ROHM SEMICONDUCTOR

# ROHM Group Innovation Report 2014

〈Additional Volume〉 Annual Financial Report 2014

ROHM Co., Ltd.

2014

Annual Financial Report

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## Management Policies

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

The ROHM Group believes that, in creating and improving our overall corporate values, added-values created by the company's business activities should be allocated in appropriate proportions to all constituents, including shareholders, employees, and stakeholders of local communities, while retained earnings should be allotted to business investment and efforts to increase competitive strength. To pursue this objective, it is also essential to obtain the understanding and cooperation of all those with a stake in the company's performance. Making ROHM's shares more attractive to investors is one of the important aspects of company management. With these perspectives, the ROHM Group has committed itself to developing market-leading products by focusing on high value-added system ICs, power devices, LED-related products, and sensor devices for digital information appliances, mobile electronic equipment, industrial equipment and automotive components, where further market expansion is expected. As a fundamental policy, the Group pursues a stable supply of high quality, cost-competitive products in high volume through optimal utilization of its distinctive production technologies that will help to maintain a leading position in the global electronic components market.

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

The ROHM Group celebrated its 50th anniversary in 2010. In order to respond to increased market globalization, we embarked on a campaign, entitled 'Next 50', that focuses on four growth strategies that we believe will lead to significant growth in the mid- to long-term.

#### <1> Four Growth Engine Strategies

**① IC synergy with LAPIS Semiconductor Co., Ltd.**

As IC technological requirements reach higher levels, the ROHM Group continues to enhance system solutions that can more flexibly respond to a wide range of needs by combining the ROHM Group's strength in analog linear technology with LAPIS Semiconductor's market-leading digital technology, including wireless communications, low power microcontrollers and memories.

**② Power device products (including SiC), etc.**

ROHM is proceeding with efforts to develop and strengthen product lineups of SiC devices that can deliver significantly lower loss and more stable operation under high temperature than conventional silicon semiconductors. In addition, the company has been enhancing product lineups of SiC modules that combine these features, and has been adopting these modules for use in next-generation energy equipment, such as electric vehicles and solar power generation devices. Also, regarding existing silicon devices, we are strengthening our lineups of high efficiency and dependable transistors/diodes.

**③ LED and related products, from LED elements to lighting equipment**

In the LED related market, which keeps expanding because of applications for next-generation lighting and indicators, ROHM utilizes the group's energy-saving and control technologies to enhance product lineups including power modules for LED lighting, sensor devices, LED driver ICs, and discrete semiconductors, and is working to increase sales of LED related products. Also, the group is working to increase sales for office-use by taking advantage of the high domestic share of the LED lighting equipment market of the AGLED brand, while stepping up sales promotion efforts to housing makers.

**④ Sensor products**

Because of increasing use of sensor-related devices and an expanding market, the ROHM Group is strengthening product lineups of sensor-related devices such as MEMS accelerometer sensors and ambient light sensor devices, by utilizing the group's production and sensor control technologies. In addition, the company is promoting various combinations of different types of sensors and proposing total solutions.

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

The automotive market, which is seeing increased computerization, and the industrial equipment market, which continues to grow at a steady pace, require a stable supply of high quality, high reliability products – all of which the ROHM Group can easily provide. In the automotive and industrial equipment markets, ROHM aims to raise sales ratio by strengthening our production system. Also, in the health care and other markets where growth is expected, the ROHM Group aggressively cultivates markets by taking advantage of proprietary semiconductor technologies.

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

Amidst the increased globalization and expansion of markets not only in the US and Europe, but also in China, Taiwan, South Korea, and emerging markets, ROHM is moving ahead with cultivating overseas customers and strengthening sales activities. We are working to set up systems that fit the needs of overseas customers, from product configuration to development, sales, and technical support, with the aim of increasing sales and shares in markets outside of Japan.

#### <4> Enhancement Strategy for Existing Products

In addition to strengthening new categories of business, ROHM will take steps to expand market share and ensure profits with existing products that support the ROHM Group's current sales by identifying customer requirements in advance, including the need for greater sophistication and/or miniaturization, and developing new industry-leading products and technologies that will gain market share.

### (3) Status of Corporate Governance

**Corporate Governance System**

**① Status of efforts to improve the internal control system**

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

1. System for ensuring that corporate Directors perform their duties in compliance with established laws, regulations, and our Articles of Incorporation
   (a) In order to promote further globalization, the ROHM Group complies not only with all relevant laws and regulations, but also with the 10 principles stipulated by the United Nations

Global Compact (i.e. human rights, labor, environment, anti-corruption, etc.) and promotes management that focuses on CSR based on ISO26000, the international standard for social responsibility, and the EICC Code of Conduct, a code of conduct for the electronics industry.

(b) Directors are kept from violating laws, regulations and the Articles of Incorporation when executing their duties by the ROHM Group Business Conduct Guidelines, the Basic Rules of the Board of Directors, etc.

(c) Directors who are highly knowledgeable in a specific field are responsible for the duties related to such field, and all Directors hold discussions and monitor one another on a daily basis with regard to their respective individual fields.

(d) Illegal acts committed by a Director or Company Auditor are promptly reported to the Board of Directors and the Board of Company Auditors.

(e) A Compliance Hotline (hotline system for group companies and suppliers) has been created to discover any illegal conduct by a Director and prevent recurrence thereof.

(f) In addition to two Outside Directors, five Outside Company Auditors are appointed to check that Directors perform their duties in compliance with all applicable laws and regulations, and the Articles of Incorporation.

2. System for storing and managing information on the execution of duties by Directors

(a) The minutes of general shareholders meetings and the meetings of the Board of Directors, executive proposals, fiscal year business plans, and other determined matters that may affect the Directors in the performance of their duties are documented in writing, and the documents are stored and managed in compliance with all applicable laws and regulations, as well as all in-house regulations.

(b) Instructions and notices provided to group companies or in-house divisions are issued via e-mail or in writing as a rule, and are retained so as to be available at any time when requested by Directors, Company Auditors or other authorized parties.

(c) Information related to the Directors' performance of duties is duly kept and managed by relevant sections or divisions, and leaks and inappropriate use of such information are prevented through internal educational activities for all employees, such as internal notifications and information security workshops.

3. System for ensuring the efficient execution of duties by Directors

(a) The Board of Directors consists of a small number of Directors so as to enable prompt decision-making on business matters.

(b) The Board of Directors consists of Directors who are highly experienced in different fields. The Board assigns duties to the Director in charge of a particular field and have him/her perform specific duties related to that field.

(c) Issues that may have a considerable influence on corporate management are examined, analyzed, and reported by in-house project teams established separately for individual issues. Upon completion of such examination, prompt decisions are made by way of a meeting of the Board of Directors or executive proposals, as appropriate, based on the Articles of Incorporation and internal regulations.

(d) In-house written standards of in-house control procedures regarding various managerial issues such as risk management and information management are strictly observed.

(e) To increase the competitiveness of the group and ensure an appropriate amount of profits, business performance targets are established as part of an annual profit plan for the entire company, and individual divisions monitor the progress of business performance.

4. System for ensuring that employees perform their duties in compliance with established laws, regulations, and the Articles of Incorporation

(a) A Compliance Committee has been organized to implement across-the-group compliance actions by monitoring and enforcing the ROHM Group Business Conduct Guidelines. A compliance system encompassing group companies has been created based on our internal system, and a leader for each division is appointed as a compliance leader to raise awareness of the importance of compliance and ensure the ongoing compliance of each division.

(b) To comply with particular laws and ordinances in an appropriate manner, not only the CSR Committee but also the Central Safety and Hygiene Committee, the Compliance Committee, the Information Disclosure Committee, and the Environmental Conservation Committee are committed to monitoring the status of compliance within the entire group and performing ongoing educational activities.

(c) Under the control of the Information Disclosure Committee, individual sections and divisions properly manage confidential and privileged information, and educate employees in the interest of raising awareness of the importance of strict information handling and to prevent insider trading.

(d) A Compliance Hotline (hotline system for group companies and suppliers) has been set up throughout the entire ROHM Group, including overseas entities, to uncover illegal employee conduct and prevent recurrences.

5. System for ensuring sound and appropriate business operations within the corporate group

(a) In the spirit of the company's founding, the Company Mission and policies are shared by all group employees and group companies to improve the corporate value of the entire group through our business activities.

(b) Each committee under the company's CSR Committee supervises and controls group companies comprehensively to ensure proper execution of duties in each responsible area.

(c) Written standards applicable to the entire ROHM Group are established and implemented.

(d) The compliance of business operations of group companies is monitored by appointing employees of the company or another group company to serve on the Board of Directors or as Company Auditors for the group companies.

(e) A system has been created that requires Board of Director resolutions or executive decisions of the company to settle critical issues at the company level, thereby enabling the company's relevant divisions to fully manage group companies.

(f) An internal control system that ensures financial reporting compliance and compliance with the auditing system has been established and reinforced through a framework that includes the company and significant group companies.

(g) The company's auditing division, under the direct control of the President, performs internal audits to confirm each group company's situation in regard to the execution of duties, compliance with all applicable laws and regulations, as well as in-house regulations, risk management, etc.

6. Employees hired upon the request of a Company Auditor to assist the Auditor's duties
   (a) The company appoints staff employees of sufficient capabilities, at the request of Company Auditors.
   (b) A Company Auditor's staff are not concurrently involved in operations related to executing the operations of the company. In the hiring, transfer and evaluation of the performance of the Company Auditor's staff, opinions from the Board of Company Auditors are considered.

7. System for Directors and employees to report to Corporate Auditors and submit other system reports to Corporate Auditors
   (a) Each Director reports immediately to the Company Auditors Committee, whenever necessary, regarding whether there is any illegal conduct in the performance of their duties, any neglect in their obligation to be duly conscious of their standing as good Directors, any facts that may cause considerable damage to the Company, etc.
   (b) Committee meetings, not only of the CSR Committee but also the Risk Management/BCM Committee, Compliance Committee, and Information Disclosure Committee, are attended by full-time Company Auditors who act as observers. Individual committees periodically report their activities to the Company Auditors by submitting meeting minutes or by other appropriate means.
   (c) A system has been created whereby the status and results of business operations can be properly reported to the Company Auditors through executive proposals and reports.

8. Other systems for ensuring effective audits by Corporate Auditors
   (a) Concerning the status of operations of the internal control system, Directors report to the Board of Company Auditors where requested.
   (b) The internal audit division collaborates with and reports the results of audits periodically to the Company Auditors.
   (c) All Company Auditors are Outside Company Auditors. The Board of Corporate Auditors is a strongly independent group consisting of diversified experts, including legal specialists, accounting specialists, and persons who used to work for financial institutions.
   (d) Corporate Auditors exchange their opinions with Directors on a regular basis.

#### ② Status of efforts to improve the risk control system

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

1. Under the CSR Committee, chaired by the President, committees overseeing Risk Management/BCM, Compliance, Information Disclosure, Corporate Safety and Health, Environmental Conservation, etc. are established as company-wide, cross-sectional committees, to appropriately respond to various management issues and risks in each responsible area by taking necessary measures, giving directions and solving problems.
2. A Risk Management/BCM Committee has been organized to identify, analyze and control major risks that may occur in the course of business operations. In order to avoid or minimize the effects of unforeseeable circumstances, such as natural disasters, as much as possible and ensure the survival of our business, the Risk Management/BCM Committee verifies the activities of each section in charge of risk management, formulates a BCP and takes possible preliminary measures and preparations across the entire group.
3. As a corporate initiative to eradicate antisocial groups, a Risk Management Office has been established in the Department of General Affairs. The office cooperates and exchanges information with external specialist organizations such as the police department, and promotes and performs specific actions thoroughly in order to eradicate antisocial groups. In-house regulations have also been established to eradicate antisocial groups and are strictly enforced. All employees of the ROHM Group are informed by way of the 'ROHM Group Conduct Guidelines' or by other means that they must take a firm stand against antisocial groups. Furthermore, the importance of taking a firm stand against antisocial groups is communicated to all employees through various in-house training sessions.

#### Status of Internal Audits and Auditor Audits

The Corporate Auditors attend important meetings, such as the Board of Directors meetings, and audit the individual divisions of ROHM and its affiliates at home and abroad along with the Internal Audit Department, by holding meetings with those in managerial positions, inspecting documents and reports, and performing other activities. Through these audits, ROHM checks that the Directors are performing their duties in compliance with existing laws, ROHM's internal control is well maintained and operated, in-house rules are well observed, and that ROHM's assets are secured. Currently, there are 7 personnel in the Audit Office. Corporate Auditors, the Internal Audit Department, and Accounting Auditors regularly hold report meetings, consistently maintain close cooperation and coordination, and proactively exchange information and opinions. Sharing information obtained through individual audits enhances the accuracy of audits and allows for constant improvements in operating processes. The contents of audits are reported to ROHM's Internal Audit Division as needed, and opinions are exchanged on matters that require improvements regarding internal control.

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

#### Status of Accounting Audits

ROHM contracts Deloitte Touche Tohmatsu LLC to conduct accounting and internal control audits related to financial reporting, and complies with both Japan's Companies Act and the Financial Instruments and Exchange Act. ROHM has established an environment where the auditing organization can perform audits from a fair, unbiased position as an independent third party. The following are the names of certified public accountants (CPAs) who audited ROHM's accounts for the fiscal year ended March 31, 2014, the number of consecutive years they have been engaged in auditing ROHM, and information on the assistants involved in the audits. CPAs who have audited ROHM (Number of consecutive years they have been involved in ROHM audits) Designated limited liability partners of Deloitte Touche Tohmatsu:

Hiroyasu Kawai (4 years), Yasuhiro Onishi (1 year), Tomoyuki Suzuki (6 years),

Major assistants in the audits

13 CPAs and 11 others

### Outside Directors and Outside Auditors

#### ① Personal relationships, capital relationships, business relationships, and other interests of Outside Directors and Outside Auditors

ROHM appoints two Outside Directors to enhance mutual supervisory functions among Directors. Also, in order to strengthen and enhance the functionality of the audit system with regards to the execution of management duties, all five Auditors are Outside Auditors. To fully accomplish these objectives, ROHM believes that both Outside Directors and Outside Auditors should be highly independent and, therefore, has verified that they do not have any personal, capital, or business relationships with ROHM that might affect their independence. At this time, we acknowledge that the appointment of Outside Directors and Outside Auditors has fully accomplished the above objectives, and thus will maintain this appointment practice for the time being. Special notes in the case where Outside Directors or Outside Auditors are/were officers or employees of another company are as follows.

- Auditor Hideo Iwata was an employee of Resona Bank, Ltd (formerly Daiwa Bank, Ltd). Resona Bank is one of our many financing banks. However, since our Company is not borrowing money from this bank nor is the bank holding any of our shares, we believe that the independence of this Auditor will not be affected.
- Auditor Yasuhito Tamaki is with a professional law corporation, the Midosuji Law Firm, to which our Company is outsourcing legal work, etc. However, since the value of business transactions with this legal office is so small, we do not consider it a risk that would affect the independence of this Auditor.
- Although Outside Directors and Outside Auditors do own shares of our Company, the number of shares is minimal.

#### ② Criteria and policy for independence, and functions and roles of Outside Directors and Outside Auditors

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

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

Since our company has no established standards or policies on independence when appointing Outside Directors and Outside Auditors, we determine their independence by referring to the requirements for Independent Directors stipulated in the Listing Rules of the Tokyo Stock Exchange. As a result, from the fact that the two Outside Directors and five Outside Auditors all meet the aforementioned requirements, our company has declared and reported that all of them are Independent Directors. The relationship between Auditor Audits, Internal Audits, and Accounting Auditor Audits is described in the "Status of Internal Audits and Auditor Audits."

### Remuneration for Directors and Auditors

#### ① Total amount of remuneration for Directors and Auditors by category, total amount of remuneration by type, and the target number of Directors and Auditors

| Director and Auditor Category | Total Remuneration (¥ Million) | Total Remuneration by Type (¥ Million) | | Number of Directors and Auditors (Target) |
|---|---|---|---|---|
| | | Basic Remuneration | Bonus | |
| Director (Excluding Outside Directors) | 221 | 165 | 55 | 9 |
| Outside Director and Auditor | 78 | 78 | – | 7 |

(Note) 1. The amount of remuneration paid to Directors does not include the amount of employee salaries paid to employee Directors.
2. The 48th General Shareholders Meeting held on June 29, 2006 resolved that the maximum amount of annual remuneration for Directors should be under ¥600 million, and the 36th General Shareholders Meeting held on June 29, 1994 resolved that the maximum amount of monthly remuneration for Auditors should be under ¥6 million.

#### ② Total amount of consolidated remuneration for each Director

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

#### ③ Important wages for Directors doubling as employees

Not applicable.

#### ④ Determination method and policy on the amount of remuneration for Directors

Regarding executive compensation, limits on total remuneration for all Directors and Auditors are established at the General Shareholders Meeting. The amount of remuneration for individual Directors is determined after discussions by and according to the rules of the Remuneration Council of the Board of Directors, while the amount of remuneration for individual Auditors is determined in consultation with the Auditors and in accordance with the rules of the Remuneration Council of the Board of Auditors. Remuneration for Directors consists of performance-based remuneration that changes according to performance attainment level, which uses the ROHM Group's consolidated ordinary income as an index, and fixed remuneration, which is a fixed amount intended to identify management responsibilities. However, the remuneration of Outside Directors is limited to a fixed remuneration since the company differentiates neutral auditing functions from corporate operations. Regarding remuneration for Auditors, given the nature of audit functions, each Auditor receives only fixed remuneration, with no performance-based compensation. In addition, our company does not provide stock options to Directors, and has abolished the executive retirement benefits system.

### Resolution Requirements for the Appointment of Directors

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

### Acquisition of Treasury Stock

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

### Decision-making Body for Interim Dividends

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

### Special Resolution Requirements of the General Shareholders Meeting

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

## (4) Details of Audit Fees

### ① Remuneration paid to CPAs, etc.

| Classification | Remuneration Based on Audit Certification Work (¥ Million) | Remuneration Based on Non-Audit Work (¥ Million) |
|---|---|---|
| Submitting Company | 90 | - |
| Consolidated Subsidiary | 38 | - |
| Total | 129 | - |

### ② Contents of other important remuneration

The amount of remuneration for audit certification work at our company's 18 consolidated subsidiaries paid to Auditors who belong to the same network as our company's auditing CPAs is ¥67 million.

### ③ Contents of non-audit work of auditing CPAs at submitting companies

Not applicable.

### ④ Policy on determining audit fees

In deciding audit fees, our company is presented with an annual plan by the auditing CPAs, that confirms the validity of the contents of the audit, the number of days required, etc. in the context of our company's size and operating characteristics. Our company then determines the amount of remuneration based on the number of days required after consulting with the auditing CPAs. Also, a written agreement is concluded after obtaining the consent of the Board of Auditors.

## (5) R&D Activities

Under the basic principle of 'contributing to society through electronics,' the ROHM Group manufactures products designed to benefit society through a variety of businesses. Furthermore, the ROHM Group is continuously expanding R&D activities by leveraging material, design, and manufacturing technologies along with quality improvement initiatives in an effort to develop new technologies for next-generation devices and solutions. Major developments in each product segment for the current term are as follows.

### ① ICs

- Developed the world's first IC that detects electrical leakage in automotive applications.
- Developed a wireless M-bus-compatible wireless communication IC for smart meters in Europe.
- Developed a Bluetooth® Low Energy*1-compatible wireless communication IC featuring the industry's lowest level of power consumption.

***1. Bluetooth® Low Energy**
Bluetooth is a near-field digital wireless communication standard for exchanging information (including textual and voice data) between devices at a distance of several meters to tens of meters using 2.4 GHz band radio waves. It has been adopted in a number of products, such as keyboards and mice for PCs (mainly notebook PCs), mobile phones, PHSs, and smartphones. Bluetooth® Low Energy is a low energy protocol of the Bluetooth standard.

- Developed a monolithic wireless charge control IC compliant with WPC Qi Low Power Ver1.1*2.

***2. WPC Qi**
WPC Qi is an international standard for wireless charging advocated by the WPC (Wireless Power Consortium).

- Completed the basic design of an HD-PLC Inside*3-compliant baseband IC for power line communications.

***3. HD-PLC Inside**
HD-PLC Inside is a standard for building high-speed communication networks using existing power lines.

- Established mass-production technology for an ultra-high sensitivity MI sensor being developed in collaboration with Aichi Steel.
- Developed a power supply IC for Intel's new Atom™ Processor E3800 Series.
- Developed the industry's first high efficiency AC/DC converter IC with built-in PFC*4 control function.

***4. PFC**
PFC is short for Power Factor Correction, a type of circuit that controls current fluctuations that can negatively affect electronic equipment. In Europe, 75W or higher wattage electronic equipment must incorporate PFCs, while in Japan most products already include this circuit.

### ②Discrete Semiconductor Devices

- Developed a new type of Hybrid MOS transistor that combines the advantages of MOSFETs and IGBTs.
- Developed the industry's smallest class of surface mounted LEDs with aspherical lens.
- Developed the world's smallest lineup of components, the RASMID® Series*5, featuring breakthrough miniaturization.

***5. RASMID® (ROHM Advanced Smart Micro Device) Series**
The world's smallest electronic components that achieve unprecedented miniaturization and dimensional precision (±10 μm), by utilizing proprietary breakthrough processes and architecture.

- Developed the world's smallest transistor package, VML0604, that reduces board space by 50%.

### ③Modules

- Developed a wireless LAN module with built-in flash memory.
- Developed an ultra-compact wireless LAN module.

④**Others**

- Released 12 models of LED ceiling lights that facilitate new interior design styles.

- Released a straight tube-type LED lamp featuring an industry-best 190 lm/W luminous efficiency.

- Developed high power ultra-low-ohmic shunt resistors ideal for current detection in applications with increased power requirements, such as automotive systems and industrial equipment.

⑤**Future R&D activities**

- Establish a manufacturing and verification alliance comprised of local governments and leading companies geared towards the commercialization of small, lightweight, high-power solid hydrogen fuel cells for a wide range of applications, from smartphones to emergency backup power supplies.

- Develop a prototype device that reduces power loss during power conversion by 30%, geared towards the development of high efficiency SiC uninterruptible power supplies.

- Introduce power supply-/wiring-/maintenance-free EnOcean[*6] switches to Taima Temple in Nara, which will be the first temple in Japan to this new technology.

***6. EnOcean**
A next-generation wireless communication standard that adopts energy harvesting technology to transmit information using extremely low power. This new standard, along with devices that utilize novel technology requiring no power source or maintenance, is expected to be introduced into HEMS and BEMS. In addition, the ROHM Group has been appointed as a key member and promoter of the EnOcean Alliance, a standards promotion organization, where ROHM will focus on technology development and product sales.

- Began collaboration with Nippon University to develop leading-edge medical devices using sensor technologies.

The R&D expenses in each product segment for the current term are as follows.

| Product Segment | Amount (¥ Million) |
|---|---|
| ICs | 26,240 |
| Discrete Semiconductor Devices | 6,975 |
| Modules | 2,011 |
| Total of Reported Segments | 35,226 |
| Others | 1,311 |
| Total | 36,537 |

## (6) Priority Issues

Although there is concern about economic deceleration due to an increase in the consumption tax in Japan, the global economy started to look brighter as Europe, which had been tough going, moved in the direction of economic recovery, and Japan and the US saw some improvement in personal consumption and employment. The electronics industry will continue to grow in the mid- to long-term thanks to the increased proliferation of digital appliances and automotive computerization. However, competition with regard to prices and technologies will become more spirited, making it increasingly necessary to supply products that are competitive all over the world. The ROHM Group will accomplish this by developing new products and technologies that respond to global markets, and by thoroughly tackling cost reduction.

Under these circumstances, the group will exert itself to identify needs in advance and develop eco-friendly devices that meet energy-saving needs and novel applications never before seen, in a broad range of markets (i.e. automotive electronics equipment, information and telecommunication, and mobile equipment).

The group will continue to enhance its global sales system by increasing the number of FAE* for overseas automotive markets. In addition, we will continue to strengthen CSR activities as a contribution to the realization of a sustainable society, and our risk management system in order to maintain business intact in the face of potential and actual risks.

*** FAE (Field Application Engineer)**
Engineers and technicians who provide technical support and proposals, including technical information, to customers.

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

### Basic Policy

Our company's mission is to 'contribute to the advancement and progress of society through a consistent supply, under all circumstances, of high quality products in large volumes to the global market by making quality our top priority at all times.' We believe that achieving this objective will bring about the improvement and creation of permanent and comprehensive corporate values while at the same time delivering benefits to all stakeholders, including our shareholders. We also understand that our company's Board of Directors is charged by our shareholders with the responsibility to further improve our corporate values by fulfilling the aforementioned company mission and making tireless efforts to manage the company toward sustainable growth. The ROHM Group believes the best defense against takeover attempts is to build a relationship of trust with shareholders by delivering higher stock prices via enhanced corporate value, accountability through proactive IR activities, and by conducting regular dialogs with shareholders. If a proposal for acquisition is made to our company, we believe that the final decision on whether to accept or reject the offer should be left to the current shareholders at the time, and that the Board of Directors should not make arbitrary decisions intended to protect their own personal interests. In addition, in the event of an acquisition proposal, we believe that it is vital that shareholders take a sufficient amount of time to make an 'informed decision' based on sufficient information in order to protect and improve ROHM's corporate value and the common interests of shareholders.

## (7) Basic Policy for Profit Distribution

### ① Basic Policy for Profit Distribution

Amidst the global-scale restructuring and shakeout of the semiconductor industries, the ROHM Group believes that aggressively allocating funds to necessary capital investments and M&A, and striving to improve business performance over the long-term is a good strategy for winning out over the competition and living up to the expectations of its shareholders.

In distributing profits to shareholders, ROHM will target a consolidated payout ratio of 30%, and ensuring stable and continuous payment of dividends. Regarding the market environment surrounding the ROHM Group, market growth in the mid- to long-term can be expected alongside continued computerization and informatization.

However, global competition will intensify due to global-scale restructuring and a shakeout of the industry. In order to maintain growth and increase business performance under these circumstances, it is imperative that ROHM develop unique products and enhance cost competitiveness. In response, ROHM is making every effort to enhance its corporate value by actively investing cash reserves and generated cash flows in facilities necessary to enhance its developmental and technological expertise, which are essential to maintain a competitive edge, and in strategic businesses, including partnerships and acquisitions that can be expected to produce synergistic results and attractive returns. In consideration of the business results of the current fiscal year, the year-end dividend was 30 JPY per share. As a result, the annual dividend, with 20 JPY per share added as an interim dividend, was 50 JPY per share.

The company also has a basic policy of paying dividends on earnings twice a year, in the form of interim and year-end dividends. The decision-making bodies for these dividends are the General Shareholders Meeting (year-end dividends) and the Board of Directors (interim dividends). Our company has stipulated in the Articles of Incorporation that interim dividends may be paid to shareholders by resolution of the Board of Directors, with a dividend record date of September 30 every year.

**② Retirement of Treasury Stock**

The ROHM Group considers a maximum 5% of the total outstanding shares as its treasury stock holdings, and, in principle, any amount beyond this limit is retired at the end of every fiscal year. Also, the group always keeps no more than 5%of its treasury stocks on hand in order to ensure management flexibility for merger and acquisition activity and other needs as required. For your information, treasury stock holdings on hand in the current fiscal year (5,594 thousand shares) were 4.93% of the total outstanding shares, falling below 5%.

# Business Results

## (1) Analysis of Business Results

### Business Results for the Year Ended March 31, 2014

### General Overview of Business Performance

The world economy in the fiscal year ended March 31, 2014 was brighter than the previous year as the economies in the US and Japan recovered, while the European economy started to show signs of bottoming out, although in China and Asia the pace of economic growth slowed. By individual regions, in the US, although the debt-ceiling problem temporarily affected the stock market, the housing sector and personal consumption remained strong while unemployment continued on an upward trend, keeping the economy on a recovery track. As for Europe, the unemployment rate remained high in Southern Europe, keeping pressures on the economy severe. However, key countries acted as a driving force with a strong economy in Germany as well as an improved housing sector in the UK, thus the overall economy started to recover. In Asia, the pace of economic growth slowed in India, and, in South Korea, consumption and investment stagnated due to the appreciation of its currency in the first half of the fiscal year, but recovered in the second half of the year, placing the overall economy in Asia on a recovery trend. In Japan, thanks to the effects of fiscal and monetary policies led by the Japanese government and the Bank of Japan since the end of 2012, as well as the effects of a depreciated yen, personal consumption, corporate profits, and the employment situation have improved. The stock market was also strong, and, as a result, the economy slowly headed towards a sustainable recovery. In the electronic industries, sales of flatscreen TVs and personal computers appeared to have bottomed out. Also, sales of smartphones and tablets remained strong. The automotive market was strong as sales of new cars were robust in Japan, the US, and China, and also thanks to an improving rate of electronic equipment use.

In the midst of these conditions, the ROHM Group remained committed to strengthening its sales structure in overseas markets and proceeded to expand product lineups for the automotive and industrial equipment sectors where mid- to long-term growth is expected. Furthermore, ROHM continued to tackle cost reduction across the entire group by restructuring production systems, reviewing semiconductor materials, and streamlining operations through improved yield ratios. And, in order to increase sales over the mid- to long-term, the group strengthened its product lineups and positioned four key areas as engines for future growth: 1) IC synergy (with LAPIS Semiconductor Co., Ltd.), 2) SiC-based power devices and power module products, 3) LEDs and related products, and 4) Sensor-related products. ROHM was also recognized as a prime supplier by three major overseas automotive electric parts manufacturers – a testament to the substantial efforts made to strengthen relationships with key overseas customers. Regarding new products, ROHM enhanced its lineup of the 'PSR' series shunt resistors[*1], which feature high power and ultra-low resistance, and began mass-producing and expanding its 'RASMID®' line of microminiature components, while also beginning full-fledged mass-production of dedicated power management ICs for tablets. In addition, ROHM developed power ICs for a variety of markets, including the smartphone and automotive sectors, and developed the world's smallest transistor ('VML0604'[*2]). The group also worked to cultivate new markets for the 'Hybrid MOS', a high voltage resistance transistor featuring both high-speed operation and low loss, as well as energy-harvesting[*3] products from EnOcean. ROHM also promoted the development of new products for next-generation markets, including telecommunication ICs that comply with power line communication standards for HEMS/BEMS, as well as Bluetooth® Low Energy. As a result, consolidated net sales for the year ended March 31, 2014 were 331,088 million JPY (an increase of 13.2% from the year ended March 31, 2013), and operating income was 23,636 million JPY (operating loss of 921 million JPY for the year ended March 31, 2013). Ordinary income was 35,915 million JPY thanks to foreign currency exchange gains (an increase of 204.7% from the year ended March 31, 2013), and net income for the year was 32,092 million JPY (net loss of 52,464 million JPY for the year ended March 31, 2013) as 5,238 million JPY in gains were added from the sale of land belonging to LAPIS Semiconductor Co., Ltd., a ROHM Group company.

***1. 'PSR' series shunt resistor**
Shunt resistors that deliver high power with excellent temperature coefficient of resistance (TCR) in the low-ohmic range. They employ a high functional alloy and are fabricated with in-house precision welding technology that contributes to high productivity and reduces design load while making them ideal for automotive and industrial equipment with stringent temperature requirements.

***2. 'VML0604'**
The world's smallest transistor package, made with high-density package processing technology and an optimized internal configuration that reduces the footprint to half the size of existing products (VML0806).

***3. Energy Harvesting**
The process of converting natural energy into usable electric energy.

### Performance Overview by Segment

<ICs>

Net sales for the year ended March 31, 2014 were 154,183 million JPY (an increase of 9.5% from the year ended March 31, 2013), and segment profits for the year were 9,217 million JPY (segment losses of 7,825 million JPY for the year ended March 31, 2013). In the digital AV equipment field, the digital camera market was affected by the expansion of the smartphone sector, while sales of power management ICs and lens controller driver ICs were sluggish. Sales of flatscreen TVs and DVD-related equipment finally bottomed out but lacked staying power. As a result, sales of power ICs remained slow. In the telecommunication-related market, although the existing personal computer sector experienced tough conditions, power ICs for tablets and driver ICs and sensor ICs for smartphones enjoyed strong sales. In the gaming industry, sales of optical disc driver ICs and power management ICs for select game consoles were robust.

In the automotive market, power ICs, LED driver ICs, and ICs for car audio equipment and car navigation equipment were widely adopted, as automobile production volume increased and the placement rate of electronic products improved. Likewise, in the fields of home appliances and industrial equipment, sales of power ICs, sensor ICs, and LED driver ICs were on the rise. At LAPIS Semiconductor Co., Ltd., a ROHM Group company, although sales of ICs for communications were sluggish, high-resolution display driver ICs were increasingly adopted for TVs, and memory ICs for game software saw increased sales. Similarly, ICs for automotive equipment and lithium-ion battery monitoring ICs enjoyed robust sales. Regarding production systems, ROHM continued from the previous quarter to improve production efficiency in domestic front-end processes and back-end processes in Thailand and the Philippines.

<Discrete Semiconductor Devices>

Net sales for the year ended March 31, 2014 were 117,747 million JPY (an increase of 18.5% from the year ended March 31, 2013), and segment profits for the year were 14,087 million JPY (an increase of 77.7% from the year ended March 31, 2013). Concerning transistors and diodes, although sales for the consumer equipment market that includes TVs and audio equipment hit a wall, sales of power MOSFETs, bipolar transistors[*4], Schottky barrier diodes[*5], switching diodes[*6], and rectifier diodes[*7] were strong in the smartphone, automotive and office equipment markets. In the SiC power device module category, sales of customized power modules for automobiles were sluggish in the first half of the fiscal year but entered a recovery trend in the second half. Also, modules for in-vehicle battery chargers and air conditioners were widely adopted, although sales of modules for solar power equipment entered a production adjustment phase. In the LED category, sales of blue/white LEDs for mobile phones entered an adjustment phase, while sales for the gaming devices market were robust. Also, the PICO LED® series of ultra-compact LEDs for wearable equipment market saw increased adoption. In the laser diode category, sales for car audio equipment and printers were on a recovery trend. As for production systems, ROHM closed its transistor wafer factory in Ibaraki Prefecture and concentrated its efforts toward improving efficiency at individual group factories in Thailand, the Philippines, and Tianjin, China.

***4. Bipolar transistor**
A 3-terminal semiconductor in which N-type semiconductors and P-type semiconductors have a P-N-P or N-P-N junction structure. Primarily used for current amplification and switching.

***5. Schottky barrier diode**
A diode that utilizes the characteristics of a Schottky junction formed by contact between metal and a semiconductor. It is mainly used for switching power supplies and the like as voltage drop in the forward direction is low and switching speed is fast.

***6. Switching diode**
A general-purpose diode for switching that it is widely adopted for small signal switching applications.

***7. Rectifier diode**
A diode optimized for medium current/high-speed switching. It is used to generate rectification current in order to prevent damage due to reversed connections of positive and negative wiring in variety of electric components.

<Modules>

Net sales for the year ended March 31, 2014 were 31,649 million JPY (an increase of 12.0% from the year ended March 31, 2013), and segment profits for the year were 1,443 million JPY (segment losses of 600 million JPY for the year ended March 31, 2013). Regarding printheads, sales for the mini-printer markets in China and the US were strong.

In the power module category, sales of power modules mainly for automotive markets and wireless LAN modules were robust. In the optical module category, although sales of IrDA telecommunication modules for mobile phones were sluggish, sales of LED displays for various applications, proximity sensors for smartphones, and photointerrupters[*8] for printers were strong. With regards to production systems, ROHM proceeded with automating assembly processes at group factories in Dalian, China, in an effort to improve production efficiency.

***8. Photointerrupter**
A sensor comprised of an infrared emitter on one side and an infrared detector on the other side. The sensor detects that the beam from the emitter is blocked when an object passes through the beam. It is often used to detect the existence or location of objects.

<Others>

Net sales for the year ended March 31, 2014 were 27,509 million JPY (an increase of 14.5% from the year ended March 31, 2013), and segment losses for the year were 797 million JPY (segment losses of 1,834 million JPY for the year ended March 31, 2013). In the resistors category, sales of resistors for the automotive and industrial equipment markets increased. As for tantrum capacitors, sales for the smartphone and tablet markets were strong. Sales of LED lighting products entered an adjustment phase as large volume demand cooled off in the first half of the fiscal year but recovered in the second half of the year. Concerning production systems, ROHM strove to improve production efficiency and reduce costs at group factories in Thailand, the Philippines, and Dalian, China.

Please note that the above sales were to external customers.

### (2) Analysis on Financial Condition and Cash Flow
### Analysis on Status of Assets, Liabilities, Net Assets and Cash Flow

The financial condition of the year ended March 31, 2014 was as follows. Total assets increased 55,394 million JPY from the previous fiscal year, totaling 754,408 million JPY. The main factors behind that were an increase in cash and time deposits of 48,825 million JPY and an increase in investment securities of 20,342 million JPY, while inventories decreased 12,510 million JPY. Liabilities increased 5,653 million JPY from the previous fiscal year to 91,020 million JPY. The main factor for this increase was that deferred tax liabilities increased by 4,505 million JPY. Net assets increased 49,741 million JPY from the previous fiscal year to 663,388 million JPY. The main factor for this increase was an increase in retained earnings of 28,318 million JPY and an increase in foreign currency translation adjustments of 17,678 million JPY. Consequently, equity ratio increased from the 87.7% of the previous fiscal year to 87.9%.

Cash flow in the year ended March 31, 2014 was as follows. Cash flow from operating activities in the year ended March 31, 2014 was a positive 59,135 million JPY, an increase of 8,594 million JPY from the previous fiscal year (positive 50,541 million JPY). This was mainly attributable to losses before income taxes resulting in profits, which worked as a positive factor, and decreases in impairment loss and insurance proceeds received, which acted as negative factors.

Cash flow from investment activities in the year ended March 31, 2014 was a negative 21,621 million JPY, a decrease of 51,518 million JPY from previous fiscal year (negative 73,139 million JPY). This was mainly attributable to a decrease in expenses on purchases of property, plant and equipment, a decrease in time deposits and an increase in proceeds from sale of property, plant and equipment, which worked as positive factors, and an increase in expenses on purchases of marketable and investment securities, which acted as negative factors. Cash flow from financial activities decreased by 1,166 million JPY (a minus of 5,120 million JPY in the year ended March 31, 2013) and recorded a minus of 3,954 million JPY for the year ended March 31, 2014. It was mainly attributable to the positive effects of a decrease in dividend payments. As a result of adding an increase in foreign currency translation adjustments on cash and cash equivalents of 9,785 million JPY to the abovementioned factors, cash and cash equivalents increased by 43,345 million JPY from the previous fiscal year, and amounted to 240,391 million JPY.

## Risk Management

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

The financial forecast and business outlook herein were determined by the ROHM Group as of the end of this fiscal term.

### (1) Risks Associated with Market Changes

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

### (2) Exchange Risks

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

### (3) Risks of Product Defects

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

### (4) Legal Risks

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

### (5) Natural Disasters and Geopolitical Risks

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

### (6) Mergers and Acquisitions Risks

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

### (7) Research and Development Risks

At present, new technologies and products are being developed and diffused in different electronics fields. The ROHM Group, as a part of the electronics related industry, continually faces stiff competition in technology and product development and, therefore, we must exert ourselves day and night in the research and development of materials and products in order to produce new products and technologies. Consequently, our research and development costs in the year ended March 31, 2014 were approximately 11% of our consolidated sales. In these research and development activities, plans may be considerably delayed, and the opportunity to introduce them into the market missed, for example, due to a lack of technical capabilities or the ability to develop new products. And, there is also the possibility that the new products we develop may not be favorably received on the market as anticipated. If this occurs, it may affect our business performance.

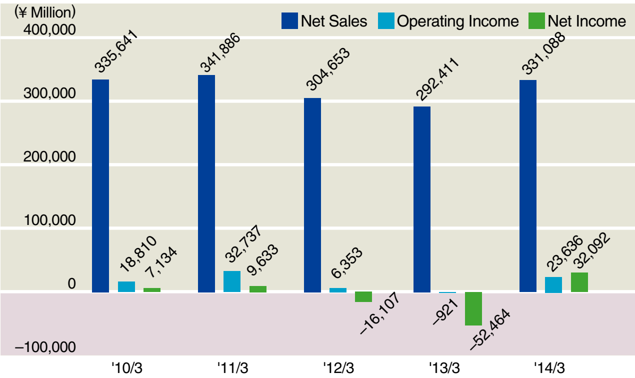
### (8) Other Risks and Our Corporate Risk Management System

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

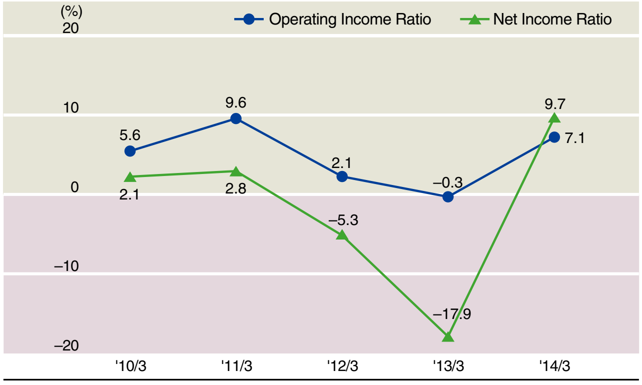
# Five-Year Summary

## Results of Operations

1. Results of Operations

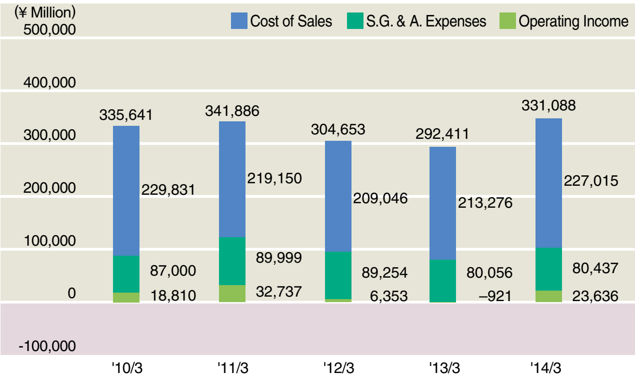



2. Income Ratio



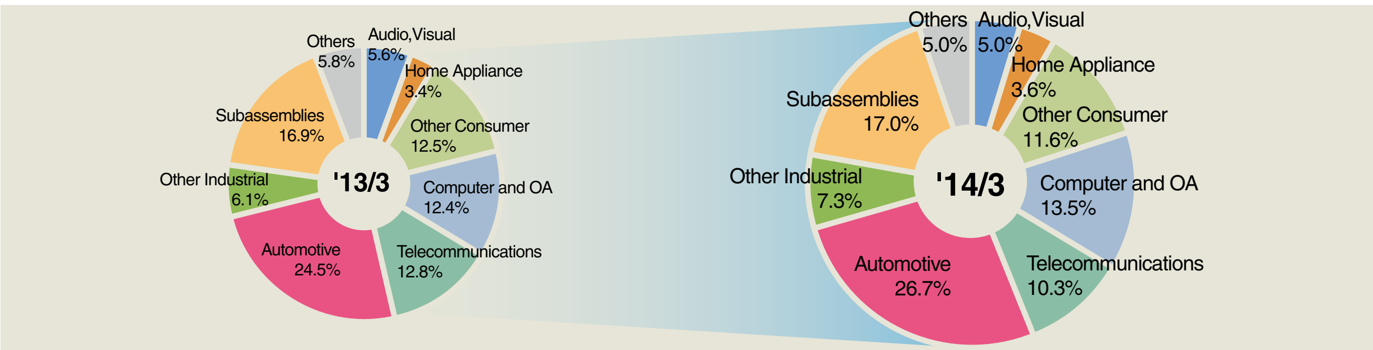

●The world economy in the fiscal year ended March 31, 2014 was brighter than the previous year as the economies in the US and Japan recovered, while the European economy started to show signs of bottoming out, although in China and Asia the pace of economic growth slowed.
In the electronic industries, sales for flatscreen TVs and personal computers market appeared to have bottomed out, also sales for the smart phone and tablet market remained strong.
The automotive market was strong as sales for new cars were robust in Japan, the US, and China, and also thanks to an improving rate of electronic equipment use.
In the midst of such a business environment, net sales increased thanks to a stronger sales structure and stronger product lineups.
In term of profits, as a result of the increased sales, gross profits and operating income increased, also net income increased thanks to the increase in operating income, a significant decrease in posted impairment losses, etc.
Owing to such effects, both operating income ratio and net income ratio also improved from the previous term.

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




●The cost of sales increased from the previous term due to an increase in net sales, although depreciation decreased.
Selling, general and administrative expenses increased as a whole, as primary research and development costs decreased, and salaries, bonuses and commissions paid increased.
Operating income increased from the previous term as the increase in net sales exceeded these increase factors.

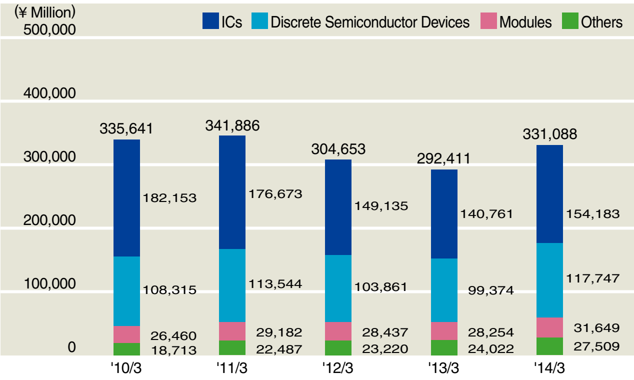
## Sales by Application




●The composition ratio increased since net sales for automotive and other industrial equipment markets that we have been focusing on, increased significantly from the previous term.
On the other hand, the composition ratio decreased relatively since net sales to the audio, visual, other consumer product and telecommunication markets did not increase significantly from the previous term.

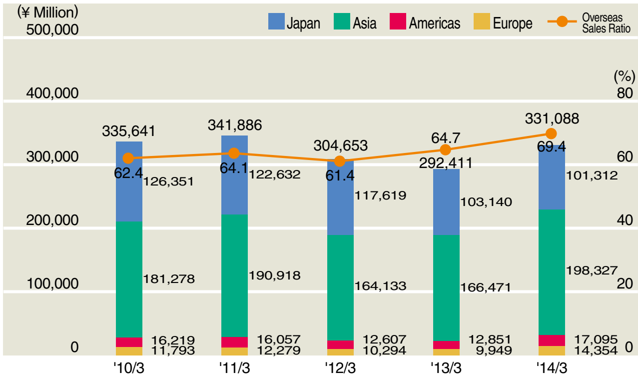
## Sales

### 1. Sales by Segment



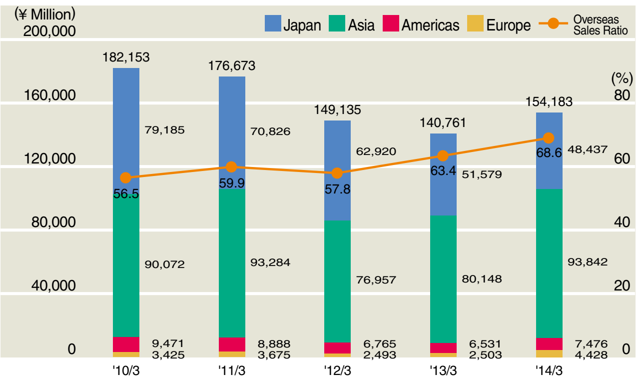

●Net sales of ICs increased because sales of power ICs for automotive equipment, LED driver ICs, and memory ICs for game software in Japan were on the rise.
Net sales of discrete semiconductor devices increased because sales of transistors and diodes to automotive markets, LEDs for game software and laser diodes for printers were strong.
Net sales in the modules increased because sales of printheads for mini-printers and power modules for automotive markets, including car navigation equipment, were strong.
Net sales in other segments increased because sales of various resistors for automotive markets and tantalum capacitors for smartphones were strong.

### 2. Sales by Geographical Region and Overseas Sales Ratio



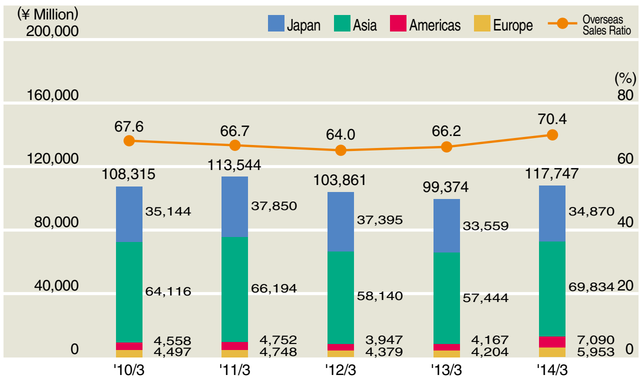

●Net sales in Japan decreased because the flatscreen TV and camera markets were sluggish, although sales for automotive markets were strong.
Net sales in Asia increased because sales of power ICs and ultra-small components for the smartphone and tablet markets increased and sales of discrete semiconductor devices for automotive markets also remained strong.
Net sales in the Americas increased because sales of ICs and discrete semiconductor devices for automotive markets, including in-vehicle and car audio equipment, were strong.
Net sales in Europe increased because sales of ICs, discrete semiconductor devices, and resistors for automotive markets, including in-vehicle and car audio equipment, were on the rise and sales of printheads for mini-printers were strong.

### 3. ICs Sales by Geographical Region



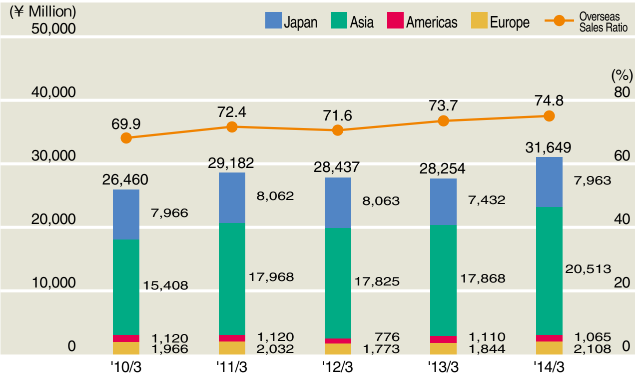

●Net sales in Japan decreased because sales for the existing mobile phone and camera markets were sluggish.
Net sales in Asia increased because sales of car audio equipment flat-panel displays were robust.
Net sales in the Americas increased because sales for in-vehicle and car audio equipment were strong.
Net sales in Europe increased because sales for mobile phones and industrial equipment were strong.

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



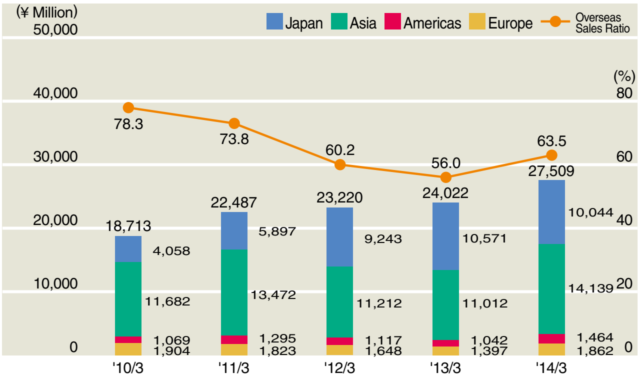

●Net sales in Japan increased because sales for in-vehicle markets were strong.
Net sales in Asia increased because sales for components/units, car audio equipment and in-vehicle equipment were strong.
Net sales in the Americas increased because sales for car audio equipment and in-vehicle equipment were strong.
Net sales in Europe increased because sales for car audio equipment and in-vehicle equipment were on the rise.

5. Modules Sales by Geographical Region




●Net sales in Japan increased because sales of power modules for automotive markets were robust.
Net sales in Asia increased because sales for office equipment were on the rise.
Net sales in Europe increased because sales of printheads for office equipment were strong.

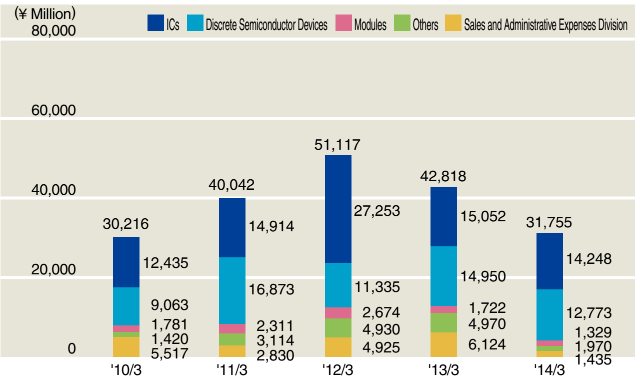
6. Others Sales by Geographical Region




●In Japan, sales for LED lightings decreased, although sales for resistors were strong.
Net sales in Asia increased because sales of resistors and tantalum capacitors for mobile phone markets were robust.
Net sales in the Americas increased because sales for in-vehicle equipment markets were strong.
Net sales in Europe increased because sales for in-vehicle equipment and car audio equipment were robust.

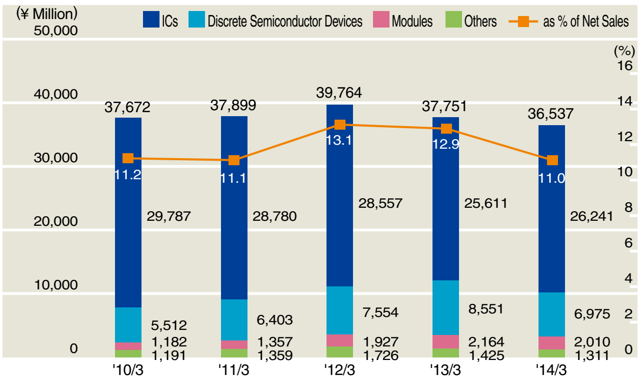
## Capital Expenditures / Research and Development Costs

1. Capital Expenditures




●In the IC segment, investment was front-loaded to strengthen 300 mm wafer processes, MEMS-related lines in Japan and assembly processes abroad.
In the discrete semiconductor devices segment, investment was front-loaded to improve production efficiency, including enlargement to the diameter of transistor wafers also, worked on the reinforcement of the production system to the device in the next generation, including enlargement to the diameter of SiC wafers.
In the modules segment, investment was front-loaded to improve the productivity of printheads, strengthen product lines for new sensor products in optical modules, etc.
In other segments, production systems were reinforced for new products and factory efficiency improved.

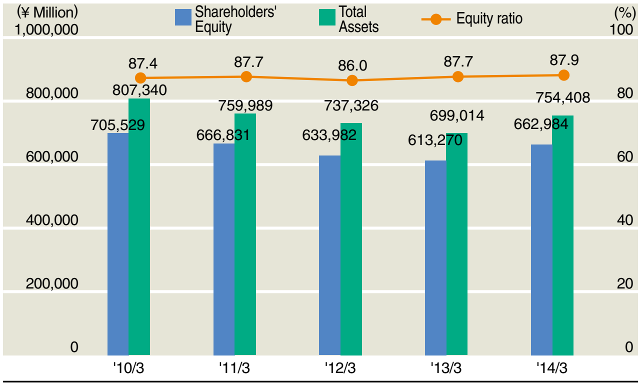
2. Research and Development Costs




●The ROHM Group has been focusing R&D on future growth, developing products in core areas and expanding our share of target markets.
We believe R&D costs should be about 10% of net sales as a rough target. We will actively strengthen product lineups centering on our four growth engines and further promote R&D to ensure future profits.
R&D costs in the year ended March 31, 2014 decreased in the discrete semiconductor devices segment.

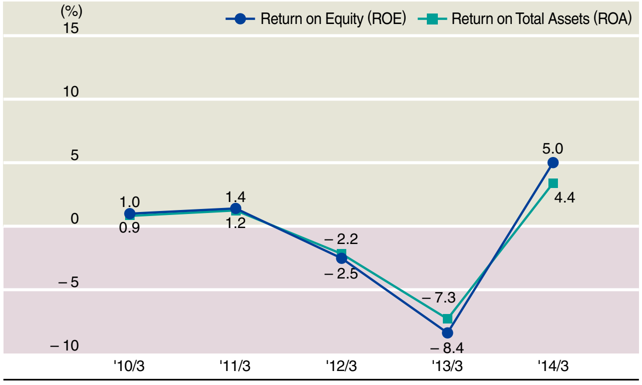
## Financial Position

### 1. Shareholders' Equity / Total Assets



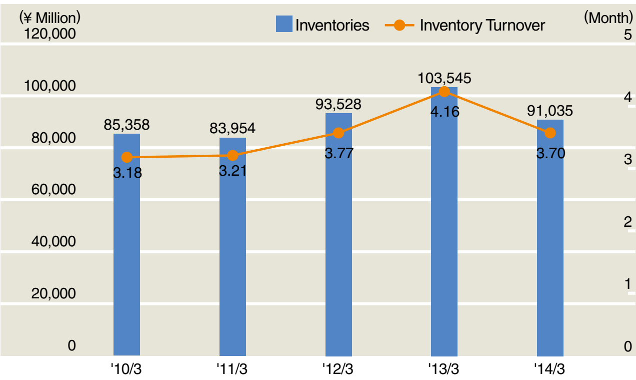

●Total assets increased from the previous term because cash and deposits increased owing to posted profits, etc.
Shareholders' equity increased from the previous term owing to this term's posted profits and an increase in foreign currency translation adjustments as a result of a weaker Japanese yen than at the end of the previous term.
Owing to these effects, equity ratio increased from the previous term.
The ROHM Group is committed to funding business operations with its own capital from the perspective of ensuring financial soundness. For this reason, equity ratio remains high.

### 2. Return on Equity (ROE) / Return on Total Assets (ROA)




●Because net income increased from the previous term owing to posted profits derived from increased sales, a decrease in the posted amount of impairment loss, and other factors, both the return on equity (ROE) and the return on total assets (ROA) improved from the previous term.

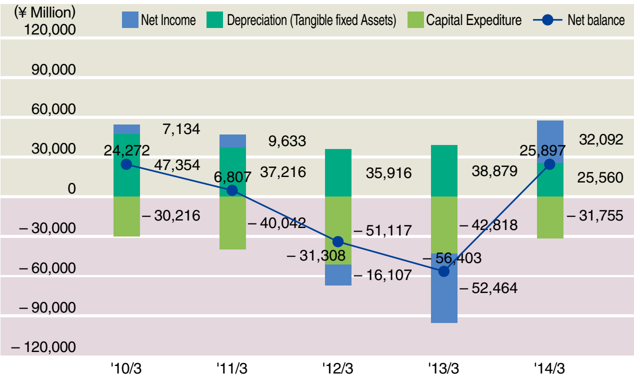
### 3. Inventories / Inventory Turnover




●Inventories decreased from the previous term for reasons that we improved efficiency by consolidating production systems, structurally reformed our business and reduced fixed costs as a result of general cost reduction efforts.
Due to the above effects, inventory turnover improved from the previous term.
The ROHM Group has been working to provide high added-value, highly reliable products by manufacturing products from the stage of raw materials, based on a business model that relies on vertically integrated manufacturing.

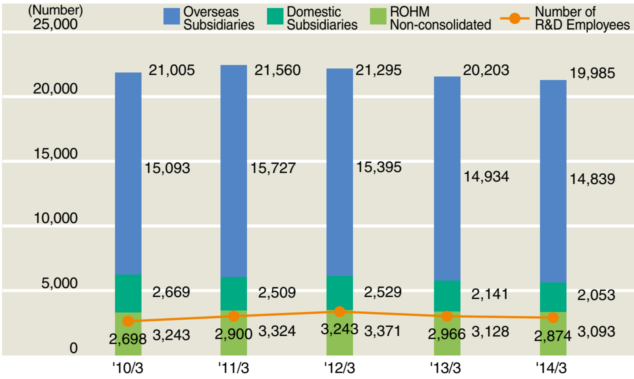
# Five-Year Summary

## Net income, Depreciation, and Capital Expenditure




●Net balance increased from the previous term as a result of the increase in current net income, etc.
The ROHM Group uses net balance to measure the achievements of business activities within the group, etc. because it can approximate the capital we earn from our business activities, thus considers it to be an important management indicator.

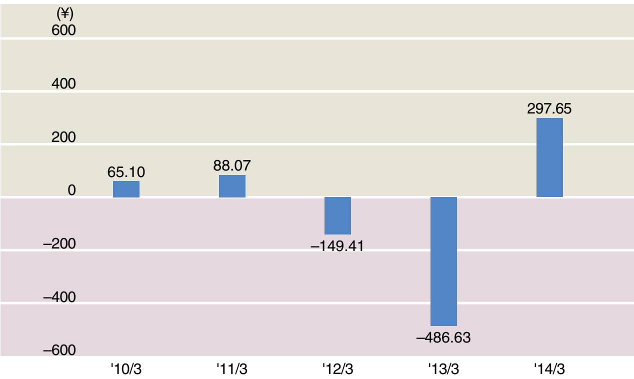
## ■ Number of Employees




●The number of employees decreased from the previous term as a result of downsizing of personnel mostly at overseas subsidiaries.

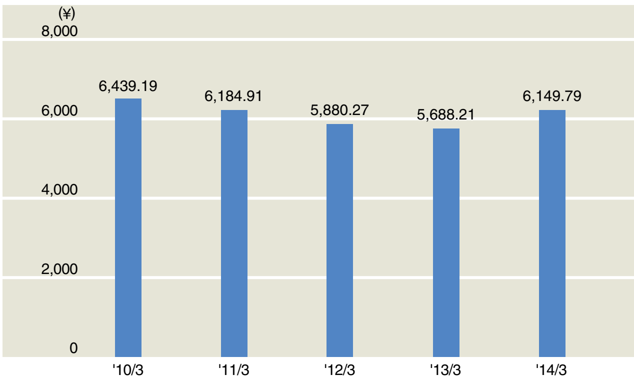
## Share-related Information

### 1. Net income per share



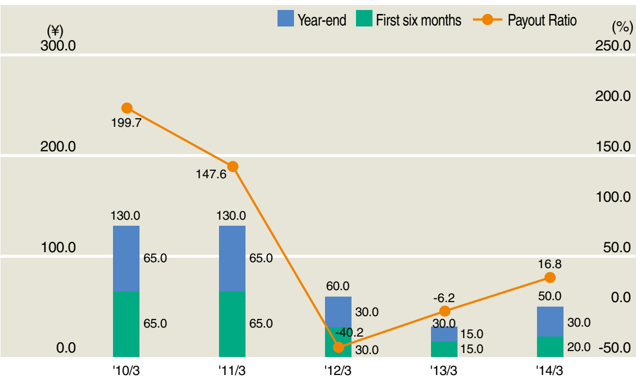

●Current net income per share increased from the previous year owing to the increase in current net income, etc.

### 2. Net Assets per Share




●The net assets increased owing to posted current profits, an increase in foreign currency translation adjustment, etc. As a result, net assets per share increased from the previous term.

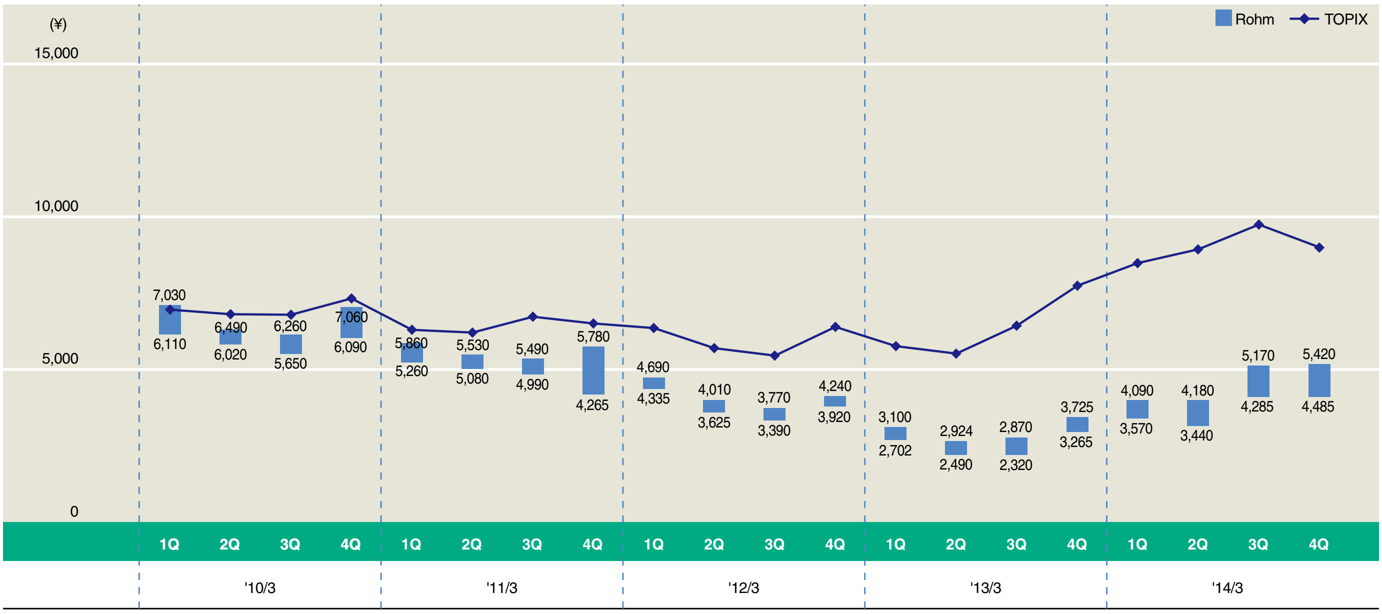
### 3. Cash Dividends per Share / Payout Ratio




●Although both the interim and year-end dividends were planned to be 20 JPY each at the beginning of the term, we decided to increase the year-end dividend from 20 JPY to 30 JPY, because our performance during this term was strong. As a result, the annual divided was 50 JPY, which increased by 20 JPY from the previous term.
In this way, consolidated payout ratio improved.
In the future, ROHM will strive to ensure a 30% consolidated payout ratio or more, and strengthen the return to our shareholders by improving our performance.

## Stock Prices

Stock Prices; Quarterly Highs and Lows in Each Year (Tokyo Securities Exchange)




●Efforts to enhance our corporate value

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

The ROHM Group is making concerted efforts to enhance share value.

To that end, it is our first priority to improve our performance. We are working to expand our product lineups for new markets such as the automotive and industrial equipment markets, strengthen the sales system for overseas customers, and develop new products and new technologies for next generation applications to note first and foremost our four growth engines.

The ROHM Group is also working to improve returns to shareholders by ensuring at least a 30% consolidated payout ratio, etc.

## Stock Information (as of March 31, 2014)

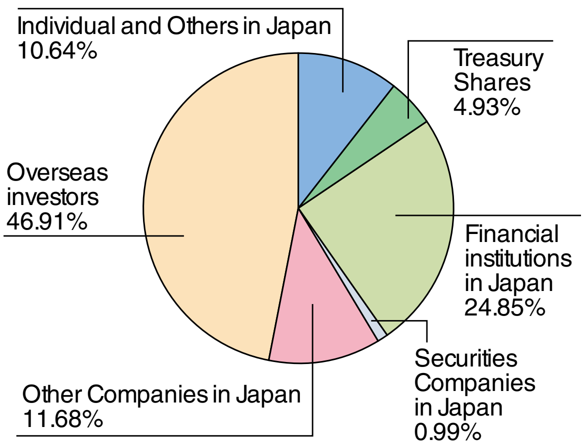
| | |
|---|---|
| • Authorized Common Stock | 300,000,000 |
| • Issued Common Stock | 113,400,000 |
| • Number of Shareholders | 24,965 |

• Major Shareholders

| Ranking | Name | Number of Shares Held | Percentage (%) |
|---|---|---|---|
| 1 | Rohm Music Foundation | 8,000,000 | 7.42 |
| 2 | Japan Trustee Service Bank, Ltd. (Trust account) | 7,238,429 | 6.71 |
| 3 | The Master Trust Bank of Japan, Ltd. (Trust account) | 6,968,700 | 6.46 |
| 4 | Bank of Kyoto, Ltd. | 2,606,824 | 2.41 |
| 5 | Ken Sato | 2,405,066 | 2.23 |
| 6 | SAJAP | 1,945,300 | 1.80 |
| 7 | JP MORGAN CHASE BANK 385632 | 1,712,916 | 1.58 |
| 8 | THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT | 1,678,796 | 1.55 |
| 9 | Japan Trustee Service Bank, Ltd. (Trust account 9) | 1,652,700 | 1.53 |
| 10 | NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST | 1,468,700 | 1.36 |
| Total | | 35,677,431 | 33.09 |

(Note) 1. Treasury stock (5,594,438) is excluded from the above list.
2. Percentage indicates ratio to issued common stock (107,805,562).
3. The percentages are rounded off the second decimal place.

• Shareholder Mix




### Notes (Computation)

- **Equity ratio** = (total net assets - minority interests) / total assets × 100
- **Return on equity (ROE)** = net income / (total net assets-minority interests) × 100
- **Return on total assets (ROA)** = net income / total assets × 100
- **Inventory turnover** = {(inventories at the beginning of the year + inventories at the end of the year) / 2} / monthly average sales for the most recent three months
- **Net income per share** = (net income-ammount not attributable to common shareholders) / average number of shares during the period
- **Net assets per share** = (total net assets-minority interests-ammount not attributable to common shareholders) / year-end number of shares outstanding
- **Payout ratio** = cash dividends per share / net income per share × 100

The computation of net income per share and cash flow per share is based on the average number of shares of common stock outstanding during each year.

The average number of shares of common stock used in the computation for the fiscal year 2014, 2013, 2012, 2011, and 2010 was 107,811 thousand, 107,814 thousand, 107,815 thousand, 109,357 thousand, 109,569 thousand, respectively.

# Eleven-Year Summary

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

| | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| **For the Year:** | | | | |
| Net sales | ¥ 355,630 | ¥ 369,024 | ¥ 387,790 | ¥ 395,082 |
| Cost of sales | 194,857 | 221,133 | 243,516 | 251,516 |
| Selling, general and administrative expenses | 66,266 | 71,837 | 75,955 | 74,068 |
| Operating income (loss) | 94,507 | 76,054 | 68,319 | 69,498 |
| Income (loss) before income taxes and minority interests | 101,070 | 70,842 | 73,858 | 77,874 |
| Income taxes | 37,268 | 25,667 | 25,490 | 30,400 |
| Net income (loss) | 63,717 | 45,135 | 48,305 | 47,446 |
| Capital expenditures | 51,958 | 85,171 | 80,240 | 60,926 |
| Depreciation and amortization | 45,869 | 47,442 | 57,032 | 61,141 |
| **Per Share Information (in yen and U.S. dollars):** | | | | |
| Basic net income (loss) | ¥ 535.62 | ¥ 380.21 | ¥ 416.39 | ¥ 413.56 |
| Cash dividends applicable to the year | 55.00 | 85.00 | 90.00 | 100.00 |
| **At Year-End:** | | | | |
| Current assets | ¥ 530,121 | ¥ 512,990 | ¥ 568,112 | ¥ 602,705 |
| Current liabilities | 88,321 | 85,964 | 105,779 | 80,383 |
| Equity | 715,938 | 739,329 | 787,214 | 817,818 |
| Total assets | 846,800 | 867,323 | 951,442 | 962,603 |
| Number of employees | 18,591 | 19,803 | 20,279 | 20,422 |

Notes:
1. U.S. dollar amounts are provided solely for convenience at the rate of ¥103 to U.S.$1, the approximate exchange rate at March 31, 2014.
2. Certain reclassifications of previously reported amounts have been made to conform with the classifications in the 2014 financial statements.
3. Diluted net income per share for 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004 is not disclosed because there were no outstanding potentially dilutive securities and ROHM CO., LTD. was in a net loss position for the year ended March 31, 2013 and 2012.
4. Effective April 1, 2008, ROHM CO., LTD. and its consolidated subsidiaries applied new accounting standards as follows:
   (1) Applied a new accounting standard for measurement of inventories. The effect of this change was to decrease “Operating Income” by ¥3,184 million and to increase “Loss before income taxes and minority interests” by ¥3,184 million for the year ended March 31, 2009.
   (2) Applied a new accounting standard for lease transactions. The effect of this change to the consolidated financial statements was immaterial for the year ended March 31, 2009.
   (3) Applied a new accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements. The effect of this change to the consolidated financial statements was immaterial for the year ended March 31, 2009.
5. Effective April 1, 2010, ROHM CO., LTD. and its consolidated subsidiaries applied a new accounting standard as follow:
   (1) Applied a new accounting standard for asset retirement obligations. The effect of this change was to decrease “Operating Income” by ¥73 million and “Income before income taxes and minority interests” by ¥784 million for the year ended March 31, 2011.

| | Millions of Yen | | | | | | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | **2014** | **2014** |
| | ¥ 373,406 | ¥ 317,141 | ¥ 335,641 | ¥ 341,886 | ¥ 304,653 | ¥ 292,411 | **¥ 331,088** | **$ 3,214,447** |
| | 230,839 | 217,282 | 229,831 | 219,150 | 209,046 | 213,276 | **227,015** | **2,204,029** |
| | 75,205 | 89,319 | 87,000 | 89,999 | 89,254 | 80,056 | **80,437** | **780,942** |
| | 67,362 | 10,540 | 18,810 | 32,737 | 6,353 | (921) | **23,636** | **229,476** |
| | 57,967 | (25,520) | 10,836 | 19,400 | (2,697) | (52,414) | **40,179** | **390,087** |
| | 26,007 | (33,775) | 4,001 | 9,524 | 13,374 | 10 | **8,056** | **78,214** |
| | 31,932 | 9,837 | 7,134 | 9,633 | (16,107) | (52,464) | **32,092** | **311,573** |
| | 38,722 | 51,491 | 30,216 | 40,042 | 51,117 | 42,818 | **31,755** | **308,301** |
| | 55,605 | 48,951 | 48,446 | 39,019 | 34,925 | 38,857 | **25,560** | **248,155** |
| | | | | | | | | |
| | ¥ 284.66 | ¥ 89.76 | ¥ 65.10 | ¥ 88.07 | ¥ (149.41) | ¥ (486.63) | **¥ 297.65** | **$ 2.89** |
| | 230.00 | 130.00 | 130.00 | 130.00 | 60.00 | 30.00 | **50.00** | **0.49** |
| | | | | | | | | |
| | ¥ 535,898 | ¥ 464,187 | ¥ 462,435 | ¥ 436,247 | ¥ 434,457 | ¥ 423,064 | **¥ 461,746** | **$ 4,482,971** |
| | 62,775 | 68,325 | 68,850 | 64,334 | 74,337 | 55,750 | **52,955** | **514,126** |
| | 755,873 | 709,841 | 707,719 | 668,779 | 634,280 | 613,647 | **663,388** | **6,440,661** |
| | 870,972 | 809,185 | 807,340 | 759,989 | 737,326 | 699,014 | **754,408** | **7,324,350** |
| | 20,539 | 22,034 | 21,005 | 21,560 | 21,295 | 20,203 | **19,985** | |

# Consolidated Balance Sheet

ROHM CO., LTD. and its Consolidated Subsidiaries
March 31, 2014

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| **Current Assets:** | | | |
| Cash and cash equivalents (Note 21) | **¥ 240,391** | ¥ 197,046 | **$ 2,333,893** |
| Marketable securities (Notes 5 and 21) | **8,282** | 7,596 | **80,408** |
| Short-term investments (Notes 6 and 21) | **39,591** | 35,512 | **384,379** |
| Notes and accounts receivable (Note 21): | | | |
| Trade | **69,751** | 65,424 | **677,194** |
| Other | **2,759** | 2,294 | **26,787** |
| Allowance for doubtful accounts | **(220)** | (271) | **(2,136)** |
| Inventories (Note 7) | **91,035** | 103,545 | **883,835** |
| Deferred tax assets (Note 20) | **4,171** | 987 | **40,495** |
| Prepaid pension cost (Note 9) | | 2,092 | |
| Refundable income taxes (Note 21) | **270** | 3,475 | **2,621** |
| Prepaid expenses and other | **5,716** | 5,364 | **55,495** |
| Total current assets | **461,746** | 423,064 | **4,482,971** |
| **Property, Plant and Equipment:** | | | |
| Land (Note 8) | **63,961** | 74,848 | **620,980** |
| Buildings and structures (Note 8) | **213,748** | 207,891 | **2,075,223** |
| Machinery, equipment and vehicles (Notes 8 and 23) | **465,152** | 453,506 | **4,516,039** |
| Furniture and fixtures (Notes 8 and 23) | **45,585** | 42,324 | **442,573** |
| Construction in progress (Note 8) | **15,829** | 19,329 | **153,680** |
| Total | **804,275** | 797,898 | **7,808,495** |
| Accumulated depreciation | **(591,977)** | (584,466) | **(5,747,349)** |
| Net property, plant and equipment | **212,298** | 213,432 | **2,061,146** |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 5 and 21) | **58,126** | 37,784 | **564,330** |
| Investments in and advance to unconsolidated subsidiaries and associated companies (Note 21) | **715** | 705 | **6,942** |
| Asset for retirement benefits (Note 9) | **723** | | **7,019** |
| Goodwill (Note 8) | **67** | 100 | **650** |
| Other intangible assets (Note 8) | **2,939** | 3,624 | **28,534** |
| Deferred tax assets (Note 20) | **5,525** | 7,353 | **53,641** |
| Other | **12,557** | 13,056 | **121,913** |
| Allowance for doubtful accounts | **(288)** | (104) | **(2,796)** |
| Total investments and other assets | **80,364** | 62,518 | **780,233** |
| **Total** | **¥ 754,408** | ¥ 699,014 | **$ 7,324,350** |

See notes to consolidated financial statements.

## LIABILITIES AND EQUITY

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| **Current Liabilities:** | | | |
| Notes and accounts payable (Note 21): | | | |
| Trade | **¥ 19,390** | ¥ 17,557 | **$ 188,252** |
| Construction and other | **15,704** | 18,525 | **152,466** |
| Income tax payable (Note 21) | **3,637** | 1,349 | **35,311** |
| Deferred tax liabilities (Note 20) | **46** | 1,153 | **447** |
| Provision for losses related to liquidation of subsidiaries and associated companies | | 1,512 | |
| Accrued expenses | **12,104** | 12,931 | **117,514** |
| Other | **2,074** | 2,723 | **20,136** |
| Total current liabilities | **52,955** | 55,750 | **514,126** |
| **Long-term Liabilities:** | | | |
| Liability for retirement benefits (Note 9) | **9,949** | 6,185 | **96,592** |
| Deferred tax liabilities (Note 21) | **25,765** | 20,153 | **250,146** |
| Other | **2,351** | 3,279 | **22,825** |
| Total long-term liabilities | **38,065** | 29,617 | **369,563** |
| **Commitments and Contingent Liabilities (Notes 22, 23 and 24)** | | | |
| **Equity (Notes 10 and 26):** | | | |
| Common stock - authorized, 300,000,000 shares; issued, 113,400,000 shares | **86,969** | 86,969 | **844,359** |
| Capital surplus | **102,404** | 102,404 | **994,214** |
| Retained earnings | **561,002** | 532,684 | **5,446,621** |
| Treasury stock - at cost | | | |
| 5,594,438 shares in 2014 and 5,586,081 shares in 2013 | **(50,125)** | (50,087) | **(486,650)** |
| Accumulated other comprehensive income | | | |
| Unrealized gain on available-for-sale securities (Note 5) | **13,348** | 4,767 | **129,592** |
| Foreign currency translation adjustments | **(45,789)** | (63,467) | **(444,553)** |
| Accumulated adjustments for retirement benefits | **(4,825)** | | **(46,845)** |
| Total | **662,984** | 613,270 | **6,436,738** |
| Minority interests | **404** | 377 | **3,923** |
| Total equity | **663,388** | 613,647 | **6,440,661** |
| **Total** | **¥ 754,408** | ¥ 699,014 | **$ 7,324,350** |

# Consolidated Statement of Operations

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2014

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| **Net Sales** | **¥ 331,088** | ¥ 292,411 | ¥ 304,653 | **$ 3,214,447** |
| **Operating Cost and Expenses:** | | | | |
| Cost of sales | **227,015** | 213,276 | 209,046 | **2,204,029** |
| Selling, general and administrative expenses (Notes 11 and 12) | **80,437** | 80,056 | 89,254 | **780,942** |
| Total operating cost and expenses | **307,452** | 293,332 | 298,300 | **2,984,971** |
| **Operating Income (Loss)** | **23,636** | (921) | 6,353 | **229,476** |
| **Other Income (Expenses):** | | | | |
| Interest and dividend income | **1,809** | 1,750 | 1,614 | **17,563** |
| Foreign currency exchange gains (losses) - net | **10,092** | 9,697 | (1,285) | **97,981** |
| Gain on sale of property, plant and equipment | **5,832** | 529 | 276 | **56,621** |
| Loss on sale and disposal of property, plant and equipment | **(440)** | (750) | (349) | **(4,272)** |
| Gain on insurance settlement (Note 14) | **896** | 2,988 | 18,320 | **8,699** |
| Loss on impairment of long-lived assets (Note 8) | **(951)** | (55,047) | (24,181) | **(9,233)** |
| Loss on valuation of investment securities (Note 5) | **(63)** | (1,391) | (977) | **(612)** |
| Loss on transfer of business (Notes 4 and 9) | **(52)** | (281) | | **(505)** |
| Loss on quality compensation (Note 18) | **(850)** | (3,670) | | **(8,252)** |
| Losses related to liquidation of subsidiaries (Note 15) | | (618) | | |
| Loss on liquidation of subsidiaries (Note 16) | | (101) | | |
| Special retirement expenses (Note 9) | | (4,069) | (779) | |
| Loss on revision of retirement benefit plan (Notes 9 and 19) | | (2,176) | | |
| Business structure improvement expenses (Notes 9 and 13) | | | (1,939) | |
| Environmental expenses (Note 17) | | | (220) | |
| Furlough expenses | | | (323) | |
| Other - net | **270** | 1,646 | 793 | **2,621** |
| Total other income (expenses) - net | **16,543** | (51,493) | (9,050) | **160,611** |
| **Income (Loss) before Income Taxes and Minority Interests** | **40,179** | (52,414) | (2,697) | **390,087** |
| **Income Taxes (Note 20):** | | | | |
| Current | **5,937** | 4,405 | 3,725 | **57,641** |
| For prior periods | **2,498** | | | **24,253** |
| Deferred | **(379)** | (4,395) | 9,649 | **(3,680)** |
| Total income taxes | **8,056** | 10 | 13,374 | **78,214** |
| **Net Income (Loss) before Minority Interests** | **32,123** | (52,424) | (16,071) | **311,873** |
| **Minority Interests in Net Income** | **(31)** | (40) | (36) | **(300)** |
| **Net Income (Loss)** | **¥ 32,092** | ¥ (52,464) | ¥ (16,107) | **$ 311,573** |
| | Yen | | | U.S. Dollars |
| **Per Share Information (Note 2. (t)):** | | | | |
| Basic net income (loss) | **¥ 297.65** | ¥ (486.63) | ¥ (149.41) | **$ 2.89** |
| Cash dividends applicable to the year | **50.00** | 30.00 | 60.00 | **0.49** |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2014

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| **Net Income (Loss) before Minority Interests** | **¥ 32,123** | ¥ (52,424) | ¥ (16,071) | **$ 311,874** |
| **Other Comprehensive Income (Note 25):** | | | | |
| Unrealized gain on available-for-sale securities | **8,580** | 987 | (2,080) | **83,301** |
| Foreign currency translation adjustments | **17,676** | 35,661 | (4,435) | **171,612** |
| Total other comprehensive income | **26,256** | 36,648 | (6,515) | **254,913** |
| **Comprehensive Income (Loss)** | **¥ 58,379** | ¥ (15,776) | ¥ (22,586) | **$ 566,787** |
| | | | | |
| **Total Comprehensive Income (Loss) Attributable to:** | | | | |
| Owners of the parent | **¥ 58,350** | ¥ (15,858) | ¥ (22,603) | **$ 566,505** |
| Minority interests | **29** | 82 | 17 | **282** |

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2014

| | | Millions of Yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated other comprehensive income | | | | | |
| | Number of shares of common stock outstanding | Common stock | Capital surplus | Retained earnings | Treasury stock | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Accumlated adjustments for retirement benefits | Total | Minority interests | Total equity |
| **Balance at April 1, 2011** | 107,815,682 | ¥ 86,969 | ¥ 102,404 | ¥ 633,388 | ¥ (67,120) | ¥ 5,860 | ¥ (94,670) | | ¥ 666,831 | ¥ 1,948 | ¥ 668,779 |
| Net loss | | | | (16,107) | | | | | (16,107) | | (16,107) |
| Cash dividends, ¥95.00 per share | | | | (10,242) | | | | | (10,242) | | (10,242) |
| Purchase of treasury stock | (855) | | | | (3) | | | | (3) | | (3) |
| Retirement of treasury stock | | | (17,039) | | 17,039 | | | | | | |
| Transfer from retained earnings to capital surplus | | | 17,039 | (17,039) | | | | | | | |
| Net change in the year | | | | | | (2,080) | (4,417) | | (6,497) | (1,650) | (8,147) |
| **Balance at March 31, 2012** | 107,814,827 | 86,969 | 102,404 | 590,000 | (50,084) | 3,780 | (99,087) | | 633,982 | 298 | 634,280 |
| Net loss | | | | (52,464) | | | | | (52,464) | | (52,464) |
| Cash dividends, ¥45.00 per share | | | | (4,852) | | | | | (4,852) | | (4,852) |
| Purchase of treasury stock | (908) | | | | (3) | | | | (3) | | (3) |
| Net change in the year | | | | | | 987 | 35,620 | | 36,607 | 79 | 36,686 |
| **Balance at March 31, 2013** | 107,813,919 | 86,969 | 102,404 | 532,684 | (50,087) | 4,767 | (63,467) | | 613,270 | 377 | 613,647 |
| Net income | | | | **32,092** | | | | | **32,092** | | **32,092** |
| Cash dividends, ¥35.00 per share | | | | **(3,774)** | | | | | **(3,774)** | | **(3,774)** |
| Purchase of treasury stock | **(8,357)** | | | | **(38)** | | | | **(38)** | | **(38)** |
| Net change in the year | | | | | | **8,581** | **17,678** | **(4,825)** | **21,434** | **27** | **21,461** |
| **Balance at March 31, 2014** | **107,805,562** | **¥ 86,969** | **¥ 102,404** | **¥ 561,002** | **¥ (50,125)** | **¥ 13,348** | **¥ (45,789)** | **¥ (4,825)** | **¥ 662,984** | **¥ 404** | **¥ 663,388** |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Accumulated other comprehensive income | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Accumlated adjustments for retirement benefits | Total | Minority interests | Total equity |
| **Balance at March 31, 2013** | $ 844,359 | $ 994,214 | $ 5,171,689 | $ (486,282) | $ 46,282 | $ (616,184) | | $ 5,954,078 | $ 3,660 | $ 5,957,738 |
| Net income | | | **311,573** | | | | | **311,573** | | **311,573** |
| Cash dividends, $0.34 per share | | | **(36,641)** | | | | | **(36,641)** | | **(36,641)** |
| Purchase of treasury stock | | | | **(368)** | | | | **(368)** | | **(368)** |
| Net change in the year | | | | | **83,310** | **171,631** | **(46,845)** | **208,096** | **263** | **208,359** |
| **Balance at March 31, 2014** | **$ 844,359** | **$ 994,214** | **$5,446,621** | **$ (486,650)** | **$ 129,592** | **$ (444,553)** | **$ (46,845)** | **$ 6,436,738** | **$ 3,923** | **$ 6,440,661** |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

ROHM CO., LTD. and its Consolidated Subsidiaries
Year ended March 31, 2014

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| **Operating Activities:** | | | | |
| Income (loss) before income taxes and minority interests | **¥ 40,180** | ¥ (52,414) | ¥ (2,697) | **$ 390,097** |
| Adjustments for: | | | | |
| Income taxes – paid | **(3,150)** | (5,213) | (7,298) | **(30,583)** |
| Proceeds from insurance income | **769** | 36,169 | 6,593 | **7,466** |
| Depreciation and amortization | **25,560** | 38,857 | 34,925 | **248,155** |
| Amortization of goodwill | **33** | 2,100 | 5,251 | **320** |
| Gain on sale of property, plant and equipment-net | **(5,605)** | (254) | (267) | **(54,417)** |
| Gain on insurance settlement | **(896)** | (2,988) | (18,320) | **(8,699)** |
| Foreign currency exchange (gains) losses – net | **(4,644)** | (6,016) | 842 | **(45,087)** |
| Decrease in liability for retirement benefits | **(277)** | (1,198) | (630) | **(2,689)** |
| Increase in long-term prepaid expenses (Note 3) | **(545)** | (5,599) | (1,292) | **(5,291)** |
| (Decrease) increase in provision for losses related to liquidation of subsidiaries | **(1,512)** | 1,512 | | **(14,680)** |
| Decrease in prepaid pension costs | **2,092** | 158 | 12 | **20,311** |
| Increase in asset for retirement benefits | **(2,140)** | | | **(20,777)** |
| Increase (decrease) in provision for business structure improvement | | (2,057) | 1,911 | |
| Decrease in provision for losses from a natural disaster | | (61) | (1,685) | |
| Loss on impairment of long-lived assets | **951** | 55,047 | 24,181 | **9,233** |
| Loss on valuation of investment securities | **63** | 1,391 | 977 | **612** |
| Loss on transfer of business | **52** | 281 | | **505** |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in notes and accounts receivable - trade | **(1,205)** | 6,211 | 5,337 | **(11,699)** |
| Decrease (increase) in inventories | **16,474** | (3,855) | (13,791) | **159,942** |
| (Decrease) increase in notes and accounts payable - trade | **(816)** | (9,767) | 2,275 | **(7,922)** |
| (Decrease) increase in accounts payable – other | **(4,632)** | (1,335) | 998 | **(44,971)** |
| Other – net | **(1,617)** | (428) | (464) | **(15,700)** |
| Total adjustments | **18,955** | 102,955 | 39,555 | **184,029** |
| Net cash provided by operating activities | **59,135** | 50,541 | 36,858 | **574,126** |
| **Investing Activities:** | | | | |
| (Increase) decrease in time deposits – net | **(1,538)** | (19,075) | 5,039 | **(14,932)** |
| Purchases of marketable and investment securities | **(23,664)** | (8,541) | (10,205) | **(229,748)** |
| Proceeds from sales and redemption of marketable and investment securities | **14,354** | 4,252 | 6,675 | **139,359** |
| Purchases of property, plant and equipment | **(27,956)** | (50,936) | (41,709) | **(271,417)** |
| Proceeds from sale of property, plant and equipment | **17,399** | 1,445 | 362 | **168,922** |
| Proceeds from transfer of business | | 797 | | |
| Purchases of investments in subsidiaries | | | (4,521) | |
| Other – net | **(216)** | (1,081) | (1,430) | **(2,097)** |
| Net cash used in investing activities | **(21,621)** | (73,139) | (45,789) | **(209,913)** |
| **Financing Activities:** | | | | |
| Purchase of treasury stock | **(38)** | (3) | (3) | **(368)** |
| Dividends paid | **(3,774)** | (4,852) | (10,242) | **(36,641)** |
| Other – net | **(142)** | (265) | (249) | **(1,379)** |
| Net cash used in financing activities | **(3,954)** | (5,120) | (10,494) | **(38,388)** |
| **Foreign Currency Translation Adjustments on Cash and Cash Equivalents** | **9,785** | 16,019 | (2,551) | **95,000** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **43,345** | (11,699) | (21,976) | **420,825** |
| **Cash and Cash Equivalents at Beginning of Year** | **197,046** | 208,745 | 230,721 | **1,913,068** |
| **Cash and Cash Equivalents at End of Year** | **¥ 240,391** | ¥ 197,046 | ¥ 208,745 | **$ 2,333,893** |

See notes to consolidated financial statements.

### 1. Basis of Presentation of Consolidated Financial Statements

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

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

In addition, certain reclassifications have been made to the previously reported amounts to conform with current classifications. The consolidated financial statements are stated in Japanese yen, the currency of the country in which ROHM CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. Summary of Significant Accounting Policies

**(a) Consolidation**

The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 47 significant (48 in 2013) subsidiaries (together, the "Group").

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

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

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

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

The fiscal year end dates of 9 (9 in 2013) consolidated subsidiaries, are different from the consolidated balance sheet date of March 31. They, including ROHM SEMICONDUCTOR CHINA CO., LTD., are dated December 31, and the financial statements of these subsidiaries as of the provisional closing date of March 31 were used for consolidation purposes.

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

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

**(c) Cash equivalents**

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

**(d) Marketable and investment securities**

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

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

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

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

**(e) Allowance for doubtful accounts**

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

**(f)Inventories**

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

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

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

Estimated useful lives of the assets are principally as follows:

Buildings and structures ………. 3 to 50 years

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

**(h) Intangible assets**

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

**(i) Long-lived assets**

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

**(j) Retirement and Pension Plans**

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

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

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

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

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

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

The Company applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31, 2014. As the result, liability for retirement benefits and asset for retirement benefits are recorded as ¥9,949 million ($96,592 thousand) and ¥723 million ($7,019 thousand), respectively. Also, deferred tax assets increased by ¥62 million ($602 thousand), and deferred tax liabilities and accumulated other comprehensive income decreased by ¥492 million ($4,777 thousand) and ¥4,825 million ($46,845 thousand), respectively.

**(k) Asset retirement obligations**

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

**(l) Provision for losses related to liquidation of subsidiaries**

Provision for losses related to liquidation of subsidiaries is provided based on an estimate of future losses that will incur in the process of liquidation of subsidiaries.

**(m) Research and development costs**

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

**(n) Leases**

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

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

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

All other leases are accounted for as operating leases.

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

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

**(p) Income taxes**

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

**(q) Foreign currency transactions**

Both short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date. However, short-term receivables covered by forward exchange contracts are translated at the contract rates. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations..

**(r) Foreign currency financial statements**

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

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

**(s) Derivatives and hedging activities**

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

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

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

**(t) Per share information**

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

The average number of shares used to compute basic net income per share for the years ended March 31, 2014, 2013 and 2012 were 107,811 thousand shares, 107,814 thousand shares and 107,815 thousand shares, respectively.

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

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities and the Company is in a net loss position for the years ended March 31, 2013 and 2012.

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

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

(1) Changes in Accounting Policies

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

(2) Changes in Presentation

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

(3) Changes in Accounting Estimates

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

(4) Corrections of Prior-Period Errors

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

**(v) New accounting pronouncements**

***Accounting Standard for Retirement Benefits***—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009. Major changes are as follows:

(1) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or an asset.

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

(2) Treatment in the statement of operations and the statement of comprehensive income

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

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

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

The Group applied the revised accounting standard for (1) and (2) above effective March 31, 2014 and expects to apply (3) above from April 1, 2014. The effect of applying the revised accounting standard for (3) will be to increase retained earnings as of April 1, 2014 by ¥1,305 million ($12,700 thousand), and increase operating income and income before income taxes and minority interests for the year ending March 31, 2015, by ¥4 million ($39 thousand), respectively. Furthermore, as a result of the decrease in projected benefit obligation due to the application of the revised standard, the amount of valuation allowance for the deferred tax assets considered in the calculation of accumulated adjustments for retirement benefits will be adjusted, and accumulated adjustments for retirement benefits as of April 1,2014 will be increased by ¥599 million($5,815 thousand), accordingly.

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

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

(2) Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(3) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In the case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

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

The Group expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

## 3. Changes in Presentation

Prior to April 1, 2013, “Gain on sale of property, plant and equipment-net” was included in the “Other-net” among the operating activities section of the consolidated statement of cash flows. Since the account became significant during this fiscal year ended March 31, 2014, such account is disclosed separately in the operating activities section of the consolidated statement of cash flows for the year ended March 31, 2014. In accordance with this change in presentation, the consolidated statements of cash flows for the years ended March 31, 2013 and 2012, are reclassified. The amounts included in the other-net for the years ended March 31, 2013 and 2012, were ¥254 million of decrease and ¥267 million of increase, respectively.

## 4. Loss on transfer of business

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

## 5. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Current: | | | |
| Corporate bonds | **¥ 5,257** | ¥ 6,596 | **$ 51,039** |
| Other | **3,025** | 1,000 | **29,369** |
| Total | **¥ 8,282** | ¥ 7,596 | **$ 80,408** |
| Noncurrent: | | | |
| Marketable equity securities | **¥ 38,997** | ¥ 22,233 | **$ 378,612** |
| Government and corporate bonds | **17,602** | 13,983 | **170,893** |
| Other | **1,527** | 1,568 | **14,825** |
| Total | **¥ 58,126** | ¥ 37,784 | **$ 564,330** |

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | **2014** | | | |
| Securities classified as: | Cost | Unrealized gains | Unrealized losses | Fair value |
| Available-for-sale: | | | | |
| Equity securities | **¥ 21,222** | **¥ 17,838** | **¥ (63)** | **¥ 38,997** |
| Debt securities. | **20,677** | **2,390** | **(210)** | **22,857** |
| Other. | **4,013** | **122** | **(35)** | **4,100** |
| Total | **¥ 45,912** | **¥ 20,350** | **¥ (308)** | **¥ 65,954** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| Securities classified as: | Cost | Unrealized gains | Unrealized losses | Fair value |
| Available-for-sale: | | | | |
| Equity securities | ¥ 16,389 | ¥ 6,330 | ¥ (486) | ¥ 22,233 |
| Debt securities. | 19,220 | 1,573 | (189) | 20,604 |
| Other. | 2,012 | 55 | (37) | 2,030 |
| Total | ¥ 37,621 | ¥ 7,958 | ¥ (712) | ¥ 44,867 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2014** | | | |
| Securities classified as: | Cost | Unrealized gains | Unrealized losses | Fair value |
| Available-for-sale: | | | | |
| Equity securities | **$ 206,039** | **$ 173,184** | **$ (611)** | **$ 378,612** |
| Debt securities. | **200,747** | **23,204** | **(2,039)** | **221,912** |
| Other. | **38,961** | **1,185** | **(340)** | **39,806** |
| Total | **$ 445,747** | **$ 197,573** | **$ (2,990)** | **$ 640,330** |

The proceeds, realized gains and realized losses of the available-for-sale securities, which were sold during the years ended March 31, 2013 and 2012, were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | 2013 | | |
| Available-for-sale: | Proceeds | Realized gains | Realized losses |
| Equity securities | ¥ 425 | ¥ 146 | |
| Other. | 1,215 | 243 | |
| Total. | ¥ 1,640 | ¥ 389 | |

| | Millions of Yen | | |
|---|---|---|---|
| | 2012 | | |
| Available-for-sale: | Proceeds | Realized gains | Realized losses |
| Equity securities | ¥ 233 | ¥ 63 | ¥ (8) |
| Total. | ¥ 233 | ¥ 63 | ¥ (8) |

The impairment losses on available-for-sale securities for the years ended March 31, 2014, 2013 and 2012, were ¥63 million ($612 thousand),¥256 million and ¥164 million, respectively.

## 6. Short-term Investments

Short-term investments at March 31, 2014 and 2013, consisted of time deposits.

## 7. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Merchandise and finished products | **¥ 25,534** | ¥ 30,808 | **$ 247,903** |
| Work in process | **39,740** | 44,225 | **385,825** |
| Raw materials and supplies | **25,761** | 28,512 | **250,107** |
| Total | **¥ 91,035** | ¥ 103,545 | **$ 883,835** |

## 8. Long-lived Assets

The Group reviewed its long-lived assets for impairment during the years ended March 31, 2014, 2013 and 2012. As a result, the Group recognized an impairment loss of ¥951 million ($9,233 thousand), ¥55,047 million and ¥24,181 million as other expense for the years ended March 31, 2014, 2013 and 2012, respectively. In recognizing impairment loss on fixed assets, for operating assets, the Group identifies asset groups according to the units of management accounting for which revenue and expenditure are managed on a continuous basis, and for idle assets, each property is deemed an asset group.

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

a) The Group recognized an impairment loss of ¥118 million ($1,146 thousand) for operating assets located in Japan and China as the estimated future cash flows fell below the carrying amounts of some asset groups due to deterioration of the revenue environment. The carrying amounts of the relevant operating assets were reduced to the recoverable amounts which were measured at their value in use and the discount rate used for computation of present value of future cash flows was 10.0%.

b) The Group recognized an impairment loss of ¥833 million ($8,087 thousand) for idle assets located in Japan, Philippines, Thailand and China as the Group determined that the idle assets were not likely to be used in the future. The carrying amounts of the relevant idle assets were written down to the recoverable amounts. The recoverable amounts were measured at their net selling prices, which were based on a reasonable estimations in consideration of market value for other assets.

The components of impairment loss for the year ended March 31, 2013 were as follows:

a) The Group recognized an impairment loss of ¥43,815 million for operating assets located in Japan, Philippines, Thailand, China, the United States of America and others as the estimated future cash flows fell below the carrying amounts of some asset groups due to deterioration of the revenue environment. The carrying amounts of the relevant operating assets were written down to the recoverable amounts which were measured at their value in use and the discount rates used for computation of present value of future cash flows were 7.9 - 25.0%.

b) The Group recognized an impairment loss of ¥7,804 million for idle assets located in Japan, China and others as the Group determined that the idle assets were not likely to be used in the future. The carrying amounts of the relevant idle assets were written down to the recoverable amounts. The recoverable amounts were measured at their net selling prices, which were mainly calculated based on the appraised real-estate value for land, and based on reasonable estimations in consideration of market value for other assets.

c) The Group recognized an impairment loss of ¥3,428 million for the goodwill as the earnings projected at the time of acquiring the shares are not expected to be realized. The carrying amounts of goodwill were revaluated and were written down to the recoverable amounts which were measured at their value in use and the discount rates used for computation of present value of future cash flows were 7.9 - 17.8%. With regard to goodwill recorded in connection with the acquisition of Kionix, an impairment loss was recorded in the financial statements of the relevant subsidiary in accordance with generally accepted accounting principles in the United States of America. However, it was adjusted in accordance with Japanese GAAP in the consolidated financial statements.

The components of impairment loss for the year ended March 31, 2012 were as follows:

a) The Group recognized an impairment loss of ¥7,147 million for operating assets located in the United States of America, Tokyo, Fukuoka, and Germany as the estimated future cash flows fell below the carrying amounts of some asset groups due to deterioration of the revenue environment. The carrying amounts of the relevant operating assets were written down to the recoverable amounts which were measured at their value in use and the discount rates used for computation of present value of future cash flows were 7.0 - 18.0%.

b) The Group recognized an impairment loss of ¥4,970 million for idle assets located in Tokyo, Fukuoka, Kyoto and others as the Group determined that the idle assets were not likely to be used in the future. The carrying amounts of the relevant idle assets were written down to the recoverable amounts which were measured at their net selling prices calculated based on reasonable estimations in consideration of market value.

c) The Group recognized an impairment loss of ¥12,064 million for the goodwill as the earnings projected at the time of acquiring the related shares are not expected to be realized. The carrying amounts of goodwill were revaluated and were written down to the recoverable amounts which were measured at their value in use and the discount rates used for computation of present value of future cash flows were 7.0 - 14.2%. With regard to goodwill recorded in connection with the acquisition of Kionix, an impairment loss was recorded in the financial statements of the relevant subsidiary in accordance with generally accepted accounting principles in the United States of America. However, it was adjusted in accordance with Japanese GAAP in the consolidated financial statements.

## 9. Retirement and Pension Plans

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

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

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

***Year Ended March 31, 2014***

(1) The changes in defined benefit obligation for the year ended March 31 2014, were as follows:

| | 2014 | |
|---|---|---|
| | Millions of Yen | Thousands of U.S. Dollars |
| Balance at beginning of year | **¥ 29,296** | **$ 284,427** |
| Current service cost | **2,162** | **20,990** |
| Interest cost | **418** | **4,058** |
| Actuarial losses | **61** | **592** |
| Benefits paid | **(856)** | **(8,310)** |
| Others | **784** | **7,612** |
| Balance at end of year | **¥ 31,865** | **$ 309,369** |

(2) The changes in plan assets for the year ended March 2014, were as follows:

| | 2014 | |
|---|---|---|
| | Millions of Yen | Thousands of U.S. Dollars |
| Balance at beginning of year | **¥ 18,948** | **$ 183,961** |
| Expected return on plan assets | **443** | **4,301** |
| Actuarial gains | **392** | **3,806** |
| Contributions from the employer | **2,589** | **25,136** |
| Benefits paid | **(544)** | **(5,282)** |
| Others | **811** | **7,874** |
| Balance at end of year | **¥ 22,639** | **$ 219,796** |

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

| | 2014 | |
|---|---|---|
| | Millions of Yen | Thousands of U.S. Dollars |
| Funded defined benefit obligation | **¥ 24,810** | **$ 240,874** |
| Plan assets | **(22,639)** | **(219,796)** |
| | **2,171** | **21,078** |
| Unfunded defined benefit obligation | **7,055** | **68,495** |
| Net liability arising from defined benefit obligation | **¥ 9,226** | **$ 89,573** |

| | 2014 | |
|---|---|---|
| | Millions of Yen | Thousands of U.S. Dollars |
| Liability for retirement benefits | **¥ 9,949** | **$ 96,592** |
| Asset for retirement benefits | **(723)** | **(7,019)** |
| Net liability arising from defined benefit obligation | **¥ 9,226** | **$ 89,573** |

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

| | 2014 | |
|---|---|---|
| | Millions of Yen | Thousands of U.S. Dollars |
| Service cost | **¥ 2,162** | **$ 20,990** |
| Interest cost | **418** | **4,058** |
| Expected return on plan assets | **(443)** | **(4,301)** |
| Recognized actuarial losses | **399** | **3,874** |
| Amortization of prior service cost | **174** | **1,690** |
| Net periodic benefit costs | **¥ 2,710** | **$ 26,311** |

(5) Accumulated other comprehensive income on accumulated adjustments for retirement benefits as of March 31, 2014

| | 2014 | |
|---|---|---|
| | Millions of Yen | Thousands of U.S. Dollars |
| Unrecognized prior service cost | **¥ 1,527** | **$ 14,825** |
| Unrecognized actuarial gains and losses | **3,852** | **37,398** |
| Total | **¥ 5,379** | **$ 52,223** |

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

| | 2014 |
|---|---|
| Debt investments | **71%** |
| Equity investments | **20%** |
| Cash and cash deposit | **8%** |
| Others | **1%** |
| Total | **100%** |

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

(7)Assumptions used for the year ended March 31, 2014, were set forth as follows:

| | 2014 |
|---|---|
| Discount rate | **0.8-1.2%** |
| Expected rate of return on plan assets | **2.0-3.0%** |

***Year Ended March 31, 2013 and 2012.***

The net liability for employees' retirement benefits at March 31, 2013, consisted of the following:

| | 2013 |
|---|---|
| | Millions of Yen |
| Projected benefit obligation | ¥ 29,296 |
| Fair value of plan assets | (18,948) |
| Unrecognized prior service cost | (1,702) |
| Unrecognized actuarial loss | (4,553) |
| Net liability | 4,093 |
| Prepaid pension cost | 2,092 |
| Liability for retirement benefits | ¥ 6,185 |

The components of net periodic pension costs for the years ended March 31, 2013 and 2012 were as follows:

| | Millions of Yen | |
|---|---|---|
| | 2013 | 2012 |
| Service cost | ¥ 1,807 | ¥ 1,799 |
| Interest cost | 592 | 564 |
| Expected return on plan assets | (397) | (355) |
| Amortization of prior service cost | 23 | 1 |
| Recognized actuarial loss | 381 | 399 |
| Contribution to defined contribution pension plan and other | 382 | 378 |
| Net periodic benefit costs | ¥ 2,788 | ¥ 2,786 |

In addition to the net periodic pension costs stated above, the Group recorded "Special retirement expenses" for the years ended March 31, 2013 and 2012 in the amount of ¥4,069 million and ¥779 million, as other expense respectively. The Group also recorded "Loss on revision of retirement benefit plan" of ¥2,176 million and personnel transference expenses in the amount of ¥151 million included in "Loss on transfer of business" for the year ended March 31, 2013. The Group recorded an estimated amount of special retirement expense of ¥1,340 million included in "Business structure improvement expenses" as other expense for the year ended March 31, 2012.

Assumptions used for the years ended March 31, 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 0.8-1.2% | 2.0% |
| Expected rate of return on plan assets | 2.0% | 2.0% |
| Allocation method of the retirement benefits expected to be paid at the retirement date | Straight-line method based on years of service or point method | Straight-line method based on years of service or point method |
| Amortization period of prior service cost | 10-13 years | 10-13 years |
| Recognition period of actuarial loss | 10-13 years | 10-13 years |

## 10. Equity

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

**(a) Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases / decreases and transfer of common stock, reserve and surplus**

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

**(c) Treasury stock and treasury stock acquisition rights**

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

## 11. Research and Development Costs

Research and development costs charged to income were ¥36,537 million ($354,728 thousand), ¥37,751 million and ¥39,764 million for the years ended March 31, 2014, 2013 and 2012, respectively.

## 12. Amortization of Goodwill

Amortization of goodwill was ¥33 million ($320 thousand), ¥2,100 million and ¥5,251 million for the years ended March 31, 2014, 2013 and 2012, respectively.

## 13. Business Structure Improvement Expenses

"Business structure improvement expenses" for the year ended March 31, 2012, are expenses and losses related to integration of product lines of subsidiaries and other restructuring activities such as personnel reduction.

## 14. Gain on Insurance Settlement

"Gain on insurance settlement" of ¥896 million ($8,699 thousand) for the year ended March 31, 2014 was insurance benefits received for the floods in Thailand in 2011.

"Gain on insurance settlement" for the year ended March 31, 2013 represents the amounts of insurance benefits for the floods in Thailand in 2011 and the insurance benefits received for the tornado in Tsukuba after deduction of the losses.

The breakdowns were as follows:

(The floods in Thailand)

| | Millions of Yen |
|---|---|
| Description: | 2013 |
| Insurance benefits received | ¥ 2,955 |
| Losses related to fixed assets | (118) |
| Total | ¥ 2,837 |

(The tornado in Tsukuba)

| | Millions of Yen |
|---|---|
| Description: | 2013 |
| Insurance benefits received | ¥ 458 |
| Expenses for recovery of the buildings and others. | (221) |
| Other losses | (86) |
| Total | ¥ 151 |

"Gain on insurance settlement" for the year ended March 31, 2012 represents the estimated amounts of insurance benefits for the floods in Thailand in 2011 and the insurance benefits received for the Great East Japan Earthquake after deduction of the losses.

The breakdowns were as follows:

(The floods in Thailand)

| | Millions of Yen |
|---|---|
| Description: | 2012 |
| Estimated amount of insurance benefits | ¥ 32,116 |
| Losses related to fixed assets | (7,479) |
| Losses related to inventories | (3,928) |
| Other losses | (3,216) |
| Total | ¥ 17,493 |

(The Great East Japan Earthquake)

| | Millions of Yen |
|---|---|
| Description: | 2012 |
| Insurance benefits received | ¥ 3,069 |
| Losses related to fixed assets | (1,021) |
| Other losses | (1,221) |
| Total | ¥ 827 |

## 15. Losses Related to Liquidation of Subsidiaries

"Losses related to liquidation of subsidiaries" for the year ended March 31, 2013, are estimated amount of expenses and losses from liquidation of ROHM Tsukuba CO., LTD., a wholly-owned subsidiary of ROHM CO., LTD.

## 16. Loss on Liquidation of Subsidiaries

"Loss on liquidation of subsidiaries" for the year ended March 31, 2013, is loss from liquidation of OKI Semiconductor Europe GmbH, a wholly-owned subsidiary of ROHM CO., LTD.

## 17. Environmental Expenses

"Environmental expenses" for the year ended March 31, 2012, are expenses and losses for soil contamination on the plant site.

## 18. Loss on Quality Compensation

"Loss on quality compensation" for the years ended March 31, 2014 and 2013, is loss associated with a market claim due to a defect in certain Group products.

## 19. Loss on Revision of Retirement Benefit Plan

"Loss on revision of retirement benefit plan" for the year ended March 31, 2013, is loss from a change in benefit level of retirement benefit plan.

## 20. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 37.9% for the year ended March 31, 2014 and 2013. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Deferred tax assets: | | | |
| Marketable and investment securities | **¥ 2,757** | ¥ 3,049 | **$ 26,767** |
| Inventories | **9,993** | 8,032 | **97,019** |
| Depreciation and amortization | **3,322** | 4,398 | **32,252** |
| Tax loss carryforwards | **29,738** | 28,123 | **288,719** |
| Accrued expenses | **2,746** | 3,170 | **26,660** |
| Liability for retirement benefits | **2,979** | 1,825 | **28,922** |
| Foreign tax credit | **187** | 180 | **1,816** |
| Loss on impairment of long-lived assets | **13,475** | 18,410 | **130,825** |
| Tax credit for research and development expenses | **1,294** | 4,565 | **12,563** |
| Other | **1,914** | 3,584 | **18,583** |
| Valuation allowance | **(56,620)** | (64,765) | **(549,709)** |
| Total | **11,785** | 10,571 | **114,417** |
| Deferred tax liabilities: | | | |
| Undistributed earnings of foreign subsidiaries | **(19,790)** | (18,159) | **(192,136)** |
| Prepaid pension cost | | (742) | |
| Asset for retirement benefits | **(257)** | | **(2,495)** |
| Goodwill | | (241) | |
| Depreciation and amortization | **(867)** | (738) | **(8,418)** |
| Net unrealized gain on available-for-sale securities | **(6,681)** | (2,466) | **(64,864)** |
| Other | **(305)** | (1,191) | **(2,961)** |
| Total | **(27,900)** | (23,537) | **(270,874)** |
| Net deferred tax liabilities | **¥ (16,115)** | ¥ (12,966) | **$ (156,457)** |

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Current Assets - Deferred tax assets | **¥ 4,171** | ¥ 987 | **$ 40,495** |
| Investments and Other Assets - Deferred tax assets | **5,525** | 7,353 | **53,641** |
| Current Liabilities - Deferred tax liabilities | **(46)** | (1,153) | **(447)** |
| Long-term Liabilities - Deferred tax liabilities | **(25,765)** | (20,153) | **(250,146)** |
| Net deferred tax liabilities | **¥ (16,115)** | ¥ (12,966) | **$ (156,457)** |

As of March 31, 2014, the Company and certain consolidated subsidiaries had tax loss carryforwards aggregating approximately ¥81,488 million ($791,146 thousand) available for reduction of future taxable income, the majority of which will expire from 2014 to 2033.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2014 was as follows:

| | 2014 |
|---|---|
| Normal effective statutory tax rate | 37.9% |
| Decrease in valuation allowance | (21.8) |
| Lower income tax rates applicable to income in certain foreign countries | (5.0) |
| Difference of tax rate used for tax effect accounting | 1.0 |
| Income taxes for prior periods | 6.2 |
| Other - net | 1.8 |
| Actual effective tax rate | 20.1% |

For the years ended March 31, 2013 and 2012, the reconciliation is not presented because there was a net loss before income taxes and minority interests.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.9% to 35.5%. The effect of this change was immaterial.

Income taxes for prior period are principally the additional tax paid according to a notice from the China Taxation Bureau related to the transfer pricing taxation for the transactions between the Company and its subsidiaries (ROHM SEMICONDUCTOR CHINA CO.,LTD. and ROHM ELECTONICS DALIAN CO.,LTD.)

## 21. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

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

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

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

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

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

(3) Supplemental information to fair value of financial instruments

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

(4) Fair values of financial instruments

Carrying amounts of financial instruments in the consolidated balance sheet, their fair values, and differences as of March 31, 2014 and 2013 are shown in the table in (a) below. Any financial instruments whose fair values cannot be reliably determined are not included (see the table in (b) below).

(a) Fair value of financial instruments

| | Millions of Yen | | |
|---|---|---|---|
| | **2014** | | |
| | Carrying amount | Fair value | Unrealized gain/loss |
| Cash and cash equivalents | **¥ 240,391** | **¥ 240,391** | |
| Marketable securities | **8,282** | **8,282** | |
| Short-term investments | **39,591** | **39,591** | |
| Notes and accounts receivable - trade | **69,751** | **69,751** | |
| Investment securities | **57,672** | **57,672** | |
| Refundable income taxes | **270** | **270** | |
| Total | **¥ 415,957** | **¥ 415,957** | |
| Notes and accounts payable - trade | **¥ 19,390** | **¥ 19,390** | |
| Notes and accounts payable - construction and other | **15,704** | **15,704** | |
| Income tax payable | **3,637** | **3,637** | |
| Total | **¥ 38,731** | **¥ 38,731** | |

| | Millions of Yen | | |
|---|---|---|---|
| | 2013 | | |
| | Carrying amount | Fair value | Unrealized gain/loss |
| Cash and cash equivalents | ¥ 197,046 | ¥ 197,046 | |
| Marketable securities | 7,596 | 7,596 | |
| Short-term investments | 35,512 | 35,512 | |
| Notes and accounts receivable - trade | 65,424 | 65,424 | |
| Investment securities | 37,271 | 37,271 | |
| Refundable income taxes | 3,475 | 3,475 | |
| Total | ¥ 346,324 | ¥ 346,324 | |
| Notes and accounts payable - trade | ¥ 17,557 | ¥ 17,557 | |
| Notes and accounts payable - construction and other | 18,525 | 18,525 | |
| Income tax payable | 1,349 | 1,349 | |
| Total | ¥ 37,431 | ¥ 37,431 | |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | **2014** | | |
| | Carrying amount | Fair value | Unrealized gain/loss |
| Cash and cash equivalents | **$ 2,333,893** | **$ 2,333,893** | |
| Marketable securities | **80,408** | **80,408** | |
| Short-term investments | **384,379** | **384,379** | |
| Notes and accounts receivable - trade | **677,194** | **677,194** | |
| Investment securities | **559,922** | **559,922** | |
| Refundable income taxes | **2,621** | **2,621** | |
| Total | **$ 4,038,417** | **$ 4,038,417** | |
| Notes and accounts payable - trade | **$ 188,252** | **$ 188,252** | |
| Notes and accounts payable - construction and other | **152,466** | **152,466** | |
| Income tax payable | **35,311** | **35,311** | |
| Total | **$ 376,029** | **$ 376,029** | |

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

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

*Marketable securities and Investment securities*

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

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

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

*Derivatives*

Fair value information for derivatives is included in Note 22.

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

| | Carrying amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | **2014** | 2013 | **2014** |
| Unlisted stock | **¥ 358** | ¥ 429 | **$ 3,476** |
| Rights under limited partnership agreement for investment | **96** | 84 | **932** |
| Stocks of unconsolidated subsidiaries and associated companies, etc | **715** | 705 | **6,942** |

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | **¥ 240,391** | | | |
| Marketable securities: | | | | |
| Corporate bonds | **5,016** | | | |
| Other | **3,025** | | | |
| Short-term investments | **39,591** | | | |
| Notes and accounts receivable-trade | **69,751** | | | |
| Investment securities: | | | | |
| Government and local government bonds | | **¥ 2** | | |
| Corporate bonds | | **17,204** | | |
| Other | | | | **¥ 1,073** |
| Refundable income taxes | **270** | | | |
| Total | **¥ 358,044** | **¥ 17,206** | | **¥ 1,073** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | ¥ 197,046 | | | |
| Marketable securities: | | | | |
| Corporate bonds | 6,593 | | | |
| Short-term investments | 35,512 | | | |
| Notes and accounts receivable-trade | 65,424 | | | |
| Investment securities: | | | | |
| Government and local government bonds | | ¥ 2 | | |
| Corporate bonds | | 13,088 | ¥ 941 | |
| Other | | 25 | | ¥ 1,030 |
| Refundable income taxes | 3,475 | | | |
| Total | ¥ 308,050 | ¥ 13,115 | ¥ 941 | ¥ 1,030 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | **$ 2,333,893** | | | |
| Marketable securities: | | | | |
| Corporate bonds | **48,699** | | | |
| Other | **29,369** | | | |
| Short-term investments | **384,379** | | | |
| Notes and accounts receivable-trade | **677,194** | | | |
| Investment securities: | | | | |
| Government and local government bonds | | **$ 19** | | |
| Corporate bonds | | **167,029** | | |
| Other | | | | **$ 10,417** |
| Refundable income taxes | **2,621** | | | |
| Total | **$ 3,476,155** | **$ 167,048** | | **$ 10,417** |

## 22. Derivatives

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

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

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

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

### Derivative transactions to which hedge accounting is applied

| | Millions of Yen | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Contract amount | Contract amount due after one year | Fair value | Unrealized gain/loss |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | **¥ 2,996** | | **¥ (15)** | **¥ (15)** |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Contract amount | Contract amount due after one year | Fair value | Unrealized gain/loss |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | **$ 29,087** | | **$ (146)** | **$ (146)** |

### Derivative transactions to which hedge accounting is applied

| | Millions of Yen | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Hedged item | Contract amount | Contract amount due after one year | Fair Value |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | **Accounts receivable** | **¥ 278** | | **(Note)** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Hedged item | Contract amount | Contract amount due after one year | Fair Value |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | Accounts receivable | ¥ 3,411 | | (Note) |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Hedged item | Contract amount | Contract amount due after one year | Fair Value |
| Foreign currency forward contracts: | | | | |
| Selling U.S.$ | **Accounts receivable** | **$ 2,699** | | **(Note)** |

(Note) The fair value of foreign currency forward contracts is included in the fair value of hedged item (i.e. accounts receivable).

## 23. Leases

The Company and certain consolidated subsidiaries lease certain machinery, computer equipment and other assets. Total lease payments under finance leases were ¥150 million ($1,456 thousand), ¥846 million and ¥1,740 million for the years ended March 31, 2014, 2013 and 2012, respectively.

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

| | Millions of Yen | | | | Thousands of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | **2014** | | 2013 | | **2014** | |
| | Finance leases | Operating leases | Finance leases | Operating leases | Finance leases | Operating leases |
| Due within one year | | **¥ 783** | ¥ 82 | ¥ 765 | | **$ 7,602** |
| Due after one year | | **1,357** | 10 | 1,657 | | **13,175** |
| Total | | **¥ 2,140** | ¥ 92 | ¥ 2,422 | | **$ 20,777** |

**Pro forma information of leased property whose lease inception was before March 31, 2008**

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company and certain consolidated subsidiaries applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 on an "as if capitalized" basis was as follows:

| | Millions of Yen | |
|---|---|---|
| | 2013 | |
| | Machinery, equipment and vehicles | Furniture and fixtures |
| Acquisition cost | ¥ 131 | ¥ 25 |
| Accumulated depreciation | 122 | 24 |
| Net leased property | ¥ 9 | ¥ 1 |

| | Millions of Yen |
|---|---|
| Obligations under finance leases: | 2013 |
| Due within one year | ¥ 10 |
| Due after one year | |
| Total | ¥ 10 |

The amount of acquisition cost and obligations under finance leases includes the imputed interest expense portion.

Depreciation expense and other information under finance leases:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Depreciation expense | **¥ 10** | ¥ 582 | ¥ 1,495 | **$ 97** |
| Lease payments | **10** | 582 | 1,495 | **97** |

Depreciation expense, which is not reflected in the accompanying consolidated statement of operations, is computed by the straight-line method.

## 24. Contingent Liabilities

The Group was contingently liable for guarantees of housing loans of employees amounting to ¥89 million ($864 thousand) at March 31, 2014.

## 25. Comprehensive Income

**For the years ended March 31, 2014 , 2013 and 2012**

The components of other comprehensive income for the years ended March 31, 2014, 2013 and 2012, were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Unrealized gain on available-for-sale securities: | | | | |
| Gains (losses) arising during the year | **¥ 12,794** | ¥ 1,776 | ¥ (3,390) | **$ 124,213** |
| Reclassification adjustments to profit or loss | **1** | (139) | 2 | **10** |
| Amount before income tax effect | **12,795** | 1,637 | (3,388) | **124,223** |
| Income tax effect | **(4,215)** | (650) | 1,308 | **(40,922)** |
| Total | **¥ 8,580** | ¥ 987 | ¥ (2,080) | **$ 83,301** |
| Foreign currency translation adjustments: | | | | |
| Adjustments arising during the year | **¥ 17,667** | ¥ 35,593 | ¥ (4,435) | **$ 171,524** |
| Reclassification adjustments to profit or loss | | 100 | | |
| Amount before income tax effect | **17,667** | 35,693 | (4,435) | **171,524** |
| Income tax effect | **9** | (32) | | **88** |
| Total | **¥ 17,676** | ¥ 35,661 | ¥ (4,435) | **$ 171,612** |
| Total other comprehensive income | **¥ 26,256** | ¥ 36,648 | ¥ (6,515) | **$ 254,913** |

## 26. Subsequent Events

**Appropriation of retained earnings**

On May 1, 2014, the Board of Directors resolved to propose the following appropriation of retained earnings of March 31, 2014 at the Company's general shareholder's meeting that will be held on June 27, 2014.

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Year-end cash dividends, ¥30.00 ($0.29) per share | **¥ 3,234** | **$ 31,398** |

## 27. Segment Information

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

**(a) Description of reportable segments**

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

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

Products manufactured in the "Discrete semiconductor devices" segment include diodes, transistors, light-emitting diodes, and laser diodes.

Products manufactured in the "Modules" segment include print-heads, optical modules, and power modules.

Effective April 1, 2013, the Group changed its operating segments from "ICs" and "Discrete semiconductor devices" to "ICs", "Discrete semiconductor devices" and "Modules", because the quantitative materiality increased. In accordance with this change in presentation, the segment information for the year ended March 31, 2013 and 2012 is also disclosed using the new reportable segments.

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

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

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

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

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

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

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | | |
| | Reportable segments | | | | Other | Total | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | | |
| Sales: | | | | | | | | |
| Sales to external customers | ¥ 140,761 | ¥ 99,374 | ¥ 28,254 | ¥ 268,389 | ¥ 24,022 | ¥ 292,411 | | ¥ 292,411 |
| Intersegment sales or transfers | 2,101 | 1,931 | 30 | 4,062 | 67 | 4,129 | ¥ (4,129) | |
| Total | 142,862 | 101,305 | 28,284 | 272,451 | 24,089 | 296,540 | (4,129) | 292,411 |
| Segment profit (loss) | (7,825) | 7,930 | (600) | (495) | (1,834) | (2,329) | 1,408 | (921) |
| Segment assets | 91,349 | 92,236 | 15,729 | 199,314 | 21,636 | 220,950 | 478,064 | 699,014 |
| Other | | | | | | | | |
| Depreciation and amortization | 20,749 | 14,676 | 2,573 | 37,998 | 2,282 | 40,280 | (1,423) | 38,857 |
| Amortization of goodwill | 2,100 | | | 2,100 | | 2,100 | | 2,100 |
| Increase in property, plant and equipment and intangible assets | 15,052 | 14,950 | 1,722 | 31,724 | 4,970 | 36,694 | 6,124 | 42,818 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | | |
| | Reportable segments | | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Total | Reconciliations | Consolidated |
| Sales: | | | | | | | | |
| Sales to external customers | ¥ 149,135 | ¥ 103,861 | ¥ 28,437 | ¥ 281,433 | ¥ 23,220 | ¥ 304,653 | | ¥ 304,653 |
| Intersegment sales or transfers | 1,796 | 1,009 | 115 | 2,920 | 49 | 2,969 | ¥ (2,969) | |
| Total | 150,931 | 104,870 | 28,552 | 284,353 | 23,269 | 307,622 | (2,969) | 304,653 |
| Segment profit (loss) | (6,666) | 11,617 | 737 | 5,688 | (1,219) | 4,469 | 1,884 | 6,353 |
| Segment assets | 128,799 | 83,363 | 18,970 | 231,132 | 16,476 | 247,608 | 489,718 | 737,326 |
| Other | | | | | | | | |
| Depreciation and amortization | 18,446 | 13,278 | 2,442 | 34,166 | 2,673 | 36,839 | (1,914) | 34,925 |
| Amortization of goodwill | 4,954 | 174 | 5 | 5,133 | 118 | 5,251 | | 5,251 |
| Increase in property, plant and equipment and intangible assets | 30,132 | 13,484 | 2,675 | 46,291 | 4,929 | 51,220 | 2,794 | 54,014 |

| | Thousands of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | | | | | | | |
| | Reportable segments | | | | | | | |
| | ICs | Discrete semiconductor devices | Modules | Total | Other | Total | Reconciliations | Consolidated |
| Sales: | | | | | | | | |
| Sales to external customers | **$ 1,496,922** | **$ 1,143,175** | **$ 307,272** | **$ 2,947,369** | **$ 267,078** | **$ 3,214,447** | | **$3,214,447** |
| Intersegment sales or transfers | **19,165** | **32,039** | **553** | **51,757** | **787** | **52,544** | **$ (52,544)** | |
| Total | **1,516,087** | **1,175,214** | **307,825** | **2,999,126** | **267,865** | **3,266,991** | **(52,544)** | **3,214,447** |
| Segment profit (loss) | **89,485** | **136,767** | **14,010** | **240,262** | **(7,738)** | **232,524** | **(3,048)** | **229,476** |
| Segment assets | **933,485** | **883,913** | **159,087** | **1,976,485** | **186,709** | **2,163,194** | **5,161,156** | **7,324,350** |
| Other | | | | | | | | |
| Depreciation and amortization | **85,806** | **139,524** | **14,291** | **239,621** | **17,612** | **257,233** | **(9,078)** | **248,155** |
| Amortization of goodwill | **320** | | | **320** | | **320** | | **320** |
| Increase in property, plant and equipment and intangible assets | **138,311** | **124,000** | **12,913** | **275,224** | **19,136** | **294,360** | **13,941** | **308,301** |

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

"Reconciliations" were as follows:

(1) The adjusted amount of the segment profit for the year ended March 31, 2014, ¥(314) million ($(3,048) thousand), mainly includes general and administrative expenses of ¥(951) million ($(9,233) thousand) not attributable to the operating segments, and the settlement adjustment of ¥637 million ($6,184 thousand) not allocated to the operating segments (such as periodic pension cost).

The adjusted amount of the segment profit for the year ended March 31, 2013, ¥1,408 million, mainly includes general and administrative expenses of ¥260 million not attributable to the operating segments, and the settlement adjustment of ¥1,668 million not allocated to the operating segments (such as periodic pension cost).

The adjusted amount of the segment profit for the year ended March 31, 2012, ¥1,884 million, mainly includes general and administrative expenses of ¥623 million not attributable to the operating segments, and the settlement adjustment of ¥2,507 million not allocated to the operating segments (such as periodic pension cost).

(2) The adjusted amount of the segment assets for the year ended March 31, 2014, ¥531,599 million ($5,161,156 thousand), mainly includes corporate assets of ¥533,698 million ($5,181,534 thousand) not allocated to the operating segments, and the adjustments of fixed asset of ¥(2,099) million ($(20,379) thousand). Corporate assets not attributable to the operating segments consist of cash and time deposits of ¥272,983 million ($2,650,320 thousand), land of ¥63,961 million ($620,981 thousand), and notes and accounts receivable-trade of ¥67,537 million ($655,699 thousand).

The adjusted amount of the segment assets for the years ended March 31, 2013, ¥478,064 million, mainly includes corporate assets of ¥479,470 million not allocated to the operating segments, and the adjustments of fixed asset of ¥(1,406) million. Corporate assets not attributable to the operating segments consist of cash and time deposits of ¥244,158 million, land of ¥74,848 million, and notes and accounts receivable-trade of ¥65,424 million.

The adjusted amount of the segment assets for the years ended March 31, 2012, ¥489,718 million, mainly includes corporate assets of ¥494,432 million not allocated to the operating segments, and the adjustments of fixed asset of ¥(4,714) million. Corporate assets not attributable to the operating segments consist of cash and time deposits of ¥211,199 million, land of ¥79,792 million, and notes and accounts receivable-trade of ¥67,394 million.

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

**(d) Relevant information**

For the years ended March 31, 2014 and 2013

(1) Information about products and services

As the classification of products and services is identical to segment classification, it has been omitted.

(2) Information about geographical areas

(i) Sales

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

| Millions of Yen | | | |
|---|---|---|---|
| 2013 | | | |
| Japan | China | Other | Total |
| ¥ 103,140 | ¥ 94,207 | ¥ 95,064 | ¥ 292,411 |

| Thousands of U.S. Dollars | | | |
|---|---|---|---|
| **2014** | | | |
| Japan | China | Other | Total |
| **$ 983,612** | **$ 1,068,379** | **$ 1,162,456** | **$ 3,214,447** |

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

(ii) Property, plant and equipment

| Millions of Yen | | | | | |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Japan | China | Thailand | Philippines | Other | Total |
| **¥ 118,485** | **¥ 26,315** | **¥ 26,750** | **¥ 22,233** | **¥ 18,515** | **¥ 212,298** |

| Millions of Yen | | | | | |
|---|---|---|---|---|---|
| 2013 | | | | | |
| Japan | China | Thailand | Philippines | Other | Total |
| ¥ 123,219 | ¥ 26,306 | ¥ 27,645 | ¥ 18,298 | ¥ 17,964 | ¥ 213,432 |

| Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Japan | China | Thailand | Philippines | Other | Total |
| **$ 1,150,340** | **$ 255,486** | **$ 259,709** | **$ 215,854** | **$ 179,757** | **$ 2,061,146** |

Prior to April 1, 2013, "Philippines" was included in "Other." Since the amount of property, plant and equipment in Philippines became more than 10% of that in the consolidated balance sheet during the fiscal year ended March 31, 2014, such amount is disclosed separately. In accordance with this change in presentation, property, plant and equipment for the year ended March 31, 2013 is reclassified. The amount of "Philippines" included in "Other" for the year ended March 31, 2013 was ¥18,298 million.

(3) Information about major customers

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

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

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

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | |
| | Reportable segment | | | | Other | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | |
| Loss on impairment of long-lived assets .............. | ¥ 37,175 | ¥ 5,008 | ¥ 4,138 | ¥ 46,321 | ¥ 3,742 | ¥ 4,984 | ¥ 55,047 |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | |
| | Reportable segment | | | | Other | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | |
| Loss on impairment of long-lived assets .............. | ¥ 14,608 | ¥ 922 | ¥ 78 | ¥ 15,608 | ¥ 2,352 | ¥ 6,221 | ¥ 24,181 |

| | Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014** | | | | | | |
| | Reportable segment | | | | Other | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | |
| Loss on impairment of long-lived assets .............. | **$ 1,990** | **$ 2,738** | **$ 1,214** | **$ 5,942** | **$ 2,961** | **$ 330** | **$ 9,233** |

The amount under “Other” for the year ended March 31, 2014 is for lightings. The amount under “Other” for the year ended March 31, 2013 is for resistors.

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

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014** | | | | | | |
| | Reportable segment | | | | Other | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | |
| Goodwill at March 31, 2014 . . . | **¥ 33** | | | **¥ 33** | | | **¥ 33** |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | |
| | Reportable segment | | | | Other | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | |
| Goodwill at March 31, 2013 . . . | ¥ 100 | | | ¥ 100 | | | ¥ 100 |

| | Thousands of U.S. Dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014** | | | | | | |
| | Reportable segment | | | | Other | Reconciliations | Consolidated |
| | ICs | Discrete semiconductor devices | Modules | Total | | | |
| Goodwill at March 31, 2014 . . . | **$ 320** | | | **$ 320** | | | **$ 320** |

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

**(g) Information regarding profits of negative goodwill of reportable segments**

There is no relevant information for the years ended March 31, 2014 and 2013.

Deloitte.

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# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of ROHM CO., LTD. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ROHM CO., LTD. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 23, 2014

Member of
Deloitte Touche Tohmatsu Limited

# Board of Directors

**President**

Satoshi Sawamura

**Managing Directors**

Hidemi Takasu

**Directors** ★ Outside Directors

Tadanobu Fujiwara

Eiichi Sasayama

Toshiki Takano

Isao Matsumoto

Katsumi Azuma

Masahiko Yamazaki

Hachiro Kawamoto ★

Koichi Nishioka ★

**Company Auditors** ★ Outside Company Auditors

Yoshiaki Shibata ★

Hideo Iwata ★

Yasuhito Tamaki ★

Shinya Murao ★

Haruo Kitamura ★

(As of July 1, 2013)

# Corporate Data

**ROHM CO., LTD.**

**Head Office**
21 Saiin Mizosaki-cho, Ukyo-ku,
Kyoto 615-8585 Japan
TEL: +81-75-311-2121
FAX: +81-75-315-0172

**Date of Establishment**
September 17, 1958

**Common Stock**
Authorized: 300,000,000
Issued: 113,400,000

**Number of Employees**
20,203 (As of March 31, 2013)

**Listing Stock Markets**
Tokyo Stock Exchange

**Administrator of the Registry of Shareholders**
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005, Japan

**Technology Centers / Design Centers**

**<Domestic>**

**Kyoto Technology Center (Head office)**
21 Saiin Mizosaki-cho, Ukyo-ku, Kyoto 615-8585 Japan

**Kyoto Technology Center (Kyoto Ekimae)**
ROHM Kyoto-ekimae building, 579-32, Higashi Shiokoji-cho,
Karasuma Nishi-iru, Shiokoji-dori, Shimogyo-ku, Kyoto 600-8216 Japan

**Yokohama Technology Center**
ROHM Shin Yokohama Ekimae Building,
2-4-8 Shin-Yokohama, Kohoku-ku, Yokohama 222-8575 Japan

**Nagoya Design Center**
14F Nagoya Prime Central Tower,
2-27-8, Meieki, Nishi-ku, Nagoya 451-0045 Japan

**<Overseas>**

**America Design Center (San Diego)**
6815 Flanders Drive, Suite 150, San Diego, CA 92121 U.S.A.

**America Design Center (Santa Clara)**
2323 Owen Street, Santa Clara, CA 95054 U.S.A.

**Europe Design Center**
Karl-Arnold-Straβe 15, 47877 Willich-Munchheide Germany

**Shanghai Design Center**
22F, CENTRAL TOWERS, 567 Langao Road, Shanghai 200333 China

**Shenzhen Design Center**
Room 02B-03 5/F Tower Two, Kerry Plaza,
1 Zhongxinsi Road, Futian, Shenzhen 518048 China

**Taiwan Design Center**
10F No.6 Sec.3 Min Chuan E. Road, Taipei, Taiwan

**Korea Design Center**
159-13 Gasan Digital 1-ro, Geumcheon-gu, Seoul 153-803 Korea

(As of June 27, 2013)

2014

Annual Financial Report

Go online at

ROHM home page
http://www.rohm.com

Investor Relations
http://www.rohm.com/web/global/investor-relations

We constantly provide and update a wide range of information such as financial results, IR calendar and more for investors. Please visit our website for additional information.

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