JVC

VICTOR COMPANY OF JAPAN, LIMITED

ANNUAL REPORT 1999

April 1998-March 1999

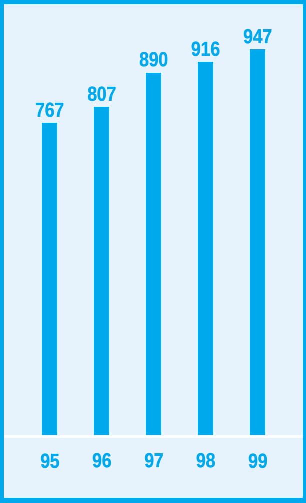
Financial Highlights

Victor Company of Japan, Limited

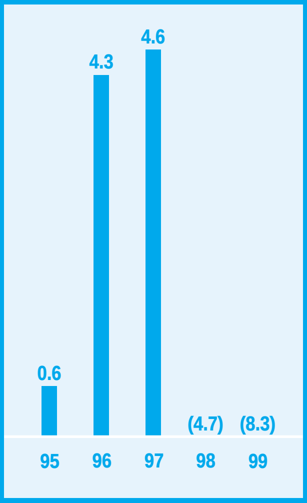
	Millions of yen			Thousands of U.S. dollars (Note A)
	1999	1998	1997	**1999**
Net sales	**¥946,617**	¥916,306	¥890,373	**$7,823,281**
Overseas	**566,551**	526,285	484,394	**4,682,240**
Domestic	**380,066**	390,021	405,979	**3,141,041**
Net income (loss)	**(8,315)**	(4,703)	4,586	**(68,719)**
	Yen			U.S. dollars (Note A)
Per share:				
Net income (loss)	**¥ (32.7)**	¥ (18.5)	¥ 18.0	**$ (0.27)**
Cash dividends (Note B)	**5.0**	7.0	7.0	**0.04**
	Millions of yen			Thousands of U.S. dollars (Note A)
Stockholders' equity	**¥232,162**	¥243,086	¥250,418	**$1,918,694**
Total assets	**588,001**	624,050	603,920	**4,859,512**
Capital expenditures	**28,815**	36,651	31,552	**238,141**
Depreciation & amortization	**30,513**	24,008	27,212	**252,174**

Notes: A. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥121 to US$1, the approximate rate prevailing on March 31, 1999.
B. Cash dividends represent amounts applicable to respective years.

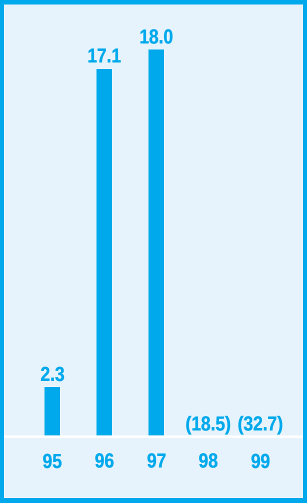
Net Sales
(Billions of yen)



Net Income (Loss)
(Billions of yen)

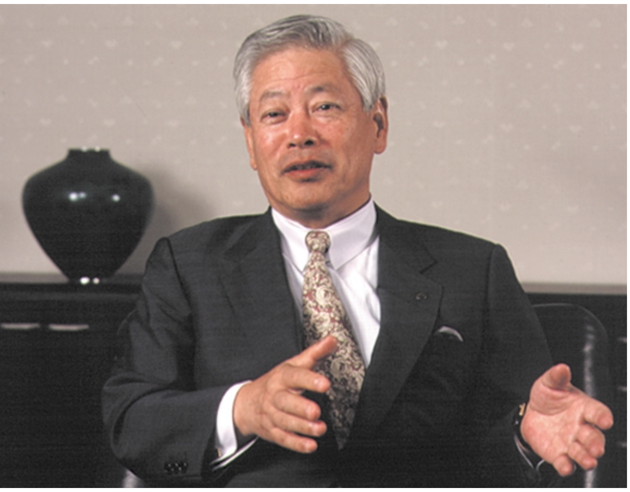


Net Income (Loss) per Share
(Yen)



JVC is a world leader in audiovisual and related software products. The Company is being transformed from an audiovisual innovator to **a digital systems integrator.** Its position as one of the few companies in the world with large-scale **operations in both hardware and software,** along with the innovative technology that led to the development of VHS, provides JVC with a competitive advantage in the development of digital systems. Based on these strengths, JVC looks forward to **a new stage of growth in the multimedia age.**

Contents



RE-VALUE 21— IN TECHNOLOGY AND MEETING

JVC is positioning itself for explosive growth in the digital era. Based on the corporate philosophy of enriching life with sound and images, JVC will make every effort to extend its position of leadership in the audiovisual field into the 21st century.

Backed by advanced technology, the Company continues to promote product development centered on core fields. Moreover, new product areas that maximize the potential of digital technology are becoming additional sources of revenue. New functions that were unattainable with analog technology are made possible with digital technology in networking and systemizing products. JVC also takes full advantage of the flexibility offered by digital technology in customization, striving to enhance its customer-oriented marketing structure for a more accurate response to customer needs. While improving products and product proposals, JVC continues to reinforce its management foundation. During the current term, we are making solid progress in preparation for the digital era, casting off 20th-century restraints to build a more flexible management structure for the next century.

In January 1998, JVC announced "Re-Value 21," a three-year plan to prepare the Company for vanishing market boundaries, increasing globalization and digitization, and expanding networks. Objectives include reevaluating the Company's market position and technological stance, clarifying core competencies, and selecting businesses and concentrating resources in areas of strength.

In January 1999, we established primary objectives for the fiscal year ending March 31, 2000 in line with targets illustrated in Re-Value 21. Efforts to achieve these goals

CUSTOMER NEEDS

are progressing on a Companywide basis, and call for concentration of management resources in the four strategies outlined below that symbolize JVC in the 21st century.

FOCUS 1

We concentrate management resources in areas of technological strength.

One of JVC's greatest advantages is its accumulation of advanced technologies. The Company developed the VHS format for video systems and played a leading role in the standardization of the Moving Picture Experts Group (MPEG) format for data compression technology. We are enhancing our strengths with selective investment in practical development projects. Products prioritized for development include the image light amplifier (ILA) multimedia projector for household use, D-VHS tape media, video-on-demand (VOD) multimedia systems, next-generation wireless optical local area networks (LANs) and high-density build-up multilayer printed wiring boards. In building a foundation for the digital era, we are advancing the development of technology essential to product development in three fields—media and devices, computing and networks, and software.

FOCUS 2

While extending JVC's technological assets, we are creating new businesses in promising fields of growth and expanding markets backed by our extensive experience.

JVC succeeded in the development of technology that does not waste materials during CD molding processes at the Company's Production Engineering Laboratory. Amid forecasts of robust demand due to rising environmental awareness, we aim to develop this technology into a business for new production facilities. Fully utilizing miniaturization technology acquired through development of the digital video camcorder (DVC), JVC plans to enter the emerging market for mobile multimedia devices. In addition, rapid expansion is expected for office and home networks that transmit diverse data containing images and sound on a multichannel and interactive basis. Such networks are a promising new business in creating an environment where information can be obtained anytime and anywhere. With broad experience accumulated in the entertainment business, we are also developing a content creation business that includes alliances with leading companies.

FOCUS 3

While bolstering our product lineup, we are rapidly promoting the development of new marketing techniques.

Proposal-based marketing places higher priority on customer needs than conventional single-product approaches to sales. JVC meets directly with users to propose solutions through systemization and networking with digital technology, service and support tailored to the needs of each user, combinations of professional and consumer products, and packaged services that fuse hardware and software.

Our proposal-based marketing is also a strategic response to intensifying price competition in hardware products. JVC is gradually shifting its business focus to

sources of higher profits in such areas as systems, service and software. Based on customer-oriented marketing, JVC is creating new value as one of the few Japanese corporations with an edge in both hardware and software.

While maintaining sales through current distribution channels, we formed the Market Creation Division in April 1999 to further boost profits as the first stage in the development of cross-sectional and strategic marketing. We perform proposal-based marketing for systems by fusing all our technological divisions.

FOCUS 4

JVC promotes the global development of strategic regional businesses through a system established in 1998 consisting of four overseas regional headquarters.

At the U.S. headquarters, JVC devises comprehensive strategies that include systems, components and software, and expand its lineup of high-value-added products. In Europe, we continue to bolster the professional electronics business with our strong brand recognition. In Asia, we enhance marketing capabilities in the professional electronics and components businesses and expand sales bases in the Middle East. In China, we strengthen professional electronics, software and media businesses.

While concentrating investment in these four fields of focus, we aim to reinforce the management foundation to support operations, including the closure of unprofitable businesses and facilities. While closures are extremely difficult and detrimental in Japanese society, JVC has positioned itself to take decisive action and measures necessary to prosper as a global company amid intensifying competition.

First, headquarters will be streamlined to formulate and supervise Groupwide strategy for the creation of a flexible organization. JVC continues to lower overall costs. Fixed costs will be cut by more than 10% this term. Through the introduction of full-scale supply chain management, the Company also aims to maintain appropriate inventory levels with reductions of more than 10% this term and further reductions of inventory during the next term.

JVC is reviewing and withdrawing from unprofitable operations. In Japan, we have already closed components factories generating low profits. The Company continues to manufacture high-value-added products in Japan while disposing and restructuring excess domestic production capacity and expanding overseas production.

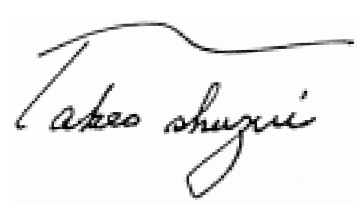
As part of restructuring, we dramatically downsized the wholly owned subsidiary Largo Entertainment Inc. in April 1999 by transferring its movie rights acquisition business to JVC Entertainment, Inc., a wholly owned subsidiary that specializes in distributing movies to the Japanese market. In January 1999, we established the Management Administration Office to strengthen consolidated management and increase profitability of the entire Group. The office is responsible for guiding management and the early detection of unprofitable businesses through audits of subsidiaries and affiliated companies.

To advance consolidated management on a global scale, JVC is strengthening management at four overseas regional headquarters. While lowering costs for deploying Japanese employees overseas, we are fostering regional managers and independent companies with strong local ties. Increasing awareness in each region, JVC rapidly promotes the localization of management, marketing, products, strategy and development. We aim to create a sound corporate foundation able to weather exchange rate fluctuations.

JVC is also reviewing domestic marketing, and aims to increase productivity more than 20% by improving efficiency in the existing management structure and dramatically increasing the efficiency of mass marketing sales routes.

During the current term, JVC is strengthening product development and building a solid structure for the 21st century by withdrawing from fields that are unsuitable for the digital era. The Company is in position to stop a two-term slide in profits, and aims to achieve consolidated net sales of ¥950.0 billion and net income of ¥4.5 billion.

We thank our investors, customers and associates for their continued support.



Takeo Shuzui
President

INTRODUCING PRODUCTS THAT ENRICH THE DIGITAL ERA

HOME THEATER:
VHS/DVC DECK
MICRO MD COMPONENT SYSTEM
FLAT-SCREEN TV

In Japan, commencement of full-blown digital broadcast satellite (BS) transmissions in December 2000, followed by digitization of terrestrial broadcasts, will propel the emerging digital era forward. Based on these developments, increased demand is predicted in the digital audiovisual market. JVC is concentrating its accumulation of advanced technologies, prioritizing distribution of management resources and developing products for the new digital era. Taking advantage of systemizing and networking, the Company is restructuring marketing to more precisely meet customer needs. The Company is also making the most of its strengths in combining hardware and software. JVC is steadily preparing for the emergence of the digital era to ensure the Company's position as the preferred choice of customers for its product proposals that thoroughly match needs, and to lead the industry in the audiovisual field.

CONSUMER ELECTRONICS: ADVANCING INTO PRODUCTS

NETWORKED WITH DIGITAL TECHNOLOGY

As the developer of the VHS format that became the wellspring for video, one of the greatest inventions in the 20th century, JVC has led the industry in proposing new technology and promoting its adoption since introducing the first VHS VCR in 1976. JVC recently followed up by developing the D-VHS standard for the digital era. A majority of manufacturers around the world are moving toward adopting the standard, which is backward compatible with the analog VHS format.

Starting our advance toward the era of full-scale digital broadcasting, in 1997 **D-VHS** equipment went on sale in the United States, the first country to kick off digital broadcasting. In March 1999, the Company formed a tie-up with Sony Corporation for the joint development of next-generation D-VHS video decks enhanced with networking functions offered by iLink (IEEE 1394-compliant interface). In July, these new decks were prepared for commercialization as the first D-VHS products in Japan. D-VHS decks will go on sale this year in Europe. Further efforts are being applied to add D-VHS products with more features to the lineup with our sights set on making D-VHS a central part in the networking era.

Video camcorders have already digitized and recent developments have taken this technology one step further. Our mini DV camcorders have improved in line with increased value placed on mobility and personalization—world trends that have evolved in step with digitization. Miniaturization has progressed toward achieving the goal envisioned by the catch phrase “movies that fit in your pocket.” Our latest GR-DVX7 camcorder weighs a mere 435 grams compared with the video camera that weighed more than one kilogram. With still image capturing as well as movie recording functions, we are improving the image quality of our digital camcorders to levels approximating that of conventional cameras.

A new era is coming to **television displays** as the schedule to digitize all broadcasts in Japan by 2010 is nearing completion. A bipolarization of the market is foreseen between personal displays and large-scale displays with stunning image quality. JVC is beefing up its lineup of large-scale displays for home theaters. Receiving high acclaim around the world, our wide-screen televisions will be ready to meet the expected increase in market demands. Based on our professional-use high-quality large-screen D-ILA multimedia projector, the Company will develop the home-use D-ILA projector. In tie-ups with other companies, JVC is making improvements to plasma display panel (PDP) wall-mounted televisions as well.

Demand is expected to grow for **DVD** players for home entertainment and for computer DVD-ROM drives. JVC foresees the eventual commercialization of recordable and playable DVD units, and aims to fully utilize the respective advantages of both DVD and D-VHS in future products. JVC played a leading role in the creation of the DVD-Audio 1.0 specification as a member of the DVD Forum. Know-how gained in the establishment of DVD standards will be applied to future product development.

High-fidelity audio, a JVC specialty, is an essential element in realizing the full potential of home theaters. High-quality audio has entered a period of full-blown demand, as shown by more than six million shipments of **MD** units. JVC continues to systemize MD technology.

Maximizing the potential of digital technology, JVC is systemizing and networking digital-related products. This fall, the Company will release **personal digital assistants** (PDAs) that can connect to such portable AV products as DVCs and MDs, and contain the basic computer functions necessary for a mobile environment. Amid the movement toward systemization, the Company will enter the field of home servers in the near future.

A major key in networking consumer products is the adaptation of professional-use **optical wireless LANs** to home networks. To accelerate the realization of home networks, JVC established HITS Laboratories, Inc. in cooperation with a public research institution. Research at the company includes high-capacity wireless optical transmission methods featuring simple yet low cost performance for multimedia devices in the home.

DIGITAL NETWORKED PRODUCTS:
DIGITAL VIDEO CAMCORDER
DIGITAL BROADCASTING AND
D-VHS VIDEOCASSETTE RECORDER
PORTABLE VIDEO PRINTER
PERSONAL DIGITAL ASSISTANT

PROFESSIONAL ELECTRONICS:

REDEFINING INDUSTRY BOUNDARIES AMID THE IMMINENT ARRIVAL OF THE DIGITAL ERA

DIGITAL BROADCASTING SYSTEMS:
DIGITAL-S VIDEO SYSTEM
DECODER
DVD ARCHIVE

Business opportunities arising from the arrival of the digital era extend beyond the Consumer Electronics business. The Professional Electronics business is also preparing for a once-in-a-lifetime growth opportunity that will redefine the face of the industry, especially in the field of professional broadcasting equipment, which accounts for 30% of total sales in the Professional Electronics business.

Meeting the digital broadcasting era head-on, JVC aims to bolster its product lineup to provide a single package comprising all the systems that relate to broadcasting. In addition to the Digital S series of D-9 compliant professional cameras and studio recorders for broadcasting, which have received high acclaim internationally, JVC has entered product fields that include encoders, decoders and archives. The Company is considering tie-ups with other companies for products it does not handle.

Newly introduced product lines have also been well received on the market. At the world's largest broadcasting equipment exhibition promoted by the National Association of Broadcasters (NAB), our high-definition encoders, small monitors and two other products were once again voted the best in their categories by industry journalists.

JVC's **encoders and decoders** are based on technology accumulated while the Company fulfilled a prominent role in the technological innovation of MPEG international standards for compressing and decompressing digital data. Praised for their world-class high image quality, small size and energy conservation qualities ideal for mobility, our encoders and decoders were delivered to four of the seven experimental terrestrial digital broadcasting stations in Japan and to DIRECTV Japan Management, Inc. for communications satellite (CS) broadcasts. With the digitization of BS transmissions to begin in December 2000, eight BS stations are earnestly setting up equipment to be ready by next spring. With the digitization of terrestrial broadcasting expected to follow soon after, JVC is increasing the number of marketing personnel with the aim of securing a dominant share of the market.

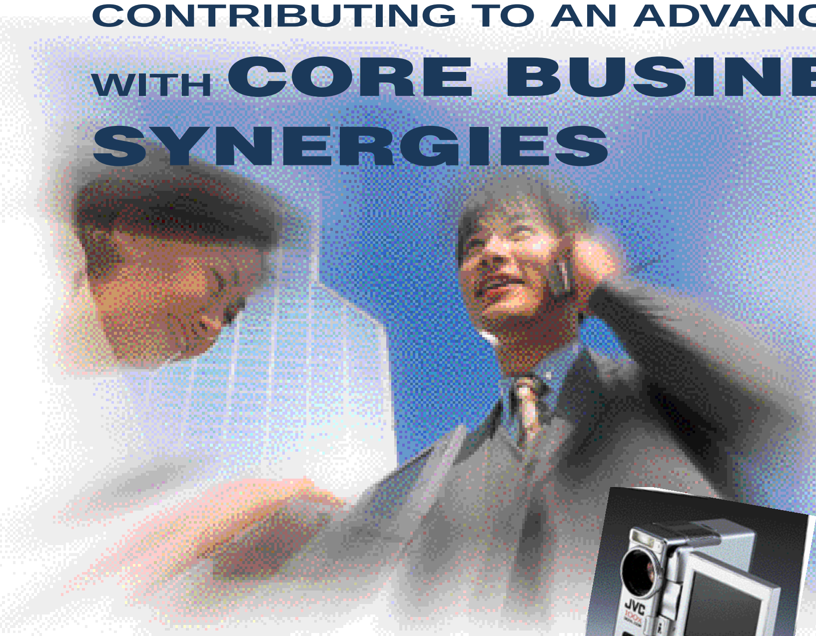
DVD archives provide a solution to videotape storage and maintenance problems at broadcasting stations. Utilizing karaoke disc-changing technology, a forte of the Professional Electronics business, our archives hold up to 600 DVDs, resolving such problems as space and searching.

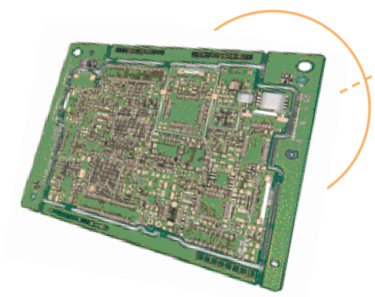
In broadcasting-related fields, JVC is making efforts that include system engineering in **satellite video-on-demand systems.** These systems send image, music and text data to large-scale displays installed at restaurants and other places using excess bandwidth of satellite digital radio stations. McDonalds Japan has already commenced trial services and plans to fully deploy the system in the future. An effective advertising medium that accurately targets customers, demand is high for commercials and commercial frames that are shown in a portion of a display during regular programming. As revenues from advertising will cover most of the facility expenses, family restaurants and record store chains are enthusiastic about introducing the system. Expertly combining hardware and software into packaged proposals for this field, JVC is dedicated to developing this business into a field of solid growth.

Digital technology also contributes substantially to the field of security. Our **digital network systems** make possible the storage of surveillance images on DVD, eliminating the enormous cost associated with switching videotapes in conventional systems. A major security company that changes more than 10,000 videotapes every two days throughout Japan has decided to employ our system. The Company's proposal for a system that precisely matches customer needs was the deciding factor in winning the order. Extraordinary growth is highly anticipated for digital technology in the field of security.

COMPONENTS & DEVICES: CONTRIBUTING TO AN ADVANCED INFORMATION SOCIETY

WITH CORE BUSINESS SYNERGIES





HIGH-DENSITY BUILD-UP MULTILAYER PWB

The Components & Devices business has grown to win the confidence of many clients all over the world through a history of satisfying the needs of Consumer Electronics and Professional Electronics markets. JVC is now the world's largest manufacturer of deflection yokes, the essential component of CRTs for computer displays. Also, unit shipments of our high-precision motors for floppy and hard disk drives are maintaining double-digit growth.

With these two product lines forming pillars of the Components & Devices business, **high-density build-up multilayer PWBs** (printed wiring boards) are fast becoming the third business pillar with the emergence of the digital-mobile era. JVC is establishing reliability throughout the world with innovative technologies such as free inter-layer connection in PWBs, which was perfected through the development of DVC. Our high-density build-up multilayer PWBs, well received for their performance, quality and reliability, will meet the demand for compactness and high density. World-leading note-book PC makers are employing JVC's PWBs as the motherboards in their products, while the world's largest communications equipment manufacturers are using this product in mobile phones.

The demand for high-density PWBs is steadily expanding as information and communication equipment require increasingly higher density and frequencies on an even smaller size. JVC is conducting large-scale capital investment to consolidate production lines to strengthen operations as one of the projects to precisely meet demand. On the other hand, JVC is also looking into **Semiconductor Package Substrates**, which connect LSIs and high-density multilayer PWBs, as the next market with a potential for fast growth.

The information and communications devices market is bursting with expectations for spectacular growth. In this field, superior components and devices will enhance the value of end products. JVC is focusing efforts in this area and aiming for higher growth backed by market-leading products.

ENTERTAINMENT:

ACQUIRING CONTENT

FOR THE DIGITAL ERA

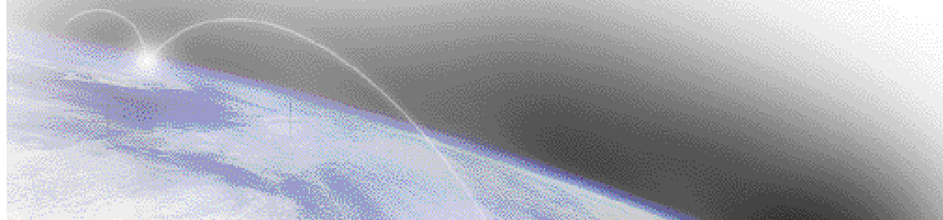
Demand is rapidly rising for high-quality content as progress is made toward multiple-channel television in Japan. In the audiovisual field, JVC is wholeheartedly promoting the acquisition of rights to high-quality works. The Company is also aggressively investing in the creation of multimedia content, a new field.

Amid a widening gap in sales between hit products and runner-ups in the Japanese **music field**, JVC has increased its ability to establish which works will receive the support of customers with a balanced approach by genre. Since 1995, the Company has selectively concentrated on boosting investment in hot sellers while handling a wide range of works with diverse appeal. As securing rights is a substantial forward-looking investment, JVC is continuously making concerted efforts to expand profitability to sufficiently cover future investments. We are promoting reductions in costs while preserving the ability to select successful works. Export of works by Japanese artists to Southeast Asia is a promising market. JVC is in position to pursue full-scale development of this opportunity as it monitors negotiations of the World Trade Organization (WTO) concerning copyright management.

In the **visual field**, the Company decided to acquire the rights to famous artist and major entertainment works last year. We aim to further improve investment efficiency with JVC Entertainment Inc., a company responsible for the planning, production and purchase of works targeted at the Japanese market. JVC will maximize its knack for discerning hit audiovisual products based on analysis of data acquired from its Group distribution company, which has only one competitor in Japan. In the visual field, the Company is examining the creation of independent programming for multiple-channel television.

In the **multimedia field**, we are bolstering our position in game software. Although software made in Japan is seldom distributed worldwide, game software exports are expected to skyrocket. As a result, JVC is focusing efforts on developing game software and pioneering overseas markets.

Payback



STRENGTHENING PROPOSAL-BASED MARKETING CAPABILITIES FOR DIGITAL AV NETWORKS

The digitization of audiovisual equipment and media is fostering new needs and enabling the bidirectional flow of information, blurring the distinction between consumer and professional products. Customization of products for specific applications in now possible, opening up avenues to more accurately meet consumer needs.

In April 1999, JVC established the Market Creation Division to expand sales of high-value-added digital products. It proposes systems centered on these products, including packaged products ranging from digital video to personal computer software and projector presentation systems for untried corporate markets and information communications and software channels.

The Consumer Marketing Division is redoubling efforts to create regional specialty stores that sell our high-value-added products and improve relations with mass retailers. The Professional Products & Systems Marketing Division aims to increase sales of advanced and highly specialized systems by reinforcing its national network of systems dealers and aggressively developing user support.

Ahead in Environmental Fields

In 1992, JVC proclaimed its fundamental policy on the environment, and aims for sustainable development while making efforts to preserve the global environment in all business activities, as a corporate citizen of the international community. In 1998, we established Environmental Administration Divisions that include the Environmental Protection Department, the Environmental Management System Promotion Department for acquisition of ISO 14001 certification, and the Recycling System Promotion Department. All 14 of our domestic production facilities have acquired ISO 14001 certification. JVC plans to acquire the same certification for 12 overseas bases by spring 2001. Five overseas bases have already acquired certification.

In 1994, JVC preceded the industry in discontinuing the use of specific chlorofluorocarbons, and, in 1997, terminating the use of chlorine-based organic solvents. The Company has pioneered the development of energy-saving products by setting targets for reducing standby energy consumption of televisions and VCRs. Technology for making products smaller has also contributed to reductions in the number of components, energy usage and raw materials. In 1999, we developed the world's first halogen-free build-up multilayer printed wiring board that contains negligible amounts of halogen, a source of such harmful substance emissions as dioxin. Based on these extensive accomplishments, JVC will make every effort to continue leading the industry in environmental technology.

Five-Year Summary

Victor Company of Japan, Limited
Years ended March 31

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For the year						
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Domestic	**380,066**	390,021	405,979	397,193	363,339	**3,141,041**
Cost of sales	**642,140**	629,859	607,383	548,728	520,751	**5,306,942**
Selling, general and administrative expenses	**305,698**	276,431	271,482	252,815	246,547	**2,526,430**
Income (Loss) before income taxes and minority interests	**(3,671)**	6,223	12,139	10,148	7,099	**(30,339)**
Income taxes	**4,466**	10,796	7,141	3,135	6,197	**36,909**
Net income (loss)	**(8,315)**	(4,703)	4,586	4,343	591	**(68,719)**
Depreciation & amortization	**30,513**	24,008	27,212	28,475	30,333	**252,174**
Capital expenditures	**28,815**	36,651	31,552	30,479	28,151	**238,141**
R&D expenditures	**41,660**	37,649	39,563	38,500	36,274	**344,298**
	Millions of yen					Thousands of U.S. dollars (Note A)
At year-end						
Working capital	**¥142,628**	¥124,395	¥160,869	¥123,357	¥133,103	**$1,178,744**
Stockholders' equity	**232,162**	243,086	250,418	247,891	242,745	**1,918,694**
Total assets	**588,001**	624,050	603,920	561,654	520,699	**4,859,512**
	Yen					U.S. dollars (Note A)
Per share						
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Cash dividends (Note B)	**5.0**	7.0	7.0	5.0	—	**0.04**

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Financial Contents

Analysis of Income

For the fiscal year ended March 31, 1999, JVC's **consolidated net sales** totaled ¥946,617 million (US$7,823.3 million), an increase of 3.3% from the previous fiscal year. By category, Entertainment posted robust growth, while Consumer Electronics and Components & Devices contributed substantially to sales growth. Sales of Professional Electronics, however, were lower compared with the previous fiscal year.

By geographic region, sales in Japan declined 2.6% to ¥380,066 million (US$3,141.0 million) on account of weak consumption and a fall in public and private capital investment. Overseas sales rose 7.7% to ¥566,551 million (US$4,682.2 million). Sales grew steadily in North America and Europe. Sales in emerging markets in Asia, Russia and Brazil, however, dropped sharply owing to lackluster economic conditions started by currency crises in the fall of 1997. Sales advanced 11.3% in the Americas and 13.5% in Europe, while decreasing 6.7% in Asia. The overseas sales ratio increased 2.5 percentage points to 59.9%.

With an increasing overseas sales ratio, fluctuations in the exchange rate had a greater impact on net sales. The yen depreciated to ¥146 per US$1 in the first half of the term under review, and appreciated from the fall to winter to ¥108 at the beginning of 1999. Prices have been reduced to raise competitiveness during periods of depreciation, and price competition persisted throughout periods of appreciation. Recognizing the urgency of this situation, the Company is building a strong corporate foundation to minimize the effect of exchange rate fluctuations.

To lower its exposure to intense price competition throughout the world for conventional audiovisual products, JVC aimed to boost its lineup of high-value-added products in Consumer Electronics and increase the contribution of Professional Electronics, Components & Devices and Entertainment businesses to net sales. However, the sales ratio of non-Consumer Electronics businesses decreased 0.8 percentage point to 35.3% on account of a drop in domestic private capital investment and a decline in sales of Professional Electronics due to the lackluster karaoke industry. The sales ratio of high-value-added consumer electronics, however, climbed 4.0 percentage points to 20%. The sales performance of each business was as follows.

Sales of Consumer Electronics expanded 4.6% to ¥612,340 million (US$5,060.7 million), representing 64.7% of net sales, an increase of 0.8 percentage point. Although sales of conventional products were adversely affected by sluggish domestic consumer spending and price competition, demand for such high-value-added products as DVC, S-VHS ET and car audio systems was strong.

Sales of Professional Electronics fell 9.4% to ¥107,642 million (US$889.6 million), or a decline of 1.6 percentage points to 11.4% of net sales. Overseas, demand was

NET SALES BY CATEGORY

(Millions of yen)

	Consumer Electronics	Professional Electronics	Components & Devices	Entertainment	Other	Total
1999	612,340	107,642	73,693	148,934	4,005	946,617
	64.7%	11.4%	7.8%	15.7%	0.4%	100%
1998	585,245	118,783	70,843	136,702	4,730	916,306
	63.9%	13.0%	7.7%	14.9%	0.5%	100%
Change	4.6%	(9.4)%	4.0%	8.9%	(15.3)%	3.3%
Major Products	VCRs, camcorders, videotapes, televisions, stereo systems, car audio systems, 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 build-up multilayer printed wiring boards	Audio and visual software including CDs, DVDs and videotapes	Interior furniture	

robust for ILA presentation systems and favorable for professional video systems. In Japan, sales dropped on account of a fall in capital investment in the private sector and lackluster sales in the karaoke industry.

Sales of Components & Devices increased 4.0% to ¥73,693 million (US$609.0 million), accounting for 7.8% of net sales, up 0.1 percentage point. On a volume basis, sales surged for such core products as motors and deflection yokes. A drop in prices, however, led to sales approximately the same as the previous fiscal year. Sales in the fast-growing business for high-density build-up multilayer printed wiring boards skyrocketed almost three times higher than the previous year.

Sales in the Entertainment business climbed 8.9% to ¥148,934 million (US$1,230.9 million), a 0.8 percentage point increase to 15.7% of net sales. Sales of CDs in Japan recorded new highs on account of four albums breaking through the million unit mark. Sales of the video *Titanic* also contributed substantially to the increase in sales.

Although net sales rose 3.3%, cost of sales was down 0.9 percentage point to 67.8% owing to lower costs and favorable exchange rates.

Selling, general and administrative (SG&A) expenses to net sales increased 2.1 percentage points to 32.3%. Although reductions in fixed costs are progressing through Companywide efforts, sales promotion expenses have increased dramatically alongside price competition.

An operating loss of ¥1,221 million (US$10.1 million) was recorded. By segment, operating losses were recorded in the Americas and Asia on account of worsening market conditions in Latin America, a downtrend in movie operations in the United States and weak sales in emerging markets.

An unrealized gain from appreciation of trading securities was registered in other income. Marketable securities held by a subsidiary in the United States were revalued. Other expenses included a loss incurred to strengthen operations in China, an exchange rate loss at a subsidiary in Brazil from a drop in the real, and a loss from downsizing a music production and sales subsidiary in the United States.

Net interest expense (interest expense plus interest and dividend income) was ¥5,972 million (US$49.4 million), an increase of ¥2,663 million due to a rise in interest-bearing debt.

Loss before income taxes and minority interests amounted to ¥3,671 million (US$30.3 million). Income taxes totaled ¥6,443 million (US$53.2 million), of which ¥1,977 million was carried forward to the next fiscal year through tax-effect accounting. As a result, a net loss of ¥8,315 million (US$68.7 million) was recorded. Net loss per share of common stock was ¥32.7 (US$0.27). Cash dividends applicable to the year were ¥5.0 (US$0.04).

Cash Flow Analysis

Capital expenditures during the year were ¥28,815 million (US$238.1 million), lower than depreciation and amortization of ¥30,513 million (US$252.2 million).

Net cash provided by operating activities was virtually the same as the previous fiscal year. Although this term's net loss and a decrease in notes and accounts payable accounted for a decrease in cash, these factors were offset by an increase in depreciation and amortization due to aggressive investment in the previous term, a decrease in notes and accounts receivable and a decrease in inventories.

Net cash used in investing activities decreased to ¥12,943 million (US$107.0 million) on account of holding capital expenditures within depreciation and amortization and a decrease in marketable and investment securities.

Net cash provided by financing activities remained relatively unchanged from the previous term. Efforts were made to decrease short-term bank loans and acquire long-term stable funds through an issuance of bonds.

As a result, cash at end of the year increased ¥9,740 million (US$80.5 million) to ¥80,888 million (US$668.5 million).

Financial Position

Total assets decreased ¥36,049 million (US$297.9 million) to ¥588,001 million (US$4,859.5 million) as a result of efforts to reduce assets to improve asset efficiency.

Total current assets declined ¥26,770 million (US$221.2 million) owing to a reduction in inventories and a decrease in notes and accounts receivable. Total current liabilities fell ¥45,004 million (US$371.9 million) due to decreases in bank loans and notes and accounts payable. As a result, working capital rose ¥18,234 million to ¥142,628 million (US$1,178.7 million). The current ratio improved from 1.44 to 1.59.

Interest-bearing debt advanced ¥4,602 million to ¥165,811 million (US$1,370.3 million) owing to an increase in the number of consolidated subsidiaries. In consideration of the Company's financial position, bank loans were decreased and direct procurement of funds was increased.

Stockholders' equity fell ¥10,924 million to ¥232,162 million (US$1,918.7 million) as a result of allocation of retained earnings following the net loss during the term. As the reduction in liabilities was greater than the decline in stockholders' equity, stockholders' equity as a percentage of total assets was 39.5% compared with 39.0% in the previous fiscal year. Stockholders' equity per share was ¥913.20 (US$7.55).

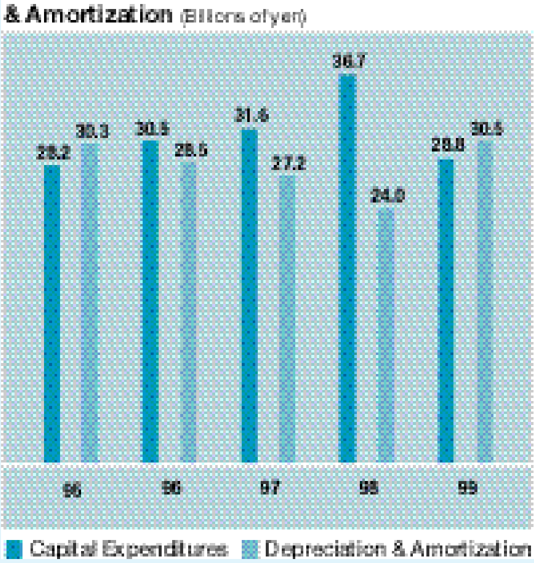
Year 2000 Preparations

JVC recognizes the seriousness of the Year 2000 (Y2K) problem, and is promoting Y2K readiness primarily through the Committee for Year 2000 Problems. The Committee comprises five smaller committees representing products, information systems, production materials, production facilities and buildings. Duties include checking the status of current preparations, execution of preparations, in-house and affiliate awareness programs and the formation of a risk management plan for contingencies. Progress is reported to Company management and conferences are held concerning preparations as necessary.

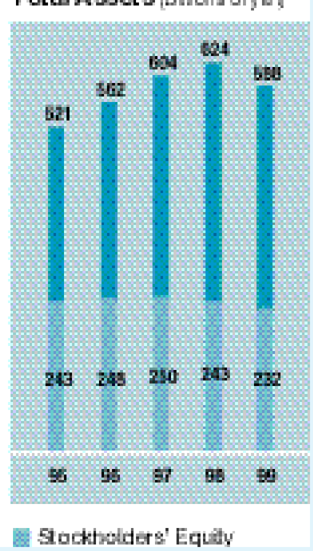
A review of all Company products sold since January 1992 for Y2K compliance has been completed. Information regarding products that require attention is available on the Company's web site and from other sources. Ongoing preparations of in-house information systems began in 1996 and are scheduled for completion in August 1999. Primary Group companies in Japan and overseas are also implementing similar preparations. Preparations of other production facilities, production materials and buildings are underway with completion planned for September 1999.

While it is difficult to pin down Y2K costs, expenditures of ¥2,700 million are allocated for the Group, including in-house preparation costs. Approximately 70% of this amount has been accounted for up to the fiscal year under review. These expenditures are not expected to adversely affect future business performance.

Capital Expenditures/Depreciation & Amortization (Billions of yen)



Stockholders' Equity/ Total Assets (Billions of yen)



Consolidated Statements of Operations

Victor Company of Japan, Limited

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	**1999**
Net sales	**¥946,617**	¥916,306	¥890,373	**$7,823,281**
Costs and expenses:				
Cost of sales	**642,140**	629,859	607,383	**5,306,942**
Selling, general and administrative expenses	**305,698**	276,431	271,482	**2,526,430**
	947,838	906,290	878,865	**7,833,372**
Operating income (loss)	**(1,221)**	10,016	11,508	**(10,091)**
Other income (expenses):				
Interest and dividend income	**2,407**	1,937	2,418	**19,893**
Unrealized gain from appreciation of trading securities	**2,325**	—	—	**19,215**
Equity in income of affiliated companies (Note 6)	**453**	295	1,754	**3,744**
Interest expense	**(8,379)**	(5,246)	(4,864)	**(69,248)**
Gain on sales of investment securities	**530**	893	34	**4,380**
Loss on liquidation of subsidiaries	**(2,293)**	—	(364)	**(18,950)**
Loss from financial support of affiliated companies	**(1,122)**	(1,356)	(1,022)	**(9,273)**
Restructuring charges	**(537)**	(2,063)	—	**(4,438)**
Other, net	**4,166**	1,747	2,676	**34,429**
	(2,450)	(3,793)	631	**(20,248)**
Income (Loss) before income taxes and minority interests	**(3,671)**	6,223	12,139	**(30,339)**
Income taxes (Note 7)**:**				
Current	**6,443**	7,488	6,624	**53,248**
Deferred	**(1,977)**	3,308	517	**(16,339)**
	4,466	10,796	7,141	**36,909**
Income (Loss) before minority interests	**(8,137)**	(4,573)	4,998	**(67,248)**
Minority interests	**(178)**	(130)	(413)	**(1,471)**
Net income (loss)	**¥ (8,315)**	¥ (4,703)	¥ 4,586	**$ (68,719)**
	Yen			U.S. dollars (Note 2)
Amounts per share of common stock:				
Net income (loss)	**¥ (32.7)**	¥ (18.5)	¥ 18.0	**$ (0.27)**
Diluted net income	**—**	—	17.2	**—**
Cash dividends applicable to the year	**5.0**	7.0	7.0	**0.04**

See accompanying notes.

Consolidated Balance Sheets

Victor Company of Japan, Limited

March 31, 1999 and 1998

Assets	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 1) 1999
Current assets:			
Cash	**¥ 80,888**	¥ 71,148	**$ 668,496**
Marketable securities (Note 5)	**12,395**	15,360	**102,438**
Notes and accounts receivable:			
Trade	**117,778**	124,618	**973,372**
Unconsolidated subsidiaries and affiliated companies	**1,012**	2,305	**8,364**
Allowance for doubtful accounts	**(5,024)**	(3,637)	**(41,521)**
Inventories (Notes 4 and 9)	**128,579**	149,625	**1,062,636**
Deferred income taxes	**19,111**	18,323	**157,942**
Other current assets	**28,613**	32,380	**236,471**
Total current assets	**383,352**	410,122	**3,168,198**
Investments and advances:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**9,403**	16,441	**77,711**
Other (Notes 5 and 9)	**23,988**	27,361	**198,248**
Total investments and advances	**33,391**	43,802	**275,959**
Property, plant and equipment:			
Land	**30,677**	30,337	**253,529**
Buildings	**110,020**	106,536	**909,256**
Machinery and equipment (Note 9)	**244,871**	243,828	**2,023,728**
Construction in progress	**7,340**	11,880	**60,661**
	392,908	392,581	**3,247,174**
Less accumulated depreciation	**272,219**	265,541	**2,249,744**
Net property, plant and equipment	**120,689**	127,040	**997,430**
Deferred income taxes	**16,913**	15,922	**139,777**
Other assets	**15,100**	15,733	**124,793**
Foreign currency translation adjustments	**18,556**	11,431	**153,355**
	¥588,001	¥624,050	**$4,859,512**

See accompanying notes.

Liabilities and stockholders' equity	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 1) 1999
Current liabilities:			
Bank loans (Note 8)	**¥ 61,052**	¥ 69,883	**$ 504,562**
Current portion of long-term debt (Note 8)	**15,733**	20,431	**130,025**
Notes and accounts payable:			
Trade	**112,278**	133,233	**927,917**
Construction	**3,100**	5,557	**25,620**
Unconsolidated subsidiaries and affiliated companies	**7,517**	11,402	**62,124**
Accrued income taxes (Note 7)	**3,771**	5,895	**31,165**
Accrued expenses (Note 9)	**19,827**	20,450	**163,860**
Other current liabilities	**17,446**	18,877	**144,182**
Total current liabilities	**240,724**	285,728	**1,989,455**
Long-term debt (Notes 8 and 9)	**89,026**	70,895	**735,752**
Employees' retirement benefits	**21,037**	19,718	**173,859**
Other long-term liabilities	**874**	1,058	**7,223**
Minority interests	**4,178**	3,565	**34,529**
Contingent liabilities (Note 10)			
Stockholders' equity (Note 11)**:**			
Common stock, par value ¥50 per share;			
Authorized—800,000,000 shares			
Issued—254,230,058 shares	**34,115**	34,115	**281,942**
Additional paid-in capital	**67,216**	67,216	**555,504**
Retained earnings	**130,832**	141,784	**1,081,256**
	232,163	243,115	**1,918,702**
Treasury stock, at cost	**(1)**	(29)	**(8)**
Total stockholders' equity	**232,162**	243,086	**1,918,694**
	¥588,001	¥624,050	**$4,859,512**

Consolidated Statements of Stockholders' Equity

Victor Company of Japan, Limited

Years ended March 31, 1999, 1998 and 1997

	Shares of common stock (thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1996	254,205	¥34,114	¥67,163	¥146,619
Net income	—	—	—	4,586
Adjustment due to merger with an unconsolidated subsidiary	—	—	—	124
Adjustment due to change in number of consolidated subsidiaries	—	—	—	(263)
Common stock issued upon conversion of bonds	24	1	53	—
Cash dividends paid (¥7.5 per share)	—	—	—	(1,907)
Bonuses to directors and statutory auditors	—	—	—	(71)
Balance at March 31, 1997	254,229	¥34,115	¥67,216	¥149,088
Net loss	—	—	—	(4,703)
Adjustment due to change in number of consolidated subsidiaries	—	—	—	(377)
Adjustment due to change in number of affiliated companies	—	—	—	(97)
Common stock issued upon conversion of bonds	1	0	0	—
Cash dividends paid (¥8.0 per share)	—	—	—	(2,033)
Bonuses to directors and statutory auditors	—	—	—	(94)
Balance at March 31, 1998	254,230	¥34,115	¥67,216	¥141,784
Net loss	**—**	**—**	**—**	**(8,315)**
Adjustment due to change in number of consolidated subsidiaries	**—**	**—**	**—**	**(647)**
Adjustment due to change in number of affiliated companies	**—**	**—**	**—**	**(119)**
Cash dividends paid (¥7.0 per share)	**—**	**—**	**—**	**(1,779)**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**(92)**
Balance at March 31, 1999	**254,230**	**¥34,115**	**¥67,216**	**¥130,832**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1998	$281,942	$555,504	$1,171,769
Net loss	**—**	**—**	**(68,719)**
Adjustment due to change in number of consolidated subsidiaries	**—**	**—**	**(5,347)**
Adjustment due to change in number of affiliated companies	**—**	**—**	**(984)**
Cash dividends paid ($0.06 per share)	**—**	**—**	**(14,703)**
Bonuses to directors and statutory auditors	**—**	**—**	**(760)**
Balance at March 31, 1999	**$281,942**	**$555,504**	**$1,081,256**

See accompanying notes.

Consolidated Statements of Cash Flows

Victor Company of Japan, Limited

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	**1999**
Cash flows from operating activities:				
Net income (loss)	**¥ (8,315)**	¥ (4,703)	¥ 4,586	**$ (68,719)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**30,513**	24,008	27,212	**252,174**
Unrealized gain from appreciation of trading securities	**(2,325)**	—	—	**(19,215)**
Equity in income of affiliated companies	**(453)**	(295)	(1,754)	**(3,744)**
Loss (Gain) on disposal of property, plant and equipment, net	**(1,087)**	199	(180)	**(8,983)**
Loss from financial support of affiliated companies	**—**	—	529	**—**
Deferred income taxes	**(1,977)**	3,755	(57)	**(16,339)**
Bonuses to directors and statutory auditors	**(92)**	(94)	(71)	**(760)**
Changes in operating assets and liabilities:				
Decrease (Increase) in notes and accounts receivable	**13,423**	(2,074)	(9,666)	**110,934**
Decrease (Increase) in inventories	**17,012**	(20,689)	13,695	**140,595**
Decrease (Increase) in other current assets	**4,449**	(532)	(1,549)	**36,768**
Increase (Decrease) in notes and accounts payable	**(30,241)**	15,108	(9,607)	**(249,926)**
Increase (Decrease) in accrued income taxes	**(2,144)**	1,420	1,079	**(17,719)**
Increase (Decrease) in other current liabilities	**1,788**	2,448	(290)	**14,777**
Other	**1,027**	2,068	3,179	**8,488**
Net cash provided by operating activities	**21,578**	20,619	27,106	**178,331**
Cash flows from investing activities:				
Capital expenditures	**(28,815)**	(36,651)	(31,552)	**(238,141)**
Proceeds from sales of fixed assets	**5,382**	2,027	1,834	**44,479**
Decrease (Increase) in marketable securities	**6,366**	(1,776)	(4,019)	**52,612**
Decrease (Increase) in investment securities	**2,203**	3,079	(8,866)	**18,207**
Decrease (Increase) in investment in and advances to non-consolidated subsidiaries and affiliated companies	**209**	(4,137)	151	**1,727**
Other	**1,712**	754	3,285	**14,149**
Net cash used in investing activities	**(12,943)**	(36,704)	(39,167)	**(106,967)**
Cash flows from financing activities:				
Proceeds from long-term loans	**6,526**	—	1,813	**53,934**
Repayments of long-term loans	**(7,830)**	(2,572)	(3,697)	**(64,711)**
Proceeds from issuance of bonds	**30,094**	—	40,000	**248,711**
Repayments of bonds	**(20,431)**	(1,494)	(5,827)	**(168,851)**
Increase (Decrease) in short-term bank loans	**(1,536)**	13,357	(551)	**(12,694)**
Increase (Decrease) in commercial paper	**(3,612)**	(6,869)	3,662	**(29,851)**
Cash dividends paid	**(1,779)**	(2,033)	(1,907)	**(14,703)**
Net cash provided by financing activities	**1,432**	389	33,493	**11,835**
Effect of exchange rate changes on cash	**(2,193)**	567	1,452	**(18,124)**
Effect of changes in number of consolidated subsidiaries and companies accounted for based on equity method	**1,866**	1,480	634	**15,421**
Net increase (decrease) in cash	**9,740**	(13,649)	23,518	**80,496**
Cash at beginning of the year	**71,148**	84,797	61,279	**588,000**
Cash at end of the year	**¥ 80,888**	¥ 71,148	¥ 84,797	**$ 668,496**

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Victor Company of Japan, Limited (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Ministry of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of cash flows have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements are not customarily prepared in Japan and are not required to be filed with MOF.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 1999, which was ¥121 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.

Investments in certain unconsolidated subsidiaries and affiliated companies 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, and non-current assets and liabilities denominated in foreign currencies are translated at historical exchange rates. Resulting exchange gains or losses are credited or charged to income for the respective periods. Foreign currency items with forward exchange contracts are translated at the contracted rates. Gains on long-term forward exchange contracts are allocated to income over the life of the forward exchange contract. The related tax effect on the gains is also recognized.

Translation of foreign currency financial statements

In accordance with the Accounting Standards for Foreign Currency Translations, assets and liabilities are translated at exchange rates prevailing at the balance sheet dates. Stockholders' equity is translated at historical exchange rates.

Revenue and expenses are translated at the average exchange rates during the respective years.

Differences resulting from translation of the balance sheet of foreign consolidated subsidiaries are debited or credited to "foreign currency translation adjustments" in the accompanying balance sheets.

Inventories

Inventories are stated at cost, which is determined by the average cost method, or less.

Marketable securities and investment securities

Securities quoted on stock exchanges are stated at the lower of moving average cost or market. All other securities are valued at cost or less, reflecting write-downs based on impairment of the underlying equity. Securities held by the consolidated subsidiaries in the United States are accounted for based on the Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debts and Equity Securities.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed primarily by the declining-balance method based on the estimated useful lives of the assets.

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.

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

Current income taxes are provided for the amounts currently payable for each year based on taxable income. Deferred income taxes are provided on significant temporary differences between income for financial reporting purposes and income for taxation purposes. No provision for income taxes is made on undistributed earnings of foreign subsidiaries and affiliated companies as the Company considers that such earnings are permanently reinvested.

Employees' retirement benefits and pension plans

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 their current rates of pay and length of service.

Employees' retirement benefits is 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.

Costs with respect to the pension plans are funded as accrued in an amount determined actuarially. Prior service costs are being funded over 10 years and the resultant charges to income are offset by amortization of the excess amount of employees' retirement benefits which is expected to be covered by the pension plans.

Certain of the consolidated subsidiaries also have employees' retirement benefit plans and funded pension plans similar to those of the Company.

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.

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 1999 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

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

The Company is a subsidiary of Matsushita Electric Industrial Co., Ltd. ("Matsushita"). The Company's relationship with Matsushita dates back to 1954, when Matsushita acquired a controlling equity interest in the Company. Since then, the Company has pursued an independent management policy in all aspects of its operations based on the principle of "mutual development through competition." There is no relationship of financial assistance between the two companies. Each company has a right of access to the technology developed by the other. At March 31, 1999, Matsushita held 133,227 thousand shares of common stock of the Company, 52.40% of the total outstanding shares.

Main account balances with Matsushita at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Due from Matsushita	**¥ 167**	¥ 112	**$ 1,380**
Due to Matsushita	**3,011**	3,238	**24,884**

Sales to and purchases from Matsushita for the years ended March 31, 1999, 1998 and 1997 were as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Net sales	**¥ 1,352**	¥ 1,125	¥ 1,558	**$ 11,174**
Net purchases	**30,558**	33,225	34,965	**252,545**

4. INVENTORIES

Inventories at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Finished goods	**¥ 87,851**	¥101,254	**$ 726,041**
Work in process	**17,834**	20,681	**147,388**
Raw materials and supplies	**22,894**	27,690	**189,207**
	¥128,579	¥149,625	**$1,062,636**

5. MARKETABLE EQUITY SECURITIES

The aggregate book value, market value and unrealized gains pertaining to marketable equity securities included in "marketable securities" and "investments and advances — other" in the accompanying consolidated balance sheets at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Marketable securities:			
Book value	**¥ 2,689**	¥ 112	**$ 22,223**
Market value	**2,898**	513	**23,950**
Unrealized gains	**¥ 209**	¥ 401	**$ 1,727**
Investments and advances—other:			
Book value	**¥10,137**	¥10,484	**$ 83,776**
Market value	**21,112**	19,737	**174,479**
Unrealized gains	**¥10,975**	¥ 9,253	**$ 90,703**

6. EQUITY IN INCOME OF AFFILIATED COMPANIES

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, equity in income of affiliated companies is included in other income (expenses). Prior year amounts, which were presented between income taxes and net income (loss), have been reclassified to conform to the 1999 presentation.

7. 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 normal effective tax rates of approximately 48% for the year ended March 31, 1999 and 51% for the years ended March 31, 1998 and 1997. Foreign subsidiaries are subject to income taxes of the countries in which they domicile. The actual effective tax rates differ from the normal effective rate mainly because of (1) tax reductions for dividend income received from Japanese companies and (2) expenses not deductible for income tax purposes.

8. 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, 1999 and 1998 ranged from 0.575% to 19.0% and from 1.2% to 20.0%, respectively.

Long-term debt at March 31, 1999 and 1998 was as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
1.4% unsecured convertible bonds due 1999	**¥ —**	¥20,431	**$ —**
1.5% unsecured convertible bonds due 2005	**11,483**	11,483	**94,901**
0.35% unsecured convertible bonds due 2002	**19,999**	19,999	**165,281**
0.55% unsecured convertible bonds due 2005	**20,000**	20,000	**165,289**
4.3% Eurobonds due 2000	**9,765**	10,700	**80,702**
1.375% unsecured bonds due 2001	**5,000**	—	**41,322**
1.75% unsecured bonds due 2003	**5,000**	—	**41,322**
2.15% unsecured bonds due 2005	**10,000**	—	**82,645**
1.30% guaranteed notes due 2001	**5,180**	—	**42,810**
1.61% guaranteed notes due 2002	**4,914**	—	**40,612**
Loans, primarily from banks with interest principally at 1.44% to 8.95%			
Secured	**379**	561	**3,132**
Unsecured	**12,494**	7,503	**103,256**
Other	**545**	649	**4,505**
	104,759	91,326	**865,777**
Less current portion	**15,733**	20,431	**130,025**
	¥ 89,026	¥70,895	**$735,752**

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 ($23.69) per share, subject to adjustment under certain circumstance. 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 ($12.29) per share, subject to adjustment under certain circumstance.

The aggregate annual maturities of long-term debt at March 31, 1999 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2000	¥ 15,733	$130,025
2001	26	215
2002	10,585	87,479
2003	24,939	206,108
2004	8,920	73,719
Thereafter	44,556	368,231
	¥104,759	$865,777

9. PLEDGED ASSETS

The following assets were pledged as collateral for long-term debt and accrued expenses at March 31, 1999:

	Millions of yen	Thousands of U.S. dollars
Investments	¥ 8	$ 66
Machinery and equipment	379	3,132
Finished goods	145	1,198
	¥532	$4,396

10. CONTINGENT LIABILITIES

The contingent liabilities of the Company and its consolidated subsidiaries at March 31, 1999 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of export bills discounted with banks	¥ 9,574	$ 79,124
As guarantor for loans to employees	17,573	145,231
As guarantor for loans to affiliated companies	759	6,273
	¥27,906	$230,628

11. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, 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.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, legal reserve is included in retained earnings for 1999. Previously it was presented as a separate component of the stockholders' equity. The accompanying consolidated financial statements for the years ended March 31, 1998 and 1997 have been reclassified to conform to the 1999 presentation.

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

12. FORWARD FOREIGN EXCHANGE CONTRACTS — THE COMPANY ONLY

At March 31, 1999, the Company had contracts to sell various foreign currencies, mainly U.S. dollars. The aggregate contract amount and fair value of forward foreign exchange contracts equivalent in Japanese yen at March 31, 1999 were ¥40,852 million and ¥40,081 million, respectively.

The Company also had contracts to purchase various foreign currencies, mainly U.S. dollars. The aggregate contract amount and fair value of forward foreign exchange contracts equivalent in Japanese yen at March 31, 1999 were ¥23,105 million and ¥22,993 million, respectively.

The forward contracts on the foreign currency receivables and payables translated into Japanese yen at the forward exchange rates on the accompanying financial statements were not included in the above amounts.

13. LEASE INFORMATION

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 leases is as follows.

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 1999 is as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥ 1,335	¥ 386	¥ 949
Vehicles, machinery and equipment	6,455	3,293	3,162
Tools, furniture and fixtures	11,395	5,412	5,983
Leasehold rights	234	141	93
Software	153	73	80
	¥19,572	¥9,305	¥10,267

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	$ 11,033	$ 3,190	$ 7,843
Vehicles, machinery and equipment	53,347	27,216	26,131
Tools, furniture and fixtures	94,174	44,727	49,447
Leasehold rights	1,934	1,165	769
Software	1,264	603	661
	$161,752	$76,901	$84,851

Assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 1998 were not required to be disclosed.

(2) Future minimum lease payments at March 31, 1999 and 1998 are as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Due within one year	**¥ 3,802**	¥3,450	**$31,421**
Due after one year	**6,463**	5,493	**53,414**
	¥10,265	¥8,943	**$84,835**

(3) Lease payments and assumed depreciation charges for the year ended March 31, 1999, 1998 and 1997 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Lease payments	**¥3,276**	¥3,352	¥3,353	**$27,074**
Assumed depreciation charges	**3,276**	—	—	**27,074**

Assumed depreciation charges were not required to be disclosed in 1998 or 1997.

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

14. SUBSEQUENT EVENT

On June 29, 1999, the Company's stockholders authorized payment of a cash dividend to stockholders of record on March 31, 1999 of ¥1.5 ($0.01) per share, totaling ¥381 million ($3,152 thousand).

15. SEGMENT INFORMATION

Information by segment for the years ended March 31, 1999, 1998 and 1997 is shown in the tables below.

1) Business segment information is as follows:

	Millions of yen				
	Audiovisual and information-related business	Entertainment business	Total	Eliminations and unallocation	Consolidated total
1999:					
Sales					
External sales	**¥797,682**	**¥148,935**	**¥946,617**	**¥ —**	**¥946,617**
Intersegment sales	**55**	**1,330**	**1,385**	**(1,385)**	**—**
Total sales	**797,737**	**150,265**	**948,002**	**(1,385)**	**946,617**
Operating expenses	**802,298**	**145,715**	**948,013**	**(175)**	**947,838**
Operating income (loss)	**¥ (4,561)**	**¥ 4,550**	**¥ (11)**	**¥ (1,210)**	**¥ (1,221)**
Identifiable assets	**¥407,814**	**¥ 76,738**	**¥484,552**	**¥103,449**	**¥588,001**
Depreciation & amortization	**26,542**	**3,622**	**30,164**	**349**	**30,513**
Capital expenditures	**25,093**	**3,444**	**28,537**	**278**	**28,815**
1998:					
Sales					
External sales	¥779,603	¥136,703	¥916,306	¥ —	¥916,306
Intersegment sales	—	1,968	1,968	(1,968)	—
Total sales	779,603	138,671	918,274	(1,968)	916,306
Operating expenses	774,720	133,111	907,831	(1,541)	906,290
Operating income	¥ 4,883	¥ 5,560	¥ 10,443	¥ (427)	¥ 10,016
Identifiable assets	¥431,647	¥ 84,056	¥515,703	¥108,347	¥624,050
Depreciation & amortization	19,733	3,695	23,428	580	24,008
Capital expenditures	33,637	2,829	36,466	185	36,651
1997:					
Sales					
External sales	¥755,576	¥134,797	¥890,373	¥ —	¥890,373
Intersegment sales	—	2,868	2,868	(2,868)	—
Total sales	755,576	137,665	893,241	(2,868)	890,373
Operating expenses	753,895	127,787	881,682	(2,817)	878,865
Operating income	¥ 1,681	¥ 9,878	¥ 11,559	¥ (51)	¥ 11,508
Identifiable assets	¥377,693	¥ 88,374	¥466,067	¥137,853	¥603,920
Depreciation & amortization	15,273	3,940	19,213	799	20,012
Capital expenditures	17,622	5,126	22,748	804	23,552

	Thousands of U.S. dollars				
	Audiovisual and information-related business	Entertainment business	Total	Eliminations and unallocation	Consolidated total
1999:					
Sales					
External sales	**$6,592,413**	**$1,230,868**	**$7,823,281**	**$ —**	**$7,823,281**
Intersegment sales	**455**	**10,991**	**11,446**	**(11,446)**	**—**
Total sales	**6,592,868**	**1,241,859**	**7,834,727**	**(11,446)**	**7,823,281**
Operating expenses	**6,630,562**	**1,204,256**	**7,834,818**	**(1,446)**	**7,833,372**
Operating income (loss)	**$ (37,694)**	**$ 37,603**	**$ (91)**	**$ (10,000)**	**$ (10,091)**
Identifiable assets	**$3,370,364**	**$ 634,198**	**$4,004,562**	**$854,950**	**$4,859,512**
Depreciation & amortization	**219,355**	**29,934**	**249,289**	**2,885**	**252,174**
Capital expenditures	**207,380**	**28,463**	**235,843**	**2,298**	**238,141**

2) Geographical segment information is as follows:

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
	Millions of yen						
1999:							
Sales							
External sales	**¥474,911**	**¥263,530**	**¥156,044**	**¥ 52,132**	**¥ 946,617**	**¥ —**	**¥946,617**
Intersegment sales	**246,614**	**798**	**146**	**122,817**	**370,375**	**(370,375)**	**—**
Total sales	**721,525**	**264,328**	**156,190**	**174,949**	**1,316,992**	**(370,375)**	**946,617**
Operating expenses	**718,296**	**265,448**	**155,913**	**175,655**	**1,315,312**	**(367,474)**	**947,838**
Operating income (loss)	**¥ 3,229**	**¥ (1,120)**	**¥ 277**	**¥ (706)**	**¥ 1,680**	**¥ (2,901)**	**¥ (1,221)**
Identifiable assets	**¥378,124**	**¥ 93,712**	**¥ 64,676**	**¥ 59,943**	**¥ 596,455**	**¥ (8,454)**	**¥588,001**

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
	Millions of yen						
1998:							
Sales							
External sales	¥496,970	¥228,932	¥137,625	¥ 52,779	¥ 916,306	¥ —	¥916,306
Intersegment sales	217,691	1,572	73	103,222	322,558	(322,558)	—
Total sales	714,661	230,504	137,698	156,001	1,238,864	(322,558)	916,306
Operating expenses	705,765	231,694	135,660	154,860	1,227,979	(321,689)	906,290
Operating income (loss)	¥ 8,896	¥ (1,190)	¥ 2,038	¥ 1,141	¥ 10,885	¥ (869)	¥ 10,016
Identifiable assets	¥394,610	¥100,468	¥ 69,601	¥ 59,033	¥ 623,712	¥ 338	¥624,050

	Japan	Overseas	Total	Elimination and unallocation	Consolidated total
	Millions of yen				
1997:					
Sales					
External sales	¥516,911	¥373,462	¥ 890,373	¥ —	¥890,373
Intersegment sales	183,577	91,650	275,227	(275,227)	—
Total sales	700,488	465,112	1,165,600	(275,227)	890,373
Operating expenses	690,153	461,893	1,152,046	(273,181)	878,865
Operating income	¥ 10,335	¥ 3,219	¥ 13,554	¥ (2,046)	¥ 11,508
Identifiable assets	¥362,123	¥199,058	¥ 561,181	¥ 42,739	¥603,920

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
	Thousands of U.S. dollars						
1999:							
Sales							
External sales	**$3,924,884**	**$2,177,934**	**$1,289,620**	**$ 430,843**	**$7,823,281**	**$ —**	**$7,823,281**
Intersegment sales	**2,038,132**	**6,595**	**1,206**	**1,015,017**	**3,060,950**	**(3,060,950)**	**—**
Total sales	**5,963,016**	**2,184,529**	**1,290,826**	**1,445,860**	**10,884,231**	**(3,060,950)**	**7,823,281**
Operating expenses	**5,936,330**	**2,193,785**	**1,288,537**	**$1,451,695**	**10,870,347**	**(3,036,975)**	**7,833,372**
Operating income (loss)	**$ 26,686**	**$ (9,256)**	**$ 2,289**	**$ (5,835)**	**$ 13,884**	**$ (23,975)**	**$ (10,091)**
Identifiable assets	**$3,124,992**	**$ 774,479**	**$ 534,512**	**$ 495,397**	**$4,929,380**	**$ (69,868)**	**$4,859,512**

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

	Americas	Europe	Asia	Other area	Total
	Millions of yen				
1999					
Overseas sales	**¥284,099**	**¥165,320**	**¥112,782**	**¥4,350**	**¥566,551**
Consolidated sales					**¥946,617**
Percentage of overseas sales	**30.0%**	**17.5%**	**11.9%**	**0.5%**	**59.9%**
1998					
Overseas sales	¥255,323	¥145,698	¥120,925	¥4,339	¥526,285
Consolidated sales					¥916,306
Percentage of overseas sales	27.8%	15.9%	13.2%	0.5%	57.4%

	Americas	Europe	Asia	Other area	Total
	Thousands of U.S. dollars				
1999					
Overseas sales	**$2,347,926**	**$1,336,281**	**$932,083**	**$35,950**	**$4,682,240**
Consolidated sales					**$7,823,281**
Percentage of overseas sales	**30.0%**	**17.5%**	**11.9%**	**0.5%**	**59.9%**

Total overseas sales in 1997 were ¥484,394 million.

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, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1999, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards 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, 1999 and 1998 and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999 in conformity with accounting principles generally accepted in Japan consistently applied during the periods.

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.

Tokyo, Japan
June 29, 1999

Statement on Accounting Principles and Auditing Standard

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

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Teluk Jambe, Karawang 41361 Jawa Barat, Indonesia
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JVC Taiwan Corp.
5F. No. 101, Fu Hsin N. Rd. Taipei,
Taiwan, R.O.C.
Telephone: 02-2715-4217

Kuang Yuan Co., Ltd.
5th Fl., No. 174, SEC, 2 Min-Seng Road, Taipei,
Taiwan, R.O.C.
Telephone: 02-501-4122

JVC (China) Investment Co., Ltd.
No. 316 Beijing Kelun Building, 12A Guanghua Lu,
Chao Yang District, Beijing, 100020, China
Telephone: 010-6593-3031

JVC Shanghai Electronics Co., Ltd.
68 Ri-Jing Road, Wai Gaoqiao Free Trade Zone,
PuDong, New Area, Shanghai, 200135, China
Telephone: 021-5867-1908

JVC Trading (Shanghai) Co., Ltd.
No. 18, Aona Road, Wai Gaoqiao Free Trade Zone,
PuDong, New Area, Shanghai, China
Telephone: 021-5866-0124

JVC Beijing Electronic Industries Co., Ltd.
No. 26 Tianzhu Road. Tianzhu Airport Industrial Zone,
Beijing, 101312, China
Telephone: 010-6457-5058

JVC Guangzhou Electronics Co., Ltd.
Press Center Bldg. 4F, Guangzhou,
Semiconductor Devices Factory Shicha Road,
Shijing, Guangzhou,
510430, China
Telephone: 020-8641-2094

JVC Wuhan Electronic Industries Co., Ltd.
126, Zhong Bei Road, Wuchang Wuhan, 430077, China
Telephone: 027-8678-3364

JVC Fujian Electronics Co., Ltd.
Gongbei Road, Yanshen District,
Kuaian Economic Technology Development Zone,
Fuzhou City, Fujian, China
Telephone: 0591-3971031

JVC Shanghai System Development Engineering Co., Ltd.
7F, Gaifu-Dalou, 420, Xijiangwan-Lu, Shanghai 200083, China
Telephone: 021-5666-7261

JVC Purchasing Center (H.K.) Ltd.
Room 13012, 13/F., Asia Terminals Centre 8,
Berth 3, Kwai Chung Container Terminal,
Kwai Chung, N.T., Hong Kong
Telephone: 2612-0363

LIAISON OFFICES

JVC Latin America Liaison Office
Torre Global Bank, Piso 12, Ave, Nicanor de Obarrio
(Calle 50) Apartado 4723, Zona 5, Panamá,
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Telephone: 263-9894

JVC Moscow Representative Office
Parus Business Centre Room 11, (8th Floor) 23 1st
Tverskaya-Yamskaya Str. Moscow,
125047 Russia
Telephone: 501-252-7978

JVC Hungarian Information & Service Office
1133 Budapest Váci út 110,
International Trade Center D-101, Hungary
Telephone: 01-267-1855

JVC Legal Liaison Office (Europe)
c/o JVC Belgium S.A./N.V.
Rue de la Petite Ile 3, Klein-Eilandstraat,
Bruxelles 1070 Brussel, Belgium
Telephone: 02-520-9723

JVC Shanghai Liaison Office/
Development Center in Shanghai
Room No. 306, Kuenyang International Business Plaza,
798 Zhao Jia Bang Lu, Xu Hui District, Shanghai, 200030, China

JVC Guangzhou Liaison Office
Room No. 1113~15/F
South Tower Guangzhou World Trade Centre,
Complex No. 371-375, Huan Shi Dong Road Guangzhou,
510095, China
Telephone: 020-8775-4348

TECHNICAL CENTRES

European Service Support Centre
European Parts Centre
JVC Business Park, 14 Priestley Way,
London NW2 7BA,
United Kingdom
Telephone: 0181-452-1829

JVC Tong Guang Beijing Technical Centre
Tong Guang Mansion, No. 12, Nong Zhan Guan Nan Lu,
Beijing, 100026, China
Telephone: 010-6538-9590

FACTORIES

Domestic Plants
**Yokohama, Yamato, Maebashi, Iwai, Mito, Hachioji,
Koriyama, Okurayama, Isesaki, Fujieda, Yokosuka, Rinkan,
Tsurugamine, Utsunomiya**

Overseas Manufacturing Facilities
JVC Magnetics America, Co. (Division of JVC America, Inc.)
JVC Disc America, Co. (Division of JVC America, Inc.)
Hughes-JVC Technology Corporation
JVC Industrial de Mexico, S.A. de C.V.
JVC Manufacturing U.K. Ltd.
JVC Video Manufacturing Europe GmbH
J2T Video (Tonnerre) S.A.
JVC Electronics Singapore Pte. Ltd.
JVC Electronics Malaysia Sdn. Bhd.
Philips and JVC Video Malaysia Sdn. Bhd.
JVC Manufacturing (Thailand) Co., Ltd.
JVC Electronics (Thailand) Co., Ltd.
JVC Components (Thailand) Co., Ltd.
P.T. JVC Electronics Indonesia
Kuang Yuan Co., Ltd.
JVC Shanghai Electronics Co., Ltd.
JVC Beijing Electronic Industries Co., Ltd.
JVC Guangzhou Electronics Co., Ltd.
JVC Wuhan Electronic Industries Co., Ltd.
JVC Fujian Electronics Co., Ltd.

(As of July 1999)

Takeo Shuzui
President

Hirotada Sasaki
Senior Managing Director

Hiroki Shimizu
Senior Managing Director

Hideki Gomi
Managing Director

Yasushi Ebi
Managing Director

Akira Ochida
Managing Director

Takao Aida
Managing Director

Masato Yamauchi
Managing Director

President
Takeo Shuzui*

Senior Managing Directors
Hirotada Sasaki*
Technology, Multimedia Business Development;
President, HITS Laboratories, Inc.

Hiroki Shimizu*
General Manager, AV & Multimedia Business,
International Business (Consumer, Administration), VHS Standard Center

Managing Directors
Hideki Gomi*
Professional Products & Systems, Optical Communication Products,
Public Relations, World Cup Business Promotion;
General Manager, International Professional Systems Marketing Division

Yasushi Ebi*
Consumer Marketing, Professional Products & Systems Marketing;
General Manager, Market Creation Division

Akira Ochida*
General Manager, Corporate Management Divisions for America;
President, JVC Americas Corp.

Takao Aida*
Corporate Accounting & Finance, General Affairs and Information Systems;
Management Administration

Masato Yamauchi*
Personnel, Legal, Customer Satisfaction, Logistics;
General Manager, Personnel and General Affairs Division

Part-time Director
Hideo Aiso
President, Tokyo Institute of Technology;
Guest Professor, Graduate School at Keio University

Directors
Yasuo Omori
Corporate Planning, Business Affairs, Intellectual Property;
Design Center and ILA Devices Business Center

Hajime Takashima
General Manager, Component and Device Sector, Parts Development Center,
Environmental Administration Divisions;
Component & Device Marketing Division and Production Engineering Division

Shuji Kurita
General Manager, Professional Products and Systems Marketing Division;
World Cup Business Promotion

Motoo Nishimura
Media and Software Business; President, Victor Entertainment, Inc.

Fusao Kishi
General Manager, TV Division of AV & Multimedia Sector

Itaru Ozaki
Asia, the Middle East and China; General Manager,
Corporate Management Division for China, JVC Beijing Liaison Office

Noritsugu Enami
General Manager, International Sales Division of AV & Multimedia Sector

Masatoshi Hirabayashi
General Manager, Audio Division, Information & Communication Business Department of AV & Multimedia Sector

Corporate Auditors (Full-time)
Nobukazu Kaneko
Masani Hoshino

Corporate Auditors
Tetsuya Kawakami
Makoto Matsuo

*Representative Director

(As of July 1999)

JVC
Victor Company of Japan, Limited

Head Office:
12, Moriya-cho 3-chome, Kanagawa-ku,
Yokohama, Kanagawa 221-8528, Japan
Telephone: 045-450-2837
(Corporate Accounting & Finance Division)
Cable Address: VICTOREXPORT TOKYO
Telex: VICTOR A J26222
Facsimile: 045-450-1574
http://www.jvc-victor.co.jp/

Date of Establishment:
September 13, 1927

Number of Employees:
32,972*

Paid-in Capital:
¥34,115 million

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

Number of Stockholders:
19,723*

Stock Exchange Listings:
Tokyo Stock Exchange
Osaka Securities Exchange

Transfer Agent and Registrar:
The Chuo Trust and Banking Co., Ltd.

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., A Member Firm of Andersen Worldwide SC.

Principal Consolidated Subsidiaries:

Domestic
Victor Entertainment, Inc.
Victor Media Products, Inc.
Victor Interactive Software, Inc.
Victor Leisure System Co., Ltd.
JVC Advanced Media Co., Ltd.
Victor Arcs Co., Ltd.
Sanin Victor Sales Co., Ltd.
Okinawa Victor Sales Co., Ltd.
Victor Service & Engineering Co., Ltd.
Victor Data Systems Co., Ltd.
Victor Real Estate Co., Ltd.
Victor Finance Co., Ltd.
Victor Logistics, Inc.

Overseas
JVC Americas Corp.
US JVC Corp.
JVC Canada Inc.
JVC Europe Ltd.
JVC (U.K.) Ltd.
JVC Deutschland GmbH
JVC France S.A.
JVC Nederland B.V.
JVC Belgium S.A./N.V.
JVC Italia S.p.A.
JVC España S.A.
JVC Asia Pte. Ltd.
JVC America, Inc.
JVC Manufacturing U.K. Ltd.
JVC Video Manufacturing Europe GmbH
JVC Electronics Singapore Pte. Ltd.
JVC Electronics Malaysia Sdn. Bhd.
JVC Manufacturing (Thailand) Co., Ltd.
JVC Components (Thailand) Co., Ltd.
JVC Finance B.V.
JVC Entertainment, Inc.
JVC (China) Investment Co., Ltd.

Note: JVC's fiscal 1999 consolidated financial statements comprise the accounts of 22 domestic and 50 overseas companies, including these principal subsidiaries

(As of July 1999)

**As of March 1999*

VICTOR COMPANY OF JAPAN, LIMITED