

Fiscal 2004 First Half Business Results

October 27, 2003

Victor Company of Japan, Ltd.

1. Decrease of net sales, keeping increase of operating income and net income

Operating income : ¥10.3bil. (Initial forecast on April 25: ¥9.0bil./1H FY03: ¥8.9bil./vs FY03 115%)

Net income : ¥3.5bil. (Initial forecast on April 25: ¥3.0bil. /1H FY03: ¥1.4bil. /vs FY03 253%)

Increase sales of Software&Media business

(Result:¥2.4bil./1H FY03:¥0.6bil./¥1.8bil.of improvement vs FY03)

2. Difficulty in consumer electronics business in US and Japan

US: Good result in DVC (136% vs FY03), but slow down in CRT TV (55% vs FY03)

Japan: Some recovery with new products introduction but the slow down of analog products was much greater than expected..

3. Slump in Components & Devices business

Operating income : -¥1.2bil. (1H FY03: ¥0.0bil./change for the worse by -¥1.2bil. vs FY03)

1H FY2004 Consolidated Financial Results

(Consolidated)

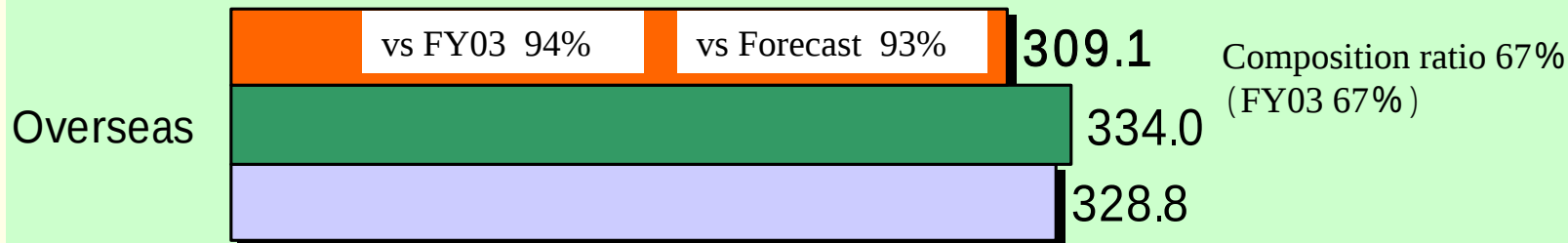
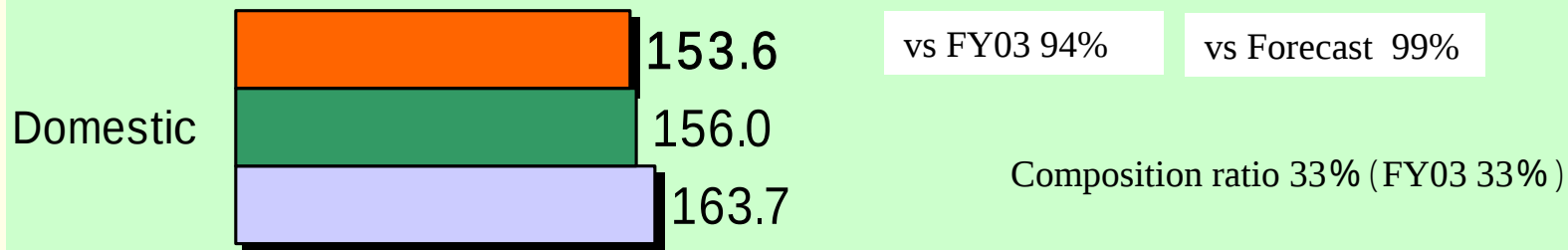
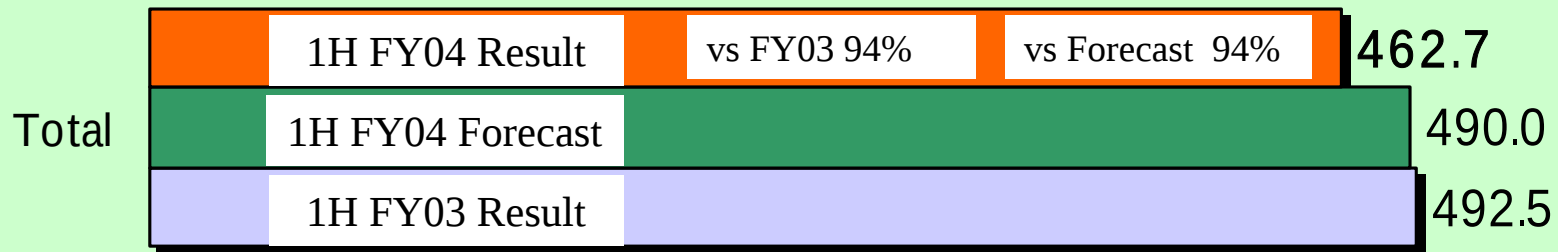
(¥bil.)

	Result	Apr.25 forecast	FY03 result	Change vs forecast	Change vs FY03 result
Net sales	462.7	490.0	492.5	94%	94%
Operating income	2.2% 10.3	1.8% 9.0	1.8% 8.9	1.3	1.3
Ordinary income	1.6% 7.3	1.4% 6.8	1.2% 6.0	0.5	1.3
Net income	0.8% 3.5	0.6% 3.0	0.3% 1.4	0.5	2.1

(Parent)

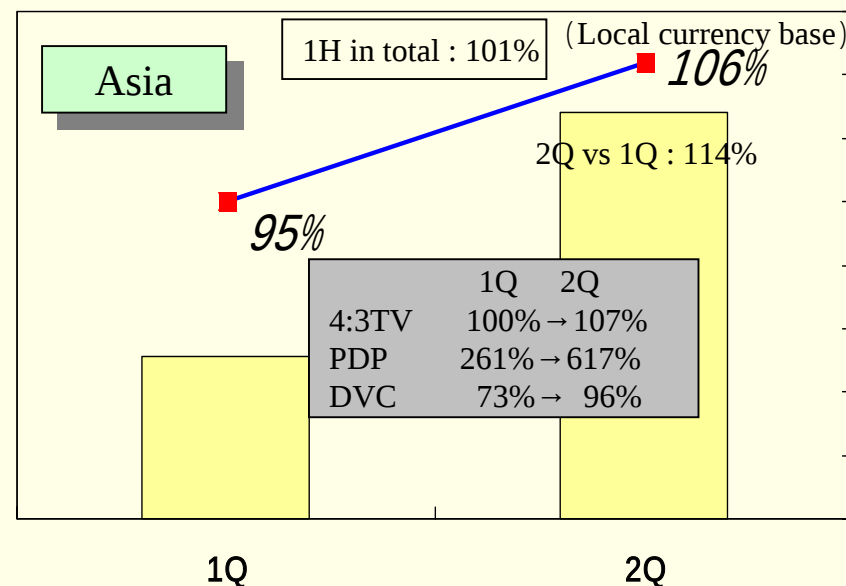
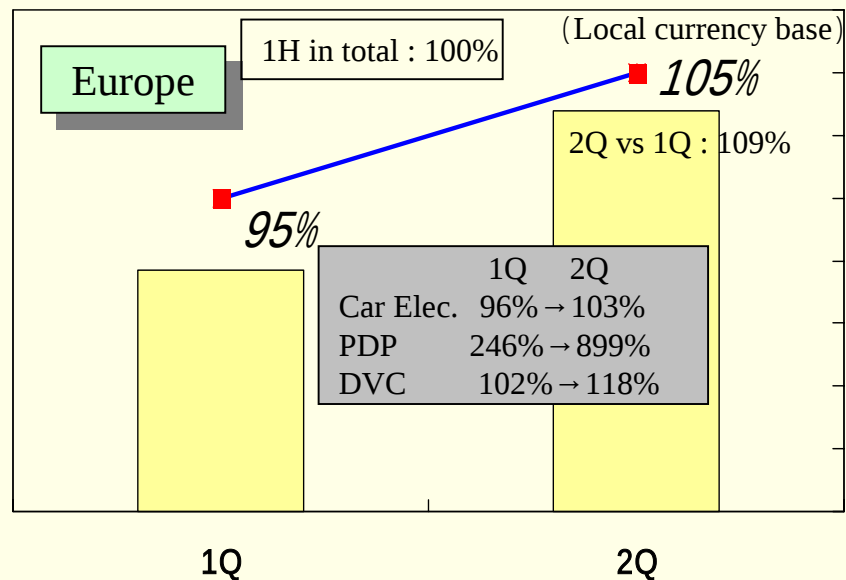
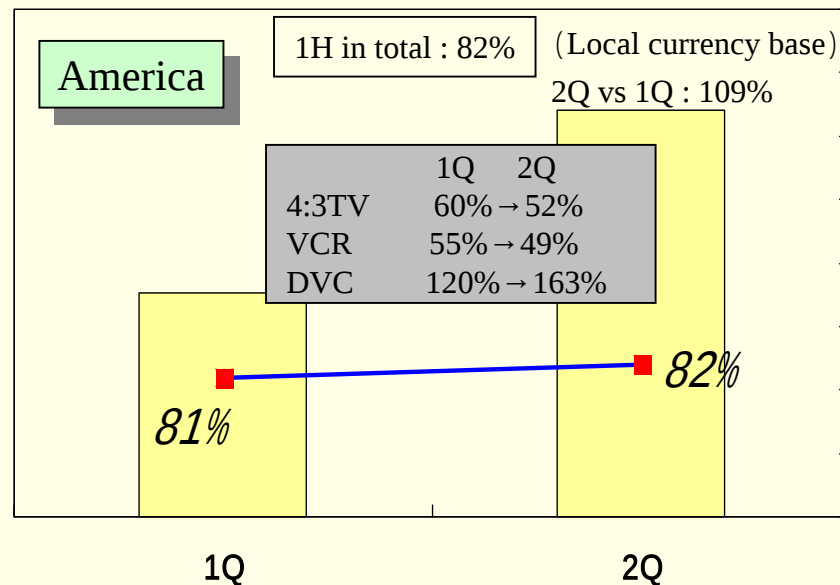
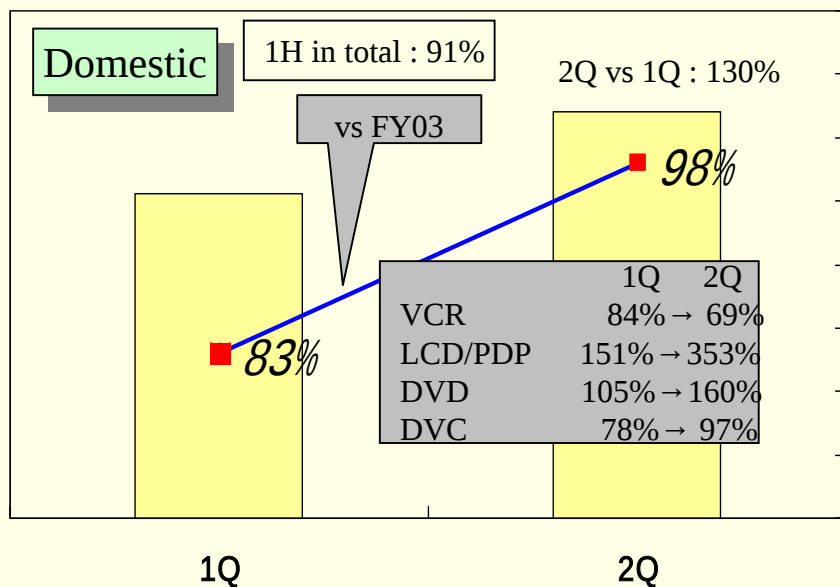
	Result	Apr.25 forecast	FY03 result	Change vs forecast	Change vs FY03 result
Net sales	254.3	250.5	276.5	102%	92%
Operating income	2.5% 6.4	1.8% 4.5	1.6% 4.5	1.9	1.9
Ordinary income	2.1% 5.3	1.8% 4.4	1.4% 3.8	0.9	1.5
Net income	1.5% 3.9	1.3% 3.3	0.7% 1.9	0.6	2.0

Sales Breakdown



Exch. rate	1H FY04	1H FY03
US \$	¥118	¥123
EUR	¥133	¥117

Consumer Electronics Sales Results (comparison)



Breakdown of Change in Operating Income (vs 1H FY03)

(¥bil.)

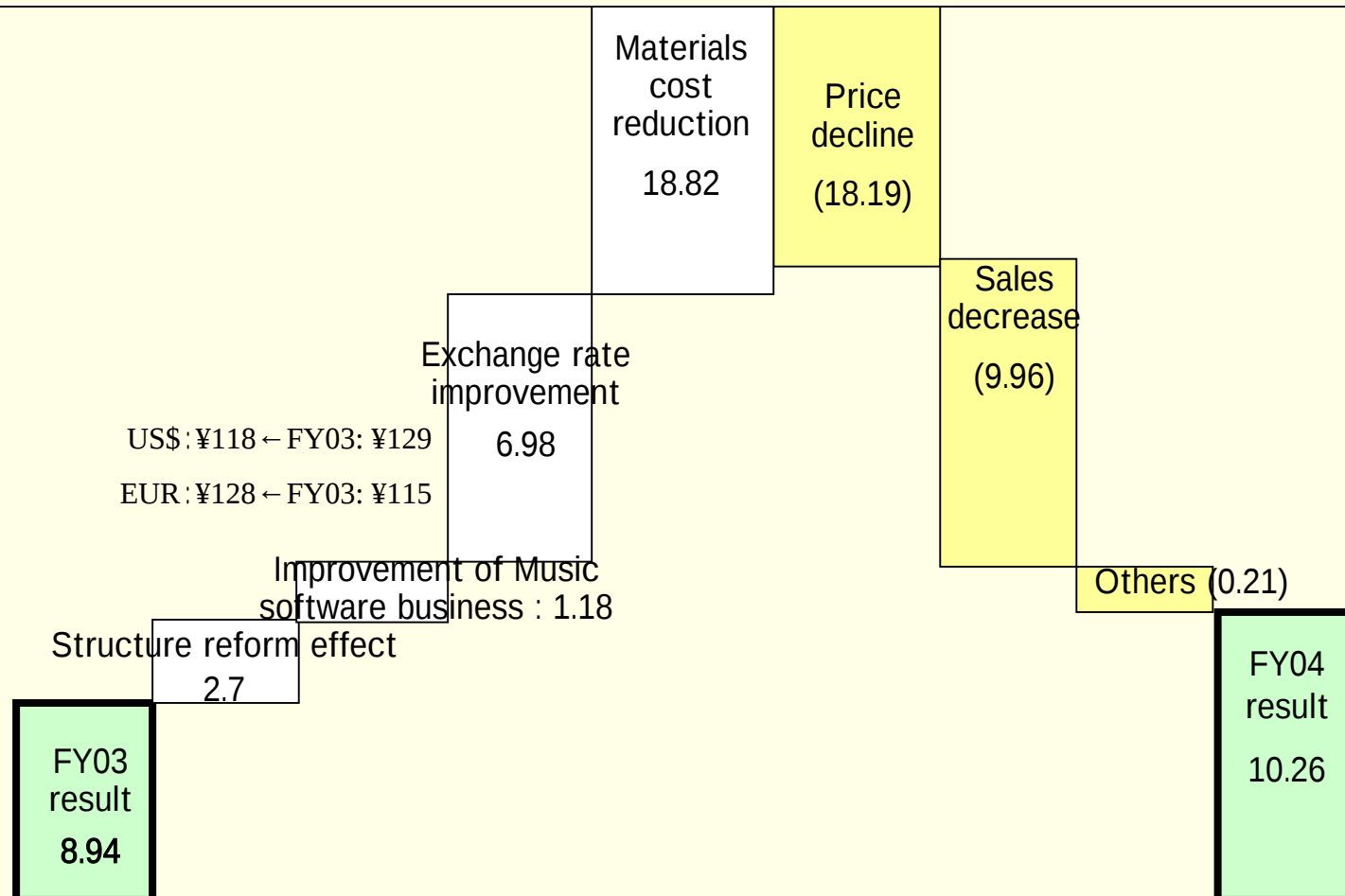
FY03
¥8.94

FY04
¥10.26

Positive factors

Negative factors

Balance from FY03: ¥ + 1.32bil.



Operating Income by Segment

[by business domain]

(¥bil.)

	1Q			2Q			1H		
	Result	FY03	Change vs FY03	Result	FY03	Change vs FY03	Result	FY03	Change vs FY03
Consumer Electronics	4.1	5.5	(1.4)	6.5	5.4	1.1	10.6	10.9	(0.3)
Professional Electronics	(1.8)	(2.2)	0.4	0.6	(0.2)	0.8	(1.2)	(2.4)	1.2
Components & Devices	(0.3)	(0.2)	(0.1)	(0.9)	0.2	(1.1)	(1.2)	0.0	(1.2)
Software & Media	0.6	(0.8)	1.4	1.8	1.4	0.4	2.4	0.6	1.8

[by region]

(¥bil.)

	1Q			2Q			1H		
	Result	FY03	Change vs FY03	Result	FY03	Change vs FY03	Result	FY03	Change vs FY03
Japan	2.6	0.8	1.8	6.6	6.3	0.3	9.2	7.1	2.1
America	(0.6)	0.2	(0.8)	(1.7)	0.9	(2.6)	(2.3)	1.1	(3.4)
Europe	0.9	1.1	(0.2)	2.4	1.2	1.2	3.3	2.3	1.0
Asia	0.5	1.0	(0.5)	1.8	1.2	0.6	2.3	2.2	0.1

Operating Income by Segment

[by business sector]

(¥bil.)

	1Q			2Q			1H		
	Result	FY03	Change vs FY03	Result	FY03	Change vs FY03	Result	FY03	Change vs FY03
Consumer Electronics	4.1	5.5	(1.4)	6.5	5.4	1.1	10.6	10.9	(0.3)
Professional Electronics	(1.8)	(2.2)	0.4	0.6	(0.2)	0.8	(1.2)	(2.4)	1.2
Components & Devices	(0.3)	(0.2)	(0.1)	(0.9)	0.2	(1.1)	(1.2)	0.0	(1.2)
Software & Media	0.6	(0.8)	1.4	1.8	1.4	0.4	2.4	0.6	1.8

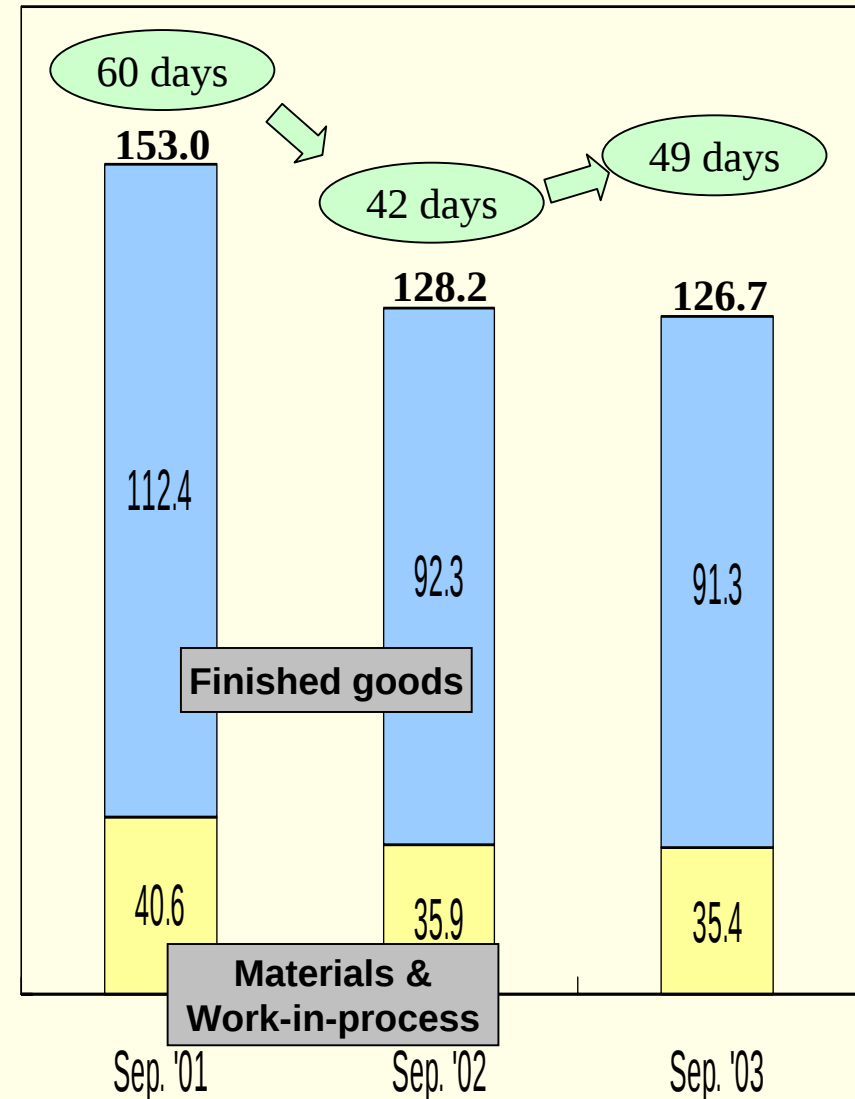
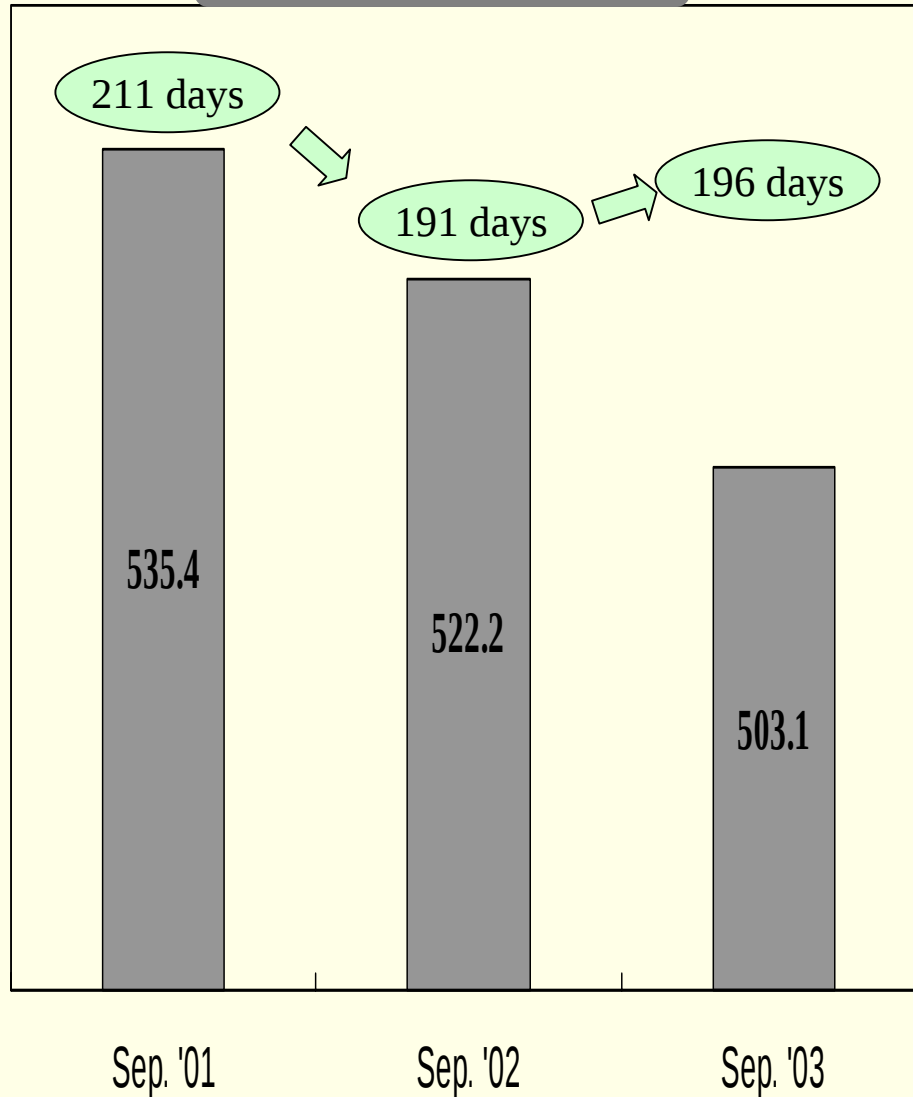
Trends in Assets

Gross Assets

Exch. rate	2001/9	2002/9	2003/9
US \$	119	123	111
EUR	109	120	129

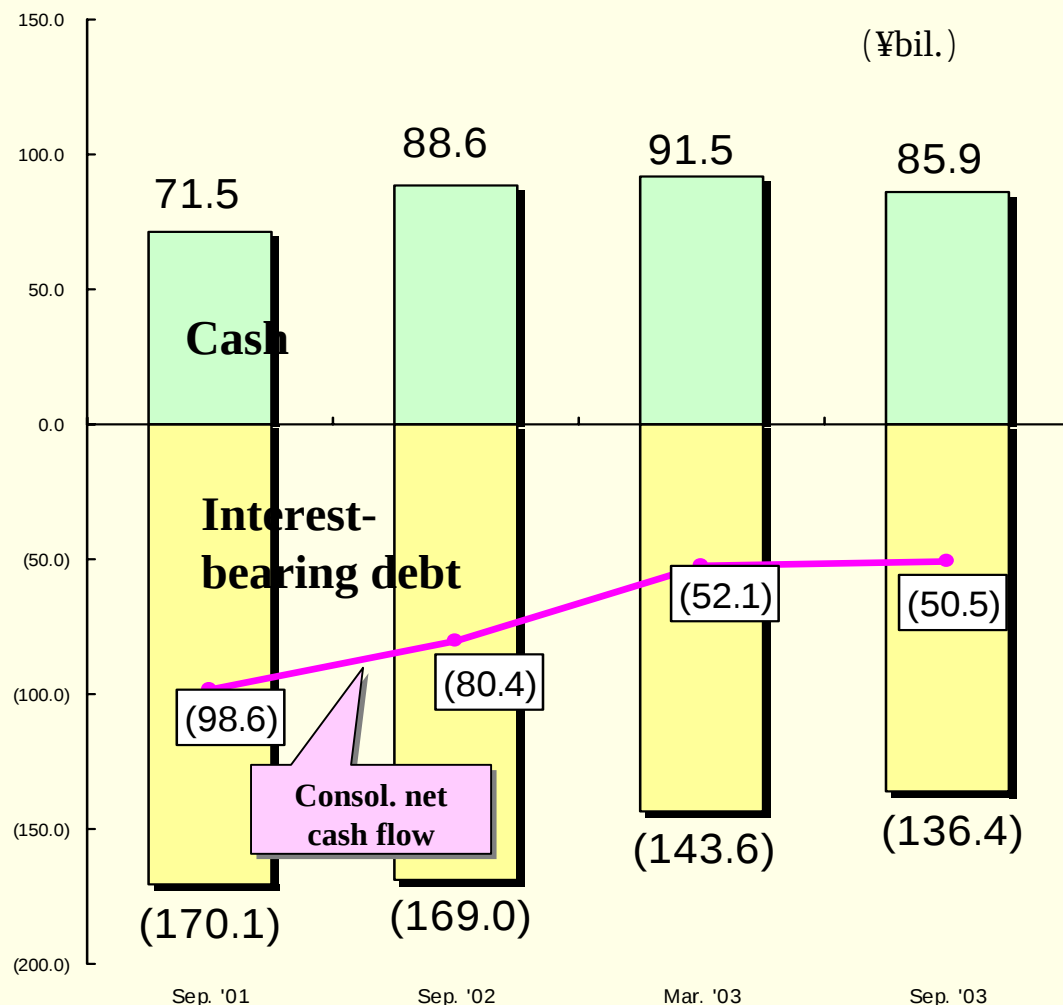
Inventory

(¥bil.)



Cash flow statement (consol.)

	Pre-tax income	6.4
	Depreciation	10.1
	Inventory assets	(18.0)
	Improvement of operating cash flow	5.9
	Others	4.8
	C/F from operating activities	9.2
	Capital assets	(10.1)
	Others	7.6
	C/F from investing activities	(2.5)
	Free cash flow	6.7
	Redemption of debenture	(6.3)
	Others	(0.1)
	C/F from financing activities	(6.4)
	Other adjustments	0.3
	Net profit in cash	0.6
	Cash and cash equivalents at beginning of the year	83.4
	Cash and cash equivalents at end of semester	84.0



	FY2003	1H FY2004	(¥bil.)
Investment	13.0	7.5	
Depreciation	15.1	6.1	(w/o mold cost)

FY March 2004 Business Result

Same as announced on April 25

(¥bil.)

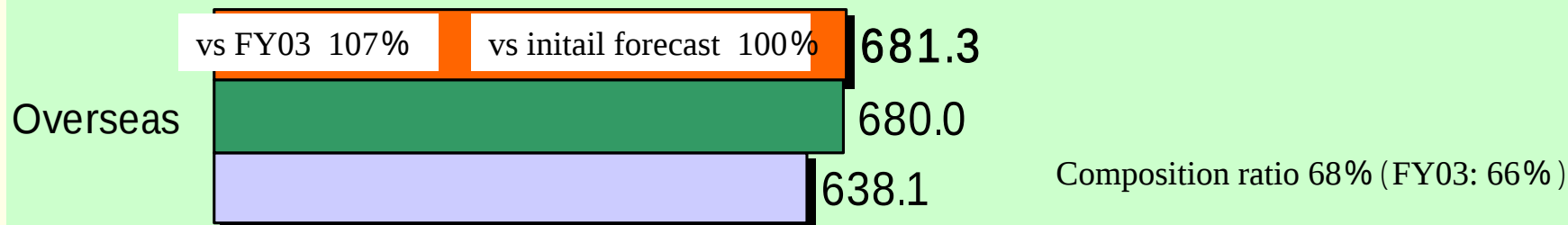
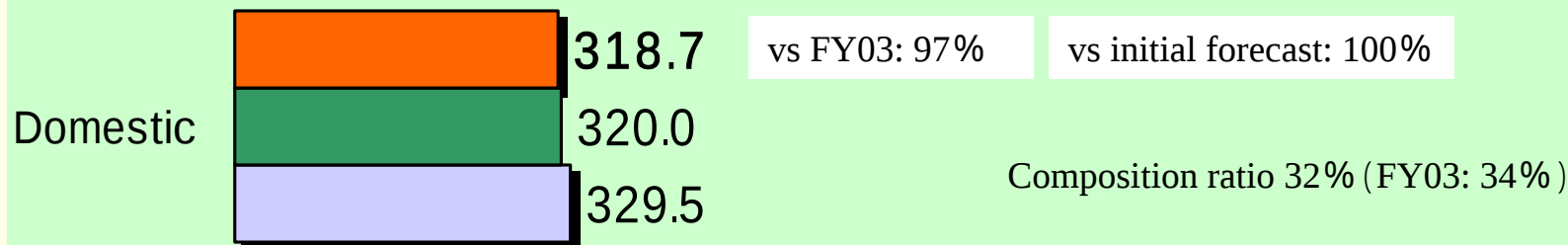
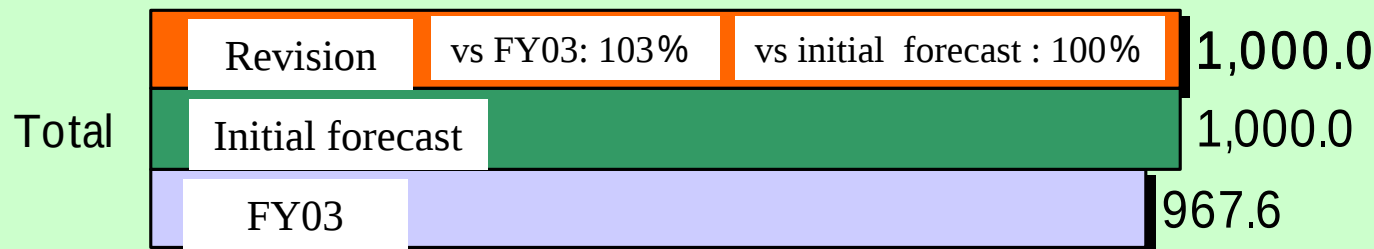
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	Forecast	Initial forecast announced on Apr. 25	Change from initial forecast	Change from FY03	FY03 result
Net sales	1,000.0	1,000.0	100%	103%	967.6
Operating income	2.5% 25.0	2.5% 25.0	0.0	2.7	2.3% 22.3
Ordinary income	2.0% 20.0	2.0% 20.0	0.0	2.7	1.8% 17.3
Net income	1.1% 11.0	1.1% 11.0	0.0	4.7	0.7% 6.3

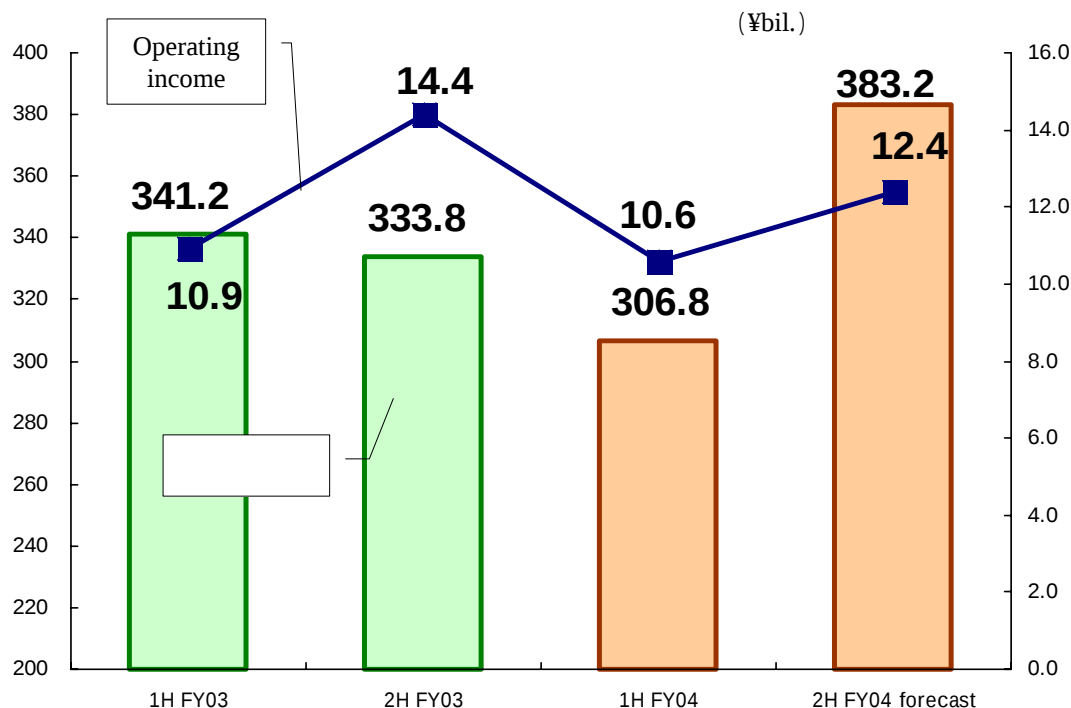
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	Forecast	Initial forecast announced on Apr. 25	Change from initial forecast	Change from FY03	FY03 result
Net sales	526.9	526.9	100%	101%	522.8
Operating income	1.7% 9.0	1.7% 9.0	0.0	1.7	1.4% 7.3
Ordinary income	1.7% 8.7	1.7% 8.7	0.0	2.9	1.1% 5.8
Net income	1.2% 6.5	1.2% 6.5	0.0	4.3	0.4% 2.2

FY March 2004 Sales Forecast



Consumer Electronics Business Overview



■ 1H sales result

Domestic	51.7	58.0	89%	91%
Overseas	255.1	279.5	91%	90%
Total	306.8	337.5	91%	90%

vs FY03 (Overseas based on local currency)

Domestic: Flat display 254% · DVD player/recorder 137% · VCR 48%

America: 4:3TV 55% · Projection TV 165% · VCR 52% · DVC 136%

Europe: DVD 132% · PDP 425% · DVC 109% · VCR 51%

■ Positive/negative factors on operating income in 1H FY04 (vs FY03)

【Positive factors】

- Cost reduction improvement
- Exchange rate improvement

【Negative factors】

- Price declines
- Sales target not achieved

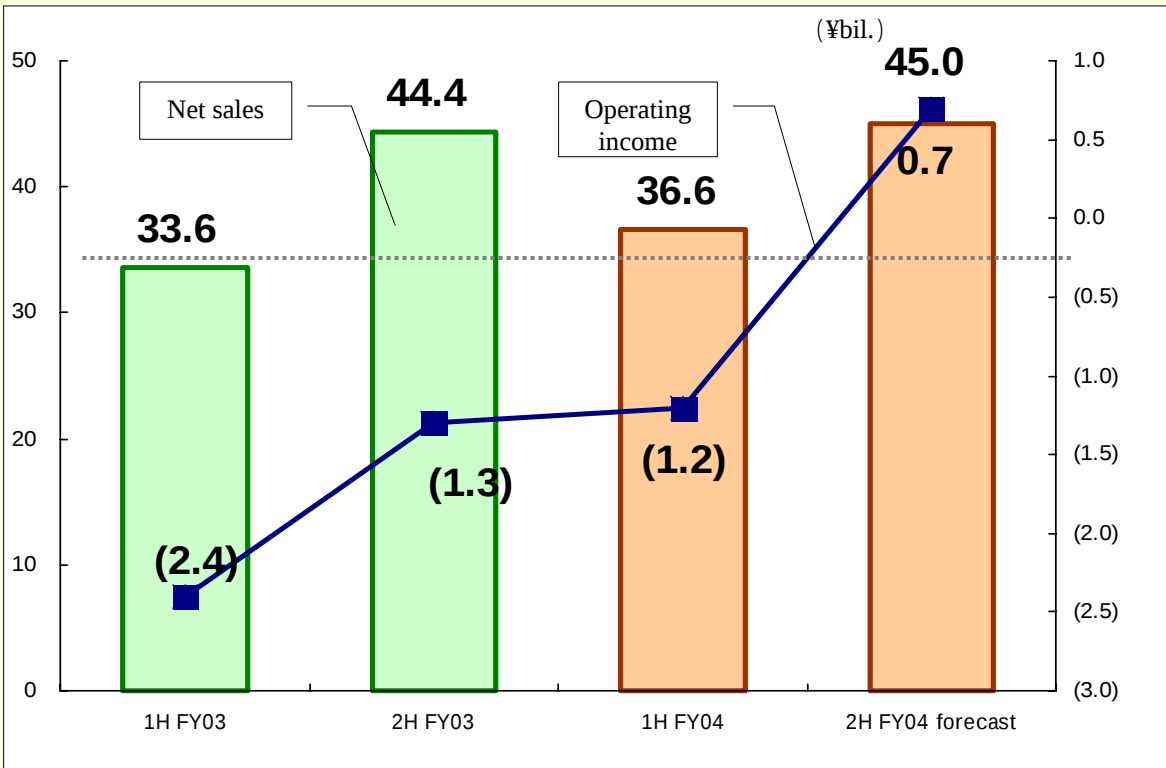
■ Goals for 2H FY04

•Domestic: "Only One" products lineup reinforcement for further sales expansion

•America: Sales expansion in regional AV retailers and reinforcement of digital TV strategy

•Europe: Introduction of new product lineups (LCD TV/DVD recorders)

	FY04 forecast	FY04 initial forecast	FY03 result	vs FY04 initial forecast	vs FY03
Net sales	690.0	700.0	675.0	99%	102%
Operating income	3.3% 23.0	3.1% 22.0	3.7% 25.3	1.0	(2.3)



■ 1H sales result

	Result	Forecast	Achievement	vs FY03
Domestic	22.8	23.5	97%	103%
Overseas	13.8	14.5	95%	121%
Total	36.6	38.0	96%	109%

vs FY03 (Overseas based on local currency)

Domestic : Security 101% · Presentation 102%

Overseas : Security 81% · Presentation 109%

■ Positive/negative factors on operating income in 1H FY04 (vs FY03)

【Positive factors】

- Sales increase
- Cost reduction improvement

【Negative factors】

- Price declines

	FY04 forecast	FY04 initial forecast	FY03 result	vs FY04 initial forecast	vs FY03
Net sales	81.6	78.0	71.0	105%	115%
Operating income	-0.6% (0.5)	-1.3% (1.0)	-5.2% (3.7)	0.5	3.2

■ Goals for 2H FY04

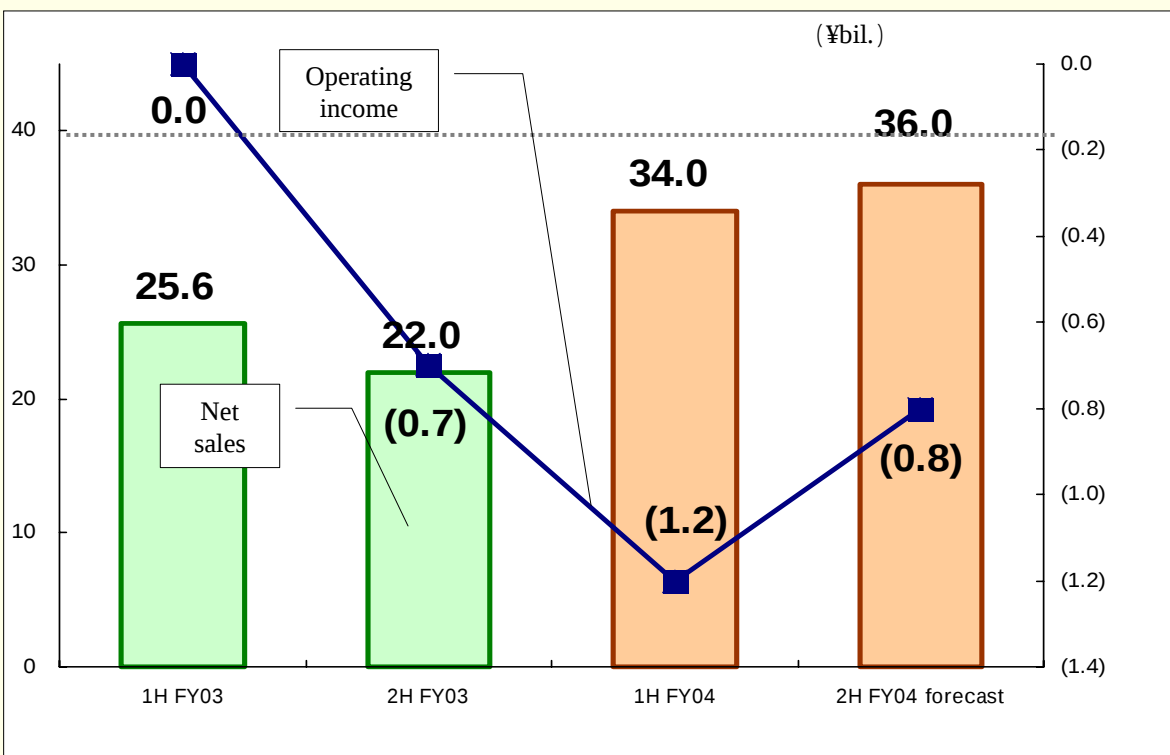
• To secure sales :

- by introducing new products
- by accelerating receiving orders

• To further improve cost reduction

- by promoting design engineering

Components & Devices Business Overview



■ 1H sales result

	Result	Forecast	Achievement	vs FY03
Domestic	1.8	2.0	90%	90%
Overseas	32.2	33.0	98%	136%
Total	34.0	35.0	97%	133%

vs FY03 : excluding newly consolidated company : 70%

Motor 94% · Deflection yoke 60% · Circuit 111% ·

Optical pickup 67%

■ Positive/negative factors on operating income in 1HF FY04 (vs FY03)

【Positive factors】

- Cost reduction improvement
- Structure reform, reduction of fixed charges

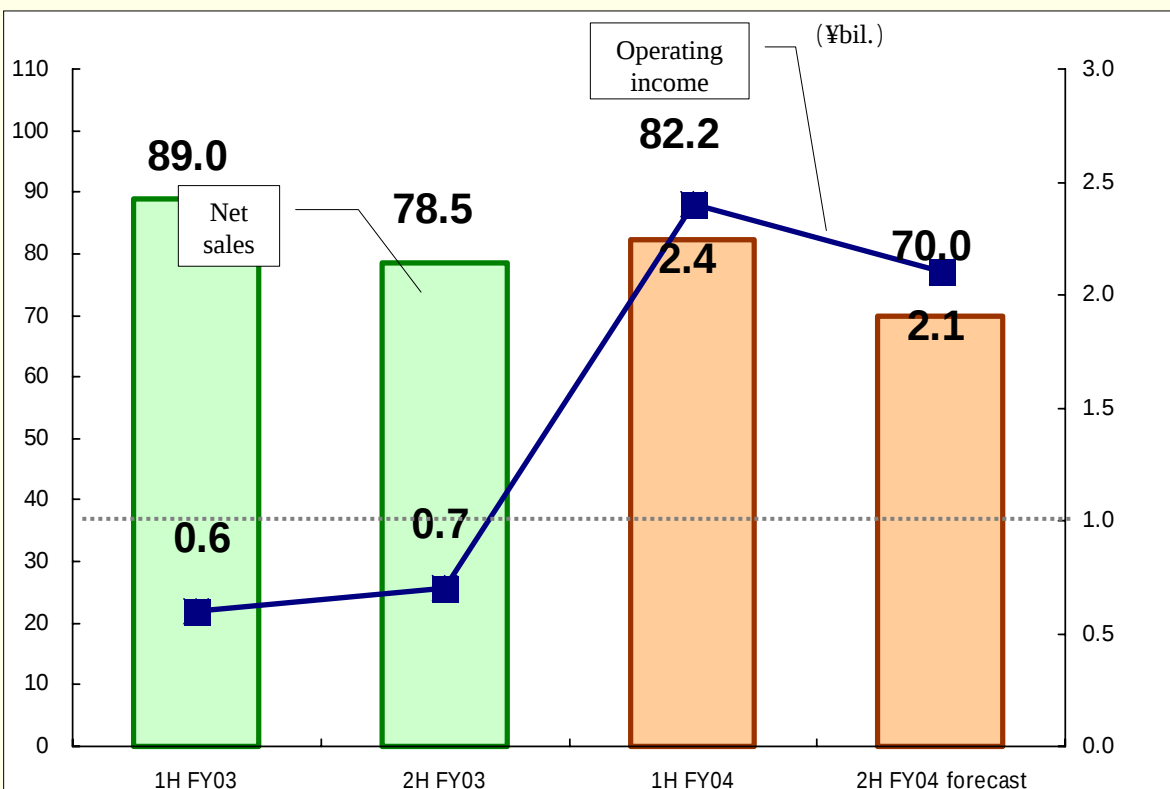
【Negative factors】

- Sales decrease when excluding newly consolidated company
- Price declines

■ Goals for 2H FY04

- Restoration of manufacturing organization to be ready for the sales expansion :
 - by establishing FDB motors manufacturing system
 - by reinforcing circuit manufacturing organization

	FY04 forecast	FY04 initial forecast	FY03 result	vs FY04 initial forecast	vs FY03
Net sales	70.0	72.0	47.6	97%	147%
Operating income	-2.9% (2.0)	1.4% 1.0	-1.5% (0.7)	(3.0)	(1.3)



■ 1H sales result

	Result	Forecast	Achievement	vs FY03
Domestic	74.4	70.0	106%	94%
Overseas	7.8	7.0	111%	82%
Total	82.2	77.0	107%	92%

Music software market reduced by 14% vs previous year

■ Positive/negative factors on operating income in 1HFY04 (vs FY03)

【Positive factors】

- Achievement of recording media sales target
- Music business improvement
- Cost reduction improvement

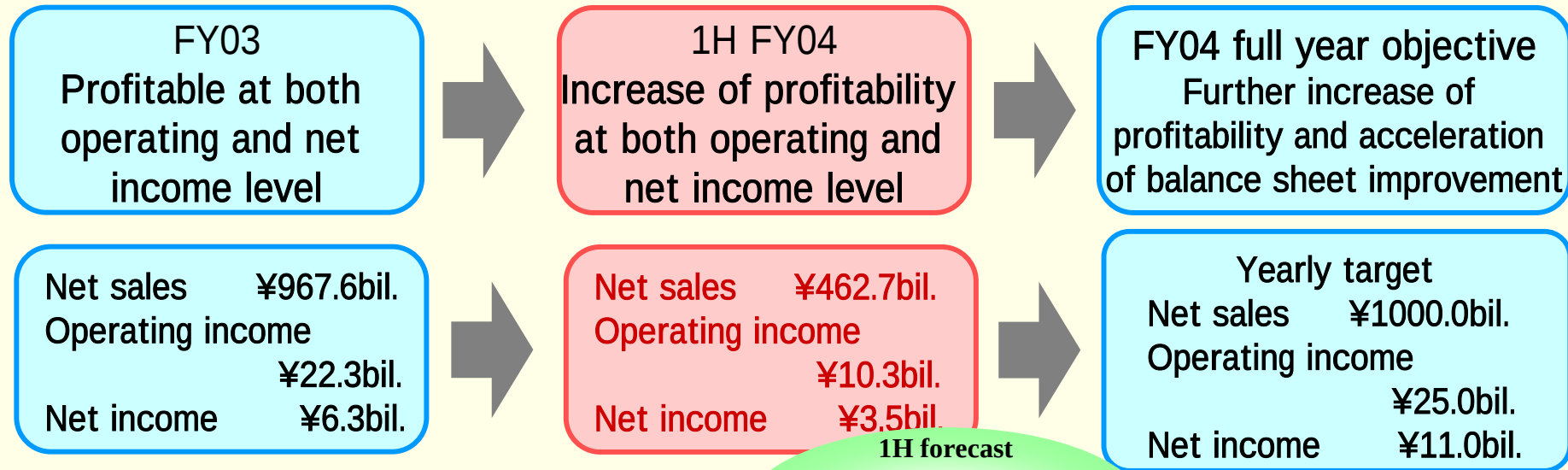
【Negative factors】

- Price declines

■ Goals for 2H FY04

- Reinforcement of value-chain management
- Countermeasure against price declines
DVC tape · DVD recordable disk
- Sales expansion of recording media
by widening number of dealers

	FY04 forecast	FY04 initial forecast	FY03 result	vs FY04 initial forecast	vs FY03
Net sales	152.2	145.0	167.5	105%	91%
Operating income	3.0% 4.5	2.1% 3.0	0.8% 1.3	1.5	3.2



FY04 basic policy

- To further penetrate reform of awareness of the company's revitalization and to proceed business structure reform
- To improve market share with "Only One" products of five priority business areas and to improve brand value
- To keep on increasing sales and operating income, to improve rating and to accelerate raising funds and improving balance sheet

FY04 Objectives

Progress in 1H

Cost

reduction

Key supplier strategy for stable key devices procurement
Actively promotion of undertaking subjects since FY03
(Value engineering activity/reduction of domestic suppliers/development and procurement of Chinese devices)
Global procurement cost down of ¥37.1bil.

Stable key devices procurement
→ Reinforcement of partnership with suppliers & reduction of number of manufacturers
Development of Chinese devices
→ Establishment of Chinese parts laboratory in Shanghai
Value engineering activity & procurement cost reduction → 1H result : ¥18.8bil.

Manu-

facturing reform

Further promotion of design process reform(second year)
Acceleration of “mother base of product manufacturing” project
Reinforcement of mass production technology

Introduction of scientific method in progress
Transfer of DVC/home theater production to overseas in progress
In progress with cross functional team activity

Logistics reform

Implementation of reduction of logistics bases
· America: 5 in Mar. 02, 4 in Mar. 04 and 3 within FY05
· Europe: Unification of logistics bases for professional electronics products in order to gather inventory of three sales companies into one
· Japan: Reduction of 9 warehouses in Yokohama area to 3
Commencement of logistics reform for consumer electronics products

Reduction of logistics bases in progress as scheduled
· America: new logistics base in western area in operation from Jun. '03
· Europe: Inventory transfer in progress
· Japan: New warehouse in Yokohama in operation in Jul. '03
Organization of full-time operation team in the AV & Multimedia company (four persons)

SCM

structure

SCM system for consumer electronics in operation
/high turnover management by weekly job control
Target: May 03 to start with four factories in Japan and in Asia
Sep. 03 to start six factories in America, Europe and Asia
(completion with all factories for consumer electronics)

In May starts SCM with DVD
In Jul. with CTV in America
In 2H with six categories in target

“Only One” Products from 2H onwards (1)

Lineup for 1H



PDP

50V model to be newly introduced
Ready for digital terrestrial broadcasting
JVC original high quality picture technology “new D.I.S.T.”
High quality sound
“new DD speaker & subwoofer”

Lineup for 2H



Hi-Vision broadcast
+ Digital terrestrial broadcast
+ B S · C S broadcast



Hi-Vision broadcast
+ Digital terrestrial broadcast
+ B S · C S broadcast



To increase market share with wider lineup in 2H

LCD TV

Lineup reinforcement by adding three new models
All models ready for Hi-Vision
“New D.I.S.T” and
“Oblique cone speaker”*



*) 26V/32V only

Lineup for 1H



Multi-format ready
DVD recorder



Successful "GR-D200"



DD speakers and
digital amp equipped
MD system

DVD recorder

Reinforcement of lineup
by adding hybrid products

Multi-format ready, inheriting
high quality picture and sound
philosophy

Camcorder

Further growth with
D200 successor models

Audio

Ceaseless quest for high quality
sound by a company sticking
with sound as a core business

New products in 2H



DVD recorder
with HDD



DVD recorder
with VHS



GR-D200 successor



Mini system equipped with
wood-cone speakers



Micro system equipped with
DVD & double MD

The Perfect Experience

**To create truly moving experience
and provide total satisfaction for our customers**

Using our superior technologies to create new products, JVC promises to:

- inspire people
- expand the possibilities for creative expression
- provide customers with the potential for personal enrichment
- provide customers with a lifetime of satisfaction