

FY2004 (year ended March 31, 2004)

Business Results



私たちのすべての企業活動が、お客様に最高の感動を提供するためのものであること。
私たちのすべての仕事、お客様に喜びと満足を経験していただくためのものであること。
それがビクター・JVCの目指している姿です。

そのために私たちビクター・JVCの一人ひとりが、お客様のために何ができるのかを考えて行動する。

The Perfect Experienceは、ビクター・JVCがお客様に対して結んだ約束です。

The Perfect Experience

お客様に最高の感動と100%の満足を



28 April, 2004

Victor Company of Japan, Ltd.



1. Operating income increase for second consecutive year

13% increase compared to FY03

Secure increase in consumer electronics business

Software & Media business making stable progress

2. Free cash flow over yen20bil. for third consecutive year

(FY02: 22.5bil.Yen / FY03: 23.3bil.Yen / FY04: 24.9bil.Yen)

Big improvement in net cash (Mar.2003 52.1bil.Yen → Mar.2004 31.2bil.Yen,
Improvement of 20.9bil.Yen)

3. Inventory increase

Increase in both amount and total number of days compared to previous year

(amount: 129.9bil. Yen, Increase of 18.6bil. Yen

total number of days: 51 days, increase of 9 days)

FY2004 Business Results (consolidated)

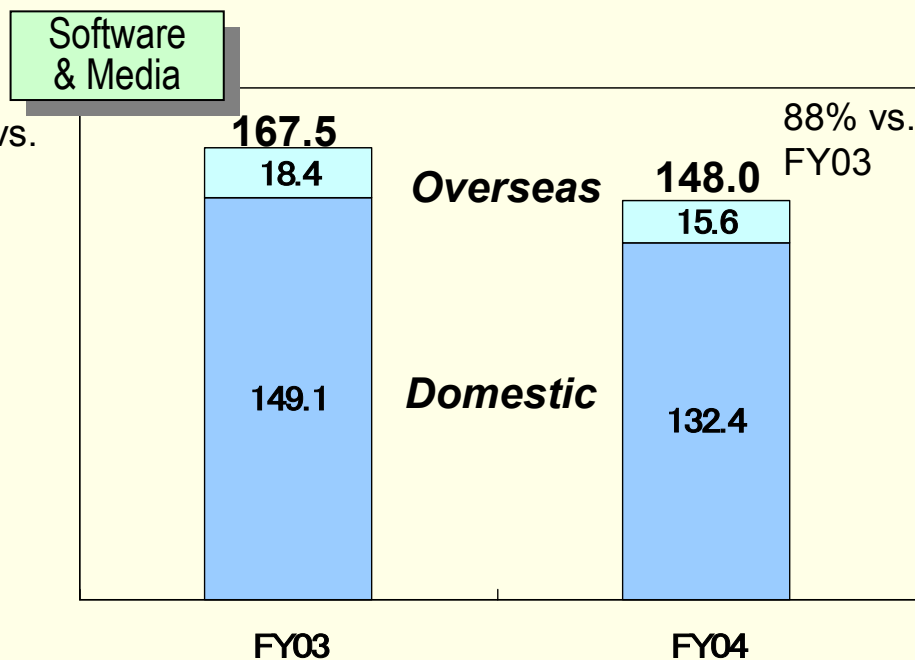
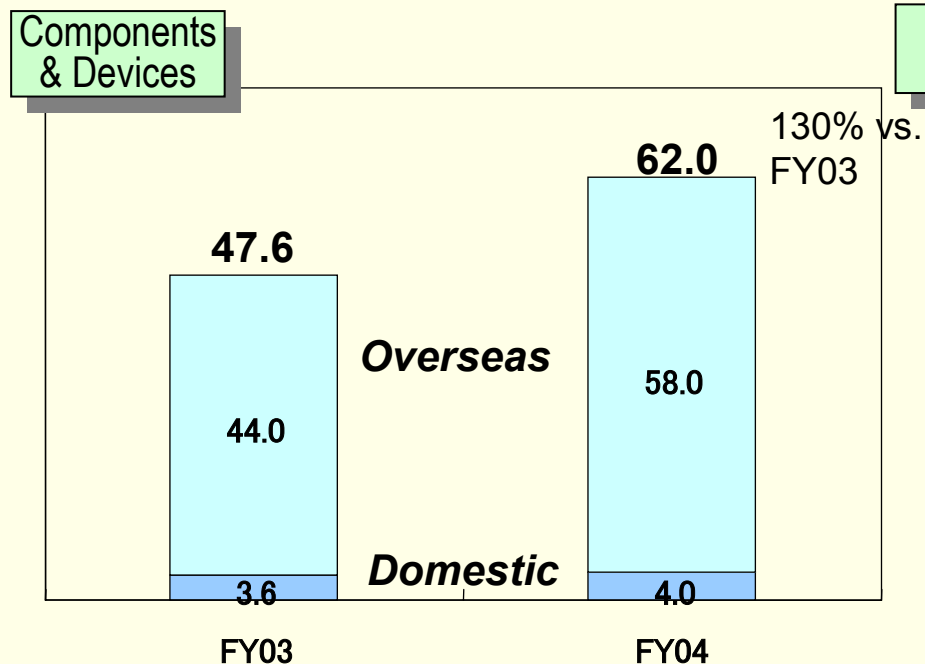
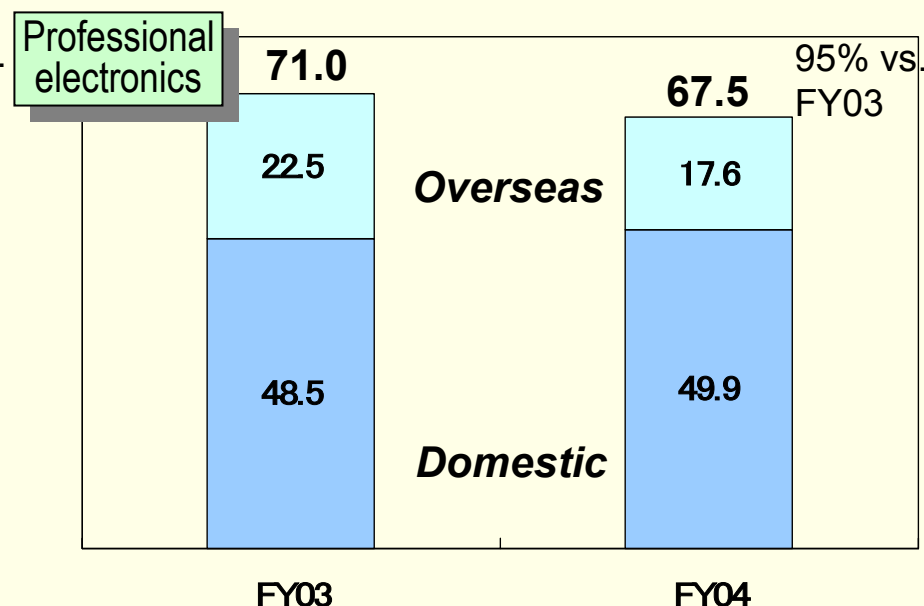
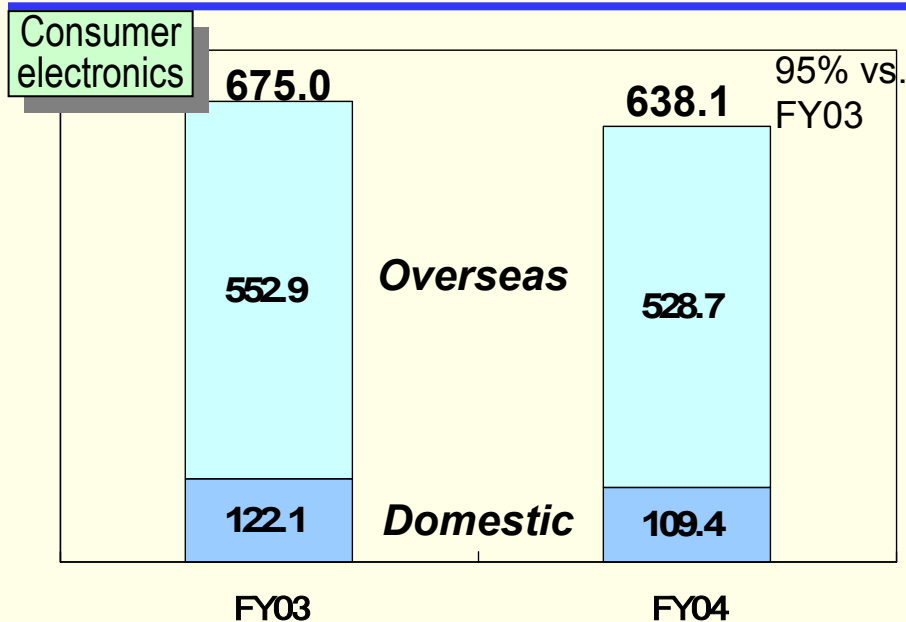
(¥billion)

	Result	Forecast	FY03 result	vs forecast	vs FY03
Net sales	922.0	1,000.0	967.6	92%	95%
Operating income	2.7% 25.2	2.5% 25.0	2.3% 22.3	101% 0.2	113% 2.9
Ordinary income	2.2% 20.2	2.0% 20.0	1.8% 17.3	101% 0.2	117% 2.9
Net income	1.7% 15.6	1.1% 11.0	0.7% 6.3	142% 4.6	248% 9.3

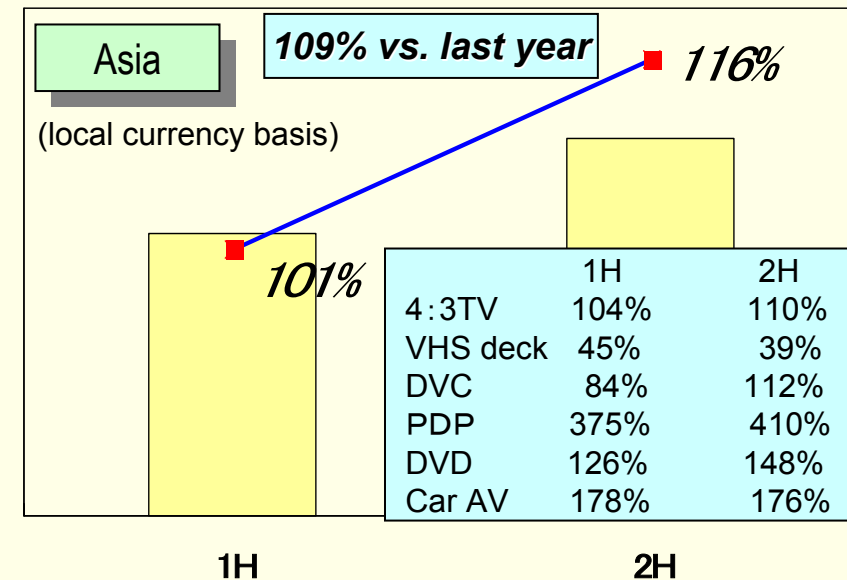
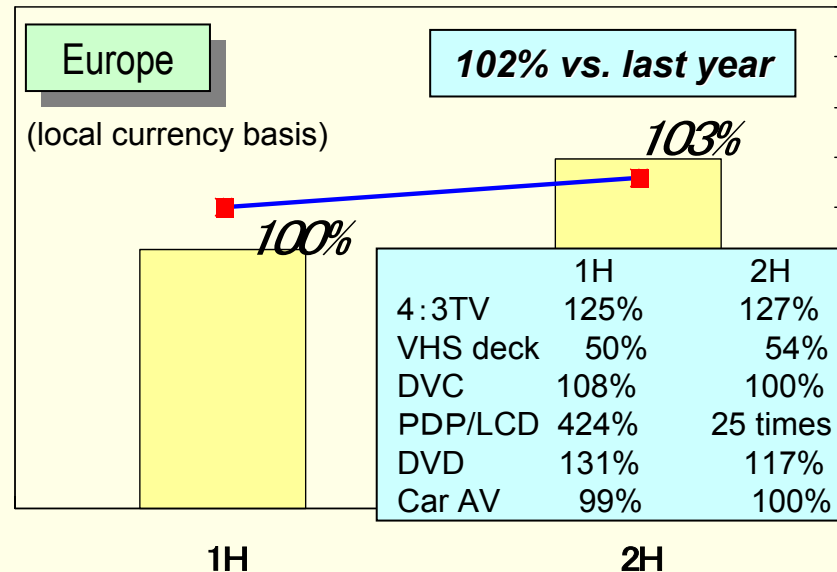
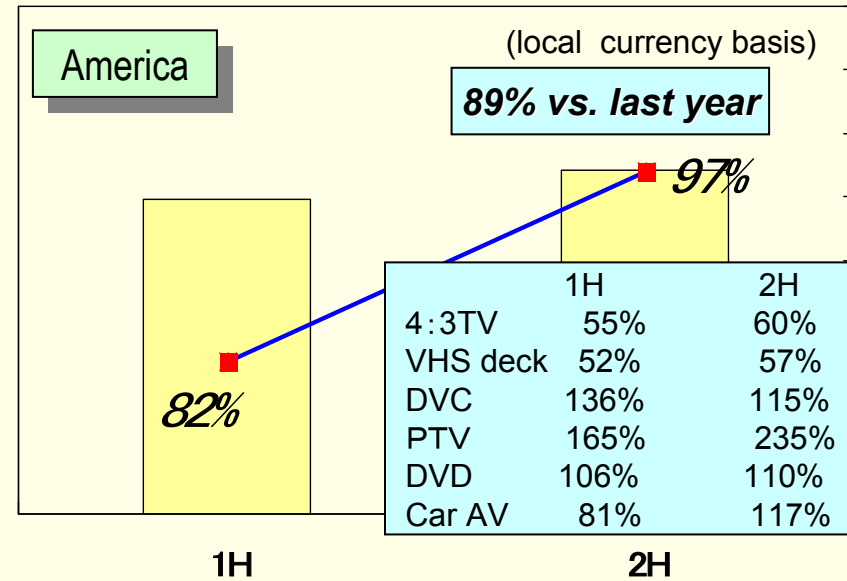
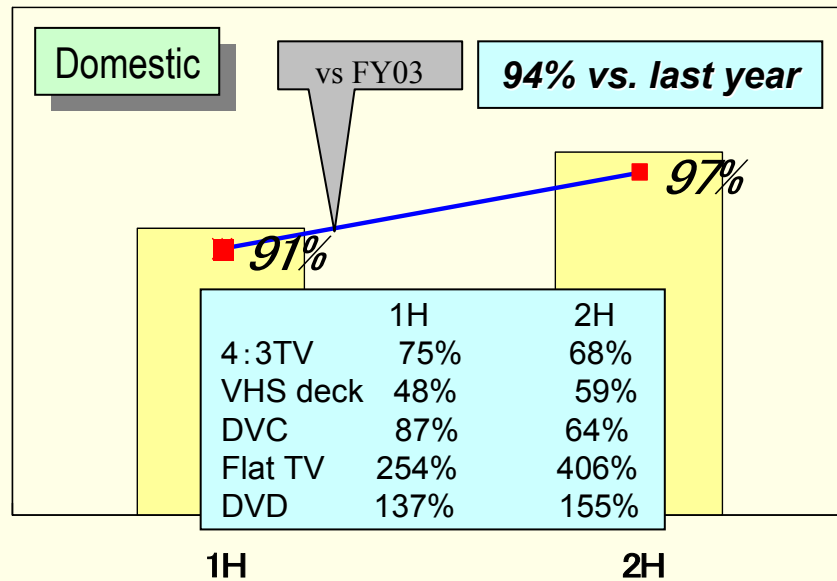
(Parent)

	Result	Forecast	FY03 result	vs forecast	vs FY03
Net sales	501.7	526.9	522.8	95%	96%
Operating income	1.6% 7.9	1.7% 9.0	1.4% 7.3	88% (1.1)	108% 0.6
Ordinary income	1.4% 6.9	1.7% 8.7	1.1% 5.8	79% (1.8)	119% 1.1
Net income	1.4% 7.2	1.2% 6.5	0.4% 2.2	111% 0.7	327% 5.0

FY2004 Sales Results by Segment



FY04 Consumer Electronics Business Results by Region



Breakdown of Change in Operating Income (vs. FY03)

FY03
Operating income 22.3

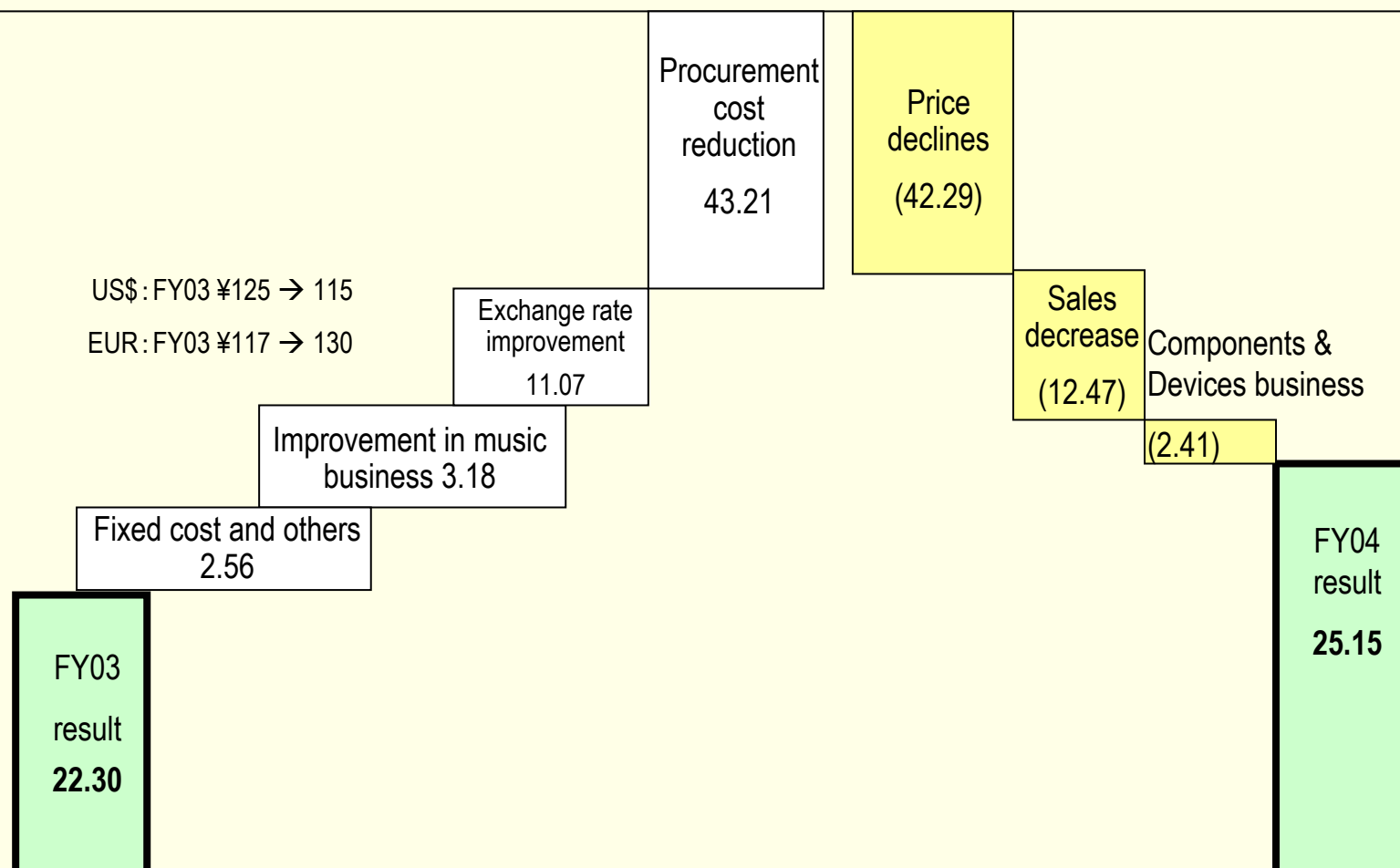
Positive factors

Balance from FY03
¥2.85bil. of improvement

FY04
Operating income 25.15

Negative factors

(¥billion)



FY2004 Net Sales and Operating Income by Segment

(Yen billion)

	Net sales					Operating income				
	Result	Forecast	FY03	VS forecast	vs FY03	Result	Forecast	FY03	VS forecast	vs FY03
Consumer electronics	638.1	690.0	675.0	92%	95%	4.0% 25.8	3.3% 23.0	3.7% 25.3		102% 0.5
Professional electronics	67.5	81.6	71.0	83%	95%	-2.7% (1.8)	-0.6% (0.5)	-5.2% (3.7)		- 1.9
Components & Devices	62.0	70.0	47.6	89%	130%	-5.0% (3.1)	-2.9% (2.0)	-1.5% (0.7)		- (2.4)
Software & Media	148.0	152.2	167.5	97%	88%	3.2% 4.7	3.0% 4.5	0.8% 1.3		362% 0.2 3.4

Extraordinary profit and loss

(¥billion)

	Result
	1.32
Sale of real estate	
	(3.82)
Business structural reform	
Special severance payments for early retirement employees	
	(0.45)
Patent	
	(2.74)
Others	
	(0.39)
Total	
	(6.08)

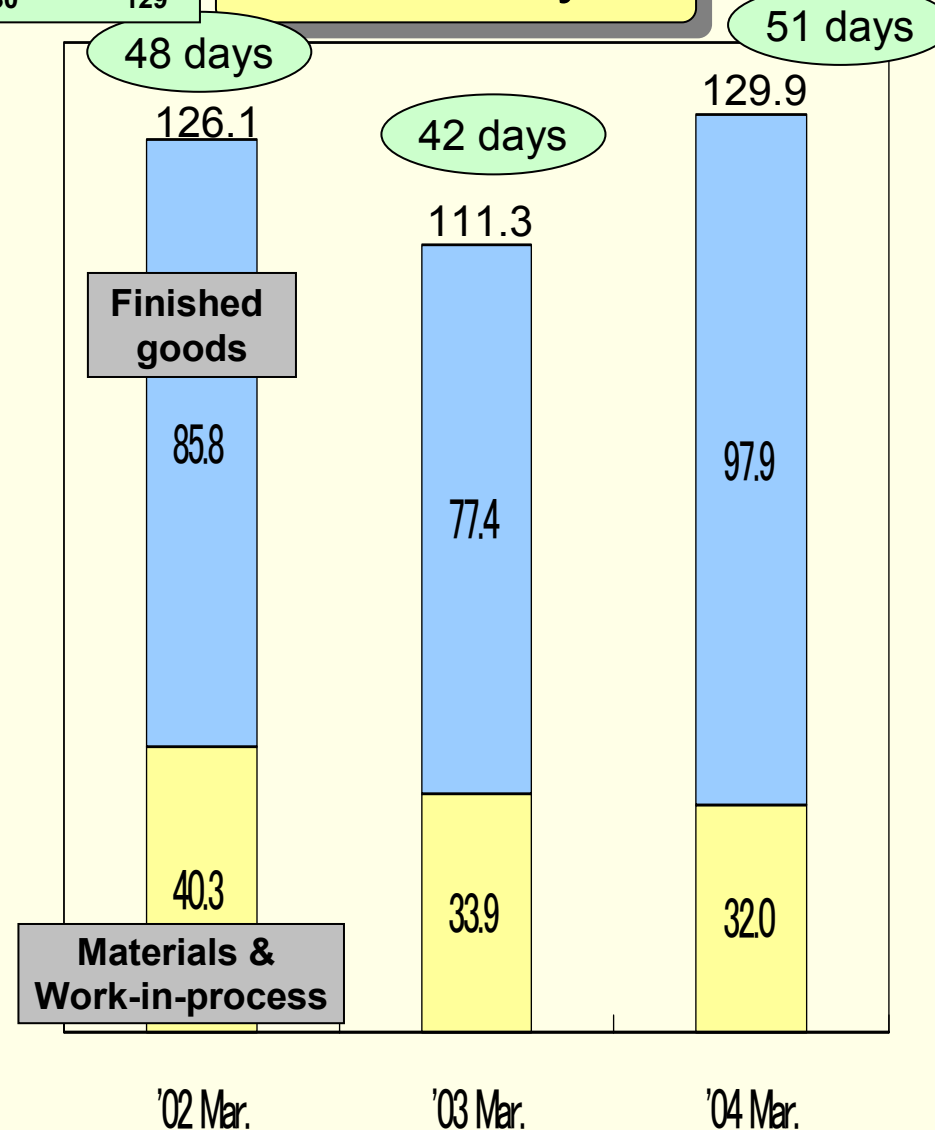
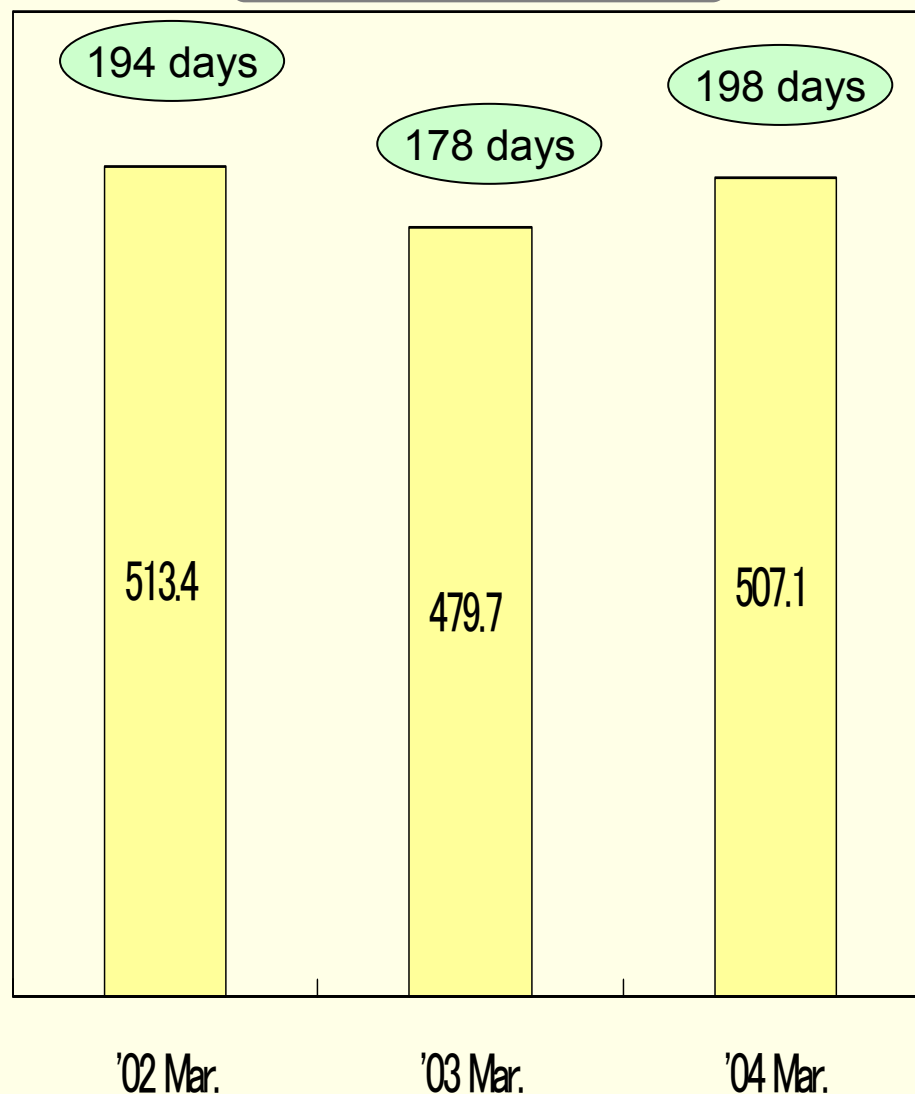
Trends in Asset

Gross asset

Exch. rate	Mar.'03	Mar.'04
US \$	120	106
EUR	130	129

Inventory

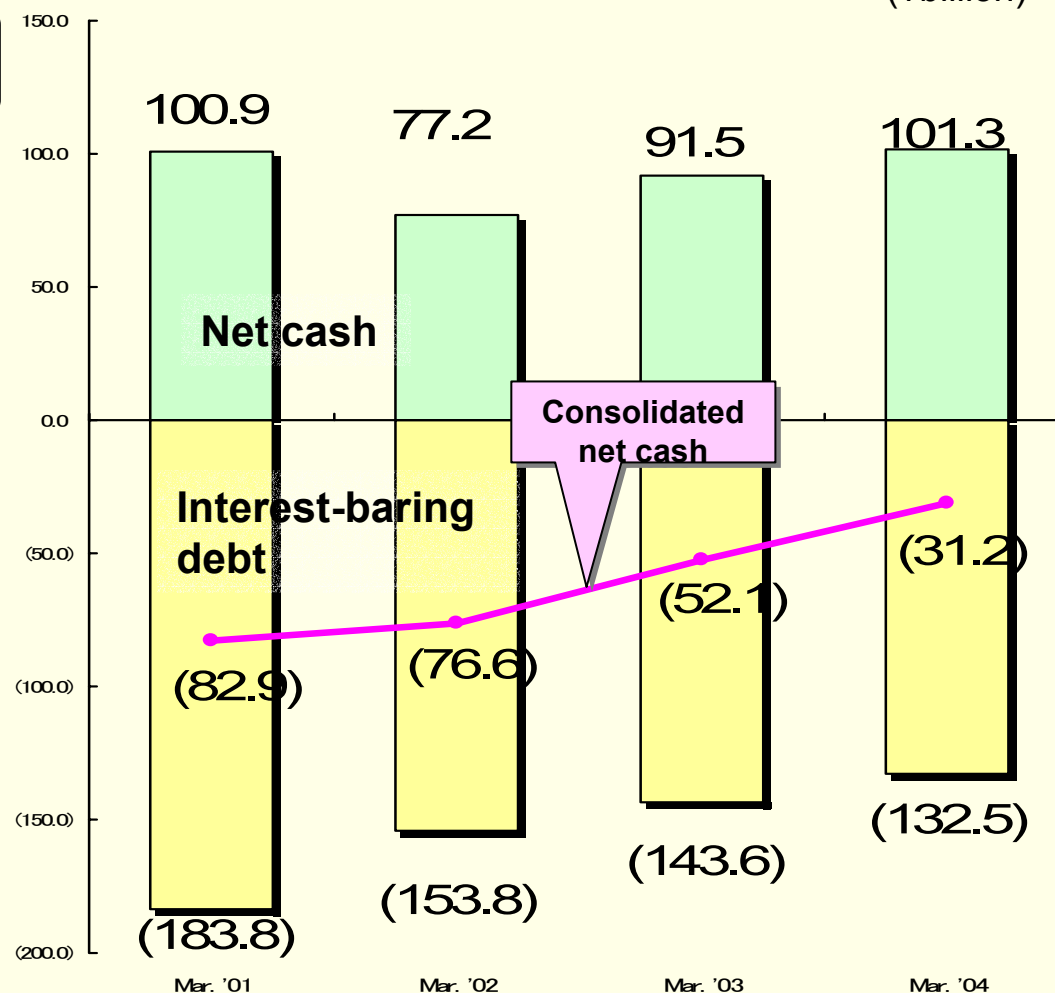
(¥billion)



FY04 Cash Flow

Consolidated cash flow statement

	Income before tax	14.1
	Depreciation	21.5
	Operating capital	24.1
	Inventory	(23.5)
	Others	4.5
	C/F from operating activities	40.7
	Capital asset	(21.1)
	Others	5.3
	C/F from investing activities	(15.8)
	Free cash flow	24.9
	C/F from financing activities	(9.4)
	Other adjustments	(1.7)
	Increase in cash	13.8
	Cash and cash equivalent at the beginning of the year	83.4
	Cash and cash equivalent at the end of the year	97.2



- Tangible fixed asset w/o mold cost - (¥billion)

	FY03	FY04
Investment	13.0	14.3
Depreciation	15.1	12.5

FY2005 Business Forecast

Consolidated

(¥billion)

	Forecast	FY04 result	vs FY04
Net sales	935.0	922.0	101%
Operating income	3.0% 28.0	2.7% 25.2	111% 2.8
Ordinary income	2.5% 23.0	2.2% 20.2	114% 2.8
Net income	0.9% 8.0	1.7% 15.6	51% (7.6)

1H

	Forecast	FY04 result	vs FY04
Net sales	432.0	462.7	93%
Operating income	2.4% 10.5	2.2% 10.3	102% 0.2
Ordinary income	1.9% 8.4	1.6% 7.3	115% 1.1
Net income	0.0% 0.2	0.8% 3.5	6% (3.3)

FY05 Sales Breakdown

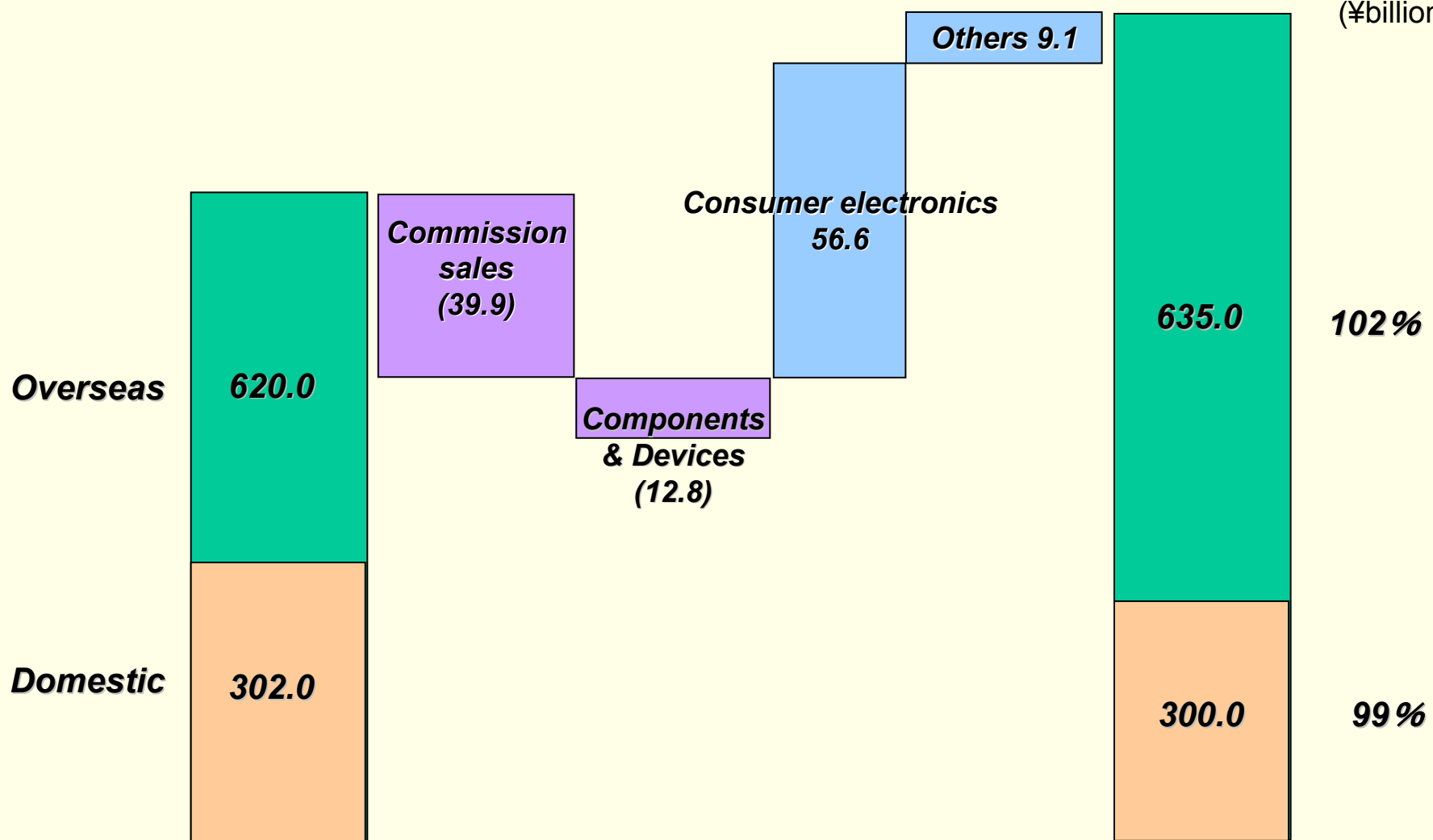
FY04
sales result
922.0

Balance from FY04
improvement of
¥13.0bil.

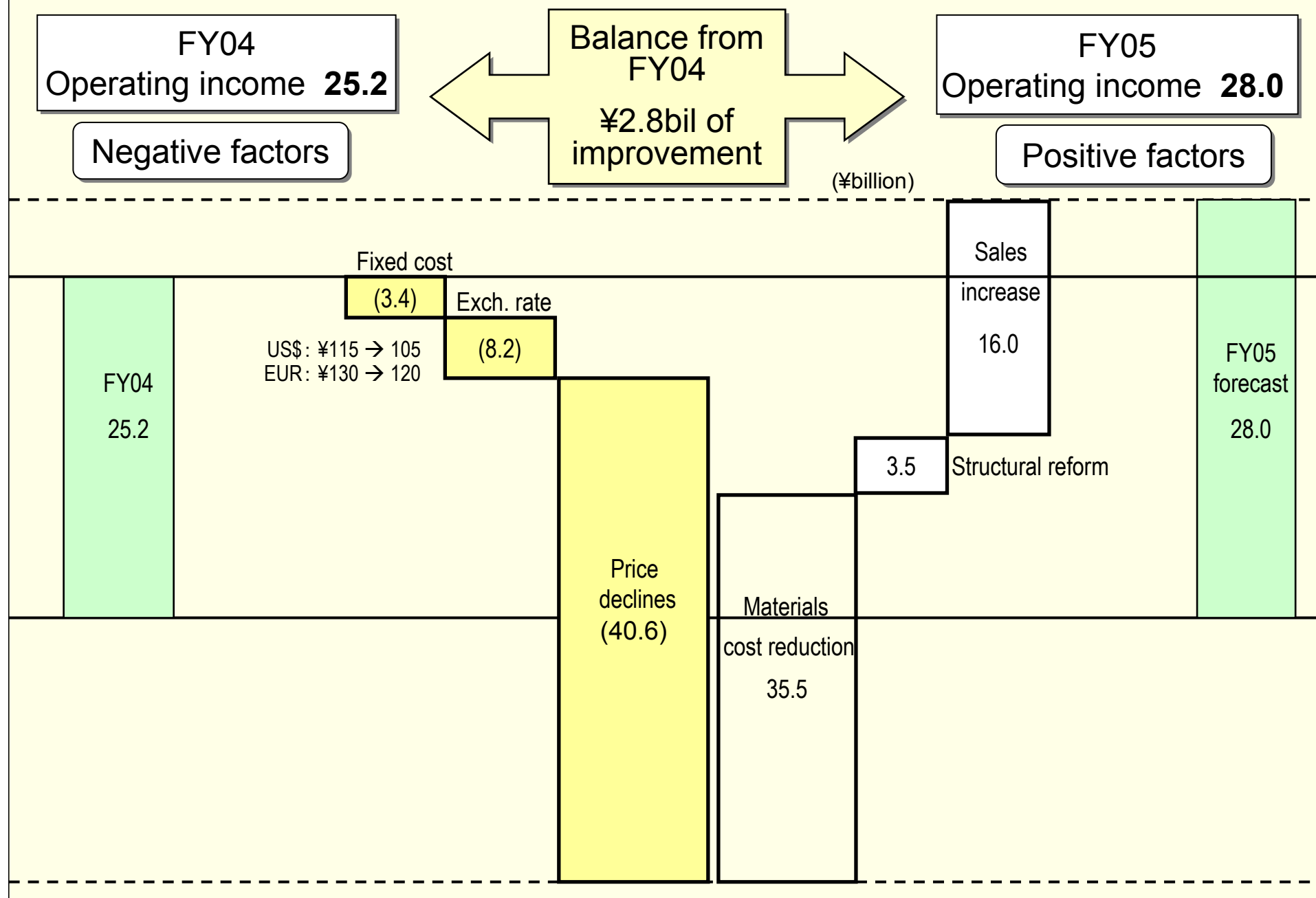
FY05
Sales forecast
935.0

101 %

(¥billion)

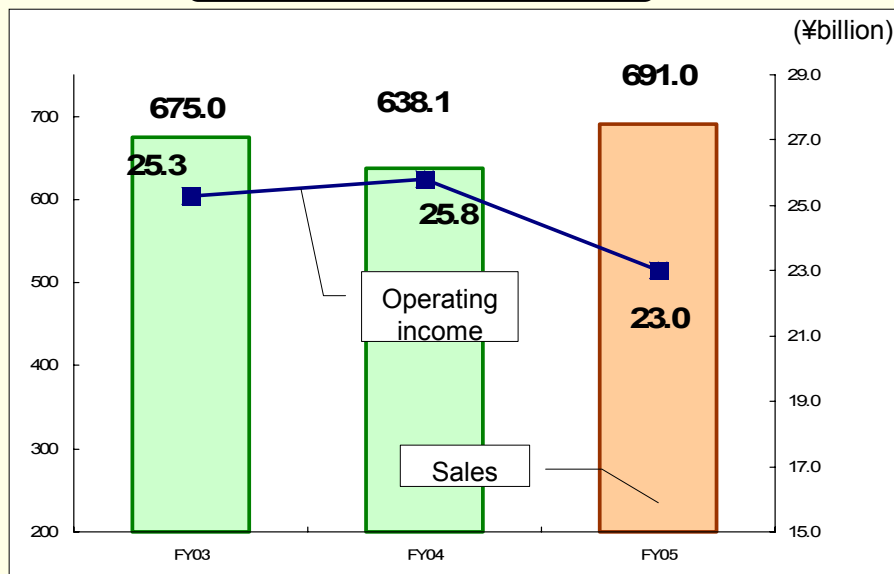


FY05 Breakdown of Change in Operating Income (vs. FY04)

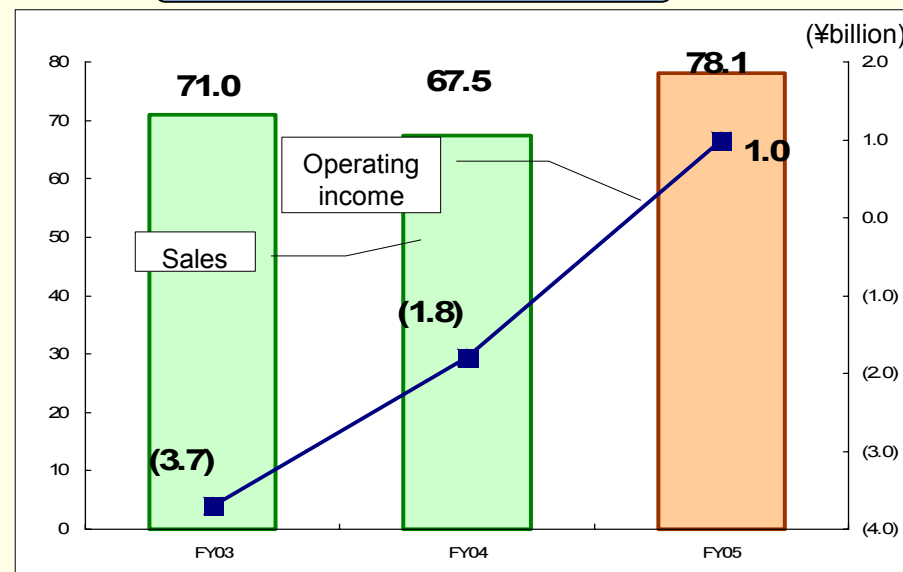


FY05 Sales and Operating Income by Segment

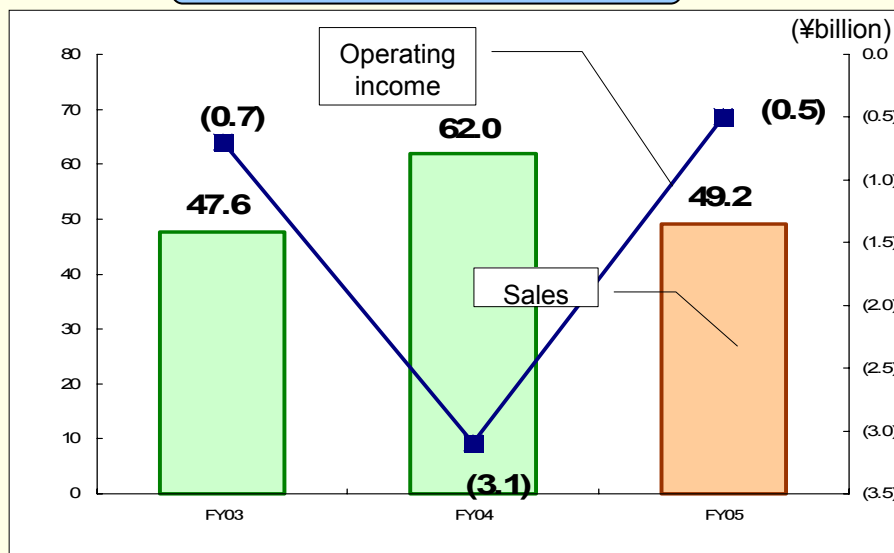
Consumer electronics



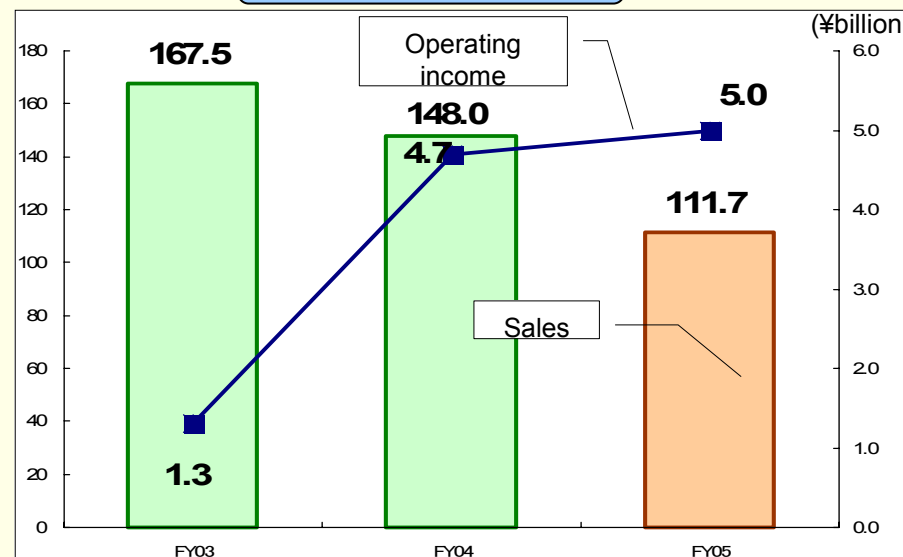
Professional electronics



Components & Devices



Software & Media



“Value creation 21 plan” activity

FY02

Employee awareness reform and
financial standing improvement

FY03

Awareness reform for growth
and day-to-day operation improvement

FY04 Promote growth strategy to realize management and business vision

- Further reform of awareness for growth and implementation of management structural reform
- Market share improvement with “Only One” products for five priority business areas and brand awareness improvement
- Accelerate fund generation and improving BS by increasing both sales and profit

Promotion of Management Reform

	FY04 objectives	FY04 results
Cost reduction	➤ Key supplier strategy for stable key device procurement ➤ Actively promote subjects since FY03 (Value engineering activity / reduce domestic suppliers / develop and procure Chinese devices) ➤ Global procurement cost down of ¥37.1bil.	➤ Continue and enhance technical contact meeting (80 meetings) ➤ Value engineering: reinforce development procurement structure and cost information sharing Reduce domestic suppliers from 530 to 400 Develop Chinese parts by establishing Chinese parts laboratory in Shanghai ➤ Global procurement cost down of ¥43.2bil.
Manufacturing reform	➤ Further promote design process reform (second year) ➤ Accelerate “mother base for product manufacturing” ➤ Reinforce mass production technology	➤ Expand product lineup following 6-months manufacturing system ➤ Transform to overseas production base for products with well established manufacturing process ➤ Reinforce process for manufacturing products in variety and variable quantity
Logistics reform	➤ Reduce logistic bases ▪ America: 5 in Mar. 02, 4 in Mar. 04 and 3 within FY05 ▪ Europe: Unification of logistic bases for professional electronics products in order to gather inventory of three sales companies into one ▪ Japan: Reduce 9 warehouses in Yokohama area to 3 ➤ Start consumer electronics products logistics reform	➤ FY04 target achieved to start full-scale efficient operations ➤ Expert team (four members) instituted with ¥1.1bil. of cost reduction.
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 Asia Sep. 03 to start six factories in America, Europe and Asia (completion of all factories for consumer electronics)	➤ System introduced for DVD, VHS-C and Display products for Japan, America and Asia. For Audio and DVC, scheduled within FY05 1H.

“Only One” products in FY04



**26" LCD TV
LT-26LC4**

- Industry-first 26V inch size LCD TV
- High quality picture and sound with D.I.S.T. and oblique cone speakers



**Multi-format ready
DVD recorder
DR-M1**

- Industry-first video recording for both DVD-RAM and –RW (VR&video formats)
- High quality picture available even in long time mode thanks to JVC's original image compression technology



**Big hit
Camcorder
GR-D200**

- Completely novel design with color variation
- Consumer visibility improved by tying up with child-care magazine



**Mini system equipped with
wood-cone speakers EX-A1**

- High quality pure sound with industry-first wood-cone speakers
- Customer target for adults by maintaining quality

Key points for FY2005

(Yen billion)

	FY04 result	FY2005			
		1H	2H	Annual	vs FY04
Net sales	922.0	432.0	503.0	935.0	101%
Operating income	2.7% 25.2	2.4% 10.5	3.5% 17.5	3.0% 28.0	111% 2.8
Net income	1.7% 15.6	0.0% 0.2	7.8	0.9% 8.0	51% (7.6)

In order to survive natural selection in the industry, JVC must increase sales in the first year of “Leap Ahead 21” plan, keeping the trend of increasing operating income

Accelerate growth strategy – take the challenge to become an “Entertainment Solution Company”

Provide rich new lifestyle to customers with “market-driven” AV products for music and images through “Only One” strategy.

Continue structural reform – establish ourselves as a “High Performance Global Company”

Combine development, manufacturing, and sales globally to create high-speed turnover management that promptly adapts to market needs.

High-definition displays

D-ILA rear-projection TV to be introduced in July for consumer market

Expansion worldwide Flat panel (PDP/LCD) lineup



Digital High density storage

Expand market share with hybrid DVD recorders

Launch products equipped with in-house produced drive optical pickup and mechanics and overseas production



Network AV system

Expand Car AV sales and develop new business with DVD/TBT/genuine market

Expand market share in high-end/middle class camcorder market



C&D business

Expand sales of fluid dynamic bearing motors for hard disc drive

Develop dual-wave length optical pickup for DVD recorders



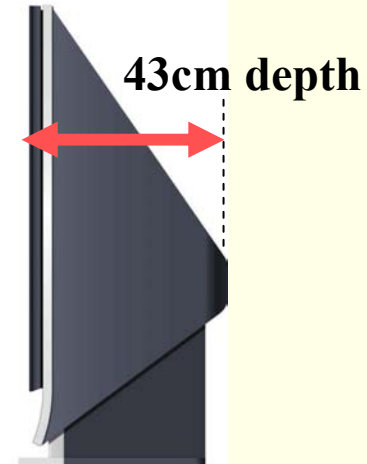
Software & media business

Expand DVC tapes sales and develop blank DVD with advanced functions

Enhancing rights and peripheral business to expand music software business area



D-ILA Rear Projection TV



Product to be introduced
in America

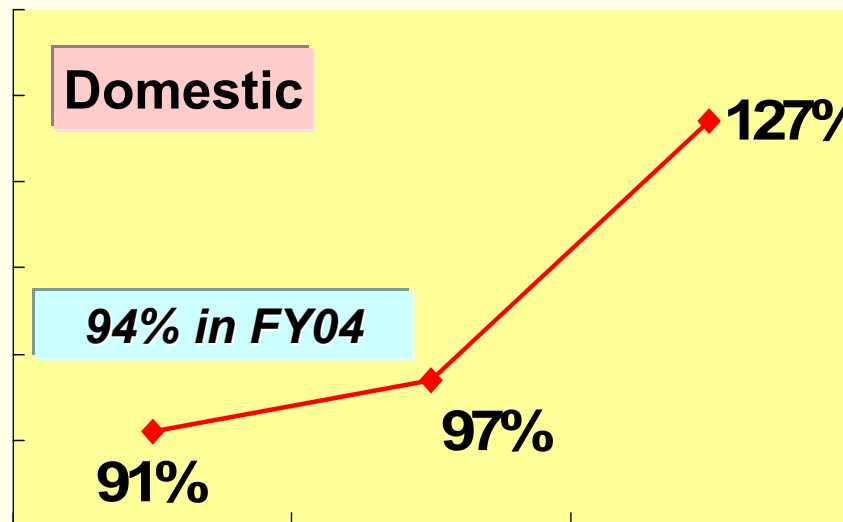


- **52" and 61" introduced in North America market**
- **Differentiation by picture quality and design**

■ **Main specifications and features**

- ☆ **High brightness 500cd/m²** (with 61W power consumption: lowest in the industry)
- ☆ **High contrast 1000:1** (the highest ratio in the industry)
- ☆ **High definition with D.I.S.T. and 720P**
- ☆ **Stylish table-top design**
 - 43cm depth
 - Frameless image front design

FY05 Consumer Electronics Sales Compared to FY04



94% in FY04

91%

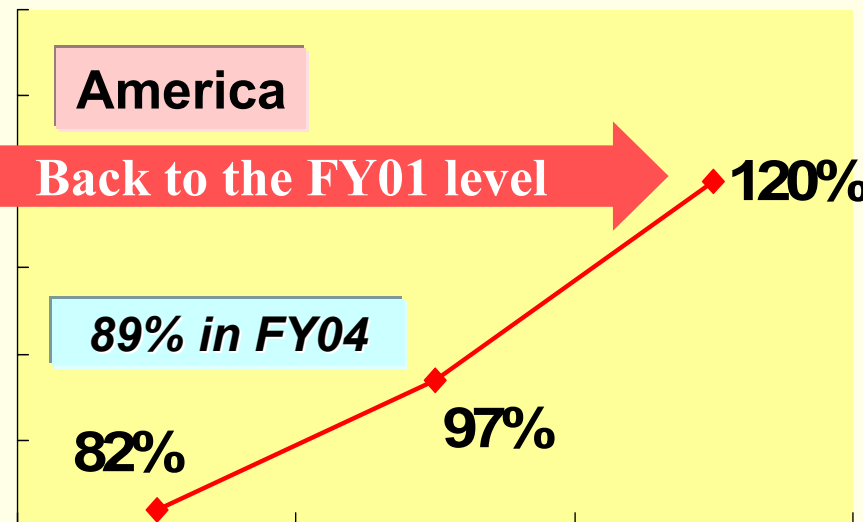
97%

127%

FY04 1H

FY04 2H

FY05



89% in FY04

82%

97%

120%

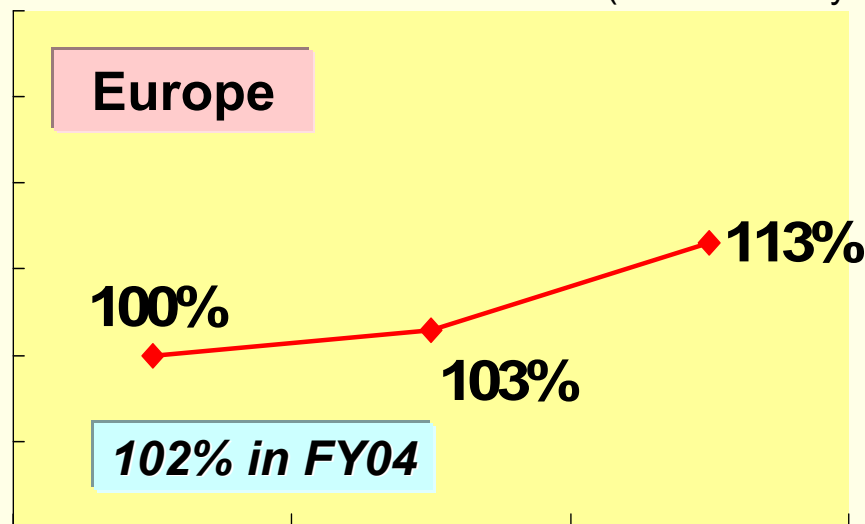
FY04 1H

FY04 2H

FY05

Back to the FY01 level

(local currency basis in overseas)



100%

103%

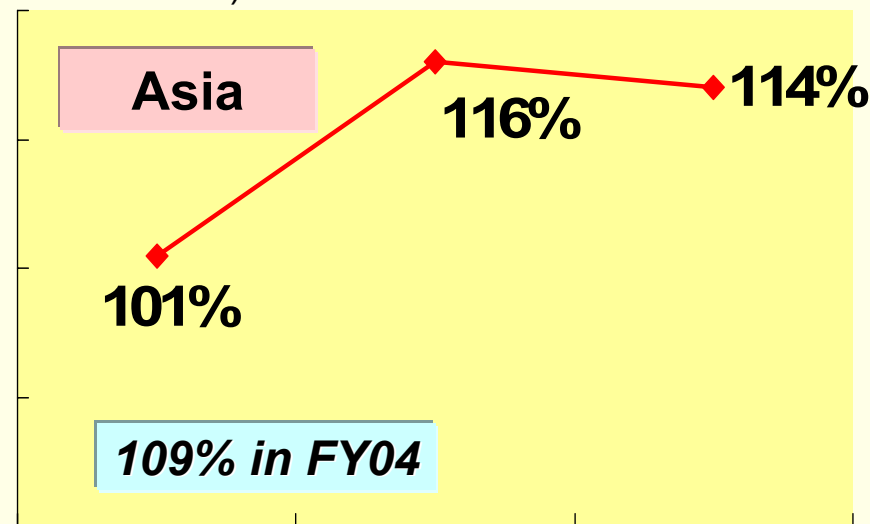
113%

102% in FY04

FY04 1H

FY04 2H

FY05



101%

116%

114%

109% in FY04

FY04 1H

FY04 2H

FY05

In the drastically changing environment, concentrate management resource investment in priority businesses by accelerating basic operation reconstruction, including reorganizing personnel distribution, location and employment structure reforms.

Select

Accelerate business evaluation and structural reform

Shrink DY business

Re-establish high-density circuit board business

Reorganize personnel distribution and location

Concentrate

Strengthen key component business to add value to our final products

Concentrate on Motor & Optical pickup businesses

Accumulate high precision manufacturing technology

Build Know-how on yield & operating rate