

For Immediate Release:

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Toward the Management Reconstruction of JVC Action Plan 2007

Victor Company of Japan, Limited (JVC) formulated the Action Plan 2007 in order to practically achieve the management steps in the Reconstruction Plan the Company announced on May 30, namely, “returning to positive operating income in fiscal 2008, building a strong management foundation in fiscal 2009, and switching to a growth strategy in fiscal 2010.”

In Action Plan 2007, JVC stipulates management reforms designed to complete the management reconstruction and restore the market’s confidence in the Company against a background of intensifying competition for survival in the consumer AV market. We formulated the Action Plan 2007 to take reforms a step further from the previous reconstruction plan and bolster them, understanding that it was necessary to improve the feasibility of this management reconstruction.

■ Overview of the “Action Plan 2007”

I. Bolstering Business Structure Reforms

1) Bolster Cost Competitiveness and Improve Income (Display Business / Audio Business)

(i) Display Business

In addition to our previous approaches of “using our superior technologies to set our Company apart from our competitors, taking measures to cut costs, and bolstering our marketing strategy,” we shall promote:

- Discontinuing production and sale of unprofitable models in Europe and Japan;
- Specialization of UK domestic production facilities for UK market, and bring forward expansion of EMS (Electronics Manufacturing Service) for continental Europe;
- Bolstering of the four-pronged management structure based on Japan, the Americas, Europe and Asia through unified management of production and sales for each area.

(ii) Audio Business

In addition to our previous approach of “reconstruction of our product strategies based on home theater, and mini-components with built-in digital memory,” we shall promote:

- Rebuilding our sales strategies for each area mainly in Japan and the United States;
- Bolstering our cost cutting efforts through activities integrating the Malaysian production plant and our product development.

2) Thoroughly Implement Selection and Concentration of Businesses, and Put a Stop to the Downturn in Business (ILA Business / Components & Devices Business / Blank Media Business)

(i) ILA Business

We will review our previous basic strategy of “moving on to the next level of our front projector business and re-challenging ourselves to develop next-generation rear projection TVs” and will work on:

- Developing consumer front projectors, which are selling well both domestically and overseas, as the key products of the ILA Business;
- Implementing fundamental review of the basic strategy for rear projection TVs, including the development of next-generation models.

(ii) Components & Devices Business and Blank Media Business

We will take to the next stage our previous approach of “researching whether to continue business or spin-off company”, and work on:

- Implementing further review, including possible business transfers in each business sector.

3) Expansion of Sales in Businesses that Provide the Company-wide Income Base (Camcorder Business / Car Electronics Business)

(i) Camcorder Business

In order to be number one globally and further accelerate strong sales in fiscal 2008, we will work on:

- Further bolstering both domestic and overseas sales by bringing forward fiscal 2009 models through concentrating development resources.

(ii) Car Electronics Business

We will maintain and bolster the existing sector (CD receivers) and accelerate the shift to new sectors (visual products / navigation systems), and will work on:

- Expanding our business by bolstering efforts to sell after-market products in emerging markets and by bolstering efforts in the OEM business;
- Further bolstering our joint software development and manufacturing cost control in alliance with Kenwood Corporation.

4) Promote Reconstruction Plan Thoroughly in Software Business / Professional Electronics Business to Put Income on a Firm Foundation

(i) Software Business

Aiming to enhance our corporate value through synergy in management, we will strategically realign and integrate our entire business, and establish a fulfillment system that aims for synergy at all stages from content development through product delivery.

(ii) Professional Electronics Business

We will concentrate on security products and professional audio equipment and for professional camcorder products we will bolster cooperation with the Consumer Camcorder Business. Furthermore, we will bolster the overseas business anchored in security products and professional camcorder products.

II. Bolstering Management Structure Reforms

1) Review of Employment Structure Reforms

Regarding implementation of employment structure reforms arising from the business structure review and the employment structure forms carried out with the objective of the rationalization and streamlining of the indirect departments:

- Employment structure reforms for non-consolidated personnel shall be expanded from the current 1,000 persons to 1,150 persons;
- The number of persons transferred to subsidiaries and affiliated companies as a result of company spin-offs, etc., and the reduction in non-consolidated personnel due to their separation from the Group as a result of business transfers, etc., will remain unaltered at the previous level of 800 persons.

2) Review of Production Site Reforms

We will review our previous approach of “realignment of four plants in the China and Asia area (Malaysia, Fujian, Shanghai and Beijing)” from the perspectives of selection and concentration of businesses and bolstering cost competitiveness, and shall work on:

- Studying production site realignment as a medium-term measure, with a view to halve the number of sites.

3) Additional Measures under the Action Plan 2007

In addition to the measures above, we will work on:

- Implementing organizational reform of headquarters, including halving the number of departments, with the objective of streamlining the headquarters;
- Regarding emergency countermeasures we are currently implementing, research additional measures such as a partial review of salaries and allowances over a fixed period, etc.

Note: We will immediately commence consultations with the JVC Workers Union in Japan regarding these measures.

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