

Fiscal 2004 First Quarter Business Results

July 29, 2003

Victor Company of Japan, Ltd.

1. Operating income increase (profitability at net income level)

Profitability improvement Breakeven point lowering by 10% vs 1Q FY03

2. Improvement of Software & Media business

Profitability at operating income level (¥0.6bil. at 1Q FY04 ← ¥-0.8bil. at 1Q FY03)

3. Difficulty in Consumer Electronics business

87% vs 1Q FY03, 84% in Japan and 81% in America

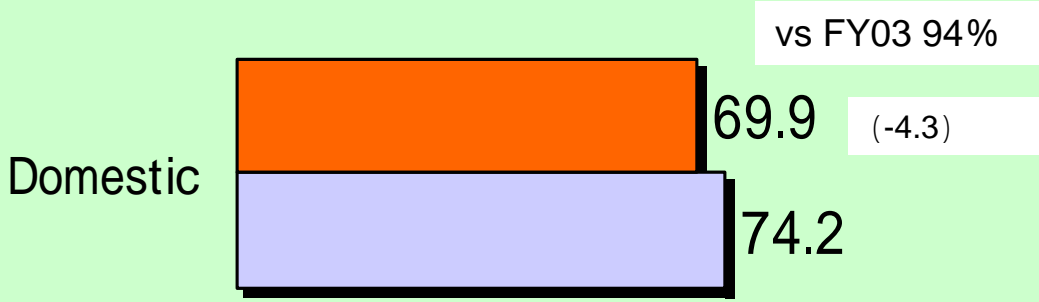
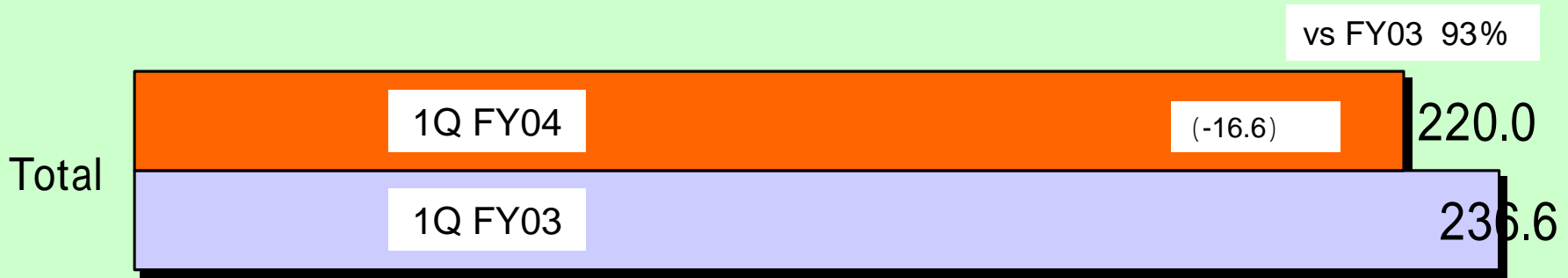
(¥bil.)

	1Q FY04	1Q FY03	vs 1Q FY03
Net sales	220.0	236.6	93%
Operating income	1.1% 2.5	0.7% 1.7	0.8
Ordinary income	0.5% 1.2	0.0% 0.1	1.1
Net income	0.0% 0.1	-0.8% (1.8)	1.9

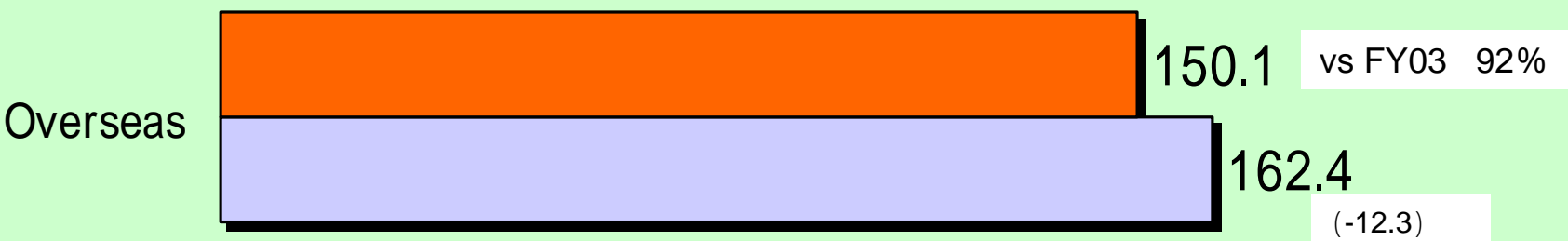
* The amount of FY03 is a reference value.

Sales Breakdown

(¥bil.)



Exch. rate	FY04	FY03
US \$	118.5	127.0
EUR	134.7	116.6



[Major factors]

Japan	84%
America	81%
Europe	96%
Asia	95%

America, Europe, Asia: Local currency basis

• **Acceleration of digitalization**

- Slow sales of VHS decks, VHS-C camcorders worldwide and CTV in the US
- Concentration of new products release in 2Q

• **Increase of low price products**

- Strong competition in DVC

• **Worldwide recession**

- Influence from Iraq war and SARS

• **Reaction against W.CUP 02**

- Sales down in Japan, Korea and Europe

Breakdown of Change in Operating Income

(vs 1Q FY03)

(¥bil.)

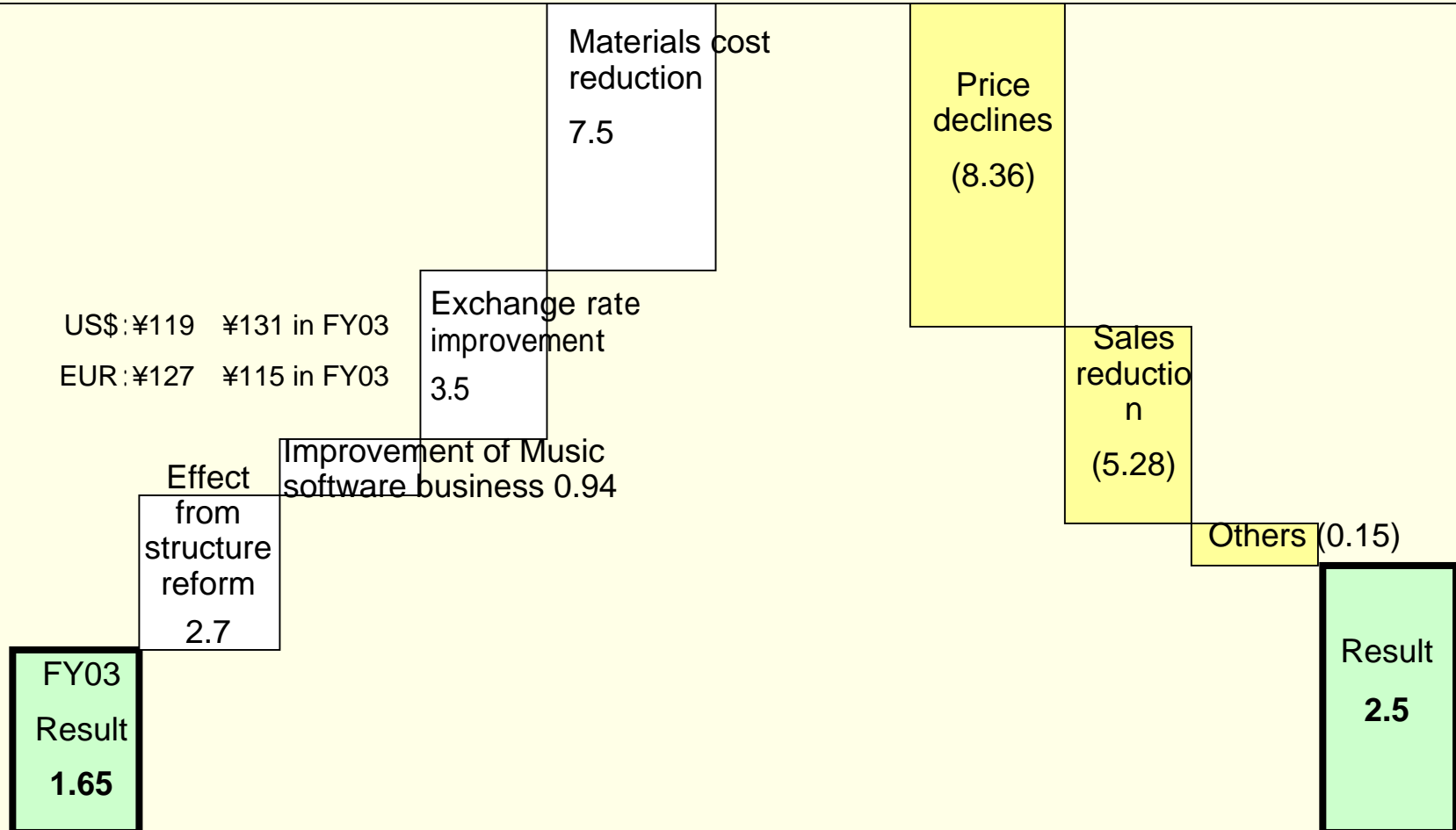
FY03
Operating income 1.65

Positive factors

Balance from FY03:
¥0.85 bil. of improvement

FY04
Operating income 2.5

Negative factors



Net Sales and Operating Income by Segment

(¥bil)

	Net sales			Operating income		
	FY04	FY03	vs FY03	FY04	FY03	vs FY03
Consumer Electronics	148.8	170.9	87%	4.1	5.5	(1.4)
Professional Electronics	15.3	15.2	101%	(1.8)	(2.2)	0.4
Components & Devices	19.0	13.6	140%	(0.3)	(0.2)	(0.1)
Software & Media	36.0	35.3	102%	0.6	(0.8)	1.4

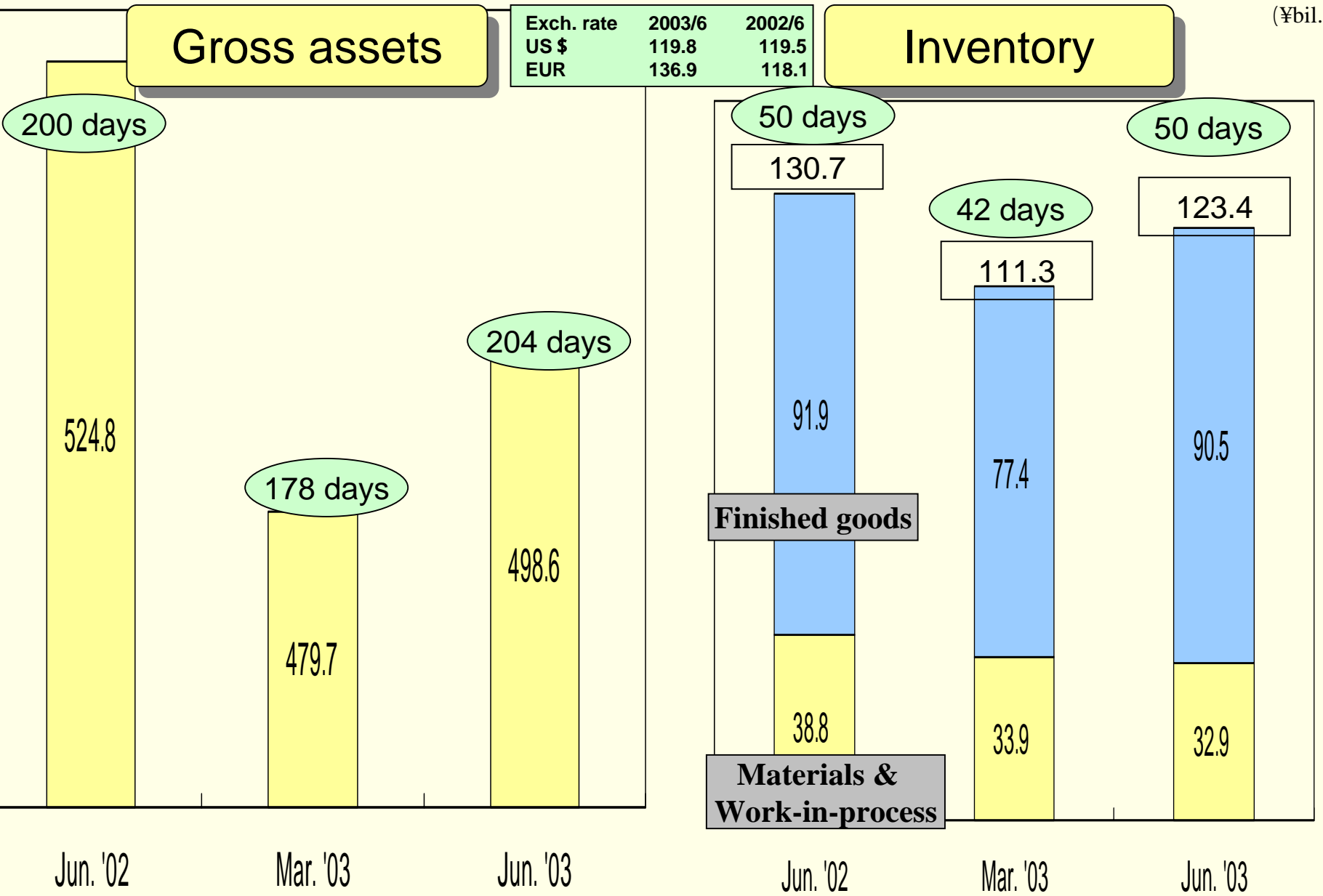
Trends in Assets

(¥bil.)

Gross assets

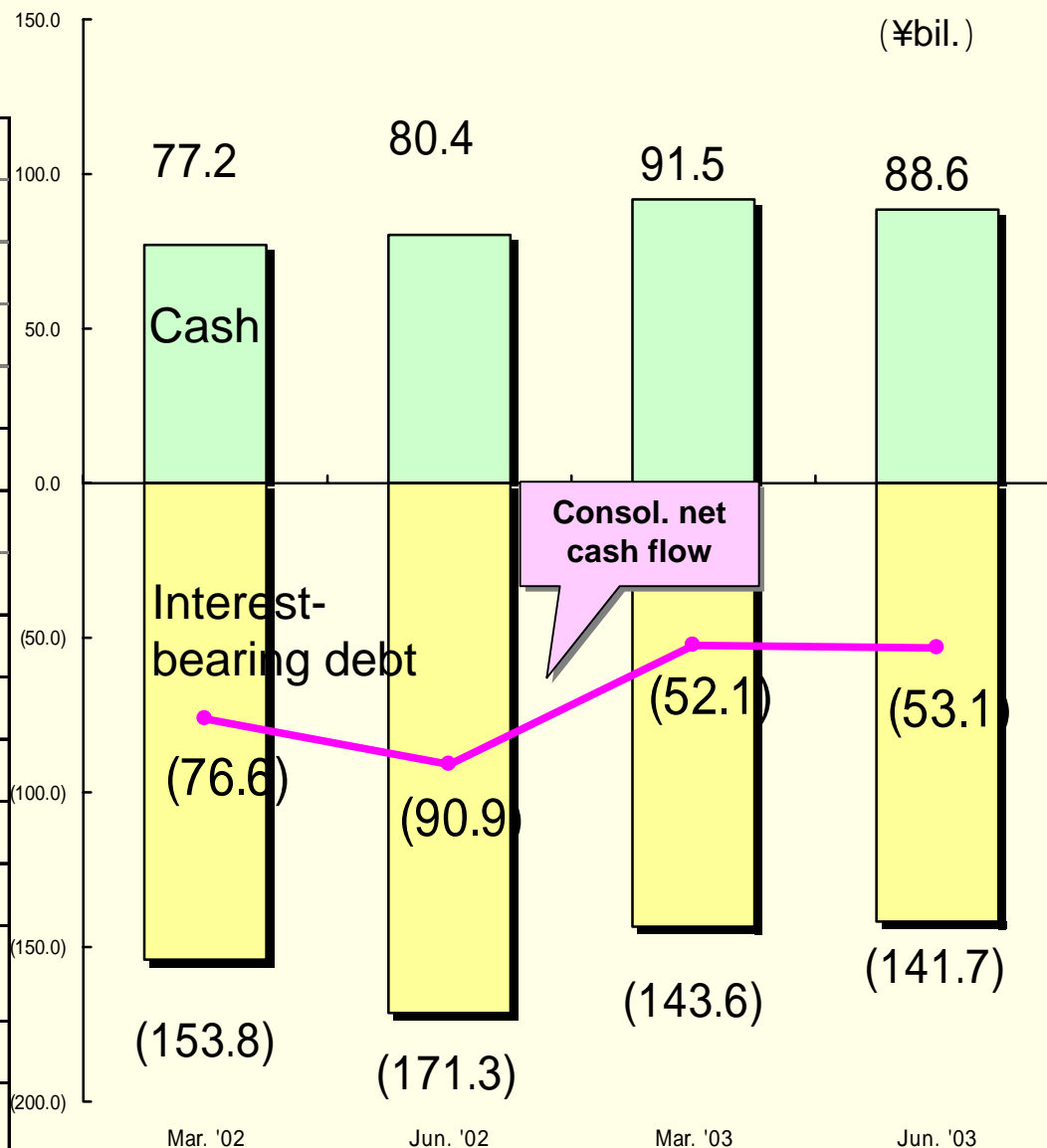
Exch. rate	2003/6	2002/6
US \$	119.8	119.5
EUR	136.9	118.1

Inventory



Cash flow statement (consol.)

Pre-tax income	1.2
Depreciation	4.7
Operating cash flow	10.1
Inventory assets	(10.6)
Others	(1.6)
C/F from operating activities	3.8
Capital assets	(4.7)
Others	0.5
C/F from investing activities	(4.2)
Free cash flow	(0.4)
C/F from financing activities	(2.7)
Other adjustments	(0.6)
Net increase in cash	(3.7)
Cash and cash equivalent at beginning of the year	83.4
New consolidation	0.9
Cash and cash equivalents as of Jun. 30	80.6



Sales

Rollback of Consumer Electronic business

Domestic : Expanding sales by new products (PDP, LCD, DVD recorder, DVC)

Overseas : Maintaining sales in America by expanding sales at regional mass merchant and by reinforcing sales strategy of high value-added display products

Operating Structure

Further improvement of profitability

Reinforcement of cost reduction activity (procurement costs reduction · design/value engineering)

Acceleration of manufacturing reform (improvement of productivity and yield rate)

Reduction of fixed costs (revision of purchasing unit cost)

Capital

Total assets squeezing

Reduction of overseas inventory by promoting retail sales

Increase of net cash and reduction of interest-bearing debt

Forecast:same as announced on Apr. 25

(¥bil.)

< 1H >

	Forecast	Apr. 25 forecast	Change vs Apr.25 forecast	Change vs FY03	FY03
Net sales	490.0	490.0	100%	99%	492.5
Operating income	1.8% 9.0	9.0	0.0	0.1	1.8% 8.9
Ordinary income	1.4% 6.8	1.4% 6.8	0.0	0.8	1.2% 6.0
Net income	0.6% 3.0	0.6% 3.0	0.0	1.6	0.3% 1.4

< Full year >

Net sales	1,000.0	1,000.0	100%	103%	967.6
Operating income	2.5% 25.0	2.5% 25.0	0.0	2.7	2.3% 22.3
Ordinary income	2.0% 20.0	2.0% 20.0	0.0	2.7	1.8% 17.3
Net income	1.1% 11.0	1.1% 11.0	0.0	4.7	0.7% 6.3