

October 29, 2007

Progress of Management Reforms and Activities in 2nd Half

Kunihiko Sato
President



1. Progress of Management Reforms 1

Approach to Management Reforms Progress in line with plans

1. Change in business performance:
2nd quarter operating income higher than plan

2. “Action Plan 2007”

1) Business structural reforms

- Focus and strengthening of core business
= consumers / entertainment / professional electronics
- Review of business = components / recording media

- ➔ • Strengthening of growth strategy: resource shift to camcorders and car electronics
- Strengthening of technology development structure, and approach to business development

2) Management practices reforms

- Voluntary early retirement program • Structural reforms at headquarters

Approach to Management Reform Progress in line with plans

3. Capital and Business Alliance with KENWOOD

- 1) Concrete commencement of business cooperation from second half: car electronics and home/portable audio
 - Mutual promotion of outsourcing manufacture, cooperation in component procurement
 - Joint development of a design/production IT infrastructure
 - Mutual application of intellectual property rights
 - Establishment of a joint technology development venture (10/1)
- 2) Concrete commencement of discussions aiming at management integration

Product Strategy

① Lead in technology

- Double-speed FHD
- New high-definition engine



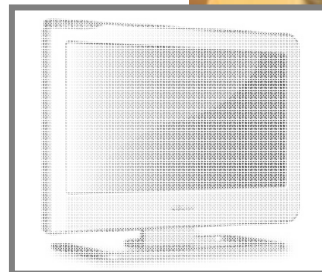
② Differentiation

- Pursuing high quality sound
- User-friendly functions
- Airy design



③ Lifestyle ideas

- Slim LCD
- Personal use



To achieve full-year profitability in FY09

① Manufacturing Reform

To reap effects of cost structural reform

- Europe: Scottish plant + start making use of EMS (aimed at the continent)
- America: completion of cost structure through manufacturing process reform
- Asia: supply base for circuit boards for Europe/ exterior components for the world market

② Creation of cost price

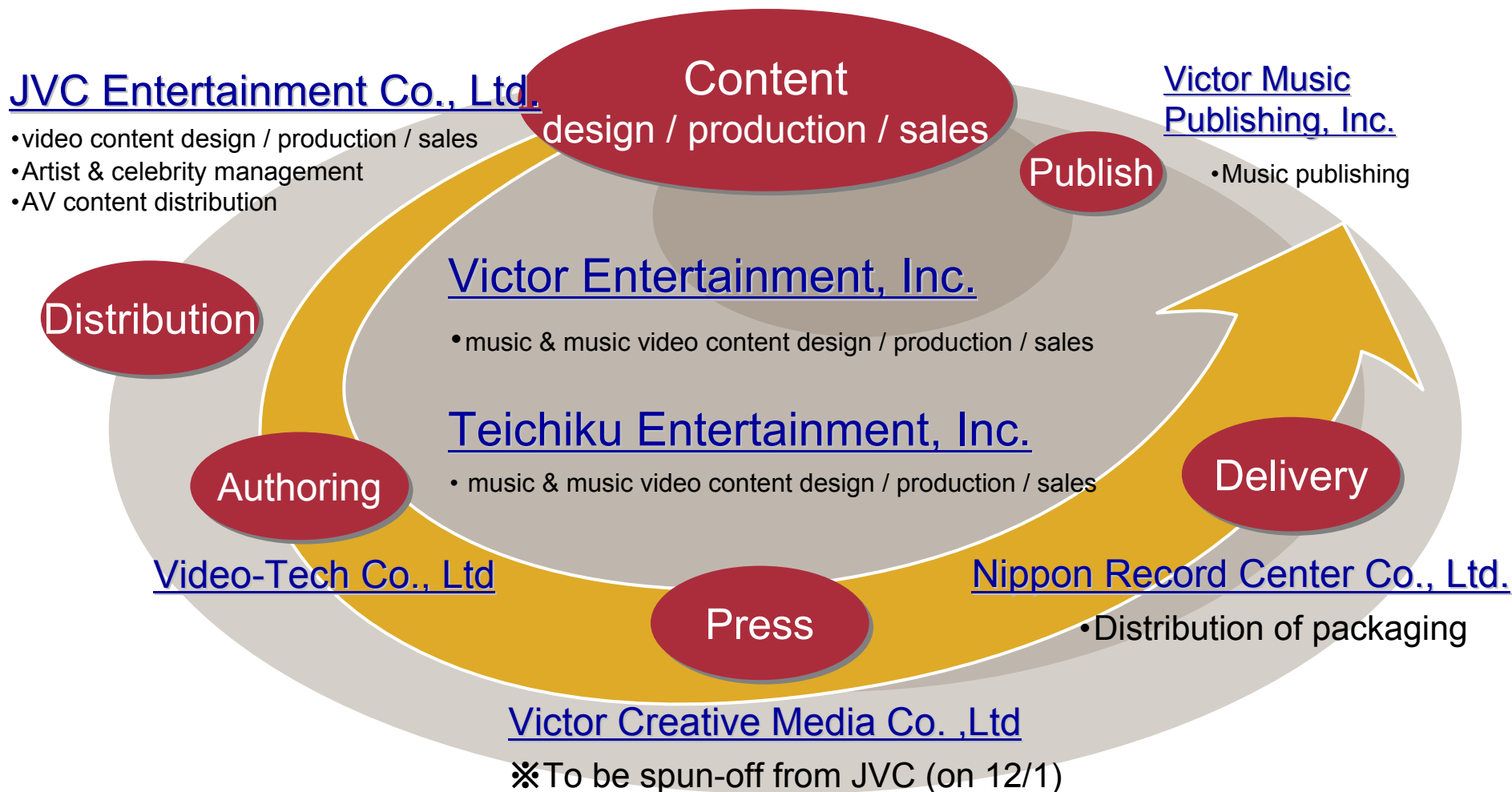
Success pattern in horizontal division of labor

- Establishment of a strategic pricing center
 - Strengthening of alliance with panel makers (Quantity/Cost)
- Added value approach through customization of LCD modules (Slim LCD – Back-lit unit internal design)
- Intensification of design strength (Personnel shift)
 - Common platform design / intensification of development of differentiated elements

③ Operations

- Sales growth in the launch phase Employ “Freshness” of products
- Thorough implementation of IPS (inventory / production / sales) management
- Create LCD brand image through market investment

Establish a fulfillment structure geared to tapping synergy effects from content development through delivery



Aiming for a “Highly profitable business” making use of B to B Business features

Security

- Security video camera systems (Analog / IP)



Professional Audio

- Business broadcast systems
- Emergency broadcast systems
- Voice communication systems



Creation (Professional Video)

- Business use 3CCD Camera recorder



Professional Display

- New 4K projectors
- Business use projectors
- Business use LCD



(2nd Half)
themes for promotion
of prioritized measures

- Strengthening product line-up in security field
 - High functionality / high performance combination cameras
 - IP cameras / network video recorders
- Strengthening overseas business
 - Alliance strategy in security field
 - Business use camera recorders (HDV)
 - Business use D-ILA projectors, LCD DTV monitors