



Kazuhiro Kume
President

Towards new technological innovation

Sales in fiscal 2004 dropped by about ¥2 billion compared to the previous fiscal year, due to the very severe business environment. Commissioned manufacturing and sales at the IC plant NJR FUKUOKA CO., LTD. (wafer processing) started in April 2003 and remained strong.

For leading semiconductor products, thanks to expanded production and new adoption of digital AV equipment, audio/video ICs and commissioned manufacturing remained steady. However, sales of LCD driver ICs for cellular phones and microwave devices (GaAs MMICs) for cellular phones for Japan and PHS phones for China were sluggish and fell below the previous year. DSPs are noteworthy products for which development and sales efforts over the past few years are now paying off.

For microwave application products, sales of components for terrestrial communications were sluggish, but recovery of the European communications market and expansion of sales of new products caused component products for satellite communications to grow well.

Due to expanded demand for the digital consumer electronics, such as flat-screen TVs,

DVD recorders, digital still cameras, digital video cameras, and camera-equipped cellular phones, in fiscal 2004, the electronics industry enjoyed favorable in the first half-year sales. However, in the second half, export growth slowed and demand for the digital consumer electronics was sluggish, so semiconductor products entered an inventory adjustment period.

Consolidated sales for 2004 amounted to ¥65,053 million (3% down year-on-year); ordinary income was ¥3,975 million (1.1% down on the previous year), and current net income was ¥2,569 million (0.4% down from the previous year).

The business results of each operating division are as follows:

- Semiconductor Devices [Consolidated net sales: ¥56,397million, sales mix ratio: 86.7%]
For bipolar products, sales of audio/video ICs and power supply ICs for digital consumer electronics continued to be strong. However, in the AV equipment market that is our main sales field, the development of digitization made sales of analog AV equipment sluggish, leading to continued sluggish sales in products like operational amplifiers. For MOS products, sales of audio-related ICs and DSPs, which were our main products, continued to be steady due to expanded production of digital AV equipment. Sales of LCD

driver ICs for cellular phones, which are leading products, were sluggish.

For microwave and optoelectronic devices products, sales of GaAs MMICs for cellular phones for Japan and PHS phones for China were sluggish.

- Microwave Application Products [Consolidated net sales: ¥4,209 million, sales mix ratio: 6.5%]

Thanks to the boom in the European communications market and sales expansion of new products, sales of component products for satellite communications grew well over the previous fiscal year.

For components for terrestrial communications, sales of FWA (Fixed Wireless Access) for overseas and domestic customers remained sluggish.

- Microwave Tubes and Radar Components [Consolidated net sales: ¥4,447 million, sales mix ratio: 6.8%]

Sales of electron tubes and radar components for governmental use continued sluggish due to inventory adjustment of large-sized electron tubes.

Electron tubes and radar components for consumer use enjoyed favorable sales thanks to the boom in the ship radar market.



Dear Shareholders



[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) IT innovation will lead to continuous changes in future society and the economic systems. Specifically, higher speed and frequencies, shift to broadband networking supporting digital terrestrial broadcasting, and in-car electronics, etc. We will develop and market new products based on these trends.
- (2) Improve investment efficiency and improve and strengthen financial standing to build a stable and continued earnings structure.
- (3) Increase the production capacity of THAI NJR CO., LTD. to expand production and strengthen cost competitiveness.
- (4) Expand use of NJR FUKUOKA CO., LTD. to improve the semiconductor production system.
- (5) Strengthen the management foundation and introduce and expand quality and environmental management.

[Immediate Tasks]

- (1) Increasing sales of semiconductor products
- (2) Reviewing and strengthening sales system
- (3) Developing one-step-higher technology and products

The fiscal 2005 goals are to:

- (1) Set up a control function for the semiconductor business operation;
- (2) Strengthen sales network in China;
- (3) Strengthen production capacity of THAI NJR CO., LTD.;
- (4) Expand use of NJR FUKUOKA CO., LTD.; and
- (5) Implement social responsibility management.

In 2005, we will focus our efforts on developing optoelectronic devices such as pickup photodiodes, AV ICs, DSPs and LCD driver ICs.

As indicated by our “ μ & μ ” concept, microwave-based products and technology are essential for evolution of “communications” and “ubiquitous computing” and for our market growth. We would like our investors to help build the company from the medium- and long-term point of view.

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