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## PRESS Release

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### JVC Reports Business Results for the Third Quarter of Fiscal 2008 (April 1, 2007 – December 31, 2007)

Victor Company of Japan, Ltd. (JVC) recently announced its business results for the third quarter of fiscal 2008. Total sales amounted to 184.1 billion yen (90% of the third quarter for fiscal 2007), operating income increased by 4.0 billion yen to 4.8 billion yen, and net income increased by 4.8 billion yen to 3.4 billion yen in a year-on-year comparison.

These results reflect three main points. First, they highlight JVC's continued progress in line with the company's Action Plan 2007, with operating income moving into the black. Operation reforms also led to inventory reduction and continued progress in reducing the company's interest bearing debts. Second, despite falling income in the consumer business due to reduced sales of rear projection televisions and increased competitiveness in the audio sector, improved performance in camcorders and audio accessories contributed to increased profits overall. Some problems do remain, however, in achieving an earnings recovery in the company's display business. Third, outside of its consumer products operations, the company saw an increase in both profits and income from its professional electronics business, while the entertainment business achieved an increase in profits despite falling income because of the robust performance of Teichiku Entertainment, In spite of a decrease in sales.

#### Consolidated\* Financial Highlights for the Third Quarter of Fiscal 2008 (April 1, 2007 – December 31, 2007)

##### 1. Selected Operating Results

|                             | 3rd Quarter of FY 2008    |  | 3rd Quarter of FY 2007    |  | YOY     | Nine-month period           |                             | YOY     |
|-----------------------------|---------------------------|--|---------------------------|--|---------|-----------------------------|-----------------------------|---------|
|                             | (Oct.1,2007- Dec.31,2007) |  | (Oct.1,2006- Dec.31,2006) |  |         | (April 1,2007- Dec.31,2007) | (April 1,2006- Dec.31,2006) |         |
| Total sales                 | 184,095                   |  | 205,067                   |  | %<br>90 | 514,263                     | 576,309                     | %<br>89 |
| Operating income (loss)     | 4,780                     |  | 793                       |  | 603     | (599)                       | 108                         | —       |
| Ordinary income (loss)      | 2,270                     |  | (321)                     |  | —       | (8,273)                     | (3,757)                     | —       |
| Net income (loss)           | 3,355                     |  | (1,451)                   |  | —       | (38,695)                    | 3,574                       | —       |
| Net income (loss) per share | 9.28 yen                  |  | (5.71) yen                |  |         | (124.69) yen                | 14.07 yen                   |         |

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

\*: There are 70 consolidated companies (JVC and its consolidated subsidiaries)

##### 2. Sales by Segments

|                          | 3rd Quarter of FY 2008    |     | 3rd Quarter of FY 2007    |     | YOY | Nine-month period           |                             | YOY     |     |     |
|--------------------------|---------------------------|-----|---------------------------|-----|-----|-----------------------------|-----------------------------|---------|-----|-----|
|                          | (Oct.1,2007- Dec.31,2007) |     | (Oct.1,2006- Dec.31,2006) |     |     | (April 1,2007- Dec.31,2007) | (April 1,2006- Dec.31,2006) |         |     |     |
| Consumer Electronics     | 134,301                   | 73% | 154,038                   | 75% | 87% | 374,666                     | 73%                         | 426,403 | 74% | 88% |
| Entertainment            | 19,179                    | 10  | 22,065                    | 11  | 87  | 53,418                      | 10                          | 66,166  | 12  | 81  |
| Professional Electronics | 15,224                    | 8   | 14,379                    | 7   | 106 | 46,495                      | 9                           | 43,785  | 8   | 106 |
| Components & Devices     | 10,891                    | 6   | 9,609                     | 5   | 113 | 27,160                      | 5                           | 26,400  | 4   | 103 |
| Others                   | 4,498                     | 3   | 4,974                     | 2   | 90  | 12,522                      | 3                           | 13,553  | 2   | 92  |
| Total                    | 184,095                   | 100 | 205,067                   | 100 | 90  | 514,263                     | 100                         | 576,309 | 100 | 89  |
| Domestic                 | 53,892                    | 29  | 62,742                    | 31  | 86  | 148,839                     | 29                          | 176,182 | 31  | 84  |
| Overseas                 | 130,203                   | 71  | 142,325                   | 69  | 91  | 365,423                     | 71                          | 400,127 | 69  | 91  |

Amounts indicated in millions of yen

## Major products of each segment as follows:

|                           |  |
|---------------------------|--|
| Consumer Electronics:     | LCD TVs, rear projection TVs, CRT TVs, projectors, camcorders, video cassette recorders, DVD players, DVD recorders, audio related equipment such as MD, CD, DVD components, etc. and car AV systems |
| Entertainment:            | Music and video software, such as CDs and DVDs   |
| Professional Electronics: | Surveillance video equipment, audio equipment, professional video equipment, and projectors  |
| Components & Devices:     | Motors, optical pickups, and high-density printed wiring boards (PWBs)   |
| Others:                   | Blank-media, home furniture, and production facility, etc.   |

## Overview of the Third Quarter of Fiscal 2008 (April 1, 2007 – December 31, 2007)

### Consolidated Results

|                         | 3rd Quarter of FY 2008 | 3rd Quarter of FY 2007 | Compared with the year before |
|-------------------------|------------------------|------------------------|-------------------------------|
| Total Sales             | 514.2                  | 576.3                  | 89.2%                         |
| Operating Income (loss) | (0.5)                  | 0.1                    | -                             |
| Ordinary Income (loss)  | (8.2)                  | (3.7)                  | -                             |
| Net Income (loss)       | (38.6)                 | 3.5                    | -                             |

Amounts less than 100 million yen rounded off.

The company's consolidated sales in the domestic market of Japan for the third quarter of fiscal 2008 were 148.8 billion yen, down year-on-year by 15.5% or 27.3 billion yen from a year ago, due to lower consumer electronics sales and a stagnant entertainment business. Overseas, sales dropped 8.7%, or by 34.7 billion yen, to 365.4 billion yen, largely owing to poor performances in the American and European markets. This resulted in the company's consolidated sales for this period coming to 514.2 billion yen, down by 10.8% or 62.0 billion yen from a year ago.

## Segment information

Looking at these results by segment, domestic sales of consumer electronics saw growth from LCD televisions, but overall sales were lower on a year-on-year basis due to smaller DVD recorder lineup and a poor performance from audio products. In the Americas, on a local currency basis, LCD television sales increased due to a shift from D-ILA hybrid projection televisions, although overall sales decreased due to a combination of a smaller market for CRT televisions and sluggish sales of audio products in a year-on-year comparison.

In Europe, performance was largely affected by heightened competition in the LCD television market, a contracting market for CRT televisions, and lower sales of digital video cameras, resulting in sales being down on those for the same quarter in the previous year. In Asia, on a local currency basis, car audio products and LCD televisions recorded sales growth, but overall sales declined year-on-year due to the impact of a smaller market for CRT televisions and a less-than-stellar performances from both audio products and camcorders. As a result of these developments, total sales from the Consumer Electronics segment were 374.6 billion yen, a year-on-year fall of 51.7 billion yen or 12.1%.

In the Entertainment segment, Teichiku Entertainment continuously delivered some hits during the term, but overall sales were soft. Total sales from this segment therefore were 53.4 billion yen, down by 12.7 billion yen or 19.3% from the same period of fiscal 2007.

In the Professional Electronics segment, domestic sales of security products, including surveillance camera systems, and professional audio products struggled, leading to lower sales, compared with the previous year. Overseas, D-ILA front projectors enjoyed substantial growth. As a result, total sales from this segment amounted to 46.4 billion yen, up by 2.7 billion yen or 6.2% from the same quarter in the previous year.

While total sales from the Electronic Components & Devices segment were affected by the impact of reduced sales caused by the winding down of deflection yoke production, total sales rose by 0.7 billion yen, or 2.9%, from the previous year, to 27.1 billion yen, partly as a result of an ongoing recovery in year-on-year motor sales in the third quarter.

Sales from other segments were 12.5 billion yen, down 1.0 billion yen or 7.6% from the third quarter of fiscal 2007.

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

In examining the company's consolidated income and expenditure, the company worked to reduce fixed costs and improve its cost structure by cutting purchase prices. This was offset, however, by a substantial fall in sales prices of consumer products, and decreased sales of audio products and digital video cameras - all of which put negative pressure on income. This was reflected in a consolidated operating loss of 0.5 billion (down by 0.7 billion yen from the same period of fiscal 2007).

The company stated an ordinary loss of 8.2 billion yen (down by 4.5 billion yen from the same period of fiscal 2007), as a result of incurring non-operating losses of 7.6 billion yen. The net loss for the quarter was 38.6 billion yen (down by 42.2 billion yen from the same period of the previous year). Although there were gains on sales of idle assets, restructuring costs were incurred, along with foreign exchange losses, and write-down of deferred tax assets.

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

Difficult operating conditions are expected to continue for the foreseeable future due to increasingly fierce competition in digital electronics markets in Japan and overseas, the impact of rising raw material prices, and concerns over deceleration in the U.S. and European economies.

Given these conditions, despite forecasting maintaining the company's operating income in the black for the three months of the fourth quarter of the fiscal year, due to difficult conditions in sales of consumer electronics in the third quarter and a delayed earnings recovery in the LCD television and audio sectors, we have revised our outlook for the fiscal year as outlined below.

JVC will continuously work toward a turnaround in its performance through a firm commitment to business restructuring under its Action Plan 2007.

#### Full-year Consolidated Results Forecast

|                          |        |                      |
|--------------------------|--------|----------------------|
| Total sales:             | 680.0  | (92 %, year-on-year) |
| Operating income (loss): | 3.0    | ( - )                |
| Ordinary income (loss):  | (7.0)  | ( - )                |
| Net income (loss):       | (32.5) | ( - )                |

Amounts indicated in billions of yen

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