VICTOR COMPANY OF JAPAN, LIMITED

THE BIG PICTURE | ANNUAL REPORT 2002

YEAR ENDED MARCH 31, 2002

Cautionary Note: Forward-Looking Statements

When included in this annual report, the words "will," "should," "expects," "intends," "anticipates," "estimates," and similar expressions, among others, identify forward-looking statements. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. These forward-looking statements are made only as of the date of this annual report. The Company expressly disclaims any obligations or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

FINANCIAL HIGHLIGHTS

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
For the year:				
Net sales	**¥954,172**	¥934,350	¥870,235	**$7,174,226**
Overseas	**626,209**	567,977	545,316	**4,708,338**
Domestic	**327,963**	366,373	324,919	**2,465,888**
Net income (loss)	**(44,572)**	2,498	(5,341)	**(335,128)**
Capital expenditures	**21,175**	31,127	24,336	**159,211**
Depreciation and amortization	**28,000**	28,085	28,590	**210,526**
At year-end:				
Stockholders' equity	**¥146,246**	¥180,515	¥199,164	**$1,099,594**
Total assets	**513,365**	586,628	540,359	**3,859,887**
	Yen			U.S. Dollars (Note 1)
Per share:				
Net income (loss)	**¥(175.3)**	¥9.8	¥(21.0)	**$(1.32)**
Cash dividends (Note 2)	**—**	3.0	—	**—**

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥133 to U.S.$1, the approximate rate prevailing on March 31, 2002.
2. Cash dividends represent amounts applicable to respective years.

CONTENTS

TO OUR CUSTOMERS, EMPLOYEES AND STOCKHOLDERS

A NEW GROWTH STRATEGY

Fiscal 2002, ended March 31, 2002 was a good year for JVC in Europe and Asia. Double-digit growth in these markets helped lift consolidated net sales 2.1% year on year, to ¥954.2 billion (US$7,174 million). However, this impressive performance was overshadowed by the effects of the persistent slump and declining selling prices in the Japanese market. Mainly because of weakness in Japan, we recorded an operating loss of ¥12.1 billion (US$91 million). After several one-time charges, we had a net loss of ¥44.6 billion (US$335 million).

Masahiko Terada, President

After being appointed president of Victor Company of Japan, Limited (JVC) in June 2001, my first priority was to bolster the company's financial footing by correcting our over-reliance on using inventories to generate profit. I also concluded that realigning our growth strategy to effectively allocate resources to businesses that highlight JVC's core competence would be vital in turning round the company. JVC's management team was therefore entrusted to focus on our wealth of high-quality audio and visual technologies while rebuilding the financial structure, growth strategy and organizational framework of the company from scratch. During the year, we took a number of bold steps to establish a sound base for our long-term development. We reduced the company's total assets by ¥73.3 billion. This improvement was primarily achieved by reducing inventories ¥29.3 billion, cutting interest-bearing debt ¥30.0 billion, achieved by using Group funds more effectively, and reducing fixed assets ¥12.0 billion. Inventories fell from ¥155.3 billion at the end of the previous fiscal year, to ¥126.1 billion at the end of fiscal 2002. Inventory turnover also showed a marked improvement, falling from 60 days to 48 days. Meanwhile, reserves for the cost of business restructuring to be carried out during fiscal 2003 were set aside, laying the foundation for a V-shaped recovery in the company's results.

The numerous reforms we implemented during the past year were painful, but crucial for the revival of JVC. They are already breathing new life into our company. I am confident that last year's reforms will ultimately draw out the unlimited potential inherent in our technologies and people.

BUILDING A CORPORATE STRUCTURE RESILIENT TO MARKET CHANGE

Despite progress in strengthening our balance sheet during the year, the company still has to address a number of fundamental issues. On an operating level we were still in the red. Furthermore, our three-year plan, which we rolled out in April 2001, "Value Creation 21," faces some hard realities that we must tackle.

AN INNOVATIVE SPIRIT

Our powerful lineup of proprietary technology lies at the heart of our competitiveness. This technology is supporting our efforts to develop market-leading products as we strive to realize an earnings recovery in our Consumer electronics business.

▶ See page 08 for more

The major factor behind our operating loss was the continued decline in selling prices. In response, we are taking initiatives to significantly lower the company's breakeven point. The aim is to create a resilient corporate structure capable of absorbing further declines in selling prices while generating profits. We have already taken a number of steps toward achieving a non-consolidated breakeven point of ¥500 billion in sales by fiscal 2003. These steps included realigning our manufacturing facilities in conjunction with a review of unprofitable businesses, including withdrawal from the magnetic head business. We have also reduced the number of our facilities, from 37 at the end of fiscal 2001 to 30 by the end of fiscal 2002, and our domestic workforce from 9,969 to 9,399 during the same time frame. These initiatives helped the company to generate operating income in the second half of the year. In the current year there will be more of the same, as we strive to create a highly cost-competitive corporate structure. The workforce will be pared back further to 8,200 through an early retirement program, and we will target a 20% reduction in procurement costs by focusing on Value Engineering (VE) at the design stage.

CHANGING CORPORATE CULTURE: CHANGING JVC

At JVC we face another critical issue: how to create a corporate culture that binds together our entire organization so we can effectively implement our growth strategy. Past JVC growth strategies have not stood the test of being applied in core business processes, such as product development, manufacturing or in the sales frontline. The result was a lack of focus on factors that really mattered to the big picture—keeping a tight reign on inventory levels, developing products that consumers really want and maximizing earnings. Put simply, organizations within the company weren't strong enough to support strategy implementation. This resulted in a negative mindset. Our people were convinced that there was no panacea for the company's problems, no matter how hard they worked. Motivating our people is therefore vital, by convincing them that their actions directly affect the profitability of JVC.

MARKET PRESENCE

Over the years, we have built a formidable presence in the global market. Based on this foundation, we are aiming to establish a new position in the market as a company known for consistently creating market-leading products.

▶ See page12 for more

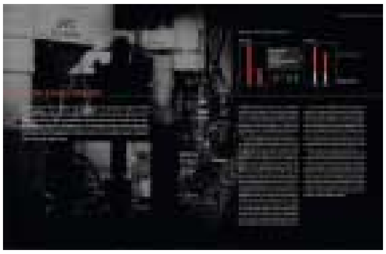
Organizations aren't changed by management alone. This process can begin only after the entire workforce is made aware of the issues so that everyone can work together to bring about change. The first step at JVC was to ascertain employee thinking. With this in mind, I established a taskforce in November 2001 to identify and discuss with our employees the main cross-functional issues facing JVC: redefining our corporate culture; restructuring our business portfolio; originating new products; creating new businesses; implementing marketing reforms; and modifying procurement processes. This taskforce is helping to bring about a sea change at JVC, transforming mere words into real commitment among our workforce to enact change. The clearest benefit of this approach is that both the management team and the employees are now working together to establish a new JVC corporate culture.

SHIFTS IN RETAILING: A NEW OPPORTUNITY FOR JVC

The onus is now on JVC to formulate a clear growth strategy to drive a recovery in earnings. A change of tack is needed. We are discarding our existing approach of attempting to compete across all product categories. Instead, we are aiming to capture a greater share of the high-end market with value-added products that are more resilient to price competition, thereby improving our margins and generating stronger earnings. I believe the paradigm shift currently underway in the Japanese retailing industry provides the perfect opportunity for our new approach.

In Japan, one of the main reasons for JVC's declining earnings is the intense competition driving down prices. This trend is also affecting the performance of large-scale domestic retailers. Many of these retailers are facing difficulties as weak consumer demand and falling prices have prevented chain store expansion programs from meeting sales targets. To avoid insolvency, they are now being forced to merge with rivals and shift from products that generate low returns to selling high-value-added products.

At JVC, we are seeking to take advantage of this shift by paring back our product lines and channeling our resources into key products that fully leverage the value of the JVC brand. In fact, we are forging



NEW CHALLENGES

To achieve the goals in our three-year plan, we are striving to lower our breakeven point in sales and generate stronger cash flows by strengthening our operating structure and working to launch products more rapidly.

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alliances with retailers to effectively tie in our new strategy with their new retailing stance. One example of this collaboration is a deal with a leading electronics retailer to hold Digital Advisor Seminars at their stores. At these seminars, experienced JVC engineers are on hand to provide technical assistance to customers who are increasingly confused by the growing complexity of digital products. The thinking behind this approach is simple: the success of the seminars allows us to select the best in-store position for our products, enhances the visibility of the JVC brand and gives us access to customer feedback that can be used to develop future products.

REVIVING THE JVC BRAND THROUGH KEY PRODUCTS

I've already commented above about the new role for JVC's key products. But what do I mean when I talk about key products that better demonstrate JVC brand value? In short, products that incorporate our market-leading audio and visual technology. Hardware, software, systems and service businesses are merging into one, as society becomes increasingly wired into networks. JVC's growth strategy is designed to take advantage of this trend by transforming our audio and video hardware, renowned for their quality, into value-added components that empower the user by enhancing network connectivity. Connecting our devices to networks will also open the door to other elements of the JVC value chain, allowing us to fully maximize our software and media property. Consumers are constantly looking for the next superior level of sound and picture quality; they have an insatiable desire to experience new forms of audio and visual entertainment. I am convinced that responding to these needs by offering innovative and exciting entertainment will translate into increasing demand for our key products. Enhancing connectivity will also lend added value to JVC products in our three priority business areas—high-definition displays, networkable AV systems and digital high-density storage. This approach will be reinforced in other areas of JVC—strengthening our core components business and augmenting the value chain in the software and media business—to ultimately generate new corporate value.

JVC has great potential: high market visibility and a global market presence; outstanding development capabilities in digital audio and visual technology; and a team of engineers able to develop products that offer consumers unrivaled entertainment value. Drawing out these strengths is up to us—management and employees—and is vital to reviving JVC as a company capable of taking on the competition and winning. In fiscal 2003, a crucial year for the transformation of JVC, this theme will be foremost in our minds as we work together to put the company on the path to recovery.

August 2002

M. Terada

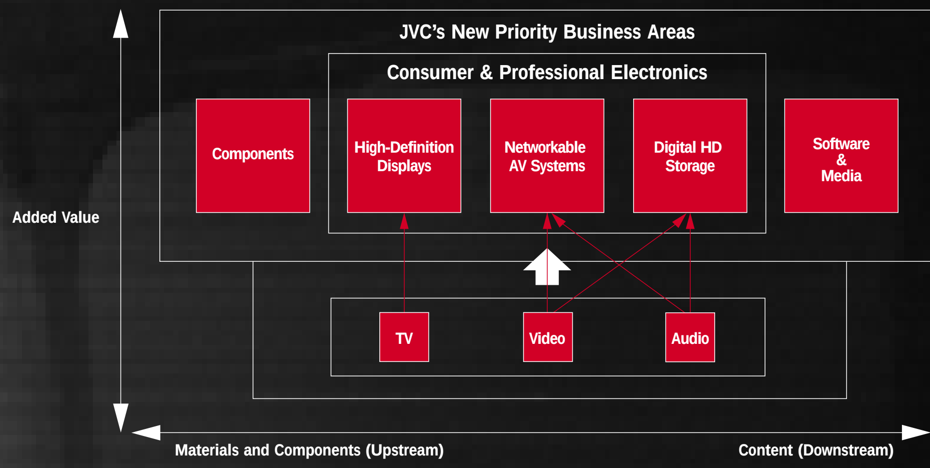
Masahiko Terada
President


JVC VIDEO LENS
JVC CLOSE UP
JVC
MEGA
PIXEL

AN INNOVATIVE SPIRIT

JVC has created a powerful lineup of proprietary technology, from image compression and high-density recording technologies to miniature, high-precision mechatronics. This wealth of electronic expertise lies at the heart of our competitiveness and supports our efforts to develop market-leading products. We are now using these core technologies to drive an earnings recovery in our Consumer electronics business.

STRENGTHENING PRIORITY BUSINESS AREAS



At JVC, product development is based on one fundamental concept—achieving superiority in the industry by creating original, high-quality products. This underpins our new strategy for growth in our audiovisual (AV) business. Here, we are paring back product lines to focus on our key, market-leading products. In the AV business, this means creating networkable AV systems by enhancing the network connectivity of our key technologies—high-definition displays that incorporate Digital Image Scaling Technology (DIST); DVD audio and video recorders; digital high-density storage systems such as D-VHS and video disk recorders/players (VDRs); DV camcorders; and car AV systems.

High-definition DIST display products performed well during fiscal 2002. DIST vastly improves picture quality by increasing the number of screen scan lines to convert a wide range of television broadcast signals into high-definition images. To further differentiate JVC products in this segment, we also incorporated proprietary color management technology developed during the analog era. This is helping to maintain our momentum in the market, where shipments of our cathode ray tube (CRT) TVs and Plasma Display Panels (PDPs), which use DIST, are well ahead of our initial targets.

In storage technology, another priority field in our growth strategy, we are leveraging our brand power in VHS and CD products and converting existing manufacturing facilities to supply new-generation products. This will help us to capture a larger share of the emerging home-use digital high-density storage market. Success in this area is allowing us to begin fundamental research into next-generation products, such as Blue-ray storage media.

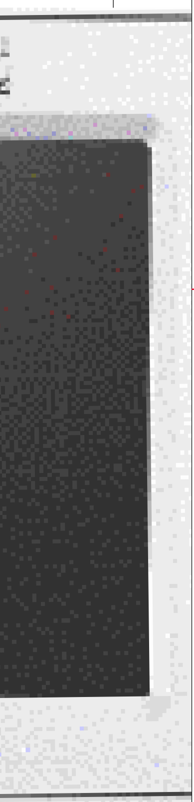
We are adding value to networkable AV systems by increasing network connectivity. This entails transforming our mobile AV products, such as DV camcorders, into network devices and enhancing connectivity with high-definition display products and high-density storage devices. In this way, we are transforming these products from simple AV devices into network compatible AV products.

Fiscal 2003 marks the 75th anniversary of the founding of JVC. In this landmark year, we will develop a new range of products in the above three priority fields. Our goal is to step up the pace of product launches and increase the variations of existing models by 50%.

High-Band Digital Video (DV) Camcorder

GR-DVP7

JVC DV Camcorders are market leaders. The GR-DVP7 is a case in point—with its ultra-compact, flat-surface design, it is as stylish as it is powerful. Megapixel CCD and a Super High-Band Processor ensure this elegant camera delivers rich, true-to-life images with extra-high resolution.



42-inch (106-cm) Wide Plasma Display TV

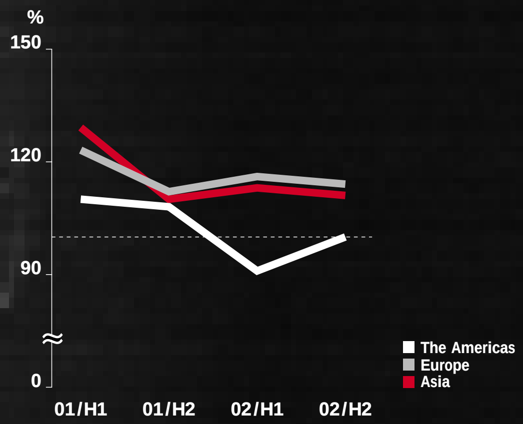
AV42PD20

The slim, floor-standing design of the AV42PD20 boasts a depth of only 19.9 cm (without pedestal), allowing users to position the unit almost anywhere.
High-definition picture quality and a theatre-like audio experience generated by the latest 3D Sound System are driving strong overseas sales of the AV42PD20.

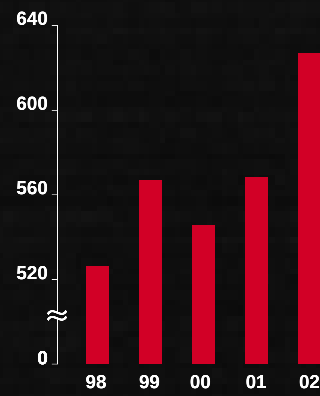
MARKET PRESENCE

Over the years, JVC has built up a formidable presence in the global market. This has been achieved through incremental enhancements to marketing and product development capabilities that have helped us to win impressive regional market shares. As we drive forward our strategy for growth, we aim to establish a new position in the market as a company known for consistently creating market-leading products.

JVC NET SALES GROWTH
(On a Local Currency Basis)



OVERSEAS NET SALES
(Billions of yen)



JVC's market share and growing earnings worldwide testify to our powerful market presence. During fiscal 2001 and 2002, our sales growth in regional markets outside Japan, on a local currency basis, was greater than any of our rivals. JVC was particularly strong in Europe and Asia, with double-digit growth in both these markets over the past two fiscal years.

Europe was a success story for JVC during fiscal 2002, helping to boost overall company performance. On a local currency basis, three product categories recorded significant year-on-year increases in sales: 211% for DVD audio and video recorders, 31% for TVs and 25% for DV camcorders. In the European market, cost is not the main consideration for many consumers. We are therefore developing a lineup of high-end products that offer superior sound and picture quality. In fact, the strongest market for our range of the world's smallest, ultra-compact DV camcorders is Europe, where the JVC brand has high market visibility. Our market-leading products have also gained official recognition. In 2001, JVC received awards from the European Imaging and Sound Association (EISA) in three product categories—DV Camcorders, Compact Component Systems and Home Theater Systems.

In Asia, meanwhile, we are going from strength to strength. We continued to withdraw from low-end product segments and established a new R&D center in China to develop products that more closely match the needs of Asian consumers. Our success in growing sales in the Chinese market was built on increasing JVC brand visibility and strong demand for high-performance products, such as DVDs and DV camcorders, which recorded sales increases of 248% and 152%, respectively.

Looking ahead, we will work to win recognition in the global market as a maker of high-end electronic products. Leveraging our powerful market presence and focusing on the three priority fields in our growth strategy—high-definition displays, digital high-density storage devices and networkable AV systems—will be key to attaining this objective.

Compact Component Systems

VS-DT2000R

The VS-DT2000R is a slim, stylish, layout-free audio system framed by a pair of Direct-Drive Pole Speakers. The design gives the option to lie the system flat, stand it upright or even hang it on the wall, while the ultra-thin, high-polymer diaphragms in the full-range speakers offer the ultimate listening experience wherever you sit in the room.

High-Band Digital Video (DV) Camcorder

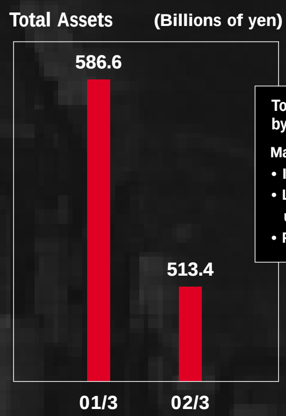
GR-DV3000

The GR-DV3000, on sale in major international markets, incorporates a newly developed F1.2 aspherical lens. This allows the camera to gather twice the light of a conventional F1.8 lens and gives the user the ability to produce high-quality videos and superior digital stills. A USB interface provides the gateway to a world of network and computer connectivity.

NEW CHALLENGES

Our three-year "Value Creation 21" plan targets an operating margin of 3.9% and improved capital cost management (CCM). To achieve these goals by fiscal 2004, we need to lower our breakeven point and generate stronger cash flow. Achieving this requires strengthening our operating structure and reorganizing our supply chain management (SCM) so that we can rapidly launch products that consumers really want.

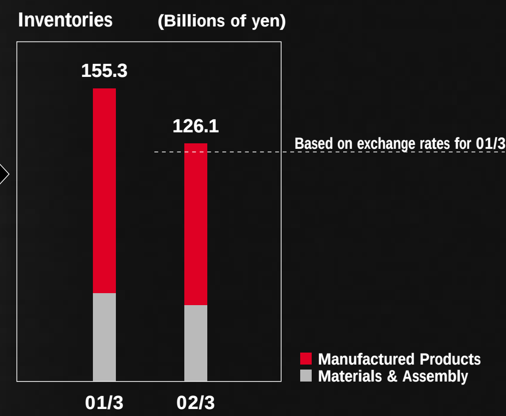
REDUCING TOTAL ASSETS



Total assets reduced by ¥73.3 billion

Major reductions
- Inventories
- Loan repayments though effective use of Group funds
- Fixed assets

Yen Exchange Rate	01/3	02/3
US$	124	133
EUR	109	116

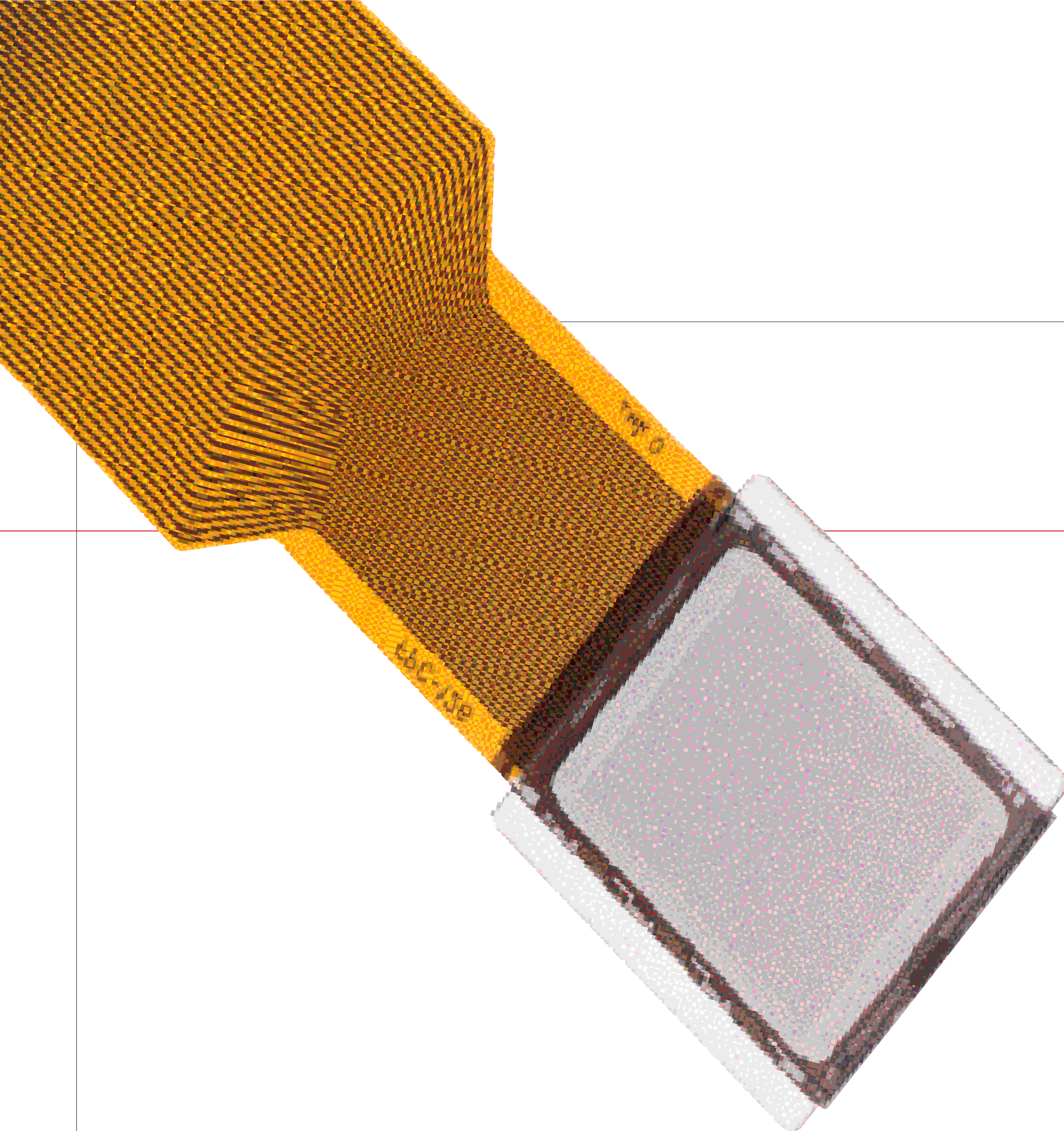


Lowering JVC's breakeven point in sales, on a non-consolidated basis, from ¥600 billion to ¥500 billion, is an integral part of our plans to build a more resilient operating structure. Only bold reorganization of the company's employment structure, reduction of inventory and procurement costs, and realignment of our manufacturing facilities will produce the desired results.

We have already made progress in these areas. Our plans to streamline the workforce are one year ahead of schedule: JVC's domestic workforce will fall to 8,200 by the end of fiscal 2003, down from 9,399 at the end of fiscal 2002. As part of our efforts to reduce inventories, we will install an IT-based SCM system at our U.S. operations in October 2002. This will enhance inventory turnover from the current 48 days to 38 days by the end of fiscal 2003. We aim to reduce inventory turnover to less than 30 days by extending this SCM system to all our operations in April 2003. Meanwhile, we are working to pare back procurement costs by around 20% by focusing on Value Engineering (VE) in design processes. During the year, we made significant progress in realigning our manufacturing activities. This included closing domestic plants in Isesaki and Ebina, and withdrawing from low-end television manufacturing in China and unprofitable businesses, such as magnetic heads.

These steps to realign JVC's manufacturing stance are part of a global picture where we are shifting production to optimal locations. This will see plants in Japan positioned as "mother" manufacturing facilities, and the development of products destined for Asia, Russia, and the Middle and Near East transferred from Japan to other regions in Asia. This clear separation of manufacturing functions will help to reduce fixed costs and lead to the development of products closely suited to consumer needs in specific markets.

To keep abreast of shortening product cycles, we are also restructuring production processes based on 6-month development and manufacturing timetables and eliminating all inventories within the same time frame. This timetable will form the basis of operational cycles for our entire business and significantly reduce the time it takes to commercialize new models. Product planning capabilities will also be enhanced through the participation of marketing personnel in domestic product strategy meetings.



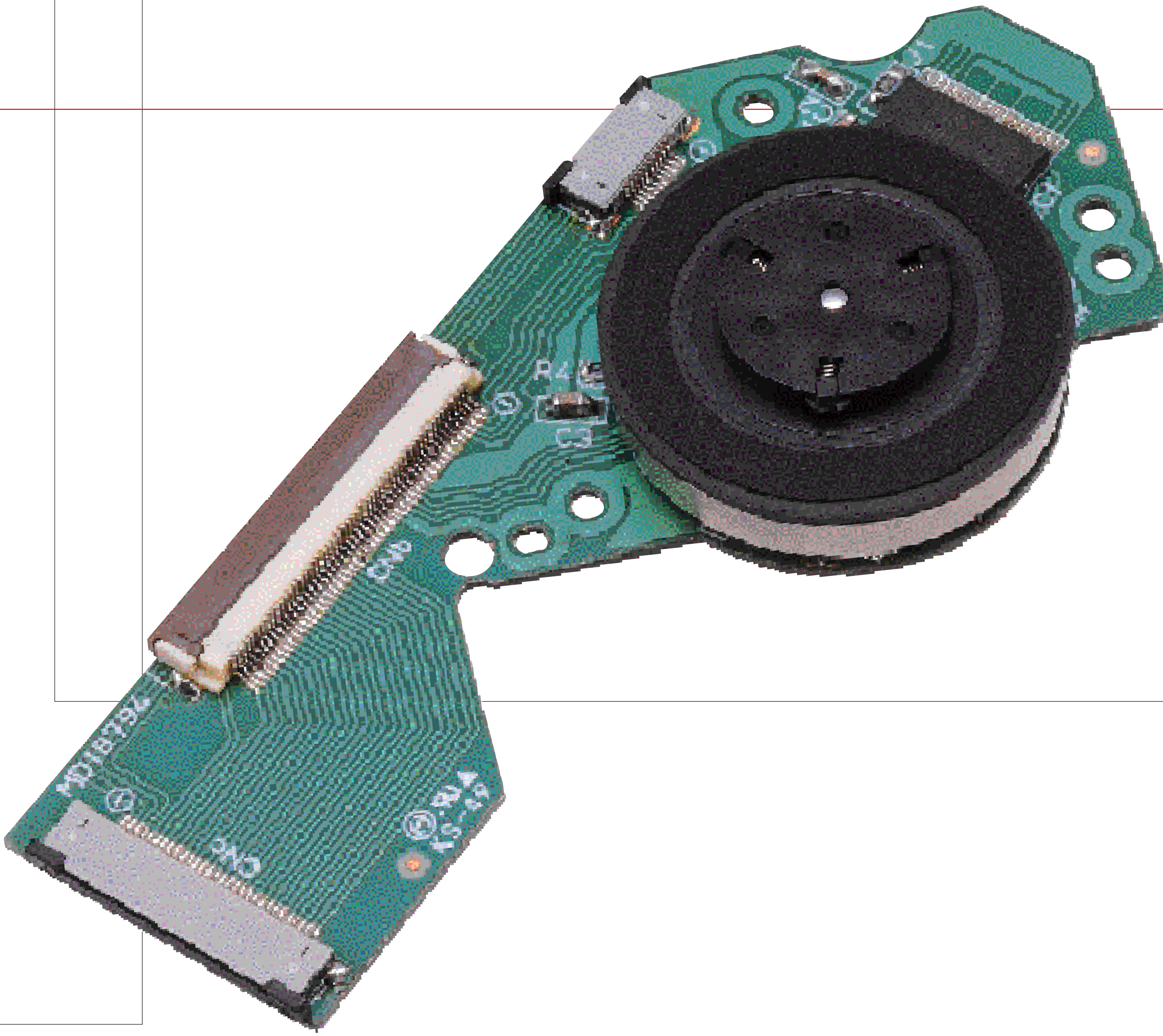
D-ILA Reflective LCD Panel Module

DILA-SX070

In our Components & Devices business, we are focusing on the development of core components that give added value to JVC products. One example is the D-ILA panel module, a JVC high-performance liquid crystal device for projectors that enables the display of high-resolution video and computer graphics.

Spindle Motors for Optical Disc Drives

JVC's spindle motors for optical disc drives are quiet, low-vibrating and resistant to shock.



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During fiscal 2002, ended March 31, 2002, the U.S. economy slowed after the bursting of the IT bubble. The operating environment deteriorated rapidly following the September 11 terrorist attacks. Feeling the impact of the downturn in the U.S., economies in Europe and Asia outside Japan also lost speed. In Japan, stagnant personal consumption and slumping IT-related demand conspired to prolong the economic malaise.

NET SALES

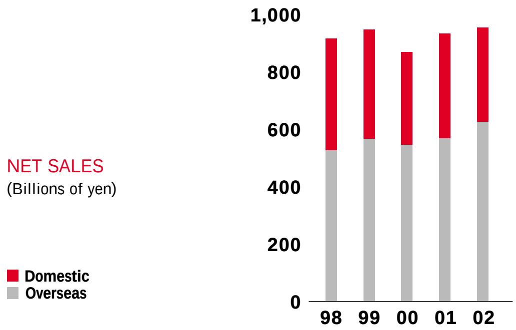
Net sales increased 2.1% year on year, or ¥19.8 billion, to ¥954.2 billion (US$7,174 million). By geographic segment, sales in Japan fell 12.5% to ¥397.6 billion (US$2,990 million), attributable to weak consumer spending and falling prices. Although there were some difficulties in the U.S. market due to the slowing economy and the fallout from the terrorist attacks, sales climbed 8.3% year on year to ¥282.8 billion (US$2,127 million), helped by

NET SALES BY SEGMENT

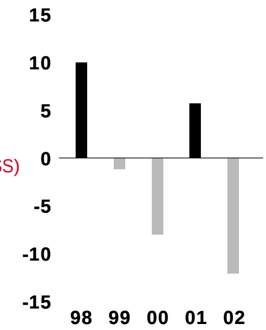
Billions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Entertainment Softwares & Medias business	Other business	Total
2002						
Sales	**¥641.3**	**¥ 78.3**	**¥ 49.7**	**¥177.0**	**¥ 7.9**	**¥954.2**
Percentage	**67.2 %**	**8.2 %**	**5.2 %**	**18.6 %**	**0.8 %**	**100.0 %**
Change	**7.1 %**	**(6.6)%**	**(19.2)%**	**(3.4)%**	**11.4 %**	**2.1 %**
Domestic Sales	**¥115.0**	**¥ 51.8**	**¥ 4.5**	**¥149.6**	**¥ 7.1**	**¥328.0**
Change	**(9.7)%**	**(10.3)%**	**(55.2)%**	**(9.5)%**	**18.6 %**	**(10.5)%**
Overseas Sales	**¥526.3**	**¥ 26.5**	**¥ 45.2**	**¥ 27.4**	**¥ 0.8**	**¥626.2**
Change	**11.7 %**	**1.5 %**	**(12.2)%**	**52.2 %**	**(27.3)%**	**10.2 %**
2001						
Sales	¥598.6	¥ 83.9	¥ 61.5	¥183.3	¥ 7.0	¥934.3
Percentage	64.1 %	9.0 %	6.6 %	19.6 %	0.7 %	100.0 %
Major Products	VCRs, camcorders, televisions, stereo systems, car audio systems, DVD players, CD radio cassette tape players and telephones	Professional-use and educational-use systems, information systems, karaoke systems and projectors	Components for use in computer displays, video heads, motors and "VIL" PWBs	Audio and visual software including CDs, DVDs and videotapes, recording media	Interior furniture	

NET SALES
(Billions of yen)



OPERATING INCOME (LOSS)
(Billions of yen)



strong sales of DVD players and color televisions, and favorable exchange rates. Amid weak market growth in Europe, JVC achieved a substantial increase in sales of DVD players and double-digit growth in sales of digital video camcorders (DVCs), color televisions and car audio systems. This propelled sales in Europe to ¥191.6 billion (US$1,441 million), a 26.7% increase over the previous year. Conditions were also challenging in Asia, particularly in the Middle and Near East, due to the effects of the terrorist attacks. Even still, sales in the region increased 22.1% to ¥82.1 billion (US$617 million), boosted by rising sales of DVD players and DVCs.

COST OF SALES AND SG&A

Cost of sales increased 6.7% year on year, or ¥43.2 billion, to ¥684.5 billion (US$5,146 million), while the cost of sales ratio deteriorated slightly from 68.6% to 71.7%.

Selling, general and administrative (SG&A) expenses declined 2.0%, or ¥5.6 billion, to ¥281.8 billion (US$2,119 million). As a percentage of net sales, SG&A expenses fell to 29.5% from 30.8% in the previous year.

OPERATING INCOME (LOSS)

The company recorded an operating loss of ¥12.1 billion (US$91 million), a ¥17.8 billion deterioration from the operating income in the previous fiscal year. Efforts to improve the company's cost structure, including reducing fixed costs and material costs, failed to show through as the benefits were more than offset by the effects of the weak Japanese and U.S. markets, the inability to meet sales targets due to the slump in IT-related demand and falling prices.

SEGMENT INFORMATION

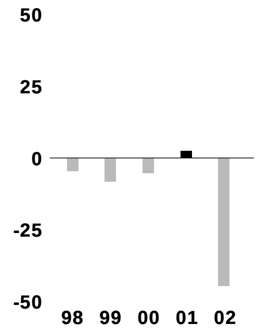
CONSUMER ELECTRONICS

Sales of Consumer electronics rose 7.1%, or ¥42.7 billion, to ¥641.3 billion (US$4,822 million), helped by favorable exchange rates, although operating income declined ¥6.6 billion to a loss of ¥3.5 billion (US$26 million). The segment continued to battle with the twin problems of anemic consumer spending and falling prices in Japan, although JVC did rack up healthy sales of a new model that combines a VHS video deck and a DVD player. Overseas, the European and Asian markets held up well, thanks to rising sales of DVD players, car audio systems, color televisions and DVCs, while demand in the U.S. was hit by the slowing economy and the terrorist attacks.

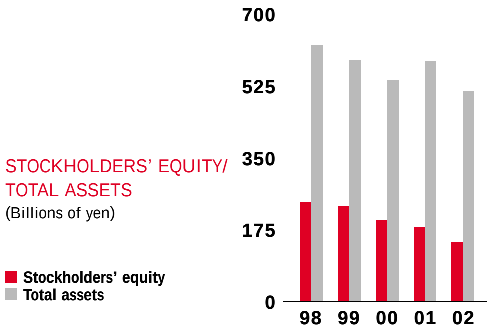
PROFESSIONAL ELECTRONICS

During fiscal 2002, sales of Professional electronics products fell 6.6%, or ¥5.6 billion, to ¥78.3 billion (US$589 million), while the operating loss increased ¥0.1 billion to ¥5.0 billion (US$38 million). In Japan, strong demand for security systems continued to buoy sales of security camera systems, while the shift to digital broadcasting boosted demand for

NET INCOME (LOSS)
(Billions of yen)



STOCKHOLDERS' EQUITY/
TOTAL ASSETS
(Billions of yen)



encoders and format converters from television broadcasters. In contrast, JVC struggled with weakening demand in the markets for professional audio systems, karaoke systems and Direct-Drive Image Light Amplifier (D-ILA) projectors. Overseas, the Professional electronics segment was affected by the deteriorating U.S. market, just as consumer electronics were, with professional camcorders and D-ILA projectors facing an uphill battle.

COMPONENTS & DEVICES

Components & Devices recorded a 19.2%, or ¥11.8 billion, decline in sales year on year, to ¥49.7 billion (US$374 million), while operating income fell ¥8.9 billion to a loss of ¥4.7 billion (US$36 million). High-density build-up multilayer printed wiring boards ("VIL" PWBs), deflection yokes and other products could not escape the impact of depressed mobile phone and PC markets and falling prices. However, there were a few bright spots—motors for hard disk drives (HDDs) and optical disc products, and optical pickups for car CD players.

ENTERTAINMENT SOFTWARES & MEDIAS

Sales in this segment fell 3.4%, or ¥6.3 billion, to ¥177.0 billion (US$1,331 million). Despite hit records from artists such as Keisuke Kuwata and Dragon Ash, sales fell due to the industry-wide slump in softwares and medias. The segment posted operating income of ¥3.2 billion (US$24 million), ¥1.2 billion less than in the previous fiscal year.

OTHER

Sales increased 11.4%, or ¥0.8 billion, to ¥7.9 billion (US$59 million), while the operating loss increased ¥0.1 billion to ¥0.5 billion (US$3.6 million).

INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS

Income before income taxes and minority interests fell ¥47.9 billion year on year to a loss of ¥38.4 billion (US$289 million). This decline was primarily due to restructuring charges and loss from write-down of investment in securities.

NET INCOME (LOSS)

Net income fell ¥47.1 billion to a net loss of ¥44.6 billion (US$335 million). As a result, net income per share of ¥9.8 in the previous fiscal year became a net loss of ¥175.3. ROE was negative 27.3%, a deterioration of 28.6 percentage points.

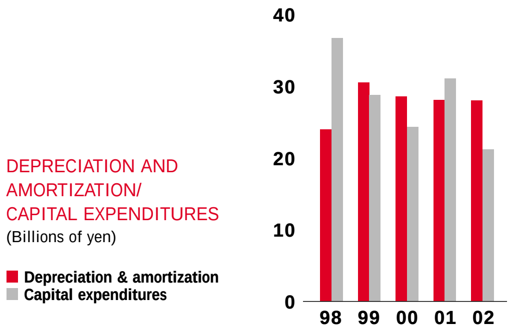
Consequently, the company made the difficult decision not to pay a dividend for the year.

LIQUIDITY AND SOURCES OF FUNDS

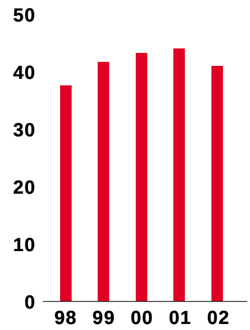
ASSETS, LIABILITIES AND CAPITAL

Total assets as of March 31, 2002 stood at ¥513.4 billion (US$3,860 million), a 12.5%, or ¥73.3 billion decline from one year earlier. This was the result of efforts to reduce assets by cutting back

DEPRECIATION AND AMORTIZATION/ CAPITAL EXPENDITURES
(Billions of yen)



R&D EXPENDITURES
(Billions of yen)



inventories, selling cross-shareholdings and reducing debt by more effectively utilizing Group funds. Total current assets fell 10.8%, or ¥44.5 billion, to ¥366.6 billion (US$2,756 million). This was primarily due to an 18.8%, or ¥29.3 billion decline in inventories to ¥126.1 billion (US$948 million).

Investments and advances declined 50.9%, or ¥21.5 billion, to ¥20.8 billion (US$156 million). This was mainly attributable to sales of cross-shareholdings.

Property, plant and equipment (less accumulated depreciation) fell 5.9%, or ¥6.9 billion, to ¥110.6 billion (US$832 million), chiefly reflecting lower capital expenditures.

Total current liabilities fell 5.1%, or ¥13.4 billion, to ¥247.7 billion (US$1,862 million), as notes and accounts payable-trade decreased 11.7%, or ¥16.1 billion, to ¥121.3 billion (US$912 million), and bank loans were also lower, declining 25.4%, or ¥12.3 billion, to ¥36.0 billion (US$271 million). The current portion of long-term debt increased ¥15.4 billion (US$116 million) and accrued restructuring charges were ¥13.4 billion (US$101 million).

Long-term debt was ¥89.9 billion (US$676 million), 23.6%, or ¥27.7 billion lower than one year earlier. This mainly reflected the transfer to current liabilities of convertible bonds due for redemption within one year.

Stockholders' equity decreased 19.0%, or ¥34.3 billion, to ¥146.2 billion (US$1,100 million), mainly due to the net loss of ¥44.6 billion (US$335 million). As a result of this and other factors, stockholders' equity as a percentage of total assets fell from 30.8% to 28.5%.

CASH FLOWS

Operating activities provided net cash of ¥28.1 billion (US$211 million), compared with net cash used of ¥26.4 billion last year. This was mainly due to efforts to reduce inventories, which largely offset the loss before income taxes and minority interests.

Investing activities used net cash of ¥5.6 billion (US$42 million), less than the ¥7.9 billion used last year, mainly due to efforts to reduce capital expenditures. Purchases of property, plant and equipment during the year amounted to ¥22.9 billion (US$172 million).

Financing activities used net cash of ¥34.7 billion (US$261 million), compared with cash provided of ¥35.2 billion last year. This mainly reflects cash used to reduce short-term bank loans by effectively using JVC Group funds, the redemption of bonds and net decrease in commercial paper. Consequently, interest-bearing debt was reduced by ¥30.0 billion (US$226 million).

As a result of the foregoing, cash and cash equivalents at the end of the year were ¥69.3 billion (US$521 million), 12.6%, or ¥10.0 billion lower than a year ago.

R&D ACTIVITIES

The company's R&D organization comprises the Technology Development Division, which functions as the JVC Group's corporate laboratory, laboratories administered by each Group company and the Technology Section in the Operations Division. The Technology Development Division is responsible for developing core technology, systems technology and next-generation devices that embody the company's long-term vision, and for accumulating LSI design and development technologies needed for next-generation products. Each Group company laboratory is responsible for next-generation product development in their respective fields, including systems, hardware, software and devices in the areas of digital audio-visual products, multimedia, digital broadcasting and communications networks. The Technology Section in the Operations Division, works closely with Group companies to design and commercialize products developed by Group company R&D organizations. Overseas, the JVC Laboratory of America and the JVC Singapore R&D Center, are mainly involved in the development of networks and software. JVC is currently strengthening its international R&D structure.

R&D costs decreased 7.1%, or ¥3.1 billion, to ¥41.0 billion (US$308 million). The ratio of R&D costs to net sales fell from 4.7% in the previous fiscal year, to 4.3%.

PERSONNEL

As of March 31, 2002, the number of employees at consolidated Group companies totaled 34,183, a decline of 1,371 from the previous year. This decrease reflected efforts to reorganize the company's facilities through selection and concentration.

SOCIAL RESPONSIBILITY

Efforts to Protect the Environment

As part of our efforts to help create a sustainable society, we are taking a number of steps to protect the environment, including incorporating environmental concerns in the development of new products and working to achieve zero emissions in our manufacturing operations. These activities are underpinned by the JVC Environmental Committee, which sets long-term goals for environmental policy and formulates Voluntary Environmental Action Plans. Committees responsible for the implementation of these policies and plans ensure environmental activities are a fundamental element of JVC's day-to-day operations.

VOLUNTARY ENVIRONMENTAL ACTION PLANS

During fiscal 2002, we developed a range of new products that further reduce power consumption during both standby and use. These included 13 video recorders and 10 televisions that meet energy-saving standards for electrical appliances set out in Japan's Energy Conservation Law. In our manufacturing operations, we reduced factory CO_2 emissions by 10% and achieved a recycling ratio of 97%*.

*Recycling ratio = recycled amount / (recycled amount + final disposal amount)

WORKING WITH SUPPLIERS TO PROMOTE GREEN PURCHASING

Since establishing guidelines for green purchasing in fiscal 1999, JVC has been calling on suppliers to implement measures that reduce the impact of their operations on the environment and requesting the supply of materials and components that take into account environmental concerns. This includes evaluating the level of environmental management at each of our 535 key suppliers and certifying companies as green suppliers upon their meeting environmental standards stipulated by JVC. As of March 31, 2002, 456 of our suppliers had been awarded this certification.

REDUCING PACKAGING MATERIALS

Containers and packaging account for about 60% of all general waste in Japan. In an effort to reduce this amount, the Container and Packaging Recycling Law was introduced, requiring all larger corporations to pay recycling costs for the packaging materials they produce. Although steps have been taken in recent years to reduce the volume of packaging, the trend toward larger products has led to an increase in the use of expanded polystyrene (EPS) and greater use of packaging. Based on Voluntary Environmental Action Plans, JVC is implementing its own measures to combat this problem, with some success—in fiscal 2002, we reduced the volume of packaging used by 32.8%, to 17,539 tons, and the amount of EPS used in packaging by 29.4%, to 1,807 tons.

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President

Masahiko Terada

Senior Managing Directors

Namio Yamaguchi
In charge of technology; General Manager, Technology Development Division

Masato Yamauchi
In charge of Personnel and General Affairs, Legal & Intellectual Property, and Customer Satisfaction; General Manager, Personnel and General Affairs Division

Hajime Takashima
In charge of Production Engineering, Environmental Administration, and Business Promotion; General Manager, Environmental Administation Division

Managing Directors

Motoo Nishimura
General Manager, Corporate Planning Headquarters; in charge of Investor Relations and International Marketing

Eiichi Tsuchiya
President, AV & Multimedia Company; in charge of VHS Standard Center

Shigeharu Tsuchitani
In charge of Marketing in the Americas; Chairman and Chief Executive Officer of JVC Americas Corporation

Directors

Hideo Aiso

Itaru Ozaki
Executive Vice President, AV & Multimedia Company; General Manager, International Sales Division, AV & Multimedia Company

Masatoshi Hirabayashi
Executive Vice President, AV & Multimedia Company; in charge of Consumer Marketing; General Manager, Personal & Mobile Network Business Unit, AV & Multimedia Company

Yukihiro Tanii
In charge of Corporate Accounting & Finance, Facility Management, Information System, Logistics, Software, and Interior Furniture Business

Katsuhisa Muto
Executive Vice President, AV & Multimedia Company; General Manager, Home AV Network Business Unit, AV & Multimedia Company; in charge of Quality, SCM; General Manager, SCM Promotion Office

Tetsuo Kashiwagi
President, Components & Device Company

Hiroshi Fujisawa
President, Media Company

Toyoharu Honda
General Manager, Professional Products, Systems & Network Sector;
President, Victor Data Systems Co., Ltd.

Kunihiko Sato
President, Europe Company, JVC Professional Products (U.K.) Ltd., and JVC Europe Ltd.

Shingo Kawata
Executive Vice President, AV & Multimedia Company; General Manager, VDR Development Dept., AV & Multimedia Company; General Manager, Optical Disc Business Div., Personal & Mobile Network Business Unit, AV & Multimedia Company

Corporate Auditors

Takao Aida
Fusao Kishi
Yasuo Omori
Makoto Matsuo
Fujio Nakajima

(As of July 1, 2002)

FIVE-YEAR SUMMARY

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2002	2001	2000	1999	1998	**2002**
For the year:						
Net sales	**¥954,172**	¥934,350	¥870,235	¥946,617	¥916,306	**$7,174,226**
Overseas	**626,209**	567,977	545,316	566,551	526,285	**4,708,338**
Domestic	**327,963**	366,373	324,919	380,066	390,021	**2,465,888**
Cost of sales	**684,458**	641,209	600,506	642,140	629,859	**5,146,301**
Selling, general and administrative expenses	**281,808**	287,449	277,748	305,698	276,431	**2,118,857**
Operating income (loss)	**(12,094)**	5,692	(8,019)	(1,221)	10,016	**(90,932)**
Income (Loss) before income taxes and minority interests	**(38,446)**	9,444	6,088	(3,671)	6,223	**(289,068)**
Income taxes	**5,985**	7,238	11,295	4,466	10,796	**45,000**
Net income (loss)	**(44,572)**	2,498	(5,341)	(8,315)	(4,703)	**(335,128)**
Depreciation and amortization	**28,000**	28,085	28,590	30,513	24,008	**210,526**
Capital expenditures	**21,175**	31,127	24,336	28,815	36,651	**159,211**
R&D expenditures	**40,981**	44,094	43,351	41,660	37,649	**308,128**

	Millions of yen					Thousands of U.S.dollars (Note 1)
At year-end:						
Working capital	**¥118,948**	¥150,067	¥127,709	¥142,628	¥124,395	**$ 894,346**
Stockholders' equity	**146,246**	180,515	199,164	232,162	243,086	**1,099,594**
Total assets	**513,365**	586,628	540,359	588,001	624,050	**3,859,887**

	Yen					U.S. dollars (Note 1)
Per share:						
Net income (loss)	**¥ (175.3)**	¥ 9.8	¥ (21.0)	¥ (32.7)	¥ (18.5)	**$ (1.32)**
Cash dividends (Note 2)	**—**	3.0	—	5.0	7.0	**—**

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥133 to U.S.$1, the approximate rate prevailing on March 31, 2002.
2. Cash dividends represent amounts applicable to the respective years.

CONTENTS

CONSOLIDATED BALANCE SHEETS

Victor Company of Japan, Limited and its consolidated subsidiaries
March 31, 2002 and 2001

ASSETS	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Current assets:			
Cash and time deposits (including time deposits with maturities over three months of ¥5,105 million (US$38,383 thousand) in 2002 and ¥108 million in 2001)	**¥ 74,376**	¥ 79,359	**$ 559,218**
Marketable securities (Note 5)	**2,802**	4,767	**21,068**
Notes and accounts receivable:			
Trade	**125,617**	131,321	**944,489**
Non-consolidated subsidiaries and affiliated companies	**735**	732	**5,526**
Allowance for doubtful accounts	**(4,797)**	(4,836)	**(36,068)**
Inventories (Note 4)	**126,063**	155,344	**947,842**
Deferred tax assets (Note 6)	**17,143**	15,487	**128,895**
Other current assets	**24,660**	28,942	**185,413**
Total current assets	**366,599**	411,116	**2,756,383**
Investments and advances:			
Investments in and advances to non-consolidated subsidiaries and affiliated companies (Note 5)	**3,164**	4,535	**23,789**
Other (Notes 5 and 8)	**17,588**	37,694	**132,241**
Total investments and advances	**20,752**	42,229	**156,030**
Property, plant and equipment:			
Land	**30,044**	30,411	**225,895**
Buildings	**113,913**	112,001	**856,489**
Machinery and equipment (Note 8)	**257,744**	255,777	**1,937,925**
Construction in progress	**3,478**	6,082	**26,150**
	405,179	404,271	**3,046,459**
Less accumulated depreciation	**294,530**	286,676	**2,214,512**
Net property, plant and equipment	**110,649**	117,595	**831,947**
Deferred tax assets (Note 6)	**2,696**	2,512	**20,271**
Other assets	**12,669**	13,176	**95,256**
	¥513,365	¥586,628	**$3,859,887**

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 1) 2002
Current liabilities:			
Bank loans (Note 7)	**¥ 35,994**	¥ 48,247	**$ 270,632**
Current portion of long-term debt (Note 7)	**27,168**	11,732	**204,271**
Notes and accounts payable:			
Trade	**121,301**	137,394	**912,038**
Construction	**1,704**	4,555	**12,812**
Non-consolidated subsidiaries and affiliated companies	**7,988**	12,215	**60,060**
Accrued income taxes (Note 6)	**5,754**	4,876	**43,263**
Accrued expenses (Note 8)	**19,204**	19,810	**144,391**
Accrued restructuring charges	**13,423**	—	**100,925**
Other current liabilities	**15,115**	22,220	**113,646**
Total current liabilities	**247,651**	261,049	**1,862,038**
Long-term debt (Notes 7 and 8)	**89,872**	117,593	**675,729**
Employees' retirement benefits (Note 9)	**22,551**	20,746	**169,556**
Other long-term liabilities	**2,231**	1,638	**16,775**
Minority interests	**4,814**	5,087	**36,195**
Contingent liabilities (Note 10)			
Stockholders' equity (Note 11)**:**			
Common stock;			
Authorized 800,000,000 shares			
Issued 254,230,058 shares	**34,115**	34,115	**256,504**
Additional paid-in capital	**67,216**	67,216	**505,383**
Retained earnings	**57,559**	100,316	**432,774**
Net unrealized holding gains on securities	**977**	285	**7,346**
Foreign currency translation adjustments	**(13,609)**	(21,413)	**(102,323)**
	146,258	180,519	**1,099,684**
Treasury stock, at cost	**(12)**	(4)	**(90)**
Total stockholders' equity	**146,246**	180,515	**1,099,594**
	¥513,365	¥586,628	**$3,859,887**

CONSOLIDATED STATEMENTS OF OPERATIONS

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
Net sales	**¥954,172**	¥934,350	¥870,235	**$7,174,226**
Costs and expenses:				
Cost of sales	**684,458**	641,209	600,506	**5,146,301**
Selling, general and administrative expenses	**281,808**	287,449	277,748	**2,118,857**
	966,266	928,658	878,254	**7,265,158**
Operating income (loss)	**(12,094)**	5,692	(8,019)	**(90,932)**
Other income (expenses):				
Interest and dividend income	**1,108**	2,509	2,408	**8,331**
Unrealized gain (loss) from changes in fair market values of trading securities	**(280)**	9,749	16,386	**(2,105)**
Equity in income of affiliated companies	**63**	173	36	**474**
Interest expense	**(4,447)**	(5,383)	(6,178)	**(33,436)**
Gain on sales of investment securities	**1,099**	1,450	6,330	**8,263**
Loss on liquidation of subsidiaries and affiliated companies	**(1,059)**	(656)	(451)	**(7,962)**
Restructuring charges	**(13,423)**	(2,197)	(2,662)	**(100,925)**
Loss from write-down of investment in securities	**(7,691)**	(739)	(550)	**(57,827)**
Other, net	**(1,722)**	(1,154)	(1,212)	**(12,949)**
	(26,352)	3,752	14,107	**(198,136)**
Income (Loss) before income taxes and minority interests	**(38,446)**	9,444	6,088	**(289,068)**
Income taxes (Note 6)**:**				
Current	**7,438**	14,319	8,622	**55,925**
Deferred	**(1,453)**	(7,081)	2,673	**(10,925)**
	5,985	7,238	11,295	**45,000**
Income (Loss) before minority interests	**(44,431)**	2,206	(5,207)	**(334,068)**
Minority interests	**(141)**	292	(134)	**(1,060)**
Net income (loss)	**¥ (44,572)**	¥ 2,498	¥ (5,341)	**$ (335,128)**

	Yen			U.S. dollars (Note 2)
Amounts per share of common stock:				
Net income (loss)	**¥ (175.3)**	¥ 9.8	¥ (21.0)	**$ (1.32)**
Cash dividends applicable to the year	**—**	3.0	—	**—**

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2002, 2001 and 2000

		Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	254,230	¥34,115	¥67,216	¥130,832	¥ —	¥ —	¥ (1)
Cumulative effect of adopting deferred income tax accounting	—	—	—	(27,259)	—	—	—
Net loss	—	—	—	(5,341)	—	—	—
Treasury stock	—	—	—	—	—	—	0
Cash dividends paid (¥1.5 per share)	—	—	—	(381)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(17)	—	—	—
Balance at March 31, 2000	254,230	¥34,115	¥67,216	¥ 97,834	¥ —	¥ —	¥ (1)
Net income	—	—	—	2,498	—	—	—
Adjustment from translation of foreign currency financial statements	—	—	—	—	—	(21,413)	—
Adoption of new accounting standard for financial instruments	—	—	—	—	285	—	—
Treasury stock	—	—	—	—	—	—	(3)
Adjustment due to change in number of consolidated subsidiaries	—	—	—	17	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(33)	—	—	—
Balance at March 31, 2001	254,230	¥34,115	¥67,216	¥100,316	¥285	¥(21,413)	¥ (4)
Net loss	—	—	—	(44,572)	—	—	—
Adjustment from translation of foreign currency financial statements	—	—	—	—	—	7,804	—
Change in unrealized holding gains on securities, net of income taxes	—	—	—	—	692	—	—
Treasury stock	—	—	—	—	—	—	(8)
Adjustment due to change in number of consolidated subsidiaries	—	—	—	2,602	—	—	—
Cash dividends paid (¥3.0 per share)	—	—	—	(762)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(25)	—	—	—
Balance at March 31, 2002	**254,230**	**¥34,115**	**¥67,216**	**¥ 57,559**	**¥977**	**¥(13,609)**	**¥(12)**

	Thousands of U.S. dollars (Note1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$256,504	$505,383	$ 754,256	$2,143	$(161,000)	$(30)
Net loss	—	—	(335,128)	—	—	—
Adjustment from translation of foreign currency financial statements	—	—	—	—	58,677	—
Change in unrealized holding gains on securities, net of income taxes	—	—	—	5,203	—	—
Treasury stock	—	—	—	—	—	(60)
Adjustment due to change in number of consolidated subsidiaries	—	—	19,564	—	—	—
Cash dividends paid (¥3.0 per share)	—	—	(5,729)	—	—	—
Bonuses to directors and corporate auditors	—	—	(189)	—	—	—
Balance at March 31, 2002	**$256,504**	**$505,383**	**$ 432,774**	**$7,346**	**$(102,323)**	**$(90)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
Cash flows from operating activities:				
Income (Loss) before income taxes and minority interests	**¥(38,446)**	¥ 9,444	¥ 6,088	**$(289,068)**
Depreciation and amortization	**26,826**	27,047	28,953	**201,699**
Interest and dividend income	**(1,108)**	(2,509)	(2,408)	**(8,331)**
Interest expense	**4,447**	5,383	6,178	**33,436**
Unrealized loss (gain) from changes in fair market values of trading securities	**280**	(9,749)	(16,386)	**2,105**
Increase in accrued restructuring charges	**13,423**	—	—	**100,925**
Gain on sales of investment securities	**(1,099)**	(1,450)	(6,330)	**(8,263)**
Decrease (Increase) in notes and accounts receivable	**12,055**	(18,046)	5,069	**90,639**
Decrease (Increase) in inventories	**35,370**	(29,751)	3,667	**265,940**
Increase (Decrease) in notes and accounts payable	**(18,224)**	8,737	10,634	**(137,023)**
Other	**4,920**	1,527	(5,441)	**36,994**
Sub-total	**38,444**	(9,367)	30,024	**289,053**
Interest and dividends received	**1,178**	2,433	2,307	**8,857**
Interest paid	**(4,539)**	(5,143)	(6,180)	**(34,128)**
Income taxes paid	**(7,001)**	(14,330)	(7,389)	**(52,639)**
Net cash provided by (used in) operating activities	**28,082**	(26,407)	18,762	**211,143**
Cash flows from investing activities:				
Purchases of time deposits	**—**	(8,150)	—	**—**
Sales of time deposits	**3,000**	—	—	**22,556**
Purchases of property, plant and equipment	**(22,853)**	(28,942)	(23,121)	**(171,827)**
Proceeds from sales of property, plant and equipment	**2,710**	4,883	319	**20,376**
Purchases of marketable securities	**(13,006)**	(43,687)	(59,983)	**(97,789)**
Sales of marketable securities	**18,166**	63,612	66,813	**136,586**
Purchases of investment securities	**(719)**	(3,552)	(10,809)	**(5,406)**
Sales of investment securities	**5,285**	6,714	11,999	**39,737**
Other	**1,799**	1,255	614	**13,526**
Net cash used in investing activities	**(5,618)**	(7,867)	(14,168)	**(42,241)**
Cash flows from financing activities:				
Proceeds from long-term debt	**1,230**	1	3,603	**9,248**
Repayments of long-term debt	**(4,254)**	(1,577)	(316)	**(31,985)**
Proceeds from issuance of bonds	**—**	37,372	—	**—**
Redemption of bonds	**(10,101)**	—	(9,040)	**(75,947)**
Increase (Decrease) in short-term bank loans, net	**(15,208)**	6,300	(15,549)	**(114,346)**
Increase (Decrease) in commercial paper, net	**(5,527)**	(7,661)	10,884	**(41,556)**
Cash dividends paid	**(970)**	(255)	(632)	**(7,293)**
Other	**121**	1,025	315	**909**
Net cash provided by (used in) financing activities	**(34,709)**	35,205	(10,735)	**(260,970)**
Effect of exchange rate changes on cash and cash equivalents	**2,136**	6,675	(4,188)	**16,060**
Effect of changes in number of consolidated subsidiaries and companies accounted for based on the equity method	**129**	60	1,764	**970**
Net increase (decrease) in cash and cash equivalents	**(9,980)**	7,666	(8,565)	**(75,038)**
Cash and cash equivalents at beginning of the year	**79,251**	71,585	80,150	**595,873**
Cash and cash equivalents at end of the year	**¥ 69,271**	¥ 79,251	¥ 71,585	**$ 520,835**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2002, 2001 and 2000

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Victor Company of Japan (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Effective for the year ended March 31, 2000, all companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Previously, only majority-owned companies were consolidated. The prior years' consolidated financial statements have not been restated.

The effect of applying this rule to the Company's consolidated financial statements was immaterial.

Investments in certain unconsolidated subsidiaries and affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are, with minor exceptions, stated at their underlying net equity value after elimination of unrealized intercompany profits and losses. The Company's investments in its remaining subsidiaries and affiliated companies are immaterial in the aggregate, and are stated at cost or less.

The differences between acquisition cost and underlying net equity at the time of acquisition are generally being amortized on the straight-line method over five years.

Foreign currency translation

Current assets and liabilities denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing at the balance sheet dates except for those hedged by foreign currency forward contracts, which are recorded at contract rates. Prior to April 1, 2000, non-current assets and liabilities denominated in foreign currencies were translated at historical exchange rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries (the "Companies") adopted the revised accounting standard for foreign currency translation (the "Revised Accounting Standard"). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect on the consolidated statement of operations of adopting the Revised Accounting Standard was immaterial.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for stockholders' equity accounts, which are translated at the historical rates.

Statements of operations of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

Due to the adoption of the Revised Accounting Standard, the Company reports foreign currency translation adjustments in stockholders' equity and minority interests. The prior year's amount, which is included in assets, has not been reclassified.

Cash and cash equivalents

In preparing the consolidated statement of cash flows for the years ended March 31, 2002, 2001 and 2000, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Inventories

Inventories are stated at cost, which is determined primarily by the average-cost method.

Securities

Prior to April 1, 2000, publicly-traded securities were stated at the lower of cost or market, and the other securities were stated at cost. Cost was determined using the moving-average method. Securities of consolidated subsidiaries in the United States were accounted for in accordance with the Statement of Financial Accounting Standards No.115 by the Financial Accounting Standards Board.

Effective April 1, 2000, the Companies adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. The Companies had no held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by non-consolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by non-consolidated subsidiaries and affiliated companies not accounted for by the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly.

As a result of adopting the new accounting standard for financial instruments, in the year ended March 31, 2001, income before income taxes increased by ¥1,484 million. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, trading securities as well as available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and advances. As a result, at April 1, 2000, securities in current assets decreased by ¥6,013 million and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

Derivatives and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized in the period which includes the inception date.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed primarily by the declining-balance method at rates based on the estimated useful lives of the assets. Certain consolidated overseas subsidiaries use the straight-line method.

The ranges of useful lives for computing depreciation are generally as follows:

Buildings	20 to 50 years
Machinery and equipment	3 to 7 years

Expenditures for maintenance and repairs are charged to income as incurred.

Software costs

In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs, etc." (the "Report"), the Company accounts for software which was included in long-term prepaid expenses in investments and other in the same manner in 2000 as in 1999. Pursuant to the Report, however, the Company included software in other assets in 2002 and 2001. Software costs are amortized using the straight-line method over the estimated useful lives (three to five years).

Finance leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

Research and development

Research and development expenditures for new products or improvement of existing products are charged to income as incurred.

Income taxes

The Companies provided income taxes at the amounts currently payable for the year ended March 31, 1999. Effective April 1, 1999, the Companies adopted a New Accounting Standard, which recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. Under the new accounting standard, the provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1999, is reflected as a cumulative adjustment of ¥27,259 million to the retained earnings brought forward from the previous year. Prior years' financial statements have not been restated.

As a result of adopting tax-effect accounting, deferred tax assets and long-term deferred tax assets at March 31, 2000 were decreased by ¥6,170 million and ¥14,729 million, respectively, deferred tax liabilities and long-term deferred tax liabilities at that date were increased by ¥460 million and ¥44 million, respectively, net loss for the year ended March 31, 2000 was decreased by ¥1,959 million, and the retained earnings at April 1, 1999 was decreased by ¥27,259 million.

Employees' severance and retirement benefits

The Company has funded pension plans and unfunded benefit plans to provide retirement benefits for substantially all employees. Approximately 85% of total retirement benefits for employees is covered by funded pension plans.

Upon retirement or termination of employment for reasons other than dismissal for cause, eligible employees are entitled to lump-sum and/or annuity payments based on the current rates of their pay and length of service.

At March 31, 2000, employees' retirement benefits were principally stated at 40% (100% for certain employees whose age reached 55) of the amount which would be required to be paid (less the amount which is expected to be covered by the pension plans) if all eligible employees voluntarily terminated their employment at the balance sheet date, plus the unamortized balance of certain previously accumulated amounts.

Effective April 1, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Companies provided allowance for employees' severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥41,686 million. The net transition obligation will be recognized in expenses in equal amounts primarily over 15 years commencing with the year ended March 31, 2001. Prior service costs are recognized in income or expenses using the straight-line method over 10 years, and actuarial gains and losses are recognized in expenses using the straight-line method over 10 years commencing with the succeeding period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥595 million, and income before income taxes decreased by ¥557 million compared with what would have been recorded under the previous accounting standard.

Effect on segment information is described in Note 14.

Amounts per share of common stock

The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during each year.

Diluted net income per share assumes dilution that could occur if convertible bonds or similar securities were converted into common stock exercised to result in the issuance of common stock. As the result of computation for the year ended March 31, 2001, and as the Company reported net losses for the years ended March 31, 2002 and 2000, inclusion of potential common shares would have an antidilutive effect on per share amounts. Accordingly, the Company's basic and diluted earnings per share computations are the same for the periods presented.

Cash dividends per share represent the actual amount declared as applicable to the respective years.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

3. TRANSACTIONS WITH MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

The Company is a subsidiary of Matsushita Electric Industrial Co., Ltd. ("Matsushita"). At March 31, 2002, Matsushita held 133,227 thousand shares of common stock of the Company, or 52.40% of the total outstanding shares.

Major account balances with Matsushita at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due from Matsushita	**¥ 343**	¥ 239	**$ 2,579**
Due to Matsushita	**2,361**	2,781	**17,752**

Sales to and purchases from Matsushita for the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Net sales	**¥ 1,256**	¥ 1,148	¥ 900	**$ 9,444**
Net purchases	**20,683**	36,898	35,879	**155,511**

4. INVENTORIES

Inventories at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Finished goods	**¥ 85,815**	¥108,660	**$645,226**
Work in process	**13,166**	17,039	**98,992**
Raw materials and supplies	**27,082**	29,645	**203,624**
	¥126,063	¥155,344	**$947,842**

5. SECURITIES

The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2002 and 2001:

(a) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Book value	**¥ —**	¥2,464	**$ —**
Amount of net unrealized gains or losses included in the income statement	**(280)**	114	**(2,105)**

(b) Available-for-sale securities

	Millions of yen		
	Acquisition cost	Book value	Difference
2002:			
Securities with available fair values exceeding acquisition costs			
Equity securities	**¥ 5,941**	**¥ 8,458**	**¥2,517**
Bonds	**1,801**	**1,801**	**—**
Total	**¥ 7,742**	**¥10,259**	**¥2,517**
Securities with available fair values not exceeding acquisition costs			
Equity securities	**¥ 4,310**	**¥ 3,561**	**¥ (749)**
Bonds	**4,002**	**3,941**	**(61)**
Total	**¥ 8,312**	**¥ 7,502**	**¥ (810)**
Total	**¥16,054**	**¥17,761**	**¥1,707**

	Millions of yen		
	Acquisition cost	Book value	Difference
2001:			
Securities with available fair values exceeding acquisition costs			
Equity securities	¥ 3,099	¥ 5,456	¥ 2,357
Bonds	3,296	3,307	11
Total	¥ 6,395	¥ 8,763	¥ 2,368
Securities with available fair values not exceeding acquisition costs			
Equity securities	¥12,138	¥10,530	¥(1,608)
Bonds	7,300	7,207	(93)
Others	457	281	(176)
Total	¥19,895	¥18,018	¥(1,877)
Total	¥26,290	¥26,781	¥ 491

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
2002:			
Securities with available fair values exceeding acquisition costs			
Equity securities	**$ 44,669**	**$ 63,594**	**$18,925**
Bonds	**13,541**	**13,541**	**0**
Total	**$ 58,221**	**$ 77,135**	**$18,925**
Securities with available fair values not exceeding acquisition costs			
Equity securities	**$ 32,406**	**$ 26,774**	**$ (5,632)**
Bonds	**30,090**	**29,632**	**(458)**
Total	**$ 62,496**	**$ 56,406**	**$ (6,090)**
Total	**$120,707**	**$133,541**	**$12,835**

The following tables summarize book values as of March 31, 2002 and 2001 of securities with no available fair values.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
	Book value	Book value	Book value
Available-for-sale securities			
Non-listed equity securities	**¥2,196**	¥2,559	**$16,511**
Non-listed foreign equity securities	**2**	2,502	**15**
Equity securities issued by subsidiaries and affiliated companies	**2,040**	3,015	**15,339**
Total	**¥4,238**	¥8,076	**$31,865**

On the year ended March 31, 2002, the Company re-examined the intent of holding securities and decided not to sell any securities that were classified as trading securities in the prior year, until such time as the Company shall find it appropriate to do so.

Those securities have been reclassified from trading securities to available-for-sale securities.

As a result of the reclassification, at March 31, 2002, securities in current assets decreased by ¥2,426 million ($18,241 thousand) and investment securities increased by the same amount. Also, in the period from the date of the classification change to the balance sheet date, unrealized holding losses were incurred on these securities and such unrealized losses, net of applicable income taxes, are reflected in stockholders' equity. As a result, unrealized loss from changes in fair market values of trading securities and loss before income taxes and minority interests in the consolidated statement of operations for the year ended March 31, 2002 decreased by ¥230 million ($1,729 thousand) and net unrealized holding gains on securities in the consolidated balance sheet as of that date decreased by ¥145 million ($1,090 thousand) compared with what would have been reported if not for the reclassification of such securities.

Available-for-sale securities with maturities were as of March 31, 2002 and 2001:

	Millions of yen				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
2002:					
Bonds					
Government bonds	**¥ 1**	**¥ —**	**¥ —**	**¥ —**	**¥ 1**
Corporate bonds	**—**	**—**	**991**	**—**	**991**
Other bonds	**2,801**	**—**	**—**	**—**	**2,801**
Total	**¥2,802**	**¥ —**	**¥ 991**	**¥ —**	**¥3,793**

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
					Millions of yen
2001:					
Bonds					
Government bonds	¥ 304	¥ 1	¥ —	¥ —	¥ 305
Corporate bonds	—	—	996	—	996
Other bonds	1,997	5,242	—	1,974	9,213
Others	—	—	281	—	281
Total	¥2,301	¥5,243	¥1,277	¥1,974	¥10,795

	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
					Thousands of U.S. dollars
2002:					
Bonds					
Government bonds	**$ 8**	**$ —**	**$ —**	**$ —**	**$ 8**
Corporate bonds	**—**	**—**	**7,451**	**—**	**7,451**
Other bonds	**21,060**	**—**	**—**	**—**	**21,060**
Total	**$21,068**	**$ —**	**$7,451**	**$ —**	**$28,519**

Available-for-sale securities sold in the years ended March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Sales	**¥19,640**	¥16,160	**$147,669**
Gains	**763**	1,450	**5,737**
Losses	**358**	640	**2,692**

6. INCOME TAXES

Income taxes in Japan consist of corporation, enterprise and inhabitants' taxes. The Company and its domestic consolidated subsidiaries are subject to the income taxes referred to above which, in the aggregate, resulted in statutory tax rates of approximately 42.0%. Foreign subsidiaries are subject to income taxes of the countries in which they domicile.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2001.

	2001
Statutory tax rate	42.0 %
Lower tax rates of overseas subsidiaries	(7.4)%
Expenses not deductible for tax purposes	20.0 %
Effect of changes in valuation allowance for deferred tax assets	(13.7)%
Other	35.8 %
Effective tax rate	76.7 %

Information for 2002 is not prepared as the Company incurred a net loss in the year ended March 31, 2002.

Significant components of the Company's deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Loss on devaluation of inventory	**¥ 5,465**	¥ 4,939	**$ 41,090**
Accrued expenses not deductible for tax purposes	**5,956**	6,479	**44,782**
Accrued restructuring charges not currently deductible	**5,597**	—	**42,083**
Depreciation	**8,028**	7,938	**60,361**
Retirement and severance benefits	**5,101**	3,474	**38,353**
Tax loss carryforwards	**21,767**	11,009	**163,662**
Other	**13,640**	9,657	**102,556**
Total gross deferred tax assets	**65,554**	43,496	**492,887**
Less valuation allowance	**(44,628)**	24,912	**(335,549)**
Net deferred tax assets	**¥20,926**	¥18,584	**$157,338**
Deferred tax liabilities:			
Unrealized gain from appreciation of trading securities	**¥ (944)**	¥ (787)	**$ (7,098)**
Net unrealized holding gains on securities	**(670)**	(—)	**(5,037)**
Other	**(823)**	(670)	**(6,188)**
Total gross deferred tax liabilities	**¥ (2,437)**	¥ (1,457)	**$ (18,323)**
Net deferred tax assets	**¥18,489**	¥17,127	**$139,015**

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans of certain of the Company's consolidated subsidiaries consist of notes maturing generally in three months. The applicable annual interest rates on short-term bank loans outstanding at March 31, 2002 and 2001 ranged from 0.50% to 24.30% and from 0.78% to 20.57%, respectively.

Long-term debt at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
1.5% unsecured convertible bonds due in 2005	**¥ 11,483**	¥ 11,483	**$ 86,338**
0.35% unsecured convertible bonds due in 2002	**19,999**	19,999	**150,368**
0.55% unsecured convertible bonds due in 2005	**20,000**	20,000	**150,376**
1.375% unsecured bonds due in 2001	**—**	5,000	**—**
1.75% unsecured bonds due in 2003	**5,000**	5,000	**37,594**
2.15% unsecured bonds due in 2005	**10,000**	10,000	**75,188**
1.68% unsecured bonds due in 2006	**20,000**	20,000	**150,376**
1.89% unsecured bonds due in 2007	**10,000**	10,000	**75,188**
1.30% guaranteed notes due in 2001	**—**	5,324	**—**
1.61% guaranteed notes due in 2002	**5,432**	5,050	**40,842**
1.50% guaranteed notes due in 2005	**8,883**	8,260	**66,789**
Loans, primarily from banks with interest principally at 0.82% to 7.00%			
Secured	**328**	221	**2,466**
Unsecured	**5,915**	8,988	**44,475**
	117,040	129,325	**880,000**
Less current portion	**27,168**	11,732	**204,271**
	¥ 89,872	¥117,593	**$675,729**

The 1.5% unsecured convertible bonds are redeemable prior to their stated maturity, in whole or in part, at the option of the Company at prices ranging from 107% to 100% of the principal amount, respectively. The price at which shares of common stock shall be issued upon conversion is ¥2,867 ($21.56) per share, subject to adjustment under certain circumstances. The 0.35% and 0.55% unsecured convertible bonds are redeemable prior to their stated maturity, in whole or in part, at the option of the Company at prices ranging from 102% to 100% and 103% to 100% of the principal amount, respectively. For both issues, the price at which shares of common stock shall be issued upon conversion is ¥1,487 ($11.18) per share, subject to adjustment under certain circumstances.

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 27,168	$204,271
2004	7,745	58,233
2005	12,529	94,203
2006	39,001	293,241
2007	20,120	151,278
Thereafter	10,477	78,774
	¥117,040	$880,000

8. PLEDGED ASSETS

The following assets were pledged as collateral for current portion of long-term debt and accrued expenses at March 31, 2002:

	Millions of yen	Thousands of U.S. dollars
Investments	**¥ 1**	**$ 8**
Machinery and equipment	**475**	**3,571**
Land	**180**	**1,353**
	¥656	**$4,932**

9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2, Significant Accounting Policies, effective April 1, 2000, the Companies adopted the new accounting standard ("Opinion on Setting Accounting Standard for Employees' Severance and Retirement Benefits"). Liability for employees' retirement benefits included in liabilities in the consolidated balance sheet and the related expenses for 2002 and 2001, which were determined based on the amounts obtained by actuarial calculations, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligation:			
Projected benefit obligation	**¥(252,417)**	¥(226,706)	**$(1,897,872)**
Unamortized prior service costs	**(8,009)**	(8,899)	**(60,218)**
Unamortized actuarial differences	**42,321**	16,097	**318,203**
Less fair value of pension assets	**159,425**	159,855	**1,198,684**
Less unrecognized net transition obligation	**36,129**	38,907	**271,647**
Liability for severance and retirement benefits	**¥ (22,551)**	¥ (20,746)	**$ (169,556)**
Severance and retirement benefits expenses:			
Service costs	**¥ 8,200**	¥ 7,044	**$ 61,654**
Interest costs on projected benefit obligation	**8,884**	8,923	**66,797**
Expected return on plan assets	**(4,499)**	(4,499)	**(33,827)**
Amortization of net transition obligation	**2,779**	2,779	**20,895**
Amortized actuarial differences	**1,610**	—	**12,105**
Amortized prior service costs	**(890)**	—	**(6,692)**
Severance and retirement benefits expenses	**¥ 16,084**	¥ 14,247	**$ 120,932**

Not included in the above table is special retirement payments amounting to ¥1,199 million ($9,015 thousand) and ¥3,595 million, which were expensed in 2002 and 2001, respectively.

The discount rate and the rate of expected return on plan assets used by the Company are 3.5% and 3.0% in 2002, and 4.0% and 3.0% in 2001, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized in income or expense using the straight-line method over 10 years, and actuarial gains and losses are recognized in income or expense using the straight-line method over 10 years commencing with the following period.

10. CONTINGENT LIABILITIES

The contingent liabilities of the Company and its consolidated subsidiaries at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of export bills discounted with banks	¥19,626	$147,564
As guarantor for loans to employees	2,426	18,241
As guarantor for loan to affiliated company and lease obligations of affiliated company and others	2,150	16,165
	¥24,202	$181,970

11. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions or certain other purposes by the resolution of stockholders' meeting. Legal reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Code.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and its consolidated subsidiaries use derivative financial instruments in the normal course of their business to manage the exposure to fluctuations in foreign exchange rates and interest rates. The primary classes of derivatives used by the Company and its consolidated subsidiaries are forward exchange contracts, option contracts and interest rate swap contracts.

These derivative financial transactions are executed and managed by the Company's accounting department and are authorized by the Director responsible for accounting matters under the supervision by the Board of Directors.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Hedged items:
Forward exchange contracts and option contracts	Foreign currency trade receivables and trade payables, future transactions denominated in a foreign currency
Interest rate swap contracts	Interest on bonds

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

The following tables summarize market value information as of March 31, 2001 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen		
March 31, 2001	Contract amount	Market value	Recognized gain (loss)
Swap contracts:			
Receive fixed/pay floating	¥5,000	¥(1)	¥(1)
Pay fixed/receive floating	5,000	¥ 1	¥ 1

The fair value of interest rate swap contracts are estimated based on the quotes obtained from financial institutions.

As the companies applied hedge accounting to all derivatives in 2002, market value information for 2002 is not disclosed.

13. LEASE INFORMATION

The Companies lease certain buildings and structures, vehicles, machinery and equipment and other assets under non-capitalized finance and operating leases. Finance leases which do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance and operating leases is as follows.

Lessee:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2001 is as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2002:			
Buildings and structures	**¥ 1,223**	**¥ 446**	**¥ 777**
Vehicles, machinery and equipment	**7,882**	**3,688**	**4,194**
Tools, furniture and fixtures	**12,575**	**6,221**	**6,354**
Leasehold rights	**183**	**79**	**104**
Software	**56**	**27**	**29**
	¥21,919	**¥10,461**	**¥11,458**

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2001:			
Buildings and structures	¥ 1,975	¥1,023	¥ 952
Vehicles, machinery and equipment	9,119	3,341	5,778
Tools, furniture and fixtures	11,361	5,446	5,915
Leasehold rights	122	56	66
Software	115	83	32
	¥22,692	¥9,949	¥12,743

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2002:			
Buildings and structures	**$ 9,195**	**$ 3,353**	**$ 5,842**
Vehicles, machinery and equipment	**59,263**	**27,729**	**31,534**
Tools, furniture and fixtures	**94,549**	**46,775**	**47,774**
Leasehold rights	**1,376**	**594**	**782**
Software	**421**	**203**	**218**
	$164,804	**$78,954**	**$86,150**

The assumed amounts of acquisition cost and depreciation under non-capitalized finance leases for the year ended March 31, 2002 are calculated excluding the assumed interest charges due to the increase in 2002 in the ratio of future minimum lease payments under non-capitalized finance leases over the total amount of the future minimum lease payments and property, plant and equipment as of March 31, 2002, whereas the assumed amounts of acquisition cost and depreciation for the previous years are calculated including the assumed interest charges.

Based on the calculation including the assumed interest charges as of March 31, 2002, the assumed amounts of acquisition cost and depreciation under non-capitalized finance leases are as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2002:			
Buildings and structures	**¥ 2,009**	**¥ 1,188**	**¥ 821**
Vehicles, machinery and equipment	**8,796**	**4,133**	**4,663**
Tools, furniture and fixtures	**14,234**	**6,758**	**7,476**
Leasehold rights	**194**	**82**	**112**
Software	**60**	**30**	**30**
	¥25,293	**¥12,191**	**¥13,102**

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
2002:			
Buildings and structures	**$ 15,105**	**$ 8,932**	**$ 6,173**
Vehicles, machinery and equipment	**66,135**	**31,075**	**35,060**
Tools, furniture and fixtures	**107,023**	**50,812**	**56,211**
Leasehold rights	**1,459**	**617**	**842**
Software	**451**	**226**	**225**
	$190,173	**$91,662**	**$98,511**

(2) Future minimum lease payments under the non-capitalized finance and operating leases at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
Non-capitalized finance leases	**2002**	2001	**2002**
Due within one year	**¥ 4,346**	¥ 4,377	**$32,677**
Due after one year	**7,561**	8,365	**56,849**
	¥11,907	¥12,742	**$89,526**

	Millions of yen		Thousands of U.S. dollars
Operating leases	**2002**	2001	**2002**
Due within one year	**¥1,053**	¥ 911	**$ 7,917**
Due after one year	**1,941**	1,355	**14,594**
	¥2,994	¥2,266	**$22,511**

The assumed amount of future minimum lease payments under non-capitalized finance leases for the year ended March 31, 2002 is calculated excluding assumed interest charges due to the increase in 2002 in the ratio of future minimum lease payments under non-capitalized finance leases over the total amount of the future minimum lease payments and property, plant and equipment as of March 31, 2002, whereas the assumed amount of future minimum lease payments for the previous years are calculated including the assumed interest charges.

Based on the calculation including the assumed interest charges as of March 31, 2002, the assumed amount of future minimum lease payments under non-capitalized finance leases is as follows:

	Millions of yen	Thousands of U.S. dollars
Non-capitalized finance leases	**2002**	**2002**
Due within one year	**¥ 4,995**	**$37,556**
Due after one year	**8,107**	**60,955**
	¥13,102	**$98,511**

(3) Lease payments, assumed depreciation charges and assumed interest charges for the year ended March 31, 2002 and 2001 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Lease payments	**¥4,253**	¥3,018	¥3,119	**$31,977**
Assumed depreciation charges	**3,780**	3,018	3,119	**28,421**
Assumed interest charges	**466**	—	—	**3,504**

(4) Assumed depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

(5) The excess amount of total lease payments over acquisition cost of leased property is deemed as accumulated interest expenses and allocated for each period on the basis of the interest method.

Lessor:

The Company and its subsidiary lease certain equipment under non-capitalized finance leases, as lessees and lease that equipment under non-capitalized finance leases, as lessors. Future minimum lease receipts under these non-capitalized finance and operating leases at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
Non-capitalized finance leases	**2002**	2001	**2002**
Due within one year	**¥1,031**	¥1,425	**$ 7,752**
Due after one year	**1,093**	1,958	**8,218**
	¥2,124	¥3,383	**$15,970**

	Millions of yen		Thousands of U.S. dollars
Operating leases	**2002**	2001	**2002**
Due within one year	**¥38**	¥270	**$286**
Due after one year	**17**	281	**128**
	¥55	¥551	**$414**

14. SEGMENT INFORMATION

Information by segment for the years ended March 31, 2002, 2001 and 2000 is shown in the tables below.

1) Business segment information is as follows:

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Entertainment Softwares & Medias business	Other business	Total	Eliminations and unallocation	Consolidated total
2002:								
Sales								
External sales	**¥641,329**	**¥78,344**	**¥49,701**	**¥177,004**	**¥ 7,794**	**¥954,172**	**¥ —**	**¥954,172**
Intersegment	**2,802**	**4,412**	**2,432**	**9,555**	**3,552**	**22,753**	**(22,753)**	**—**
Total sales	**644,131**	**82,756**	**52,133**	**186,559**	**11,346**	**976,925**	**(22,753)**	**954,172**
Operating expenses	**647,583**	**87,750**	**56,863**	**183,350**	**11,830**	**987,376**	**(21,110)**	**966,266**
Operating income (loss)	**¥ (3,452)**	**¥ (4,994)**	**¥ (4,730)**	**¥ 3,209**	**¥ (484)**	**¥ (10,451)**	**¥ (1,643)**	**¥ (12,094)**
Identifiable assets	**¥263,357**	**¥46,418**	**¥32,216**	**¥114,121**	**¥17,981**	**¥474,093**	**¥39,272**	**¥513,365**
Depreciation and amortization	**15,442**	**1,764**	**4,585**	**5,083**	**821**	**27,695**	**305**	**28,000**
Capital expenditures	**10,808**	**2,300**	**3,852**	**2,701**	**1,449**	**21,110**	**65**	**21,175**

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Entertainment Softwares & Medias business	Other business	Total	Eliminations and unallocation	Consolidated total
2001:								
Sales								
External sales	¥598,636	¥83,915	¥61,544	¥183,256	¥ 6,999	¥934,350	¥ —	¥934,350
Intersegment sales	3,521	3,597	2,647	9,039	2,926	21,730	(21,730)	—
Total sales	602,157	87,512	64,191	192,295	9,925	956,080	(21,730)	934,350
Operating expenses	598,991	92,416	60,056	187,837	10,296	949,596	(20,938)	928,658
Operating income (loss)	¥ 3,166	¥ (4,904)	¥ 4,135	¥ 4,458	¥ (371)	¥ 6,484	¥ (792)	¥ 5,692
Identifiable assets	¥290,251	¥50,002	¥34,643	¥119,123	¥16,427	¥510,446	¥76,182	¥586,628
Depreciation and amortization	14,847	2,240	5,167	4,666	808	27,728	357	28,085
Capital expenditures	16,149	2,132	4,988	7,254	570	31,093	34	31,127

Following the changes of management jurisdiction due to the introduction of an in-house company system in April 2000, the Company recognized its industrial segments.

The previous two segments of Audiovisual and information-related business and Entertainment business were changed into five segments — Consumer electronics business, Professional electronics business, Components & Devices business, Entertainment Softwares & Medias business and Other business.

Consolidated financial data for the year ended March 31, 2000, reclassified to conform with the current segments was as follows.

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Entertainment Softwares & Medias business	Other business	Total	Eliminations and unallocation	Consolidated total
2000:								
Sales								
External sales	¥567,585	¥87,891	¥64,857	¥142,943	¥ 6,959	¥870,235	¥ —	¥870,235
Intersegment sales	1,680	3,108	2,241	9,551	2,951	19,531	(19,531)	—
Total sales	569,265	90,999	67,098	152,494	9,910	889,766	(19,531)	870,235
Operating expenses	568,874	98,944	69,463	149,458	10,096	896,835	(18,581)	878,254
Operating income (loss)	¥ 391	¥ (7,945)	¥ (2,365)	¥ 3,036	¥ (186)	¥ (7,069)	¥ (950)	¥ (8,019)
Identifiable assets	¥263,598	¥46,843	¥36,235	¥122,527	¥31,455	¥500,658	¥39,701	¥540,359
Depreciation and amortization	14,626	2,771	5,818	4,208	792	28,215	375	28,590
Capital expenditures	12,623	2,303	4,547	3,511	1,200	24,184	152	24,336

	Audiovisual and information-related business	Entertainment business	Total	Eliminations and unallocation	Consolidated total
	Millions of yen				
2000:					
Sales					
External sales	¥745,062	¥125,173	¥870,235	¥ —	¥870,235
Intersegment sales	355	1,601	1,956	(1,956)	—
Total sales	745,417	126,774	872,191	(1,956)	870,235
Operating expenses	756,041	123,219	879,260	(1,006)	878,254
Operating income (loss)	¥ (10,624)	¥ 3,555	¥ (7,069)	¥ (950)	¥ (8,019)
Identifiable assets	¥378,737	¥ 84,693	¥463,430	¥76,929	¥540,359
Depreciation and amortization	24,544	3,671	28,215	375	28,590
Capital expenditures	21,529	2,655	24,184	152	24,336

As explained in Note 2 "Employees' retirement benefits and pension plans," effective April 1, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998. As a result, in the year ended March 31, 2001, operating income of Consumer electronics business decreased by ¥235 million, operating loss of Professional electronics business increased by ¥83 million, operating income of Components & Devices business decreased by ¥70 million, operating income of Entertainment Softwares & Medias business decreased by ¥145 million, operating loss of Other business increased by ¥20 million and unallocated operating expenses increased by ¥1 million.

	Consumer electronics business	Professional electronics business	Components & Devices business	Entertainment Softwares & Medias business	Other business	Total	Eliminations and unallocation	Consolidated total
	Thousands of U.S. dollars							
2002:								
Sales								
External sales	**$4,822,023**	**$589,053**	**$373,692**	**$1,330,857**	**$ 58,601**	**$7,174,226**	**$ —**	**$7,174,226**
Intersegment sales	**21,068**	**33,173**	**18,286**	**71,842**	**26,707**	**171,076**	**(171,076)**	**—**
Total sales	**4,843,091**	**622,226**	**391,978**	**1,402,699**	**85,308**	**7,345,302**	**(171,076)**	**7,174,226**
Operating expenses	**4,869,046**	**659,775**	**427,542**	**1,378,571**	**88,947**	**7,423,881**	**(158,723)**	**7,265,158**
Operating income (loss)	**$ (25,955)**	**$ (37,549)**	**$ (35,564)**	**$ 24,128**	**$ (3,639)**	**$ (78,579)**	**$ (12,353)**	**$ (90,932)**
Identifiable assets	**$1,980,128**	**$349,007**	**$242,226**	**$ 858,053**	**$135,195**	**$3,564,609**	**$295,278**	**$3,859,887**
Depreciation and amortization	**116,105**	**13,263**	**34,474**	**38,218**	**6,173**	**208,233**	**2,293**	**210,526**
Capital expenditures	**81,263**	**17,293**	**28,963**	**20,308**	**10,895**	**158,722**	**489**	**159,211**

2) Geographic segment information is as follows:

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
	Millions of yen						
2002:							
Sales							
External sales	**¥397,635**	**¥282,828**	**¥191,591**	**¥ 82,118**	**¥ 954,172**	**¥ —**	**¥ 954,172**
Intersegment sales	**246,654**	**248**	**1,036**	**166,361**	**414,299**	**(414,299)**	**—**
Total sales	**644,289**	**283,076**	**192,627**	**248,479**	**1,368,471**	**(414,299)**	**954,172**
Operating expenses	**663,129**	**280,245**	**188,945**	**244,906**	**1,377,225**	**(410,959)**	**966,266**
Operating income (loss)	**¥ (18,840)**	**¥ 2,831**	**¥ 3,682**	**¥ 3,573**	**¥ (8,754)**	**¥ (3,340)**	**¥ (12,094)**
Identifiable assets	**¥338,843**	**¥ 93,275**	**¥ 72,262**	**¥ 75,958**	**¥ 580,338**	**¥ (66,973)**	**¥ 513,365**

							Millions of yen
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2001:							
Sales							
External sales	¥454,626	¥261,185	¥151,269	¥ 67,270	¥ 934,350	¥ —	¥934,350
Intersegment sales	263,473	182	873	170,233	434,761	(434,761)	—
Total sales	718,099	261,367	152,142	237,503	1,369,111	(434,761)	934,350
Operating expenses	716,531	258,272	150,301	236,238	1,361,342	(432,684)	928,658
Operating income	¥ 1,568	¥ 3,095	¥ 1,841	¥ 1,265	¥ 7,769	¥ (2,077)	¥ 5,692
Identifiable assets	¥379,008	¥ 99,105	¥ 67,343	¥ 75,655	¥ 621,111	¥ (34,483)	¥586,628

As explained in Note 2 "Employees' retirement benefits and pension plans," effective April 1, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998. As a result, in the year ended March 31, 2001, operating income of Japan decreased by ¥555 million and unallocated operating expenses increased by ¥1 million.

							Millions of yen
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2000:							
Sales							
External sales	¥416,271	¥249,451	¥145,709	¥ 58,804	¥ 870,235	¥ —	¥870,235
Intersegment sales	238,687	431	183	141,377	380,678	(380,678)	—
Total sales	654,958	249,882	145,892	200,181	1,250,913	(380,678)	870,235
Operating expenses	671,232	247,581	144,276	198,170	1,261,259	(383,005)	878,254
Operating income (loss)	¥ (16,274)	¥ 2,301	¥ 1,616	¥ 2,011	¥ (10,346)	¥ 2,327	¥ (8,019)
Identifiable assets	¥359,991	¥110,231	¥ 52,158	¥ 57,298	¥ 579,678	¥ (39,319)	¥540,359

							Thousands of U.S. dollars
	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
2002:							
Sales							
External sales	**$2,989,737**	**$2,126,526**	**$1,440,534**	**$ 617,429**	**$ 7,174,226**	**$ —**	**$7,174,226**
Intersegment sales	**1,854,541**	**1,865**	**7,789**	**1,250,835**	**3,115,030**	**(3,115,030)**	**—**
Total sales	**4,844,278**	**2,128,391**	**1,448,323**	**1,868,264**	**10,289,256**	**(3,115,030)**	**7,174,226**
Operating expenses	**4,985,933**	**2,107,105**	**1,420,639**	**1,841,399**	**10,355,076**	**(3,089,918)**	**7,265,158**
Operating income (loss)	**$ (141,655)**	**$ 21,286**	**$ 27,684**	**$ 26,865**	**$ (65,820)**	**$ (25,112)**	**$ (90,932)**
Identifiable assets	**$2,547,692**	**$ 701,316**	**$ 543,323**	**$ 571,113**	**$ 4,363,444**	**$ (503,557)**	**$3,859,887**

3) Overseas sales information by geographic area is as follows:

					Millions of yen
	Americas	Europe	Asia	Other areas	Total
2002:					
Overseas sales	**¥299,512**	**¥197,621**	**¥123,883**	**¥5,193**	**¥626,209**
Consolidated sales					**¥954,172**
Ratio of overseas sales to consolidated sales	**31.4%**	**20.7%**	**13.0%**	**0.5%**	**65.6%**
2001:					
Overseas sales	¥284,165	¥163,521	¥115,487	¥4,804	¥567,977
Consolidated sales					¥934,350
Ratio of overseas sales to consolidated sales	30.4%	17.5%	12.4%	0.5%	60.8%
2000:					
Overseas sales	¥273,012	¥155,440	¥112,751	¥4,113	¥545,316
Consolidated sales					¥870,235
Ratio of overseas sales to consolidated sales	31.4%	17.9%	13.0%	0.4%	62.7%

					Thousands of U.S. dollars
	Americas	Europe	Asia	Other area	Total
2002:					
Overseas sales	**$2,251,970**	**$1,485,872**	**$931,451**	**$39,045**	**$4,708,338**
Consolidated sales					**$7,174,226**
Ratio of overseas sales to consolidated sales	**31.4%**	**20.7%**	**13.0%**	**0.5%**	**65.6%**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors of Victor Company of Japan, Limited:

We have audited the accompanying consolidated balance sheets of Victor Company of Japan, Limited (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Victor Company of Japan, Limited and subsidiaries as of March 31, 2002 and 2001 and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, Victor Company of Japan, Limited and subsidiaries adopted, on a prospective basis in all cases, new Japanese accounting standards for employees' severance and retirement benefits, financial instruments and foreign currency translation effective April 1, 2000, and for consolidation, income taxes and research, development and other costs effective April 1, 1999.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co

Asahi & Co
Tokyo, Japan
June 27, 2002

DIRECTORY

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FACTORIES

Domestic Plants

**Yokohama, Yamato, Maebashi, Mito, Hachioji, Koriyama,
Fujieda, Yokosuka, Rinkan, Tsurugamine, Oyama**

Overseas Manufacturing Facilities

**JVC Magnetics America, Co. (Division of JVC America, Inc.)
JVC Disc America, Co. (Division of JVC America, Inc.)
JVC Industrial de Mexico, S.A. de C.V.
JVC Manufacturing U.K. Ltd.
JVC Video Manufacturing Europe GmbH
JVC Electronics Singapore Pte. Ltd.
JVC Electronics Malaysia Sdn. Bhd.
JVC Video Malaysia Sdn. Bhd.
JVC Electronics (Thailand) Co., Ltd.
JVC Manufacturing (Thailand) Co., Ltd.
JVC Components (Thailand) Co., Ltd.
P.T. JVC Electronics Indonesia
Kuang Yuan Co., Ltd.
JVC Beijing Electronic Industries Co., Ltd.
JVC Shanghai Electronics Co., Ltd.
JVC Guangzhou Electronics Co., Ltd.
Fujian JVC Electronics Co., Ltd.**

(As of July 2002)

CORPORATE DATA

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Cable Address: VICTOREXPORT TOKYO
Facsimile: +81-45-450-1574
http://www.jvc-victor.co.jp/

Date of Establishment:
September 13, 1927

Number of Employees:
34,183*

Paid-in Capital:
¥34,115 million

Number of Shares of Common Stock Issued:
254,230,058 shares

Number of Stockholders:
20,110*

Stock Exchange Listings:
Tokyo Stock Exchange
Osaka Securities Exchange

Transfer Agent and Registrar:
The Chuo Mitsui Trust and Banking Company, Limited

Annual Meeting of Stockholders:
An ordinary annual meeting of stockholders shall be convened within three months after the day immediately following the day on which the accounts are closed.

Auditor:
Asahi & Co

Principal Consolidated Subsidiaries:

Domestic
Victor Entertainment, Inc.
Teichiku Entertainment, Inc.
Victor Leisure System Co., Ltd.
JVC Advanced Media Co., Ltd.
Victor Service & Engineering Co., Ltd.
Victor Management Information Co., Ltd.
Victor Real Estate Co., Ltd.
Victor Finance Co., Ltd.
Victor Logistics, Inc.
Nippon Record Center Co., Ltd.

Overseas
JVC Americas Corp.
JVC America, Inc.
JVC Industrial America, Inc.
JVC Entertainment, Inc.
JVC Canada Inc.
JVC Europe Ltd.
JVC (U.K.) Ltd
JVC Manufacturing U.K. Ltd.
JVC France S.A.
JVC Italia S.p.A.
JVC España S.A.
JVC Deutschland GmbH
JVC Video Manufacturing Europe GmbH
JVC Belgium S.A./N.V.
JVC Nederland B.V.
JVC International (Europe) GmbH
JVC Asia Pte. Ltd.
JVC Electronics Singapore Pte. Ltd.
JVC Electronics Malaysia Sdn. Bhd.
JVC Sales & Service (Thailand) Co., Ltd.
JVC Manufacturing (Thailand) Co., Ltd.
JVC Components (Thailand) Co., Ltd.
P.T. JVC Electronics Indonesia
JVC Gulf Fze
JVC Korea Co., Ltd.
JVC (China) Investment Co., Ltd.
JVC Beijing Electronic Industries Co., Ltd.
JVC Shanghai Electronics Co., Ltd.

Note: JVC's fiscal 2002 consolidated financial statements comprise the accounts of 23 domestic and 58 overseas companies, including principal subsidiaries.

(As of July 2002)

**As of March 2002*

VICTOR COMPANY OF JAPAN, LIMITED

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