

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for years ended March 31, 2004 and 2003 is as follows:

	2004	2003
Normal effective statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	0.2%	0.2%
Tax benefits not recognized on operating losses of subsidiaries	(23.6%)	68.3%
Temporary differences not recognized on operating losses of subsidiaries	15.6%	(92.5%)
Decrease of valuation allowance	(24.5%)	-
Reversal of deferred tax assets of prior years	-	1.5%
Reversal of deferred tax assets on unrealized profit included in assets resulting from transactions within the Group	0.4%	(0.5%)
Effect of tax rate reduction on consolidated taxation system	(7.5%)	(4.6%)
Per capita inhabitant tax	0.6%	-
Foreign withholding taxes not recognized as on losses	1.2%	-
Temporary enterprise tax	0.4%	-
Other, net	4.9%	3.4%
Actual effective tax rate	<u>9.7%</u>	<u>17.8%</u>

As of March 31, 2004, the Company and certain consolidated subsidiaries had tax loss carryforwards of approximately ¥31,738 million (\$299,415 thousand), which are available to apply against future taxable income.

These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of	
	yen	Thousands of U.S. dollars
2005	¥ -	\$ -
2006	10,782	101,717
2007	74	698
2008	345	3,255
2009	11,395	107,500
thereafter	9,142	86,245
<u>Total</u>	<u>¥ 31,738</u>	<u>\$ 299,415</u>

10. Per Share of Common Stock

Net income per share is based on the weighted average number of outstanding shares of common stock.

Reconciliation of the differences between basic and diluted net income per share ("EPS")

Reconciliation of the differences between basic and diluted EPS for the year ended March 31, 2004 and 2003 are as follows:

For the year ended March 31, 2004:	Millions of yen		Thousands of shares		Yen		Dollars	
	Net income		Weighted average shares		EPS			
Basic EPS								
Net income available to common shareholders	¥ 7,144	210,159	¥ 33.99	\$ 0.32				
Effect of Diluted Securities								
Preference shares	174	255,102						
Diluted EPS								
Net income for computation	<u>¥ 7,318</u>	<u>465,261</u>	<u>¥ 15.73</u>	<u>\$ 0.15</u>				

For the year ended March 31, 2003:	Millions of yen		Thousands of shares		Yen	
	Net income		Weighted average shares		EPS	
Basic EPS						
Net income available to common shareholders	¥ 4,175	194,952	¥ 21.41			
Effect of Diluted Securities						
Preference shares	46	66,396				
Diluted EPS						
Net income for computation	<u>¥ 4,221</u>	<u>261,348</u>	<u>¥ 16.15</u>			

11. Commitments and Contingent Liabilities

The Company was contingently liable as of March 31, 2004, as a guarantor for borrowings of employees aggregating ¥0 million (\$3 thousand) and ¥2 million as of March 31, 2004 and 2003, respectively.

At March 31, 2004, the Company had cancelable and non-cancelable long-term lease agreements, principally for office space, machinery and computer equipment. Rental expense was ¥3,074million (\$29,000 thousand) and ¥5,098 million for the years ended March 31, 2004 and 2003.

12. Derivatives

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets, liabilities and future transactions denominated in foreign currencies. The Group also enters into interest rate swap agreements as a means of managing their interest rate exposures. Interest rate swaps effectively convert some floating rate debts to a fixed basis.

Because the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

The basic policies for the use of derivatives are approved by the CEO of the Company and execution and control of derivatives are controlled by the Company's Finance Department.

A current status of the derivatives is reported to the Corporate Executive Officers and the Board of Directors of the Company.

The Group had the following derivatives contracts outstanding at March 31, 2004 and 2003:

	Millions of yen						Thousands of U.S. dollars		
	2004			2003			2004		
	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss
Interest Rate Swaps: (floating rate receipt, fixed rate payment)	¥ 3,000	¥ (54)	¥ (54)	¥ 3,500	¥ (102)	¥ (102)	\$ 28,302	\$ (509)	\$ (509)

The contract or notional amounts of derivatives do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

13. Segment Information

Effective April 1, 2003, the Group changed its business segmentation. Audio equipment segment was classified into three segments as Car electronics business, Home electronics business, and Others.

Car electronics business:

Car electronics equipment, such as car audio products, and car navigation systems.

Communications business:

Communications equipment, such as amateur radios, UHF CB transceivers, and land mobile radios.

Communication equipment segment was renamed as Communications business.

The Company defines the new segments as follows:

Home electronics business:

Home electronics equipment, such as home HI-FI audio, home theater systems, and portable audio.

Others:

Other electrical equipment and parts.

Operations by business segment and by geographic area for the year ended March 31, 2004 was summarized as follows:

Operations by business segment:

	Millions of yen						
	Car Electronics business	Communications business	Home Electronics business	Others	Total	Corporate assets and eliminations	Consolidated
2004							
Net sales:							
Sales to customers	¥ 100,783	¥ 50,373	¥ 23,987	¥ 3,588	¥ 178,731	¥ -	¥ 178,731
Intersegment sales and transfers...	-	-	-	-	-	-	-
Total	¥ 100,783	¥ 50,373	¥ 23,987	¥ 3,588	¥ 178,731	¥ -	¥ 178,731
Operating income (loss).....	¥ 7,019	¥ 6,876	¥ (1,217)	¥ (68)	¥ 12,610	¥ -	¥ 12,610
Identifiable assets	¥ 63,926	¥ 24,456	¥ 14,496	¥ 3,388	¥ 106,266	¥ 29,497	¥ 135,763
Depreciation.....	¥ 4,745	¥ 1,033	¥ 848	¥ 61	¥ 6,687	¥ -	¥ 6,687
Capital expenditures	¥ 5,780	¥ 1,004	¥ 716	¥ 8	¥ 7,508	¥ -	¥ 7,508

Corporate assets as of March 31, 2004, amounted to ¥29,497 million (\$278,274 thousand) and consisted primarily of the Company's cash, time deposits and investment securities.

If the segment information for the year ended March 31, 2003 were prepared using the new segmentation, such information would be as follows:

	Millions of yen						
	Car Electronics business	Communications business	Home Electronics business	Others	Total	Corporate assets and eliminations	Consolidated
2003							
Net sales:							
Sales to customers	¥ 117,002	¥ 61,015	¥ 41,904	¥ 5,658	¥ 225,579	¥ -	¥ 225,579
Intersegment sales and transfers.....	-	-	-	-	-	-	-
Total	¥ 117,002	¥ 61,015	¥ 41,904	¥ 5,658	¥ 225,579	¥ -	¥ 225,579
Operating income (loss)	¥ 11,712	¥ 5,207	¥ (4,483)	¥ (176)	¥ 12,260	¥ -	¥ 12,260
Identifiable assets.....	¥ 65,692	¥ 27,594	¥ 21,743	¥ 4,050	¥ 119,079	¥ 23,045	¥ 142,124
Depreciation.....	¥ 4,705	¥ 2,145	¥ 1,356	¥ 172	¥ 8,378	¥ -	¥ 8,378
Capital expenditures	¥ 4,726	¥ 959	¥ 937	¥ 97	¥ 6,719	¥ -	¥ 6,719

Corporate assets as of March 31, 2003, amounted to ¥23,045 million and consisted primarily of the Company's cash, time deposits and investment securities.

	Thousands of U.S. Dollars						
	Car Electronics business	Communications business	Home Electronics business	Others	Total	Corporate assets and eliminations	Consolidated
2004							
Net sales:							
Sales to customers	\$ 950,783	\$ 475,217	\$ 226,292	\$ 33,849	\$ 1,686,141	\$ -	\$ 1,686,141
Intersegment sales and transfers...	-	-	-	-	-	-	-
Total	\$ 950,783	\$ 475,217	\$ 226,292	\$ 33,849	\$ 1,686,141	\$ -	\$ 1,686,141
Operating income (loss).....	\$ 66,217	\$ 64,868	\$ (11,481)	\$ (642)	\$ 118,962	\$ -	\$ 118,962
Identifiable assets	\$ 603,075	\$ 230,717	\$ 136,755	\$ 31,962	\$ 1,002,509	\$ 278,274	\$ 1,280,783
Depreciation.....	\$ 44,764	\$ 9,745	\$ 8,000	\$ 576	\$ 63,085	\$ -	\$ 63,085
Capital expenditures	\$ 54,528	\$ 9,472	\$ 6,755	\$ 75	\$ 70,830	\$ -	\$ 70,830