

For Immediate Release:

July 27, 2005

JVC Reports Business Results for the First Quarter of Fiscal 2006 (April 1, 2005 – June 30, 2005)

Victor Company of Japan, Ltd. (JVC) announced today its financial results for the first quarter of fiscal 2006 (April 1, 2005 – June 30, 2005). Consolidated total sales decreased 11% to 174.2 billion yen, and operating income decreased to a loss of 2.7 billion yen due to poor sales of Consumer Electronics in markets outside Japan, owing to delays in releasing new display products and DVD recorders in Europe, and to a lack of countermeasures for a drop in selling prices. Nonetheless, Consumer Electronics maintained strong sales in Japan, and the respective operating income from the Professional Electronics, Electronic Components and Devices, and Software and Media Products segments improved due to progress in the company's streamlining initiatives.

Consolidated Financial Highlights for the First Quarter of Fiscal 2006 (April 1, 2005 – June 30, 2005)

1. Selected Operating Results

	1Q of FY 2006	1Q of FY 2005	Compared with the year before
	(April 1, 2005 – June 30, 2005)	(April 1, 2004 – June 30, 2004)	
Total sales	174,252	195,500	% 89
Operating income (loss)	(2,763)	2,891	—
Ordinary income (loss)	(5,498)	2,138	—
Net income (loss)	(5,615)	1,062	—
Net income (loss) per share	(22.11 yen)	4.18 yen	

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

Note1: Based on the principles of mid-term consolidated financial documents, JVC employs a simple procedure within the range of not misleading stakeholders including stockholders.

Note2: There are 76 consolidated companies (JVC and its consolidated subsidiaries).

2. Sales by Segments

	1Q of FY 2006		1Q of FY 2005		Compared with the year before
	(April 1, 2005 – June 30, 2005)	%	(April 1, 2004 – June 30, 2004)	%	
Consumer Electronics	132,482	76	142,790	73	93
Professional Electronics	12,805	7	14,699	7	87
Electronic Components & Devices	6,777	4	13,339	7	51
Software and Media Products	21,004	12	23,287	12	90
Others	1,182	1	1,383	1	85
Total	174,252	100	195,500	100	89
Domestic	55,494	32	57,335	29	97
Overseas	118,758	68	138,165	71	86

*Amounts indicated in millions of yen

Major Products of Each Product Line 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 systems
Professional Electronics:	Surveillance video equipment, audio and video equipment, and projectors
Electronic Components & Devices:	Motors, optical pickups, and high-density printed wiring boards (PWBs), and parts for display equipment
Software and Media Products:	CDs, music and video software such as videodiscs and prerecorded music and video tapes, and blank-media
Others:	Home furniture, production facility, etc.

Overview of Results for the First Quarter of Fiscal 2006

- In the Japanese economy, capital investment grew during the first quarter, and personal consumption was stable due to an improvement in the employment and income environment. In other economies, capital investment in the United States was firm owing primarily to the high-tech sector, and personal consumption remained stable as the US economy continued to grow. In Europe, exports improved due to the lower valuation of the Euro currency starting from the beginning of the year, but the employment environment was slow to recover, with personal consumption remaining flat. Elsewhere, although the Chinese economy continued to grow at a fast pace, there was a general slowdown in Asian economies due to the sluggish performance of the IT sector.
- In this context, JVC embarked on the second year of its “Leap Ahead 21” three-year mid-term business plan, setting out on a growth strategy and aiming to reinforce the company’s business position. Striving to become a company that creates true customer value, JVC released new series of products as part of its “Only One” strategy, and they were welcomed by the market. New product releases during the quarter included D-ILA rear projection televisions and Everio Series hard disk camcorders.
- Consolidated net sales in Japan during the first quarter were 55.4 billion yen, down 3.2% year-on-year from 57.3 billion yen. Despite growth in sales of consumer digital products such as LCD televisions and camcorders, sales of electronic components & devices and professional equipment were down. Consolidated net sales outside Japan were 118.7 billion yen, down 14.0% year-on-year from 138.1 billion yen. Sales in the Americas were up year-on-year, but sales in Europe declined due to delays in the release of new products. Total sales were 174.2 billion yen for the quarter, down 10.9% year-on-year from 195.5 billion yen.

Segment Information:

- By segment, the consumer electronics segment improved its year-on-year performance in Japan owing to a significant rise in sales of LCD televisions and the release of new digital products such as hard disk camcorders and D-ILA rear projection televisions. However, the consumer electronics segment declined year-on-year in markets outside Japan. In local currency terms, the Americas region improved year-on-year due to growth in sales of rear projection televisions and

camcorders. Sales in Europe declined year-on-year due to delays in releasing new display products and DVD recorders, and sales in Asia declined due to sluggish sales of analogue camcorders under the impact of a shrinking market, although sales were strong for car AV systems and audio. Total sales in the consumer electronics segment were 132.4 billion yen during the quarter, down 7.2% year-on-year from 142.7 billion yen.

- In the professional electronics segment, sales in Japan declined year-on-year due to poor sales of security products as well as system products for business customers. Sales outside Japan also declined year-on-year due to poor sales of presentation equipment with the postponement in release of HDV video cameras until July, although security products were a bright spot. Total sales in the professional electronics segment were 12.8 billion yen during the quarter, down 12.9% year-on-year from 14.6 billion yen.
- The electronic components and devices segment struggled under the impact of a shrinking market for deflection yokes and progress in the company's structural reforms such as selections and concentrations, although sales of fluid dynamic bearing motors for hard disk drives were strong. Total sales in the electronic components and devices segment were 6.7 billion yen during the quarter, down 49.2% from 13.3 billion yen.
- The software and media products segment recorded strong sales of our own software products, but struggled due to a sharp decline in selling prices for blank media. Total sales in the software and media products segment were 21.0 billion yen during the quarter, down 9.8% year-on-year from 23.2 billion yen.
- Other segments recorded total sales of 1.1 billion yen during the quarter, down 14.5% year-on-year from 1.3 billion yen.

The Profit and Loss Statement:

- The profit and loss statement showed an overall operating loss of 2.7 billion yen during the quarter, down 5.6 billion yen year-on-year from an operating profit of 2.8 billion yen in 1Q last year. The respective operating income from the electronic components and devices, professional electronics, and software and media products segments improved due to progress in the company's streamlining initiatives. However, these developments were outweighed by negative factors such as a drop in selling prices in the consumer electronics segment and a decrease in sales income from markets outside Japan.
- Ordinary income posted a loss of 5.4 billion yen during the quarter, compared with ordinary income of 2.1 billion yen in 1Q last year. The company reported a loss of 2.7 billion yen in non-operating revenue, which was partly due to a change in the consolidated reporting period for subsidiaries using a calendar year-end. The move to standardize the consolidated reporting period resulted in a loss of 1.4 billion yen.

- Net income before adjustments such as tax came in at a loss of 5.1 billion yen for the quarter, compared with net income before tax of 2.2 billion yen in 1Q last year. The performance was partly attributable to an extraordinary loss of 0.3 billion yen resulting from the sale of a portion of the company's land assets. Net income posted a loss of 5.6 million yen for the quarter, compared with net income of 1.0 billion yen in 1Q last year.

Outlook for Consolidated Results This Year:

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.

Within this context, JVC will attempt to increase sales of "Only One" products and further strengthen its organizations, and will continue to work to achieve the results forecast announced on April 27, 2005.

At Present, Business Results Forecast Are as Follows:

1. Mid-term consolidated results forecast:

Total sales:	430.0 billion yen (up 5%, year-on-year)
Ordinary income:	3.0 billion yen (down 8%, year-on-year)
Net income (loss):	(4.0 billion yen) (-, year-on-year)

2. Full-year 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 (-, year-on-year)

*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, the U.S. 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, etc. in social infrastructure due to rapid technological change, etc.

#

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>