

For Immediate Release:

February 1, 2006

## JVC Reports Business Results for the Third Quarter of Fiscal 2006 (October 1, 2005 - December 31, 2005)

Victor Company of Japan, Ltd. (JVC) announced today it registered consolidated sales of 240.5 billion yen for the third quarter of the fiscal 2006 (October 1, 2005 – December 31, 2005), a 1% increase compared to sales in the same period of fiscal 2005, which stood at 239.1 billion yen. JVC posted operating income of 1.5 billion yen for the third quarter, down 80% year-on-year due to a tough struggle in the Consumer Electronics segment, affected by unexpectedly sharp declines in selling prices for LCD TVs in the Americas and declining sales of audio products in all regions. Also having a major impact was a drop in sales of DVD equipment caused by the elimination of models, though camcorder and car electronics business continued to be stable. Components & Devices, Professional Electronics, and Software & Media segments made progress in improving their business positions. Net income for the third quarter was likewise down 98% year-on-year to 75 million yen.

### Consolidated Financial Highlights for the Third Quarter of Fiscal 2006

#### 1. Selected Operating Results

	3Q of FY 2006		3Q of FY 2005		YOY	Nine-month period		YOY		
	(Oct. 1, 2005–Dec. 31, 2005)		(Oct. 1, 2004–Dec. 31, 2004)			(April 1, 2005–Dec. 31, 2005)			(April 1, 2004–Dec. 31, 2004)	
Net Sales	240,543		239,167		% 101	627,808		649,331		% 97
Operating Income (loss)	1,510		7,424		20	(2,222)		11,768		—
Ordinary Income (loss)	127		6,452		2	(8,340)		9,703		—
Net Income (loss)	75		4,700		2	(15,235)		327		—
Net Income (loss) Per Share	0.30		18.50		—	(59.98)		1.29		—

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

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

Note2: There are 74 consolidated companies.

#### 2. Sales by Segments

	3Q of FY 2006		3Q of FY 2005		YOY	Nine-month period				YOY
	(Oct. 1, 2005–Dec. 31, 2005)		(Oct. 1, 2004–Dec. 31, 2004)			(April 1, 2005–Dec. 31, 2005)		(April 1, 2004–Dec. 31, 2004)		
Consumer Electronics	185,814	% 77	185,330	% 77	% 100	473,870	% 75	485,641	% 75	% 98
Professional Electronics	15,200	6	16,297	7	93	46,594	7	51,156	8	91
Components & Devices	7,821	3	9,685	4	81	22,204	4	34,149	5	65
Software & Media	30,520	13	26,276	11	116	81,523	13	74,035	11	110
Others	1,186	1	1,577	1	75	3,615	1	4,347	1	83
Total	240,543	100	239,167	100	101	627,808	100	649,331	100	97
Domestic	71,715	30	77,108	32	93	197,719	31	203,870	31	97
Overseas	168,828	70	162,059	68	104	430,088	69	445,460	69	97

\*Amounts indicated in millions of yen

## **Major products of each segment 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 equipment, professional video equipment, and projectors
Components & Devices:	Motors, optical pickups, high-density printed wiring boards (PWBs) and parts for display equipment
Software & Media:	Music and video software, such as CDs, videodiscs, and prerecorded music and video tapes, and blank-media
Others:	Home furniture and production facility, etc.

## **Overview of the third quarter of fiscal 2006:**

- In the third quarter of fiscal 2006, the global economy continued to perform strongly as nations suppressed inflation despite a continued rise in crude oil prices. The US economy continued to expand, driven by a sustained boom in housing investment and healthy corporate revenue and capital investment by corporations. In addition, personal consumption was healthy. European economies continued their gradual recovery led by foreign demand. There were stronger signs of economic recovery as well as a recovery in employment, despite inflationary fears as commodity prices hovered at a high level.
- In Asia, the Chinese economy continued to grow at a high rate even after China's revaluation of its yuan currency. Newly industrialized economies (NIEs) also sustained their healthy performance, centering on the IT sector. The Japanese economy entered a period of growth with balanced expansion of both domestic and foreign demand. Capital investment, personal consumption and exports were all on the upswing, as reflected in the performance of Japanese stock markets.
- Amid these developments, JVC embarked on the second year of its "Leap Ahead 21" three-year business plan, setting out on a growth strategy and aiming to reinforce the company's business position. Striving to become a company that creates true customer value, JVC introduced new series of products as part of its "Only One" strategy. These products were well received by the market and included HD-ILA hybrid projection TVs and Everio Series camcorders, the world's first to use built-in hard disk drives.
- Consolidated net sales in Japan during the third quarter were down 7.0% year-on-year. Despite growth in sales of LCD TVs and hit music software titles, sales of DVD and professional equipment were down. Consolidated net sales outside of Japan were up 4.2% year-on-year. Growth in sales of HD-ILA hybrid projection TVs, LCD TVs and camcorders

made up for lower sales of CRT TVs, DVD equipment and audio products. Net sales were 240.5 billion yen for the quarter, up 0.6% year-on-year from 239.1 billion yen.

### **Divisional Breakdown:**

- By segment, the Consumer Electronics segment in Japan declined year-on-year as growth in sales of LCD TVs was insufficient to make up for a decline in sales of DVD equipment caused by the elimination of models. In markets outside of Japan, the Americas region managed to improve year-on-year in local currency terms, driven by growth in sales of HD-ILA hybrid projection TVs and camcorders. However, the European region declined year-on-year due to the impact of a shrinking market for CRT TVs and lower sales of DVD equipment resulting from the elimination of models. The Asia region improved year-on-year as camcorders and car electronics continued to sell briskly, although sales of CRT TVs were down. Net sales in the Consumer Electronics segment were 185.8 billion yen during the quarter, up 0.3% year-on-year from 185.3 billion yen.
- In the Professional Electronics segment, sales in Japan declined year-on-year as sales of system products and security products including surveillance camera systems, etc. continued to be sluggish. Sales outside of Japan were even year-on-year as sales of professional HDV camcorders continued to be strong. Net sales in the Professional Electronics segment were 15.2 billion yen during the quarter, down 6.7% year-on-year from 16.2 billion yen.
- The Components & Devices segment declined year-on-year under the impact of a suddenly shrinking market for deflection yokes and greater selectivity and concentration of products as part of business restructuring. However, sales of fluid dynamic bearing motors for hard disk drives continued to be strong. Net sales in the electronic Components & Devices segment were 7.8 billion yen during the quarter, down 19.2% from 9.6 billion yen.
- The Software & Media segment recorded double-digit growth on a year-on-year basis. Major artists for Victor Entertainment, Inc. continued to produce hits, although the segment struggled with sharp declines in selling prices for blank media. Net sales in the Software & Media segment were 30.5 billion yen during the quarter, up 16.2% year-on-year from 26.2 billion yen.
- Other segments recorded net sales of 1.1 billion yen during the quarter, down 24.8% year-on-year from 1.5 billion yen.
- The profit and loss statement showed an overall operating income of 1.5 billion yen during the quarter, down 80% year-on-year from an operating income of 7.4 billion yen. The Professional Electronics, Components & Devices, and Software & Media segments each recorded operating income as the company made further headway in improving the business position of the respective segments. However, these developments were outweighed by negative factors

such as quality issues with DVD recorders in the Consumer Electronics segment, which led to the elimination of available models and lower sales. Another negative factor was a drop in selling prices for LCD TVs due to intensifying competition.

- Ordinary income was 0.1 billion yen during the quarter, compared with ordinary income of 6.4 billion yen in 3Q last year. Net income before tax was 75 million yen for the quarter, compared with net income before tax of 4.7 billion yen in 3Q last year.

### **Forecast for the full-year to March 2006:**

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 of "Only One" products and achieve the desirable effect of structural reforms, and will continue to work to achieve the results forecast announced on October 14, 2005.

#### **Below is a summary of current full-year forecasts:**

##### **Consolidated results forecast**

Net sales	¥860.0 billion	(102% YOY)
Ordinary income	¥0 billion	(— YOY)
Net income (loss)	(¥11.5 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 domestic and major international markets, etc.
- Drastic changes in foreign exchange rates (yen-dollar, yen-euro etc.)
- Sharp moves in the capital markets
- Changes in social infrastructure caused by drastic changes in technology etc.
- Damages and lower supply of products of the manufacturing sites, caused by natural disasters such as large scale earth quakes, etc.

# # #

For further information, please contact:

Toshiya Ogata, Senior Staff Manager or

Fusako Adachi, Assistant Manager

Public Relations Group

Corporate Communications Department

Victor Company of Japan, Limited (JVC)

Tel: +81-(0)3-3289-1458

Fax: +81-(0)3-3289-0376

E-mail: [ogata-toshiya@jvc-victor.jp](mailto:ogata-toshiya@jvc-victor.jp)

[adachi-fusako@jvc-victor.jp](mailto:adachi-fusako@jvc-victor.jp)

URL: <http://www.jvc.co.jp/english>