FY2003 Objectives

2H FY2002
Consolidated operating income in black

→

1H FY2003
Both consolidated and parent
Operating income in black

→

2H FY2003
Full term consolidated net income returns to black

1H FY2003
Both consolidated and parent net income in black

→

Full term Goals for FY2003

Net Sales ¥982.5 bil.
Operating Income ¥20.0 bil.
Net Income ¥6.0 bil.

Full term goal for FY2003 achieved in first half.

Management Measures

◇Continue business restructuring

◇Improve profitability by lowering breakeven point

◇Improve marginal profit ratio and productivity

Acceleration of Growth Strategy

◇Focus on priority businesses

①High-Definition Displays
②Networkable AV Systems
③Digital HD Storage
◎Components
◎Entertainment

Management Reinforcement

Focusing on Priority Businesses

	Priorities for FY2003	Progress in 1H FY2003
Consumer Electronics	① Global organization necessary to realize the optimization of development/production and sales locations ② Reduction of fixed costs through employment structural reform ③ Measures to strengthen domestic sales organization ④ Centralization of manufacturing at Yokosuka factory to improve productivity and quality	① In progress ② Completed with the implementation of the early retirement program ③ Double Sales YoY ④ In Progress. Consolidating manufacturing functions (Production Engineering, Purchasing, Quality Assurance. etc) at Yokosuka plant
Industrial Electronics	① Accelerating the shift to overseas production (Goal: overseas production ratio of 40%) ② Focus on priority businesses through structural reform ③ Decreasing the number of products from 1700 to 1100	① Overseas production ratio of 38% ② Focus on Security/Presentation/Network/ Solution fields ③ Number of products reduced to 1509
Components & Devices	① Expansion of Optical Pickup and Motor business ② Global organization necessary to realize the optimization of development/production and sales locations ③ Reduction of fixed costs through employment structural reform ④ Withdrawal from Magnetic Head business, reduction of Crystal Oscillator Device business	① Sales increase vs FY2001: Motor 113%, Optical Pickup 104% ② In progress ③ Completed with the implementation of the early retirement program ④ Withdrawal from Crystal Oscillator Devices Business and Koriyama factory to close
Entertainment	① Integration of 2 US plants ② Employment structural reform in Media business ③ Dramatic reform of Film/Game business ④ Improve earning power in Music business	① Closure of Sacramento factory , completion of integration of 2US plants ② Completed with the implementation of the early retirement program ③ Withdrawal from Film business (production and dis-tribution), and reduction of Game business ④ In progress

Management Reinforcement

Lowering Breakeven Point

Aim to lower FY2003 breakeven point to ¥500 bil. in FY2003

◆*Completion of Restructuring*

Reorganization of business/ business base	※Withdrawal from Magnetic Head Business and Reduction of Crystal Oscillator Device Business ※ Withdrawal from Film Business (production and distribution), and Reduction of Game Business ※Integration of Disk Production Bases in US	Completed in 1H FY2003
Employment structural reform	Improve global competitiveness by implementing domestic structural reform (Number of Workforce Reduced to 8,200)	Completed in 1H FY2003

Commitment to continued restructuring

◆*Re-basing the business*

Reduction of inventory	Reduction of Inventory Turnover to Less than 30 Days (Inventory Turnover to 38 Days by the End ofMarch 2003)	Reduced to 47 days in 1H FY2003 (Target was 48 days: surpassed target by 1 day)
Reduction of procurement costs	Reduction of Procurement Costs and Value Engineering (VE) by 20% within Fiscal 203	In progress. Exceed 1H FY2003 target (Reduced procurement costs by \19.6 bn Vs target of \16.6 bn)
Realignment of manufacturing facilities	Implementing goal of completing development and Manufacturing in 6-months Clearly shifting focus of domestic plants to consolidating manufacturing functions at Yokosuka plant	In progress to make Yokosuka plant as manufacturing center and transfer of manufacturing facilities to Yokosuka

Management Reinforcement

Employment Structural Reform and Personnel Plan