

Corporate Governance

Basic Policy concerning Corporate Governance

It is imperative that corporate governance functions effectively. The Company believes that corporate management and actions should be fair, unbiased and transparent, based on the idea that a company is an entity supported by all its stakeholders including shareholders, customers, local communities and employees. For ROHM, corporate governance is an extremely important issue. ROHM considers its stakeholders in all aspects of business while giving top priority to the continuous improvement of ROHM's corporate values.

Structure of Corporate Governance Performed by the Management and Other Functions of ROHM Regarding Managerial Decision-making, Execution and Supervision

(1) Organizational structure and operation

ROHM believes that its flexible and effective management system is one of the most desirable in the semiconductor industry— where the business environment undergoes accelerated changes on a regular basis. With thorough knowledge of the Company's businesses and technologies the Directors have executive power and supervise one another. As part of ROHM's executive supervision, the company maintains the existing auditing system with no outside board members. This is based on the idea that internal supervision over the executive branch will continue to improve and enhance the system. Currently there are nine Directors, and the President chairs the Board of Directors.

ROHM's Corporate Auditors and Accounting Auditors work in coordination with one another. They hold meetings several times a year, in which they make reports on audit programs, audit status and results, and other related topics. They also attend physical inventory at fiscal year-ends. The Corporate Auditors also work in cooperation with the Company's Internal Auditing Department. The activities of the Internal Auditing Department are communicated to the Corporate Auditors by means of a monthly report, and they carry out audits of the Company's divisions and affiliates in coordination with each other.

Other functions of ROHM's Corporate Auditors include: auditing the Company's divisions and affiliates by dividing the audit tasks among the Corporate Auditors according to their specialty and attending Board of Directors meetings and Board of Corporate Auditors' meetings to make necessary comments to management. To support the outside Corporate Auditors, ROHM's Internal Audit Department, consisting of six staff members including the Department Chief, audits individual divisions and affiliates of the Company by interviewing executives and employees, inspecting documents, reports and other methods, and regularly communicates the audit results to the Corporate Auditors. The Company's auditing system also requires that the materials related to the Directors' decision-making processes (minutes of the Board of Directors meetings, documented requests for managerial decision, etc.) are checked on a regular basis, and that major divisions of the Company make reports of their operations and other information via the monthly report. Various findings from daily audit activities are also communicated from full-time Corporate Auditors to part-time Corporate Auditors at the Board of Corporate Auditors' meetings and on other occasions as needed.

Regarding the decision on compensation and bonuses for the Directors, ROHM has adopted a performance-related compensation system, which uses the amount of consolidated ordinary income for the relevant fiscal year as the evaluation index, to clarify the management responsibilities of the Directors. The total amount of compensation paid to all Directors is disclosed in the annual securities reports and other relevant announce-

ments.

Compensation and other payments made to Directors for the year ended March 31, 2007: ¥423 million

(Notes)

1. The amount of compensation paid to Directors does not include the amount of employee salaries paid to employee Directors.
2. A resolution was passed at the 48th general shareholders' meeting on June 29, 2006, setting maximum annual compensation for Directors at ¥600 million.
3. . The amount of compensation paid to Directors includes bonuses to Directors for the year ended March 31, 2007 (¥58 million), and provision for retirement benefits for Directors and Corporate Auditors for the same year (¥82 million).

(2) Matters concerning such functions as executive affairs, auditing, supervising, the designation of certified public accountants, and decision on compensation

The Board of Directors is limited to ten in order to have sufficient discussion as well as make adequate, swift decisions. Five Corporate Auditors— who are not Company members— reinforce auditing functions by overseeing all implementations. The Auditors are committed to building a fair management supervision system through legally stipulated audits. In ROHM's auditing procedure, the Corporate Auditors attend managerial meetings such as those of the Board of Directors. The Corporate Auditors and the Internal Audit Department audit the individual divisions and affiliates of the Company by holding meetings with those in managerial positions and by inspecting documents and reports, ensuring that the Directors perform their duties in total compliance with existing laws. Auditing the Company's complete operation ensures that ROHM's internal control system is well functioning and that in-house regulations are compliant. All Auditors—from Corporate Auditors to Internal Audit Departments within ROHM as well as Accounting Audits— have report meetings regularly and exchange information proactively. By reporting regularly, close cooperation and association is maintained and an exchange of information is openly discussed. This enhances the accuracy of the auditing and will constantly improve the operation process. ROHM is under contract with auditing organization Deloitte Touche Tohmatsu for its Accounting Audits and abides by Japanese Corporate Law and Securities Exchange Law. ROHM has an established environment where the auditing organization can perform audits from a fair, unbiased position as an independent third party. The following are the names of certified public accountants (CPAs) who audited ROHM's accounts for the fiscal year ended March 31, 2007, the number of consecutive years they have been engaged in auditing ROHM, and information on assistants involved in the audits.

CPAs who audited ROHM (Number of consecutive years they have been engaged in auditing ROHM)

Designated CPAs (employees in charge of performing the audit) of Deloitte Touche Tohmatsu: Yoshifumi Tsutsumi (4 years), Yasuhiro Onishi (1 year), Hiroyuki Asaga (6 years)

Major assistants in the audits

6 CPAs and 9 assistant CPAs and clerical personnel

Updates on the Performance of Actions Taken with Respect to Shareholders and Other Stakeholders

(1) Efforts to energize general shareholders' meetings and facilitate the process of exercising voting rights

ROHM sends out notices of general shareholders' meetings about

three weeks prior to each meeting. The Company has enabled its shareholders to exercise their voting rights via the Internet using PCs and mobile phones. Based on the findings of surveys, ROHM is taking various actions for foreign shareholders, including promoting investor relations activities, facilitating the process of exercising voting rights, and preparing English versions of notices of general shareholders' meetings.

(2) Investor relations activities

In Japan, ROHM holds regular financial results briefings twice a year to provide securities analysts and institutional investors with information on business results, forecasts and strategies. For overseas investors as well, regular briefings are held once a year in Europe and the United States.

ROHM also has an investor relations section on its website which provides a wealth of information including: prescribed disclosure documents such as financial reports; voluntary information such as annual reports, materials for financial results briefings, performance trend charts, and long-term financial data; an IR calendar; and information on paperwork for shareholders.

(3) Efforts to ensure respect for stakeholders

ROHM expresses its intention to respect all stakeholders surrounding the Company through publication of social and environmental reports. As part of efforts to ensure due respect for stakeholders, the Company is also striving to enlighten and educate its employees by distributing the "Guidelines for Ethics in the Business of the ROHM GROUP."

To contribute actively and continuously to environmental conservation, the ROHM Group as a whole has introduced an environmental management system based on ISO 14001 standards. ROHM also places importance on social responsibility for sustainable development as a corporate citizen. Specifically, the Company is making constant efforts to construct and maintain favorable relations with local communities and society as a whole through various activities, including donations of research facilities to universities and active involvement in community volunteer activities.

ROHM's policies regarding information disclosure to stakeholders are outlined in the Company's in-house rules on information disclosure, including the requirements of fairness and legal compliance.

Basic Policy and Current Status concerning Internal Control System

Considering enhancement of the internal control system as one of the most important management issues, ROHM is committed to ensure reliable financial reporting and the maintaining of proper business practices within the ROHM GROUP as a whole, thereby fulfilling corporate social responsibility. The Company is advancing the enhancement of its internal control system based on the following specific policies:

(1) System to ensure that the Directors perform their duties in compliance with established laws, regulations, and Articles of Incorporation

- 1 Directors' noncompliance with the laws, regulations, or Articles of Incorporation in performing their duties is deterred, based on the Guidelines for Ethics in the Business of the ROHM GROUP, Board of Directors regulations, and other relevant rules.
- 2 Directors with a thorough knowledge of their own areas of expertise have responsibility and authority for business operations of their respective areas, hold discussions regularly, and supervise

each other.

- 3 Every Director/Corporate Auditor promptly notifies the Board of Directors and the Board of Corporate Auditors of any violation of laws, regulations or in-house rules by any Director when the violation comes to be known by the Director/Corporate Auditor.
- 4 The internal "Compliance Hotline" system for reporting compliance concerns and issues has been established and is used to find any violation by any Director, of the laws, regulations or in-house rules and to take preventive measures against any recurrence.
- 5 All Corporate Auditors are appointed from outside the Company to constantly monitor how the Directors perform their duties in compliance with established laws, regulations, and Articles of Incorporation.

(2) System regarding storage and management of information on execution of Directors' duties

- 1 All materials related to the Directors' decision-making process as well as information regarding the execution of their duties are maintained in written form. This may include minutes and other materials pertaining to general shareholders' meetings, materials pertaining to the Board of Directors meetings, circulars sent around for managerial decisions, and materials pertaining to annual business planning. Retention periods and other instructions for management of such documents comply with established laws, regulations and in-house rules.
- 2 All instructions to different units of the Company, Group companies or other relevant sectors are issued in written form in principle, and are maintained in a manner that is accessible by Directors, Corporate Auditors and other relevant parties upon request.

(3) Rules and system regarding management of risk of loss

- 1 ROHM has organized an in-house Risk Control Committee as an overall risk management function. The committee sets out risk management rules and policies, and reviews and controls the activities of various entities in management regarding potential risks.
- 2 For environmental and safety risk management, ROHM has established different in-house committees including the Central Health and Safety Committee and the Environmental Conservation Committee as well as subcommittees (such as the subcommittee responsible for greenhouse gases), and through daily activities of those committees, prevents risks and addresses unavoidable risks in a proper and ethical manner.

(4) System to ensure efficient execution of Directors' duties

- 1 The number of members of the Board of Directors with executive authority has been reduced to ensure swift and proper executive decision-making.
- 2 The Board of Directors consists of Directors with a thorough knowledge of their respective areas of responsibility and each Director, based on segregation of duties, executes his/her own specific duties.
- 3 Regarding matters that may have a significant impact on business management, expeditious decision-making is performed, as appropriate, at the Board of Directors meetings or by consultation via circular (documents sent around for managerial decision) according to in-house rules.
- 4 Company standards of risk management, information management and other in-house management procedures are created, documented and implemented.
- 5 To strengthen the competitiveness of the ROHM Group and to

Corporate Governance

secure appropriate profits, a profit plan is prepared annually for each Group company and operating division specifying the target profit for use in performance management.

(5) System to ensure that employees perform their duties in compliance with established laws, regulations, and Articles of Incorporation

- 1 A Compliance Committee has been organized to formulate and disseminate the “Guidelines for Ethics in the Business of the ROHM Group” throughout the Group, thereby promoting compliance activities of the Group as a whole.
- 2 In an effort to ensure that efficient actions are taken regarding compliance matters inherent in different areas of management, various committees have been established, including the Compliance Committee, the Information Disclosure Committee, the Central Health and Safety Committee and the Environmental Conservation Committee, to check the status of compliance and conduct enlightenment activities across the Group.
- 3 The internal control system is being enhanced prior to full-scale introduction of a system to evaluate and audit internal control concerning financial reporting.
- 4 To ensure sound and appropriate financial reporting, a system has been established in which written testimonies must be submitted by the relevant responsible persons of different ranks (including those persons of subsidiaries) to prove the reliability of financial reporting.
- 5 The internal “Compliance Hotline” system for reporting compliance concerns and issues has been established and is used to determine any violation by any employee of laws, regulations or in-house rules in the course of performing his/her duties and to take prevention measures against recurrence.
- 6 Internal audits are conducted to check the work of employees, ensuring compliance with established laws, regulations, Articles of Incorporation, and making necessary improvements for streamlining of work processes.

(6) System to ensure sound and appropriate business operations within the corporate group

- 1 Documented standards applicable across the ROHM Group are prepared and implemented.
- 2 Some directors/auditors of the ROHM Group companies are appointed from the staff members of ROHM Co., Ltd. or its subsidiaries

to supervise and ensure sound and appropriate business operations.

- 3 A system is introduced that requires— in the case of important matters or issues at subsidiaries— consultation with ROHM Co., Ltd. via a circular sent around for managerial decisions so that each sector of the Company exercises control across all the Group companies.
- 4 The internal control system is being improved and enhanced to cover not only the Company but also its major subsidiaries, prior to full-scale introduction of a system to ensure sound and appropriate financial reporting which include procedures for auditing financial reporting.
- 5 The Company’s auditing department conducts internal audits of the Group companies.

(7) In the case where Corporate Auditors request employees to serve as assistants in performing their duties

When requested by a Corporate Auditor, support staff with necessary practical skills is provided.

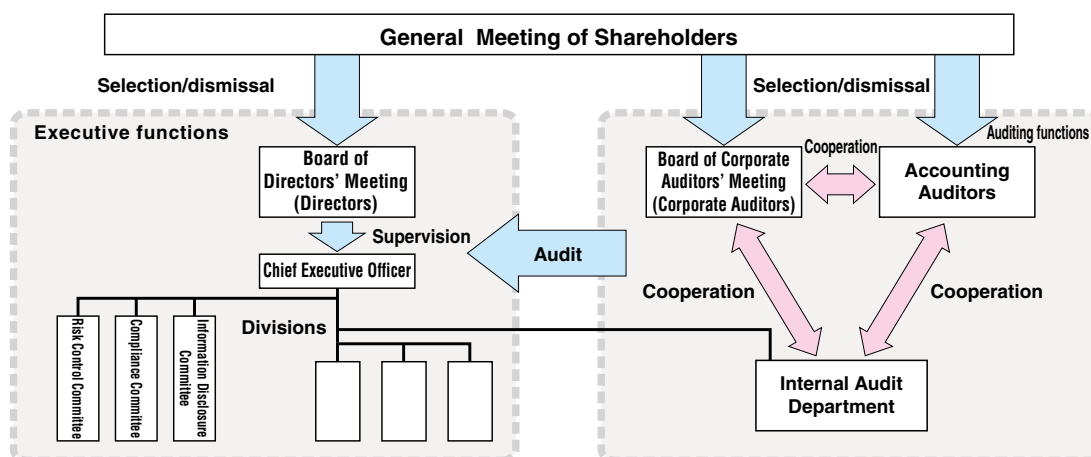
(8) Independence of the employees indicated in (7) above from Directors

Corporate Auditors’ support staff members shall not hold a post or engage in any activity related to the implementation of the Company’s business operations. Any personnel changes involving them shall require prior approval of the Board of Corporate Auditors. In the personnel performance evaluation process, the views and opinions of the members of the Board of Corporate Auditors shall be taken into account.

(9) System for Directors and employees to make reports to Corporate Auditors and other system reports to Corporate Auditors

- 1 Every Director makes reports to Corporate Auditors, as needed, regarding the presence or absence of any violation of laws, regulations or in-house rules by any Director with regard to the performance of his/her duties, or of any breach of duty by any Director, or of any fact that may cause material damage to the Company.
- 2 The Company has the Compliance Committee, the Risk Control Committee, and the Information Disclosure Committee, each of which makes a report regularly to Corporate Auditors by means of minutes.
- 3 The Company maintains a system in which processes and results of

<ROHM Corporate Governance System>



execution of business operations are communicated to Corporate Auditors as deemed appropriate by presenting reports and circulars sent around for managerial decision as well as other means.

(10) Other systems to ensure effective audits by Corporate Auditors

- 1 Directors make reports on the current status of the internal control system at the request of the Board of Corporate Auditors.
- 2 The Internal Audit Department will be expanded and enhanced considerably to strengthen cooperation with Corporate Auditors.
- 3 All Corporate Auditors are appointed from outside the Company and include legal experts, accounting experts, and those from government ministries/agencies and financial circles to establish a sophisticated and capable auditing system with a high degree of independence.

Risk Management

The following are the risks that may have great impacts on the ROHM Group's financial status and operating results.

(1) Risks associated with market changes

The semiconductor industry and electronics component industry are subject to sudden, abrupt changes in market conditions, as original equipment manufacturers may adjust production according to the sales conditions of electronic products and competition in prices and technology development with rival companies. Prices are especially susceptible to a sudden drop according to supply / demand and the pricing strategies of Southeast Asian companies, which are growing rapidly. Such price changes compose an uncertainty factor in maintaining or increasing sales as well as ensuring profits.

(2) Exchange risks

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

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

(3) Risks of product defects

As stated in the Company Mission, the Group regards "quality" as a top persistent priority. Our products are produced under severe quality control measures. However, this does not guarantee that we never produce defective products or that we will never be liable to pay for product losses by a buyer. If a buyer makes a claim for losses with regard to our products, our business performance may be adversely influenced.

(4) Legal risks

To manufacture products distinguishable from the products of other companies, we develop various new technologies and know-how, and produce and sell products worldwide based on such original technologies. We have a specialized division that strictly supervises in-house activities to ensure that the technologies and know-how the Group uses

do not infringe the intellectual property rights of other companies, such as patent rights. In addition, to conserve the environment, protect health and ensure safety, we comply with all the relevant laws and regulations in all the fields we do business in: monitoring gas emissions, drainage, harmful-material utilization and handling, waste treatment, and soil/underground water pollution. However, we may shoulder legal responsibilities in this respect, because of a difference in views among those concerned or unexpected events. Such cases would possibly have an adverse influence on our business performance.

(5) Natural disasters and geopolitical risks

The Group performs development and manufacturing activities in Japan and in other countries. As a measure against natural disasters and geopolitical risks, the Group locates production lines at different bases. However, our business bases may suffer damage due to earthquakes, typhoons, flooding and other natural disasters, or political uncertainty or international conflicts. Our business performance may be affected in cases where these events prevent us supplying products to customers.

(6) Other risks and corporate risk management system

In addition to the above-mentioned risks, there are various risks that may influence our financial conditions and administrative performance during the course of business activities, such as logistics risks, material procurement risks, and information system risks.

The ROHM Group has an in-house Risk Control Committee to preclude these risks or minimize their influence, reinforcing the in-house risk management system.

Other Information

Defense against takeover

On May 11, 2006, the Board of Directors of ROHM decided to adopt "Fair Rules for the Acquisition of Substantial Shareholdings (Takeover Defense Measures)" (hereinafter called the "Rules"). ROHM believes that in the event of a takeover bid, the final decision as to whether or not to accept the bid should be made by the Company's existing shareholders at the time of the bid. To ensure that the shareholders make an informed judgment based on sufficient information and with a reasonable time period to consider the bid and go through a fair and transparent procedure for ascertaining their will, ROHM has set forth a procedure that the takeover bidder must follow before undertaking the purchase. Aimed at securing and enhancing corporate value and common interests of shareholders, the Rules is also designed to be objective and specific, so that the Board of Directors facing a takeover bid does not take any arbitrary action (to protect their own interests, for example). The Board of Directors of ROHM requires any party wishing to make a takeover bid to comply with the procedure stipulated in the Rules. Should the bidder fail to comply, the Board will take prescribed measures (including issuance of stock acquisition right certificates). Details are available on the Company's website.