# Fiscal 2004 First Quarter Business Results

July 29, 2003

Victor Company of Japan, Ltd.

## The Perfect Experie

 Operating income increase (profitability at net income level)

Profitability improvement Breakeven point lowering by 10% vs 1Q FY03

2. Improvement of Software & Media business

Profitability at operating income level (¥0.6bil.at 1Q FY04 ← ¥-0.8bil. at 1Q FY03)

3. Difficulty in Consumer Electronics business

87% vs 1Q FY03, 84% in Japan and 81% in America

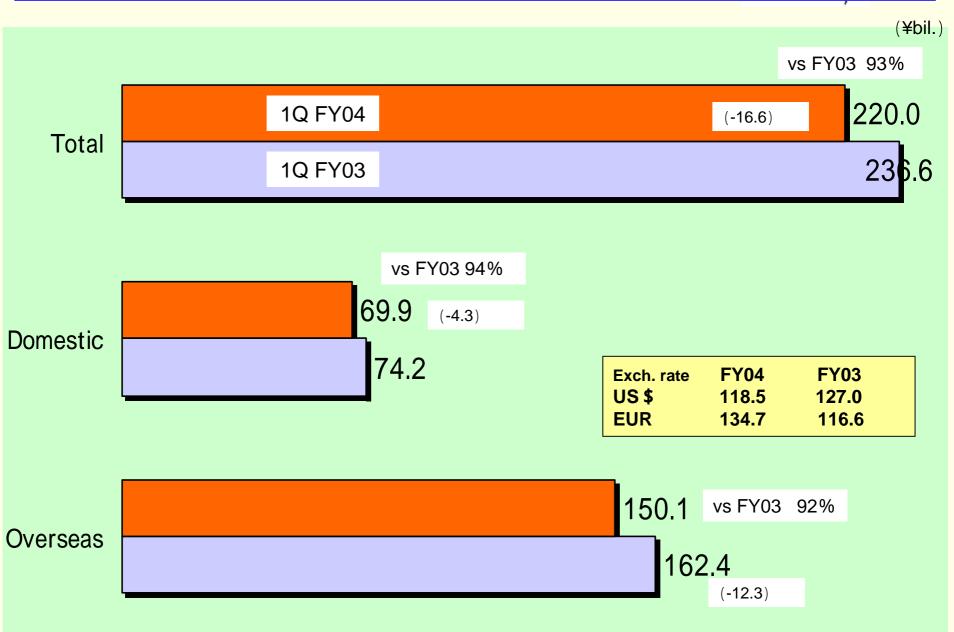
(¥bil.)

|           | 1Q FY04 | 1Q FY03 | vs 1Q FY03 |
|-----------|---------|---------|------------|
| Net sales | 220.0   | 236.6   | 93%        |
| Operating | 1.1%    | 0.7%    |            |
| income    | 2.5     | 1.7     | 0.8        |
| Ordinary  | 0.5%    | 0.0%    |            |
| income    | 1.2     | 0.1     | 1.1        |
| Net       | 0.0%    | -0.8%   |            |
| income    | 0.1     | (1.8)   | 1.9        |

<sup>\*</sup>The amount of FY03 is a reference value.

## Sales Breakdown





|--|

| 84% |  |  |
|-----|--|--|
| 81% |  |  |
| 96% |  |  |
| 95% |  |  |
|     |  |  |

America, Europe, Asia; Locai currency basis

## Acceleration of digitalization

- Slow sales of VHS decks, VHS-C camcorders worldwide and CTV in the US
- Concentration of new products release in 2Q

## Increase of low price products

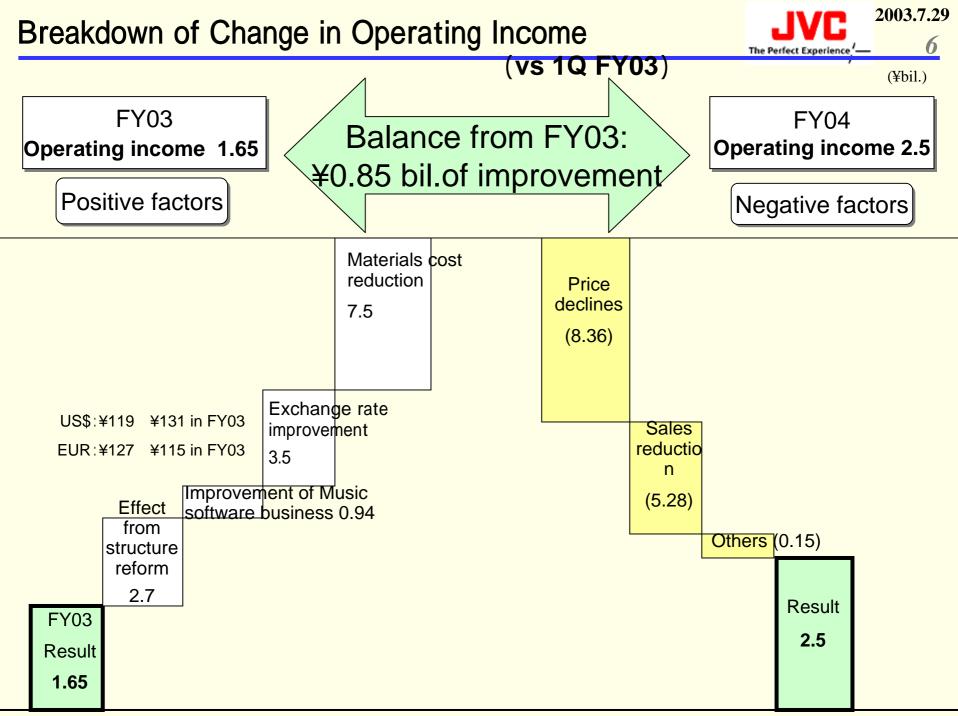
Strong competition in DVC

## Worldwide recession

Influence from Iraq war and SARS

## Reaction against W.CUP 02

- Sales down in Japan, Korea and Europe

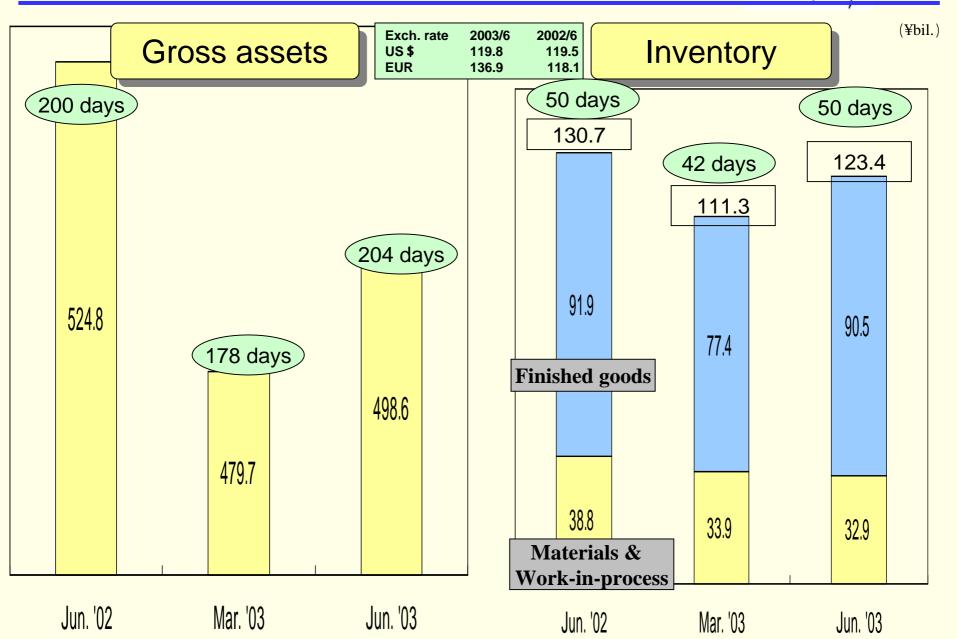


(¥bil)

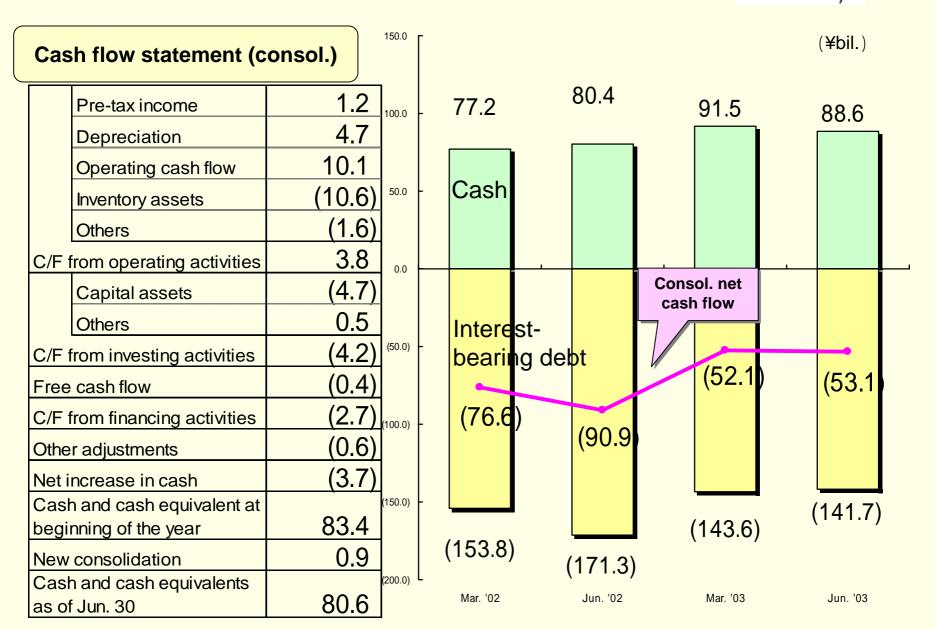
|              | Net sales |       |         | Operating income |       |         |
|--------------|-----------|-------|---------|------------------|-------|---------|
|              | FY04      | FY03  | vs FY03 | FY04             | FY03  | vs FY03 |
| Consumer     |           |       |         |                  |       |         |
| Electronics  | 148.8     | 170.9 | 87%     | 4.1              | 5.5   | (1.4)   |
| Professional |           |       |         |                  |       |         |
| Electronics  | 15.3      | 15.2  | 101%    | (1.8)            | (2.2) | 0.4     |
| Components   |           |       |         |                  |       |         |
| & Devices    | 19.0      | 13.6  | 140%    | (0.3)            | (0.2) | (0.1)   |
| Software &   |           |       |         |                  |       |         |
| Media        | 36.0      | 35.3  | 102%    | 0.6              | (0.8) | 1.4     |

## **Trends in Assets**











#### Sales

## Rollback of Consumer Electronic business

Domestic: Expanding sales by new products (PDP, LCD, DVD recorder, DVC)

Overseas: Maintaining sales in America by expanding sales at regional mass marchant

and by reinforcing sales strategy of high value-added displya products

# Operating Structure

## Further improvement of profitability

Reinforcement of cost reduction activity (procurement costs reduction · design/value enginnering)

Acceleration of manufacturing reform (improvement of produtivity and yield rate)

Reduction of fixed costs (revision of purchasing unit cost)

## Capital

## Total assets squeezing

Redcution of overseas inventory by promoting retal sales

Increase of net cash and reduction of interest-bearing debt



(¥bil.)

## Forecast:same as announced on Apr. 25

<1H>

|            | Forecast | Apr. 25 forecast | Change vs Apr.25 forecast | Change vs FY03 | FY03  |
|------------|----------|------------------|---------------------------|----------------|-------|
| Net sales  | 490.0    | 490.0            | 100%                      | 99%            | 492.5 |
| Operating  | 1.8%     |                  |                           |                | 1.8%  |
| income     | 9.0      | 9.0              | 0.0                       | 0.1            | 8.9   |
| Ordinary   | 1.4%     | 1.4%             |                           |                | 1.2%  |
| income     | 6.8      | 6.8              | 0.0                       | 0.8            | 6.0   |
|            | 0.6%     | 0.6%             |                           |                | 0.3%  |
| Net income | 3.0      | 3.0              | 0.0                       | 1.6            | 1.4   |

## < Full year >

| Net sales  | 1,000.0 | 1,000.0 | 100% | 103% | 967.6 |
|------------|---------|---------|------|------|-------|
| Operating  | 2.5%    | 2.5%    |      |      | 2.3%  |
| income     | 25.0    | 25.0    | 0.0  | 2.7  | 22.3  |
| Ordinary   | 2.0%    | 2.0%    |      |      | 1.8%  |
| income     | 20.0    | 20.0    | 0.0  | 2.7  | 17.3  |
|            | 1.1%    | 1.1%    |      | 0.7% |       |
| Net income | 11.0    | 11.0    | 0.0  | 4.7  | 6.3   |