The Perfect Experience

2 Commitments, 1 Goal

Victor Company of Japan, Limited

Annual Report 2004

For the year ended March 31, 2004

Victor Company of Japan, Limited

Brand Statement

The Perfect Experience

At JVC, we're motivated by one overarching goal: to deliver the power and emotion of entertainment.

Whether hanging out with friends, relaxing with family, or just having fun, we want customers to think JVC helped them have a good time.

Our hope is that JVC lets people experience all the energy, rhythm and emotion of audiovisual content, and gives birth to new and exciting ways to communicate. To realize this ambition, we're drawing on our unique, high-quality products and services to play a prominent role in all areas of customer lifestyles.

In short, our commitment is to deliver The Perfect Experience—truly moving experiences and total customer satisfaction.

Contents

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

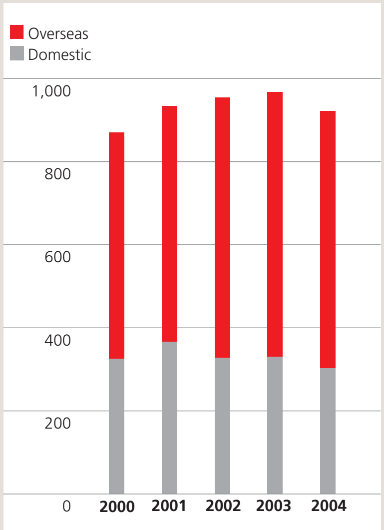
Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
For the year:				
Net sales	**¥921,978**	¥967,640	¥954,172	**$8,697,906**
Overseas	**619,962**	638,092	626,209	**5,848,698**
Domestic	**302,016**	329,548	327,963	**2,849,208**
Net income (loss)	**15,609**	6,336	(44,572)	**147,255**
Capital expenditures	**25,900**	21,036	21,175	**244,340**
Depreciation and amortization	**22,735**	25,250	28,000	**214,481**
At year-end:				
Stockholders' equity	**¥159,326**	¥146,410	¥146,246	**$1,503,076**
Total assets	**507,117**	479,750	513,365	**4,784,123**
	Yen			U.S. dollars (Note 1)
Per share:				
Net income (loss) (Note 2)	**¥ 61.1**	¥ 24.9	¥ (175.3)	**$ 0.58**
Diluted net income (Note 2)	**57.9**	23.5	–	**0.55**
Cash dividends (Note 3)	**5.0**	–	–	**0.05**

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥106 to U.S.$1, the approximate rate prevailing on March 31, 2004.
2. Net loss per share of common stock for the year ended March 31, 2002 has not been recalculated using the new accounting standard, which is effective April 1, 2002.
3. Cash dividends represent amounts applicable to respective years.

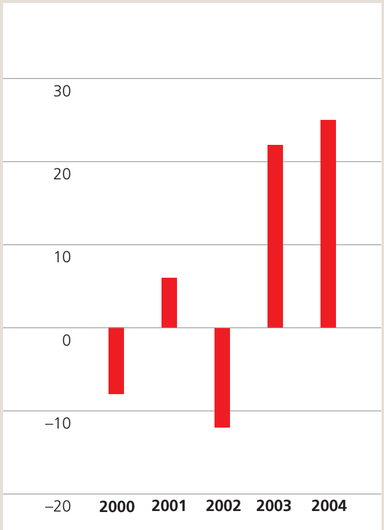
NET SALES

(Billions of yen)



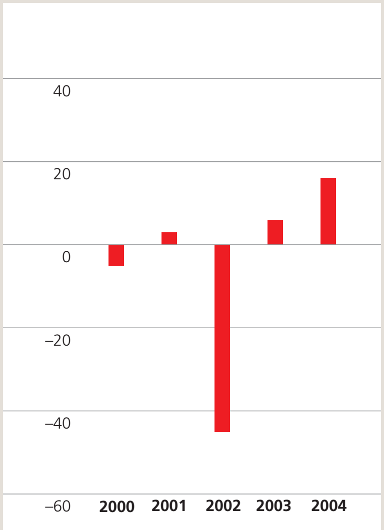
OPERATING INCOME (LOSS)

(Billions of yen)



NET INCOME (LOSS)

(Billions of yen)



Message From the President

Profits up Despite a Dip in Sales

In fiscal 2004, ended March 31, 2004, JVC (the Victor Company of Japan, Limited) reported a 12.8% increase in operating income to ¥25.2 billion, and a 146.4% jump in net income to ¥15.6 billion. This improved profitability was achieved despite a 4.7% decline in net sales year on year, to ¥922.0 billion. The Consumer Electronics segment, which generates the lion's share of JVC's sales, achieved an operating margin of 4.0%, up from 3.7% in the previous year. This performance gives me confidence that we are in reach of attaining our overall operating margin target of 5.0% or greater.

Masahiko Terada
President

JVC's higher earnings in fiscal 2004 resulted from a more robust operating structure yielded by three key reforms executed over the past three years—reengineering our business structure, changing our product lineup, and revitalizing our corporate culture. In particular, we rebuilt key elements of our day-to-day operations, such as purchasing, manufacturing and logistics, to create a core manufacturing cycle capable of operating more productively and efficiently. It is this crucial change that has underpinned our improved profitability. As a result of these reforms, we are confident we now have a robust business structure in place to support our growth strategy. Consequently, from fiscal 2005, we will shift our focus to accelerating this strategy to reverse the decline in net sales in fiscal 2004 and drive earnings even higher.

At the same time, we must respond to key issues in our operating environment: primarily how to remain competitive in the global consumer electronics market amid the shift to the digital age and the dwindling numbers of manufacturers and retailers in the industry. Either overwhelming size or the ability to create products that stand out in the market will be vital to taking on the competition in this challenging environment. At JVC, we aim to continue leveraging our unique products, but also use our size as a strength to take us to the next stage of growth.

Leveraging JVC's Uniqueness

We have identified five priority business areas that are forecast to grow: high-definition displays, digital high-density storage, network audiovisual systems, Components & Devices, and Software & Media. Because of their promising growth prospects, we also anticipate competition in these markets will intensify. In response to this challenge, we aim to build mutually beneficial partnerships with companies involved in product development, production, purchasing and other areas of our business. In this way, we will create a horizontally integrated structure to reduce lead times and increase efficiency, while at the same time consistently launching "Only One" products that demonstrate JVC's reputation for innovative technologies, distinct design and ease-of-use, to put clear water between ourselves and our rivals.

Looking further ahead, we will remain focused on a horizontally integrated manufacturing approach, which allows us to make up for whatever we lack in resources with speed. Moreover, by strengthening our financial structure, we will also be able to drive forward the vertical integration of our strategic products. In this way, we aim to enhance the overall performance of the company to inject added value into our product lineup and improve asset efficiency.

Growing the Display and Optical Disk Businesses

Anchored by this fundamental thinking, we plan to boost the ratio of net sales generated by new and growth products to 30% in fiscal 2005, and 60% in fiscal 2007. In our five priority business areas, we will focus particularly on strengthening our display and optical disk businesses by channeling resources into these product categories. We are targeting these products for two key reasons: both promise real growth in the years ahead, and JVC boasts a reservoir of advanced proprietary technologies in display and optical disk products, illustrated by our D-ILA rear projection TVs and DVD recorders. These technologies will enable us to develop our position centered on strategic products created using vertical technology integration.

By focusing on our five priority business areas, particularly display and optical disk products, we aim to change our image as a top company in audiovisual products, to become a leading player in the high-definition field. This process will also increase our enterprise value.

To achieve this shift, we will focus on and aggressively invest in new technologies to ensure they are even more innovative than their predecessors. This approach will not just be confined to the Consumer Electronics and Professional Electronics segments, it will be applied to all areas of JVC's operations, including Components & Devices and Software & Media. Going forward, we will expand the R&D budget and strengthen our team of software designers to create a system that further enhances our technological capabilities.

Taking Advantage of Our Partnerships and Size

JVC is by no means a large company, and we see no real need to make it any bigger than it has to be. That's because our conventional approach of working with partners to amass technologies, without substantively increasing our own assets, and rapidly launching products, still serves us well today.

In manufacturing, we are building symbiotic partnerships with material and component suppliers around the world. By carefully selecting and assessing respective needs, we have reduced our suppliers by nearly half in the past two to three years. Through a shared vision for the future, and by listening carefully to our partners to accurately identify mutual needs, we hope to create even closer and more responsive supply networks. For our part, we will cultivate personnel capable of better identifying industry trends five years down the road. These personnel will be our eyes on the future, helping us to procure the best materials and components for next-generation products. Ultimately, this will help us to create an optimal global procurement framework.

Retailers are also key JVC partners. In order to build stronger relationships with them, we know we have to do more than simply sell them products. Working together with them, we have to clearly communicate our corporate policy, and take on board those of our partners too, to ensure we grow in line with the strategies we have set out. These partnerships are underpinned by a certain amount of give and take: we want retailers to understand the essence of our brand statement—The Perfect Experience—while we have to listen to the advice of people closest to consumers. In this way, we will share feedback from customers and use it to create "Only One" products. I am confident that this approach will yield the best possible results for JVC and its retail partners, and raise customer satisfaction.

Partnerships are not our only strength. I also see JVC's current size as something we can really use to our advantage. Unshackled by organizational constraints, our engineers are given free rein to combine diverse proprietary audio, TV and video technologies to create new and exciting value-added products based on market needs. Our presence in the software, hardware and media fields, despite our comparatively small size, is also a strength. In fact, it is our unrestricted approach that allows hardware engineers to easily mix with music studio engineers, for example, to come up with new value-added products that fuse both technologies. In short, using these networked working practices afforded by our nimble size, we can capture maximum synergies between our audiovisual technologies and our content production technologies.

The Spirit of JVC

JVC has a long-held commitment to advanced technologies and to high-quality manufacturing. We can also demonstrate strengths that rivals find hard to emulate, such as a strong track record in creating truly groundbreaking technologies like VHS, and know-how in creating entertainment content.

Ensuring these strengths are passed on to the next generation of JVC personnel is a vital mission for the company. That means shaping professionals capable of standing in the shoes of the customer, using JVC's unique technologies to create the next wave of "Only One" products, and then skillfully marketing these products. To achieve this goal, we are working to ensure internal communication processes are more dynamic by lowering organizational barriers. This will also mean encouraging our people to speak their minds more, about raising product quality for example, at meetings designed to increase interaction among staff involved in development, manufacturing, marketing and other stages of the product cycle. By experiencing these kinds of exchanges, I believe all our personnel will gain the confidence to express, act, and grow as members of the JVC family. Up to now, efforts to revitalize our corporate culture have led to a more open atmosphere. However, we still have work to do to transform JVC into an unconventional and free-spirited company—a company capable of winning in an era characterized by seismic change.

As ever, your support will be vital in helping us to create this new corporate culture and in realizing our goals for the company.

July 2004

M. Terada

Masahiko Terada
President

Accelerating Our Growth Strategy

Continuous Structural Reform

Two Commitments, One Goal

Achieve an Operating Margin of 5% or Greater

A single goal based on two simple commitments

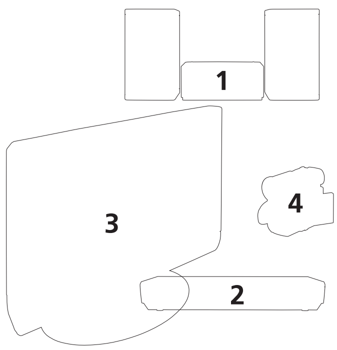
Based on the results of the JVC Value Creation 21 plan, and in light of conditions in our operating environment, we have formulated a new three-year management plan called the Leap Ahead 21 plan. With this new plan, the three fundamental reforms of Value Creation 21—reengineer the business structure, change the product lineup, and revitalize the corporate culture—have been reconstituted as two simple commitments: accelerating our growth strategy, and continuous structural reform. JVC also remains focused on its brand statement, The Perfect Experience, and is working to ensure it rings truer. This statement represents our undertaking to do all we can to enhance our technologies, products and services so customers can enjoy truly moving experiences through music and images. On the road to this objective, we are targeting operating income of ¥55.0 billion on net sales of ¥1,100.0 billion in fiscal 2007, representing an operating margin of 5.0%. This target of 5.0% is not our ultimate goal. It merely represents one waypoint on the road to greater growth for JVC. In the wider picture, our Leap Ahead 21 plan is the “step” after the “hop” we took with the Value Creation 21 plan. We are thus aiming to build a springboard to help us achieve the crucial last “jump,” when our “Only One” products start to make a significant contribution to the growth and development of the company.

Commitment One:
Accelerating Our Grow

Becoming an Entertainment Solution Company

At JVC, we have a presence in both the hardware and the entertainment software fields. Today, our industry is shifting away from a large-volume manufacturing and retailing approach, to one where companies strive to design and develop products that accurately meet diverse needs and enrich lifestyles. Mindful of this trend, we are aiming to become an Entertainment Solution Company that leverages its inherent technological strengths to create high value-added products, and fuses its software, hardware and media capabilities to rapidly meet customers' demands. In this way, we aim to help customers create more comfortable lifestyles.

During fiscal 2005, we are continuing to launch a stream of high value-added "Only One" products. Underpinned by these products, and capitalizing on major sporting events in fiscal 2005 such as UEFA EURO 2004™ in Portugal, we aim to drive sales higher and improve the operating margin.



1. DVD compact component system with two-way wood cone speakers, realizing the best true-to-life acoustics JVC recording studio engineers and hardware engineers can offer
2. HDD & DVD video recorder combo that allows users to easily record hours of high picture quality TV programming
3. LCD TV with D.I.S.T. (digital image scaling technology) and color management for high-resolution, optimum picture contrast
4. Digital video camera with 2.1 megapixel CCD and new high-resolution image technology

Reform the employment structure and restructure operating bases

VALUE CREATION 21 PLAN

Domestic operating bases

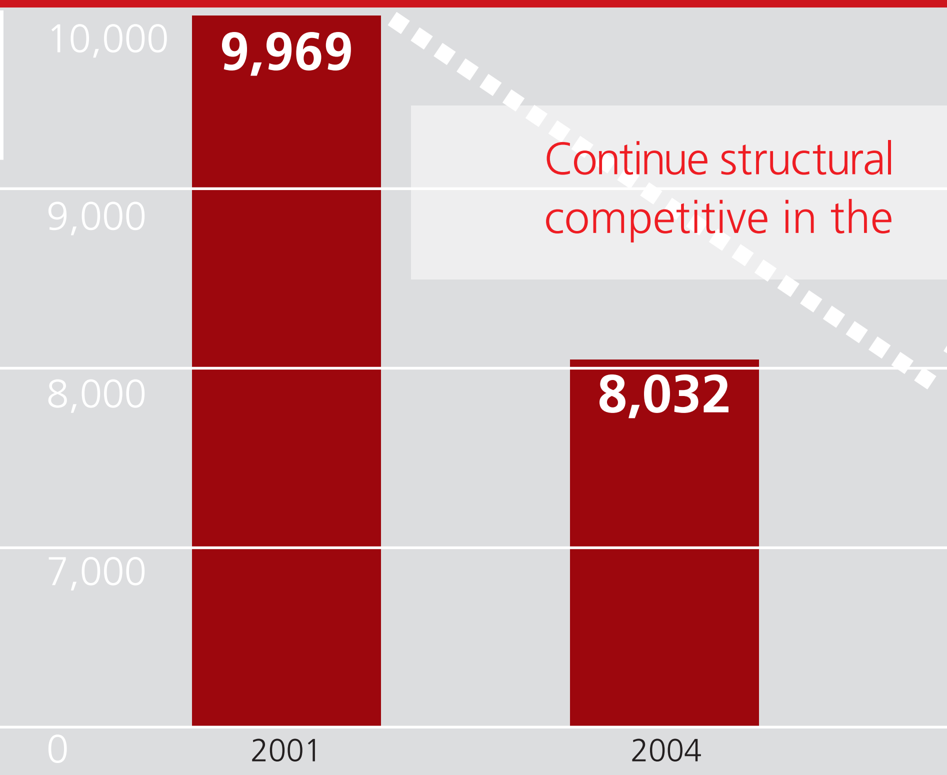
17 locations → 13 locations

Overseas operating bases

20 locations → 15 locations

Commitment Two: Continuous Structural

Number of employees
(non-consolidated)
As of March 31



LEAP AHEAD 21 PLAN

Shifting to a 23-24 location operating structure

Reform

reform to remain global market

Reduce the workforce to 7,000 employees

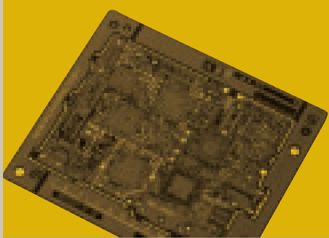
2007

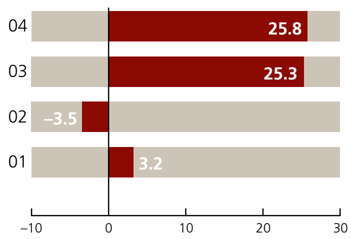
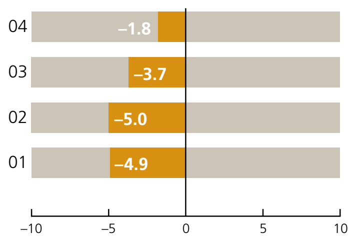
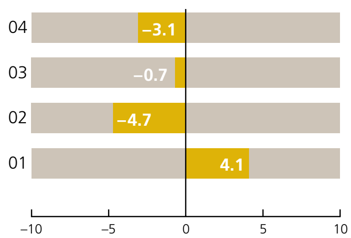
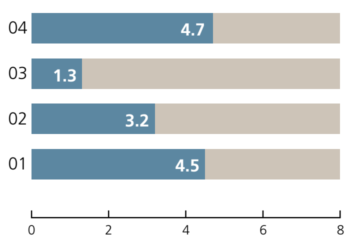
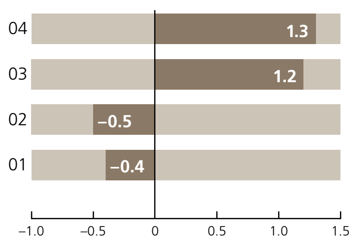
Becoming a High-Performance Global Company

JVC's operating environment is changing drastically as global competition intensifies and customer values diversify. In response, we plan to make structural reform a constant feature of our business, continually recasting businesses to ensure we can rapidly respond to shifts in the market landscape. By skillfully weaving these reforms with efforts to accelerate our growth strategy, we are confident that JVC will be able to follow a more stable growth trajectory. The goal of our continuous structural reforms is primarily to put in place a highly responsive management structure. This structure, together with a growth strategy that results in a portfolio of high value-added products, will reflect JVC's reputation for taking unique approaches.

Our Components & Devices segment is one area targeted for urgent structural reform. In the year under review, this segment reported a significant operating loss. Despite this disappointing performance, we are confident that we can leverage the segment's pool of unique manufacturing processes and core technologies, particularly its experience in high-precision technology and processes, to streamline and restructure its businesses and then move into growth fields. In short, it is vital that we put in place an operating structure that allows the segment to fully capitalize on its technological strengths. Going forward, in the Components & Devices segment, we will focus on developing unique core devices that add value to our proprietary product lineup, and inject whatever resources are necessary to achieve this.

JVC at a Glance

SEGMENT	% OF TOTAL FY 2004 SALES	SALES (BILLIONS OF YEN)			
		04	03	02	01
Consumer Electronics 	69.2%	638.1	675.0	641.3	598.6
Professional Electronics 	7.3%	67.5	71.0	78.3	83.9
Components & Devices 	6.7%	62.0	47.6	49.7	61.5
Software & Media 	16.1%	148.0	167.5	177.0	183.3
Other	0.7%	6.4	6.5	7.9	7.0

OPERATING INCOME (BILLIONS OF YEN)	MAJOR PRODUCTS	HIGHLIGHTS
	• VCRs • Camcorders • Televisions • Audio component systems • Car AV systems • DVD players/recorders	• Despite strong domestic sales of PDP TVs, LCD TVs, DVD recorders and other digital products, segment sales in Japan fell due to a greater-than-expected drop in demand for analog products such as video recorders • Overseas sales were healthy, despite an uphill struggle in the US. Sales in Europe and Asia both grew year on year on a local currency basis
	• Professional-use and educational-use systems • Information systems • D-ILA projectors	• Sales of security products such as surveillance cameras posted double-digit growth in Japan • Sales in the US and Europe were difficult
	• Deflection yokes • Optical pickups • Motors • PWBs	• Sales of deflection yokes struggled as market contraction was more severe than expected • The segment continued to rebuild its business base
	• Prerecorded audio and visual software including CDs, DVDs and videotapes • Recordable media	• Despite a contracting music market and a decline in consignment sales, the segment posted a significant improvement in operating income
	• Interior furniture • Production facilities	

Business Segment Overview

Consumer Electronics

Consumer Electronics is JVC's core business, accounting for around 70% of total group sales. Centered on the development, manufacture and sale of consumer audio and visual products for the global market, more than 80% of segment sales are derived from overseas operations. Although the segment reported a 5.5% decline in sales to ¥638.1 billion for the year under review, profits grew and the operating margin improved 0.3 of a percentage point to 4.0%.

HD-ILA microdisplay rear projection TV with a three-chip engine and the highest-density microdisplay device in this product category

High-definition digital video camera, the world's first for the consumer market

Eiichi Tsuchiya

Consumer Electronics and the Leap Ahead 21 Plan

JVC's Leap Ahead 21 plan positions the Consumer Electronics segment to play a key role in accelerating the company's growth. Specifically, we plan to focus on the display and optical disk businesses to boost sales, aiming to double the size of both businesses compared to the year under review by the end of the plan on March 31, 2007.

Fiscal 2004 Operating Results

During the year under review, digital technology became more widespread in the consumer electronics industry, supported by the growing use of digital and high-definition technologies in the broadcasting, communications and recording fields, and the launch of terrestrial digital broadcasting in Japan. This is a positive trend for the Consumer Electronics segment: the infrastructure for our high-definition, high-quality technologies—which give us a distinctive edge in the market—is steadily falling into place.

In the past year, we put in place an operating structure capable of reliably generating earnings by flexibly responding to price reductions and other challenges in the business environment. These efforts were supported by initiatives in the Value Creation 21 plan designed to reform JVC's day-to-day operations in the areas of component procurement and manufacturing. I believe this was a key reason for the improvement in our operating margin during fiscal 2004.

In one crucial area for us—ensuring a steady stream of "Only One" products—we made some progress, and we are now ready to take on our rivals in the digital product category.

In playing its part to achieve the Leap Ahead 21 plan objective of accelerating growth, the Consumer Electronics segment will develop and launch highly competitive and dynamic "Only One" products that will realize powerful growth. Continuous structural reform is the other pillar of the plan. I feel we made real progress in making sure product development, manufacturing and retailing functions dovetail more efficiently, and this will provide the basis for realizing tangible synergies in future structural reform initiatives and accelerating growth.

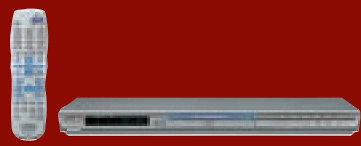
Aiming to Boost Top-line Growth

Strong sales of car AV systems and camcorders in the European market, especially South and East Europe and Russia, were one of the factors helping us to raise profitability in the year under review. In car AV systems, we have successfully integrated product development, manufacturing and retailing functions, enabling us to launch products that will satisfy future demand. In the camcorder product category, we will work to maintain high margins by tapping market demand with new "Only One" products that incorporate the latest recording media.

However, it's vital that we change the composition of our product lineup. This will mean increasingly focusing on new and growth products such as D-ILA (direct drive image light amplifier) rear projection TVs, PDP (plasma display panel) TVs, LCD (liquid crystal display) TVs, and DVD recorders. Specifically, we are aiming to achieve the target set out in the Leap Ahead 21 plan: create a product portfolio where 60% of Group sales are generated by new and growth products. To reach this goal, we are accelerating the launch of strategic "Only One" products that

JVC's PDP TVs incorporate exclusive D.I.S.T./Color Management, picture and color improvement technology that ensures the best possible picture quality, with optimum brightness, gradations and color intensity all the time

DVD compact component system with two-way wood cone speakers, realizing the best true-to-life acoustics JVC recording studio engineers and hardware engineers can offer



A multi-format DVD player compatible with DVD video, DVD audio, DVD-RAM/-RW/-R and CD-R/-RW discs

stand out in the market and deliver greater added value.

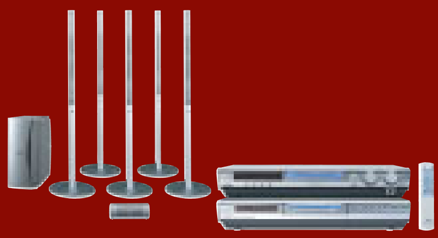
In the past, when CRT TVs were the mainstream product in the display business, our approach was to purchase key devices from suppliers. In our flat panel display business, we are continuing with this strategy but working even more closely with our business partners right from the product development stage. By enhancing this dispersed operating structure we are maintaining our competitiveness in the field. With our D-ILA products, however, we are taking a different tack: we have brought the entire manufacturing process—from the production of key devices through to the completion of the end product—in-house, giving us the ability to vertically integrate and create new products in the same category. The fruits of this strategy can already be seen with the July 2004 launch of large-screen D-ILA rear projection TVs in North America—a market where demand for these products is particularly high.

D-ILA rear projection TVs not only offer high-definition picture quality on a large screen, they also consume less power, thereby delivering high cost-performance. Currently, JVC has the capacity to produce 10,000 units per month, centered on North America. But with our eye on the wider global market, we plan to expand our production framework going forward.

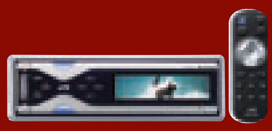
DVD recorders are JVC's core product in the optical disk business. Although we were a comparatively late entrant into the DVD recorder business, we have taken the time to develop products that stand out in the marketplace, illustrated by the -R/-RW/-RAM multi-function DVD recorder we launched in August 2003. Optical disks also play a role in other business segments. So we will build a value chain for these products that links the Consumer Electronics, Professional Electronics, Components & Devices and Software & Media segments to inject more value into the JVC Group.

Fusing Sound and Images

JVC has a presence in both the software and hardware fields. The close cooperation between our hardware and software engineers has led to the pursuit of one goal: the accurate reproduction of original sound and images. This is part of our corporate DNA. Nothing illustrates our efforts better than the September 2003 launch of the EX-A1 compact component system, the first product of its type in the world to use wood cone speakers. By leveraging our hardware and software capabilities, we will continue to actively create this kind of high value-added product to offer the best in audiovisual quality. These products will drive sales higher in the years ahead.



DVD digital home theater system incorporating an HDD & DVD video recorder combo, offering superb sound and picture quality and enhanced usability



Car AV system equipped with a 256-color organic electroluminescent display

Regional Markets: A Review and Future Strategy

Japan

JVC will create retailing strategies more closely tailored to the characteristics of large-volume retailers, who are growing in the market. This includes carrying out Digital Advisor Seminars in individual stores to explain our products directly to sales staff, making sure they understand what gives JVC products their edge. Looking ahead, we aim to reinforce our market position in Japan by expanding sales of PDP TVs, LCD TVs, DVD recorders and camcorders.

US

In the second half of the year under review, we launched a range of new products in the PDP/LCD, digital video camera, and DVD player categories. These products helped to cover a drop in sales in the first half of the year. Looking ahead, we plan to enhance our partnership with nationwide retailers in product development and marketing, and at the same time extend our sales network to include local, specialist audiovisual retailers. Based on this approach, we plan to capture a larger market share. In fiscal 2005, we will focus on growing sales of display products, particularly D-ILA rear projection TVs, and enhance JVC's presence in the optical disk and camcorder markets. At the same time, we aim to put our US business back on the road to growth by restructuring our operations in the country.

Europe

Sales of home theater systems, DVD players/recorders, digital video cameras and display products such as PDPs and LCDs were all stronger during the year under review, thanks to carefully targeted marketing activities. Going forward, we plan to strengthen our position in Europe centered on the UK, German, French and Russian markets. In addition to focusing on flat panel displays, optical disks and camcorders, we also aim to increase sales of CRT TVs. Capitalizing on global events in the region during fiscal 2005, such as UEFA EURO 2004™ in Portugal, we are aiming to drive sales higher in Europe.

Asia and Other Regions

In Asia and other regions, we plan to boost sales by developing new markets such as the Middle East, Africa, India and China, turning around operations in South Korea, and strengthening our position in the Singapore re-export market. More specifically, we will strengthen our lineup of products tailored to regional markets, such as CRT TVs in the Middle East, Africa and Australia, and DVD recorders in China. In addition, we plan to enhance sales promotion activities that use sports events and the media, and develop more products locally.

Eiichi Tsuchiya
President, AV & Multimedia Company

Professional Electronics

This segment develops, manufactures and sells video recording systems, audio equipment, projectors and a range of other products for professional use. Segment sales account for 7.3% of total group sales. In fiscal 2004, although sales fell 4.8% to ¥67.5 billion, the operating margin improved from –5.2% to –2.6%.

Professional DV camcorder compatible with standard and mini-DV cassettes and incorporating an array of functions essential to image production today

Wide dynamic range surveillance video camera capable of capturing clear images even in environments with high levels of light contrast

Toyoharu Honda

Professional Electronics and the Leap Ahead 21 Plan

With the Value Creation 21 plan, we boosted performance by restructuring manufacturing bases, reducing the number of products in our lineup and channeling resources into security and presentation systems. With the Leap Ahead 21 plan, we will continue to focus on these two areas, but the emphasis is now on offering new products as part of complete systems that offer greater added value and support profit growth.

Fiscal 2004 Operating Results

In fiscal 2004, sales of security systems products grew by more than 10% in the domestic market. Efforts to lower the break-even point through restructuring with the Value Creation 21 plan also helped us reduce the operating loss. However, presentation systems products struggled and tough markets overseas meant segment sales as a whole declined, failing to support earnings.

Offering Something Different With "Only One" Products

In the Professional Electronics segment, our basic strategy is to narrow down our target customers and markets and focus on their needs by launching "Only One" products that demonstrate our strengths—high-end AV technologies in the areas of image capture, compression, and display. Going forward, to boost profits, we will reaffirm our fundamental strategy and strengths, and enhance our ability to propose new product concepts in the security and presentation system fields.

In security systems, we will launch unique new value-added camera products in the growing surveillance camera market. One example of this approach is our recently launched CCTV (closed-circuit TV) camera, rated highly by customers thanks to its multi-sampling system that realizes a wide dynamic range capability. This camera achieves clear picture quality even when recording in environments with a wide dynamic range of light and shadow. This is a vital capability for surveillance cameras used in areas such as station platforms and retail stores where external light creates extreme contrast levels.

In the presentation systems field, we are aiming to grow sales by targeting demand from the education and local government segments. Strategic products include: CALLs (computer-assisted learning laboratories) used at universities that incorporate proprietary speech rate conversion technology, and remote learning systems built around our D-ILA projectors and using MPEG2 image compression technology. Both these systems boast JVC's unique technological strengths. Overseas, we will work to rebuild our presence by expanding sales of professional DV camcorders in new markets such as Eastern Europe and Russia, and tapping demand for computer imaging (CI) cameras and DVD recorders in the medical field.

In a market characterized by severe price competition, JVC's professional electronics products are earning praise for their functionality and quality. Tapping into this support, we aim to accurately identify market needs and offer products and systems underpinned by powerful technologies. In this way, I'm confident we can build a unique presence in the market and grow profits.

Toyoharu Honda

Toyoharu Honda
President, Professional Systems Company

Components & Devices

This segment uses its reservoir of proprietary technologies to develop, manufacture and sell electronic components and devices, generating 6.7% of total Group sales. In the year under review, sales surged 30.3% to ¥62.0 billion. However, the segment reported a larger operating loss and the operating margin deteriorated from –1.5% in the previous year to –5.0% in fiscal 2004.

HDD motors with ultra-high precision bearings and assembly technology, resulting in low-noise, long-life, shock resistant HDDs

Optical pickup for DVD recorders incorporating a hologram device

Yoshitaka Iriuchijima

Components & Devices and the Leap Ahead 21 Plan

Faced with drastic changes in its operating environment, primarily the global downturn in the IT sector, this segment has struggled to drive a turnaround in earnings. The Leap Ahead 21 plan therefore aims to rebuild the business by pushing forward radical operational restructuring by channeling resources into proprietary products such as motors and optical pickups. We will then use these components and devices to inject greater value into our finished products.

Fiscal 2004 Operating Results

In the year under review, there were a number of reasons for the deterioration in operating results, including a contraction in the global deflection yoke market that was more severe than expected, and a delay in launching fluid dynamic bearing motors for HDDs (hard disk drives). We also failed to keep up to speed with the growing density and complexity of VIL PWBs (high-density build-up printed wiring boards).

It is a matter of priority that we quickly strengthen our operating structure by continuing to rebuild the segment's business base. In particular, we must respond to the rapid contraction in the deflection yoke market by integrating overseas manufacturing operations at one location. In VIL PWBs, we will shift our focus to providing components for digital cameras, laptop computers and other AV products. Both these steps will enhance our earnings capabilities.

Growth Strategy for Components & Devices

We initially created our optical pickup business to supply devices for CD players. In addition to these devices, we also began developing optical pickups for DVD recorders. We will launch these in-house manufactured devices in the second half of fiscal 2005. Because these optical pickups will be used as key devices in DVD recorders manufactured by JVC, we will be able to offer products that standout in the market in terms of both technology and cost.

The electronics industry is calling for HDDs with smaller disks and increasingly slimmer drives. Naturally, this means fluid dynamic bearing motors for HDDs and motors for optical disk devices must be more compact and thinner than ever before. In response, we will channel resources into fields, where applications for our small motors are growing, to create a framework that allows us to deliver the kind of products industry needs—when it needs them.

JVC originally created the Components & Devices segment to carry out the in-house production of components for JVC products. Later, external sales of components for IT products increased, and the segment became primarily focused on supplying customers outside the JVC Group. Now, we are bringing the business back full circle, and focusing operations on the in-house development and manufacture of key devices to inject greater added value into new JVC products. In this way, the Components & Devices segment will play an important role in the company-wide "Only One" product strategy.

In fiscal 2005, we will continue to rebuild the business base and focus more on highly competitive products, ensuring the benefits of these moves are reflected in the bottom line.

Y. Iriu

Yoshitaka Iriuchijima
President, Components & Devices Company

Software & Media : Media Business

The Media business mainly manufactures and sells recordable media and prerecorded software such as CDs and DVDs, while the Software business identifies, develops and manages promising artists, and produces, sells and distributes content. Although sales declined 11.6% to ¥148.0 billion in the year under review, operating income more than tripled. This improved profitability reflected radical and successful steps to restructure segment operations.

DVD-RW discs produced using JVC's years of experience in disc molding and recording layer formation technologies, delivering reliable and stable 4x recording performance

High-quality Mini-DV cassettes with unique JVC technology that brings out the best performance in any DV camcorder

Hiroshi Fujisawa

The Media Business and the Leap Ahead 21 Plan

Against the backdrop of growing popularity in digital products, the strategy of the Leap Ahead 21 plan is to expand JVC's global presence in the digital field. This will be achieved by reinforcing the Media business' lineup of digital recordable media such as blank DVD discs and DVC tape to support JVC's existing strengths in digital hardware products, such as digital video cameras and DVD players/recorders.

Fiscal 2004 Operating Results

Although sales were stable in the year under review, profits were up significantly, supported by the manufacture and sale of high-margin products such as DVD-RW (rewritable DVD) discs, DVC tape, and prerecorded media.

These products are driving profitability due to a number of reasons: we have built a predominant market position in high-margin DVD-RW discs due to the quality of our products; DVC tape margins are high thanks to careful control of the breakeven line; and strong productivity in prerecorded software manufacturing.

In the US, we closed down a VHS tape production facility and made the decision to rapidly withdraw from this underperforming business. These moves also helped to boost profitability. Moreover, we worked to reduce the rapidly rising cost of materials in our manufacturing operations by carefully managing procurement and manufacturing costs.

Capitalizing on Changes in the World of Recording Media

In May 2004, JVC became the first company in the world to launch 4x DVD-RW discs. We plan to widen the gap with our rivals further by enhancing product performance with 6x and 8x versions and raising quality. In the US, we have already launched 8-cm DVD discs for DVD camcorders. This new product takes the improvements in performance, specifications and usability we achieved with DVC tape to the next level.

By forging even closer ties with the Software business, we also plan to use the perceptive design capabilities of its product creation teams to develop and offer new products.

In order to keep up with changes in hardware technologies and ensure our media products are ready on time to support new product launches and wider market adoption, we will have to create an operating structure that allows us to more flexibly launch new media and create products technologically compatible with new recording standards. We have already shown we are capable of responding to the shift from analog to digital, high-definition formats; our next challenge will be to ensure we can develop and volume manufacture new products that keep pace with the continuing evolution of media standards.

Our Mission

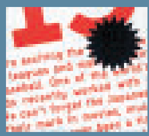
Over the years, JVC has launched groundbreaking new formats in recordable media and prerecorded software, earning the reputation as a pioneer in the industry. Now, as competition intensifies and consumer focus shifts from simply listening to music to the search for a more complete high-quality audiovisual experience, our mission is to maintain our pioneering reputation and offer consumers The Perfect Experience.

Hiroshi Fujisawa
President, Media Company

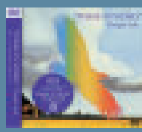
Software & Media : Software Business

JVC's Software business comprises a number of key companies: Victor Entertainment, Inc. and Teichiku Entertainment, Inc., involved in the production of content, and Nippon Record Center Co., Ltd., a logistics company. Strategically, Victor Entertainment sits at the heart of the Software business.

Hit DVD video
Southern All Stars:
Summer Concerts 2003



Strong-selling music CD
SMAP: MIJ



Hit DVD video
Dragon Ash: POSSE IN VIDEO

Toshiaki Shibuya

The Software Business and the Leap Ahead 21 Plan

With the Leap Ahead 21 plan, we aim to realize a matrix management approach by putting in place an operating structure that ensures maximum earnings are generated from the possession and management of high-quality content rights. Another goal is to enhance competitiveness by increasing collaboration with other business segments in the JVC Group and building a powerful value chain.

Fiscal 2004 Operating Results

The dynamics of the music industry are changing: the number of million-selling hit songs is on the decline, piracy is increasing and distribution channels are evolving. The market in Japan has been shrinking for the last five years, and in fiscal 2004 alone, the domestic music CD and DVD market contracted by 6% year on year. At the same time, the way people enjoy music is fragmenting. With many delivery options now available, including CDs, music DVDs, online sites and live concerts, we are increasingly seeing the shift to a one-source, multi-use environment. In wider market terms then, this is driving growth in the music industry, and we believe this offers an excellent opportunity to grow our Software business.

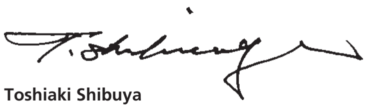
In the year under review, profits were up markedly year on year, mainly due to strong sales of albums by the Southern All Stars and SMAP, as well as the benefits of business restructuring. We also made progress in creating an operating structure that will support our next stage of growth. Specific steps included maximizing cost performance through the optimal distribution of management resources, reforming the personnel system, revitalizing our corporate culture, and modifying operations—primarily a radical review of content production and business processes at Victor Entertainment. We have positioned fiscal 2005 as the year when we capitalize on this new business base to move back onto a growth trajectory.

Using Content Rights to Expand Business Opportunities

Together with steps aimed at strengthening our prerecorded software business, we are also working to reinforce our rights business. One important move was the establishment of JEN (JVC Entertainment Networks) in January 2004 through the merger of four affiliates. Since its creation, the company has steadily worked to strengthen its operating structure by integrating talent management company Hiro Group Co., Ltd., a long-standing business partner, in February 2004. Aiming to become a Matrix Entertainment Company by 2006, we will maximize our portfolio of content rights to develop a business model that targets all areas of the music industry—from prerecorded software, online music distribution, to merchandising, concert management, and the planning and production of advertising. By steadily building our own library of content rights, we plan to expand the scope of our business by offering products and services derived from our lineup of artists and content. At the same time, we will encourage the use of these internal assets by JVC businesses to prevent cash outflows to third-party owners of content rights.

This, I believe, will also lead to an increase in business generated by joint projects within the JVC Group.

Going forward, our aim in the Software business will be to further enhance the JVC brand by offering superior content—designed to make the most of the latest developments in audio and visual performance, and that dovetails with our lineup of high value-added hardware products.



Toshiaki Shibuya
President & Chief Executive Officer,
Victor Entertainment, Inc.

Research and Development Activities

To deliver all the emotion of audiovisual content to customers with our hardware and software, we are conducting wide-ranging research covering everything from basic research to applied technologies for the future commercialization of products. Technology lies at the heart of JVC's corporate DNA, but to further enhance our technological capabilities, we are putting in place a system that manages R&D themes for three specific time frames: our immediate future to support the JVC of today; three to five years from now to create the technology of tomorrow; and five to ten years hence. Long-term R&D themes focus on creating technologies that support the sustainable growth of JVC well into the future.

JVC's R&D Framework

The company's R&D framework comprises the Technology Development Division, which functions as the JVC Group's corporate laboratory, and a Development Division and an Engineering Division at each Group company. The Technology Development Division is responsible for developing core technology, common material and systems technology, and next-generation devices that embody the company's long-term vision, as well as accumulating LSI design and development technologies needed for future products. Each Group company Development Division is responsible for next-generation product development in five priority business areas: high-definition displays, digital high-density storage, network audiovisual systems, Components & Devices, and Software & Media. Each Engineering Division is responsible for the design and commercialization of products, and works closely with other organizations in the R&D framework. Overseas, the JVC North America R&D Center and the JVC Singapore R&D Center are mainly involved in the development of software for digital audiovisual equipment that reflects market developments in their respective operating regions. JVC is currently implementing initiatives to strengthen its international R&D network.

Technology Research Themes and Trends

All technology development themes at JVC are ultimately aimed at delivering high-quality audio and visual performance. To achieve this goal, we use our unique portfolio of technologies at all stages of the audio and video delivery process—from recording and storage through processing, transmission and display—to achieve unparalleled levels of quality. The increasing focus on digital and high-definition content and delivery methods in the broadcasting, communication and recording fields is creating more opportunities for us to use our sophisticated technologies. We will therefore strengthen our display and optical disk businesses, and dynamically enhance our storage and high-definition AV technologies to ensure that when customers think high-definition, they think JVC. Currently, we are putting in place a framework to manufacture key devices for D-ILA projectors and DVD recorders in-house, vertically integrating strategic products, injecting greater value into our product lineup, and enhancing asset efficiency. Consequently, our policy is to channel R&D expenses into strengthening storage and high-definition audiovisual technologies. In parallel with this approach, we are working to improve the efficiency of R&D investment by carefully identifying and focusing on key R&D themes for products to be launched five and ten years down the line.

JVC is currently constructing a new technology research facility in Irie, adjacent to its existing Yokohama Plant. Scheduled for completion in March 2005, this facility is positioned as a base for creating new high value-added products. This will be achieved by devising measures for strengthening and transferring core technologies; shifting engineers to key technology fields, as well as increasing their number; and bringing together engineers in different research disciplines.

Artist's impression of the new JVC research facility in the Irie section of the Yokohama Plant

Playing a Major Worldwide Role in Culture and the Arts: Sponsoring Events That Inspire and Excite

Sports and the arts represent the pinnacle of human creativity with their universal ability to inspire us all. JVC is committed to ensuring as many people as possible have the opportunity to share the inspiration and excitement that sports and the arts can offer. This thinking has underpinned our wide-ranging cultural activities over many years, mainly in the form of support for music, the arts and sports. As we continue to grow, contributing to the global community through cultural activities will also be a key part of our development as a company.

Sponsoring Sporting Events: International Football Tournaments

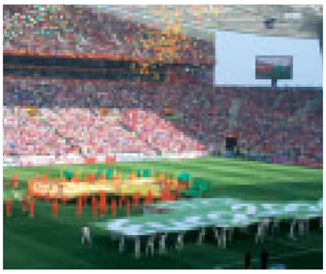
JVC supports a range of sports in numerous countries around the world. In particular, we have been closely involved in the UEFA European Football Championships since 1980, a major event in the football calendar. As an official partner of the event, we have provided comprehensive support, and our leading role has inspired us to offer backing to other international events and sponsor club teams. We believe our support helps more people to experience the universal excitement and passion of football.

Inspiration Through Music: JVC Jazz Festivals

The JVC Jazz Festival, a series of well-established music events enjoyed by music aficionados around the world every year, is the kind of music event we like to be involved in. The JVC Jazz Festival, one of the world's top jazz festivals, has grown to become a major event, giving fans the opportunity to experience the pleasure and emotion of live music performed by some of the world's leading musicians brought together on the same stage.

A Venue for Creativity to Flow: JVC Tokyo Video Festival

JVC holds the Tokyo Video Festival, a venerable international video competition for professionals and amateurs alike. With numerous entries from countries with diverse cultures, video creators taking part in the festival play a role in pushing forward the boundaries of image creation and video production. For us at JVC too, the festival is the perfect venue to reaffirm the power of video.



UEFA EURO 2004™

JVC Jazz Festival

JVC Tokyo Video Festival

Doing Our Part to Protect the Environment

Guided by our basic management slogan "Contributing to culture and serving society through our products and business practices," efforts to protect the global environment are incorporated in all our business activities. Since formulating JVC's Basic Environmental Policy in 1992, we have carried out a range of initiatives designed to help realize a sustainable society.

Implementing Environmental Management

JVC's efforts to promote its environmental protection activities are underpinned by the JVC Environmental Committee, chaired by the president of JVC, and a number of specialist subcommittees. These subcommittees are responsible for implementing initiatives and policies adopted by the JVC Environmental Committee. In fiscal 2004, a new project was launched to accelerate the elimination of environmentally harmful substances from JVC products. All subcommittees in JVC's environmental management framework are actively working to achieve this objective.

As part of our efforts to help achieve sustainable environmental protection activities, we are working to attain ISO 14001 certification, the internationally recognized standard for environmental management. Our plant in Hachioji led the way in attaining certification in January 1997, followed by all our other manufacturing facilities around the world. In addition to these plants, JVC head office, research facilities and all domestic sales and service centers have attained environmental management certification. Our next goals will be to upgrade environmental protection at JVC plants and design more eco-friendly products.

Designing Eco-Friendly Products

1. Promoting green procurement

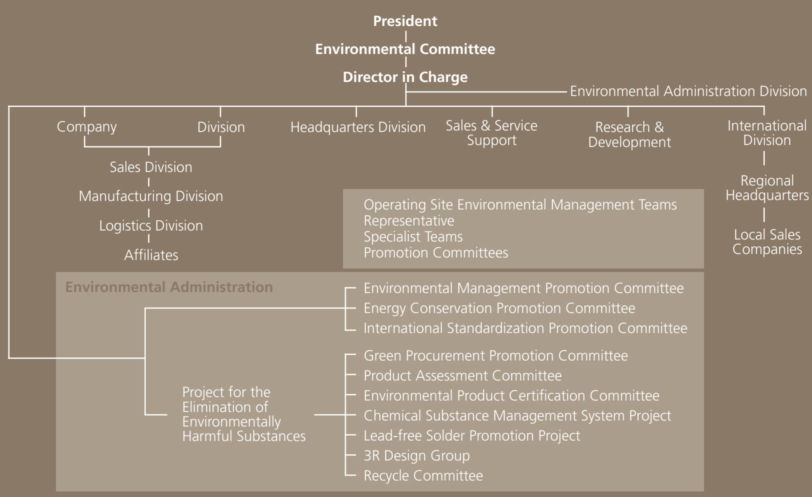
Ahead of the enforcement of the EU's RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) directive in member countries in 2006, JVC is aiming to begin shipments of products in April 2005 that contain none of the hazardous substances restricted by the directive.

JVC established guidelines for green purchasing in fiscal 1999. In the year under review, we called on suppliers to ensure they fully understand and cooperate with JVC's policy in this area. We have also been calling on our partners to guarantee that no hazardous substances are used in products supplied to JVC, verified by tests carried out by us on the components and materials we purchase.

2. Making green products

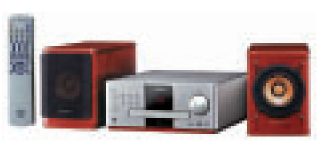
At JVC, products made to environmentally friendly design are designated as "Green Products." These products are designed based on three main principles: they help to prevent global warming; they contain no hazardous substances; and they promote the recycling of resources. Recent initiatives in the second area included adopting lead-free solder for all JVC products manufactured globally by the end of fiscal 2004. However, we still have work to do in this area as some units and components we purchase, as well as a number of OEM products we manufacture, still use solder containing lead. Ensuring all our suppliers and customers use lead-free solder in their products will be an important issue for us going forward.

Our GR-HD1 high-definition video camera, the world's first for consumer use, is a specific example of how we are taking steps to make our products more environmentally friendly. In an effort to reduce the use of hazardous substances, only lead-free solder is used in this camera. Resources have also been used as efficiently as possible, particularly in cardboard packaging and padding materials, which are made of over 90% recycled magazine material. The EX-A1 compact component system also illustrates our approach to environmentally conscious design. Here, we have reduced the use of hazardous substances by employing only natural materials in the wood cone speakers.



3. Recycling end-of-life products in Europe

In February 2003, the EU's WEEE (Waste Electrical and Electronic Equipment) recycling directive came into force. All electrical and electronic equipment sold within the EU is subject to this directive. In addition to this regional initiative, individual member countries such as the Netherlands and Sweden have already introduced their own recycling systems. JVC is adhering to both these national and regional recycling regulations. Based on the WEEE directive, all EU member countries are required to introduce their own national laws on recycling by August 2004. In response, JVC has established an internal Europe Recycling Committee to devise an effective recycling system based on country-by-country recycling studies and research, and the creation of experimental recycling systems with local affiliates and specialist waste recycling companies.



The EX-A1 DVD compact component system with wood cone speakers and environmentally conscious design

Reducing Energy Consumption and Fighting Global Warming

JVC is working company-wide to achieve its new medium-term target for reducing energy consumption: a reduction of 10% by fiscal 2011 compared to the base year of fiscal 2001. We are also working to reduce emissions of CO_2, CFCs and other greenhouse gases that contribute to global warming. Initiatives include efforts to curb emissions of CO_2 by JVC manufacturing plants and affiliates, and completely eliminating the use of CFCs by adopting alternatives.

Cutting Waste Emissions

In an effort to reuse waste generated by manufacturing activities, we targeted and attained a waste recycling ratio of 98% in our domestic operations, including affiliates. Although the volume of waste alkalis and other liquid waste has risen due to higher output of printed circuit boards, we reached our overall target thanks to an increase in the recycling ratio for paper and wood waste, and a significant improvement in the reuse of metal waste.

Helping to Protect the Air, Soil and Water Environments

The electrical and electronics industries use four key chemical substances that can cause atmospheric pollution—trichloroethylene, tetrachloroethylene, dichloromethane and trichloroethane. JVC has already banned the use of the first three chemicals in all its manufacturing processes. Although we use small amounts of dichloromethane and trichloroethane in R&D and quality assurance testing, we are working to further reduce usage by examining the use of alternatives.

JVC has carried out studies into soil and groundwater pollution since 1996. In the year under review, we removed a number of idle incinerators from the JVC Rinkan and Maebashi plants. Subsequent dioxin pollution surveys of the surrounding areas confirmed they were free of pollution. Going forward, we plan to further enhance our system for monitoring soil and groundwater pollution, including extending the system to overseas operating facilities.

Management Team

President

1 Masahiko Terada

Senior Managing Directors

2 Namio Yamaguchi
In charge of Technology; General Manager, Technology Development Division; In charge of ILA Center and Intellectual Property

3 Eiichi Tsuchiya
President, AV & Multimedia Company; In charge of Integrated AV System Strategy Division and Customer Satisfaction

Managing Directors

4 Shigeharu Tsuchitani
President, Americas Company, JVC Americas Corporation

5 Masatoshi Hirabayashi
Senior Executive Vice President, AV & Multimedia Company; In charge of SCM and Business Solutions Marketing

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

7 Kunihiko Sato
President, Europe Company and JVC Europe Ltd.

Directors

8 Hideo Aiso
President, Tokyo University of Technology

9 Hiroshi Fujisawa
President, Media Company

10 Toyoharu Honda
President, Professional Systems Company

11 Shingo Kawata
Executive Vice President, AV & Multimedia Company; In charge of Optical Disc Business

12 Yutaka Ichijo
In charge of Personnel, General Affairs, Legal, Investor Relations and Corporate Communications; General Manager, Personnel and General Affairs Division

13 Masuichiro Mimura
Executive Vice President, AV & Multimedia Company; General Manager, Mobile Entertainment Sales & Marketing Division, AV & Multimedia Company

14 Yoshitaka Iriuchijima
President, Components & Device Company; In charge of Environment Administration and Production Engineering; General Manager, Production Engineering Division

15 Goro Saito
In charge of Corporate Planning; General Manager, Corporate Planning Headquarters

16 Tsutomu Urabe
Executive Vice President, AV & Multimedia Company; General Manager, International Sales Division, AV & Multimedia Company

Corporate Auditors

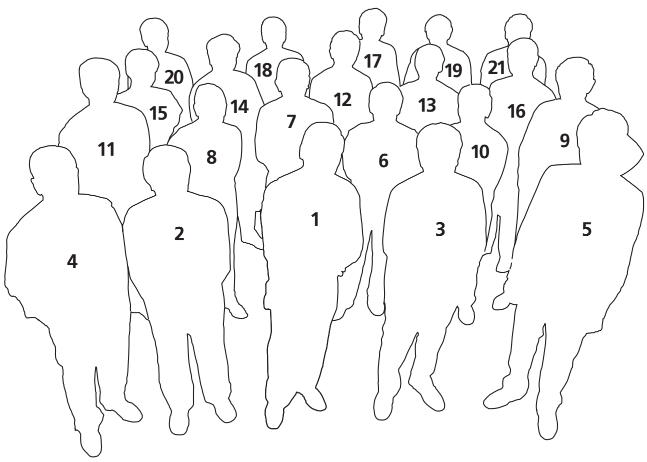
17 Takao Aida

18 Hajime Takashima

19 Akio Mutai

20 Makoto Matsuo
(Attorney-at-Law)

21 Fujio Nakajima
(Executive Officer, Matsushita Electric Industrial Co., Ltd.; Senior Vice President, Panasonic AVC Networks Company)



Financial Section

Contents

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)
	2004	2003	2002	2001	2000	**2004**
For the year:						
Net sales	**¥921,978**	¥967,640	¥954,172	¥934,350	¥870,235	**$8,697,906**
Overseas	**619,962**	638,092	626,209	567,977	545,316	**5,848,698**
Domestic	**302,016**	329,548	327,963	366,373	324,919	**2,849,208**
Cost of sales	**629,125**	668,821	684,458	641,209	600,506	**5,935,141**
Selling, general and administrative expenses	**267,702**	276,520	281,808	287,449	277,748	**2,525,491**
Operating income (loss)	**25,151**	22,299	(12,094)	5,692	(8,019)	**237,274**
Income (Loss) before income taxes and minority interests	**14,106**	10,064	(38,446)	9,444	6,088	**133,075**
Income taxes	**(1,926)**	3,568	5,985	7,238	11,295	**(18,170)**
Net income (loss)	**15,609**	6,336	(44,572)	2,498	(5,341)	**147,255**
Depreciation and amortization	**22,735**	25,250	28,000	28,085	28,590	**214,481**
Capital expenditures	**25,900**	21,036	21,175	31,127	24,336	**244,340**
R&D expenditures	**40,574**	40,973	40,981	44,094	43,351	**382,774**

	Millions of yen					Thousands of U.S. dollars (Note 1)
At year-end:						
Working capital	**¥147,225**	¥149,172	¥118,948	¥150,067	¥127,709	**$1,388,915**
Stockholders' equity	**159,326**	146,410	146,246	180,515	199,164	**1,503,076**
Total assets	**507,117**	479,750	513,365	586,628	540,359	**4,784,123**

	Yen					U.S. dollars (Note 1)
Per share:						
Net income (loss) (Note 2)	**¥ 61.1**	¥ 24.9	¥ (175.3)	¥ 9.8	¥ (21.0)	**$ 0.58**
Diluted net income (Note 2)	**57.9**	23.5	—	—	—	**0.55**
Cash dividends (Note 3)	**5.0**	—	—	3.0	—	**0.05**

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the exchange rate of ¥106 to U.S.$1, the approximate rate prevailing on March 31, 2004.
2. Net income (loss) per share of common stock for the years ended March 31, 2002, 2001 and 2000 have not been recalculated using the new accounting standard, which is effective April 1, 2002.
3. Cash dividends represent amounts applicable to the respective years.

Financial Review

Net Sales

Net sales for fiscal 2004, ended March 31, 2004, declined 4.7%, or ¥45.7 billion, to ¥922.0 billion. Domestic net sales fell 8.3% year on year, to ¥302.0 billion, as a larger-than-expected fall in sales of analog products such as video recorders cancelled out stronger sales of newly launched digital products such as DVD recorders and flat-panel TVs. Although sales in Europe and Asia were comparatively robust, sales of CRT TVs and VHS video recorders dropped in the Americas, leading to a 2.8% decline in total overseas sales to ¥620.0 billion.

Cost of Sales and SG&A Expenses

Cost of sales declined 5.9%, or ¥39.7 billion, to ¥629.1 billion. Consequently, the cost of sales ratio declined from 69.1% in the previous fiscal year, to 68.2%. SG&A (selling, general and administrative) expenses fell 3.2%, or ¥8.8 billion, to ¥267.7 billion. As a percentage of net sales, SG&A expenses rose from 28.6% in the previous fiscal year, to 29.0%.

Operating Income

JVC posted operating income of ¥25.2 billion, 12.8%, or ¥2.9 billion up on fiscal 2003. This increase was primarily supported by strong showings from the Consumer Electronics and Software & Media segments, as well as reductions in procurement and other costs, and beneficial movements in exchange rates.

SEGMENT INFORMATION

Consumer Electronics

Although segment sales declined 5.5%, or ¥36.9 billion, to ¥638.1 billion, operating income grew 2.1%, or ¥0.5 billion, to ¥25.8 billion. In Japan and the Americas, the segment saw higher sales of digital products such as DVD recorders and flat-panel TVs, but this failed to cover a drop in demand for analog products such as video recorders and CRT TVs, resulting in an overall decline in sales in these regions. In Europe and Asia, sales grew steadily as rising sales of DVD players, car AV systems and other products more than offset struggling product categories such as AV systems, CRT TVs, and video recorders.

Net Sales by Segment

Billions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total
2004						
Sales	**¥638.1**	**¥ 67.5**	**¥62.0**	**¥148.0**	**¥ 6.4**	**¥922.0**
Share	**69.2 %**	**7.3 %**	**6.7%**	**16.1 %**	**0.7 %**	**100.0 %**
Change	**(5.5)%**	**(4.9)%**	**30.3%**	**(11.6)%**	**(1.5)%**	**(4.7)%**
Domestic Sales	**¥109.4**	**¥ 49.9**	**¥ 4.0**	**¥132.4**	**¥ 6.3**	**¥302.0**
Change	**(10.4)%**	**2.9 %**	**11.1%**	**(11.2)%**	**1.6 %**	**(8.3)%**
Overseas Sales	**¥528.7**	**¥ 17.6**	**¥58.0**	**¥ 15.6**	**¥ 0.1**	**¥620.0**
Change	**(4.4)%**	**(21.8)%**	**31.8%**	**(15.2)%**	**(66.7)%**	**(2.8)%**
2003						
Sales	¥675.0	¥ 71.0	¥47.6	¥167.5	¥ 6.5	¥967.6
Share	69.8 %	7.3 %	4.9%	17.3 %	0.7 %	100.0 %
Major Products	VCRs, camcorders, televisions, stereo systems, car AV systems, DVD players, DVD recorders and CD portable systems	Professional-use and educational-use systems, information systems, karaoke systems and projectors	Components for use in computer displays, optical pickups, motors and VIL PWBs	Audio and visual software including CDs, DVDs and videotapes, and recording media	Interior furniture and production facilities	

Professional Electronics

Sales in this segment declined 4.9%, or ¥3.4 billion, to ¥67.5 billion. Although the operating loss narrowed by ¥1.9 billion compared to the previous fiscal year, this segment still posted an operating loss of ¥1.8 billion. In Japan, sales of presentation systems had a tough year, but double-digit growth of security products such as surveillance camera systems fueled a year-on-year increase in overall sales. Overseas, this segment struggled in both the US and Europe. By product, standout performers were D-ILA projectors and PDP TVs, but weak sales of security and presentation systems dragged down overall sales.

Components & Devices

Sales jumped 30.3%, or ¥14.5 billion, to ¥62.0 billion, in line with the inclusion of certain subsidiaries in consolidated results. However, the previous fiscal year's operating loss widened by ¥2.4 billion, to ¥3.1 billion. Key factors behind this result included a contraction in the market for deflection yokes that was more severe than expected, resulting in weaker demand for these components, and lower year-on-year sales of motors and optical pickups.

Software & Media

Segment sales dropped 11.6%, or ¥19.5 billion, to ¥148.0 billion, primarily due to an industry-wide drop in sales of music, video and videogame software, as well as lower sales of software consigned from other companies. Despite the effects of the downturn in the music industry, operating income grew 260.0%, or ¥3.4 billion, to ¥4.7 billion, buoyed by a number of hit titles and the growing shift to digital formats in the recording media market. Initiatives to restructure this business segment in fiscal 2002 and 2003 also contributed to an improved performance by JVC overall.

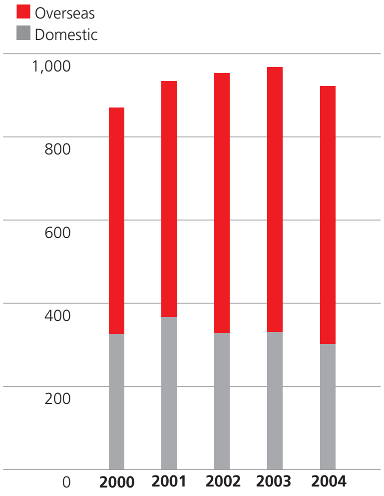
Other

Sales declined 1.5%, or ¥0.1 billion, to ¥6.4 billion, while operating income increased ¥0.1 billion, to ¥1.3 billion.

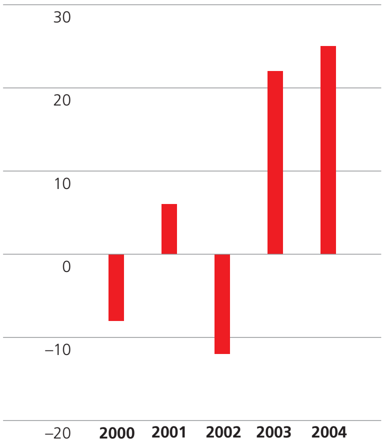
Other Income (Expenses)

For the year under review, the company recorded other expenses, net of ¥11.0 billion. This was mainly attributable to restructuring charges of ¥3.8 billion, related to the closure of a tape factory in the US and rationalization at a US sales subsidiary and device business, interest expense of

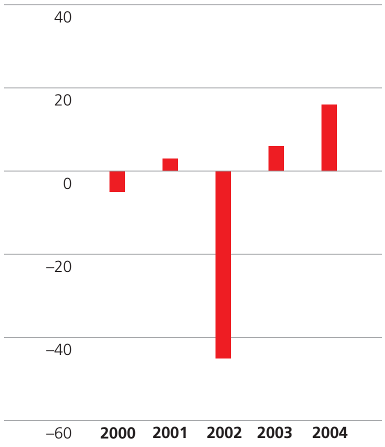
NET SALES
(Billions of yen)



OPERATING INCOME (LOSS)
(Billions of yen)



NET INCOME (LOSS)
(Billions of yen)



¥2.8 billion, prior period patent royalty of ¥2.7 billion, and other, net expenses of ¥2.3 billion. These items significantly outweighed interest and dividend income of ¥0.7 billion, gain on sales of investment securities of ¥0.3 billion, and a substantial decline in loss from write-down of investment in securities.

Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests increased 40.2%, or ¥4.0 billion, to ¥14.1 billion, due to improved operating income and other factors.

Income Taxes

Income taxes decreased ¥5.5 billion, to negative ¥1.9 billion, representing an effective tax rate of negative 13.7%. The decline in income taxes was chiefly the result of a lower tax rate used to calculate deferred tax assets.

Net Income

Net income increased 146.4%, or ¥9.3 billion, to ¥15.6 billion, as benefits from changes to tax-effect accounting outweighed other expenses such as restructuring charges. Consequently, net income per share increased from ¥24.9 in the previous fiscal year, to ¥61.1, while ROE rose from 4.3%, to 9.8% in the year under review.

The company's operating results for fiscal 2004 were in line with initial projections. Taking this into account and JVC's goal of returning profits to shareholders in a sustainable and stable manner, the company has decided to pay a year-end dividend of ¥5.0 per share.

LIQUIDITY AND SOURCES OF FUNDS

Assets, Liabilities and Capital

Total assets as of March 31, 2004 totaled ¥507.1 billion, an increase of 5.7%, or ¥27.4 billion, compared to the end of the previous fiscal year. This rise was mainly the result of increases in cash and time deposits and inventories.

Total current assets rose 7.8%, or ¥27.7 billion, to ¥383.8 billion, primarily reflecting a 16.8%, or ¥18.7 billion, increase in inventories to ¥129.9 billion.

Investments and advances rose 78.7%, or ¥7.4 billion, to ¥16.7 billion, chiefly due to the marking of investment securities to market values.

Property, plant and equipment was 9.4%, or ¥9.3 billion, lower than the previous fiscal year-end, at ¥89.6 billion. This was mainly attributable to the sale of land and other fixed assets.

Total current liabilities were up 14.3%, or ¥29.7 billion, compared to the end of the previous fiscal year, at ¥236.6 billion, reflecting an increase in notes and accounts payable—trade and the reclassification of convertible bonds due within one year.

Total long-term liabilities declined 12.4%, or ¥15.2 billion, to ¥107.1 billion, mainly due to the reclassification of convertible bonds due within one year and a decline in long-term debt.

Stockholders' equity was up 8.8%, or ¥12.9 billion, to ¥159.3 billion, while stockholders' equity as a percentage of total assets increased to 31.4%, compared with 30.5% at the previous fiscal year-end.

Cash Flows

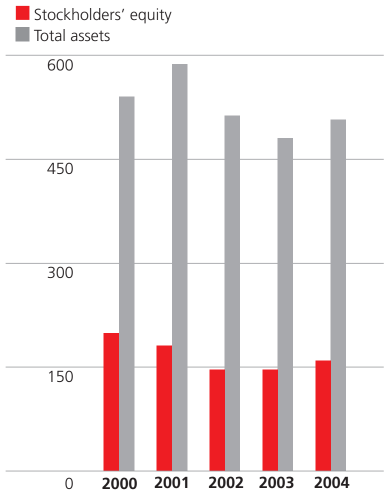
Operating activities provided net cash of ¥40.7 billion, ¥4.9 billion more than the previous fiscal year. Although there was an increase in inventories of ¥23.5 billion, this was offset by improvements in income before income taxes and minority interests, as well as working capital and other factors.

Net cash used by investing activities increased ¥3.4 billion, to ¥15.8 billion. This rise was mainly attributable to an increase in cash used for purchases of property, plant and equipment, partially offset by proceeds from sales of property, plant and equipment.

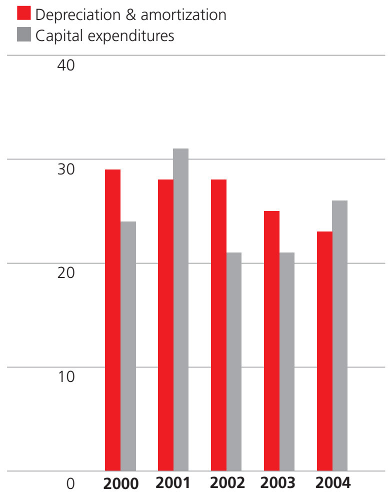
Financing activities used net cash of ¥9.4 billion, ¥2.0 billion more than the previous fiscal year, primarily for repayments of long-term loans and redemption of bonds.

As a result of the foregoing, cash and cash equivalents at the end of the year stood at ¥97.2 billion, 16.6%, or ¥13.8 billion, higher than at the end of the previous fiscal year.

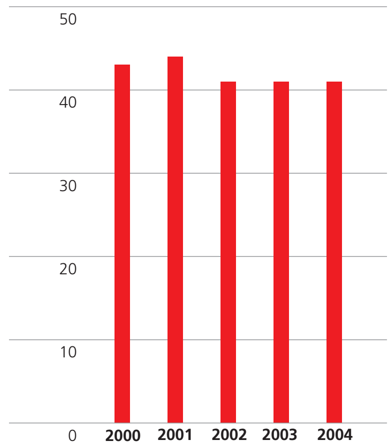
STOCKHOLDERS' EQUITY/ TOTAL ASSETS
(Billions of yen)



DEPRECIATION & AMORTIZATION/ CAPITAL EXPENDITURES
(Billions of yen)



R&D EXPENDITURES
(Billions of yen)



Capital Expenditures/ Depreciation and Amortization

Capital expenditures during fiscal 2004 totaled ¥25.9 billion, 23.1%, or ¥4.9 billion, more than the previous fiscal year. This increase represented investments related to the development of new core technologies and the launch of new digital products. Depreciation and amortization declined 10.0%, or ¥2.5 billion, to ¥22.7 billion.

R&D Expenditures

R&D expenditures for fiscal 2004 totaled ¥40.6 billion, a slight decrease of 1.0%, or ¥0.4 billion, compared to the previous fiscal year, representing a ratio to net sales of 4.4%.

Personnel

The number of JVC employees on a consolidated basis at fiscal year-end stood at 35,580, an increase of 1,088 employees compared to the previous fiscal year-end.

Consolidated Balance Sheets

Victor Company of Japan, Limited and its consolidated subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 1) 2004
Current assets:			
Cash and time deposits (including time deposits with maturities over three months of ¥4,105 million (US$38,726 thousand) in 2004 and ¥8,105 million in 2003)	**¥101,347**	¥ 91,517	**$ 956,104**
Notes and accounts receivable:			
Trade	**107,410**	113,405	**1,013,302**
Non-consolidated subsidiaries and affiliated companies	**129**	397	**1,217**
Allowance for doubtful accounts	**(4,215)**	(5,532)	**(39,764)**
Inventories (Note 5)	**129,912**	111,256	**1,225,585**
Deferred tax assets (Note 7)	**22,194**	19,364	**209,377**
Other current assets	**27,024**	25,674	**254,943**
Total current assets	**383,801**	356,081	**3,620,764**
Investments and advances:			
Investments in and advances to non-consolidated subsidiaries and affiliated companies (Note 6)	**2,969**	1,834	**28,009**
Other (Note 6)	**13,723**	7,507	**129,463**
Total investments and advances	**16,692**	9,341	**157,472**
Property, plant and equipment:			
Land	**25,917**	29,344	**244,500**
Buildings and structures	**99,326**	110,381	**937,038**
Machinery and equipment	**234,305**	240,646	**2,210,425**
Construction in progress	**6,385**	4,642	**60,235**
	365,933	385,013	**3,452,198**
Less accumulated depreciation	**276,365**	286,129	**2,607,217**
Net property, plant and equipment	**89,568**	98,884	**844,981**
Deferred tax assets (Note 7)	**3,733**	3,083	**35,217**
Other assets	**13,323**	12,361	**125,689**
	¥507,117	¥479,750	**$4,784,123**

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:			
Bank loans (Note 8)	**¥ 29,232**	¥ 25,376	**$ 275,774**
Current portion of long-term debt (Note 8)	**16,928**	12,727	**159,698**
Notes and accounts payable:			
Trade	**91,163**	72,390	**860,028**
Non-consolidated subsidiaries and affiliated companies	**412**	2,111	**3,887**
Accrued income taxes (Note 7)	**4,128**	3,905	**38,943**
Accrued expenses	**73,456**	74,890	**692,981**
Accrued restructuring charges	**3,136**	873	**29,585**
Other current liabilities	**18,121**	14,637	**170,953**
Total current liabilities	**236,576**	206,909	**2,231,849**
Long-term debt (Notes 8)	**86,337**	105,468	**814,500**
Employees' retirement benefits (Note 9)	**18,587**	14,058	**175,349**
Other long-term liabilities	**2,129**	2,728	**20,085**
Minority interests	**4,162**	4,177	**39,264**
Contingent liabilities (Note 10)			
Stockholders' equity (Note 11)**:**			
Common stock;			
Authorized 800,000,000 shares			
Issued 254,230,058 shares	**34,115**	34,115	**321,840**
Capital surplus	**67,217**	67,216	**634,123**
Retained earnings	**79,622**	63,865	**751,151**
Net unrealized holding gains on securities	**4,743**	518	**44,745**
Foreign currency translation adjustments	**(26,230)**	(19,198)	**(247,453)**
	159,467	146,516	**1,504,406**
Treasury stock, at cost	**(141)**	(106)	**(1,330)**
Total stockholders' equity	**159,326**	146,410	**1,503,076**
	¥507,117	¥479,750	**$4,784,123**

Consolidated Statements of Operations

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Net sales	**¥921,978**	¥967,640	¥954,172	**$8,697,906**
Costs and expenses:				
Cost of sales	**629,125**	668,821	684,458	**5,935,141**
Selling, general and administrative expenses	**267,702**	276,520	281,808	**2,525,491**
	896,827	945,341	966,266	**8,460,632**
Operating income (loss)	**25,151**	22,299	(12,094)	**237,274**
Other income (expenses):				
Interest and dividend income	**711**	949	1,108	**6,708**
Unrealized loss from changes in fair market values of trading securities	**—**	—	(280)	**—**
Equity in income (loss) of affiliated companies	**(24)**	70	63	**(226)**
Interest expense	**(2,840)**	(3,403)	(4,447)	**(26,792)**
Gain on sales of investment securities	**280**	318	1,099	**2,642**
Gain on return of substitutional portion of Employees' Pension Insurance	**—**	3,456	—	**—**
Loss on liquidation of subsidiaries and affiliated companies	**(0)**	(170)	(1,059)	**(0)**
Restructuring charges	**(3,812)**	(3,785)	(13,423)	**(35,962)**
Loss from write-down of investment in securities	**(282)**	(5,408)	(7,691)	**(2,660)**
Prior period patent royalty	**(2,736)**	—	—	**(25,811)**
Other, net	**(2,342)**	(4,262)	(1,722)	**(22,098)**
	(11,045)	(12,235)	(26,352)	**(104,199)**
Income (Loss) before income taxes and minority interests	**14,106**	10,064	(38,446)	**133,075**
Income taxes (Note 7)**:**				
Current	**4,814**	6,706	7,438	**45,415**
Deferred	**(6,740)**	(3,138)	(1,453)	**(63,585)**
	(1,926)	3,568	5,985	**(18,170)**
Income (Loss) before minority interests	**16,032**	6,496	(44,431)	**151,245**
Minority interests	**(423)**	(160)	(141)	**(3,990)**
Net income (loss)	**¥ 15,609**	¥ 6,336	¥ (44,572)	**$ 147,255**

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock (Note 2)**:**				
Net income (loss)	**¥ 61.1**	¥ 24.9	¥ (175.3)	**$ 0.58**
Diluted net income	**57.9**	23.5	—	**0.55**
Cash dividends applicable to the year	**5.0**	—	—	**0.05**

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
		Millions of yen					
Balance at March 31, 2001	254,230	¥34,115	¥67,216	¥100,316	¥ 285	¥(21,413)	¥ (4)
Net loss	—	—	—	(44,572)	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	7,804	—
Net changes	—	—	—	—	692	—	—
Treasury stock	—	—	—	—	—	—	(8)
Adjustment due to change in the 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)
Net income	—	—	—	6,336	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	(5,589)	—
Net changes	—	—	—	—	(459)	—	—
Treasury stock	—	—	—	—	—	—	(94)
Bonuses to directors and corporate auditors	—	—	—	(30)	—	—	—
Balance at March 31, 2003	254,230	¥34,115	¥67,216	¥ 63,865	¥ 518	¥(19,198)	¥(106)
Net income	—	—	—	15,609	—	—	—
Foreign currency translation adjustments	—	—	—	—	—	(7,032)	—
Adjustment due to change in the number of consolidated subsidiaries	—	—	—	148	—	—	—
Net changes	—	—	—	—	4,225	—	—
Treasury stock (net)	—	—	1	—	—	—	(35)
Balance at March 31, 2004	**254,230**	**¥34,115**	**¥67,217**	**¥ 79,622**	**¥4,743**	**¥(26,230)**	**¥(141)**

	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
	Thousands of U.S. dollars (Note 1)					
Balance at March 31, 2003	$321,840	$634,113	$602,500	$ 4,887	$(181,113)	$(1,000)
Net income	—	—	147,255	—	—	—
Foreign currency translation adjustments	—	—	—	—	(66,340)	—
Adjustment due to change in the number of consolidated subsidiaries	—	—	1,396	—	—	—
Net changes	—	—	—	39,858	—	—
Treasury stock (net)	—	10	—	—	—	(330)
Balance at March 31, 2004	**$321,840**	**$634,123**	**$751,151**	**$44,745**	**$(247,453)**	**$(1,330)**

See accompanying notes.

Consolidated Statements of Cash Flows

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Cash flows from operating activities:				
Income (Loss) before income taxes and minority interests	**¥ 14,106**	¥ 10,064	¥(38,446)	**$ 133,075**
Depreciation	**21,461**	24,062	26,826	**202,462**
Interest and dividend income	**(711)**	(949)	(1,108)	**(6,708)**
Interest expense	**2,840**	3,403	4,447	**26,792**
Unrealized loss from changes in fair market values of trading securities	**—**	—	280	**–**
Increase (Decrease) in accrued restructuring charges	**2,263**	(12,550)	13,423	**21,349**
Gain on sales of investment securities	**(280)**	(318)	(1,099)	**(2,642)**
Decrease in notes and accounts receivable	**10,157**	15,211	12,055	**95,821**
Decrease (Increase) in inventories	**(23,463)**	18,062	35,370	**(221,349)**
Increase (Decrease) in notes and accounts payable	**13,917**	(6,983)	(18,224)	**131,292**
Other	**6,971**	(3,287)	4,920	**65,766**
Sub-total	**47,261**	46,715	38,444	**445,858**
Interest and dividends received	**721**	962	1,178	**6,802**
Interest paid	**(2,913)**	(3,447)	(4,539)	**(27,481)**
Income taxes paid	**(4,342)**	(8,452)	(7,001)	**(40,962)**
Net cash provided by operating activities	**40,727**	35,778	28,082	**384,217**
Cash flows from investing activities:				
Purchases of time deposits	**(9,100)**	(8,000)	—	**(85,849)**
Withdrawal of time deposits	**13,100**	5,000	3,000	**123,585**
Purchases of property, plant and equipment	**(21,124)**	(18,517)	(22,853)	**(199,283)**
Proceeds from sales of property, plant and equipment	**5,132**	6,440	2,710	**48,415**
Purchases of marketable securities	**—**	—	(13,006)	**—**
Proceeds from sales of marketable securities	**—**	2,804	18,166	**—**
Purchases of investment securities	**(1,465)**	(53)	(719)	**(13,821)**
Proceeds from sales of investment securities	**886**	3,468	5,285	**8,358**
Additional investment in newly consolidated entity	**—**	(421)	—	**—**
Other	**(3,266)**	(3,208)	1,799	**(30,811)**
Net cash used in investing activities	**(15,837)**	(12,487)	(5,618)	**(149,406)**
Cash flows from financing activities:				
Proceeds from long-term loans	**—**	30,005	1,230	**—**
Repayments of long-term loans	**(8,046)**	(1,715)	(4,254)	**(75,906)**
Redemption of bonds	**(6,519)**	(24,970)	(10,101)	**(61,500)**
Increase (Decrease) in short-term bank loans, net	**5,367**	(9,719)	(15,208)	**50,632**
Decrease in commercial paper, net	**—**	(734)	(5,527)	**—**
Cash dividends paid	**(144)**	(168)	(970)	**(1,358)**
Other	**(34)**	(36)	121	**(321)**
Net cash used in financing activities	**(9,376)**	(7,337)	(34,709)	**(88,453)**
Effect of exchange rate changes on cash and cash equivalents	**(2,571)**	(1,813)	2,136	**(24,254)**
Net increase (decrease) in cash and cash equivalents	**12,943**	14,141	(10,109)	**122,104**
Cash and cash equivalents at beginning of the year	**83,412**	69,271	79,251	**786,906**
Effect of changes in the number of consolidated subsidiaries and companies accounted for by the equity method	**887**	—	129	**8,368**
Cash and cash equivalents at end of the year	**¥ 97,242**	¥ 83,412	¥ 69,271	**$ 917,378**

See accompanying notes.

Notes to Consolidated Financial Statements

Victor Company of Japan, Limited and its consolidated subsidiaries
Years ended March 31, 2004, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. 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 outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥106 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, account balances and unrealized profits have been eliminated.

Investments in certain non-consolidated 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 inter-company profits. 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

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.

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.

The Company reports foreign currency translation adjustments in the stockholder's equity and minority interests.

Cash and cash equivalents

In preparing the consolidated statements of cash flows for the years ended March 31, 2004, 2003 and 2002, 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

Securities are classified 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, and (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 Company and its consolidated subsidiaries ("the Companies") had no held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for by 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 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 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.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and 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.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method 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

Accounting standard for impairment of fixed assets
In the year ended March 31, 2004, the Company did not adopt early the new accounting standard for impairment of fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). These standards are required to be adopted in periods beginning no later than on April 1, 2005.

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 significant improvement of existing products are charged to income as incurred.

Income taxes
Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carried forward and foreign tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Employees' severance and retirement benefits
The Company has funded pension plans and unfunded benefit plans to provide retirement benefits for substantially all employees.

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 salary and length of service.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company provided allowance for employees' severance and retirement benefits as of the balance sheet dates based on the estimated amounts of projected benefit obligation and the fair value of plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of plan assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") is 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.

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 resulting in the issuance of common stock. As the Companies reported net losses for the year ended March 31, 2002, inclusion of potential common shares would have an antidilutive effect on per share amounts.

Effective April 1, 2002, the Companies adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The effect on earnings per share of the adoption of the new accounting standard was not material. Such amounts for the year ended March 31, 2002 have not been recalculated using the new accounting standard.

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

Accounting standard for treasury stock and reversal of statutory reserves
Effective April 1, 2002, the Companies adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reduction of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The adoption of the new accounting standard had no impact on net income. However, as a result of adopting this new accounting standard and application of the related revised disclosure requirements, stockholders' equity accounts in the accompanying balance sheet as of March 31, 2003 are presented differently from prior years.

Reclassifications
Certain prior year amounts have been reclassified to conform to the 2004 presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

3. CHANGE IN ACCOUNTING METHOD
The Company changed the method of accounting for royalty income and related expenses. Under the former method, the net amount of the two items was included in the statements of operations as royalty income—net, under other income (expenses). Effective April 1, 2002, royalty income is included in net sales, and the related expenses are included in selling, general and administrative expenses.

This change reflects the recognition that royalty income is directly attributable to the Company's principal operating activities, in light of the increasing number of technological alliances with partners both in Japan and overseas, and their growing strategic significance. Therefore, royalty income and the related expenses will be disclosed more appropriately under the new presentation method. As a result of the change, net sales, selling, general and administrative expenses and operating income increased by ¥7,356 million, ¥4,066 million and ¥3,290 million, respectively, and other income decreased by ¥3,290 million compared with what would have been reported under the former accounting policies. Income before income taxes and minority interests was unaffected by this change.

Details of the impact on segment information are described in Note 14.

4. RELATIONSHIP WITH MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.

The Company is a subsidiary of Matsushita Electric Industrial Co., Ltd. ("Matsushita"). At March 31, 2004, Matsushita held 133,227 thousand shares of common stock of the Company, 52.40% of the total outstanding shares.

Transactions between the Company and Matsushita for the years ended March 31, 2004, 2003 and 2002, and the account balances between the two companies at March 31, 2004 and 2003 are not material.

5. INVENTORIES

Inventories at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Finished goods	**¥ 98,506**	¥ 77,378	**$ 929,302**
Work in process	**11,231**	10,391	**105,953**
Raw materials and supplies	**20,175**	23,487	**190,330**
	¥129,912	¥111,256	**$1,225,585**

6. SECURITIES

The following tables summarize acquisition costs, and book values of securities with available fair values as of March 31, 2004 and 2003:

(1) Available-for-sale securities

	Millions of yen		
	Acquisition cost	Book value	Difference
2004:			
Securities with available fair values exceeding acquisition costs			
Equity securities	**¥4,071**	**¥12,040**	**¥7,969**
Securities with available fair values not exceeding acquisition costs			
Equity securities	**¥ 51**	**¥ 49**	**¥ (2)**
Total	**¥4,122**	**¥12,089**	**¥7,967**

	Millions of yen		
	Acquisition cost	Book value	Difference
2003:			
Securities with available fair values exceeding acquisition costs			
Equity securities	¥ 406	¥1,474	¥1,068
Securities with available fair values not exceeding acquisition costs			
Equity securities	¥4,212	¥4,018	¥ (194)
Total	¥4,618	¥5,492	¥ 874

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
2004:			
Securities with available fair values exceeding acquisition costs			
Equity securities	**$38,406**	**$113,585**	**$75,179**
Securities with available fair values not exceeding acquisition costs			
Equity securities	**$ 481**	**$ 462**	**$ (19)**
Total	**$38,887**	**$114,047**	**$75,160**

The following tables summarize book values as of March 31, 2004 and 2003 of securities with no available fair values.

(2) Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
	Book value	Book value	Book value
Unlisted equity securities	**¥1,627**	¥2,008	**$15,349**
Unlisted foreign debt securities	**8**	2	**76**
Subsidiaries and affiliated companies	**2,144**	916	**20,226**
Total	**¥3,779**	¥2,926	**$35,651**

(3) Available-for-sale securities sold in the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Sales	**¥886**	¥6,247	¥19,640	**$8,358**
Gains	**280**	318	763	**2,642**
Losses	**6**	15	358	**57**

7. INCOME TAXES

Income taxes in Japan consist of corporation, enterprise and inhabitants' taxes. The Company and consolidated domestic subsidiaries are subject to income taxes referred to above, which in the aggregate, result in the statutory tax rate of approximately 42.0%. Consolidated overseas 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 Companies' effective tax rate for financial statement purposes for the year ended March 31, 2004 and 2003. Information for 2002 was not prepared as the Companies incurred a net loss in the year ended March 31, 2002.

	2004	2003
Statutory tax rate	**42.0 %**	42.0 %
Lower tax rates of overseas subsidiaries	**(8.7)%**	(10.3)%
Expenses not deductible for tax purposes	**4.9 %**	7.9 %
Effect of changes in valuation allowance for deferred tax assets	**(47.1)%**	(71.9)%
Effect of change in tax rates	**4.1 %**	10.2 %
Other	**(8.9)%**	57.5 %
Effective tax rate	**(13.7)%**	35.4 %

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Deferred tax assets:			
Loss on devaluation of inventory	**¥ 4,017**	¥ 5,365	**$ 37,896**
Accrued expenses not deductible for tax purposes	**10,028**	7,887	**94,604**
Accrual for losses on business restructuring	**1,269**	367	**11,972**
Depreciation	**8,920**	8,378	**84,151**
Retirement and severance benefits	**5,272**	2,383	**49,736**
Tax loss carry forwards	**17,746**	23,275	**167,415**
Other	**11,295**	12,665	**106,556**
Total gross deferred tax assets	**58,547**	60,320	**552,330**
Less valuation allowance	**(28,808)**	(37,026)	**(271,773)**
Net deferred tax assets	**¥ 29,739**	¥ 23,294	**$ 280,557**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**(3,223)**	(356)	**(30,406)**
Other	**(1,299)**	(1,077)	**(12,255)**
Total gross deferred tax liabilities	**¥ (4,522)**	¥ (1,433)	**$ (42,661)**
Net deferred tax assets	**¥ 25,217**	¥ 21,861	**$ 237,896**

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, 2004 and 2003 range from 0.04% to 10.22% and from 1.26% to 26.42% , respectively.

Long-term debt at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
1.5% unsecured convertible bonds due in 2005	**¥ 10,968**	¥11,483	**$103,472**
0.55% unsecured convertible bonds due in 2005	**19,528**	20,000	**184,226**
1.75% unsecured bonds due in 2003	**—**	5,000	**—**
2.15% unsecured bonds due in 2005	**9,500**	10,000	**89,623**
1.68% unsecured bonds due in 2006	**20,000**	20,000	**188,679**
1.89% unsecured bonds due in 2007	**10,000**	10,000	**94,340**
1.50% guaranteed notes due in 2005	**6,864**	7,206	**64,755**
Loans, primarily from banks with interest principally at 1.19% to 6.10%			
Secured	**—**	322	**—**
Unsecured	**26,405**	34,184	**249,103**
	103,265	118,195	**974,198**
Less current portion	**16,928**	12,727	**159,698**
	¥ 86,337	¥105,468	**$814,500**

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. The price at which shares of common stock shall be issued upon conversion is ¥2,867 ($27.05) per share, subject to adjustment under certain circumstances. The 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 103% to 100% of the principal amount. The price at which shares of common stock shall be issued upon conversion is ¥1,487 ($14.03) per share, subject to adjustment under certain circumstances.

The aggregate annual maturities of long-term debt at March 31, 2004 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 16,928	$159,698
2006	46,016	434,113
2007	30,126	284,208
2008	10,129	95,557
2009	66	622
	¥103,265	$974,198

9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own Employees' Pension Fund which meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the substitutional portion of the government's scheme) to their own Employees' Pension Fund under the government's permission and supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company and its consolidated domestic subsidiaries decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on July 1, 2002 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. Plan assets for the substitutional portion maintained by the Employees' Pension Fund are to be transferred back to the government.

The Company and its consolidated domestic subsidiaries applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)", and the effect of transferring of the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As a result, in the year ended March 31, 2003, the Company and its consolidated domestic subsidiaries recorded gains on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥3,456 million, which was calculated based on the amounts of the substitutional portion of the projected benefit obligations, the related plan assets, and the related unrecognized items.

The amount of plan assets expected to be transferred back to the government approximated ¥65,305 million as of March 31, 2003.

Liability for employees' retirement benefits included in liabilities in the consolidated balance sheets for 2004 and 2003 and the related expenses for 2004, 2003 and 2002, which were determined based on the amounts obtained by actuarial calculations, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligation:			
Projected benefit obligation	**¥(158,211)**	¥(164,185)	**¥(1,492,557)**
Unamortized prior service costs	**—**	—	**—**
Unamortized actuarial differences	**27,624**	55,865	**260,604**
Less fair value of plan assets	**94,377**	75,037	**890,349**
Less unrecognized net transition obligation	**17,623**	19,225	**166,255**
Liability for severance and retirement benefits	**¥ (18,587)**	¥ (14,058)	**¥ (175,349)**

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Severance and retirement benefits expenses:				
Service costs	**¥ 6,973**	¥ 7,103	¥ 8,200	**$ 65,783**
Interest costs on projected benefit obligation	**4,795**	6,383	8,884	**45,236**
Expected return on plan assets	**(2,000)**	(3,080)	(4,499)	**(18,868)**
Amortization of net transition obligation	**1,603**	1,994	2,779	**15,122**
Amortized actuarial differences	**5,039**	3,151	1,610	**47,538**
Amortized prior service costs	**—**	(297)	(890)	**—**
Severance and retirement benefits expenses	**16,410**	15,254	16,084	**154,811**
Gain on return of substitutional portion of Employees' Pension Insurance	**—**	3,456	—	**—**
Total	**¥16,410**	¥11,798	¥16,084	**$154,811**

Not included in the above table is special retirement payments amounting to ¥452 million ($4,264 thousand), ¥4,260 million and ¥1,199 million which were expensed in 2004, 2003 and 2002, respectively.

The discount rate and the rate of expected return on plan assets used by the Company are 2.7% and 3.0% in 2004, and 3.0% and 3.0% in 2003, and 3.5% and 3.0% in 2002, respectively.

The estimated amount of all retirement benefits to be paid at future retirement dates 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 Companies at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of export bills discounted with banks	¥6,558	$61,868
As guarantor for loans to employees	2,267	21,387
As guarantor for lease obligations of affiliated company and others	349	3,292
	¥9,174	$86,547

11. STOCKHOLDERS' EQUITY

Under the Japanese Commercial Code (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, which is included in capital surplus.

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 earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock.

The legal earnings 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 earnings 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 earnings reserve is included in retained earnings in the accompanying 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.

In accordance with customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after the stockholders' approval has been obtained. Retained earnings at March 31 2004, include amounts representing the year-end cash dividends of Yen 1,270 million Yen 5.00 per share, and directors' bonuses of Yen 45 million, which were approved at the stockholders' meeting held on June 29,2004.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Companies 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 derivative financial instruments used by the Companies 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 transaction 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 fair value information as of March 31, 2004 and 2003 of derivative transactions for which hedge accounting has not been applied:

			Millions of yen
March 31, 2004	Contract amount	Fair value	Recognized gain (loss)
Swap contracts:			
Receive floating/pay fixed	**¥7,046**	**¥(454)**	**¥(454)**

			Millions of yen
March 31, 2003	Contract amount	Fair value	Recognized gain (loss)
Swap contracts:			
Receive floating/pay fixed	¥8,013	¥(530)	¥(530)

			Thousands of U.S. dollars
March 31, 2004	Contract amount	Fair value	Recognized gain (loss)
Swap contracts:			
Receive floating/pay fixed	**$66,472**	**$(4,283)**	**$(4,283)**

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

13. LEASE INFORMATION

Lessee:

The Companies lease certain buildings, 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.

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2004 and 2003 are as follows:

			Millions of yen
	Acquisition cost	Accumulated depreciation	Net book value
2004:			
Buildings and structures	**¥ 1,860**	**¥ 822**	**¥1,038**
Machinery and equipment	**17,172**	**9,769**	**7,403**
Others	**418**	**248**	**170**
	¥19,450	**¥10,839**	**¥8,611**

			Millions of yen
	Acquisition cost	Accumulated depreciation	Net book value
2003:			
Buildings and structures	¥ 1,505	¥ 687	¥ 818
Machinery and equipment	18,237	8,903	9,334
Others	527	270	257
	¥20,269	¥9,860	¥10,409

			Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net book value
2004:			
Buildings and structures	**$ 17,547**	**$ 7,755**	**$ 9,792**
Machinery and equipment	**162,000**	**92,160**	**69,840**
Others	**3,944**	**2,340**	**1,604**
	$183,491	**$102,255**	**$81,236**

(2) Future minimum lease payments under the non-capitalized finance and operating leases at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
Finance leases	**2004**	2003	**2004**
Due within one year	**¥3,551**	¥ 3,768	**$33,500**
Due after one year	**5,241**	7,108	**49,443**
	¥8,792	¥10,876	**$82,943**

	Millions of yen		Thousands of U.S. dollars
Operating leases	**2004**	2003	**2004**
Due within one year	**¥1,314**	¥1,506	**$12,396**
Due after one year	**1,844**	2,654	**17,396**
	¥3,158	¥4,160	**$29,792**

(3) Lease payments, assumed depreciation charges and assumed interest charges for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Lease payments	**¥4,041**	¥3,727	¥4,253	**$38,123**
Assumed depreciation charges	**3,660**	3,367	3,780	**34,528**
Assumed interest charges	**334**	290	466	**3,151**

(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 Companies 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, 2004 and 2003 are as follows:

Non-capitalized finance leases	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Due within one year	**¥410**	¥ 683	**$3,868**
Due after one year	**533**	778	**5,028**
	¥943	¥1,461	**$8,896**

Operating leases	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Due within one year	**¥—**	¥15	**$—**
Due after one year	**—**	—	**—**
	¥—	¥15	**$—**

14. SEGMENT INFORMATION

Information by segment for the years ended March 31, 2004, 2003 and 2002 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	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
2004:								
Sales								
External sales	**¥638,091**	**¥67,545**	**¥62,035**	**¥148,016**	**¥ 6,291**	**¥921,978**	**¥ —**	**¥921,978**
Intersegment sales	**4,685**	**3,456**	**2,571**	**7,976**	**3,190**	**21,878**	**(21,878)**	**—**
Total sales	**642,776**	**71,001**	**64,606**	**155,992**	**9,481**	**943,856**	**(21,878)**	**921,978**
Operating expenses	**616,958**	**72,768**	**67,721**	**151,342**	**8,180**	**916,969**	**(20,142)**	**896,827**
Operating income (loss)	**¥ 25,818**	**¥ (1,767)**	**¥ (3,115)**	**¥ 4,650**	**¥ 1,301**	**¥ 26,887**	**¥ (1,736)**	**¥ 25,151**
Identifiable assets	**¥262,688**	**¥44,525**	**¥37,762**	**¥ 89,306**	**¥23,651**	**¥457,932**	**¥ 49,185**	**¥507,117**
Depreciation & amortization	**13,981**	**1,252**	**3,085**	**3,540**	**507**	**22,365**	**370**	**22,735**
Capital expenditures	**17,230**	**841**	**4,421**	**2,956**	**306**	**25,754**	**146**	**25,900**

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
2003:								
Sales								
External sales	¥674,970	¥70,953	¥47,576	¥167,525	¥ 6,616	¥967,640	¥ —	¥967,640
Intersegment sales	2,722	4,141	2,003	7,193	3,512	19,571	(19,571)	—
Total sales	677,692	75,094	49,579	174,718	10,128	987,211	(19,571)	967,640
Operating expenses	652,408	78,791	50,292	173,425	8,951	963,867	(18,526)	945,341
Operating income (loss)	¥ 25,284	¥ (3,697)	¥ (713)	¥ 1,293	¥ 1,177	¥ 23,344	¥ (1,045)	¥ 22,299
Identifiable assets	¥245,794	¥44,267	¥29,727	¥ 94,795	¥20,692	¥435,275	¥ 44,475	¥479,750
Depreciation & amortization	13,910	1,645	4,441	4,324	639	24,959	291	25,250
Capital expenditures	12,719	1,516	4,747	1,631	247	20,860	176	21,036

Millions of yen

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media 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 sales	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 & 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

	Consumer electronics business	Professional electronics business	Components & Devices business	Software & Media business	Other business	Total	Eliminations and unallocation	Consolidated total
	Thousands of U.S. dollars							
2004:								
Sales								
External sales	**$6,019,726**	**$637,217**	**$585,236**	**$1,396,377**	**$ 59,350**	**$8,697,906**	**$ —**	**$8,697,906**
Intersegment sales	**44,198**	**32,604**	**24,255**	**75,245**	**30,094**	**206,396**	**(206,396)**	**–**
Total sales	**6,063,924**	**669,821**	**609,491**	**1,471,622**	**89,444**	**8,904,302**	**(206,396)**	**8,697,906**
Operating expenses	**5,820,358**	**686,490**	**638,877**	**1,427,755**	**77,171**	**8,650,651**	**(190,019)**	**8,460,632**
Operating income (loss)	**$ 243,566**	**$ (16,669)**	**$ (29,386)**	**$ 43,867**	**$ 12,273**	**$ 253,651**	**$ (16,377)**	**$ 237,274**
Identifiable assets	**$2,478,189**	**$420,047**	**$356,245**	**$ 842,509**	**$223,124**	**$4,320,114**	**$ 464,009**	**$4,784,123**
Depreciation & amortization	**131,896**	**11,811**	**29,104**	**33,396**	**4,783**	**210,990**	**3,491**	**214,481**
Capital expenditures	**162,547**	**7,934**	**41,708**	**27,887**	**2,887**	**242,963**	**1,377**	**244,340**

As explained in Note 3 "CHANGE IN ACCOUNTING METHOD", effective April 1, 2002, the Company changed the method of accounting for royalty income. As a result, external sales, operating expenses and operating income of Consumer electronics business increased by ¥7,356 million ¥4,066 million, ¥3,290 million respectively.

2) Geographical segment information is as follows:

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
	Millions of yen						
2004:							
Sales							
External sales	**¥352,485**	**¥218,877**	**¥243,061**	**¥107,555**	**¥ 921,978**	**¥ —**	**¥921,978**
Intersegment sales	**271,194**	**965**	**1,638**	**193,209**	**467,006**	**(467,006)**	**—**
Total sales	**623,679**	**219,842**	**244,699**	**300,764**	**1,388,984**	**(467,006)**	**921,978**
Operating expenses	**608,592**	**222,343**	**237,922**	**294,810**	**1,363,667**	**466,840**	**896,827**
Operating income	**¥ 15,087**	**¥ (2,501)**	**¥ 6,777**	**¥ 5,954**	**¥ 25,317**	**¥ 166**	**¥ 25,151**
Identifiable assets	**¥318,387**	**¥ 70,799**	**¥ 89,361**	**¥100,249**	**¥ 578,796**	**¥ (71,679)**	**¥507,117**

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
	Millions of yen						
2003:							
Sales							
External sales	¥405,734	¥259,043	¥220,378	¥ 82,485	¥ 967,640	¥ —	¥967,640
Intersegment sales	261,732	155	1,204	201,717	464,808	(464,808)	—
Total sales	667,466	259,198	221,582	284,202	1,432,448	(464,808)	967,640
Operating expenses	656,536	256,500	215,806	279,253	1,408,095	(462,754)	945,341
Operating income	¥ 10,930	¥ 2,698	¥ 5,776	¥ 4,949	¥ 24,353	¥ (2,054)	¥ 22,299
Identifiable assets	¥317,020	¥ 78,768	¥ 76,406	¥ 87,126	¥ 559,320	¥ (79,570)	¥479,750

	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

	Japan	Americas	Europe	Asia	Total	Elimination and unallocation	Consolidated total
							Thousands of U.S. dollars
2004:							
Sales							
External sales	**$3,325,330**	**$2,064,877**	**$2,293,028**	**$1,014,671**	**$ 8,697,906**	**$ —**	**$8,697,906**
Intersegment sales	**2,558,434**	**9,104**	**15,453**	**1,822,726**	**4,405,717**	**(4,405,717)**	**—**
Total sales	**5,883,764**	**2,073,981**	**2,308,481**	**2,837,397**	**13,103,623**	**(4,405,717)**	**8,697,906**
Operating expenses	**5,741,434**	**2,097,575**	**2,244,547**	**2,781,227**	**12,864,783**	**(4,404,151)**	**8,460,632**
Operating income	**$ 142,330**	**$ (23,594)**	**$ 63,934**	**$ 56,170**	**$ 238,840**	**$ (1,566)**	**$ 237,274**
Identifiable assets	**$3,003,651**	**$ 667,915**	**$ 843,028**	**$ 945,746**	**$ 5,460,340**	**$ (676,217)**	**$4,784,123**

As explained in Note 3 "CHANGE IN ACCOUNTING METHOD", effective April 1, 2002, the Company changed the method of accounting for royalty income. As a result, external sales, operating expenses and operating income of Japan increased by ¥7,356 million, ¥4,066 million, ¥3,290 million respectively.

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

	Americas	Europe	Asia	Other areas	Total
					Millions of yen
2004:					
Overseas sales	**¥225,849**	**¥247,493**	**¥140,424**	**¥6,196**	**¥619,962**
Consolidated sales					**¥921,978**
Ratio of overseas sales to consolidated sales	**24.5%**	**26.8%**	**15.2%**	**0.7%**	**67.2%**
2003:					
Overseas sales	¥268,674	¥229,222	¥133,024	¥7,172	¥638,092
Consolidated sales					¥967,640
Ratio of overseas sales to consolidated sales	27.8%	23.7%	13.7%	0.7%	65.9%
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%

	Americas	Europe	Asia	Other areas	Total
					Thousands of U.S. dollars
2004:					
Overseas sales	**$2,130,651**	**$2,334,840**	**$1,324,755**	**$58,452**	**$5,848,698**
Consolidated sales					**$8,697,906**
Ratio of overseas sales to consolidated sales	**24.5%**	**26.8%**	**15.2%**	**0.7%**	**67.2%**

As explained in Note 3 "CHANGE IN ACCOUNTING METHOD", effective April 1, 2002, the Company changed the method of accounting for royalty income. As a result, total overseas sales increased by ¥3,365 million, and overseas sales of Americas, Europe and Asia increased by ¥2,741 million, ¥69 million, and ¥555 million respectively.

Independent Auditors' Report

To the Board of Directors of Victor Company of Japan, Limited

We have audited the accompanying consolidated balance sheets of Victor Company of Japan, Limited and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2004, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Victor Company of Japan, Limited and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

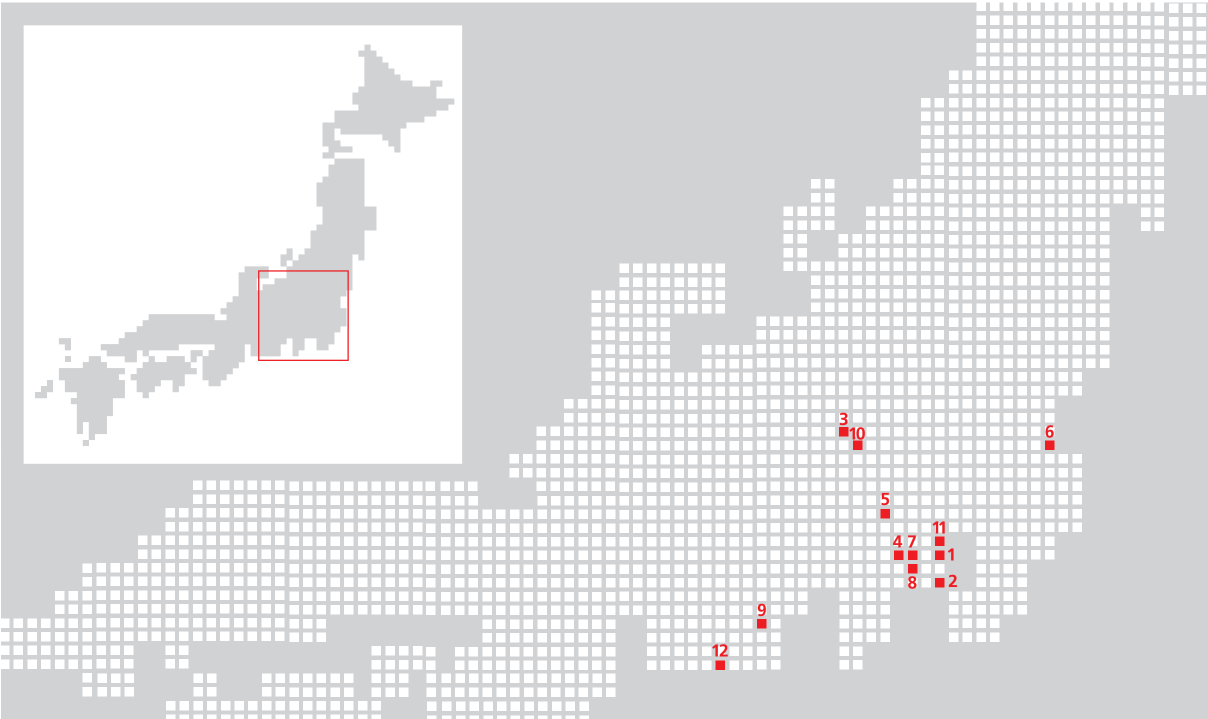
Without qualifying our opinion we draw attention to the following:
As discussed in Note 3, effective April 1, 2002, Victor Company of Japan, Limited changed the method of accounting for royalty income and related expenses.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2004

JVC Group (Japan)



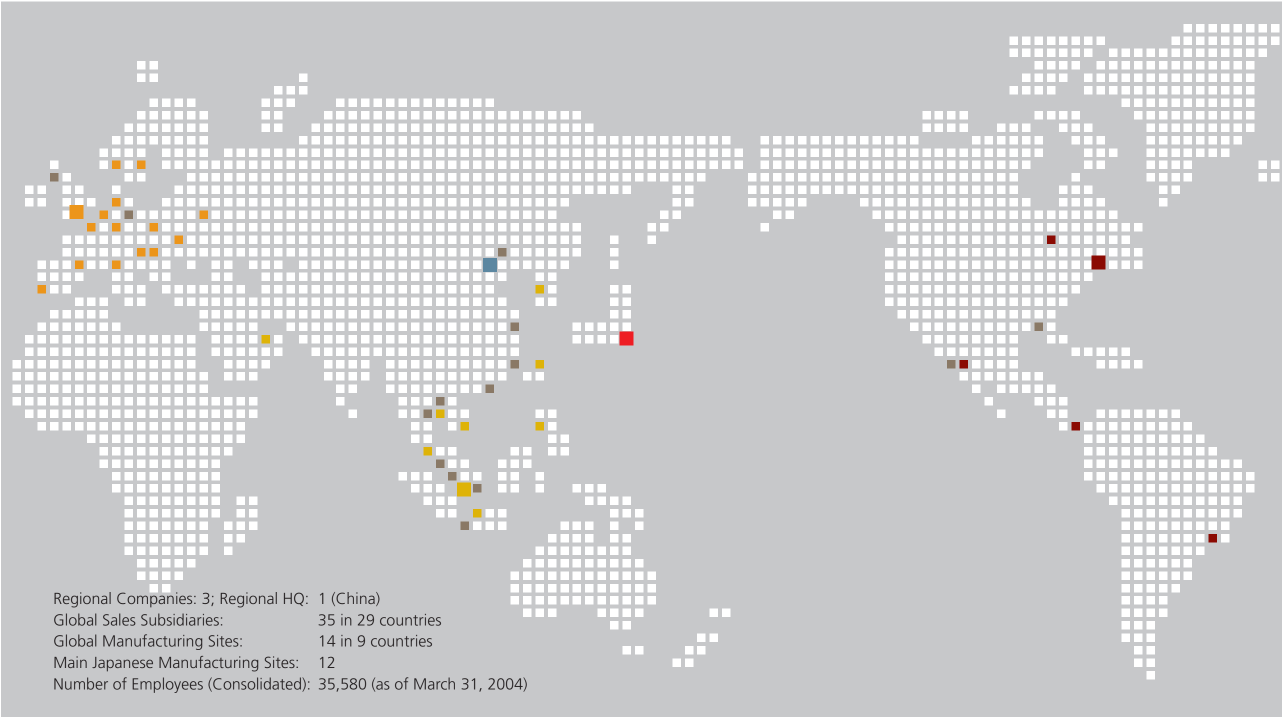
Main Japanese Manufacturing Sites

■ Plant	■ Location	■ Main Products
1 Headquarters & Yokohama Plant	Yokohama-city, Kanagawa Pref.	High-density multi-layer printed wiring boards, D-ILA devices
2 Yokosuka Plant (Video Products Div.)	Yokosuka-city, Kanagawa Pref.	VHS VCRs, DV camcorders, Plasma TVs
3 Maebashi Plant (Personal Mobile Network Business Unit)	Maebashi-city, Gunma Pref.	Audio equipment
4 Yamato Plant	Yamato-city, Kanagawa Pref.	DVD discs (pre-recorded), Electronics components (optical pickups)
5 Hachioji Plant (Professional Products Systems & Network Sector)	Hachioji-city, Tokyo	Professional, educational, and information-related equipment
6 Mito Plant (Media Company)	Mito-city, Ibaraki Pref.	Recording media products, Pre-recorded software (video tapes)
7 Rinkan Plant (Media Company)	Yamato-city, Kanagawa Pref.	CD and DVD discs (pre-recorded)
8 Tsurugamine Plant (Factory System Div.)	Yokohama-city, Kanagawa Pref.	Precision parts (FA and mold)
9 Fujieda Plant (Components & Device Company Motor Div.)	Fujieda-city, Shizuoka Pref.	Electronic components (motors)
10 Victor Isesaki Electronics	Isesaki-city, Gunma Pref.	Electronic components
11 Kanariya Electronics	Yokohama-city, Kanagawa Pref.	Electronic components
12 Victor Interior Furniture	Iwata-gun, Shizuoka Pref.	Home furniture

Main Japanese Consolidated Subsidiaries

■ Plant	■ Location	■ Main Products
Sanin Victor Sales Co., Ltd.	Matsue-city, Shimane Pref.	Wholesale
Okinawa Victor Sales Co., Ltd.	Ginowan-city, Okinawa Pref.	Wholesale
Victor Arcs Co., Ltd.	Minato-ku, Tokyo	Sales of professional audio and visual equipment
Victor Leisure System Co., Ltd.	Chuo-ku, Tokyo	Manufacturing, sales, and leasing of audio & visual and communication equipment
Victor Isesaki Electronics Co., Ltd.	Isesaki-city, Gunma Pref.	Manufacturing and sales of electronic components
Kanariya Electronic Industrial Co., Ltd.	Yokohama-city, Kanagawa Pref.	Manufacturing and sales of electronic components
Victor Data Systems Co., Ltd.	Hachioji-city, Tokyo	Manufacturing and sales of devices for electronic calculators
Victor Interior Furniture Co., Ltd.	Iwata-gun, Shizuoka Pref.	Manufacturing and sales of home furniture
Victor Entertainment, Inc.	Minato-ku, Tokyo	Planning and sales of audio and video software, etc.
Teichiku Entertainment, Inc.	Shibuya-ku, Tokyo	Planning and sales of audio and video software, etc.
JVC Entertainment Networks, Inc.	Minato-ku, Tokyo	Entertainment service (talent management, music publishing, concert promotion, etc.)
Nippon Record Center Co., Ltd.	Atsugi-city, Kanagawa Pref.	Logistics of audio software, etc.
Victor Finance Co., Ltd.	Yokohama-city, Kanagawa Pref.	Finance and business consulting
Victor Real Estate Co., Ltd.	Minato-ku, Tokyo	Management, sales, purchase, and leasing of real estate
Victor Service & Engineering Co., Ltd.	Bunkyo-ku, Tokyo	Repair of electric equipment
Victor Networks Co., Ltd.	Minato-ku, Tokyo	Planning and development of information-providing services for mobile phones
Victor Logistics, Inc.	Yokohama-city, Kanagawa Pref.	Logistics
World Parts Center, Inc.	Yokohama-city, Kanagawa Pref.	Sales and logistics of repair parts

JVC Group (Global)



Global Manufacturing Sites

Company Name	Country/Area	Main Products
JVC Manufacturing U.K. Ltd.	East Kilbride, United Kingdom	TVs
JVC Video Manufacturing Europe GmbH	Berlin, Germany	VCRs, DVD recorders, DV camcorders
JVC Disc America, Co.	Tuscaloosa, Alabama, U.S.A.	CD, DVD (pre-recorded software)
JVC Industrial De Mexico, S.A. De C.V.	Tijuana, Mexico	TVs
JVC Electronics Singapore Pte. Ltd.	Singapore	Audio products
JVC Electronics Malaysia Sdn. Bhd.	Selangor, Malaysia	Audio products, Electronic components
JVC Video Malaysia Sdn. Bhd.	Selangor, Malaysia	VCRs, DV camcorders
JVC Manufacturing (Thailand) Co., Ltd.	Navanakorn, Thailand	TVs, Electronic components, Professional products
JVC Components (Thailand) Co., Ltd.	Nakhonratchasima, Thailand	Electronic components (deflection yokes, motors, optical pickups, etc.)
P.T. JVC Electronics Indonesia	West Java, Indonesia	Audio products, Mobile audio products
JVC Beijing Electronic Industries Co., Ltd.	Beijing, China	VCRs, DV camcorders
JVC Shanghai Electronics Co., Ltd.	Shanghai, China	Audio products, DVD players
Fujian JVC Electronics Co., Ltd.	Fujian, China	Electronic components (deflection yokes)
JVC Guangzhou Electronics Co., Ltd.	Guangzhou, China	Electronic components (motors)

Europe Area: Regional Company and Sales Subsidiaries

Company Name	Country
Regional Company	
JVC Europe Ltd.	**United Kingdom**
Sales Subsidiaries	
JVC (U.K.) Ltd.	United Kingdom
JVC Professional Europe Ltd.	United Kingdom
JVC France S.A.S.	France
JVC Deutschland GmbH	Germany
JVC Professional Europe Ltd. Frankfurt Branch	Germany
JVC Italia S.p.A.	Italy
JVC Professional Europe Ltd. Milano Branch	Italy
JVC España, S.A.	Spain
JVC Nederland B.V.	The Netherlands
JVC Belgium S.A./N.V.	Belgium
JVC Danmark A/S	Denmark
JVC Skandinavia AB	Sweden
JVC Svenska AB	Sweden
JVC Norge AS	Norway
JVC Austria GmbH	Austria
JVC International (Europe) GmbH	Austria
JVC Polska Sp. Zo. O.	Poland
JVC Czech spol. s.r.o.	Czech Republic
O.O.O. JVC CIS	Russia

Americas Area: Regional Company and Sales Subsidiaries

Company Name	Country
Regional Company	
JVC Americas Corp.	**U.S.A.**
Sales Subsidiaries	
JVC Company of America	U.S.A.
JVC Professional Products Company	U.S.A.
JVC Canada Inc.	Canada
JVC Latin America, S.A.	Panama
JVC De Mexico, S.A. DE C.V.	Mexico
JVC Do Brasil Ltda.	Brazil

Asia, Oceania, the Middle East and Africa: Regional Company and Sales Subsidiaries

Company Name	Country/Area
Regional Company	
JVC Asia Pte. Ltd.	**Singapore**
Sales Subsidiaries	
JVC Asia Pte. Ltd. Sales & Service Division	Singapore
JVC Sales & Service (Malaysia) Sdn. Bhd.	Malaysia
JVC Sales & Service (Thailand) Co., Ltd.	Thailand
JVC (Philippines), Inc.	Philippines
JVC Vietnam Ltd.	Vietnam
P.T. JVC Indonesia	Indonesia
JVC Taiwan Corp.	Taiwan
JVC Korea Co., Ltd.	Korea
JVC Gulf Fze	U.A.E.

China Area: Regional HQ

Company Name	Country
China Area: Regional HQ	
JVC (China) Investment Co., Ltd.	**China**

Other Main Global Subsidiaries

Company Name	Country/Area	Business
JVC Industrial America, Inc.	U.S.A.	Management of imports and exports in U.S.
JVC America, Inc.	U.S.A.	Administrating media companies in U.S.
JVC Finance of America	U.S.A.	Issuance of commercial paper
JVC Forex (U.K.) Ltd.	United Kingdom	To centralize all foreign exchange transactions of JVC's European manufacturing and sales subsidiaries
JVC Logistics Europe N.V.	Belgium	Merchandise stock center for the distribution of JVC products to European sales companies
JVC Trading (Shanghai) Co., Ltd.	China	Import and distribution of service parts
JVC Shanghai System Development Engineering Co., Ltd.	China	Integration and maintenance of professional systems
Beijing JVC AV Equipment Co., Ltd.	China	Manufacturing and sales of professional products
Beijing Kelin JVC Electronic System Engineering Co., Ltd.	China	Integration and maintenance of professional systems
JVC Purchasing Center (H.K.), Ltd.	Hong Kong	Procurement of manufacturing parts
Kuang Yuan Co., Ltd.	Taiwan	Sales of components and devices
JVC Procurement Asia (A Division Company of JVC Asia Pte. Ltd.)	Singapore	An international procurement office (IPO) of components
JVC Electronics (Thailand) Co., Ltd.	Thailand	Production of consumer products

Global Software Related Companies

Company Name	Country/Area	Business
JVC Entertainment, Inc.	U.S.A.	An international strategic base for JVC's software business
JVC Music H.K., Ltd./Kaku-Sui Publishing Ltd.	Hong Kong	Management of music publications
CRC. JVC Audio Visual Software Co., Ltd.	China	Planning and production of audiovisual software, etc.

Main Global Liaison Offices

Company Name	Country
JVC Latin America Liaison Office	Panama
JVC Legal Liaison Office (Europe)	United Kingdom
JVC International (Europe) GmbH Moscow Representative Office	Russia
JVC International (Europe) GmbH Hungarian Information & Service Office	Hungary
JVC España, S.A. Portugal Branch	Portugal

Global Service and Technical Centers

Company Name	Country
JVC Service and Engineering Company of America	U.S.A.
JVC Tongguang Beijing Technical Center	China
JVC Technology Center Europe GmbH	Germany

Global Research and Development Centers

Company Name	Country
JVC Laboratory of America	U.S.A.
JVC Singapore R&D Center	Singapore
JVC Asia Laboratories of Singapore	Singapore
JVC Malaysia R&D Center	Malaysia
JVC (Beijing) Research & Development Center, Ltd.	China

History of JVC

1927
- JVC (Victor Company of Japan, Limited) established

First plant in Yokohama established

1939
- Produced Japan's first TV receiver

The first image to be projected on a cathode ray tube, the Japanese character " イ "

1954
- Produced Japan's first EP record

1956
- Developed 45/45 stereo record format

1958
- Produced Japan's first stereo LP record
- Introduced STL-1S, Japan's first 45/45 stereo record player

1960
- Introduced 21CT-11B, JVC's first color TV set

1963
- Introduced KV-200, world's smallest 2-head professional VCR

1968
- JVC America Inc. established

1971
- Introduced CD-4, 4-channel stereo record

1973
- JVC (U.K.) Limited established

1976
- Introduced HR-3300, world's first VHS home video recorder

1977
- US JVC Corp. established

1978
- JVC Electronics Singapore established
- Held the first JVC Tokyo Video Festival

1976
HR-3300: World's first VHS home video recorder launched

1984
GR-C1: World's first single-unit video camera launched

1980
- Started to sponsor the UEFA European Football Championship

1982
- Started to sponsor the FIFA World Cup™

1984
- Held the first JVC Jazz Festival
- Introduced GR-C1, a single-unit video camera

First JVC Tokyo Video Festival held

1986
- Introduced GR-C7, world's smallest and lightest VHS-C video camera

1987
- Introduced HR-S7000, world's first S-VHS video recorder

1990
- Introduced HR-SC1000, world's first VHS/VHS-C compatible video recorder

1991
- Introduced AV-36W1, first multi-wide vision TV in the industry

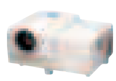
1993
- Introduced high-definition TV
- Introduced HR-W1, world's first high-definition home video recorder

1995
- JVC Asia Pte. Ltd. established
- Introduced GR-DV1, world's first pocket-sized digital video camera

1996
- JVC (China) Investment Co., Ltd. established

1997
- JVC Americas Corp. established

1995
GR-DV1: World's first pocket-sized digital video camera launched



1998
DLA-G10: Full S-XGA high-definition D-ILA multimedia projector launched

1998
- JVC Europe Ltd. established
- Introduced DLA-G10, full S-XGA high-definition D-ILA multimedia projector

1999
- Introduced HM-DR10000, world's first D-VHS video recorder capable of recording 24 hours per cassette

2001
- Introduced GR-DVP3, world's smallest and lightest digital video camera

2002
- Sponsored 2002 FIFA World Cup Korea/Japan™
- Introduced AV-36/32Z1500, TVs equipped with D.I.S.T. (digital image scaling technology)
- Introduced PD-42/35DT3, plasma displays

2002 FIFA World Cup Korea/Japan™

2002
PD-42/35DT3: Plasma displays launched

2003
- JVC Professional Europe Ltd. established
- Introduced GR-HD1, high-definition digital video camera
- Introduced EX-A1, DVD compact component system

2003
GR-HD1: World's first digital high-definition video camera for consumer use launched

2003
EX-A1: DVD compact component system with the world's first wood cone speakers launched

2004
- Sponsored UEFA EURO 2004™
- Introduced D-ILA rear projection TV

Organization Chart (As of April 1, 2004)

- **President**
  - **Auditors' Office**
  - Secretary Office
  - Corporate Planning Headquarters
  - SCM Promotion Office
  - Business Affairs Dept.
  - Personnel and General Affairs Div.
  - Corporate Accounting & Finance Div.
  - Corporate Facility Management Dept.
  - Information Systems Development Office
  - Corporate Communications Dept.
  - Design Center
  - Corporate Information System & Network Center
  - Legal & Intellectual Property Dept.
  - Environmental Administration Div.
  - Technology Development Div.
  - ILA Center
  - Integrated AV System Strategy Div.
  - Customer Satisfaction Div.
  - Logistics Div.
  - Production Engineering Div.
    - Factory System Div.
  - Business Solution Div.
  - Americas Company
  - Europe Company
  - Asia & the Middle East Company
  - Corporate Management Division for China
  - **AV & Multimedia Company**
    - Video Display Category
    - Digital Video Storage Category
    - Audio/Video Systems Category
    - Mobile Entertainment Category
    - Camcorder Category
    - Mobile IT Category
    - Accessories Category
    - Consumer Marketing Div.
    - International Sales & Marketing Div.
    - System Products Sales Div.
    - Mobile Entertainment Sales & Marketing Div.
    - Engineering Dept.
    - Production & Manufacturing Center
  - **Professional Systems Company**
    - Security Systems Dept.
    - D&N Systems Dept.
    - Professional Products & Systems Marketing Div.
    - System Development Center
    - Production Center
  - **Components & Device Company**
    - Development Center
    - Motor Div.
    - Circuit Board Div.
    - Display Component Div.
    - Optical Component Div.
  - **Media Company**
    - Soft Media Business Center
    - Recording Media Business Center
  - **Entertainment Software Company**

Corporate Data

JVC
Victor Company of Japan, Limited

Head Office:
12, Moriya-cho 3-chome, Kanagawa-ku,
Yokohama, Kanagawa 221-8528, Japan
Telephone: +81-45-450-1445
(Corporate Planning Headquarters)
Facsimile: +81-45-450-1425
http://www.jvc-victor.co.jp/

Date of Establishment:
September 13, 1927

Number of Employees:
35,580

Paid-in Capital:
¥34,115 million

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

Number of Stockholders:
13,725

Stock Exchange Listings:
Tokyo Stock Exchange
Osaka Securities Exchange

Transfer Agent and Registrar:
The Sumitomo Trust & 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:
KPMG AZSA & Co.

Principal Consolidated Subsidiaries:

DOMESTIC
Victor Entertainment, Inc.
Teichiku Entertainment, Inc.
Victor Leisure System Co., Ltd.
Victor Service & Engineering 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.S.
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 Video 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 2004 consolidated financial statements comprise the accounts of 18 domestic and 58 overseas companies, including principal subsidiaries.

(As of March 2004)

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