

Enhancing Vitality for Growth and Product Manufacturing



Kazuhiro Kume
President



Sales in fiscal 2005 dropped by about ¥4,7 million compared to the previous fiscal year, due to the very severe business environment. The semiconductor division saw a significant drop in sales, especially sales of commissioned products from NJR FUKUOKA CO., LTD., microwave devices, bipolar ICs for AV equipment, operational amplifiers, and comparators dropped significantly.

We believe that the decline in sales was in part due to sluggish sales of new products and in other part due to inactive domestic and overseas markets for electronic products. However, although semiconductor sales collapsed, sales of optoelectronic devices grew by a remarkable 37%.

Sales of microwave application products grew significantly thanks to increased sales of satellite communications components (up 35% the previous year).

Consolidated sales for fiscal 2005 were ¥60,333 million (down 7.3% the previous year); consolidated ordinary income was ¥1,811 million (down 54.4% the previous year), and consolidated current net income was ¥1,118 million (down 56.5% the previous year).

The business results of each operating division are as follows:

- Semiconductor Devices

[Consolidated net sales: ¥50,810 million, sales mix ratio: 84.2%]

In bipolar ICs, the impact of digitization made sales of analog AV equipment sluggish, resulting in lower sales in products like operational amplifiers.

In MOS ICs, sales of power supply ICs for digital still cameras, TVs and car audio equipment, and ICs for video cameras increased. Sales of audio processors for TVs and LCD-driver ICs, which are our main products, remained unchanged from the previous year. In microwave and optoelectronic devices products, sales of the new optoelectronic devices developed for data storage equipment increased. Sales of microwave devices (GaAs IC), which are our main products, recovered slightly in the second half of the year. However, sales of GaAs IC for cellular phones for Japan and PHS phones for China were sluggish.

- Microwave Application Products

[Consolidated net sales: ¥4,960 million, sales mix ratio: 8.2%]

Sales of components for terrestrial communications field decreased due to inventory adjustment of WIPAS (Wireless IP Access System). However, sales of components for satellite communications field to major US customers grew. In addition, sales of components for satellite broadcasting field increased due to market expansion.

- Microwave Tubes and Radar Components

[Consolidated net sales: ¥4,561 million, sales mix ratio: 7.6%]

Sales of electron tubes and radar components for governmental-use recovered due to the completion of inventory adjustment of large-sized electron tubes by major customers.

Consumer-use electron tubes and radar components remained unchanged from the previous year because the marine radar market stabilized.

[Business Objectives]

New Japan Radio offers products and services meeting the needs of "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) The strategy of our leading semiconductor division is "to pursue existing products, markets, and sales expansion and streamlining the semiconductor division" by implementing various measures and programs. We will also "enhance our approach to new application fields, such as ICs for communications, industrial equipment, and vehicle installation".

We located a sales base in Shanghai, China, and established design centers in Osaka and Singapore. This will expand our sales structure for semiconductors and help develop effective sales by clarifying customer requirements precisely.



In production, we will strengthen controls to establish a more efficient production system. In addition, we plan to establish a more consistent and well-developed production system using NJR FUKUOKA CO., LTD. to increase the production capacity of THAI NJR CO., LTD., while enhancing cost competitiveness.

- (2) We will implement quality and environmental management by developing our activities based on ISO 9001 and 14001 certification that we already achieved. We also plan to obtain ISO/TS 16949 certification.
- We will further implement our risk management system, to be more effective and fulfill our social responsibilities.

[Immediate Tasks]

- (1) Pursue existing products, markets, and sales expansion and streamlining the semiconductor division
- (2) Enhance approaches to new application fields, such as ICs for communications, industrial equipment, and vehicle installation
- (3) Enhance vitality for growth and product manufacturing

In the global semiconductor market, technology development and price competition are becoming increasingly fierce due to the explosive growth of digitization and networking. To be in the "winning group," we will accurately and timely identify market needs and take advantage of our creative technology. In addition, we will shorten production period and pursue a PPM quality assurance system in order to increase our sales activities and the share of new products.



As our investors know, we joined the NISSHINBO INDUSTRIES' Group and have established a broad relationship with them. Although Nisshinbo has supported us in terms of personnel resources, our participation in their electronics group will not change our organization and business.

As indicated by our " μ & μ " concept, microwave-based products and technology are essential for evolution of "communications" and "digital society" 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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A handwritten signature in black ink that reads "K. Kume".

Kazuhiro Kume
President