



The Perfect Experience

## PRESS Release

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### JVC Reports Business Results for the First Quarter of Fiscal 2007 (April 1, 2006 – June 30, 2006)

Victor Company of Japan, Ltd. (JVC) announced today its financial results for the first quarter of fiscal 2007 (April 1, 2006 – June 30, 2006). Consolidated total sales increased 1% to 176.1 billion yen, and operating income increased 0.8 billion yen to a loss of 1.9 billion yen. Business performance gains upward momentum, although operating loss is generated.

#### Consolidated Financial Highlights for the First Quarter of Fiscal 2007 (April 1, 2006 – June 30, 2006)

##### 1. Selected Operating Results

	1Q of FY 2007	1Q of FY 2006	Compared with the year before
	(April 1, 2006 – June 30, 2006)	(April 1, 2005 – June 30, 2005)	
Total sales	176,095	174,252	% 101
Operating income (loss)	(1,940)	(2,763)	—
Ordinary income (loss)	(2,938)	(5,498)	—
Net income (loss)	(3,410)	(5,615)	—
Net income (loss) per share	(13.43 yen)	(22.11 yen)	

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

Note1: Based on the principles of mid-term consolidated financial documents, JVC employs a simple procedure within the range of not misleading stakeholders including stockholders.

Note2: There are 72 consolidated companies (JVC and its consolidated subsidiaries).

##### 2. Sales by Segments

	1Q of FY 2007		1Q of FY 2006		Compared with the year before
	(April 1, 2006 – June 30, 2006)	%	(April 1, 2005 – June 30, 2005)	%	
Consumer Electronics	132,739	75	132,482	76	100
Professional Electronics	12,759	7	12,805	7	100
Electronic Components & Devices	7,607	4	6,777	4	112
Software and Media Products	21,824	13	21,004	12	104
Others	1,164	1	1,182	1	99
Total	176,095	100	174,252	100	101
Domestic	51,693	29	55,494	32	93
Overseas	124,401	71	118,758	68	105

\*Amounts indicated in millions of yen

### **Major Products of Each Product Line as Follows:**

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

### **Overview of Results for the First Quarter of Fiscal 2007**

The global economy for the first quarter of fiscal 2007 continued on its expansionary trend from the previous year. Personal consumption was strong but interest rates edged upward globally, driven by inflationary concerns over factors starting with the high price of oil. The risk factors for an economic slowdown moving forward were more pronounced.

The US economy continued to steadily expand, centering on household expenditures and capital investment. However, housing investment slowed due to continued interest rate hikes. Although there was an overall trend toward recovery of economic growth in Europe, there were signs that the recovery was a patchy one with personal consumption remaining at a low level due to high rates of unemployment.

Turning to Asia, the Chinese economy re-entered its overheating phase and economic growth in China remained strong overall. The Japanese economy expanded at a robust pace, driven by an increase in private capital investment and gains in personal income.

Amid these developments, the JVC Group maintained and strengthened its efforts to restructure its business operations. The JVC Group also strengthened and held to its steadfast commitment to the company's "Only One" strategy of producing niche-leading products, through flagship products such as D-ILA hybrid projection TVs and Everio Series hard disk camcorders.

Consolidated net sales in Japan during the first quarter of fiscal 2007 were 51.6 billion yen, down 6.8% year-on-year from 55.4 billion yen. Sales were up in the Software & Media segment, but sales in the Consumer Electronics and Professional Electronics segments were down.

Consolidated net sales outside of Japan were 124.4 billion yen for the quarter, up 4.8% year-on-year from 118.7 billion yen. Sales were up year-on-year in the European region and Asia, but were down in the Americas region. Total sales were 176.0 billion for the quarter, up 1.1% year-on-year from 174.2 billion.

### **Segment Information:**

By segment, the Consumer Electronics segment in Japan declined year-on-year. The elimination of available DVD recorder models contributed to the decline, although sales of hard disk camcorders were up significantly.

In markets outside of Japan, sales in the Americas region declined year-on-year in local currency terms. Sales of camcorders, D-ILA hybrid projection TVs and LCD TVs increased, but sales of CRT TVs declined sharply. Sales in the European region were up year-on-year with sales of camcorders and LCD TVs up significantly. Sales in Asia remained even year-on-year. Although sales of CRT TVs were poor in the region, camcorders sales in China were up.

Total sales in the Consumer Electronics segment were 132.7 billion yen for the quarter, up 0.2% year-on-year from 132.4 billion yen.

In the Professional Electronics segment, sales in Japan declined year-on-year. Sales of security products were sluggish. Sales outside of Japan rose significantly year-on-year. Contributing factors included healthy sales of security products and a boost in sales from new HDV camcorder models. Total sales in the Professional Electronics segment were 12.7 billion yen for the quarter, down 0.4% year-on-year from 12.8 billion yen.

Sales in the Components & Devices segment were up year-on-year. Sales of motors for hard disk drives were strong. Total sales in the Components & Devices segment were 7.6 billion yen for the quarter, up 12.2% year-on-year from 6.7 billion yen.

The Software & Media segment struggled due to declines in selling prices for blank media, although music sales were healthy. Total sales in the Software & Media segment were 21.8 billion yen for the quarter, up 3.9% from 21.0 billion yen.

Other segments recorded total sales of 1.1 billion yen for the quarter, down 1.5% year-on-year from 1.1 billion yen.

### **The Profit and Loss Statement:**

The profit and loss statement showed an overall operating loss of 1.9 billion yen for the quarter, an improvement of 0.8 billion yen year-on-year from the 2.7 billion yen loss in the first quarter last year. In terms of operating income, selling prices declined in the Consumer Electronics segment but the company made progress in lowering its costs to enable the segment to turn a profit from its previous losses. Operating income in the Components & Devices segment also improved. However, operating income was down year-on-year in the Professional Electronics segment, due to declines in the Japanese market. The Software & Media segment posted a loss from previously having turned a profit, due to declines in selling prices in the blank media market.

Ordinary income posted a loss of 2.9 billion yen, compared with a loss of 5.4 billion yen in the first quarter last year. The performance was partly attributable to a net non-operating loss of 0.9 billion yen.

Net income before tax posted a loss of 3.0 billion yen for the quarter, compared with a loss of 5.1 billion yen in the first quarter last year. Contributing to the performance was a net extraordinary loss of 0.1 billion yen. Net income posted a loss of 3.4 billion yen for the quarter, compared with a loss of 5.6 billion yen in the first quarter last year.

### **Outlook for Consolidated Results This Year:**

JVC forecasts continued severity in the business environment as domestic and international competition gears up in digital products and foreign exchange rates move in unfavorable directions.

Within this context, JVC will attempt to increase sales partly 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.

### **At Present, Business Results Forecast Are as Follows:**

#### 1. Mid-term consolidated results forecast:

Total sales:	390.0 billion yen (up 1%, year-on-year)
Ordinary income (loss):	(5.0 billion yen) (-, year-on-year)
Net income (loss):	(7.0 billion yen) (-, year-on-year)

#### 2. Full-year consolidated results forecast:

Total sales:	830.0 billion yen (up 3% year-on-year)
Ordinary income:	4.0 billion yen (-, year-on-year)
Net income:	2.0 billion yen (-, year-on-year)

\*Results forecasts are based on assumptions deemed reasonable by the company at this point in time. Actual results may differ significantly from forecasts.

Below are some of the major factors that could cause a variance in results.

- Sudden, dramatic changes in economic conditions, product supply and demand balances in the major markets (Japan, Europe, the U.S. and Asia).
- Trade and other regulations imposed on major domestic and overseas markets.
- Volatility on the foreign-exchange market, particularly in the exchange rate for the dollar and euro against the yen.
- Volatility on the capital markets.
- Changes in social infrastructure due to rapid technological change, etc.
- Damages and lower supply of the manufacturing sites, caused by natural disasters such as large scale earth quakes, etc.

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