Charting our direction

2007. 4. 19
PILLARS OF OUR STRATEGY

1. Align strategy for growth and ROIC - Achieve 20% ROIC by 2010

2. Manage portfolio to win

3. Develop strategies for the “polarizing consumer”

4. Innovate through design, as well as technology

5. Invest in clear, global brand identity

6. Align and upgrade organization for the future

Become the leading consumer electronics player in the world

- Enhancing customer value with innovation and design
- Delivering superior returns to shareholders
- Developing the “benchmark” organization
ALIGN STRATEGY FOR GROWTH AND ROIC

1. Align strategy for growth and ROIC
   - Become the leading consumer electronics player in the world
     - Enhancing customer value with innovation and design
     - Delivering superior returns to shareholders
     - Developing the “benchmark” organization

2. Manage portfolio to win
   - Develop strategies for the “polarizing” consumer

3. Innovate through design, as well as technology
   - Invest in clear, global brand identity

4. Align and upgrade Organization for the future

- New strategy and business planning process, with performance measures on ROIC
- Margin improvement initiatives underway
  - Optimize product mix to enhance pricing
  - Consolidate purchasing
  - Expand lean manufacturing practice
  - SKU rationalization
  - Corporate center restructuring
- Asset productivity initiatives
  - Tighter cash cycles
  - Reduce inventories
  - Delay / reduce non-critical CAPEX
  - Eliminate non-productive assets
Focus on businesses where we can and should be in Top 3

Key consideration for each product and market, e.g.,
- Size and growth of the market
- Profit pool
- Current competitive position

Actions likely to include
- Optimizing business portfolio
- Innovating go-to-market approaches in some products and countries
- Restructuring unprofitable businesses
- Bringing in partners where we can benefit each other

Reviews on-going and decisions will be made in 2nd half of ‘07
DEVELOP STRATEGIES FOR THE “POLARIZING” CONSUMER

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- Consumers “polarizing”
- Position as premium in all markets
  - Innovations in design and technology for ‘Trading-up’ consumers
  - Cost competitiveness for ‘Trading-down’ consumers
- Focus on high-end market, while establishing “aspirational” position in the low-end

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INNOVATE THROUGH DESIGN AS WELL AS TECHNOLOGY

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- Innovation based on customer insights
- Cultivate design as key competitive edge
  - Success to date with Chocolate, Shine, Steam TROMM, Art DIOS – many more to come
- Continue investment in R&D and design
INVEST IN GLOBAL BRAND IDENTITY

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Increase investment to build brand identity
- Not just about awareness, but real brand pull and emotional bond

Position brand to appeal to premium segment and establish “aspiration” for others

Global brand identity initiatives
- Brand re-positioning
- Revamped communication
- Marketing spend reallocations

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ALIGN AND UPGRADE OF ORGANIZATION FOR THE FUTURE

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Enhance structure, roles, processes and measurements to focus on ROIC

Upgrade key functional areas such as marketing, purchasing, SCM, manufacturing and innovation

Recruit and develop global talent in all areas

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Align and upgrade organization for the future
STRATEGIC INITIATIVES FOR DIGITAL DISPLAY

- Realign product/market priorities to meet consumer demand and profit challenges (e.g. focus 50”+ for PDP TV, strengthen 40”+ for LCD TV)

- Aggressively reduce COGS (e.g. integrated purchasing, launch of cost-innovation models) to minimize margin loss and prepare stronger foundation for expected supply/demand balance
  - Improvement expected in 2H, ’07 and beyond

- Targeted R&D investment to improve quality and cost

- Explore options to restructure PDP business to better align with overall FPTV strategy