



## RE-VALUE 21 — IN TECHNOLOGY AND MEETING

JVC is positioning itself for explosive growth in the digital era. Based on the corporate philosophy of enriching life with sound and images, JVC will make every effort to extend its position of leadership in the audiovisual field into the 21st century.

Backed by advanced technology, the Company continues to promote product development centered on core fields. Moreover, new product areas that maximize the potential of digital technology are becoming additional sources of revenue. New functions that were unattainable with analog technology are made possible with digital technology in networking and systemizing products. JVC also takes full advantage of the flexibility offered by digital technology in customization, striving to enhance its customer-oriented marketing structure for a more accurate response to customer needs. While improving products and product proposals, JVC continues to reinforce its management foundation. During the current term, we are making solid progress in preparation for the digital era, casting off 20th-century restraints to build a more flexible management structure for the next century.

In January 1998, JVC announced "Re-Value 21," a three-year plan to prepare the Company for vanishing market boundaries, increasing globalization and digitization, and expanding networks. Objectives include reevaluating the Company's market position and technological stance, clarifying core competencies, and selecting businesses and concentrating resources in areas of strength.

In January 1999, we established primary objectives for the fiscal year ending March 31, 2000 in line with targets illustrated in Re-Value 21. Efforts to achieve these goals

# LEADING THE DIGITAL ERA

## CUSTOMER NEEDS

are progressing on a Companywide basis, and call for concentration of management resources in the four strategies outlined below that symbolize JVC in the 21st century.

### FOCUS 1

**We concentrate management resources in areas of technological strength.**

One of JVC's greatest advantages is its accumulation of advanced technologies. The Company developed the VHS format for video systems and played a leading role in the standardization of the Moving Picture Experts Group (MPEG) format for data compression technology. We are enhancing our strengths with selective investment in practical development projects. Products prioritized for development include the image light amplifier (ILA) multimedia projector for household use, D-VHS tape media, video-on-demand (VOD) multimedia systems, next-generation wireless optical local area networks (LANs) and high-density build-up multilayer printed wiring boards. In building a foundation for the digital era, we are advancing the development of technology essential to product development in three fields—media and devices, computing and networks, and software.

### FOCUS 2

**While extending JVC's technological assets, we are creating new businesses in promising fields of growth and expanding markets backed by our extensive experience.**

JVC succeeded in the development of technology that does not waste materials during CD molding processes

at the Company's Production Engineering Laboratory. Amid forecasts of robust demand due to rising environmental awareness, we aim to develop this technology into a business for new production facilities. Fully utilizing miniaturization technology acquired through development of the digital video camcorder (DVC), JVC plans to enter the emerging market for mobile multimedia devices. In addition, rapid expansion is expected for office and home networks that transmit diverse data containing images and sound on a multichannel and interactive basis. Such networks are a promising new business in creating an environment where information can be obtained anytime and anywhere. With broad experience accumulated in the entertainment business, we are also developing a content creation business that includes alliances with leading companies.

### FOCUS 3

**While bolstering our product lineup, we are rapidly promoting the development of new marketing techniques.**

Proposal-based marketing places higher priority on customer needs than conventional single-product approaches to sales. JVC meets directly with users to propose solutions through systemization and networking with digital technology, service and support tailored to the needs of each user, combinations of professional and consumer products, and packaged services that fuse hardware and software.

Our proposal-based marketing is also a strategic response to intensifying price competition in hardware products. JVC is gradually shifting its business focus to



sources of higher profits in such areas as systems, service and software. Based on customer-oriented marketing, JVC is creating new value as one of the few Japanese corporations with an edge in both hardware and software.

While maintaining sales through current distribution channels, we formed the Market Creation Division in April 1999 to further boost profits as the first stage in the development of cross-sectional and strategic marketing. We perform proposal-based marketing for systems by fusing all our technological divisions.

#### FOCUS 4

**JVC promotes the global development of strategic regional businesses** through a system established in 1998 consisting of four overseas regional headquarters.

At the U.S. headquarters, JVC devises comprehensive strategies that include systems, components and software, and expand its lineup of high-value-added products. In Europe, we continue to bolster the professional electronics business with our strong brand recognition. In Asia, we enhance marketing capabilities in the professional electronics and components businesses and expand sales bases in the Middle East. In China, we strengthen professional electronics, software and media businesses.

While concentrating investment in these four fields of focus, we aim to reinforce the management foundation to support operations, including the closure of unprofitable businesses and facilities. While closures are extremely difficult and detrimental in Japanese society,

JVC has positioned itself to take decisive action and measures necessary to prosper as a global company amid intensifying competition.

First, headquarters will be streamlined to formulate and supervise Groupwide strategy for the creation of a flexible organization. JVC continues to lower overall costs. Fixed costs will be cut by more than 10% this term. Through the introduction of full-scale supply chain management, the Company also aims to maintain appropriate inventory levels with reductions of more than 10% this term and further reductions of inventory during the next term.

JVC is reviewing and withdrawing from unprofitable operations. In Japan, we have already closed components factories generating low profits. The Company continues to manufacture high-value-added products in Japan while disposing and restructuring excess domestic production capacity and expanding overseas production.

As part of restructuring, we dramatically downsized the wholly owned subsidiary Largo Entertainment Inc. in April 1999 by transferring its movie rights acquisition business to JVC Entertainment, Inc., a wholly owned subsidiary that specializes in distributing movies to the Japanese market. In January 1999, we established the Management Administration Office to strengthen consolidated management and increase profitability of the entire Group. The office is responsible for guiding management and the early detection of unprofitable businesses through audits of subsidiaries and affiliated companies.

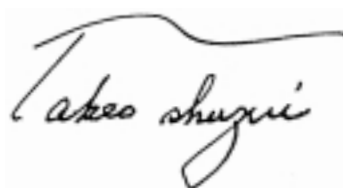
To advance consolidated management on a global scale, JVC is strengthening management at four

overseas regional headquarters. While lowering costs for deploying Japanese employees overseas, we are fostering regional managers and independent companies with strong local ties. Increasing awareness in each region, JVC rapidly promotes the localization of management, marketing, products, strategy and development. We aim to create a sound corporate foundation able to weather exchange rate fluctuations.

JVC is also reviewing domestic marketing, and aims to increase productivity more than 20% by improving efficiency in the existing management structure and dramatically increasing the efficiency of mass marketing sales routes.

During the current term, JVC is strengthening product development and building a solid structure for the 21st century by withdrawing from fields that are unsuitable for the digital era. The Company is in position to stop a two-term slide in profits, and aims to achieve consolidated net sales of ¥950.0 billion and net income of ¥4.5 billion.

We thank our investors, customers and associates for their continued support.

A handwritten signature in black ink, reading "Takeo Shuzui". The signature is fluid and cursive, with a long horizontal stroke at the top.

Takeo Shuzui  
President