FIVE-YEAR SUMMARY

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

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

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

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

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

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CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	**2002**
Net sales	**¥954,172**	¥934,350	¥870,235	**$7,174,226**
Costs and expenses:				
Cost of sales	**684,458**	641,209	600,506	**5,146,301**
Selling, general and administrative expenses	**281,808**	287,449	277,748	**2,118,857**
	966,266	928,658	878,254	**7,265,158**
Operating income (loss)	**(12,094)**	5,692	(8,019)	**(90,932)**
Other income (expenses):				
Interest and dividend income	**1,108**	2,509	2,408	**8,331**
Unrealized gain (loss) from changes in fair market values of trading securities	**(280)**	9,749	16,386	**(2,105)**
Equity in income of affiliated companies	**63**	173	36	**474**
Interest expense	**(4,447)**	(5,383)	(6,178)	**(33,436)**
Gain on sales of investment securities	**1,099**	1,450	6,330	**8,263**
Loss on liquidation of subsidiaries and affiliated companies	**(1,059)**	(656)	(451)	**(7,962)**
Restructuring charges	**(13,423)**	(2,197)	(2,662)	**(100,925)**
Loss from write-down of investment in securities	**(7,691)**	(739)	(550)	**(57,827)**
Other, net	**(1,722)**	(1,154)	(1,212)	**(12,949)**
	(26,352)	3,752	14,107	**(198,136)**
Income (Loss) before income taxes and minority interests	**(38,446)**	9,444	6,088	**(289,068)**
Income taxes (Note 6)**:**				
Current	**7,438**	14,319	8,622	**55,925**
Deferred	**(1,453)**	(7,081)	2,673	**(10,925)**
	5,985	7,238	11,295	**45,000**
Income (Loss) before minority interests	**(44,431)**	2,206	(5,207)	**(334,068)**
Minority interests	**(141)**	292	(134)	**(1,060)**
Net income (loss)	**¥ (44,572)**	¥ 2,498	¥ (5,341)	**$ (335,128)**
	Yen			U.S. dollars (Note 2)
Amounts per share of common stock:				
Net income (loss)	**¥ (175.3)**	¥ 9.8	¥ (21.0)	**$ (1.32)**
Cash dividends applicable to the year	**—**	3.0	—	**—**

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

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

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

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

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

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

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

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

Foreign currency translation

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

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

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

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

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

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

Cash and cash equivalents

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

Inventories

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

Securities

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

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

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

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

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

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

Derivatives and hedge accounting

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Software costs

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

Finance leases

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

Research and development

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

Income taxes

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

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

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

Employees' severance and retirement benefits

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

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

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

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

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

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

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

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

Effect on segment information is described in Note 14.

Amounts per share of common stock

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

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

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

Reclassifications

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

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

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

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

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

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

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

4. INVENTORIES

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

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

5. SECURITIES

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

(a) Trading securities

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

(b) Available-for-sale securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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

8. PLEDGED ASSETS

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

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

9. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

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

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

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

10. CONTINGENT LIABILITIES

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

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

11. STOCKHOLDERS' EQUITY

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

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

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

13. LEASE INFORMATION

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

Lessee:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessor:

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

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

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

14. SEGMENT INFORMATION

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

1) Business segment information is as follows:

Millions of yen

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

Millions of yen

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

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

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

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

Millions of yen

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

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

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

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

2) Geographic segment information is as follows:

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

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

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

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

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

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

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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

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

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

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

Asahi & Co

Asahi & Co
Tokyo, Japan
June 27, 2002