

Dear Shareholders

Enhancing Vitality for Growth and Product Manufacturing



Kazuo Hirata
President

Sales in fiscal 2006 increased slightly by about ¥390 million compared to the previous fiscal year, and grew steadily despite severe business environment. Looking at results on a product-by-product basis, sales of power supply ICs and motor ICs, crystal oscillator ICs and optoelectronic devices was well. This is because, we believe that the increase in sales was due to new product launch and success of development of high value-added products. On the other hand, sales of audio/video ICs, digital signal processors (commonly abbreviated DSP), and liquid crystal display (commonly abbreviated LCD) drivers were down, and the decline resulted from inactive markets, reduced business performance, and escalation of competition.

Sales of satellite communications components in microwave application products rose significantly due to increased demand in Central and South America.

Consolidated sales for fiscal 2006 were ¥60,725 million (up 0.7% the previous year); consolidated operating income was ¥1,839 million (up 4.8% the previous year), and consolidated current net income was ¥1,721 million (up 54.0% the previous year). The business results of each operating division are as follows:

- Semiconductor Devices

[Consolidated net sales: ¥50,293 million, sales mix ratio: 82.8%]

In bipolar ICs, sales of power supply ICs with compact packages developed for digital still cameras and motor ICs for amusement devices increased. Sales of operational amplifiers and comparators remained unchanged from the previous year. Sales of audio/video ICs decreased.

In MOS ICs, crystal oscillator ICs developed for cellular phones and flat-screen TVs increased. Sales of audio ICs for PHS phones for China and CRT-based TVs, LCD driver ICs for liquid crystal modules, and DSPs for flat-screen TVs decreased.

In microwave and optoelectronic devices, sales of the optoelectronic devices for data storage equipment and digital single-lens reflex cameras increased. Sales of microwave devices (GaAs IC) for cellular phones and game consoles also increased.

- Microwave Application Products

[Consolidated net sales: ¥6,209 million, sales mix ratio: 10.2%]

Sales of components for satellite communications field, which are our main products in this division, increased significantly as a communications infrastructure in Central and South America. Satellite broadcasting components saw an increase in sales of low noise block down converters (LNB) in Asia and North America. On the other hand, sales of components for terrestrial communications field, specifically, Fixed Wireless Access (FWA) for major international customers and Wireless IP Access System (WIPAS) for domestic customers decreased.

- Microwave Tubes and Radar Components

[Consolidated net sales: ¥4,222 million, sales mix ratio: 6.9%]

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

In consumer-use electron tubes and radar components, its sales also decreased due to inventory adjustment in the domestic marine radar market.

[Corporate Values]

All corporate activities are conducted in order to realize the goal of the company or our "Corporate Mission."

[Corporate Mission]

To aid in the healthy development of society by accomplishing our focal role in matching the expectations of society with those of our customers
To realize our corporate mission by providing the best products possible based on our unique "microelectronics and microwave" technologies.

[Medium-/Long-Term Management Strategies]

(1) The strategy of our leading semiconductor division is to enhance our business performance and improve our business structure, and develop competitive products.

To this end, we will make use of a sales support base in Shanghai, China and the design centers in Osaka and Singapore, and will enhance approaches to new application fields such as communications, industrial equipment, and automotive installation. We will expand business activities more effectively to meet customers' needs exactly.





On the production front, we will strengthen controls to establish a more efficient and high quality production system. In addition, we plan to enhance cost competitiveness by improving the production capacity of THAI NJR CO., LTD. We also improve the promotion systems of NJR FUKUOKA CO., LTD. and Saga Electronics Co., Ltd. to further reinforce the production system for semiconductor products of the entire New Japan Radio's group.

- (2) We have implemented quality management and environmental management. We obtained ISO/TS 16949 certification as well as already-obtained ISO 9001 and 14001 certifications, which made our products more reliable and gave us competitive advantage in the automotive field. We will introduce an internal control system and risk management system and manage corporate social responsibility.

[Immediate Tasks]

- (1) Expand existing products and develop new products
We will strengthen our sales promotion of the existing products, such as operational amplifier, power supply ICs, audio ICs, video ICs with accelerating development towards higher

functionality, smaller size and less power consumption.

- (2) Enhance approaches to new application fields, such as ICs for communications, industrial equipment, and automotive electronic devices
Using the ISO/TS 16949 certification obtained March, 2007 as a motivating force, we will promote further expansion of sales in the automotive field.
- (3) Enhance vitality for growth and product manufacturing
By focusing on "design and development," "manufacturing," and "sales activities," we will contribute to customers. In addition, we will enhance partnerships with universities and domestic and foreign companies for collaborative research and development.

With the explosive growth of digitization and networking for ubiquitous society, in the environment surrounding the semiconductor market, its our main field, global development and price competition is becoming increasingly fierce. In such circumstances, in order to anticipate the market trends and respond to the market needs with our unique technology, we will increase sales, promote new product development, and improve the manufacturing process for further growth of New Japan Radio's group.

We made executive personnel changes at the beginning of this fiscal year. Based on our "corporate values" and "management values," we will strive for further development. We would like our investors to continuously understand and support us.

August 2007

Kazuo Hirata
President