

Enhancing Vitality for Growth and Product Manufacturing

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Sales in fiscal 2007 were down by about ¥283 million compared to the previous fiscal year. These results are not too bad considering the financial instability caused by the US subprime loan crisis and sluggish market conditions. Sales of microwave & optoelectronic devices, and microwave tubes and radar components increased, but sales of microwave application products, audio ICs, and crystal oscillator ICs were sluggish. In the Semiconductor Devices division, which enjoyed brisk sales, sales of products such as microwave devices (GaAs ICs), optical semiconductor devices, DSPs (digital signal processors) and power supply ICs grew well.

New product releases and development of high-value-added products created this growth. Factors hampering sales included flagging markets (especially overseas) and increased competition. Sales in fiscal 2007 were ¥60,443 million (decrease of 0.5% compared to previous fiscal year). Operating income was ¥1,542 million (decrease of 16.2% compared to previous fiscal year), and current net income was ¥435 million (decrease of 74.7% compared to previous fiscal year). The actual achievements by department are as follows:

● Semiconductor Devices

[Consolidated net sales: ¥51,132 million; sales mix ratio: 84.6%]

In semiconductor products, sales of optical semiconductor devices grew well due to new use in optical drives. Microwave devices (GaAs ICs) for mobile phones also grew well.

In bipolar ICs, sales of power supply ICs grew slightly; sales of operational amplifiers, comparators, and audio ICs dropped due to intensifying competition in the TV and digital still camera markets.

In MOS ICs, sales of power supply ICs for digital still cameras and game machines grew. Sales of DSPs (digital signal processors) for flat-panel TVs and LCD driver ICs finding new applications in automotive displays also grew.

● Microwave Application Products

[Consolidated net sales: ¥4,732 million, sales mix ratio: 7.8%]

Sales of main component products for satellite communications decreased because sales to the VSAT (Very Small Aperture Terminal) market stabilized after a good previous year as expected.

Component products for terrestrial communications increased their sales for terrestrial digital broadcasting equipment in Japan.

● Microwave Tubes and Radar Components

[Consolidated net sales: ¥4,579 million, sales mix ratio: 7.6%]

Microwave tubes and Radar Components increased their sales in major clients for government and public offices, and mainly in ship radars for private sector.

[Corporate Mission]

The mission of our corporate group is 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" technology."

[Management Indexes]

Our group focuses on four management indexes:

- (1) Sales amount : ¥100 billion or more
- (2) Total asset turnover : 1.2 times or more
- (3) Recurring margin : 10% or more
- (4) Return on equity : 20% or more

Our group business is in semiconductors and various electronic parts and we attach priority to profitability

supporting the capital investment and R&D needed for continued growth with emphasis on efficiency.

[Medium-/Long-term Management Strategies]

(1) Our strategy in the main semiconductor business is to enhance business strength, expand the system, and develop new competitive products.

To implement these strategies, we will meet customer needs by growing sales in north and east China by Shanghai subsidiary company, NJR Shanghai Co., Ltd. established in January 2008, by reinforcing customer-based business using the Design Centers in Osaka and Singapore, and by committing resources to new markets, such as communications, industrial instruments, and automotive equipment.



株主の皆様へ



We received the award for high-quality products from Hirose Plant of Toyota Motor Corporation we've been supplying with semiconductor products.

In manufacturing, we will establish a more efficient, high-quality production system. We will also reinforce the capacity of Thai NJR Co., Ltd. to increase competitiveness.

Moreover, we will reinforce the business promotion system of NJR Fukuoka Co., Ltd. and Saga Electronics Co., Ltd. to expand semiconductor production by our group as a whole.

(2) Our group is promoting quality and environmental management.

In addition to ISO9001 and ISO14001, ISO/TS16949 approval has supported growing sales, especially in the automotive field.

We are introducing an internal control and risk management system to meet our corporate social responsibilities.

[Immediate Tasks]

The competition in R&D and prices in our main field of semiconductors is becoming more intense with the rapid spread of digitalization to realize a ubiquitous network society. In order to catch market trends and make full use of unique technologies to meet market needs, we will pursue group growth by increasing sales, promoting development of new products, and pursuing quality.

We will also improve and operate systems to ensure reliable financial reporting on the basis of "policies for maintenance of internal control systems."

[Summary]

In fiscal 2007, growing unexpected global worries including the subprime issue affected sales. We will improve our systems and products to increase profits despite negative external factors.

The Product Planning and Sales divisions have been integrated. The main Semiconductor Devices division was reorganized to promote efficient product development over a wide range from analog to digital ICs.

We will improve basic technologies, such as packaging to implement high-density mounting, as well as R&D into new devices using SiC and GaN. We will develop more new, higher added-value products, especially in the growing automotive market.

We are actively addressing global environmental themes with focus on products using less power, complying with RoHS (Restriction of Hazardous Substances) and other standards.

Our goal is to become a "one-stop solution" for all customers' requests and needs and we look forward to your continued support in these endeavors.

August 2008

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President