

For Immediate Release:

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**JVC Reports Business Results for the Third Quarter of Fiscal 2005
 (October 1, 2004 - December 31, 2004)**

Victor Company of Japan, Ltd. (JVC) announced today it registered consolidated sales of 239.1 billion yen for the third quarter of the fiscal 2005 (October 1, 2004 – December 31, 2004), a 8% decline compared to sales in the same period of fiscal 2004, which stood at 261.3 billion yen. JVC posted operating income of 7.4 billion yen for the third quarter, down 26% year-on-year due to falling prices of digital products and the decline of overseas markets and software sales. Strong sales of domestic consumer electronics and cuts in purchasing costs and lower fixed costs were not enough to compensate for these negative factors. Net income for the third quarter was likewise down 32% year-on-year to 4.7 billion yen.

Consolidated Financial Highlights for the Third Quarter of Fiscal 2005

1. Selected Operating Results

	3Q of FY 2005		3Q of FY 2004		YOY	Nine-month period		YOY		
	(Oct. 1, 2004–Dec. 31, 2004)		(Oct. 1, 2003–Dec. 31, 2003)			(April 1, 2004–Dec. 31, 2004)			(April 1, 2003–Dec. 31, 2003)	
Total Sales	239,167		261,333		% 92	649,331		724,076		% 90
Operating Income	7,424		10,010		74	11,768		20,268		58
Ordinary Income	6,452		8,666		74	9,703		15,919		61
Net Income	4,700		6,870		68	327		10,382		3
Net Income Per Share	18.50		27.04		—	1.29		40.86		—

*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 76 consolidated companies.

2. Sales by Segments

	3Q of FY 2005		3Q of FY 2004		YOY	Nine-month period				YOY
	(Oct. 1, 2004–Dec. 31, 2004)		(Oct. 1, 2003–Dec. 31, 2003)			(April 1, 2004–Dec. 31, 2004)		(April 1, 2003–Dec. 31, 2003)		
Consumer Electronics	185,330	% 77	185,689	% 71	% 100	485,641	% 75	492,535	% 68	% 99
Professional Electronics	16,297	7	17,054	7	96	51,156	8	53,619	7	95
Components & Devices	9,685	4	14,359	5	67	34,149	5	48,392	7	71
Software & Media	26,276	11	42,687	16	62	74,035	11	124,909	17	59
Others	1,577	1	1,544	1	102	4,347	1	4,619	1	94
Total	239,167	100	261,333	100	92	649,331	100	724,076	100	90
Domestic	77,108	32	83,356	32	93	203,870	31	237,032	33	86
Overseas	162,059	68	177,977	68	91	445,460	69	487,043	67	91

*Amounts indicated in millions of yen

*Major products of each segment as follows:

Consumer Electronics:	Video cassette recorders, camcorders, color TVs, PDPs, LCDs, stereo components and related equipment, car audio, DVD players, DVD recorders, and CD portable systems
Professional Electronics:	Professional and educational equipment, information-related equipment, karaoke systems, and projectors
Components & Devices:	Parts for display equipment, optical pickups, motors, and high-density printed wiring boards (PWBs)
Software & Media:	Music and video software, such as CDs, videodiscs, prerecorded music and video tapes, and blank-media
Others:	Home furniture, production facility, etc.

Overview of the third quarter of fiscal 2005:

- In the third quarter, the global economy was marked by greater stability in the foreign currency market's shift toward a weak dollar and strong euro and the rise in crude oil prices. In this environment, the US experienced firm personal spending and capital investment, despite a slowdown in the pace of economic recovery. The European economies showed signs of an economic slowdown instigated by a contraction in the British economy's recovery and sluggish exports attributable to the strong euro and weak external demand. The pace of expansion in South Korea and Taiwan's economies slowed, but overall the Asian economies sustained high growth in personal spending and capital investment, primarily in the ASEAN countries where exports continue to rise. However, in Japan exports and capital investment showed slower growth, and personal spending was also stagnant. Nevertheless, the domestic audiovisual (AV) equipment industry continued to sustain the growth in DVD recorders, LCD TVs and PDPs that has been seen since the Athens Olympics through the end of the year, enabling the market to record double-digit year-on-year growth in the third quarter, as in the first half.
- JVC responded to these conditions by implementing its new mid-term business plan "Leap Ahead 21" and striving to increase market share and enhance brand value with its "Only One" products and services which deliver dreams and excitement to customers. The company is also working to reinforce the management structure through its commitment to continuous structural reform.
- Consolidated net sales saw a 7.5% decline in domestic sales in the third quarter compared to the previous year, due to the decline in music software and lower sales due to the expiration of music CD contracts, although the launch of new products such as DVD recorders and digital media cameras that contain one inch removable hard disk drives, and growth in LCD TVs drove strong performance in the consumer market. Despite strong sales of LCD TVs in all overseas regions and the full-scale launch of the HD-ILA rear projection TVs in North America, sales of DVC and AV systems were sluggish in the Americas and Europe, driving overseas sales down 8.9% year-on-year. As a result, consolidated net sales for the third quarter were down 8.5% year-on-year to 239.1 billion yen (261.3 billion yen in 3Q fiscal 2004).

Segment Information:

- In the Consumer Electronics division, DVC sales fell in the domestic market, but the launch of DVD recorders and digital media cameras that contain one inch removable hard disk drives, coupled with the strong performance of LCD TVs and audio products, resulted in year-on-year growth in domestic sales. Overseas, sales of car electronics and display products were solid (based on the domestic currency) in Asia, maintaining the level achieved the prior year. In the Americas, due to the full scale launch of HD-ILA rear projection TVs, sales of rear projection TVs, LCD TVs, and car electronics expanded, however, the slump in DVC sales resulted in US sales dropping year-on-year. In Europe, sales of LCD TVs and DVD recorders expanded, but AV systems, etc. continued to struggle, and sales fell year-on-year. As a result, total sales in the Consumer Electronics division decreased 0.2% year-on-year to 185.3 billion yen (185.6 billion yen in 3Q fiscal 2004).
- In the Professional Electronics division, the domestic market experienced growth in security products, but professional-use systems struggled, for a year-on-year decline in sales. Overseas, sales in both the US and Europe undercut the figures of the previous year due to sluggish sales of professional cameras, etc. As a result, sales in this division were down 4.4% year-on-year to 16.2 billion yen (17.0 billion yen in 3Q fiscal 2004).
- Sales in the Components & Devices division fell year-on-year despite growth in fluid dynamic bearing motors for hard disc drives. The sluggish sales can be attributed to the underperformance of high-density multi-layer printed wiring boards and deflection yokes. This brought total division sales down 32.6% year-on year to 9.6 billion yen (14.3 billion yen in 3Q fiscal 2004).
- The Software & Media division benefited from the strong performance of DVD recording media, but this was not sufficient to offset the expiration of music CD contracts, coupled with postponements in music releases. As a result, total division sales fell 38.4% year-on-year to 26.2 billion yen (42.6 billion yen in 3Q fiscal 2004).
- Sales in the “other” division were up 2.1% year-on year to 1.57 billion yen (1.54 billion yen in 3Q fiscal 2004).
- Although profitability improved year-on-year in the Components & Devices division and the Professional Electronics division, the selling price of digital products fell in the Consumer Electronics division, and overseas markets and software sales experienced a decline. Cuts in purchasing costs and lower fixed costs were not enough to compensate for these negative factors, and total operating income fell 25.8% year-on-year to 7.4 billion yen (10 billion yen in 3Q fiscal 2004). Ordinary income stood at 6.4 billion yen (8.6 billion yen in 3Q fiscal 2004), while net income amounted to 4.7 billion yen (6.8 billion yen in 3Q fiscal 2004).

Forecast for the year to March 2005:

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

The company will continue to work towards the achievement of the results targets announced on October 27, 2004 by expanding sales primarily of Only One products and by further improving our management system.

Below is a summary of current full-year forecasts:

Consolidated results forecast

Total sales	¥905.0 billion	(98% year-on-year)
Ordinary income	¥17.0 billion	(84% year-on-year)
Net income	¥4.0 billion	(26% year-on-year)

*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 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.)
- Changes in trade regulations and other regulatory changes in major domestic and international markets
- 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.

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