

Three Initiatives: Reengineer Change Revitalize 3⇒1

→Initiative One:

Reengineer Our Business Structure—We implemented a range of reforms in the past year to reorganize our operating bases, reform our employment structure, and improve core elements of our day-to-day operations by rebuilding our manufacturing, purchasing, retailing and logistics frameworks. This has resulted in a leaner and more flexible operating structure capable of responding rapidly to changes in our environment. This new stance also allows us to quickly cover resource deficiencies, an unavoidable issue for a company our size. Another advantage is our ability to maintain a suitable inventory level while retaining the flexibility to raise output during periods of high demand. We accomplished this by leveraging our network of global procurement partners to create an optimal manufacturing framework. In short, we can now more accurately time the development and launch of products to satisfy projected demand. The benefits of reengineering our business structure are already clear—in fiscal 2003 we saw real success in increasing cash flows. Reducing lead-times generated additional cash, based on a more efficient 6-month manufacturing cycle, and further reductions in inventories.






Ongoing Reform of the JVC Business Structure

	Progress in Fiscal 2003	Measures and Objectives for Fiscal 2004
Cost Reduction	<ul style="list-style-type: none"> Centralization of purchasing functions for consumer electronics Reducing number of domestic suppliers gets underway Component procurement from China begins; establishment of a Parts Laboratory Center in Shanghai Global procurement costs reduced to ¥44.6 billion 	<ul style="list-style-type: none"> Formulate supplier policy to ensure stable procurement of key devices Active promotion of measures started in fiscal 2003 (Value engineering/integration of domestic suppliers/development and procurement of components in China) Reduce global procurement costs to ¥37.1 billion
Manufacturing Reform	<ul style="list-style-type: none"> Progress towards realizing a 6-month manufacturing cycle Mother base production system launched 	<ul style="list-style-type: none"> Further advance design process reform (2nd year) Accelerate roll out of mother base production system Strengthen volume production technology
Logistics Reform	<ul style="list-style-type: none"> Realignment of logistics bases <ul style="list-style-type: none"> US: Steps toward reducing bases from 5 to 3 Europe: Reduction of Northern European bases from 3 to 1 Japan: New operational framework for facility in Yokohama 	<ul style="list-style-type: none"> Realize leaner logistics framework <ul style="list-style-type: none"> US: Realignment to 3 bases by fiscal 2005 Europe: Integrate logistic bases for professional electronics; integrate inventory warehousing for 3 sales companies Japan: Reduce inventory warehouses in the Yokohama area from 9 to 3 Begin logistics system reform for consumer electronics
Supply Chain Management	<ul style="list-style-type: none"> Initial steps taken to create a SCM system for consumer electronics including creation of guidelines; specialist framework; information system 	<ul style="list-style-type: none"> Bring SCM system for consumer electronics online/introduce more responsive management system based on weekly timetabling <p>Target dates May 2003: 4 factories in Japan and Asia September 2003: 6 factories in US/Europe/Asia (entire consumer electronics manufacturing network)</p>

→Initiative Two:

Change Our Product Lineup—There is a major transformation underway in home electronics retailing: stores increasingly stock their shelves with value-added products more likely to sell than high-volume, low-margin products of the past. JVC will tap this demand with “Only One” products that showcase the value of the JVC brand. And as we work to realize our vision of creating new ways to communicate through music and images, we no longer attempt to launch multiple products in a wide range of categories. Instead, we have chosen a more challenging route. Our new objective is to reduce our lineup and launch value-added products not subject to price competition. We will use these products to capture market share and generate profits commensurate with their enhanced value. Based on this strategy, we aim to raise JVC’s profile. Ultimately, we hope to create a global brand synonymous with quality and value, develop a reservoir of expertise that transcends digital technology, and create a corporate culture that cares about details. Our overriding motivation is to create “Only One” products that are leaders in their markets.



High-definition (HD) Displays 	<ul style="list-style-type: none"> • Rear Projection TVs • PDPs • LCDs • D-ILA Projectors 	<ul style="list-style-type: none"> • As core products in our "Digital High-definition Universe" concept, leveraging advanced picture quality centered on DIST technology to expand sales
Digital High-density Storage 	<ul style="list-style-type: none"> • Digital High-Definition Recorders • DVD Recorders 	<ul style="list-style-type: none"> • Using D-VHS, a high-definition recording media, to set JVC apart in the market and grow sales • New moves into the DVD recorder markets in Japan, the US and Europe
Network AV Systems 	<ul style="list-style-type: none"> • World's first High-Definition camcorder for the consumer market • Dome Color Security Cameras • MP3 compatible car AV systems 	<ul style="list-style-type: none"> • Strategy aimed at capturing the leading market share for DVC camcorders • Launched the world's first high-definition camcorder for the consumer market • Actively expanding the car AV business
Components & Devices 	<ul style="list-style-type: none"> • Fluid dynamic bearing motors for HDDs • Dual-wavelength hologram optical pickups 	<ul style="list-style-type: none"> • Full-scale entry into the market for fluid dynamic bearing motors for HDDs and dual-wavelength hologram optical pickups • Boosting profitability in the deflection yoke business and expanding consumer product applications
Software & Media 	<ul style="list-style-type: none"> • Mini-DV High-Definition Tape • Software Business Activity • MINMI New Album: <i>Miracle</i> • Southern All Stars 25th Anniversary Events 	<ul style="list-style-type: none"> • Shifting to digital media and expanding sales channels • Moving away from a focus on prerecorded software to become a "Matrix Music Company" that leverages content rights and its human network of professionals and artists

➔Initiative Three:

Revitalize Our Corporate Culture—In order to bring about a real and sustained recovery, JVC must fundamentally improve its balance sheets, and generate strong cash flow to drive forward future growth. Cultivating a workforce steeped in creativity with the courage to take on new challenges, as well as a corporate culture that leads to more responsive management, will be crucial to achieve these objectives. Based on enhanced communication across all levels of the company and frank and open discussion, JVC is now working to revitalize its corporate culture. The results are already showing through, with an organization where all our people are more closely involved in management and more committed to customer needs.

As member of the Matsushita Group, JVC's operations have traditionally been divided across a number of its parent company's business segments. However, following group reorganization in January 2003, JVC became an independent business segment in its own right. As a result, our role and responsibilities within the Matsushita Group are defined more clearly. We believe this is a positive move for both JVC and its shareholders as it allows us more freedom to operate as a self-reliant company, guided by our own decision-making criteria. Despite this greater independence, we will maintain strong links with Matsushita by sharing technology, logistic networks and procurement resources and by supplying products to one another. We will also take steps to further deepen ties with the Matsushita Group.





One Goal: The Perfect Experience

Our goal is to offer The Perfect Experience—our promise to enhance our technologies, products and services so that customers enjoy truly moving experiences through music and images—by transforming JVC into a high-performance global company.