

For Immediate Release:

October 27, 2005

JVC Reports Business Results for the First Half of Fiscal 2006 (April 1, 2005- September 30, 2005)

Victor Company of Japan, Ltd. (JVC) announced today it registered consolidated sales of 387.2 billion yen for the first half of fiscal 2006 (April 1, 2005 – September 30, 2005), 6% down compared to sales in the same period of fiscal 2005, which stood at 410.1 billion yen due to a tough struggle in the Consumer Electronics segment, affected by quality issues with DVD recorders that resulted in delayed development. Also having a major impact were delays in the development of LCD TVs especially in Europe, though camcorder business quickly recovered and car electronics business continued to be stable. Components & Devices, Professional Electronics, and Software & Media segments made progress in improving their business positions.

1. Consolidated*¹ Financial Highlights for the First Half of Fiscal 2006 (April 1, 2005 – September 30, 2005)

Selected Operating Results

	1H of FY2006		1H of FY2005		Compared with the year before
	(April 1, 2005 – Sept. 30, 2005)		(April 1, 2004 – Sept. 30, 2004)		
Net sales	387,264		410,164		% 94
Operating Income (Loss)	(3,733)		4,344		—
Ordinary Income (Loss)	(8,467)		3,250		—
Net Income (Loss)	(15,310)		(4,372)		—
Net Income (Loss) Per Share	(60.28 yen)		(17.21 yen)		—

Amounts indicated in millions of yen, except net income per share

*¹: There are 75 consolidated companies and an equity method applied company.

Sales by Segments

	1H of FY2006		1H of FY2005		Compared with the year before
	(April 1, 2005 – Sept. 30, 2005)		(April 1, 2004 – Sept. 30, 2004)		
Consumer Electronics	288,055	% 74	300,311	% 73	% 96
Professional Electronics	31,393	8	34,859	8	90
Components & Devices	14,382	4	24,464	6	59
Software & Media	51,002	13	47,758	12	107
Others	2,428	1	2,770	1	88
Total	387,264	100	410,164	100	94
Domestic	126,003	33	126,762	31	99
Overseas	261,260	67	283,401	69	92

Amounts indicated in millions of yen

2. Non-Consolidated Financial Highlights for the First Half of Fiscal 2006
(April 1, 2005 – September 30, 2005)

Selected Operating Results

	1H of FY2006	1H of FY2005	Compared with the year before
	(April 1, 2005 – Sept. 30, 2005)	(April 1, 2004 – Sept. 30, 2004)	
Net sales	214,660	223,073	% 96
Operating Income (Loss)	(3,040)	(1,451)	—
Ordinary Income (Loss)	(3,227)	(264)	—
Net Income (Loss)	(9,633)	(3,402)	—
Cash Dividends Yen Per Share	0.00 yen	0.00 yen	—

Amounts indicated in millions of yen, except cash dividends

Sales by Segments

	1H of FY2006		1H of FY2005		Compared with the year before
	(April 1, 2005 – Sept. 30, 2005)		(April 1, 2004 – Sept. 30, 2004)		
Consumer Electronics	166,326	% 77	166,789	% 75	% 100
Professional Electronics	23,614	11	27,352	12	86
Components & Devices	7,917	4	10,118	4	78
Software & Media	14,952	7	16,843	8	89
Others	1,848	1	1,968	1	94
Total	214,660	100	223,073	100	96
Domestic	86,786	40	90,759	41	96
Overseas	127,874	60	132,314	59	97

Amounts indicated in millions of yen

Major products of each segment as follows:

Consumer Electronics:	LCD TVs, rear projection TVs, PDP TVs, CRT TVs, camcorders, video cassette recorders, DVD players, DVD recorders, audio related equipment such as MD, CD, DVD components, etc. and car AV system
Professional Electronics:	Surveillance video equipment, audio equipment, professional video equipment, and projectors
Components & Devices:	Motors, optical pickups, high-density printed wiring boards (PWBs) and parts for display equipment
Software and Media:	Music and video software, such as CDs, videodiscs, and 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 the First Half of Fiscal 2006 (April 1, 2005 – September 30, 2005):

- The United States economy performed strongly, despite concerns about inflation that were triggered by rising crude oil prices and increased housing investment. Capital investment in the United States continued to increase, while the employment situation was stable and personal consumption was healthy. In Europe, demand within the region slowed down somewhat owing to shrinking capital investment and lower employment, but exports began to recover, main for Germany, driven by the lower valuation of the Euro currency.
- In Asia, the Chinese government revalued the Renminbi currency in July as the Chinese economy continued to grow at a high rate, although the pace of growth weakened slightly. Exports in newly industrializing economies in Asia recovered to produce a moderate growth trend. The Japanese economy remained firm overall despite somewhat sluggish personal consumption, as business demand for capital investment and labor increased.
- Amid these conditions, JVC embarked on the second year of its “Leap Ahead 21” three-year mid-term business plan that sets out a growth strategy and aims to reinforce the company’s business position. Striving to become a company that creates true customer value, JVC released “Only One” products for new markets, which were well received by the marketplace. New product releases during the first half of fiscal 2006 included D-ILA Hybrid Projection Systems and Everio Series camcorders, the world’s first to use built-in hard disk drives.
- Consolidated net sales in Japan in the first half were down 0.6% compared to the first half last year. Sales of LCD TVs and camcorders were up, and the company was blessed with hit software products, but sales of DVD recorders and professional equipment declined. Outside of Japan, net sales in the Americas were up, though net sales in Europe were down, affected by delays in development of new products. Sales outside of Japan were down 7.8% year-on-year. Net sales were 387.2 billion yen in the first half, down 5.6% from 410.1 billion yen in the first half last year.

Divisional Breakdown

- By segment, the Consumer Electronics segment came in the same level of the first half last year in Japan, driven by growth in sales of LCD TVs and camcorders, owing to hits of hard disk camcorders, although sales of DVD recorders were down due to delays in development of new products. Outside of Japan, sales in the Americas grew year-on-year with D-ILA Hybrid Projection Systems and camcorders growing. Sales in Asia came in the same level of the first half last year with car electronics and audio products growing. Sales in Europe were down, affected by delays in development of DVD recorders and LCD TVs and a shrinking market of CRT TVs. Net sales in the Consumer Electronics segment were 288.0 billion yen in the first half, down 4.1% from 300.3 billion yen in the first half last year.

- In the Professional Electronics segment, sales in Japan were down from the first half last year. Sales of security products such as surveillance camera systems and system products were poor. Outside of Japan, sales of new professional HD camcorders were strong; however, the company struggled with presentation systems which came in below the level of the first half last year. Net sales in the Professional Electronics segment were 31.3 billion yen in the first half, down 9.9% year-on-year from 34.8 billion yen in the first half last year.
- In the Components & Devices segment, sales of fluid dynamic bearing motors for hard disc drives grew, but sales were down compared to the first half last year under the impact of a drastic shrinking market for deflection yokes and progress in the company's structural reforms such as selections and concentrations. Net sales in the Components & Devices segment were 14.3 billion yen in the first half, down 41.2% year-on-year from 24.4 billion yen in the first half last year.
- The Software & Media segment improved year-on-year due to hit releases by major artists signed to Victor Entertainment, Inc. and Teichiku Entertainment, Inc. Net sales in the Software & Media segment were 51.0 billion yen in the first half, up 6.8% year-on-year from 47.7 billion yen in the first half last year.
- Other segments recorded net sales of 2.4 billion yen in the first half, down 12.3% year-on-year from 2.7 billion yen in the first half last year.
- The profit and loss statement showed an operating loss of 3.7 billion yen in the first half, compared with a profit of 4.3 billion yen for the first half last year. The loss was due to an inability to lower purchasing costs and fixed expenses to compensate for negative factors such as quality issues with DVD recorders in the Consumer Electronics segment that resulted in delayed development. Also having a major impact were delays in the development of display products. However, operating income was up in the Components & Devices, Professional Electronics, and Software & Media segments, as each business segment made progress in improving its business position.
- Ordinary income posted a loss of 8.4 billion yen in the first half, compared with ordinary income of 3.2 billion yen in the first half last year. The loss was partly due to a change in the consolidated reporting period for subsidiaries using a calendar year-end. The move to standardize the fiscal year-end for consolidated subsidiaries contributed to a 1.4 billion yen loss, leading to a non-operating loss of 4.7 billion yen.
- Net income came in at a loss of 15.3 billion yen in the first half, compared with a loss of 4.3 billion yen in the first half last year. The situation was impacted by the accrual of extraordinary losses resulting from the company's early retirement program, which was implemented in an effort to revamp the company's management.

Below is a summary of non-consolidated business results for the first half:

Net sales	¥214.6 billion	[down 3.8% year-on-year from the ¥223.0 billion for the first half of last year]
Operating income (loss)	(¥3.0 billion)	[a loss of ¥1.4 billion for the first half of last year]
Ordinary income (loss)	(¥3.2 billion)	[a loss of ¥0.2 billion for the first half of last year]
Net income (loss)	(¥9.6 billion)	[a loss of ¥3.4 billion for the first half of last year]

Forecast for the full-year to March 2006

We expect the business environment to remain difficult, considering heightened competition in the domestic and international markets for digital appliances, the impact of runaway oil prices, etc.

Within this context, JVC will attempt to increase sales of "Only One" products and achieve the desirable effect of structural reforms, and will continue to work to achieve the results forecast announced on October 14, 2005.

Below is a summary of current full-year forecasts:

Consolidated results forecast

Net sales	¥860.0 billion	(102% YOY)
Ordinary income	¥0 billion	(- YOY)
Net income (loss)	(¥11.5 billion)	(- YOY)

Risks of Business, Etc.

Results forecasts are based on certain assumptions deemed by the company to be reasonable at the current point in time. Actual results may vary widely from forecasts.

Below are the main factors of the risks that may cause results to differ from forecasts:

- Drastic changes in economic conditions and product supply and demand in major markets (Japan, Europe, The Americas, Asia etc.)
- Fierce competition of selling prices of digital related products in major domestic and international markets, etc.
- Drastic changes in foreign exchange rates (yen-dollar, yen-euro etc.)
- Sharp moves in the capital markets
- Changes in social infrastructure caused by drastic changes in technology etc.
- Damages and lower supply of products of the manufacturing sites, caused by natural disasters such as large scale earth quakes, etc.

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For further information, please contact:
Toshiya Ogata, Senior Staff Manager, or
Fusako Adachi, Assistant Manager
Public Relations Office
Corporate Communications Department
Victor Company of Japan, Limited (JVC)
Tel: +81-(0)3-3289-1458
Fax: +81-(0)3-3289-0376
E-mail: ogata-toshiya@jvc-victor.jp
adachi-fusako@jvc-victor.jp
URL: <http://www.jvc.co.jp/english>