

Fiscal 2006, ended March 31, 2006

Business Results

27 April, 2006

Victor Company of Japan, Ltd.

JVC

The Perfect Experience / —

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1. Consumer Electronics business difficulties

- Quality problem for DVD recorder resulting in reduced lineup
- Delay in developing LCD TV due to unsuccessful outsourcing strategy
- Difficulty for Display business in U.S. as well as Audio/Video Systems business globally
- Stable growth for Camcorder and Mobile Entertainment businesses

2. Professional Electronics, Components & Devices and Software & Media making continuous business recovery

- Components & Devices business turning profitable
- Hit music software from major music artists
- However, price decline for recording media and order decrease for Professional Electronics business in second half

Fiscal 2006 Consolidated Financial Results

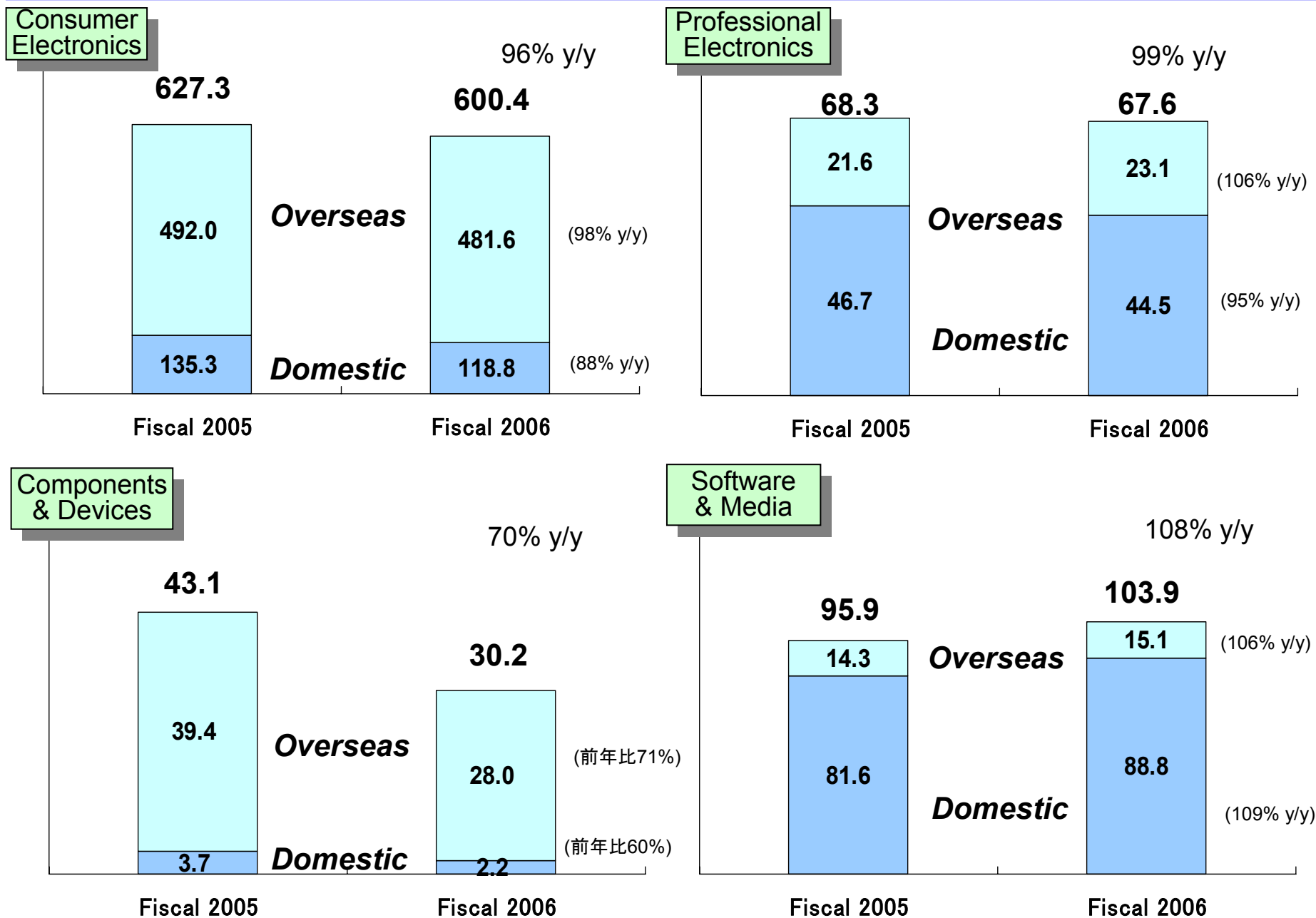
(¥billion)

	Results	Revision made on Feb.21	FY05	Changes vs revision	Changes vs FY05
Net sales	806.9	825.0	840.6	-18.1	96%
Operating income (loss)	-0.9% (6.9)	-0.6% (5.0)	1.2% 10.4	-1.9	-17.3
Ordinary income (loss)	-1.9% (15.0)	-1.5% (12.5)	0.9% 7.3	-2.5	-22.3
Net income (loss)	-3.8% (30.6)	-3.6% (29.5)	-0.2% (1.9)	-1.1	-28.7

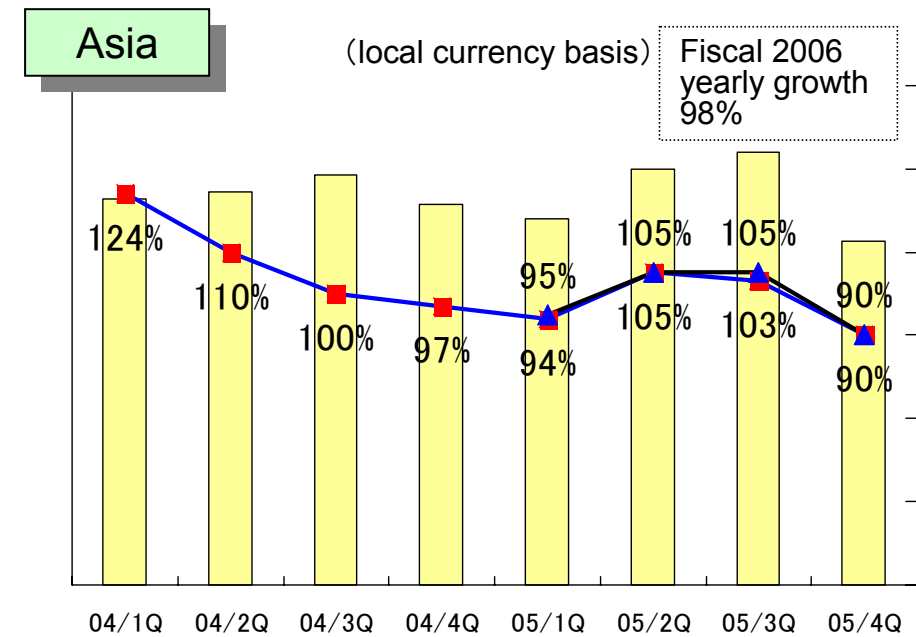
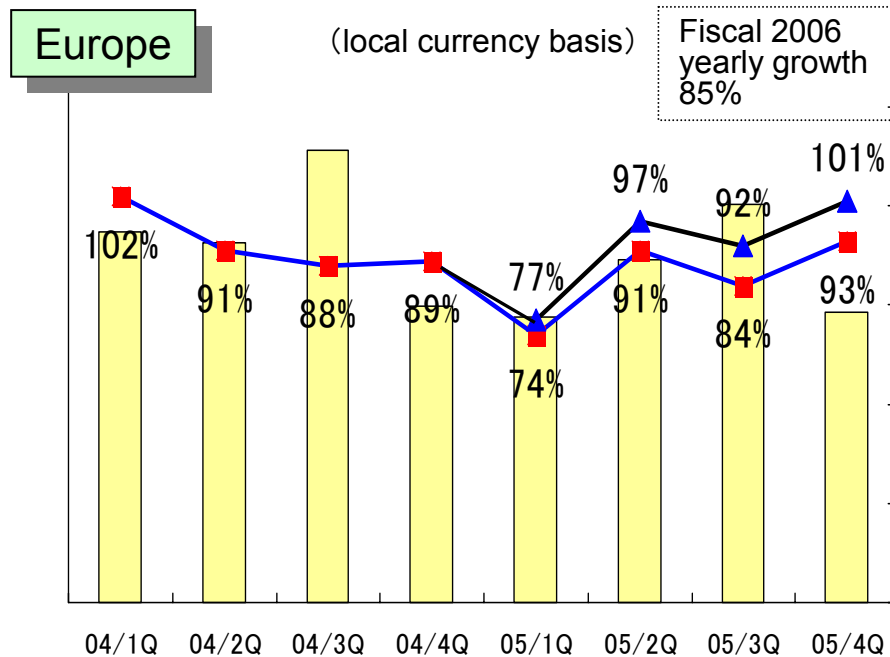
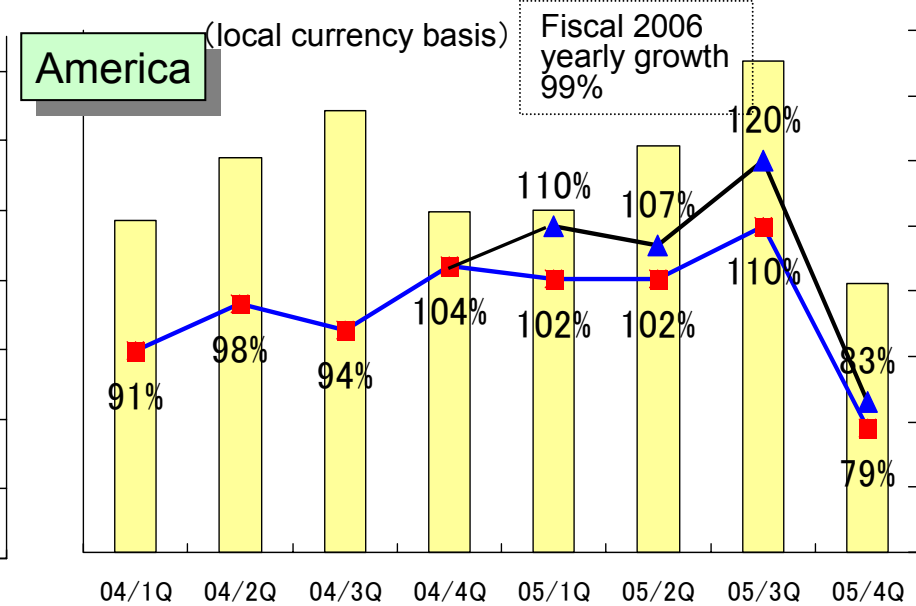
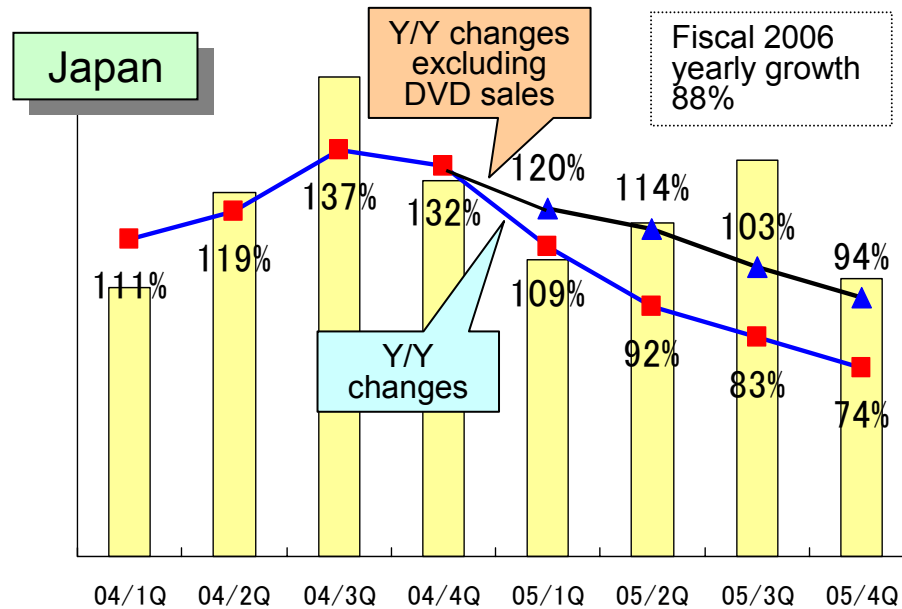
<Non-consolidated>

	Results	Revision made on Feb. 21	FY05	Changes vs revision	Changes vs FY05
Net sales	433.1	440.0	448.8	-6.9	97%
Operating income (loss)	-0.8% (3.4)	-0.7% (3.0)	-0.6% (2.7)	-0.4	-0.6
Ordinary income (loss)	-1.1% (4.8)	-0.7% (3.0)	1.3% 5.9	-1.8	-10.7
Net income (loss)	-3.9% (16.7)	-2.6% (11.5)	1.0% 4.6	-5.2	-21.3

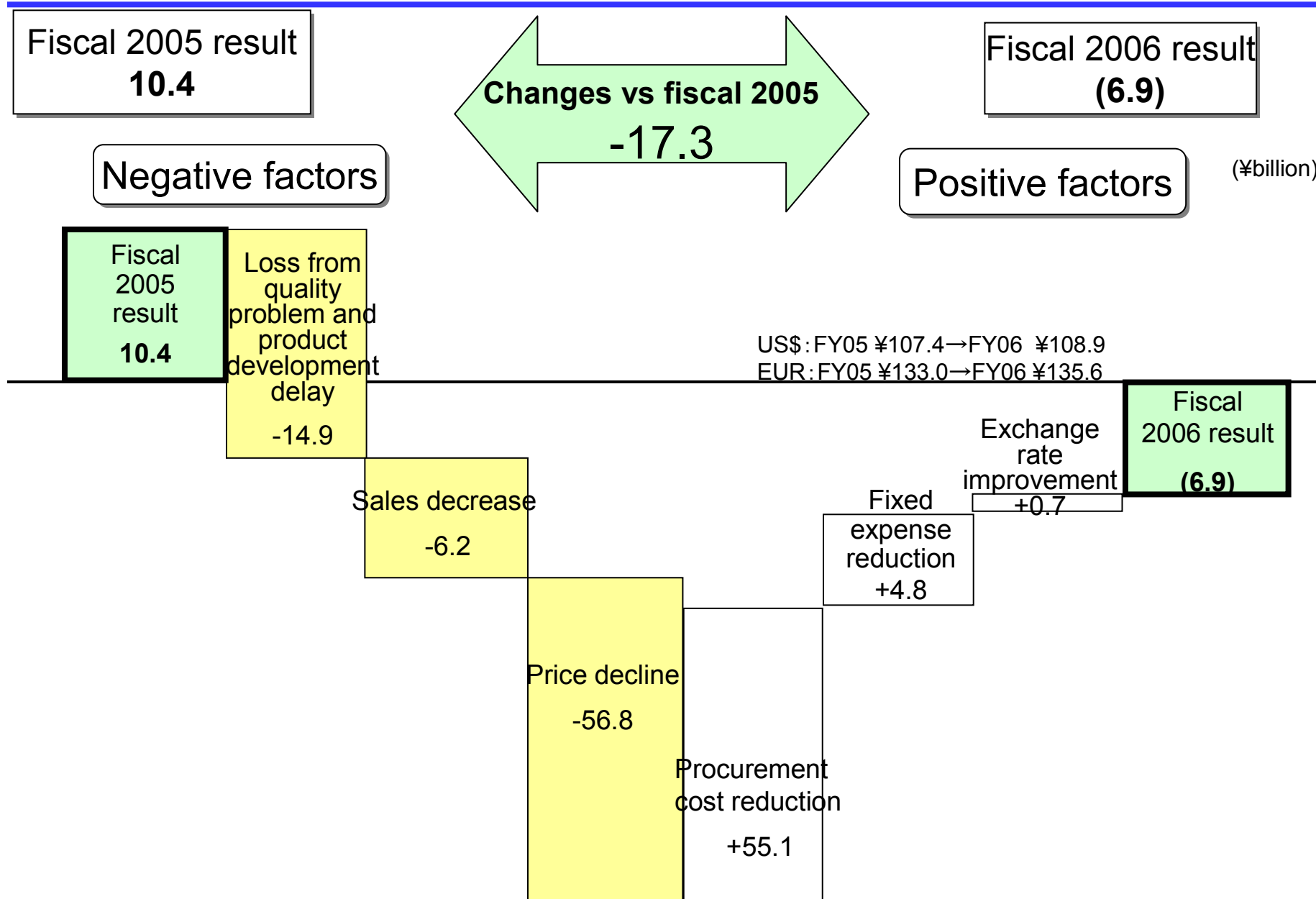
Fiscal 2006 Sales Results by Segment



Consumer Electronics Quarterly Sales by Region

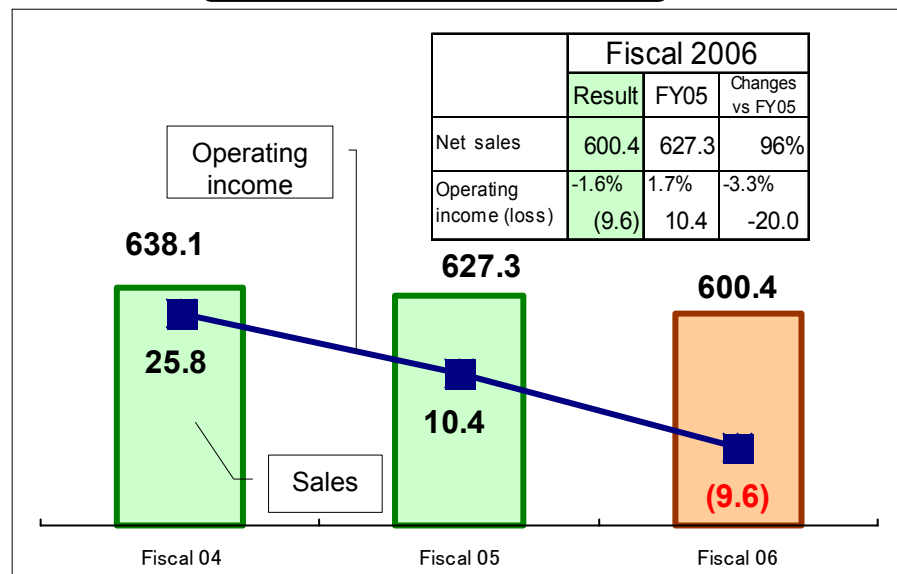


Fiscal 2006 Operating Income (Loss) Breakdown



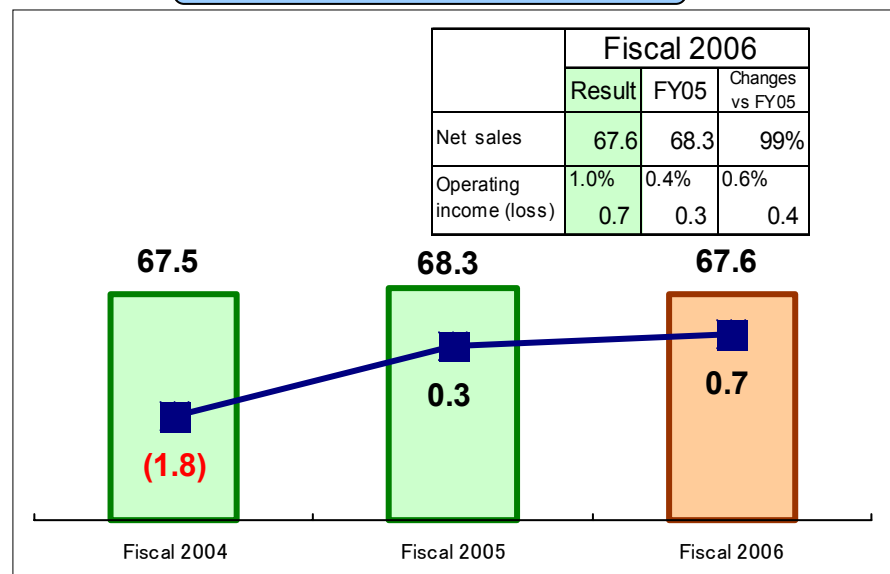
Fiscal 2006 Sales Results by Segment

Consumer Electronics

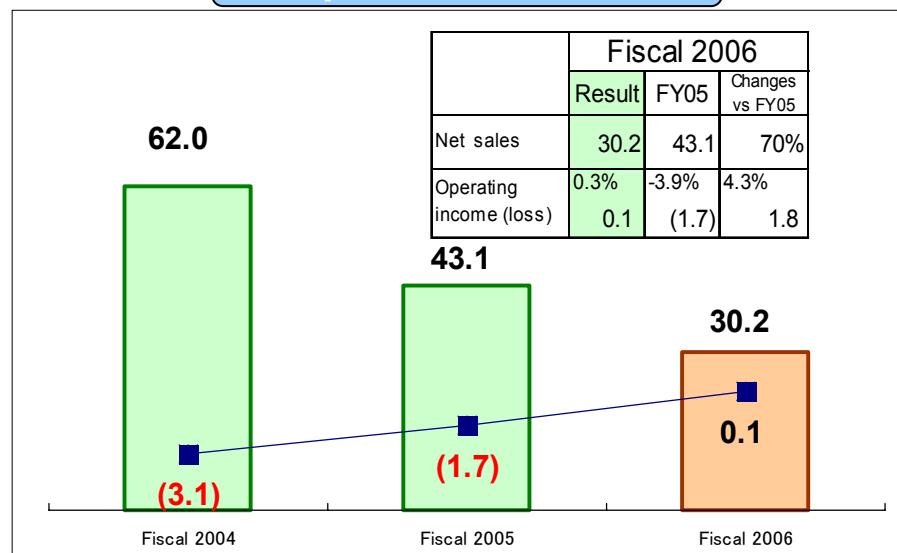


Professional Electronics

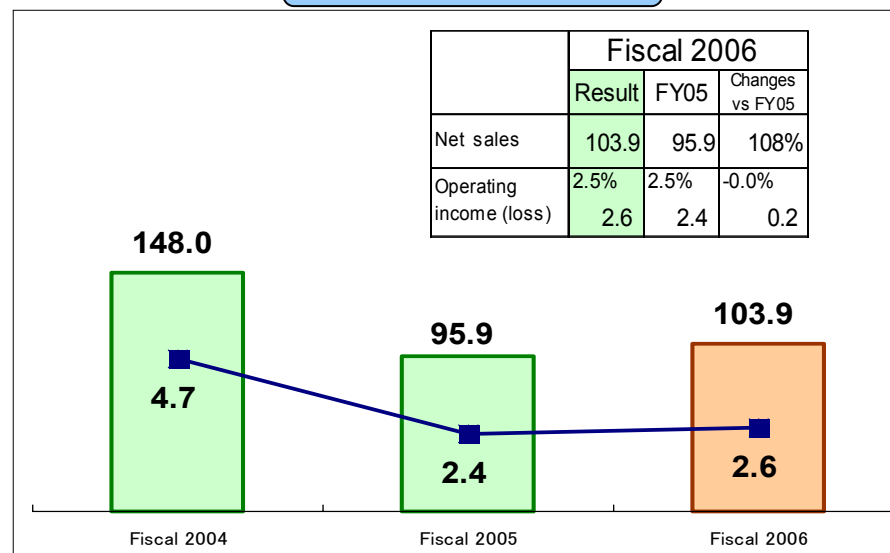
(¥billion)



Components & Devices



Software & Media



Fiscal 2006 Extraordinary Profit (Loss)

(¥billion)

	Results
Gain on sales of property, plant and equipment	2.20
Gain on sale of investments and write-down of investment securities	(0.28)
Employment structural reform charges	(6.54)
Structural reform charges of Berlin factory	(2.47)
Others	0.03
Total	(7.06)

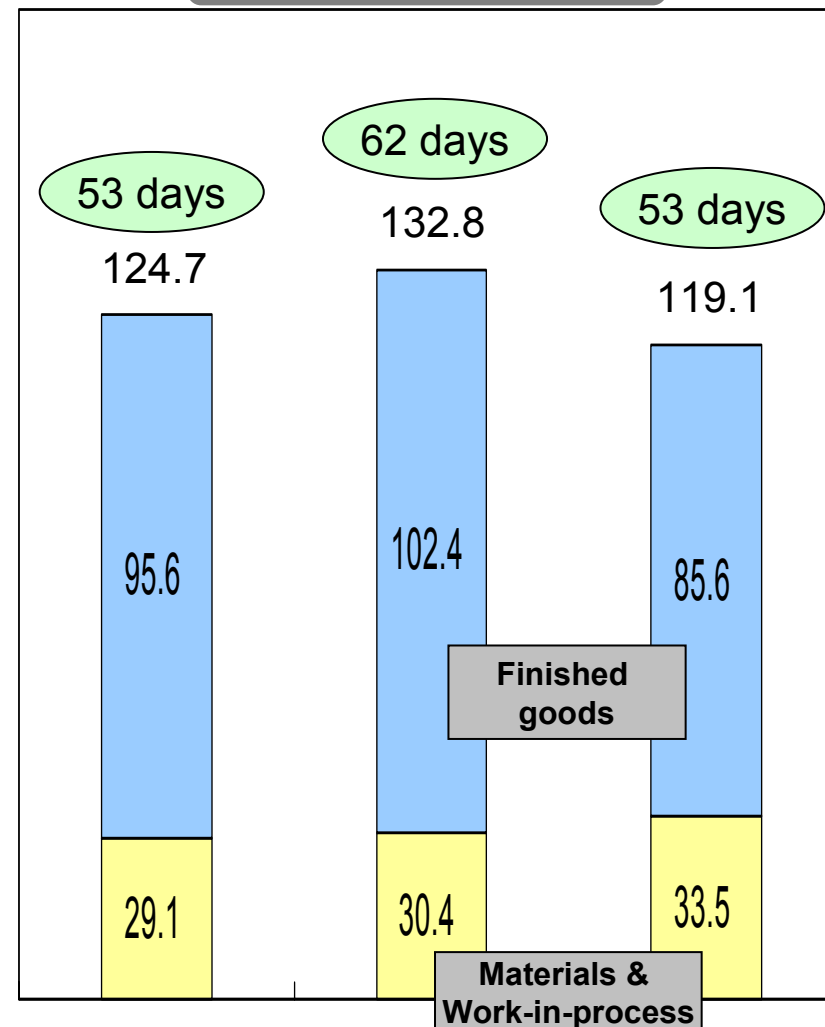
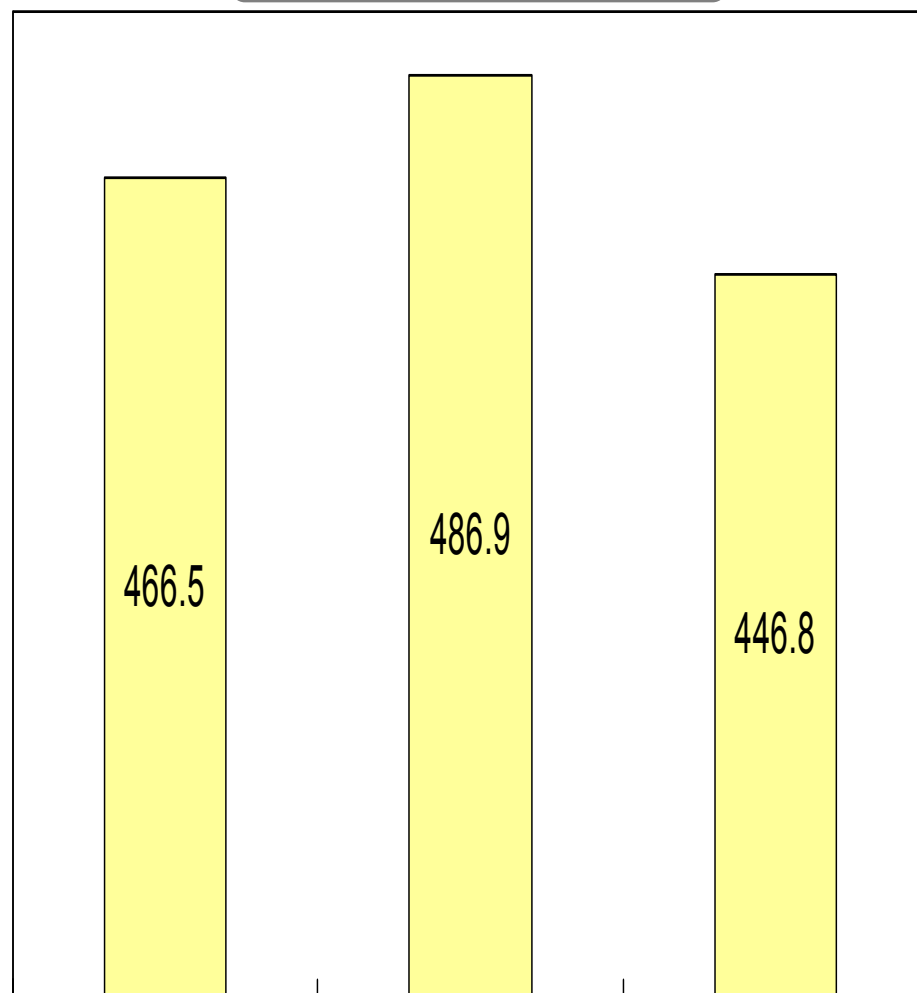
Trend in Asset and Inventory

Gross asset

Exch. rate	2005/3	2006/3
US \$	107	117
EUR	139	143

Inventory

(¥billion)



End of Mar. '05

End of Sep. '05

End of Mar. '06

End of Mar. '05

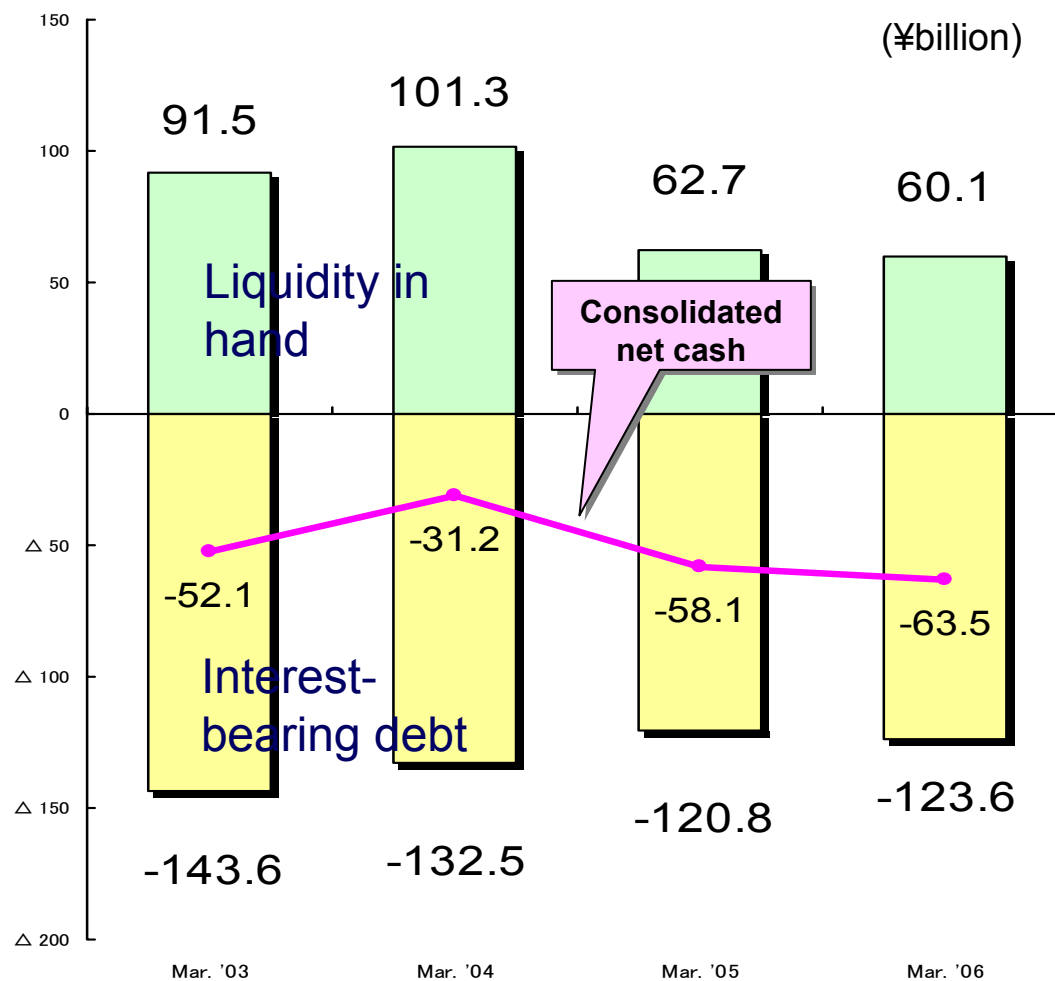
End of Sep. '05

End of Mar. '06

Fiscal 2006 Cash Flow

Consolidated statements of cash flow

	Income (loss) before income taxes	(22.1)
	Depreciation	24.0
	Operating capital	15.5
	Decrease (increase) in inventory	11.8
	Structural reform charges	(9.9)
	Others	4.3
	Net cash provided by operating activities	23.6
	Fixed asset	(27.5)
	Proceeds from sales of marketable securities, property, etc.	2.2
	Net cash used in investing activities	(25.3)
	Free cash flow	(1.7)
	Net cash used in financing activities	(2.8)
	Other adjustments	1.9
	Net increase (decrease) in cash	(2.6)
	Cash at the beginning of the year	62.7
	Cash at the end of the year	60.1



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

	FY2005	FY2006
Capital expenditure	18.1	14.8
Depreciation & amortization	12.5	13.5

Fiscal 2007 Business Forecast

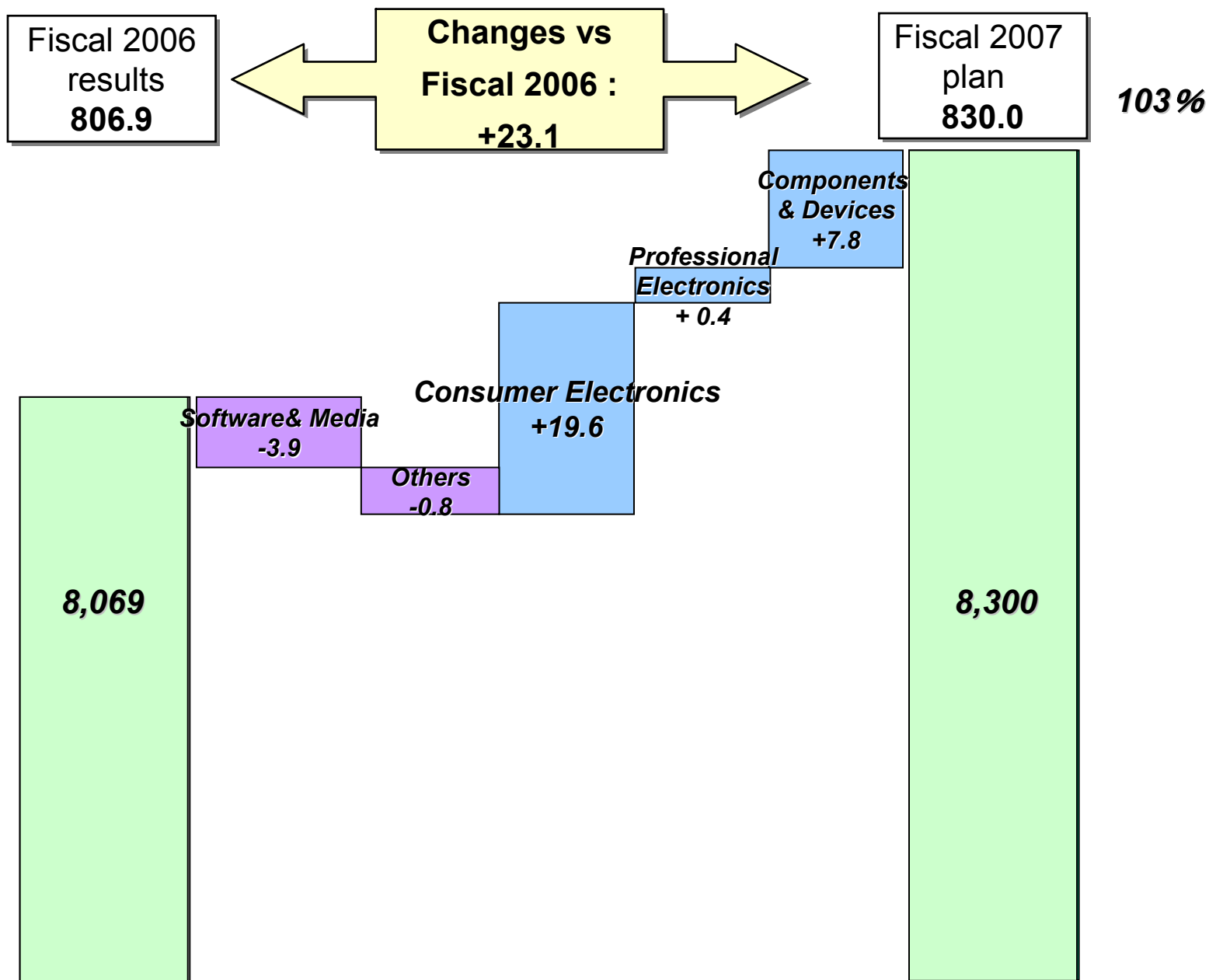
<Consolidated> (¥billion)

	Plan	FY06	Changes from FY06
Net sales	830.0	806.9	103%
Operating income (loss)	1.2% 10.0	-0.9% (6.9)	16.9
Ordinary income (loss)	0.5% 4.0	-1.9% (15.0)	19.0
Net income (loss)	0.2% 2.0	-3.8% (30.6)	32.6

<1H>

	Plan	FY06	Change from FY05
Net sales	390.0	387.3	101%
Operating income (loss)	-0.5% (2.0)	-1.0% (3.7)	1.7
Ordinary income (loss)	-1.3% (5.0)	-2.2% (8.5)	3.5
Net income (loss)	-1.8% (7.0)	-4.0% (15.3)	8.3

Fiscal 2007 Sales Plan



Fiscal 2007 Operating Income (Loss) Breakdown

Fiscal 2006
results
(6.9)

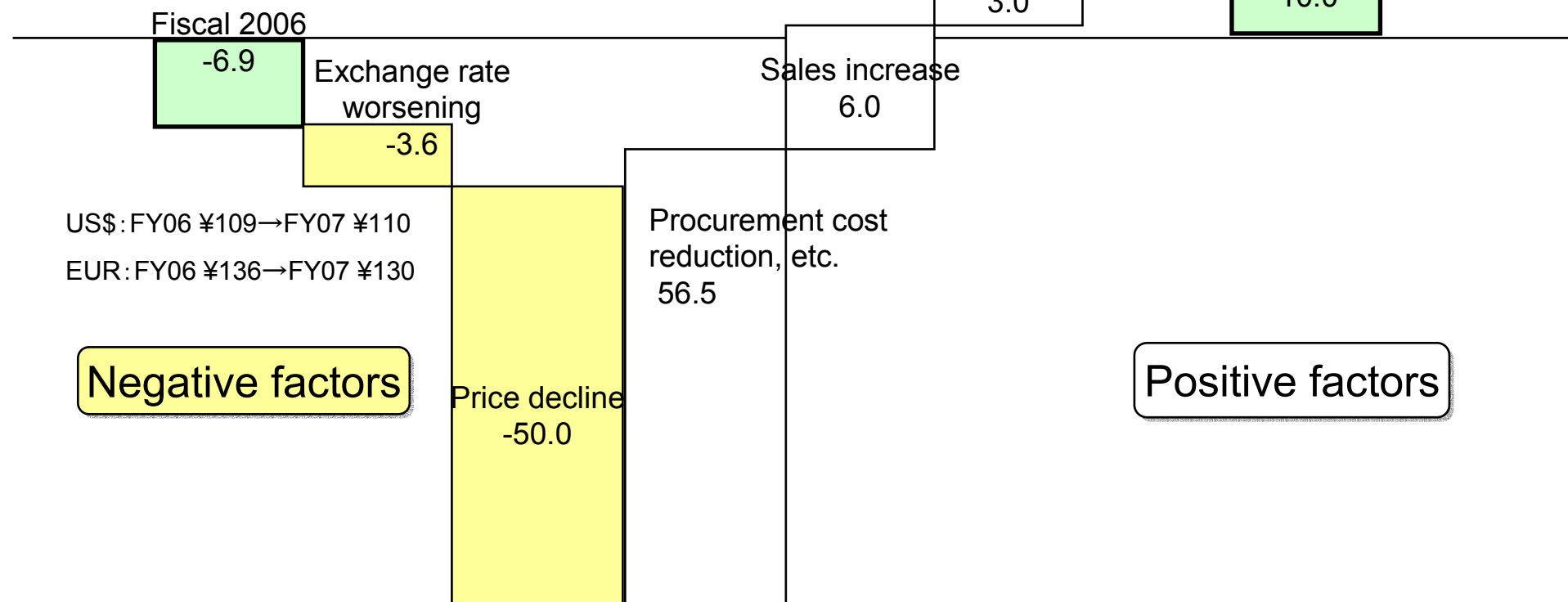
Changes vs fiscal 2005
+16.9

Fiscal 2007
plan
10.0

(¥billion)

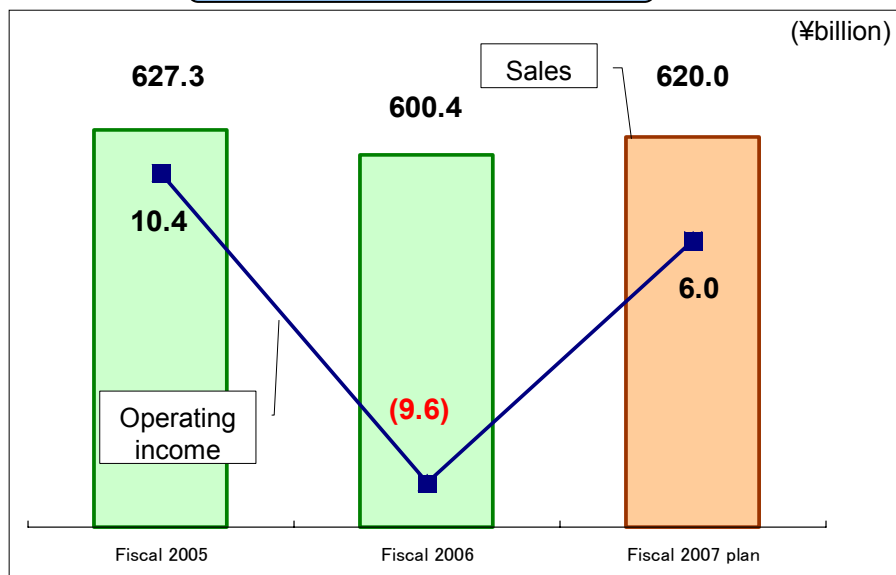
Impact from
structural reform

Reduction of quality loss	5.0	Plan 10.0
	3.0	

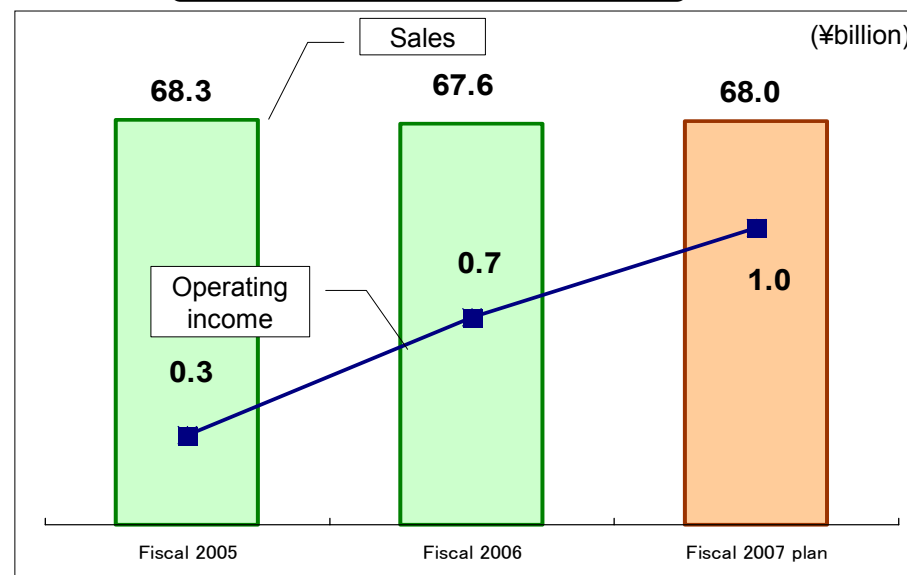


Fiscal 2007 Sales by Segment

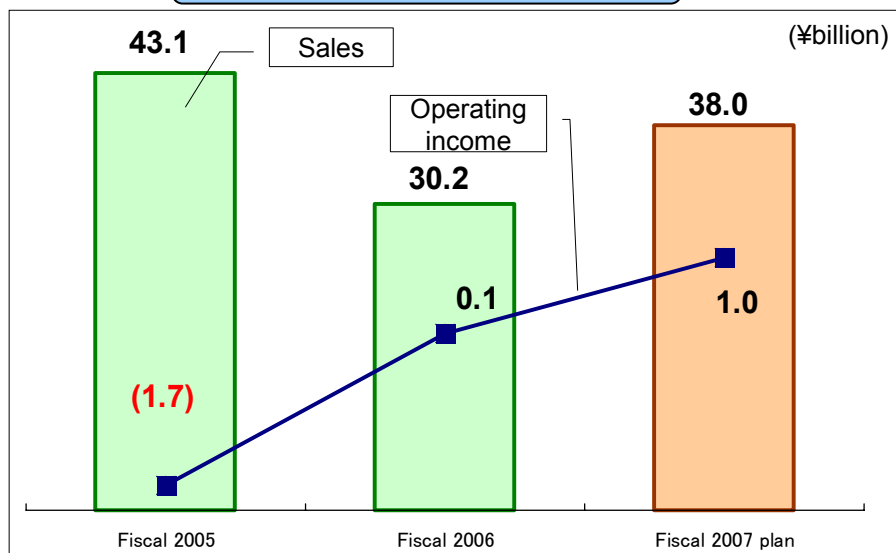
Consumer electronics



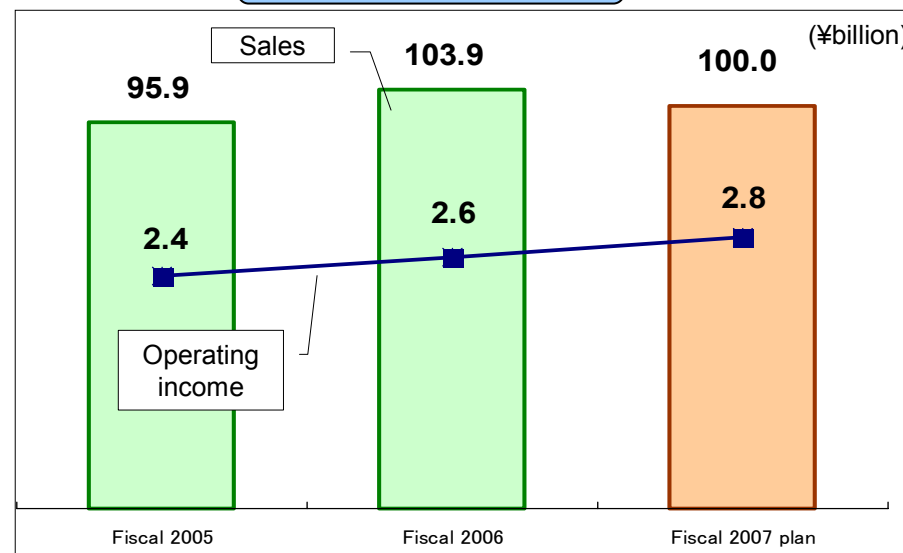
Professional electronics



Components & Devices



Software & Media



April 27, 2006

Approach to Business Restructuring

President Masahiko Terada



1. New Restructuring Plan Framing

<Steps for restructuring>

- ✓ Fiscal 2007 Return to profitability
- ✓ Fiscal 2008 Establish management infrastructure
- ✓ Fiscal 2009 Position the company for growth

<Necessary factors for restructuring>

- ✓ Continued management operation reform (companywide organizational reform to produce results)
- ✓ Complete product strategy based on “Only one” niche top strategy
- ✓ Business review and approach to new businesses

2. Management Reforms Implemented in Fiscal 2006

Company-wide organizational reform	* Dissolution of company system → implemented on Nov. 1, 2005 * Sales and marketing divisions of consumer electronics business under direct control of headquarters * Streamlined cooperative support departments and unification of staff departments
Employment structural reform	Original plan: 500 people Expanded plan: 700 people → 723 person reduction
Production sites realignment	1 or 2 sites reduction within fiscal 2006 → One in Japan (Tsurugamine) and one overseas (Berlin) reduced
Creation of new businesses study	Establishment of Committee for the Creation of New Businesses → started in November 2005

3. Continued Management Operation Reform

I. Reinforce technology development power

- Organizational reform for core technology development based on growth strategy
- Product development function added to overseas R&D center

II. Quality reform

- Accelerate development process reform (establish Engineering Innovation Promotion Center)
- Reinforce software technological capability (reinforce development manpower / introduce software program optimization system)

III. Manufacturing reform

- Restructure display products manufacturing system
- Realign manufacturing sites for speedy management and production cost reform
- Unified production control system in operation

IV. Procurement strategy

- LCD panel: Build a new alliance between manufactures in Japan, Korea and Taiwan
- HDD: Reinforce collaboration with customers who purchase our motors

V. Marketing reform

- Global marketing department to conduct consumer electronics sales both in Japan and overseas
- Reinforce sales and marketing capability for priority products (Display / Car AV)
- Reinforce sales structure of BRICS (new resident office in India)
- Develop new sales channels for Only One products (e-commerce / prosumer / installation business)

4. Only One Niche Top Products Strategy

D-ILA

- Strengthen profitability by making hybrid projection TV bigger, slimmer and Full-HD ready
- Reinforce North American market

- Launch slim type products within Fiscal 2007
- Further study for bigger screens (80", 100" and more)



LCD TV

- Differentiate products by High and Low end lineup strategy using bigger screen, high picture quality and Clear Motion LCD driver
- Reinforce European sales where JVC is keeping good market position with High and Low end lineup strategy

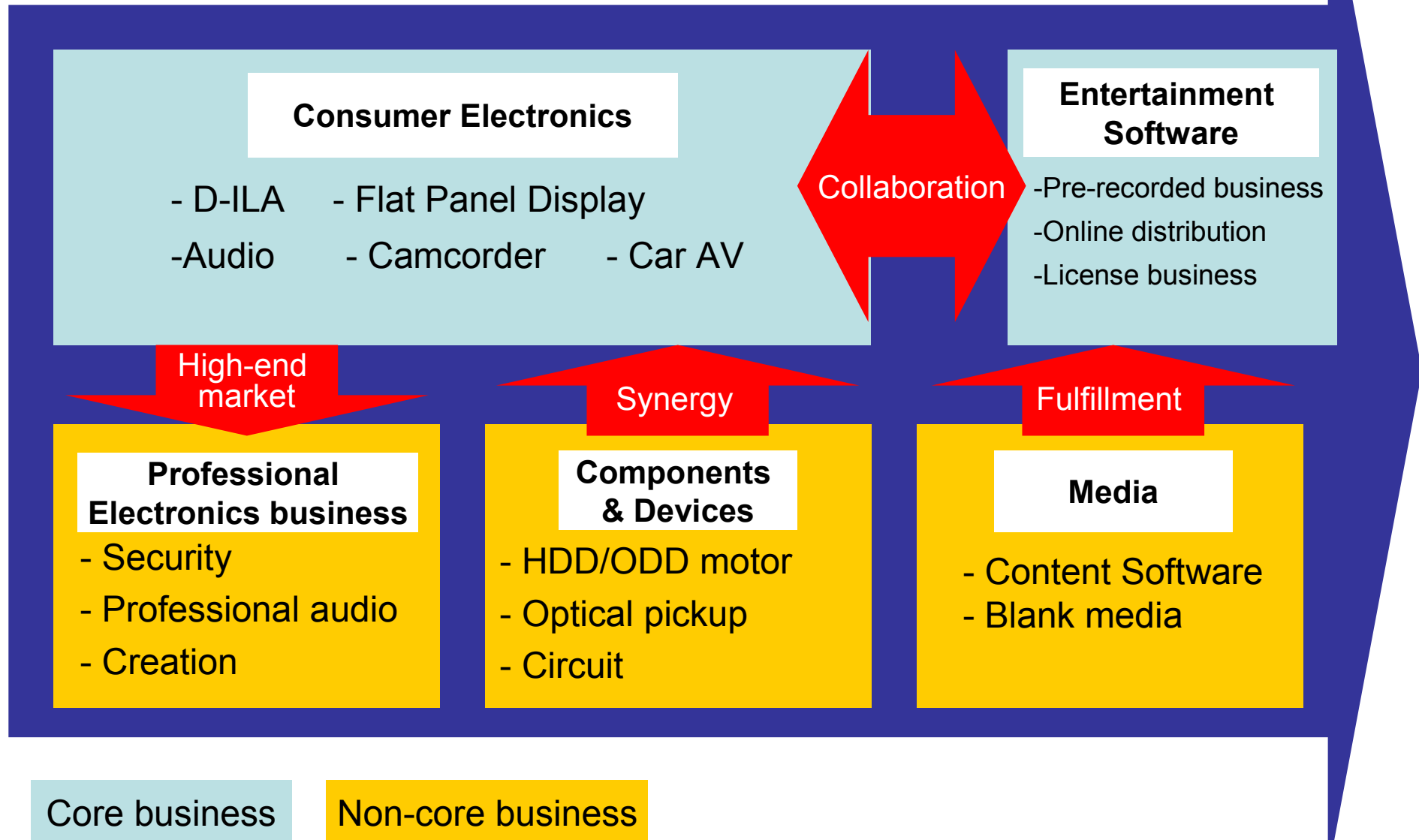
(European sales composition target in fiscal 2007: 60%)

- Thoroughly implement High and Low end lineup strategy
- Strongly promote Clear Motion LCD driver as differentiation factor from competitors

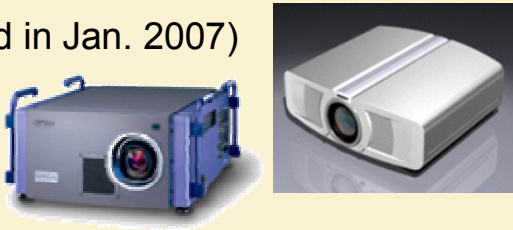


5. Business Review

- Overall business review based on synergy effect -



6. Approach to New Businesses

D-ILA	D-ILA Full HD home projector (to be launched in Jan. 2007) 4K x 2K professional-use super high definition projector (launched within fiscal 2008)	
Net-K2 License Business	Establish K2 laboratory in May 2006 and build business model utilizing JVC original high quality K2 and netK2 sound technologies	
Home Theater	Make complete home theater system by combining big screen display with high quality sound products as the core, and assign a special setup team to take care of installation	
Blu-ray Optical Disc System	Accelerate product commercialization by gathering all development power to Advanced Products Development Center	

7. Fiscal 2007 Business Forecast

(¥billion)

<Consolidated>

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