

**Dear Shareholders**

**Our products realize a ubiquitous world.**



**Kazuhiro Kume**  
President

Fiscal 2002 was the first fiscal year after our stock was listed on the first section of the Tokyo Stock Exchange (TSE) and was very important to us. Our aim was "growth and recovery of profitability." Specifically, the challenges in the semiconductor devices are to cope with the focus of leading companies after restructuring on general-purpose ICs, competition with specialized or fabless manufacturers, and changes in the Chinese market. Most of the decrease in fiscal 2002 sales came from microwave component products but sales of semiconductor products almost achieved our plan.

In fiscal 2002, the economic environment still had negative factors, such as deflation, sluggish share prices, sluggish personal consumption, the electronics industry, including our company, was rocked by corporate restructuring and industry realignment. In this difficult environment, New Japan Radio successfully increased sales and profits to build the infrastructure required to support future growth. The efforts of employees and the understanding of investors are appreciated.

Fiscal 2002 net sales reached ¥54,865 million (up 11.0% from last year), net income reached ¥1,715 million (up 161.9% from last year). These figures are relatively satisfactory for the first year of our listing on the first section of the TSE.

Sales of ICs for AV equipment, especially audio processors for TVs, increased in the first half of fiscal 2002. Sales of ICs for PHS and cellular phones as well as compound semiconductors (GaAs) for wireless LAN increased substantially in the second half of the year.

The IC plant at NJR Fukuoka (purchased from Mitsubishi Electric Corporation), which is to be operated in April 2003, has nearly the same capacity as the Kawagoe works and is tooling up for boosting production.

NJR Fukuoka aims to ring up ¥8 to ¥9 billion in sales and the plant plans to produce 56,000 five-inch wafers per month.

**[Business objective]**

New Japan Radio offers products and services meeting the needs of the "multimedia 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 of the essence in 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, more digitization, higher speed and frequencies, and a shift to broadband networking. 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.

**[Immediate Tasks]**

- (1) Business improvement for China market (establishing and strengthening system)
- (2) Faster development of new products to meet customer needs
- (3) Stable operation to improve production and quality control systems at NJR Fukuoka handling bipolar and analog IC wafer processes

The fiscal 2003 goals are to:

- (1) achieve planned production,
- (2) stabilize and strengthen the new organization,
- (3) streamline indirect operations, and
- (4) improve customer satisfaction.



NJR Fukuoka

### ● Semiconductor Devices

The flagship semiconductor devices showed recovered demand because set manufacturers completed their inventory adjustment. In particular, sales of ICs for digital home appliances and mobile communications equipment did well. By category, in bipolar products, sales of new products for digital equipment increased. In MOS products, the demand for the products increased centered on sound ICs and LCD driver ICs from new customers. In microwave & optoelectronic devices, sales for GaAs MMICs, which are the major semiconductor devices, remained favorable in accordance with the needs of existing and new customers. As a result, sales reached ¥49,097 million (up 18.3% from last year).

### ● Microwave Application Products

These products saw tough conditions due to the prolonged depression of the European and N. American communications markets. Sales of all components for satellite communications and broadcasting, as well as for terrestrial communications dropped due to the prolonged market depression and delayed inventory adjustment. As a result, sales reached just ¥1,225 million (down 63.7% from last year).

### ● Microwave Tubes and Radar Components

Sales of government-use electron tubes and radar components remained favorable because our main customers, government completed its inventory adjustment. On the other hand, although the stagnant marine radar market was recovering, sales of consumer-use electron tubes and radar components did not pass the previous year and amounted to ¥4,543 million (down 0.5% from last year).

In fiscal 2003, New Japan Radio will cooperate with NTT on the expanding the use of 26-GHz outdoor-type communications equipment contributing to development of the broadband society.

In addition, we will be committed to selling processors for high-end TV and audio equipment expected to realize a home-theater system. In our main products such as operational amplifiers, comparators and GaAs MMICs, we will develop and market new products based on our past production and sales performance. As an overseas strategy, we are now preparing to start business in China in 2004.

As our concept "μ & μ" represents, our products based on technologies for microwave and semiconductors will boom a market especially in the "multimedia and ubiquitous computing" era. Investors are kindly asked to bring up our company from the medium- and long-term view.



August 2003

*K. Kume.*

Kazuhiro Kume  
President