

FY03 results

Profitable at both consolidated operating and net income level (since FY98 after five years of operating loss)

Good performance with consumer electronics business, driving force of the company

Focusing on Priority Business Areas in FY03

Priorities for FY03

FY03 results and tasks

Consumer Electronics

1. Global organization necessary to realize the optimization of development/production and sales locations
2. Reduction of fixed costs through employment structural reform
3. Measures to strengthen domestic sales organization
4. Centralization of manufacturing at Yokosuka factory to improve productivity and quality

1. Second display factory in Mexico in operation, increasing production capacity
2. Completed with the implementation of early retirement program
3. Domestic sales achieving 107% YoY (market increase by 101%)
4. In progress, consolidating manufacturing functions at Yokosuka: from decentralization to centralization of manufacturing process

Professional Electronics

1. Accelerating the shift to overseas production (Goal: overseas production ratio of 40%)
2. Focus on priority businesses through structure reform
3. Decreasing the number of products from 1700 to 1100 which is half of the number in FY01

1. Overseas production ratio of 37% by the end of FY03
2. Focus on presentation and security businesses
Reinforcement of sales & marketing on prospective system business activities
3. Number of products reduced to 1400 by the end of FY03

Components & Devices

1. Expansion of Optical Pickup and Motor business
2. Global organization necessary to realize the optimization of development/production and sales locations
3. Reduction of fixed costs through employment structure reform
4. Withdrawal from Magnetic Head business, reduction of Crystal Oscillator Device business

1. Motor business achieved 104% YoY, Optical Pickup business in difficulty
2. Centralization of deflection yoke manufacturing in overseas
3. Completed with the implementation of early retirement program
4. Withdrawal from Magnetic Head and Crystal Oscillator Devices businesses, and closure of Koriyama factory

Software & Media

1. Integration of two US disc factories into one
2. Employment structure reform in Media business
3. Drastic reform of Film/Game business
4. Improvement of earning power in Music business

1. Operation in suspension at Sacramento factory, integration of two US factories into one
2. Completed with the implementation of early retirement program
3. Withdrawal from Film business (production and distribution) and disposal by sale of Game business
4. Implementation of early retirement program at Victor Entertainment and reorganization of VE related companies

Aim to lower FY03 breakeven point to ¥500bil.

Achieved

Completion of Restructuring

Reorganization of business /business base

- Withdrawal from Magnetic Head and Crystal Oscillator Devices businesses
- Withdrawal from Film business and reduction of Game business
- Integration of disc production bases in US



- Completed with closure of Koriyama factory
- Completed with disposal by sale of Game business
- Completed with operation in suspension at Sacramento factory

Employment structure reform

Improve global competitiveness by implementing domestic employment structure reform
(Number of workforce reduced to 8200 by the end of FY03)



Completed with number of domestic workforce reduced to 8000

Re-basing the business

Reduction of inventory

Reduction of inventory turnover less than 30 days by adopting SCM program
(Consolidated inventory to 38 days by March 03)



Reduced to 42 days by the end of FY03 (target 38 days)

Reduction of procurement costs

Reduction of procurement costs to ¥39.3bil.



Procurement costs reduced to ¥44.6bil.

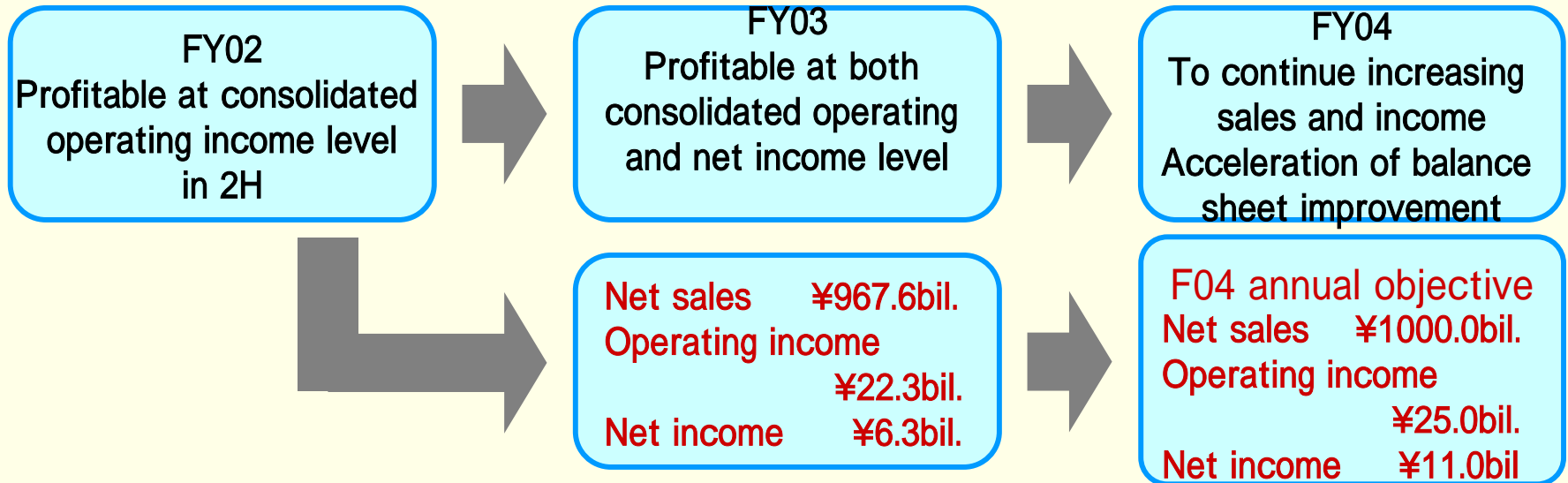
Realignment of manufacturing facilities

Implementing goal of completing development and manufacturing in 6-months
Clearly shifting focus of domestic plants to consolidating manufacturing functions at Yokosuka factory



Completed by making Yokosuka factory as manufacturing center and transfer manufacturing facilities to Yokosuka

Commitment to continued restructuring



F04 basic policy

- To continue reform of awareness to re-birth the company, and proceeding reform of business structure
- To achieve higher market share with Only One products of five priority business areas, and to improve the brand loyalty
- To continue increasing sales and income, to improve the rating, and to accelerate raising funds and improving balance sheet

FY03

FY04 objectives

Cost Creation

- Centralization of procurement functions for consumer products
- To start reduction of domestic suppliers:
- Chinese components procurement : establishment of laboratory center in Shanghai
- **Global procurement cost reduction to ¥44.6bil.**

- Supplier policy for stable key device procurement
- Active promotion of undertaking subjects since FY03 (Value engineering activity/reduction of domestic suppliers /development and procurement of chinese devices)
- **Global procurement cost reduction to ¥37.1bil.**

Manufacturing Reform

- Action of manufacturing in 6-months
- To start the mother base of product manufacturing project

- Further promotion of design process reform(second year)
- Acceleration of the mother base of product manufacturing project
- Reinforcement of mass production technology

Logistics Reform

- **Reconsideration of logistics bases**
 - America: to start project to reduce bases from 5 to 3
 - Europe: to reduce north European bases from 3 to 1
 - Japan: to start project of settling new base in Yokohama

- **Implementation of reduction of logistics bases**
 - America: 5 in Mar.02, 4 in Mar. 04, and 3 within FY05
 - Europe: By integrating bases for industrial electronics, inventory of three local sales companies will be gathered to one base
 - Japan: To reduce 9 warehouses in Yokohama to 3
- **To start logistics reform for consumer electronics products**

SCM construction

- **Preparation of SCM system for consumer electronics products**
 - ~ to make rules, to make expert section, to build information system etc.

- **SCM system for consumer electronics products in operation/high turnover management by weekly control**
Target : (May '03) to start the operation with four factories in Japan and in Asia (Sep.'03) to start with six factories in America, Europe and in Asia (completion with all factories for consumer electronics)

Business vision

Create new ways to communicate through music and images

JVC will move people by high-definition images and high-quality sounds technology, expanding the potential for creativity and offering a new way of communication.



Basic concept

To proceed differentiation strategy with Only One products of five priority business areas, and to achieve the higher market share and to improve brand loyalty. In consequence, with that high market share and the market prices reasonable for the value of the product, we will generate high profit.



Five priority business areas

High-definition displays

Digital high density storage

Network AV system

C&D business

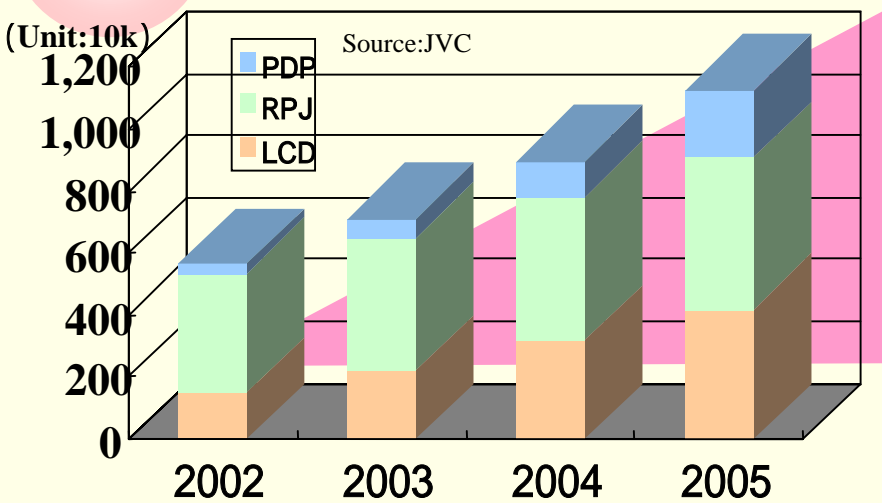
Software & media business

Worldwide Market Forecast of Priority Businesses

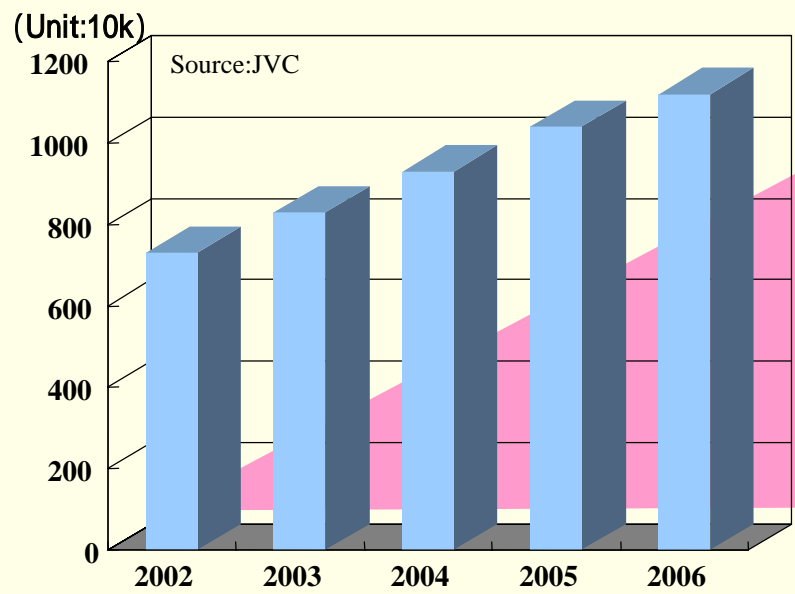
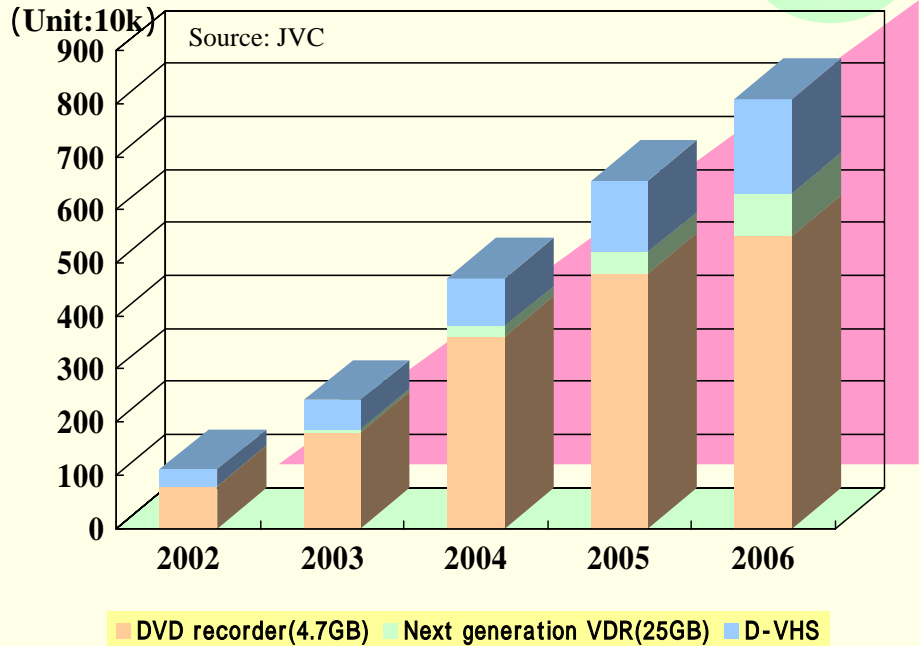
High-definition displays

Digital high density storage

PDP/PTV/LCD for CE market



Storage (D-VHS and optical disc media)



Network AV system

DVC for CE market

Digital and high quality in all areas!

Main Products of Five Priority Business Areas

High-definition displays

As a core product of HD (High Definition) world, expand the sales with DET/DIST high definition technology



Rear projection TV



PDP

Newly introduced LCD



D-ILA projector

Digital High density storage

**D-VHS = As a high density recording system, expand sales by differentiation strategy
Newly introduce DVD recorder into Japan, America and Europe**



Digital high vision VCR with D-Theater HM-DHX1

Newly introduced DVD recorder

Network AV system

**Worldwide No.1 market share strategy with DVC
Introduction of world-first HD camcorder for consumer use
Expand strongly car AV business**



World first HD camcorder GR-HD1



GR-DX95



Receiver with MP3 function



Dome style Security camera

C&D business

**To enter on a full scale into business of fluid dynamic bearing motors for HDD and dual-wavelength hologram optical pickups
Reinforcement of profitability of deflection yoke business and its expansion for consumer products use**



Fluid dynamic bearing motors for HDD



Dual-wavelength hologram optical pickup

Software & media business

**To shift to digital media, and to expand sales channel
To change the business composition from package business to matrix management including music related business**



MiniDV tape in HD

MINMI album titled "Miracle"



Southern All Stars 25th anniversary

Priority Policy for FY04 by Region

< Number indicated in () is vs FY03 >

America

- Regain DVC market share and expand sales with big screen TVs, especially with projection TV
- Reinforce sales with regional big accounts (130%)
- Promote SCM and logistics reform

Europe

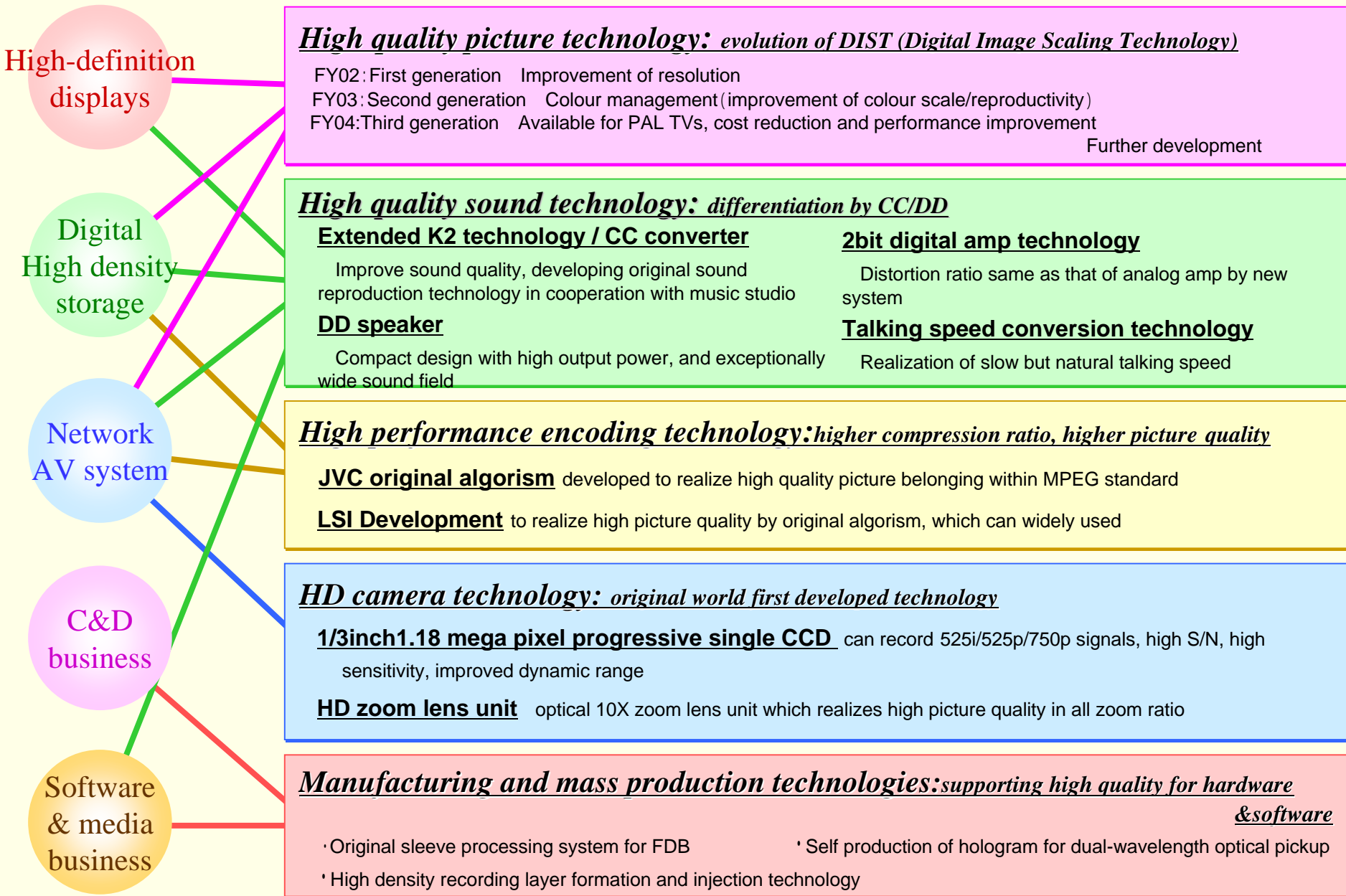
- Make differentiation with Only One products, and sales expansion with EISA awarded products
- Reinforce partnership with key dealers
- Expand sales in south Europe (111%), and Eastern Europe and Russia (120%)

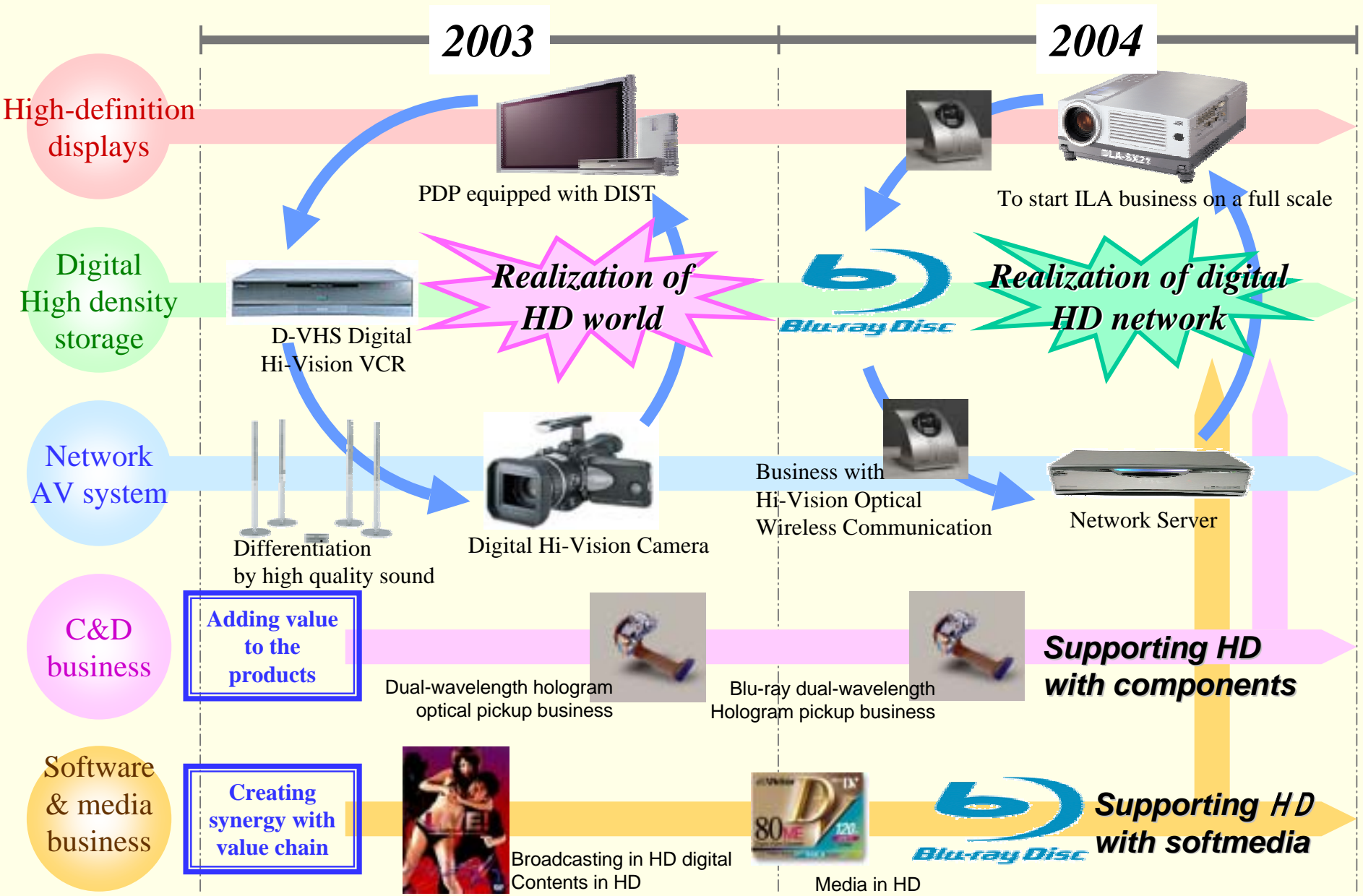
Asia China

- Reinforce Middle East (132%), Singapore (114%) and Korea (107%)
- Expand TV sales where market is growing
- Expand sales with camcorder (120%) and car AV (130%)

Japan

- Expand sales with HD world products
- Expand sales by introducing at a stretch growing three priority business areas products (FPD/DVD/DVC)
- Achieve market share of 10% in FY05, by enhancing relationship with “winning dealers” in the market





The Perfect Experience

To create truly moving experience and provide total satisfaction for our customers

JVC
The Perfect Experience' —