

For Immediate Release:

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### JVC Reports Business Results for the Third Quarter of Fiscal 2007 (October 1, 2006 - December 31, 2006)

Victor Company of Japan, Ltd. (JVC) announced today it registered consolidated sales of 205.0 billion yen for the third quarter of the fiscal 2007 (October 1, 2006 – December 31, 2006), a 15% decrease compared to sales in the same period of fiscal 2006, which stood at 240.5 billion yen. JVC posted operating income of 0.7 billion yen for the third quarter, down 48% year-on-year due to a tough struggle in the Consumer Electronics segment, especially affected by sharp declines in the sales of display products such as CRT televisions and D-ILA rear-projection televisions in the Americas. Also having a major impact was a drop in sales of the Software & Media segment caused by sluggish sales of software and blank media. Nonetheless, inventory reduction has been in progress. Net income for the third quarter was likewise down year-on-year to a loss of 1.4 billion yen.

#### Consolidated Financial Highlights for the Third Quarter of Fiscal 2007

##### 1. Selected Operating Results

	3Q of FY 2007		3Q of FY 2006		YOY	Nine-month period		YOY		
	(Oct. 1, 2006–Dec. 31, 2006)		(Oct. 1, 2005–Dec. 31, 2005)			(April 1, 2006–Dec. 31, 2006)			(April 1, 2005–Dec. 31, 2005)	
Net Sales	205,067		240,543		% 85	576,309		627,808		% 92
Operating Income (loss)	793		1,510		52	108		(2,222)		—
Ordinary Income (loss)	(321)		127		—	(3,757)		(8,340)		—
Net Income (loss)	(1,451)		75		—	3,574		(15,235)		—
Net Income (loss) Per Share	(5.71 yen)		(0.30 yen)			(14.07 yen)		(59.98 yen)		

\*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 72 consolidated companies including Victor Company of Japan, Limited (JVC).

##### 2. Sales by Segments

	3Q of FY 2007		3Q of FY 2006		YOY	Nine-month period				YOY
	(Oct. 1, 2006–Dec. 31, 2006)		(Oct. 1, 2005–Dec. 31, 2005)			(April 1, 2006–Dec. 31, 2006)		(April 1, 2005–Dec. 31, 2005)		
Consumer Electronics	154,038	% 75	185,814	% 77	% 83	426,403	% 74	473,870	% 75	% 90
Professional Electronics	14,379	7	15,200	6	95	43,785	8	46,594	7	94
Components & Devices	9,609	5	7,821	3	123	26,400	4	22,204	4	119
Software & Media	25,947	13	30,520	13	85	76,263	13	81,523	13	94
Others	1,093	0	1,186	1	92	3,455	1	3,615	1	96
Total	205,067	100	240,543	100	85	576,309	100	627,808	100	92
Domestic	62,742	31	71,715	30	87	176,182	31	197,719	31	89
Overseas	142,325	69	168,828	70	84	400,127	69	430,088	69	93

\*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, 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 2007:

### Consolidated Results

	(Billion yen, except where noted)	
	3rd Quarter FY2007 (Ended Dec. 31, 2006)	3rd Quarter FY2006 (Ended Dec. 31, 2005)
Net sales:	205.0	240.5
Operating profit:	0.7	1.5
Ordinary income:	(0.3)	0.1
Net income:	(1.4)	0

\*Figures rounded down to the nearest hundred million yen.

Consolidated net sales in Japan in the third quarter were 62.7 billion yen, down 13% year-on-year by 8.9 billion yen. Although sales were up in the Electronic Components & Devices segment, it was offset by sales declines in the Consumer Electronics segment. Consolidated net sales outside of Japan were 142.3 billion yen, down 16% year-on-year by 26.5 billion yen. The decline was mainly due to sluggish sales in the Americas. As a result, total sales were 205.0 billion yen in the third quarter, down 15% year-on-year by 35.4 billion yen.

### Divisional Breakdown:

By segment, the Consumer Electronics segment declined year-on-year in Japan. Sales of hard disk camcorders and LCD televisions were up, but the segment was impacted by the elimination of available models of DVD recorders and sluggish sales of audio products. In markets outside of Japan in local currency terms, sales of hard disk camcorders were up in the Americas, but sales of CRT televisions and audio products declined sharply. In Europe, sales of hard disk camcorders and LCD televisions were up, but regional sales were significantly impacted by the elimination of available models of DVD recorders and sluggish sales of audio products. In Asia, sales of hard disk camcorders were up but sales of CRT televisions and audio products were sluggish. As a result, total sales in the Consumer Electronics segment were 154.0 billion yen in the third quarter, down 17% year-on-year from 185.8 billion yen.

In the Professional Electronics segment, sales in Japan declined year-on-year. Sales of security products including surveillance camera systems were strong, but sales of professional audio products were sluggish. In markets outside of Japan, sales of security products and professional high-definition camcorders were healthy. As a result, total sales in the Professional Electronics segment were 14.3 billion yen in the third quarter, down 5% year-on-year from 15.2 billion yen.

The Electronic Components & Devices segment improved its performance year-on-year due to growth in sales of motors for hard disk drives and optical pickups. Total sales in the Electronic

Components & Devices segment were 9.6 billion yen in the third quarter, up 23% from 7.8 billion yen.

In the Software & Media segment, sales were down year-on-year due to a lack of new hit releases from music artists, and contraction of the market for digital video camcorder tapes, as well as sharp declines in selling prices for blank media. Total sales in the Software & Media segment were 25.9 billion yen in the third quarter, down 15% year-on-year from 30.5 billion yen.

Other segments recorded total sales of 1.0 billion yen in the third quarter, down 8% from 1.1 billion in the third quarter last year.

The consolidated profit and loss statement posted an overall operating profit of 0.7 billion yen in the third quarter, down by 0.7 billion yen from the profit of 1.5 billion yen recorded in the third quarter last year. Selling prices for consumer digital electronics including LCD televisions and rear-projection televisions and blank media were down significantly, while declines in sales of audio products and CRT televisions also negatively impacted profits. However, the company took steps to improve its business position by boosting profit margins through a shift to high added-value products. The company also improved manufacturing costs by driving down purchasing costs, and reduced fix costs.

Ordinary income posted a loss of 0.3 billion yen in the third quarter, down by 0.4 billion yen from the profit of 0.1 billion yen recorded in the third quarter last year. The situation was impacted by a loss of 1.1 billion yen in non-operating revenue. Net income posted a loss of 1.4 billion yen in the third quarter, down by 1.5 billion yen from a profit of 0 billion yen in the third quarter 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	¥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 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.

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For further information, please contact:  
Toshiya Ogata, Senior Staff Manager, or  
Akiko Sakakibara, Manager  
Public Relations Office  
Corporate Communications Department  
Victor Company of Japan, Limited (JVC)  
Tel: +81-(0)45-450-2951, 2952  
Fax: +81-(0)45-450-2959  
E-mail: [ogata-toshiya@jvc-victor.jp](mailto:ogata-toshiya@jvc-victor.jp)  
[sakakibara-akiko@jvc-victor.jp](mailto:sakakibara-akiko@jvc-victor.jp)  
URL: <http://www.jvc.co.jp/english>