



The Perfect Experience

## PRESS Release

**VICTOR COMPANY OF JAPAN, LIMITED**  
 12, 3-CHOME, MORIYA-CHO, KANAGAWA-KU,  
 YOKOHAMA, KANAGAWA 221-8528, JAPAN  
 TELEPHONE : +81-(0)45-450-2951, 2952  
 TELEFAX : +81-(0)45-450-2959  
 URL: <http://www.jvc.co.jp/english/>

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### JVC Reports Business Results for Fiscal 2006 (April 1, 2005 – March 31, 2006)

Victor Company of Japan, Ltd. (JVC) announced today its financial results for fiscal 2006 (April 1, 2005 – March 31, 2006). Consolidated total sales decreased 4% to 806.8 billion yen, and operating income decreased to a minus of 6.8 billion yen. Although camcorders and car electronics business continued to be stable, there was a tough struggle in the Consumer Electronics segment, affected by a decline in sales of DVD equipment due to quality issues and the resulting elimination of available models, and delays in product development for LCD TVs during the first half of the fiscal year. Also having a major impact were sluggish display sales in North America and declining audio sales. Professional Electronics, Components & Devices, and Software & Media segments made progress in improving their business positions. Net income for fiscal 2006 was likewise down year-on-year to a minus of 30.6 billion yen.

#### 1. Consolidated\*<sup>1</sup> Financial Highlights for FY2006 (April 1, 2005 – March 31, 2006)

##### Selected Operating Results

	FY 2006		FY 2005		Compared with the year before
	(April 1, 2005 – March 31, 2006)		(April 1, 2004 – March 31, 2005)		
Total Sales	806,899		840,590		96 %
Operating Income (loss)	(6,890)		10,369		—
Ordinary Income (loss)	(15,038)		7,282		—
Net Income (loss)	(30,607)		(1,857)		—
Net Income (loss) Per Share	(120.50 yen)		(7.71 yen)		—

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

\*<sup>1</sup>: There are 73 consolidated companies.

##### Sales by Segments

	FY 2006		FY 2005		Compared with the year before
	(April 1, 2005 – March 31, 2006)		(April 1, 2004 – March 31, 2005)		
		%		%	%
Consumer Electronics	600,397	74	627,286	75	96
Professional Electronics	67,563	8	68,348	8	99
Components & Devices	30,247	4	43,149	5	70
Software & Media	103,943	13	95,927	11	108
Others	4,748	1	5,878	1	81
Total	806,899	100	840,590	100	96
Domestic	259,115	32	273,025	32	95
Overseas	547,784	68	567,565	68	97

\*Amounts indicated in millions of yen

## **2. Non-Consolidated Financial Highlights for FY2006 (April 1, 2005 – March 31, 2006)**

### **Selected Operating Results**

	FY 2006	FY 2005	Compared with the year before
	(April 1, 2005 – March 31, 2006)	(April 1, 2004 – March 31, 2005)	
Total Sales	433,121	448,781	97 %
Operating Income (loss)	(3,363)	(2,734)	—
Ordinary Income (loss)	(4,820)	5,923	—
Net Income (loss)	(16,723)	4,551	—
Cash Dividends Yen per Share	0.00 yen	5.00 yen	—

\*Amounts indicated in millions of yen, except cash dividends

### **Sales by Segments**

	FY 2006		FY 2005		Compared with the year before
	(April 1, 2005 – March 31, 2006)		(April 1, 2004 – March 31, 2005)		
		%		%	%
Consumer Electronics	332,063	76	339,484	76	98
Professional Electronics	51,789	12	53,481	12	97
Components & Devices	15,248	4	18,356	4	83
Software & Media	30,335	7	33,403	7	91
Others	3,684	1	4,055	1	91
Total	433,121	100	448,781	100	97
Domestic	180,597	42	201,916	45	89
Overseas	252,523	58	246,864	55	102

\*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* <sup>2</sup> , information systems* <sup>3</sup> , and production facility, etc.

\*<sup>2</sup>: Only included in a consolidated level.

\*<sup>3</sup>: Only included in a non-consolidated level.

## **Overview of results for the fiscal year ending March 2006**

- The global economy performed strongly, driven mostly by personal consumption in the United States and investment growth in China. Despite the impact of rising crude oil prices, there was a continuing trend toward economic recovery extending to Asia and Europe, which was pushed along by the vitality of the US and Chinese economies.
- The Japanese economy followed a path of gradual economic recovery due to a number of factors including ongoing inventory adjustments and an upswing in private capital investment. Also having an impact were the growth in personal consumption due to improvements in the employment situation, and growth in exports to China and other countries. In the manufacturing sector, there was a recovery of both production and capital investment, driven by the yen's depreciation since the fall of 2005.
- Fiscal 2006 was a decisive year for the audiovisual industry, marked by a shift in the pendulum toward digital products. Following the growth of DVD recorder sales in the previous fiscal year, the fiscal year ended March 2006 was marked by a reversal in the position of flat panel TVs and digital audio players, which replaced conventional products by share of sales. Global demand rose in the IT and devices sectors, focusing in China and the rest of Asia. The three major product categories of PCs, mobile phones and semiconductors, as well as LCD TVs, boosted overall demand in the industry. At the same time, prices fell rapidly as companies fought for leading positions in the industry, marked by signs of a war of attrition among companies.
- In the foreign exchange market, the yen followed a depreciating trend against the US dollar and Euro, compared with the previous fiscal year.
- Amid these developments, the JVC Group strove to become a company that creates true customer value, by actively promoting its "Only One" strategy to develop and introduce products that differentiate JVC from its competitors through higher added value. As a result of these efforts, the company achieved monthly production of 20,000 units of HD-ILA hybrid projection TVs in North America, which it also began marketing in Japan, Asia, China and Europe.
- There was also widespread consumer acceptance in response to global marketing of the company's Everio Series camcorders, a segment in which JVC has established an industry lead by adopting hard disks drives in place of conventional media. Other products that were extremely well received in the marketplace included car electronics products, fluid dynamic bearing (FDB) motors for hard disk drives and professional HDV camcorders. With the success of these products, JVC continued to build upon its reputation for new and unique products.
- JVC further strengthened its business position through ongoing efforts to restructure its company-wide organizational and employment structure. The company established a position that will enable it to respond to swift changes in the digital age through the unified efforts of development, production and sales.
- Consolidated net sales in Japan during the fiscal year ended March 31, 2006 were down 5.1% year-on-year. Despite growth in sales of LCD TVs and camcorders combined with the performance of hit software products, sales of DVD equipment and Professional Electronics were down.
- Consolidated net sales outside of Japan were down 3.5% year-on-year. Growth in sales of LCD TVs, HD-ILA hybrid projection TVs and camcorders were not enough to make up for lower sales of CRT TVs, DVD equipment and audio products. Sales by region were up 6.8% year-on-year in the Americas region, but were down by 12.1% year-on-year in the European region. Total sales were 806.8 billion yen in the fiscal year, down 4.0% year-on-year from 840.5 billion yen.

## **Segment Information:**

- By segment, the Consumer Electronics segment in Japan declined year-on-year. The company began marketing HD-ILA hybrid projection TVs and strengthened its lineup of LCD TVs and hard disk camcorders. However, there was a decline in sales of DVD equipment due to quality issues and the resulting elimination of available models. Meanwhile, there was a rapid contraction in the market for Minidisc products triggered by the widespread adoption of digital audio players. The contraction outweighed sales in the growth segment of digital audio products.

- In markets outside of Japan, the Americas region nearly duplicated its sales year-on-year in local currency terms. Growth in sales of HD-ILA hybrid projection TVs, camcorders and LCD TVs were enough to compensate for lower sales of CRT TVs and DVD equipment, etc.
- Sales in the European region declined year-on-year. There was an increase in sales of LCD TVs, camcorders and car electronics products. However, the increases were offset by lost opportunities for potential sales, due to delays in product development for LCD TVs during the first half of the fiscal year. Also having an impact were lower sales of DVD recorders caused by the elimination of available models, and sharply declining sales of CRT TVs.
- Sales in Asia improved year-on-year, due to growth in sales of car electronics products and LCD TVs.
- Total sales in the Consumer Electronics segment were 600.3 billion yen during the fiscal year, down 4.3% year-on-year from 627.2 billion yen.
- In the Professional Electronics segment, sales in Japan declined year-on-year due to sluggish sales of system products and security products including surveillance camera systems. Outside of Japan, sales of HDV camcorders and security products were strong, growing year-on-year. Total sales in the Professional Electronics segment were 67.5 billion yen during the fiscal year, down 1.1% year-on-year from 68.3 billion yen.
- The Components & Devices segment declined year-on-year. Sales of FDB motors for hard disk drives were strong, but were offset by the impact of a rapid contraction in the market for deflection yokes and the company's efforts to restructure the business segment by narrowing the product selection and focus. Total sales in the electronic Components & Devices segment were 30.2 billion yen during the fiscal year, down 29.9% year-on-year from 43.1 billion yen.
- The Software & Media segment recorded significant growth on a year-on-year basis. Although the segment struggled with sharp declines in selling prices for blank media, the company's major artists continued to produce hits through Victor Entertainment, Inc. and Teichiku Entertainment, Inc. Total sales in the Software & Media segment were 103.9 billion yen during the fiscal year, up 8.4% year-on-year from 95.9 billion yen.
- Other segments recorded total sales of 4.7 billion yen during the fiscal year, down 19.2% year-on-year from 5.8 billion yen.
- The profit and loss statement showed an overall operating loss of 6.8 billion yen during the fiscal year, compared with a profit of 10.3 billion yen in the previous fiscal year. The company further improved its business position, with the Components & Devices segment turning a profit from its previous losses. Although profits were up in the Professional Electronics and Software & Media products segments, the company was unable to sufficiently lower purchasing costs and fixed expenses to compensate for negative factors in the Consumer Electronics segment. Negative factors included a decline in sales of DVD recorders caused by quality issues and the resulting elimination of available models, and lost opportunities for potential sales of LCD TVs due to delays in product development during the interim period of the fiscal year. Another negative factor was the greater than forecasted impact of sharply declining selling prices due to intensifying market competition.
- Ordinary income posted a loss of 15.0 billion yen during the fiscal year, compared with ordinary income of 7.2 billion yen in the previous fiscal year. Contributing factors included a change in the consolidated reporting period for subsidiaries using a calendar year-end, which was aimed at standardizing the consolidated reporting period.
- Net income before tax came in at a loss of 30.6 billion yen for the fiscal year, compared with a loss of 1.8 billion yen in the previous fiscal year. Contributing to the loss were the accrual of special severance payments and structural improvement costs for overseas plants, as well as the impact from a review of tax deferred assets.

## **Non-consolidated results for the period are as follows:**

Total sales:	433.1 billion yen [Down 3.5% year-on-year from 448.7 billion yen in fiscal 2005]
Operating income (loss):	(3.3 billion yen) [A loss of 2.7 billion yen in fiscal 2005]
Ordinary income(loss):	(4.8 billion yen) [A profit of 5.9 billion yen in fiscal 2005]
Net income(loss):	(16.7 billion yen) [A profit of 4.5 billion yen in fiscal 2005]

A meeting of the board of directors held today regrettably decided to forego payment of a year-end cash dividend.

## **Outlook for Fiscal 2007**

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.

JVC will attempt to increase sales of "Only One" products and formulate structural reform effects, and will continue to work to achieve the results forecast announced today.

## **At present, forecast full year business results are as follows:**

Consolidated results forecast:

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

## **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, and 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

Fusako Adachi, Assistant Manager

Public Relations Group

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

          adachi-fusako@jvc-victor.jp

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