

1H FY2003 Business Results



Victor Company of Japan, Limited

October 29, 2002

Interim Results' Highlights (September 2002)

1. Profitable at both the operating and net income level, on both parent and consolidated basis
2. Strong performance in Consumer Electronics business
3. Completion of Employment Structure Reform

1H FY2003 Results

[Consolidated]

(¥bil.)

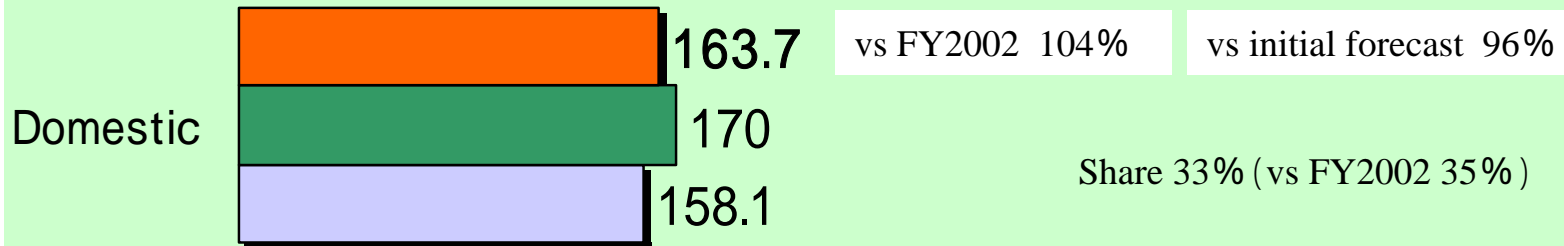
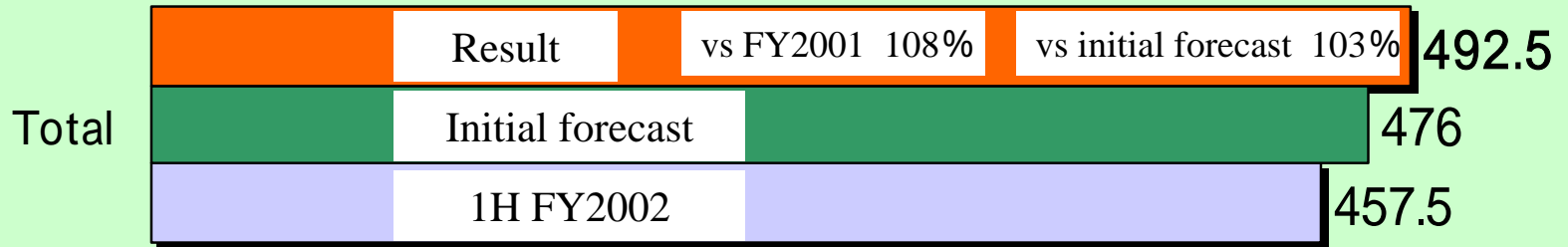
	Result	9/25 revised forecast	4/25 forecast	1H FY2002 results	Change vs revised forecast	Change vs initial forecast	Change vs FY2002 results
Net sales	492.5	478.0	476.0	457.5	(103%)	(103%)	(108%)
Operating income	1.8% 8.9	1.7% 8.0	0.8% 4.0	-3.4% -15.4	0.9	4.9	24.3
Recurring income	1.2% 6.0	1.0% 5.0	0.3% 1.3	-3.8% -17.4	1.0	4.7	23.4
Net income	0.3% 1.4	0.1% 0.5	-0.4% -2.0	-4.5% -20.4	0.9	3.4	21.8

[Parent]

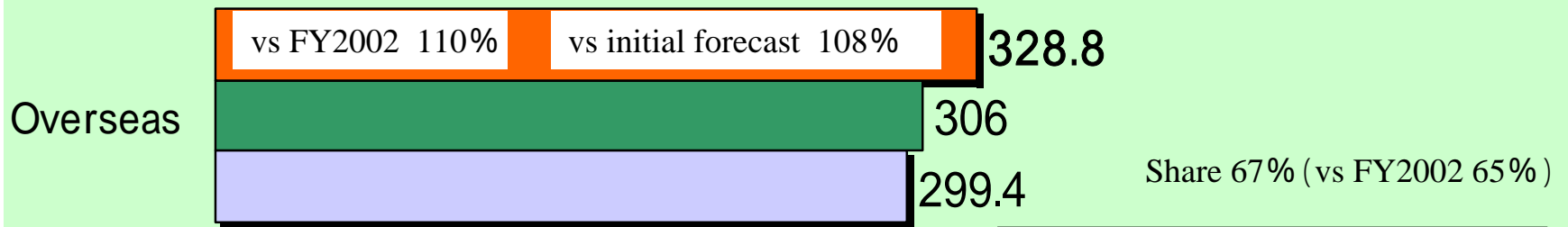
	Result	9/25 revised forecast	4/25 forecast	1H FY2002 results	Change vs revised forecast	Change vs initial forecast	Change vs FY2002 results
Net sales	276.5	278.0	258.0	253.3	(99%)	(107%)	(109%)
Operating income	1.6% 4.5	1.4% 4.0	0.4% 1.0	-6.9% -17.4	0.5	3.5	21.9
Recurring income	1.4% 3.8	1.3% 3.5	0.0% 0.1	-6.5% -16.5	0.3	3.7	20.3
Net income	0.7% 1.9	0.4% 1.0	-0.2% -0.6	-7.4% -18.7	0.9	2.5	20.6

1H FY2003 Sales Breakdown

(¥bil.)



Share 33% (vs FY2002 35%)

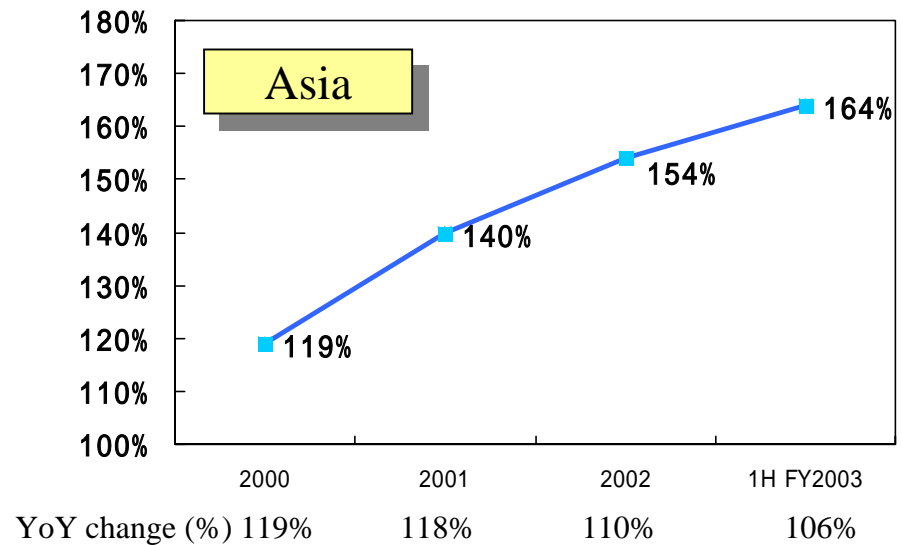
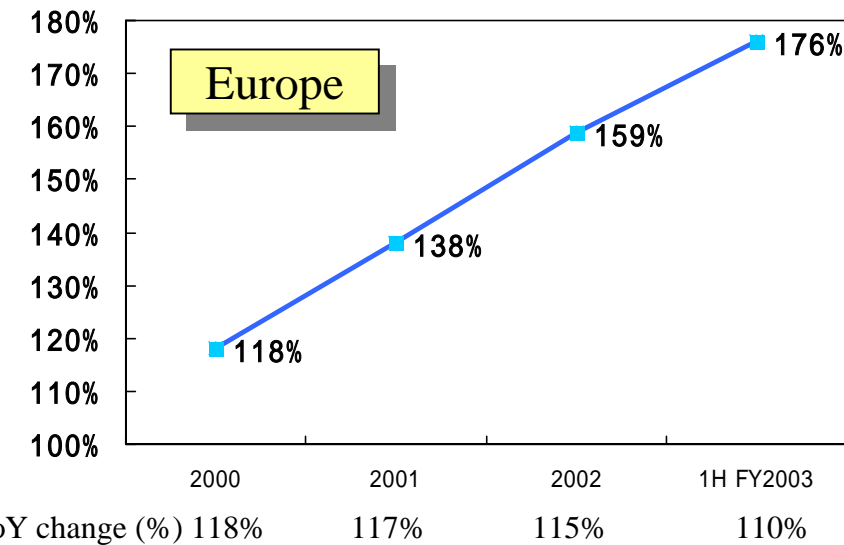
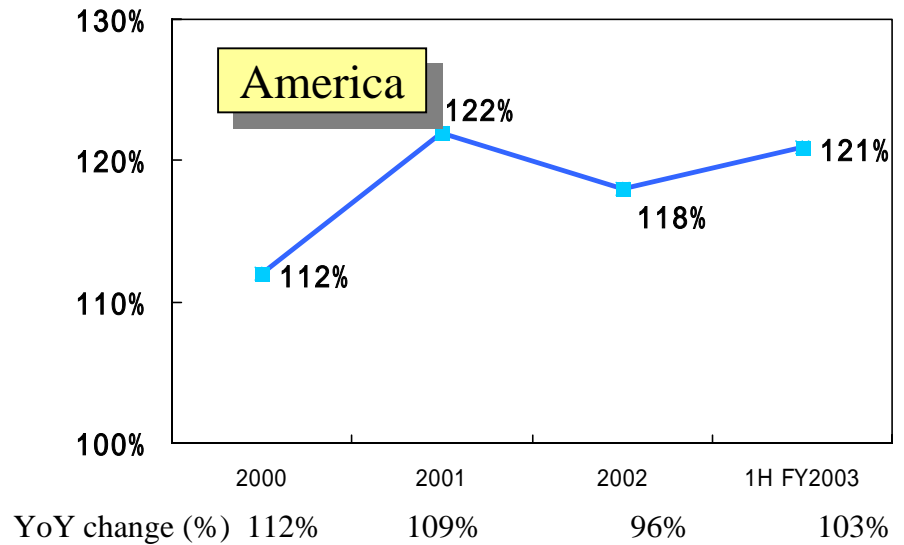
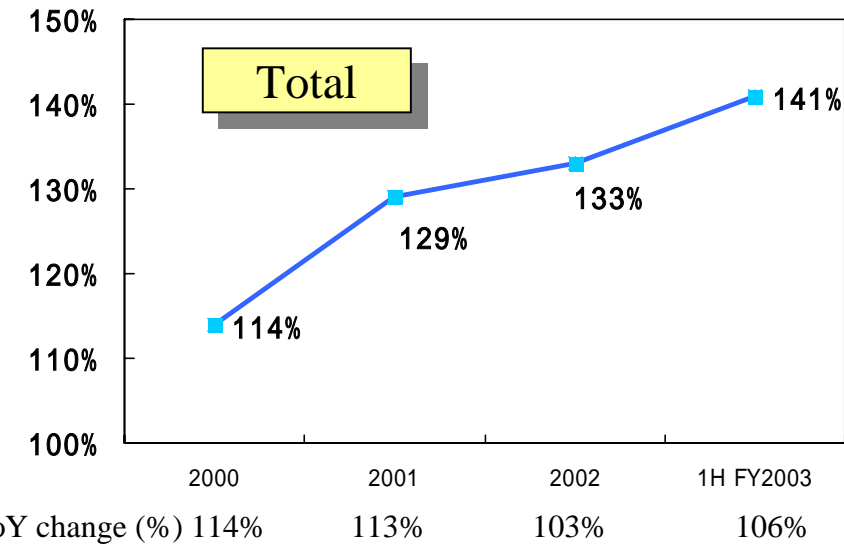


Share 67% (vs FY2002 65%)

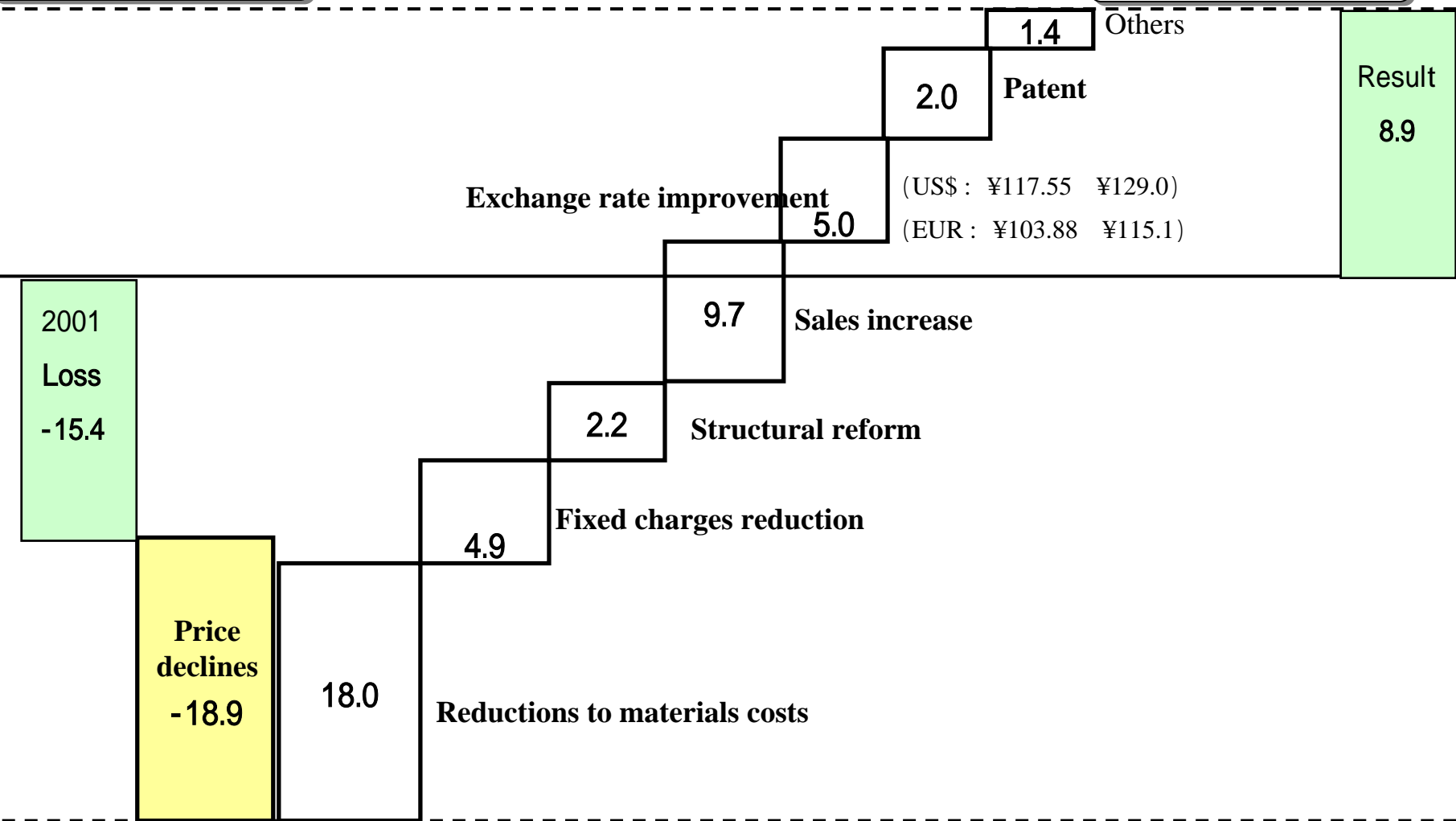
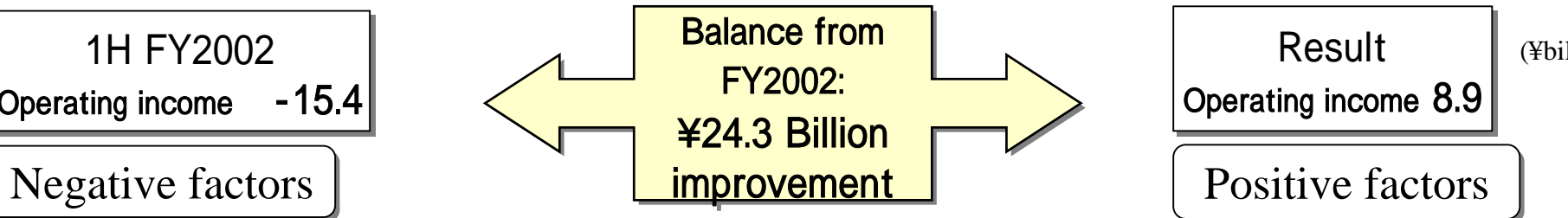
Exch..Rate	1H FY2003	2H FY2002
US \$	123	122
EUR	117	108

International Sales Growth: 1H FY2003

Scale: FY1999=100, local currency ba



Breakdown of Change in 1H Operating Income (vs 1H FY2002 results)



Operating Income by Segment

(¥bil.)

	Result	Plan	FY2002	Balance from Plan	Balance from FY2002
Consumer Electronics	10.9	4.4	-4.1	6.5	15.0
Industrial Electronics	-2.4	-2.2	-5.7	-0.2	3.3
Devices	0.0	0.2	-2.9	-0.2	2.9
Entertainment	0.6	2.2	-1.9	-1.6	2.5

Breakdown of Extraordinary Profits and Losses

(¥bil.)

	Result
Gain on portion of pension plan returned to government	3.46
Employment structural reform	-2.98
Business structural reform	-3.40
Structural reform	-6.38
Gains on sales of real estate	2.96
Valuation losses on holdings of marketable securities	-2.12
Others	-0.39
Total	-2.47

Trends in Assets

(¥bil.)

Gross Assets

211 days

194 days

191 days

535.3

513.4

522.2

Exch .Rate	2001/9	2002/3	2002/9
US \$	119	133	123
EUR	109	116	120

2001 Sep.

2002 Mar.

2002 Sep.

Inventory

60 days

48 days

47 days

153.0

112.4

126.1

85.8

128.2

92.3

Finished Products

40.6

40.3

35.9

Materials

2001 Sep.

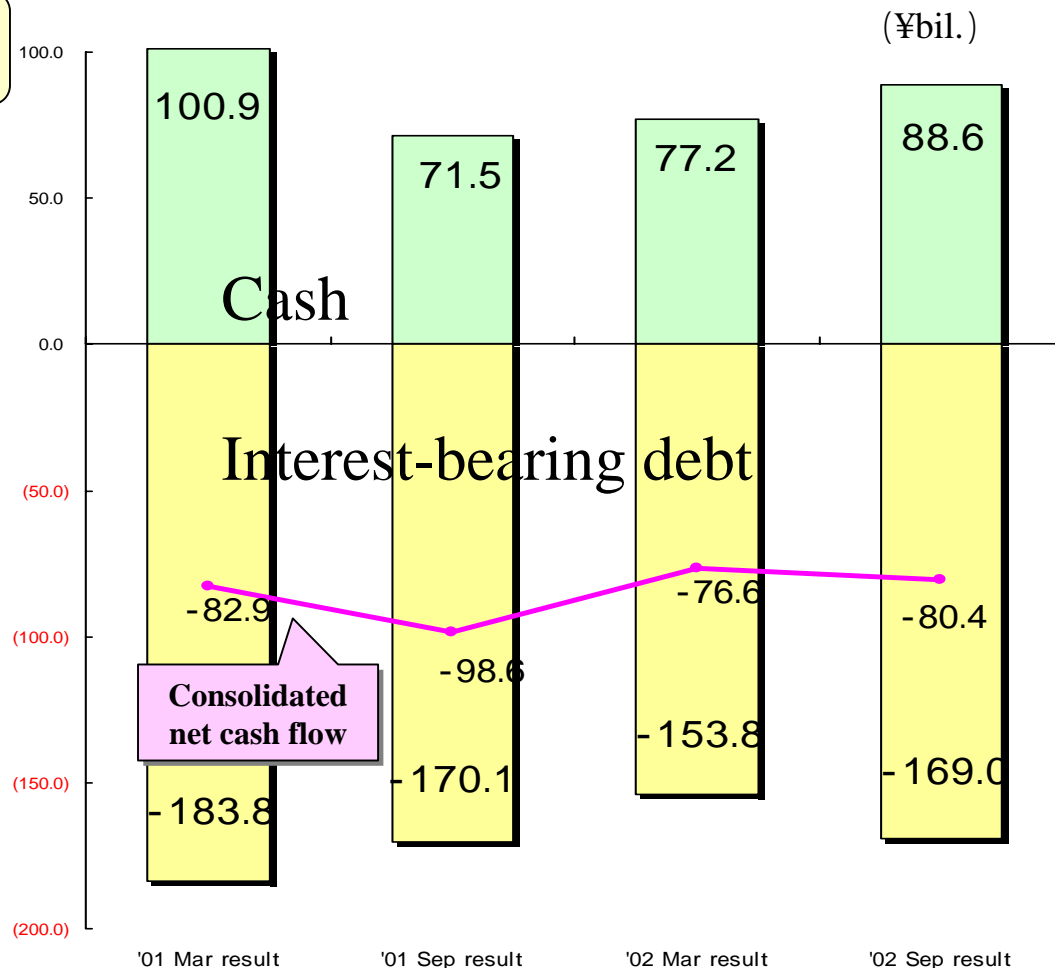
2002 Mar.

2002 Sep.

1H FY2003 Cash Flow

Cash Flow Statement (Consol.)

Pre-tax income	3.5
Depreciation	11.4
Operating cash flow	5.2
Inventory assets	-1.9
Employment structure reform	-20.1
Others	2.7
Net cash flow from operating activities	0.8
Capital assets	-8.5
Others	6.7
C/F from investing activities	-1.8
Free cash flow	-1.0
C/F from financing activities	17.1
Other adjustments	-1.9
Net increase in cash	14.2
Cash and cash equivalents at beginning of the year	69.3
Cash and cash equivalents at end of the	



	FY2002	1H FY2003	(¥bil.)
Investment	15.6	6.0	
Depreciation	28.0	12.0	

FY2003 Forecasts

< Consolidated >

(¥bil.)

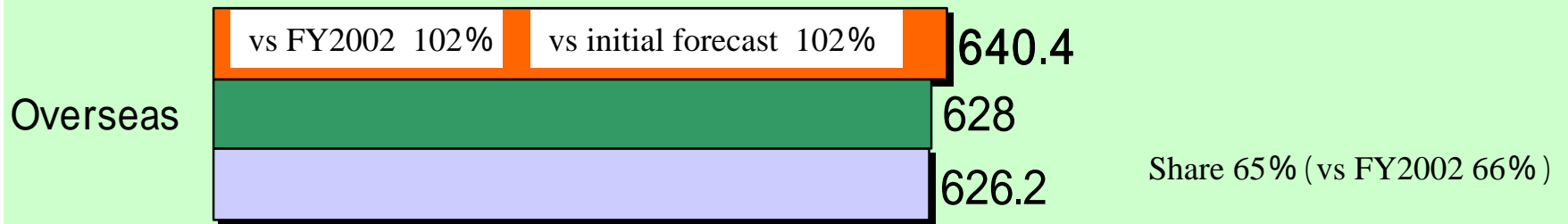
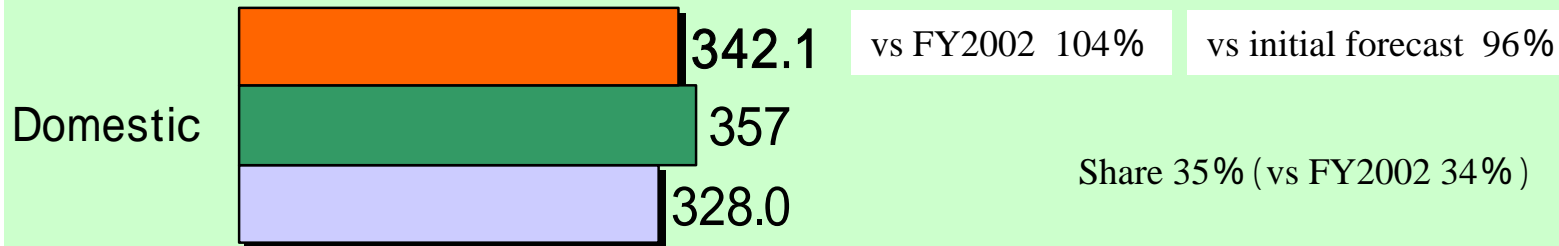
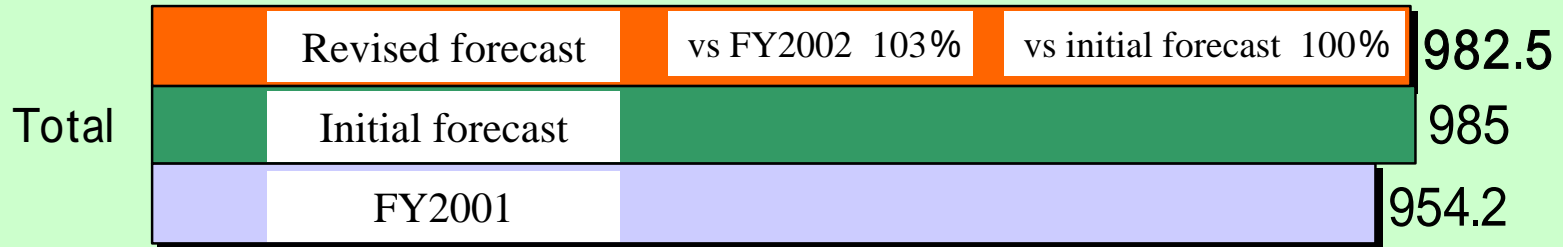
	Forecast	Initial forecast	Change vs initial forecast	Change vs FY2002	FY2002 results
Net sales	982.5	985.0	100%	103%	954.2
	2.0%	1.7%			-1.3%
Operating income	20.0	17.0	3.0	32.1	-12.1
	1.4%	1.1%			-1.6%
Ordinary income	14.0	11.0	3.0	29.6	-15.6
	0.6%	0.4%			-4.7%
Net income	6.0	4.4	1.6	50.6	-44.6

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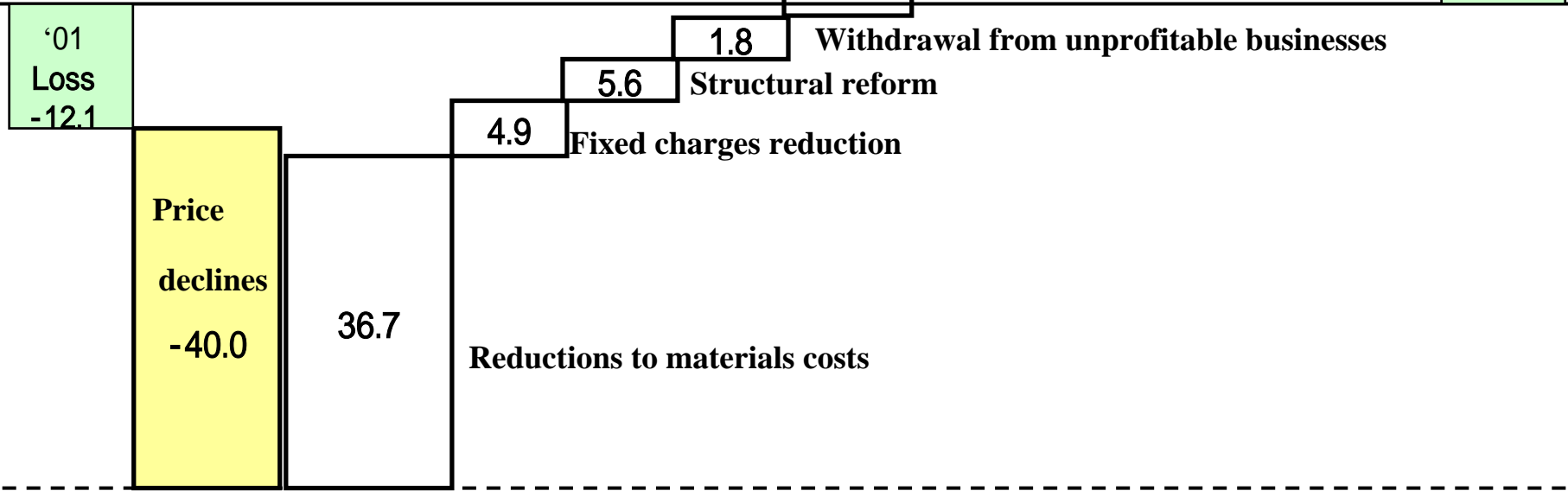
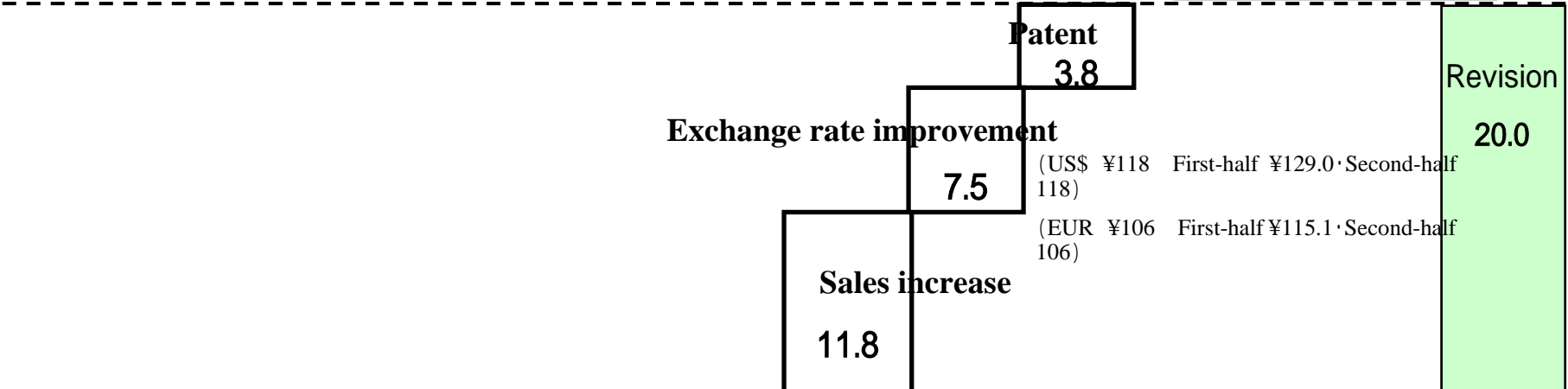
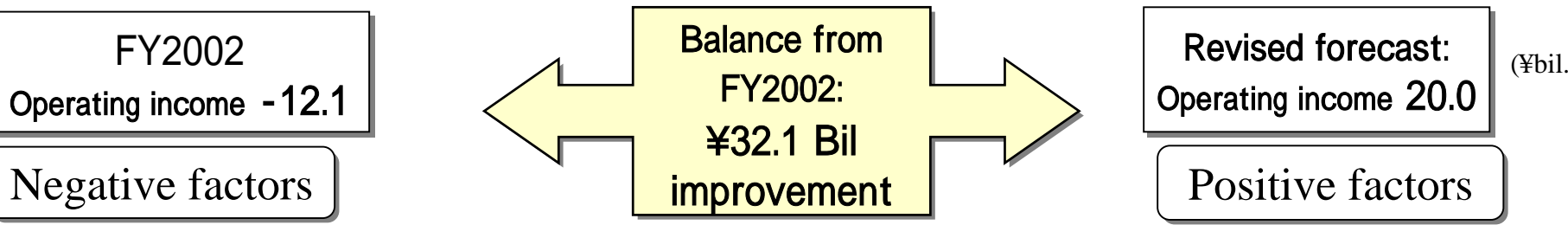
	Forecast	Initial forecast	Change vs initial forecast	Change vs FY2002	FY2002 results
Net sales	537.0	537.0	100%	107%	501.4
	1.4%	0.9%			-5.3%
Operating income	7.5	5.0	2.5	34.3	-26.8
	0.9%	0.5%			-5.1%
Ordinary income	5.0	2.6	2.4	30.8	-25.8
	0.6%	0.2%			-9.8%
Net income	3.0	0.9	2.1	52.0	-49.0

FY2003 Sales Forecasts

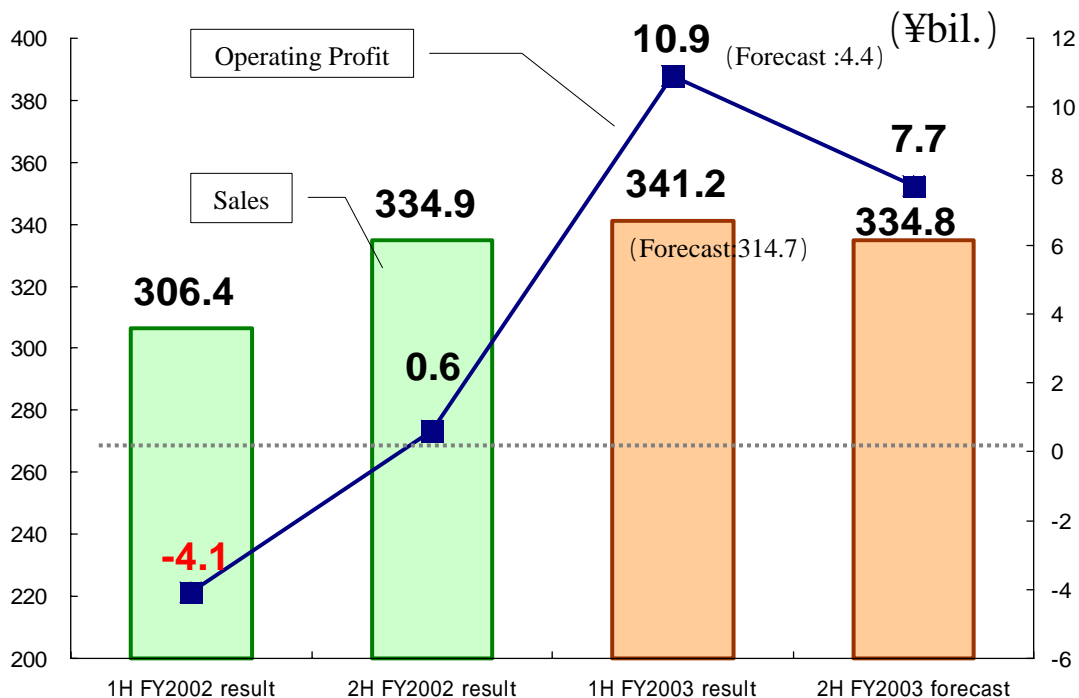
(¥bil.)



Breakdown of Projected Change in FY2003 Operating Income (vs FY2002 result)



Full Term Outlook for Consumer Electronics



1H FY2003 Sales

	Result	Forecast	% change vs forecast	vs FY2002
Domestic	57.0	58.9	97%	112%
Overseas	284.2	255.8	111%	111%
Total	341.2	314.7	108%	111%

(vs FY2002: Overseas based on local currency)

Domestic: Camcorder 110% · VCR 121% · TV 115%

Overseas: DVD 178% · VCR 123% · TV 122%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

[Positive factors]

- Sales increase
- Exchange rate improvement
- Reduction of fixed charges

[Negative factor]

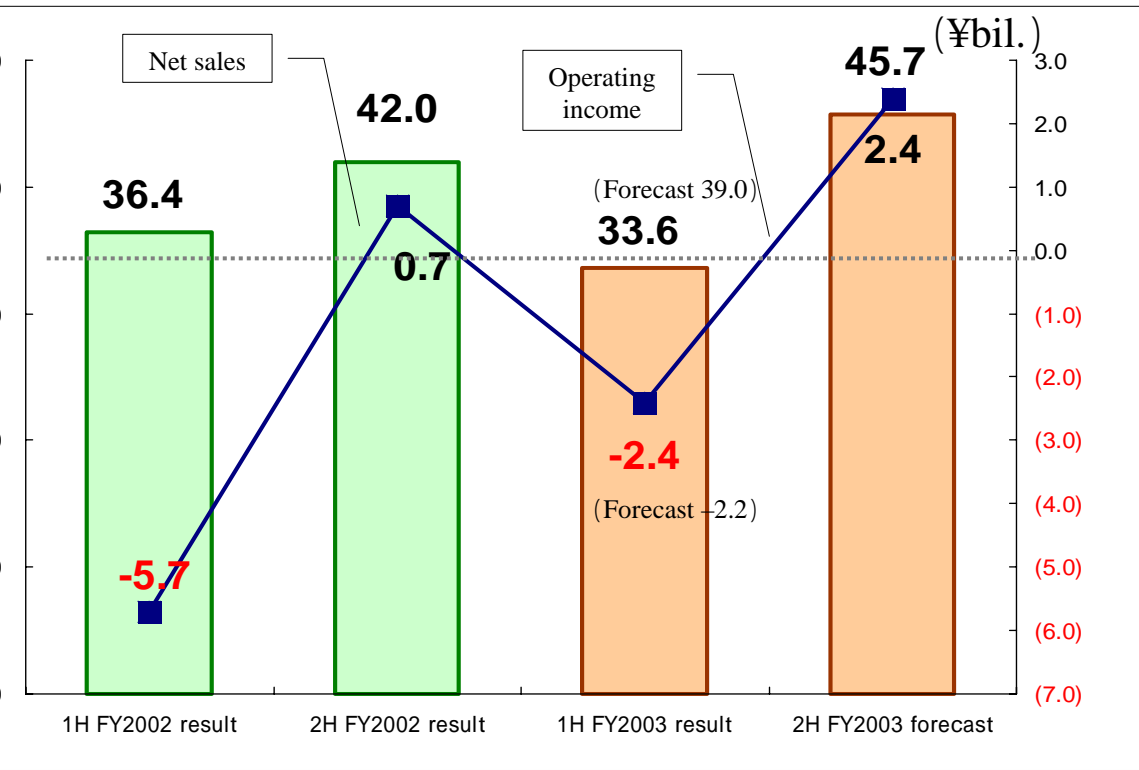
- Increase promotional costs to expand sales

Goals for 2H FY2003

- To expand sales of DVC camcorder, DVD and PDP
- To introduce products to commemorate our 75th anniversary
- To lower CoGS to profitable levels on new products
- To start process of realigning manufacturing facilities

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	676.0	657.0	641.3	103%	105%
Operating income	2.8% 18.6	1.7% 11.0	-0.5% -3.5	7.6	22.1

Full Term Outlook for Industrial Electronics



1H FY2003 Sales

	Result	Plan	Achievement	vs FY2002
Domestic	22.2	25.8	86%	91%
Overseas	11.4	13.2	86%	95%
Total	33.6	39.0	86%	92%

(vs FY2002: Overseas based on local currency)

Domestic: Security camera 90%

Overseas: ProDV 82%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

[Positive factors]

- **Exchange rate improvement**
- **Reduction of fixed charges**

[Negative factor]

- **Sales target not achieved**

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	79.3	85.3	78.4	93%	101%
Operating income	0.0	0.5	-5.0	-0.5	5.0

Goals for 2H FY2003

• To lock in sales

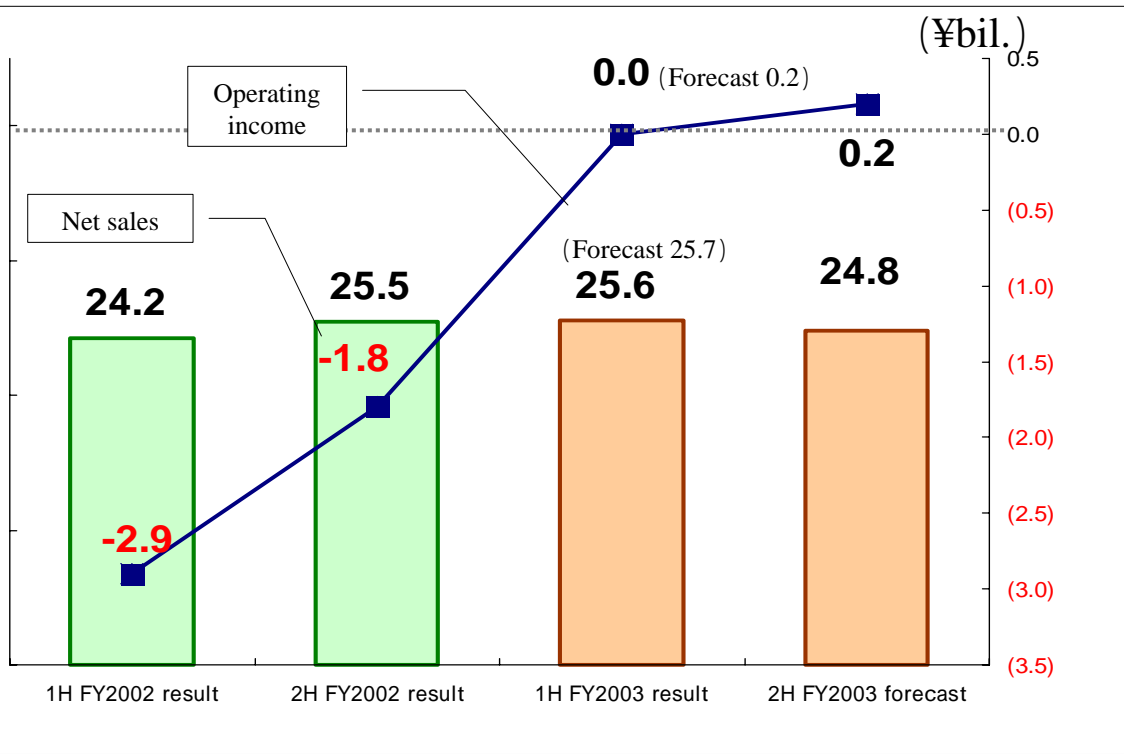
Introduction of products commemorating 75th anniversary

Expand sales of security products

Expand sales of professional DV camcorders

• To launch D-ILA in the market

Full Term Outlook for Devices



1H FY2003 Sales

	Result	Forecast	% change vs forecast	vs FY2002
Domestic	1.9	1.7	112%	59%
Overseas	23.7	24.0	99%	113%
Total	25.6	25.7	100%	106%

(vs FY2002)

FDD motor117% · HDD motor115% · Deflection yokes102%

Optical pickup104% · VIL PCB 86%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

[Positive factor]

- **Exchange rate improvement**

[Negative factors]

- **Sales target not achieved**
- **Delays in structural reform**

Goals for 2H FY2003

- **To secure sales**

Increase share of business with major customers

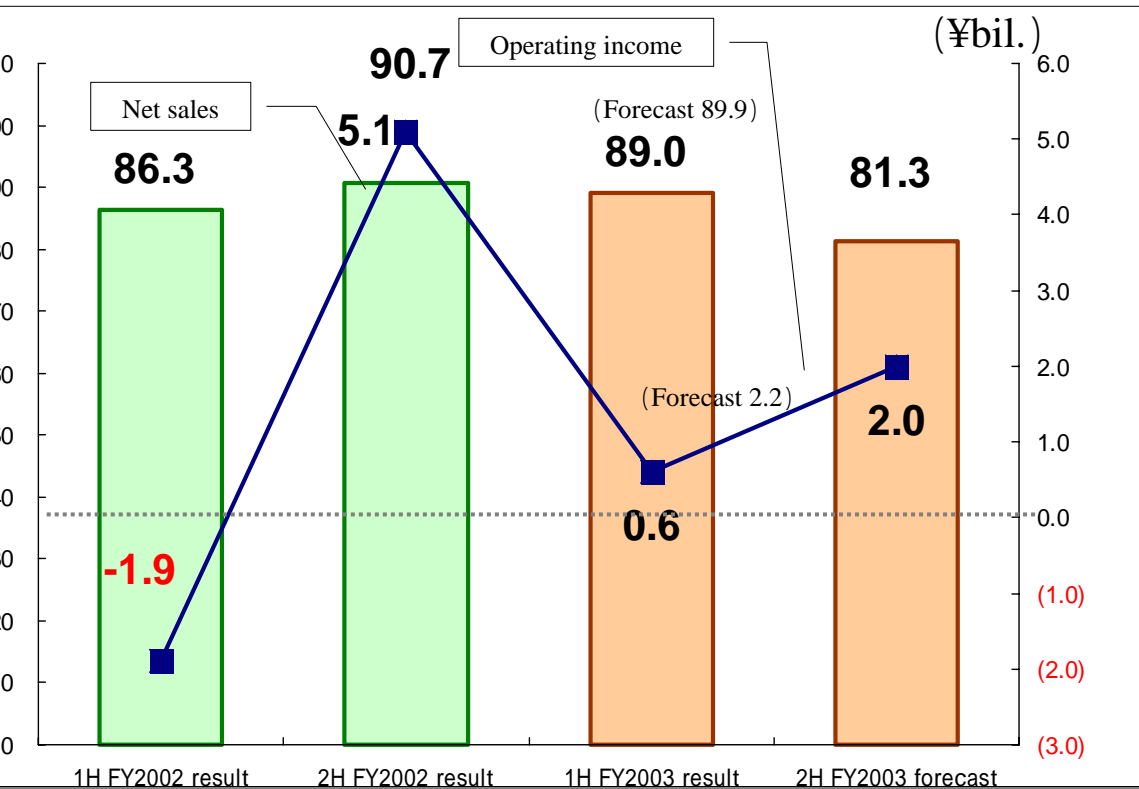
Win business with new customers

Measures to strengthen sales organization

- **Completion of reforms to business structure**

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	50.4	53.6	49.7	94%	101%
Operating income	0.4%	3.5%	-9.5%	-1.7	4.9

Full Term Outlook for Entertainment



1H FY2003 Sales

	Result	Plan	Achievement	vs FY2002
Domestic	79.5	80.4	99%	105%
Overseas	9.5	9.5	100%	91%
Total	89.0	89.9	99%	103%

Music business growth vs FY2002 : 85%

Positive/Negative factors on OP in 1H FY2003 (vs forecasts)

【 Positive factors 】

- **Achieved sales target in recording media**
- **Reduction of fixed charges**

【 Negative factors 】

- **Production lags in music software, decline in sales volume**
- **Price declines**
- **Deterioration in product mix**

Goals for 2H FY2003

- **Continued release of hit songs**
e.g, new album by Yusuke Kuwata
- **Measures to respond to falling prices**
 - DVC tape · DVD RW
- **Expand sales of recording media**
Expansion of sales channels

	FY2003 forecast	FY2003 initial forecast	FY2002 result	vs initial forecast	vs FY2002
Net sales	170.3	175.7	177.0	97%	96%
Operating income	1.5%	3.0%	1.8%	-2.6	-0.6
	2.6	5.2	3.2		