

Where Is Our Focus?

It's on Core Technology

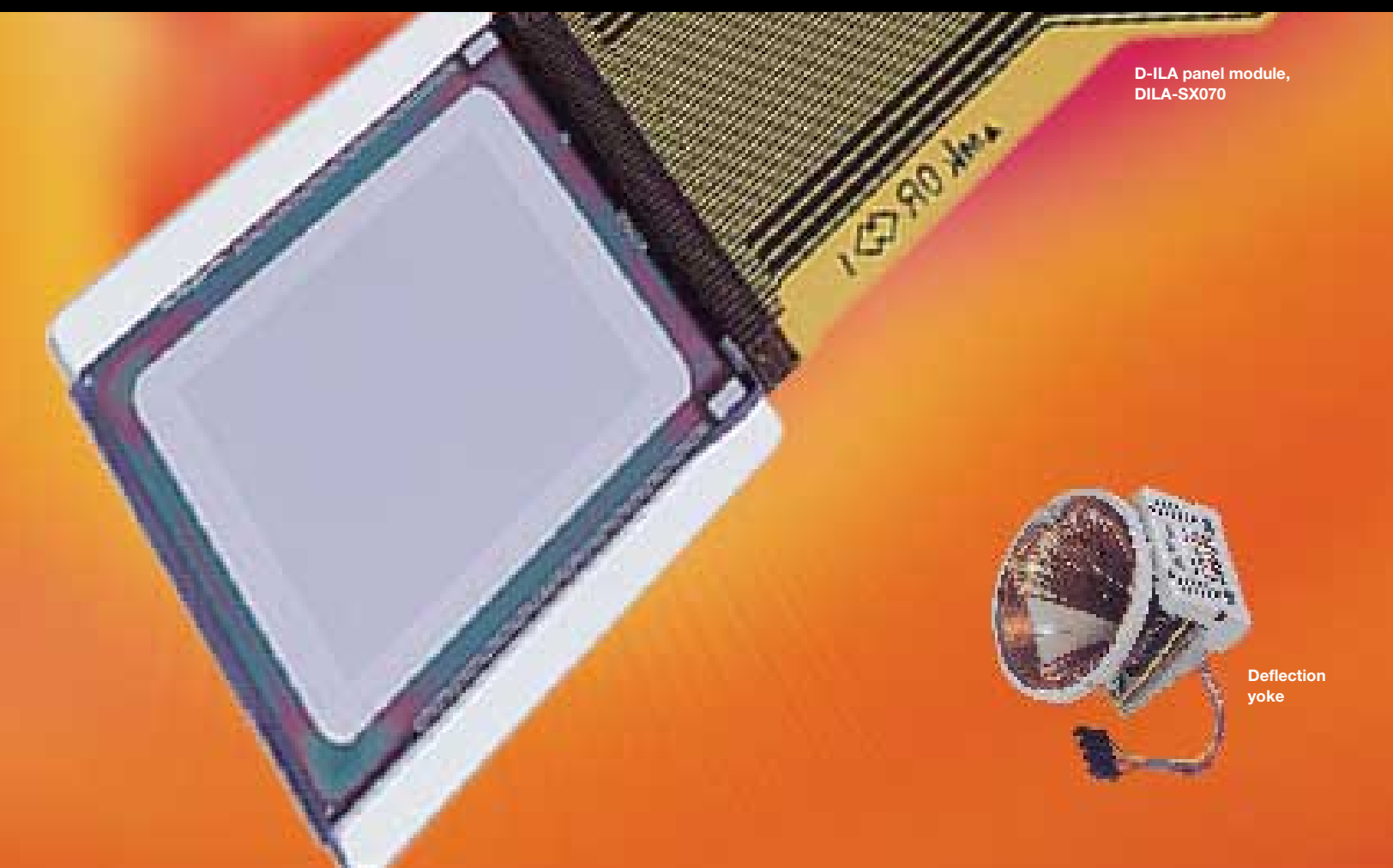
Video, sound and optical technology form the nucleus of our components and devices (C&D) business. We have taken full advantage of our superior technologies to develop a broader range of products. Today, this business boasts a lineup of highly profitable products, including motors, deflection yokes for high-definition computer displays, and VIL printed wiring boards. Positioned as a pillar of future earnings, this business will be allocated extensive human resources to further increase earnings.



D-ILA projector,
DLA-M2000L

VIL printed wiring board

Components and Devices products



D-ILA panel module,
DILA-SX070

Deflection
yoke

C&D—THE DRIVING FORCE BEHIND PRODUCTS

Elemental technology is key to adding value to products. And it is a JVC hallmark. Our devotion to the development of such technology—where our strengths come to the fore—has propelled us to a leading market position. Three core products are making a major contribution to profits. One is deflection yokes for high-definition computer displays, a product in which we have a market share of approximately 20%. This can be attributed to our production capacity and cost structure, which rank among the best in the industry, and a market-leading product development capability. Second is motors. We have an approximately 60% share of the market in motors for 1/2-inch height floppy disk drives (FDDs) thanks to an ability to anticipate market changes. Thirdly, our VIL printed wiring boards have the potential to become the de facto standard in build-up boards. In 1995, we stole a march on competitors with the launch of a compact DVC that packs various mechanical technologies drawing on our technological strengths in VIL printed wiring boards. This is but one example of how sophisticated components have driven development of epoch-making

Sophisticated components that drive

products. Within JVC, we have institutionalized a positive cycle of stimulating product development through our wealth of basic technology. This provides the perfect stage for C&D to drive our creation of innovative products.

TWO DRIVERS OF THE C&D BUSINESS

Our new medium-term management plan positions three products as stalwarts of the C&D business: deflection yokes, FDD motors and VIL printed wiring boards. To this core contingent of products we are adding new innovations such as ILA devices to expand the C&D business as a core earnings driver.

VIL printed wiring boards, a strategic product, have seen earnings grow sharply as a key component in realizing multilayering. This is significant, because multilayering contributes to new advances crucial to the development of information and communication appliances, communications terminals and digital AV equipment. These include higher densities, higher frequencies and more compact devices. VIL printed wiring boards are presently employed as

the base upon which bare chip semiconductors are mounted. We are actively developing semiconductor package substrates that yield improved surface mounting density and are applicable to high-frequency digital equipment. We are looking to expand market share by ensuring a stable supply and lowering costs. The commencement of production in China will underpin this drive.

D-ILA devices have the potential to be core components of next-generation displays because they generate high luminance and high resolution. Our goal is to establish an earnings stream from D-ILA devices by starting sales to outside customers in fiscal 2001, ending March 31, 2002. We are promoting ILA displays that use D-ILA devices as the quintessential component of home theater systems in the U.S. market. These multiuse displays let people enjoy high-resolution pictures in their preferred location and on any screen size. ILA displays are also being promoted for professional-use projectors and multiuse cinemas. At the 2002 FIFA World Cup Korea/Japan™, we will propose a virtual stadium using JVC's system. This is just one example of how we will create a new value chain powerfully linked by our advanced components.

development of epoch-making products

PRODUCTION BASE INTEGRATION AND RESOURCE REALLOCATION TO RAISE COMPETITIVENESS

With the view to dramatically raising the operating income ratio, we are reviewing products with low profitability while integrating production bases. We have already reduced our domestic plants from 10 in fiscal 1999 to 7. By the end of March 2003 our goal is to have either 4 or 5 plants. Overseas, we intend to reorganize our six plants, centered in Asia, into five. At the same time, we will bolster overseas production by striking up alliances. Our focus is not merely on lowering costs. We also want to enhance the skills of engineers and attract talented individuals who can contribute to our pursuit of new devices. Specific goals are to double the number of engineers at our R&D center from the current 100 by the end of March 2004.