 | (21,257)                               | (16,922)                               | (+4,335)  | (+25.6%)   | (24,691)                               | +16.2%   | (13,505)         | +21.1%  |  |
| (Americas)  |                 | (2,359)                                | (1,767)                                | (+592)  | (+33.5%)   | (2,300)                                | -2.5%  | (1,051)          | -15.1%  |  |
| (Europe)  |                 | (2,678)                                | (3,208)                                | (-530)  | (-16.5%)   | (4,197)                                | +56.7%   | (2,058)          | +48.8%  |  |

## Sales by application

|                    |   |      |      |      |
|--------------------|---|------|------|------|
| Visual             | % | 7.2  | 7.6  | -0.4 |
| Audio              |   | 12.4 | 13.4 | -1.0 |
| Home appliance     |   | 2.3  | 2.2  | +0.1 |
| Other consumer     |   | 5.3  | 5.9  | -0.6 |
| Computer and OA    |   | 21.8 | 21.1 | +0.7 |
| Telecommunications |   | 16.9 | 15.3 | +1.6 |
| Automotive         |   | 4.9  | 4.9  | 0.0  |
| Other industrial   |   | 1.5  | 1.3  | +0.2 |
| Subassemblies      |   | 13.3 | 14.7 | -1.4 |
| Others             |   | 14.4 | 13.6 | +0.8 |

## Capital expenditures by product category

|                                |                 |        |        |         |         |        |        |        |        |
|--------------------------------|-----------------|--------|--------|---------|---------|--------|--------|--------|--------|
| Integrated circuits            | Millions of yen | 38,295 | 23,129 | +15,166 | +65.6%  | 28,500 | -25.6% | 15,900 | +5.5%  |
| Discrete semiconductor devices |                 | 22,052 | 16,028 | +6,024  | +37.6%  | 17,500 | -20.6% | 11,300 | -15.4% |
| Passive components             |                 | 1,689  | 1,665  | +24     | +1.4%   | 2,000  | +18.4% | 1,500  | +77.9% |
| Displays                       |                 | 6,779  | 4,466  | +2,313  | +51.8%  | 4,000  | -41.0% | 3,000  | +1.1%  |
| Others                         |                 | 16,353 | 6,668  | +9,685  | +145.2% | 10,000 | -38.9% | 5,500  | +65.5% |

## 2. Non-consolidated Financial Results

(Figures are rounded down to the nearest million yen. Any fraction less than the unit are rounded off.)

|  |                   | Year ended<br>March 31, 2005<br>Actual | Year ended<br>March 31, 2004<br>Actual | Increase/decrease from the year ended<br>March 31, 2004 |            | Year ending March 31, 2006 (Projected) |  |                  |   |
|--|-------------------|--|--|---|------------|--|--|------------------|---|
|  |                   |  |  | Amount  | Percentage | Annual                                 | Increase/<br>decrease from<br>the previous<br>year | First six months | Increase/<br>decrease from the<br>corresponding six<br>months of the<br>previous year |
| Net sales                                | Millions of yen   | 342,450                                | 331,249                                | +11,201   | +3.4%      | 365,000                                | +6.6%  | 185,000          | -0.6%   |
| Operating income                         | Millions of yen   | 23,050                                 | 33,218                                 | -10,168   | -30.6%     | 39,000                                 | +69.2%   | 20,000           | -9.2%   |
| (Operating income margin)                |                   | (6.7%)                                 | (10.0%)                                | (-3.3%)   |            | (10.7%)                                |  | (10.8%)          |   |
| Ordinary income                          | Millions of yen   | 51,257                                 | 38,211                                 | +13,046   | +34.1%     | 47,000                                 | -8.3%  | 26,000           | -48.9%  |
| (Ordinary income margin)                 |                   | (15.0%)                                | (11.5%)                                | (+3.5%)   |            | (12.9%)                                |  | (14.1%)          |   |
| Net income                               | Millions of yen   | 39,872                                 | 29,342                                 | +10,530   | +35.9%     | 32,000                                 | -19.7%   | 19,000           | -50.3%  |
| (Net income margin)                      |                   | (11.6%)                                | (8.9%)                                 | (+2.7%)   |            | (8.8%)                                 |  | (10.3%)          |   |
| Basic net income per share               | Yen               | 336.25                                 | 246.65                                 | +89.60  | +36.3%     | 275.95                                 |  | 163.85           |   |
| Return on equity                         | %                 | 7.9                                    | 6.1                                    | +1.8  |            |  |  |                  |   |
| Ordinary income to total assets          | %                 | 8.4                                    | 6.5                                    | +1.9  |            |  |  |                  |   |
| Total assets                             | Millions of yen   | 610,135                                | 607,152                                | +2,983  | +0.5%      |  |  |                  |   |
| Shareholders' equity                     | Millions of yen   | 507,455                                | 497,456                                | +9,999  | +2.0%      |  |  |                  |   |
| Shareholders' equity ratio               | %                 | 83.2                                   | 81.9                                   | +1.3  |            |  |  |                  |   |
| Shareholders' equity per share           | Yen               | 4,342.71                               | 4,187.61                               | +155.10   | +3.7%      |  |  |                  |   |
| Annual cash dividends                    | Yen               | 85.0                                   | 55.0                                   | +30.0   |            | 90.0                                   |  | 45.0             |   |
| (Year-end cash dividends)                | (Yen)             | (42.5)                                 | (42.5)                                 | (0.0)   |            |  |  |                  |   |
| Capital expenditures                     | Millions of yen   | 20,699                                 | 7,737                                  | +12,962   | +167.5%    | 10,500                                 | -49.3%   | 4,200            | -15.2%  |
| Depreciation (Tangible fixed assets)     | Millions of yen   | 9,642                                  | 7,586                                  | +2,056  | +27.1%     | 8,000                                  | -17.0%   | 3,600            | -13.5%  |
| Net financial revenue                    |                   |  |  |   |            |  |  |                  |   |
| (Interest income)                        | (Millions of yen) | (1,616)                                | (1,593)                                | (+23)   | (+1.4%)    |  |  |                  |   |
| (Dividend income)                        | (Millions of yen) | (23,909)                               | (9,894)                                | (+14,015)   | (+141.6%)  |  |  |                  |   |
| Total                                    | Millions of yen   | 25,525                                 | 11,488                                 | +14,037   | +122.2%    |  |  |                  |   |
| Foreign currency exchange gains/losses   | Millions of yen   | (gain) 1,101                           | (loss) 7,074                           | (gain) 8,175  |            |  |  |                  |   |
| Number of employees                      |                   | 3,293                                  | 2,985                                  | +308  | +10.3%     |  |  |                  |   |
| Number of shareholders                   |                   | 26,773                                 | 22,978                                 | +3,795  | +16.5%     |  |  |                  |   |
| Financial institution shareholding ratio | %                 | 30.24                                  | 34.63                                  | -4.39   |            |  |  |                  |   |
| Foreign shareholding ratio               | %                 | 48.71                                  | 47.05                                  | +1.66   |            |  |  |                  |   |



# Consolidated Financial Report for Fiscal Year Ended March 31, 2005

May 12, 2005

Listed Company Name ROHM CO., LTD.

Code No.: 6963

(URL <http://www.rohm.co.jp>)

Company representative Title: President

Name: Ken Sato

Contact person Title: Director, Administration Headquarters

Name: Nobuo Hatta

TEL (075) 311 - 2121

Stock Exchange Listings Tokyo, Osaka

Head Office Location

Kyoto Prefecture

Date of Board of Directors meeting for approval of financial statements: May 12, 2005

Adoption of the GAAP in the U.S.: None

## 1. Consolidated Business Results for Year Ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

### (1) Consolidated Results of Operations (Figures are rounded down to the nearest million yen)

|                           | Net sales       |     | Operating income |       | Ordinary income |       |
|---------------------------|-----------------|-----|------------------|-------|-----------------|-------|
|                           | Millions of yen | %   | Millions of yen  | %     | Millions of yen | %     |
| Year ended March 31, 2005 | 369,023         | 3.8 | 76,054           | -19.5 | 79,320          | -13.9 |
| Year ended March 31, 2004 | 355,630         | 1.5 | 94,507           | -1.7  | 92,083          | 0.4   |

|                           | Net income      |       | Basic net income per share | Diluted net income per share | Return on equity | Ordinary income to total assets | Ordinary income to net sales |
|---------------------------|-----------------|-------|----------------------------|------------------------------|------------------|---------------------------------|------------------------------|
|                           | Millions of yen | %     | Yen                        | Yen                          | %                | %                               | %                            |
| Year ended March 31, 2005 | 45,135          | -29.2 | 380.22                     | -                            | 6.2              | 9.3                             | 21.5                         |
| Year ended March 31, 2004 | 63,717          | 20.2  | 535.62                     | -                            | 9.2              | 11.1                            | 25.9                         |

(Notes) (i) Equity in income (losses) Year ended Mar. 31, 2005: 1 million yen Year ended Mar. 31, 2004: 8 million yen

(ii) Average number of shares outstanding (consolidated) Year ended Mar. 31, 2005: 118,561,981 shares

Year ended Mar. 31, 2004: 118,783,647 shares

(iii) Change in accounting policies: None

(iv) Percentage (%) shown for Net sales, Operating income, Ordinary income and Net income represents change from the data of the previous year.

### (2) Consolidated Financial Position

|                           | Total assets    | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------------|-----------------|----------------------|----------------------------|--------------------------------|
|                           | Millions of yen | Millions of yen      | %                          | Yen                            |
| Year ended March 31, 2005 | 867,322         | 739,329              | 85.2                       | 6,326.64                       |
| Year ended March 31, 2004 | 846,799         | 715,938              | 84.5                       | 6,026.56                       |

(Note) Number of shares outstanding (consolidated) at end of year Year ended Mar. 31, 2005: 116,850,835 shares

Year ended Mar. 31, 2004: 118,781,637 shares

### (3) Consolidated Cash Flows

|                           | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                           | Millions of yen                      | Millions of yen                      | Millions of yen                      | Millions of yen                          |
| Year ended March 31, 2005 | 91,919                               | -87,429                              | -30,037                              | 288,974                                  |
| Year ended March 31, 2004 | 78,365                               | -72,136                              | -3,028                               | 310,578                                  |

### (4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 47 Number of non-consolidated subsidiaries accounted for by equity method: None

Number of associated companies accounted for by equity method: 2

### (5) Changes in scope of consolidation and application of equity method

Companies newly consolidated: None Companies excluded from consolidation: None

Companies newly accounted for by equity method: None Companies no longer accounted for by equity method: None

## 2. Consolidated Business Results Forecast for Fiscal 2006 (From April 1, 2005 to March 31, 2006)

|             | Net sales       | Ordinary income | Net income      |
|-------------|-----------------|-----------------|-----------------|
|             | Millions of yen | Millions of yen | Millions of yen |
| Interim     | 198,000         | 43,000          | 28,000          |
| Fiscal 2006 | 387,500         | 83,500          | 54,500          |

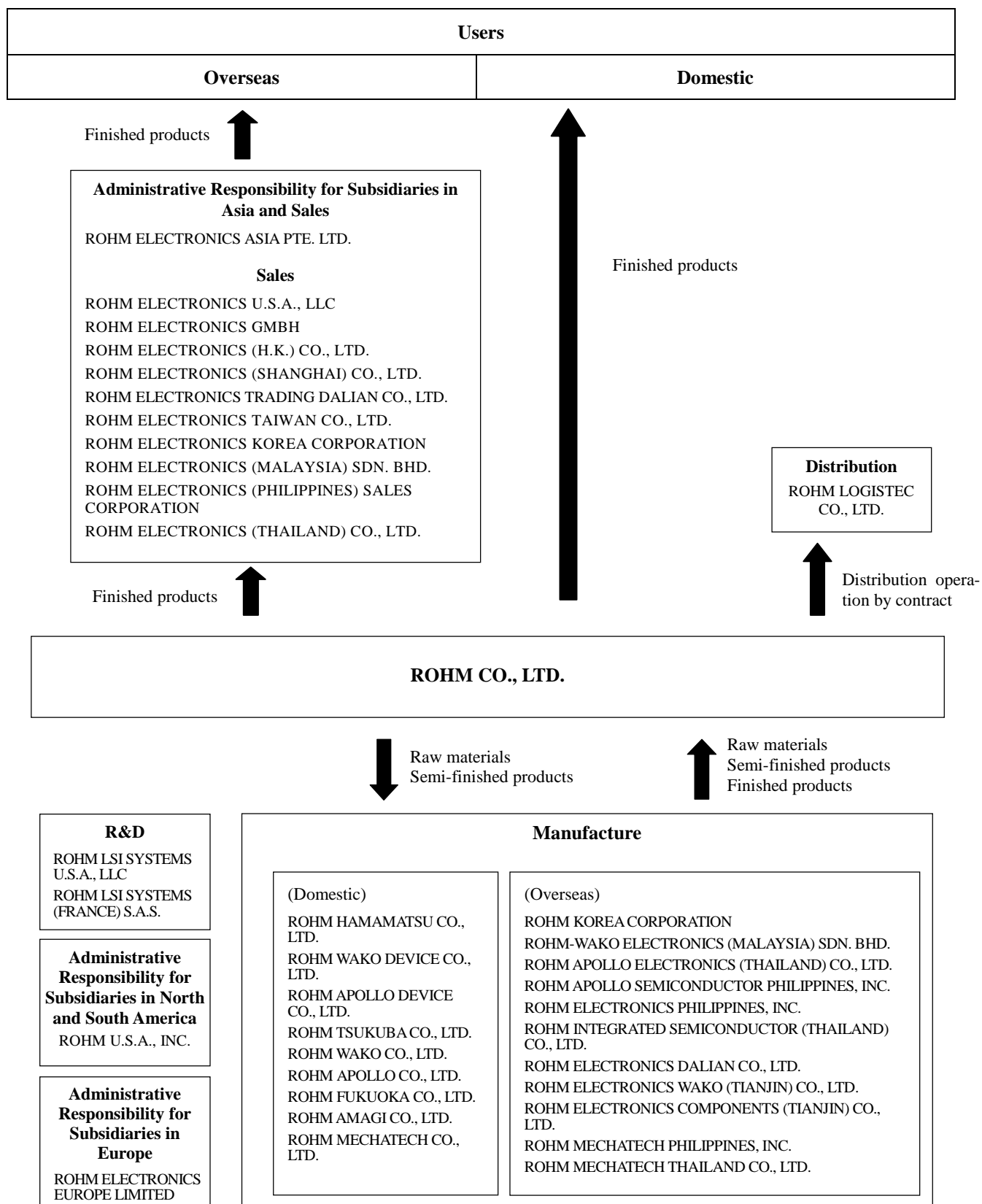
(Note) Projected net income per share for the year ending Mar. 31, 2006: 469.98 yen

Net income per share for the year ending March 31, 2006 is projected by taking into account the purchase of treasury stock in April 2005.

\* The forecast data are based on the information available at the time of release of this report. Therefore, a number of important factors including changes in business conditions may cause actual results to differ materially from those discussed in the prospective statements. Refer to page 12 to 13 of the attached documents for reasons for the forecast and other relevant information.

## Status of the ROHM Group

The ROHM Group consists of ROHM CO., LTD., 47 consolidated subsidiaries (13 in Japan and 34 outside Japan) and 2 associated companies (1 in Japan and 1 outside Japan). We are a comprehensive electronic component manufacturer, whose principal business is the manufacture and sales of electronic components. The Group diagram and information on our consolidated subsidiaries are given below.



## Information on Consolidated Subsidiaries

| Corporate name                                     | Location    | Capital                    | Principal business                             | Percentage of voting right held by ROHM CO., LTD. | Remarks |
|--|-------------|----------------------------|--|---|---------|
| ROHM HAMAMATSU CO., LTD.                           | Shizuoka    | Million yen<br>400         | Manufacture of electronic components           | 95.0  |         |
| ROHM WAKO DEVICE CO., LTD.                         | Okayama     | Million yen<br>450         | Manufacture of electronic components           | 100.0<br>( 25.0)                                  |         |
| ROHM APOLLO DEVICE CO., LTD.                       | Fukuoka     | Million yen<br>492         | Manufacture of electronic components           | 100.0<br>( 25.0)                                  |         |
| ROHM TSUKUBA CO., LTD.                             | Ibaraki     | Million yen<br>450         | Manufacture of electronic components           | 100.0   |         |
| ROHM WAKO CO., LTD.                                | Okayama     | Million yen<br>450         | Manufacture of electronic components           | 100.0   |         |
| ROHM APOLLO CO., LTD.                              | Fukuoka     | Million yen<br>450         | Manufacture of electronic components           | 100.0   |         |
| ROHM FUKUOKA CO., LTD.                             | Fukuoka     | Million yen<br>385         | Manufacture of electronic components           | 100.0   |         |
| ROHM AMAGI CO., LTD.                               | Fukuoka     | Million yen<br>300         | Manufacture of electronic components           | 100.0   |         |
| ROHM MECHATECH CO., LTD.                           | Kyoto       | Million yen<br>98          | Manufacture of electronic components           | 100.0   |         |
| ROHM LOGISTEC CO., LTD.                            | Okayama     | Million yen<br>20          | Distribution of electronic components          | 100.0   |         |
| NARITA GIKEN CO., LTD.                             | Hyogo       | Million yen<br>80          | Development and design of electronic circuitry | 93.7  |         |
| WAKO SERVICE CO., LTD.                             | Okayama     | Million yen<br>10          | Plant and equipment maintenance                | 100.0<br>(100.0)                                  |         |
| ROHM KOREA CORPORATION                             | Korea       | Million won<br>9,654       | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM-WAKO ELECTRONICS (MALAYSIA) SDN. BHD.         | Malaysia    | Thousand M\$<br>53,400     | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM APOLLO ELECTRONICS (THAILAND) CO., LTD.       | Thailand    | Thousand baht<br>448,000   | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM APOLLO SEMICONDUCTOR PHILIPPINES, INC.        | Philippines | Thousand peso<br>406,580   | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS PHILIPPINES, INC.                 | Philippines | Thousand peso<br>1,017,060 | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM INTEGRATED SEMICONDUCTOR (THAILAND) CO., LTD. | Thailand    | Thousand baht<br>667,500   | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS DALIAN CO., LTD.                  | China       | Million yen<br>6,835       | Manufacture of electronic components           | 100.0<br>(100.0)                                  | *3      |
| ROHM ELECTRONICS WAKO (TIANJIN) CO., LTD.          | China       | Million yen<br>5,000       | Manufacture of electronic components           | 100.0<br>(100.0)                                  | *3 *4   |
| ROHM ELECTRONICS COMPONENTS (TIANJIN) CO., LTD.    | China       | Thousand US\$<br>28,200    | Manufacture of electronic components           | 100.0<br>(100.0)                                  | *3 *4   |
| ROHM MECHATECH PHILIPPINES, INC.                   | Philippines | Thousand peso<br>100,000   | Manufacture of electronic components           | 100.0<br>( 75.0)                                  |         |
| ROHM MECHATECH THAILAND CO., LTD.                  | Thailand    | Thousand baht<br>100,000   | Manufacture of electronic components           | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS U.S.A., LLC                       | U. S. A.    | Thousand US\$<br>26,298    | Sales of electronic components                 | 100.0<br>(100.0)                                  | *5      |
| ROHM ELECTRONICS GMBH                              | Germany     | Thousand euro<br>511       | Sales of electronic components                 | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS (H.K.) CO., LTD.                  | Hong Kong   | Thousand HK\$<br>27,000    | Sales of electronic components                 | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS (SHANGHAI) CO., LTD.              | China       | Thousand US\$<br>200       | Sales of electronic components                 | 100.0<br>(100.0)                                  | *3      |
| ROHM ELECTRONICS TRADING DALIAN CO., LTD.          | China       | Thousand US\$<br>200       | Sales of electronic components                 | 100.0<br>(100.0)                                  | *3      |
| ROHM ELECTRONICS TAIWAN CO., LTD.                  | Taiwan      | Thousand NT\$<br>140,500   | Sales of electronic components                 | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS KOREA CORPORATION                 | Korea       | Million won<br>1,000       | Sales of electronic components                 | 100.0<br>(100.0)                                  |         |

| Corporate name                                   | Location       | Capital                  | Principal business  | Percentage of voting right held by ROHM CO., LTD. | Remarks |
|--|----------------|--------------------------|---|---|---------|
| ROHM ELECTRONICS ASIA PTE. LTD.                  | Singapore      | Thousand S\$<br>90,630   | Administrative responsibility for subsidiaries in Asia and sales of electronic components | %<br>100.0  |         |
| ROHM ELECTRONICS (MALAYSIA) SDN. BHD.            | Malaysia       | Thousand M\$<br>700      | Sales of electronic components  | 49.0<br>( 49.0)<br>[ 51.0]                        |         |
| ROHM ELECTRONICS (PHILIPPINES) SALES CORPORATION | Philippines    | Thousand peso<br>13,250  | Sales of electronic components  | 100.0<br>(100.0)                                  |         |
| ROHM ELECTRONICS (THAILAND) CO., LTD.            | Thailand       | Thousand baht<br>104,000 | Sales of electronic components  | 100.0<br>(100.0)                                  |         |
| ROHM LSI SYSTEMS U.S.A., LLC                     | U. S. A.       | Thousand US\$<br>1,608   | Research and development  | 100.0<br>(100.0)                                  | *5      |
| ROHM LSI SYSTEMS (FRANCE) S.A.S.                 | France         | Thousand euro<br>800     | Research and development  | 100.0<br>(100.0)                                  |         |
| ROHM LSI DESIGN PHILIPPINES, INC.                | Philippines    | Thousand peso<br>52,500  | Design of electronic components   | 100.0   |         |
| ROHM LSI TECHNOLOGY THAILAND CO., LTD.           | Thailand       | Thousand baht<br>30,000  | Design of electronic components   | 100.0<br>(100.0)                                  |         |
| ROHM IC DESIGN (TIANJIN) CO., LTD.               | China          | Million yen<br>869       | Design of electronic components   | 100.0<br>(100.0)                                  | *3 *4   |
| ROHM U.S.A., INC.                                | U. S. A.       | Thousand US\$<br>133,642 | Administrative responsibility for subsidiaries in North and South America                 | 100.0   |         |
| ROHM ELECTRONICS EUROPE LIMITED                  | United Kingdom | Thousand £Stg.<br>3,400  | Administrative responsibility for subsidiaries in Europe                                  | 100.0   |         |
| ROHM REALTY CORPORATION                          | Philippines    | Thousand peso<br>34,100  | Real estate leasing   | 100.0<br>( 74.1)                                  |         |
| ROHM ASSETS PHILIPPINES INC.                     | Philippines    | Thousand peso<br>15,000  | Holding company   | 40.0<br>( 40.0)<br>[ 60.0]                        |         |

(Notes) 1 Besides the 43 companies listed above, ROHM CO., LTD. has 4 additional consolidated subsidiaries.

2 The percentages in parentheses indicate indirect voting right held by ROHM CO., LTD., and the figures in brackets indicate the percentage of voting right held by those (other than ROHM CO., LTD.) having close relationship with the subsidiary.

\*3 Consolidated subsidiary whose accounting date differs from that of ROHM CO., Ltd. on March 31

\*4 ROHM ELECTRONICS WAKO (TIANJIN) CO., LTD. and ROHM ELECTRONICS COMPONENTS (TIANJIN) CO., LTD. merged with ROHM IC DESIGN (TIANJIN) CO., LTD. to become ROHM SEMICONDUCTOR (CHINA) CO., LTD. in April 2005.

\*5 ROHM LSI SYSTEMS U.S.A., LLC was absorbed by ROHM ELECTRONICS U.S.A., LLC in April 2005.

## Management Policies

### Basic Management Policy

ROHM considers that it must allocate the added values produced by the Company, in appropriate proportions, to all its stakeholders, including shareholders, employees and local communities, as well as to the retained earnings for business investment for making the Company more competitive. Thus ROHM regards it essential to obtain the understanding and cooperation of all its stakeholders, to create everlasting, extensive corporate value under continuous improvement. ROHM thereby intends to make its shares more attractive to investors, and this is one of the Company's highest priorities in management.

Accordingly, ROHM is committed to developing the world's market-leading products, including high-value-added system LSIs for digital information appliances and mobile electronic equipment, which are expected to undergo rapid growth, along with optical devices, which is also an area with great potential for growth. ROHM also seeks as a basic policy the enhancement of cost competitiveness through the best use of its distinctive production technologies, and will thereby continue to lead the world electronic component market.

### Basic Policy on Distribution of Profits

Regarding profit distribution to shareholders, ROHM will press ahead with its current measures and policies to live up to shareholders' expectations, in light of comprehensive consideration given to various factors, including business performance, financial position, and expected demand for funds for business investment aimed at improving corporate value. More specifically, the Company intends to improve the total return ratio, by keeping the dividend rate consecutive in consideration of the consolidated dividend payout ratio, while implementing flexible return-improvement measures such as treasury-stock purchasing in light of cash-flow conditions.

For ROHM to sustain its growth and improve its performance in the semiconductor industry, the market for which is expected to grow in the medium to long term, it is indispensable to have product development capabilities outstripping other manufacturers and to enhance cost competitiveness. With the accelerated sophistication of development and manufacturing technologies, which serve as core factors in such competition, funds needed for investment in R&D and production facilities in the Company's core business areas, that is, semiconductors and optical devices are increasing each year. ROHM considers that, to make appropriate and prompt investment aimed at maintaining and strengthening its international competitiveness and growth potential in a semiconductor industry that is undergoing drastic changes, it is vital, in terms of management, to maintain in reserve, ample funds. Specifically, the Company considers that it will be increasingly necessary to make large-scale investment in construction of production lines for large-diameter 300 mm wafers, 90 nm or smaller ultra-fine processes, and optical devices. ROHM intends to use retained earnings effectively, to improve the Company's corporate value over the medium to long term, as well as to tie up with or acquire Japanese and overseas companies, expecting synergy effects in our business.

### Policy on Changes in Minimum Trading Lot Size

ROHM reduced the minimum trading lot size of its shares from 1,000 to 100. We consider that the change has produced positive results in that the number of shareholders has increased rapidly since then.

Regarding a further reduction in the minimum trading lot size, we intend to make a decision after carefully examining the factors concerned, including cost-benefit performance and the liquidity of shares.

### Referenced Corporate Performance Indexes

ROHM intends to make continued efforts to ensure its earning power by taking various measures, including the development of new products and the reinforcement of sales operations. We attach importance to indexes representing the rate of return, such as EBITDA\*, as well as asset turnover ratio, and business investment efficiency.

\* EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)

An index obtained by adding interest expenses and depreciation to income before income taxes and minority interests. This index is commonly used to compare corporate earnings internationally.

### Medium- to Long-term Corporate Strategies

While expansion of the electronics market is anticipated over the medium to long term in parallel with the advancement of the highly sophisticated information society, international competition is expected to intensify amid the widening fluctuation in demand, encouraging realignment of the industry and the shakeout of uncompetitive businesses.



To ensure stable growth and a strong and well-balanced financial position under these circumstances, a range of measures should be taken, including development of creative, high-value-added products utilizing world leading advanced technologies, enhancement of cost competitiveness, establishment of a global production and distribution network that enables high customer satisfaction in both domestic and overseas markets, and strengthening of service and technical support systems for customers. ROHM intends to attach overriding importance to the integrated development–production system, development of custom-designed products, and quality, as well as to make persistent efforts to formulate and implement measures in these respects.

Specifically, ROHM intends to increase R&D personnel and to reinforce the corporate operations handling digital technologies and digital–analog integration technologies. In addition to its original REAL SOCKET design system used to develop complicated, high-performance system LSI circuits, ROHM has newly developed the REAL PLATFORM, which slashes design lead-time and speeds up the development of system LSI circuits. With these innovative technologies, ROHM intends to satisfy various customer needs, including the supply of larger-scale and higher-performance system LSI circuits in shorter lead-time, especially from the digital home appliance market and information and communications equipment market. We are also committed to the development of optical devices, including laser diodes and LEDs that use zinc oxide as the main material, the needs for both of which are expected to grow rapidly in the markets of next-generation high-density optical discs and optical communications technologies. Organic electroluminescence displays, which are attracting attention as next-generation displays are another product we are committed to. In addition, we intend to upgrade our high-quality, high-reliability product lines to satisfy needs from automobile-related markets that are becoming increasingly electronic.

ROHM runs the Yokohama Technology Center, Optical Device Research Center and LSI Test Technology Center, all of which operate as the corporate bases for these technological-reinforcement efforts, reinforcing the in-house R&D system for further growth in the future.

ROHM also intends to commit itself more actively to providing product-related suggestions and technical support to its customers worldwide. To contribute to the development of next-generation technologies, ROHM is actively involved in a wide range of joint R&D projects, including comprehensive industrial–academic collaboration alliances with Kyoto University and other leading institutions; joint efforts with the Semiconductor Industry Research Institute Japan, which is a think-tank for the Japanese semiconductor industry; and participation in Japanese national leading-edge R&D projects, ASCA (Advanced Semiconductors through Collaborative Achievement) and MIRAI (Millennium Research for Advanced Information Technology), both of which integrate the wisdom of academic, industrial, and governmental circles. Moreover, ROHM promotes partnerships with other companies wherever necessary to complement our technologies, thus improving the efficiency of R&D activities.

Regarding the organization of its corporate production system, ROHM is aggressively committed to improving cost competitiveness and reinforcing the corporate supply system for sales to the worldwide market. Specifically, concerning the front-end process of semiconductor production, the Company intends to adopt larger-diameter wafer process, such as 300 mm wafer process. For the back-end process, ROHM is powerfully shifting production to overseas plants, including those in Thailand, the Philippines and China, while upgrading the overseas plants. Our existing domestic plants are clearly positioned as “mother” plants for the construction of the ROHM Group’s production network, with the focus on further accumulation of production technologies. Such production technologies established by our domestic plants will then be shared with overseas plants to manufacture and supply ROHM’s high quality products throughout the world.

Focusing on quality first and foremost not only in the manufacturing division but also in the field of technological development, including LSI circuit design and manufacturing technologies, ROHM will continue to promote company-wide efforts to enhance the reliability of its products. ROHM also intends to actively commit itself to internally producing components such as wafers, photomasks and lead frames, thereby developing products that will overwhelm the products of competitors in quality and reliability while reducing lead-time, thus improving our international competitiveness.

Moreover, we plan to restructure and integrate cooperate organizations in and outside Japan, to expand the market share in the growing global markets. For example, we plan to reinforce our sales system in China. We intend to make continued efforts to achieve more efficient management and swifter decision-making throughout the entire ROHM Group.

To contribute to environmental conservation, the ROHM Group as a whole continues to make progress with establishing and implementing an environmental management system based on ISO 14001 standards. Our environmental conservation activities include the development of low-power-consumption, energy-saving products, as well as efforts to promptly attain zero emission goals through promotion of recycling of waste and to promote “green” procurement and supply at all our production bases in Japan and overseas. In addition, we are implementing a tree-planting project as part of the fight against global warming. ROHM has already completed the actions necessary

to satisfy the RoHS Directive, the environment conservation regulations that will take effect in 2006 in Europe, leading the industry.

### Priority Issues

While the electronics industry is expected to grow in the medium to long term thanks to the increasing demand for digital home information appliances and more sophisticated automobile electronic control systems, technological competition and price wars are also expected to intensify continuously on a global scale. Therefore, it is becoming increasingly necessary to supply internationally competitive products constantly to the market, through sustained efforts toward innovative, high-quality products and technologies and through thorough cost-reduction efforts.

Under these circumstances, the ROHM Group intends to commit itself deeply to improving its business performance, through the development of high-value-added products and technologies in anticipation of future customer needs, improvement of quality and reliability, reinforcement of production and marketing systems, and thorough streamlining and cost-reduction efforts in the entire Group.

### Basic Policy and Measures for Corporate Governance

#### (1) Basic policy concerning corporate governance

It is demanded that corporate governance functions effectively today. Under such circumstances, the Company believes that corporate management and actions should be fair, unbiased and transparent, based on the idea that a company is an entity supported by all the stakeholders including shareholders, customers, local communities and employees. In this respect, we regard the establishment of corporate governance as an extremely important issue.

Based on the above understanding, ROHM performs various actions, giving top priority to the improvement of ROHM's corporate value, in consideration of its stakeholders.

#### (2) Updates on the performance of corporate governance-related actions

In the semiconductor industry, the conditions surrounding corporate management change frequently. At ROHM, the Directors, who are well-informed of the Company's businesses and technologies, have executive power and supervise each other, because ROHM believes that, under such severe business conditions, this flexible and effective management system is the most effective. As the function supervising ROHM's managerial execution, ROHM retains the conventional auditor system, based on the idea that the supervision of managerial execution functions sufficiently by strengthening and reinforcing the corporate-auditor-performed audit system.

For the Board of Directors to have sufficient discussion and make adequate and swift decisions, the number of Directors is a mere six. Having a Board of Directors of the proper size, its function is enhanced. (There is no director who is not a member of the Company.)

Concerning the supervision of managerial execution, we have five corporate auditors of whom none are Company members, reinforcing auditing functions. The auditors are committed to building a fair management supervision system through legally stipulated audits.

For the internal control system, ROHM has the Internal Audit Department, which is directly supervised by the President, in addition to the corporate auditors. The Division has three members, one of whom functions as head of the Division. The Division audits individual in-house divisions to check for operational compliance with in-house rules and regulations, thereby ensuring that corporate governance is followed throughout the entire company. Concerning activities to ensure the timely disclosure of corporate information and the fairness of financial reports, we direct all the divisions of the Company and affiliated companies to control information comprehensively, based on in-house regulations (insider-trading prevention control regulations, confidential-information control regulations, etc.). We also distribute action guidelines to company employees and hold in-house lectures, thus educating and making employees informed, thereby ensuring proper information control and timely and adequate information disclosure.

In ROHM's auditing procedure, the corporate auditors attend major managerial meetings such as those of the Board of Directors, and the corporate auditors and the Internal Audit Department audit the individual divisions of the Head Office and domestic and overseas affiliates by holding meetings with those in their managerial positions and examining and inspecting documents and reports, thus ensuring that the Directors perform their duties in total compliance with laws and auditing the Company's operation in many respects, such

as that the Group's internal control system is well-prepared and at work, that in-house regulations are compliant, and that its assets are sound.

Concerning risk control, organizations are established to handle risks individually depending on the characteristics of the risks. For certain risks that require professional knowledge, committees are established to deal with them, to preclude the risks or to minimize the influence of the risks if the risks are unavoidable.

For internal audits, audits of corporate auditors, and accounting audits, the corporate auditors, the Internal Audit Department and accounting auditors have reporting meetings regularly, and exchange information and opinions proactively by continuously maintaining close cooperation and association with each other, thus sharing the information they obtain by their respective auditing operations and enhancing auditing accuracy and improving auditing operation effectively.

Concerning accounting audits, ROHM is in contract with Deloitte Touche Tohmatsu, an auditing organization, and has its accounting audited based on the commercial laws of special applicability as well as based on the Security Exchange Act. ROHM has an established environment where the organization can perform audits from a fair, unbiased position as a third party. The following are the names of the certified public accountants who audited our accounting for this fiscal year, the number of years they have been involved in our audits in a row, and assistants of the auditing operations.

Names of the CPAs who audited ROHM (number of years they have been involved in the audit consecutively)

Designated member and the members who performed the audit: Yoshifumi Tsutsumi (two years), Tomoharu Kuda (six years), and Hiroyuki Asaga (four years)

Major assistants of the auditing operations

Six certified public accountants and five junior certified public accountants

<Detailed Compensation for Board Members and Auditors>

- Compensation for board members

Compensation paid to board members: ¥334 million\*

Compensation paid to corporate auditors: ¥54 million

\* Including the bonuses to board members in the amount of ¥45 million resulting from the appropriation of earnings of the previous fiscal year.

- Amounts of compensation for accounting auditors

(1) The total amount of compensation payable from the Company and consolidated subsidiaries to the accounting auditors of the Company: ¥76 million

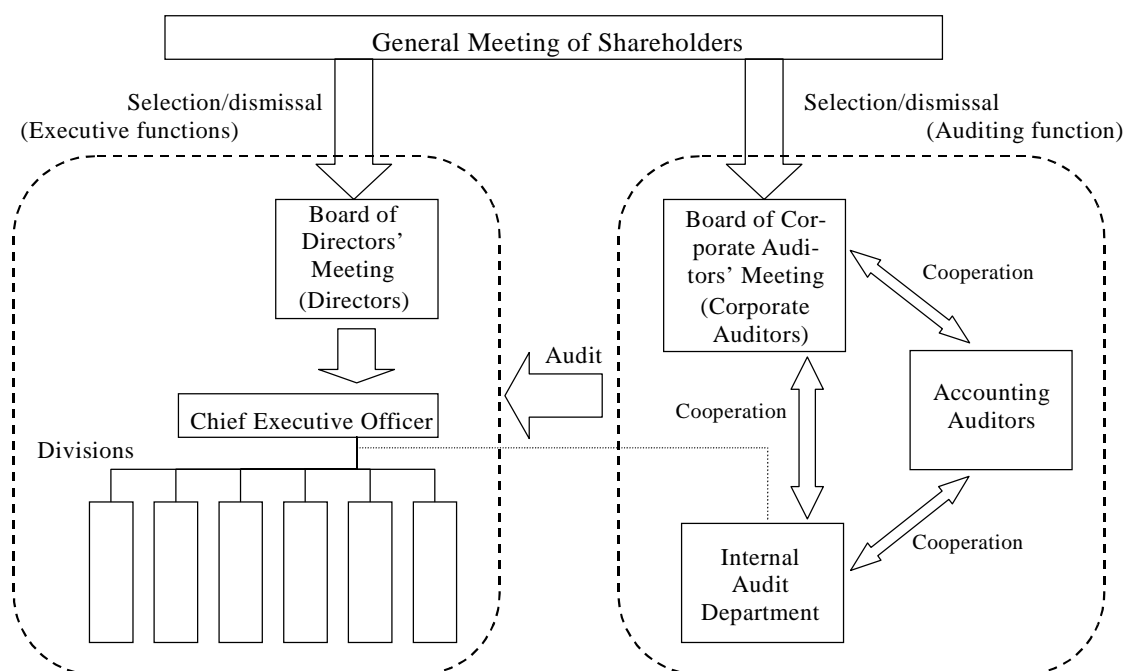
(2) Of the total amount shown above (1), the total amount payable from the Company and consolidated subsidiaries to the accounting auditors of the Company in compensation for the duty (audit certificate duty) specified in the Certified Public Accountant Law, Article 2, Section 1: ¥74 million

(3) Of the total amount shown above (2), the amount payable from the Company to the accounting auditors of the Company in compensation for undertaking duties as the accounting auditors, etc.: ¥64 million

In addition to the above, ROHM is committed to disclosure of information so as to ensure fair and transparent management. A wide range of information disclosure initiatives are carried out by the Company in this connection, including holding of information sessions for research analysts, fund managers and other institutional investors, as well as disclosing financial information on the Internet.

ROHM is also committed to performing its social responsibilities for sustainable development as a corporate citizen. Specifically, the Company is performing various activities to retain and improve good relationships with society and local communities, such as donations of research equipment to universities and proactive dispatch of employees to local volunteer activities.

## &lt;ROHM Corporate Governance System&gt;



- (3) Personal relations, capital relations, business relations, or other relations of interest among the Company, the outside board members of the Company, and the outside corporate auditors

As mentioned previously, we have no outside board members. The five outside corporate auditors have no personal and business relationships with the Company that might influence the independency of the audits.

- (4) Efforts for the improvement of the Company's corporate governance for the past year

As part of continued efforts for improving corporate governance, the company was committed to educational activities for the improvement of corporate moral. For example, the Company organized an employee education program to ensure their compliance with laws and regulations. To be more specific, to ensure compliance to the revised Subcontract Act, we prepared a manual and held lectures targeted at those in managerial positions of the Group companies in Japan, including ROHM, thus educating and giving information to employees. In addition, in response to the enforcement of the Law concerning the Protection of Personal Information, we established a Privacy Policy, and are actively working on the improvement and reinforcement of corporate organization for information control.

## Operating Results and Financial Status

### 1. Operating Results

#### (1) Review for the Year Ended March 31, 2005

##### Overall review of results of operations

In the fiscal year ended March 31, 2005, the world economy stayed strong in the first half because of a continued modest uptrend, but in the second half, the soaring cost of crude oil and other raw materials adversely influenced production and consumer activities, turning the economy into a downtrend. The Japanese economy also remained steady in the first half, supported by a recovery in consumer spending, but in the second half, the economy, which had been recovering, entered a sluggish phase, because of increases in material prices, bad weather and natural disasters affecting consumer spending and production.

In the electronic component industry, the market of consumer appliances, including digital audio/visual equipment such as thin TVs and DVD recorders, recovered healthily in the first half of the year, supported chiefly by the demand yielded by the Athens Olympic Games. However, the demand related to the Olympic Games disappeared after summer, and the market, especially the consumer appliance market, entered an adjustment phase. In addition, the adjustment of production of mobile phones in China and general price reduction caused by intensified competition adversely affected the market, which made a sudden downturn from the autumn.

Regarding individual regions, the market for consumer appliances in Japan, especially digital audio/visual equipment, remained strong in the first half. After the summer, however, the economy entered an adjustment phase. In other Asian countries, the consumer appliance market remained steady, supported by the demand related to the Olympic Games. After the summer, however, the production of products such as digital audio/visual equipment started to be adjusted and the market related to personal computers became stagnant. The conventional audio/visual equipment market remained weak and the production of mobile phones in China was adjusted, so that the economy made a rapid downturn after the autumn. In the U.S., the market related to automobiles was relatively steady; however, production continued to be shifted to Asian countries, so that the economy remained in a severe condition. In Europe, higher-performance mobile phones became more common, but the demand for them did not grow as expected and their production was adjusted. As in the U.S., production was shifted from Europe to Asian countries, making the market stay sluggish generally.

Under these circumstances, the Group continued to streamline manufacturing process lines and committed itself to more efficient capital investment, while pouring efforts to research and development of new products. Concerning manufacturing process lines, we were engaged in building a 300 mm wafer process and started to use the process for mass production. To ensure product reliability that is far better than that of competitors in the industry, we also committed ourselves to internally producing materials, including wafer materials, photomasks<sup>\*1</sup> and lead frames<sup>\*2</sup>. The Company also continued the shift of domestic production lines to overseas plants such as in Thailand, the Philippines and China, and started to build a new plant in Dalian. To satisfy the growing needs for larger-scale, higher-performance system LSI circuits for digital home appliances and information and communication equipment, we improved our 0.13 μm ultra-fine production. We were also committed to reinforcing the LSI-circuit development and design system, developing the REAL PLATFORM<sup>\*3</sup>, a development platform that enables us to slash design lead-time of system LSI circuits, which are becoming increasingly large in scale and high-performance. At the same time, we made efforts to enrich the product lineups, by developing various system LSI circuits for mobile phones and digital audio/visual equipment, whose markets are expected to grow further. In discrete semiconductor devices divisions, we increased the lineups and productivity, such as compact package products, power devices<sup>\*4</sup> and high-power laser diodes.

As a result of these efforts, ROHM's net sales for the fiscal year ended March 31, 2005, increased 3.8% to ¥369.023 billion from the previous year, and ordinary income and net income were down 13.9% and 29.2% to ¥79.32 billion and ¥45.135 billion respectively.

<sup>\*1</sup> Photomask

A glass plate used to transfer LSI circuit patterns onto silicon wafers.

<sup>\*2</sup> Lead frame

Frame components, such as pins, for connection between the silicon chips sealed in a package and the board.

<sup>\*3</sup> REAL PLATFORM

ROHM's original LSI design tool that enables simultaneous LSI hardware design and software design, thus slashing LSI-circuit development lead-time.

<sup>\*4</sup> Power device

A semiconductor used to control high currents and high voltages. Power devices with higher efficiency and less heat production are considered desirable.

#### Divisional review of results of operations

##### <Integrated circuits>

ROHM's sales of integrated circuits for the fiscal year ended March 31, 2005 increased 2.3% to ¥159.022 billion.

For sales for use in home appliances, the sales of system power-supply LSI circuits and system motor-driver LSI circuits for small equipment such as DVD recorders and digital still cameras grew in the first half, because of the growth of the digital audio/visual equipment market. In summer, production entered a downtrend, and the market entered a seasonal adjustment phase after autumn, especially for the products for digital still cameras, resulting in sluggish sales. Sales for conventional audio/visual equipment, such as portable CD players, were also sluggish.

For sales for use in mobile phones, inventory adjustment was performed in China. However, mobile phones became increasingly high-performance in overseas markets and the market for third-generation mobile phones grew in Japan, so that products for use in mobile phones, especially new products such as LCD-driver LSI circuits, image-processing LSI circuits and sound-generator LSI circuits sold well. The new products such as CCD camera power-supply LSI circuits also contributed to the strong sales. We made efforts to increase sales in the Asian region and reinforced customer support operations in Taiwan and Shanghai.

For products for use in personal computers, orders for silent single-chip system LSI circuits for notebook PCs and power-supply LSI circuits for writable DVD drives increased. However, the entire market of PC peripherals such as optical disc drives was sluggish and competition becoming increasingly intense, so that the total sales were weak.

For production operations, we were committed to improving production efficiency, quality and reliability further in domestic plants for the back-end process, while reinforcing the operations of producing high-quality, high-reliability products in overseas plants. We also enriched the production lines of compact, thin packages for mobile phones.

Concerning the front-end process, we proceeded with switching the production of wafer materials, photo-masks, lead frames and other related materials to in-house production, to ensure quality that is much better than that of competitors' products while reducing lead-time. For cost reduction, we started the full-scale operation of 300 mm wafer process line. We also made efforts to upgrade the process of 0.13 μm ultra-fine process for products for the digital audio/visual equipment market.

For function modules, an increased number of ultra-miniature IrDA<sup>\*5</sup> communication modules were adopted in the domestic mobile-phone market. We made cost-reduction efforts, such as relocating production sites to China and using more locally produced materials.

Concerning general-purpose LSI circuits, our original double-cell (W-CELL) system-based EEPROM increased its share, contributing to sales increase.

##### <sup>\*5</sup> IrDA

An infrared data communications standard commonly used in laptop computers, mobile phones, PDAs etc.

##### <Discrete semiconductor devices>

ROHM's sales of discrete semiconductor devices for the fiscal year ended March 31, 2005 increased 2.0% to ¥141.787 billion.

Thanks to the demand generated by the Athens Olympic Games, we were actively committed to enriching the product lineups of power transistors and power diodes for digital audio/visual equipment such as thin TVs and DVD recorders in the first half, achieving strong sales performance. However, in the second half, the electronics market became stagnant, and the sales performance of products such as small-signal transistors decreased. The price reduction also influenced the sales.

For laser diodes, the market for conventional products was stagnant, because of intensifying price competition for the market of products for portable CD players. However, for high-power laser diodes used

for writing on CD-RW<sup>\*6</sup> and DVD recorders, the Company increased its share steadily. We were committed to the development of new products, such as high-power dual-wavelength laser diodes.

For LEDs, the sales of white LEDs grew steadily for use mainly in mobile phones in the first half, but in the second half, the mobile-phone market entered an inventory adjustment phase, so that the number of incoming orders decreased.

For the production system, ROHM Tsukuba Co., Ltd. started full-fledged operation, increasing the front-end process production capacity of MOS FETs<sup>\*7</sup>, which are expected to increase in demand in such markets as the power-supply equipment market. On the other hand, for the back-end process, we proceeded with the shifting of lines to overseas plants to reduce cost.

<sup>\*6</sup> CD-RW

A compact disc on which data can be rewritten any number of times.

<sup>\*7</sup> MOS FET

Metal-oxide semiconductor field-effect transistor, featuring low power dissipation.

<Passive components>

ROHM's sales of passive components for the fiscal year ended March 31, 2005 decreased 4.0% to ¥23.61 billion.

ROHM directed its efforts to the development of new lines of high-value-added products, including high-reliability products for automotive electronics equipment, ultra-miniature products, compound products, high-accuracy products and high-capacity products. We were also committed to further enriching product lineups. However, the demand for products for mobile phones and personal computers was sluggish and sales prices dropped due to intensified competition in overseas markets, so that sales were not brisk. To deal with the growing price competition, we made more cost reduction efforts, continuing to shift production to overseas plants and streamlining operations.

<Displays>

ROHM's sales of displays for the fiscal year ended March 31, 2005 increased 22.0% to ¥44.603 billion.

For the sales of printheads, the sales of image sensor heads for multifunction printers<sup>\*8</sup> and printheads for miniaturized printers, including for POS (Point-of-Sale) systems and others, remained brisk.

The sales of LCD modules, chiefly those for mobile phones, increased the market share.

Concerning camera modules, the market expanded steadily for application to mobile phones. In and after the autumn, mobile-phone inventory adjustments in China influenced the sales; nonetheless the sales jumped. We also committed ourselves actively to shifting production to overseas plants.

<sup>\*8</sup> Multifunction printer

A printer capable of performing multiple functions besides printing, such as copying, faxing, scanning etc.

Distribution of profits for fiscal year ended March 31, 2005

The Company plans to pay annual dividends of ¥85.00 per share, up ¥30.00 from ¥55.00 of the previous year, as an effort to increase returns to shareholders, while considering business performance of the fiscal year ended March 31, 2005, the demand for funds and other related factors.

At the board of directors' meeting held on February 4, 2005, we decided to purchase treasury stock up to the maximum of 3 million shares or ¥30 billion. By April 22, 2005, we had bought a total of 2,889,700 shares or ¥29,987 million. (The treasury stock purchased on or before March 31, 2005 amounted to 1,926,700 shares or 19,893 million yen.)

(2) Forecast for Fiscal Year Ending March 31, 2006

Overall Business Result Outlook for Fiscal 2006

While the U.S. economy is on the recovery track continuously, the future of the global economy is becoming increasingly uncertain, because of soaring prices of energy sources and raw materials such as crude oil, fears of inflation, and the deterioration of the current account. The Chinese economy continues to remain steady,

while the economy in Europe seems weak, due to the appreciation of the euro. Concerning the Japanese economy, various economy indexes indicate recent stagnation, suggesting that the economy is on the recovery track but in a downtrend. The electronic component industry is expected to show growing demands because electronic equipment is becoming increasingly high-performance due to the spread of digital technologies such as digital audio/visual equipment; however, the full-scale market expansion is yet to come. The markets for mobile phones and personal computers are expected to have a lower growth rate, indicating that we cannot expect brisk markets in the future.

Under these circumstances, ROHM intends to continue to develop high-value-added products, including high-performance system LSI circuits and other miniaturized, high-reliability discrete products. We intend to continue to target the information and communications equipment market, such as mobile phones; the digital audio/visual equipment market; and the automobile-related market that is expected to become more electronic. We also intend to commit ourselves to improving quality and reliability as well as sales operations such as customer support services while streamlining and reducing the cost of corporate operations as a company-wide effort, ensuring the improvement of corporate performance.

ROHM also intends to continuously make environment conservation efforts, performing environment-friendly business activities.

Consolidated forecast for the fiscal year 2006 is as follows:

Net sales: 387,500 million yen (5.0% up from previous year)

Ordinary income: 83,500 million yen (5.3% up from previous year)

Net income: 54,500 million yen (20.7% up from previous year)

Consolidated divisional sales forecast is given below.

|                                |  |
|--------------------------------|--|
| Integrated circuits            | 171,400 million yen ( 7.8% up from previous year)  |
| Discrete semiconductor devices | 146,600 million yen ( 3.4% up from previous year)  |
| Passive components             | 23,600 million yen ( 0.0% down from previous year) |
| Displays                       | 45,800 million yen ( 2.7% up from previous year)   |

The forecasts are based on the exchange rate of ¥105.00 to US\$1.

#### Distribution of profits for fiscal 2006

In consideration of business performance of the fiscal 2006 ending March 31, 2006, expected demand for funds, and other factors, the Company plans to pay an interim dividend of ¥45.00 per share and a year-end dividend of ¥45.00 per share to bring the total annual cash dividend to ¥90.00 for the fiscal year 2006. The Company also plans to propose the purchase of treasury stock up to the maximum of 1,500,000 shares or ¥15 billion at the ordinary general meeting of shareholders scheduled for June 29, 2005.

## 2. Analysis of Financial Status and Operating Results

### (1) Business Performance Report

The sales for the fiscal year ended on March 31, 2005 were ¥369,023 million yen, up 3.8% from the previous year. However, because the sales price per product lowered and the expenses and operational cost related to maintenance and new introduction of manufacturing processes, the ratio of gross income to sales deteriorated 5.1 points. R&D cost and outgoing donation increased, the corporate enterprise tax increased due to the newly introduced factor-based tax system, and selling, general and administrative expenses increased ¥5,570 million from previous year, resulting in the business profits of ¥76,054 million, down 19.5% from the previous year.

For non-operating gain and loss, the foreign currency exchange gain amounted to ¥332 million, which was an improvement of ¥5,690 million from the previous year, when foreign currency exchange loss of ¥5,529 million occurred.

As a result of these conditions, the ordinary income amounted to ¥79,320 million, down 13.9% from the previous year.

For extraordinary gain and loss, a loss of ¥2,205 million occurred as the cost for shifting to the employees' pension plans to the defined contribution pension plans in the previous year, while an income of ¥10.9 billion occurred as a result of returning to the Government the portion of the pension funds that the Company had collected on behalf of the Government, increasing the income before income taxes and mi-



minority interests. In this year, a loss of ¥7,934 million occurred in relation to early retirement, resulting in a decrease in the income before income taxes and minority interests.

As a result of these conditions, the current net income decreased 29.2% from the previous year to ¥45,135 million.

The ratio of corporate taxes paid decreased 0.7 points from the previous year.

## (2) Financial Position

As of March 31, 2005, total assets amounted to ¥867.322 billion (up ¥20.523 billion from March 31, 2004); total liabilities, ¥127.652 billion (down ¥2.914 billion); minority interest, ¥340 million (up ¥46 million); and total shareholders' equity, ¥739.329 billion (up ¥23.391 billion).

The status of cash flow for the fiscal year ended March 31, 2005 is as follows:

Net cash provided by operating activities increased ¥13.554 billion from the previous year. This is primarily because the income before income taxes and minority interests decreased ¥30.229 billion, because cash inflow related to accounts receivable increased ¥11.538 billion, and because the corporate taxes paid decreased ¥27.637 billion.

Net cash used in investing activities decreased ¥15.293 billion from the previous year, primarily because of an increase of ¥20.691 billion due to decrease in time deposits and because of the increase in the cash outflow in the amount of ¥33.532 billion resulting from the acquisition of tangible fixed assets.

Net cash used in financing activities decreased ¥27.009 billion from the previous year, primarily because the spending increased ¥19.883 billion due to the treasury-stock purchases and because dividend payments increased ¥7.127 billion.

As a result, total cash and cash equivalents showed a decrease in the amount of ¥21.604 billion, so that the balance for this fiscal year amounted to ¥288.974 billion.

As the events expected to have a considerable impact on the cash flow for the next year, ¥62 billion is scheduled to be spent on capital expenditures and ¥60 billion on depreciation (tangible fixed assets).

Shareholders' equity ratio, shareholders' equity ratio on the market value basis, number of years required for debt redemption and interest coverage ratio for each of the recent four fiscal years on the consolidated basis are as follows:

|   | Year ended March<br>31, 2002 | Year ended March<br>31, 2003 | Year ended March<br>31, 2004 | Year ended March<br>31, 2005 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Shareholders' equity ratio                          | 86.3%                        | 84.0%                        | 84.5%                        | 85.2%                        |
| Shareholders' equity ratio<br>on market value basis | 313.5%                       | 189.5%                       | 188.9%                       | 139.4%                       |
| Number of years required<br>for debt redemption     | 0.004                        | -                            | -                            | -                            |
| Interest coverage ratio                             | 21,303.8                     | 136,959.4                    | -                            | -                            |

(Computation) Shareholders' equity ratio = shareholders' equity/total assets

Shareholders' equity ratio on market value basis = aggregate market value of shares/total assets

Number of years required for debt redemption = interest-bearing debt/cash flows from operating activities

Interest coverage ratio = cash flows from operating activities/interest expenses

## 3. Risks Concerning the Company's Businesses

The following are the risks that may have a great impact on the Company's financial status and operating results:

(1) Risks Associated with Market Changes

The semiconductor industry and electronics component industry are subject to sharp, abrupt changes in market conditions, as set makers may adjust production according to the sales conditions of electronic products and competition in prices and technology development with rival companies. Prices are especially susceptible to a sudden drop according to supply-demand relationship, the pricing strategies of other companies, and other factors. Such price changes may adversely influence the statements of income in regard to maintaining or increasing sales.

(2) Exchange Risks

ROHM has development bases, manufacturing bases and sales bases around the world. The financial statements prepared in local currencies are translated into Japanese yen to prepare the consolidated financial statement. Therefore, even if the values in the local currencies are the same, the profits and losses on the consolidated financial statement may be different because of the exchange rates at the time of translation.

The Group produces products in Japan and other Asian countries and sells them in Japan, other Asian countries, the Americas and Europe. Because different currencies are used between production bases and sales bases, we are influenced by exchange rate fluctuation. Generally, a strong Japanese yen adversely influences our business performance, while a weak yen has favorable influence.

(3) Risks of Product Defects

The Company places the top priority on quality persistently, as stated in the Company Mission, and we produce products under severe quality control. However, this does not guarantee that we never produce defective products or that we will never be liable to pay for product losses by a buyer. If a buyer makes a claim for losses with regard to our products, our statements of income may be adversely influenced.

(4) Legal Risks

To manufacture products distinguished by the products of other companies, we develop various new technologies and know-how, and produce and sell products worldwide based on such original technologies. We have a specializing division that strictly supervises in-house activities to ensure that the technologies and know-how the Group uses do not infringe the intellectual property rights of other companies, such as patent rights. In addition, to conserve the environment, protect health and ensure safety, we comply with all the relevant laws and regulations in all the fields we do business in, monitoring gas emissions, drainage, harmful-material utilization and handling, waste treatment, and soil/underground water pollution. However, we may shoulder legal responsibilities in this respect, because of a difference in views among those concerned or unexpected events, possibly having an adverse influence on the statements of income.

(5) Natural Disasters and Geopolitical Risks

The Group performs development and manufacture activities in Japan and seven other countries and we have production lines located at different bases as a measure against these risks. However, we may suffer damage due to earthquake, typhoon, flood and other natural disasters, or political uncertainty or international conflict. If these events prevent us supplying products to customers, our statements of income may be adversely influenced.

**Consolidated Balance Sheets**

| Accounts                                     | Period | Fiscal year 2005<br>(As of March 31, 2005) |       | Fiscal year 2004<br>(As of March 31, 2004) |       | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|--|--------|--|-------|--|-------|--|
|  |        | Amount                                     | Ratio | Amount                                     | Ratio | Amount   |
|  |        | Millions of yen                            | %     | Millions of yen                            | %     | Millions of yen  |
| (Assets)                                     |        |  |       |  |       |  |
| Current assets                               |        |  |       |  |       |  |
| Cash and time deposits                       |        | 270,337                                    |       | 307,319                                    |       | - 36,982   |
| Notes and accounts<br>receivable - trade     |        | 93,078                                     |       | 92,508                                     |       | 570  |
| Securities                                   |        | 58,175                                     |       | 38,681                                     |       | 19,494   |
| Inventories                                  |        | 68,037                                     |       | 61,493                                     |       | 6,544  |
| Prepaid pension cost                         |        | 3,676                                      |       | 4,356                                      |       | - 680  |
| Deferred tax assets                          |        | 12,138                                     |       | 12,425                                     |       | - 287  |
| Refundable income taxes                      |        | 1,645                                      |       | 3,560                                      |       | - 1,915  |
| Other  |        | 6,494                                      |       | 10,279                                     |       | - 3,785  |
| Allowance for doubtful notes<br>and accounts |        | - 594                                      |       | - 502                                      |       | - 92   |
| Total current assets                         |        | 512,990                                    | 59.1  | 530,121                                    | 62.6  | - 17,131   |
| Fixed assets                                 |        |  |       |  |       |  |
| Property, plant and equipment                |        |  |       |  |       |  |
| Buildings and structures                     |        | 156,327                                    |       | 150,281                                    |       | 6,046  |
| Machinery, equipment and<br>vehicles         |        | 364,086                                    |       | 328,069                                    |       | 36,017   |
| Tools and furniture                          |        | 31,391                                     |       | 27,691                                     |       | 3,700  |
| Land   |        | 64,582                                     |       | 53,968                                     |       | 10,614   |
| Construction in progress                     |        | 33,181                                     |       | 23,592                                     |       | 9,589  |
| Accumulated depreciation                     |        | - 395,610                                  |       | - 365,976                                  |       | - 29,634   |
| Total tangible fixed assets                  |        | 253,958                                    | 29.3  | 217,627                                    | 25.7  | 36,331   |
| Intangible fixed assets                      |        | 1,803                                      | 0.2   | 2,632                                      | 0.3   | - 829  |
| Investments and other assets                 |        |  |       |  |       |  |
| Investment securities                        |        | 89,781                                     |       | 89,084                                     |       | 697  |
| Deferred tax assets                          |        | 7,253                                      |       | 5,794                                      |       | 1,459  |
| Other  |        | 1,785                                      |       | 1,835                                      |       | - 50   |
| Allowance for doubtful<br>accounts           |        | - 250                                      |       | - 294                                      |       | 44   |
| Total investments and<br>other assets        |        | 98,570                                     | 11.4  | 96,419                                     | 11.4  | 2,151  |
| Total fixed assets                           |        | 354,332                                    | 40.9  | 316,678                                    | 37.4  | 37,654   |
| Total assets                                 |        | 867,322                                    | 100.0 | 846,799                                    | 100.0 | 20,523   |

| Accounts  | Period | Fiscal year 2005<br>(As of March 31, 2005) |              | Fiscal year 2004<br>(As of March 31, 2004) |              | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|---|--------|--|--------------|--|--------------|--|
|   |        | Amount                                     | Ratio        | Amount                                     | Ratio        | Amount   |
|   |        | Millions of yen                            | %            | Millions of yen                            | %            | Millions of yen  |
| <b>(Liabilities)</b>  |        |  |              |  |              |  |
| <b>Current liabilities</b>  |        |  |              |  |              |  |
| Notes and accounts payable - trade                                    |        | 22,153                                     |              | 23,431                                     |              | - 1,278  |
| Other accounts payable  |        | 42,260                                     |              | 42,213                                     |              | 47   |
| Accrued income taxes  |        | 8,873                                      |              | 10,400                                     |              | - 1,527  |
| Deferred tax liabilities  |        | 477  |              | 381  |              | 96   |
| Other   |        | 12,199                                     |              | 11,892                                     |              | 307  |
| <b>Total current liabilities</b>                                      |        | <b>85,964</b>                              | <b>10.0</b>  | <b>88,319</b>                              | <b>10.5</b>  | <b>- 2,355</b>   |
| <b>Long-term liabilities</b>  |        |  |              |  |              |  |
| Deferred tax liabilities  |        | 38,896                                     |              | 32,857                                     |              | 6,039  |
| Liability for retirement benefits                                     |        | 805  |              | 7,404                                      |              | - 6,599  |
| Allowance for directors' retirement benefits                          |        | 1,986                                      |              | 1,983                                      |              | 3  |
| <b>Total long-term liabilities</b>                                    |        | <b>41,688</b>                              | <b>4.8</b>   | <b>42,246</b>                              | <b>5.0</b>   | <b>- 558</b>   |
| <b>Total liabilities</b>  |        | <b>127,652</b>                             | <b>14.8</b>  | <b>130,566</b>                             | <b>15.5</b>  | <b>- 2,914</b>   |
| <b>(Minority interests)</b>   |        |  |              |  |              |  |
| Minority interests  |        | 340  | 0.0          | 294  | 0.0          | 46   |
| <b>(Shareholders' equity)</b>   |        |  |              |  |              |  |
| Common stock  |        | 86,969                                     | 10.0         | 86,969                                     | 10.3         | -  |
| Capital surplus   |        | 102,403                                    | 11.8         | 102,403                                    | 12.1         | -  |
| Retained earnings   |        | 601,689                                    | 69.4         | 566,749                                    | 66.9         | 34,940   |
| Net unrealized gain on available-for-sale securities                  |        | 2,569                                      | 0.3          | 2,673                                      | 0.3          | - 104  |
| Foreign currency translation adjustments                              |        | - 34,061                                   | - 3.9        | - 42,556                                   | - 5.0        | 8,495  |
| Treasury stock - at cost  |        | - 20,241                                   | - 2.4        | - 301                                      | - 0.1        | - 19,940   |
| <b>Total shareholders' equity</b>                                     |        | <b>739,329</b>                             | <b>85.2</b>  | <b>715,938</b>                             | <b>84.5</b>  | <b>23,391</b>  |
| <b>Total liabilities, minority interests and shareholders' equity</b> |        | <b>867,322</b>                             | <b>100.0</b> | <b>846,799</b>                             | <b>100.0</b> | <b>20,523</b>  |

**Consolidated Statements of Income**

| Accounts   | Fiscal year 2005                        |            | Fiscal year 2004                        |            | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|--|---|------------|---|------------|--|
|  | From April 1, 2004<br>To March 31, 2005 |            | From April 1, 2003<br>To March 31, 2004 |            |  |
|  | Amount                                  | Percentage | Amount                                  | Percentage | Amount   |
|  | Millions of yen                         | %          | Millions of yen                         | %          | Millions of yen  |
| Net sales  | 369,023                                 | 100.0      | 355,630                                 | 100.0      | 13,393   |
| Cost of sales  | 221,132                                 | 59.9       | 194,856                                 | 54.8       | 26,276   |
| Gross profit   | 147,891                                 | 40.1       | 160,773                                 | 45.2       | - 12,882   |
| Selling, general and<br>administrative expenses      | 71,836                                  | 19.5       | 66,266                                  | 18.6       | 5,570  |
| Operating income                                     | 76,054                                  | 20.6       | 94,507                                  | 26.6       | - 18,453   |
| Non-operating income                                 | 4,767                                   | 1.3        | 4,058                                   | 1.1        | 709  |
| Non-operating expenses                               | 1,501                                   | 0.4        | 6,482                                   | 1.8        | - 4,981  |
| Ordinary income                                      | 79,320                                  | 21.5       | 92,083                                  | 25.9       | - 12,763   |
| Extraordinary gains                                  | 21                                      | 0.0        | 12,812                                  | 3.6        | - 12,791   |
| Extraordinary losses                                 | 8,500                                   | 2.3        | 3,826                                   | 1.1        | 4,674  |
| Income before income taxes<br>and minority interests | 70,841                                  | 19.2       | 101,070                                 | 28.4       | - 30,229   |
| Income taxes - current                               | 20,975                                  | 5.7        | 26,731                                  | 7.5        | - 5,756  |
| Income taxes - deferred                              | 4,691                                   | 1.3        | 10,537                                  | 3.0        | - 5,846  |
| Minority interests                                   | 40                                      | 0.0        | 84                                      | 0.0        | - 44   |
| Net income   | 45,135                                  | 12.2       | 63,717                                  | 17.9       | - 18,582   |

**Consolidated Statements of Retained Earnings**

| Accounts   | Period | Fiscal year 2005<br>From April 1, 2004<br>To March 31, 2005 | Fiscal year 2004<br>From April 1, 2003<br>To March 31, 2004 | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|--|--------|---|---|--|
|  |        | Amount  | Amount  | Amount   |
|  |        | Millions of yen   | Millions of yen   | Millions of yen  |
| (Capital surplus)  |        |   |   |  |
| Capital surplus at beginning of year                             |        | 102,403   | 102,403   | -  |
| Increase in capital surplus                                      |        | -   | -   | -  |
| Decrease in capital surplus                                      |        | -   | -   | -  |
| Capital surplus at end of year                                   |        | 102,403   | 102,403   | -  |
| (Retained earnings)  |        |   |   |  |
| Retained earnings at beginning of year                           |        | 566,749   | 506,100   | 60,649   |
| Increase in retained earnings                                    |        |   |   |  |
| Net income   |        | 45,135  | 63,717  | - 18,582   |
| Decrease in retained earnings                                    |        |   |   |  |
| Cash dividends   |        | 10,096  | 2,969   | 7,127  |
| Bonuses to directors   |        | 91  | 94  | - 3  |
| Reserve for employees' welfare fund                              |        | 7   | -   | 7  |
| Decrease in retained earnings<br>due to decrease of an affiliate |        | -   | 4   | - 4  |
| Retained earnings at end of year                                 |        | 601,689   | 566,749   | 34,940   |

## Consolidated Statements of Cash Flows

| Accounts  | Period | Fiscal year 2005                        | Fiscal year 2004                        | Increase/decrease (-)                 |
|---|--------|---|---|---------------------------------------|
|   |        | From April 1, 2004<br>To March 31, 2005 | From April 1, 2003<br>To March 31, 2004 | from the year ended<br>March 31, 2004 |
|   |        | Amount                                  | Amount                                  | Amount                                |
|   |        | Millions of yen                         | Millions of yen                         | Millions of yen                       |
| <b>I Operating Activities</b>   |        |   |   |                                       |
| 1. Income before income taxes and minority interests                          |        | 70,841                                  | 101,070                                 | - 30,229                              |
| 2. Depreciation and amortization  |        | 47,442                                  | 45,868                                  | 1,574                                 |
| 3. Amortization of goodwill - net   |        | 668                                     | 16                                      | 652                                   |
| 4. Interest and dividends income  |        | - 3,318                                 | - 2,370                                 | - 948                                 |
| 5. Foreign currency exchange losses (- gains) - net                           |        | - 1,320                                 | 2,015                                   | - 3,335                               |
| 6. Compensation for expropriation   |        | -                                       | 1,837                                   | 1,837                                 |
| 7. Increase (- decrease) in net liability for retirement benefits             |        | - 6,003                                 | - 8,977                                 | 2,974                                 |
| 8. Write-down of investment securities  |        | 283                                     | 9                                       | 274                                   |
| 9. Decrease (- increase) in notes and accounts receivables - trade            |        | 716                                     | - 10,822                                | 11,538                                |
| 10. Decrease (- increase) in inventories                                      |        | - 5,252                                 | - 12,142                                | 6,890                                 |
| 11. Increase (- decrease) in notes and accounts payables - trade              |        | - 1,630                                 | 6,604                                   | - 8,234                               |
| 12. Other - net   |        | 5,039                                   | 4,439                                   | 600                                   |
| Sub-total   |        | 107,465                                 | 123,873                                 | - 16,408                              |
| 13. Interest and dividends - received   |        | 3,510                                   | 2,569                                   | 941                                   |
| 14. Compensation for expropriation - received                                 |        | 1,383                                   | -                                       | 1,383                                 |
| 15. Income taxes - refunded (- paid)  |        | - 20,440                                | - 48,077                                | 27,637                                |
| Net cash provided by operating activities                                     |        | 91,919                                  | 78,365                                  | 13,554                                |
| <b>II Investing Activities</b>  |        |   |   |                                       |
| 1. Decrease (- increase) in time deposits                                     |        | 15,909                                  | - 4,782                                 | 20,691                                |
| 2. Purchases of securities and investment securities                          |        | - 56,497                                | - 62,585                                | 6,088                                 |
| 3. Proceeds from sales and repayments of securities and investment securities |        | 31,932                                  | 39,270                                  | - 7,338                               |
| 4. Purchases of property, plant and equipment                                 |        | - 78,753                                | - 45,221                                | - 33,532                              |
| 5. Other - net  |        | - 19                                    | 1,180                                   | - 1,199                               |
| Net cash used in investing activities   |        | - 87,429                                | - 72,136                                | - 15,293                              |
| <b>III Financing Activities</b>   |        |   |   |                                       |
| 1. Purchases of treasury stock  |        | - 19,940                                | - 57                                    | - 19,883                              |
| 2. Dividends paid   |        | - 10,096                                | - 2,969                                 | - 7,127                               |
| 3. Other - net  |        | - 1                                     | 1                                       | 0                                     |
| Net cash used in financing activities   |        | - 30,037                                | - 3,028                                 | - 27,009                              |
| <b>IV Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>        |        | 3,944                                   | - 15,171                                | 19,115                                |
| <b>V Net Increase (-decrease) in Cash and Cash Equivalents</b>                |        | - 21,603                                | - 11,971                                | - 9,632                               |
| <b>VI Cash and Cash Equivalents at Beginning of Year</b>                      |        | 310,578                                 | 322,549                                 | - 11,971                              |
| <b>VII Cash and Cash Equivalents at End of Year</b>                           |        | 288,974                                 | 310,578                                 | - 21,604                              |

(Note) Breakdown of "Cash and cash equivalents at end of year" is as follows:

|                                 | (Fiscal 2005)       | (Fiscal 2004)       | (Increase/decrease)  |
|---------------------------------|---------------------|---------------------|----------------------|
| Cash and time deposits          | 267,934 million yen | 289,546 million yen | - 21,612 million yen |
| Securities                      | 21,040              | 21,032              | 8                    |
| Total cash and cash equivalents | 288,974             | 310,578             | - 21,604             |

**[Basis of Presenting Consolidated Financial Statements]**

## 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 47

(2) Names of consolidated subsidiaries

Consolidated subsidiaries are listed in the “Information on Consolidated Subsidiaries” section of “Status of the ROHM GROUP.”

## 2. Application of equity method

(1) Number of unconsolidated subsidiaries accounted for by equity method: 0

(2) Number of associated companies accounted for by equity method: 2

## 3. Fiscal periods of consolidated subsidiaries

The accounting date of ROHM ELECTRONICS DALIAN CO., LTD. and six other consolidated subsidiaries is December 31, which differs from that of ROHM CO., LTD. on March 31.

## 4. Accounting standards

(1) Valuation basis and method for significant assets

(i) Securities

Marketable securities classified as available-for-sale securities are reported at fair value (based on market prices on the accounting date, or the like), with unrealized gains and losses directly included in shareholders' equity. The cost of available-for-sale securities sold is principally determined based on the moving average method. Non-marketable securities are stated at cost determined by the moving average method.

(ii) Inventories

Inventories of ROHM Co., Ltd. are stated principally at cost determined by the average method.

(2) Depreciation of significant tangible fixed assets

Depreciation of tangible fixed assets is computed principally by the declining-balance method, while the straight-line method is applied to buildings (excluding building improvements) acquired by ROHM Co., Ltd. or its domestic consolidated subsidiaries after April 1, 1998.

(3) Accounting for significant allowances

(i) The allowance for doubtful accounts is provided at an estimated amount of the past actual ratio of losses on bad debts. Certain allowance is provided for estimated uncollectible receivables.

(ii) Liability for retirement benefits is stated at the amount calculated based on the retirement benefit obligation and the fair value of the plan assets at the end of the current fiscal year.

According to the enactment of the Defined Benefit Pension Plan Law, ROHM Co., Ltd. and certain domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare on December 1, 2003 to transfer to the Government the past benefit obligations of the “substitutional” portion of their employees' pension fund plans; employees' pension funds have been substituting for a portion of the old-age pensions of the Government-run employees' pension insurance. On March 26, 2004, they transferred the minimum actuarial liability to the Government. The effect of this on the consolidated statements of income for the year ended March 31, 2004 amounted to ¥10.9 billion and was accounted for as “Gain on transfer of the substitutional portion of the governmental pension program.”

According to the enactment of the Defined Contribution Pension Plan Law, ROHM Co., Ltd. and certain domestic consolidated subsidiaries shifted from defined benefit corporate pension plans to defined contribution pension plans on March 1, 2005, and adopted the “Accounting Procedure for Shifts between Retirement Benefit Plans” (Application Guidelines for ASB No. 1). Loss resulting from this shift amounted to ¥2.205 billion and was accounted for as “Loss on transfer to a defined contribution pension plan” (extraordinary loss) in the previous year. The effect of this shift on the profit and loss for this year under review is immaterial.

(iii) For ROHM Co., Ltd. and certain domestic consolidated subsidiaries, retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the accounting date based on the internal rules.

(4) Basis for translation of significant foreign currency assets and liabilities

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the accounting date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

The balance sheet accounts of the overseas consolidated subsidiaries and the like are translated into Japanese yen at the current exchange rates as of the accounting dates of such subsidiaries and the like. Revenue and expense accounts of the overseas subsidiaries and the like are translated into Japanese yen at the average annual exchange rates. Differences arising from such translation are included in “Minority Interests,” as well as “Foreign currency translation adjustments” in a separate component of shareholders' equity.

(5) Significant lease transactions

Finance lease transactions, other than those that are deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transactions.



- (6) Significant hedge accounting  
Foreign exchange forward contracts are used for hedge accounting.
- (7) Others  
Consumption tax  
All transactions are recorded net of consumption taxes.
5. Evaluation of assets and liabilities of consolidated subsidiaries  
The market value method is adopted.
6. Amortization of goodwill  
Goodwill is amortized over a period of five years, unless deemed immaterial.
7. Appropriation of retained earnings  
The Company has prepared the Consolidated Statements of Retained Earnings based on the appropriations of retained earnings determined during the year under review.
8. Cash and cash equivalents in consolidated statements of cash flows  
Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and are subject to little risk of change in value.

**[Notes]**

(Notes to Consolidated Statements of Income)

|   | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|---|-----------------------------|-----------------------------|
| 1. Non-operating income   |                             |                             |
| Interest income   | 3,275 million yen           | 2,341 million yen           |
| Foreign currency exchange gains   | 332                         | -                           |
| 2. Non-operating expenses   |                             |                             |
| Write-down of securities  | 283                         | 9                           |
| Foreign currency exchange losses  | -                           | 5,529                       |
| 3. Extraordinary gain   |                             |                             |
| Gain on transfer of substitutional portion of<br>the governmental pension program | -                           | 10,900                      |
| Compensation for expropriation  | -                           | 1,837                       |
| 4. Extraordinary loss   |                             |                             |
| Loss on sale/disposal of fixed assets   | 565                         | 1,620                       |
| Loss on early retirement  | 7,934                       | -                           |
| Loss on transfer to a defined contribution<br>pension plan                        | -                           | 2,205                       |

**[Segment information]**

## 1. Industry segments

The Group's main operations are the manufacturing and sales of electronic components. As net sales, operating income and total assets of the Group's main industry segment constituted more than 90% of the consolidated totals for the years ended March 31, 2004 and 2005, consequently the disclosure of industry segment information has been omitted.

## 2. Geographical segments

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

(Millions of yen)

|                                   | Japan   | Asia    | Americas | Europe | Total   | Eliminations/<br>Corporate | Consolidated |
|-----------------------------------|---------|---------|----------|--------|---------|----------------------------|--------------|
| I Sales and operating income/loss |         |         |          |        |         |                            |              |
| Sales                             |         |         |          |        |         |                            |              |
| (1) Sales to customers            | 162,816 | 172,729 | 13,111   | 20,366 | 369,023 | -                          | 369,023      |
| (2) Interarea transfer            | 58,288  | 115,210 | 219      | 874    | 174,592 | ( 174,592)                 | -            |
| Total sales                       | 221,104 | 287,939 | 13,331   | 21,240 | 543,615 | ( 174,592)                 | 369,023      |
| Operating expenses                | 188,002 | 243,004 | 14,343   | 21,164 | 466,515 | ( 173,545)                 | 292,969      |
| Operating income                  | 33,102  | 44,935  | - 1,012  | 75     | 77,100  | ( 1,046)                   | 76,054       |
| II Assets                         | 364,147 | 293,782 | 30,346   | 16,789 | 705,066 | 162,256                    | 867,322      |

Fiscal 2004 (From April 1, 2003 to March 31, 2004)

(Millions of yen)

|                                   | Japan   | Asia    | Americas | Europe | Total   | Eliminations/<br>Corporate | Consolidated |
|-----------------------------------|---------|---------|----------|--------|---------|----------------------------|--------------|
| I Sales and operating income/loss |         |         |          |        |         |                            |              |
| Sales                             |         |         |          |        |         |                            |              |
| (1) Sales to customers            | 158,765 | 161,086 | 14,087   | 21,690 | 355,630 | -                          | 355,630      |
| (2) Interarea transfer            | 53,200  | 107,033 | 235      | 406    | 160,876 | ( 160,876)                 | -            |
| Total sales                       | 211,966 | 268,120 | 14,323   | 22,096 | 516,506 | ( 160,876)                 | 355,630      |
| Operating expenses                | 172,891 | 212,321 | 14,906   | 21,140 | 421,260 | ( 160,137)                 | 261,122      |
| Operating income                  | 39,074  | 55,799  | - 582    | 955    | 95,246  | ( 738)                     | 94,507       |
| II Assets                         | 372,751 | 252,675 | 32,247   | 16,495 | 674,169 | 172,629                    | 846,799      |

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas which belong to segments other than Japan are as follows:

Asia : Hong Kong, Singapore, Taiwan

Americas : The United States

Europe : Germany

3. Unallocable operating expenses included in "Eliminations (Corporate)" are shown below. Unallocable operating expenses consist primarily of expenses relating to the administrative division of the headquarters of the Company.

Fiscal 2005 3,766 million yen

Fiscal 2004 2,946

4. Total Group assets included in "Eliminations (Corporate)" are shown below. Total Group assets consist primarily of surplus funds for investment (cash, deposits and securities), long-term investment funds (investment securities), and assets relating to the administrative division of the headquarters of the Company.

Fiscal 2005 243,425 million yen

Fiscal 2004 251,402

## 3. Sales to foreign customers

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

(Millions of yen)

|   | Asia    | Americas | Europe | Total   |
|---|---------|----------|--------|---------|
| I Sales to foreign customers                                | 174,159 | 13,990   | 19,021 | 207,171 |
| II Net sales  |         |          |        | 369,023 |
| III Sales to foreign customers as a percentage of net sales | 47.2 %  | 3.8 %    | 5.1 %  | 56.1 %  |

Fiscal 2004 (From April 1, 2003 to March 31, 2004)

(Millions of yen)

|   | Asia    | Americas | Europe | Total   |
|---|---------|----------|--------|---------|
| I Sales to foreign customers                                | 163,457 | 14,811   | 20,597 | 198,867 |
| II Net sales  |         |          |        | 355,630 |
| III Sales to foreign customers as a percentage of net sales | 46.0 %  | 4.1 %    | 5.8 %  | 55.9 %  |

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas which belong to segments other than Japan are as follows:

Asia : Hong Kong, Singapore, Taiwan

Americas : The United States

Europe : Germany

3. Sales to foreign customers consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries.

**[Leases]**

Finance leases that do not transfer ownership of the leased property to the lessee

1. Pro forma information of the acquisition cost, accumulated depreciation and net book value of the leased property

|                          | Year ended<br>Mar. 31, 2005   | Year ended<br>Mar. 31, 2004   |
|--------------------------|-------------------------------|-------------------------------|
|                          | Tools, furniture<br>and other | Tools, furniture<br>and other |
| Acquisition cost         | 52 million yen                | 172 million yen               |
| Accumulated depreciation | 25                            | 145                           |
| Net leased property      | <u>27</u>                     | <u>26</u>                     |

2. Pro forma obligations under finance leases

|                   |           |           |
|-------------------|-----------|-----------|
| Due within 1 year | 14        | 16        |
| Due after 1 year  | <u>13</u> | <u>9</u>  |
| Total             | <u>27</u> | <u>26</u> |

3. Lease payments and depreciation of the leased property

|                |    |    |
|----------------|----|----|
| Lease payments | 19 | 31 |
| Depreciation   | 19 | 31 |

4. Depreciation of leased property is calculated by the straight-line method over the respective lease terms regarded as being the useful life, with the residual value of zero.

5. Acquisition cost and the pro forma obligations under finance leases presented above are calculated prior to the deduction of portions attributable to interest expense, as the year-end balance of the obligations accounts for only a small percentage of the year-end tangible fixed assets.

**[Related party transactions]**

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

Directors and major individual shareholders

| Category                            | Name               | Address                               | Capital/<br>equity     | Business/occupation  | Percentage<br>of voting<br>right held |
|-------------------------------------|--------------------|---------------------------------------|------------------------|--|---------------------------------------|
| Directors and their close relatives | Ken Sato           | -                                     | million yen<br>-       | <ul style="list-style-type: none"> <li>•President, ROHM CO., LTD.</li> <li>•Chairman, ROHM Music Foundation</li> </ul> | 2.1%<br>(directly)                    |
| Relationship                        |                    | Transactions                          | Amount of transactions | Account  | Year-end balance                      |
| Concurrent post                     | Business relations |                                       |                        |  |                                       |
| -                                   | -                  | Donation to the ROHM Music Foundation | million yen<br>100     | -  | million yen<br>-                      |

Fiscal 2004 (From April 1, 2003 to March 31, 2004)

Directors and major individual shareholders

| Category                                  | Name                  | Address                                  | Capital/<br>equity        | Business/occupation  | Percentage<br>of voting<br>right held |
|---|-----------------------|--|---------------------------|--|---------------------------------------|
| Directors and<br>their close<br>relatives | Ken Sato              | –  | million yen<br>–          | •President, ROHM<br>CO., LTD.<br>•Chairman, ROHM<br>Music Foundation | 2.0%<br>(directly)                    |
| Relationship                              |                       | Transactions                             | Amount of<br>transactions | Account  | Year-end<br>balance                   |
| Concurrent<br>post                        | Business<br>relations |  |                           |  |                                       |
| –   | –                     | Donation to the ROHM<br>Music Foundation | million yen<br>100        | –  | million yen<br>–                      |

**[Tax effect accounting]**

## 1. Deferred tax assets and deferred tax liabilities by main source

|   | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|---|-----------------------------|-----------------------------|
| Deferred tax assets                               |                             |                             |
| Securities  | 428 million yen             | 462 million yen             |
| Inventories                                       | 7,645                       | 8,247                       |
| Depreciation                                      | 11,526                      | 11,761                      |
| Accrued enterprise tax                            | 935                         | 432                         |
| Accrued expenses                                  | 1,553                       | 1,635                       |
| Liability for retirement benefits                 | 22                          | 2,754                       |
| Foreign tax credit                                | 1,277                       | –                           |
| Other   | 7,508                       | 5,648                       |
| Deferred tax assets subtotal                      | 30,898                      | 30,942                      |
| Valuation allowance                               | – 1,053                     | –                           |
| Total deferred tax assets                         | 29,844                      | 30,942                      |
| Deferred tax liabilities                          |                             |                             |
| Undistributed earnings of<br>foreign subsidiaries | – 46,069                    | – 41,752                    |
| Prepaid pension cost                              | – 1,492                     | – 1,768                     |
| Enterprise tax refund receivable                  | –                           | – 284                       |
| Other   | – 2,264                     | – 2,156                     |
| Total deferred tax liabilities                    | – 49,825                    | – 45,961                    |
| Net deferred tax assets (- liabilities)           | – 19,981                    | – 15,019                    |

(Note) Net deferred tax assets (-liabilities) as of March 31, 2004 and 2005 are included in the following accounts in the consolidated balance sheets:

|  | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|--|-----------------------------|-----------------------------|
| Current assets - Deferred tax assets             | 12,138 million yen          | 12,425 million yen          |
| Fixed assets - Deferred tax assets               | 7,253                       | 5,794                       |
| Current liabilities - Deferred tax liabilities   | – 477                       | – 381                       |
| Long-term liabilities - Deferred tax liabilities | – 38,896                    | – 32,857                    |

## 2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income

|   | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|---|-----------------------------|-----------------------------|
| Normal effective statutory tax rate   | 40.6 %                      | 41.9 %                      |
| (Adjustments)   |                             |                             |
| Lower income tax rates applicable to<br>income in certain foreign countries | – 3.0                       | – 4.4                       |
| Tax credit for research and development<br>expenses                         | – 2.5                       | – 1.4                       |
| Other - net   | 1.1                         | 0.8                         |
| Actual effective tax rates  | 36.2 %                      | 36.9 %                      |

**[Debt and equity securities]**

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

## 1. Marketable available-for-sale securities

(Millions of yen)

| Classification   | Acquisition costs | Carrying values | Differences |
|--|-------------------|-----------------|-------------|
| Securities whose carrying value exceeds their acquisition cost         |                   |                 |             |
| (1) Equity securities  | 2,840             | 8,079           | 5,238       |
| (2) Government and corporate bonds                                     |                   |                 |             |
| Government bonds, local government bonds etc.                          | 2,477             | 2,497           | 20          |
| Corporate bonds  | 53,863            | 53,959          | 96          |
| (3) Other  | 21,005            | 21,040          | 34          |
| Sub-total  | 80,186            | 85,577          | 5,390       |
| Securities whose carrying value does not exceed their acquisition cost |                   |                 |             |
| (1) Equity securities  | 5,069             | 4,379           | - 689       |
| (2) Government and corporate bonds                                     |                   |                 |             |
| Government bonds, local government bonds etc.                          | 13,189            | 12,957          | - 231       |
| Corporate bonds  | 43,662            | 43,613          | - 48        |
| Sub-total  | 61,921            | 60,950          | - 970       |
| Total  | 142,108           | 146,528         | 4,420       |

## 2. Available-for-sale securities sold in the year ended March 31, 2005

(Millions of yen)

| Proceeds from sales | Gross realized gains | Gross realized losses |
|---------------------|----------------------|-----------------------|
| 204                 | 149                  | -                     |

## 3. Major securities whose fair value is not readily determinable, and their carrying values

Available-for-sale securities (Millions of yen)

| Classification                      | Carrying values |
|-------------------------------------|-----------------|
| 1) Unlisted equity securities       | 1,006           |
| 2) Unlisted foreign corporate bonds | 416             |
| Total                               | 1,422           |

## 4. Carrying values of debt securities by contractual maturities for securities classified as available-for-sale

(Millions of yen)

| Classification                                | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 year through 10 years |
|---|-----------------------|----------------------------------|-----------------------------------|
| Government and corporate bonds                |                       |                                  |                                   |
| Government bonds, local government bonds etc. | 5,133                 | 9,506                            | 1,074                             |
| Corporate bonds                               | 31,900                | 65,600                           | -                                 |
| Total   | 37,033                | 75,106                           | 1,074                             |

Fiscal 2004 (From April 1, 2003 to March 31, 2004)

## 1. Marketable available-for-sale securities

(Millions of yen)

| Classification   | Acquisition costs | Carrying values | Differences |
|--|-------------------|-----------------|-------------|
| Securities whose carrying value exceeds their acquisition cost         |                   |                 |             |
| (1) Equity securities  | 2,720             | 7,098           | 4,377       |
| (2) Government and corporate bonds                                     |                   |                 |             |
| Government bonds, local government bonds etc.                          | 16,919            | 17,113          | 193         |
| Corporate bonds  | 20,753            | 20,798          | 45          |
| (3) Other  | 21,005            | 21,075          | 69          |
| Sub-total  | 61,399            | 66,086          | 4,686       |
| Securities whose carrying value does not exceed their acquisition cost |                   |                 |             |
| (1) Equity securities  | 255               | 249             | - 6         |
| (2) Government and corporate bonds                                     |                   |                 |             |
| Government bonds, local government bonds etc.                          | 3,518             | 3,503           | - 14        |
| Corporate bonds  | 57,272            | 57,104          | - 167       |
| Sub-total  | 61,045            | 60,857          | - 188       |
| Total  | 122,445           | 126,943         | 4,498       |

## 2. Available-for-sale securities sold in the year ended March 31, 2004

(Millions of yen)

| Proceeds from sales | Gross realized gains | Gross realized losses |
|---------------------|----------------------|-----------------------|
| 1,810               | 2                    | 8                     |

## 3. Major securities whose fair value is not readily determinable, and their carrying values

Available-for-sale securities (Millions of yen)

| Classification   | Carrying values |
|--|-----------------|
| Unlisted equity securities (Excluding over-the-counter securities) | 818             |
| Total  | 818             |

## 4. Carrying values of debt securities by contractual maturities for securities classified as available-for-sale

(Millions of yen)

| Classification                                | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 year through 10 years |
|---|-----------------------|----------------------------------|-----------------------------------|
| Government and corporate bonds                |                       |                                  |                                   |
| Government bonds, local government bonds etc. | 6,965                 | 12,220                           | 1,056                             |
| Corporate bonds                               | 10,585                | 66,100                           | 1,000                             |
| Total   | 17,550                | 78,320                           | 2,056                             |

**[Derivatives]**

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

Currency derivatives

Not disclosed because hedge accounting is adopted.

Fiscal 2004 (From April 1, 2003 to March 31, 2004)

Currency derivatives

Not disclosed because hedge accounting is adopted.

**[Retirement benefits]**

## 1. Outline of retirement benefits scheme adopted

ROHM Co., Ltd. and certain domestic consolidated subsidiaries had defined benefit pension plans, i.e., employees' pension fund plans, approved retirement annuity plans and lump-sum payment plans. However, regarding the employees' pension fund plans, after transferring the minimum actuarial liability to the Government on March 26, 2004 and shifting to defined benefit corporate pension plans thereafter, they shifted to defined contribution pension plans on March 1, 2005.

Certain overseas consolidated subsidiaries of the Company have defined contribution pension plans in addition to defined benefit pension plans.

ROHM shifted from lump-sum payment plans to approved retirement annuity plans in September 1967, followed by its domestic consolidated subsidiaries thereafter.

## 2. Liability for employees' retirement benefits (As of March 31, 2005)

|  | Year ended<br>March 31, 2005 | Year ended<br>March 31, 2004 |
|--|------------------------------|------------------------------|
| (1) Projected benefit obligation                       | – 15,966 million yen         | – 28,947 million yen         |
| (2) Fair value of plan assets                          | 17,004                       | 21,887                       |
| (3) Unfunded retirement benefit obligation<br>(1)+(2)) | 1,038                        | – 7,059                      |
| (4) Unrecognized actuarial loss                        | 1,833                        | 4,010                        |
| (5) Net Liability ((3)+(4))                            | 2,871                        | – 3,048                      |
| (6) Prepaid pension cost                               | 3,676                        | 4,356                        |
| (7) Liability for retirement benefits ((5)-(6))        | – 805                        | – 7,404                      |

(Note) With the transfer of the minimum actuarial liability to the Government on March 26, 2004, ROHM Co., Ltd. and certain domestic consolidated subsidiaries completed the procedures for transfer of the substitutional portion of their employees' pension fund plans. After the transfer of the substitutional portion to the Government, the remaining portion of the corporate pension was changed into defined contribution pension plans on March 1, 2005. For the year ended March 31, 2004, loss resulting from the termination of the previous pension plan was reasonably estimated and accounted for as "Loss on transfer to a defined contribution pension plan" (extraordinary loss), and the net liability for employees' retirement benefits was increased, according to "Practical Accounting Procedure for Shifts between Retirement Benefit Plans" (Practical Accounting Procedure Report No. 2).

## 3. Net periodic benefit cost (From April 1, 2004 to March 31, 2005)

|   | Year ended<br>March 31, 2005 | Year ended<br>March 31, 2004 |
|---|------------------------------|------------------------------|
| (1) Service cost  | 1,973 million yen            | 1,535 million yen            |
| (2) Interest cost   | 545                          | 865                          |
| (3) Expected return on plan assets  | – 429                        | – 500                        |
| (4) Recognized actuarial loss   | 756                          | 1,764                        |
| (5) Amortization of prior service credit  | –                            | – 593                        |
| (6) Other   | 89                           | 93                           |
| (7) Net periodic benefit cost<br>(1)+(2)+(3)+(4)+(5)+(6))                             | 2,935                        | 3,165                        |
| (8) Gain on transfer of substitutional portion of the<br>governmental pension program | –                            | – 10,900                     |
| (9) Loss on transfer to a defined contribution<br>pension plan                        | –                            | 2,205                        |
| Total   | 2,935                        | – 5,529                      |

(Notes) 1. "(6) Other" includes premiums paid for defined contribution pension plans.

2. "Loss on early retirement" (¥7.934 billion) is not included in the list above but is accounted for as an extraordinary loss.

## 4. Assumptions used for calculation

|  | Year ended<br>March 31, 2005                      | Year ended<br>March 31, 2004                      |
|--|---|---|
| (1) Allocation method of the retirement benefits expected to be paid at the retirement date                                      | Straight-line method<br>based on years of service | Straight-line method<br>based on years of service |
| (2) Discount rate  | 2.0%  | 2.0%  |
| (3) Expected rate of return on plan assets   | 2.0%  | 2.0%  |
| (4) Amortization period of prior service credit<br>(Amortization from the accrual year by straight-line method)                  | 10 years  | 10 years  |
| (5) Recognition period of actuarial gain/loss<br>(Amortization from the year following the accrual year by straight-line method) | 10 years  | 10 years  |

**Production, Orders Received and Sales**

## 1. Actual production

(Millions of yen)

| Period                   |                                | Fiscal 2005<br>From April 1, 2004<br>To March 31, 2005 | Fiscal 2004<br>From April 1, 2003<br>To March 31, 2004 | Increase/Decrease (-) |
|--------------------------|--------------------------------|--|--|-----------------------|
| Product category         |                                |  |  |                       |
| Electronic<br>Components | Integrated circuits            | 158,675  | 156,154  | 2,521                 |
|                          | Discrete semiconductor devices | 145,218  | 143,353  | 1,865                 |
|                          | Passive components             | 23,365   | 25,212   | - 1,847               |
|                          | Displays                       | 43,811   | 37,268   | 6,543                 |
| Total                    |                                | 371,070  | 361,989  | 9,081                 |

(Notes) 1. The amounts above are calculated based on the average sales prices for each accounting period and are exclusive of consumption tax and the like.

2. Major products included in each category are as follows:

| Product category         |                                | Major products   |
|--------------------------|--------------------------------|--|
| Electronic<br>Components | Integrated circuits            | Monolithic ICs, Power Modules, Photo Link Modules  |
|                          | Discrete semiconductor devices | Transistors, Diodes, Light Emitting Diodes, Laser Diodes   |
|                          | Passive components             | Resistors, Capacitors  |
|                          | Displays                       | Liquid Crystal Displays, Thermal Heads, Image Sensor Heads, LED Displays, Camera Modules, Others |



## 2. Orders

(Millions of yen)

| Product category         |                                | Fiscal 2005                             |                  | Fiscal 2004                             |                  | Increase/Decrease (-) |                  |
|--------------------------|--------------------------------|---|------------------|---|------------------|-----------------------|------------------|
|                          |                                | From April 1, 2004<br>To March 31, 2005 |                  | From April 1, 2003<br>To March 31, 2004 |                  |                       |                  |
|                          |                                | Orders<br>received                      | Order<br>backlog | Orders<br>received                      | Order<br>backlog | Orders<br>received    | Order<br>backlog |
| Electronic<br>Components | Integrated circuits            | 156,647                                 | 22,631           | 158,786                                 | 25,006           | - 2,139               | - 2,375          |
|                          | Discrete semiconductor devices | 140,853                                 | 20,053           | 143,881                                 | 20,987           | - 3,028               | - 934            |
|                          | Passive components             | 23,087                                  | 2,993            | 25,019                                  | 3,516            | - 1,932               | - 523            |
|                          | Displays                       | 44,648                                  | 8,106            | 38,638                                  | 8,060            | 6,010                 | 46               |
| Total                    |                                | 365,236                                 | 53,784           | 366,326                                 | 57,571           | - 1,090               | - 3,787          |

## 3. Actual sales

Actual sales by product category (domestic)

(Millions of yen)

| Product category         |                                | Fiscal 2005                             |                   | Fiscal 2004                             |                   | Increase/Decrease (-) |                                |
|--------------------------|--------------------------------|---|-------------------|---|-------------------|-----------------------|--------------------------------|
|                          |                                | From April 1, 2004<br>To March 31, 2005 |                   | From April 1, 2003<br>To March 31, 2004 |                   |                       |                                |
|                          |                                | Sales                                   | Domestic<br>ratio | Sales                                   | Domestic<br>ratio | Sales                 | Increase/<br>Decrease<br>ratio |
| Electronic<br>Components | Integrated circuits            | 81,750                                  | 51.4%             | 78,902                                  | 50.8%             | 2,848                 | 3.6%                           |
|                          | Discrete semiconductor devices | 53,345                                  | 37.6              | 54,591                                  | 39.3              | - 1,246               | - 2.3                          |
|                          | Passive components             | 8,446                                   | 35.8              | 8,593                                   | 34.9              | - 147                 | - 1.7                          |
|                          | Displays                       | 18,308                                  | 41.0              | 14,675                                  | 40.1              | 3,633                 | 24.8                           |
| Total                    |                                | 161,852                                 | 43.9              | 156,762                                 | 44.1              | 5,090                 | 3.2                            |

Actual sales by product category (overseas)

(Millions of yen)

| Product category         |                                | Fiscal 2005                             |                   | Fiscal 2004                             |                   | Increase/Decrease (-) |                                |
|--------------------------|--------------------------------|---|-------------------|---|-------------------|-----------------------|--------------------------------|
|                          |                                | From April 1, 2004<br>To March 31, 2005 |                   | From April 1, 2003<br>To March 31, 2004 |                   |                       |                                |
|                          |                                | Sales                                   | Overseas<br>ratio | Sales                                   | Overseas<br>ratio | Sales                 | Increase/<br>Decrease<br>ratio |
| Electronic<br>Components | Integrated circuits            | 77,271                                  | 48.6%             | 76,544                                  | 49.2%             | 727                   | 0.9%                           |
|                          | Discrete semiconductor devices | 88,441                                  | 62.4              | 84,417                                  | 60.7              | 4,024                 | 4.8                            |
|                          | Passive components             | 15,163                                  | 64.2              | 16,007                                  | 65.1              | - 844                 | - 5.3                          |
|                          | Displays                       | 26,294                                  | 59.0              | 21,897                                  | 59.9              | 4,397                 | 20.1                           |
| Total                    |                                | 207,171                                 | 56.1              | 198,867                                 | 55.9              | 8,304                 | 4.2                            |

## Actual sales by product category (total)

(Millions of yen)

| Product category         |                                | Fiscal 2005                             |  | Fiscal 2004                             |  | Increase/Decrease (-) |                                |
|--------------------------|--------------------------------|---|--|---|--|-----------------------|--------------------------------|
|                          |                                | From April 1, 2004<br>To March 31, 2005 |  | From April 1, 2003<br>To March 31, 2004 |  |                       |                                |
| Period                   |                                | Sales                                   | Sales as a<br>percentage<br>of net sales | Sales                                   | Sales as a<br>percentage<br>of net sales | Sales                 | Increase/<br>Decrease<br>ratio |
| Electronic<br>Components | Integrated circuits            | 159,022                                 | 43.1%                                    | 155,446                                 | 43.7%                                    | 3,576                 | 2.3%                           |
|                          | Discrete semiconductor devices | 141,787                                 | 38.4                                     | 139,009                                 | 39.1                                     | 2,778                 | 2.0                            |
|                          | Passive components             | 23,610                                  | 6.4                                      | 24,601                                  | 6.9                                      | - 991                 | - 4.0                          |
|                          | Displays                       | 44,603                                  | 12.1                                     | 36,573                                  | 10.3                                     | 8,030                 | 22.0                           |
| Total                    |                                | 369,023                                 | 100.0                                    | 355,630                                 | 100.0                                    | 13,393                | 3.8                            |



## Summarized Non-consolidated Financial Statements for Year Ended March 31, 2005

May 12, 2005

Listed Company Name ROHM CO., LTD.

Stock Exchange Listings Tokyo, Osaka

Code No.: 6963

Head Office Location

(URL <http://www.rohm.co.jp>)

Kyoto Prefecture

Company representative Title: President

Name: Ken Sato

Contact person Title: Director, Administration Headquarters

Name: Nobuo Hatta

TEL (075) 311 - 2121

Date of Board of Directors meeting for approval of financial statements: May 12, 2005

Existence of interim dividend system: Yes

Scheduled date of commencement of dividend payment: June 30, 2005

Date of general shareholders' meeting: June 29, 2005

Adoption of trading unit system: Yes (1 unit: 100 shares)

### 1. Business Results for the Year Ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

#### (1) Results of Operations (Figures are rounded down to the nearest million yen)

|                           | Net sales       |     | Operating income |       | Ordinary income |      |
|---------------------------|-----------------|-----|------------------|-------|-----------------|------|
|                           | Millions of yen | %   | Millions of yen  | %     | Millions of yen | %    |
| Year ended March 31, 2005 | 342,450         | 3.4 | 23,050           | -30.6 | 51,257          | 34.1 |
| Year ended March 31, 2004 | 331,249         | 5.0 | 33,218           | -19.5 | 38,211          | -4.1 |

|                           | Net income      |      | Basic net income per share | Diluted net income per share | Return on equity | Ordinary income to total assets | Ordinary income to net sales |
|---------------------------|-----------------|------|----------------------------|------------------------------|------------------|---------------------------------|------------------------------|
|                           | Millions of yen | %    | Yen                        | Yen                          | %                | %                               | %                            |
| Year ended March 31, 2005 | 39,872          | 35.9 | 336.25                     | -                            | 7.9              | 8.4                             | 15.0                         |
| Year ended March 31, 2004 | 29,342          | 24.2 | 246.65                     | -                            | 6.1              | 6.5                             | 11.5                         |

(Notes) (i) Average number of shares outstanding Year ended Mar. 31, 2005: 118,561,981 shares  
Year ended Mar. 31, 2004: 118,783,647 shares

(ii) Change in accounting policies: None

(iii) Percentage (%) shown for Net sales, Operating income, Ordinary income and Net income represents change from the data of the previous year.

#### (2) Dividends Information

|                           | Annual dividends per share |          |       | Total dividends paid for the year | Dividends payout ratio | Ratio of dividends to shareholders' equity |
|---------------------------|----------------------------|----------|-------|-----------------------------------|------------------------|--|
|                           | Interim                    | Year-end |       |                                   |                        |  |
|                           | Yen                        | Yen      | Yen   | Millions of yen                   | %                      | %  |
| Year ended March 31, 2005 | 85.00                      | 42.50    | 42.50 | 10,014                            | 25.3                   | 2.0  |
| Year ended March 31, 2004 | 55.00                      | 12.50    | 42.50 | 6,533                             | 22.3                   | 1.3  |

#### (3) Financial Position

|                           | Total assets    | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------------|-----------------|----------------------|----------------------------|--------------------------------|
|                           | Millions of yen | Millions of yen      | %                          | Yen                            |
| Year ended March 31, 2005 | 610,135         | 507,455              | 83.2                       | 4,342.71                       |
| Year ended March 31, 2004 | 607,152         | 497,456              | 81.9                       | 4,187.61                       |

(Notes) (i) Number of shares outstanding at end of year Year ended Mar. 31, 2005: 116,850,835 shares

Year ended Mar. 31, 2004: 118,781,637 shares

(ii) Number of treasury stock at end of year

Year ended Mar. 31, 2005: 1,950,553 shares

Year ended Mar. 31, 2004: 19,751 shares

### 2. Business Results Forecast for Fiscal 2006 (From April 1, 2005 to March 31, 2006)

|             | Net sales       | Ordinary income | Net income      | Annual dividends per share |          |       |
|-------------|-----------------|-----------------|-----------------|----------------------------|----------|-------|
|             |                 |                 |                 | Interim                    | Year-end |       |
|             | Millions of yen | Millions of yen | Millions of yen | Yen                        | Yen      | Yen   |
| Interim     | 185,000         | 26,000          | 19,000          | 45.00                      | -        | -     |
| Fiscal 2006 | 365,000         | 47,000          | 32,000          | -                          | 45.00    | 90.00 |

(Note) Projected net income per share for the year ending March 31, 2006: 275.95 yen

Net income per share for the year ending March 31, 2006 is projected by taking into account the purchase of treasury stock in April 2005.

\* The forecast data are based on the information available at the time of release of this report. Therefore, a number of important factors including changes in business conditions may cause actual results to differ materially from those discussed in the prospective statements.

Refer to page 12 to 13 of the attached documents for reasons for the forecast and other relevant information.

**Non-consolidated Balance Sheets**

| Accounts   | Period | Fiscal year 2005<br>(As of March 31, 2005) |       | Fiscal year 2004<br>(As of March 31, 2004) |       | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|--|--------|--|-------|--|-------|--|
|  |        | Amount                                     | Ratio | Amount                                     | Ratio | Amount   |
|  |        | Millions of yen                            | %     | Millions of yen                            | %     | Millions of yen  |
| (Assets)   |        |  |       |  |       |  |
| Current assets   |        |  |       |  |       |  |
| Cash and time deposits                                 |        | 106,396                                    |       | 136,772                                    |       | - 30,376   |
| Notes receivable - trade                               |        | 2,031                                      |       | 2,775                                      |       | - 744  |
| Accounts receivable - trade                            |        | 85,741                                     |       | 91,096                                     |       | - 5,355  |
| Securities   |        | 53,052                                     |       | 33,804                                     |       | 19,248   |
| Inventories  |        | 22,455                                     |       | 22,584                                     |       | - 129  |
| Prepaid pension cost                                   |        | 312  |       | 187  |       | 125  |
| Deferred tax assets                                    |        | 7,725                                      |       | 7,024                                      |       | 701  |
| Sundry receivables                                     |        | 40,361                                     |       | 38,078                                     |       | 2,283  |
| Refundable income taxes                                |        | -  |       | 3,550                                      |       | - 3,550  |
| Other  |        | 19,244                                     |       | 16,451                                     |       | 2,793  |
| Allowance for doubtful<br>notes and accounts           |        | - 29                                       |       | - 77                                       |       | 48   |
| Total current assets                                   |        | 337,291                                    | 55.3  | 352,246                                    | 58.0  | - 14,955   |
| Fixed assets   |        |  |       |  |       |  |
| Property, plant and equipment                          |        |  |       |  |       |  |
| Buildings  |        | 21,592                                     |       | 22,048                                     |       | - 456  |
| Machinery and equipment                                |        | 8,785                                      |       | 8,361                                      |       | 424  |
| Land   |        | 44,528                                     |       | 34,995                                     |       | 9,533  |
| Other  |        | 9,273                                      |       | 10,871                                     |       | - 1,598  |
| Total tangible fixed assets                            |        | 84,180                                     | 13.8  | 76,276                                     | 12.6  | 7,904  |
| Intangible fixed assets                                |        | 893  | 0.1   | 1,042                                      | 0.2   | - 149  |
| Investments and other assets                           |        |  |       |  |       |  |
| Investment securities                                  |        | 79,370                                     |       | 75,375                                     |       | 3,995  |
| Investment in subsidiaries<br>and associated companies |        | 58,955                                     |       | 58,956                                     |       | - 1  |
| Long-term loans receivable                             |        | 43,718                                     |       | 35,982                                     |       | 7,736  |
| Deferred tax assets                                    |        | 5,238                                      |       | 6,714                                      |       | - 1,476  |
| Other  |        | 746  |       | 806  |       | - 60   |
| Allowance for doubtful<br>accounts                     |        | - 257                                      |       | - 249                                      |       | - 8  |
| Total investments and<br>other assets                  |        | 187,771                                    | 30.8  | 177,586                                    | 29.2  | 10,185   |
| Total fixed assets                                     |        | 272,844                                    | 44.7  | 254,905                                    | 42.0  | 17,939   |
| Total assets   |        | 610,135                                    | 100.0 | 607,152                                    | 100.0 | 2,983  |

| Accounts   | Period | Fiscal year 2005<br>(As of March 31, 2005) |       | Fiscal year 2004<br>(As of March 31, 2004) |       | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|--|--------|--|-------|--|-------|--|
|  |        | Amount                                     | Ratio | Amount                                     | Ratio | Amount   |
|  |        | Millions of yen                            | %     | Millions of yen                            | %     | Millions of yen  |
| (Liabilities)  |        |  |       |  |       |  |
| Current liabilities                                  |        |  |       |  |       |  |
| Accounts payable - trade                             |        | 63,317                                     |       | 68,844                                     |       | - 5,527  |
| Other accounts payable                               |        | 26,439                                     |       | 30,190                                     |       | - 3,751  |
| Accrued income taxes                                 |        | 5,013                                      |       | -  |       | 5,013  |
| Other  |        | 6,426                                      |       | 5,695                                      |       | 731  |
| Total current liabilities                            |        | 101,196                                    | 16.6  | 104,730                                    | 17.3  | - 3,534  |
| Long-term liabilities                                |        |  |       |  |       |  |
| Liability for retirement benefits                    |        | -  |       | 3,553                                      |       | - 3,553  |
| Allowance for directors' retirement benefits         |        | 1,483                                      |       | 1,412                                      |       | 71   |
| Total long-term liabilities                          |        | 1,483                                      | 0.2   | 4,966                                      | 0.8   | - 3,483  |
| Total liabilities                                    |        | 102,680                                    | 16.8  | 109,696                                    | 18.1  | - 7,016  |
| (Shareholders' equity)                               |        |  |       |  |       |  |
| Common stock   |        | 86,969                                     | 14.3  | 86,969                                     | 14.3  | -  |
| Capital surplus                                      |        |  |       |  |       |  |
| Capital surplus                                      |        | 97,253                                     |       | 97,253                                     |       | -  |
| Total Capital surplus                                |        | 97,253                                     | 15.9  | 97,253                                     | 16.0  | -  |
| Retained earnings                                    |        |  |       |  |       |  |
| Legal reserve  |        | 2,464                                      |       | 2,464                                      |       | -  |
| General reserve                                      |        | 283,121                                    |       | 277,615                                    |       | 5,506  |
| Unappropriated retained earnings                     |        | 55,112                                     |       | 30,887                                     |       | 24,225   |
| Total retained earnings                              |        | 340,698                                    | 55.8  | 310,968                                    | 51.2  | 29,730   |
| Net unrealized gain on available-for-sale securities |        | 2,775                                      | 0.5   | 2,566                                      | 0.4   | 209  |
| Treasury stock - at cost                             |        | - 20,241                                   | - 3.3 | - 301                                      | - 0.0 | - 19,940   |
| Total shareholders' equity                           |        | 507,455                                    | 83.2  | 497,456                                    | 81.9  | 9,999  |
| Total liabilities and shareholders' equity           |        | 610,135                                    | 100.0 | 607,152                                    | 100.0 | 2,983  |

## Non-consolidated Statements of Income

| Accounts  | Period | Fiscal year 2005<br>From April 1, 2004<br>To March 31, 2005 |            | Fiscal year 2004<br>From April 1, 2003<br>To March 31, 2004 |            | Increase/decrease (-)<br>from the year ended<br>March 31, 2004 |
|---|--------|---|------------|---|------------|--|
|   |        | Amount  | Percentage | Amount  | Percentage | Amount   |
|   |        | Millions of yen   | %          | Millions of yen   | %          | Millions of yen  |
| Net sales   |        | 342,450   | 100.0      | 331,249   | 100.0      | 11,201   |
| Cost of sales   |        | 263,875   | 77.1       | 247,784   | 74.8       | 16,091   |
| Gross profit  |        | 78,575  | 22.9       | 83,464  | 25.2       | - 4,889  |
| Selling, general and<br>administrative expenses                               |        | 55,524  | 16.2       | 50,246  | 15.2       | 5,278  |
| Operating income  |        | 23,050  | 6.7        | 33,218  | 10.0       | - 10,168   |
| Non-operating income  |        | 29,409  | 8.6        | 12,981  | 3.9        | 16,428   |
| Non-operating expenses  |        | 1,202   | 0.3        | 7,987   | 2.4        | - 6,785  |
| Ordinary income   |        | 51,257  | 15.0       | 38,211  | 11.5       | 13,046   |
| Extraordinary gains   |        | 743   | 0.2        | 5,559   | 1.7        | - 4,816  |
| Extraordinary losses  |        | 278   | 0.1        | 2,762   | 0.8        | - 2,484  |
| Income before income taxes  |        | 51,723  | 15.1       | 41,009  | 12.4       | 10,714   |
| Income taxes - current  |        | 11,218  | 3.3        | 9,486   | 2.9        | 1,732  |
| Income taxes - deferred   |        | 632   | 0.2        | 2,180   | 0.6        | - 1,548  |
| Net income  |        | 39,872  | 11.6       | 29,342  | 8.9        | 10,530   |
| Unappropriated retained<br>earnings brought forward from<br>the previous year |        | 20,288  |            | 3,029   |            | 17,259   |
| Interim dividends   |        | 5,048   |            | 1,484   |            | 3,564  |
| Unappropriated retained earnings  |        | 55,112  |            | 30,887  |            | 24,225   |

## Statements of Appropriation of Retained Earnings

| Accounts                                | Period | Fiscal year 2005<br>From April 1, 2004<br>To March 31, 2005 |            | Fiscal year 2004<br>From April 1, 2003<br>To March 31, 2004 |            | Increase/decrease (-) |
|---|--------|---|------------|---|------------|-----------------------|
|   |        | Amount  | Percentage | Amount  | Percentage | Amount                |
|   |        | Millions of yen   |            | Millions of yen   |            | Millions of yen       |
| Unappropriated retained earnings        |        | 55,112  |            | 30,887  |            | 24,225                |
| Appropriation of retained earnings      |        |   |            |   |            |                       |
| Cash dividends                          |        | 4,966   |            | 5,048   |            | - 82                  |
| Bonuses to directors                    |        | 5   |            | 45  |            | - 40                  |
| Voluntary reserve                       |        |   |            |   |            |                       |
| Reserve for overseas<br>investment loss |        | 6   |            | 5   |            | 1                     |
| General reserve                         |        | 40,100  |            | 5,500   |            | 34,600                |
| Balance to be carried forward           |        | 10,034  |            | 20,288  |            | - 10,254              |

**[Significant Accounting Policies]**

## 1. Valuation basis and method for securities

Investment securities in subsidiaries and associated companies are stated at cost determined by the moving average method. Marketable securities classified as available-for-sale securities are reported at fair value (based on market prices on the accounting date, or the like), with unrealized gains and losses directly included in shareholders' equity. The cost of available-for-sale securities sold is principally determined based on the moving average method. Non-marketable securities are stated at cost determined by the moving average method.

## 2. Valuation basis and method for inventories

Finished products, semi-finished products, raw materials and work in process are stated at cost determined by the average method. Supplies are stated at cost determined by the last purchase method.

## 3. Depreciation of fixed assets

(1) Depreciation of tangible fixed assets is computed by the declining-balance method, while the straight-line method is applied to buildings (excluding building improvements) acquired after April 1, 1998.

(2) Depreciation of intangible fixed assets is computed by the straight-line method.

## 4. Basis for translation of foreign currency assets and liabilities

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the accounting date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

## 5. Accounting for allowances

(1) The allowance for doubtful accounts is provided at an estimated amount of the past actual ratio of losses on bad debts. Certain allowance is provided for estimated uncollectible receivables.

(2) Liability for retirement benefits is stated at the amount calculated based on the retirement benefit obligation and the fair value of the plan assets at the end of the current fiscal year.

However, because the fair value of the plan assets exceeded the projected benefit obligation as of the end of the current fiscal year, the excess is accounted for as "Prepaid pension cost," resulting in the balance of "Liability for retirement benefits" being zero.

According to the enactment of the Defined Benefit Pension Plan Law, ROHM Co., Ltd. received approval from the Minister of Health, Labor and Welfare on December 1, 2003 to transfer to the Government the past benefit obligations of the "substitutional" portion of its employees' pension fund plans; employees' pension funds have been substituting for a portion of the old-age pensions of the Government-run employees' pension insurance. On March 26, 2004, the Company transferred the minimum actuarial liability to the Government. The effect of this on the profit and loss for the year ended March 31, 2004 amounted to ¥5.116 billion and was accounted for as "Gain on transfer of substitutional portion of the governmental pension program."

According to the enactment of the Defined Contribution Pension Plan Law, ROHM Co., Ltd. shifted from defined benefit corporate pension plans to defined contribution pension plans on March 1, 2005, and adopted the "Accounting Procedure for Shifts between Retirement Benefit Plans" (Application Guidelines for ASB No. 1). Loss resulting from this shift amounted to ¥1.511 billion and was accounted for as "Loss on transfer to a defined contribution pension plan" (extraordinary loss) in the previous year. The effect of this shift on the non-consolidated statements of income for this year under review is immaterial.

(3) Retirement benefits to directors and corporate auditors are provided at the amount that would be required if all directors and corporate auditors retired at the accounting date based on the internal rules.

## 6. Lease transactions

Finance lease transactions, other than those that are deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transactions.

## 7. Hedge accounting

Foreign exchange forward contracts are used for hedge accounting.

## 8. Others

Consumption tax

All transactions are recorded net of consumption taxes.

**[Notes]**

(Notes to non-consolidated balance sheets)

Accumulated depreciation of tangible fixed assets

|  | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|--|-----------------------------|-----------------------------|
|  | 106,791 million yen         | 104,326 million yen         |

(Notes to non-consolidated statements of income)

|  | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|--|-----------------------------|-----------------------------|
| 1. Non-operating income  |                             |                             |
| Interest income (including interest on securities)                             | 1,616 million yen           | 1,593 million yen           |
| Dividend income  | 23,909                      | 9,894                       |
| Foreign currency exchange gains  | 1,101                       | -                           |
| 2. Non-operating expenses  |                             |                             |
| Foreign currency exchange losses   | -                           | 7,074                       |
| Write-down of securities   | 284                         | 9                           |
| 3. Extraordinary gain  |                             |                             |
| Gain on sale of fixed assets   | 743                         | 412                         |
| Gain on transfer of substitutional portion of the governmental pension program | -                           | 5,116                       |
| 4. Extraordinary loss  |                             |                             |
| Loss on sale/disposal of fixed assets  | 278                         | 1,250                       |
| Loss on transfer to a defined contribution pension plan                        | -                           | 1,511                       |

**[Leases]**

Finance leases that do not transfer ownership of the leased property to the lessee

1. Pro forma information of the acquisition cost, accumulated depreciation and net book value of the leased property

|                          | Year ended<br>Mar. 31, 2005       | Year ended<br>Mar. 31, 2004       |
|--------------------------|-----------------------------------|-----------------------------------|
|                          | Other in tangible fixed<br>assets | Other in tangible fixed<br>assets |
| Acquisition cost         | 48 million yen                    | 52 million yen                    |
| Accumulated depreciation | 23                                | 31                                |
| Net leased property      | 24                                | 20                                |

2. Pro forma obligations under finance leases

|                   |    |    |
|-------------------|----|----|
| Due within 1 year | 12 | 13 |
| Due after 1 year  | 12 | 7  |
| Total             | 24 | 20 |

3. Lease payments and depreciation of the leased property

|                |    |    |
|----------------|----|----|
| Lease payments | 16 | 16 |
| Depreciation   | 16 | 16 |

4. Depreciation of leased property is calculated by the straight-line method over the respective lease terms regarded as being the useful life, with the residual value of zero.

5. Acquisition cost and the pro forma obligations under finance leases presented above are calculated prior to the deduction of portions attributable to interest expense, as the year-end balance of the obligation accounts for only a small percentage of the year-end tangible fixed assets.



**[Tax effect accounting]**

## 1. Deferred tax assets and deferred tax liabilities by main source

|  | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|--|-----------------------------|-----------------------------|
| Deferred tax assets                                  |                             |                             |
| Securities   | 497 million yen             | 422 million yen             |
| Inventories  | 4,657                       | 4,242                       |
| Depreciation   | 5,725                       | 5,827                       |
| Accrued enterprise tax                               | 857                         | -                           |
| Accrued expenses                                     | 1,044                       | 991                         |
| Liability for retirement benefits                    | -                           | 1,442                       |
| Other  | 2,221                       | 2,938                       |
| Total  | 15,003                      | 15,865                      |
| Deferred tax liabilities                             |                             |                             |
| Prepaid pension cost                                 | - 127                       | - 75                        |
| Enterprise tax refund receivable                     | -                           | - 284                       |
| Net unrealized gain on available-for-sale securities | - 1,896                     | - 1,754                     |
| Other  | - 15                        | - 11                        |
| Total  | - 2,039                     | - 2,126                     |
| Net deferred tax assets                              | 12,964                      | 13,739                      |

## 2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the statement of Income

|  | Year ended<br>Mar. 31, 2005 | Year ended<br>Mar. 31, 2004 |
|--|-----------------------------|-----------------------------|
| Normal effective statutory tax rate                                  | 40.6%                       | 41.9%                       |
| (Adjustments)  |                             |                             |
| Income not taxable for income tax purposes                           | - 10.1                      | - 10.1                      |
| Foreign tax credit   | - 4.6                       | -                           |
| Tax credit for research and development expenses                     | - 3.4                       | - 3.4                       |
| Other  | 0.3                         | 0.1                         |
| Actual effective tax rate after application of tax effect accounting | 22.9%                       | 28.5%                       |

## **Changes in Directors**

(Effective June 29, 2005)

### 1. Changes in Representative Directors

None

### 2. Changes in Other Directors

#### New Director Candidates

Naotoshi Watanabe, Director, Discrete Devices/Module Production Headquarters (current General Manager of discrete Devices/Module Production Headquarter)

Satoshi Sawamura, Director, Western Japan Sales Headquarters (current General Manager of Western Japan Sales Headquarters)