



FY2005 1H

Business Results

27 October, 2004

Victor Company of Japan, Ltd.

JVC

The Perfect Experience 

1. Difficulties in America and Europe

- Fighting for camcorder business
- Not reducing inventory to the appropriate level

2. Stagnation of Music CD Business

- Suspension or postponement of new releases

3. Continuous Structural Reform

- Components & Devices structural reform
- Employee career program adopted / Next career support program implemented (917 employees applying for this program)

FY2005 1H Consolidated Financial Results

(¥billion)

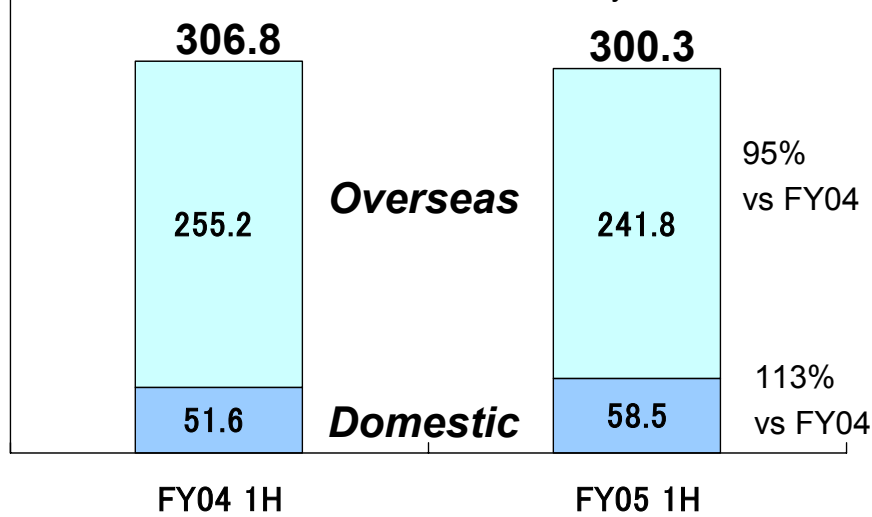
	FY05 1H results	Original forecast	FY04 1H results	vs original forecast	vs FY04 1H results
Net sales	410.2	432.0	*438.6 462.7	95%	94% 89%
Operating income	1.1% 4.3	2.4% 10.5	2.2% 10.3	-6.2	-5.9
Ordinary income	0.8% 3.3	1.9% 8.4	1.6% 7.3	-5.2	-4.0
Net loss	-1.1% (4.4)	0.0% 0.2	0.8% 3.5	-4.6	-7.9

*without consignment sales

FY2005 1H Sales Results by Category

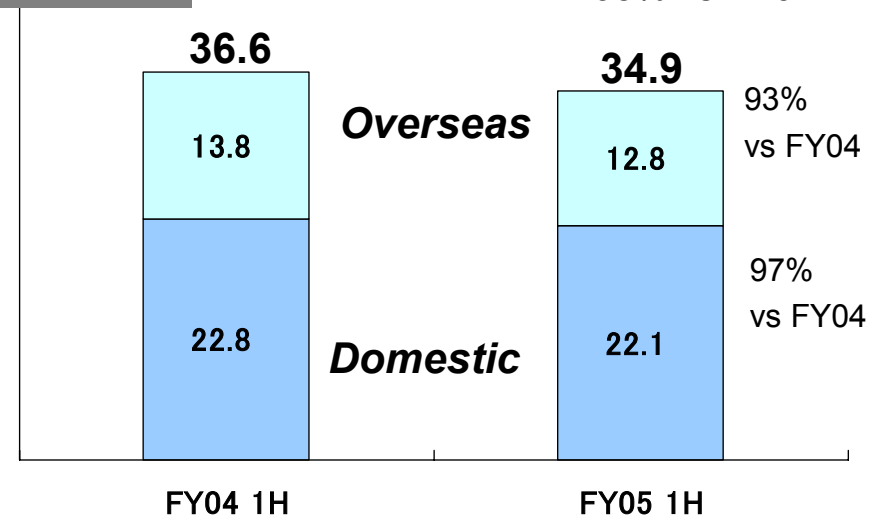
Consumer electronics

98% vs FY04
102% in local currency basis



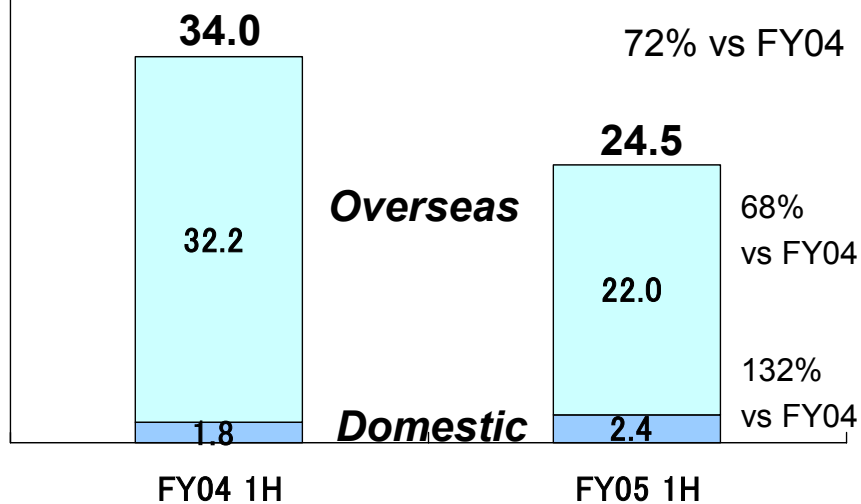
Professional electronics

95% vs FY04



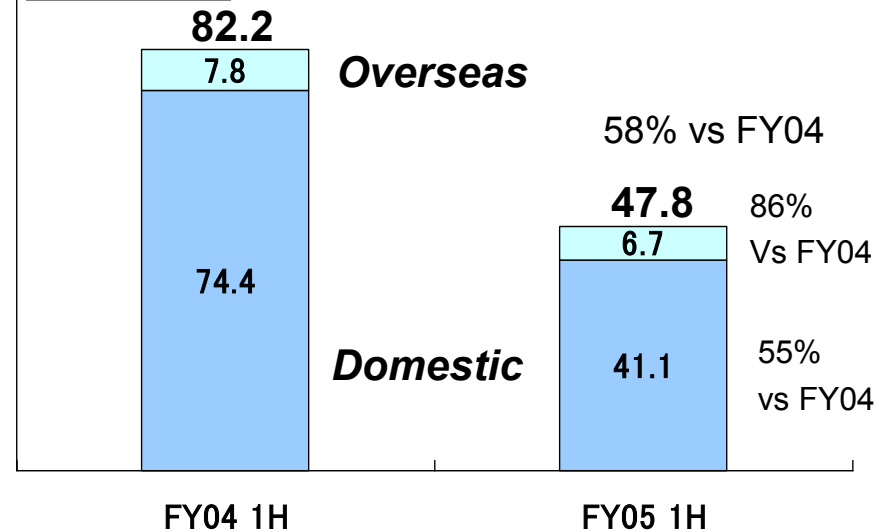
Components & Devices

72% vs FY04



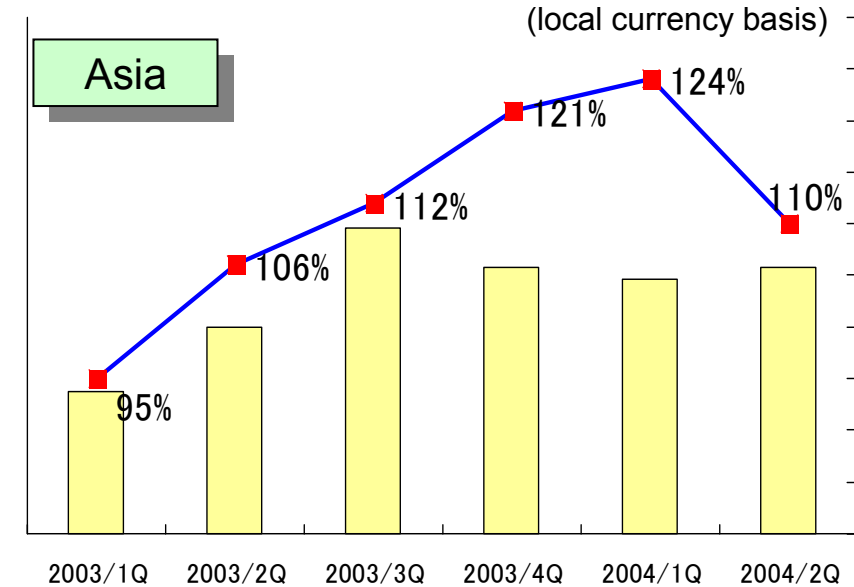
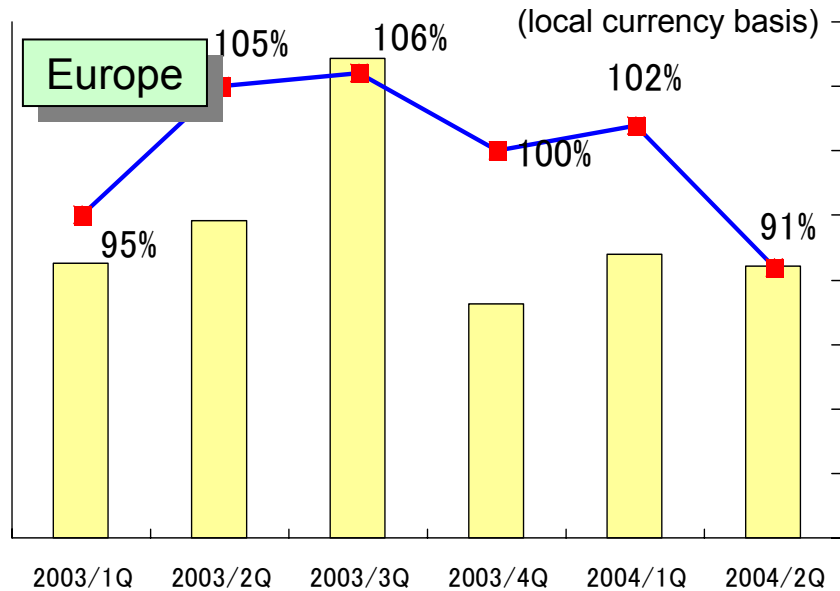
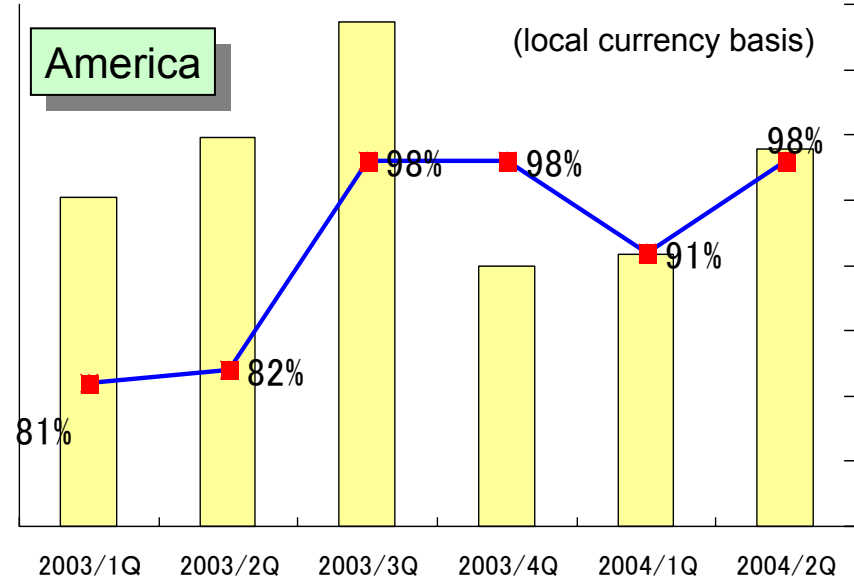
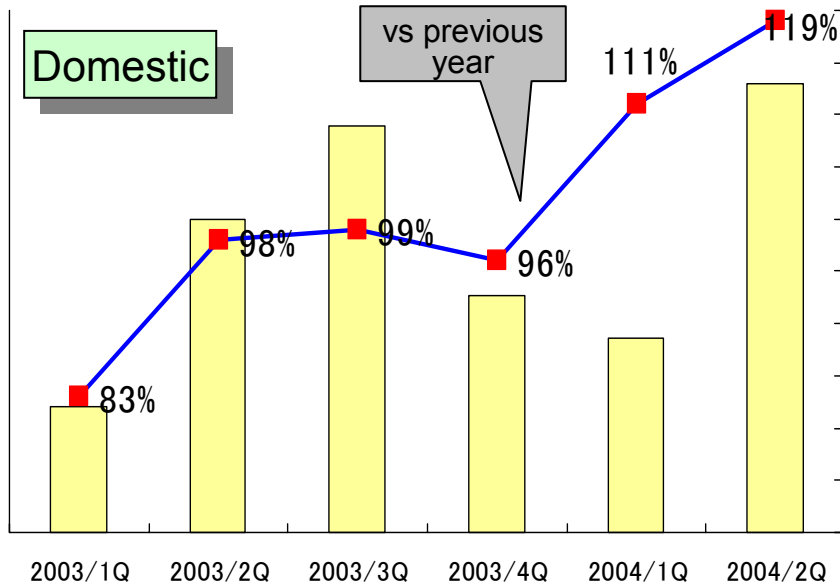
Software & Media

58% vs FY04

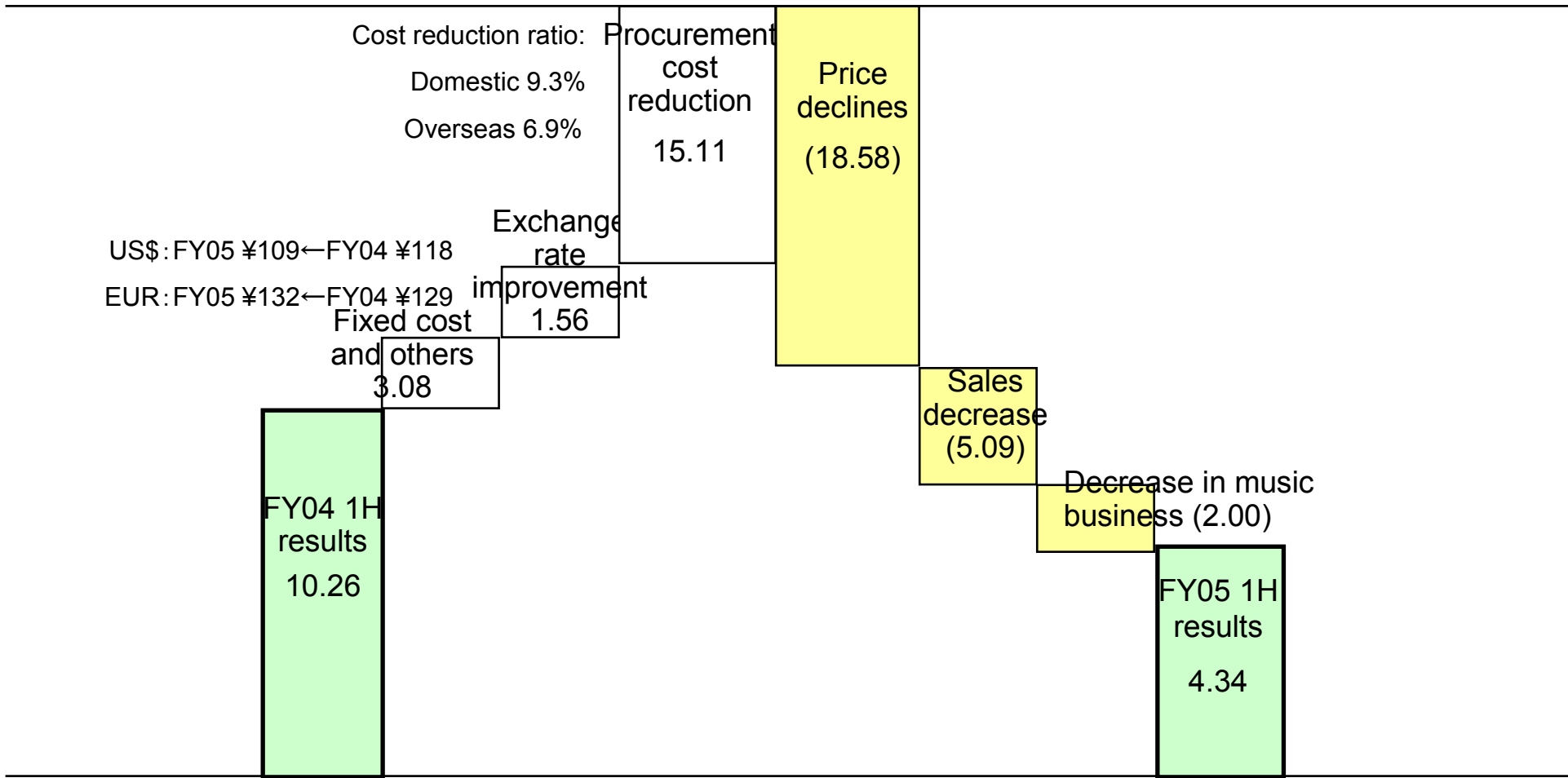
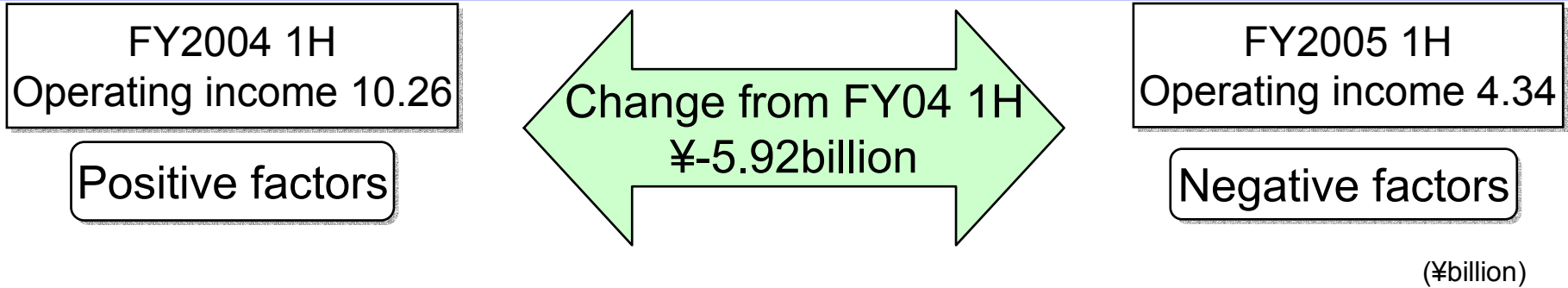


Consumer Electronics Quarterly Sales Results by Region **JVC** 2004.10.27.

The Perfect Experience

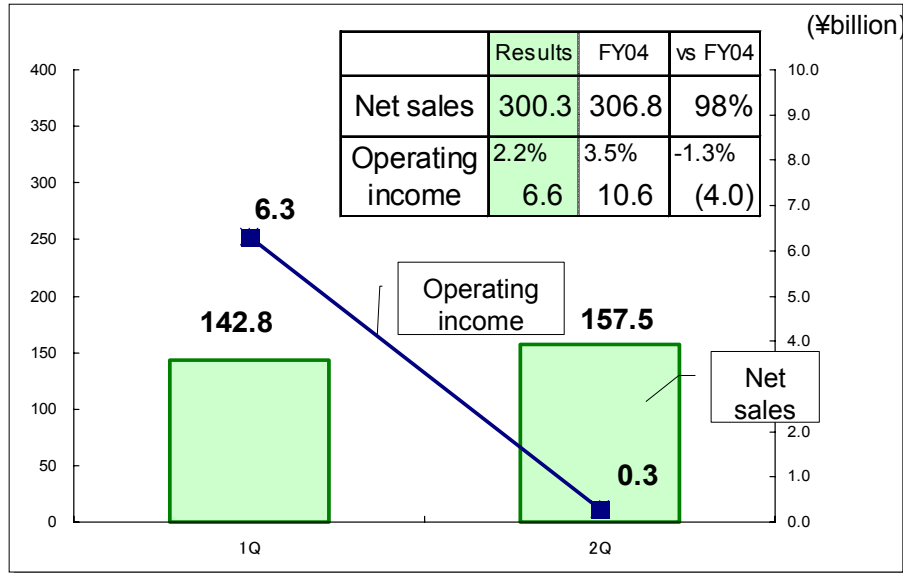


FY2005 1H Breakdown of Change in Operating Income

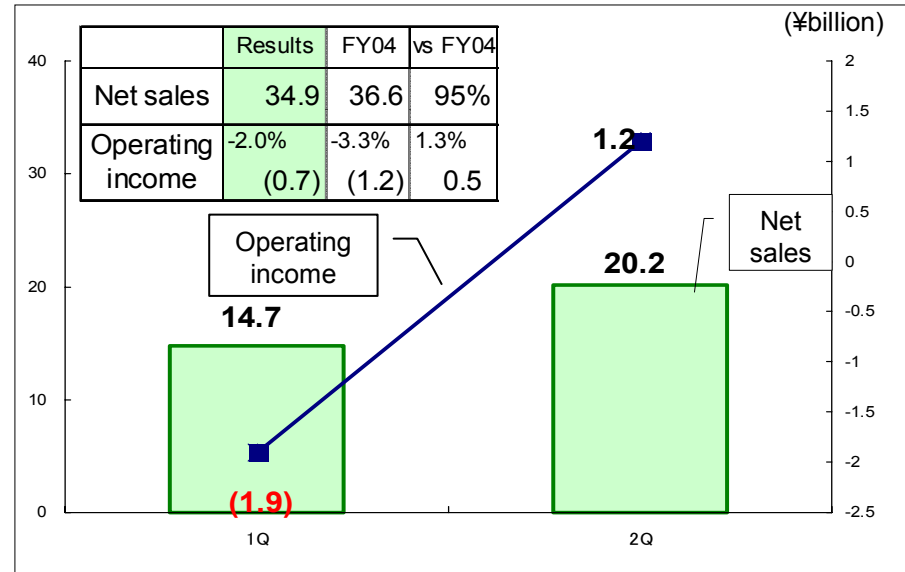


FY2005 Quarterly Sales Results by Segment

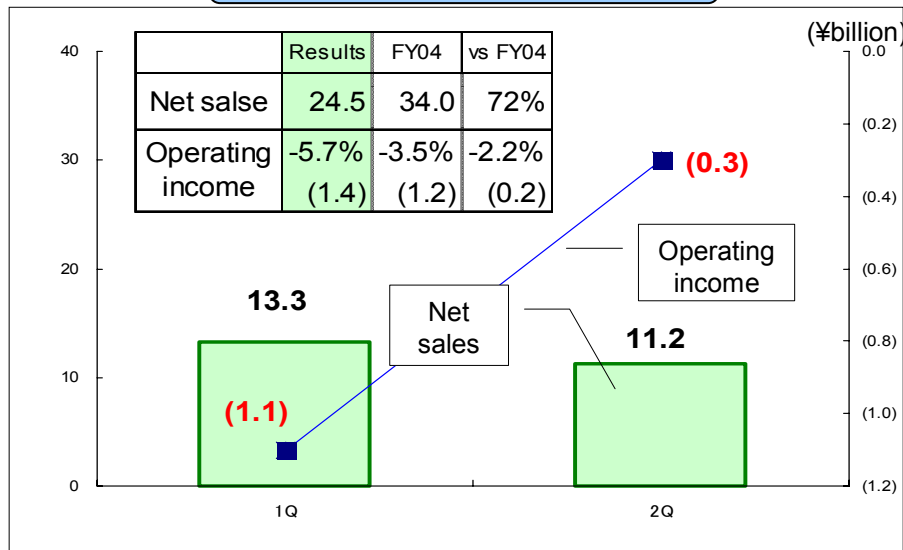
Consumer Electronics



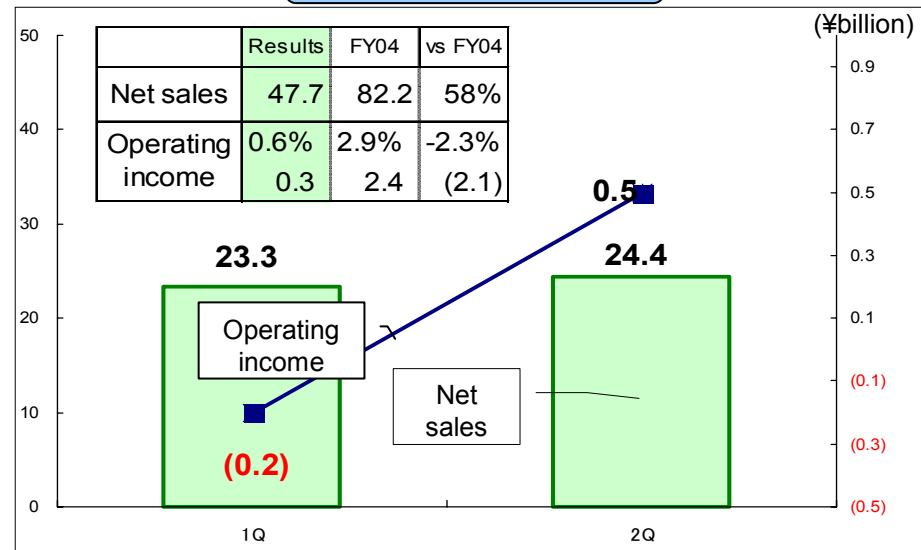
Professional Electronics



Components & Devices



Software & Media



FY2005 1H Extraordinary Profit and Loss

	Results
Proceeds from sales of property, plant and equipment	0.59
Proceeds from sales of marketable securities	1.97
Components & Devices business structural reform charges	(0.12)
Special severance payments for early retired employees	(6.03)
Prior period patent royalty	(0.26)
Others	(0.36)
Total	(4.21)

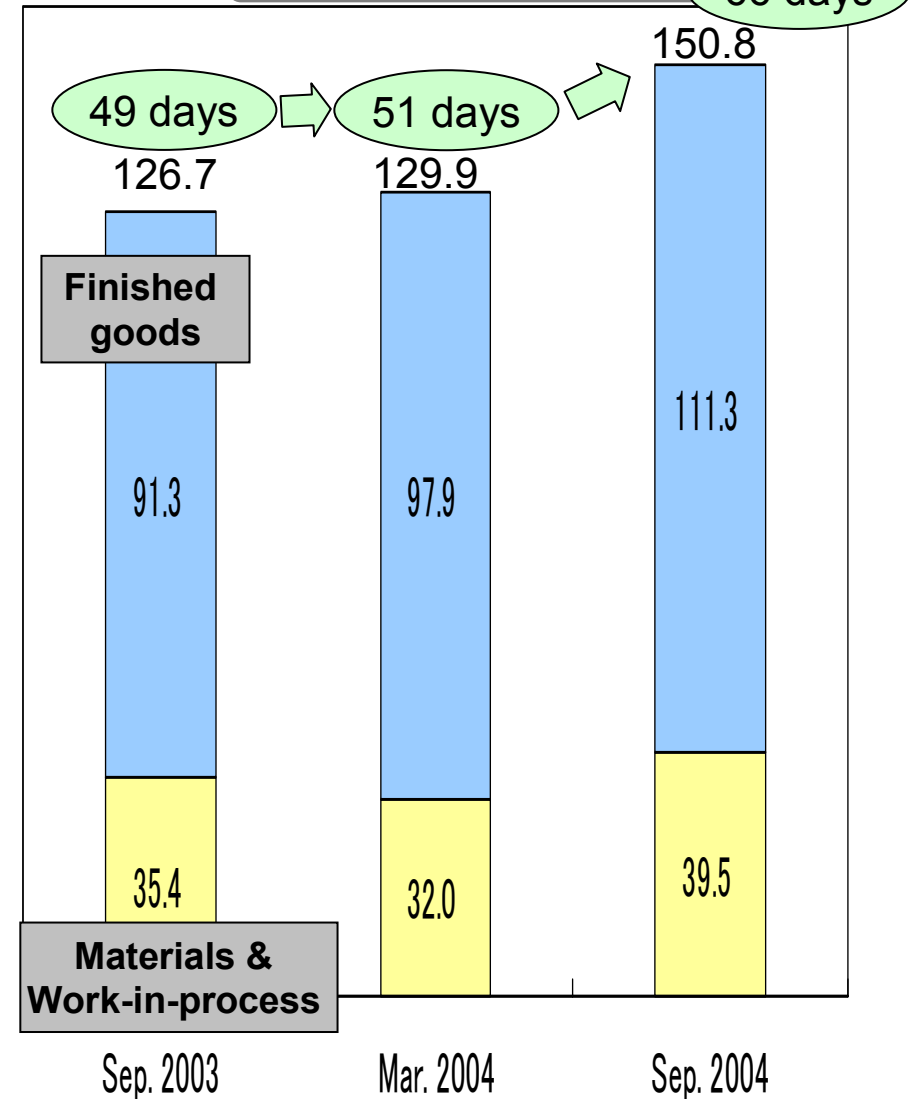
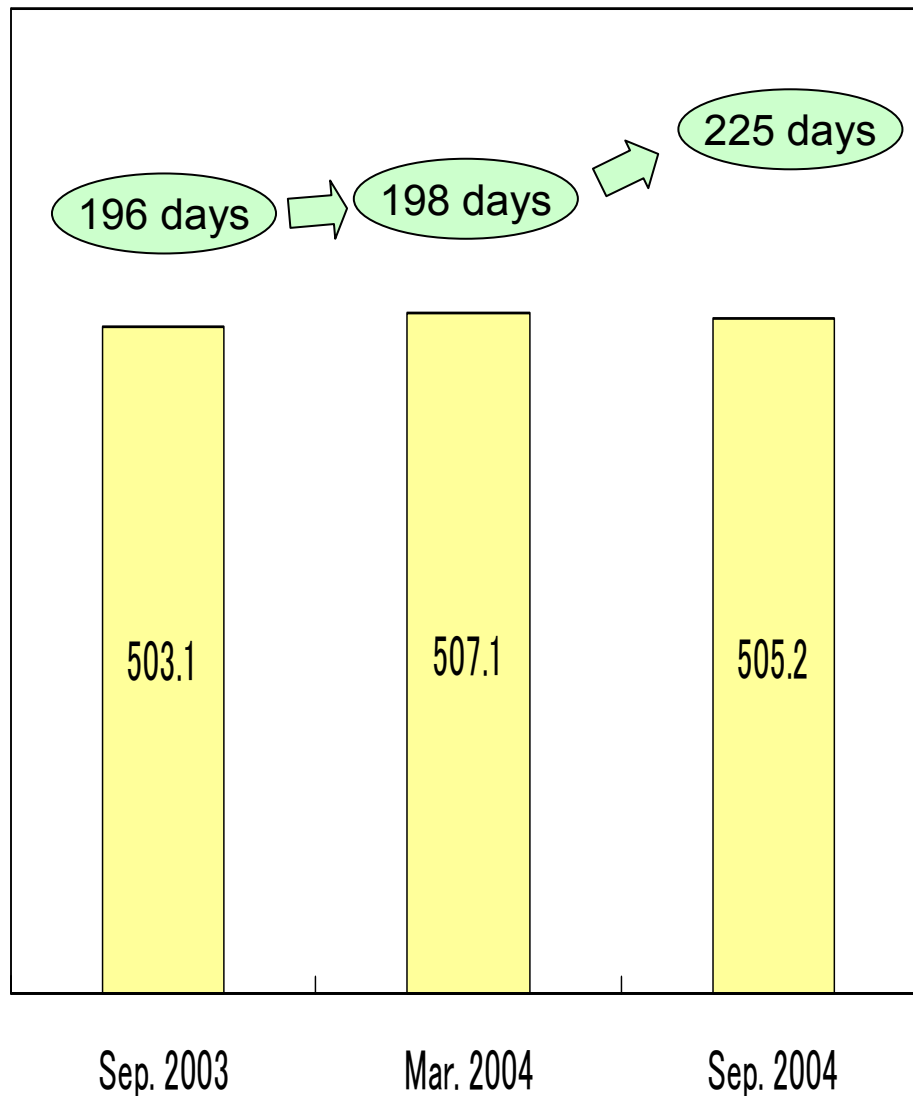
Trends in Asset and Inventory

Gross asset

Exchange rate	2003/9	2004/3	2004/9
US\$	111	106	109
EUR	129	129	132

Inventory

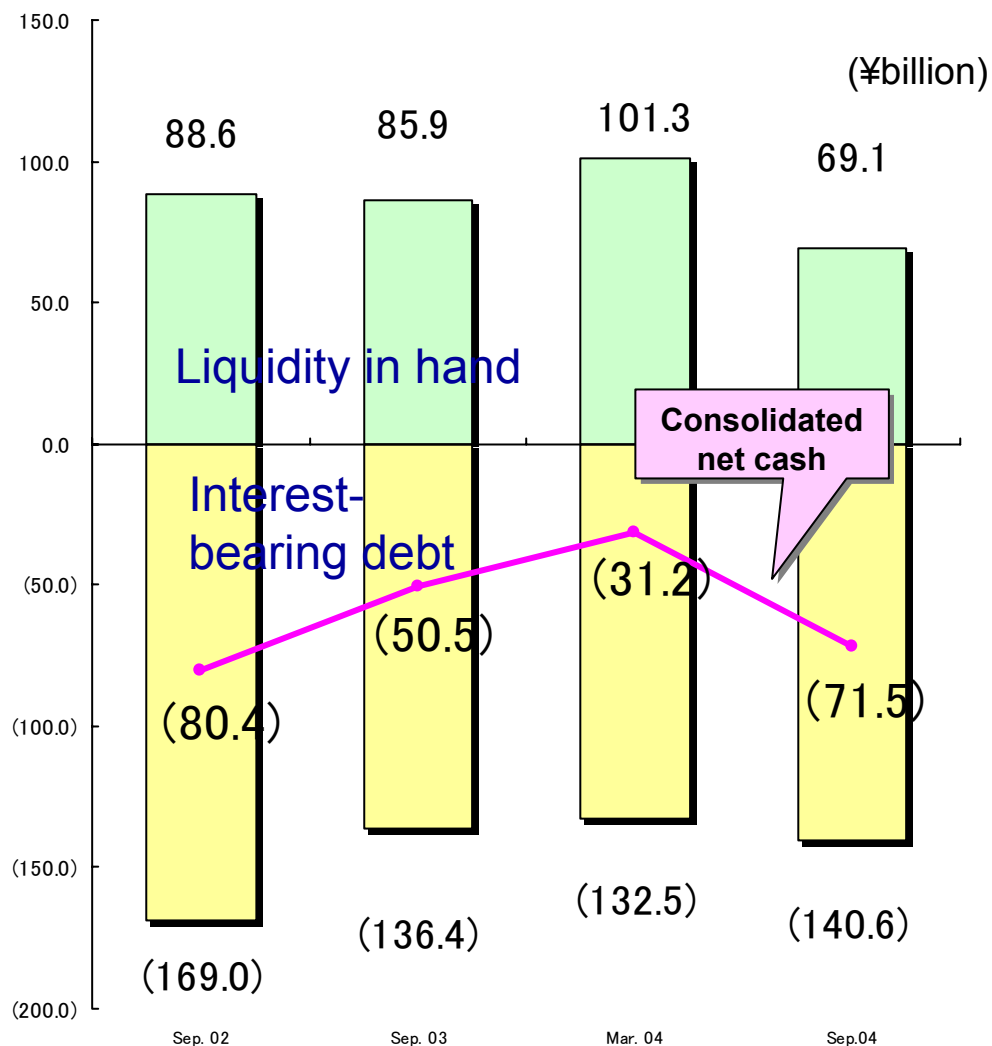
(¥billion)



FY2005 1H Cash Flows

Consolidated statements of Cash Flows

	Income before income taxes	(1.0)
	Depreciation	9.7
	Operating capital	(15.2)
	Inventories	(17.1)
	Others	(6.4)
	Net cash provided by operating activities	(30.0)
	Capital assets	(14.2)
	Others	10.1
	Net cash used in investing activities	(4.1)
	Free cash flow	(34.1)
	Net cash used in financing activities	4.6
	Other adjustments	1.3
	Net decrease in cash	(28.2)
	Cash and cash equivalent at beginning of the year	97.2
	Cash and cash equivalents at end of 1H	69.0



[Tangible fixed assets excluding mold cost]
FY04 FY05 1H

Capital investment	14.3	9.6
Depreciation&amortization	12.5	5.7

FY05 Business Forecast

<Consolidated>

(¥billion)

	Revised forecast	Original forecast	vs original forecast	vs FY04	FY04 results
Net sales	905.0	935.0	97%	102% 98%	*885.9 922.0
Operating income	2.5% 23.0	3.0% 28.0	(5.0)	(2.2)	2.7% 25.2
Ordinary income	1.9% 17.0	2.5% 23.0	(6.0)	(3.2)	2.2% 20.2
Net income	0.4% 4.0	0.9% 8.0	(4.0)	(11.6)	1.7% 15.6

*without consignment sales

Summary of FY2005 1H

(¥billion)

	FY05 1H results	FY04 1H results	Balance
Net sales	410.20	462.70	89%
Operating income	1.1% 4.34	2.2% 10.26	(5.92)
Net loss	-1.1% (4.37)	0.8% 3.51	(7.88)

- Business results get worse 2Q
- Drastic fall in sales and profits results in downward revision on 1H business results

Management operation unable to cope with the speed to quickly change products from analogue to digital due to the lack of awareness of the environment change

Slump of camcorder business

Consumer electronics sales depression in America and Europe

Slump of Music software (CD) business



HD-ILA rear-projection TV
HD-61/52 Z575/585 (launched in July)

**HD-ILA rear-projection TV
launched in North America**



Hi-Vision LCD TV
equipped with new D.I.S.T.
LT-32/26LC50 (launched in June)

**Good results of display business
both in Japan and overseas
resulting in profitable 2Q**



VHS & HDD & DVD
recorder
DR-MX3
(to be launched in November)

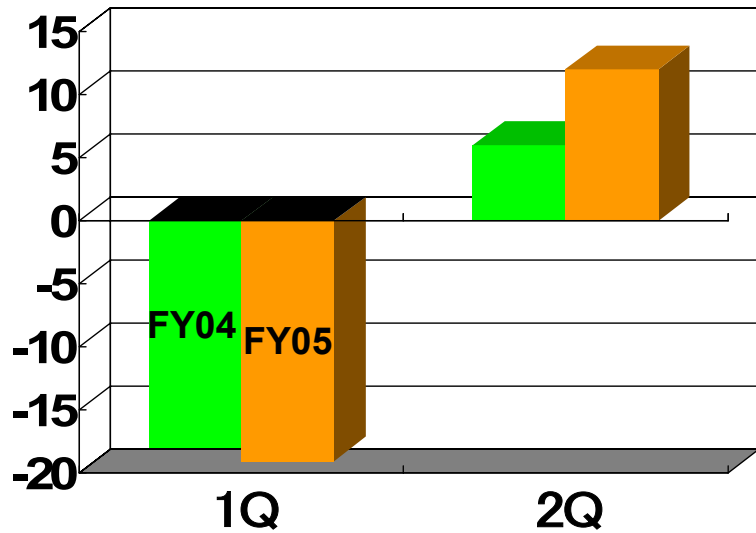
**No.1 share with DVD single and
combination recorder
(DVD / VHS / HDD or DVD / VHS)
in the U.S. and Japan**



CD receiver with MP3/WMA capability,
equipped with high-definition
OEL display, KD-SHX929
(launched on October 1st)

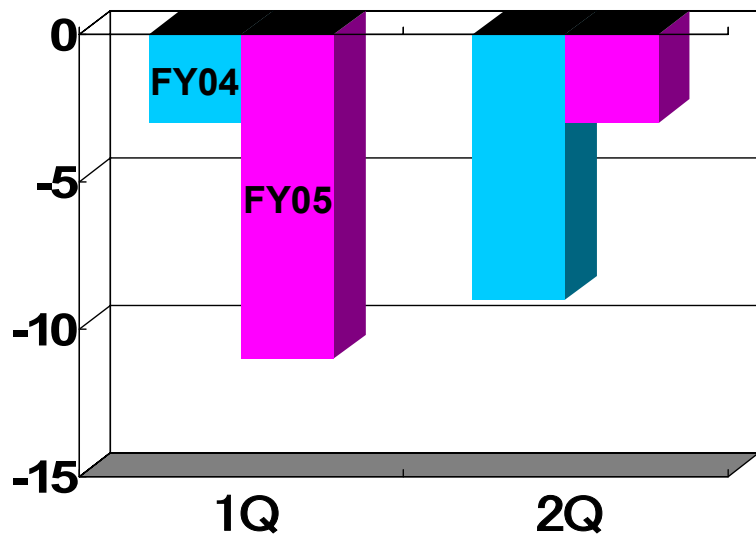
**Maintaining good sales for
car business
mainly in America and Asia**

Operating income improved compared to the previous year and the previous quarter in both Professional Electronics and Components & Devices businesses



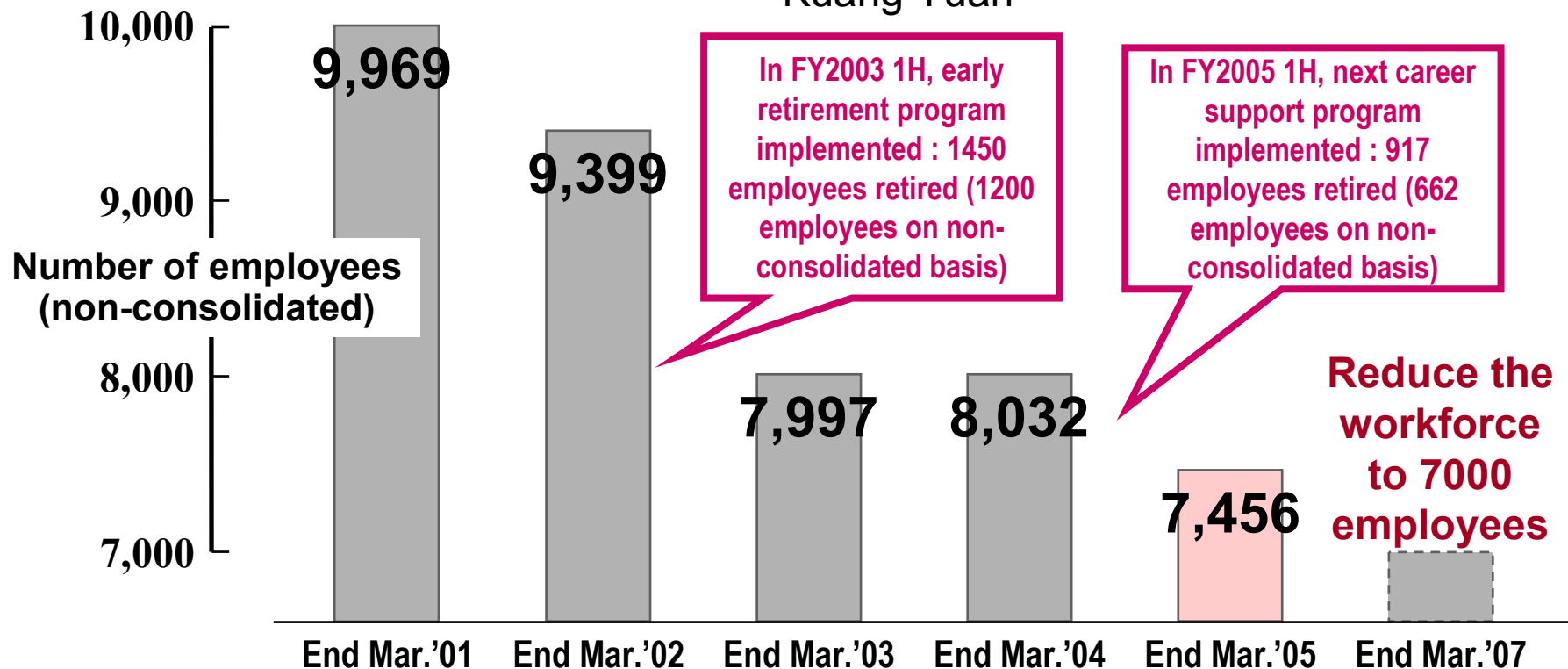
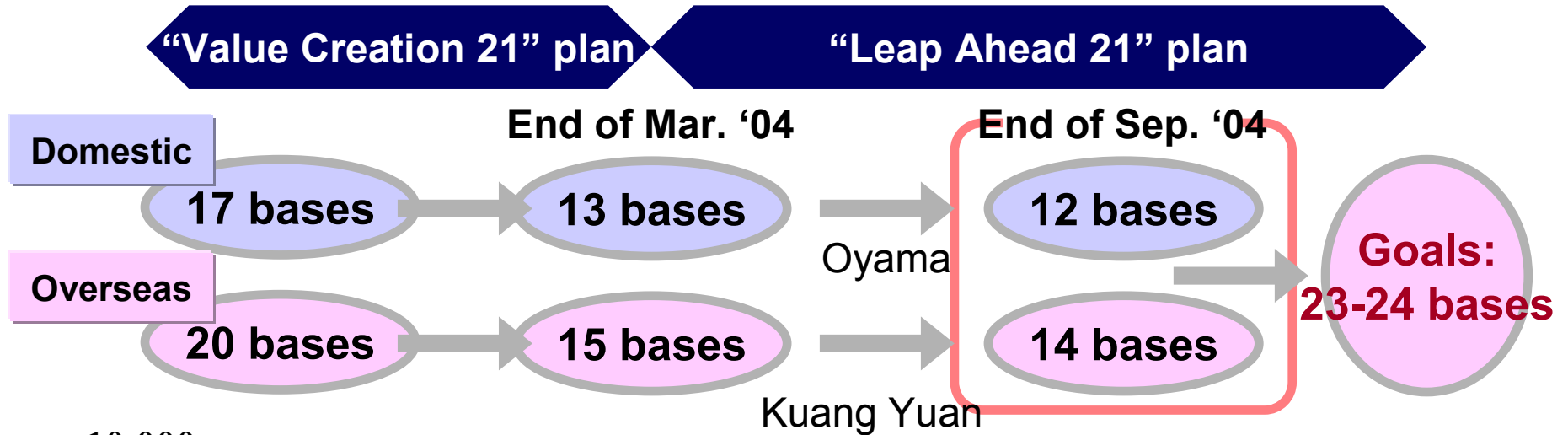
Professional Electronics

- ◆ Positive effect of D-ILA generated by developing its business for consumer electronics area
- ◆ Good results of security business in domestic market



Components & Devices

- ◆ Positive effect from structural reform
- ◆ Good sales of Deflection Yokes and CD pickups



◆ Recovery of camcorder business

- Market share recovery by introducing new DVC products and profitability improvement
- Expansion of new market with hard disk camcorder “Everio”

◆ Reinforcement of display and optical disc business

- Stable supply of HD-ILA rear-projection TV
- Launch of “Only One” elements such as optical wireless transmitter
- Expansion of DVD recorder lineup with DVD/VHS/HDD and DVD/VHS combination products

◆ Reestablishment of music software business

- Synergy effect with JEN (refocusing investment objectives towards creation of content)
- Reinforcement of new artists scouting and nurturing
- New title releases without fail, which were postponed in 1st Half