

A stylized world map in shades of green and yellow serves as the background for the slide. The map is centered, with the continents clearly outlined.

FY 2005 Business Results

27 April, 2005

Victor Company of Japan, Ltd.

JVC

The Perfect ExperienceTM

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1. Significant drop in operating income, and net loss

- Consolidated operating income : 59% decline compared to FY04

2. Big fall in sales in consumer electronics business in overseas (America and Europe)

- New product launch delay and slump in camcorder sales in America and Europe

3. Slump in music software business

- Postponement of albums which we could expect big hit, and lack of hit albums

4. Big sales jump of consumer electronics in domestic market (124% compared to FY04)

- Increase in LCD TV, DVD recorder and Audio

FY2005 Consolidated Business Results

(¥billion)

	Results	FY04 results	Changes vs. FY04
Net sales	840.6	*886.0 922.0	95% 91%
Operating income	1.2% 10.4	2.7% 25.2	41% -14.8
Ordinary income	0.9% 7.3	2.2% 20.2	36% -12.9
Net income (loss)	-0.2% (1.9)	1.7% 15.6	— -17.5

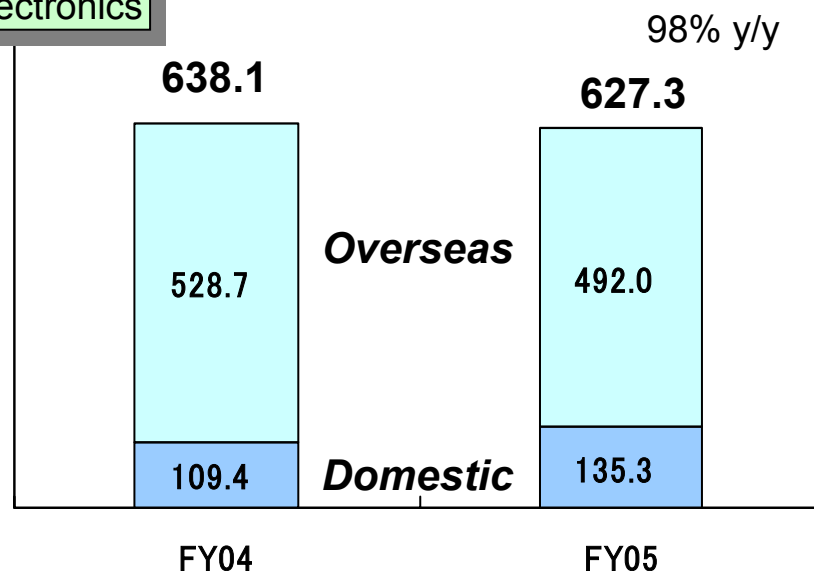
<Non-consolidated>

	Results	FY04 results	Changes vs. FY04
Net sales	448.8	501.7	89%
Operating income (loss)	-0.6% (2.7)	1.6% 7.9	— -10.6
Ordinary income	1.3% 5.9	1.4% 6.9	86% -1.0
Net income	1.0% 4.6	1.4% 7.2	64% -2.6

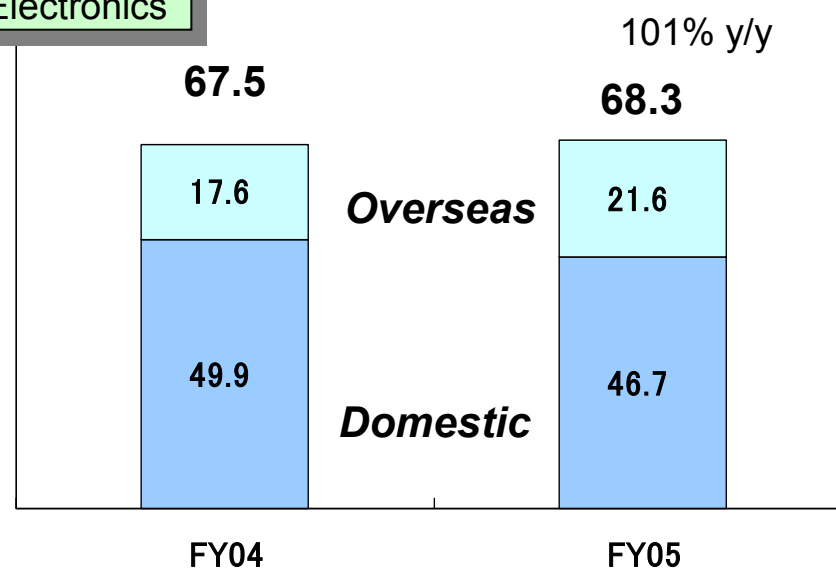
* Without consignment sales

FY2005 Sales Results by Segment

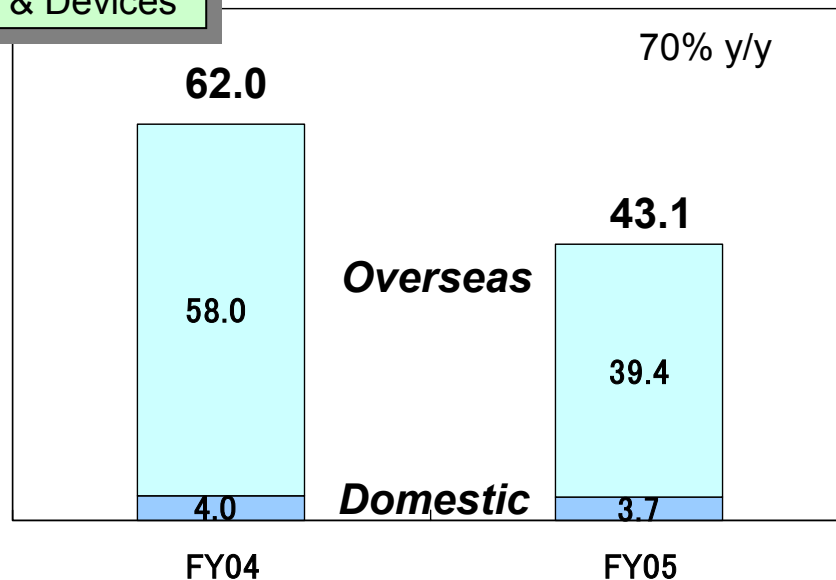
Consumer Electronics



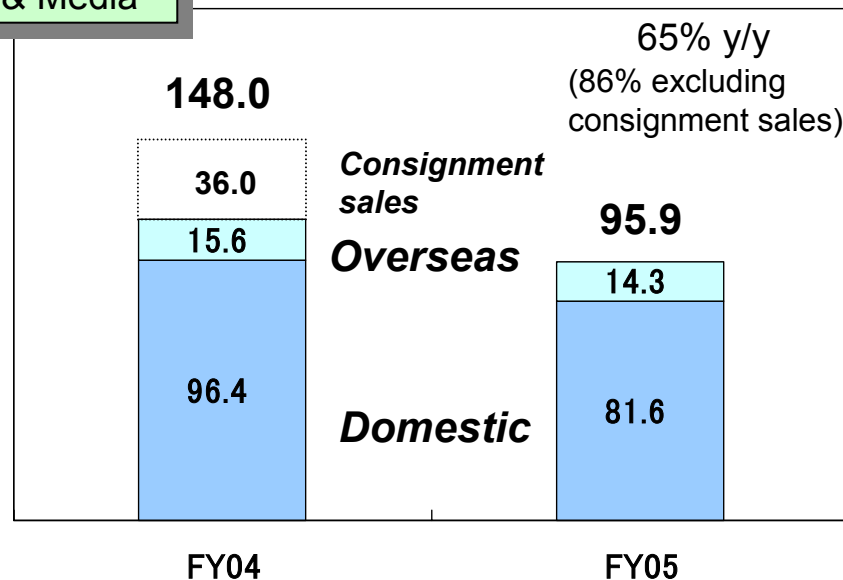
Professional Electronics



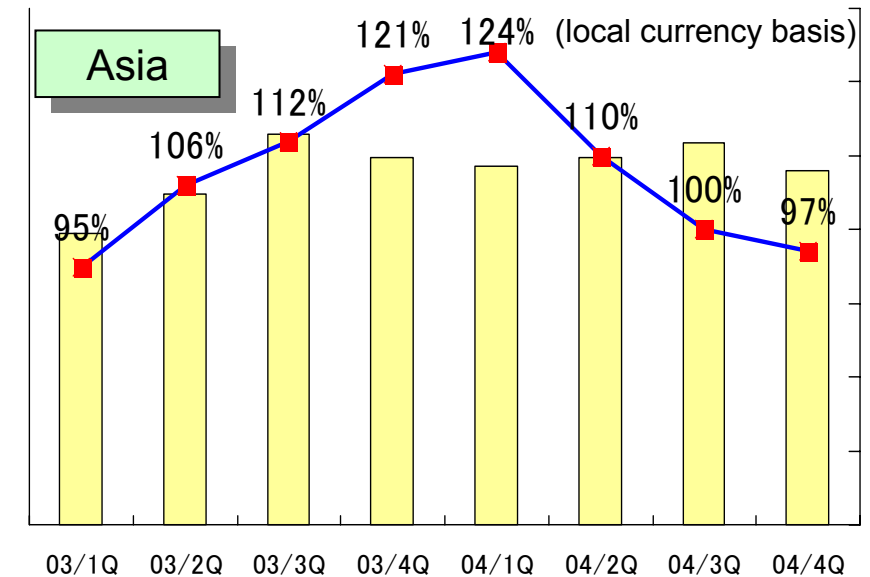
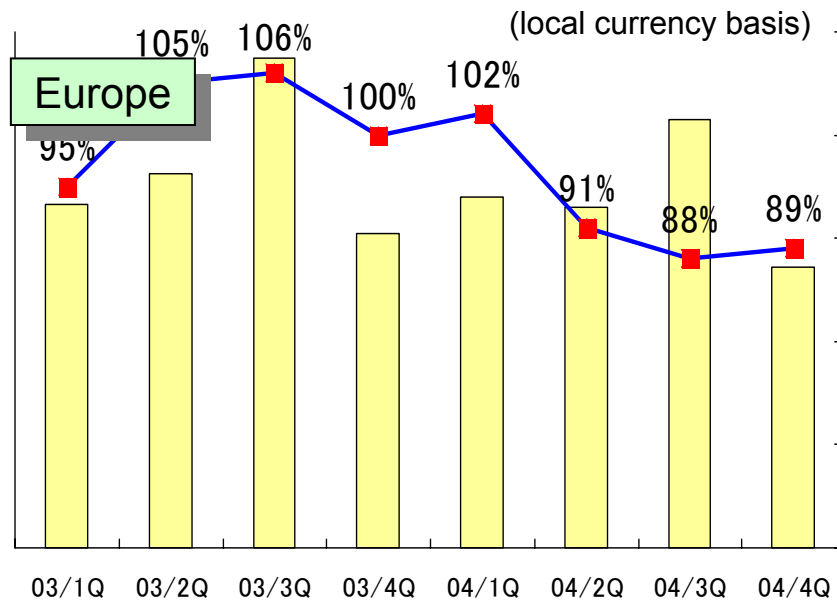
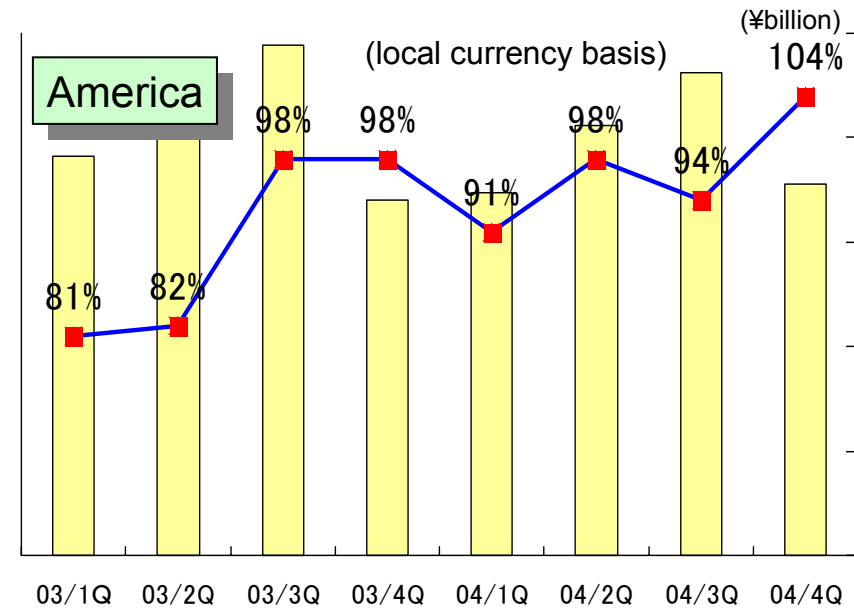
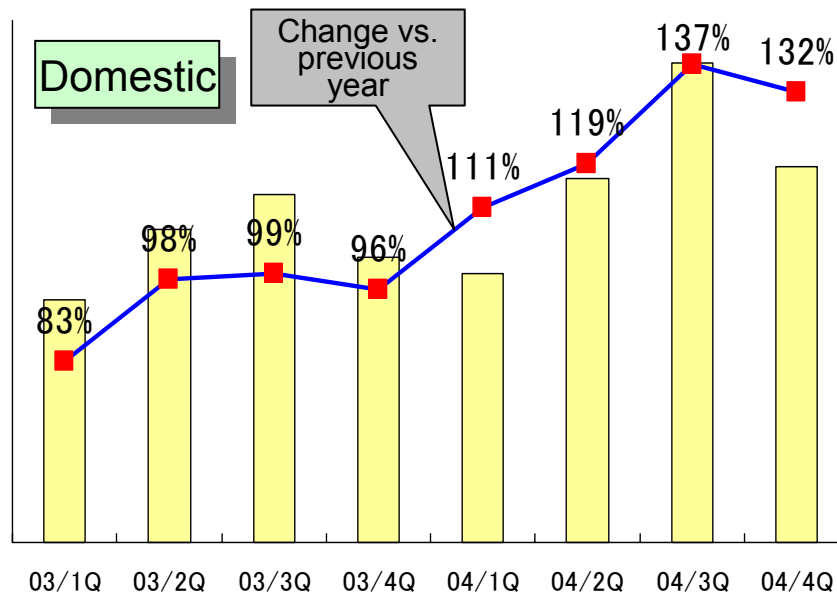
Components & Devices



Software & Media



Consumer Electronics Quarterly Sales by Area



FY2005 Operating Income Breakdown

(¥billion)

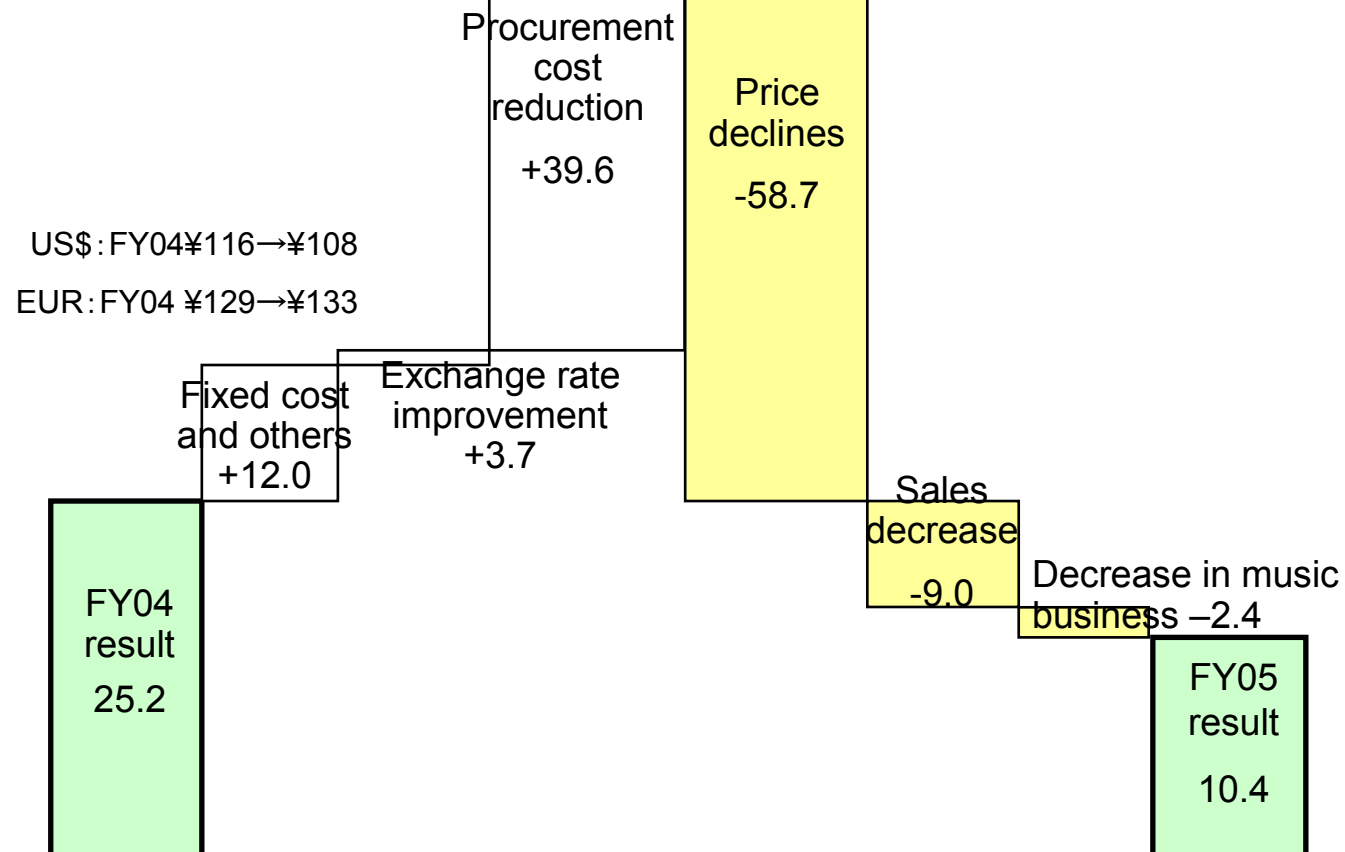
FY2004 : **25.2**

Change : -14.8

FY2005 : **10.4**

Positive factors

Negative factors



FY2005 Operating Income Breakdown

(Compared to Revised Forecast Announced in October '04)

(¥billion)

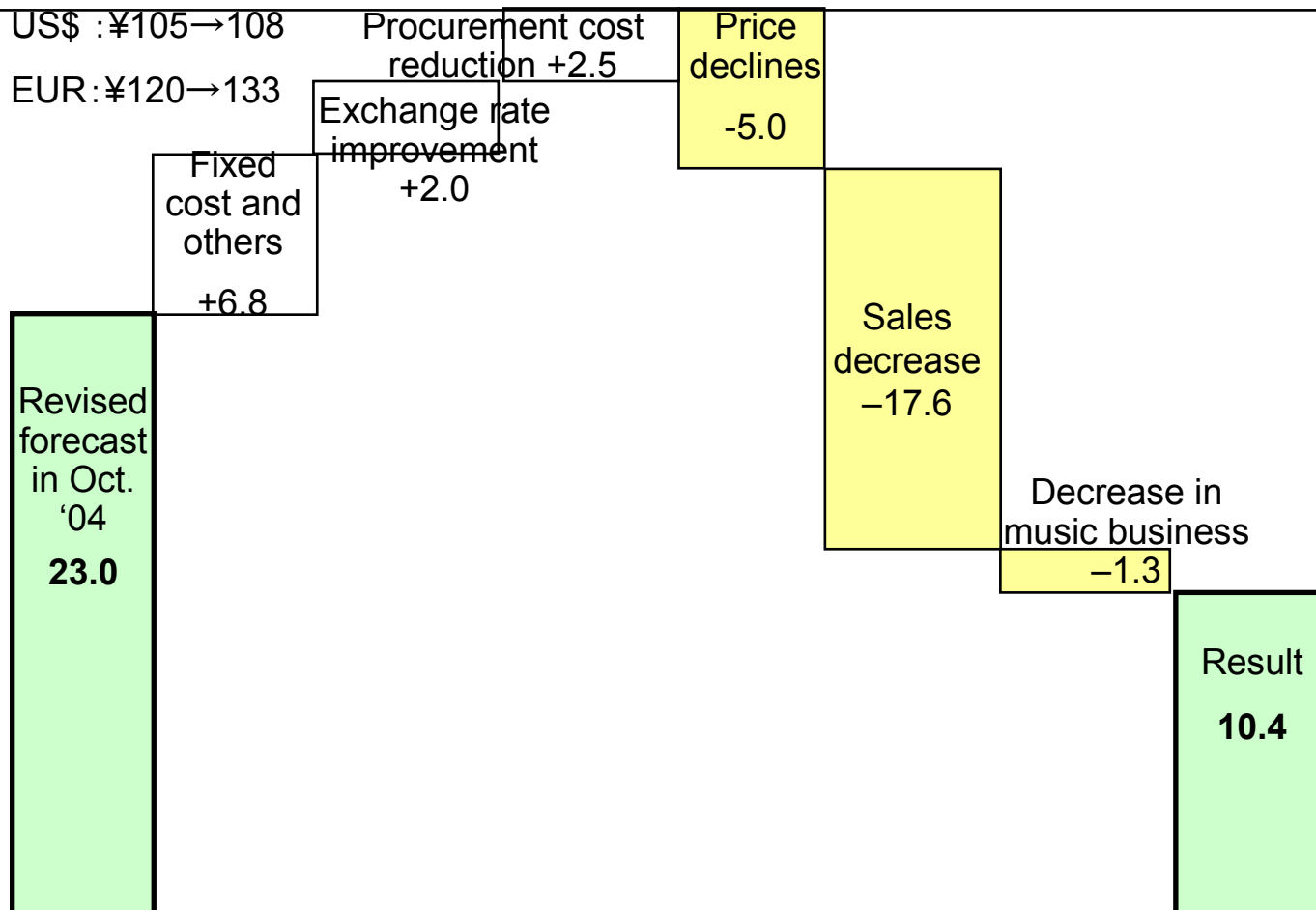
Revised forecast
in Oct. '04 : **23.0**

Change : -12.6

FY2005
results : **10.4**

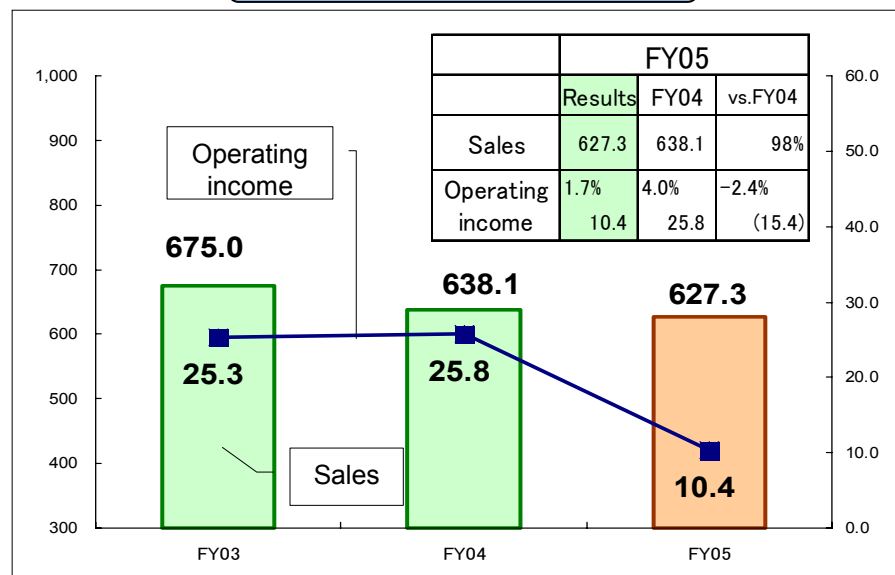
Positive factors

Negative factors



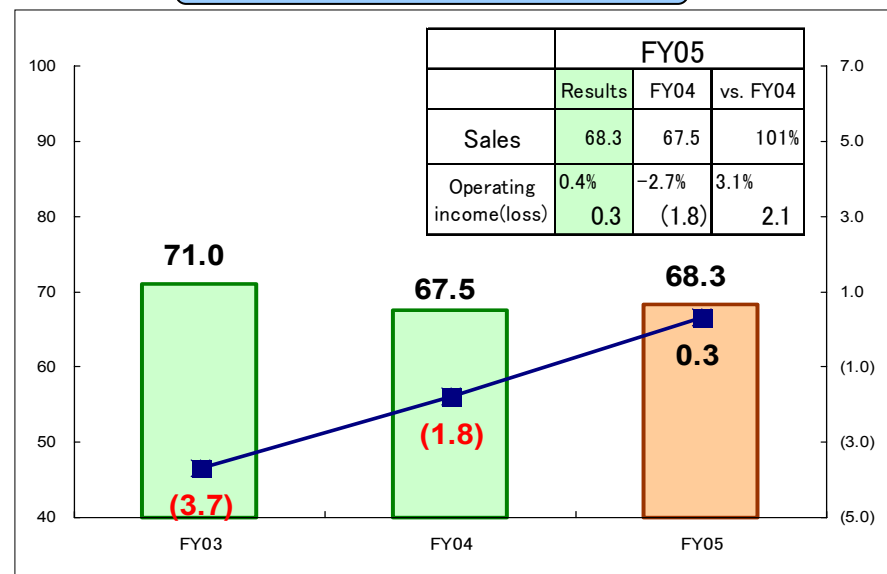
FY2005 Sales Results by Segment

Consumer Electronics

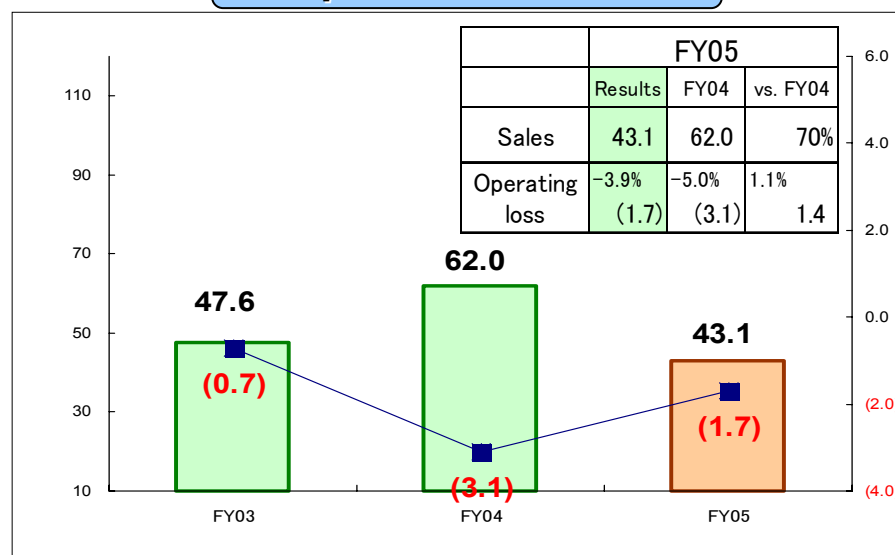


Professional Electronics

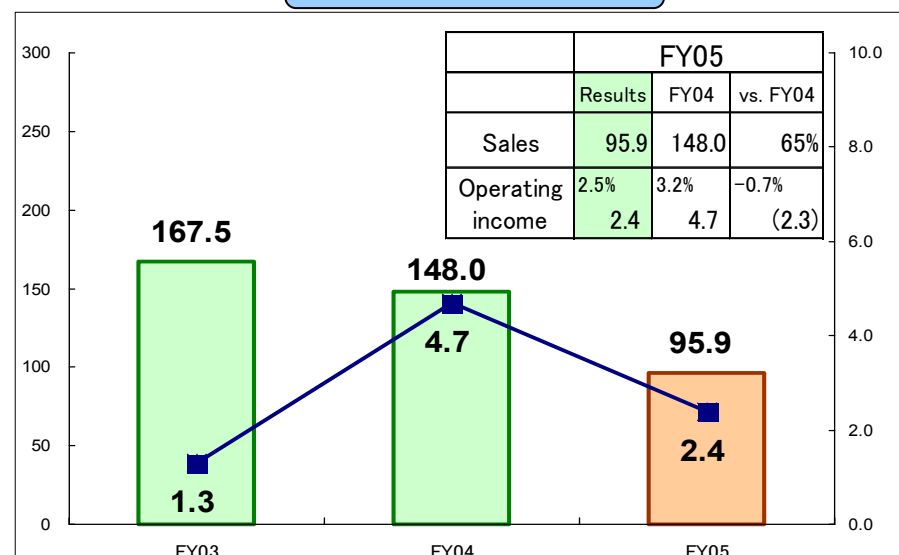
(¥billion)



Components & Devices



Software & Media



Extraordinary Profit and Loss

(¥billion)

	Results
Proceeds from sales of property, plant and equipment	1.08
Proceeds from sales of stocks and marketable securities	3.56
Structural reform	(6.59)
Others	(0.60)
Total	(2.55)

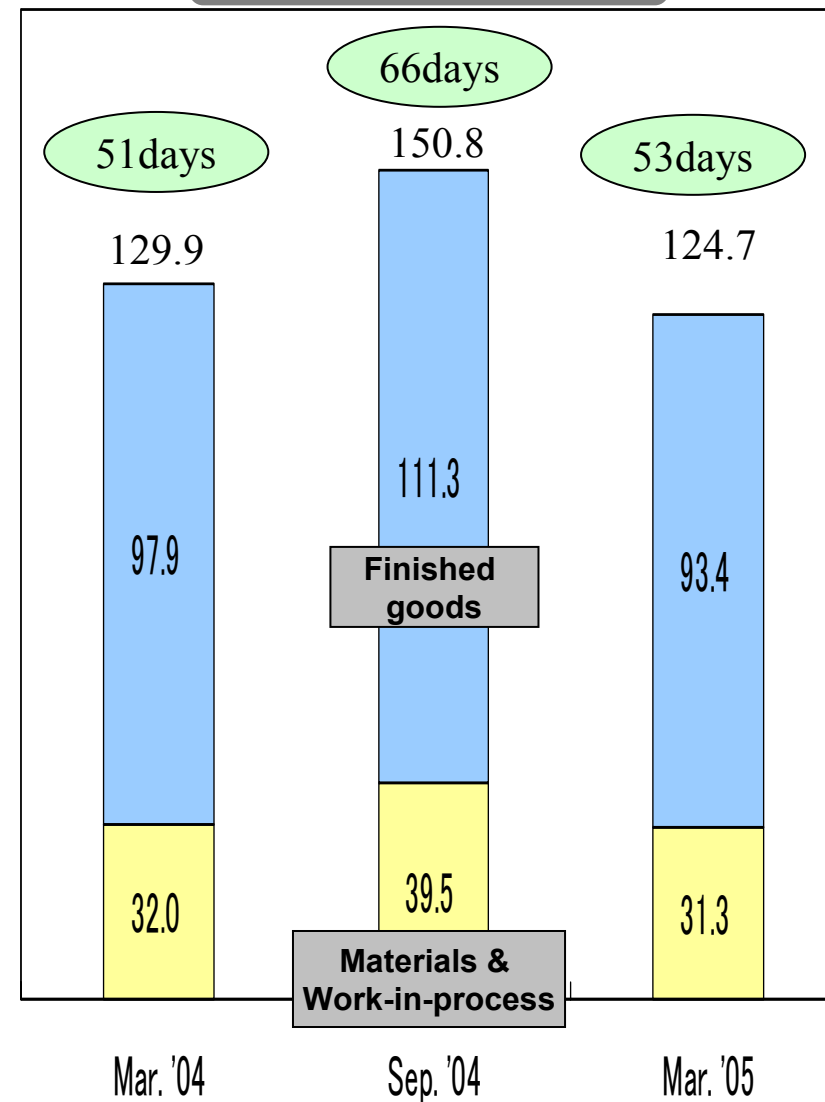
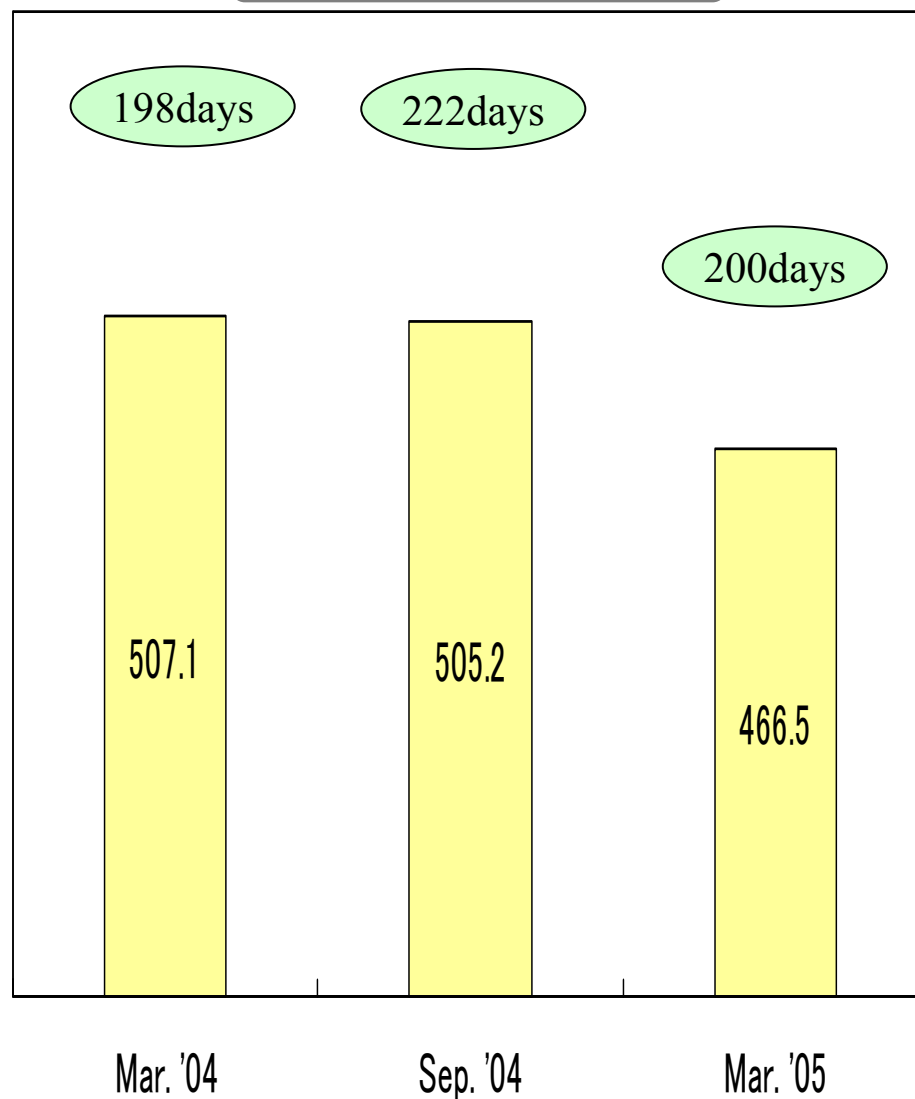
Trend in Asset and Inventory

Gross asset

Exch.rate	2004/3	2005/3
US \$	106	108
EUR	129	139

Inventory

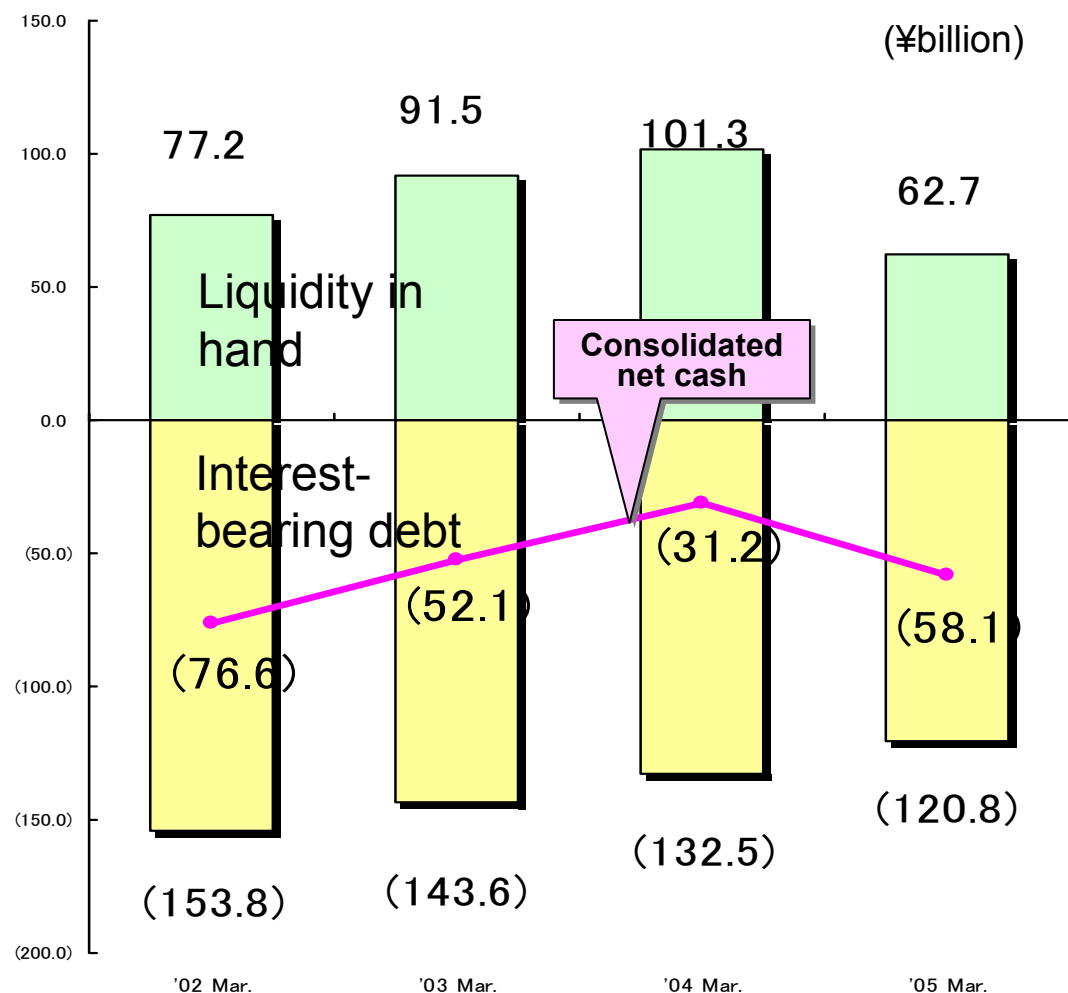
(¥billion)



FY2005 Cash Flows

Consolidated cash flow statement

Income before income taxes	4.7
Depreciation	12.5
Operating capital	(22.3)
Inventory	8.1
Structural reform	(11.5)
Others	2.3
Net cash provided by operating activities	(6.2)
Capital assets	(26.8)
Others	12.9
Net cash used in investing activities	(13.9)
Free cash flow	(20.1)
Net cash used in financing activities	(15.6)
Other adjustments	1.2
Net decrease in cash	(34.5)
Cash and cash equivalent at beginning of the year	97.2
Cash and cash equivalents at end of 3Q	62.7



(Tangible fixed assets excluding mold cost) (¥billion)

	FY04	FY05
Capital investment	14.3	18.1
Depreciation&amortization	12.5	12.5

FY06 Business Forecast

<Consolidated>

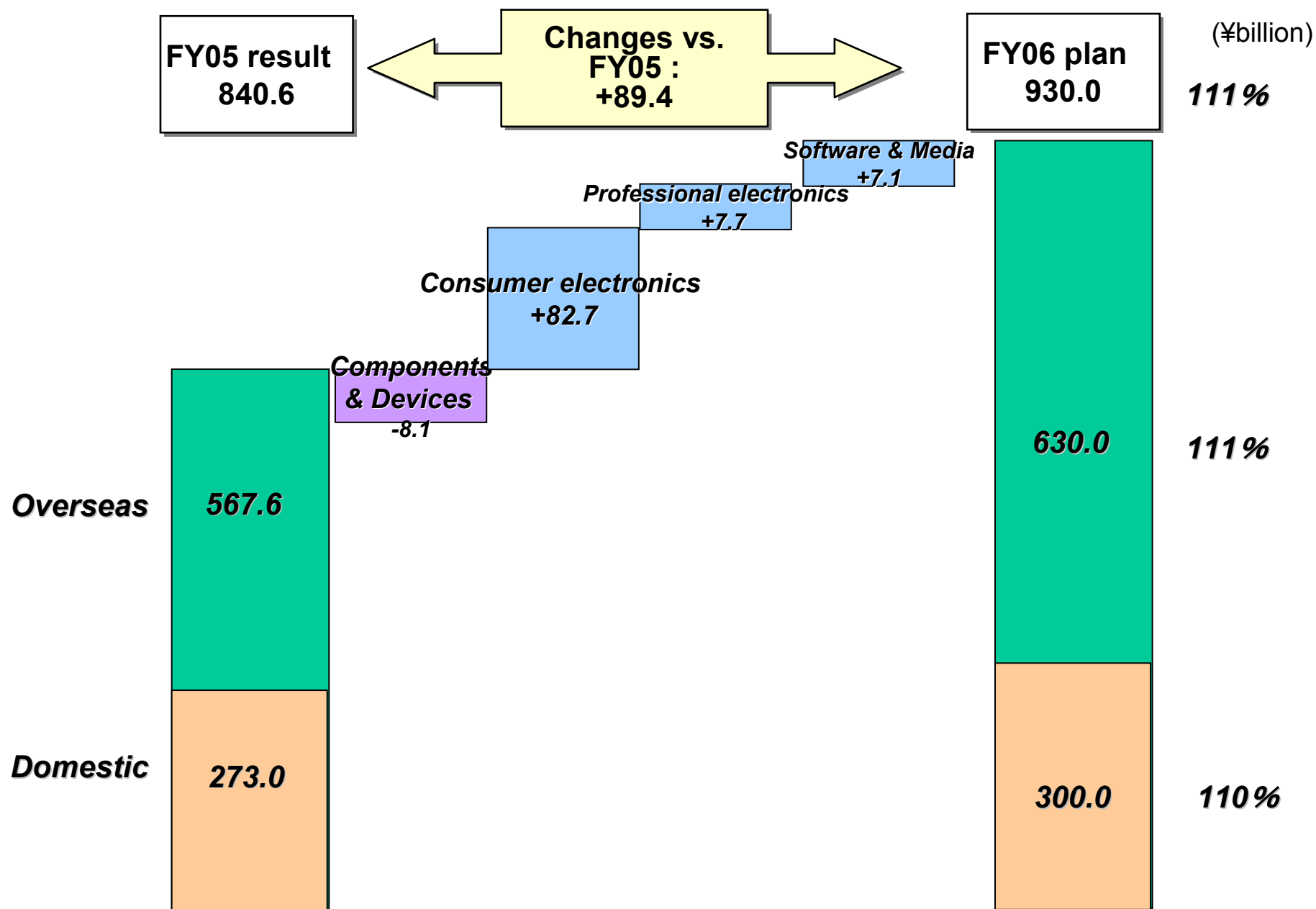
(¥billion)

	Plan	FY05	Change from FY05
Net sales	930.0	840.6	111%
Operating income	2.7% 25.0	1.2% 10.4	240% 14.6
Ordinary income	1.9% 18.0	0.9% 7.3	247% 10.7
Net income (loss)	0.8% 7.0	-0.2% (1.9)	-368% 8.9

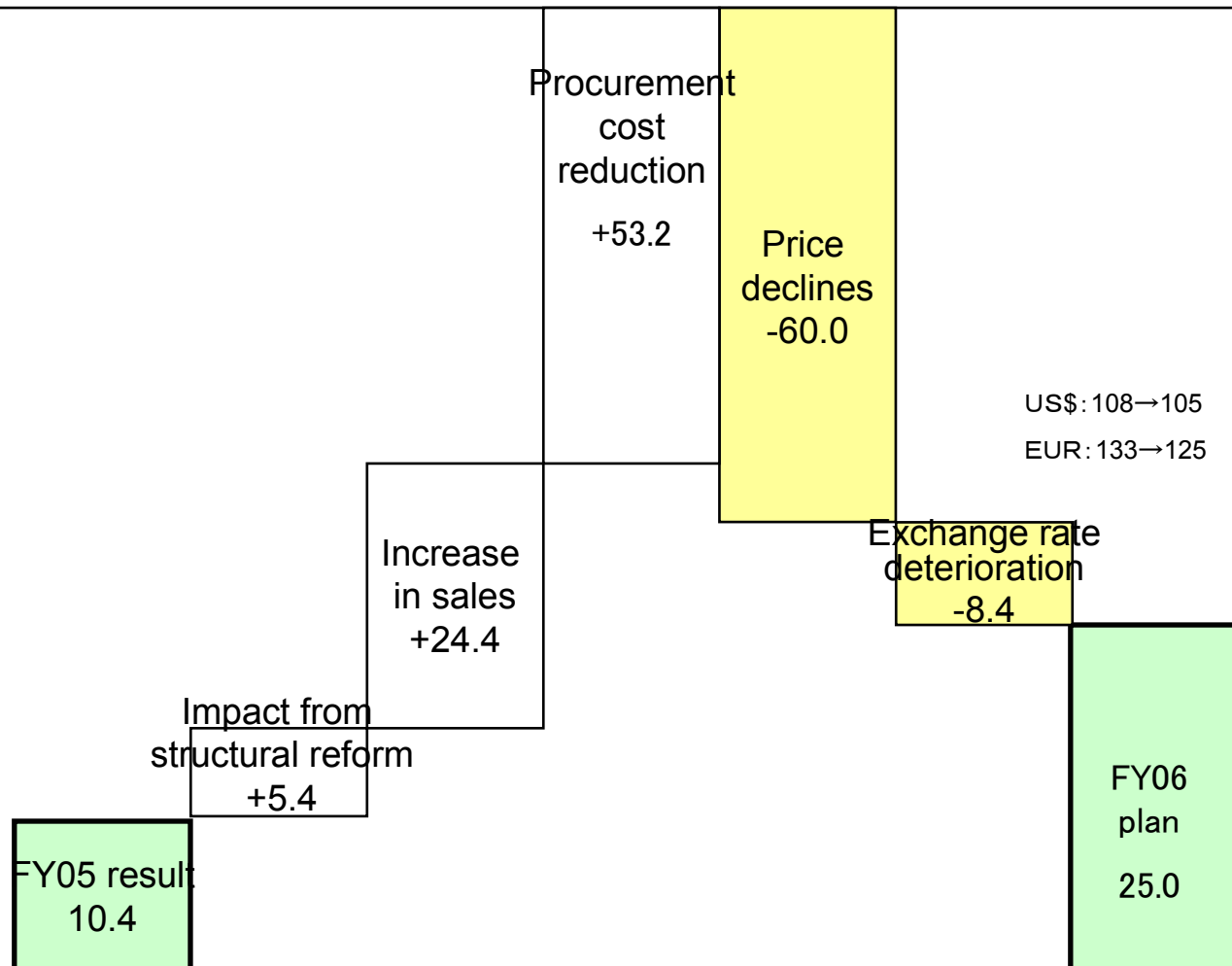
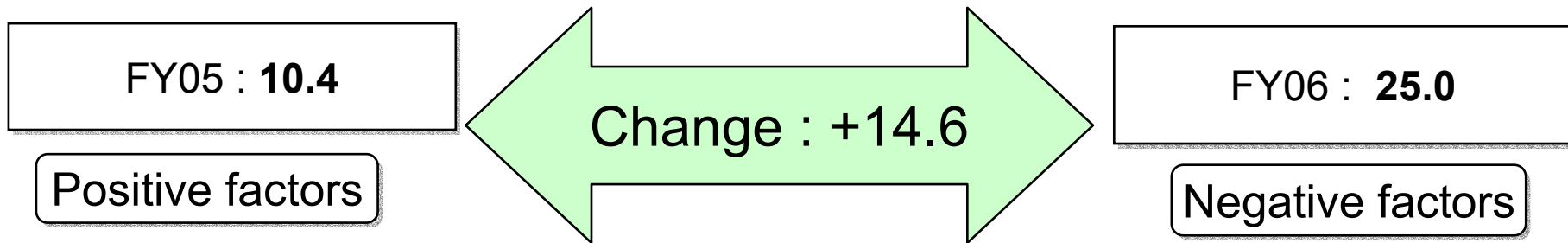
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	Plan	FY05	Change from FY05
Net sales	430.0	410.2	105%
Operating income	1.6% 7.0	1.0% 4.3	163% 2.7
Ordinary income	0.7% 3.0	0.8% 3.3	91% (0.3)
Net loss	-0.9% (4.0)	-1.1% (4.4)	91% 0.4

FY2006 Sales Plan

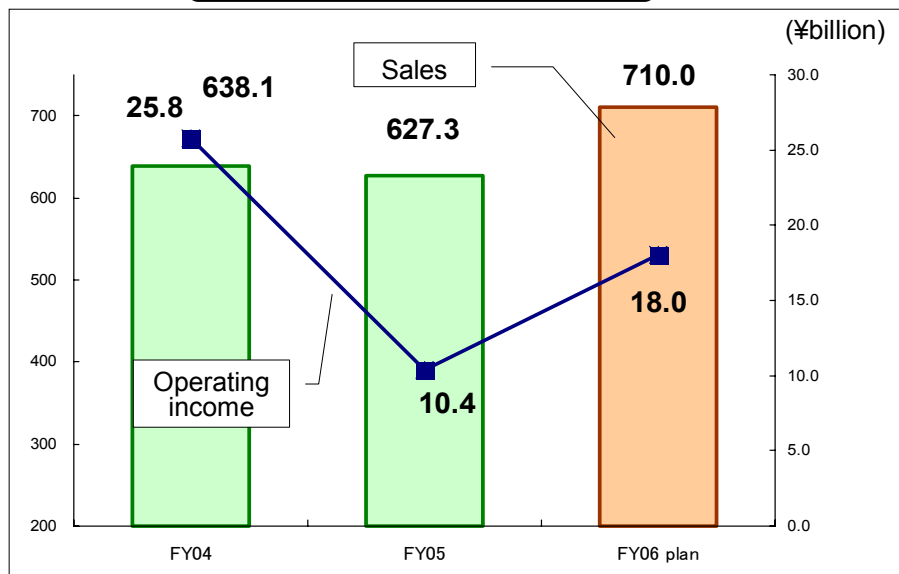


FY06 Breakdown of Change in Operating Income (vs. FY05)

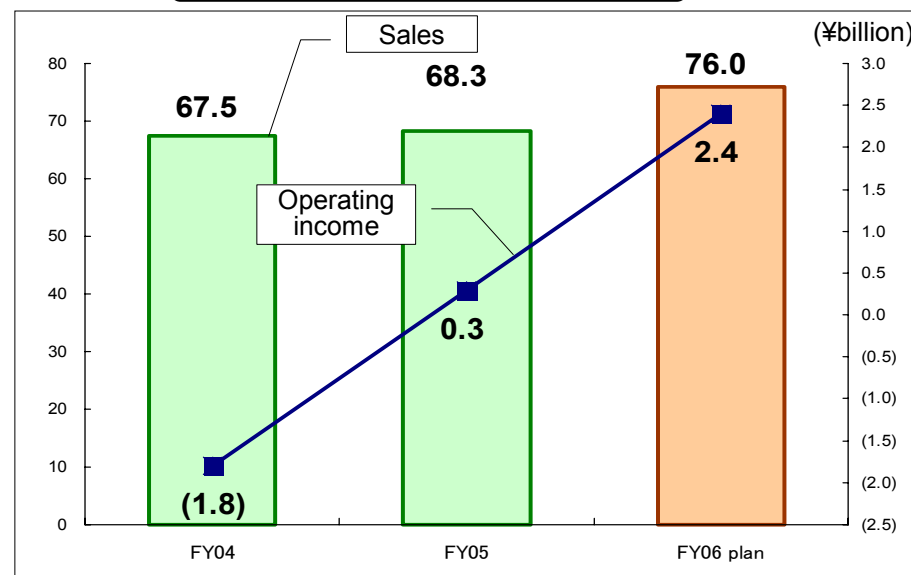


FY06 Sales and Operating Income by Segment

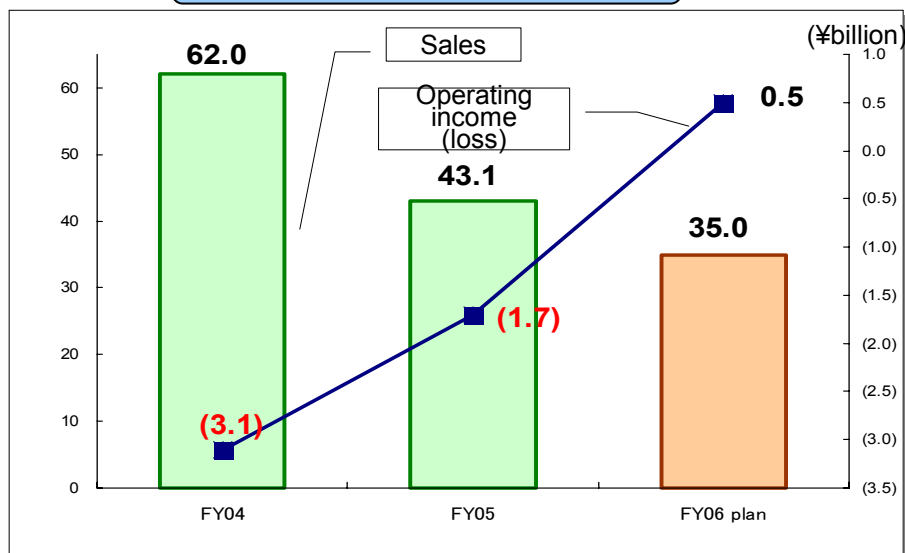
Consumer electronics



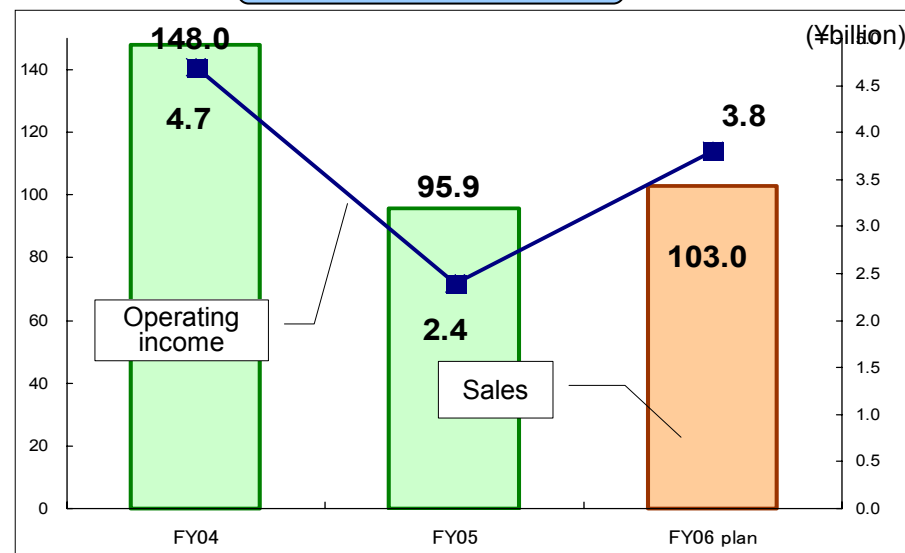
Professional electronics



Components & Devices



Software & Media



Change in FY04 Business Forecast

(¥billion)

	Original forecast	October '04 revision	April '05 revision	Results
Net sales	935.0	905.0	840.0	840.6
Operating income	28.0	23.0	10.0	10.4
Net income(loss)	8.0	4.0	(2.0)	(1.9)

Downward revision in October '04

- Slump in camcorder sales
- Stagnation in European market
- Slump in music CD sales

Second downward revision

- Frequency of delay in launch of consumer electronics products
- Lack of readiness for low price competition
- Music software: postponement of major artists albums

Objectives in FY06 by Segment

Consumer Electronics

Sales 710.0 (113%)

OP 18.0 (173%)

Biggest theme this year is to restructure consumer electronics business in order to recover business performance in FY2006

Professional electronics

Sales 76.0 (111%)

OP 2.4 (800%)

✧ **Strengthen and expand security business, and launch professional-use HD camcorder**

Components & Devices

Sales 35.0 (81%)

OP 0.5 (+2.2)

✧ **Expand motor business focused on FDB for HDD**

Software & Media

Sales 103.0 (107%)

OP 3.8 (158%)

✧ **Release new albums of major artists, and strengthen and nurture younger and new artists**

(¥billion)

Objectives in FY06

Frequency of delay in launching new products

Launch new products in time

- Shorten lead time
- Strengthen software development power
- Reduce number of models
- Strictly control quality and cost

Shorten product lifecycle

Lack of readiness for low price competition

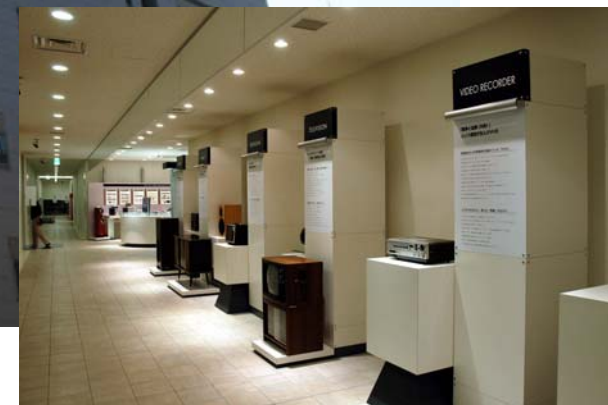
Promote management reform aiming high-speed turnover and efficiency

Continuous structural reform

Accelerate differentiation strategy with “Only One” products

Acceleration of growth strategy

New Technology Building “Techno Wing”



Promote management reform aiming high-speed turnover and efficiency

➤ Promote management operation reform

Make organization simple and slim

Review operation process in development, manufacturing and sales

➤ Review number of manufacturing sites : reduction of 1 to 2 facilities

➤ Review employment structure : reduction of about 500 domestic employees

Priority growth business

- 1. Display business : establish “three pillars” (D-ILA, FDP, CRT)**
- 2. Optical disc business : select lineup to concentrate development power**

Key business

- 3. Camcorder business : create new recording culture with Everio**
- 4. Car electronics business : shift to visual and navigation products**
- 5. AV system business : expand home theater lineup**



Sales strategy

Aim double digit growth in each area in the world by creating alliance between distribution and production/sales

**Aim to be a leader
in HD rear
projection TV**



- **Increase production capacity of D-ILA device to 90,000 units (for 30,000 D-ILA TV sets)**
- **Reinforce sales in North America and enter to the new market such as Japan, Asia and China**
- **Launch full high definition type of product**
- **Cost reduction by introducing new small size engine**

FY06 Plan

(¥billion)

	FY05 results		FY06 forecast	Change vs. FY05
Net sales	840.6	Challenge once again to Leap Ahead 21 plan	930.0	111% 89.4
Operating income	1.2% 10.4		2.7% 25.0	240% 14.6
Net income(loss)	— (1.9)		0.7% 7.0	— 8.9

✧ Basic policy in FY2006

To be a company that creates value for its customers, providing truly moving experiences and total customer satisfaction

Joint establishment of high added value management based on products that differentiate JVC, and rapid-response management that can answer to the challenges of the digital age with speed and flexibility

With the age of HD now a reality, draw on JVC's DNA to pursue our own quality, a "high quality look and feel", superior to conventional measures of hardware quality, appealing to the sensibility of the customer