

For Immediate Release:

October 26, 2006

JVC Reports Business Results for the First Half of Fiscal 2007 (April 1, 2006- September 30, 2006)

Victor Company of Japan, Ltd. (JVC) today announced its business results for the first half of fiscal 2007 (April 1, 2006 – September 30, 2006). Consolidated total sales decreased 4% to 371.2 billion yen, but operating income increased 3 billion to a loss of 684 million yen. Operating income gained upward momentum almost exactly according to plan, and all segments generated operating profits for the second quarter of fiscal 2007. Furthermore, inventories were significantly reduced.

1. Consolidated*¹ Financial Highlights for the First Half of Fiscal 2007 (April 1, 2006 – September 30, 2006)

Selected Operating Results

	1H of FY2007	1H of FY2006	Compared with the year before
	(April 1, 2006 – Sept. 30, 2006)	(April 1, 2005 – Sept. 30, 2005)	
Net sales	371,241	387,264	% 96
Operating Income (Loss)	(684)	(3,733)	—
Ordinary Income (Loss)	(3,436)	(8,467)	—
Net Income (Loss)	5,025	(15,310)	—
Net Income (Loss) Per Share	19.79 yen	(60.28 yen)	—

Amounts indicated in millions of yen, except net income per share

*¹: There are 72 consolidated companies (JVC and its consolidated subsidiaries).

Sales by Segments

	1H of FY2007		1H of FY2006		Compared with the year before
	(April 1, 2006 – Sept. 30, 2006)		(April 1, 2005 – Sept. 30, 2005)		
Consumer Electronics	272,364	% 73	288,055	% 74	% 95
Professional Electronics	29,406	8	31,393	8	94
Components & Devices	16,791	4	14,382	4	117
Software & Media	50,316	14	51,002	13	99
Others	2,362	1	2,428	1	97
Total	371,241	100	387,264	100	96
Domestic	113,439	31	126,003	33	90
Overseas	257,802	69	261,260	67	99

Amounts indicated in millions of yen

2. Non-Consolidated Financial Highlights for the First Half of Fiscal 2007
(April 1, 2006 – September 30, 2006)

Selected Operating Results

	1H of FY2007	1H of FY2006	Compared with the year before
	(April 1, 2006 – Sept. 30, 2006)	(April 1, 2005 – Sept. 30, 2005)	
Net sales	182,517	214,660	% 85
Operating Income (Loss)	(1,826)	(3,040)	—
Ordinary Income (Loss)	(2,539)	(3,227)	—
Net Income (Loss)	10,796	(9,633)	—
Cash Dividends Yen Per Share	0.00 yen	0.00 yen	—

Amounts indicated in millions of yen, except cash dividends

Sales by Segments

	1H of FY2007		1H of FY2006		Compared with the year before
	(April 1, 2006 – Sept. 30, 2006)		(April 1, 2005 – Sept. 30, 2005)		
Consumer Electronics	137,226	% 75	166,326	77	% 83
Professional Electronics	24,689	14	23,614	11	105
Components & Devices	6,217	3	7,917	4	79
Software & Media	12,815	7	14,952	7	86
Others	1,569	1	1,848	1	85
Total	182,517	100	214,660	100	85
Domestic	74,098	41	86,786	40	85
Overseas	108,419	59	127,874	60	85

Amounts indicated in millions of yen

Major products of each segment as follows:

Consumer Electronics:	LCD TVs, rear projection TVs, PDP TVs, CRT TVs, digital video cameras, video cassette recorders, DVD players, DVD recorders, audio related equipment such as MD, CD, DVD components, etc. and car AV system
Professional Electronics:	Surveillance video equipment, professional audio equipment, professional video equipment, and projectors
Components & Devices:	Motors, optical pickups, high-density printed wiring boards (PWBs) and parts for display equipment
Software and Media:	Music and video software, such as CDs, videodiscs, and prerecorded music and video tapes, and blank-media
Others:	Home furniture ^{*2} , information systems ^{*3} , and production facility, etc.

*2: Only included in a consolidated level.

*3: Only included in a non-consolidated level.

Overview of the First Half of Fiscal 2007 (April 1, 2006 – September 30, 2006):

Consolidated Results

(Billion yen, except where noted)

	1st Half FY2007 (Ended Sep. 30, 2006)	1st Half FY2006 (Ended Sep. 30, 2005)	Compared with the year before (%)
Net sales:	371.2	387.2	-4.1
Operating profit (loss):	(0.6)	(3.7)	
Ordinary income (loss):	(3.4)	(8.4)	
Net income (loss):	5.0	(15.3)	

*Figures rounded down to the nearest hundred million yen.

Consolidated net sales in Japan in the first half were 113.4 billion yen, down 10.0% year-on-year by 12.5 billion yen. Although sales were up in the Software & Media segment, it was offset by sales declines in the Consumer Electronics and Professional Electronics segments. Outside of Japan, net sales were down in the Americas but were up year-on-year in Europe and Asia. Consolidated net sales outside of Japan were 257.8 billion yen, down 1.3% year-on-year by 3.4 billion yen. As a result, total sales were 371.2 billion yen in the first half, down 4.1% year-on-year by 16.0 billion yen.

Segment Information:

By segment, the Consumer Electronics segment declined year-on-year in Japan. Sales of hard disk camcorders were up, but it was not enough to offset poor LCD television sales and the impact of eliminating available models of DVD recorders. In markets outside of Japan, sales in the Americas were down year-on-year in local currency terms. Although sales of D-ILA hybrid projection TVs and digital video cameras were up, it was not enough to offset a major decline in sales of CRT televisions. In Europe, sales of digital video cameras and LCD televisions were up significantly year-on-year. In Asia, sales of CRT televisions were poor but car electronic sales were up as were digital video camera sales in China. As a result, sales were up year-on-year in the Asia region. Total sales in the Consumer Electronics segment were 272.3 billion yen in the first half, down 5.4% year-on-year from 288.0 billion yen.

In the Professional Electronics segment, sales in Japan declined year-on-year. Sales of security products including surveillance camera systems were up year-on-year, but were not enough to offset sluggish sales of professional audio products. Sales outside Japan were up year-on-year due to healthy sales of security products. Total sales in the professional electronics segment were 29.4 billion yen in the first half, down 6.3% year-on-year from 31.3 billion yen.

The Electronic Components & Devices segment improved its performance year-on-year due to healthy sales of motors for hard disk drives. Total sales in the Electronic Components & Devices segment were 16.7 billion yen in the first half, up 16.8% from 14.3 billion yen.

The Software & Media segment performed at the same level year-on-year. The company's major artists continued to produce hits through Victor Entertainment, Inc. and Teichiku Entertainment, Inc., but the segment was impacted by sharp declines in selling prices for blank media. Total sales in the Software & Media segment were 50.3 billion yen in the first half, down 1.3% year-on-year from 51.0 billion yen.

Other segments recorded total sales of 2.3 billion yen in the first half, compared with 2.4 billion in the first half last year.

The Profit and Loss Statement:

The profit and loss statement showed an overall operating loss of 600 million yen in the first half, improving by 3.0 billion yen from the loss of 3.7 billion yen recorded in the first half last year. Operating income was up year-on-year while the company lowered costs by driving down purchasing costs and fixed costs through implementation of design improvements. The company also improved its business

structure as a result of continuous structural reform. However, there were negative factors including further declining selling prices for digital appliances such as displays and digital video cameras and for blank media and weak sales of CRT televisions and other products. Ordinary income posted a loss of 3.4 billion yen in the first half, improving by 5.0 billion yen from the loss of 8.4 billion yen recorded in the first half last year. The situation was impacted by a loss of 2.7 billion yen in non-operating revenue. Net income was 5.0 billion yen in the first half, compared with a loss of 15.3 billion yen in the first half last year. Contributing factors included profits from the sale of idle real estate assets.

The non-consolidated business results for the first half of fiscal 2007 are shown below.

Net sales	¥182.5 billion	[down 15% year-on-year from the ¥214.6 billion for the first half of last year]
Operating income (loss)	(¥1.8 billion)	[a loss of ¥3.0 billion for the first half of last year]
Ordinary income (loss)	(¥2.5 billion)	[a loss of ¥3.2 billion for the first half of last year]
Net income	¥10.7 billion	[a loss of ¥9.6 billion for the first half of last year]

Forecast for the full-year to March 2007

We expect the business environment to remain difficult, considering heightened competition in the domestic and international markets for digital appliances, the impact of runaway oil prices, growing concerns for economic slow downs in Europe and the U.S., etc.

Within this context, JVC will attempt to increase sales mainly through the company's "Only One" strategy of producing niche-leading products and further strengthen its organizations, and will continue to work to achieve the results forecast announced on April 27, 2006.

Below is a summary of current full-year forecasts:

Consolidated results forecast

Net sales	¥830.0 billion	(103% YOY)
Ordinary income (loss)	(¥ 4.0 billion)	(- YOY)
Net income	¥2.0 billion	(- YOY)

Risks of Business, Etc.

Results forecasts are based on certain assumptions deemed by the company to be reasonable at the current point in time. Actual results may vary widely from forecasts.

Below are the main factors of the risks that may cause results to differ from forecasts:

- Drastic changes in economic conditions and product supply and demand in major markets (Japan, Europe, The Americas, Asia etc.)
- Fierce competition of selling prices of digital related products in major domestic and international markets, etc.
- Drastic changes in interest rates and foreign exchange rates (yen-dollar, yen-euro etc.)
- Sharp moves in the capital markets
- Changes in social infrastructures caused by drastic changes in technology etc.
- Damages and lower supply for the manufacturing sites, caused by natural disasters such as large scale earth quakes, etc.

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