

Revision of Consolidated Forecast for the Fiscal Year Ending March 31, 2006 and Ongoing/Future Actions

14 October, 2005

Victor Company of Japan, Ltd.

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1. Fiscal 2006 1H Consolidated Financial Results and Reasons for Decline in Performance

(¥billion)	Forecast	Original forecast	FY05 results	Changes vs original forecast	Changes vs FY05
Net sales	385.0	430.0	410.2	90%	94%
Operating income (loss)	(4.0)	7.0	4.3	-11.0	-8.3
Net income (loss)	(16.5)	(4.0)	(4.4)	-12.5	-12.1



DVD recorder and LCD TV businesses are two major factors for decline in performance.

Operating income (loss) by segment

	Actual forecast	vs FY05 1H
Consumer electronics	(3.2)	-9.8
Professional electronics	(0.7)	0
Components & Devices	(0.1)	+1.3
Software & Media	0.8	+0.5



1. DVD recorder business fell into a vicious circle.

- Unexpected increase of service expense for products already introduced in the market (parts defect issue occurred in addition to software problems)
- Obligated to reduce product lineup by half

2. Unable to take a leading position in the expanding flat panel displays market

- Delay in introducing outsourced developed LCD TVs
- Delay in taking action against market price decline

2. JVC Vision

JVC

The Perfect Experience

2005.10.14

Every employee must understand this vision in order to accelerate business recovery.

JVC

The Perfect Experience

To create truly moving experiences and provide total satisfaction for our customers through high quality image and sound.

We would like our customers and partners to appreciate and support our vision.

**We aim to be No.1
in niche markets
with our unique products.**

Measurement for all management activities

User target determination

Differentiated technologies for each customer segment

Product lineup composition (high/middle/low end)

Sales negotiation procedures with dealers

Store front maintenance

We must be a company that creates value for its customers by establishing high-value-added management and high-speed management.

3. Business Environment and Factors for Difficulties

Business environment surrounding digital CE market

Short lead time to market

Short product lifecycle

Severe price deflation

Increasing man-power requirement for development

Reasons for difficulties

Unable to catch up with the speed of digital age, as we were weaker than other companies in fundamental management aspects

Lack of "time to market" perspective

Software bug elimination through design process reform & lead time reduction

Implementing cost reductions including design VE

Establishing a production system that eliminates waste through lead time reduction

<Original plan>

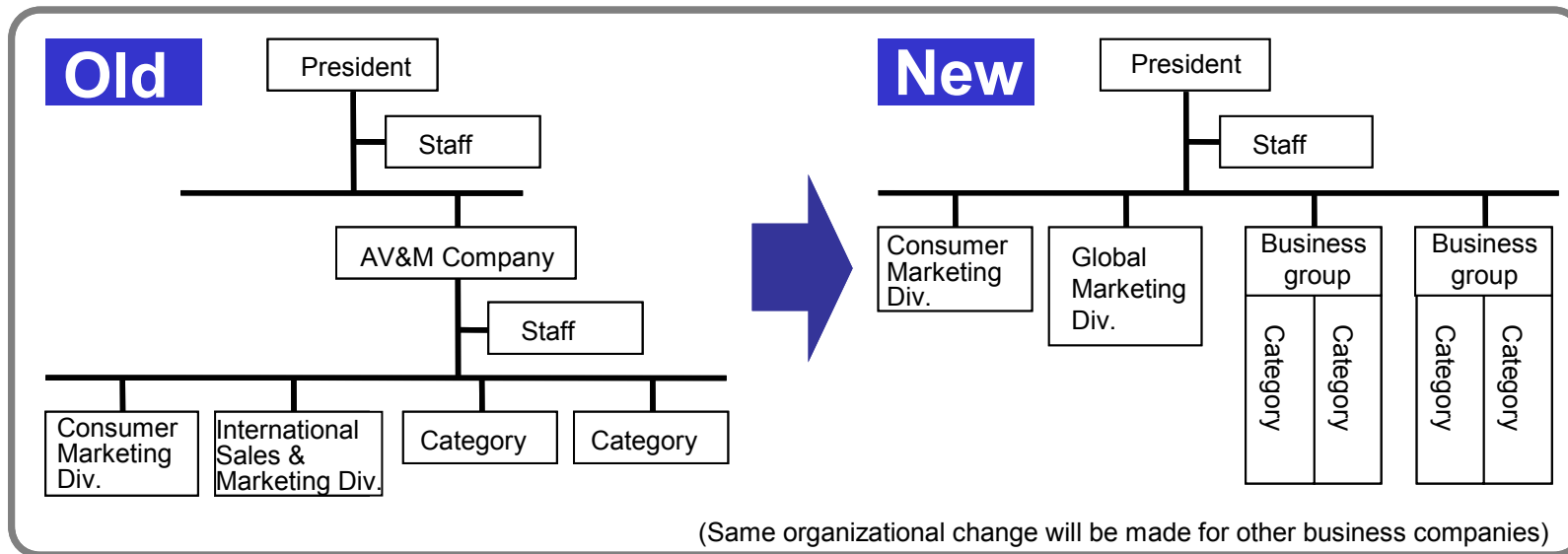
1. Promote management operation reform
2. Review manufacturing sites
3. Review employment structure

Take further steps for management and structural reforms

4. Company-Wide Organizational Reform

1 Dissolution of company system and reorganization into smaller-scale business groups

To make management transparent and realize high-speed management in order to respond to the demands of the times



2 Sales and marketing divisions of consumer electronics goods under direct control of head quarters

To strengthen management from the view point of market

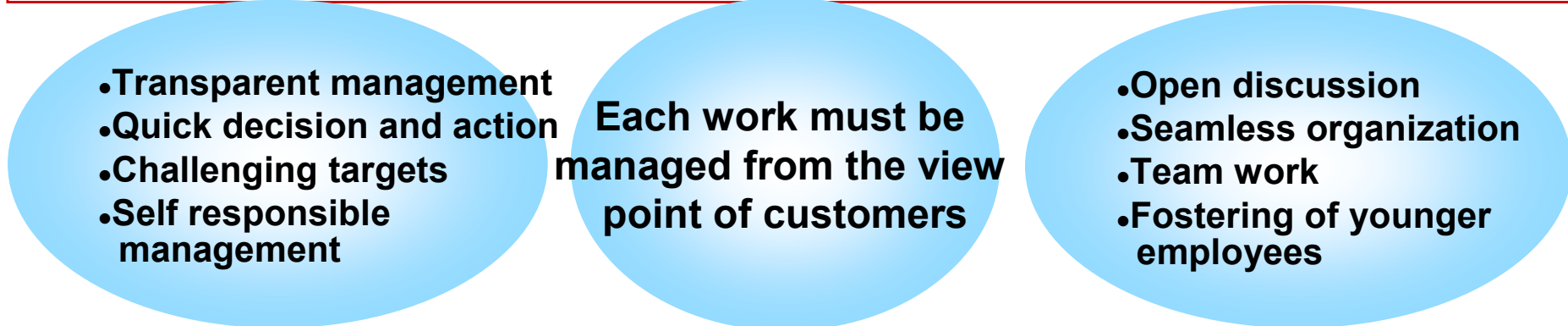
3 Streamlined cooperative support departments and unification of staff departments

To reinforce front line and to reduce size of rear departments

5. Objectives of Management Reform



To change JVC corporate culture by reforming management and business schematic



6. Realignment of Priority Businesses

Five priority businesses (Leap Ahead 21 plan)

High-definition display

Digital HD storage

Network AV system

Components & Devices

Software & Media

Consumer electronics priority businesses

The most important growth business

- Display (D-ILA/FPD/CRT)
- Optical disk

Core business

- Camcorder
- Car electronics
- AV system

Realignment

The most important growth business

- D-ILA hybrid projection system

Core business

- Display
- Camcorder
- Car electronics
- AV system

- **New business**
 - .D-ILA front projector for consumer use
 - .Net-K2 license business

7. Fiscal 2006 Consolidated Financial Forecast

We must strengthen the management foundation for the coming final year of the Leap Ahead 21 plan

(¥billion)

FY2006	Forecast	Original forecast	FY05 results	Changes vs original forecast	Changes vs FY05
Net sales	860.0	930.0	840.6	92%	102%
Operating Income (loss)	7.0	25.0	10.4	-18.0	-3.4
Net income (loss)	(11.5)	7.0	(1.9)	-18.5	-9.6