

**Notes to consolidated financial statements:**

1. The company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP).
2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit (loss) is presented as net sales less cost of sales and selling, general and administrative expenses. The company believes that this is useful to investors in comparing the company's financial results with those of other Japanese companies. Under U.S. GAAP, restructuring charges are usually included as part of operating profit (loss) in the statement of income.
3. Sales on a local currency basis are not measures conforming with U.S. GAAP. However, the company believes that these measures are useful to investors in promoting understanding of the company's business conditions by excluding the influence of foreign currency fluctuations.
4. The company began consolidating certain previously unconsolidated subsidiaries, primarily overseas subsidiaries of Victor Company of Japan, Ltd., a consolidated subsidiary of the company, during the year ended March 31, 2003 and restated amounts for the first quarter ended June 30, 2002.
5. From this fiscal year (fiscal 2004), the company changed its business categories to five new categories: AVC Networks, Home Appliances, Components and Devices, JVC, and Other, and discloses financial data according to these. As such, the sales breakdown data for the first quarter ended June 30, 2002 are restated in both the Sales Breakdown table and the Segment Information.
6. Comprehensive income (loss) was reported as a gain of 33,183 million yen (\$277 million) for the first quarter ended June 30, 2003 and a loss of 277,335 million yen for the first quarter ended June 30, 2002. Comprehensive income (loss) includes net income (loss) and increases (decreases) in cumulative translation adjustments, unrealized holding gains (losses) of available-for-sale securities, unrealized gains (losses) of certain derivative instruments and minimum pension liability adjustments.
7. Number of consolidated companies: 393
8. Number of companies reflected by the equity method: 57
9. United States dollar amounts are translated from yen for convenience at the rate of U.S. \$1.00 = 120 yen, the approximate rate on the Tokyo Foreign Exchange Market on June 30, 2003.