

January 28, 2004

Overview of the “Leap Ahead 21” Plan

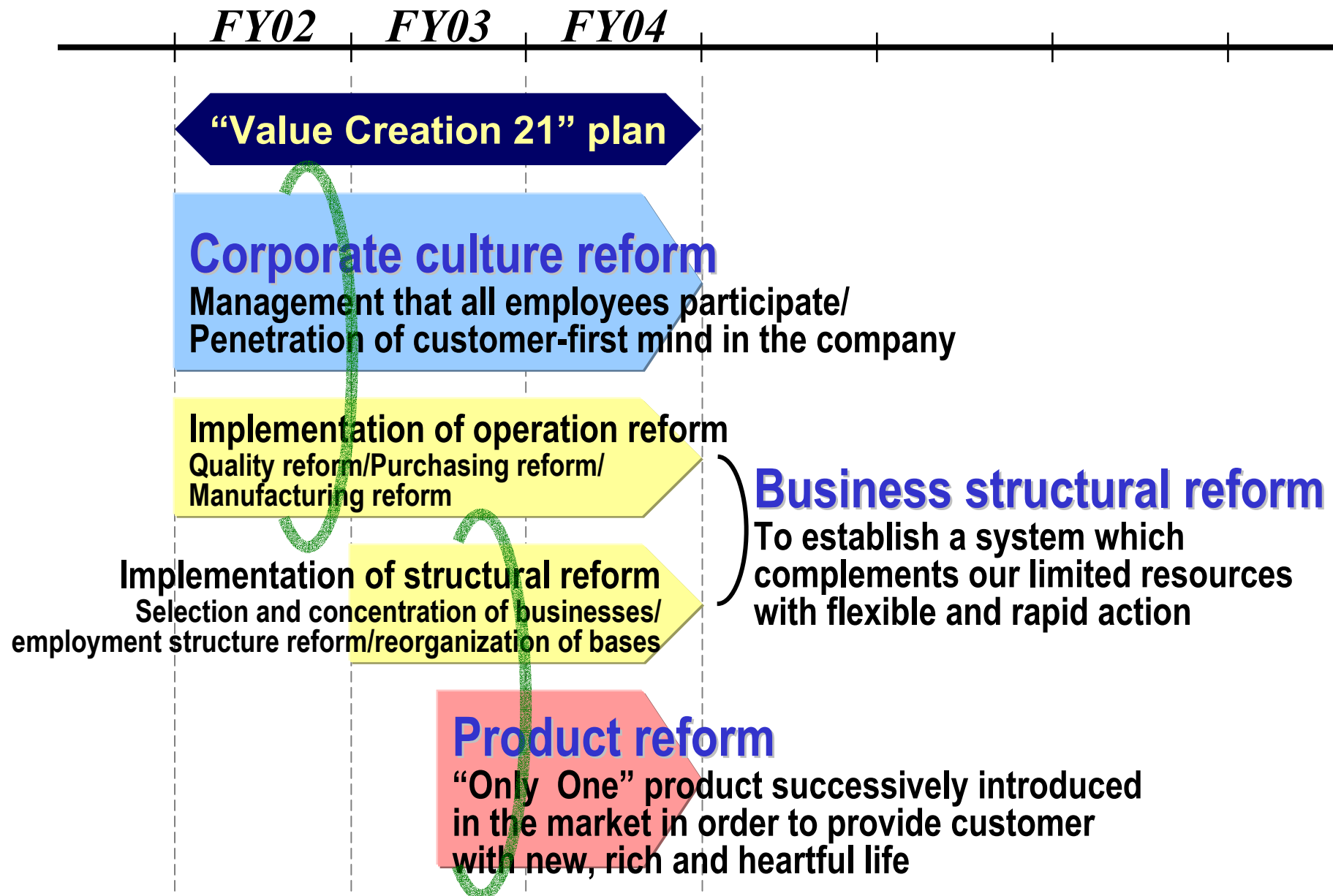
Masahiko Terada
Victor Company of Japan, Ltd.



Note: a fiscal year refers to the year ending March 31.

Three Reforms in “Value Creation 21” Plan

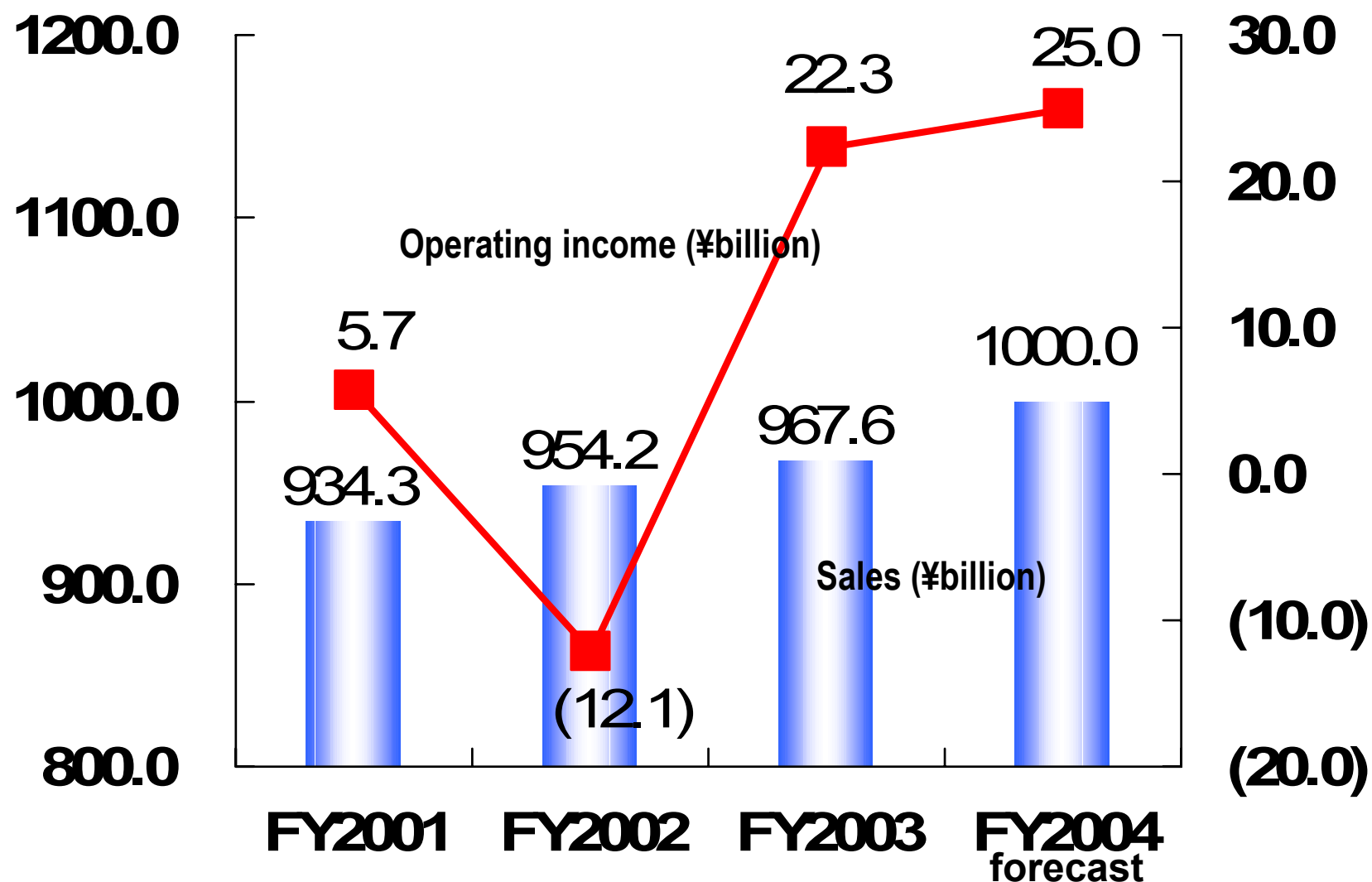
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Results of “Value Creation 21” Plan

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Business recovery by management structure reinforcement

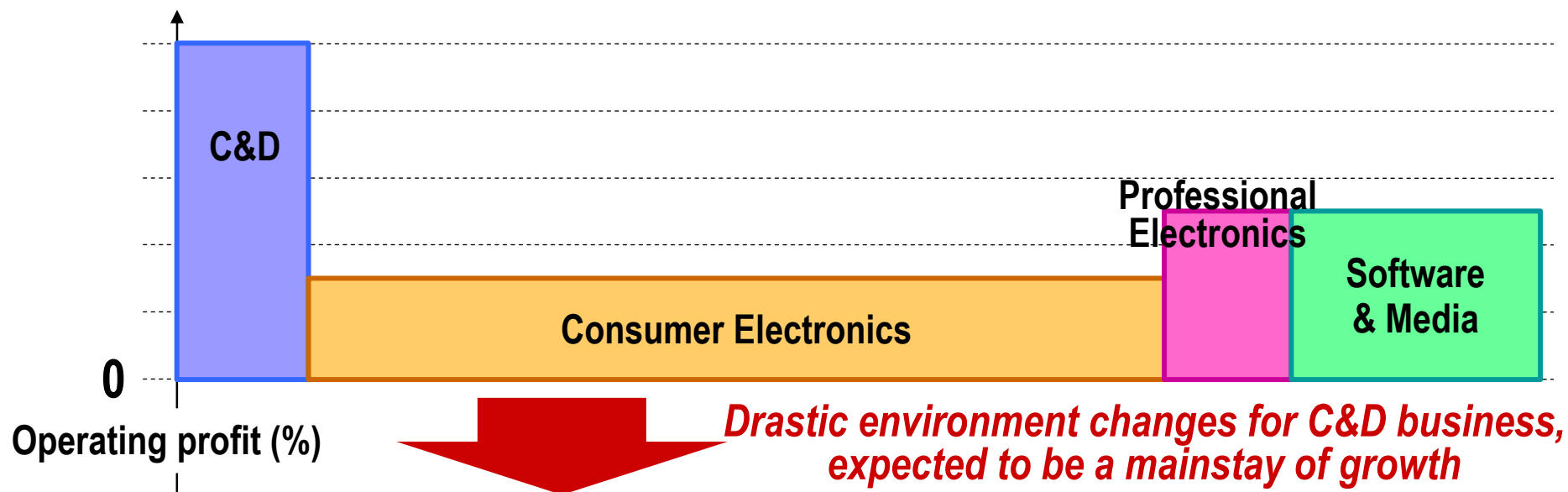


Have Components & Devices, Software & Media and consumer D&N become mainstays of earnings?

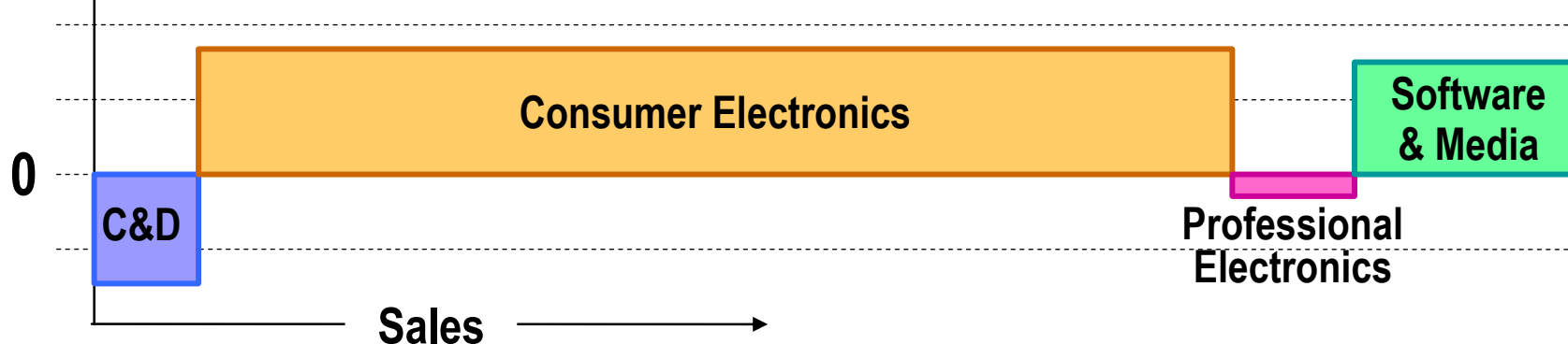
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FY2004 target in "Value Creation 21" plan : operating income 3.6%



FY2004 forecast : operating income 2.5%



**The age of highly concentrated
manufacturing and distribution**



**We need “substantial scale” or “uniqueness”
to survive in the market**

Diversification of customer values



Customers evaluate our management

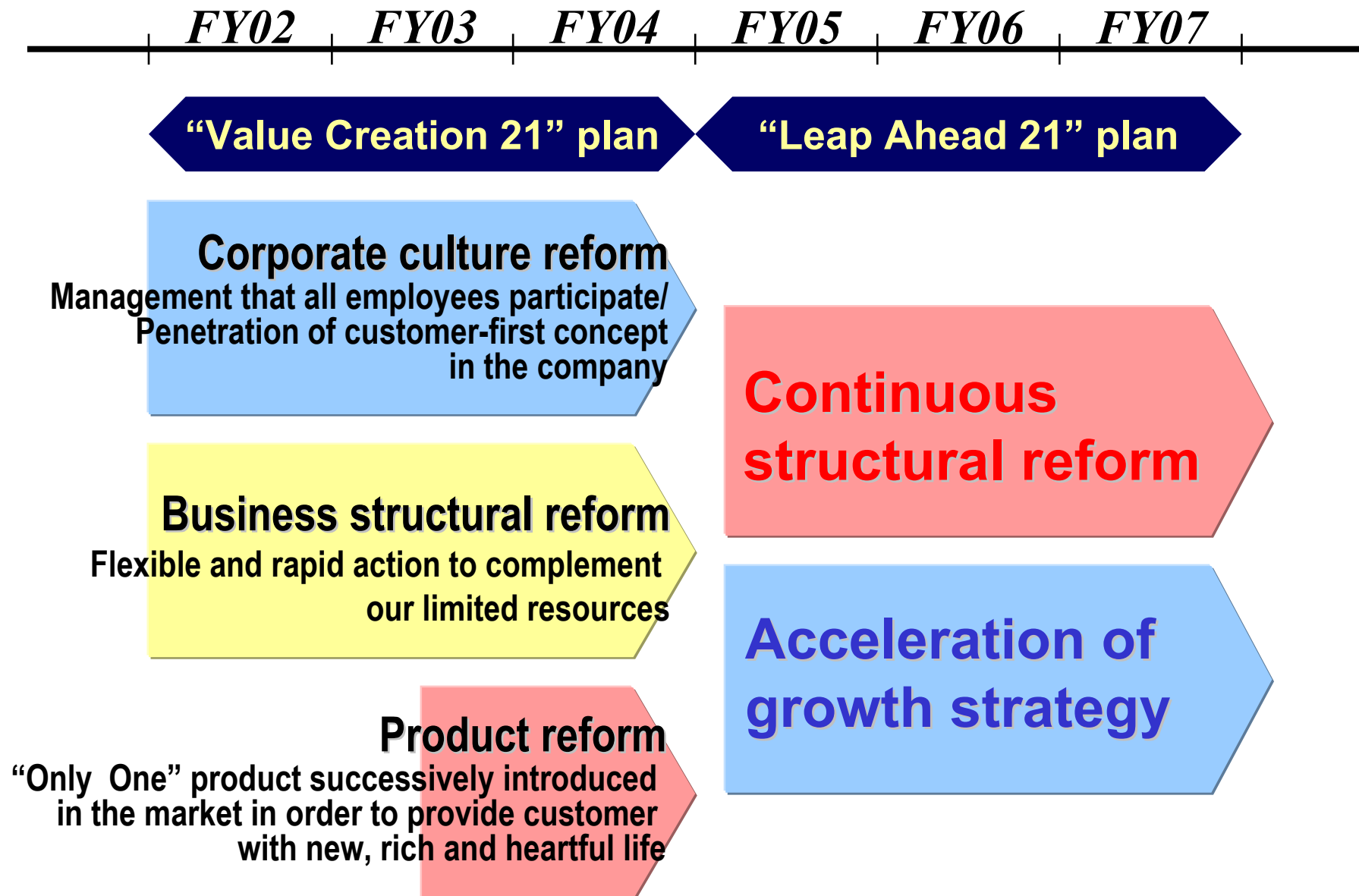
JVC is only part way on the road to recovery



The worst has passed, but the danger continues

Two Key Points of “Leap Ahead 21” Plan

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Management target (for FY2007)

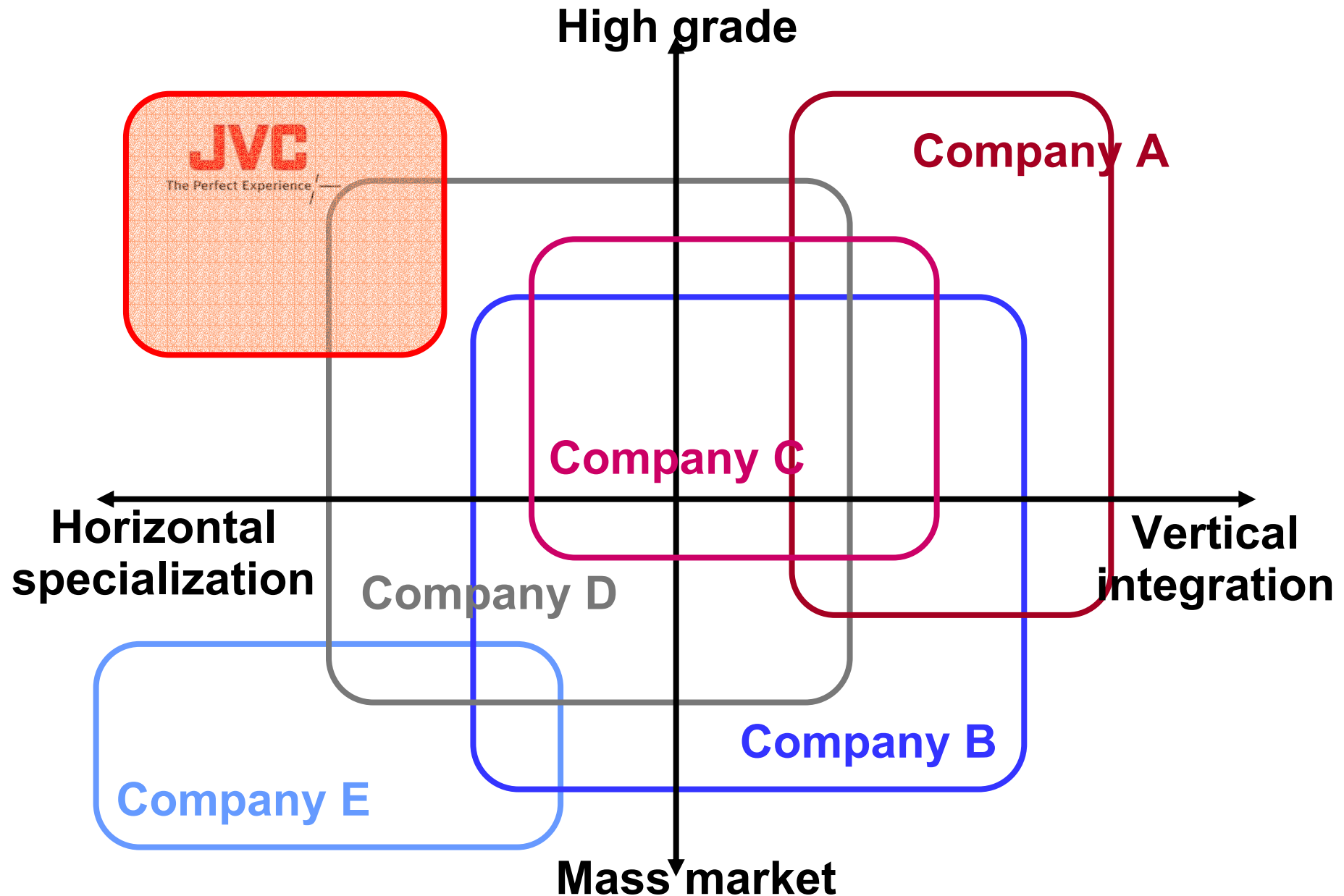
- Sales: ¥1,100 billion**
- Operating income: (5.0%)
¥55 billion**
- CCM : Plus**
- Net cash : Plus**

Objectives We Should Tackle



JVC's Business Model Positioning

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Concentration to five priority businesses

High-
definition
display

Digital HD
storage

Network
AV system

Components
& Devices

Software
& Media

Double sales of display and optical disc businesses by FY2007

Display business

Expand business globally by horizontal integration of PDP and LCD production, and by vertical integration of D-ILA projector production for consumer market

**FY2007 target :
¥300 billion of sales**

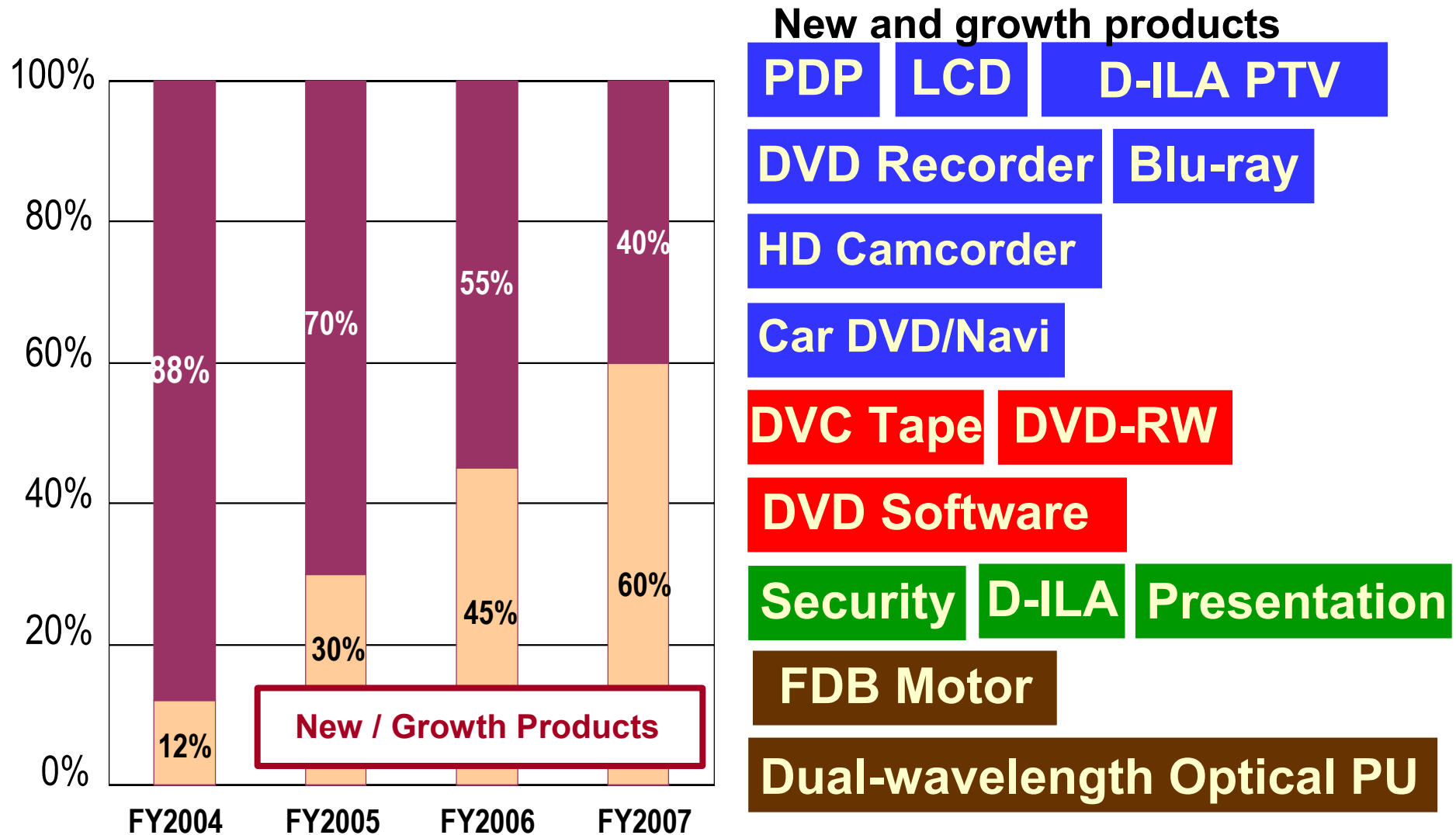
Optical disc business

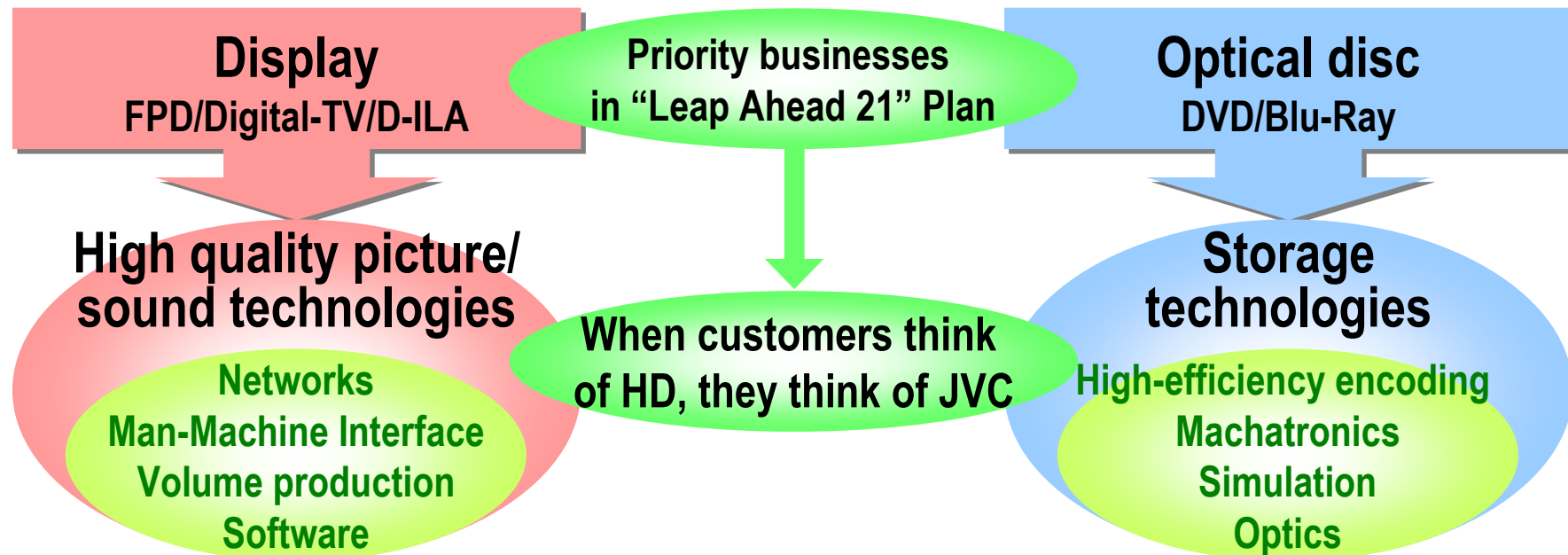
Expand business through DVD recorders sales expansion, early introduction of Blu-ray and in-house production of optical pick-ups

**FY2007 target :
¥100 billion of sales**

Sales of New and Growth Products

60% of total sales with new and growth products in FY2007





Selection and concentration / measures towards efficient R&D

- Shift to and enhance engineers in priority businesses
- Enhance software engineers, mainly in affiliate companies
- Enhance core technologies, and create a mechanism to pass down these technologies

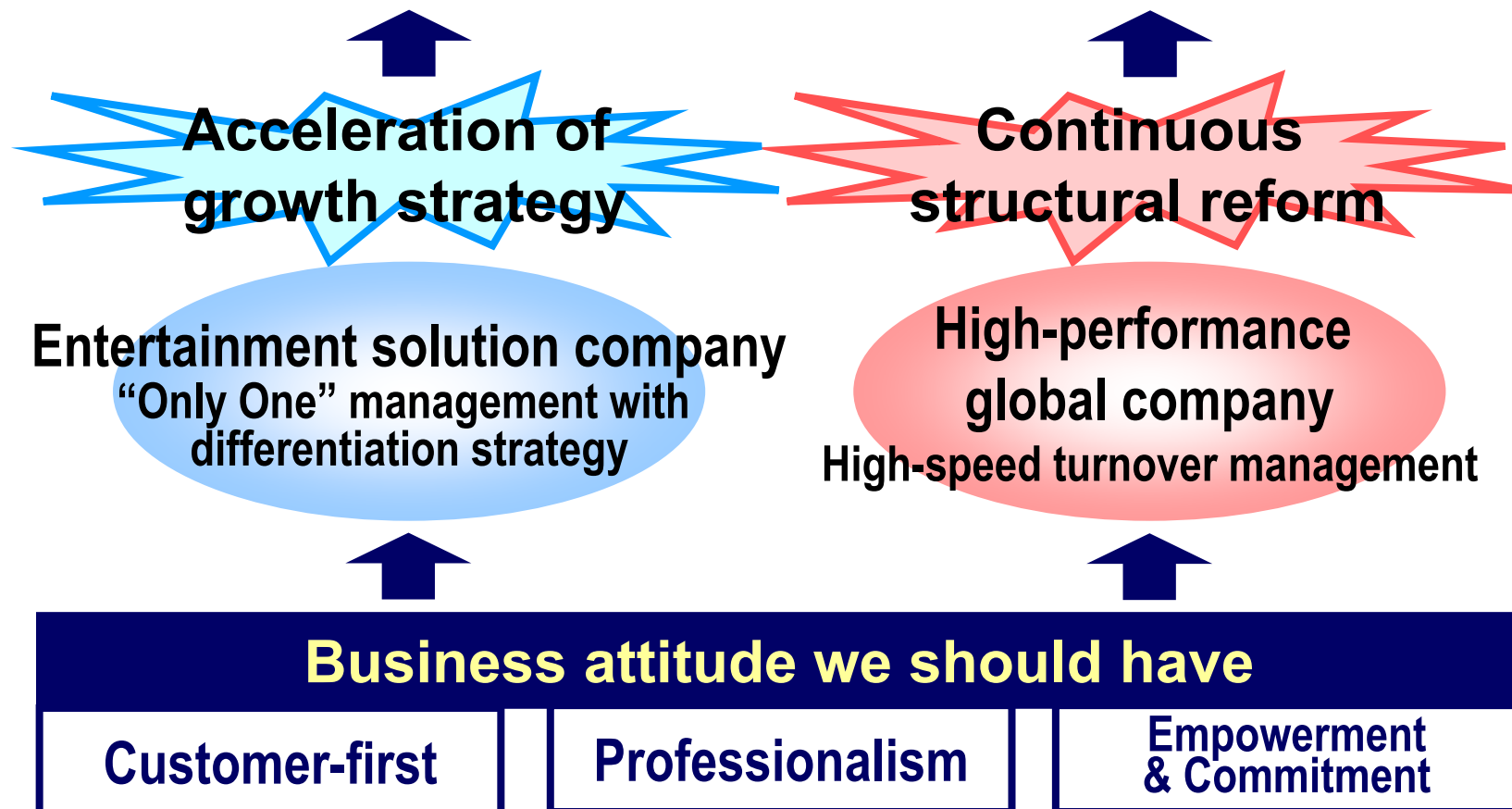
Objectives We Should Tackle

Our goals

The Perfect Experience

To create truly moving experiences and provide total satisfaction for our customers

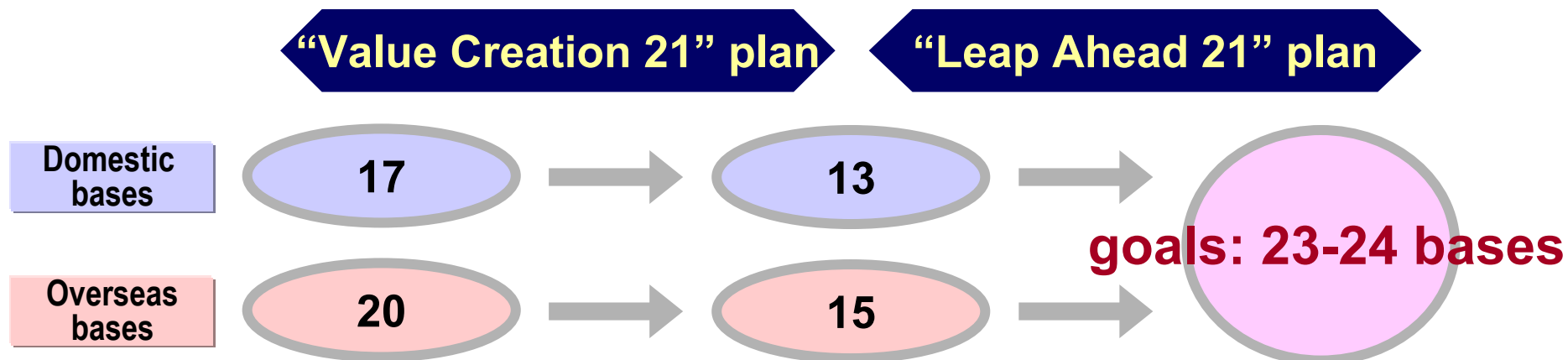
Survive the natural selection in the AV market and provide a new, rich and heartfelt life to customers with AV products (music and images) through “Only One” strategy



Reform for Employment Structure/Production Bases

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In the drastically changing environment, in order to concentrate investment of management resources in priority businesses, accelerate reconstruction of basic operations including reorganizing personnel distribution, location and employment structure reforms.

Selection

Accelerate business evaluation and structural reform

Shrinking of DY business

Re-establishment of high-density circuit board business

Reorganization of personnel distribution and location

Concentration

Strengthen key components business contributing to give added value to our final products

Concentration to Motor & Optical pickup businesses

Accumulation of high precision manufacturing technology

Know-how on yield & operating rate

Objectives for Each Business

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Consumer Electronics

Expand display and optical disc growth products as well as high profitability camcorders and car AV to reach 5% operating income.

Professional Electronics

Continue to focus on security and presentation, and comprehensively promote added value through providing business solutions

Components & Devices

Concentrate business resources in motors and optical pickups and implement fundamental structural reform

Software & Media

Increase competitiveness in the JVC group internal value chain
Media : expand sales with DVC and DVD digital media as core products
Software: create a matrix operation by enhancing rights business