

## To Our Shareholders and Friends



In the fiscal year ended March 31, 2004, the semiconductor market as a whole remained sluggish in the first half of the year due to the effects of international conflicts and SARS, except the markets for some electronic components for digital audio/video equipment such as flash memories. However, in the second half, with the U.S. consumer spending showing improvement, as well as with the economic recovery in Asia following the SARS scare, market demand rebounded steadily.

Driving recovery in this demand is the increasing sophistication of cellular phones and digital audio/video equipment, such as digital still cameras and DVD recorders.

The ever-increasing demand for digitization and broadband transmission has opened up new markets. Digital still cameras and DVD recorders have experienced rapid widespread use,

replacing conventional cameras and VCRs. In the area of cellular phones, third-generation phones are gaining rapid acceptance in the marketplace. In addition to conventional phone-call functions, these third-generation products include sophisticated multimedia capabilities, such as camera functions and reproduction and delivery of music and images.

The electronics market is expected to grow due to technological advances in digital audio/video equipment, cellular phones, automobile-related equipment, and information and communications equipment. In anticipation of this, ROHM is enhancing its overall technological capabilities in a number of key areas, including circuit design and fine-process technologies for system LSIs, and optical device and next generation device technologies.

## *Exquisite Geometry*



## New Technologies and Products

ROHM's bases for technological enhancement include the R VLSI Research Center, Optical Device Research Center, and the LSI Test Technology Center, which are located at the headquarters premises, as well as the Yokohama Technology Center and the Kyoto Technology Center. At these technological bases, approximately 2,000 engineers are engaged in research and development.

As a custom LSI manufacturer, ROHM continues to deliver leading-edge solutions that meet customer application requirements and exceed customer expectations, by optimizing digital, analog, and mixed digital/analog technologies. Responding to the growing need for higher performance and increased LSI miniaturization, ROHM's proprietary and innovative LSI design system, REAL SOCKET, allows a quick response to customer requests for system LSIs. By employing new technologies and enhancing our customer support system, and by ultimately delivering value-added LSIs, we maintain our leadership in the industry.

ROHM also focuses on the development of fine process technology and larger-diameter wafers. With the completion of a prototype production line for 300-mm wafers at ROHM HAMAMATSU CO., LTD. in the spring of 2004, the Company

continues to make steady progress towards commercial production. ROHM is proceeding with the development of a 0.13  $\mu\text{m}$  fine process, the leading-edge technology for system LSIs, and plans to open commercial production in 2004, starting with image processors for cellular phones.

In the field of optical devices, ROHM commenced mass production of a new laser diode for DVD recorders in the spring of 2004. This new laser diode delivers the highest power in the industry and is rapidly expanding its market share. Sales of ROHM's blue-and-white LEDs are also increasing as this market continues to grow.

Regarding R&D in next-generation essential technologies, ROHM has organized a dedicated Research and Development Headquarters. This facility consists of six R&D centers for next generation semiconductor integrated circuits, multi-functional integrated circuits, nanobionics, new material devices, displays, and optical devices. The Company is also involved in a wide range of joint R&D projects, including industrial-academic collaboration, establishment of a cross-industrial collaboration alliance, and participation in Japanese national projects, ASCA (Advanced Semiconductors through Collaborative Achievement) and MIRAI (Millennium Research for Advanced Information Technology).



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### The Ryoanji Garden

Kyoyo-chi pond occupies almost half of the garden landscape of Ryoanji. An ancient text says that far back in the Heian period (794 - 1185), noblemen enjoyed music and dance on dragon-headed boats on the pond, and admired the landscape while walking along the path around the pond.

Immediately on the left upon entering the Sanmon (front gate) is the expanse of the pond, always full of water. Adorning the bank of the pond are seasonal beauties such as cherry blossoms, irises, water lilies, scarlet-tinted autumnal leaves and thunberg spireas.

Walking alongside the pond, where ancient texts say mandarin ducks were playing and persons of refined taste were promenading, we go up a gentle flight of stone steps lined with fences known as "Ryoanji-gaki" (Ryoanji fencing) made of split bamboo woven in a simple manner, to reach the Kuri (monks' living quarters) and the Hojo (the main temple building).

(Photo by: Katsuhiko Mizuno)

## Production Technology and Systems

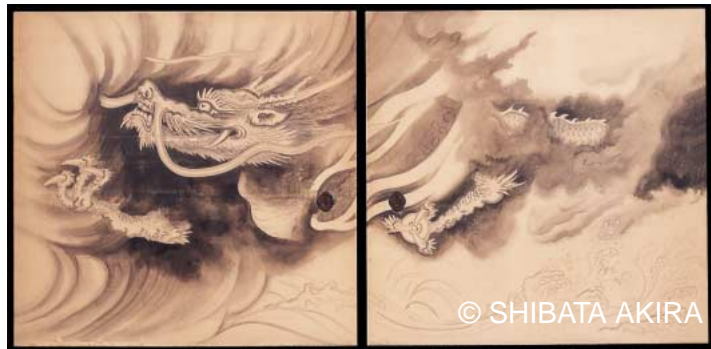
While the electronics market is expected to grow over the medium and long term, global competition is intensifying, particularly in Asia. To address this issue, ROHM has been reorganizing its domestic and overseas production methodology, establishing a system that enables the Company to ensure stable product supply in response to market needs.

ROHM is continuing its effort to enhance two plants in Tianjin, China, as a core production base of the ROHM group, following those in Thailand and the Philippines. At the two plants where transistors, diodes, resistors, LEDs, and LED displays are manufactured, the Company will continue production-capacity enhancement, along with plans to start production of laser diodes. ROHM also has a plant in Dalian, China, which will begin production of CMOS camera modules, in addition to printheads, LCDs and other module products.

Placing the highest priority on establishing and ensuring a

consistent and reliable supply to customers, ROHM secures more than one mass production facility for each product category. With the enhanced production capacities in China, combined with our current production bases in Thailand, the Philippines, and other countries, our supply system is continually updated to ensure a stable product supply to customers worldwide, while avoiding potential supply risks caused by events such as natural disasters and international conflicts.

The majority of ROHM's manufacturing equipment is developed in-house. Technologies relating to our manufacturing equipment have formed the foundation for the high quality and reliability of our products. ROHM's unique production technologies are developed by our domestic competence centers and then shared with the overseas plants of the ROHM group throughout the world. With these production technologies and plants, ROHM can manufacture and supply high-quality products worldwide.



## Social Responsibility

Believing that social responsibility is paramount, ROHM is spearheading efforts toward establishing a fair and transparent management system in areas such as corporate governance, corporate ethics, and observance of statutes. The Company is also expanding its environmental-conservation activities and philanthropy projects. To enlighten and educate employees, the Company has formulated the Rules of Conduct for Employees and has developed a follow-up policy to ensure that the Rules are fully understood and observed by employees. The Company is also committed to disclosure of information, to fulfill its corporate and social responsibilities.

## The Environment

Not satisfied with merely reducing waste, ROHM is committed to preserving the environment by eliminating waste. To that end, the Company has established an Environmental Conservation Committee to discuss significant policies and measures for environmental conservation. The Committee consists of six subcommittees responsible for greenhouse gasses, energy conservation, environmental burden reduction, waste and recycling, environmentally controlled substances, and packaging materials. Through their activities shared at all the business levels of the ROHM group, the Company continues to lead the industry in environmental conservation.

We have also been proceeding with the faithful and effective implementation of our environmental management system based on ISO 14001 standards. This implementation is an integrated environmental management system for the ROHM group as a whole and not just an activity conducted by each of the group companies independently. For the first time in the industry, a third-party certification organization has awarded ROHM a single ISO 14001 certification covering all domestic and overseas group companies. This achievement is a testimony to ROHM's group-wide commitment to environmental conservation.

Examples of our environmental conservation activities include the development of environmentally friendly, energy and resource-saving products, zero-emission of waste, complete elimination of environmentally controlled substances, and green procurement.

Besides CO<sub>2</sub> emission-reduction efforts, forestation activities to achieve natural absorption of CO<sub>2</sub> have proven extremely effective in preventing global warming. ROHM is an active participant in the "ROHM Forest," an extensive project dedicated to planting eucalyptus trees in Southern Australia. The objective of the forestation effort is to cover an area of 10 million m<sup>2</sup> by 2008. This effort has already achieved tremendous success by reforesting 4.93 million m<sup>2</sup> as of 2003.

By extending reforestation over the states of Victoria and South Australia, ROHM is the first Japanese semiconductor manufacturer to undertake such a large-scale project.



The Hojo (the main temple building)

In 1797, a disastrous fire destroyed most of the buildings of Ryoanji, after which the Hojo of Seigen-in Temple, which is one of the Tacchu (sub-temple) of Ryoanji, was relocated to Ryoanji to be used as its Hojo. Originally constructed in 1606, the relocated and rebuilt Hojo is an example of the grand architectural heritage of the Azuchi-Momoyama period and is designated as an important national cultural property. In the Hojo is a fusumae (painting on papered sliding doors) called "Nobori-ryu Kudari-ryu-zu" by Kakuo Satsuki, a great master of the Nanga School of Painting, which shows two dragons, one ascending and one descending, in breathtakingly bold and dramatic images drawn with exquisite brushstrokes. The fusumae provides a crisp tension to the tranquil inner space.

On the north-east corner of the Hojo, there is a tsukubai, or chozubachi (stone washbasin), which is believed to have been contributed to the temple by Mitsukuni Tokugawa (1628 - 1700), a member of the Tokugawa shogunate family, in token of his gratitude for the books he borrowed from the temple when compiling his "Dai-Nippon-Shi", the Great History of Japan. The tsukubai has a unique inscription. There are four characters chiseled around its side, which are read as "吾唯足知" and if the square hole that holds the water in the middle of the tsukubai is included as the radical (i.e. a component of the character), this inscription is pronounced, "Ware tada taru o shiru." Translated, it reads "I learn only to be contented." This states a doctrine taught by Buddha, which is the essence of Buddhism and is also said to be reflected in the tea ceremony.

(Photo by: Akira Shibata)

## Occupational Health and Safety

ROHM is also making continued group-wide efforts in the area of occupational health and safety. A health and safety committee has been organized at each individual ROHM Company to ensure the well being of employees. This commitment has brought successful results. The Company has obtained a Type-V Zero Accident Certificate from the Ministry of Health, Labor and Welfare of Japan, which is considered the highest-ranking certification showing that the Company has one of the longest records of zero-accident operation. ROHM has also achieved ten consecutive years of zero accidents of the type that would normally cause absence from work.

## Corporate Philanthropy

In addition to the benefits that our business brings to society, ROHM acknowledges its role as a good corporate citizen by actively supporting cultural and sporting activities.

The ROHM Music Foundation was established in 1991 with the objective of contributing to the progress of music as a cultural activity. The Foundation provides continuous support for musical events, international exchanges, and music studies, and offers scholarships for musicians. The Foundation also makes substantial contributions to the development and nurturing of musicians by sponsoring music seminars. One such event, the annual Kyoto International Music Students Festival,

features performances by students selected from prominent music schools around the world.

Individuals who received scholarships and/or participated in seminars continue to play an active role in the world of music, including performances on the professional concert stage. Many have become prizewinners in famous international competitions, with 66 participants having won first, second, or third prizes to date.

In the year under review, ROHM provided continued support for a number of musical events. These events include the ROHM Lyric Selection concert series, as well as the Seiji Ozawa Ongaku-juku Opera Project series, which was created to assist aspiring musicians. Other events held with the support of ROHM include the Autumn Kyoto Music Festival Opening Concert, the Opera Educational Program for High School Students, and other concert events.

We also provided support for major sporting events, including the Lake Biwa Mainichi Marathon, one of the races that determines Japan's representatives in the 2004 Athens Olympics (first-place winner: Jose Rios); the Kyoto City Half Marathon, Japan's largest half marathon (first-place winner for men, Takashi Maeda; first-place winner for women: Rie Ueno); and the Inter Prefectural Men's Ekiden Hiroshima 2004 (First place: Nagano Prefecture).

ROHM will continue to support cultural and sporting activities in the years ahead.



## Distribution of Profits to Shareholders

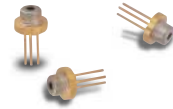
Regarding profit distribution to shareholders, ROHM will press ahead with its current measures and policies to live up to shareholders' expectations, in light of comprehensive consideration given to various factors, including business performance, financial position, and expected demand for funds for business investment aimed at improving corporate value.

To be concrete, with consolidated dividend payout ratio also taken into account, the Company will continue to direct its efforts toward satisfactory direct profit distribution based on corporate performance.

Accordingly, for the fiscal year ended March 31, 2004, the Company has decided to pay annual dividends of ¥55.00 per share, a large increase from the previous year.

ROHM will also continue to develop and implement policies and measures for enhancing corporate value for shareholders, including amendment to the Articles of Incorporation regarding purchase of treasury stock, so as to ensure expeditious profit distribution in response to changes in the business environment.

**Ken Sato**  
President



Rock Garden

The rock garden creates its own distinctive atmosphere in a limited oblong space of 75 tsubo (approx. 250 m<sup>2</sup>). The karesansui garden, consisting simply of a flat surface of white sand with fifteen rocks arranged in an abstract composition that indicates some sense of deliberateness, provides a dignified beauty. Exquisitely and skillfully arranged, the rocks protruding above the raked white sand seem to represent the ocean with islands protruding above its surface, or mountain peaks soaring above a sea of clouds. The garden's overall simplicity allows viewers free imagination and interpretation. Bounded by tsuijibei (a type of earthen wall), the rock garden is now a completely enclosed space that generates its own unique atmosphere as if it were clipped out of the surrounding landscape. However, records suggest that when originally laid out, the garden used as "shakkei" (borrowed scenery) the view of the distant Nishiyama hills. The fifteen rocks are inexplicably arranged in such a manner that visitors can see only thirteen or fourteen of them at one time, no matter what angle the garden is viewed from. This, combined with the fact that there is no record when and by whom the garden was laid out, it remains full of mystery. (Photo by: Katsuhiko Mizuno)

