Management Policies and Financial Data

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Management Policies

Basic Management Policy

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

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

Basic Policy on Distribution of Profits

Regarding profit distribution to shareholders, ROHM will press ahead with measures and policies to live up to their expectations, in thorough consideration of various factors, including the Company's business performance, financial conditions, and estimated fund demands for business investment to improve its corporate value. More specifically, the Company intends to improve the total return ratio, by keeping the dividend rate consecutive in consideration of the consolidated dividend payout ratio, while implementing flexible return-improvement measures such as treasury-stock purchasing in light of cash-flow conditions.

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

Currently the Company has no plan to change the frequency of dividend payment under the new Japanese Corporation Law, which came into effect recently.

Policy on Changes in Minimum Trading Lot Size

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

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

Referenced Corporate Performance Indexes

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

* **EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)**
  An index obtained by adding interest expenses and depreciation to income before income taxes and minority interests. This index is commonly used to compare corporate earnings internationally.

Medium- to Long-term Corporate Strategies

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

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

Specifically, ROHM intends to increase R&D personnel continuously while reinforcing the corporate operations handling digital technologies and digital-analog integration technologies. ROHM also intends to satisfy various needs from customers, especially from those in the digital home appliance market and information and communications equipment market, with larger-scale LSI devices, more sophisticated LSI devices, and lead-time reduction, realized by making good use of our original REAL SOCKET design system, which enables the development of complicated system LSI devices, as well as our REAL PLATFORM, which slashes design lead-time and speeds up the development of system LSI devices. We are also committed to the development of next-generation optical devices, including LEDs that use zinc oxide as the main material, and silicon-carbide-substrate power devices, which are expected to be far better than conventional silicon-substrate semiconductors in terms of voltage resistance and high-current characteristics. In addition, we intend to upgrade our high-quality, high-reliability product lines to satisfy needs from automotive industries that are becoming increasingly electronic.

As the corporate bases for these technological-reinforcement efforts, ROHM runs the Yokohama Technology Center, Optical Device Research Center and LSI Test Technology Center, leveraging customer-support operations and reinforcing its corporate R&D system for further growth in the future.

To contribute to the development of future technologies, ROHM is actively involved in a wide range of joint R&D projects, including comprehensive industrial-academic collaboration alliances with Kyoto University and other major institutions; joint efforts with the Semiconductor Industry Research Institute Japan, which is a think-tank for the Japanese semiconductor industry; and participation in leading-edge R&D projects, which integrate the wisdom of academic, industrial, and governmental circles. Moreover, ROHM promotes partnerships with other companies wherever necessary to complement our technologies, thus improving the efficiency of its R&D activities.

Regarding the organization of its corporate production system, ROHM is aggressively committed to improving cost competitiveness and reinforcing the corporate supply system for sales to the worldwide market. Specifically, concerning the front-end process of semiconductor production, the Company is pressing ahead with the adoption of larger-diameter wafer process, such as 300 mm wafer process, and microfabrication process. For the back-end process, ROHM intends to powerfully shift production to overseas plants, including those in Thailand, the Philippines and China, while upgrading them. Our existing domestic plants are intended to continue to accumulate the Company's production technologies as the mother plants of the production network of the entire ROHM Group. The production technologies established by those mother plants will then be introduced to the overseas plants, to enable the manufacture and supply of ROHM’s high-quality products worldwide.

Concerning product quality, ROHM intends to continue company-wide efforts to further enhance the reliability of its products, implementing quality-improving actions in its manufacturing divisions as well as thoroughly instilling the quality-first policy in technological divisions, including LSI circuit design and manufacturing-technology development. ROHM also intends to proactively commit itself to internally producing materials such as wafers, photomasks and lead frames, thereby developing products that will overwhelm the products of competitors in quality and reliability, while reducing lead-time, thus improving our international competitiveness.

To expand market shares in the growing global markets, ROHM intends to reinforce its corporate customer relations systems including sales and technical support in various locations worldwide, by newly establishing networked quality assurance centers along with sales bases and design centers. At the same time, the Company intends to make continued efforts to achieve more efficient corporate management and swifter decision-making by proceeding with the restructure and integration of corporate organizations in and outside Japan.

To contribute to environmental conservation, the ROHM Group is making across-the-board efforts to establish an environmental management system based on ISO 14001 standards and develop new low-power-consumption, energy-saving products. All the production bases of ROHM in and outside Japan intend to commit themselves continuously to realizing zero emissions through the promotion of waste recycling and to pressing ahead with green procurement and supply. In addition, ROHM intends to proceed with its tree-planting project as part of the fight against global warming. Leading the industry, ROHM has already completed the actions necessary to satisfy the RoHS Directive, which is the environment conservation regulations that will take effect in July 2006 in Europe, as a corporate citizen who performs business in consideration of environmental conservation.

Priority Issues

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

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

Operating Results and Financial Status

1. Operating Results

Review for the Year Ended March 31, 2006

Overall review of results of operations

In the fiscal year ended March 31, 2006, the world economy stayed firm by and large, principally because consumer spending was buoyant year-round in major countries including the U.S., though soaring crude-oil prices and natural disasters had a negative impact. The Japanese economy showed continued recovery, owing mainly to brisk plant and equipment spending and firm consumer spending pulled up by improvement in employment and family-income conditions.

Excluding a part of digital audio/visual equipment, the electronic component market as a whole was sluggish from spring to summer in contrast to the market in the previous year, when it was favorably influenced by the Athens Olympic Games. From summer onwards, market demand was more favorable compared with the recent years, due chiefly to production expansion in the mobile-phone market and personal-computer market and to the brisk expansion of digital audio/visual equipment market including thin TVs.

Regarding markets in different regions, in Japan, production relocation to other countries continued and intense price competition occurred. However, the thin-TV market stayed brisk and third-generation mobile phones became more common, increasing demand.

In other Asian countries, the markets of conventional audio/visual equipment, such as portable CD players, was extremely slow, but the production of personal computers, mobile phones and digital audio/visual equipment expanded, so that the electronic component market as a whole remained favorable.

Concerning North America and Europe, the markets related to telecommunication equipment were weak and a part of automakers experienced slow sales, which adversely influenced the electronic component market. In Europe, the market remained stagnated, influenced by production shift to other countries, though the mobile-phone market was relatively firm.

Under these circumstances, the ROHM Group made proactive efforts to streamline manufacturing process lines, to invest capital more efficiently, to research for and develop new products, as well as to reinforce customer relations systems including sales and technical support.

Concerning manufacturing process lines, we pressed ahead with the establishment of an integrated production system and made efforts to expand the 300 mm wafer process. We proceeded with the transfer of the production of module-related products to a new plant in Dalian. We also continued to shift production from Japan to our Thailand and Philippines plants and to streamline production systems in the plants in these countries. Furthermore, to be prepared for demand expansion in the future, we started to construct a new plant in each of our production bases in Tianjin, Thailand, and Philippines.

Concerning the development of new products, we proceeded with the development of various system LSI devices to satisfy customer needs for use in mobile phones and digital audio/visual equipment, whose markets are expected to grow further. The other efforts we made include the reinforcement of the product lines of compact-, thin-package power MOSFET*[1] products.

For customer relations including sales and technical support, we opened new sales bases in and outside Japan, and established a design center outside Japan, to reinforce a customer-centered sales system and technical support system. We also opened a QA center near Detroit, U.S., reinforcing our corporate quality assurance network.

As a result of these efforts, ROHM's net sales for the fiscal year ended March 31, 2006, increased 5.1% to ¥387.79 billion over previous year, operating income decreased 10.2% to ¥68.318 billion, and net income increased 7.0% to ¥48.304 billion.

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

Divisional review of results of operations

<Integrated circuits>

ROHM's sales of integrated circuits for the fiscal year ended March 31, 2006 increased 7.0% to ¥170.088 billion.

In the home-appliance market, the use of inverter control ICs for LCD back light*[2] and overdrive processors*[3] increased for panel displays such as thin TVs. In addition, the sales of new products for digital audio/visual equipment expanded, such as audio LSI devices for mobile music players using a hard disk or flash memory and system drivers for digital still cameras and digital video cameras. On the other hand, the market of conventional audio/visual equipment, such as portable CD players, stayed sluggish.

In the mobile-phone market, the employment of integrated application power LSI devices, audio LSI devices, analog front-end LSI devices*[4] became increasingly common and their sales increased rapidly. Sales of Liquid-crystal display driver LSI devices stayed firm.

Concerning production operations, we continued to switch the production of materials including wafers, photomasks*[5], and lead frames*[6] to in-house production. Concerning the front-end process, we reinforced the production system of 300 mm wafer process, and continuously committed ourselves to the development of microfabrication technologies aiming at realizing the industry's most advanced process. To be prepared for demand expansion in the future, we started to build a new plant that will be compatible with the 300 mm wafer process at ROHM HAMAMATSU CO., LTD., a ROHM Group company. Regarding the back-end process, we strengthened our production systems outside Japan, and made efforts to enrich the lines of compact, thin-package products and increase production capacity.

For module products, the sales of IrDA*[7] communication modules used in mobile phones stayed firm. We made cost-reduction efforts in the production of these products, transferring production to China continuously.

***2 Inverter control ICs for LCD back light**
IC devices that power the back light of liquid-crystal displays.

***3 Overdrive processors**
LSI devices that speed up the response speed of halftones (medium color tones) on liquid-crystal displays. They improve motion-picture display performance and realize beautiful images.

***4 Analog front-end LSI chips**
LSI chips that convert radio waves (analog signals) received by a mobile phone into digital signal data that can be processed.

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

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

***7 IrDA**
An infrared data communications standard commonly used in laptop computers, mobile phones and similar devices.

<Discrete semiconductor devices>

ROHM's sales of discrete semiconductor devices for the fiscal year ended March 31, 2006 increased 6.2% to ¥150.636 billion.

Concerning transistors and diodes, the sales of small-signal transistors were extremely severe, primarily because of price reduction. However, the sales of power MOSFETs and power diodes increased considerably for use in digital audio/visual equipment such as thin TVs and mobile phones.

For laser diodes, our market share of dual-wavelength laser diodes increased tremendously for use in personal-computer combo drives. However, the sales of single-wavelength laser diodes for reading CDs and DVDs lowered, influenced by the stagnant market and intensified price competition.

For LEDs, the sales of blue and white LEDs grew outside Japan, for use in mobile phones.

Regarding production systems, we committed ourselves to improving the production capacity of power devices*[8] such as MOSFETs, which are expected to further increase in demand. We also reinforced our compact package production lines because the demand for compact packages is on the increase for use in mobile phones. In addition, to improve cost competitiveness, we made efforts to reduce material cost and streamline manufacturing processes, and continued to shift production to overseas plants.

***8 Power devices**
Semiconductor devices that control high current and high power. Sophisticated power devices are energy-efficient and low in heat generation.

<Passive components>

ROHM's sales of passive components for the fiscal year ended March 31, 2006 increased 5.9% to ¥24.998 billion.

While competition continued to be severe in international markets, the sales of low ohmic resistors stayed firm, and the sales of new products such as size 0603 chip resistors and multiple-chip compound products increased.

For capacitors, the sales of ceramic capacitors stayed severe mainly because of price competition, while the sales of compact, large-capacity tantalum capacitors of our original construction increased drastically for increased employment in mobile phones.

Regarding production systems, we proceeded with the shift of production to outside Japan; as an example, we built a tantalum capacitor production system in Thailand. We made continued efforts for cost reduction, improving the efficiency of production and supply systems.

<Displays>

ROHM's sales of displays for the fiscal year ended March 31, 2006 decreased 5.7% to ¥42.068 billion.

Concerning printheads, the sales of image sensor heads for multifunction printers*[9] and printheads for miniaturized printers for POS (Point-of-Sale) systems stayed brisk.

However, concerning LED displays, the sales of dot-matrix displays such as those for large displays were stagnant.

In addition, the sales of LCD modules for overseas markets such as China were stagnant.

The sales of camera modules also stayed slow, influenced by price competition.

Concerning production systems, we proactively shifted production to the new plant completed in Dalian, China, making continued cost-reduction effort.

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

2. Analysis of Financial Status and Operating Results

(1) Business Performance Report

The sales for the fiscal year ended on March 31, 2006 were ¥387,790 million yen, up 5.1% over the previous year. However, because the sales price per product lowered and the expenses and operational cost related to the new introduction of manufacturing processes and the relocation of production increased, the ratio of gross profit to sales deteriorated 2.9 points. Because of increase in R&D cost, patent royalties payable, commission fees payable such as license application fees, and labor cost, selling, general and administrative expenses rose ¥4,118 million over previous year, resulting in the operating income of ¥68,318 million, down 10.2% from previous year.

In the previous year, ROHM made a profit of ¥333 million from foreign currency exchange gains, while a loss of ¥7,934 million occurred in relation to early retirement, resulting in a decrease in income before income taxes and minority interest.

In this year, the Company recorded a loss on sale and disposal of property, plant and equipment of ¥2,897 million, as well as a loss on early retirement of ¥1,931 million, while an income of ¥6,283 million occurred as a result of increasing in interest and dividend income, as well as an income of ¥4,467 million occurred by a foreign currency exchange gains. Those losses and gains resulted in an increase in income before income taxes and minority interests.

As a result of these conditions, the current net income increased 7.0% over previous year to ¥48,304 million.

(2) Financial Position

<Total Assets as of March 31, 2006>

As of March 31, 2006, total assets amounted to ¥951.442 billion, up ¥84.119 billion over March 31, 2005. The liabilities increased ¥36.271 billion from March 31, 2005 to ¥163.924 billion. The shareholders' equity increased ¥47.885 billion over previous year to ¥787.214 billion.

<The cash flows>

The cash flows from operating activities increased ¥2.629 billion over the previous year. The major factors of this result are that the allowance for depreciation increased ¥9.590 billion and that inventories increased ¥9.021 billion.

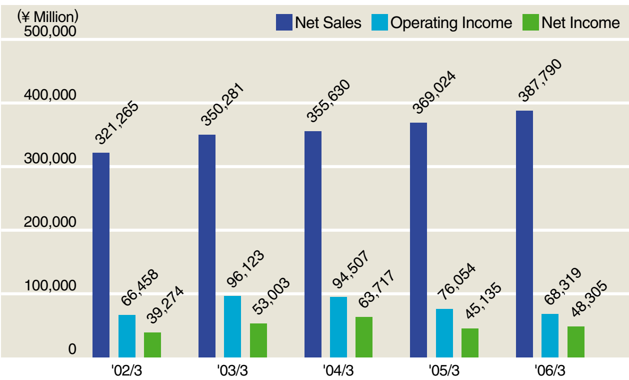
The cash flows from investing activities decreased ¥7.904 billion from the previous year, because mainly of a decrease in the amount of ¥43.473 billion due to fluctuations in the increase and decrease of the time deposits, and of an increase in the amount of ¥32.595 billion resulting from the acquisition and sale of securities and investment securities.

The cash flows from financing activities increased ¥4.727 billion over previous year mainly because expenses concerned with the acquisition of treasury stocks decreased ¥4.812 billion.

As a result, total cash and cash equivalents decreased ¥8.510 billion, so that the balance for the current year amounted to ¥280.465 billion.

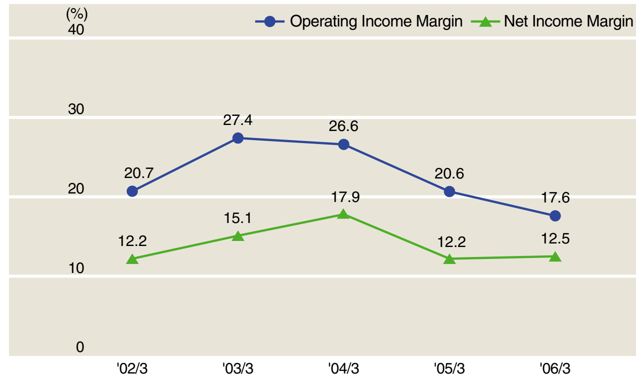
Results of Operations

1. Results of Operations



The overall market was generally slow from spring to summer, excluding a limited sector of the digital AV equipment market; however, market demands took an upturn and stayed firm from summer on compared to an average year. On the other hand, sales prices became lower while the fixed cost grew as a result of a rise in depreciation/amortization due to increase in capital expenditure, placing pressure on the profit margin.

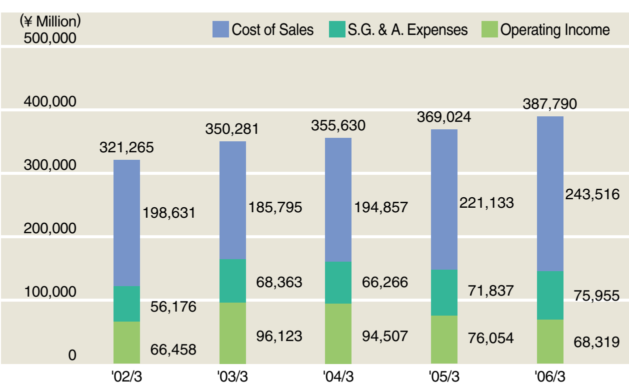
2. Income Margin



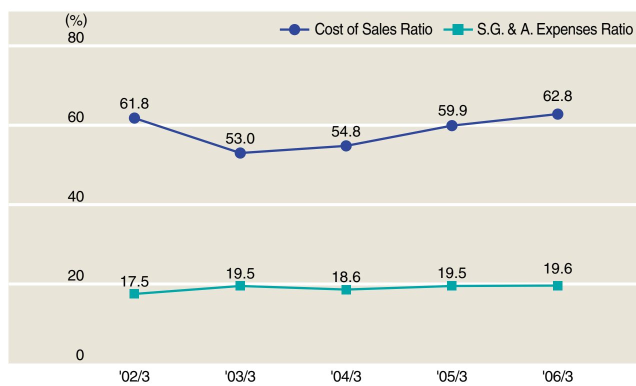
The operating income margin lessened but the net income margin improved because of exchange gains and the decrease in extraordinary losses.

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

1. Cost of Sales, Selling, General and Administrative Expenses, and Operating Income

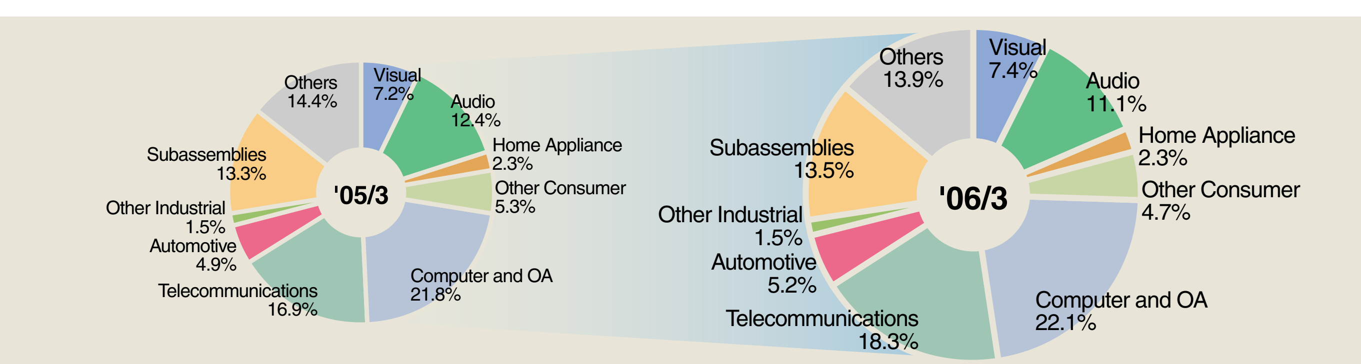


2. Cost of Sales and Selling, General and Administrative Expenses to Net Sales



Cost of sales increased resulting from rises in depreciation and others. Selling, general and administrative expenses also increased resulting mainly from rises in R&D expenses. Those increases caused a decline of operating income despite the sales growth.

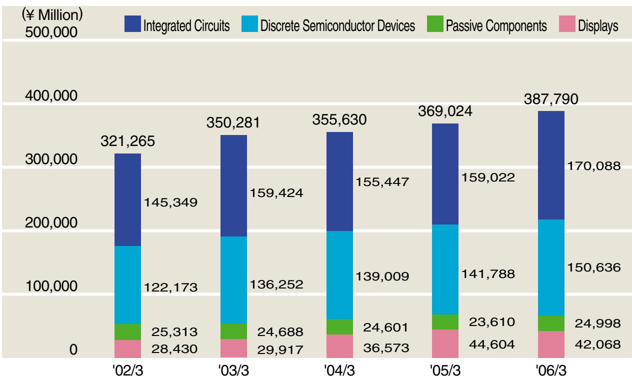
Sales by Application



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

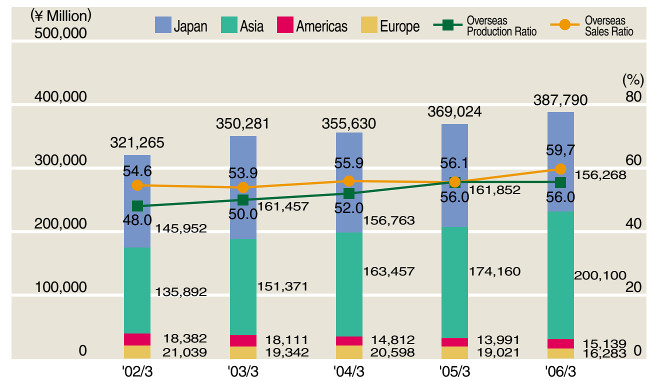
Sales

1. Sales by Product Category



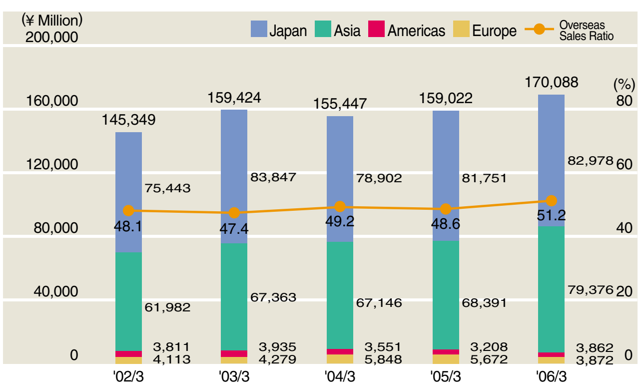
Sales of integrated circuits and discrete semiconductar devices grew, due to the sales of LSI devices for mobile phones stayed favorable, and the number of LSI devices and power discrete products applied in panel displays such as thin TVs increased. On the other hand, in the category of displays, orders for LED displays, LCD modules and camera modules were sluggish.

2. Sales by Geographical Region and Overseas Production Ratio

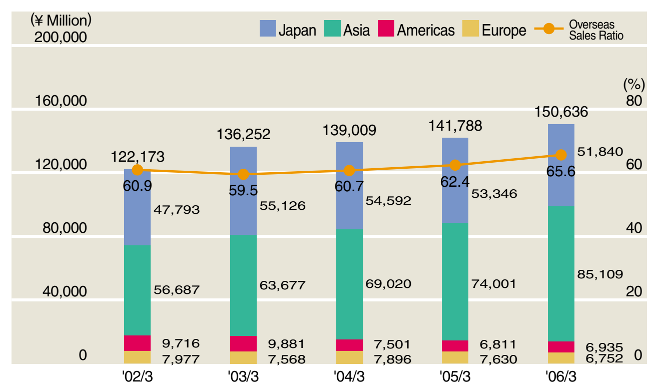


The relocation of production bases from around the world to the Asia region continued, so that sales increased in this region.

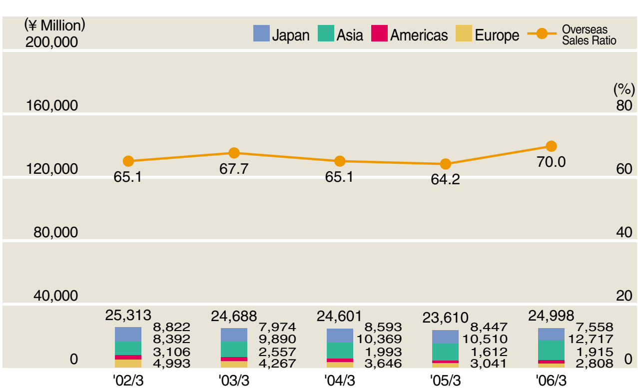
3. Integrated Circuits Sales by Geographical Region



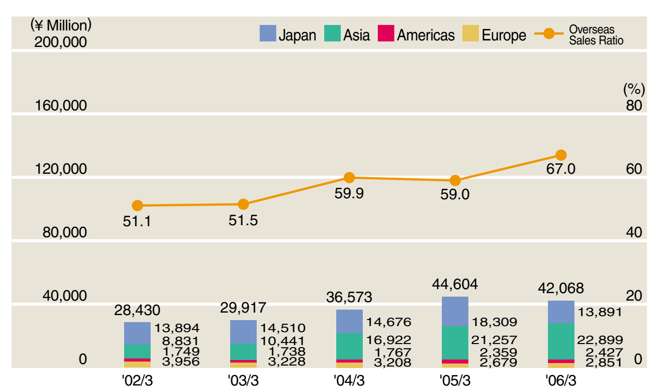
4. Discrete Semiconductor Devices Sales by Geographical Region



5. Passive Components Sales by Geographical Region

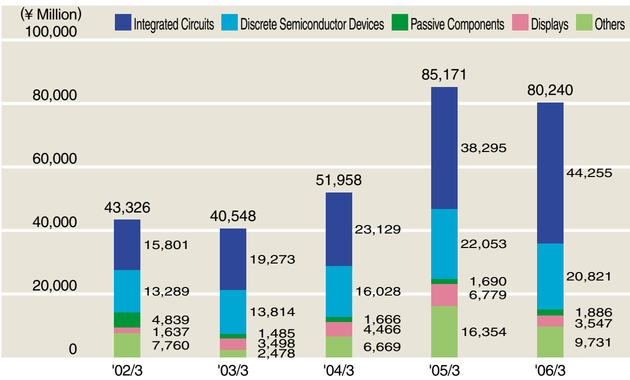


6. Displays Sales by Geographical Region

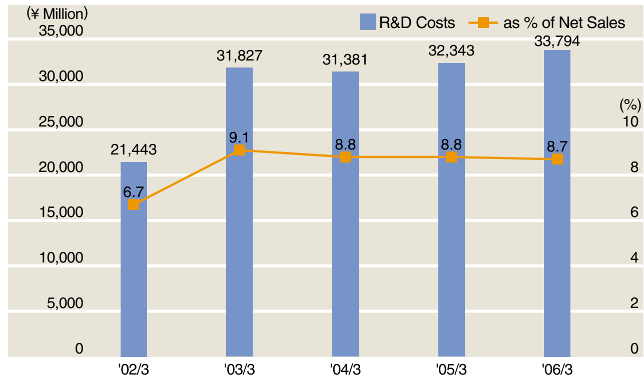


Capital Expenditures and Research and Development Costs

1. Capital Expenditures



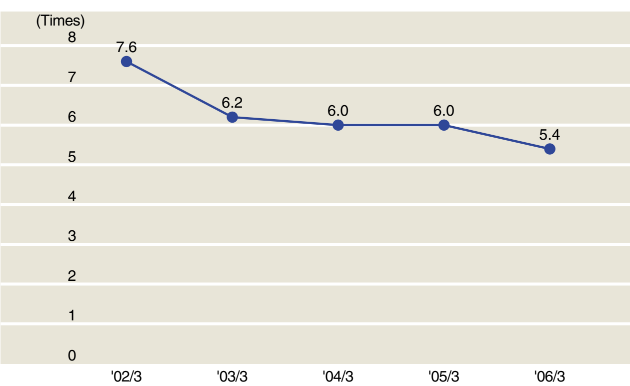
2. Research and Development Costs



We proactively invested in capital expenditure to satisfy market needs and strengthen our competitiveness. Domestically, we reinforced our 300 mm wafer process for LSI production. In the overseas plants, we increased and reinforced the production capacity of assembly lines, mainly for the production of small and thin packages. Concerning research and development, we are committed to the development of new products, especially LSI products for markets having growth potential, such as mobile phones, digital audio/visual equipment, and automotive equipment and device processes. We are also proactively committed to research and development to satisfy future needs, typically those for optical devices, next-generation semiconductors and bioelectronics.

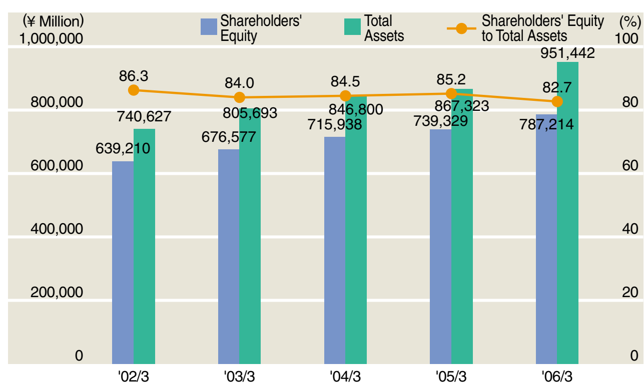
Financial Position

1. Current Ratio



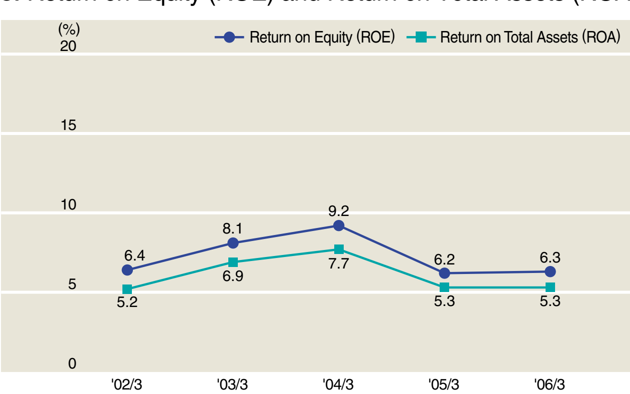
Growth in the total amount of bills for payment, accounts payable, accrued income tax, etc. increased current liabilities, so that current ratio became 5.4 times.

2. Shareholders' Equity and Total Assets



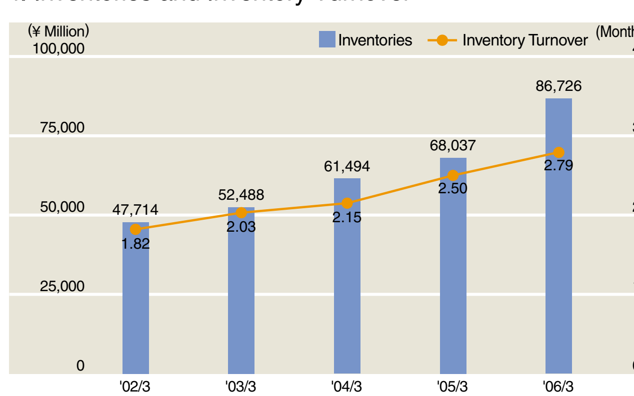
While we purchased treasury stock in the amount of ¥15.1 billion, the net income increased, and the shareholders' equity and total assets increased as a result.

3. Return on Equity (ROE) and Return on Total Assets (ROA)



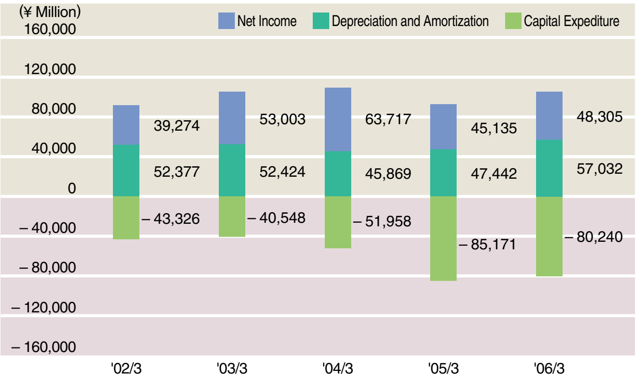
Because the net income, the shareholders' equity and total assets increased, return on equity (ROE) and return on assets (ROA) remained unchanged.

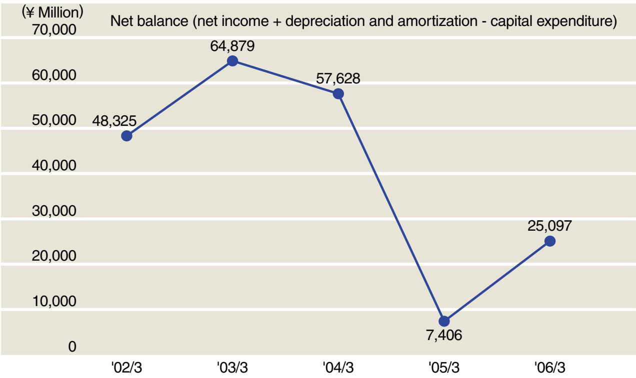
4. Inventories and Inventory Turnover



The inventory turnover increased because of an increase in inventories.

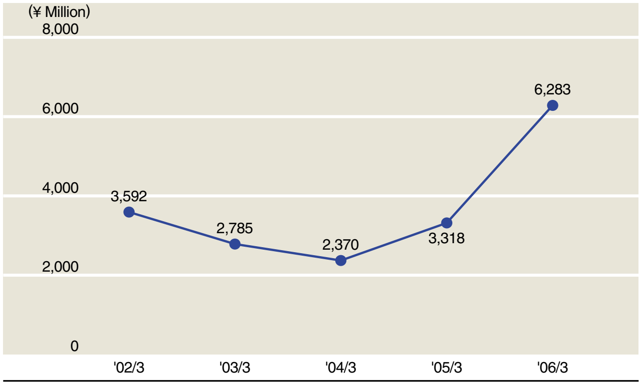
Net income, Depreciation, and Capital Expenditure

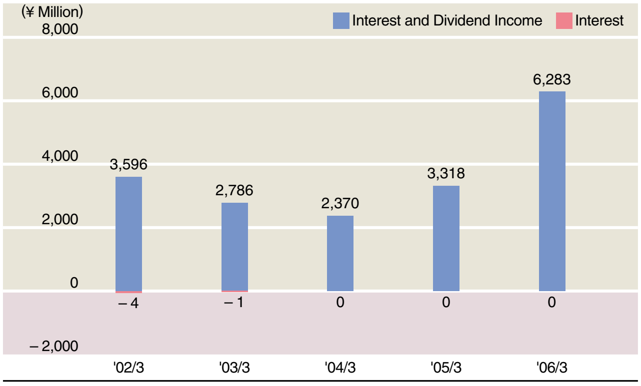




While the depreciation/amortization increased, the net balance increased because the net income increased and capital expenditure decreased.

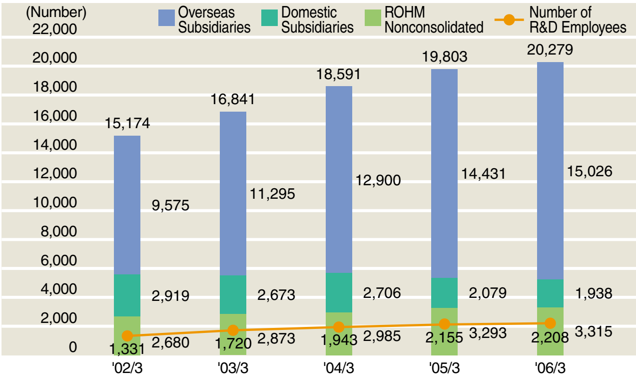
Net Financial Revenue





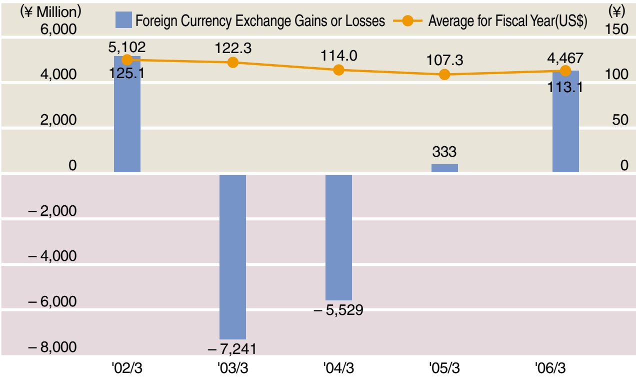
We assign the highest priority to security in managing funds. During the year ended March 2006, mainly because of increase in interest income resulted from rises in interest rates, the net interest expenses improved considerably.

Number of Employees



As a result of shifting production to overseas plants, the number of employees working at overseas production sites increased and the number of those working for affiliated companies in Japan decreased. We intend to continue to increase personnel assigned to research and development in Japan.

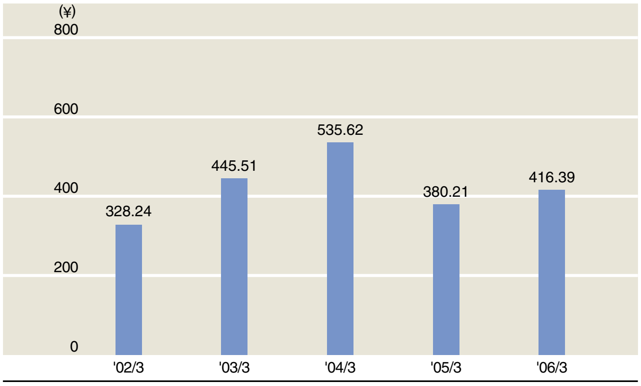
Exchange Rate and Foreign Currency Exchange Gains or Losses



During the year ended March 2006, the yen remained weak in the exchange market, providing us with exchange gains in an amount of 4.5 billion yen.

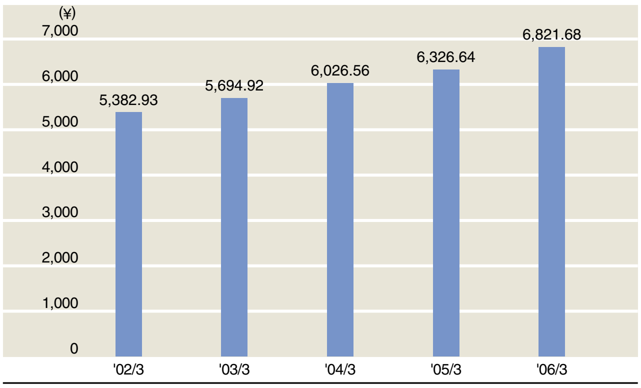
Share-related Information

1. Net Income per Share



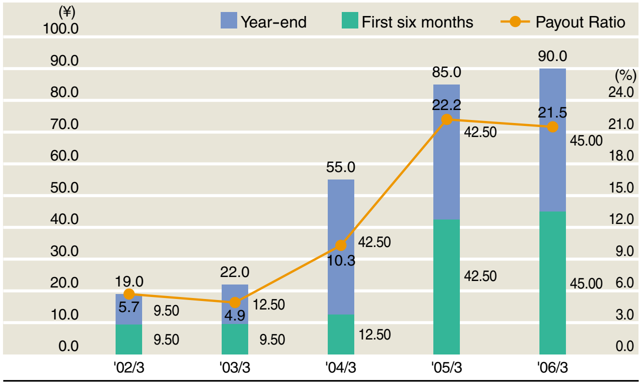
The net income per share increased because the net income increased in total and because the average annual number of shares decreased due to the purchase of treasury stock.

2. Shareholders' Equity per Share



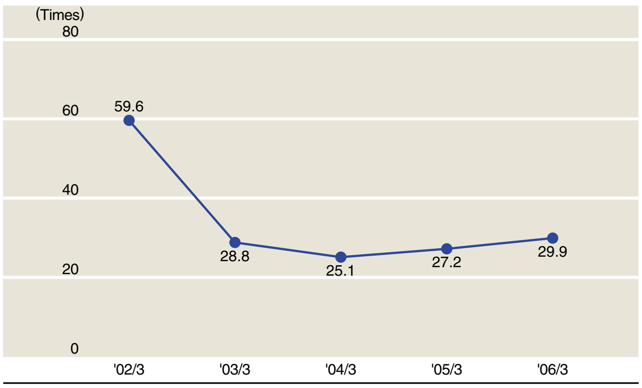
The shareholders' equity per share increased because the shareholders' equity increased in total due to the recording of profits and because the average annual number of shares decreased due to the purchase of treasury stock.

3. Cash Dividends per Share and Payout Ratio

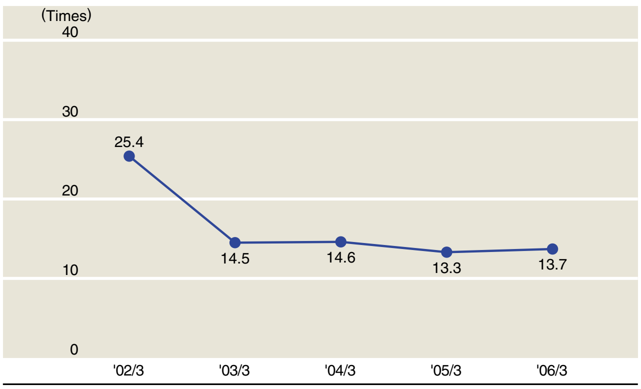


We increased the annual dividends for the year ended in March 2006 to ¥90.00 per share as an effort to increase returns to shareholders, considering our business performance, the demand for funds, and other related factors for the future.

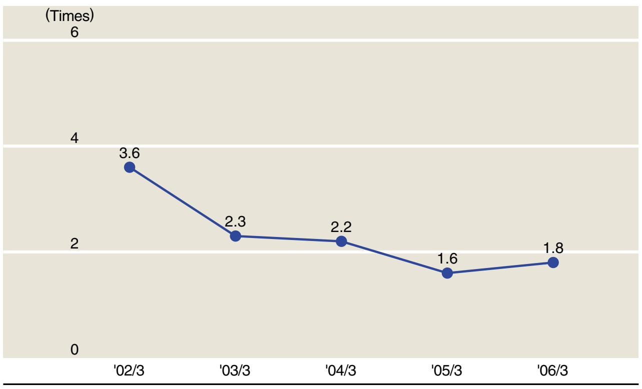
4. Price-earnings Ratio (PER)



5. Price Cash Flow Ratio (PCFR)

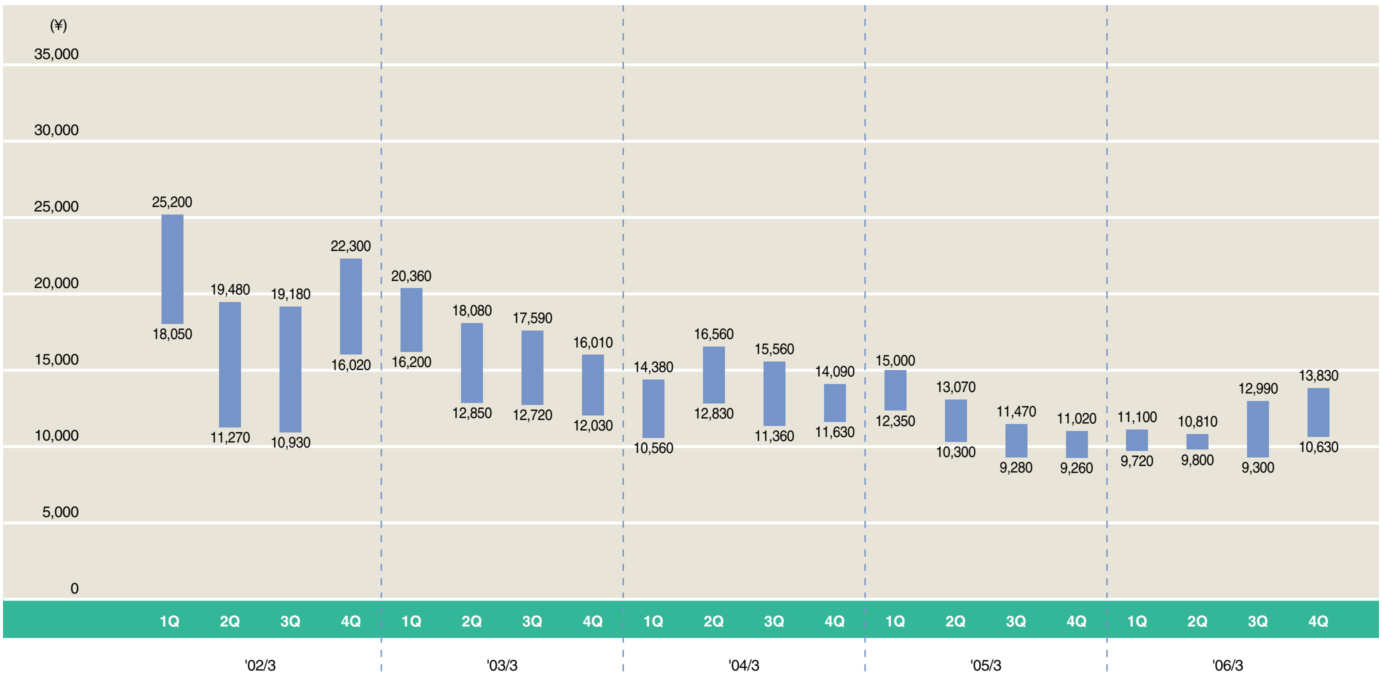


6. Price Book-value Ratio (PBR)



Stock Data

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



Stock Information (as of March 31, 2006)

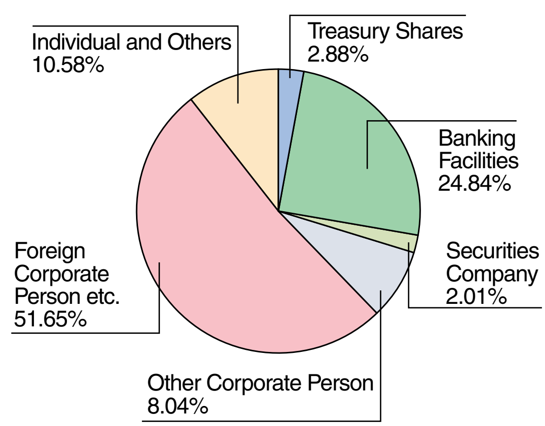
• Authorized Common Stock	300,000,000
• Issued Common Stock	118,801,388
• Number of Shareholders	27,099

• Major Shareholders

Name	Number of Shares Held (in thousands)	Voting Right Ratio (%)
The Chase Manhattan Bank, N. A. LONDON	8,715	7.55
Rohm Music Foundation	8,000	6.93
The Master Trust Bank of Japan, Ltd.	7,917	6.86
Japan Trustee Service Bank, Ltd.	7,597	6.58
State Street Bank & Trust Company	4,280	3.71
State Street Bank & Trust Company	3,985	3.45
Bank of Kyoto, Ltd.	2,606	2.26
Ken Sato	2,405	2.08
Mellon Bank, N. A. as Agent for its Client Mellon Omnibus US Pension	1,950	1.69
Investors Bank and Trust Company	1,936	1.67

(Note) 1. The number of shares held, and the voting right ratios are rounded down to the nearest thousand and to two decimal places, respectively.
(Note) 2. In addition to the above, the company holds 3,417 thousand shares of treasury stock.

• Shareholder Mix



Notes (Computation)

- **Price-earnings ratio (PER)** =stock price (year-end closing price at Osaka Securities Exchange) / net income per share
- **Price cash flow ratio (PCFR) =** stock price (year-end closing price at Osaka Securities Exchange) / cash flow per share*

  *Cash flow per share = (net income + depreciation and amortization) / the average number of shares of common stock (consolidated)
- **Price book-value ratio (PBR) =** stock price (year-end closing price at Osaka Securities Exchange) / net assets per share

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 (consolidated) used in the computation for the fiscal year 2006, 2005, 2004, 2003, and 2002 was 115,768 thousand, 118,562 thousand, 118,784 thousand, 118,743 thousand, 118,671 thousand, respectively.

Eleven-Year Summary

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

	1996	1997	1998	1999
For the Year:				
Net sales	¥ 292,280	¥ 297,790	¥ 335,923	¥ 328,631
Cost of sales	169,365	165,436	163,060	185,175
Selling, general and administrative expenses	43,031	46,834	56,260	53,365
Operating income	79,884	85,520	116,603	90,091
Income before income taxes and minority interests	78,303	89,962	119,486	93,340
Income taxes	38,055	42,888	56,453	39,706
Net income	38,199	45,540	60,990	52,235
Capital expenditures	57,676	38,014	51,607	49,202
Depreciation and amortization	31,881	37,563	35,088	41,242
Per Share Information (in yen and U.S. dollars):				
Basic net income	¥ 343.63	¥ 393.56	¥ 521.71	¥ 443.14
Diluted net income	332.22	386.15	517.34	441.15
Cash dividends applicable to the year	25.00	19.00	19.00	19.00
At Year-End:				
Current assets	¥ 282,750	¥ 299,795	¥ 345,045	¥ 341,076
Current liabilities	114,207	103,520	107,399	80,140
Long-term debt	33,127	12,259	5,064	1,172
Shareholders' equity	292,249	338,541	401,861	452,961
Total assets	459,344	479,063	533,825	550,432
Number of employees	13,739	12,614	12,633	12,675

Notes:
1. U.S. dollar amounts are provided solely for convenience at the rate of ¥117 to US$1, the approximate exchange rate at March 31, 2006.
2. Certain reclassifications of previously reported amounts have been made to conform with current classifications.
3. Effective April 1, 1997, the Company and certain domestic subsidiaries changed their accounting policy for retirement benefits for directors and corporate auditors from the cash basis to the accrual basis. The cumulative effect on prior year of this change, amounting to ¥1,843 million, was amortized over a period of five years beginning with fiscal 1998.
4. Effective April 1, 1999, the Company and its domestic subsidiaries changed their accounting method or adopted a new accounting standard as follows:
(1) changed their accounting method for employees' retirement plans. The annual provision for retirement benefits was calculated to state the liability for retirement benefits at the amount of the expected benefits at the retirement date, less the fair value of the plan assets. The cumulative effect of this change, amounting to ¥5,076 million, was charged to income and "Income before income taxes and minority interests" was decreased by ¥2,277 million for the year ended March 31, 2000.
(2) adopted a new accounting standard for research and development cost. The cumulative effect of this adoption, amounting to ¥2,146 million, was charged to income and "Operating Income" and "Income before income taxes and minority interests" were decreased by ¥2,193 million and ¥4,339 million, respectively for the year ended March 31, 2000.
(3) changed their accounting method for interperiod allocation of income taxes in accordance with new accounting standards which are based on the asset and liability method. The cumulative effect of the change on interperiod tax allocation in prior years in the amount of ¥8,136 million is included as an adjustment to retained earnings as of April 1, 1999. The effect of this change was to decrease "Net Income" by ¥3,021 million for the year ended March 31, 2000.
5. Effective April 1, 2000, the Company and its domestic subsidiaries adopted (1) a new accounting standard for financial instruments, (2) a new accounting standard for employees' retirement benefits, and (3) a revised accounting standard for foreign currency transactions. The effect of these adoptions to the consolidated statement of income was immaterial for the year ended March 31, 2001.
6. Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock. Certain retroactive adjustments of previously reported per share information have been made to conform with current method. Diluted net income per share for 2006, 2005 and 2004 are not disclosed because there is no outstanding potentially dilutive securities.
7. Effective April 1, 2005, the Group adopted a new accounting standard for impairment of fixed assets. There is no effect of this adoption to the consolidated statement of income for the year ended March 31, 2006.
8. Effective April 1, 2005, the Group changed consolidation policy relating some foreign subsidiaries, whose fiscal year end is December 31, which differs from the Company's fiscal year end, March 31. In the past, the Company had consolidated these subsidiaries using their December 31 financial statements. In the year ended March 31, 2006, the Company consolidated such subsidiaries using their hard close as of March 31. The effect of this change to the consolidated statement of income was immaterial for the year ended March 31, 2006.

	Millions of yen							Thousands of U.S. dollars
	2000	2001	2002	2003	2004	2005	**2006**	**2006**
	¥ 360,080	¥ 409,335	¥ 321,265	¥ 350,281	¥ 355,630	¥ 369,024	**¥ 387,790**	**$ 3,314,444**
	179,380	215,366	198,631	185,795	194,857	221,133	**243,516**	**2,081,333**
	58,358	56,226	56,176	68,363	66,266	71,837	**75,955**	**649,188**
	122,342	137,743	66,458	96,123	94,507	76,054	**68,319**	**583,923**
	114,902	147,059	68,129	90,476	101,070	70,842	**73,858**	**631,265**
	46,469	60,581	28,829	37,479	37,268	25,667	**25,490**	**217,863**
	66,727	86,165	39,274	53,003	63,717	45,135	**48,305**	**412,863**
	57,997	125,020	43,326	40,548	51,958	85,171	**80,240**	**685,812**
	38,759	53,082	52,377	52,424	45,869	47,442	**57,032**	**487,453**
	¥ 562.97	¥ 722.68	¥ 328.24	¥ 445.51	¥ 535.62	¥ 380.21	**¥ 416.39**	**$ 3.56**
	561.63	721.47	327.89	445.30				
	19.00	19.00	19.00	22.00	55.00	85.00	**90.00**	**0.77**
	¥ 407,524	¥ 449,684	¥ 445,094	¥ 519,996	¥ 530,121	¥ 512,990	**¥ 568,112**	**$ 4,855,658**
	98,477	136,765	58,579	83,681	88,321	85,964	**105,779**	**904,094**
	678	579						
	509,718	591,409	639,210	676,577	715,938	739,329	**787,214**	**6,728,325**
	648,336	764,495	740,627	805,693	846,800	867,323	**951,442**	**8,131,983**
	13,659	15,316	15,174	16,841	18,591	19,803	**20,279**	

Consolidated Balance Sheets

ROHM CO., LTD. and Subsidiaries
March 31, 2006 and 2005

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Current Assets:			
Cash and cash equivalents (Note 3)	**¥ 280,465**	¥ 288,975	**$ 2,397,137**
Short-term investments (Note 3)	**69,617**	39,538	**595,017**
Notes and accounts receivable:			
Trade	**102,049**	93,079	**872,214**
Other	**1,232**	1,722	**10,530**
Allowance for doubtful notes and accounts	**(718)**	(595)	**(6,137)**
Inventories (Note 4)	**86,726**	68,037	**741,248**
Deferred tax assets (Note 8)	**17,788**	12,139	**152,034**
Prepaid pension cost (Note 5)	**3,895**	3,677	**33,291**
Refundable income taxes	**1,032**	1,646	**8,820**
Prepaid expenses and other	**6,026**	4,772	**51,504**
Total current assets	**568,112**	512,990	**4,855,658**
Property, Plant and Equipment:			
Land	**67,542**	64,582	**577,282**
Buildings	**173,012**	156,327	**1,478,735**
Machinery and equipment (Note 10)	**467,109**	395,478	**3,992,385**
Construction in progress	**21,909**	33,182	**187,256**
Total	**729,572**	649,569	**6,235,658**
Accumulated depreciation	**(446,109)**	(395,610)	**(3,812,897)**
Net property, plant and equipment	**283,463**	253,959	**2,422,761**
Investments and Other Assets:			
Investment securities (Note 3)	**87,526**	89,785	**748,085**
Deferred tax assets (Note 8)	**8,056**	7,254	**68,855**
Other	**4,285**	3,335	**36,624**
Total investments and other assets	**99,867**	100,374	**853,564**
Total	**¥ 951,442**	¥ 867,323	**$ 8,131,983**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Current Liabilities:			
Notes and accounts payable:			
Trade	**¥ 27,623**	¥ 22,153	**$ 236,094**
Construction and other	**48,333**	42,328	**413,102**
Accrued income taxes	**16,012**	8,874	**136,855**
Deferred tax liabilities (Note 8)	**539**	477	**4,607**
Accrued expenses and other	**13,272**	12,132	**113,436**
Total current liabilities	**105,779**	85,964	**904,094**
Long-term Liabilities:			
Liability for retirement benefits (Note 5)	**3,059**	2,792	**26,145**
Deferred tax liabilities (Note 8)	**55,041**	38,897	**470,436**
Other	**45**		**385**
Total long-term liabilities	**58,145**	41,689	**496,966**
Minority Interests	**304**	341	**2,598**
Shareholders' Equity (Notes 6 and 11):			
Common stock - authorized, 300,000,000 shares; issued, 118,801,388 shares	**86,969**	86,969	**743,325**
Capital surplus	**102,404**	102,404	**875,248**
Retained earnings	**639,761**	601,689	**5,468,043**
Net unrealized gain on available-for-sale securities (Note 3)	**6,525**	2,570	**55,769**
Foreign currency translation adjustments	**(13,075)**	(34,062)	**(111,752)**
Total	**822,584**	759,570	**7,030,633**
Treasury stock-at cost 3,417,119 shares in 2006 and 1,950,553 shares in 2005	**(35,370)**	(20,241)	**(302,308)**
Total shareholders' equity	**787,214**	739,329	**6,728,325**
Total	**¥ 951,442**	¥ 867,323	**$ 8,131,983**

Consolidated Statements of Income

ROHM CO., LTD. and Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Net Sales	**¥ 387,790**	¥ 369,024	¥ 355,630	**$ 3,314,444**
Operating Cost and Expenses :				
Cost of sales	**243,516**	221,133	194,857	**2,081,333**
Selling, general and administrative expenses (Note 7)	**75,955**	71,837	66,266	**649,188**
Total operating cost and expenses	**319,471**	292,970	261,123	**2,730,521**
Operating Income	**68,319**	76,054	94,507	**583,923**
Other Income (Expenses):				
Interest and dividend income	**6,283**	3,318	2,370	**53,701**
Foreign currency exchange gains (losses) - net	**4,467**	333	(5,529)	**38,179**
Gain on transfer of the substitutional portion of the governmental pension program (Note 5)			10,900	
Loss on transfer to a defined contribution pension plan (Note 5)			(2,205)	
Loss on early retirement (Note 5)	**(1,931)**	(7,934)		**(16,504)**
Loss on sale and disposal of property, plant and equipment	**(2,897)**	(566)	(1,621)	**(24,761)**
Other - net	**(383)**	(363)	2,648	**(3,273)**
Total other income (expenses) - net	**5,539**	(5,212)	6,563	**47,342**
Income before Income Taxes and Minority Interests	**73,858**	70,842	101,070	**631,265**
Income Taxes (Note 8)**:**				
Current	**25,297**	20,975	26,731	**216,214**
Deferred	**193**	4,692	10,537	**1,649**
Total income taxes	**25,490**	25,667	37,268	**217,863**
Minority Interests	**(63)**	(40)	(85)	**(539)**
Net Income	**¥ 48,305**	¥ 45,135	¥ 63,717	**$ 412,863**

	Yen			U.S. dollars
Per Share Information (Note 2 (n))**:**				
Basic net income	**¥ 416.39**	¥ 380.21	¥ 535.62	**$ 3.56**
Cash dividends applicable to the year	**90.00**	85.00	55.00	**0.77**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

ROHM CO., LTD. and Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Outstanding number of shares of common stock	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance at April 1, 2003	118,785,890	¥ 86,969	¥ 102,404	¥ 506,101	¥ 709	¥ (19,363)	¥ (243)	¥ 676,577
Net income				63,717				63,717
Decrease in retained earnings due to decrease in ownership of an associated company				(5)				(5)
Cash dividends, ¥25.00 per share				(2,970)				(2,970)
Bonuses to directors				(93)				(93)
Net unrealized gain on available-for-sale securities					1,964			1,964
Foreign currency translation adjustments						(23,194)		(23,194)
Purchase of treasury stock	(4,253)						(58)	(58)
Balance at March 31, 2004	118,781,637	86,969	102,404	566,750	2,673	(42,557)	(301)	715,938
Net income				45,135				45,135
Reserve for employees' welfare fund				(8)				(8)
Cash dividends, ¥85.00 per share				(10,096)				(10,096)
Bonuses to directors				(92)				(92)
Net unrealized gain on available-for-sale securities					(103)			(103)
Foreign currency translation adjustments						8,495		8,495
Purchase of treasury stock	(1,930,802)						(19,940)	(19,940)
Balance at March 31, 2005	116,850,835	86,969	102,404	601,689	2,570	(34,062)	(20,241)	739,329
Net income				**48,305**				**48,305**
Reserve for employees' welfare fund				**(1)**				**(1)**
Cash dividends, ¥87.50 per share				**(10,181)**				**(10,181)**
Bonuses to directors				**(51)**				**(51)**
Net unrealized gain on available-for-sale securities					**3,955**			**3,955**
Foreign currency translation adjustments						**20,987**		**20,987**
Purchase of treasury stock	**(1,466,566)**						**(15,129)**	**(15,129)**
Balance at March 31, 2006	**115,384,269**	**¥ 86,969**	**¥ 102,404**	**¥ 639,761**	**¥ 6,525**	**¥ (13,075)**	**¥ (35,370)**	**¥ 787,214**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
Balance at March 31, 2005	$ 743,325	$ 875,248	$ 5,142,641	$ 21,966	$ (291,128)	$ (173,000)	$ 6,319,052
Net income			**412,863**				**412,863**
Reserve for employees' welfare fund			**(8)**				**(8)**
Cash dividends, $0.75 per share			**(87,017)**				**(87,017)**
Bonuses to directors			**(436)**				**(436)**
Net unrealized gain on available-for-sale securities				**33,803**			**33,803**
Foreign currency translation adjustments					**179,376**		**179,376**
Purchase of treasury stock						**(129,308)**	**(129,308)**
Balance at March 31, 2006	**$ 743,325**	**$ 875,248**	**$ 5,468,043**	**$ 55,769**	**$ (111,752)**	**$ (302,308)**	**$ 6,728,325**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ROHM CO., LTD. and Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Operating Activities:				
Income before income taxes and minority interests	**¥ 73,858**	¥ 70,842	¥ 101,070	**$ 631,265**
Adjustments for:				
Depreciation and amortization	**57,032**	47,442	45,869	**487,453**
Amortization of goodwill - net	**(41)**	668	17	**(350)**
Interest and dividends income	**(6,283)**	(3,318)	(2,370)	**(53,701)**
Foreign currency exchange losses (gains) - net	**(8,997)**	(1,321)	2,016	**(76,897)**
Increase (decrease) in net liability for retirement benefits	**(107)**	(6,000)	(9,129)	**(915)**
Write-down of investment securities	**8**	284	9	**68**
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivables - trade	**(5,421)**	716	(10,822)	**(46,333)**
Decrease (increase) in inventories	**(14,274)**	(5,253)	(12,143)	**(122,000)**
Increase (decrease) in notes and accounts payables - trade	**5,072**	(1,630)	6,605	**43,350**
Other - net	**4,495**	5,036	2,752	**38,419**
Sub-total	**105,342**	107,466	123,874	**900,359**
Interest and dividends - received	**6,653**	3,510	2,569	**56,863**
Compensation for expropriation - received		1,384		
Income taxes - paid	**(17,447)**	(20,441)	(48,077)	**(149,120)**
Net cash provided by operating activities	**94,548**	91,919	78,366	**808,102**
Investing Activities:				
Decrease (increase) in short-term investments and investment securities - net	**(19,535)**	(8,656)	(28,097)	**(166,966)**
Purchases of property, plant and equipment	**(76,068)**	(78,754)	(45,221)	**(650,154)**
Other - net	**270**	(19)	1,181	**2,308**
Net cash used in investing activities	**(95,333)**	(87,429)	(72,137)	**(814,812)**
Financing Activities:				
Purchase of treasury stock	**(15,129)**	(19,940)	(58)	**(129,308)**
Dividends paid	**(10,181)**	(10,096)	(2,970)	**(87,017)**
Other - net	**(1)**	(1)	(1)	**(8)**
Net cash used in financing activities	**(25,311)**	(30,037)	(3,029)	**(216,333)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**17,586**	3,944	(15,172)	**150,308**
Net Increase (Decrease) in Cash and Cash Equivalents	**(8,510)**	(21,603)	(11,972)	**(72,735)**
Cash and Cash Equivalents at Beginning of Year	**288,975**	310,578	322,550	**2,469,872**
Cash and Cash Equivalents at End of Year	**¥ 280,465**	¥ 288,975	¥ 310,578	**$ 2,397,137**

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, 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.

Certain reclassifications of previously reported amounts have been made 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 ¥117 to $1, the approximate rate of exchange at March 31, 2006. 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 include the accounts of the Company and all of its subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The significant difference between the equity in net assets acquired at the respective dates of acquisition and the cost of the Company’s investments in subsidiaries and associated companies, is being amortized over a period of five 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 eliminated.

Effective April 1, 2005, the Group changed consolidation policy relating ROHM SEMICONDUCTOR CHINA CO., LTD. and four other foreign subsidiaries, whose fiscal year end is December 31, which differs from the Company’s fiscal year end, March 31. In the past, the Company had consolidated these subsidiaries using their December 31 financial statements. In the year ended March 31, 2006, the Company consolidated such subsidiaries using their hard close as of March 31. The effect of this change to the consolidated statement of income was immaterial for the year ended March 31, 2006.

(b) 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 investing in bonds, all of which mature or become due within three months of the date of acquisition.

(c) Debt and equity securities

Debt and equity securities are classified and accounted for depending on management’s intent.

Available-for-sale securities, which represent securities not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders’ equity. The cost of available-for-sale securities sold is determined based on the moving average method.

The Group classified all debt and equity securities as available-for-sale securities.

(d) Inventories

Inventories are stated principally at cost determined by the moving average method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost.

Depreciation is computed principally by the declining-balance method over the estimated useful lives of the assets.

Estimated useful lives of the assets are principally as follows:

Buildings................................. 3 to 50 years
Machinery and equipment .... 2 to 10 years

(f) Long-lived assets

In August 2002, the Business Accounting Council (the "BAC") issued a "Statement of Opinion, Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (the "ASBJ") issued Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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 would be 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.

The adoption of this new accounting standard did not affect the consolidated statement of income for the year ended March 31, 2006.

(g) Liability for retirement benefits

The Company and certain domestic subsidiaries have a pension plan for employees; non-contributory funded defined benefit pension plan and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The Company and certain foreign subsidiaries also have defined contribution pension plans.

The contributory funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covered a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval. The Company obtained approval of exemption from the future obligation by the Ministry of Health, Labor and Welfare on December 16, 2002.

The Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labor and Welfare on December 1, 2003. Thereafter, the Company transferred the substitutional portion of the pension obligations and related assets to the government on March 26, 2004 and recognized ¥10,900 million as "Gain on transfer of the substitutional portion of the governmental pension program" in other income for the difference between the balance of the retirement benefit liabilities brought forward and the amount actually transferred for the year ended March 31, 2004.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company and certain domestic subsidiaries implemented a defined contribution pension plan on March 1, 2005 by which the former corporate portion of the contributory funded defined benefit pension plan was terminated. For this transition the Company and certain domestic subsidiaries estimated and charged a loss of ¥2,205 million as "Loss on transfer to a defined contribution pension plan" for the year ended March 31, 2004 applying accounting treatment specified in the guidance issued by the ASBJ. The difference between actual loss and the estimation was charged to income and was immaterial for the year ended March 31, 2005.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of shareholders.

(h) Research and development costs

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

(i) Leases

All leases of the Company and its domestic subsidiaries are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(j) Income taxes

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

(k) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

(l) Foreign currency financial statements

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

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

(m) 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 risks. The Group does not enter into derivatives for trading or speculative purpose.

Monetary receivables and payables denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for hedge accounting.

(n) 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.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible debt at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. However, diluted net income per share is not disclosed because there is no outstanding potentially dilutive securities.

The average number of shares used to compute basic net income per share for the years ended March 31, 2006, 2005 and 2004 were 115,768 thousand shares, 118,562 thousand shares and 118,784 thousand shares, respectively.

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

(o) New Accounting Pronouncements

Business Combination and Business Separation

On October 31, 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations". These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

- the consideration for the business combination consists solely of common shares with voting rights,
- the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

• there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued “Accounting Standard for Stock Options” and “related guidance”. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders’ equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

On November 29, 2005, the ASBJ issued “Bonuses to Directors and Corporate Auditors”. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. Debt and equity securities

Debt and equity securities held by the Group as of March 31, 2006 and 2005 were classified and included in the following accounts:

Securities classified as:	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Available-for-sale:			
Cash and cash equivalents	**¥ 3,172**	¥ 21,040	**$ 27,111**
Short-term investments	**36,002**	37,135	**307,710**
Investment securities	**87,513**	89,776	**747,974**
Total	**¥ 126,687**	¥ 147,951	**$ 1,082,795**

Information regarding each category of the marketable securities included in "Cash and cash equivalents", "Short-term investments" and "Investment securities" and classified as available-for-sale at March 31, 2006 and 2005 were as follows:

Securities classified as:	Millions of yen 2006 Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**¥ 8,914**	**¥ 11,715**	**¥ (45)**	**¥ 20,584**
Government and corporate bonds	**101,772**	**8**	**(759)**	**101,021**
Total	**¥ 110,686**	**¥ 11,723**	**¥ (804)**	**¥ 121,605**

Securities classified as:	Millions of yen 2005 Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥ 7,911	¥ 5,239	¥ 690	¥ 12,460
Government and corporate bonds	113,192	117	281	113,028
Other	21,005	35		21,040
Total	¥ 142,108	¥ 5,391	¥ 971	¥ 146,528

Securities classified as:	Thousands of U.S. dollars 2006 Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$ 76,188**	**$ 100,129**	**$ (385)**	**$ 175,932**
Government and corporate bonds	**869,846**	**68**	**(6,487)**	**863,427**
Total	**$ 946,034**	**$ 100,197**	**$ (6,872)**	**$ 1,039,359**

Available-for-sale securities included in "Cash and cash equivalents", "Short-term investments" and "Investment securities" whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying values		
	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Equity securities	**¥ 1,053**	¥ 1,006	**$ 9,000**
Corporate bonds	**857**	417	**7,325**
Certificates of deposit	**3,172**		**27,111**
Total	**¥ 5,082**	¥ 1,423	**$ 43,436**

Proceeds from sales of available-for-sale securities were ¥22,893 million ($195,667 thousand) and ¥204 million for the years ended March 31, 2006 and 2005, respectively. Gross realized gains and losses on these sales, computed on the moving average basis, were ¥37 million ($316 thousand) and ¥150 million ($1,282 thousand) for the year ended March 31, 2006. Gross realized gains on these sales were ¥150 million for the year ended March 31, 2005.

The aggregate maturities of securities classified as available-for-sale at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due in one year or less	**¥ 39,134**	¥ 37,033	**$ 334,479**
Due in one to five years	**64,210**	75,107	**548,803**
Due in five to ten years	**2,033**	1,075	**17,376**
Total	**¥ 105,377**	¥ 113,215	**$ 900,658**

4. Inventories

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Finished products	**¥ 26,844**	¥ 18,995	**$ 229,436**
Semi-finished products and work in process	**30,986**	23,660	**264,838**
Raw materials and supplies	**28,896**	25,382	**246,974**
Total	**¥ 86,726**	¥ 68,037	**$ 741,248**

5. Retirement Plans

The Company and certain subsidiaries have retirement plans for employees, directors and corporate auditors.

Under non-contributory funded defined benefit pension plan, employees terminating their employment are entitled to lump-sum and annuity payments based on their rate of pay at the time of termination, length of service and certain other factors. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to a greater payment than in the case of voluntary termination.

"Liability for retirement benefits" includes retirement benefits for directors of ¥2,069 million ($17,683 thousand) and for directors and corporate auditors of ¥1,987 million at March 31, 2006 and 2005, respectively.

The net liability for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥ 17,131**	¥ 15,966	**$ 146,419**
Fair value of plan assets	**(22,399)**	(17,005)	**(191,444)**
Unrecognized actuarial gain (loss)	**2,363**	(1,833)	**20,196**
Net asset	**(2,905)**	(2,872)	**(24,829)**
Prepaid pension cost	**3,895**	3,677	**33,291**
Liability for retirement benefits	**¥ 990**	¥ 805	**$ 8,462**

The components of net periodic pension costs for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Service cost	**¥ 1,641**	¥ 1,974	¥ 1,536	**$ 14,026**
Interest cost	**346**	545	866	**2,957**
Expected return on plan assets	**(372)**	(429)	(501)	**(3,179)**
Recognized actuarial loss	**317**	757	1,765	**2,709**
Amortization of prior service credit			(593)	
Gain on transfer of the substitutional portion of the governmental pension program			(10,900)	
Loss on transfer to a defined contribution pension plan			2,205	
Other	**428**	89	93	**3,658**
Net periodic benefit costs	**¥ 2,360**	¥ 2,936	¥ (5,529)	**$ 20,171**

Besides the above costs, the Group recognized ¥1,931 million ($16,504 thousand) and ¥7,934 million as "Loss on early retirement" in the consolidated statements of income for the year ended March 31, 2006 and 2005, respectively.

Assumptions used for the years ended March 31, 2006, 2005 and 2004 were as follows:

	2006	2005	2004
Discount rate	**2.0%**	2.0%	2.0%
Expected rate of return on plan assets	**2.0%**	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**	Straight-line method based on years of service	Straight-line method based on years of service
Amortization period of prior service credit			10 years
Recognition period of actuarial gain / loss	**10 years**	10 years	10 years

6. Shareholders' Equity

Through April 30, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

The Company purchased 963 thousand shares and 1,927 thousand shares of common stock from the market at an aggregate cost of ¥10,093 million ($86,265 thousand) and ¥19,894 million during the fiscal year ended March 31, 2006 and 2005 with resolution of the Company's Board of Directors held on February 4, 2005.

Also, the Company purchased 500 thousand shares of common stock from the market at an aggregate cost of ¥4,997 million ($42,709 thousand) during the fiscal year ended March 31, 2006 with resolution of the Company's general shareholders meeting held on June 29, 2005.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥ 319,916 million ($ 2,734,325 thousand) as of March 31, 2006, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. 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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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 Corporate Law 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 charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law 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 Corporate Law 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 specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law 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 shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

7. Research and Development Costs

Research and development costs charged to income were ¥33,794 million ($288,838 thousand), ¥32,343 million and ¥31,381 million for the years ended March 31, 2006, 2005 and 2004, respectively.

8. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for fiscal 2006 and 2005 and 41.9% for fiscal 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from approximately 41.9% to 40.6%, effective for years beginning on or after April 1, 2004.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Inventories	**¥ 8,686**	¥ 7,645	**$ 74,239**
Depreciation	**11,564**	11,527	**98,838**
Tax loss carryforwards	**3,211**	3,637	**27,444**
Accrued expenses	**1,998**	1,553	**17,077**
Foreign tax credit	**6,525**	1,278	**55,769**
Other	**4,690**	5,259	**40,086**
Valuation Allowance	**(1,469)**	(1,054)	**(12,556)**
Total	**35,205**	29,845	**300,897**
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	**(58,690)**	(46,069)	**(501,624)**
Prepaid pension cost	**(1,512)**	(1,493)	**(12,923)**
Other	**(4,739)**	(2,264)	**(40,504)**
Total	**(64,941)**	(49,826)	**(555,051)**
Net deferred tax liabilities	**¥ (29,736)**	¥ (19,981)	**$ (254,154)**

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

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Current Assets - Deferred tax assets	**¥ 17,788**	¥ 12,139	**$ 152,034**
Investments and Other Assets - Deferred tax assets	**8,056**	7,254	**68,855**
Current Liabilities - Deferred tax liabilities	**(539)**	(477)	**(4,607)**
Long-term Liabilities - Deferred tax liabilities	**(55,041)**	(38,897)	**(470,436)**
Net deferred tax liabilities	**¥ (29,736)**	¥ (19,981)	**$ (254,154)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2006, 2005 and 2004 were as follows:

	2006	2005	2004
Normal effective tax rate	**40.6%**	40.6%	41.9%
Lower income tax rates applicable to income in certain foreign countries	**(3.0)**	(3.0)	(4.4)
Tax credit for research and development expenses	**(2.7)**	(2.5)	(1.4)
Other-net	**(0.4)**	1.1	0.8
Actual effective tax rate	**34.5%**	36.2%	36.9%

9. Derivatives

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

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. 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 amounts.

Derivative contracts outstanding at March 31, 2006 and 2005 were immaterial.

10. Leases

The Company and certain subsidiaries lease certain machinery, computer equipment and other assets. Total lease payments under finance leases for the years ended March 31, 2006, 2005 and 2004 were ¥17 million ($145 thousand), ¥20 million and ¥31 million, respectively.

Pro forma information at March 31, 2006 and 2005, on an "as if capitalized" basis for finance leases that do not transfer ownership of the leased property to the lessee were as follows:

	Millions of yen		Thousands of U.S. dollars
	Machinery and equipment		Machinery and equipment
	2006	2005	**2006**
Acquisition cost	**¥ 44**	¥ 52	**$ 376**
Accumulated depreciation	**25**	25	**214**
Net leased property	**¥ 19**	¥ 27	**$ 162**

Pro forma obligations under finance leases on an "as if capitalized" basis at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 13**	¥ 14	**$ 111**
Due after one year	**6**	13	**51**
Total	**¥ 19**	¥ 27	**$ 162**

The imputed interest expense portion is included in the above obligations under finance leases.

Depreciation expenses which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method were ¥17 million ($145 thousand), ¥20 million and ¥31 million for the years ended March 31, 2006, 2005 and 2004, respectively.

11. Subsequent Event

Appropriations of retained earnings

The following appropriations of retained earnings as of March 31, 2006 were approved at the Company's general shareholders meeting held on June 29, 2006.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥45.00 ($0.38) per share	**¥ 5,192**	**$ 44,376**
Bonuses to directors	**44**	**376**

12. Segment Information

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2006, 2005 and 2004 was as follows:

(a) Industry segments

The Group's main operations are manufacturing and distributing electronic components. Under Japanese accounting regulations, the Group is not required to disclose industry segment information because its main industry segment represented more than 90% of its total operations.

(b) Geographical segments

The geographical segments of the Group for the years ended March 31, 2006, 2005 and 2004 were summarized as follows:

	Millions of yen					
	2006					
	Japan	Asia	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**¥ 156,654**	**¥ 199,218**	**¥ 13,525**	**¥ 18,393**		**¥ 387,790**
Interarea transfer	**55,503**	**136,863**	**386**	**302**	**¥ (193,054)**	
Total sales	**212,157**	**336,081**	**13,911**	**18,695**	**(193,054)**	**387,790**
Operating expenses	**198,190**	**275,929**	**15,062**	**19,162**	**(188,872)**	**319,471**
Operating income (loss)	**¥ 13,967**	**¥ 60,152**	**¥ (1,151)**	**¥ (467)**	**¥ (4,182)**	**¥ 68,319**
Total assets	**¥ 450,559**	**¥ 315,026**	**¥ 14,782**	**¥ 16,042**	**¥ 155,033**	**¥ 951,442**

	Millions of yen					
	2005					
	Japan	Asia	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 162,816	¥ 172,729	¥ 13,112	¥ 20,367		¥ 369,024
Interarea transfer	58,289	115,210	220	874	¥ (174,593)	
Total sales	221,105	287,939	13,332	21,241	(174,593)	369,024
Operating expenses	188,003	243,004	14,344	21,165	(173,546)	292,970
Operating income (loss)	¥ 33,102	¥ 44,935	¥ (1,012)	¥ 76	¥ (1,047)	¥ 76,054
Total assets	¥ 364,147	¥ 293,783	¥ 30,346	¥ 16,790	¥ 162,257	¥ 867,323

	Millions of yen					
	2004					
	Japan	Asia	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 158,766	¥ 161,086	¥ 14,088	¥ 21,690		¥ 355,630
Interarea transfer	53,200	107,034	235	407	¥ (160,876)	
Total sales	211,966	268,120	14,323	22,097	(160,876)	355,630
Operating expenses	172,892	212,321	14,906	21,141	(160,137)	261,123
Operating income (loss)	¥ 39,074	¥ 55,799	¥ (583)	¥ 956	¥ (739)	¥ 94,507
Total assets	¥ 372,752	¥ 252,675	¥ 32,248	¥ 16,495	¥ 172,630	¥ 846,800

	Thousands of U.S. dollars					
	2006					
	Japan	Asia	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	**$ 1,338,923**	**$ 1,702,718**	**$ 115,598**	**$ 157,205**		**$ 3,314,444**
Interarea transfer	**474,385**	**1,169,769**	**3,299**	**2,581**	**$(1,650,034)**	
Total sales	**1,813,308**	**2,872,487**	**118,897**	**159,786**	**(1,650,034)**	**3,314,444**
Operating expenses	**1,693,932**	**2,358,367**	**128,735**	**163,777**	**(1,614,290)**	**2,730,521**
Operating income (loss)	**$ 119,376**	**$ 514,120**	**$ (9,838)**	**$ (3,991)**	**$ (35,744)**	**$ 583,923**
Total assets	**$ 3,850,932**	**$ 2,692,530**	**$ 126,342**	**$ 137,111**	**$ 1,325,068**	**$ 8,131,983**

Sales and assets are summarized by geographic area based on the countries where subsidiaries are located.

(c) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2006, 2005 and 2004 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Asia	**¥ 200,100**	¥ 174,160	¥ 163,457	**$ 1,710,257**
Americas	**15,139**	13,990	14,812	**129,393**
Europe	**16,283**	19,021	20,598	**139,171**
Total sales to foreign customers	**¥ 231,522**	¥ 207,171	¥ 198,867	**$ 1,978,821**

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of ROHM CO., LTD. and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 29, 2006

Member of
Deloitte Touche Tohmatsu