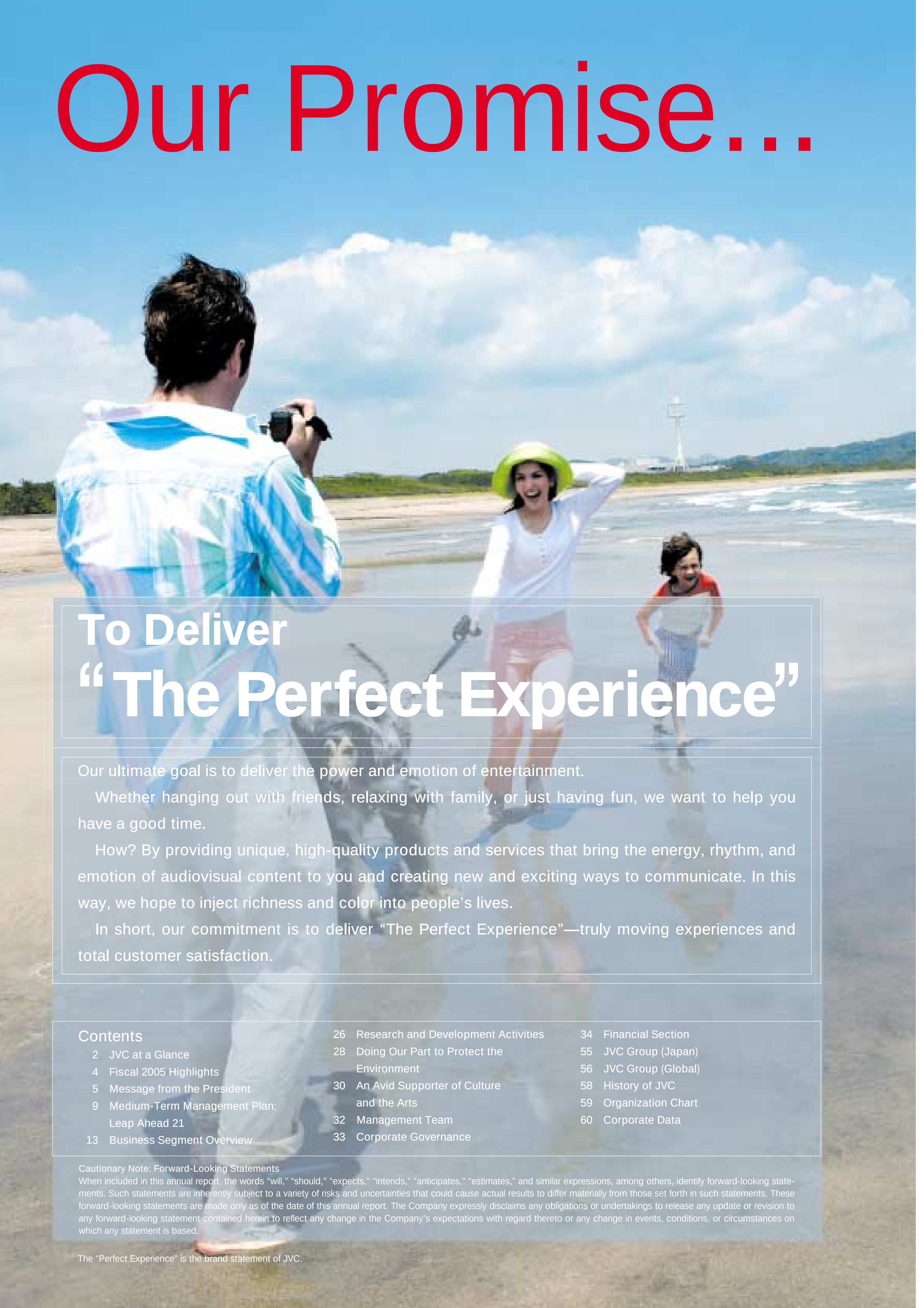
The Perfect Experience

Victor Company of Japan, Limited

Annual Report 2005

For the year ended March 31, 2005

Our Promise...



Our Promise...

To Deliver "The Perfect Experience"

Our ultimate goal is to deliver the power and emotion of entertainment.

Whether hanging out with friends, relaxing with family, or just having fun, we want to help you have a good time.

How? By providing unique, high-quality products and services that bring the energy, rhythm, and emotion of audiovisual content to you and creating new and exciting ways to communicate. In this way, we hope to inject richness and color into people's lives.

In short, our commitment is to deliver "The Perfect Experience"—truly moving experiences and total customer satisfaction.

Contents

Technologies, products, and corporate activities of Victor Company of Japan, Limited (JVC), are all designed to deliver "The Perfect Experience." Under our medium-term management plan—Leap Ahead 21, which covers fiscal 2005 to fiscal 2007—we are accelerating our growth strategy and implementing continuous structural reform. The results that we achieve through this plan will also serve as a driving force for providing "The Perfect Experience."

1 Accelerating Our Growth Strategy

JVC's core competence is providing outstanding quality. Our expertise in this area is largely attributable to superior technologies that deliver high-quality sound and images. We are working to add a robust array of network technologies vital in the digital age to the host of technologies that we have developed since the analog age to help create a succession of distinct products that will set us apart in the market. JVC also counts its presence in the entertainment software field among its strengths. Our growth strategy is to enhance our corporate value by being an entertainment solutions company that leverages its prowess—both in hardware and entertainment content—to deliver music and images with the power to move people and offer new ways to communicate, and we are currently stepping up its pace.

2 Implementing Continuous Structural Reform

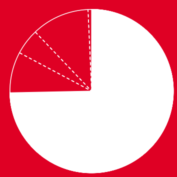
At JVC, pursuing originality and maintaining our nimble size, which makes us able to pursue originality, are top priorities. To this end, we work with partners to amass technologies and pick up the speed of product commercialization as well as strive to stay on top amid the whirlwind of change characteristic of the digital age by continuously reworking day-to-day operations throughout the Company. In addition, we believe that human resource development focused on realizing the potential of every employee will be key to our future growth and are revamping our employment structure to secure employment for those who can perform within the new business structures. Through ongoing efforts, we will reinforce our revenue base and become a high-performance global company.

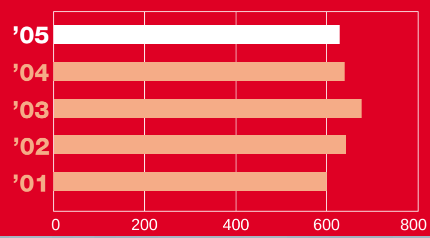
Segment	Percent of Total Fiscal 2005 Sales	Sales (Billions of Yen)

Consumer Electronics

See Page 13

74.6%

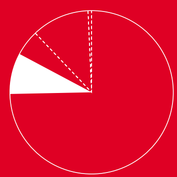


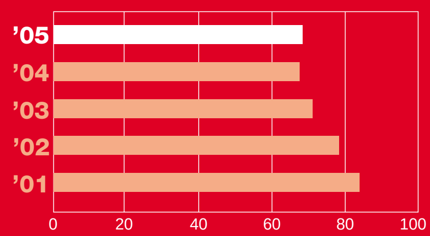


Professional Electronics

See Page 18

8.1%

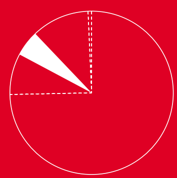


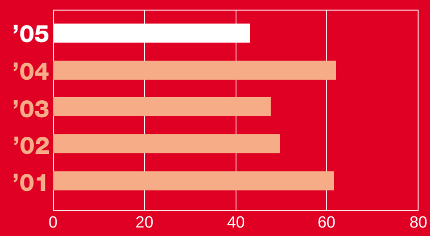


Components & Devices

See Page 20

5.1%

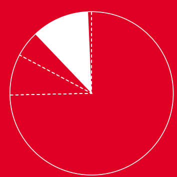


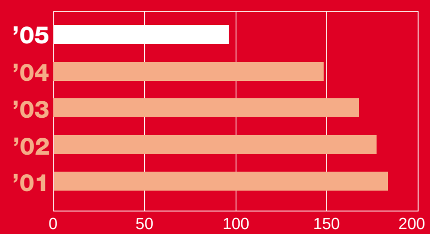


Software & Media

See Page 22

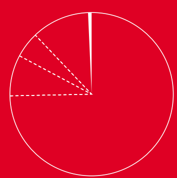
11.4%



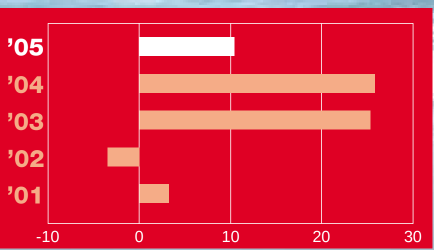


Other

0.8%

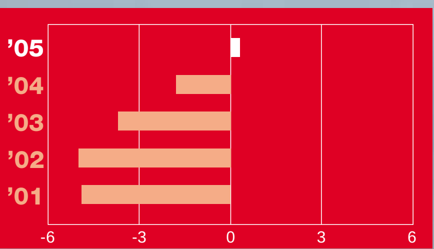


Operating Income (Loss) (Billions of Yen) | Major Products | Highlights



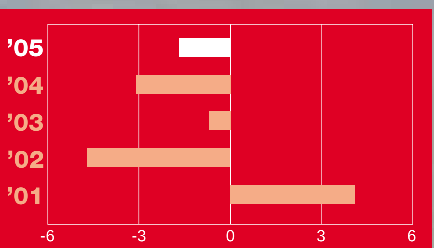
- Televisions
- Digital video cameras
- DVD players/recorders
- Car AV systems
- Audio systems
- VCRs

- Segment sales in Japan rose substantially, encouraged by the strong performance of LCD TVs, three-in-one DVD recorders, and audio systems.
- Despite the successful launch of HD-ILA rear projection TVs in the United States and growth in sales of LCD TVs and other products in Europe and the United States, overseas sales declined due to the lackluster performance of such products as digital video cameras.



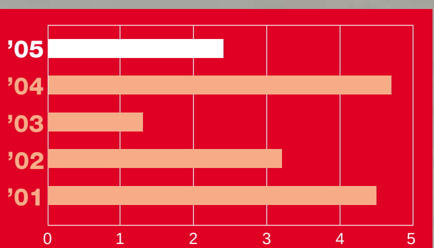
- Video surveillance equipment
- Audio equipment
- Video equipment
- Projectors

- Although sales of such presentation systems as professional camera recorders struggled and the price of system installations declined in Japan, sales of security products were strong.



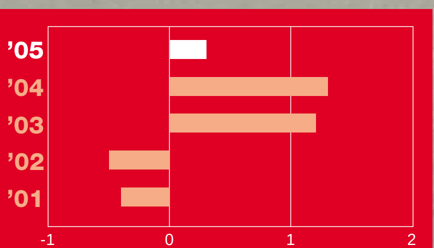
- Motors
- Optical pickups
- Printed wiring boards (PWBs)
- Deflection yokes

- Fluid dynamic bearing motors for hard disk drives performed well.
- Orders of high-density PWBs were down.



- Recordable media
- Pre-recorded audio and visual software, including CDs, DVDs, and videotapes

- Sales of DVD recording media soared; however, a drop in the price of such products as mini DV tapes caused sales of recordable media to remain relatively unchanged.
- Sales of pre-recorded music software decreased due to the postponement of major releases by popular artists and the expiration of consignment contracts.



- Interior furniture
- Production facilities

Fiscal 2005 Highlights

- World's First Image Intelligence LSI with an Integrated 32-Bit CPU to Perform Dedicated Image Processing Developed (April 2004)
- Second Compact Component System with Wood Cone Speakers EX-A5 Introduced (April 2004)
- HD-ILA Rear Projection TVs Launched in North America (July 2004)
- Low-Cost "Extended DUV" Mastering System, New Technology to Create Read-Only Blu-ray Disk Masters for the Same Cost as DVD Masters Developed (August 2004)
- JVC Takes Top Prizes in Two Divisions of the Annual European Imaging and Sound Association Awards (August 2004)
- Two Hard Disk Camcorders "Everio" GZ-MC100 and GZ-MC200 Introduced (September 2004)
- First Consumer Non-Compressed Optical Wireless Digital Transmission "Luciole" LW-DHW1 Introduced (September 2004)
- Environmentally Friendly DVD-ROM Using Cornstarch Developed (December 2004)
- World's First Blu-ray/DVD Combo ROM Disc Technology Developed (December 2004)
- JVC Products and Contents Make Their Way to the 2005 World Expo in Aichi, Japan (March 2005)

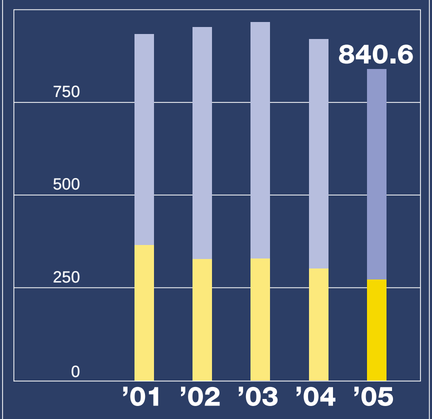
Financial Highlights

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31

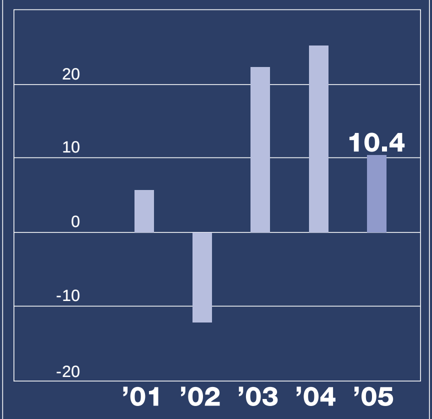
	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
For the year:				
Net sales	¥840,591	¥921,978	¥967,640	$7,855,991
Overseas	567,565	619,962	638,092	5,304,346
Domestic	273,026	302,016	329,548	2,551,645
Net income (loss)	(1,858)	15,609	6,336	(17,364)
Capital expenditures	28,959	25,900	21,036	270,645
Depreciation and amortization	23,422	22,735	25,250	218,897
At year-end:				
Stockholders' equity	¥158,236	¥159,326	¥146,410	$1,478,841
Total assets	466,549	507,117	479,750	4,360,271
	Yen			U.S. dollars (Note 1)
Per share:				
Net income (loss)	¥ (7.7)	¥ 61.1	¥ 24.9	$ (0.07)
Diluted net income	—	57.9	23.5	—
Cash dividends (Note 2)	5.0	5.0	—	0.05

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥107 to U.S.$1, the approximate rate prevailing on March 31, 2005.
2. Cash dividends represent amounts applicable to respective years.

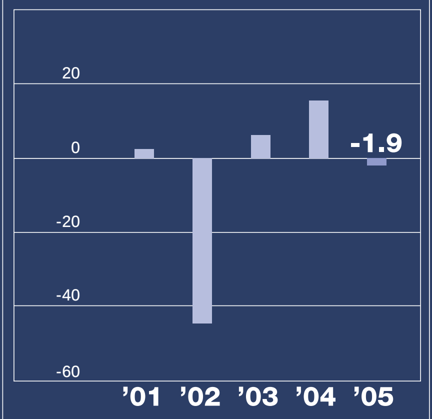
Net Sales
(Billions of yen)



Operating Income (Loss)
(Billions of yen)



Net Income (Loss)
(Billions of yen)



■ Overseas ■ Domestic

In fiscal 2005, ended March 31, 2005, Victor Company of Japan, Limited (JVC), reported declines in net sales and operating income. These results and the posting of an extraordinary loss mainly due to special retirement allowances stemming from structural reform produced a net loss for the fiscal year under review—the first since fiscal 2002.

In fiscal 2006, we will move forward with our medium-term management plan Leap Ahead 21 with newfound resolve, working to boost revenues and earnings and deliver "The Perfect Experience."

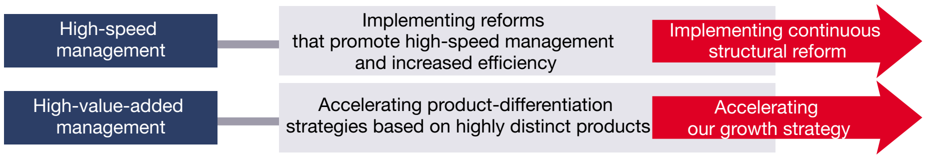
Masahiko Terada, President

Fiscal 2005 Results

Fiscal 2005 was a tough year for JVC. Net sales dropped 9% from the previous fiscal year, operating income declined 59%, and a net loss of ¥1.9 billion was recorded. Needless to say, results were substantially below expectations. We revised our performance forecasts not once, but twice, unable to get a clear read on deteriorating conditions. This is something that I, as president, deeply regret. We largely attribute underperformance to our inability to keep up in the digital age, more specifically to respond rapidly to dramatic changes in the market environment spurred by the digitization of products.

All of us at JVC, from myself to business segment leaders to staff, take this unfortunate turn of events seriously and are committed to making a fresh start. In fiscal 2006, we will work with renewed determination toward a turnaround in performance by striking a balance between

Fiscal 2006 Objectives



high-value-added management and high-speed management while continuing to deliver outstanding products and services that inspire people through the power of music and images.

JVC regards maintaining stable dividends as one of its highest priorities and will pay cash dividends of ¥5 per share for fiscal 2005, remaining unchanged from fiscal 2004.

Factors Contributing to Weak Results

In fiscal 2005, we kicked off our medium-term management plan Leap Ahead 21. Under this new plan, JVC will accelerate its growth strategy and implement continuous structural reform as well as work to achieve an operating margin of 5% in fiscal 2007.

In the fiscal year under review, we endeavored to truly “leap ahead,” building on the results of our previous three-year management plan. However, an economic slowdown entering the latter half of the year, mainly in Europe, led to a challenging operating environment. In addition, the advancement of digitization spurred an unprecedented level of competition, which, in turn, led to a drastic drop in retail prices and shortened product life cycles.

I, however, as a president entrusted with the management of a company, do not believe that harsh market conditions alone make for poor performance. There have always been corporations that thrive even when operating conditions are harsh. Thus, we must own up to the fact that internal factors are primarily responsible for our fiscal 2005 results. We have identified three main factors contributing to our weak performance.

First, we were counting on launches of new consumer electronics products—including digital video cameras, DVD recorders, and flat-screen TVs—to bolster performance in the latter half of the fiscal year. However, we were unable to introduce these products during peak retail periods as planned due to development delays. Such fundamental problems as incomplete new manufacturing processes and core technologies, an increase in the number of man-hours devoted to software development, and issues with evaluation technologies were to blame.

Second, we were not prepared for fierce competition in digital products, both in terms of sophistication and price. This reflects a lack of product planning that makes full use of insight into market needs as well as a need to speed up the development-production-sales cycle.

Third, our mainstay music software business lost ground due to the postponement of releases by major artists. Amid continued shrinkage in the music CD market due to diversifying tastes in and delivery options for music, we strove to develop new artists who can produce moderate hits. However, we remain largely dependent on major hits.

Although the fiscal year under review leaves much for reflection, it also raises expectations for growth in fiscal 2006. For one, our focus on distinct products that showcase our technological prowess led to the successful launch in the United States of HD-ILA rear projection TVs containing our proprietary high definition microdisplay device. In addition, car electronics products performed well in the United States, Russia, and countries in Asia outside of Japan, and sales of LCD TVs equipped with Image Intelligence technology grew in Japan and overseas, increasing their market share. Furthermore, our worldwide launch of "Everio", the world's first compact hard disk camcorder, went over well. Three-in-one DVD/VHS/hard disk drive combo recorders, audio systems featuring wood cone speakers—a product that exemplifies our pursuit of accurately reproducing original sound, dual MD deck compact component systems, and other high-value-added products also proved popular.

Fiscal 2006 Issues and Objectives

Reorganization of the Consumer Electronics business segment is vital to achieving solid results in fiscal 2006. One key task will be to redouble efforts to set JVC apart from the competition by offering a robust lineup of distinct products. In addition, new products must be launched on time and quality must be ensured. To accomplish this, we need to reduce lead times by managing development according to specific time frames, strengthen software development capabilities, and increase concentration on select products. It is also critical that JVC take further steps to thrive amid intensifying market competition by implementing continuous structural reform encompassing the revision of management operations, manufacturing sites, and the employment structure.

To get our music software business back on track, we need to make the most of our enhanced earning power gained through structural reforms in the fiscal year under review, release albums by major artists, and develop the skills of new artists.

Furthermore, in fiscal 2006, all of us at JVC will pull together and make a fresh start, focusing on eliminating the internal factors that led to our weak fiscal 2005 performance to support a recovery in our performance. Two key objectives will guide our efforts.

Our first key objective is to strike a balance between high-value-added management and high-speed management. As for high-value-added management, we will endeavor to raise revenues and earnings by creating a stream of distinct, groundbreaking products that clearly demonstrate JVC's superior ability to innovate. Specifically, we will leverage our core competency in audio-visual technologies to develop new products with exceptional quality and added value that go a step farther by meeting customer wants as well as needs. In addition, we will move forward with our unique approach to product creation, which begins with clear market positioning for each product and ends with fun, sophisticated, easy-to-use products that inject richness and color into peoples' lives and, of course, are acclaimed for their superior sound and image quality.

Turning to high-speed management, JVC will return to the basics and take advantage of its nimble size to coordinate its development, production, and sales activities within the Company and throughout the world and ensure that these activities are undertaken from the customers' perspective. In addition, we will work with partners to amass cutting-edge technologies and rapidly launch new products to establish highly profitable operations anchored in quality rather than size.

Moreover, prompt decision making is essential to strengthening our capacity to respond to rapid change in the digital age. Therefore, it is crucial that all levels of management keep abreast of actual workplace conditions through firsthand observation and experience. Going forward, we will continue to quickly ascertain issues within the Company and put this information to use in management. In addition, we will strive to practice a perfect blend of bottom-up and top-down management to realize even faster management and operations.

Our second key objective for fiscal 2006 is to deliver music and images with the power to move people—a vision that has been at the heart of JVC since its birth. With high definition gaining momentum, there is no better time than the present to go beyond high specifications to deliver music and images that appeal to the senses and are truer to life than ever before. Through this pursuit, we aim to solidify our position as a company that truly creates value for customers by delivering inspiration.

Fuel for Our Development

Our business attitude comprises three approaches: *customer-first,* which involves focusing on customer happiness and satisfaction; *professionalism,* which encompasses self-motivation, independence, and the importance of leaders who can inspire their staff while improving themselves; and *empowerment and commitment,* which refer to fostering a personal responsibility and the idea that everyone is a manager. This business attitude is the bedrock of our technological prowess, which we are using to achieve our business vision of offering new ways to communicate through music and images. This, in turn, makes our brand statement—The Perfect Experience—and the thinking behind this statement—to create moving experiences and provide total customer satisfaction—ring true.

I am confident that our new technology center in Yokohama, “Techno WING,” which was completed in April 2005, will play a leading role in delivering “The Perfect Experience.” We entrusted the naming of this center to employees who have been with us for five years or less—a reflection of the great expectations that we have for these individuals. The name that they created—Techno WING—alludes to the desire to be winners at the forefront of innovation working together seamlessly as a team. It is home to roughly 1,000 employees, mainly consumer electronics engineers, who are working to improve communication and speed up product development through active and open discussion. The center is designed to facilitate the passing on of valuable implicit knowledge possessed by veterans and the fulfillment of JVC’s potential. Moreover, the center is bound to be a powerful force propelling JVC toward its goal of establishing itself as a technology-driven company.

Active communication throughout the entire Group and employees who take the initiative to put forth innovative ideas are key to our growth. Employees who are not passive or satisfied with maintaining the status quo, can think and act out-of-the-box, and are not afraid to express and to exchange their real opinions are the driving force behind the Company’s development. JVC is a magnet for these types of people, and we will endeavor to use the power that this gives us to enhance our corporate value and live up to our stakeholders’ expectations.

July 2005

M. Terada

Masahiko Terada
President

Why

Are We Accelerating Our Growth Strategy?

Why

Are We Implementing Continuous Structural Reform?

To Achieve Our Leap Ahead 21 Targets

Leap Ahead

In fiscal 2006, the second year of our medium-term management plan Leap Ahead 21, we will focus on accelerating our growth strategy and implementing continuous structural reform.

Management Targets (for FY2007)

- Net Sales: **¥1,100** Billion
- Operating Income: **¥55** Billion (5.0% Operating Margin)
- CCM*: Plus
- Net Cash: Plus

*CCM: Capital Cost Management

Accelerating Our Growth Strategy

In fiscal 2006, we will concentrate on consumer electronics operations as we accelerate our growth strategy. We aim to achieve double-digit growth in sales worldwide by creating robust product lineups in key growth businesses and strengthening our partnerships with distributors. The main strategies of our five key growth businesses are as follows.

High Definition Displays

With HD-ILA rear projection TVs, which have been launched in the United States and Japan and are slated for introduction in China and other countries in Asia, flat panel display (FPD) TVs, and cathode ray tube (CRT) TVs as the cornerstones of this business, we will strive to achieve the fiscal 2007 sales target of ¥300 billion set out in Leap Ahead 21 ahead of schedule.

Digital High Density Storage

In light of major change in the market, we will downsize operations to maintain a place for our mainstay DVD recorders. We will streamline our product lineup and concentrate on such high-value-added products as three-in-one DVD/VHS/hard disk drive combo recorders to enhance profitability.

Network Audio Visual (AV) Systems

We will seek to recover lost ground by reinforcing our mainstay digital video camera operations and seek to create a new recording culture by expanding our lineup of “Everio” hard disk camcorders. In professional electronics, we will introduce the world’s first ProHD compact shoulder camera recorder GY-HD100 and work to achieve a comeback in our presentation system operations. Going forward, we will aggressively expand our core car electronics business, which continued to perform well in fiscal 2005, worldwide while developing new car AV products, including DVD receivers and navigation systems.

21 Plan

Parts

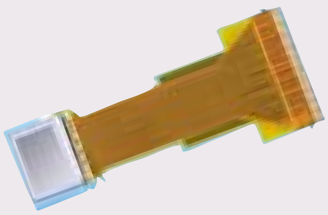
We aim to reinforce the foundation of this business by focusing on such high-value-added motors as fluid dynamic bearing motors for hard disk drives and pickups for optical disks.

Software and Media

In recordable media, we will overcome falling prices by expanding the network of sales outlets through which these products are sold and improving productivity. In music software business, we expect releases by major artists in fall and our efforts to develop new hit artists in 2005 to boost business revenues.

HD-ILA Rear Projection TVs

The third JVC option for large-screen TVs, along with plasma and LCD TVs, our HD-ILA rear projection TVs incorporate our proprietary D-ILA technology, which is being used in Japan Broadcasting Corporation's Super Hi-Vision and digital cinema research, to achieve energy efficiency along with bright, high-resolution large-screen images.



JVC's In-House Developed Reflective LCD Device "D-ILA"

Point 1 D-ILA Delivers Bright, Smooth Images

Unlike transmissive LCDs, JVC's in-house developed reflective LCD device "D-ILA" achieves narrowly spaced pixels. This, in turn, results in images that are brighter and smoother by virtually eliminating the "grid" that is evident with transmissive LCD devices. In addition, JVC has found these large screens to be brighter than plasma TV screens*, thanks to their high aperture ratio and high light availability.

*Based on the Company's findings

Point 2 Three-Chip Design Delivers Natural Color Reproduction

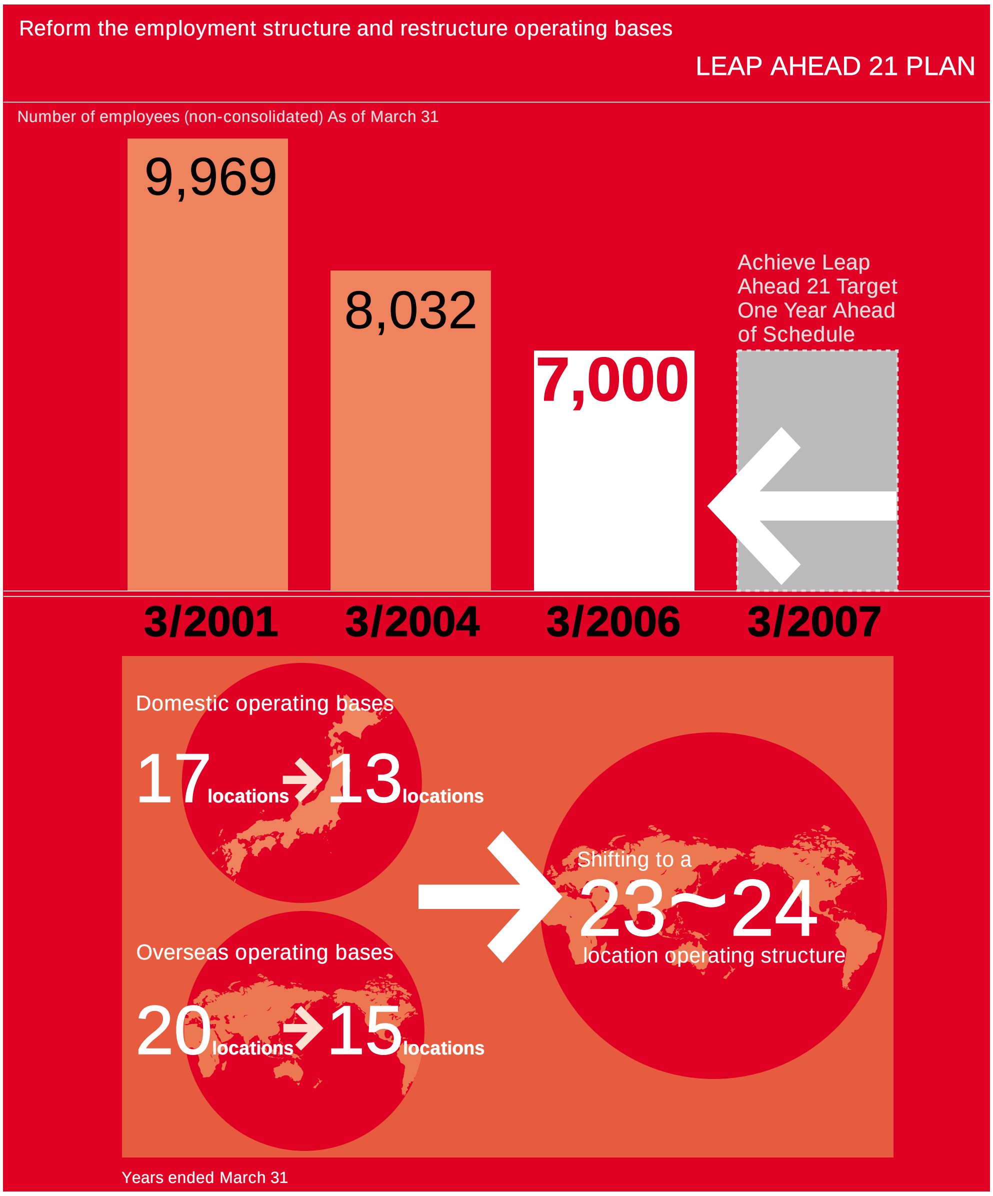
JVC's HD-ILA rear projection TVs contain a three-chip RGB (Red, Green, Blue) digital engine formed from three D-ILA devices, which produces truly beautiful natural color only possible with a three-chip design. Furthermore, this technology offers high contrast and vivid color reproduction to achieve rich gradation that gives depth to images and makes color come alive, delivering large-screen images of unprecedented quality.

Implementing Continuous Structural Reform

In addition to accelerating our growth strategy, we will move forward with continuous structural reform aimed at coordinating development, production, and sales activities within the Company and throughout the world and ensuring that these activities are undertaken from the customers' perspective.

In fiscal 2006, we will implement operational reforms to centralize the management of such basic manufacturing operation aspects as quality, retail price, manufacturing cost, inventory, and schedules; reinforce product model based management; and bolster product capabilities. At the same time, we will rework the organizational framework to put into place product category based development, production, and sales.

Moreover, we will continue to use our career development program to facilitate personal growth and enhance employees' skills so that ultimately all staff will contribute to business growth while working to enhance the efficiency of indirect operations to achieve our Leap Ahead 21 target for fiscal 2007 of reducing the parent company workforce to 7,000 employees a full year ahead of schedule. In addition, we will reduce one or two manufacturing sites to meet our fiscal 2007 target for manufacturing site realignment under Leap Ahead 21 ahead of schedule.

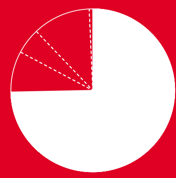


Consumer Electronics

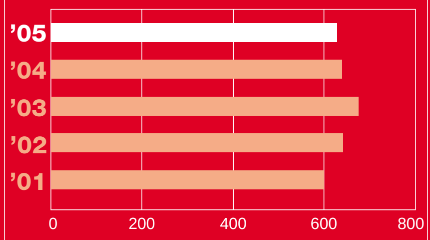
"This segment develops, manufactures, and sells consumer audio and visual products as well as car electronics products. In fiscal 2005, the segment generated sales of ¥627.3 billion, representing a 2% decline from the previous fiscal year and accounting for around 75% of total Group sales. In addition, the segment reported a 60% decline in operating income, to ¥10.4 billion."

% of Total FY2005 Sales

74.6%



Sales (Billions of yen)



The Driving Force behind Leap Ahead 21

The Consumer Electronics segment creates flagship products and generates a substantial portion of the Group's sales. The segment's display and optical disk operations, which include such products as DVD recorders and players, have been designated as priority businesses under Leap Ahead 21. Focusing on these priority businesses and such core businesses as camcorders, car electronics, and AV systems, the segment will lead the Company toward achieving the goals set out in Leap Ahead 21 by securing growth in revenues and earnings. To this end, we will concentrate on select products and work to manufacture a steady stream of truly unique products that deliver high definition sound and images.

Substantial Decline in Profits due to Internal Factors

In the fiscal year under review, although the drop in retail prices greatly exceeded expectations, the weak performance was also largely a result of internal factors—primarily, numerous product introduction delays, which rendered us unable to launch products during peak retail periods. These delays were attributable to insufficient model-based development management. Specifically, we had problems with new manufacturing processes and core technologies, we were unable to appropriately allocate resources in response to an increase in the number of man-hours devoted to software development, and we spread our limited resources too thinly among an overly broad product lineup.

Domestic sales, however, grew 24%, to ¥135.3 billion, supported by a rise in sales of digital products that outpaced growth in the domestic audiovisual industry. Overseas, the July 2004 launch of HD-ILA rear projection TVs in the United States was a success, and sales of car electronics products were strong; however, sluggish sales of digital video cameras and the weak performance of audio products, mainly in Europe, led to a 7% decline in total overseas sales, to ¥492.0 billion. As a result, segment revenues and earnings were lower than in the previous fiscal year.

Eliminating Negative Internal Factors

In fiscal 2006, we will launch products on time during peak retail periods—learning from the fiscal year under review—while taking steps to keep pace with shorter and shorter product life cycles. We will focus our initiatives on achieving the following three objectives.

Our first objective is to shrink development lead time. We aim to reduce lead time by one full month, to five months, by reforming development processes and clearly stipulating development volumes, time frames, and target specifications from the initial stage of development. To this end, we will bolster our framework for variable-volume, multiproduct production, including product procurement functions, concentrating efforts on the Yokosuka Plant.

Our second objective is to strengthen our software development capabilities. We will add 100 members annually to our current team of 600 software engineers, outsource software assessment and verification to specialists, and strengthen cooperation with overseas R&D divisions to accomplish this.

Our third objective is to enhance our products' added value. We will fine-tune our product offerings to establish a focused lineup that is consistent with our goal of becoming a top high-end niche player and concentrate development resources on this select product lineup. For instance, we plan to reduce the total number of camcorder and DVD recorder models by 20%.

High Definition LCD TVs

These TVs are equipped with Image Intelligence LSI incorporating the world's first 32-bit CPU dedicated to image processing.

"Everio"
Hard Disk Camcorder

This hard disk camcorder utilizes a one-inch hard disk drive as a storage device and incorporates a newly developed 3-CCD camera system to deliver a high quality picture.

Promotion of Structural Reform

In fiscal 2006, the Consumer Electronics segment will move forward with structural reform to achieve high-speed management and enhance efficiency. In April 2005, the president, myself, and the vice-president of the AV & Multimedia Company allocated management responsibility by product category and put into place a simple new organizational framework to realize product category based development, production, and sales. In addition, in fiscal 2005, we reorganized operations to clearly place responsibility for orders with sales staff and responsibility for supply with production staff as part of efforts to hammer out kinks in production, sales, and inventory operations that contributed to poor performance in the fiscal year under review. We aim to achieve on-time market delivery of products through these reforms to operations and development processes.

We will also strictly manage inventory periods according to three product "freshness" categories—less than three months since launch, less than six months since launch, and six months or more since launch—with the aim of achieving an average inventory turnover of 35 days on a consolidated basis by the end of fiscal 2006. Leap Ahead 21 targets average inventory turnover of 28 days on a consolidated basis by the end of fiscal 2007. We will strive to improve the accuracy of sales forecasts to achieve this target ahead of schedule.

Furthermore, we will reduce the number of manufacturing sites and streamline the workforce to create a simple, lean organization.

Displays Will Play a Key Role in Accelerating Growth

In fiscal 2006, we will establish PDP and LCD TVs, which take advantage of horizontal integration; HD-ILA rear projection TVs, which take advantage of vertical integration; and CRT TVs as the cornerstones of our display business.

We are focusing, in particular, on HD-ILA rear projection TVs, which we have positioned as the third JVC option for large-screen flat-panel TVs, along with plasma and LCD TVs. Our HD-ILA rear projection TVs balance uniformly bright images with low power consumption and screens exceeding 50 inches with a sleek, lightweight design. In May 2005, we introduced HD-ILA rear projection TVs in 52- and 61-inch screen sizes in Japan, taking the next step following the U.S. launch of HD-ILA rear projection TVs toward making the JVC name synonymous with HD projection TVs.

JVC's HD-ILA rear projection TVs owe their bright, high definition images to the Company's proprietary D-ILA microdisplay device for projectors and their natural, true-to-life color reproduction to newly developed Image Intelligence LSI, that uses an integrated CPU to perform dedicated image processing. Products of our quest to deliver sound and images that touch the emotions, the cutting-edge technologies incorporated in our products are part of what make them stand out from the crowd.

JVC aims to launch its HD-ILA rear projection TVs in China and other parts of Asia in fall 2005 and plans to introduce 70-inch screen and full high vision models in fiscal 2006. Going forward, we will forge ahead with our global market strategies for HD-ILA rear projection TVs as we work to meet our target of total sales of 300,000 sets by the end of fiscal 2006.

Three-in-One DVD/VHS/Hard Disk Combo Recorder

VHS, hard drive, and DVD recording in a single, sleek component that incorporates JVC's proprietary high quality technologies.

DVD Compact Component System

This DVD compact component system features two-way wood cone speakers tuned by JVC recording engineers, realizing fantastic true-to-life acoustics.

In addition, we will establish a robust lineup of LCD TVs, which experienced strong growth worldwide in fiscal 2005, and strive to bring the picture quality of these TVs to an even higher level through the incorporation of such sophisticated technologies as a new image engine and high-speed response technologies. In May 2005, we launched a 37-inch screen LCD TV in Japan and have added a 40-inch model to our lineup.

We will make utmost efforts to achieve our Leap Ahead 21 display sales target of ¥300 billion ahead of schedule through these strategies.

Double-Digit Growth Worldwide

In the optical disks business, we will downsize operations to thrive amid dramatic changes in the market and focus on optical disks for such high-value-added products as p7, 10, 17 DVD/VHS/hard drive combo recorders in fiscal 2006. We seek to rapidly boost profitability through these initiatives and will also endeavor to develop new core technologies and products, with an eye to creating a bright future for our optical disk business.

In June 2005, JVC added a 3-CCD, five megapixel model to its flagship series of “Everio” hard disk camcorders. JVC aims to create a new recording culture and a new market via its “Everio” line.

We will expand the scope of our car electronics operations through such measures as enhancing our lineup of AV products, including DVD receivers, and introducing a new turn-by-turn navigation system. In addition, we will redouble efforts to boost sales of existing products on a global scale and establish a strong position in the car electronics market.

In home theaters and other AV systems, we will enhance our lineup of such distinct products as wood cone speakers that showcase our corporate DNA in terms of our commitment to vivid, high quality sound reproduction that is true to its original source. We will also expand our high-end home theater system offerings, with the aim of generating synergy effects with our high definition (HD) visual equipment.

In fiscal 2006, we must breathe new life into the Consumer Electronics segment, as this is crucial to achieving a turnaround in Company performance. We will move forward with our product category strategies, which include strengthening partnerships with distribution companies from the planning stage of new product development and working to build global alliances with manufacturers and retailers. Furthermore, we will strive to achieve double-digit growth in sales worldwide.

● Performance and Future Strategy by Region

In fiscal 2006, JVC will continue to carry out business activities that are tailored to regional characteristics and build on past accomplishments. Furthermore, we will focus on developing powerful strategic partnerships with distributors throughout the world.

Americas

In the fiscal year under review, although sales of video cameras lost ground, the launch of HD-ILA rear projection TVs was a success.

In fiscal 2006, we expect sales of video cameras, which bounced back in the fourth quarter of fiscal 2005 with the

DVD/CD Receiver

This DVD/CD receiver with an in-dash 7-inch wide monitor features 5.1 channel surround sound and a detachable monitor for back-seat viewing.

“alneo” Digital Audio Player Headphones

Armless headphones equipped with amazingly true-to-life sound through high precision digital processing introduction of new models, to grow, and we aim to substantially boost sales of HD-ILA rear projection TVs, by enhancing the product lineup through the addition of models with larger screens and models designed for full HD broadcasts. In addition, we will strengthen retail partnerships with national accounts while reinforcing strategic partnerships with local mass market retailers with the goal of more than doubling sales.

Europe

In fiscal 2005, JVC struggled in Europe amid delays in new product launches and deteriorating market conditions, including the rise of non-branded home theater products.

In fiscal 2006, we will shore up channel-specific marketing to expand sales of video cameras, LCD TVs, and other AV products. At the same time, we will work to get home theater products back on track and increase sales in Russia and Eastern Europe. In addition, JVC is an official sponsor of the UEFA EURO 2008™. In preparation for this major football event, we will develop various marketing activities while endeavoring to enhance our brand image.

Asia and the Middle East

In fiscal 2005, sales of car electronics and LCD TVs grew, while sales of video cameras were weak.

In fiscal 2006, we aim to generate double-digit sales growth by taking our brand power in the Middle East—our largest market in this region—to the next level, especially in regard to displays and camcorders. We are also working to strengthen sales of such products as video cameras and displays in Singapore as well as aggressively develop new markets in India and elsewhere with Singapore as the base. In China, we are looking to storm the home theater market and generate synergies with audio products and DVD recorders via the introduction of HD-ILA rear projection TVs as part of efforts to further expand sales. Moreover, we will endeavor to boost sales of car electronics products and establish a solid position in the camcorder market with our “Everio” line of hard disk camcorders.

Japan

In fiscal 2005, sales of LCD TVs and DVD recorders experienced tremendous growth, leading to a substantial rise in revenues.

In fiscal 2006, we will work to achieve double-digit growth in sales, keeping our focus on LCD TVs, camcorders, and three-in-one DVD/VHS/hard disk combo recorders. In addition, we will leverage our HD-ILA rear projection TVs to build a greater presence in the large-screen, flat-panel TV market. At the sales front line, we will continue to conduct detailed follow-ups, strive to expand our share of sales at major mass market retailers, restructure our network of partner stores, and work to bolster our sales prowess.

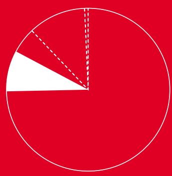
E. Tsuchiya

Eiichi Tsuchiya
President, AV & Multimedia Company

Professional Electronics

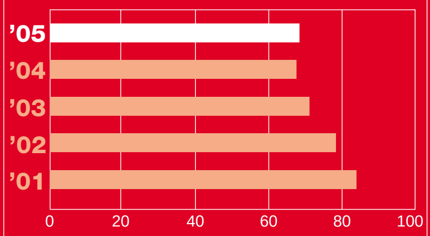
% of Total FY2005 Sales

8.1%



“This segment develops, manufactures, and sells surveillance systems comprising cameras and such peripheral equipment as disk recorders as well as camera recorders, audio equipment, projectors, and a range of other products for professional use. In fiscal 2005, this segment achieved growth in both sales and income. Sales rose 1%, to ¥68.3 billion, and operating income came to ¥0.3 billion, up ¥2.1 billion from the operating loss of ¥1.8 billion in the previous fiscal year.”

Sales (Billions of yen)



High Quality Audiovisual Systems and Solutions Deliver the Ultimate in Satisfaction

JVC's professional projectors are being put to use at EXPO 2005 Aichi, Japan, which is being held from March 2005 to September 2005. Among the D-ILA projectors in use at three pavilions is a Super High Vision projector developed in collaboration with Japan Broadcasting Corporation (NHK) that delivers the world's first super high definition images. Under the Leap Ahead 21 plan, the Professional Electronics segment concentrates on products in the presentation systems field—including value-added professional projectors, monitors, camera recorders, and products in the security systems field, primarily closed-circuit TV (CCTV) cameras and professional audio equipment. In addition, this segment leverages synergies with the Consumer Electronics segment to develop new strategic growth products.

Strong Performance in Security Systems

In fiscal 2005, domestic sales of security systems grew, encouraged by robust demand for such products as surveillance cameras and professional audio equipment, mainly for recreational facilities. Overseas, sales of surveillance camera systems were also strong. In presentation systems, although the market for hand-held type camera recorders showed remarkable growth, JVC did not fare well overseas due to a weak product lineup.

In fiscal 2005, the Professional Electronics segment recorded a rise in sales and restored profitability, largely as a result of reductions in manufacturing costs and fixed expenses achieved through structural reform.

Enhancing Performance to Achieve Leap Ahead 21 Goals

In fiscal 2005, JVC fought hard to turn around its presentation systems business. We developed the ProHD series of professional high definition video (HDV) camera recorders and presented GY-HD100 and other models from the series at the annual National Association of Broadcasters (NAB) convention—the world's largest electronic media show, held in April 2005 in the United States. GY-HD100 is the world's first HDV camera recorder with interchangeable lenses and features full HD progressive recording at 24 frames per second to produce a more polished, film-like appearance. This truly unique product was a huge hit at the convention, drawing in the crowds and receiving a prestigious NAB Award for Innovation in Media. In fiscal 2006, we will launch the ProHD series and expand sales to strengthen our presentation systems operations.

In security systems, where further growth is expected, we will strive to bring sales of surveillance camera systems even higher; develop a strong lineup of storage network products offering outstanding ease of use, quality, and reliability; and expand sales to major customers.

In fiscal 2006, we will concentrate on becoming faster and stronger as well as on embracing change, enhancing performance through operational reform to achieve the goals set out in Leap Ahead 21.

H. Takekura

Hiroyuki Takekura
President, Professional Systems Company

Professional HDV Camera Recorder

JVC offers an HD solution that meets the video production needs of today.

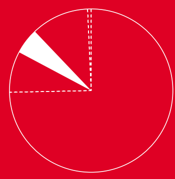
Wide Dynamic Range Surveillance Video Camera

Captures clear images even in environments with high levels of light contrast

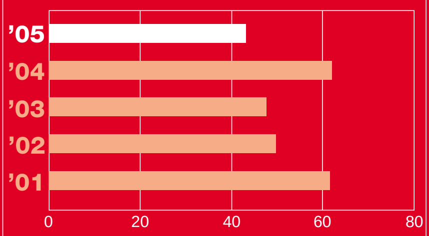
Components & Devices

% of Total FY2005 Sales

5.1%



Sales (Billions of yen)



“Originally created to carry out the in-house production of components for JVC products, this segment has become focused on supplying customers outside the JVC Group over the years. Now, we are bringing the business back to its roots, shifting the focus of operations to key devices that will help to set our products apart from the rest. In fiscal 2005, although sales declined 30%, to ¥43.2 billion, the operating loss was reduced ¥1.4 billion, to ¥1.7 billion.”

Pursuing High Quality and Originality

Leveraging its technological prowess and original manufacturing processes, JVC has created fluid dynamic bearing motors for hard disk drives (HDDs) that boast high rotation speeds and outstanding shock resistance. Our motors have earned a solid reputation in the market for their high quality and have become core products in the Components & Devices segment. Under the Leap Ahead 21 plan, this segment will take part in creating distinct products by working to develop key devices—including motors, optical pickups, and high-density multilayer PWBs—that bring greater added value to our AV products.

Realizing the Benefits of Structural Reform

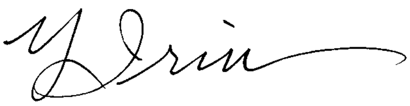
Since fiscal 2004, the Components & Devices segment has fought hard to get earnings back on track, and in the first half of fiscal 2005, we implemented major structural reforms designed to return the segment to profitability. One critical point that we concentrated on was to consolidate our manufacturing bases for deflection yokes for cathode ray tube (CRT) computer displays in Japan and overseas into one overseas base in response to contraction in the market for these products. Through this and other initiatives, we strengthened the segment's business base, bringing its operations back into the black in the latter half of fiscal 2005.

Looking at sales, in the segment's mainstay motors, fluid dynamic bearing motors for HDDs recorded sales and sales volumes that outstripped our targets; however, due to the shrinking market and fierce price competition, sales of motors for floppy disk drives and for optical disk drives were sluggish. Sales of optical pickups exceeded our targets, thanks to strong sales of optical pickups for car CD receivers. Multilayer PWBs, primarily specialized products for AV equipment, experienced a decline in sales and an initial loss stemming from structural reforms and the revision of manufacturing processes to create high-density products; however, we have built a strong foundation for future recovery by improving the production framework for these products.

As a result, although the Components & Devices segment's sales decreased 30% from the previous fiscal year, manufacturing cost reductions and the benefits of structural reforms led to the posting of operating income in the fourth quarter, which, in turn, resulted in a substantial reduction in the segment's operating loss from the one in fiscal 2004.

Expanding Our Motors Operations

In fiscal 2006, we will establish a framework to increase the production of fluid dynamic bearing motors for HDDs, which lie at the core of the segment's growth strategy. To meet the needs arising from the microminiaturization of HDDs, we will enhance our lineup of motors for 2.5-inch and even smaller HDDs. In deflection yokes, we anticipate ongoing contraction in the market and will rework operations to better reflect this trend. Furthermore, we will work to further expand sales of optical pickups for car CD receivers, proactively develop optical pickups for car DVD receivers, and achieve a recovery in sales of high-density multilayer PWBs. Through these efforts, we aim to boost segment sales and record an operating profit in fiscal 2006.



Yoshitaka Iriuchijima
President, Components & Device Company

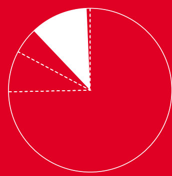
Fluid Dynamic Bearing Motors for Hard Disk Drives
JVC has leveraged ultrahigh precision bearings and assembly technology to create low-noise, long-life, shock-resistant motors for hard disk drives.

Optical Pickups for Car CD Receivers
This high performance optical pickup offers industry-leading heat and vibration resistance and outstanding reliability.

Software & Media

% of Total FY2005 Sales

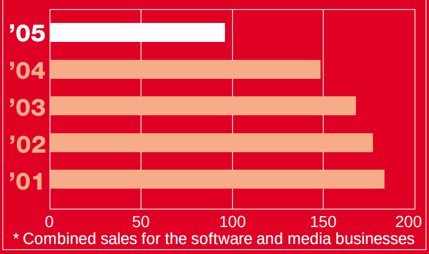
11.4%



* Combined sales for the software and media businesses

Media Business

Sales* (Billions of yen)



* Combined sales for the software and media businesses

“ The Media business mainly manufactures and sells recordable media and such prerecorded software as CDs and DVDs, while the Software business identifies, develops, and manages promising artists as well as produces, sells, and distributes content. In fiscal 2005, sales declined 35%, to ¥95.9 billion, and operating income was down 49%, to ¥2.4 billion.

JVC’s media business will build its growth upon digital recordable media, while leveraging its partnerships with the software industry. ”

Bolstering Our Lineup of Digital Recordable Media

High quality recordable media is an important ingredient for fully enjoying the exceptional quality offered by JVC products. Under Leap Ahead 21, digital recordable media lies at the core of the Media business's path to growth. Recordable media technologies are rapidly advancing, but JVC has more to offer than sophisticated functions. We will sharpen our competitive edge by providing distinct media products that deliver sound and images that touch the heart.

DVD Strengthens Its Foothold

In the year under review, sales of recordable tapes declined due to a drastic drop in the retail price of digital video camera tapes and the shrinking market for VHS tapes. DVD-RW and other recordable DVD media, however, soared on the back of the growing popularity of DVD recorders in Japan. As a result, overall sales of recordable media remained stable from the previous fiscal year.

In prerecorded software, sales of DVDs were strong overseas and outstripped the previous fiscal year's levels in Japan, encouraged by interest in Korean TV shows and movies. However, sales of VHS tapes lost ground as a result of video software's move to the DVD format, and sales of music CDs declined amid a slump in the Software business. Consequently, overall sales of prerecorded software dipped slightly.

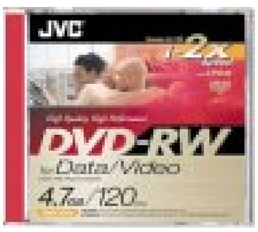
Taking On Expanding Markets

JVC's Media business owes its strength to the Company's ability to use proprietary, cutting-edge technologies to develop trailblazing products. For instance, in April 2005, JVC unveiled the world's first single-sided, dual-layer DVD-RW disc technology. This technology has achieved large-capacity storage of 8.5GB and up to 11 hours of video recording without turning over the disc. Moreover, in December 2004, we announced our development of the world's first Blu-ray/DVD combo ROM disc technology, which uses proprietary, high-performance reflective film to enable storage of both high definition video and standard definition video on a single disc.

The Japan Recording Media Industries Association projects that the market for recordable DVD media will rapidly expand in 2005, with demand for rewritable DVD media and recordable DVD media rising 65% and 84%, respectively, from 2004.

The Media business will continue to make the most of its technological prowess in growing markets, focusing on enhancing productivity and offsetting the fall in retail prices by expanding the network of retail outlets where its recordable DVD media and digital video camera tapes are sold to increase revenues. We will also continue to develop and mass-produce groundbreaking media products while leveraging our partnership with the Software business.

Hiroshi Fujisawa
President, Media Company



DVD-RW Disks

JVC's years of experience in disk molding and recording layer formation technologies are the foundation for these high quality DVD-RW disks that deliver reliable and stable recording performance.

Mini-DV Tapes

These high quality mini-DV tapes with unique JVC technology bring out the best performance in any mini-DV camcorder.

Software & Media

Software Business

"JVC's Software business comprises a number of key companies, including Victor Entertainment, Inc., and Teichiku Entertainment, Inc., which produce and sell music and video content, and Nippon Record Center Co., Ltd., a logistics company. Strategically, Victor Entertainment sits at the heart of the Software business."

Strengthening Matrix Management

The creation of a wide array of music and other content and the employment of a business model that ensures that maximum earnings are generated from this content are key to JVC's ongoing advancement. Under Leap Ahead 21, the Software business will concentrate on discovering and developing music artists and other new talent as well as bolstering matrix management to expand its focus from CDs, DVDs, and other prerecorded software to content rights and other areas of the music industry.

New Opportunities

In Japan, music CD production costs have declined since their peak in 1998. At the same time, the way people enjoy music is ever diversifying. With many delivery options now available—including music DVDs, live concerts, and online sites—the shift to a one-source, multiuse environment is gaining momentum. This environment offers an excellent opportunity for enhancing earnings by generating a tremendous amount of business from the same content through collaboration with companies comprising our Software business and tie-ups with parties outside the industry. We see great potential for growth in our Software business in this climate.

Becoming a Matrix Entertainment Company

In the year under review, sales in the Software business declined markedly, largely as a result of the postponement of major releases by popular artists and lower sales of music software stemming from the expiration of sales consignment contracts with key industry players. Amid falling demand for music CDs and a steep drop in the number of million seller songs, JVC endeavored to develop new talent and artists who can produce moderate hits. These initiatives started to produce results in the latter half of the fiscal year, with the emergence of such new artists as Remioromen and Fumido and hit releases by Love Psychedelico and other music groups. We also created a new music label called BabeStar to enhance our capability to develop new artists. Furthermore, we enhanced cost performance and completed business process reorganization in line with structural reforms, with an eye to establishing a strong revenue base.

In fiscal 2006, we plan to release the first new CD album in seven years and more than 40 CD singles, including remixes and new songs, by the Southern All Stars as well as numerous other CD albums by such major artists as SMAP and Dragon Ash. We expect these releases to boost revenues and earnings and are developing the talents of several young artists on their way to becoming hit makers. In January 2004, Victor Entertainment established JVC Entertainment Networks Inc. (JEN) through the merger of affiliates to generate creative synergies. JEN is working to expand highly profitable new business and reinforce its matrix management approach to the entertainment business. In fiscal 2006, our Software business will work to build a solid revenue base, proactively generate resources, and maximize the benefits of the merger through such efforts. Also, in fiscal 2007, we will firmly establish ourselves as a Matrix Entertainment Company.

Toshiaki Shibuya
President & Chief Executive Officer,
Victor Entertainment, Inc.

CD: LOVE PSYCHEDELICO
Early Times


CD: SOUTHERN ALL STARS
Only You Are A Star

CD: REMIOROMEN
ether

CD: SMAP
~Say What You Will~

> Over the years, JVC has employed the host of audio and visual technologies that it has developed and advanced from the analog age to bring an array of products unlike anything seen before to market. JVC plans to invest ¥40 billion in R&D in fiscal 2006 to develop commercially viable technologies that will generate sustained growth in revenues and earnings from the present into the future.

Developing New Technologies and Passing on Technological Know-How

To achieve the goals set out in Leap Ahead 21 and sustainable growth into the future, we must continue to develop and commercialize technologies that produce sound and images of unprecedented quality. In the fiscal year under review, we used our proprietary technologies to develop a dedicated image processor Genessa LSI and a D-ILA high definition microdisplay device, which led to the creation of new high-value-added displays. In addition, we successfully developed numerous new optical disk media technologies, including DVD and Blu-ray technologies.

In fiscal 2005, we also established the JVC Technology Expert Group (JTEG). In-house experts in high quality audio and visual, high-density recording and playback, optical, and other technologies in which the Company excels are appointed to JTEG. The group is designed to enhance the skills of members as well as promote the transmission of the sophisticated technological know-how that these experts possess and contribute to the development of successors. As of May 2005, JTEG comprised 20 members (12 executive experts and 8 other experts) specializing in seven fields.

In fiscal 2006, R&D activities will play an important role in bringing us closer to achieving our objective of putting into place management that is fast-acting and creates a high level of added value. In addition, we need to make steady progress in developing technologies that will support operations several years from now. In fiscal 2006, we will put into effect a system that manages R&D themes according to three specific time frames—our immediate future to support the JVC of today, 3 to 5 years from now to create the technology of tomorrow, and 5 to 10 years hence. This system will enable us to deliver a steady stream of one-of-a-kind products.

Speeding Up Development of Consumer Electronics Technologies

The technology department of each in-house company is in charge of developing technologies for the immediate future. Engineers from the AV & Multimedia Company (Consumer Electronics business segment), which is to be reorganized in fiscal 2006, used to be dispersed among the JVC Head Office and two plants. However, in April 2005, JVC gathered approximately 1,000 engineers at its new technology center Techno WING, which is located adjacent to the Head Office. We did this to encourage more active communication among engineers and between engineers and marketing and sales managers as well as to promote the sharing of information, skills, and implicit knowledge. This, in turn, will facilitate the rapid creation of products that meet market needs and wants.

JVC is positioning its optical disc operations as a priority business and is seeking to optimize all aspects of required R&D by clarifying and unifying the Company's development resources.

As a part of efforts to achieve this, in fiscal 2006, we established the Optical Disk Core Technology Development

Techno WING

In April 2005, the construction of JVC's new technology center, Techno WING, which is adjacent to its Yokohama Plant, was completed. Techno WING is home to roughly 1,000 employees, mainly consumer electronics engineers, and is designed to facilitate active communication through lively, open discussion. Techno WING will bring JVC's underlying technological prowess, which is rooted in the know-how amassed by the Company over the years, into full play and serve as a hub for the creation of new products that are truly one of a kind.

Center, which is devoted to the development of optical pick-ups and other key components for optical disc products to support our optical disc operations. We will also promote the flexible, efficient use of resources by focusing on select development themes. Specifically, we have established teams according to such product categories as next-generation optical disc products, current DVD recorders, and car CD/DVD receivers as well as appropriately allocated resources to these teams. We are picking up the pace of our R&D activities to accelerate growth in the optical disc business and launch distinct products that offer superior added value.

Creating Truly Unique Products to Support JVC in the Future

The primary focus of the Technology Development Division has been and will remain medium- to long-term R&D—R&D themes for products to be launched 5 and 10 years down the line. To meet intensifying demand for increased product development speed stemming from the emergence of the digital age, JVC has also established a Future Product Development Center within the division to focus on the development of products to be introduced in two to three years and promote collaboration with each in-house company.

The Future Product Development Center's research themes are selected by the Companywide Development Theme Committee. This committee looks at product development from the perspective of the entire Company, choosing research themes that have the potential to develop into major business two of three years down the road. Once a theme is selected, core technology developers, production technology developers, and staff in charge of product planning and design are chosen from the Technology Development Division and relevant in-house companies according to the theme, and the product commercialization process begins.

Within the Technology Development Division, we have also established a Core Technology Development Center to specialize in core technologies to be completed three years into the future.

JVC will leverage its two new development centers to further enhance the sophistication of its technologies, expand its development scale, and speed up product development. In addition, we will reinforce our framework for collaborative R&D with in-house companies, positioning the Technology Development Division as the center of these activities. Moreover, we will work to bolster our power to create groundbreaking products that will give us competitive advantages as market pioneers.

> Guided by our basic management slogan, “Contributing to culture and serving society through our products and business practices,” efforts to protect the global environment are incorporated in all our business activities. Since formulating JVC’s Basic Environmental Policy in 1992, we have carried out a range of initiatives designed to help realize a sustainable society.

Environmental Management

JVC’s environmental protection initiatives are underpinned by the JVC Environmental Committee, which is chaired by the president of JVC, and a number of specialist subcommittees. These subcommittees are responsible for implementing initiatives and policies adopted by the JVC Environmental Committee. In fiscal 2006, we will continue to accelerate the elimination of environmentally hazardous substances from JVC products. All subcommittees in JVC’s environmental framework are actively working to achieve this objective.

In line with our commitment to sustainable environmental protection activities, we have worked to attain ISO 14001 certification, the internationally recognized standard for environmental management. Our plant in Hachioji led the way in achieving certification in January 1997, followed by all our other manufacturing facilities around the world. The JVC Head Office, our research facilities, and all of our domestic sales and service centers have also earned environmental management certification. Our next goals will be to upgrade environmental protection at JVC plants and design more eco-friendly products.

Designing Eco-Friendly Products

1. Promoting Green Procurement

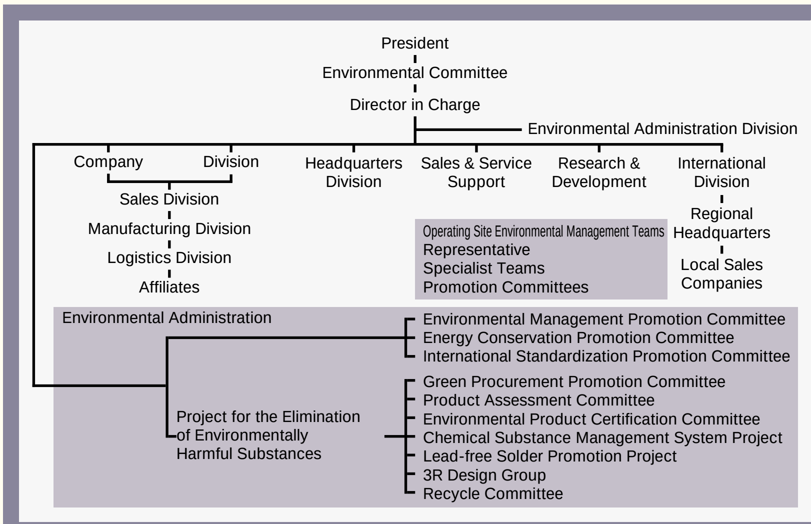
JVC has worked to ensure that the products it ships to EU member countries do not contain any substances restricted by the EU’s Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) directive since April 2005—ahead of the directive’s enforcement in EU member countries in 2006.

JVC established guidelines for green purchasing in fiscal 1999. In fiscal 2004, we requested the support and understanding of suppliers with regard to our green purchasing policy. We have also been calling on our partners to guarantee that no hazardous substances are used in products supplied to JVC, verified by tests carried out by us on the components and materials we purchase.

Our suppliers provide us with information via the Internet that we purchase, which we utilize to promote efficient green design and purchasing.

2. Making Green Products

At JVC, products that are environmentally friendly designed are designated “green products.” These products do not contain hazardous substances and are designed to help prevent global warming and promote resource recycling. As part of efforts to promote the creation of green products, we eliminated the use of the six substances restricted by the EU’s RoHS directive at our manufacturing sites around the world as well as affiliates manufacturing JVC products, with certain exceptions, in March 2005. These substances are still used in some of the components and units that we purchase and OEM products that we manufacture for other companies. Going forward, we will work to enlist the



This HD-ILA rear projection TV has a 61-inch screen but uses a mere 198 watts of electricity.

cooperation of suppliers and distributors in eliminating the targeted substances from these products as well.

3. Recycling End-of-Life Products in Europe

In February 2003, the EU's Waste Electrical and Electronic Equipment (WEEE) recycling directive came into force. All electric and electronic equipment sold within the EU is subject to this directive. In addition to this regional initiative, individual member countries, such as the Netherlands and Sweden, have already introduced their own recycling systems. JVC is adhering to both these national and regional recycling regulations. JVC has established an internal Europe Recycling Committee to devise an effective recycling system by August 2005. The system will be based on country-by-country recycling studies and research as well as experimental recycling systems created with local affiliates and specialist waste recycling companies.

Reducing Energy Consumption and Fighting Global Warming

JVC is working to achieve its medium-term target of reducing energy consumption 10% from the fiscal 2001 level by fiscal 2011. We are also striving to reduce emissions of CO_2, CFCs, and other greenhouse gases that contribute to global warming. Initiatives include efforts to curb the CO_2 emissions of JVC manufacturing plants and affiliates and completely eliminate CFC use by adopting alternatives.

Moreover, we are developing products that reduce energy consumption. Our 61-inch HD-ILA rear projection TVs, which were launched in the United States in fiscal 2005 and in Japan in fiscal 2006, use a mere 198 watts, outperforming a 32-inch CRT television or 40-inch LCD television.

Cutting Waste Emissions

In an effort to reuse waste generated by manufacturing activities, we targeted and attained a waste recycling ratio of 99% in our domestic operations, including affiliates.

Helping to Protect the Air, Soil, and Water Environments

The electrical and electronics industries use four key chemical substances that can cause atmospheric pollution: trichloroethylene, tetrachloroethylene, dichloromethane, and trichloroethane. JVC has already banned the use of the first three chemicals in its manufacturing processes. Although we use small amounts of dichloromethane and trichloroethane in R&D and quality assurance testing, we are working to further reduce usage by examining the use of alternatives.

JVC is committed to ensuring as many people as possible have the opportunity to share the inspiration and excitement that sports and the arts can offer. This thinking has underpinned our wide-ranging cultural activities over many years, mainly in the form of support for music, the arts, and sports. Bringing the magnificence of the arts and sports to people is just one of the ways we make our brand statement "The Perfect Experience" ring true. We want you to experience the wonder of the moment. It is what we are all about.

Sponsoring Sporting Events: International Soccer Tournaments

Photo by Action Images/Andrew Couldridge

JVC lends its hand to a range of sports in numerous countries around the world, supporting events and sponsoring teams so that as many people as possible can enjoy the inspiration and excitement that sports offer, or what we like to call "The Perfect Experience."

In particular, we have been closely involved in the UEFA European Football Championship. An official partner since the 1980 UEFA tournament held in Italy, JVC has provided comprehensive support for this major soccer event for more than two decades to deliver to people the excitement and passion of one of the world's most loved sports.

Our backing of the event goes beyond mere sponsorship. Holding the championships requires ample hardware—from TV monitors to audio and visual equipment for the stadium—and we help out by providing AV equipment and other products. At last year's Portugal tournament, supporters from around the world viewed games that they did not have tickets for on a giant screen set up in the center of town in Lisbon. Perfect strangers brought together by their passion for soccer watched the players intensely, their emotions swinging between elation and despair with every play. We are currently preparing for the UEFA EURO 2008™, which will be co-hosted by Switzerland and Austria, so that we can share "The Perfect Experience" with customers via this event.

In addition, JVC's AV products bring the game to fans who are unable to root for their team from the stands because they could not acquire tickets or the venue is simply too far away. We aspire to develop high definition technologies and products that deliver the inspiration and excitement of sports by making viewers feel as if they can actually hear the crowd's cheers and feel the players' emotions.

Inspiration through Music: JVC Jazz Festivals

James Carter at the 2004 JVC International Jazz Festival

With the love of music in its corporate heart, JVC has been offering the JVC Jazz Festival since 1984 to give audiences worldwide a chance to enjoy live jazz. This program has been one of JVC's contributions to the world's music culture.

Jazz musicians create soulful tunes out of their own imagination, their own inspiration. Melodies travel new, unexpected, and surprising paths, making no two performances exactly the same. It is what sets jazz apart as a musical movement, and it is why jazz has thrilled, excited, and captured the minds of music lovers the world over. The spirit

EURO2008
Austria-Switzerland

JVC jazz festival

The 28th JVC Tokyo Video Festival
TOKYO VIDEO FESTIVAL 2006
An International Video Contest for the People Around the World

Photo by Action Images/Richard Heathcote

Jamie Cullum at the 2004 JVC International Jazz Festival

of jazz resonates with our corporate values, which is why JVC has sponsored over 160 major jazz festivals, where countless musicians have brought the splendor of live music to audiences of almost four million.

The well-known Newport Jazz Festival in Rhode Island, which celebrated its 50th anniversary last year; the great New York Jazz Festival; the extremely exciting North Sea Jazz Festival in Holland; avant-garde jazz concerts in Paris; and concerts in Eastern Europe's Warsaw are just a few of the events that we have sponsored for years. In addition, we have expanded our activities to Asia—sponsoring concerts in South Korea and Japan in 2003 and 2004, respectively—to nurture a common bond among more music enthusiasts than ever before.

Expanding Video Culture: JVC Tokyo Video Festival

Since 1978, JVC has held the Tokyo Video Festival, a venerable international video competition for professionals and amateurs alike. To date, the festival has attracted entries of more than 40,000 works from 90 countries and regions around the world.

In 2004, the Video Grand Prize was awarded to "Grainy Days," a masterpiece created by a 24-year-old woman who used film to paint a self-portrait, and the JVC Grand Prize was awarded to "Off to War: Chapter Two," a video letter produced by two U.S. video journalists chronicling the pain and hardships of war.

One thing that makes the Tokyo Video Festival unique is its concept. It is not just a video contest. Rather, it is a video communication festival for people to communicate and express themselves through works of art. The Tokyo Video Festival provides an opportunity for people who have never picked up a video camera before to experience the fun of filming and the joy of viewing their creations. Through the festival, JVC aims to promote video software production as one way to enjoy video technology and introduce new film creations to the world.

Management Team

President and Representative Director

1 Masahiko Terada

Senior Managing Director and Representative Director

2 Namio Yamaguchi
In charge of Technology; General Manager, Technology Development Division; In charge of ILA Center and Intellectual Property

Senior Managing Director

3 Eiichi Tsuchiya
President, AV & Multimedia Company

Managing Directors

4 Shigeharu Tsuchitani
President, Americas Company, JVC Americas Corporation

5 Masatoshi Hirabayashi
Senior Executive Vice President, AV & Multimedia Company; In charge of SCM, Customer Satisfaction and Business Solutions Marketing

6 Yukihiro Tanii
In charge of Corporate Accounting & Finance, Facility Management, Information System, Logistics, and Interior Furniture Business

7 Kunihiko Sato
President, Europe Company and JVC Europe Ltd.

Directors

8 Hideo Aiso (Part-time)
(President, Tokyo University of Technology)

9 Hiroshi Fujisawa
President, Media Company

10 Shingo Kawata
Executive Vice President, AV & Multimedia Company; General Manager, Engineering Department, AV & Multimedia Company

11 Yutaka Ichijo
In charge of Personnel, General Affairs, Legal, Investor Relations and Corporate Communications

12 Masuichiro Mimura
Executive Vice President, AV & Multimedia Company; General Manager, AV System Category; General Manager, Sales & Marketing Department, Mobile Entertainment Category, AV & Multimedia Company

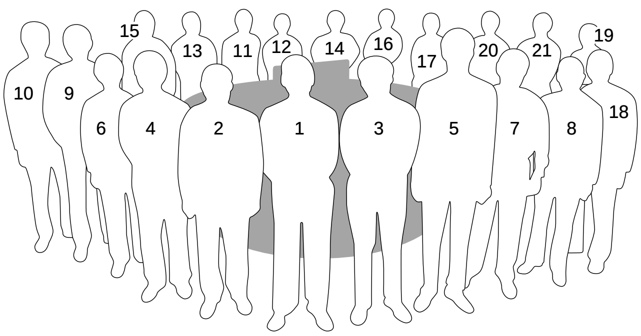
13 Yoshitaka Iriuchijima
President, Components & Device Company; In charge of Production Engineering; General Manager, Production Engineering Division

14 Goro Saito
In charge of Corporate Planning; General Manager, Corporate Planning Headquarters; In charge of Environment Administration

15 Tsutomu Urabe
Executive Vice President, AV & Multimedia Company; General Manager, International Sales & Marketing Division, AV & Multimedia Company

16 Takuo Ishida
Executive Vice President, AV & Multimedia Company; General Manager, Consumer Marketing Division, AV & Multimedia Company

17 Hiroyuki Takekura
President, Professional Systems Company



Corporate Auditors

18 Hajime Takashima

19 Akio Mutai

20 Makoto Matsuo (Part-time)
(Attorney-at-Law, Momo-o, Matsuo & Namba Law Firm)

21 Fujio Nakajima (Part-time)
(Executive Officer, Matsushita Electric Industrial Co., Ltd.; Senior Vice President, Panasonic AVC Networks Company)

Our Basic Stance

JVC aspires to be an outstanding global company and is committed to conducting its operations in a manner that is fair and highly transparent to all stakeholders.

Measures put forth by the Company to enhance corporate governance include the appointment of outside directors and auditors, the disclosure of information via a wide range of media, and the establishment of a Corporate Ethics Office to promote legal compliance.

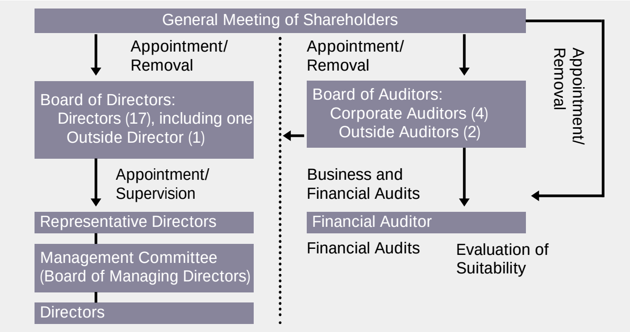
Frameworks and Policies

Supported by the Board of Managing Directors, the Board of Directors is responsible for management decision making and the execution of operations. In addition, JVC employs an in-house company system to speed up management processes.

Since fiscal 2000, the Company has appointed one outside director to its Board of 17 directors. The objective insight obtained from the outside director helps the Board of Directors to make better, more informed decisions.

The Board of Managing Directors operates under the Board of Directors, which is responsible for making decisions related to the execution of operations under the Commercial Code of Japan, as a decision-making body responsible for matters that fall outside the realm of the Board of Directors' responsibilities. This organization is designed to promote flexible decision making and the accurate communication of management information.

In fiscal 2001, JVC introduced an in-house company system comprising five business segment companies—the AV & Multimedia Company, the Professional Systems Company, the Components & Device Company, the Media Company, and the Entertainment Software Company—and three regional companies—the Americas Company, the Europe Company, and the Asia & the Middle East Company. In-house company presidents are responsible for carrying out business operations in a timely and appropriate manner and have been delegated sufficient authority to achieve this task. We recognize that in terms of the big picture we must put what is best for the Company as a whole before what is best for each individual in-house company. Therefore, in-house company presidents and two regional company presidents also serve as directors.



Two statutory auditors and two outside auditors provide rigorous, objective oversight of various aspects of operations, including the execution of operations by the Board of Directors.

JVC is committed to promoting accountability and proactively provides information on its corporate activities and results through various forms of media, including the Company's annual report, environmental report, and other publications as well as its website.

Our compliance activities are headed by the Corporate Ethics Office, which employs lawyers from outside the Company. This office works to keep the JVC Business Conduct Guidelines up to date, establish job-specific business conduct guidelines, and promote the understanding of personal information issues among employees.

Fiscal 2005 Initiatives

In January 2005, JVC revised its Business Conduct Guidelines, with an eye toward bolstering corporate governance. We distributed this publication, which is available in Japanese and English, to all Group employees as part of efforts to promote the awareness of corporate governance issues. In addition, JVC took steps to ensure that employees have a clear understanding of information security matters in preparation for the enactment of Japan's Personal Information Security Act on April 1, 2005. In September 2004, we formulated our Information Security Management Regulations, and in November 2004, we published our *Information Security Guide.* Furthermore, JVC conducted a Companywide test of all employees' comprehension of pertinent information security issues.

JVC is reinforcing corporate governance to maximize shareholder value and ensure that it remains highly valued by the market and society, both in Japan and abroad.

Contents

Six-Year Summary

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2002	2001	2000	2005
For the year:							
Net sales	¥840,591	¥921,978	¥967,640	¥954,172	¥934,350	¥870,235	$7,855,991
Overseas	567,565	619,962	638,092	626,209	567,977	545,316	5,304,346
Domestic	273,026	302,016	329,548	327,963	366,373	324,919	2,551,645
Cost of sales	564,977	629,125	668,821	684,458	641,209	600,506	5,280,159
Selling, general and administrative expenses	265,244	267,702	276,520	281,808	287,449	277,748	2,478,916
Operating income (loss)	10,370	25,151	22,299	(12,094)	5,692	(8,019)	96,916
Income (Loss) before income taxes and minority interests	4,728	14,106	10,064	(38,446)	9,444	6,088	44,187
Income taxes	6,200	(1,926)	3,568	5,985	7,238	11,295	57,944
Net income (loss)	(1,858)	15,609	6,336	(44,572)	2,498	(5,341)	(17,364)
Depreciation and amortization	23,422	22,735	25,250	28,000	28,085	28,590	218,897
Capital expenditures	28,959	25,900	21,036	21,175	31,127	24,336	270,645
R&D expenditures	39,336	40,574	40,973	40,981	44,094	43,351	367,626

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2002	2001	2000	2005
At year-end:							
Working capital	¥ 87,825	¥147,225	¥149,172	¥118,948	¥150,067	¥127,709	$ 820,794
Stockholders' equity	158,236	159,326	146,410	146,246	180,515	199,164	1,478,841
Total assets	466,549	507,117	479,750	513,365	586,628	540,359	4,360,271

	Yen						U.S. dollars (Note 1)
	2005	2004	2003	2002	2001	2000	2005
Per share:							
Net income (loss) (Note 2)	¥ (7.7)	¥ 61.1	¥ 24.9	¥ (175.3)	¥ 9.8	¥ (21.0)	$ (0.07)
Diluted net income (Note 2)	—	57.9	23.5	—	—	—	—
Cash dividends (Note 3)	5.0	5.0	—	—	3.0	—	0.05

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥107 to U.S.$1, the approximate rate prevailing on March 31, 2005.
2. Net income (loss) per share of common stock for the years ended March 31, 2002, 2001 and 2000 have not been recalculated using the new accounting standard, which was effective April 1, 2002.
3. Cash dividends represent amounts applicable to the respective years.

Overview of Fiscal 2005

In fiscal 2005, ended March 31, 2005, net sales declined 8.8%, to ¥840.6 billion. Sales of consumer electronics products in Japan grew, encouraged by the launch of LCD TVs, DVD recorders, hard disk camcorders, and other digital products; however, the weak performance of music software and lower music CD sales due to the expiration of consignment contracts caused domestic sales to contract 9.6%, to ¥273.0 billion. Although sales in Asia excluding Japan and sales of LCD TVs worldwide expanded, camcorders struggled overseas, and sales of home theaters in Europe lost ground, resulting in an 8.5% decline in overseas sales, to ¥567.6 billion.

Cost of sales fell 10.2%, to ¥565.0 billion, and the gross profit margin rose from 31.8% in the previous fiscal year to 32.8%. Selling, general and administrative (SG&A) expenses slipped 0.9%, to ¥265.2 billion.

Despite the implementation of cost-cutting initiatives, operating income fell 58.8%, to ¥10.4 billion, owing to a drop in the retail price of consumer electronics products, lower overseas sales of consumer electronics products, and weak domestic sales of software.

NET SALES BY SEGMENT

Billions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total
2005						
Sales	¥627.3	¥68.3	¥43.2	¥95.9	¥5.9	¥840.6
Percentage	74.6%	8.1%	5.1%	11.4%	0.8%	100.0%
Change	(1.7)%	1.2%	(30.5)%	(35.2)%	(6.3)%	(8.8)%
Domestic Sales	¥135.3	¥46.7	¥3.7	¥81.6	¥5.7	¥273.0
Change	23.7%	(6.4)%	(7.5)%	(38.3)%	(11.1)%	(9.6)%
Overseas Sales	¥492.0	¥21.6	¥39.5	¥14.3	¥0.2	¥567.6
Change	(6.9)%	22.7%	(31.9)%	(8.3)%	100.0%	(8.5)%
2004						
Sales	¥638.1	¥67.5	¥62.0	¥148.0	¥6.4	¥922.0
Percentage	69.2%	7.3%	6.7%	16.1%	0.7%	100.0%
Major Products	VCRs, camcorders, CRT TVs, LCD TVs, Plasma TVs, rear projection TVs, stereo systems, car AV systems, DVD players, DVD recorders, and portable audio	Professional-use and educational-use systems, information systems, karaoke systems, and projectors	Components for use in computer displays, optical pickups, motors, and “VIL” PWBs	Audio and visual software including CDs, DVDs and videotapes, and recording media	Interior furniture production facilities	

As for other income (expenses), the Company posted a ¥3.9 billion gain on sales of investment securities, special retirement payments associated with structural reform of ¥6.5 billion, and an interest expense of ¥3.1 billion. Income before income taxes and minority interests totaled ¥4.7 billion, down 66.5%.

Income taxes amounted to ¥6.2 billion, representing a high effective tax rate of 131.1%, mainly due to the elimination of dividend income, and the Company recorded a net loss of ¥1.9 billion for the fiscal year under review, compared with net income of ¥15.6 billion in fiscal 2004.

Despite the Company's weak fiscal 2005 performance, JVC has decided to pay cash dividends of ¥5 per share in line with its goal of maintaining stable dividends.

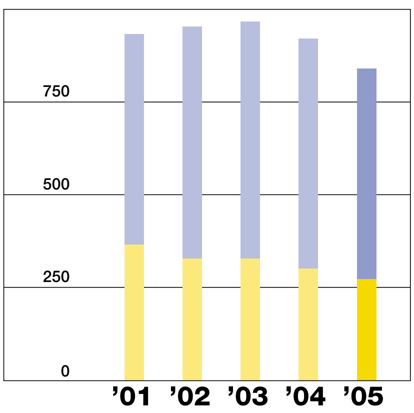
SEGMENT INFORMATION

Consumer Electronics

Sales in this segment edged down 1.7%, to ¥627.3 billion, and operating income declined 59.8%, to ¥10.4 billion. In Japan, sales greatly outstripped those of the previous fiscal year, thanks to the robust performance of LCD TVs and DVD recorders, the launch of hard disk camcorders, and expanded sales of audio products. In Asia excluding Japan, sales of car electronics and displays gained ground. In the United States, sales of D-ILA rear projection TVs, car electronics, and LCD TVs grew, but those of camcorders and other products were sluggish, resulting in an overall decline in sales. In Europe, a rise in sales of LCD TVs and DVD recorders was hampered by the weak performance of home theaters and camcorders, leading to a decrease in total sales.

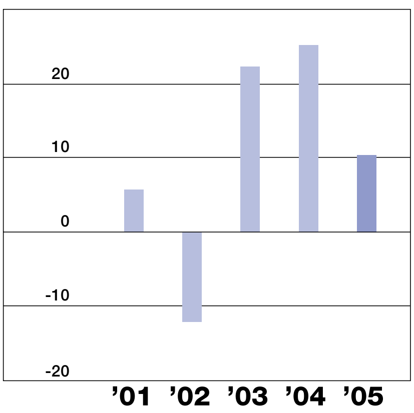
Net Sales

(Billions of yen)



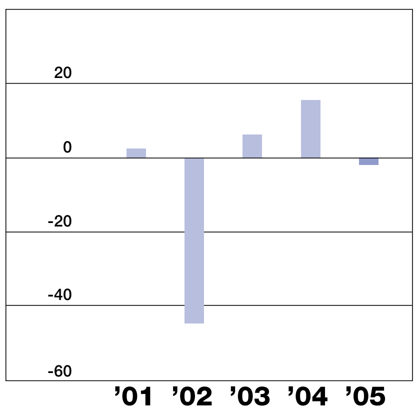
Operating Income (Loss)

(Billions of yen)



Net Income (Loss)

(Billions of yen)



Overseas
Domestic

Professional Electronics

Sales rose 1.2%, to ¥68.3 billion, and operating income totaled ¥0.3 billion, a major improvement from the operating loss of ¥1.8 billion in fiscal 2004. Although the presentation systems business struggled, sales of surveillance camera systems and other security products were strong.

Components & Devices

Segment sales dropped 30.5%, to ¥43.2 billion; however, the operating loss shrank from ¥3.1 billion in fiscal 2004 to ¥1.7 billion. The robust performance of hard disk drive motors was not sufficient to counter the negative effects of the shrinking markets for floppy disk drive motors and deflection yokes and the decline in orders for high-density PWBs, leading to an overall decline in segment sales.

Software & Media

Sales decreased 35.2%, to ¥95.9 billion, and operating income declined 48.9%, to ¥2.4 billion, primarily owing to the postponement of major releases by popular artists and the expiration of sales consignment contracts for music CDs, which outweighed growth in sales of DVD recordable media.

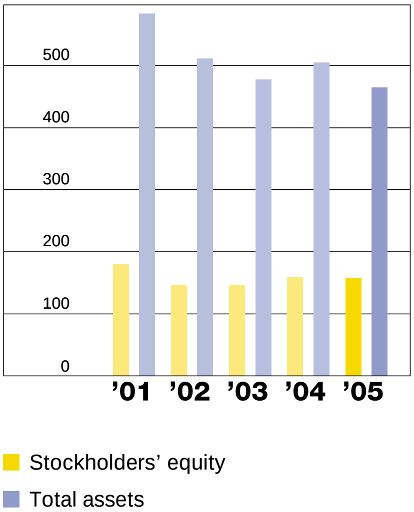
Other

Sales slipped 6.3%, to ¥5.9 billion.

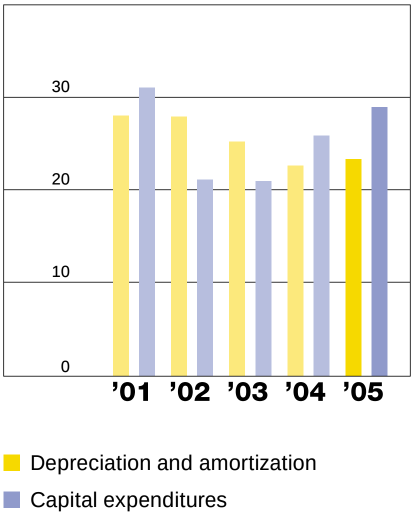
Financial Position

Total assets as of March 31, 2005, were ¥466.5 billion, down ¥40.6 billion, or 8.0%, from the end of the previous fiscal year. Total current assets declined ¥40.9 billion, to

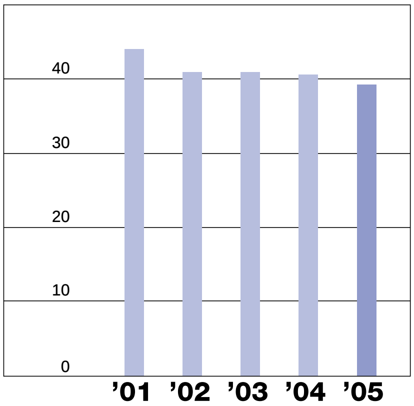
Stockholders' Equity/
Total Assets
(Billions of yen)



Depreciation and Amortization/
Capital Expenditures
(Billions of yen)



R&D Expenditures
(Billions of yen)



¥342.9 billion, mainly owing to a ¥38.7 billion decrease in cash and time deposits. Major factors contributing to the decline in cash and time deposits are described in the following cash flows section. Property, plant and equipment rose ¥6.7 billion, to ¥96.2 billion, mainly reflecting investments related to the new technology center and the production of D-ILA devices. Investments and advances decreased ¥6.0 billion, largely as a result of the sale of investment securities.

Total liabilities fell 11.4%, or ¥39.2 billion, to ¥304.4 billion. Although current liabilities rose ¥18.5 billion, to ¥255.1 billion, notes and accounts payable declined ¥21.8 billion, and convertible bonds and bonds due within one year increased ¥25.1 billion. Total long-term liabilities dropped ¥57.7 billion, to ¥49.4 billion, mainly as a result of a ¥56.0 billion decline in bonds and long-term debt.

Stockholders' equity edged down 0.7%, or ¥1.1 billion, to ¥158.2 billion; however, stockholders' equity as a percentage of total assets rose to 33.9%, compared with 31.4% at the previous fiscal year-end.

Cash Flows

Net cash used in operating activities amounted to ¥6.2 billion, compared with an inflow of ¥40.7 billion in the previous fiscal year. This was mainly attributable to a decline in income before income taxes and minority interests, special retirement payments associated with structural reform, and a decrease in notes and accounts payable.

Net cash used in investing activities came to ¥13.9 billion, down from ¥15.8 billion in the previous fiscal year, primarily due to purchases of property, plant and equipment amounting to ¥26.8 billion, which outweighed proceeds from sales of investment securities of ¥5.5 billion.

Net cash used in financing activities totaled ¥15.6 billion, up from ¥9.4 billion in the previous fiscal year. This was largely a result of a ¥17.0 billion outflow attributable to repayments of long-term loans and the redemption of bonds, which countered a ¥3.7 billion increase in short-term bank loans, net.

As a result, cash and cash equivalents at the end of fiscal 2005 came to ¥62.7 billion, down ¥34.6 billion from the end of the previous fiscal year.

Capital Expenditures/Depreciation and Amortization

In fiscal 2005, capital expenditures rose 11.8%, or ¥3.1 billion, from the previous fiscal year, to ¥29.0 billion. This increase primarily represents investments related to the production of D-ILA devices at the Company's Yokosuka Plant and HD-ILA rear projection TVs at the Company's manufacturing subsidiary in Mexico. Depreciation and amortization increased 3.0%, or ¥0.7 billion, to ¥23.4 billion.

R&D Expenditures

In fiscal 2005, R&D expenditures amounted to ¥39.3 billion, representing a 3.1%, or ¥1.2 billion, decline from the previous fiscal year and a ratio to net sales of 4.7%.

Personnel

The number of JVC employees on a consolidated basis at fiscal year-end totaled 34,493, a decrease of 1,087 employees compared to the previous fiscal year-end.

Consolidated Balance Sheets

Victor Company of Japan, Limited and its consolidated subsidiaries
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2005	2004	2005
Current assets:			
Cash and time deposits (including time deposits with maturities over three months of ¥4,105 million in 2004)	¥ 62,685	¥101,347	$ 585,841
Notes and accounts receivable:			
Trade	108,870	107,410	1,017,477
Non-consolidated subsidiaries and affiliated companies	14	129	131
Allowance for doubtful accounts	(3,935)	(4,215)	(36,776)
Inventories (Note 5)	124,705	129,912	1,165,467
Deferred tax assets (Note 7)	21,538	22,194	201,290
Other current assets	29,022	27,024	271,234
Total current assets	342,899	383,801	3,204,664
Investments and advances:			
Investments in and advances to non-consolidated subsidiaries and affiliated companies	890	2,969	8,318
Other	9,804	13,723	91,626
Total investments and advances	10,694	16,692	99,944
Property, plant and equipment:			
Land	25,634	25,917	239,570
Buildings and structures	97,964	99,326	915,551
Machinery and equipment	234,230	234,305	2,189,065
Construction in progress	12,064	6,385	112,749
	369,892	365,933	3,456,935
Less accumulated depreciation	273,654	276,365	2,557,514
Net property, plant and equipment	96,238	89,568	899,421
Other assets:			
Deferred tax assets (Note 7)	4,725	3,733	44,159
Other assets	11,993	13,323	112,083
Total other assets	16,718	17,056	156,242
	¥466,549	¥507,117	$4,360,271

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Bank loans (Note 8)	¥ 34,252	¥ 29,232	$ 320,112
Current portion of long-term debt (Note 8)	56,235	16,928	525,561
Notes and accounts payable:			
Trade	69,220	91,163	646,916
Non-consolidated subsidiaries and affiliated companies	586	412	5,477
Accrued income taxes (Note 7)	4,057	4,128	37,916
Accrued expenses	72,718	73,456	679,607
Accrued restructuring charges	—	3,136	—
Other current liabilities	18,006	18,121	168,280
Total current liabilities	255,074	236,576	2,383,869
Long-term liabilities:			
Long-term debt (Note 8)	30,345	86,337	283,598
Employees' severance and retirement benefits (Note 9)	16,484	18,587	154,056
Other long-term liabilities	2,546	2,129	23,795
Total long-term liabilities	49,375	107,053	461,449
Minority interests	3,864	4,162	36,112
Contingent liabilities (Note 10)			
Stockholders' equity (Note 11):			
Common stock;			
Authorized 800,000,000 shares			
Issued 254,230,058 shares	34,115	34,115	318,832
Capital surplus	67,216	67,217	628,187
Retained earnings	77,146	79,622	720,990
Net unrealized holding gains on available-for-sale securities	3,371	4,743	31,505
Foreign currency translation adjustments	(23,434)	(26,230)	(219,009)
	158,414	159,467	1,480,505
Treasury stock, at cost	(178)	(141)	(1,664)
Total stockholders' equity	158,236	159,326	1,478,841
	¥466,549	¥507,117	$4,360,271

See accompanying notes.

Consolidated Statements of Operations

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales	¥840,591	¥921,978	¥967,640	$7,855,991
Costs and expenses:				
Cost of sales	564,977	629,125	668,821	5,280,159
Selling, general and administrative expenses	265,244	267,702	276,520	2,478,916
	830,221	896,827	945,341	7,759,075
Operating income	10,370	25,151	22,299	96,916
Other income (expenses):				
Interest and dividend income	688	711	949	6,430
Equity in income (loss) of affiliated companies	32	(24)	70	299
Interest expense	(3,092)	(2,840)	(3,403)	(28,897)
Gain on sales of investment securities	3,911	280	318	36,551
Gain on return of substitutional portion of Employees' Pension Insurance	—	—	3,456	—
Loss on liquidation of subsidiaries and affiliated companies	(16)	(0)	(170)	(150)
Restructuring charges	(57)	(3,812)	(3,785)	(533)
Loss from write-down of investment in securities	(349)	(282)	(5,408)	(3,262)
Prior period patent royalty	(263)	(2,736)	—	(2,458)
Special retirement payments	(6,530)	(452)	(4,260)	(61,028)
Other, net	34	(1,890)	(2)	319
	(5,642)	(11,045)	(12,235)	(52,729)
Income before income taxes and minority interests	4,728	14,106	10,064	44,187
Income taxes (Note 7):				
Current	5,317	4,814	6,706	49,692
Deferred	883	(6,740)	(3,138)	8,252
	6,200	(1,926)	3,568	57,944
Income (Loss) before minority interests	(1,472)	16,032	6,496	(13,757)
Minority interests	(386)	(423)	(160)	(3,607)
Net income (loss)	¥ (1,858)	¥ 15,609	¥ 6,336	$ (17,364)

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock (Note 2):				
Net income (loss)	¥ (7.7)	¥ 61.1	¥ 24.9	$ (0.07)
Diluted net income	—	57.9	23.5	—
Cash dividends applicable to the year	5.0	5.0	—	0.05

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2005, 2004 and 2003

		Millions of yen						
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2002	254,230	¥34,115	¥67,216	¥57,559	¥ 977	¥(13,609)	¥ (12)	¥146,246
Net income	—	—	—	6,336	—	—	—	6,336
Foreign currency translation adjustments	—	—	—	—	—	(5,589)	—	(5,589)
Net changes	—	—	—	—	(459)	—	—	(459)
Treasury stock	—	—	—	—	—	—	(94)	(94)
Bonuses to directors and corporate auditors	—	—	—	(30)	—	—	—	(30)
Balance at March 31, 2003	254,230	¥34,115	¥67,216	¥63,865	¥ 518	¥(19,198)	¥(106)	¥146,410
Net income	—	—	—	15,609	—	—	—	15,609
Foreign currency translation adjustments	—	—	—	—	—	(7,032)	—	(7,032)
Adjustment due to change in the number of consolidated subsidiaries	—	—	—	148	—	—	—	148
Net changes	—	—	—	—	4,225	—	—	4,225
Treasury stock (net)	—	—	1	—	—	—	(35)	(34)
Balance at March 31, 2004	254,230	¥34,115	¥67,217	¥79,622	¥4,743	¥(26,230)	¥(141)	¥159,326
Net loss	—	—	—	(1,858)	—	—	—	(1,858)
Foreign currency translation adjustments	—	—	—	—	—	2,796	—	2,796
Adjustment due to change in the number of consolidated subsidiaries	—	—	—	740	—	—	—	740
Net changes	—	—	—	—	(1,372)	—	—	(1,372)
Treasury stock (net)	—	—	(1)	—	—	—	(37)	(38)
Cash dividends paid (¥5.0 per share)	—	—	—	(1,270)	—	—	—	(1,270)
Bonuses to directors and corporate auditors	—	—	—	(88)	—	—	—	(88)
Balance at March 31, 2005	254,230	¥34,115	¥67,216	¥77,146	¥3,371	¥(23,434)	¥(178)	¥158,236

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2004	$318,832	$628,196	$744,130	$44,327	$(245,140)	$(1,318)	$1,489,027
Net loss	—	—	(17,364)	—	—	—	(17,364)
Foreign currency translation adjustments	—	—	—	—	26,131	—	26,131
Adjustment due to change in the number of consolidated subsidiaries	—	—	6,916	—	—	—	6,916
Net changes	—	—	—	(12,822)	—	—	(12,822)
Treasury stock (net)	—	(9)	—	—	—	(346)	(355)
Cash dividends paid ($0.05 per share)	—	—	(11,869)	—	—	—	(11,869)
Bonuses to directors and corporate auditors	—	—	(823)	—	—	—	(823)
Balance at March 31, 2005	$318,832	$628,187	$720,990	$31,505	$(219,009)	$(1,664)	$1,478,841

See accompanying notes.

Consolidated Statements of Cash Flows

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 4,728	¥14,106	¥10,064	$ 44,187
Depreciation	21,952	21,461	24,062	205,159
Interest and dividend income	(688)	(711)	(949)	(6,430)
Interest expense	3,092	2,840	3,403	28,897
Increase (Decrease) in accrued restructuring charges	(3,136)	2,263	(12,550)	(29,308)
Gain on sales of investment securities	(3,911)	(280)	(318)	(36,551)
Decrease in notes and accounts receivable	1,313	10,157	15,211	12,271
Decrease (Increase) in inventories	8,083	(23,463)	18,062	75,542
Increase (Decrease) in notes and accounts payable	(22,478)	13,917	(6,983)	(210,075)
Other	(7,285)	6,971	(3,287)	(68,085)
Sub-total	1,670	47,261	46,715	15,607
Interest and dividends received	700	721	962	6,542
Interest paid	(3,108)	(2,913)	(3,447)	(29,047)
Income taxes paid	(5,495)	(4,342)	(8,452)	(51,354)
Net cash provided by (used in) operating activities	(6,233)	40,727	35,778	(58,252)
Cash flows from investing activities:				
Purchases of time deposits	(50)	(9,100)	(8,000)	(467)
Withdrawal of time deposits	4,155	13,100	5,000	38,832
Purchases of property, plant and equipment	(26,849)	(21,124)	(18,517)	(250,925)
Proceeds from sales of property, plant and equipment	5,199	5,132	6,440	48,589
Proceeds from sales of marketable securities	—	—	2,804	—
Purchases of investment securities	(114)	(1,465)	(53)	(1,065)
Proceeds from sales of investment securities	5,541	886	3,468	51,785
Additional investment in newly consolidated entity	—	—	(421)	—
Other	(1,744)	(3,266)	(3,208)	(16,300)
Net cash used in investing activities	(13,862)	(15,837)	(12,487)	(129,551)
Cash flows from financing activities:				
Proceeds from long-term loans	—	—	30,005	—
Repayments of long-term loans	(5,987)	(8,046)	(1,715)	(55,953)
Redemption of bonds	(10,968)	(6,519)	(24,970)	(102,505)
Increase (Decrease) in short-term bank loans, net	3,673	5,367	(9,719)	34,327
Decrease in commercial paper, net	—	—	(734)	—
Cash dividends paid	(1,629)	(144)	(168)	(15,224)
Other	(703)	(34)	(36)	(6,570)
Net cash used in financing activities	(15,614)	(9,376)	(7,337)	(145,925)
Effect of exchange rate changes on cash and cash equivalents	879	(2,571)	(1,813)	8,214
Net increase (decrease) in cash and cash equivalents	(34,830)	12,943	14,141	(325,514)
Cash and cash equivalents at beginning of the year	97,242	83,412	69,271	908,804
Effect of changes in the number of consolidated subsidiaries and companies accounted for by the equity method	273	887	—	2,551
Cash and cash equivalents at end of the year	¥62,685	¥97,242	¥83,412	$585,841

See accompanying notes.

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japan GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of Victor Company of Japan, Limited ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In the year ended March 31, 2005, the Company did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted effective April 1, 2005.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

● Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant inter-company transactions, account balances and unrealized profits have been eliminated.

Investments in certain non-consolidated subsidiaries and affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are, with minor exceptions, stated at their underlying net equity value after elimination of unrealized inter-company profits. The Company's investments in its remaining subsidiaries and affiliated companies are immaterial in the aggregate, and are stated at cost or less.

The differences between acquisition cost and underlying net equity at the time of acquisition are generally being amortized on the straight-line method over five years.

● Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing at the balance sheet dates except for those hedged by foreign currency forward contracts, which are recorded at contract rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for stockholders' equity accounts, which are translated at the historical rates.

Statements of operations of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

The Company reports foreign currency translation adjustments in the stockholders' equity and minority interests.

● Cash and cash equivalents

In preparing the consolidated statements of cash flows for the years ended March 31, 2005, 2004 and 2003, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

● Inventories

Inventories are stated at cost, which is determined primarily by the average-cost method.

● Securities

Securities are classified as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Company and its consolidated subsidiaries ("the Companies") had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for by the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by non-consolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by non-consolidated subsidiaries and affiliated companies not accounted for by the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event when net asset value declines significantly.

● Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

● Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method based on the estimated useful lives of the assets. Certain consolidated overseas subsidiaries use the straight-line method.

The ranges of useful lives for computing depreciation are generally as follows:

Buildings	20 to 50 years
Machinery and equipment	3 to 7 years

● Finance leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

● Research and development

Research and development expenditures for new products or significant improvement of existing products are charged to income as incurred.

● Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carried forward and foreign tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

● Employees' severance and retirement benefits

The Company and some domestic subsidiaries has funded pension plans and unfunded benefit plans to provide retirement benefits for substantially all employees.

Upon retirement or termination of employment for reasons other than dismissal for cause, eligible employees are entitled to lump-sum and/or annuity payments based on the current rates of their salary and length of service.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company provided allowance for employees' severance and retirement benefits as of the balance sheet dates based on the estimated amounts of projected benefit obligation and the fair value of plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of plan assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") is recognized in expenses in equal amounts primarily over 15 years commencing with the year ended March 31, 2001.

Prior service costs are recognized in income or expenses using the straight-line method over 10 years, and actuarial gains and losses are recognized in expenses using the straight-line method over 10 years commencing with the succeeding period.

● Amounts per share of common stock

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share assumes dilution that could occur if convertible bonds or similar securities were converted into common stock resulting in the issuance of common stock. As the Companies reported net losses for the year ended March 31, 2005, inclusion of potential common shares would have an antidilutive effect on per share amounts.

Cash dividends per share represent the actual amount declared as applicable to the respective years.

● Reclassifications

Certain prior year amounts have been reclassified to conform to the 2005 presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

3 CHANGE IN ACCOUNTING METHOD

The Company changed the method of accounting for royalty income and related expenses. Under the former method, the net amount of the two items was included in the statements of operations as royalty income-net, under other income (expenses). Effective April 1, 2002, royalty income is included in net sales, and the related expenses are included in selling, general and administrative expenses.

This change reflects the recognition that royalty income is directly attributable to the Company's principal operating activities, in light of the increasing number of technological alliances with partners both in Japan and overseas, and their growing strategic significance. Therefore, royalty income and the related expenses will be disclosed more appropriately under the new presentation method. As a result of the change, for the year ended March 31, 2003, net sales, selling, general and administrative expenses and operating income increased by ¥7,356 million, ¥4,066 million, and ¥3,290 million, respectively, and other income decreased by ¥3,290 million compared with what would have been reported under the former accounting policies. Income before income taxes and minority interests was unaffected by this change.

Details of the impact on segment information are described in Note 14.

4 RELATIONSHIP WITH MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

The Company is a subsidiary of Matsushita Electric Industrial Co., Ltd. ("Matsushita"). At March 31, 2005, Matsushita held 133,227 thousand shares of common stock of the Company, 52.40% of the total outstanding shares.

Transactions between the Company and Matsushita for the years ended March 31, 2005, 2004 and 2003, and the account balances between the two companies at March 31, 2005 and 2004 are not material.

5 INVENTORIES

Inventories at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods	¥ 93,764	¥ 98,506	$ 876,299
Work in process	11,979	11,231	111,953
Raw materials and supplies	18,962	20,175	177,215
	¥124,705	¥129,912	$1,165,467

6 SECURITIES

The following tables summarize acquisition costs and book values of securities with available fair values as of March 31, 2005 and 2004:

(1) Available-for-sale securities

	Millions of yen		
	Acquisition cost	Book value	Difference
2005:			
Securities with available fair values exceeding acquisition costs:			
Equity securities	¥2,797	¥8,452	¥5,655
Securities with available fair values not exceeding acquisition costs:			
Equity securities	63	50	(13)
Total	¥2,860	¥8,502	¥5,642

	Millions of yen		
	Acquisition cost	Book value	Difference
2004:			
Securities with available fair values exceeding acquisition costs:			
Equity securities	¥4,071	¥12,040	¥7,969
Securities with available fair values not exceeding acquisition costs:			
Equity securities	51	49	(2)
Total	¥4,122	¥12,089	¥7,967

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
2005:			
Securities with available fair values exceeding acquisition costs:			
Equity securities	$26,140	$78,991	$52,850
Securities with available fair values not exceeding acquisition costs:			
Equity securities	589	467	(121)
Total	$26,729	$79,458	$52,729

The following tables summarize book values as of March 31, 2005 and 2004 of securities with no available fair values.

(2) Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
	Book value	Book value	Book value
Unlisted equity securities	¥1,482	¥1,627	$13,850
Unlisted foreign debt securities	8	8	75
Subsidiaries and affiliated companies	269	2,144	2,514
Total	¥1,759	¥3,779	$16,439

(3) Available-for-sale securities sold in the years ended March 31, 2005, 2004 and 2003 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Sales	¥5,541	¥886	¥6,247	$51,785
Gains	3,911	280	318	36,551
Losses	7	6	15	65

7 INCOME TAXES

Income taxes in Japan consist of corporation, enterprise and inhabitants' taxes. The Company and consolidated domestic subsidiaries are subject to income taxes referred to above, which, in the aggregate, resulted in the statutory tax rates of approximately 40.6% for the year ended March 31, 2005, and 42.0% for the year ended March 31, 2004. Consolidated overseas subsidiaries are subject to income taxes regulation of the countries in which they domicile.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2005 and 2004.

	2005	2004
Statutory tax rate:	40.6 %	42.0 %
Lower tax rates of overseas subsidiaries	(19.4)%	(8.7)%
Expenses not deductible for tax purposes	50.0 %	4.9 %
Effect of changes in valuation allowance for deferred tax assets	(34.7)%	(47.1)%
Effect of changes in tax rates	—	4.1 %
Foreign tax credit	22.0 %	10.0 %
Effect of dividend income elimination	49.6 %	—
Other	23.0 %	(18.9)%
Effective tax rate	131.1 %	(13.7)%

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Loss on devaluation of inventory	¥ 3,479	¥ 4,017	$ 32,514
Accrued expenses not deductible for tax purposes	7,111	10,028	66,458
Accrual for losses on business restructuring	—	1,269	—
Depreciation	9,186	8,920	85,850
Retirement and severance benefits	4,907	5,272	45,860
Tax loss carryforwards	16,538	17,746	154,561
Other	10,274	11,295	96,019
Total gross deferred tax assets	51,495	58,547	481,262
Less valuation allowance	(22,745)	(28,808)	(212,570)
Net deferred tax assets	28,750	29,739	268,692
Deferred tax liabilities:			
Net unrealized holding gains on securities	(2,269)	(3,223)	(21,206)
Other	(1,021)	(1,299)	(9,542)
Total gross deferred tax liabilities	(3,290)	(4,522)	(30,748)
Net deferred tax assets	¥25,460	¥25,217	$237,944

8 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans of certain of the Company's consolidated subsidiaries consist of notes maturing generally in three months. The applicable annual interest rates on short-term bank loans outstanding at March 31, 2005 and 2004 range from 0.01% to 12.81% and from 0.04% to 10.22%, respectively.

Long-term debt at March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
1.5% unsecured convertible bonds due in 2005	¥ —	¥ 10,968	$ —
0.55% unsecured convertible bonds due in 2005	19,528	19,528	182,505
2.15% unsecured bonds due in 2005	9,500	9,500	88,785
1.68% unsecured bonds due in 2006	20,000	20,000	186,916
1.89% unsecured bonds due in 2007	10,000	10,000	93,458
1.50% guaranteed notes due in 2005	7,073	6,864	66,103
Loans, primarily from banks with interest principally at 1.19% to 6.10%			
Unsecured	20,479	26,405	191,392
	86,580	103,265	809,159
Less current portion	56,235	16,928	525,561
	¥30,345	¥ 86,337	$283,598

The 0.55% unsecured convertible bonds are redeemable prior to their stated maturity, in whole or in part, at the option of the Company at prices ranging from 103% to 100% of the principal amount. The price at which shares of common stock shall be issued upon conversion is ¥1,487 ($13.90) per share, subject to adjustments under certain circumstances.

The aggregate annual maturities of long-term debt at March 31, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥56,235	$525,561
2007	20,135	188,178
2008	10,139	94,757
2009	71	663
	¥86,580	$809,159

9 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own Employees' Pension Fund which meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the substitutional portion of the government's scheme) to their own Employees' Pension Fund under the government's permission and supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company and its consolidated domestic subsidiaries decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on July 1, 2002 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. Plan assets for the substitutional portion maintained by the Employees' Pension Fund were transferred back to the government on April 2004.

The Company and its consolidated domestic subsidiaries applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)", and the effect of transferring of the substitutional portion was recognized on the date permission was received from the Minister of Health, Labor and Welfare. As a result, in the year ended March 31, 2003, the Company and its consolidated domestic subsidiaries recorded gains on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥3,456 million, which was calculated based on the amounts of the substitutional portion of the projected benefit obligations, the related plan assets, and the related unrecognized items.

Liability for employees' retirement benefits included in liabilities in the consolidated balance sheets for 2005 and 2004 and the related expenses for 2005, 2004 and 2003, which were determined based on the amounts obtained by actuarial calculations, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation:			
Projected benefit obligation	¥(133,997)	¥(158,211)	¥(1,252,308)
Unamortized prior service costs	(17,866)	—	(166,972)
Unamortized actuarial differences	21,893	27,624	204,607
Less fair value of plan assets	97,470	94,377	910,935
Less unrecognized net transition obligation	16,016	17,623	149,682
Liability for severance and retirement benefits	¥ (16,484)	¥ (18,587)	¥ (154,056)

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Severance and retirement benefits expenses:				
Service costs	¥ 5,581	¥ 6,973	¥ 7,103	$ 52,159
Interest costs on projected benefit obligation	3,774	4,795	6,383	35,271
Expected return on plan assets	(2,348)	(2,000)	(3,080)	(21,944)
Amortization of net transition obligation	1,598	1,603	1,994	14,934
Amortized actuarial differences	3,608	5,039	3,151	33,720
Amortized prior service costs	(940)	—	(297)	(8,785)
Severance and retirement benefits expenses	11,273	16,410	15,254	105,355
Gain on return of substitutional portion of Employees' Pension Insurance	—	—	3,456	—
Total	¥11,273	¥16,410	¥11,798	$105,355

Not included in the above table is special retirement payments amounting to ¥6,530 million ($61,028 thousand), ¥452 million and ¥4,260 million which were expensed in 2005, 2004 and 2003, respectively.

The discount rate and the rate of expected return on plan assets used by the Company are 2.7% and 3.0% in 2005, and 2.7% and 3.0% in 2004, and 3.0% and 3.0% in 2003, respectively.

10 CONTINGENT LIABILITIES

The contingent liabilities of the Companies at March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of export bills discounted with banks	¥4,044	$37,794
As guarantor for loans to employees	2,110	19,720
As guarantor for lease obligations of affiliated company and others	151	1,411
	¥6,305	$58,925

11 STOCKHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares is required to be designated as common stock. The portion which is to be designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of the legal earnings reserve and additional paid-in capital equals 25% of common stock.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors.

On condition that the total amount of the legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. The legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Code.

In accordance with customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after the stockholders' approval has been obtained. Retained earnings at March 31, 2005, include amounts representing the year-end cash dividends of ¥1,270 million ¥5.00 per share, and directors' bonuses of ¥71 million, which were approved at the stockholders' meeting held on June 29, 2005.

12 DERIVATIVE FINANCIAL INSTRUMENTS

The Companies use derivative financial instruments in the normal course of their business to manage the exposure to fluctuations in foreign exchange rates and interest rates. The primary derivative financial instruments used by the Companies are forward exchange contracts, currency option contracts and interest rate swap contracts.

The Company and certain of its overseas subsidiaries have established regulations for financial transactions that specify the persons with approval authority for derivative transactions. These derivative transactions are executed and managed by the Company's accounting department and the member of the Board of Directors in charge of finance. The results of all such transactions are reported to the Director in charge of finance.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Hedged items:
Forward exchange contracts and currency option contracts	Foreign currency trade receivables and trade payables, future transaction denominated in a foreign currency
Interest rate swap contracts	Interest on bonds

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

The following tables summarize fair value information as of March 31, 2005 and 2004 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen		
March 31, 2005	Contract amount	Fair value	Recognized gain (loss)
Swap contracts:			
Receive floating/pay fixed	¥7,159	¥98	¥98

	Millions of yen		
March 31, 2004	Contract amount	Fair value	Recognized gain (loss)
Swap contracts:			
Receive floating/pay fixed	¥7,046	¥(454)	¥(454)

	Thousands of U.S. dollars		
March 31, 2005	Contract amount	Fair value	Recognized gain (loss)
Swap contracts:			
Receive floating/pay fixed	$66,907	$916	$916

The fair value of interest swap contracts is estimated based on the quotes obtained from financial institutions.

13 LEASE INFORMATION

Lessee:

The Companies lease certain buildings, machinery and equipment and other assets under non-capitalized finance and operating leases. Finance leases which do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance and operating leases is as follows.

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2005 and 2004 is as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2005:			
Buildings and structures	¥ 1,612	¥ 782	¥ 830
Machinery and equipment	15,842	9,945	5,897
Others	520	362	158
	¥17,974	¥11,089	¥6,885

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2004:			
Buildings and structures	¥ 1,860	¥ 822	¥1,038
Machinery and equipment	17,172	9,769	7,403
Others	418	248	170
	¥19,450	¥10,839	¥8,611

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
2005:			
Buildings and structures	$ 15,065	$ 7,308	$ 7,757
Machinery and equipment	148,056	92,944	55,112
Others	4,860	3,383	1,477
	$167,981	$103,635	$64,346

(2) Future minimum lease payments under the non-capitalized finance and operating leases at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
Finance leases	2005	2004	2005
Due within one year	¥3,054	¥3,551	$28,542
Due after one year	3,899	5,241	36,439
	¥6,953	¥8,792	$64,981

Operating leases	Millions of yen 2005	2004	Thousands of U.S. dollars 2005
Due within one year	¥1,311	¥1,314	$12,252
Due after one year	1,306	1,844	12,206
	¥2,617	¥3,158	$24,458

(3) Lease payments, assumed depreciation charges and assumed interest charges for the years ended March 31, 2005, 2004 and 2003 are as follows:

	Millions of yen 2005	2004	2003	Thousands of U.S. dollars 2005
Lease payments	¥3,790	¥4,041	¥3,727	$35,421
Assumed depreciation charges	3,381	3,660	3,367	31,598
Assumed interest charges	277	334	290	2,589

(4) Assumed depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

(5) The excess amount of total lease payments over acquisition cost of leased property is deemed as accumulated interest expenses and allocated for each period on the basis of the interest method.

Lessor:
The Companies lease certain equipment under non-capitalized finance leases, as lessees. And the Companies lease that equipment under non-capitalized finance leases, as lessors. Future minimum lease receipts under these non-capitalized finance leases at March 31, 2005 and 2004 are as follows:

Non-capitalized finance leases	Millions of yen 2005	2004	Thousands of U.S. dollars 2005
Due within one year	¥341	¥410	$3,187
Due after one year	341	533	3,187
	¥682	¥943	$6,374

14 SEGMENT INFORMATION

Information by segment for the years ended March 31, 2005, 2004 and 2003 is shown in the tables below.
(1) Business segment information is as follows:

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
2005:								
Sales								
External sales	¥627,286	¥68,348	¥43,150	¥ 95,928	¥ 5,879	¥840,591	¥ —	¥840,591
Intersegment sales	3,520	2,221	2,107	6,788	3,782	18,418	(18,418)	—
Total sales	630,806	70,569	45,257	102,716	9,661	859,009	(18,418)	840,591
Operating expenses	620,424	70,282	46,990	100,339	9,337	847,372	(17,151)	830,221
Operating income (loss)	¥ 10,382	¥ 287	¥ (1,733)	¥ 2,377	¥ 324	¥ 11,637	¥ (1,267)	¥ 10,370
Identifiable assets	¥293,932	¥37,675	¥26,817	¥ 82,532	¥24,077	¥465,033	¥ 1,516	¥466,549
Depreciation & amortization	15,223	885	2,959	3,682	479	23,228	194	23,422
Capital expenditures	20,749	937	3,272	3,794	172	28,924	35	28,959

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
2004:								
Sales								
External sales	¥638,091	¥67,545	¥62,035	¥148,016	¥ 6,291	¥921,978	¥ —	¥921,978
Intersegment sales	4,685	3,456	2,571	7,976	3,190	21,878	(21,878)	—
Total sales	642,776	71,001	64,606	155,992	9,481	943,856	(21,878)	921,978
Operating expenses	616,958	72,768	67,721	151,342	8,180	916,969	(20,142)	896,827
Operating income (loss)	¥ 25,818	¥ (1,767)	¥ (3,115)	¥ 4,650	¥ 1,301	¥ 26,887	¥ (1,736)	¥ 25,151
Identifiable assets	¥262,688	¥44,525	¥37,762	¥ 89,306	¥23,651	¥457,932	¥49,185	¥507,117
Depreciation & amortization	13,981	1,252	3,085	3,540	507	22,365	370	22,735
Capital expenditures	17,230	841	4,421	2,956	306	25,754	146	25,900

	Millions of yen							
	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
2003:								
Sales								
External sales	¥674,970	¥70,953	¥47,576	¥167,525	¥ 6,616	¥967,640	¥ —	¥967,640
Intersegment sales	2,722	4,141	2,003	7,193	3,512	19,571	(19,571)	—
Total sales	677,692	75,094	49,579	174,718	10,128	987,211	(19,571)	967,640
Operating expenses	652,408	78,791	50,292	173,425	8,951	963,867	(18,526)	945,341
Operating income (loss)	¥ 25,284	¥ (3,697)	¥ (713)	¥ 1,293	¥ 1,177	¥ 23,344	¥ (1,045)	¥ 22,299
Identifiable assets	¥245,794	¥44,267	¥29,727	¥ 94,795	¥20,692	¥435,275	¥44,475	¥479,750
Depreciation & amortization	13,910	1,645	4,441	4,324	639	24,959	291	25,250
Capital expenditures	12,719	1,516	4,747	1,631	247	20,860	176	21,036

	Thousands of U.S. dollars							
	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
2005:								
Sales								
External sales	$5,862,486	$638,766	$403,271	$896,523	$ 54,945	$7,855,991	$ —	$7,855,991
Intersegment sales	32,897	20,757	19,692	63,440	35,344	172,130	(172,130)	—
Total sales	5,895,383	659,523	422,963	959,963	90,289	8,028,121	(172,130)	7,855,991
Operating expenses	5,798,355	656,841	439,159	937,748	87,261	7,919,364	(160,289)	7,759,075
Operating income (loss)	$ 97,028	$ 2,682	$ (16,196)	$ 22,215	$ 3,028	$ 108,757	$ (11,841)	$ 96,916
Identifiable assets	$2,747,028	$352,103	$250,626	$771,327	$225,019	$4,346,103	$ 14,168	$4,360,271
Depreciation & amortization	142,271	8,271	27,654	34,411	4,477	217,084	1,813	218,897
Capital expenditures	193,916	8,757	30,579	35,458	1,608	270,318	327	270,645

As explained in Note 3, “CHANGE IN ACCOUNTING METHOD”, effective April 1, 2002, the Company changed the method of accounting for royalty income. As a result, in 2003, external sales, operating expenses, and operating income of the Consumer electronics business increased by ¥7,356 million, ¥4,066 million, and ¥3,290 million, respectively.

(2) Geographical segment information is as follows:

	Millions of yen						
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2005:							
Sales							
External sales	¥312,827	¥201,113	¥228,875	¥ 97,776	¥ 840,591	¥ —	¥840,591
Intersegment sales	206,559	82	1,518	203,456	411,615	(411,615)	—
Total sales	519,386	201,195	230,393	301,232	1,252,206	(411,615)	840,591
Operating expenses	517,046	201,241	227,371	296,551	1,242,209	(411,988)	830,221
Operating income (loss)	¥ 2,340	¥ (46)	¥ 3,022	¥ 4,681	¥ 9,997	¥ 373	¥ 10,370
Identifiable assets	¥308,060	¥ 74,275	¥ 87,859	¥ 91,740	¥ 561,934	¥ (95,385)	¥466,549

	Millions of yen						
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2004:							
Sales							
External sales	¥352,485	¥218,877	¥243,061	¥107,555	¥ 921,978	¥ —	¥921,978
Intersegment sales	271,194	965	1,638	193,209	467,006	(467,006)	—
Total sales	623,679	219,842	244,699	300,764	1,388,984	(467,006)	921,978
Operating expenses	608,592	222,343	237,922	294,810	1,363,667	466,840	896,827
Operating income (loss)	¥ 15,087	¥ (2,501)	¥ 6,777	¥ 5,954	¥ 25,317	¥ 166	¥ 25,151
Identifiable assets	¥318,387	¥ 70,799	¥ 89,361	¥100,249	¥ 578,796	¥ (71,679)	¥507,117

							Millions of yen
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2003:							
Sales							
External sales	¥405,734	¥259,043	¥220,378	¥ 82,485	¥ 967,640	¥ —	¥967,640
Intersegment sales	261,732	155	1,204	201,717	464,808	(464,808)	—
Total sales	667,466	259,198	221,582	284,202	1,432,448	(464,808)	967,640
Operating expenses	656,536	256,500	215,806	279,253	1,408,095	(462,754)	945,341
Operating income	¥ 10,930	¥ 2,698	¥ 5,776	¥ 4,949	¥ 24,353	¥ (2,054)	¥ 22,299
Identifiable assets	¥317,020	¥ 78,768	¥ 76,406	¥ 87,126	¥ 559,320	¥ (79,570)	¥479,750

							Thousands of U.S. dollars
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2005:							
Sales							
External sales	$2,923,617	$1,879,561	$2,139,019	$ 913,794	$ 7,855,991	$ —	$7,855,991
Intersegment sales	1,930,458	766	14,187	1,901,458	3,846,869	(3,846,869)	—
Total sales	4,854,075	1,880,327	2,153,206	2,815,252	11,702,860	(3,846,869)	7,855,991
Operating expenses	4,832,206	1,880,757	2,124,963	2,771,504	11,609,430	(3,850,355)	7,759,075
Operating income (loss)	$ 21,869	$ (430)	$ 28,243	$ 43,748	$ 93,430	$ 3,486	$ 96,916
Identifiable assets	$2,879,065	$ 694,159	$ 821,112	$ 857,384	$ 5,251,720	$ (891,449)	$4,360,271

As explained in Note 3, "CHANGE IN ACCOUNTING METHOD", effective April 1, 2002, the Company changed the method of accounting for royalty income. As a result, in 2003, external sales, operating expenses, and operating income of Japan increased by ¥7,356 million, ¥4,066 million, ¥3,290 million, respectively.

(3) Overseas sales information by geographic area is as follows:

					Millions of yen
	Americas	Europe	Asia	Other areas	Total
2005:					
Overseas sales	¥204,650	¥235,411	¥119,578	¥7,926	¥567,565
Consolidated sales					¥840,591
Ratio of overseas sales to consolidated sales	24.4%	28.0%	14.2%	0.9%	67.5%
2004:					
Overseas sales	¥225,849	¥247,493	¥140,424	¥6,196	¥619,962
Consolidated sales					¥921,978
Ratio of overseas sales to consolidated sales	24.5%	26.8%	15.2%	0.7%	67.2%
2003:					
Overseas sales	¥268,674	¥229,222	¥133,024	¥7,172	¥638,092
Consolidated sales					¥967,640
Ratio of overseas sales to consolidated sales	27.8%	23.7%	13.7%	0.7%	65.9%

					Thousands of U.S. dollars
	Americas	Europe	Asia	Other areas	Total
2005:					
Overseas sales	$1,912,617	$2,200,103	$1,117,551	$74,075	$5,304,346
Consolidated sales					$7,855,991
Ratio of overseas sales to consolidated sales	24.4%	28.0%	14.2%	0.9%	67.5%

As explained in Note 3, "CHANGE IN ACCOUNTING METHOD", effective April 1, 2002, the Company changed the method of accounting for royalty income. As a result, in 2003, total overseas sales increased by ¥3,365 million, and overseas sales of Americas, Europe, and Asia increased by ¥2,741 million, ¥69 million, and ¥555 million, respectively.

Independent Auditors' Report

To the Board of Directors of Victor Company of Japan, Limited

We have audited the accompanying consolidated balance sheets of Victor Company of Japan, Limited and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2005, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Victor Company of Japan, Limited and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 3, effective April 1, 2002, Victor Company of Japan, Limited changed the method of accounting for royalty income and related expenses.

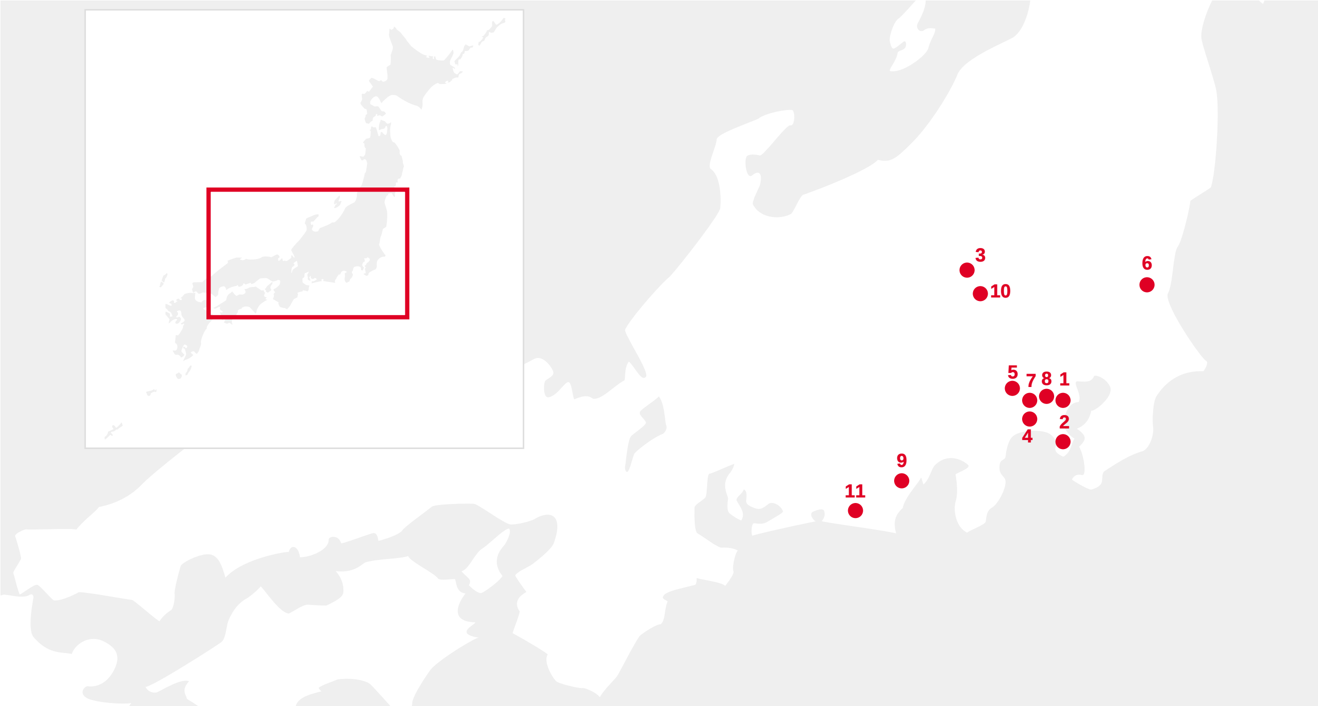
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2005

JVC Group (Japan)

(As of July 2005)



■ Main Japanese Manufacturing Sites

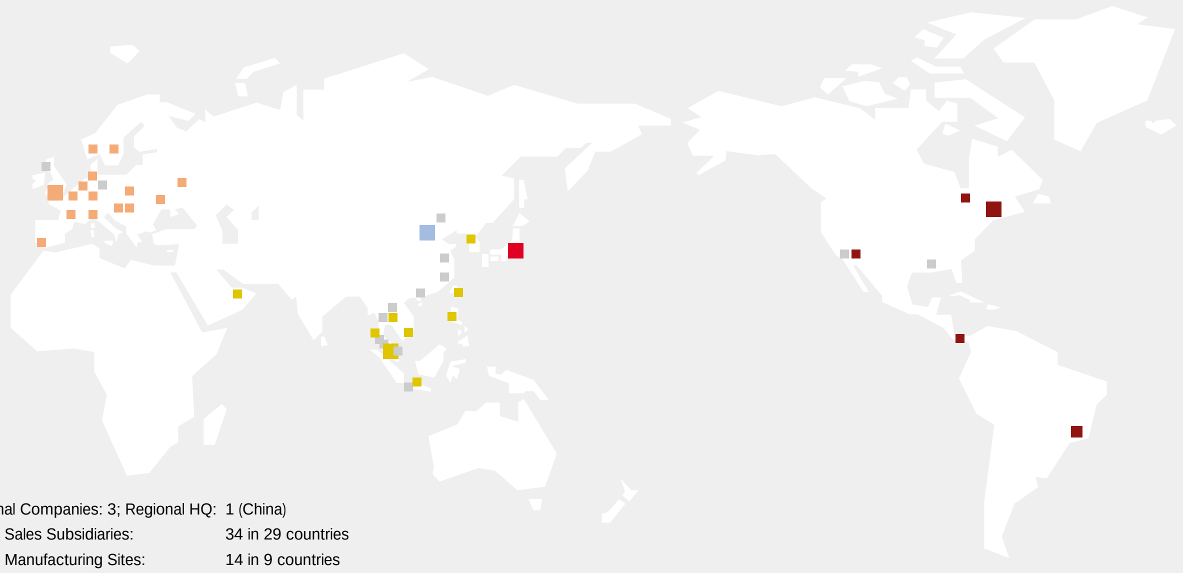
	Plant	Location	Main Products
1	Headquarters & Yokohama Plant	Yokohama-city, Kanagawa Pref.	High-density, multi-layer printed wiring boards, D-ILA devices
2	Yokosuka Plant	Yokosuka-city, Kanagawa Pref.	DVD recorders, Camcorders, LCD TVs, Rear projection TVs
3	Maebashi Plant	Maebashi-city, Gunma Pref.	Audio equipment
4	Yamato Plant	Yamato-city, Kanagawa Pref.	DVD discs (pre-recorded), Electronics components (optical pickups)
5	Hachioji Plant	Hachioji-city, Tokyo	Professional, educational, and information-related equipment
6	Mito Plant	Mito-city, Ibaraki Pref.	Recording media products, Pre-recorded software (videotapes)
7	Rinkan Plant	Yamato-city, Kanagawa Pref.	CD and DVD discs (pre-recorded)
8	Tsurugamine Plant	Yokohama-city, Kanagawa Pref.	Precision parts (FA and mold)
9	Fujieda Plant	Fujieda-city, Shizuoka Pref.	Electronic components (motors)
10	Victor Isesaki Electronics Co., Ltd.	Isesaki-city, Gunma Pref.	Electronic components (PWBs)
11	Victor Interior Furniture Co., Ltd.	Iwata-gun, Shizuoka Pref.	Home furniture

■ Main Japanese Consolidated Subsidiaries

Company Name	Location	Business
Sanin Victor Sales Co., Ltd.	Matsue-city, Shimane Pref.	Wholesale
Okinawa Victor Sales Co., Ltd.	Ginowan-city, Okinawa Pref.	Wholesale
Victor Arcs Co., Ltd.	Minato-ku, Tokyo	Sales of professional audio and visual equipment
Victor Leisure System Co., Ltd.	Chuo-ku, Tokyo	Manufacturing, sales, and leasing of audio & visual and communication equipment
Victor Isesaki Electronics Co., Ltd.	Isesaki-city, Gunma Pref.	Manufacturing and sales of PWBs
Victor Data Systems Co., Ltd.	Hachioji-city, Tokyo	Manufacturing and sales of devices for electronic calculators
Victor Interior Furniture Co., Ltd.	Iwata-gun, Shizuoka Pref.	Manufacturing and sales of home furniture
Victor Entertainment, Inc.	Minato-ku, Tokyo	Planning and sales of audio and video software, etc.
Teichiku Entertainment, Inc.	Shibuya-ku, Tokyo	Planning and sales of audio and video software, etc.
JVC Entertainment Networks, Inc.	Minato-ku, Tokyo	Entertainment service (talent management, music publishing, concert promotion, marketing, etc.)
Nippon Record Center Co., Ltd.	Atsugi-city, Kanagawa Pref.	Logistics of audio software, etc.
Victor Finance Co., Ltd.	Yokohama-city, Kanagawa Pref.	Finance and business consulting
Victor Real Estate Co., Ltd.	Minato-ku, Tokyo	Management, sales, purchase, and leasing of real estate
Victor Service & Engineering Co., Ltd.	Bunkyo-ku, Tokyo	Repair of electric equipment
Victor Networks Co., Ltd.	Minato-ku, Tokyo	Planning and development of information-providing services for mobile phones
Victor Logistics, Inc.	Yokohama-city, Kanagawa Pref.	Logistics
Victor Parts & Technical Support, Inc.	Yokohama-city, Kanagawa Pref.	Sales and logistics of repair parts

JVC Group (Global)

(As of July 2005)



Regional Companies: 3; Regional HQ: 1 (China)
Global Sales Subsidiaries: 34 in 29 countries
Global Manufacturing Sites: 14 in 9 countries
Main Japanese Manufacturing Sites: 11
Number of Employees (Consolidated): 34,493 (as of March 31, 2005)

Global Manufacturing Sites

Company Name	Location	Main Products
JVC Manufacturing U.K. Ltd.	East Kilbride, United Kingdom	TVs
JVC Video Manufacturing Europe GmbH	Berlin, Germany	DVD recorders, VCRs, camcorders
JVC Disc America, Co.	Tuscaloosa, Alabama, U.S.A.	CDs, DVDs (pre-recorded software)
JVC Industrial de Mexico, S.A. de C.V.	Tijuana, Mexico	TVs
JVC Electronics Singapore Pte. Ltd.	Singapore	Audio products
JVC Electronics Malaysia Sdn. Bhd.	Selangor, Malaysia	Audio products
JVC Video Malaysia Sdn. Bhd.	Selangor, Malaysia	Camcorders, VCRs
JVC Manufacturing (Thailand) Co., Ltd.	Navanakorn, Thailand	TVs, Professional products
JVC Components (Thailand) Co., Ltd.	Nakhonratchasima, Thailand	Electronic components (motors, optical pickups, etc.)
P.T. JVC Electronics Indonesia	West Java, Indonesia	Audio products, Car AV products
JVC Beijing Electronic Industries Co., Ltd.	Beijing, China	Camcorders, VCRs
JVC Shanghai Electronics Co., Ltd.	Shanghai, China	Audio products, DVD players
Fujian JVC Electronics Co., Ltd.	Fujian, China	Electronic components (deflection yokes)
JVC Guangzhou Electronics Co., Ltd.	Guangzhou, China	Electronic components (motors)

Europe Area: Regional Company and Sales Subsidiaries

Company Name	Location
Regional Company	
JVC Europe Ltd.	United Kingdom
Sales Subsidiaries	
JVC (U.K.) Ltd.	United Kingdom
JVC Professional Europe Ltd.	United Kingdom
JVC France S.A.S.	France
JVC Deutschland GmbH	Germany
JVC Professional Europe Ltd., Frankfurt Branch	Germany
JVC Italia S.p.A.	Italy
JVC Professional Europe Ltd., Milano Branch	Italy
JVC España, S.A.	Spain
JVC Benelux B.V.	The Netherlands
JVC Professional Belgium S.A./N.V.	Belgium
JVC Danmark A/S	Denmark
JVC Skandinavia AB	Sweden
JVC Svenska AB	Sweden
JVC Norge A/S	Norway
JVC Austria GmbH	Austria
JVC International (Europe) GmbH	Austria
JVC Polska Sp. Zo. o.	Poland
JVC Czech spol. s.r.o.	Czech Republic
L.L.C. JVC CIS	Russia

Americas Area: Regional Company and Sales Subsidiaries

Company Name	Location
Regional Company	
JVC Americas Corp.	U.S.A.
Sales Subsidiaries	
JVC Company of America	U.S.A.
JVC Professional Products Company	U.S.A.
JVC Canada Inc.	Canada
JVC Latin America, S.A.	Panama
JVC de Mexico, S.A. de C.V.	Mexico
JVC do Brasil Ltda.	Brazil

Asia, Oceania, the Middle East and Africa: Regional Company and Sales Subsidiaries

Company	Location
Regional Company	
JVC Asia Pte. Ltd.	Singapore
Sales Subsidiaries	
JVC Asia Pte. Ltd., Sales & Service Division	Singapore
JVC Sales & Service (Malaysia) Sdn. Bhd.	Malaysia
JVC Sales & Service (Thailand) Co., Ltd.	Thailand
JVC (Philippines), Inc.	Philippines
JVC Vietnam Limited	Vietnam
P.T. JVC Indonesia	Indonesia
JVC Taiwan Corp.	Taiwan
JVC Korea Co., Ltd.	Korea
JVC Gulf Fze	U.A.E.

China Area: Regional HQ

Company Name	Location
China Area: Regional HQ	
JVC (China) Investment Co., Ltd.	China

Other Main Global Subsidiaries

Company Name	Location	Business
JVC Industrial America, Inc.	U.S.A.	Management of imports and exports in U.S.A.
JVC America, Inc.	U.S.A.	Administrating media companies in U.S.A.
JVC Finance of America	U.S.A.	Issuance of commercial paper
JVC Forex (U.K.) Ltd.	United Kingdom	Management of JVC's European subsidiaries' foreign exchange transactions
JVC Logistics Europe N.V.	Belgium	Merchandise stock center for the distribution of JVC products to European sales companies
JVC Trading (Shanghai) Co., Ltd.	China	Import and distribution of service parts
JVC Shanghai System Development Engineering Co., Ltd.	China	Integration and maintenance of professional systems
Beijing JVC AV Equipment Co., Ltd.	China	Manufacturing and sales of professional products
Beijing Kelin JVC Electronic System Engineering Co., Ltd.	China	Integration and maintenance of professional systems
JVC Purchasing Center (H.K.), Ltd.	Hong Kong	Procurement of manufacturing parts
Kuang Yuan Co., Ltd.	Taiwan	Sales of electronic components and devices
JVC Procurement Asia (A Division Company of JVC Asia Pte. Ltd.)	Singapore	International procurement office (IPO) of components
JVC Electronics (Thailand) Co., Ltd.	Thailand	Production of consumer products

Global Software Related Companies

Company Name	Location	Business
JVC Entertainment, Inc.	U.S.A.	International strategic base for JVC's software business
JVC Music H.K., Ltd./Kaku-Sui Publishing Ltd.	Hong Kong	Management of music publications
CRC. JVC Audio Visual Software Co., Ltd.	China	Planning and production of audiovisual software, etc.

Main Global Liaison Offices

Company Name	Location
JVC Latin America Liaison Office	Panama
JVC Legal Liaison Office (Europe)	United Kingdom
JVC International (Europe) GmbH, Moscow Representative Office	Russia
JVC International (Europe) GmbH, Hungarian Information & Service Office	Hungary
JVC International (Europe) GmbH, Kiev Representative Office	Ukraine
JVC España, S.A., Portugal Branch	Portugal

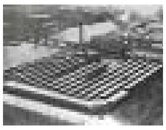
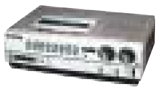
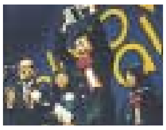
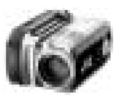
Global Service and Technical Centers

Company Name	Location
JVC Service and Engineering Company of America	U.S.A.
JVC Tongguang Beijing Technical Center	China
JVC Technology Center Europe GmbH	Germany

Global Research and Development Centers

Company Name	Location
JVC Laboratory of America	U.S.A.
JVC Singapore R&D Center	Singapore
JVC Asia Laboratories of Singapore	Singapore
JVC Malaysia R&D Center	Malaysia
JVC (Beijing) Research & Development Center, Ltd.	China

History of JVC

1927	• Victor Talking Machine Company of Japan, Limited established	
1939	 First plant in Yokohama established	• Produced Japan's first TV receiver  The first image to be projected on a cathode ray tube, the Japanese character "イ"
1954		• Produced Japan's first EP record
1956		• Developed 45/45 stereo record format
1958		• Produced Japan's first stereo LP record • Introduced STL-1S, Japan's first 45/45 stereo record player
1960		• Introduced 21CT-11B, JVC's first color TV set
1963		• Introduced KV-200, the world's smallest 2-head professional VCR
1968	• JVC America Inc. established	
1971		• Introduced CD-4, 4-channel stereo record
1973	• JVC (U.K.) Ltd. established	
1976		• Introduced HR-3300, the world's first VHS home video recorder
1977	• US JVC Corp. established	 1976 HR-3300  1984 GR-C1
1978	• JVC Electronics Singapore Pte. Ltd. established • Held the first JVC Tokyo Video Festival	
1980	• Started to sponsor the UEFA European Football Championship	
1982	• Started to sponsor the FIFA World Cup™	
1984	• Held the first JVC Jazz Festival	• Introduced GR-C1, a single-unit video camera
1986		• Introduced GR-C7, the world's smallest and lightest VHS-C video camera
1987		• Introduced HR-S7000, the world's first S-VHS video recorder
1990	 First JVC Tokyo Video Festival held	• Introduced HR-SC1000, the world's first VHS/VHS-C compatible video recorder
1991		• Introduced AV-36W1, first multi-wide vision TV in the industry
1993		• Introduced high definition TV • Introduced HR-W1, the world's first high definition home video recorder • Introduced GR-DV1, the world's first pocket-sized digital video camera
1995	• JVC Asia Pte. Ltd. established	 1995 GR-DV1
1996	• JVC (China) Investment Co., Ltd. established	
1997	• JVC Americas Corp. established	
1998	• JVC Europe Ltd. established	• Introduced DLA-G10, full S-XGA high definition D-ILA multimedia projector
1999		• Introduced HM-DR10000, the world's first D-VHS video recorder capable of recording 24 hours per cassette
2001		• Introduced GR-DVP3, the world's smallest and lightest digital video camera
2002	• Sponsored 2002 FIFA World Cup Korea/Japan™	• Introduced AV-36/32Z1500, TVs equipped with DIST (digital image scaling technology) • Introduced PD-42/35DT3, plasma displays
2003	• JVC Professional Europe Ltd. established	• Introduced GR-HD1, high definition digital video camera • Introduced EX-A1, compact component system  2003 GR-HD1  2003 EX-A1
2004	• Sponsored UEFA EURO 2004™	• Introduced D-ILA rear projection TV • Introduced home theater projection system DLA-HD2K • Introduced hard disk camcorder "Everio" GZ-MC200/MC100  2004 DLA-HD2K  2004 GZ-MC200
2005	• JVC Benelux B.V. established • JVC Professional Belgium S.A./N.V. established • JVC becomes UEFA EUROTOP Partner	• Introduced digital audio players XA-AL55 and XA-MP101/MP51

Organization Chart

(As from April 1, 2005)
Victor Company of Japan, Limited (JVC)

- President
  - Auditor's Office
  - Secretary Office
  - Corporate Planning Headquarters
  - SCM Promotion Office
  - Business Affairs Dept.
  - Human Resources Div.
  - General Affairs Div.
  - Corporate Accounting & Finance Div.
  - Corporate Facility Management Dept.
  - Information Systems Development Office
  - Corporate Communications Dept.
  - Design Center
  - Corporate Information System & Network Center
  - Legal & Intellectual Property Dept.
  - Environmental Administration Div.
  - Technology Development Div.
  - ILA Center
  - Integrated AV System Strategy Div.
  - Customer Satisfaction Div.
  - Logistics Div.
  - Production Engineering Div.
    - Factory System Div.
  - Business Solution Div.
  - Global Strategic Marketing Dept.
  - Americas Company
  - Europe Company
  - Asia & the Middle East Company
  - Corporate Management Division for China
  - AV & Multimedia Company
    - Display Category
      - CRT Display Category
      - Flat Panel Display Category
      - ILA Display Category
    - Digital Video Storage Category
    - Audio/Video Systems Category
    - Mobile Entertainment Category
    - Camcorder Category
    - Accessories Category
    - Consumer Marketing Div.
    - International Sales & Marketing Div.
    - System Products Sales Div.
    - Engineering Dept.
    - Global Production Operations Dept.
    - Production & Manufacturing Center
  - Professional Systems Company
    - Domestic Sales Dept.
    - Overseas Sales and Marketing Dept.
    - System Development Dept.
    - Production Dept.
    - Data Systems Dept.
    - Professional Products & Systems Marketing Div.
  - Components & Device Company
    - Motor Div.
    - Circuit Board Div.
    - Display & Optical Component Div.
  - Media Company
    - Soft Media Business Center
    - Recording Media Business Center
  - Entertainment Software Company

Corporate Data

JVC

Victor Company of Japan, Limited

Head Office:

12, Moriya-cho 3-chome, Kanagawa-ku,
Yokohama, Kanagawa 221-8528, Japan
Investor Relations, Corporate Planning Group,
Corporate Planning Headquarters
Telephone: +81-45-450-1445
Facsimile: +81-45-450-1425
http://www.jvc-victor.co.jp/english/company/ir/index-e.html

Date of Establishment:

September 13, 1927

Number of Employees:

34,493

Paid-in Capital:

¥34,115 million

Number of Shares of Common Stock Issued:

254,230,058 shares

Number of Stockholders:

13,794

Stock Exchange Listings:

Tokyo Stock Exchange
Osaka Securities Exchange

Transfer Agent and Registrar:

The Sumitomo Trust & Banking Co., Ltd.
4-5-33, Kitahama,
Chuo-ku, Osaka 541-0041, Japan

Annual Meeting of Stockholders:

An ordinary annual meeting of stockholders shall be convened within three months after the day immediately following the day on which the accounts are closed.

Auditor:

KPMG AZSA & Co.

Principal Consolidated Subsidiaries:

Domestic

Victor Entertainment, Inc.
Teichiku Entertainment, Inc.
Victor Leisure System Co., Ltd.
Victor Service & Engineering Co., Ltd.
Victor Real Estate Co., Ltd.
Victor Finance Co., Ltd.
Victor Logistics, Inc.
Nippon Record Center Co., Ltd.

Overseas

JVC Americas Corp.
JVC America, Inc.
JVC Industrial America, Inc.
JVC Entertainment, Inc.
JVC Canada Inc.
JVC Europe Ltd.
JVC (U.K.) Ltd.
JVC Manufacturing U.K. Ltd.
JVC France S.A.S.
JVC Italia S.p.A.
JVC España, S.A.
JVC Deutschland GmbH
JVC Video Manufacturing Europe GmbH
JVC Belgium S.A./N.V.
JVC Nederland B.V.
JVC International (Europe) GmbH
JVC Asia Pte. Ltd.
JVC Electronics Singapore Pte. Ltd.
JVC Electronics Malaysia Sdn. Bhd.
JVC Video Malaysia Sdn. Bhd.
JVC Sales & Service (Thailand) Co., Ltd.
JVC Manufacturing (Thailand) Co., Ltd.
JVC Components (Thailand) Co., Ltd.
P.T. JVC Electronics Indonesia
JVC Gulf Fze
JVC Korea Co., Ltd.
JVC (China) Investment Co., Ltd.
JVC Beijing Electronic Industries Co., Ltd.
JVC Shanghai Electronics Co., Ltd.

Note: JVC's fiscal 2005 consolidated financial statements comprise the accounts of 19 domestic and 56 overseas companies, including principal subsidiaries.

(As of March 2005)