

Where Is Our Focus?

It's on Core Markets

JVC's consumer and professional electronics operations have seen profits decline in recent years. Restoring profitability to these core businesses is thus a prime focus at JVC. Sweeping structural reforms are being implemented to this effect. We are funneling resources into Digital and Networking (D&N) products and incorporating the strengths of both high-performance components and entertainment content to add value to our electronics products. Focusing on what we do best is the key to our turnaround.



Network camera system,
VN-C3WU

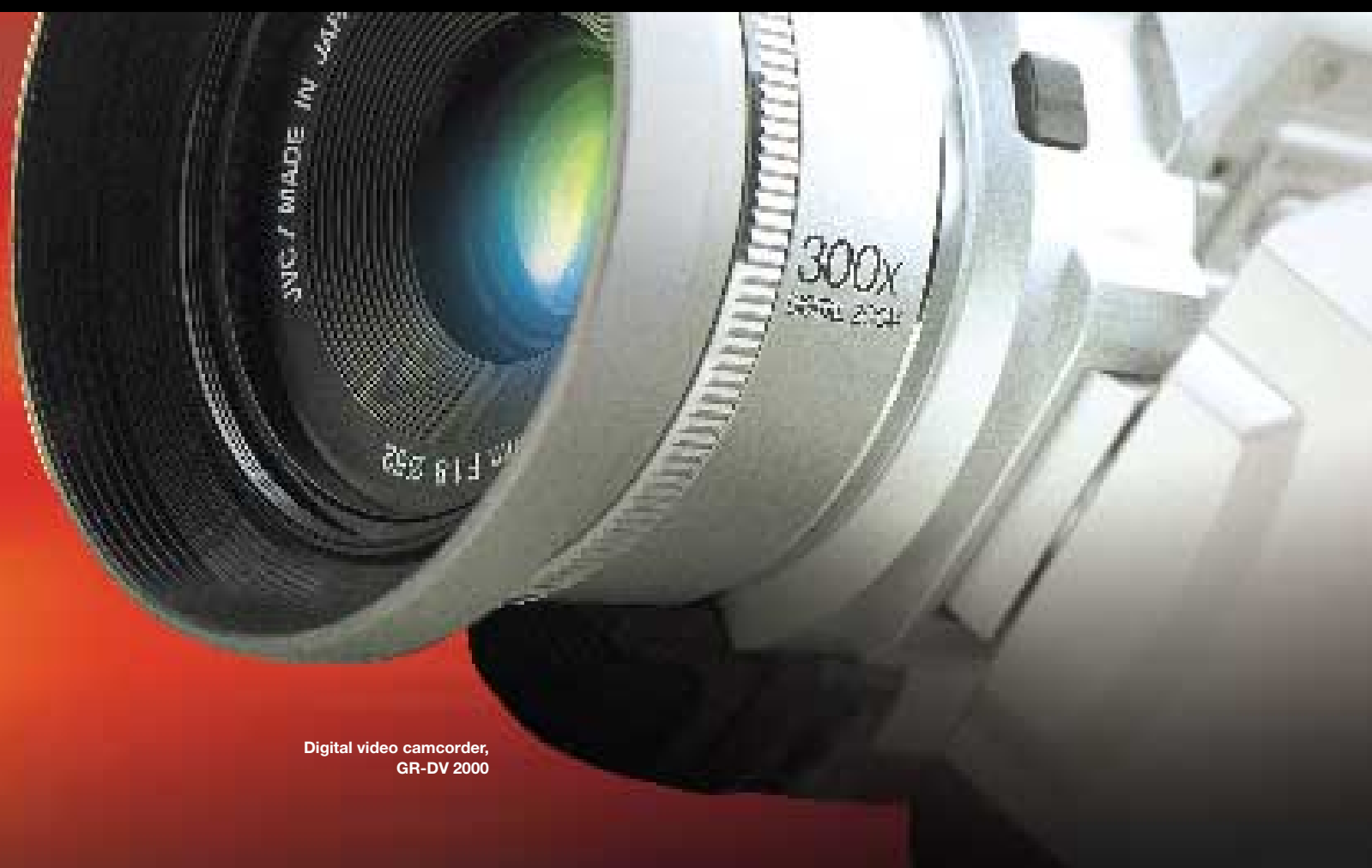


Digital video camcorder,
GR-DVP3



D-VHS system,
HM-DH30000U

Digital and Networking products



Digital video camcorder,
GR-DV 2000

FOCUSING ON HIGH-VALUE-ADDED BUSINESSES, DOWNSIZING OR OUTSOURCING LOW-END OPERATIONS

Consumer electronics is inherently a high-value-added business for JVC. But our profitability has been undermined by a strategy, conceived on the basis of the size of the market, of offering products for all sectors. To redress this situation, we are now implementing a strategy to fashion a product lineup that pinpoints the high-value-added D&N field, where we can leverage our core competencies, particularly in audiovisual technology. We have already launched a succession of products featuring enhanced networking capabilities and sophisticated digital technologies. Examples include the world's smallest and lightest digital video camcorder (DVC); a high-definition, high-resolution D-ILA multimedia projector; a D-VHS system that can record digital high-vision broadcasts and also play conventional VHS videotapes; next-generation set-top boxes; an S-VHS hybrid recorder with a built-in HDD; an HDTV and an HDD-equipped TV. The DVC is carving out an increasing market share at home and abroad, backed by our recognized brand equity. With D-VHS we aim to expand operations by capitalizing on the growing popularity of digital broadcasting.

Enhanced networking capabilities

As we earmark resources for D&N products, we are also targeting low-end TVs and videos for downsizing or outsourcing. Restructuring of TV operations has already started with production of cathode-ray tube TVs shifted completely overseas. Furthermore, we have adopted a market-centric framework in Japan to quickly reflect customer feedback in product planning.

Through these actions—channeling resources into D&N products, rightsizing our lineup of low-margin products and enhancing marketing—we will reestablish our core business of consumer electronics.

Structural reforms are also the prescription for our professional electronics operations. Much in the same way as with consumer electronics, we are creating new fields that take advantage of existing strengths. These include distribution and content conversion systems such as an HD encoder/decoder that compresses and decompresses digital encoding; security camera systems and Video Disk Recorders (VDRs); storage equipment such as D-VHS; and security systems incorporating wireless optical technology. Already, our HD encoder/decoder commands the top share in the digital broadcasting market in Japan, underscoring our strengths in professional electronics.

LINKING UPSTREAM AND DOWNSTREAM STRENGTHS TO DELIVER SYSTEMS AND SERVICES UNIQUE TO JVC

D&N products imbue high added value, but they are also encountering stiff competition from players from other industries. Companies, however, will find it difficult to distinguish themselves if they market their products merely as a single item. Ultimately, the only way to add value is with proprietary key devices, production technologies, content and services. Fortunately, over the years we have been a wellspring of technology that is central to the development of products in today's digital era. Our fount of technology includes visual display, voice playback and evaluation, high-density recording and compression technologies. Underscoring our strengths is our high market share of high-performance components that have a major bearing on the functionality and performance of electronics products. Our storehouse of visual and music content is also extensive.

We are confident that we can offer hardware that others will find hard to emulate. By factoring key digital devices and high-quality killer content into midstream product development and interweaving a broad range of products with JVC services, we will create a

and sophisticated digital technologies

comprehensive system for delivering our audiovisual entertainment content. Incorporating unique ideas and technologies into product development will enable consumers to share the JVC experience, and ultimately bolster our underlying ability to generate earnings.

LEVERAGING OUR COMPACT, LIGHTWEIGHT TECHNOLOGIES IN THE MOBILE AND NETWORKING FIELDS

Mobile and networking operations are a key part of our company-wide D&N strategy. We are well positioned to capitalize on our upstream and downstream strengths in these operations. We have a wealth of expertise in video compression and decompression, compact and lightweight technologies, as well as an enormous pool of audiovisual entertainment content. Drawing on these, we will propose a new paradigm called "Mobile AV Communication," offering high-resolution images and superior sound quality by adding SD (Secure Digital) cards and e-commerce features to core products, including DVCs, digital still cameras (DSC), portable MD players, and Interlink mobile PCs equipped with innovative audiovisual functions.