

HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form PRE 14A
October 01, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: HARMAN INTERNATIONAL INDUSTRIES INC /DE/ - Form PRE 14A

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**HARMAN INTERNATIONAL
INDUSTRIES, INCORPORATED**

*1101 Pennsylvania Avenue, N.W., Suite 1010
Washington, D.C. 20004*

October , 2003

Dear Harman International Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Harman International, to be held on Wednesday, November 12, 2003, beginning at 11:00 a.m. at the JPMorganChase Building, 270 Park Avenue, New York, New York. Information about the meeting, the nominees for director and other actions to be taken at the meeting is presented in the following Notice of Annual Meeting of Stockholders and Proxy Statement.

In addition to presenting formal items of business at the meeting, management will report on the Company's operations during fiscal year 2003 and comment on our outlook for the current fiscal year. The report will be followed by a question and answer period.

It is important that your shares be represented at the meeting. To ensure representation of your shares, please sign, date and return the enclosed proxy card promptly.

We look forward to seeing you on November 12th.

Sincerely,

Sidney Harman
Executive Chairman

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on November 12, 2003

The 2003 Annual Meeting of Stockholders of Harman International Industries, Incorporated (the Company) will be held at the JPMorganChase Building, 270 Park Avenue, New York, New York, on November 12, 2003, beginning at 11:00 a.m. The meeting will be held for the following purposes:

- (1) to elect three directors, each to serve until the 2006 Annual Meeting of Stockholders;
- (2) to consider a proposal to approve a two-for-one stock split and a related amendment to the Company's charter to increase the number of authorized shares of common stock; and
- (3) to transact other business that properly comes before the meeting.

Information concerning the matters to be acted upon at the meeting is set forth in the accompanying Proxy Statement. Stockholders of record as of the close of business on September 15, 2003 are entitled to notice of, and to vote at, the meeting.

If you plan to attend the meeting and will need special assistance or accommodation due to a disability, please describe your needs on the enclosed proxy card. Also enclosed is the Company's Annual Report for fiscal year 2003.

By Order of the Board of Directors,

Frank Meredith
Secretary

Washington, D.C.
October 1, 2003

IMPORTANT

Whether or not you plan to attend the meeting in person, please vote by signing, dating and returning the enclosed proxy card as soon as possible using the enclosed postage prepaid envelope.

HARMAN INTERNATIONAL INDUSTRIES, INCORPORATED

1101 Pennsylvania Avenue, N.W.
Suite 1010
Washington, D.C. 20004

PROXY STATEMENT

This Proxy Statement provides information in connection with the solicitation of proxies by the Board of Directors (the Board) of Harman International Industries, Incorporated (the Company) for use at the Company's 2003 Annual Meeting of Stockholders or any postponement or adjournment thereof (the Meeting). This Proxy Statement also provides information you will need in order to consider and to act upon the matters specified in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the enclosed proxy card are being mailed to stockholders on or about October 1, 2003.

Holders of record of the Company's common stock (Common Stock) as of the close of business on September 15, 2003 are entitled to vote at the Meeting. Each stockholder of record as of that date is entitled to one vote for each share of Common Stock held. On September 15, 2003, there were 32,724,977 shares of Common Stock outstanding.

You cannot vote your shares of Common Stock unless you are present at the Meeting or you have previously given your proxy. You may revoke your proxy at any time prior to the vote at the Meeting by:

delivering a written notice revoking your proxy to the Company's Vice President - Financial Operations at the address above;

delivering a new proxy bearing a date after the date of the proxy being revoked; or

voting in person at the Meeting.

All properly executed proxies, unless revoked as described above, will be voted at the Meeting in accordance with your directions on the proxy. With respect to the election of directors, if you vote by proxy you may vote for all nominees, withhold your vote for all nominees, or withhold your vote as to a specific nominee. If a properly executed proxy gives no specific instructions, the shares of Common Stock represented by your proxy will be voted:

FOR the election of each of the three nominees to serve as directors until the Company's 2006 Annual Meeting of Stockholders;

FOR the proposed two-for-one stock split and a related amendment to the Company's charter to increase the number of authorized shares of Common Stock; and

at the discretion of the proxy holders with regard to any other matter that is properly presented at the Meeting.

If you own shares of Common Stock held in street name, and you do not instruct your broker how to vote your shares using the instructions your broker provides you, your broker may choose not to vote your shares. To be sure your shares are voted in the manner you desire, you should instruct your broker how to vote your shares.

A majority of the outstanding shares of Common Stock must be present, in person or by proxy, to constitute a quorum at the Meeting. Abstentions and broker non-votes (which are

shares with respect to which the broker or nominee is not authorized to vote on a proposal) are included in determining whether a quorum is present. Directors will be elected by the vote of a plurality of the shares of Common Stock voted at the Meeting. A broker non-vote will have no effect on the outcome of the vote for the election of directors. Approval of the amendment to our charter requires the affirmative vote of a majority of our outstanding shares of Common Stock. Abstentions and broker non-votes will have the same effect as votes against this proposal.

The Company will pay the cost of preparing and mailing this Proxy Statement, the Notice of Annual Meeting of Stockholders and the enclosed proxy card. The Company has hired Mellon Investor Services to solicit proxies for the Meeting. The Company anticipates that the fees of Mellon Investor Services will be approximately \$9,000. The Company will pay all fees and expenses of Mellon Investor Services and will reimburse Mellon Investor Services for its out-of-pocket expenses. Additionally, employees of the Company may solicit proxies personally and by telephone. The Company's employees will receive no compensation for soliciting proxies other than their regular salaries. The Company may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of these proxy materials to their principals and to request authority for the execution of proxies. The Company may reimburse such persons for their expense in so doing.

ELECTION OF DIRECTORS

(Item 1 on the Proxy Card)

At the Meeting, three directors will be elected to serve a three-year term expiring at the 2006 Annual Meeting of Stockholders. This section contains information relating to the three nominees for director and the directors whose terms of office extend beyond the Meeting. The nominees for election are Edward H. Meyer, Gregory P. Stapleton and Stanley A. Weiss, each of whom is currently a director. The Board expects that the nominees will be available for election at the time of the Meeting. If, for any reason, a nominee should become unavailable for election, the shares of Common Stock voted FOR that nominee by proxy will be voted for a substitute nominee designated by the Board, unless the Board reduces the number of directors.

The nominees for director will be elected by the affirmative vote of a plurality of the shares of Common Stock voted in person or by proxy at the Meeting.

The Board recommends a vote FOR election of each of the nominees.

Nominees to be Elected at the Meeting

Edward H. Meyer, age 76, has been a director of the Company since 1990. Mr. Meyer has been the Chairman, Chief Executive Officer and President of Grey Global Group, Inc., a global advertising and marketing services company, since 1970. Mr. Meyer also serves as a director of Ethan Allen Interiors Inc.

Gregory P. Stapleton, age 57, has been President of the Company since July 2000, Chief Operating Officer of the Company since 1998 and a director of the Company since 1997. Mr. Stapleton also served as President of the Company's OEM Group from 1987 to 1998.

Stanley A. Weiss, age 76, has been a director of the Company since 1997. From 1991 to 1997, Mr. Weiss served as Chairman of American Premier, Inc., a private mining, refractories, chemicals and mineral processing company. Prior to that he was Chairman and President of American Minerals. Mr. Weiss is also the founder and Chairman of Business Executives for National Security Inc.

Directors Whose Terms Extend Beyond the Meeting

Sidney Harman, age 85, has been Executive Chairman of the Board since July 2000 and has served as Chairman of the Board and as a director of the Company since the Company's founding in 1980. Dr. Harman also served as Chief Executive Officer of the Company from 1980 to 1998. Dr. Harman served as Deputy Secretary of Commerce of the United States from 1977 through 1978. His current term as a director expires at the 2005 Annual Meeting of Stockholders.

Shirley Mount Hufstedler, age 78, has been a director of the Company since September 1986. Ms. Hufstedler has been in private law practice for the past 20 years. Since 1995, she has been with the law firm of Morrison & Foerster LLP. From 1981 to 1995, Ms. Hufstedler was with the firm of Hufstedler & Kaus. She served as Secretary of Education of the United States from 1979 to 1981 and as a judge on the United States Court of Appeals for the Ninth Circuit from 1968 to 1979. Ms. Hufstedler serves as Director Emeritus of Hewlett-Packard Company. Her current term as a director expires at the 2005 Annual Meeting of Stockholders.

Bernard A. Girod, age 61, has been Vice Chairman of the Board since July 2000, Chief Executive Officer of the Company since 1998 and a director of the Company since 1993. Mr. Girod also served as President of the Company from 1994 to 1998, Chief Operating Officer of the Company from 1993 to 1998, Secretary of the Company from 1992 to 1998 and Chief Financial Officer of the Company from 1986 to 1995 and from 1996 to 1997. His current term as a director expires at the 2004 Annual Meeting of Stockholders.

Ann McLaughlin Korologos, age 61, has been a director of the Company since 1995. She served as Secretary of Labor of the United States from 1987 until 1989. Ms. Korologos is a director of AMR Corporation (and its subsidiary, American Airlines, Inc.), Federal National Mortgage Association, Host Marriott Corporation, Kellogg Company, Microsoft Corporation and Vulcan Materials Company. She is a Senior Advisor to Benedetto, Gartland & Company, Inc., Chairman Emeritus of the Aspen Institute and a member of the Board of Overseers of the Wharton School of the University of Pennsylvania. Her current term as a director expires at the 2004 Annual Meeting of Stockholders.

APPROVAL OF THE STOCK SPLIT AND RELATED CHARTER AMENDMENT

(Item 2 on the Proxy Card)

Our Board has approved a two-for-one split of our Common Stock, subject to stockholder approval of the stock split and a related amendment to our charter to increase the number of shares of Common Stock authorized to be issued under our charter. To effect the stock split, we would amend our charter as described below.

The charter amendment would increase the number of our authorized, outstanding and treasury shares of Common Stock from 100 million to 200 million. The par value per share will not be changed. The charter amendment will permit us to implement the stock split without consuming a major portion of our current authorized but unissued Common Stock and treasury shares, which would result if we were to effect the stock split by declaring a stock dividend.

*The Board recommends a vote FOR approval of the
stock split and related charter amendment.*

If the stock split and related charter amendment are approved, we will file the charter amendment with the Delaware Secretary of State, after which the amendment will be effective. The filing will be made as promptly as practicable after the Meeting (or any adjournment), but may not be effective until a later time. The stock split will be effective when the filing is effective. We will publicly announce the effective date as promptly as practicable after the Meeting.

Reasons for the Stock Split and the Increase in Authorized Shares

We expect that the stock split will increase the number of shares traded in the public market, which we believe should establish a more liquid market in the Common Stock. However, there necessarily can be no assurance of this.

As of September 15, 2003, 32,724,977 shares of Common Stock were issued and outstanding, 6,348,100 shares were held in treasury and 60,926,923 shares were authorized but unissued. No shares of Preferred Stock were issued or outstanding. Based on the number of shares of Common Stock outstanding as of September 15, 2003, we would have 65,449,954 shares of Common Stock outstanding if the proposed stock split is implemented. As a result, 134,550,046 shares of Common Stock would remain available for such purposes as the Board may approve, and no further vote of stockholders of the Company will be required for their issuance, except as required under applicable stock exchange rules.

The availability of additional shares for issuance, without the delay and expense of obtaining stockholder approval at a meeting, will maintain the Company's flexibility to issue Common Stock in substantially the same manner as it exists before the stock split. Other than the shares of Common Stock the Company has reserved for issuance under its existing stock incentive plan, the Company currently has no specific commitments or agreements to issue any shares of Common Stock pursuant to any stock offerings, acquisitions, stock dividends or compensation plans, although it is possible that any such transaction may be pursued in the future.

Effect of the Stock Split

The proposed stock split would not change the stockholders' equity of the Company, nor would the split affect the relative rights of any stockholder or result in a dilution or diminution of any stockholder's proportionate interest in the Company. However, since the stock split would result in each stockholder's interest being represented by a greater

number of shares, it is

possible that higher aggregate brokerage commissions may be payable after the intended stock split upon a sale or transfer of a stockholder's same relative interest in Common Stock because that interest would be represented by a greater number of shares.

In connection with the stock split, the number of shares of Common Stock underlying outstanding stock options and reserved for issuance under the Company's existing stock incentive plan would be proportionately adjusted pursuant to the terms of such plans to reflect the stock split, and the per share exercise prices of outstanding options under such Company plans would be proportionately reduced. In addition, adjustments proportionate to the stock split will automatically result under the terms of the Rights Agreement as described under Potential Anti-Takeover Effect of Charter Amendment below.

The stock split will not result in the recognition of a taxable gain or loss to the stockholders for federal income tax purposes. In addition, the tax basis for shares in the hands of a stockholder prior to the stock split will become the tax basis for the total number of shares to be held by such stockholder immediately after the stock split, and the holding period of the newly acquired shares will be deemed to be the same as the holding period of the corresponding shares held prior to the stock split. However, each stockholder should consult his or her own tax advisor with respect to the particular tax consequences, if any, to him or her of the stock split, including the applicability and effect of any state, local or foreign tax laws.

Implementation of the Stock Split

The Company has notified the New York Stock Exchange of the proposed stock split and will submit an amended listing application to reflect it. The stock split will be effected by the filing of the charter amendment with the Delaware Secretary of State. The filing will be made as promptly as practicable after the Meeting (or any adjournment), but may not be effective until a later time. The stock split will be effective when the filing is effective. We will publicly announce the effective date as promptly as practicable after the Meeting.

If the stock split becomes effective, stockholders will be permitted, but not required, to surrender their current Common Stock certificates for new certificates representing post-split shares of Common Stock. Until so surrendered, each current certificate representing shares of Common Stock will be deemed for all purposes after the effective date to evidence ownership of shares of the new Common Stock in the appropriately increased number. In addition, as certificates are submitted in connection with transfers after the effective date for the split, new certificates in the post-split amount will be issued.

Impact on the Company's Consolidated Financial Statements

The Company's reported amounts of authorized and issued Common Stock will also be adjusted on a two-for-one basis. The stock split will not affect the Company's income or cash flow statements. The stock split will affect all earnings per share amounts reflected on the income statement because earnings per share will be restated for the periods presented to reflect the increase in the number of shares of Common Stock outstanding.

Potential Anti-Takeover Effect of Charter Amendment

Authorized but unissued shares of Common Stock and treasury shares will continue to be available for future issuance without stockholder approval. This could render more difficult or discourage an attempt to obtain control of the Company by means of an unsolicited proxy contest, tender offer, merger or otherwise. For example, the existence of authorized but unissued

shares permits the Board to issue such shares without stockholder approval that would dilute the stock ownership of a person seeking to effect a change in the composition of the Board or contemplating a tender offer or other transaction for the combination of the Company with another company. At the present time, the Company is not aware of any contemplated tender offers or other plans by a third party to attempt to effect a change in control of the Company, and this proposal is not being made in response to any such attempt. The Company's charter and by-laws, as well as Delaware law, provide additional anti-takeover protections for the Company that are described in certain of the Company's filings with the Securities and Exchange Commission and that are unaffected by the charter amendment.

The Company's charter authorizes the issuance of 5.0 million shares of Preferred Stock, of which 4.5 million shares remain undesignated. The Company's charter provides that the Board has authority to issue shares of Preferred Stock in one or more series and to fix from time to time before issuance the number of shares to be included in any series and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. Holders of Preferred Stock, if any, may be entitled to certain preferences upon liquidation, dissolution or winding up of the affairs of the Company. The issuance of Preferred Stock with voting rights and conversion rights could adversely affect the voting power of holders of Common Stock and could deter a future takeover which a majority of stockholders might view to be in their best interests.

In 1999, the Board designated 500,000 preferred shares as Series A Preferred Stock and declared a dividend distribution of one right to purchase 1/100 of a share of Series A Preferred Stock for each outstanding share of Common Stock. The rights are in all respects subject to and governed by the provisions of the Company's Rights Agreement. Under the Rights Agreement, the stock split will also result in a proportionate split of the rights attached to the Company's shares of Common Stock, and accordingly each post-split share of Common Stock will have attached to it one-half of the number of rights attached to a currently outstanding share of Common Stock prior to the split. The existence of outstanding rights could have an anti-takeover effect and delay, defer or prevent a tender offer or takeover event. The Company expects to take such actions as are required or advisable under the Rights Agreement to facilitate the administration of the Rights Agreement and to make proportionate adjustments as would be required by the authorization of the additional shares of Common Stock and the stock split contemplated by the charter amendment.

While it may be deemed to have potential anti-takeover effects, the proposed stock split and charter amendment are not prompted by any specific effort or takeover threat currently perceived by the Board.

Reservation of Rights

The Company retains the authority to take or to authorize discretionary actions as may be appropriate to carry out the purposes and intentions of this proposal, including without limitation editorial modifications or any other change to the charter amendment which the Board may adopt without stockholder vote in accordance with the Delaware law. The Board also reserves the right, even if the proposed charter amendment is approved, not to effect the stock split if it determines in its sole discretion that implementing the stock split is no longer in the best interests of the Company. In such case, the Company would not file the charter amendment and, as a result, the increase in the number of authorized shares of Common Stock would not occur.

THE BOARD, ITS COMMITTEES AND ITS COMPENSATION

The Board of Directors

The Board currently consists of seven directors. Four of the directors are independent directors and three directors are members of the Company's senior management. Each of the Company's non-management directors meets the qualifications for independence under the listing standards of the New York Stock Exchange.

Corporate Governance

The Board and senior management believe that one of their primary responsibilities is to promote a culture of ethical behavior throughout the Company by setting examples and by displaying a sustained commitment to instilling and maintaining deeply ingrained principles of honesty and decency. Consistent with these principles, the Company has taken steps during fiscal year 2003 to implement various corporate governance initiatives mandated by the Sarbanes-Oxley Act of 2002 and the proposed changes to the New York Stock Exchange's listing standards. In fiscal year 2003, the Company:

- adopted Corporate Governance Guidelines that describe, in general terms, the principles under which the Board operates;

- adopted a Code of Ethics for Executive and Financial Officers and Directors and a Code of Business Conduct applicable to all employees;

- adopted an amended Audit Committee Charter;

- adopted a Compensation and Option Committee Charter; and

- established the Nominating and Governance Committee and adopted a Nominating and Governance Committee Charter.

The corporate governance guidelines, ethics codes and committee charters are available on the Company's website (www.harman.com) in the Corporate Governance section of the Investor Relations page. Copies of these documents are also available upon written request to the Company's Secretary. The Company will post information regarding any amendment to, or waiver from, its Code of Ethics for Executive and Financial Officers and Directors on its website under the Corporate Governance section of the Investor Information page.

Many of the provisions of the Sarbanes-Oxley Act are being phased in over time and the amendments to the New York Stock Exchange listing standards have not been finalized. The Board will periodically review its corporate governance policies and practices. Based on these reviews, the Board expects to adopt changes to policies and practices that are in the best interests of the Company and as appropriate to comply with the Sarbanes-Oxley Act and any new requirements of the Securities and Exchange Commission or the New York Stock Exchange.

Board Committees

The Board has an Audit Committee, a Compensation and Option Committee and a Nominating and Governance Committee. It is the Board's policy that all of the members of these committees should be independent directors.

Audit Committee. The Audit Committee consists of Ms. Hufstedler (Chairwoman), Ms. Korologos, Mr. Meyer and Mr. Weiss. Each of the members of the Audit Committee meets the independence and financial literacy qualifications under the current New York Stock Exchange listing standards. During fiscal year 2003, the Audit Committee held four meetings.

The Audit Committee assists the Board in its oversight of the Company's financial reporting, focusing on assuring the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's auditors and the performance of the Company's internal audit function and auditors. The Audit Committee's primary responsibilities include:

acting as the direct contact with the Company's independent auditors, who are ultimately accountable to the Audit Committee and the Board;

appointing the independent auditors, setting the terms of engagement and compensation for the independent auditors and overseeing the work of the independent auditors;

pre-approving all audit and non-audit services provided to the Company by the independent auditors (except for items exempt from pre-approval requirements under applicable laws and rules); and

acting in respect of all other matters as to which Audit Committee action is required by law or New York Stock Exchange listing standards.

The Audit Committee's responsibilities and key practices are more fully described in its written charter. A report of the Audit Committee appears later in this Proxy Statement.

Compensation and Option Committee. The Compensation and Option Committee, consisting of Ms. Hufstedler (Chairwoman) and Mr. Weiss, held two meetings during fiscal year 2003. The Compensation and Option Committee assists the Board in overseeing executive compensation and administers the Company's executive bonus, option and incentive, deferred compensation and retirement plans. The Compensation and Option Committee's primary responsibilities include:

evaluating the performance of and establishing compensation for the Company's Executive Chairman and Chief Executive Officer;

establishing compensation levels for the Company's directors and executive officers and reviewing executive compensation matters generally; and

approving awards of options, restricted stock and other equity rights to executive officers.

The Compensation and Option Committee's responsibilities and key practices are discussed more fully in its charter. A report of the Compensation and Option Committee appears later in this Proxy Statement.

Nominating and Governance Committee. The Nominating and Governance Committee, consisting of Ms. Korologos (Chairwoman), Ms. Hufstedler, Mr. Meyer and Mr. Weiss, was established in June 2003, and held one meeting in fiscal year 2003. The Nominating and Governance Committee assists the Board in carrying out its oversight responsibilities relating to the composition of the Board and certain corporate governance matters. The Nominating and

Governance Committee's primary responsibilities include considering and making recommendations to the Board with respect to:

nominees for election to the Board and its committees;

committee functions;

the Company's corporate governance policies and codes of conduct; and

the performance of the Board and its committees generally.

The Nominating and Governance Committee's responsibilities and key practices are more fully described in its charter.

The Nominating and Governance Committee will consider nominees recommended by stockholders, but has no established procedures which stockholders must follow to make a recommendation. The Company's By-Laws also provide for stockholder nominations of candidates for election as directors. These provisions require such nominations to be made pursuant to timely notice (as specified in the By-Laws) in writing to the Secretary of the Company.

Director Compensation

Cash Compensation. Non-management directors receive an annual fee of \$40,000, plus \$1,500 for each committee meeting attended on a day other than the day of a Board meeting. The Company does not pay fees to directors who are officers of the Company or its subsidiaries. The Company reimburses all directors for expenses incurred in attending Board and committee meetings.

Equity-Based Compensation. The Stock Option and Incentive Plan provides that each non-management director who served during the prior fiscal year and continues to serve on the Board will receive after each Annual Meeting of Stockholders an option to purchase 3,000 shares of Common Stock. Each non-management director is also eligible for an additional option to purchase 750 shares of Common Stock if the Company achieves a return on consolidated equity for the prior fiscal year of at least 9% but less than 13%, or an additional option to purchase 1,500 shares of Common Stock if the Company achieves a return on consolidated equity of 13% or more. The exercise price of the options is the fair market value of the shares of Common Stock on the date of the grant. Each option vests at a rate of 20% per year and expires 10 years after the date of grant. For services rendered in fiscal year 2003, each non-management director received an option to purchase 3,000 shares of Common Stock under the Stock Option and Incentive Plan and will receive an option to purchase 1,500 shares of Common Stock as a result of the Company achieving the required return on consolidated equity outlined above.

Board Meetings

The Board held five meetings during fiscal year 2003. Each director attended at least 75% of the Board meetings and at least 75% of the meetings of committees on which he or she served in fiscal year 2003.

In connection with the adoption of its Corporate Governance Guidelines, the Board established a policy pursuant to which the non-management directors meet in executive session without members of the Company's management present, in connection with each regularly scheduled meeting of the full Board. These executive sessions are chaired by the non-management directors on a rotating basis. Stockholders and other interested parties may

communicate with the non-management directors directly by mail addressed to: Non-Management Directors, c/o Secretary, Harman International Industries, Incorporated, 8500 Balboa Boulevard, Northridge, California 91329. If you want the communication to be kept confidential, please mark the envelope accordingly.

REPORT OF THE COMPENSATION AND OPTION COMMITTEE

Compensation and Option Committee

The Compensation and Option Committee implements the Company's executive compensation program pursuant to authority delegated by the Board. As part of its responsibilities, the Committee establishes the compensation of the Company's executive officers and administers the Company's incentive plans and certain other benefit programs for executive officers. The members of the Committee are Ms. Hufstedler and Mr. Weiss, neither of whom is an officer or employee of the Company.

Executive Compensation Program

The Company's long-term success is dependent in part on attracting and retaining people who have demonstrated superior skill and experience. The Company's compensation programs are designed to incentivize these individuals by rewarding outstanding performance. The key elements of the Company's executive compensation program are:

base salaries determined in light of competitive pay analysis and the executive's performance during the prior fiscal year;

cash bonus awards tied to either targeted returns on shareholder equity or to Company and individual performance during the prior fiscal year; and

grants of stock options and other equity awards to align the interests of management with those of the stockholders.

Salary. Base salaries are established in light of historical practice, competitive pay data and performance reviews. The Company's competitive pay structure is built by reference to market data. Company and individual performance is reviewed at the end of each fiscal year.

In September 2002, the Committee reviewed the Company's results of operations for fiscal year 2002 and competitive pay practices data. Some of the data were obtained from surveys furnished by outside compensation consulting firms of practices among companies in the electrical and electronics industries and companies similar in size to the Company. The survey group differs from the comparison group used in the Company's stock performance graph, appearing later in this Proxy Statement under the caption "Stock Price Performance Graph," because the Committee believes that the survey group offers more reliable information on compensation practices and better represents competitors for executive officer candidates. Consistent with the Company's past practice, the Committee sought to establish base salaries for fiscal year 2003 at the 50th-75th percentile of base salaries for the survey group of companies.

Bonus. The Company maintains a key executive bonus plan that provides incentive compensation, in the form of cash bonuses, to certain executive officers, including Dr. Harman and Mr. Girod, the Company's Executive Chairman and Chief Executive Officer, respectively. This plan is administered by the Compensation and Option Committee. Under this plan, the Committee meets no later than September 28 of each fiscal year and establishes a return on shareholder equity goal for the fiscal year and the maximum cash award payable to each plan participant if that goal is met. After the end of each fiscal year, the Committee meets to determine whether the return on shareholder equity goal for the fiscal year was met. If the goal was met, the Committee may establish a cash award to be paid to each plan participant, exercising the Committee's discretion as permitted under this plan. Cash bonus awards under this plan are intended to constitute performance-based compensation for tax purposes.

Equity Based Compensation. The Company's stock option program is designed to align the interests of the Company's executive officers and key employees with those of the stockholders. The Executive Chairman makes recommendations to the Committee based upon an assessment of each executive officer's and key employee's performance and a need for further long-term performance incentives. Participants may also receive options, stock appreciation rights, restricted shares or performance units under the 2002 Stock Option and Incentive Plan. The Committee believes that equity-based incentives for key executive officers and key employees are in the best interests of the Company.

Fiscal Year 2003 Compensation for the Executive Chairman and the Chief Executive Officer

Salary. During fiscal year 2003, Dr. Harman was paid a base salary of \$950,000 and Mr. Girod was paid a base salary of \$900,000. Their salaries were based on their leadership in creating a corporate environment consistent with the Board's governance objectives, and a structure for accelerated growth in sales, earnings share value and overall results during fiscal year 2002. Their salaries were also based on the Company's historical practices and competitive pay data reviewed by the Committee.

Bonus. The Company made cash bonus awards of \$1,500,000 to Dr. Harman and \$1,400,000 to Mr. Girod for fiscal year 2003 under the Company's executive bonus plan described above.

Equity Based Compensation. In September 2002, the Committee granted to each of Dr. Harman and Mr. Girod options to purchase 75,000 shares of Common Stock at an exercise price of \$48.23 per share, the market value of the Common Stock on the date of the grant. Each option vests at a rate of 20% per year and expires 10 years after the date of grant.

This report is submitted by the members of the Compensation and Option Committee.

Shirley Mount Hufstedler
Stanley A. Weiss

13

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following table discloses compensation received by the Company's Executive Chairman, the Chief Executive Officer and the other three most highly paid executive officers for the last three fiscal years.

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation	
		Salary	Bonus	Other Annual Compensation(1)	Options Granted (shares)(2)	All Other Compensation(3)
Sidney Harman Executive Chairman of the Board	2003	\$950,000	\$1,500,000	\$169,540	75,000	\$17,000
	2002	941,667	950,000	145,976	75,000	12,450
	2001	891,667	500,000	62,356	100,000	13,750
Bernard A. Girod Vice Chairman of the Board and Chief Executive Officer	2003	900,000	1,400,000		75,000	17,000
	2002	891,667	900,000		75,000	12,450
	2001	833,333	500,000		100,000	13,750
Gregory P. Stapleton President and Chief Operating Officer	2003	800,000	1,200,000		75,000	17,000
	2002	791,667	800,000		75,000	12,450
	2001	729,167	500,000		100,000	13,750
Erich A. Geiger(4)(5) Chief Technology Officer	2003	738,873	1,600,000	84,094	40,000	11,106
Frank Meredith Executive Vice President, Chief Financial Officer and Secretary	2003	600,000	1,000,000		75,000	17,000
	2002	591,667	600,000		75,000	12,450
	2001	533,333	300,000		100,000	13,750

- (1) For Dr. Harman (a) in fiscal year 2003, includes \$96,317 relating to use of leased aircraft as authorized by the Board, (b) in fiscal year 2002, includes \$76,735 relating to the use of leased aircraft as authorized by the Board and \$37,171 relating to the use of Company-owned vehicles and (c) in fiscal year 2001, includes \$32,188 relating to the use of Company-owned vehicles. For Dr. Geiger, in fiscal year 2003, includes \$28,835 relating to life insurance benefits provided by the Company, \$14,685 relating to use of Company-owned vehicles and \$40,574 for the reimbursement of taxes relating to insurance premiums and use of Company-owned vehicles taxable to Dr. Geiger. Perquisites and other personal benefits received by the Company's other executive officers identified above in fiscal years 2003, 2002, and 2001 are not included in the Summary Compensation Table because the aggregate amount of such compensation, if any, did not meet disclosure thresholds established under the Commission's regulations.
- (2) Share amounts reflect a two-for-one stock split effective as of August 28, 2000.
- (3) For Dr. Harman, Mr. Girod, Mr. Stapleton and Mr. Meredith, the amounts shown for fiscal year 2003 include Company contributions to the Company's Retirement Savings Plan. For Dr. Geiger, the amount shown for fiscal year 2003 represents Company contributions to a pension plan on behalf of Dr. Geiger.

- (4) Dr. Geiger was designated an executive officer of the Company on September 2, 2002.
- (5) As of June 30, 2003, Dr. Geiger held 7,500 unvested shares of restricted stock valued at \$593,550 based upon a price of \$79.14, the closing market price of the shares of Common Stock on June 30, 2003.

Option Grants in Last Fiscal Year

The following table shows grants of stock options during fiscal year 2003 to each of the named executive officers.

Name	Number of Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year	Per Share Exercise Price	Expiration Date	Grant Date Present Value(2)
Sidney Harman	75,000	10.8%	\$48.23	9/24/12	\$1,960,215
Bernard A. Girod	75,000	10.8%	48.23	9/24/12	1,960,215
Gregory P. Stapleton	75,000	10.8%	48.23	9/24/12	1,960,215
Erich A. Geiger	40,000	5.8%	48.23	9/24/12	1,045,448
Frank Meredith	75,000	10.8%	48.23	9/24/12	1,960,215

- (1) Represents stock options granted on September 24, 2002. The exercise price was the market value of the Common Stock on the date of grant. Commencing one year from the date of grant, the options vest annually at a rate of 20%.
- (2) Based on the Black-Scholes option price model, which requires assumptions to be made about the future changes in the price of the Company's Common Stock. The Company used the following assumptions to estimate the Grant Date Present Value: (a) an estimated dividend yield of \$0.10 per share; (b) an estimated risk-free interest rate of 3.0%; (c) an estimated volatility of 60%; and (d) an option term of 5.4 years representing the estimated period from time of vesting until exercise of the options. There is no assurance that the actual value realized by an executive officer will equal the amount estimated based upon the Black-Scholes option pricing model.

Option/ SAR Exercises in Last Fiscal Year and Fiscal Year-End Option Values

For each of the named executive officers, the following table shows stock options and stock appreciation rights exercised during fiscal year 2003 and the value of unexercised options as of June 30, 2003.

Name	Number of Shares Acquired On Exercise	Value Realized(1)	Number of Unexercised Options At Fiscal Year-End		Value of Unexercised In-the-Money Options At Fiscal Year-End(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Sidney Harman	682,500	\$42,527,050	430,000	235,000	\$24,114,662	\$10,004,750
Bernard A. Girod	4,826	179,340	260,756	235,000	14,521,801	10,004,750
Gregory P. Stapleton	8,602	329,381	263,304	235,000	14,648,824	10,004,750
Erich A. Geiger	39,334	1,987,641	40,000	104,000	2,198,850	4,771,860
Frank Meredith	4,778	146,927	129,990	235,000	6,845,356	10,004,750

- (1) Based on the difference between the market price of the Common Stock on the date of exercise and the relevant exercise price.
- (2) Based on the difference between \$79.14 (the closing price of the Common Stock on June 30, 2003) and the exercise price of the options.

Deferred Compensation Plan

The Company's Deferred Compensation Plan provides supplemental retirement benefits for executive officers designated by the Deferred Compensation Plan's administrative committee. The Compensation and Option Committee administers the Deferred Compensation Plan. Prior to the beginning of each fiscal year, each plan participant may elect to defer up to 100% of his or her annual base salary and bonus on a pre-tax basis to a deferral account. These amounts are always fully vested, subject to a 10% penalty on any unscheduled withdrawals. The Company may decide to make contributions on a pre-tax basis to a plan participant's account, subject to a vesting schedule. In the event of a change in control of the Company, any unvested amounts vest immediately and the Company indemnifies the plan participant for any expense incurred in enforcing his or her rights under the Deferred Compensation Plan.

Plan participants specify that portion of their accounts to be deemed invested in designated benchmark funds. The Company credits earnings to the accounts based on the rate of return of the designated funds. Upon retirement or termination of employment other than due to death, plan participants may receive their account balances in the form of a lump-sum payment or in annual installments. In the event of death prior to the commencement of benefits or during payment of installments, the balances in a plan participant's vested accounts as of the date of death are payable to the plan participant's beneficiaries.

Supplemental Executive Retirement Plan

The Company's Supplemental Executive Retirement Plan (Supplemental Plan) provides supplemental retirement, termination and death benefits to key executive officers designated by the Board. The Compensation and Option Committee administers the Supplemental Plan. Dr. Harman and Messrs. Girod, Stapleton and Meredith have been designated as Supplemental Plan participants. As of August 1, 2003, Dr. Geiger was not designated as a participant in the Supplemental Plan. Dr. Harman has 23 years, Mr. Girod 16 years, Mr. Stapleton 15 years and Mr. Meredith 18 years of service credited under the Supplemental Plan. All Supplemental Plan benefits are subject to deductions for Social Security and federal, state and local taxes.

Retirement Benefit. Retirement benefits are based on the average of the participant's highest cash compensation (base salary and bonus) during any five consecutive years of employment by the Company (Average Cash Compensation). Participants retiring at age 65 or older receive an annual retirement benefit equal to either (a) 3 1/3% of Average Cash Compensation per year of service up to a maximum of 50%, or (b) 2% of Average Cash Compensation per year of service up to a maximum of 30%, as designated by the Company. Each of the named executive officers, other than Dr. Geiger, has been designated as a participant entitled to receive an annual retirement benefit of up to 50% of Average Cash Compensation. If a participant's employment is terminated for any reason other than death within three years after a change in control of the Company, the participant vests with the maximum designated retirement benefit regardless of age or years of service and the Company indemnifies the participant for any expense incurred in enforcing the participant's rights in the retirement benefit under the Supplemental Plan. Unless another form of payment is approved by the administrative committee for the Supplemental Plan, benefits are payable monthly in the form of a life annuity. If the participant dies after benefits have commenced but prior to receiving 10 years of benefits, they are paid to the participant's beneficiary for the remainder of that period.

The following table sets forth the annual maximum retirement benefits that would be received under the Supplemental Plan at the specified Average Cash Compensation levels after the specified years of service:

Remuneration	Years of Service				
	3	6	9	12	15
750,000	75,000	150,000	225,000	300,000	375,000
1,000,000	100,000	200,000	300,000	400,000	500,000
1,250,000	125,000	250,000	375,000	500,000	625,000
1,500,000	150,000	300,000	450,000	600,000	750,000
1,750,000	175,000	350,000	525,000	700,000	875,000
2,000,000	200,000	400,000	600,000	800,000	1,000,000
2,250,000	225,000	450,000	675,000		