

# ROHM CO., LTD. Financial Highlights for Year Ended March 31, 2006



May 11, 2006

## 1. Consolidated Financial Results

(Figures are rounded down to the nearest million yen. Any fraction less than the unit are rounded off.)

		Year ended March 31, 2006 Actual	Year ended March 31, 2005 Actual	Increase/decrease from the year ended March 31, 2005		Year ending March 31, 2007 (Projected)			
				Amount	Percentage	Annual	Increase/ decrease from the previous year	First six months	Increase/ decrease from the corresponding six months of the previous year
Net sales	Millions of yen	387,790	369,023	+18,767	+5.1%	405,000	+4.4%	207,000	+7.2%
Cost of sales	Millions of yen	243,516	221,132	+22,384	+10.1%	255,900		128,200	
Selling, general and administrative expenses	Millions of yen	75,954	71,836	+4,118	+5.7%	75,600		38,800	
Operating income	Millions of yen	68,318	76,054	-7,736	-10.2%	73,500	+7.6%	40,000	+16.4%
(Operating income margin)		(17.6%)	(20.6%)	(-3.0%)		(18.1%)		(19.3%)	
Ordinary income	Millions of yen	78,437	79,320	-883	-1.1%	78,500	+0.1%	42,000	+3.8%
(Ordinary income margin)		(20.2%)	(21.5%)	(-1.3%)		(19.4%)		(20.3%)	
Net income	Millions of yen	48,304	45,135	+3,169	+7.0%	50,000	+3.5%	27,000	+11.4%
(Net income margin)		(12.5%)	(12.2%)	(+0.3%)		(12.3%)		(13.0%)	
Basic net income per share	Yen	416.39	380.22	+36.17	+9.5%	433.33		234.00	
Return on equity	%	6.3	6.2	+0.1					
Ordinary income to total assets	%	8.6	9.3	-0.7					
Total assets	Millions of yen	951,441	867,322	+84,119	+9.7%				
Shareholders' equity	Millions of yen	787,214	739,329	+47,885	+6.5%				
Shareholders' equity ratio	%	82.7	85.2	-2.5					
Shareholders' equity per share	Yen	6,821.68	6,326.64	+495.04	+7.8%				
Capital expenditures	Millions of yen	80,239	85,171	-4,932	-5.8%	73,000	-9.0%	38,500	+23.2%
Depreciation (Tangible fixed assets)	Millions of yen	56,669	47,102	+9,567	+20.3%	66,000	+16.5%	29,700	+19.2%
Research and development costs	Millions of yen	33,794	32,342	+1,452	+4.5%	35,500	+5.0%	18,800	+16.5%
Net financial revenue									
(Interest and dividend income)	(Millions of yen)	(6,283)	(3,318)	(+2,965)	(+89.3%)				
Foreign currency exchange gains/losses	Millions of yen	(gain) 4,466	(gain) 332	(gain) 4,134					
Foreign exchange rate (Average yen-dollar rate)	Yen/US\$	113.09	107.28	+5.81	+5.4%	110		110	
Number of employees		20,279	19,803	+476	+2.4%				
(Number of R&D employees)		(2,208)	(2,155)	(+53)	(+2.5%)				
Overseas production ratio	%	56	56	0		58			
Number of consolidated subsidiaries		41	47	-6					
(Domestic)		(12)	(13)	(-1)					
(Overseas)		(29)	(34)	(-5)					
Number of companies accounted for by equity method		2	2	0					
Number of non-consolidated subsidiaries		0	0	0					

\* The projected data are based on the information available at the time of release of this report. Therefore, a number of important factors including changes in business conditions may cause actual results to differ materially from those projected.

Contact: Public Relations and Investor Relations Dept., ROHM CO., LTD.  
21, Saiin Mizosaki-cho, Ukyoku, Kyoto 615-8585 Japan (075)315-5729 (Direct line)

Note: This report is a translation of the financial highlights of the Company prepared in accordance with the provisions set forth in the Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan. The original version of this report is written in Japanese. In the event of any discrepancies in words, accounts, figures or the like between this report and the original, the original Japanese version shall govern.

**1. Consolidated Financial Results (Continued from previous page)**

(Figures are rounded down to the nearest million yen. Any fraction less than the unit are rounded off.)

	Year ended March 31, 2006 Actual	Year ended March 31, 2005 Actual	Increase/decrease from the year ended March 31, 2005		Year ending March 31, 2007 (Projected)				
			Amount	Percentage	Annual	Increase/decrease from the previous year	First six months	Increase/ decrease from the corresponding six months of the previous year	
<b>Sales by product category and geographical region</b>									
Integrated circuits	Millions of yen	170,087	159,022	+11,065	+7.0%	186,412	+9.6%	93,314	+9.2%
(Japan)		(82,977)	(81,750)	(+1,227)	(+1.5%)	(92,129)	+11.0%	(45,360)	+11.5%
(Asia)		(79,375)	(68,391)	(+10,984)	(+16.1%)	(86,408)	+8.9%	(43,971)	+8.1%
(Americas)		(3,861)	(3,207)	(+654)	(+20.4%)	(3,730)	-3.4%	(2,014)	-6.5%
(Europe)		(3,872)	(5,672)	(-1,800)	(-31.7%)	(4,143)	+7.0%	(1,967)	+1.7%
Discrete semiconductor devices		150,636	141,787	+8,849	+6.2%	157,150	+4.3%	80,618	+7.7%
(Japan)		(51,840)	(53,345)	(-1,505)	(-2.8%)	(54,355)	+4.9%	(26,355)	+1.3%
(Asia)		(85,108)	(74,000)	(+11,108)	(+15.0%)	(89,386)	+5.0%	(47,283)	+12.8%
(Americas)		(6,935)	(6,811)	(+124)	(+1.8%)	(7,026)	+1.3%	(3,759)	+8.5%
(Europe)		(6,752)	(7,629)	(-877)	(-11.5%)	(6,381)	-5.5%	(3,219)	-6.3%
Passive components		24,998	23,610	+1,388	+5.9%	24,842	-0.6%	12,865	+6.1%
(Japan)		(7,558)	(8,446)	(-888)	(-10.5%)	(7,246)	-4.1%	(3,650)	-1.8%
(Asia)		(12,716)	(10,510)	(+2,206)	(+21.0%)	(13,061)	+2.7%	(6,894)	+14.3%
(Americas)		(1,915)	(1,612)	(+303)	(+18.8%)	(1,537)	-19.7%	(820)	-14.9%
(Europe)		(2,807)	(3,040)	(-233)	(-7.7%)	(2,997)	+6.7%	(1,500)	+6.0%
Displays		42,068	44,603	-2,535	-5.7%	36,595	-13.0%	20,201	-1.9%
(Japan)		(13,891)	(18,308)	(-4,417)	(-24.1%)	(10,121)	-27.1%	(6,009)	-9.8%
(Asia)		(22,899)	(21,257)	(+1,642)	(+7.7%)	(20,816)	-9.1%	(11,367)	-0.6%
(Americas)		(2,426)	(2,359)	(+67)	(+2.9%)	(2,608)	+7.5%	(1,267)	+9.8%
(Europe)		(2,850)	(2,678)	(+172)	(+6.4%)	(3,048)	+6.9%	(1,557)	+15.6%
<b>Total</b>		<b>387,790</b>	<b>369,023</b>	<b>+18,767</b>	<b>+5.1%</b>	<b>405,000</b>	<b>+4.4%</b>	<b>207,000</b>	<b>+7.2%</b>
(Japan)		(156,268)	(161,852)	(-5,584)	(-3.5%)	(163,852)	+4.9%	(81,375)	+5.5%
(Asia)		(200,100)	(174,159)	(+25,941)	(+14.9%)	(209,672)	+4.8%	(109,516)	+9.5%
(Americas)		(15,138)	(13,990)	(+1,148)	(+8.2%)	(14,902)	-1.6%	(7,862)	+1.6%
(Europe)		(16,282)	(19,021)	(-2,739)	(-14.4%)	(16,571)	+1.8%	(8,244)	+1.4%

**Sales by application**

Visual	%	7.4	7.2	+0.2
Audio		11.1	12.4	-1.3
Home appliance		2.3	2.3	0.0
Other consumer		4.7	5.3	-0.6
Computer and OA		22.1	21.8	+0.3
Telecommunications		18.3	16.9	+1.4
Automotive		5.2	4.9	+0.3
Other industrial		1.5	1.5	0.0
Subassemblies		13.5	13.3	+0.2
Others		13.9	14.4	-0.5

**Capital expenditures by product category**

Integrated circuits	Millions of yen	44,254	38,295	+5,959	+15.6%	44,000	-0.6%	20,500	+44.7%
Discrete semiconductor devices		20,820	22,052	-1,232	-5.6%	19,000	-8.7%	11,800	+29.4%
Passive components		1,886	1,689	+197	+11.6%	2,400	+27.2%	1,400	+70.1%
Displays		3,546	6,779	-3,233	-47.7%	2,200	-38.0%	1,600	-31.8%
Others		9,731	16,353	-6,622	-40.5%	5,400	-44.5%	3,200	-33.4%
<b>Total</b>		<b>80,239</b>	<b>85,171</b>	<b>-4,932</b>	<b>-5.8%</b>	<b>73,000</b>	<b>-9.0%</b>	<b>38,500</b>	<b>+23.2%</b>

## 2. Non-consolidated Financial Results

(Figures are rounded down to the nearest million yen. Any fraction less than the unit are rounded off.)

		Year ended March 31, 2006 Actual	Year ended March 31, 2005 Actual	Increase/decrease from the year ended March 31, 2005		Year ending March 31, 2007 (Projected)			
				Amount	Percentage	Annual	Increase/ decrease from the previous year	First six months	Increase/ decrease from the corresponding six months of the previous year
Net sales	Millions of yen	360,870	342,450	+18,420	+5.4%	378,000	+4.7%	192,000	+7.5%
Operating income	Millions of yen	24,129	23,050	+1,079	+4.7%	39,000	+61.6%	18,000	+73.8%
(Operating income margin)		(6.7%)	(6.7%)	(0.0%)		(10.3%)		(9.4%)	
Ordinary income	Millions of yen	38,035	51,257	-13,222	-25.8%	47,000	+23.6%	24,000	+11.2%
(Ordinary income margin)		(10.5%)	(15.0%)	(-4.5%)		(12.4%)		(12.5%)	
Net income	Millions of yen	27,238	39,872	-12,634	-31.7%	34,000	+24.8%	19,000	+19.8%
(Net income margin)		(7.5%)	(11.6%)	(-4.1%)		(9.0%)		(9.9%)	
Basic net income per share	Yen	234.91	336.25	-101.34	-30.1%	294.67		164.67	
Return on equity	%	5.3	7.9	-2.6					
Ordinary income to total assets	%	6.1	8.4	-2.3					
Total assets	Millions of yen	630,721	610,135	+20,586	+3.4%				
Shareholders' equity	Millions of yen	513,433	507,455	+5,978	+1.2%				
Shareholders' equity ratio	%	81.4	83.2	-1.8					
Shareholders' equity per share	Yen	4,449.39	4,342.71	+106.68	+2.5%				
Annual cash dividends	Yen	90.0	85.0	+5.0		90.0		45.0	
(Year-end cash dividends)	(Yen)	(45.0)	(42.5)	(2.5)					
Capital expenditures	Millions of yen	9,401	20,699	-11,298	-54.6%	6,300	-33.0%	3,400	-30.9%
Depreciation (Tangible fixed assets)	Millions of yen	7,620	9,642	-2,022	-21.0%	8,100	+6.3%	3,500	+2.9%
Net financial revenue									
(Interest income)	(Millions of yen)	(2,109)	(1,616)	(+493)	(+30.5%)				
(Dividend income)	(Millions of yen)	(6,859)	(23,909)	(-17,050)	(-71.3%)				
Total	Millions of yen	8,969	25,525	-16,556	-64.9%				
Foreign currency exchange gains/losses	Millions of yen	(gain) 3,919	(gain) 1,101	(gain) 2,818					
Number of employees		3,315	3,293	+22	+0.7%				
Number of shareholders		27,099	26,773	+326	+1.2%				
Financial institution shareholding ratio	%	24.84	30.24	-5.40					
Foreign shareholding ratio	%	51.65	48.71	+2.94					



# Consolidated Financial Report for Fiscal Year Ended March 31, 2006

May 11, 2006

Listed Company Name ROHM CO., LTD.

Code No.: 6963

(URL <http://www.rohm.co.jp>)

Company representative Title: President

Name: Ken Sato

Contact person Title: Group General Manager

Name: Eiichi Sasayama

TEL (075) 311 - 2121

Stock Exchange Listings Tokyo, Osaka

Head Office Location

Kyoto Prefecture

Date of Board of Directors meeting for approval of financial statements: May 11, 2006

Adoption of the GAAP in the U.S. : None

## 1. Consolidated Business Results for Year Ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

### (1) Consolidated Results of Operations (Figures are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2006	387,790	5.1	68,318	-10.2	78,437	-1.1
Year ended March 31, 2005	369,023	3.8	76,054	-19.5	79,320	-13.9

	Net income		Basic net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2006	48,304	7.0	416.39	-	6.3	8.6	20.2
Year ended March 31, 2005	45,135	-29.2	380.22	-	6.2	9.3	21.5

(Notes) (i) Equity in income (losses) Year ended Mar. 31, 2006: 0 million yen Year ended Mar. 31, 2005: 1 million yen

(ii) Average number of shares outstanding (consolidated) Year ended Mar. 31, 2006: 115,768,014 shares  
Year ended Mar. 31, 2005: 118,561,981 shares

(iii) Change in accounting policies: Included

(iv) Percentage (%) shown for Net sales, Operating income, Ordinary income and Net income represents change from the data of the previous year.

### (2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2006	951,441	787,214	82.7	6,821.68
Year ended March 31, 2005	867,322	739,329	85.2	6,326.64

(Note) Number of shares outstanding (consolidated) at end of year Year ended Mar. 31, 2006: 115,384,269 shares  
Year ended Mar. 31, 2005: 116,850,835 shares

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2006	94,548	-95,332	-25,310	280,465
Year ended March 31, 2005	91,919	-87,429	-30,037	288,974

### (4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 41 Number of non-consolidated subsidiaries accounted for by equity method: None  
Number of associated companies accounted for by equity method: 2

### (5) Changes in scope of consolidation and application of equity method

Companies newly consolidated: 1 Companies excluded from consolidation: 7  
Companies newly accounted for by equity method: None Companies no longer accounted for by equity method: None

## 2. Consolidated Business Results Forecast for Fiscal 2007 (From April 1, 2006 to March 31, 2007)

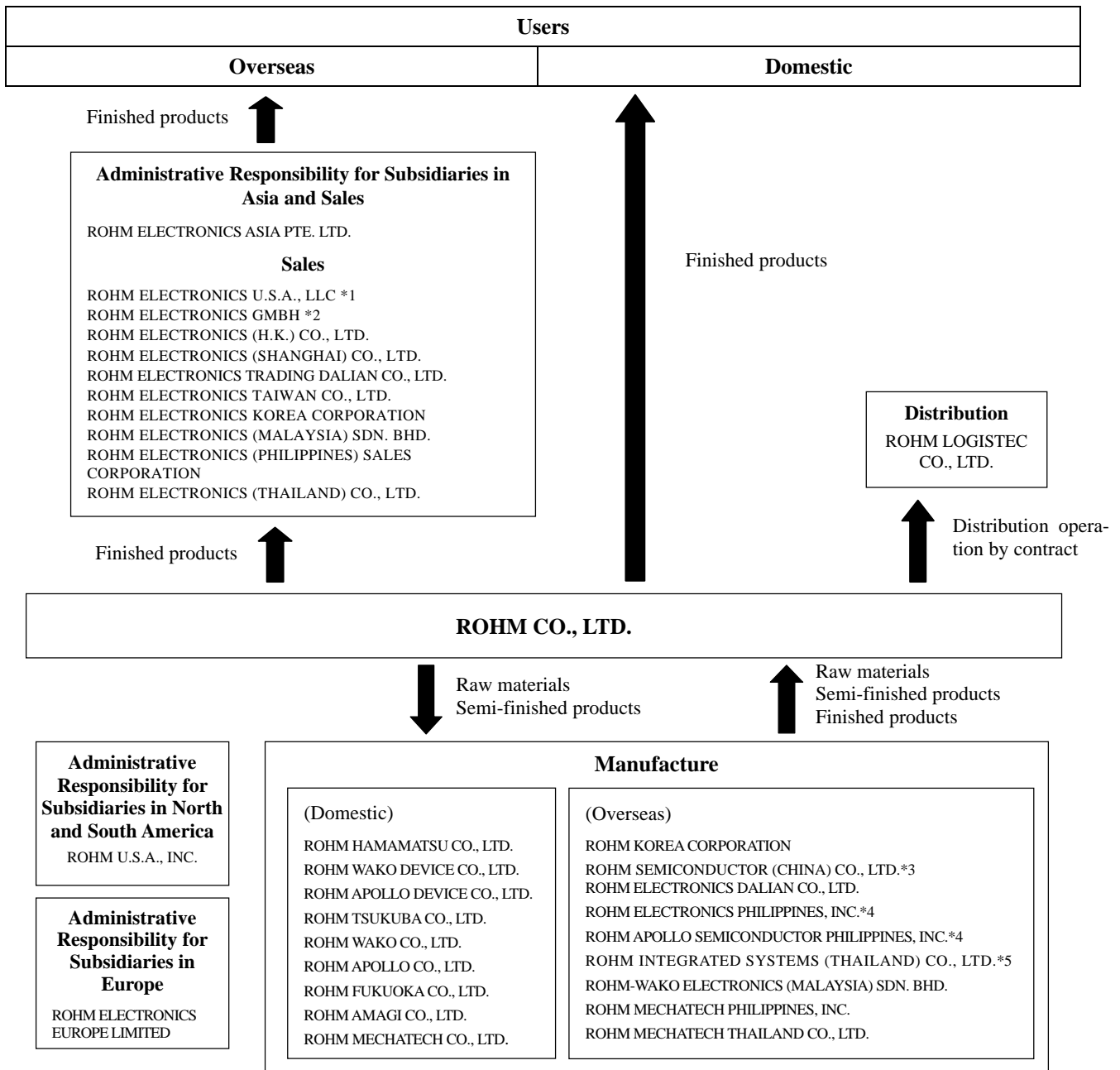
	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim	207,000	42,000	27,000
Fiscal 2007	405,000	78,500	50,000

(Note) Projected net income per share for the year ending Mar. 31, 2007: 433.33 yen

\* The forecast data are based on the information available at the time of release of this report. Therefore, a number of important factors including changes in business conditions may cause actual results to differ materially from those discussed in the prospective statements.  
Refer to page 8-9 of the attached documents for reasons for the forecast and other relevant information.

## Status of the ROHM Group

The ROHM Group consists of ROHM CO., LTD., 41 consolidated subsidiaries (12 in Japan and 29 outside Japan) and 2 associated companies (1 in Japan and 1 outside Japan). We are a comprehensive electronic component manufacturer, whose principal business is the manufacture and sales of electronic components. The Group diagram and information on our consolidated subsidiaries are given below.



\*1. ROHM LSI SYSTEMS U.S.A., LLC merged with ROHM ELECTRONICS U.S.A., LLC in April 2005.  
 \*2. ROHM LSI SYSTEMS (FRANCE) S.A.S. merged with ROHM ELECTRONICS GMBH in December 2005.  
 \*3. ROHM ELECTRONICS WAKO (TIANJIN) CO., LTD. and ROHM ELECTRONICS COMPONENTS (TIANJIN) CO., LTD. merged with ROHM IC DESIGN (TIANJIN) CO., LTD. in April 2005 to establish ROHM SEMICONDUCTOR (CHINA) CO., LTD.  
 \*4. ROHM APOLLO SEMICONDUCTOR PHILIPPINES, INC. merged with ROHM ELECTRONICS PHILIPPINES, INC. in April 2006.  
 \*5. ROHM APOLLO ELECTRONICS (THAILAND) CO., LTD. and ROHM INTEGRATED SEMICONDUCTOR (THAILAND) CO., LTD. merged in March 2006 to establish the new ROHM INTEGRATED SYSTEMS (THAILAND) CO., LTD.

## 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

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.

Matters Related to the Parent Company

There are no matters to be noted here as appropriate.



## Operating Results and Financial Status

### 1. Operating Results

#### (1) 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 MOS FET<sup>\*1</sup> 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, ordinary income decreased 1.1% to ¥78.437 billion, and net income increased 7.0% to ¥48.304 billion.

\*1. MOS FET

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

Divisional review of results of operations

## &lt;Integrated circuits&gt;

ROHM's sales of integrated circuits for the fiscal year ended March 31, 2006 increased 7.0% to ¥170.087 billion.

In the home-appliance market, the use of backlight inverters<sup>\*2</sup> and overdrive processors<sup>\*3</sup> 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<sup>\*4</sup> 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<sup>\*5</sup>, and lead frames<sup>\*6</sup> 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<sup>\*7</sup> 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. Backlight inverters

LSI 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.

## &lt;Discrete semiconductor devices&gt;

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 MOS FETs 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<sup>\*8</sup> such as MOS FETs, 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<sup>\*9</sup> 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.

Distribution of profits for fiscal year ended March 31, 2006

The Company plans to pay annual dividends of ¥90.00 per share, up ¥5.00 over ¥85.00 of the previous year, as an effort to increase returns to shareholders, in consideration of business performance of the fiscal year ended March 31, 2006 and the demand for funds and other related factors for the future.

Excluding the purchase of odd stock, we purchased treasury stock of 1,463,000 shares, which amounted to ¥15,090 million in total, during the fiscal year ended March 31, 2006. The breakdown of the purchase is as follows. Before April 22, 2005, we purchased 963,000 shares, which amounted to ¥10,093 million based on the decision made at the board of directors' meeting held on February 4, 2005. In addition, based on the approval given at the ordinary general meeting of shareholders held on June 29, 2005, we purchased treasury stock of 500,000 shares, which amounted to ¥4,996 million before March 31, 2006.

(2) Forecast for Fiscal Year Ending March 31, 2007

Overall Business Result Outlook for Fiscal 2007

The global economy is expected to stay firm for the time being, although there are signs of economic uncertainty such as inflation triggered by soaring crude-oil prices and an economic slowdown in the U.S. and China. The Japanese economy is certain to be on the recovery track, as indicated by expanding corporate incomes, and is expected to continue to recover. In the electronic component industry, the demand for

products for home appliances such as thin TVs is expected to grow before the World Cup soccer games in June, while the status of the industry after the summer is uncertain, because it may enter the adjustment phase and may be influenced by the slowdown of the personal computer market and mobile phone market.

Under these circumstances, ROHM intends to continuously commit itself to the development of high-value-added products, including high-function, high-performance LSI devices and compact, high-reliability power discrete products, mainly for use in mobile phones, digital audio/visual equipment and automotive industries. We intend to commit ourselves totally to improving product quality and reliability, reinforcing sales and technical-support systems in and outside Japan, and reducing cost, thus improving corporate performance to the highest possible degree. For manufacturing processes, we continue to increase production capacity and expand the 300 mm wafer process, in preparation for the expected demand increase.

ROHM also intends to continuously make environment conservation efforts, performing environment-friendly business activities.

Consolidated forecast for the fiscal year 2007 is as follows:

Net sales: 405,000 million yen (4.4% up from previous year)

Ordinary income: 78,500 million yen (0.1% up from previous year)

Net income: 50,000 million yen (3.5% up from previous year)

Consolidated divisional sales forecast is given below.

Integrated circuits	186,400 million yen (9.6% up from previous year)
Discrete semiconductor devices	157,100 million yen (4.3% up from previous year)
Passive components	24,800 million yen (0.6% down from previous year)
Displays	36,500 million yen (13.0% down from previous year)

The forecasts are based on the exchange rate of ¥110.00 to US\$1.

#### Distribution of profits for fiscal 2007

In consideration of business performance of the fiscal 2007 ending March 31, 2007, expected demand for funds, and other factors, the Company plans to pay an interim dividend of ¥45.00 per share and a year-end dividend of ¥45.00 per share to bring the total annual cash dividend to ¥90.00 for the fiscal year 2007. We also implement agile return-to-shareholder measures at the same time, such as the acquisition of treasury stock, when agreed at the board meeting in consideration of cash flow conditions.

## 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.

Concerning the non-operating income and expenses, the income increased to ¥10,118 million over previous year, when the gain was ¥3,265 million. This increase is attributed mainly to an increased exchange profit due to exchange fluctuations of ¥4,134 million.

As a result of these conditions, the ordinary income amounted to ¥78,437 million, down 1.1% from previous year.

For the extraordinary gain and loss, a loss of ¥4,579 million occurred, a reduction from previous year when the loss was ¥8,478 million yen. This reduction is attributed mainly to the reduction of losses associated with early retirements, which was a factor of increase in the income before income taxes and minority interest.

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

## (2) Financial Position

As of March 31, 2006, total assets amounted to ¥951.441 billion, up ¥84.119 billion over March 31, 2005. The major increase factors of this result are that cash and bank deposits increased ¥40.571 billion, inventories increased ¥18.688 billion, and tangible fixed assets increased ¥29.504 billion because mainly of investment in 300 mm wafer process facilities.

The liabilities increased ¥36.271 billion from March 31, 2005 to ¥163.923 billion. The major increase factors of this result are that the reserved profits of subsidiaries located outside Japan expanded, increasing the deferred tax liability (fixed) ¥16.145 billion, that accrued income taxes increased ¥7.139 billion, and that notes and accounts payable increased ¥5.469 billion.

The shareholders' equity increased ¥47.885 billion over previous year to ¥787.214 billion. The increase factors of this result are that the retained earnings increased ¥38.071 billion and that equity adjustment from foreign currency translation increased ¥20.987 billion. A decrease factor of this result is an increase in treasury stock of ¥15.128 billion.

The status of cash flow for the fiscal year ended March 31, 2006 is as follows:

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 ¥9.59 billion and that inventories increased ¥9.022 billion.

The cash flows from investing activities decreased ¥7.903 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 ¥8.509 billion, so that the balance for the current year amounted to ¥280.465 billion.

As the events expected to have a considerable impact on the cash flows for the upcoming year, we plan to spend ¥73.0 billion on capital investment and ¥66.0 billion on depreciation (tangible fixed assets).

Shareholders' equity ratio, shareholders' equity ratio on the market value basis and interest coverage ratio for each of the recent four fiscal years on the consolidated basis are as follows:

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Shareholders' equity ratio	84.0%	84.5%	85.2%	82.7%
Shareholders' equity ratio on market value basis	189.5%	188.9%	139.4%	151.0%
Interest coverage ratio	136,959.4	-	-	-

(Computation) Shareholders' equity ratio = shareholders' equity/total assets

Shareholders' equity ratio on market value basis = aggregate market value of shares/total assets

Interest coverage ratio = cash flows from operating activities/interest expenses

## 3. Risks Concerning the Company's Businesses

The following are the risks that may have a great impact 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 set makers 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 relationship and the pricing strategies of Southeast Asian companies, which are rapidly growing. Such price changes compose an uncertainty factor in maintaining or increasing sales and in 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 are 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 fluctuation. Generally, a strong Japanese yen adversely influences our business performance, while a weak yen has a favorable influence.

#### (3) Risks of Product Defects

The Group places the top priority on quality persistently, as stated in the Company Mission, and we produce products under severe quality control. 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 distinguished by 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 specializing 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, possibly having an adverse influence on our business performance.

#### (5) Natural Disasters and Geopolitical Risks

The Group performs development and manufacture 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 conflict. If these events prevent us supplying products to customers, our business performance may be influenced.

#### (6) Other Risks and Corporate Risk Management System

In addition to the above-mentioned risks, there are various risks that may influence our financial status and operating results as we perform 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.

## Consolidated Balance Sheets

Accounts	Period	Fiscal year 2006 (As of March 31, 2006)		Fiscal year 2005 (As of March 31, 2005)		Increase/decrease (-) from the year ended March 31, 2005
		Amount	Ratio	Amount	Ratio	Amount
		Millions of yen	%	Millions of yen	%	Millions of yen
(Assets)						
Current assets						
Cash and time deposits		310,908		270,337		40,571
Notes and accounts receivable - trade		102,048		93,078		8,970
Securities		39,174		58,175		- 19,001
Inventories		86,725		68,037		18,688
Prepaid pension cost		3,894		3,676		218
Deferred tax assets		17,787		12,138		5,649
Refundable income taxes		1,032		1,645		- 613
Other		7,257		6,494		763
Allowance for doubtful notes and accounts		- 717		- 594		- 123
Total current assets		568,111	59.7	512,990	59.1	55,121
Fixed assets						
Property, plant and equipment						
Buildings and structures		173,011		156,327		16,684
Machinery, equipment and vehicles		431,447		364,086		67,361
Tools and furniture		35,661		31,391		4,270
Land		67,541		64,582		2,959
Construction in progress		21,909		33,181		- 11,272
Accumulated depreciation		- 446,109		- 395,610		- 50,499
Total tangible fixed assets		283,462	29.8	253,958	29.3	29,504
Intangible fixed assets		2,546	0.3	1,803	0.2	743
Investments and other assets						
Investment securities		87,519		89,781		- 2,262
Deferred tax assets		8,056		7,253		803
Other		2,154		1,785		369
Allowance for doubtful accounts		- 410		- 250		- 160
Total investments and other assets		97,320	10.2	98,570	11.4	- 1,250
Total fixed assets		383,329	40.3	354,332	40.9	28,997
Total assets		951,441	100.0	867,322	100.0	84,119

Accounts	Period	Fiscal year 2006 (As of March 31, 2006)		Fiscal year 2005 (As of March 31, 2005)		Increase/decrease (-) from the year ended March 31, 2005
		Amount	Ratio	Amount	Ratio	Amount
		Millions of yen	%	Millions of yen	%	Millions of yen
(Liabilities)						
Current liabilities						
Notes and accounts payable - trade		27,622		22,153		5,469
Other accounts payable		47,109		42,260		4,849
Accrued income taxes		16,012		8,873		7,139
Deferred tax liabilities		538		477		61
Other		14,495		12,199		2,296
Total current liabilities		105,778	11.2	85,964	10.0	19,814
Long-term liabilities						
Deferred tax liabilities		55,041		38,896		16,145
Liability for retirement benefits		989		805		184
Allowance for directors' retirement benefits		2,069		1,986		83
Other		44		-		44
Total long-term liabilities		58,144	6.1	41,688	4.8	16,456
Total liabilities		163,923	17.3	127,652	14.8	36,271
(Minority interests)						
Minority interests		303	0.0	340	0.0	- 37
(Shareholders' equity)						
Common stock		86,969	9.1	86,969	10.0	-
Capital surplus		102,403	10.8	102,403	11.8	-
Retained earnings		639,760	67.2	601,689	69.4	38,071
Net unrealized gain on available-for-sale securities		6,524	0.7	2,569	0.3	3,955
Foreign currency translation adjustments		- 13,074	- 1.4	- 34,061	- 3.9	20,987
Treasury stock - at cost		- 35,369	- 3.7	- 20,241	- 2.4	- 15,128
Total shareholders' equity		787,214	82.7	739,329	85.2	47,885
Total liabilities, minority interests and shareholders' equity		951,441	100.0	867,322	100.0	84,119



**Consolidated Statements of Income**

Accounts	Period	Fiscal year 2006		Fiscal year 2005		Increase/decrease (-) from the year ended March 31, 2005
		From April 1, 2005 To March 31, 2006		From April 1, 2004 To March 31, 2005		
		Amount	Percentage	Amount	Percentage	
		Millions of yen	%	Millions of yen	%	Millions of yen
Net sales		387,790	100.0	369,023	100.0	18,767
Cost of sales		243,516	62.8	221,132	59.9	22,384
Gross profit		144,273	37.2	147,891	40.1	- 3,618
Selling, general and administrative expenses		75,954	19.6	71,836	19.5	4,118
Operating income		68,318	17.6	76,054	20.6	- 7,736
Non-operating income		12,157	3.1	4,767	1.3	7,390
Non-operating expenses		2,039	0.5	1,501	0.4	538
Ordinary income		78,437	20.2	79,320	21.5	- 883
Extraordinary gains		248	0.0	21	0.0	227
Extraordinary losses		4,827	1.2	8,500	2.3	- 3,673
Income before income taxes and minority interests		73,857	19.0	70,841	19.2	3,016
Income taxes - current		25,297	6.5	20,975	5.7	4,322
Income taxes - deferred		192	0.0	4,691	1.3	- 4,499
Minority interests		63	0.0	40	0.0	23
Net income		48,304	12.5	45,135	12.2	3,169

**Consolidated Statements of Retained Earnings**

Accounts	Period	Fiscal year 2006 From April 1, 2005 To March 31, 2006	Fiscal year 2005 From April 1, 2004 To March 31, 2005	Increase/decrease (-) from the year ended March 31, 2005
		Amount	Amount	Amount
		Millions of yen	Millions of yen	Millions of yen
(Capital surplus)				
Capital surplus at beginning of year		102,403	102,403	-
Capital surplus at end of year		102,403	102,403	-
(Retained earnings)				
Retained earnings at beginning of year		601,689	566,749	34,940
Increase in retained earnings				
Net income		48,304	45,135	3,169
Decrease in retained earnings				
Cash dividends		10,181	10,096	85
Bonuses to directors		51	91	- 40
Reserve for employees' welfare fund		0	7	- 7
Retained earnings at end of year		639,760	601,689	38,071

## Consolidated Statements of Cash Flows

Accounts	Period	Fiscal year 2006	Fiscal year 2005	Increase/decrease (-)
		From April 1, 2005 To March 31, 2006	From April 1, 2004 To March 31, 2005	from the year ended March 31, 2005
		Amount	Amount	Amount
		Millions of yen	Millions of yen	Millions of yen
<b>I Operating Activities</b>				
1. Income before income taxes and minority interests		73,857	70,841	3,016
2. Depreciation and amortization		57,032	47,442	9,590
3. Amortization of goodwill - net		-	668	-
4. Interest and dividends income		-	3,318	-
5. Foreign currency exchange losses (- gains) - net		-	1,320	-
6. Increase (- decrease) in net liability for retirement benefits		-	6,003	-
7. Write-down of investment securities		8	283	-
8. Decrease (- increase) in notes and accounts receivables - trade		-	716	-
9. Decrease (- increase) in inventories		-	5,252	-
10. Increase (- decrease) in notes and accounts payables - trade		5,072	-	6,702
11. Other - net		4,494	5,039	-
Sub-total		105,342	107,465	-
12. Interest and dividends - received		6,652	3,510	3,142
13. Compensation for expropriation - received		-	1,383	-
14. Income taxes - refunded (- paid)		-	20,440	-
Net cash provided by operating activities		94,548	91,919	2,629
<b>II Investing Activities</b>				
1. Decrease (- increase) in time deposits		-	15,909	-
2. Purchases of securities and investment securities		-	56,497	-
3. Proceeds from sales and repayments of securities and investment securities		44,123	31,932	12,191
4. Purchases of property, plant and equipment		-	78,753	-
5. Other - net		269	19	-
Net cash used in investing activities		-	87,429	-
<b>III Financing Activities</b>				
1. Purchases of treasury stock		-	19,940	-
2. Dividends paid		-	10,096	-
3. Other - net		-	1	-
Net cash used in financing activities		-	30,037	-
<b>IV Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		17,585	3,944	13,641
<b>V Net Increase (-decrease) in Cash and Cash Equivalents</b>		8,509	21,603	13,094
<b>VI Cash and Cash Equivalents at Beginning of Year</b>		288,974	310,578	-
<b>VII Cash and Cash Equivalents at End of Year</b>		280,465	288,974	-

(Note) Breakdown of "Cash and cash equivalents at end of year" is as follows:

	(Fiscal 2006)	(Fiscal 2005)	(Increase/decrease)
Cash and time deposits	277,293 million yen	267,934 million yen	9,359 million yen
Securities	3,171	21,040	- 17,869
Total cash and cash equivalents	280,465	288,974	- 8,509

**[Basis of Presenting Consolidated Financial Statements]**

## 1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 41
- (2) Names of consolidated subsidiaries  
Consolidated subsidiaries are listed in "Status of the ROHM GROUP."

## 2. Application of equity method

- (1) Number of unconsolidated subsidiaries accounted for by equity method: 0
- (2) Number of associated companies accounted for by equity method: 2

## 3. Fiscal periods of consolidated subsidiaries

The accounting date of ROHM SEMICONDUCTOR (CHINA) CO., LTD. and four other consolidated subsidiaries is December 31, which differs from that of ROHM CO., LTD. on March 31.

## Changes in accounting policies

Concerning the subsidiaries whose fiscal year dates are different from the date of the Group's consolidated accounting date, the consolidated statement was produced based on the financial results of those subsidiaries as of their own fiscal year dates in the year ended March 31, 2005 and previous years. However, from this year, we adopt the method of settling consolidated accounts using the accounts of these subsidiaries settled provisionally on the consolidated accounting date, to produce a more accurate consolidated financial statement, as their importance has grown.

## 4. Accounting standards

## (1) Valuation basis and method for significant assets

## (i) Securities

Marketable securities classified as available-for-sale securities are reported at fair value (based on market prices on the accounting date, or the like), with unrealized gains and losses directly included in shareholders' equity. The cost of available-for-sale securities sold is principally determined based on the moving average method. Non-marketable securities are stated at cost determined by the moving average method.

## (ii) Inventories

Inventories of ROHM Co., Ltd. are stated principally at cost determined by the average method.

## (2) Depreciation of significant tangible fixed assets

Depreciation of tangible fixed assets is computed principally by the declining-balance method, while the straight-line method is applied to buildings (excluding building improvements) acquired by ROHM Co., Ltd. or its domestic consolidated subsidiaries after April 1, 1998.

## (3) Accounting for significant allowances

(i) The allowance for doubtful accounts is provided at an estimated amount of the past actual ratio of losses on bad debts. Certain allowance is provided for estimated uncollectible receivables.

(ii) Liability for retirement benefits is stated at the amount calculated based on the retirement benefit obligation and the fair value of the plan assets at the end of the current fiscal year.

(iii) For ROHM Co., Ltd. and certain domestic consolidated subsidiaries, retirement benefits to directors and corporate auditors are provided at the amount that would be required if all directors and corporate auditors retired at the accounting date based on the internal rules.

## (4) Basis for translation of significant foreign currency assets and liabilities

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the accounting 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.

The balance sheet accounts of the overseas consolidated subsidiaries and the like are translated into Japanese yen at the current exchange rates as of the accounting dates of such subsidiaries and the like. Revenue and expense accounts of the overseas subsidiaries and the like are translated into Japanese yen at the average annual exchange rates. Differences arising from such translation are included in "Minority Interests," as well as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

## (5) Significant lease transactions

Finance lease transactions, other than those that are deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transactions.

## (6) Significant hedge accounting

Foreign exchange forward contracts are used for hedge accounting.

## (7) Others

Consumption tax

All transactions are recorded net of consumption taxes.

5. Evaluation of assets and liabilities of consolidated subsidiaries  
The market value method is adopted.
6. Amortization of goodwill  
Goodwill is amortized over a period of five years, unless deemed immaterial.
7. Appropriation of retained earnings  
The Company has prepared the Consolidated Statements of Retained Earnings based on the appropriations of retained earnings determined during the year under review.
8. Cash and cash equivalents in consolidated statements of cash flows  
Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and are subject to little risk of change in value.

**[Notes]**

(Notes to Consolidated Statements of Income)

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
1. Non-operating income		
Interest income	6,229 million yen	3,275 million yen
Foreign currency exchange gains	4,466	332
2. Extraordinary loss		
Loss on sale/disposal of fixed assets	2,896	565
Loss on early retirement	1,931	7,934

**[Segment information]**

## 1. Industry segments

The Group's main operations are the manufacturing and sales of electronic components. As net sales, operating income and total assets of the Group's main industry segment constituted more than 90% of the consolidated totals for the years ended March 31, 2005 and 2006, consequently the disclosure of industry segment information has been omitted.

## 2. Geographical segments

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Japan	Asia	Americas	Europe	Total	Eliminations/ Corporate	Consolidated
I Sales and operating income/loss							
Sales							
(1) Sales to customers	156,654	199,217	13,525	18,393	387,790	–	387,790
(2) Inter-area transfer	55,502	136,862	386	302	193,053	( 193,053)	–
Total sales	212,156	336,080	13,911	18,695	580,843	( 193,053)	387,790
Operating expenses	198,189	275,928	15,062	19,162	508,343	( 188,872)	319,471
Operating income (- loss)	13,967	60,151	– 1,151	– 467	72,500	( 4,181)	68,318
II Assets	450,558	315,025	14,782	16,042	796,408	155,032	951,441

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

(Millions of yen)

	Japan	Asia	Americas	Europe	Total	Eliminations/ Corporate	Consolidated
I Sales and operating income/loss							
Sales							
(1) Sales to customers	162,816	172,729	13,111	20,366	369,023	–	369,023
(2) Inter-area transfer	58,288	115,210	219	874	174,592	( 174,592)	–
Total sales	221,104	287,939	13,331	21,240	543,615	( 174,592)	369,023
Operating expenses	188,002	243,004	14,343	21,164	466,515	( 173,545)	292,969
Operating income (- loss)	33,102	44,935	– 1,012	75	77,100	( 1,046)	76,054
II Assets	364,147	293,782	30,346	16,789	705,066	162,256	867,322

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas that belong to segments other than Japan are as follows:

Asia : China, Singapore, Taiwan

Americas : The United States

Europe : Germany

3. Unallocable operating expenses included in "Eliminations (Corporate)" are shown below. Unallocable operating expenses consist primarily of expenses relating to the administrative division of the headquarters of the Company.

Fiscal 2006 5,896 million yen

Fiscal 2005 3,766

4. Total Group assets included in "Eliminations (Corporate)" are shown below. Total Group assets consist primarily of surplus funds for investment (cash, deposits and securities), long-term investment funds (investment securities), and assets relating to the administrative division of the headquarters of the Company.

Fiscal 2006 230,956 million yen

Fiscal 2005 243,425

## 3. Sales to foreign customers

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Asia	Americas	Europe	Total
I Sales to foreign customers	200,100	15,138	16,282	231,521
II Net sales				387,790
III Sales to foreign customers as a percentage of net sales	51.6%	3.9%	4.2%	59.7%

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

(Millions of yen)

	Asia	Americas	Europe	Total
I Sales to foreign customers	174,159	13,990	19,021	207,171
II Net sales				369,023
III Sales to foreign customers as a percentage of net sales	47.2%	3.8 %	5.1 %	56.1 %

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas which belong to segments other than Japan are as follows:

Asia : China, Singapore, Taiwan

Americas : The United States

Europe : Germany

3. Sales to foreign customers consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries.

**[Leases]**

Finance leases that do not transfer ownership of the leased property to the lessee

1. Pro forma information of the acquisition cost, accumulated depreciation and net book value of the leased property

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
	Machinery, equipment and vehicles	Machinery, equipment and vehicles
Acquisition cost	43 million yen	52 million yen
Accumulated depreciation	25	25
Net leased property	<u>18</u>	<u>27</u>

2. Pro forma obligations under finance leases

Due within 1 year	12	14
Due after 1 year	6	13
Total	<u>18</u>	<u>27</u>

3. Lease payments and depreciation of the leased property

Lease payments	17	19
Depreciation	17	19

4. Depreciation of leased property is calculated by the straight-line method over the respective lease terms regarded as being the useful life, with the residual value of zero.

5. Acquisition cost and the pro forma obligations under finance leases presented above are calculated prior to the deduction of portions attributable to interest expense, as the year-end balance of the obligations accounts for only a small percentage of the year-end tangible fixed assets.

**[Related party transactions]**

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

Directors and major individual shareholders

Category	Name	Address	Capital/ equity	Business/occupation	Percentage of voting right held
Directors and their close relatives	Ken Sato	-	million yen -	<ul style="list-style-type: none"> <li>•President, ROHM CO., LTD.</li> <li>•Chairman, ROHM Music Foundation</li> </ul>	2.1% (directly)
Relationship					
Concurrent post	Business relations	Transactions	Amount of transactions	Account	Year-end balance
-	-	Donation to the ROHM Music Foundation	million yen 100	-	million yen -

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

Directors and major individual shareholders

Category	Name	Address	Capital/ equity	Business/occupation	Percentage of voting right held
Directors and their close relatives	Ken Sato	–	million yen –	•President, ROHM CO., LTD. •Chairman, ROHM Music Foundation	2.1% (directly)
Relationship		Transactions	Amount of transactions	Account	Year-end balance
Concurrent post	Business relations				
–	–	Donation to the ROHM Music Foundation	million yen 100	–	million yen –

**[Tax effect accounting]**

## 1. Deferred tax assets and deferred tax liabilities by main source

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
Deferred tax assets		
Securities	467 million yen	428 million yen
Inventories	8,685	7,645
Depreciation	11,563	11,526
Accrued enterprise tax	350	935
Accrued expenses	1,997	1,553
Liability for retirement benefits	14	22
Foreign tax credit	6,525	1,277
Other	7,068	7,508
Deferred tax assets subtotal	36,674	30,898
Valuation allowance	– 1,469	– 1,053
Total deferred tax assets	35,204	29,844
Deferred tax liabilities		
Undistributed earnings of foreign subsidiaries	– 58,689	– 46,069
Prepaid pension cost	– 1,511	– 1,492
Other	– 4,739	– 2,264
Total deferred tax liabilities	– 64,941	– 49,825
Net deferred tax assets (- liabilities)	– 29,736	– 19,981

(Note) Net deferred tax assets (-liabilities) as of March 31, 2005 and 2006 are included in the following accounts in the consolidated balance sheets:

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
Current assets - Deferred tax assets	17,787 million yen	12,138 million yen
Fixed assets - Deferred tax assets	8,056	7,253
Current liabilities - Deferred tax liabilities	– 538	– 477
Long-term liabilities - Deferred tax liabilities	– 55,041	– 38,896

## 2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
Normal effective statutory tax rate	40.6%	40.6%
(Adjustments)		
Lower income tax rates applicable to in- come in certain foreign countries	– 3.0	– 3.0
Tax credit for research and development expenses	– 2.7	– 2.5
Other - net	– 0.4	1.1
Actual effective tax rates	34.5%	36.2%



**[Debt and equity securities]**

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

## 1. Marketable available-for-sale securities

(Millions of yen)

Classification	Acquisition costs	Carrying values	Differences
Securities whose carrying value exceeds their acquisition cost			
(1) Equity securities	7,912	19,627	11,714
(2) Government and corporate bonds			
Corporate bonds	11,820	11,828	8
Sub-total	19,733	31,456	11,722
Securities whose carrying value does not exceed their acquisition cost			
(1) Equity securities	1,000	955	- 44
(2) Government and corporate bonds			
Government bonds, local government bonds etc.	17,472	16,961	- 511
Corporate bonds	72,479	72,231	- 247
Sub-total	90,951	90,148	- 803
Total	110,685	121,604	10,919

## 2. Available-for-sale securities sold in the year ended March 31, 2006

(Millions of yen)

Proceeds from sales	Gross realized gains	Gross realized losses
22,892	36	150

## 3. Major securities whose fair value is not readily determinable, and their carrying values

Available-for-sale securities

(Millions of yen)

Classification	Carrying values
(1) Unlisted equity securities	1,053
(2) Unlisted foreign corporate bonds	856
(3) Overseas negotiable certificates of deposit	3,171
Total	5,082

## 4. Carrying values of debt securities by contractual maturities for securities classified as available-for-sale

(Millions of yen)

Classification	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 year through 10 years
(1) Government and corporate bonds			
Government bonds, local government bonds etc.	3,862	12,409	1,176
Corporate bonds	32,100	51,800	856
(2) Other	3,171	-	-
Total	39,134	64,209	2,032

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

## 1. Marketable available-for-sale securities

			(Millions of yen)
Classification	Acquisition costs	Carrying values	Differences
Securities whose carrying value exceeds their acquisition cost			
(1) Equity securities	2,840	8,079	5,238
(2) Government and corporate bonds			
Government bonds, local government bonds etc.	2,477	2,497	20
Corporate bonds	53,863	53,959	96
(3) Other	21,005	21,040	34
Sub-total	80,186	85,577	5,390
Securities whose carrying value does not exceed their acquisition cost			
(1) Equity securities	5,069	4,379	- 689
(2) Government and corporate bonds			
Government bonds, local government bonds etc.	13,189	12,957	- 231
Corporate bonds	43,662	43,613	- 48
Sub-total	61,921	60,950	- 970
Total	142,108	146,528	4,420

## 2. Available-for-sale securities sold in the year ended March 31, 2005

(Millions of yen)		
Proceeds from sales	Gross realized gains	Gross realized losses
204	149	-

## 3. Major securities whose fair value is not readily determinable, and their carrying values

(Millions of yen)	
Classification	Carrying values
(1) Unlisted equity securities	1,006
(2) Unlisted foreign corporate bonds	416
Total	1,422

## 4. Carrying values of debt securities by contractual maturities for securities classified as available-for-sale

(Millions of yen)			
Classification	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 year through 10 years
Government and corporate bonds			
Government bonds, local government bonds etc.	5,133	9,506	1,074
Corporate bonds	31,900	65,600	-
Total	37,033	75,106	1,074

**[Derivatives]**

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

Currency derivatives

Not disclosed because hedge accounting is adopted.

Fiscal 2005 (From April 1, 2004 to March 31, 2005)

Currency derivatives

Not disclosed because hedge accounting is adopted.

**[Retirement benefits]**

1. Outline of retirement benefits scheme adopted

ROHM Co., Ltd. and some of its domestic consolidated subsidiaries have defined benefit pension plans, i.e., approved retirement annuity plans and lump-sum payment plans, as well as defined contribution pension plans.

Some consolidated subsidiaries of the Company overseas have defined contribution pension plans in addition to defined benefit pension plans.

The Company shifted from lump-sum payment plans to approved retirement annuity plans in September 1967. The same shift is under way among its domestic consolidated subsidiaries.

The Company and domestic consolidated subsidiaries replaced corporate defined benefit pension plans with defined contribution pension plans in March 2005.

2. Liability for employees' retirement benefits (As of March 31, 2006)

	Year ended March 31, 2006	Year ended March 31, 2005
(1) Projected benefit obligation	– 17,130 million yen	– 15,966 million yen
(2) Fair value of plan assets	22,398	17,004
(3) Unfunded retirement benefit obligation ((1)+(2))	5,267	1,038
(4) Unrecognized actuarial loss	– 2,362	1,833
(5) Net Liability ((3)+(4))	2,905	2,871
(6) Prepaid pension cost	3,894	3,676
(7) Liability for retirement benefits ((5)-(6))	– 989	– 805

3. Net periodic benefit cost (From April 1, 2005 to March 31, 2006)

	Year ended March 31, 2006	Year ended March 31, 2005
(1) Service cost	1,641 million yen	1,973 million yen
(2) Interest cost	346	545
(3) Expected return on plan assets	– 371	– 429
(4) Recognized actuarial loss	316	756
(5) Other	427	89
(6) Net periodic benefit cost ((1)+(2)+(3)+(4)+(5))	2,360	2,935

(Notes) 1. “(5) Other” includes premiums paid for defined contribution pension plans.

2. “Loss on early retirement” is not included in the list above but is accounted for as an extraordinary loss.

	Year ended March 31, 2006	Year ended March 31, 2005
Loss on early retirement	1,931 million yen	7,934 million yen

4. Assumptions used for calculation

	Year ended March 31, 2006	Year ended March 31, 2005
(1) 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
(2) Discount rate	2.0%	2.0%
(3) Expected rate of return on plan assets	2.0%	2.0%
(4) Amortization period of prior service credit (Amortization from the accrual year by straight-line method)	10 years	10 years
(5) Recognition period of actuarial gain/loss (Amortization from the year following the accrual year by straight-line method)	10 years	10 years

**Production, Orders Received and Sales**

## 1. Actual production

(Millions of yen)

Product category		Period	Fiscal 2006	Fiscal 2005	Increase/Decrease (-)
			From April 1, 2005 To March 31, 2006	From April 1, 2004 To March 31, 2005	
Electronic Components	Integrated circuits		175,534	158,675	16,859
	Discrete semiconductor devices		154,555	145,218	9,337
	Passive components		25,695	23,365	2,330
	Displays		44,929	43,811	1,118
Total			400,715	371,070	29,645

(Notes) 1. The amounts above are calculated based on the average sales prices for each accounting period and are exclusive of consumption tax and the like.

2. Major products included in each category are as follows:

Product category		Major products
Electronic Components	Integrated circuits	Monolithic ICs, Power Modules, Photo Link Modules
	Discrete semiconductor devices	Transistors, Diodes, Light Emitting Diodes, Laser Diodes
	Passive components	Resistors, Capacitors
	Displays	Liquid Crystal Displays, Thermal Heads, Image Sensor Heads, LED Displays, Camera Modules, Others

## 2. Orders

(Millions of yen)

Product category		Fiscal 2006		Fiscal 2005		Increase/Decrease (–)	
		From April 1, 2005 To March 31, 2006		From April 1, 2004 To March 31, 2005			
		Orders received	Order backlog	Orders received	Order backlog	Orders received	Order backlog
Electronic Components	Integrated circuits	174,956	27,500	156,647	22,631	18,309	4,869
	Discrete semiconductor devices	155,785	25,201	140,853	20,053	14,932	5,148
	Passive components	25,866	3,862	23,087	2,993	2,779	869
	Displays	42,296	8,334	44,648	8,106	– 2,352	228
Total		398,905	64,900	366,326	53,784	33,669	11,116

## 3. Actual sales

Actual sales by product category (domestic)

(Millions of yen)

Product category		Fiscal 2006		Fiscal 2005		Increase/Decrease (–)	
		From April 1, 2005 To March 31, 2006		From April 1, 2004 To March 31, 2005			
		Sales	Domestic ratio	Sales	Domestic ratio	Sales	Increase/ Decrease ratio
Electronic Components	Integrated circuits	82,977	48.8%	81,750	51.4%	1,227	1.5%
	Discrete semiconductor devices	51,840	34.4	53,345	37.6	– 1,505	– 2.8
	Passive components	7,558	30.2	8,446	35.8	– 888	– 10.5
	Displays	13,891	33.0	18,308	41.0	– 4,417	– 24.1
Total		156,268	40.3	161,852	43.9	– 5,584	– 3.5

Actual sales by product category (overseas)

(Millions of yen)

Product category		Fiscal 2006		Fiscal 2005		Increase/Decrease (–)	
		From April 1, 2005 To March 31, 2006		From April 1, 2004 To March 31, 2005			
		Sales	Overseas ratio	Sales	Overseas ratio	Sales	Increase/ Decrease ratio
Electronic Components	Integrated circuits	87,109	51.2%	77,271	48.6%	9,838	12.7%
	Discrete semiconductor devices	98,795	65.6	88,441	62.4	10,354	11.7
	Passive components	17,439	69.8	15,163	64.2	2,276	15.0
	Displays	28,176	67.0	26,294	59.0	1,882	7.2
Total		231,521	59.7	207,171	56.1	24,350	11.8

## Actual sales by product category (total)

(Millions of yen)

Product category		Fiscal 2006		Fiscal 2005		Increase/Decrease (-)	
		From April 1, 2005 To March 31, 2006		From April 1, 2004 To March 31, 2005			
Period		Sales	Sales as a percentage of net sales	Sales	Sales as a percentage of net sales	Sales	Increase/ Decrease ratio
Electronic Components	Integrated circuits	170,087	43.9%	159,022	43.1%	11,065	7.0%
	Discrete semiconductor devices	150,636	38.8	141,787	38.4	8,849	6.2
	Passive components	24,998	6.4	23,610	6.4	1,388	5.9
	Displays	42,068	10.9	44,603	12.1	- 2,535	- 5.7
Total		387,790	100.0	369,023	100.0	18,767	5.1



## Summarized Non-consolidated Financial Statements for Year Ended March 31, 2006

Listed Company Name ROHM CO., LTD.

Code No.: 6963

(URL <http://www.rohm.co.jp>)

Company representative Title: President

Name: Ken Sato

Contact person Title: Group General Manager

Name: Eiichi Sasayama

Date of Board of Directors meeting for approval of financial statements: May 11, 2006

Scheduled date of commencement of dividend payment: June 30, 2006

Adoption of trading unit system: Yes (1 unit: 100 shares)

May 11, 2006

Stock Exchange Listings Tokyo, Osaka

Head Office Location

Kyoto Prefecture

TEL (075) 311 - 2121

Existence of interim dividend system: Yes

Date of general shareholders' meeting: June 29, 2006

### 1. Business Results for the Year Ended March 31, 2006 (From April 1, 2005 to March 31, 2006)

#### (1) Results of Operations (Figures are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2006	360,870	5.4	24,129	4.7	38,035	-25.8
Year ended March 31, 2005	342,450	3.4	23,050	-30.6	51,257	34.1

	Net income		Basic net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2006	27,238	-31.7	234.91	-	5.3	6.1	10.5
Year ended March 31, 2005	39,872	35.9	336.25	-	7.9	8.4	15.0

(Notes) (i) Average number of shares outstanding Year ended Mar. 31, 2006: 115,768,014 shares

Year ended Mar. 31, 2005: 118,561,981 shares

(ii) Change in accounting policies: None

(iii) Percentage (%) shown for Net sales, Operating income, Ordinary income and Net income represents change from the data of the previous year.

#### (2) Dividends Information

	Annual dividends per share			Total dividends paid for the year	Dividends payout ratio	Ratio of dividends to shareholders' equity
	Interim	Year-end				
	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2006	90.00	45.00	45.00	10,407	38.3	2.0
Year ended March 31, 2005	85.00	42.50	42.50	10,014	25.3	2.0

#### (3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2006	630,721	513,433	81.4	4,449.39
Year ended March 31, 2005	610,135	507,455	83.2	4,342.71

(Notes) (i) Number of shares outstanding at end of year Year ended Mar. 31, 2006: 115,384,269 shares

Year ended Mar. 31, 2005: 116,850,835 shares

(ii) Number of treasury stock at end of year

Year ended Mar. 31, 2006: 3,417,119 shares

Year ended Mar. 31, 2005: 1,950,553 shares

### 2. Business Results Forecast for Fiscal 2007 (From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income	Annual dividends per share		
				Interim	Year-end	Yen
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
Interim	192,000	24,000	19,000	45.00	-	-
Fiscal 2007	378,000	47,000	34,000	-	45.00	90.00

(Note) Projected net income per share for the year ending March 31, 2007: 294.67 yen

\* The forecast data are based on the information available at the time of release of this report. Therefore, a number of important factors including changes in business conditions may cause actual results to differ materially from those discussed in the prospective statements. Refer to page 8-9 of the attached documents for reasons for the forecast and other relevant information.

**Non-consolidated Balance Sheets**

Accounts	Period	Fiscal year 2006 (As of March 31, 2006)		Fiscal year 2005 (As of March 31, 2005)		Increase/decrease (-) from the year ended March 31, 2005
		Amount	Ratio	Amount	Ratio	Amount
		Millions of yen	%	Millions of yen	%	Millions of yen
(Assets)						
Current assets						
Cash and time deposits		120,174		106,396		13,778
Notes receivable - trade		1,501		2,031		- 530
Accounts receivable - trade		95,323		85,741		9,582
Securities		32,190		53,052		- 20,862
Inventories		29,122		22,455		6,667
Prepaid pension cost		464		312		152
Deferred tax assets		12,466		7,725		4,741
Sundry receivables		38,599		40,361		- 1,762
Other		9,916		19,244		- 9,328
Allowance for doubtful notes and accounts		- 58		- 29		- 29
Total current assets		339,703	53.9	337,291	55.3	2,412
Fixed assets						
Property, plant and equipment						
Buildings		20,553		21,592		- 1,039
Machinery and equipment		7,959		8,785		- 826
Land		46,093		44,528		1,565
Other		10,136		9,273		863
Total tangible fixed assets		84,742	13.4	84,180	13.8	562
Intangible fixed assets		1,635	0.3	893	0.1	742
Investments and other assets						
Investment securities		74,290		79,370		- 5,080
Investment in subsidiaries and associated companies		59,050		58,955		95
Long-term loans receivable		68,515		43,718		24,797
Deferred tax assets		1,944		5,238		- 3,294
Other		949		746		203
Allowance for doubtful accounts		- 111		- 257		146
Total investments and other assets		204,640	32.4	187,771	30.8	16,869
Total fixed assets		291,018	46.1	272,844	44.7	18,174
Total assets		630,721	100.0	610,135	100.0	20,586



Accounts	Period	Fiscal year 2006 (As of March 31, 2006)		Fiscal year 2005 (As of March 31, 2005)		Increase/decrease (-) from the year ended March 31, 2005
		Amount	Ratio	Amount	Ratio	Amount
		Millions of yen	%	Millions of yen	%	Millions of yen
<b>(Liabilities)</b>						
<b>Current liabilities</b>						
Accounts payable - trade		68,642		63,317		5,325
Other accounts payable		29,540		26,439		3,101
Accrued income taxes		10,445		5,013		5,432
Other		7,098		6,426		672
Total current liabilities		115,727	18.4	101,196	16.6	14,531
<b>Long-term liabilities</b>						
Allowance for directors' retirement benefits		1,536		1,483		53
Others		23		-		23
Total long-term liabilities		1,560	0.2	1,483	0.2	77
Total liabilities		117,287	18.6	102,680	16.8	14,607
<b>(Shareholders' equity)</b>						
<b>Common stock</b>						
Common stock		86,969	13.8	86,969	14.3	-
<b>Capital surplus</b>						
Capital surplus		97,253		97,253		-
Total Capital surplus		97,253	15.4	97,253	15.9	-
<b>Retained earnings</b>						
Legal reserve		2,464		2,464		-
General reserve		323,227		283,121		40,106
Unappropriated retained earnings		32,058		55,112		- 23,054
Total retained earnings		357,750	56.7	340,698	55.8	17,052
Net unrealized gain on available-for-sale securities		6,830	1.1	2,775	0.5	4,055
Treasury stock - at cost		- 35,369	- 5.6	- 20,241	- 3.3	- 15,128
Total shareholders' equity		513,433	81.4	507,455	83.2	5,978
Total liabilities and shareholders' equity		630,721	100.0	610,135	100.0	20,586

## Non-consolidated Statements of Income

Accounts	Period	Fiscal year 2006 From April 1, 2005 To March 31, 2006		Fiscal year 2005 From April 1, 2004 To March 31, 2005		Increase/decrease (-) from the year ended March 31, 2005
		Amount	Percentage	Amount	Percentage	Amount
		Millions of yen	%	Millions of yen	%	Millions of yen
Net sales		360,870	100.0	342,450	100.0	18,420
Cost of sales		277,506	76.9	263,875	77.1	13,631
Gross profit		83,363	23.1	78,575	22.9	4,788
Selling, general and administrative expenses		59,234	16.4	55,524	16.2	3,710
Operating income		24,129	6.7	23,050	6.7	1,079
Non-operating income		15,601	4.3	29,409	8.6	- 13,808
Non-operating expenses		1,695	0.5	1,202	0.3	493
Ordinary income		38,035	10.5	51,257	15.0	- 13,222
Extraordinary gains		479	0.1	743	0.2	- 264
Extraordinary losses		537	0.1	278	0.1	259
Income before income taxes		37,977	10.5	51,723	15.1	- 13,746
Income taxes - current		14,956	4.2	11,218	3.3	3,738
Income taxes - deferred		- 4,218	- 1.2	632	0.2	- 4,850
Net income		27,238	7.5	39,872	11.6	- 12,634
Unappropriated retained earnings brought forward from the previous year		10,034		20,288		- 10,254
Interim dividends		5,214		5,048		166
Unappropriated retained earnings		32,058		55,112		- 23,054

## Statements of Appropriation of Retained Earnings

Accounts	Period	Fiscal year 2006 From April 1, 2005 To March 31, 2006		Fiscal year 2005 From April 1, 2004 To March 31, 2005		Increase/decrease (-)
		Amount	Percentage	Amount	Percentage	Amount
		Millions of yen		Millions of yen		Millions of yen
Unappropriated retained earnings		32,058		55,112		- 23,054
Appropriation of retained earnings						
Cash dividends		5,192		4,966		226
Bonuses to directors		43		5		38
Voluntary reserve						
Reserve for overseas investment loss		7		6		1
General reserve		16,800		40,100		- 23,300
Balance to be carried forward		10,014		10,034		- 20

**[Significant Accounting Policies]**

1. Valuation basis and method for securities

Investment securities in subsidiaries and associated companies are stated at cost determined by the moving average method. Marketable securities classified as available-for-sale securities are reported at fair value (based on market prices on the accounting date, or the like), with unrealized gains and losses directly included in shareholders' equity. The cost of available-for-sale securities sold is principally determined based on the moving average method. Non-marketable securities are stated at cost determined by the moving average method.

2. Valuation basis and method for inventories

Finished products, semi-finished products, raw materials and work in process are stated at cost determined by the average method. Supplies are stated at cost determined by the last purchase method.

3. Depreciation of fixed assets

(1) Depreciation of tangible fixed assets is computed by the declining-balance method, while the straight-line method is applied to buildings (excluding building improvements) acquired after April 1, 1998.

(2) Depreciation of intangible fixed assets is computed by the straight-line method.

4. Basis for translation of foreign currency assets and liabilities

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the accounting 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.

5. Accounting for allowances

(1) The allowance for doubtful accounts is provided at an estimated amount of the past actual ratio of losses on bad debts. Certain allowance is provided for estimated uncollectible receivables.

(2) Liability for retirement benefits is stated at the amount calculated based on the retirement benefit obligation and the fair value of the plan assets at the end of the current fiscal year.

However, because the fair value of the plan assets exceeded the projected benefit obligation as of the end of the current fiscal year, the excess is accounted for as "Prepaid pension cost," resulting in the balance of "Liability for retirement benefits" being zero.

(3) Retirement benefits to directors and corporate auditors are provided at the amount that would be required if all directors and corporate auditors retired at the accounting date based on the internal rules.

6. Lease transactions

Finance lease transactions, other than those that are deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transactions.

7. Hedge accounting

Foreign exchange forward contracts are used for hedge accounting.

8. Others

Consumption tax

All transactions are recorded net of consumption taxes.

**[Notes]**

(Notes to non-consolidated balance sheets)

Accumulated depreciation of tangible fixed assets

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
	110,921 million yen	106,791 million yen

(Notes to non-consolidated statements of income)

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
1. Non-operating income		
Interest income (including interest on securities)	2,109 million yen	1,616 million yen
Dividend income	6,859	23,909
Foreign currency exchange gains	3,919	1,101
2. Extraordinary gain		
Gain on sale of fixed assets	479	743
3. Extraordinary loss		
Loss on sale/disposal of fixed assets	537	278

**[Leases]**

Finance leases that do not transfer ownership of the leased property to the lessee

1. Pro forma information of the acquisition cost, accumulated depreciation and net book value of the leased property

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
	Other in tangible fixed assets	Other in tangible fixed assets
Acquisition cost	40 million yen	48 million yen
Accumulated depreciation	22	23
Net leased property	17	24

2. Pro forma obligations under finance leases

Due within 1 year	11	12
Due after 1 year	6	12
Total	17	24

3. Lease payments and depreciation of the leased property

Lease payments	16	16
Depreciation	16	16

4. Depreciation of leased property is calculated by the straight-line method over the respective lease terms regarded as being the useful life, with the residual value of zero.

5. Acquisition cost and the pro forma obligations under finance leases presented above are calculated prior to the deduction of portions attributable to interest expense, as the year-end balance of the obligation accounts for only a small percentage of the year-end tangible fixed assets.

**[Tax effect accounting]**

## 1. Deferred tax assets and deferred tax liabilities by main source

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
Deferred tax assets		
Securities	462 million yen	497 million yen
Inventories	5,791	4,657
Depreciation	5,305	5,725
Accrued enterprise tax	99	857
Accrued expenses	1,515	1,044
Other	6,113	2,221
Total	19,287	15,003
Deferred tax liabilities		
Prepaid pension cost	- 188	- 127
Net unrealized gain on available- for-sale securities	- 4,668	- 1,896
Other	- 19	- 15
Total	- 4,876	- 2,039
Net deferred tax assets	14,411	12,964

## 2. A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the statement of Income

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2005
Normal effective statutory tax rate	40.6%	40.6%
(Adjustments)		
Income not taxable for income tax purposes	- 5.9	- 10.0
Foreign tax credit	- 0.8	- 4.6
Tax credit for research and development expenses	- 5.2	- 3.4
Other	- 0.4	0.3
Actual effective tax rate after application of tax effect accounting	28.3%	22.9%

**Changes in Directors**

(Effective June 29, 2006)

1. Changes in Representative Directors

None

2. Changes in Other Directors

New director candidate

Osamu Hattori, Director, General Manager of Asia Sales Headquarters and Euro-American Sales Headquarters  
(currently General Manager of Asia Sales Headquarters and Euro-American Sales Headquarters)