

July 24 , 2007

Capital and Business Alliance with KENWOOD and Action Plan 2007



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1. Capital and Business Alliance with KENWOOD

2. Action Plan 2007

3. Revision of Consolidated Business Forecast
in conjunction with enforcement of
Action Plan 2007

1. Capital and Business Alliance with KENWOOD

■ Agreement on the capital and business alliance with KENWOOD

- Business cooperation in the Car electronics and Audio businesses
- Commencement of discussions concerning management integration (establishment of a joint holding company)

■ Issue of new shares through third party allotments

- Allotments made to KENWOOD and the SPARX Funds

■ Change of the parent company status to largest shareholder

- Matsushita Electric Industrial as the largest shareholder and KENWOOD as a major shareholder

2. 1) Action Plan 2007

May 30, 2007

Restructuring steps

FY08: Return to profit FY09: Establishment of a business foundation FY10: Return to growth track

Challenges for fiscal 2008

Continuation and intensification
of operational reforms

Business structural reforms

Employment structural reforms

To better ensure
management reform

Further steps for more
aggressive
management reform

To regain the
market's trust

July 24, 2007

Formula for 'Action Plan 2007'

Intensification of
business structural reform

Intensification of
management practices reform

**Reconstruction plan
(announced on May 30)**

Action Plan 2007

1. Strengthen cost competitiveness and improvement of earnings

**Display
business**

- Stronger differentiation with our superior technologies
- Endeavor to reform costs
- Strengthen our marketing strategy

- Discontinue production and sales of unprofitable models in domestic and European markets
- Dedicate UK factories to UK market. Accelerate expansion of EMS for continental Europe
- Intensify the four region management system (Japan, US, Europe and Asia) through unified management of regional production and sales

**Audio
business**

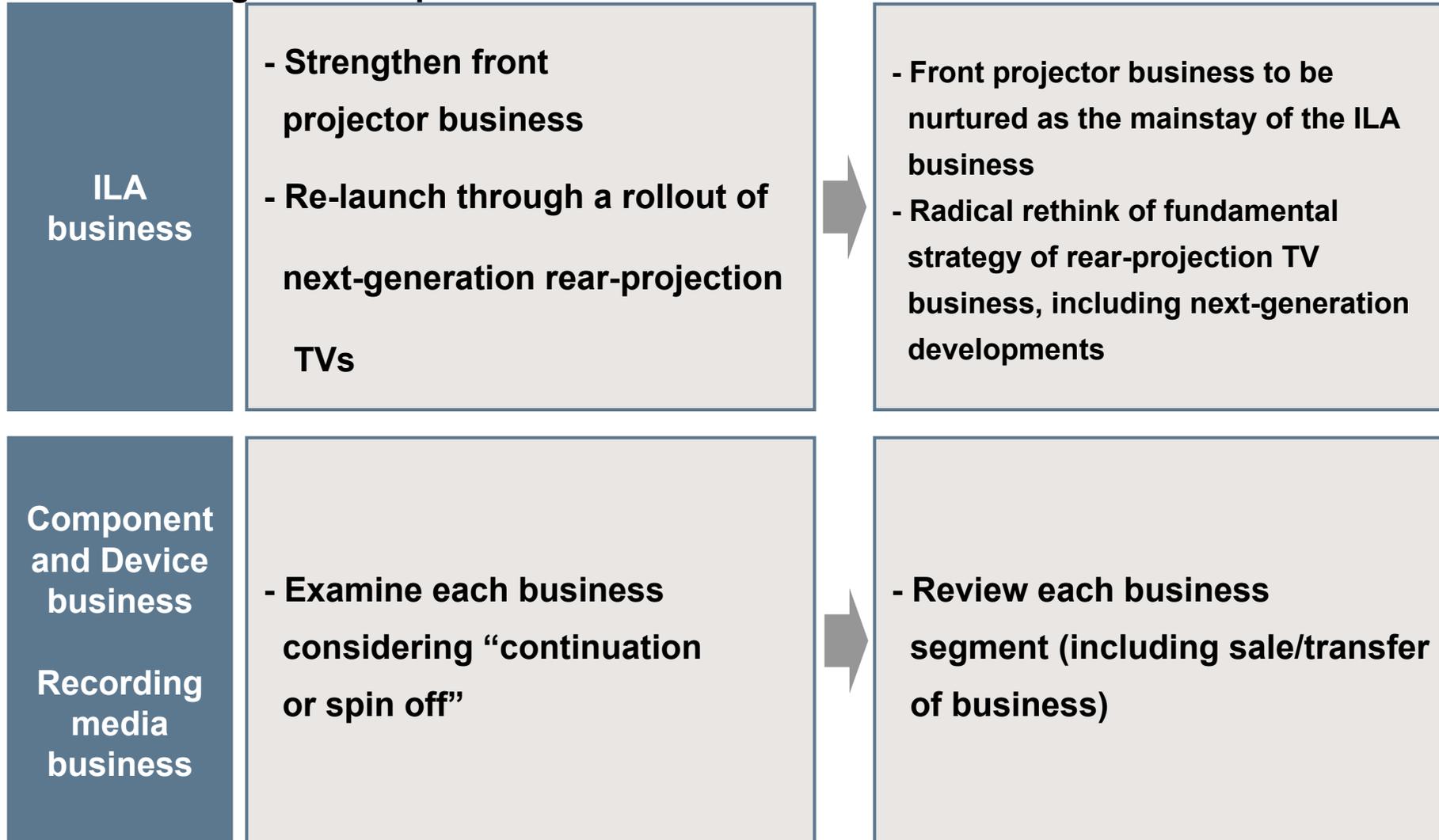
- Restructure product strategies including home theater products and micro component systems with built-in memory

- Sales strategy review focused on Japan and US
- Intensify cost reduction activities through coordinated work together with Malaysian manufacturing plant

**Reconstruction plan
(announced on May 30)**

Action Plan 2007

2. Deep scrutiny of business selection and concentration as well as containment of deteriorating business performance



**Reconstruction plan
(announced on May 30)**

Action Plan 2007

3. Increase sales of profit generation bases for the whole company

Camcorder business

- Aim to beat new media rivals with the HDD camcorder and aspire to be the global leader in the field.



Further boost sales by means including the accelerated release of 2008 models.

Car AV system business

- Maintain and strengthen our presence in existing fields (CD receivers)
- Accelerate moves into new fields such as visual/navigation systems



- Intensify efforts vis-à-vis after-market products in emerging markets. Strengthen efforts in the OEM business.
- Start cooperation with KENWOOD and push forward with software development and manufacturing cost cutting

4. Ensure profitability by thoroughly implementing the voluntary reconstruction plan's measures

Entertainment business

- Aim to improve corporate value through synergy in management by a strategic realignment and integration of the entire business
- Establish a fulfillment structure geared to tapping synergistic benefits from content development to delivery

Professional electronics business

- Concentrate on security products and professional audio equipment. Strengthen tie-up between the Pro camcorder related products and consumer camcorder businesses.
- Strengthen overseas business focused on Security and Creation products

2. 3) Action Plan 2007 **Intensification of management practices reform**



3. Business Forecasts for FY08 (year ending March 31, 2008)

(¥billion)

< Consolidated basis >

| | Current forecast | May 30 forecast | FY07 Results | Changes vs May 30 forecast | Changes vs FY07 |
|------------------------|------------------|------------------|------------------|----------------------------|-----------------|
| Net Sales | 740.0 | 760.0 | 742.7 | (20.0) | 100% |
| Operating Income(Loss) | 1.1% 8.1 | 2.0% 15.0 | - 0.8% (5.7) | (6.9) | 13.8 |
| Ordinary Income(Loss) | 0.1% 0.6 | 0.9% 7.0 | - 1.6% (11.7) | (6.4) | 12.3 |
| Net Income(Loss) | -2.3% (17.2) | - 1.4% (10.5) | - 1.1% (7.9) | (6.7) | (9.3) |

<1H Forecasts>

(¥billion)

| | Current forecast | May 30 forecast | 1H of FY07 Results | Changes vs May 30 | Changes vs 1H of FY07 |
|------------------------|------------------|-----------------|--------------------|-------------------|-----------------------|
| Net Sales | 340.0 | 358.0 | 371.2 | (18.0) | 92% |
| Operating Income(Loss) | -1.9% (6.3) | -0.6% (2.0) | -0.2% (0.7) | (4.3) | (5.6) |
| Ordinary Income(Loss) | -3.1% (10.4) | -1.8% (6.5) | -0.9% (3.4) | (3.9) | (7.0) |
| Net Income(Loss) | -10.3% (35.1) | -7.4% (26.5) | 1.4% 5.0 | (8.6) | (40.1) |

< Fiscal 2008 Forecasts by Segment >

(¥billion)

| | Net sales | | | Operating income(loss) | | |
|--------------------------|------------------|-----------------|-------------------|------------------------|-----------------|-------------------|
| | Current forecast | May 30 forecast | changes vs May 30 | Current forecast | May 30 forecast | changes vs May 30 |
| Consumer Electronics | 539.5 | 555.2 | (15.7) | 1.2% 6.3 | 2.3% 13.0 | (6.7) |
| Entertainment | 68.9 | 68.4 | 0.5 | 2.5% 1.7 | 2.0% 1.4 | 0.3 |
| Professional Electronics | 69.8 | 70.2 | (0.4) | 2.9% 2.0 | 2.8% 2.0 | 0.0 |
| Components & Devices | 44.2 | 46.1 | (1.9) | 0.7% 0.3 | 1.1% 0.5 | (0.2) |