

# 1H FY2003 Business Results



Victor Company of Japan, Limited

October 29, 2002

# Interim Results' Highlights (September 2002)

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1. Profitable at both the operating and net income level, on both parent and consolidated basis
2. Strong performance in Consumer Electronics business
3. Completion of Employment Structure Reform

# 1H FY2003 Results

[Consolidated]

(¥bil.)

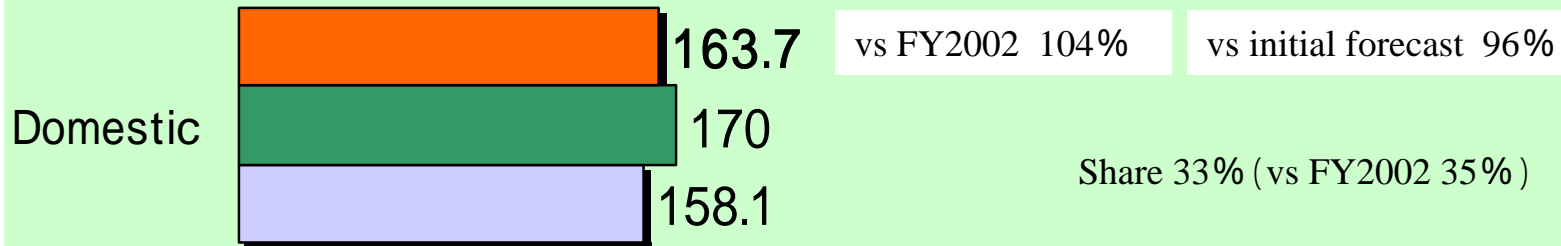
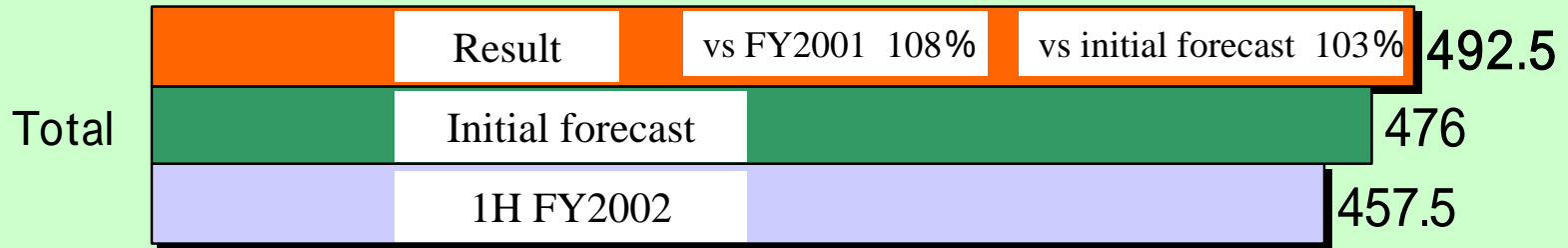
	Result	9/25 revised forecast	4/25 forecast	1H FY2002 results	Change vs revised forecast	Change vs initial forecast	Change vs FY2002 results
Net sales	492.5	478.0	476.0	457.5	(103%)	(103%)	(108%)
Operating income	1.8% 8.9	1.7% 8.0	0.8% 4.0	-3.4% -15.4	0.9	4.9	24.3
Recurring income	1.2% 6.0	1.0% 5.0	0.3% 1.3	-3.8% -17.4	1.0	4.7	23.4
Net income	0.3% 1.4	0.1% 0.5	-0.4% -2.0	-4.5% -20.4	0.9	3.4	21.8

[Parent]

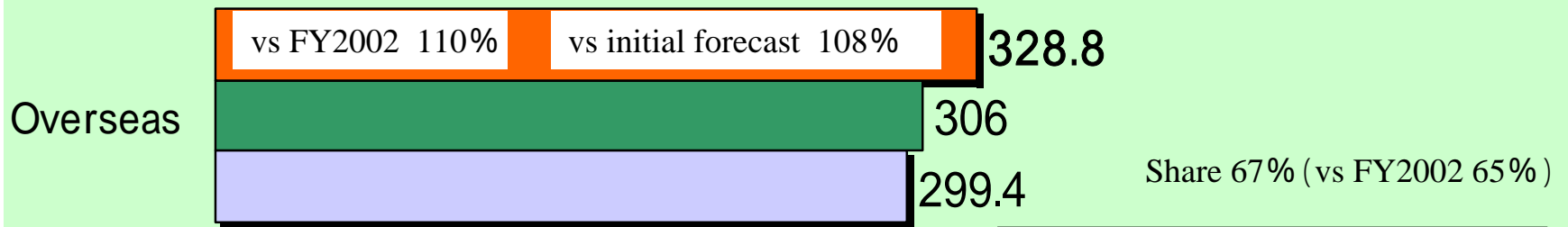
	Result	9/25 revised forecast	4/25 forecast	1H FY2002 results	Change vs revised forecast	Change vs initial forecast	Change vs FY2002 results
Net sales	276.5	278.0	258.0	253.3	(99%)	(107%)	(109%)
Operating income	1.6% 4.5	1.4% 4.0	0.4% 1.0	-6.9% -17.4	0.5	3.5	21.9
Recurring income	1.4% 3.8	1.3% 3.5	0.0% 0.1	-6.5% -16.5	0.3	3.7	20.3
Net income	0.7% 1.9	0.4% 1.0	-0.2% -0.6	-7.4% -18.7	0.9	2.5	20.6

# 1H FY2003 Sales Breakdown

(¥bil.)



Share 33% (vs FY2002 35%)

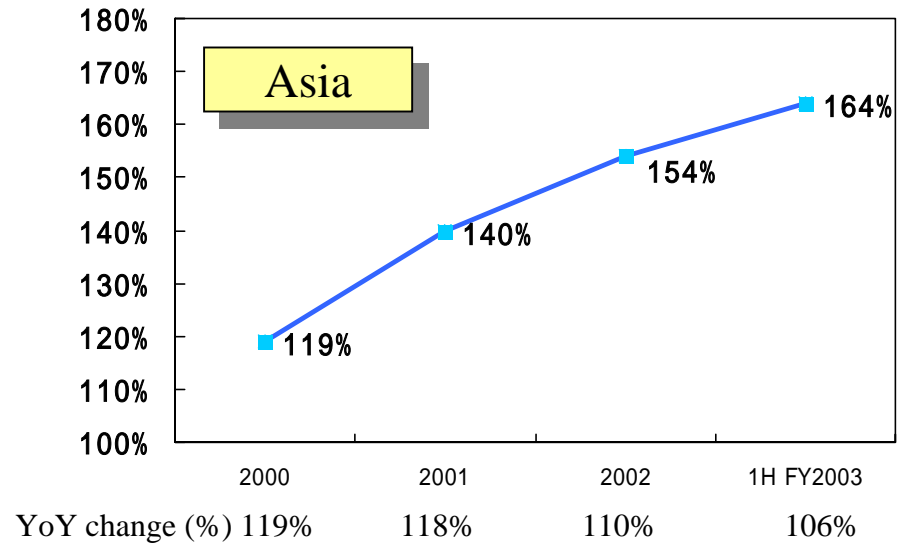
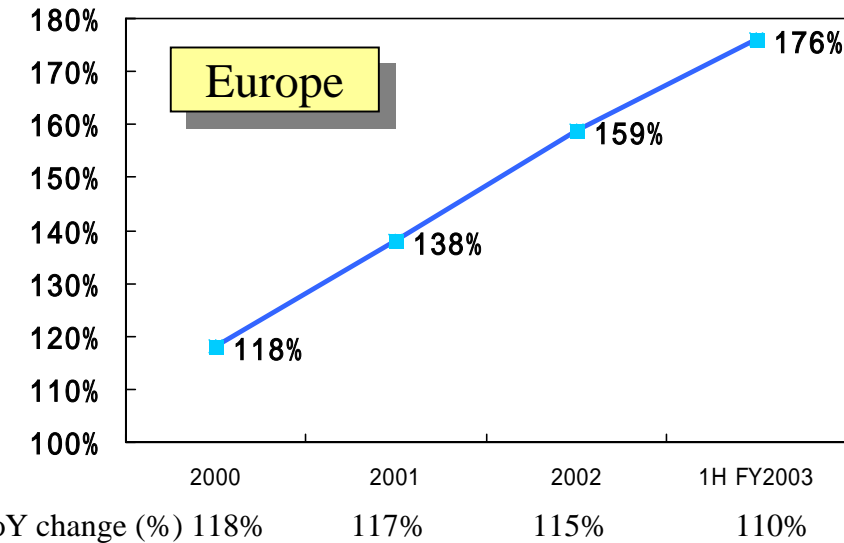
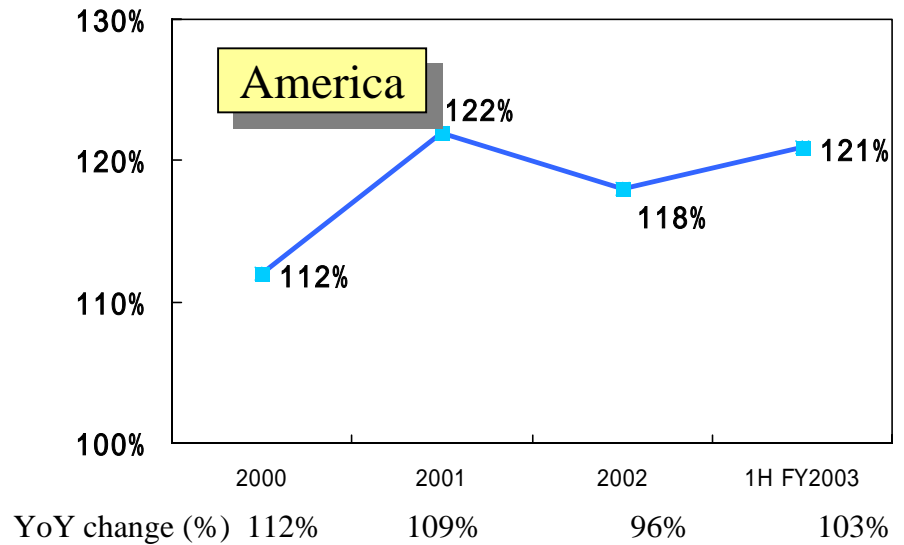
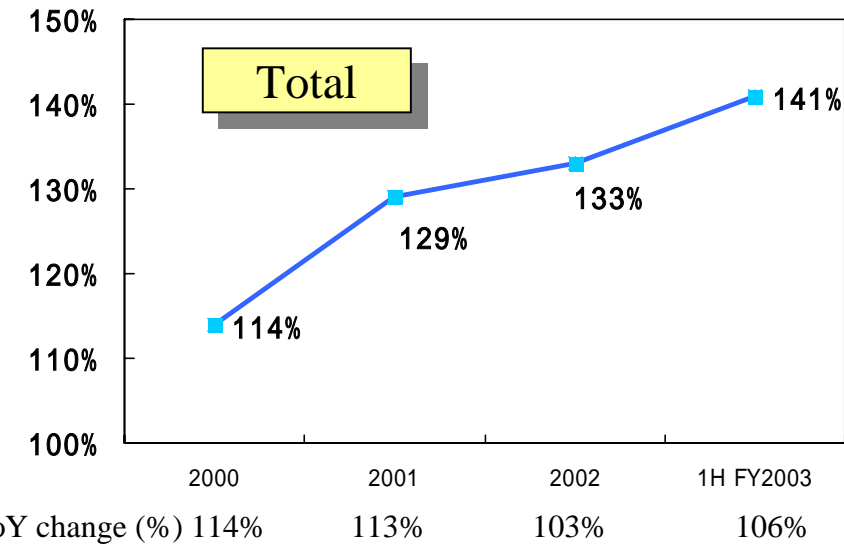


Share 67% (vs FY2002 65%)

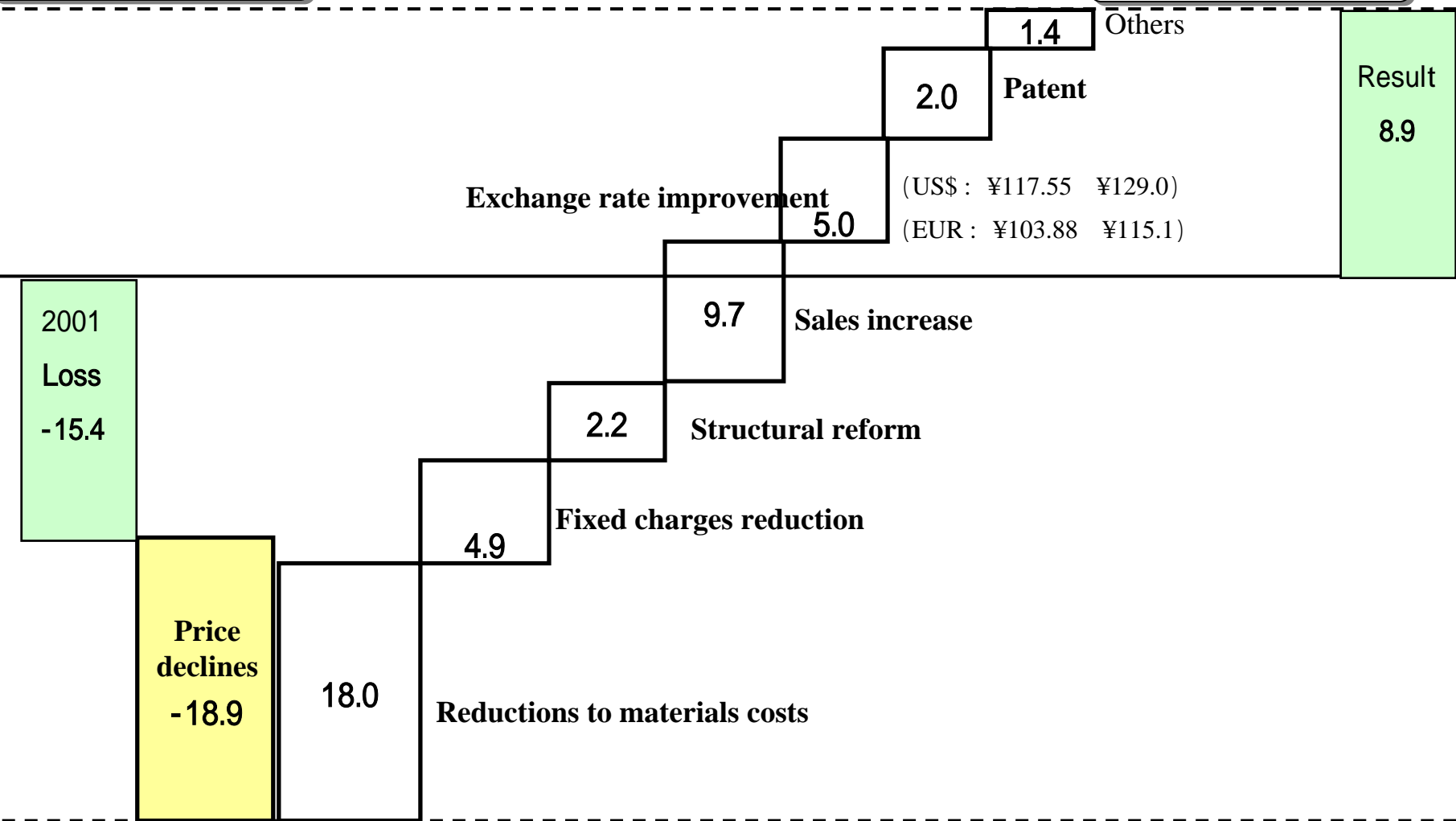
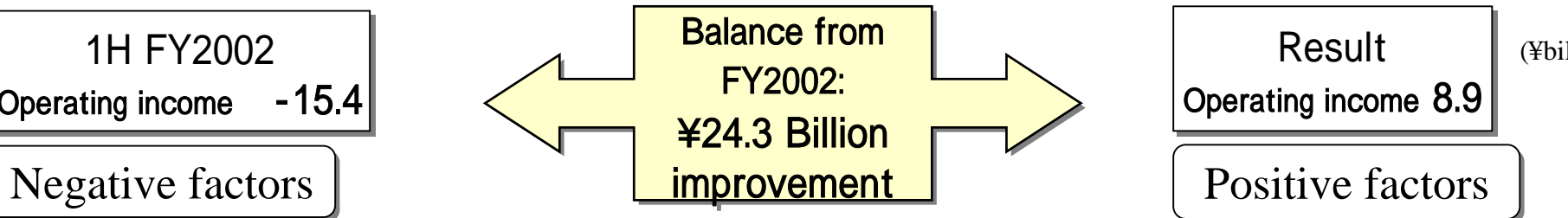
Exch..Rate	1H FY2003	2H FY2002
US \$	123	122
EUR	117	108

# International Sales Growth: 1H FY2003

Scale: FY1999=100, local currency ba



# Breakdown of Change in 1H Operating Income (vs 1H FY2002 results)



# Operating Income by Segment

(¥bil.)

	Result	Plan	FY2002	Balance from Plan	Balance from FY2002
Consumer Electronics	10.9	4.4	-4.1	6.5	15.0
Industrial Electronics	-2.4	-2.2	-5.7	-0.2	3.3
Devices	0.0	0.2	-2.9	-0.2	2.9
Entertainment	0.6	2.2	-1.9	-1.6	2.5

# Breakdown of Extraordinary Profits and Losses

(¥bil.)

	<b>Result</b>
Gain on portion of pension plan returned to government	<b>3.46</b>
Employment structural reform	<b>-2.98</b>
Business structural reform	<b>-3.40</b>
<b>Structural reform</b>	<b>-6.38</b>
Gains on sales of real estate	<b>2.96</b>
Valuation losses on holdings of marketable securities	<b>-2.12</b>
Others	<b>-0.39</b>
<b>Total</b>	<b>-2.47</b>



# Trends in Assets

(¥bil.)

## Gross Assets

211 days

194 days

191 days

535.3

513.4

522.2

Exch .Rate	2001/9	2002/3	2002/9
US \$	119	133	123
EUR	109	116	120

2001 Sep.

2002 Mar.

2002 Sep.

## Inventory

60 days

48 days

47 days

153.0

112.4

126.1

85.8

128.2

92.3

Finished Products

40.6

40.3

35.9

Materials

2001 Sep.

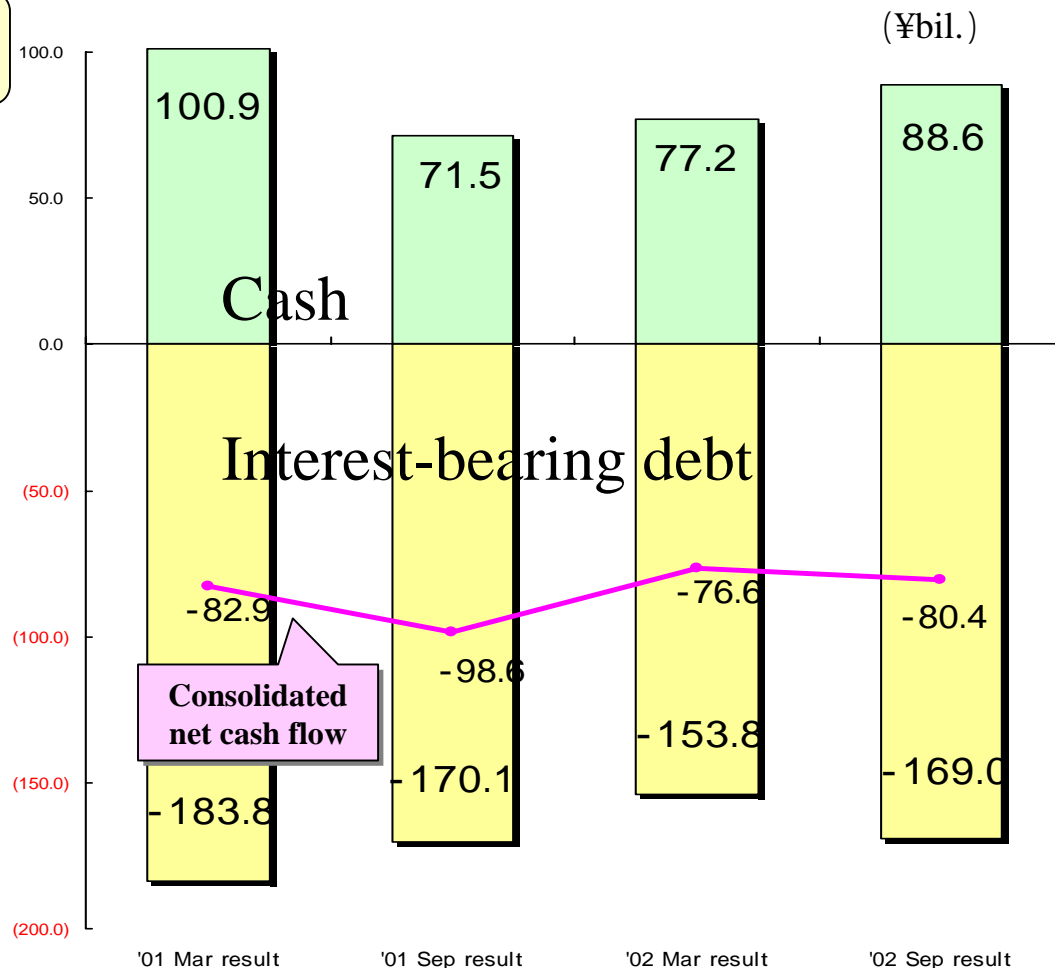
2002 Mar.

2002 Sep.

# 1H FY2003 Cash Flow

## Cash Flow Statement (Consol.)

Pre-tax income	3.5
Depreciation	11.4
Operating cash flow	5.2
Inventory assets	-1.9
Employment structure reform	-20.1
Others	2.7
Net cash flow from operating activities	0.8
Capital assets	-8.5
Others	6.7
C/F from investing activities	-1.8
Free cash flow	-1.0
C/F from financing activities	17.1
Other adjustments	-1.9
Net increase in cash	14.2
Cash and cash equivalents at beginning of the year	69.3
Cash and cash equivalents at end of the	



	FY2002	1H FY2003	(¥bil.)
Investment	15.6	6.0	
Depreciation	28.0	12.0	

# FY2003 Forecasts

## < Consolidated >

(¥bil.)

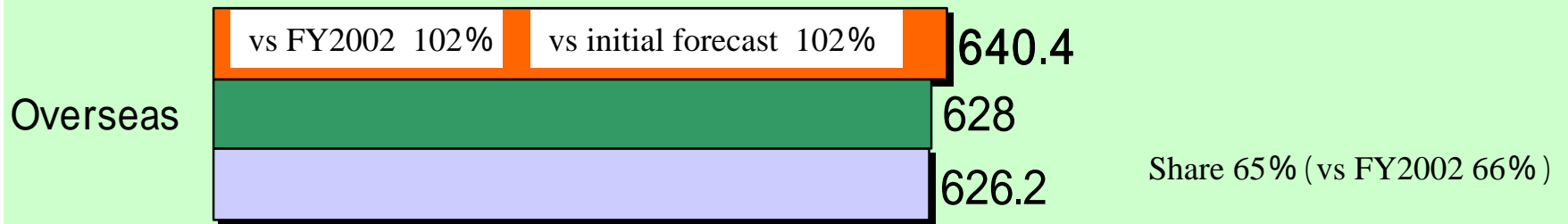
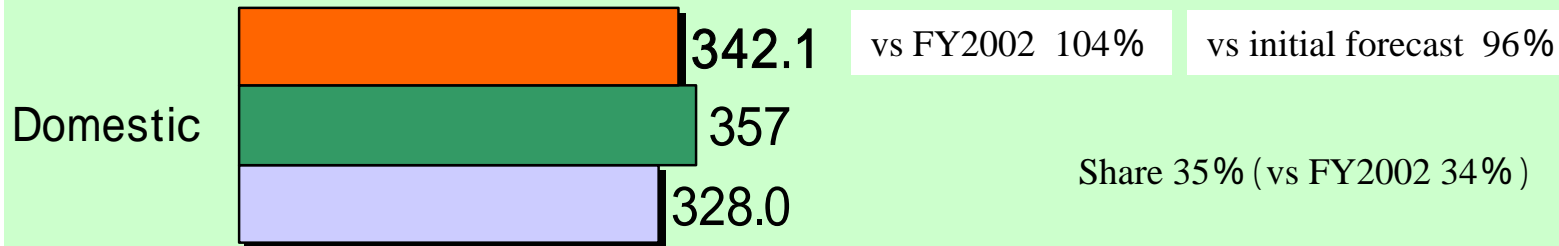
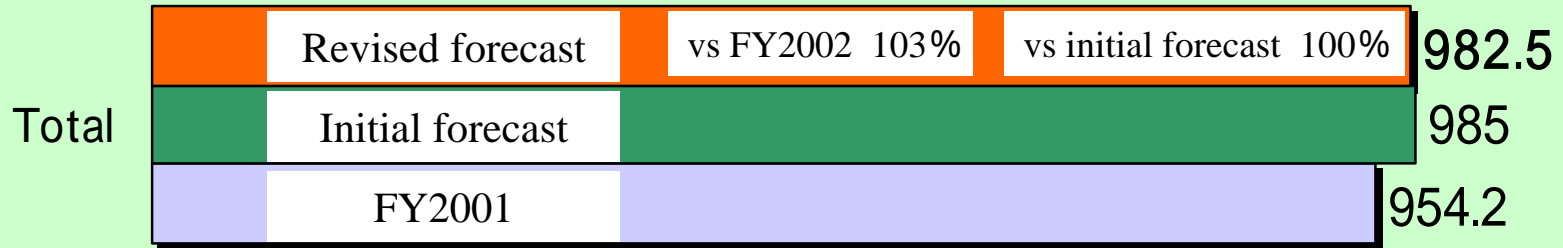
	Forecast	Initial forecast	Change vs initial forecast	Change vs FY2002	FY2002 results
Net sales	982.5	985.0	100%	103%	954.2
	2.0%	1.7%			-1.3%
Operating income	20.0	17.0	3.0	32.1	-12.1
	1.4%	1.1%			-1.6%
Ordinary income	14.0	11.0	3.0	29.6	-15.6
	0.6%	0.4%			-4.7%
Net income	6.0	4.4	1.6	50.6	-44.6

## < Parent >

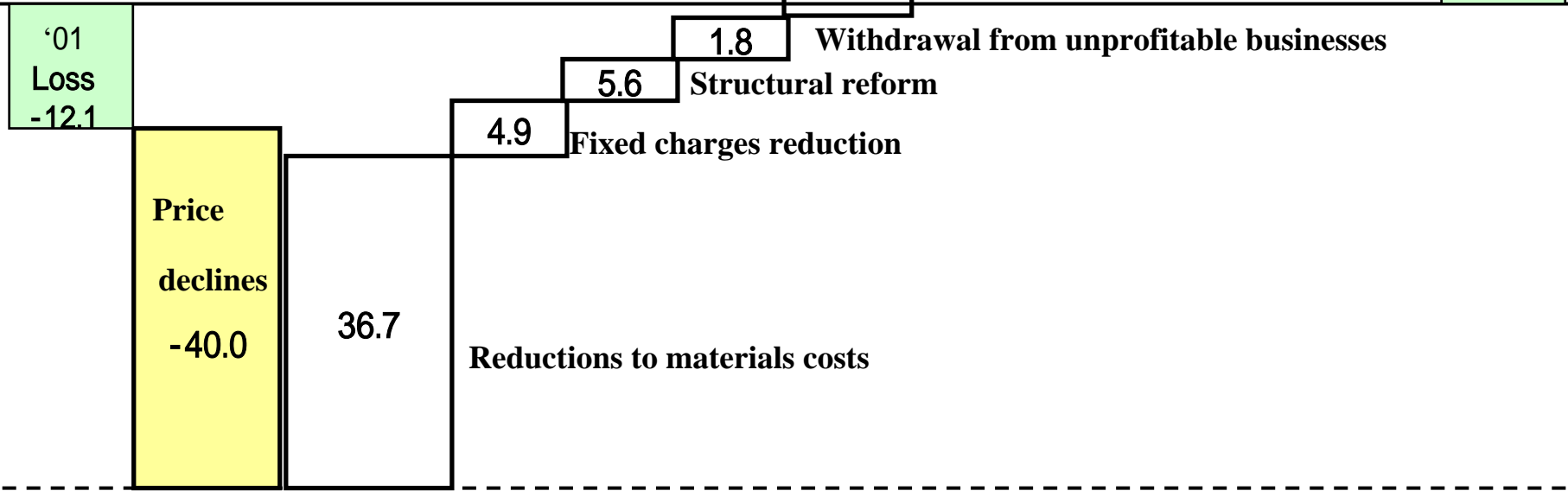
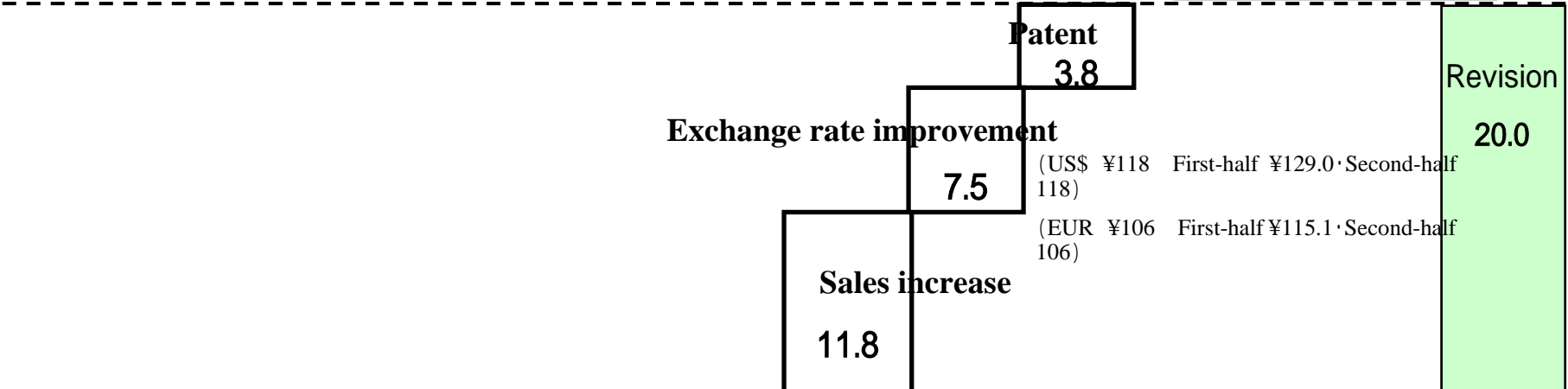
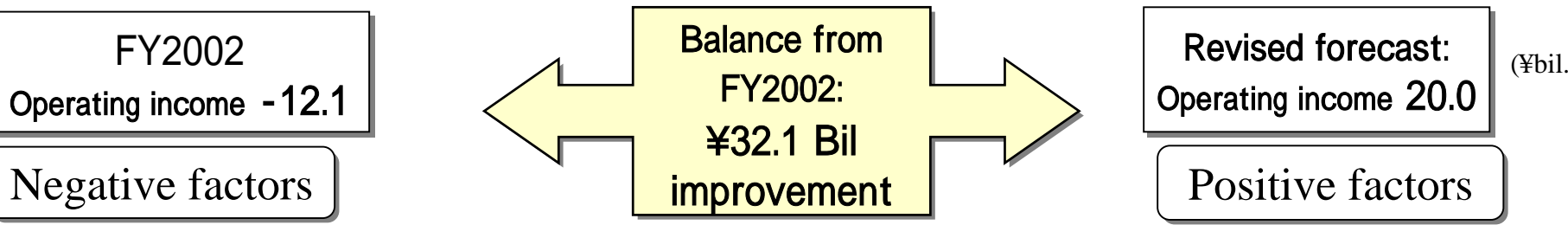
	Forecast	Initial forecast	Change vs initial forecast	Change vs FY2002	FY2002 results
Net sales	537.0	537.0	100%	107%	501.4
	1.4%	0.9%			-5.3%
Operating income	7.5	5.0	2.5	34.3	-26.8
	0.9%	0.5%			-5.1%
Ordinary income	5.0	2.6	2.4	30.8	-25.8
	0.6%	0.2%			-9.8%
Net income	3.0	0.9	2.1	52.0	-49.0

# FY2003 Sales Forecasts

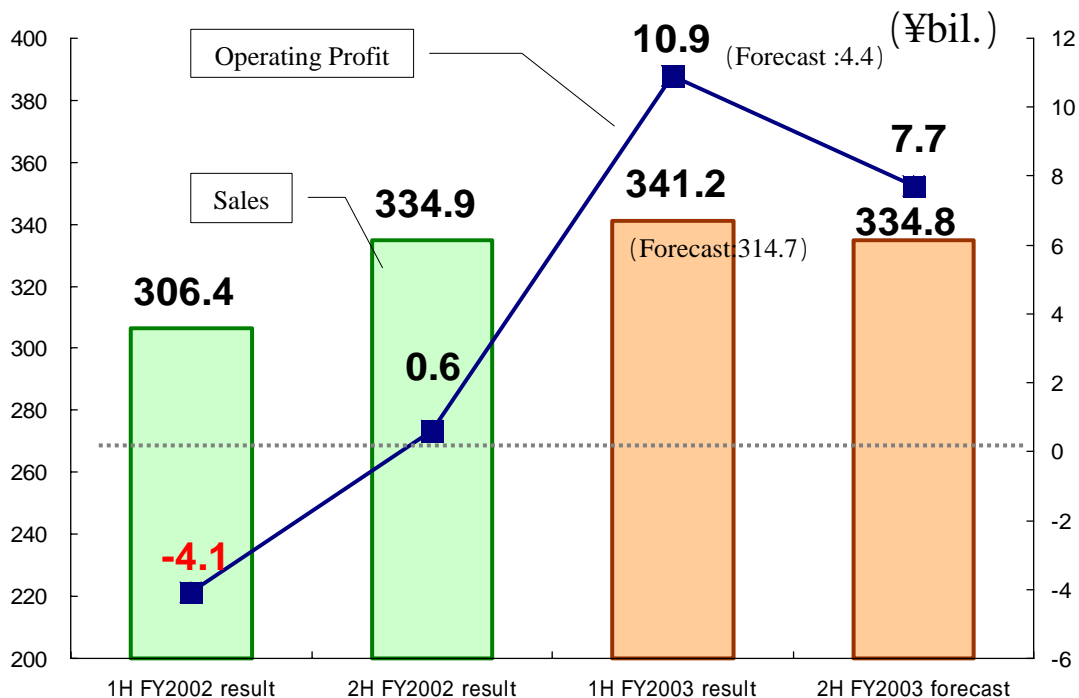
(¥bil.)



# Breakdown of Projected Change in FY2003 Operating Income (vs FY2002 result)



# Full Term Outlook for Consumer Electronics



## 1H FY2003 Sales

	Result	Forecast	% change vs forecast	vs FY2002
Domestic	57.0	58.9	97%	112%
Overseas	284.2	255.8	111%	111%
Total	341.2	314.7	108%	111%

(vs FY2002: Overseas based on local currency)

Domestic: Camcorder 110% · VCR 121% · TV 115%

Overseas: DVD 178% · VCR 123% · TV 122%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

[Positive factors]

- Sales increase
- Exchange rate improvement
- Reduction of fixed charges

[Negative factor]

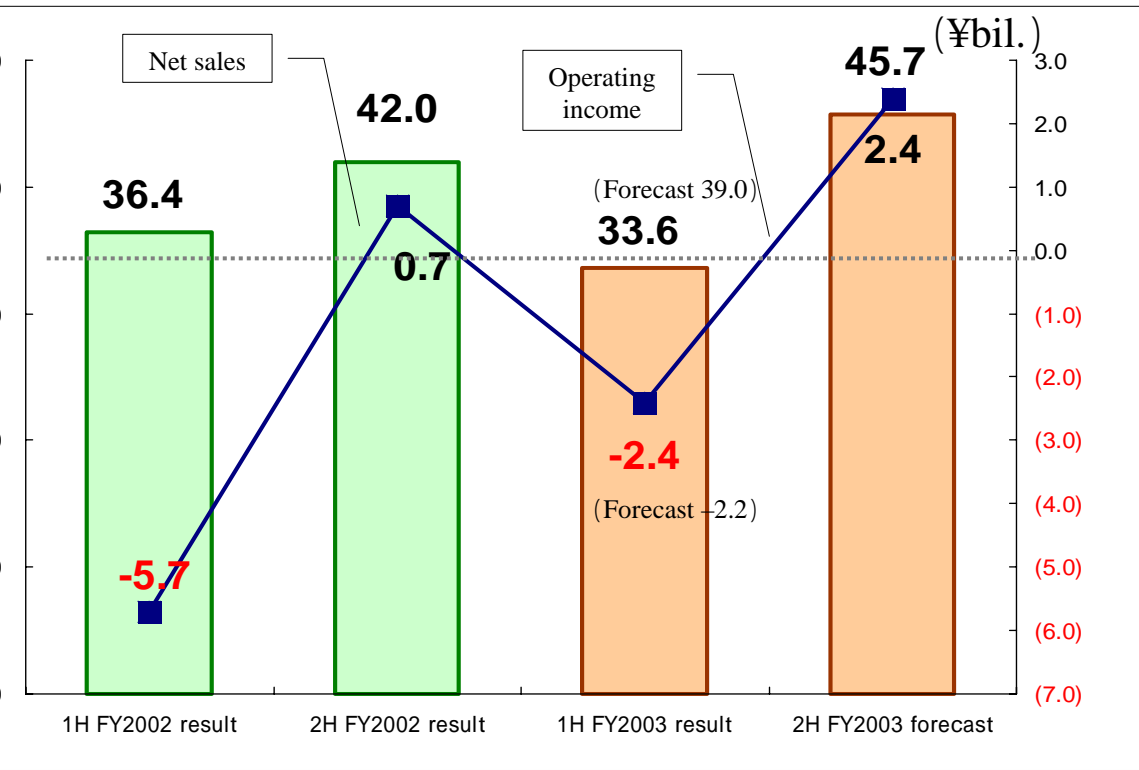
- Increase promotional costs to expand sales

## Goals for 2H FY2003

- To expand sales of DVC camcorder, DVD and PDP
- To introduce products to commemorate our 75<sup>th</sup> anniversary
- To lower CoGS to profitable levels on new products
- To start process of realigning manufacturing facilities

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	676.0	657.0	641.3	103%	105%
Operating income	2.8% 18.6	1.7% 11.0	-0.5% -3.5	7.6	22.1

# Full Term Outlook for Industrial Electronics



## 1H FY2003 Sales

	Result	Plan	Achievement	vs FY2002
Domestic	22.2	25.8	86%	91%
Overseas	11.4	13.2	86%	95%
Total	33.6	39.0	86%	92%

(vs FY2002: Overseas based on local currency)

Domestic: Security camera 90%

Overseas: ProDV 82%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

[ Positive factors ]

- Exchange rate improvement
- Reduction of fixed charges

[ Negative factor ]

- Sales target not achieved

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	79.3	85.3	78.4	93%	101%
Operating income	0.0%	0.6%	-6.4%	-0.5	5.0

## Goals for 2H FY2003

### • To lock in sales

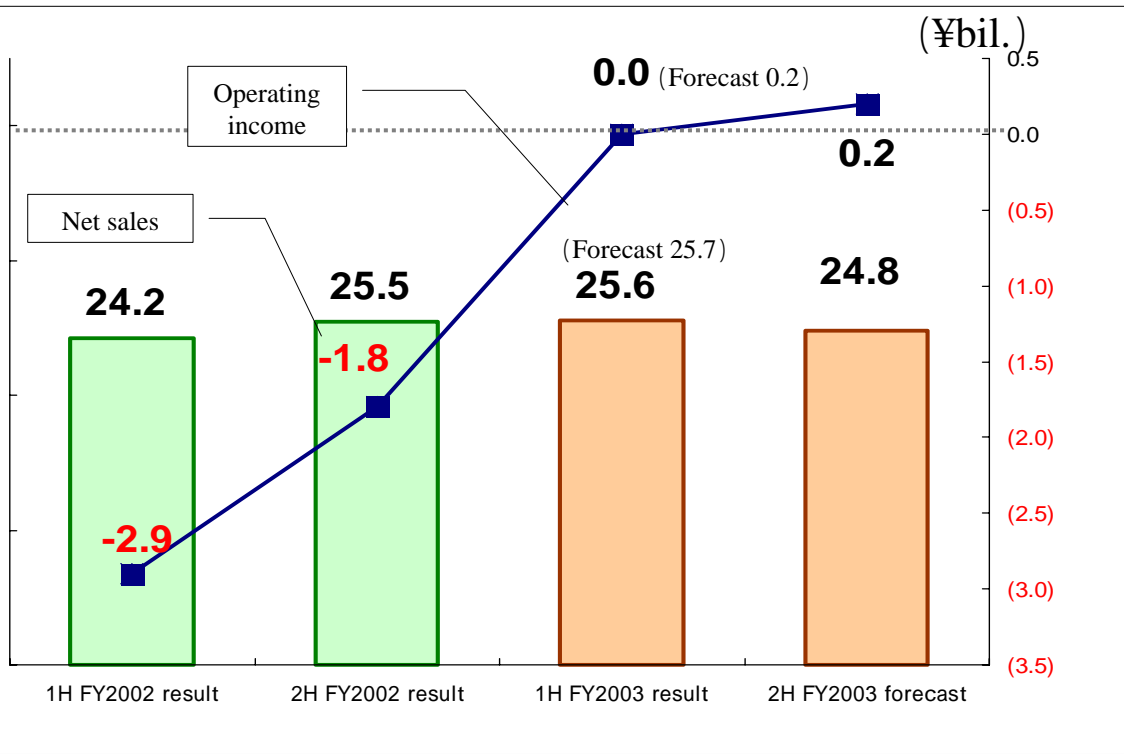
Introduction of products commemorating 75<sup>th</sup> anniversary

Expand sales of security products

Expand sales of professional DV camcorders

### • To launch D-ILA in the market

# Full Term Outlook for Devices



## 1H FY2003 Sales

	Result	Forecast	% change vs forecast	vs FY2002
Domestic	1.9	1.7	112%	59%
Overseas	23.7	24.0	99%	113%
Total	25.6	25.7	100%	106%

(vs FY2002)

FDD motor117% · HDD motor115% · Deflection yokes102%

Optical pickup104% · VIL PCB 86%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

【Positive factor】

- Exchange rate improvement

【Negative factors】

- Sales target not achieved

- Delays in structural reform

## Goals for 2H FY2003

- To secure sales

Increase share of business with major customers

Win business with new customers

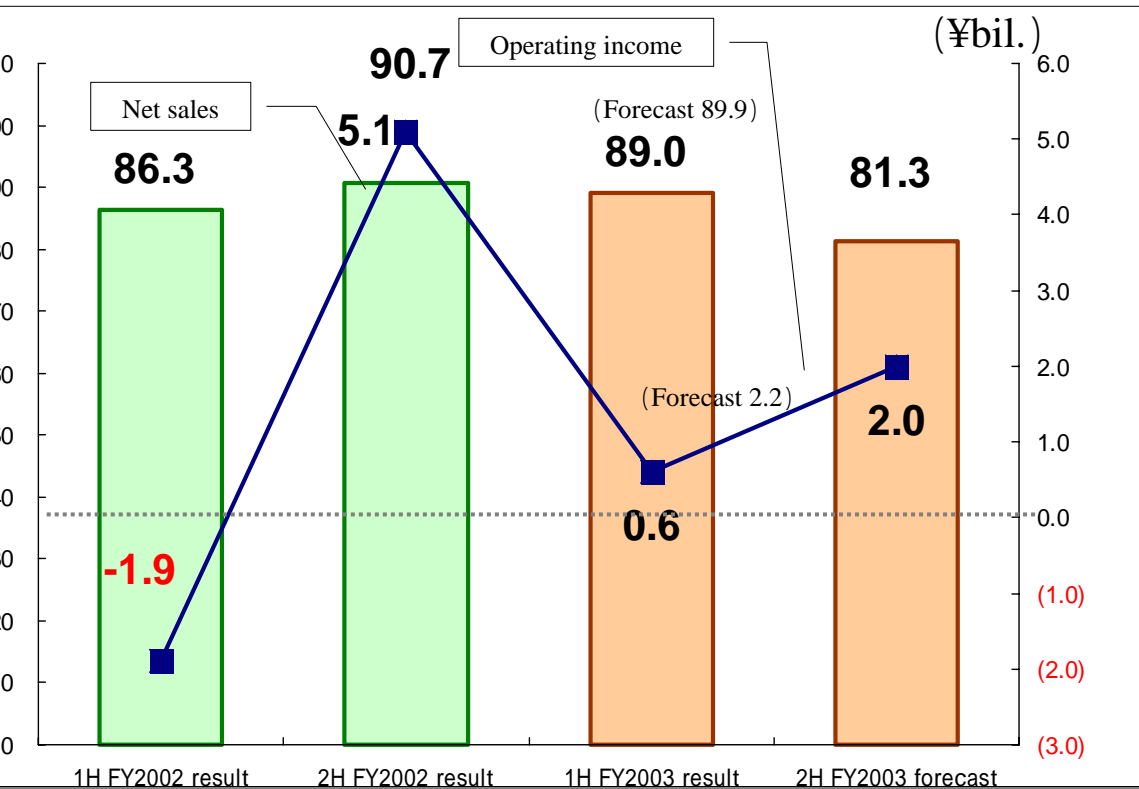
Measures to strengthen sales organization

- Completion of reforms to business structure

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	50.4	53.6	49.7	94%	101%
Operating income	0.4%	3.5%	-9.5%	-1.7	4.9



# Full Term Outlook for Entertainment



## 1H FY2003 Sales

	Result	Plan	Achievement	vs FY2002
Domestic	79.5	80.4	99%	105%
Overseas	9.5	9.5	100%	91%
Total	89.0	89.9	99%	103%

Music business growth vs FY2002 : 85%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

【 Positive factors 】

- Achieved sales target in recording media
- Reduction of fixed charges

【 Negative factors 】

- Production lags in music software, decline in sales volume
- Price declines
- Deterioration in product mix

## Goals for 2H FY2003

- Continued release of hit songs  
e.g, new album by Yusuke Kuwata
- Measures to respond to falling prices
  - DVC tape · DVD RW
- Expand sales of recording media  
Expansion of sales channels

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	170.3	175.7	177.0	97%	96%
Operating income	1.5%	3.0%	1.8%		
	2.6	5.2	3.2	-2.6	-0.6