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President

## Meeting your needs in the broadband and ubiquitous computing

In fiscal 2003, the IC plant NJR FUKUOKA CO., LTD. (wafer process) started operations in April 2003, achieving sales of ¥9.6 billion, which significantly exceeded our initial expectations. Sales of each division increased by a total of about ¥2 billion. Specifically, sales of microwave application products increased by about ¥1.8 billion, and sales of semiconductor devices remained unchanged from the previous year. Our goal was “Faster development of new products to meet customers’ needs”. Each division made aggressive efforts towards this goal to win the trust of our customers. And now we have an eye to participate in the new market. Our fiscal performance in 2003, “serialization of products”, “new product developments”, “improved functions”, and “accomplished R&D” laid the foundations for future development.

Although social anxiety due to the war in Iraq, the deployment of Japan Self-Defense Forces, SARS, Avian Influenza and so on remained, the Japanese economy showed slight signs of recovery. From the second half of 2003, each industry was beginning to move into the black in conjunction with the booming cellular-phone business and automobile industries. In this difficult environment, New Japan Radio successfully increased sales and profits, so we might say that 2003 was a year to build infrastructure for complex development. The efforts of employees and the understanding of investors are appreciated.

Fiscal 2003, ended March 31, 2004, net sales reached ¥67,062 million (up 22.2% from last year). Net income reached ¥2,579 million (up 50.4% from last year).

In fiscal 2003, sales of NJR FUKUOKA were added to annual sales. Sales of semiconductor products remained similar to the previous year due to factors including sluggish growth in the PHS (Personal Handyphone System) phones market in China. However, sales of DSP (Digital Signal Processor) exceeded our expectations, although they are still not large. Microwave application products division increased its sales significantly because of factors such as entry into new market. In addition, our 26 GHz band point-to-multipoint FWA (Fixed Wireless Access) Outdoor-type communication equipment won the prize of "The 15<sup>th</sup> Meritorious Award on Radio" presented by the Minister of Public Management. We expect this product to be a marketing success in the next term.

In January 2004, we opened the Semiconductor Design Center at Saga Electronics Co., Ltd. (a group company) and we have established a system for designing and developing various new products. NJR FUKUOKA, which started operations, is expected to exceed production in 2003.



**[Business objectives]** New Japan Radio offers products and services meeting the needs of the "multimedia and ubiquitous computing era" by combining our "microwave technology" to carry information and "semiconductor technology" to process information. We believe that the pursuit of growth and efficiency supporting our highly information-based society is critical to achieving high profits.

**[Medium-/long-term management strategies]**

- (1) We will see that social and economic systems will continue changing for some time due to the continuing IT revolution, more specifically, higher speed and frequencies, and shift to broadband networking supporting digital terrestrial broadcasting, and in-car electronics. We will develop and market new products based on this trend.
- (2) We will increase investment efficiency, and improve and strengthen our corporate financial standing to build a stable and sustainable financial structure.
- (3) We will expand production at a lower cost and increase production capacity both at home and abroad.
- (4) We will launch a "Reborn -1 Project" to build a management infrastructure for 2010.
- (5) We will also start reinforcement of "corporate governance" functions.

**[Immediate tasks]** (1) Business improvement for the Chinese market (establishing and strengthening our system)  
(2) Faster development of new products to meet customers' needs  
(3) Development and design of new products supporting digital terrestrial broadcasting and electronic automotive system.

The fiscal 2004 goals are to:

(1) Strengthen and expand sales force; (2) Improve new products sales ratio; (3) Shorten overall production period; and (4) Start approaching PPM (parts per million) quality-assurance.

In terms of organization, we will establish a new system for handling personnel affairs.

● Semiconductor Devices (¥59,419 million in consolidated sales; 88.7% of sales)

In bipolar products, domestic sales of new products for digital home appliances (e.g. power supply, audio, and video ICs) did well. In overseas markets, production of the existing AV equipment was stagnant so sales were sluggish. In MOS products, sales of audio processor ICs continued to grow favorably, but sales of the flagship LCD driver ICs were stagnant. In microwave & optoelectronic devices products, sales of GaAs IC for PHS in the Chinese market were more sluggish than expected but increased steadily. In optoelectronic devices, sales were sluggish due to the decline in demand for AV equipment.

● Microwave Application Products (¥3,066 million in consolidated sales; 4.6% of sales)

Sales of components for satellite communications and broadcasting increased significantly over the previous year because the market was recovering. Sales of components for terrestrial communications also increased due to start of full-scale mass production of the 26 GHz band FWA (Fixed Wireless Access) for domestic household use.



● Microwave Tubes and Radar Components (¥4,576 million in consolidated sales; 6.8% of sales)

Sales of governmental electron tubes and radar components remained favorable because of stable order from our main customers, government-related, although a little below the previous term. Sales of consumer-use electron tubes and radar components grew over the previous fiscal year due to the recovery of the marine radar market.

In fiscal 2004, New Japan Radio will focus on 26 GHz outdoor-type communication equipment contributing to development of the broadband society; in-car power amplifiers and audio ICs; and DSP, with a fourfold increase in the sales target over existing sales. In addition, in our products, operational amplifiers and comparators, we will develop high-value-added products with technical collaboration with foreign companies. As an overseas strategy, we are now preparing to bring our products to the Chinese PHS market, the US DVD market, and the Korean cellular-phone market.

As our concept "μ & μ" represents, our products, based on technologies for microwave and semiconductors, will be well received in the market, especially in the "multimedia and ubiquitous computing era". Investors are kindly asked to look at our company from the medium-/long-term point of view.

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