JVC
The Perfect Experience

PRESS Release

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For Immediate Release

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JVC Reports Business Results for Fiscal 2005 (April 1, 2004 – March 31, 2005)

Victor Company of Japan, Ltd. (JVC) announced today its financial results for the fiscal 2005 (April 1, 2004 – March 31, 2005). Consolidated total sales decreased 9% to 840.5 billion yen, and operating income decreased 59% to 10.3 billion yen from the year before due to postponement of new product developments, slow sales in overseas, underperformance of music software business, and the steep decline in prices of digital appliances. Strong sales of domestic consumer electronics and cuts in purchasing costs and lower fixed costs were not enough to compensate for these negative factors. Net income was likewise down to - 1.8 billion yen.

1. Consolidated*[1] Financial Highlights for FY2005 (April 1, 2004 – March 31, 2005)

Selected Operating Results

	FY 2005 (April 1, 2004 – March 31, 2005)	FY 2004 (April 1, 2003 – March 31, 2004)	Compared with the year before
			%
Total Sales	840,590	921,978	91
Operating Income (loss)	10,369	25,150	41
Ordinary Income (loss)	7,282	20,184	36
Net Income (loss)	(1,857)	15,608	—
Net Income (loss) Per Share	(7.71yen)	61.09 yen	

*Amounts indicated in millions of yen, except net income per share
*1: There are 76 consolidated companies.

Sales by Segments

	FY2005 (April 1, 2004 – March 31, 2005)		FY 2004 (April 1, 2003 – March 31, 2004)		Compared with the year before
		%		%	%
Consumer Electronics	627,286	75	638,090	69	98
Professional Electronics	68,348	8	67,545	7	101
Components & Devices	43,149	5	62,034	7	70
Software & Media	95,927	11	148,016	16	65
Others	5,878	1	6,291	1	93
Total	840,590	100	921,978	100	91
Domestic	273,025	32	302,016	33	90
Overseas	567,565	68	619,961	67	92

*Amounts indicated in millions of yen

2. Non-Consolidated Financial Highlights for FY2005 (April 1, 2004 – March 31, 2005)

Selected Operating Results

	FY2005 (April 1, 2004 – March 31, 2005)	FY 2004 (April 1, 2003 – March 31, 2004)	Compared with the year before
			%
Total Sales	448,781	501,710	89
Operating Income (loss)	(2,734)	7,912	—
Ordinary Income (loss)	5,923	6,885	86
Net Income (loss)	4,551	7,195	63
Cash Dividends Yen per Share	5.00 yen	5.00 yen	100

*Amounts indicated in millions of yen, except cash dividends

Sales by Segments

	FY 2005 (April 1, 2004 – March 31, 2005)		FY 2004 (April 1, 2003 – March 31, 2004)		Compared with the year before
		%		%	%
Consumer Electronics	339,484	76	376,899	75	90
Professional Electronics	53,481	12	60,123	12	89
Components & Devices	18,356	4	25,857	5	71
Software & Media	33,403	7	34,060	7	98
Others	4,055	1	4,768	1	85
Total	448,781	100	501,710	100	89
Domestic	201,916	45	181,238	36	111
Overseas	246,864	55	320,472	64	77

*Amounts indicated in millions of yen

Major products of each product line as follows:

Consumer electronics: Video cassette recorders, camcorders, cathode ray tube (CRT) TVs, plasma display panel (PDP) TVs, liquid crystal display (LCD) TVs, stereo components and related equipment, car audio, DVD players, DVD recorders, and CD portable systems

Professional electronics: Professional and educational equipment, information-related equipment, karaoke systems, and projectors

Electronic components & devices: Parts for display equipment, optical pickups, motors, and high-density printed wiring boards (PWBs)

Software and media products: Music and video software, such as CDs, videodiscs, prerecorded music and video tapes, and blank-media

Others: Home furniture[*2] information systems[*3], and production facility, etc.

[*2]: Only included in a consolidated level.
[*3]: Only included in a non-consolidated level.

Overview of results for the fiscal year ending March 2005

- The global economy saw stable performance during the first half of the fiscal year, receiving a strong boost from the US and Chinese economies. The employment situation in the United States improved due to a combination of proactive fiscal policies and sound monetary policies by the US government, which also contributed to an upturn in consumer spending and capital investment. Despite the firm tone of the US economy in the first half of the fiscal year, however, there were signs of a slowdown in the second half with a near stalling of the US economy. The downturn was caused by rising crude oil prices and a weakened dollar driven by concerns over the US's twin trade and budget deficits. The European economy began to move toward a gradual recovery during the first half of the fiscal year amid sluggish consumer spending and capital investment. However, the growth of the European economy slowed during the second half of the fiscal year due to the appreciation of the Euro, which caused a slowdown in exports. In Asia, the Chinese economy continued to grow at a fast pace, driven by further gains in capital investment and consumer spending, combined with rising domestic and foreign demand.

- During the first half of the fiscal year, the Japanese economy showed a general tone of recovery driven by gains in corporate earnings and private capital investment. By the second half of the fiscal year, the nation's difficult employment situation, combined with other factors such as increases in social insurance premiums and a cut in fixed tax breaks, caused a drop in consumer confidence looking forward. The Japanese economy took on a stronger tone of adjustment as exports grew at a more moderate pace due to slowdowns in the economies of European and North American industrial nations during the second half .

- The audiovisual (AV) market was healthy, strengthened by the performance of the Japanese market, where sales were driven by rapid proliferation of the "trinity" of digital products – flat panel displays, DVD recorders and digital cameras as well as special demand created by the Athens Olympics. However, further digitization led to a rapid drop in prices and shorter product life cycles, which resulted in a more difficult environment than ever before.

- In foreign exchange markets, the yen rose against the US dollar compared to fiscal 2004, but fell against the Euro.

- JVC responded to these conditions by actively developing and introducing products as part of its "Only One" strategy aimed at achieving high added value and differentiation of JVC products. In addition to the successful introduction of HD-ILA rear projection TVs in the United States, the company experienced healthy sales of car electronics in the United States, Asia and Russia. Domestically, JVC increased its market share of LCD TVs equipped with Genessa "Image Intelligence" *4 technology, and introduced well received audio products with a strong emphasis on sound performance, such as the company's Wood Cone Speakers and a portable MD player with the world's longest playback time. Other well received product releases included the Everio Digital Media Camera, the world's first compact hard disc camcorder, and a three-in-one digital video recorder with DVD, hard disc and VHS recording. Overall, JVC successfully developed many products that build upon its reputation for new and innovative ideas. Internally, JVC strengthened its corporate structure by focusing on continuous structural reform. Initiatives included a consolidation of manufacturing bases and establishment of the special next career support system as part of its career employment program.

  *4: Genessa is a marketing name exclusively used in Japan, and also an extended technology of *D.I.S.T.* (Digital Image Scaling Technology) developed in 2001. In the United Stated, it is called *D.I.S.T.,* while it is called *Dynapix Powered by D.I.S.T.* in Europe and Asia.

- Consolidated net sales saw a 9.6% decline in domestic sales compared to the previous year, due to the decline in music software and lower sales due to the expiration of music CD contracts, although the launch of new digital products such as LCD TVs, DVD recorders and digital hard disc camcorders drove strong performance in the consumer market. Despite strong sales of LCD TVs in all overseas regions and relatively smooth sales in Asia, sales of camcorders were weak in all overseas regions and AV systems were sluggish in Europe, driving overseas sales down 8.5% year-on-year. As a result, consolidated net sales for the fiscal year were down 8.8% year-on-year to 840.5 billion yen (921.9 yen last year).

Segment Information:

- In the Consumer Electronics segment, the launch of digital hard disc camcorders and growth of AV systems, coupled with the strong performance of display products primarily of LCD TVs and a three-in-one DVD recorder resulted in year-on-year growth in domestic sales. Overseas, sales of car electronics and display products were solid in Asia, resulting in year-on-year growth. In the Americas, due to the launch of HD-ILA rear projection TVs, sales of rear projection TVs, car electronics, and LCD TVs expanded, however, the slump in sales of camcorders, etc. resulted in US sales dropping year-on-year. In Europe, sales of LCD TVs and DVD recorders expanded, but home theaters and camcorders struggled, and sales fell year-on-year. As a result, total sales in the Consumer Electronics segment decreased 1.7 % year-on-year to 627.2 billion yen (638.0 billion yen last year).

- In the Professional Electronics segment, presentation systems struggled both in Japan and overseas, but the both markets experienced growth in security products such as surveillance camera systems, maintaining the same level achieved last year. The Professional Electronics segment posted overall sales of 68.3 billion yen (67.5 billion yen last year, up 1.2% year-on-year).

- Sales in the Components & Devices segment fell year-on-year despite growth in motors for hard disc drives. The sluggish sales can be attributed to the underperformance of motors for floppy discs drives and deflection yokes due to the shrinking markets, coupled with declining orders of high-density multi-layer printed wiring boards (PWBs). This brought total segment sales down to 30.4 % year-on-year 43.1 billion yen (62.0 billion yen last year).

- The Software & Media segment benefited from the strong performance of DVD recording media, but this was not sufficient to offset the expiration of music CD contracts, coupled with postponement of big tile releases of major artists. As a result, total segment sales fell 35.2% year-on-year to 95.9 billion yen (148.0 billion yen last year).

- Sales in the “other” segment were down 6.6% year-on year to 5.8 billion yen (6.2 billion yen, last year).

- Although profitability improved year-on-year in the Components & Devices segment and the Professional Electronics segment due to structural reforms and rationalization introduced for the first half of fiscal 2005, the selling price fell in the Consumer Electronics segment, and overseas markets and software sales experienced a decline. Cuts in purchasing costs and lower fixed costs were not enough to compensate for these negative factors, and total operating income fell 59% year-on-year to 10.3 billion yen (25.1 billion yen, last year).

- Ordinary income stood at 7.2 billion yen (20.1 billion yen, last year), while net loss amounted to 1.8 billion yen (Profit of 15.6 billion yen, last year) due to charges taken for business structure improvement expenses such as a career employment program introduced during the first half of fiscal 2005.

Non-consolidated results for the period under review are as follows:

Total sales:	448.7.billion yen [Down 10.6% year-on-year from 501.7 billion yen in the fiscal 2004]
Operating income (loss):	(2.7 billion yen) [A profit of 7.9 billion yen in the fiscal 2004]
Ordinary income:	5.9 billion yen [Down 14.0% year-on-year from 6.8 billion yen in the fiscal 2004]
Net income:	4.5 billion yen [Down 36.7% year-on-year from 7.1 billion yen in the fiscal 2004]

A meeting of the board of directors held today decided to propose a year-end cash dividend of 5.0 yen per share, for approval at the ordinary general meeting of shareholders.

Outlook for Fiscal 2006

JVC forecasts continued severity in the business environment as domestic and international competition gears up in digital products and foreign exchange rates move in unfavorable directions.

During the year, JVC embarked on a three-year mid-term business plan called "Leap Ahead 21" under which it will continue to formulate and implement growth strategies, strengthen its organizations, and to maintain the increase in revenues and earnings.

At present, forecast full year business results are as follows:

Consolidated results forecast:

Total sales:	930.0 billion yen (up 11% year-on-year)
Ordinary income:	18.0 billion yen (up 147% year-on-year)
Net income:	7.0 billion yen (—)

*Results forecasts are based on assumptions deemed reasonable by the company at this point in time. Actual results may differ significantly from forecasts.

Below are some of the major factors that could cause a variance in results:

- Sudden, dramatic changes in economic conditions, product supply and demand balances in the major markets (Japan, Europe, US, and Asia).
- Trade and other regulations imposed on major domestic and overseas markets.
- Volatility on the foreign-exchange market, particularly in the exchange rate for the dollar and euro against the yen.
- Volatility on the capital markets.
- Changes in social infrastructure due to rapid technological change and so forth.

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