## To Our Shareholders and Friends

The electronics market, which is the business arena of ROHM, is expected to grow over the medium to long term in parallel with the progress of the highly sophisticated information society.

In the consumer equipment segment, besides digital still cameras, which are already experiencing rapid widespread use, the market for digital audio/visual products, such as thin profile TVs, DVD recorders, hard disk and silicon audio equipment, is showing signs of full-scale growth. Likewise, in the area of mobile phones, third-generation phones that incorporate sophisticated multimedia capabilities are gaining rapid acceptance in Japan and many other countries. These new products will serve as powerful driving forces for future growth in the semiconductor market. The automobile-related market is also expected to grow due to anticipated advances in technology for automotive electronics including safety systems such as adaptive cruise control systems, as well as in-car entertainment and other amenity functions. To respond to these new applications, 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.

# *Timeless Symmetry*


ROHM's bases for technological enhancement include the 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 2,200 engineers are engaged in research and development.

In the area of LSIs, ROHM always delivers leading-edge solutions that meet customers' application requirements and exceed their expectations through optimizing digital, analog, and combined digital/analog technologies developed and accumulated by ROHM as a custom LSI manufacturer. In addition to its proprietary multi-chip design technology to develop complex, high-performance system LSIs, ROHM has newly developed a unique and innovative system LSI development platform that slashes design lead-time and speeds up the development of system LSIs. With these innovative technologies, ROHM intends to satisfy the increasing needs for larger-scale integration and higher performance in the area of system LSIs for, chiefly, the markets for digital home appliances and information and communications equipment.

In discrete semiconductors, ROHM is actively committed to enriching its MOS FET (metal-oxide semiconductor field-effect transistors) products, which is an area that is expected to increase in demand particularly in the power-supply equipment sector. In response to the growth of the digital audio/visual equipment and mobile phone markets, the Company is also focusing on the development of products that meet the increasing needs for low power consumption, miniaturized packages and high reliability.

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 has been steadily expanding its market share. ROHM is committed to further expansion of its laser diodes lineup, including dual-wavelength laser diodes. Sales of ROHM's blue-and-white LEDs are also increasing as this market continues to grow. R&D is also under way to bring to commercial use a new generation of LEDs that employ zinc oxide as the main material.

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. Recent specific achievements include successful prototype production of SiC (silicon carbide)-made schottky diodes and MOS FETs, which are expected to become the next-generation power devices, and a compact liver function testing system developed in collaboration with an outside company as the first step toward practical use and commercial production. ROHM has also produced various successful results including highly functional, flexible display components developed jointly with Kyoto University, Pioneer Corporation and Mitsubishi Chemical Corporation under the Comprehensive Industrial-academic Collaboration Alliance.


**Nijo Castle**

Surrounded by a moat filled with deep, green water and by stone walls with sumi-yagura (corner towers) situated at each corner, Nijo Castle still manifests an unfailing majestic atmosphere that has been carried through the past four hundred years.
The Ote-mon (main gate) is a sturdy, two-story yagura-mon (turret gate) with the lower story incorporating the entrance and the upper story forming the connecting tower. It is equipped with ishi-otoshi, or rock chutes, for hurling stones down on possible invaders and attackers. Upon passing through the Ote-mon, there is a stern-looking guardhouse called, "the bansho," where samurai guards used to be stationed.
At this point, the castle may give the impression of being a forbidding and rugged fortress. However, upon entering the elegantly adorned Kara-mon (Chinese gate), this first impression is surprisingly reversed.
In fine contrast to the Ninomaru Palace of magnificence with its illustrious and stunning gardens, the castle also offers the Honmaru Palace in sukiya style (tea house style) located inconspicuously beyond the western end of the garden. It is surrounded by the beauty of flowers from each season delighting the eye of every visitor.
With these elements of stillness and movement forming a harmonious whole, Nijo Castle attracts its visitors by offering refreshing surprises and creating a new impression each time it is visited.

## Production Technology and Systems

Global competition is constantly intensifying in the electronics market, particularly in Asia. To address this issue, ROHM is proceeding with establishing a system that enables the Company to ensure the most outstanding product quality and reliability in the industry.

Regarding wafer processes, in response to the growing needs for larger-scale integration and lower power consumption, ROHM is focusing on the development of larger-diameter wafers and fine process technology. At ROHM HAMAMATSU CO., LTD., production capacity is being increased for 300 mm wafers. As for the fine process technology, ROHM is proceeding with the enhancement of its 0.13 µm fine process line, the leading-edge technology for system LSIs, while also developing cutting-edge 90 nm or smaller ultra-fine processes.

At ROHM's overseas assembly plants, particularly those located at the ROHM Group's core production bases in Thailand, the Philippines and China, various production improvement efforts are underway. The plant in Thailand is increasing its transistor production capacity, and the plant in the Philippines has commenced production of tantalum capacitors, in addition to LSIs and transistors. At the plants in Tianjin, China, the Company has begun production of laser diodes, besides continuing production-capacity enhancement for diodes, LED lamps, LED displays and other products. ROHM also has a new plant in Dalian, China, to which production of camera modules is being shifted from domestic plants in Japan.

The majority of ROHM's assembling equipment are developed in-house. The Company's assembling equipment, developed by incorporating its manufacturing know-how for top-quality products, is used at all the plants of the Group including those overseas, enabling the Company to manufacture and supply high-quality products worldwide. ROHM is also promoting in-house production of materials such as wafers, lead frames and photomasks, which is an unprecedented effort in the semiconductor industry. This allows ROHM to carry out quality control in all processes from materials to finished products, giving the Company overwhelming superiority over competitors in terms of reliability.

ROHM always places a high priority on establishing and ensuring a consistent and reliable supply of products to customers. To this end, and as part of its production base development strategy, the Company secures more than one mass production facility for each product category. The Company will continue to update its supply system to guarantee a stable product supply to customers worldwide, while avoiding potential supply risks caused by events such as natural disasters and international conflicts.


## Sales System and Customer Support

ROHM is currently revamping its sales and customer support systems, so as to establish a system that gets closer to customers worldwide for better sales operation and technical support activities, enabling the Company to respond quickly and precisely to all customer needs. In China in particular, which is a key target area for our sales promotion, ROHM is planning to establish five new sales bases, in addition to the existing ten sales bases as well as sales companies in Hong Kong, Shanghai and Dalian. As for ROHM's design centers, which serve as technical support bases, the Company opened two centers in Shanghai and Taiwan in 2004 in addition to the existing center in Hong Kong. Also, ROHM's sales network in Japan has expanded from four to eight offices since the beginning of 2005. ROHM will continue to reinforce its sales and customer support systems in ASEAN countries, the United States and Europe as well, in an effort to ensure a quick response to customer needs and to expand the market share in the global market.

## Social Responsibility

With the belief that social responsibility for sustainable development as a corporate citizen is of paramount importance, we at ROHM are spearheading efforts toward establishing a fair and transparent management system in areas such as corporate governance, corporate ethics, and observance of statutes. ROHM is also committed to disclosure of information so as to ensure fair and transparent management. To enlighten and educate employees, the Company has formulated the "Guidelines for Ethics in the Business of ROHM" and has developed a follow-up policy to ensure that the Rules are fully understood and observed by employees. ROHM is also performing various activities to retain and improve good relationships with society and local communities, such as donations of research facilities named, ROHM Plaza, to Ritsumeikan University, Doshisha University and Kyoto University, as well as proactive dispatch of employees to local volunteer activities.

## Environment

Being aware that environmental conservation is essential to the continued existence of mankind and the progress of industries, ROHM considers global environmental protection a top priority, as shown in its basic environmental philosophy. In pursuit of eliminating all forms of waste, ROHM has established an Environmental Conservation Committee to discuss significant policies and measures for environmental conservation. The Committee consists of six subcommittees responsible for greenhouse gases, energy conservation, environmental burden reduction, waste and recycling, environmentally controlled substances, and packaging materials. Through their activities shared at all business levels of the ROHM Group, the Company continues to lead the industry in environmental conservation.

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

Examples of ROHM's environmental conservation activities include the development of environmentally friendly, energy- and resource-saving products, complete elimination of environmentally controlled substances, and green procurement. Moreover, all the ROHM Group companies in Japan achieved zero emissions of waste in fiscal 2004.

Regarding the RoHS (Restriction of the use of certain Hazardous Substances) Directive, an extremely strict European directive that will take effect in 2006, ROHM has already met the Directive ahead of others in the industry when in 2004 all products of the Company became lead-free.

Besides $CO_2$ emission reduction efforts, forestation activities to achieve natural absorption of $CO_2$ have proven extremely effective in helping to prevent global warming. Actively conducting the extensive "ROHM Forest" project in Southern Australia, planting eucalyptus trees. ROHM is the first Japanese semiconductor manufacturer to undertake such a large-scale reforestation project. The forestation is scheduled to cover an area of 10 million $m^2$ by the year 2008, of which 6.02 million $m^2$ was completed in 2004.



**Shoin-style architecture**

Ninomaru Palace consists of six buildings laid out in a diagonal configuration known as the Tozamurai, the Shikidai, the Ohiroma, the Sotetsu-no-ma, the Kuroshoin and the Shiroshoin.
The rooms are decorated with a sophisticated set of Shoin-style items including toko-no-ma (decorative alcove) for the display of calligraphic works, paintings and flower arrangements, chigai-dana (staggered shelves) with two shelf boards (one on the right and one on the left) placed horizontally and staggered, and a number of akari-shoji (a type of sliding paper screen) and fusuma (sliding paper door) that serve to create a light and open atmosphere. The philosophy of the Shoin style, represented by these outstanding features of the Palace in their simplicity, has been a strong influence on later Japanese architecture.
The fusuma-e and shoheki-ga paintings in the thirty-three rooms of the Palace are masterpieces by great artists of the famous Kano School of Painting. Some of the paintings are detailed and magnificent while others are simple and refined, but all ignite pleasure in every viewer.
Especially noteworthy is the fusuma-e painting in the Ohiroma (audience hall) used by the Shogun for meetings with the daimyos. The painting, Oimatsu-zu (literally "picture of an old pine tree") by Kano Tanyu, shows a single massive pine tree in bold and dramatic tension-filled imagery using masterful brushstrokes. The painting lends to the magnificent and elegant atmosphere in the Palace.

## Occupational Health and Safety

ROHM is also making continued group-wide efforts in the area of occupational health and safety. For more than ten consecutive years, the ROHM Head Office has had zero accidents requiring employee absences from work. For this achievement, the Company obtained in 2004 a Type-V Zero-accident Certificate from the Ministry of Health, Labor and Welfare, which is the highest-ranking certification distinguishing the Company as having one of the longest records of zero-accident operation in Japan. ROHM continues its commitment to zero-accident operation.

## 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, and is providing continuous support for various musical activities.

In the year under review, ROHM and ROHM Music Foundation provided support for a number of musical events, including the ROHM LYRIC SELECTION classical concert series, the Autumn Kyoto Music Festival Opening Concert, the Opera Educational Program for High School Students, and various other concert events. Besides offering scholarships for musicians, we also provided continued support for events intended to assist aspiring young musicians, including the annual Kyoto International Music Students Festival, the ROHM Music Foundation Musical Seminars, and the Seiji Ozawa Ongaku-juku Opera Project series.

ROHM also provided support for major sporting events, including the Lake Biwa Mainichi Marathon, one of the domestic qualifying races for the IAAF World Championships in Athletics (First place: Joseph Riri); the Kyoto City Half Marathon, Japan's largest half marathon (First place: men, Koichi Mitsuyuki; women, Rie Ueno); and the Inter Prefectural Men's Ekiden Hiroshima 2005 (First place: Nagano Prefecture).


## 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. The Company intends to improve the total return ratio, by keeping the dividend rate consecutive in consideration of the consolidated dividend payout ratio, while implementing flexible return-improvement measures, such as treasury-stock purchasing, in light of cash-flow conditions.

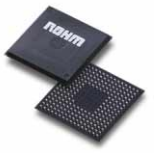
Accordingly, for the fiscal year ended March 31, 2005, the Company has decided to pay annual dividends of ¥85.00 per share, a large increase from the previous year. In February 2005, ROHM announced that the Company decided to purchase treasury stocks up to the maximum of 3 million shares or ¥30 billion. The Company completed the purchase by April 22, 2005, with the treasury stock purchased on or before that date amounting to 2,889,700 shares or ¥29,987 million yen. In addition, the Company's proposal to purchase treasury stock up to the maximum of 1,500,000 shares or ¥15 billion was approved at the ordinary general meeting of shareholders in June 2005.

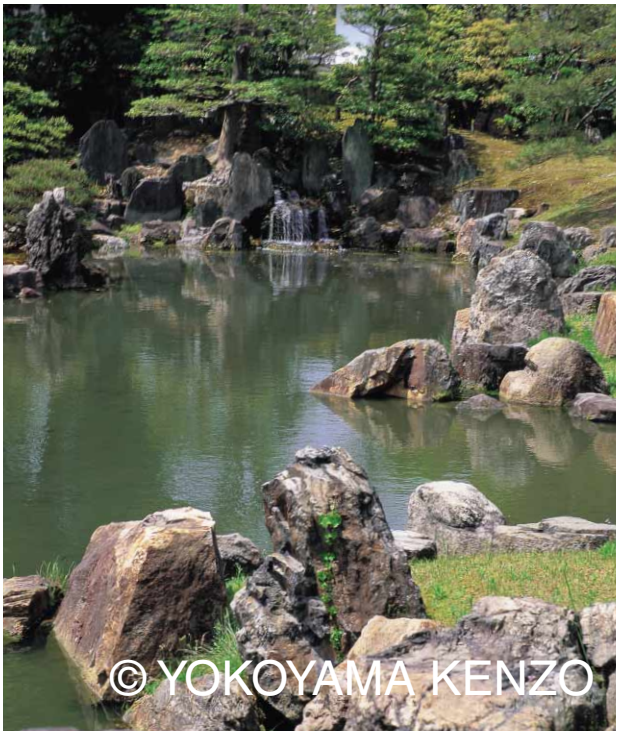
ROHM will continue to commit itself deeply to improving its business performance, through the development of high-value-added products and technologies in anticipation of future customer needs, improvement of quality and reliability, reinforcement of production and marketing systems, and thorough, company-wide streamlining and cost-reduction efforts.

In conclusion, we would like to take this opportunity to ask for continued support and understanding from our shareholders.

June 2005

**Ken Sato**
President




**Japanese Gardens**

Since ancient times, the Japanese have embodied, in a limited space, each season's unique beauty.
The Chisen Kaiyu (many-pleasures-around-a-pond) style garden is a re-creation of nature with a pond, yarimizu (narrow streams) and planted trees while the Karesansui style garden is simple, but impeccably laid out to provide a dignified beauty. Although different in style and technique, both types of gardens represent the refined sensitivity and spirit of the Japanese people.
The renowned Ninomaru Garden of Nijo Castle is typical of the Chisen Kaiyu style with a pond in the center surrounded by a number of exquisitely arranged stones and a waterfall. In the center of the pond are three crafted islands: Horai-jima (Island of Eternal Happiness), Tsuru-jima (Crane Island) and Kame-jima (Turtle Island).
Originally created to be best appreciated from the Ohiroma of Ninomaru Palace, the Ninomaru Garden was ingeniously modified by the renowned landscape architect, Kobori Enshu, before the scheduled visit of Emperor Gomizuno-o, so that the splendid beauty of the garden could also be appreciated from the Gyoko Goten (the temporary residence of the Emperor) and the Kuroshoin.
Facing this tranquil garden one feels calm and peaceful as if time does not exist.