

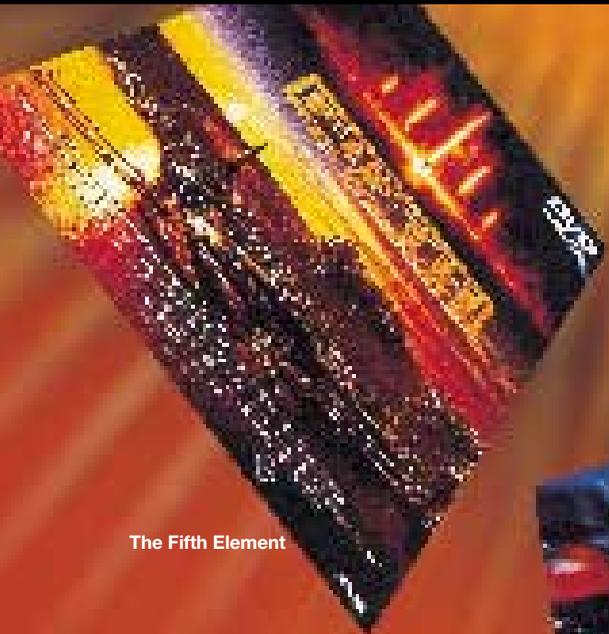
Where Is Our Focus?

It's on Entertainment

Our entertainment software operations cover all aspects of creation, production, distribution and marketing. Our media operations, meanwhile, are responsible for the production and marketing of various recording media formats. Staying in step with the broadband era, we will enhance the quality of our content and lay the groundwork for digital media operations. These actions will lift our profitability dramatically.



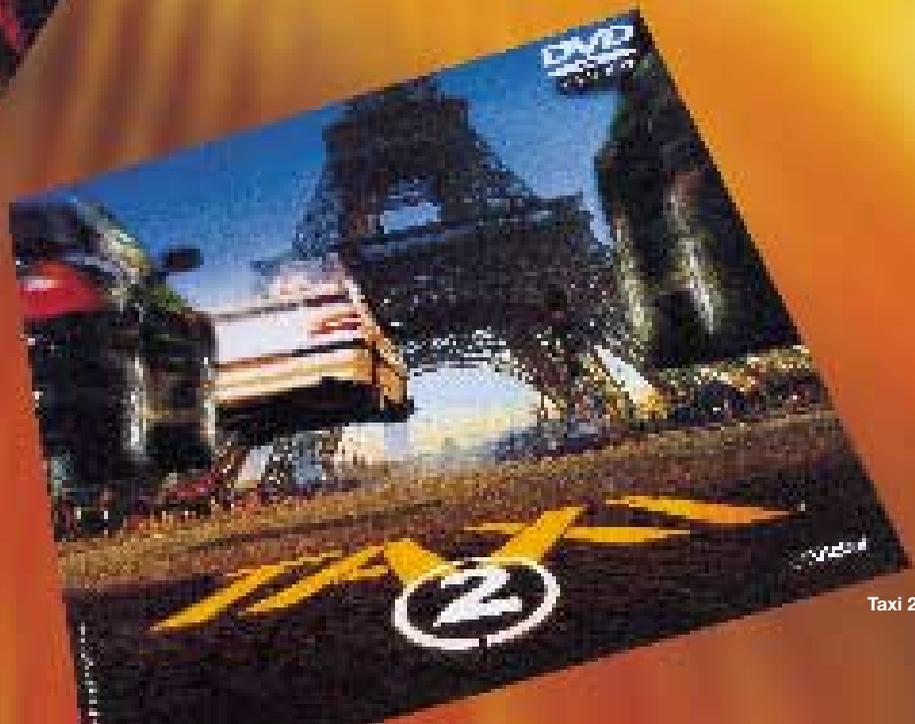
Entertainment software and media



The Fifth Element



Leon



Taxi 2

COMPETITIVENESS STEMS FROM HIGH-QUALITY CONTENT

JVC has built a solid reputation in entertainment software in Japan. Our approximate 20% share of the domestic music market highlights our presence, as does our approximate 15% share of video sales in Japan. In addition, we account for 70% of such visual software products as pre-recorded videocassettes and DVDs and 45% of CDs sold in Japan, in terms of the volume of software distributed and handled.

Music, which accounts for around half of earnings in software operations, is positioned as a cornerstone of earnings. We will seek to acquire master recording rights, enabling us to use content in manifold ways. At the same time, we will raise our return on investment by nurturing new artists and signing up popular stars. We already have a number of leading domestic artists on our books and have produced, particularly in recent years, a string of million sellers. This success is supported by a framework that nurtures new artists by tapping our content development capabilities and through tightly focused marketing.

One of Japan's foremost

Our video operations are also designed to raise our return on investment. We are embracing a “best-mix” strategy for international and Japanese movies, while identifying Japanese movies that have potential for export overseas. In this way, we are locking in the high-quality content and high profitability that will underpin our competitiveness in the networked era. By crafting a framework for the distribution of this content through all media channels, we will establish JVC as one of Japan's foremost entertainment companies.

DIGITAL CONTENT & MEDIA STRATEGY—FROM DIGITAL CONVERSION TO DISTRIBUTION TO ALL MEDIA

As one of Japan's leading owners of content, we are championing a Digital Content & Media Strategy that encompasses all aspects of a content business from media conversion systems that convert content into formats to match the requirements of each medium to mobile, networked and digital broadcasting distribution businesses. This approach also targets DVDs and D-VHS formats.

In the new business area of media conversion, we have added another string to our technological bow. We have successfully developed a CC converter that significantly improves the sound quality of compressed music. In distribution operations, plans call for the expansion of a service whereby mobile phone subscribers can download ring tones and musical arrangements on a trial basis before purchasing, as well as receive the latest news. We have already attracted a number of subscribers for our downloadable ring tone service and have won accolades for the quality of the musical arrangements. We are also forming alliances with other major recording studios to deliver services for broadband and mobile communications. Moreover, in our drive to cover all distribution channels, we will invest in e-platforms to promote storage-type datacasting services that use digital broadcasting and networks.

EXPANDING MARKET SHARE IN DIGITAL MEDIA

Recording media operations are gravitating increasingly toward digital media formats. To expand earnings, we are stepping up development of recordable DVDs, moving to in-house

entertainment companies

production of DVC tapes, and expanding sales of D-VHS tapes. In video operations, we are presently doubling production of DVD videos and moving swiftly to bring new products to the D-VHS market, as we lay the groundwork for a powerful digital media business. In new media, we are working to expand sales of DigiCards, a business card-sized CD-ROM that is compatible with standard CD-ROM drives, and hybrid cards combining both read-only memory (CD-ROM) and recordable (CD-R) functions on a single disk. These hybrid cards will be used in a wide spectrum of areas, including in hospitals for writeable electronic patient charts.