

Translation for Reference and Convenience Purposes Only



# **JVC Kenwood Group Results and Forecast Briefing**

## **For Fiscal Year Ending March 2009**

JVC KENWOOD Holdings, Inc.  
October 28, 2008

## First Half Financial Results of Victor Company of Japan, Limited

Masaaki Takeda, Executive Officer / Manager of Strategic Finance & Accounting Division

## First Half Financial Results of Kenwood Corporation

Hiroshi Odaka, Deputy President & CFO

## JVC Kenwood Group Earnings Forecast and Priority Policies for the Second Half

Haruo Kawahara, Chairman & CEO

Abbreviations referred to in the materials

CE: Car Electronics COM: Communications Equipment HE: Home Electronics

FYE: Fiscal Year Ending/Ended

# **First Half Financial Results of Victor Company of Japan, Limited**

## **Fiscal Year Ending March 2009**

JVC Kenwood Holdings, Inc.

Executive Officer / Manager of Strategic Finance & Accounting Division

**Masaaki Takeda**

October 28, 2008

## 1

### Operating results turn from deficits to surplus

- Consumer Electronics ... Structural reforms and reduced deficits for important businesses resulting in constitutional improvement
- Professional Electronics ... Decreased revenues due to severe market conditions, but unchanged operating profits
- Entertainment ... Decreased revenues, but reduced deficits and surplus recorded for the Second Quarter

## 2

### Tentative end of structural reforms

- Recordable Media ... From spin-off to transfer interests
- Display ... On schedule to shrink manufacturing bases, reduce domestic forwarded stock
- Components & Devices ... Final disposal of ODD Motors

# First Half of FYE'09/3 - Summary of Business Results

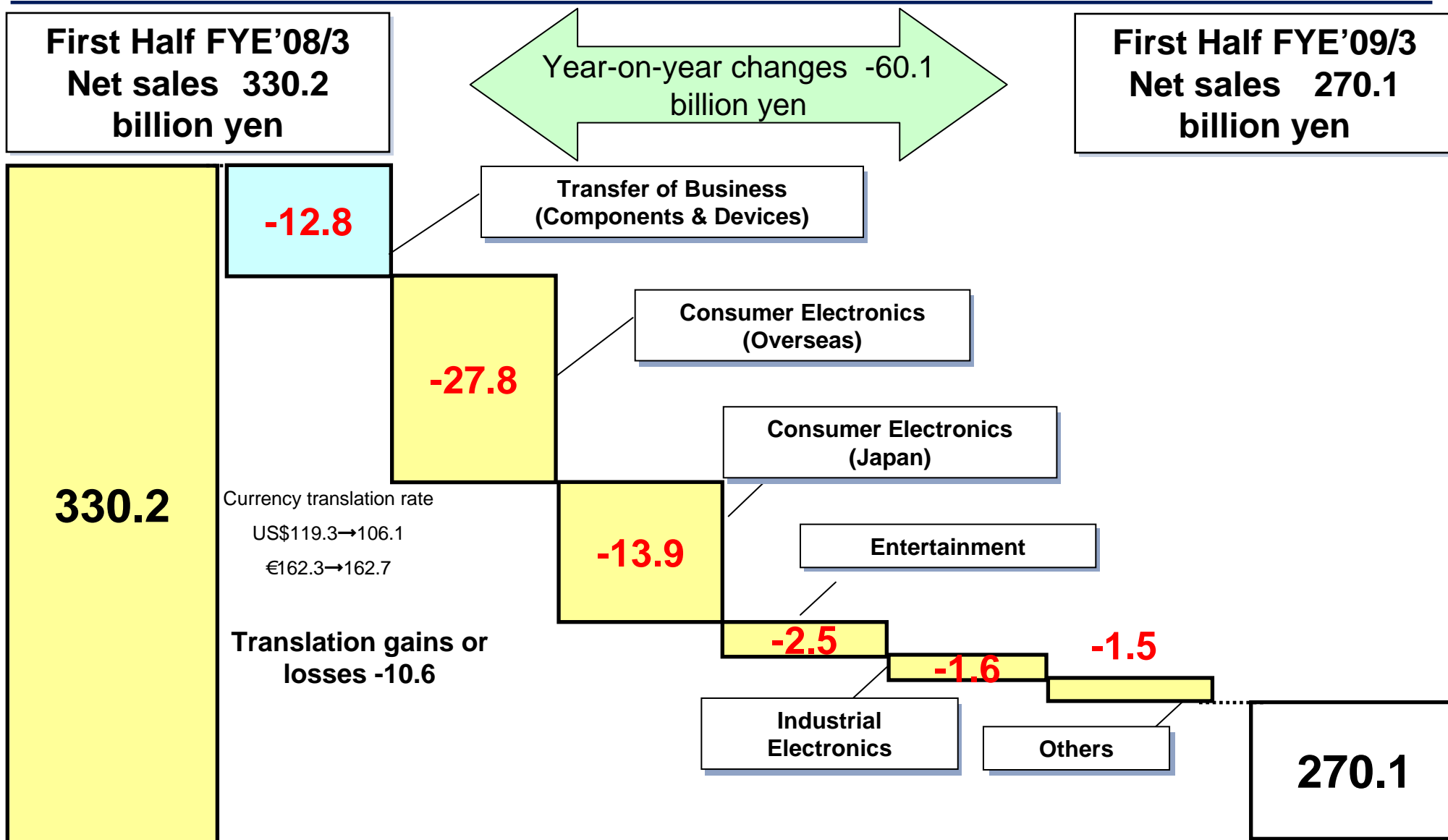
First Half (Consolidated)	(billion yen)	Actual	Reported on Sept. 25	First Half FY2007 Actual	Changes from reported figures	Year-on-year changes
	Net sales	270.1	275.0	330.2	-4.9	82%
	Operating profits	0.5% 1.3	0.4% 1.1	-1.6% -5.4	0.1% 0.2	6.7
	Recurring profits	-1.0% -2.7	-0.8% -2.2	-3.2% -10.5	-0.2% -0.5	7.8
	Net income	-3.0% -8.1	-2.9% -8.1	-12.7% -42.1	-0.1% 0.0	34.0

Second Quarter (Consolidated)	(billion yen)	Actual	Reported on Sept. 25	First Half FY2007 Actual	Changes from reported figures	Year-on-year changes
	Net sales	137.4	142.3	171.1	-4.9	80%
	Operating profits	1.9% 2.6	1.7% 2.4	0.5% 0.9	0.2% 0.2	1.7
	Recurring profits	-0.2% -0.3	0.1% 0.2	-1.6% -2.8	-0.4% -0.5	2.5
	Net income	-0.9% -1.2	-0.8% -1.2	-17.0% -29.1	-0.0% 0.0	27.9

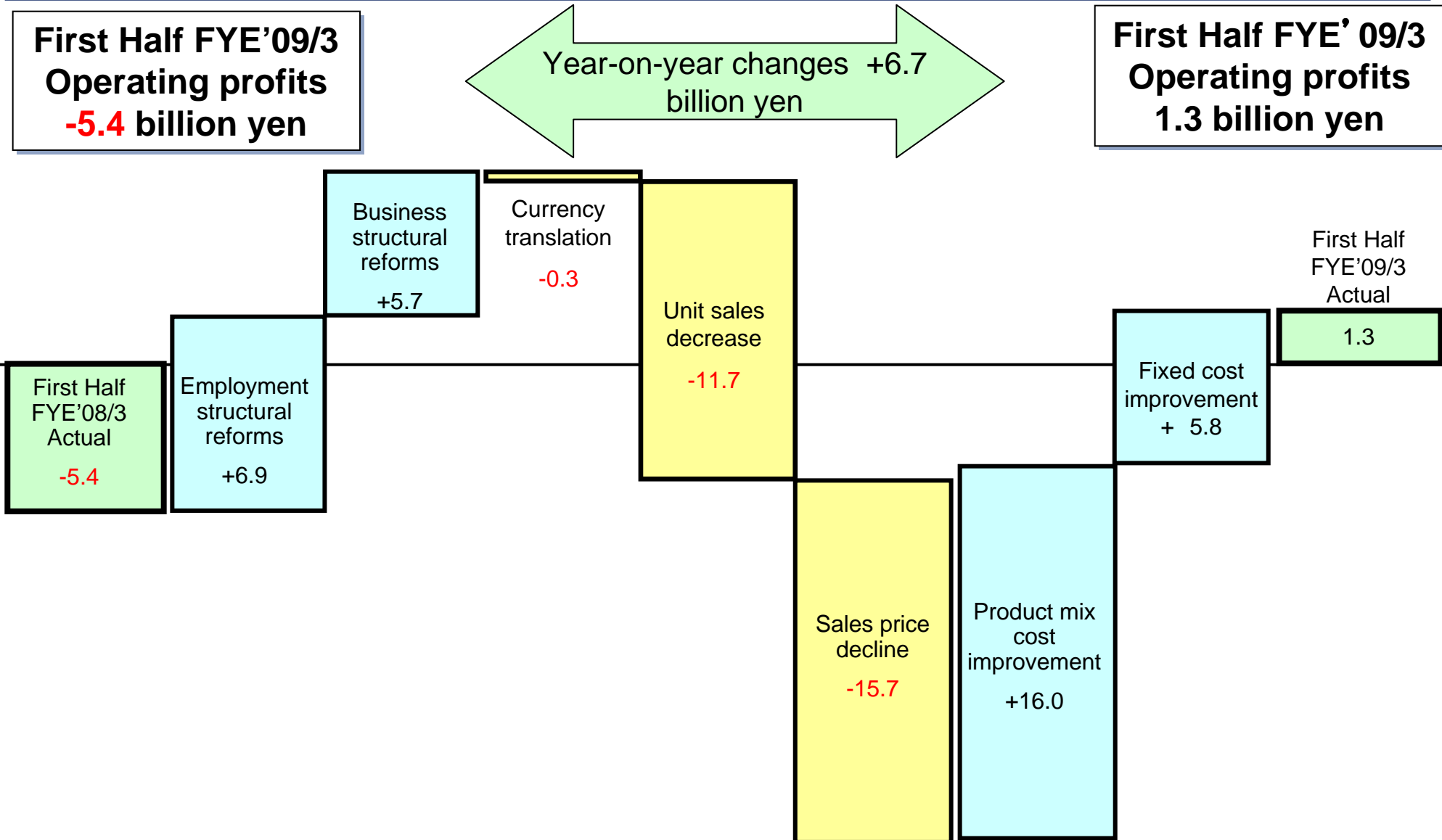
Actual results of extraordinary gains (losses) for the first half of FYE'09/3 (billion yen)

Gains (losses) on disposal and sales of fixed assets	4.8
Devaluation losses on inventories (lower of cost or market)	-2.5
Contraction of Domestic Displays	-2.7
Recordable Media	-1.4
ODD Motors	-0.8
Others	-1.3
Structural reform expenses, other extraordinary gains (losses)	-6.1
Total extraordinary gains (losses)	-3.8

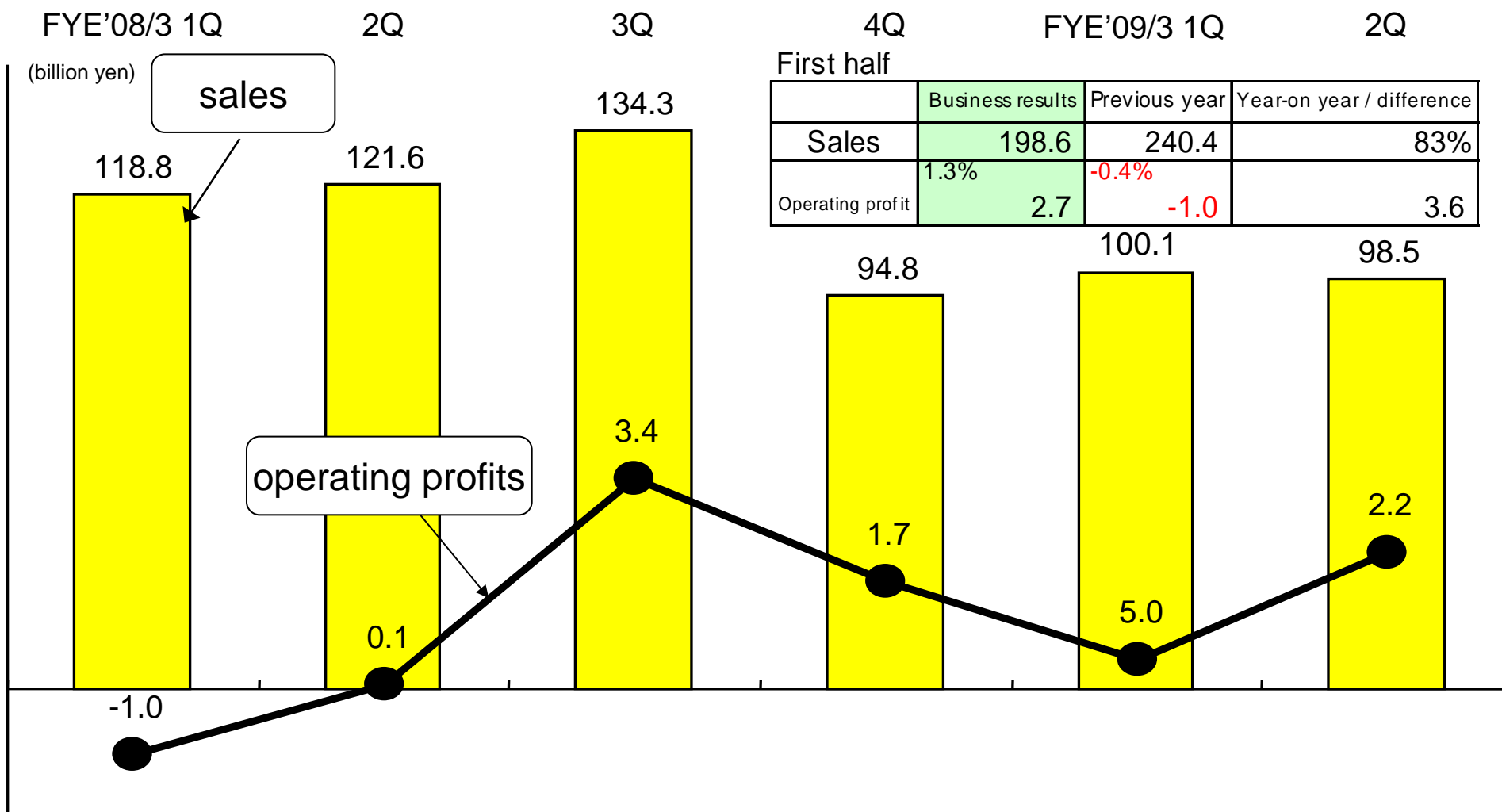
# Net Sales (changes over a year ago)



# Operating Profits (changes over a year ago)



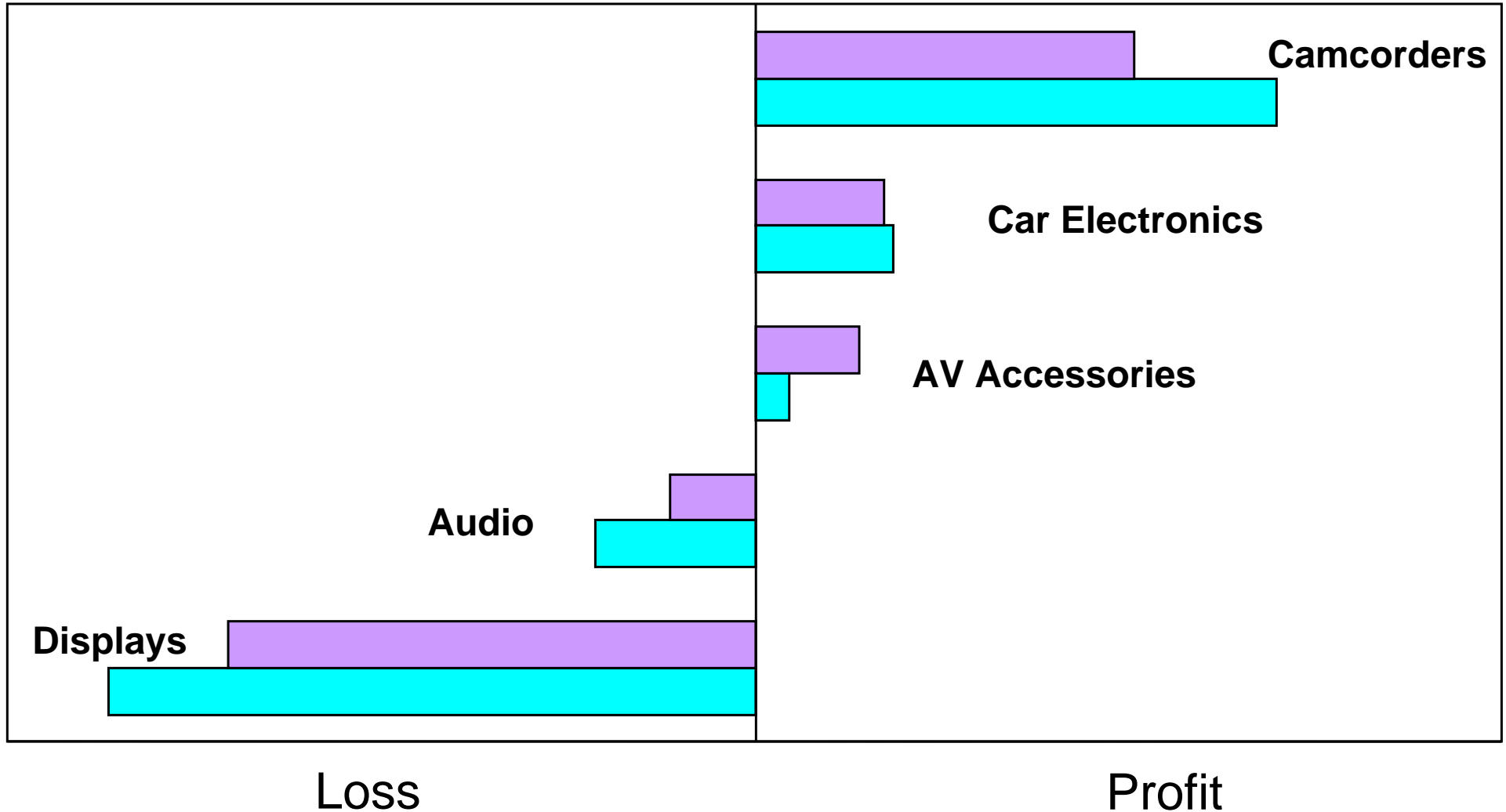
# Business segment - Consumer



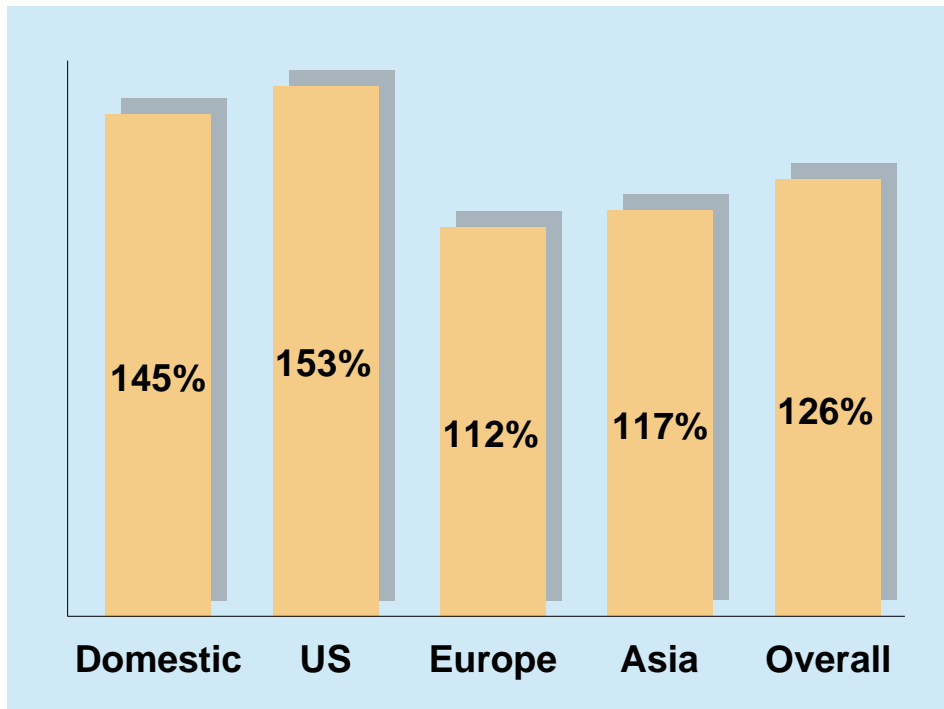


## 2. Segment Information Consumer Segment - Operating Margin by Product

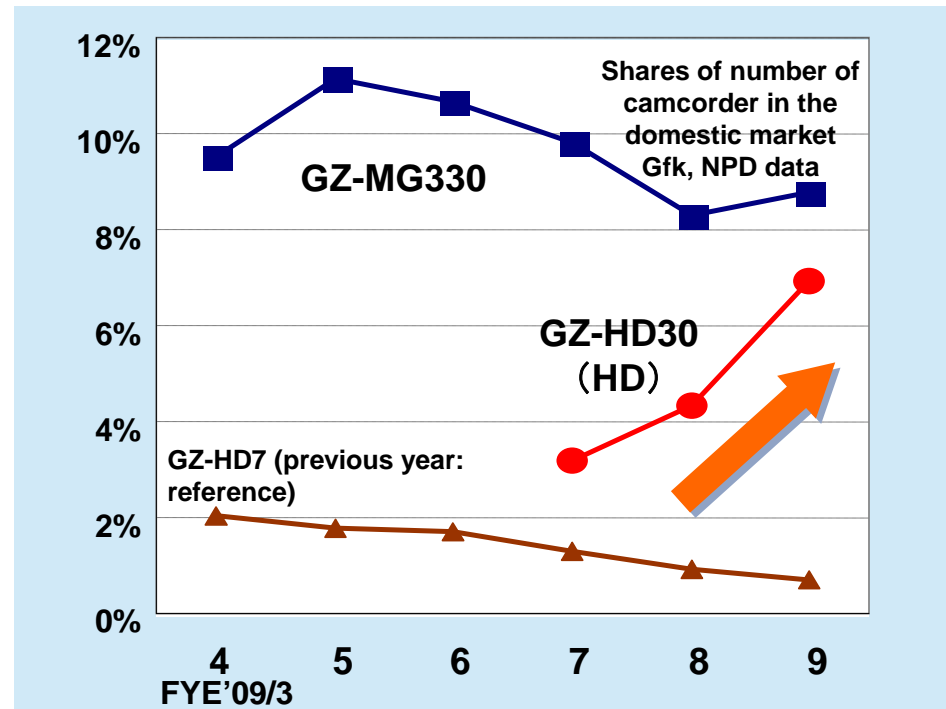
■ First half FYE'08/3    ■ First half FYE'09/3



## Year-on-year number of camcorders



## Changes in shares of main camcorder models



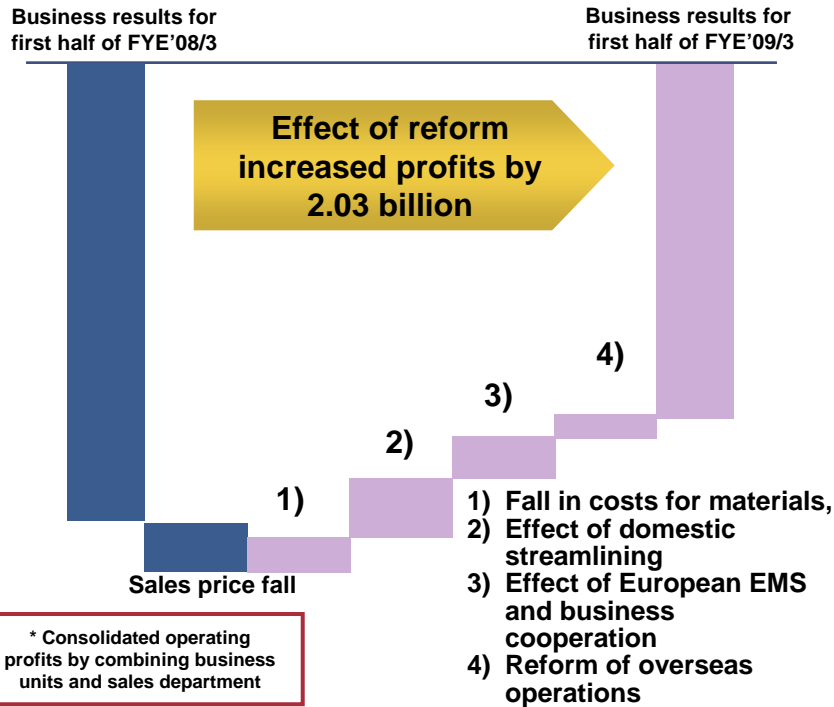
- 1: Global sales of the main Hard Disk Drive Everio model continue to grow
- 2: Sales of GZ-HD30, a new High Definition model, had a successful vertical start-up

- 3: In particular, GZ-MG300 maintained a huge market share in major countries around the world.
- 4: But profits dropped due to a decline in unit prices

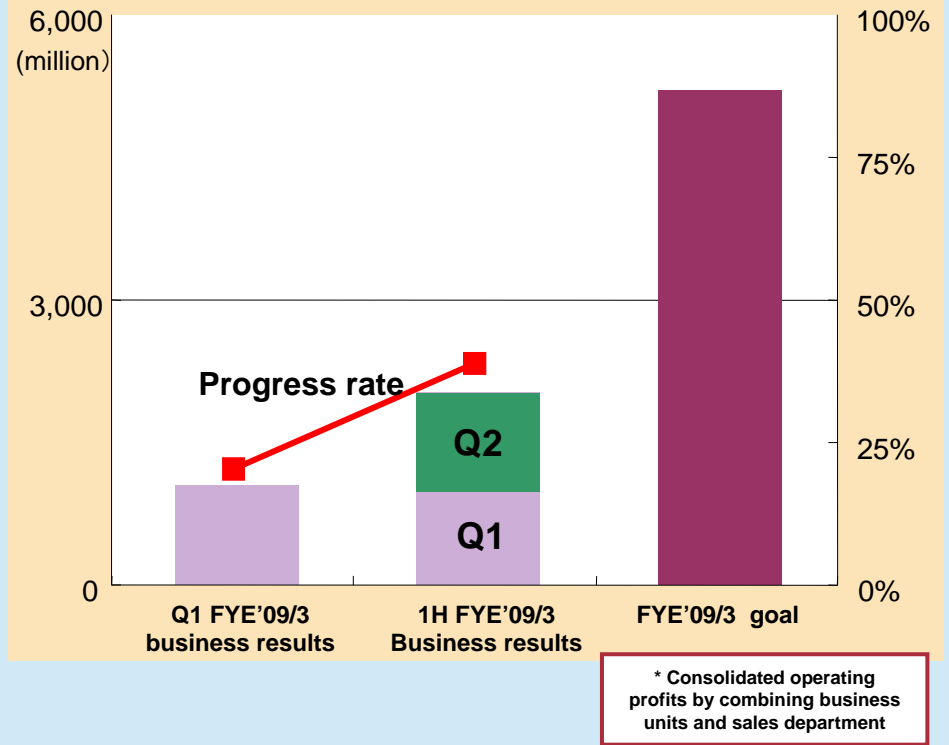
Reform measures in first half increased profits by 2.03 billion on a year-on-year basis

Steady reform effect versus progress of annual plan: 39 percent

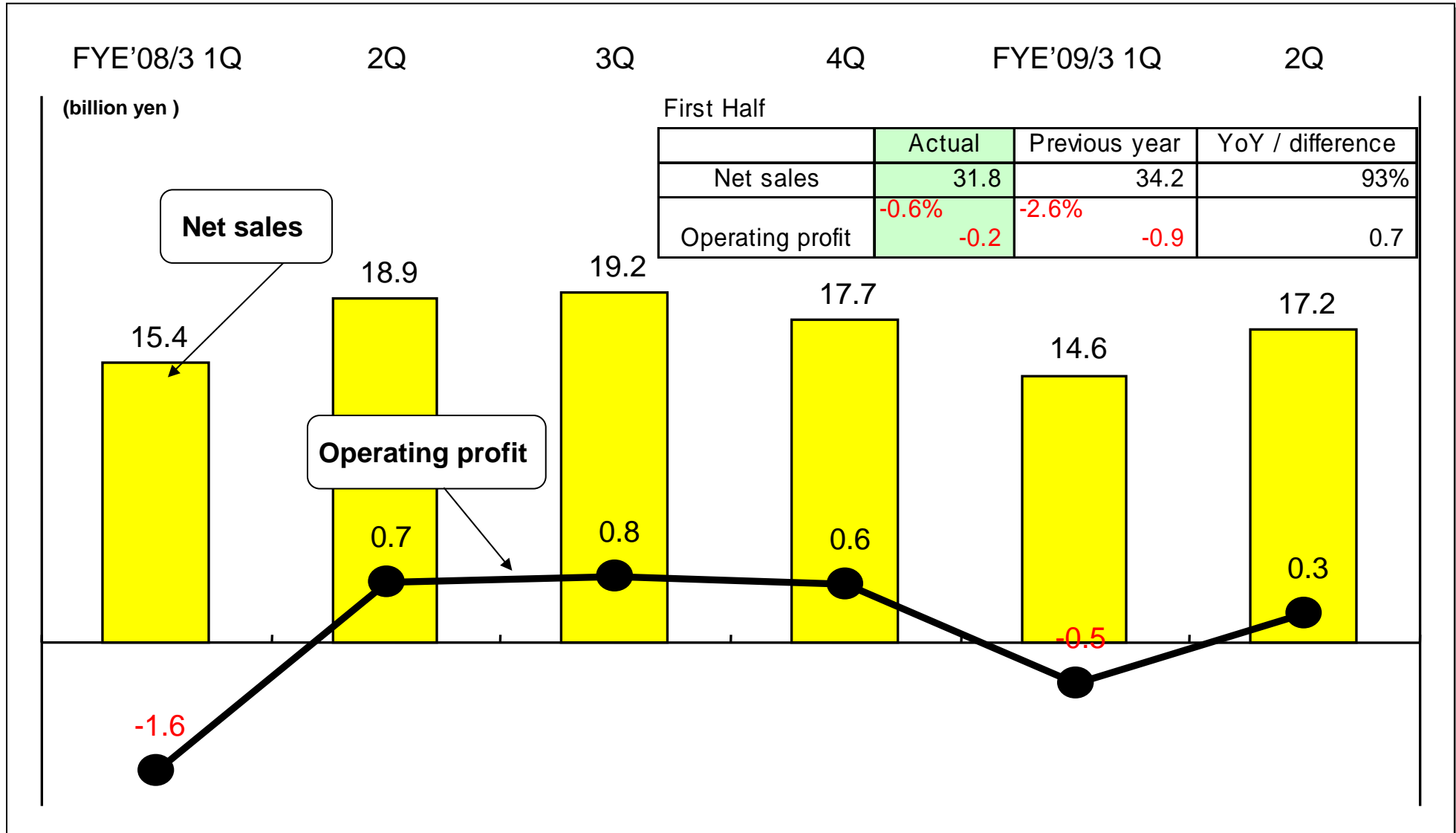
## Analysis of operating profits in first half



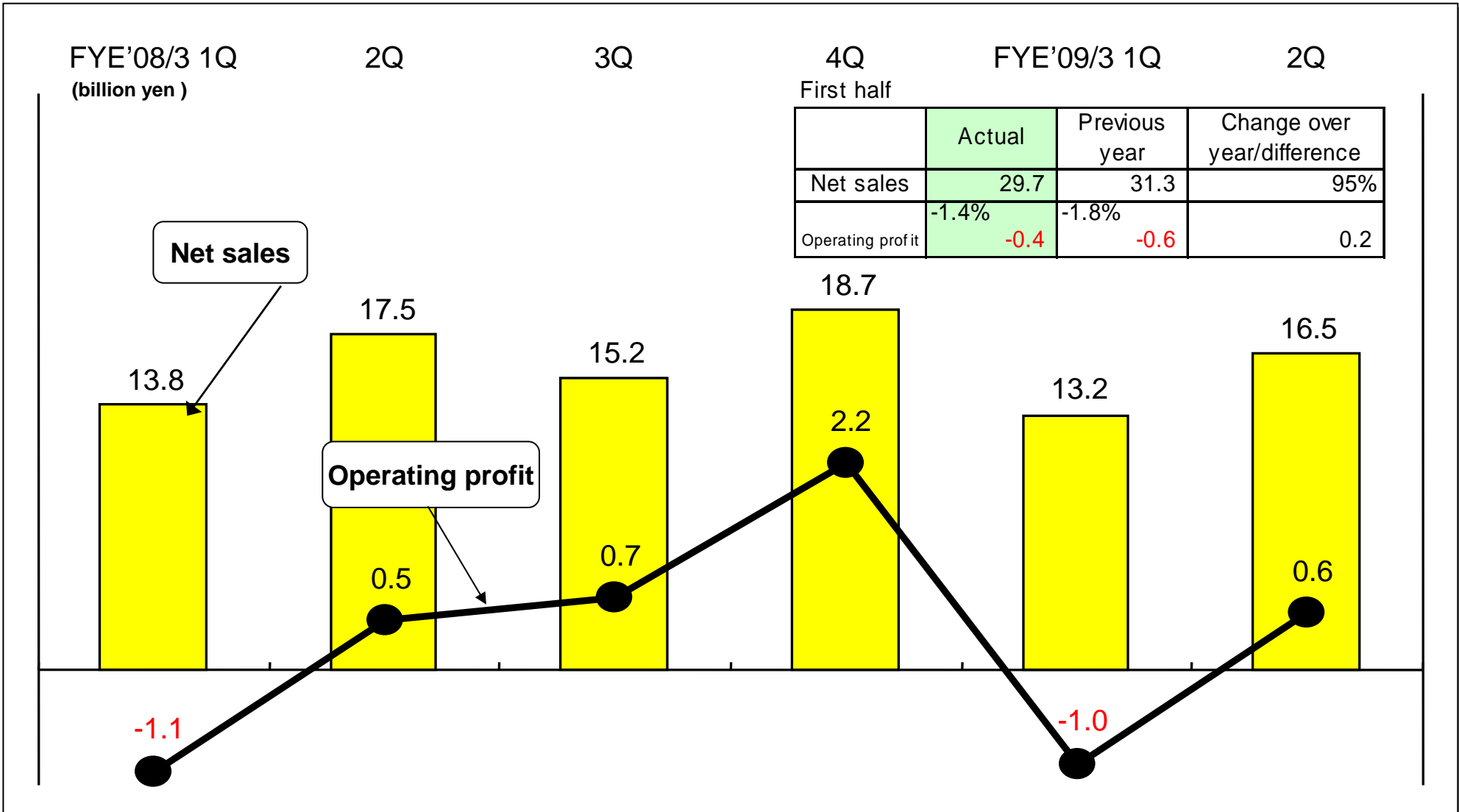
## Management Reform Effect Progress Report



# Business Segment - Entertainment



# Business Segment - Professional



# Financial Status

(billion yen)	07/3 (Annual)
Total assets	420.7
Net assets	133.8
Operating profit	-5.7
Operating profit on total assets (annual rate)	-1.3%

Inventory	(50 days) 103.8
-----------	--------------------

Corporate bond	30.0
Bank loan	90.5
Interest-bearing debts*	120.5
Net fund	-50.5

\* Lease liabilities not included

Free cash flow	12.5
----------------	------

Capital investment	13.3
Depreciation	16.8
Research and Development Expense	36.2

\*Molds not included in investments and depreciation

'07/9	'08/3 (Annual)	'08/9	vs / previus Year
405.4	315.0	301.9	-103.5
128.9	114.1	106.3	-22.6
-5.4	3.3	1.3	6.7
-2.6%	0.9%	0.8%	3.5%

50 days 94.4	(43 days) 78.5	(48 days) 72.3	(-2 days) -22.1
-----------------	-------------------	-------------------	--------------------

43.0	42.5	42.0	-1.0
73.0	27.1	32.2	-40.8
116.0	69.6	74.3	-41.7
-32.7	-26.2	-41.9	-9.3

-15.7	-5.3	-15.5	0.2
-------	------	-------	-----

3.2	7.0	4.4	1.2
8.4	16.3	5.7	-2.7
17.3	33.0	15.4	-1.9

# First Half Financial Results of Kenwood Corporation

Fiscal Year Ending March 2009

JVC Kenwood Holdings, Inc.

Deputy President & CFO

Hiroshi Odaka

October 28, 2008

# Summary of First Half Financial Results

Abbreviations referred to in the materials

CE: Car Electronics COM: Communications HE: Home Electronics



## Consolidated Profit & Loss

### Compared to same period of previous year

- \* Higher yen caused decrease in net sales and profit
- \* Slight decrease in net sales and increase in profit on local currency basis excluding the exchange rate effect

### Compared to beginning-of-initial plan

- \* Net sales exceeded beginning-of-period plan due to buoyant CE business
- \* Operating profits were lower than expectations partly because profits from earnings of overseas subsidiaries were posted in part as non-operating profits, and also because measures to surge earnings to address deteriorated market conditions in the second half of this second quarter failed to increase operating profits; on the other hand, recurring profits and interim profits surpassed expectations

### Consolidated P/L

(billion yen)

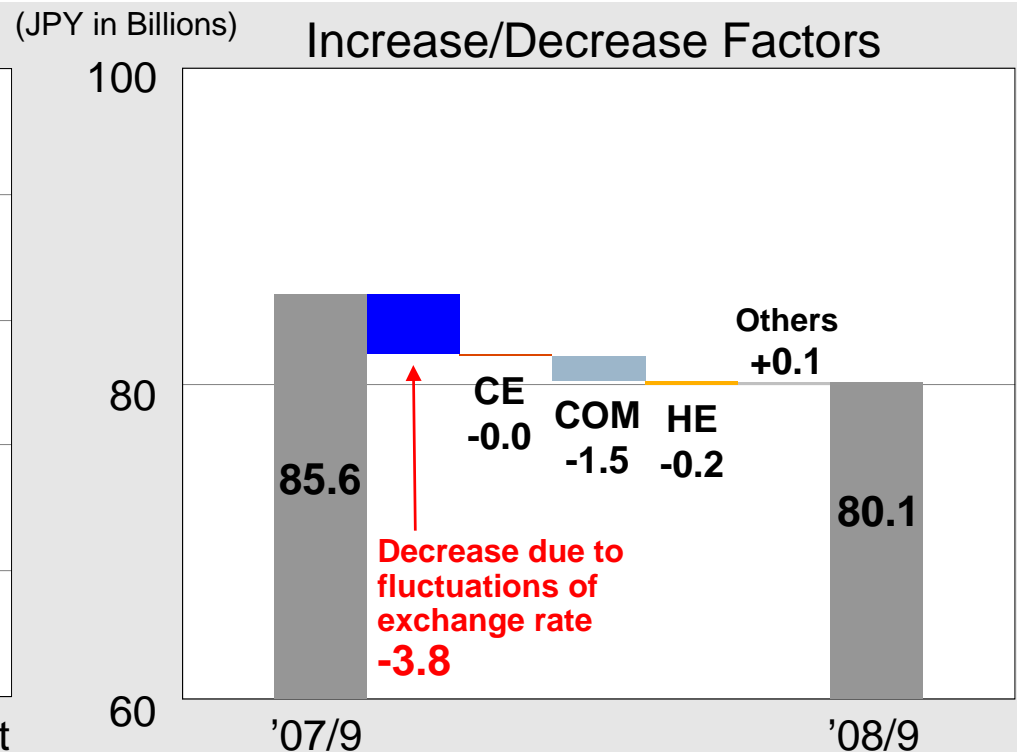
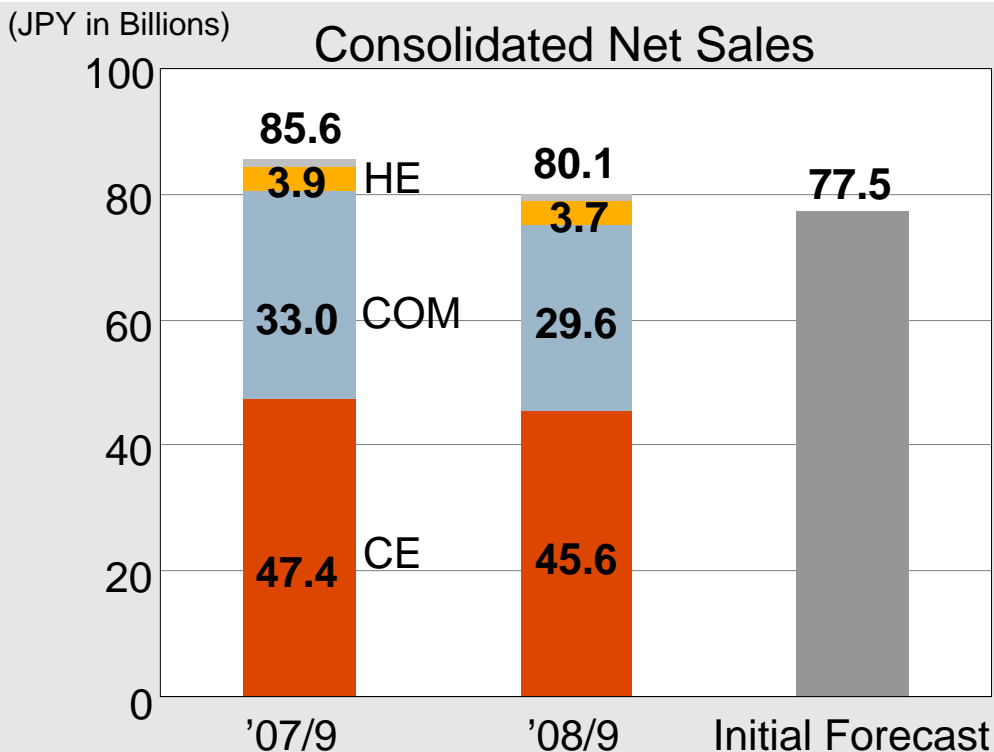
	'07/9		Initial forecast		'08/9		YoY		Difference from Initial Forecast	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Rate	Amount	Rate
Net sales	85.6		77.5		80.1		-5.5	-6.5%	+2.6	3.3%
Operating profit	2.6	3.1%	2.4	3.1%	1.5	1.9%	-1.1	-40.8%	-0.9	-35.5%
Ordinary Income	1.6	1.8%	1.0	1.3%	1.1	1.4%	-0.5	-29.9%	+0.1	10.8%
Net Income	1.2	1.4%	0	0.0%	0.1	0.1%	-1.1	-93.8%	+0.1	-

# Financial Results for the First Half of FYE'09/3

## Consolidated Net Sales

Approximately 80.1 billion yen, a decrease by 6.5% from previous period  
(compared to beginning-of-period forecast: +2.6 billion yen)

- \* Decreased by 5.5 billion yen from previous period (-6.5%) due to sluggish cell phone sales segment of COM business and higher yen despite robust CE business
- \* Sales growth of cellular phones excluding effects of foreign currency translation adjustments suffered a 2.1 percent drop from the previous term.

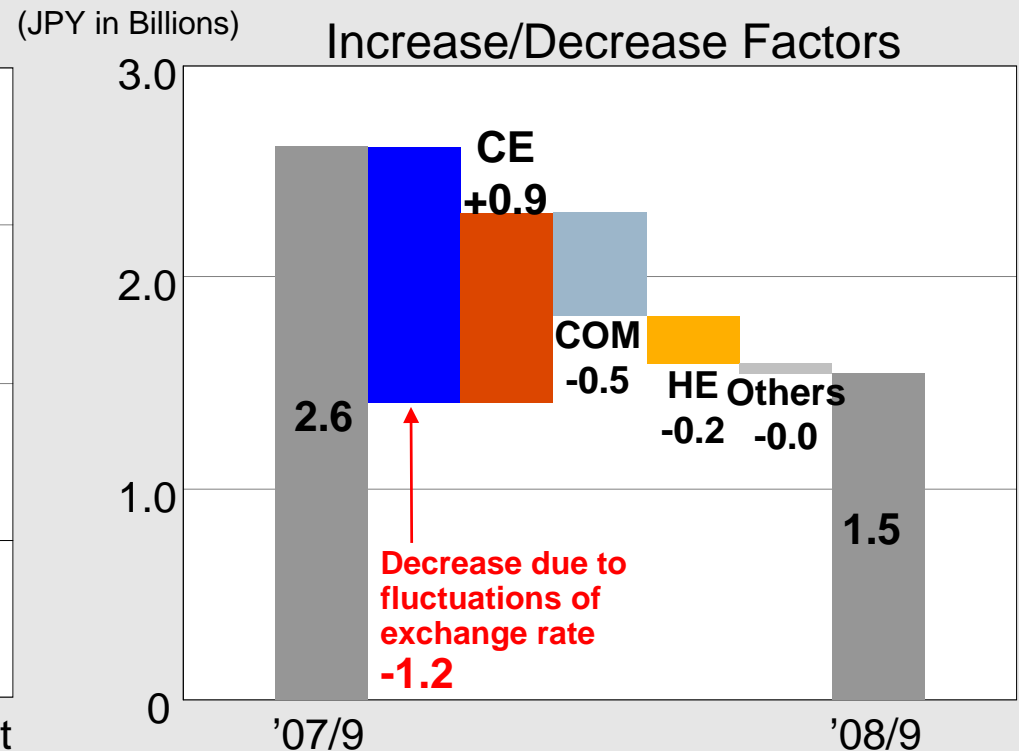
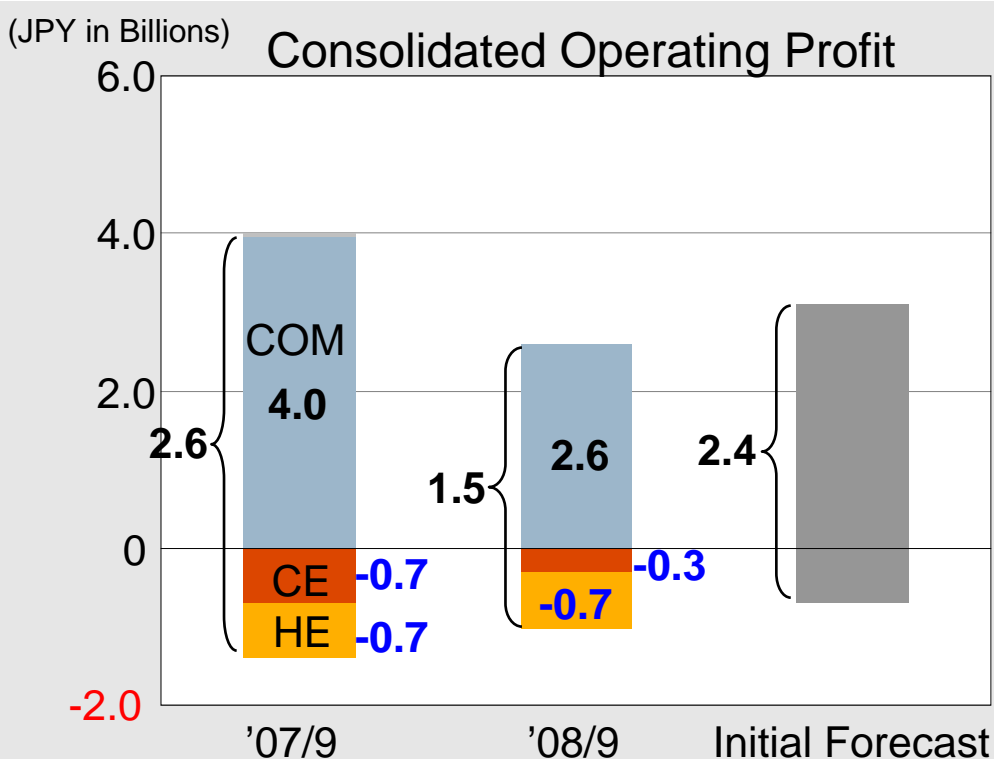


# Financial Results for the First Half of FYE'09/3

## Consolidated Operating Profit

Profits of approximately 1.5 billion yen were reported, a fall of 40.8 % compared with those of the previous term.

- \* Although profits were depressed by the higher yen and loss from inventory amounting to approximately 400 million yen, which contributed to the fall, improvement in earnings growth in CE segment led to narrowed losses to 1.1 billion yen, a decrease only by 40.8 % from the previous term.
- \* CE segment moved into the black, reporting higher earnings, an increase of 5.3 % on a term earlier, excluding effects of foreign currency translation adjustments.

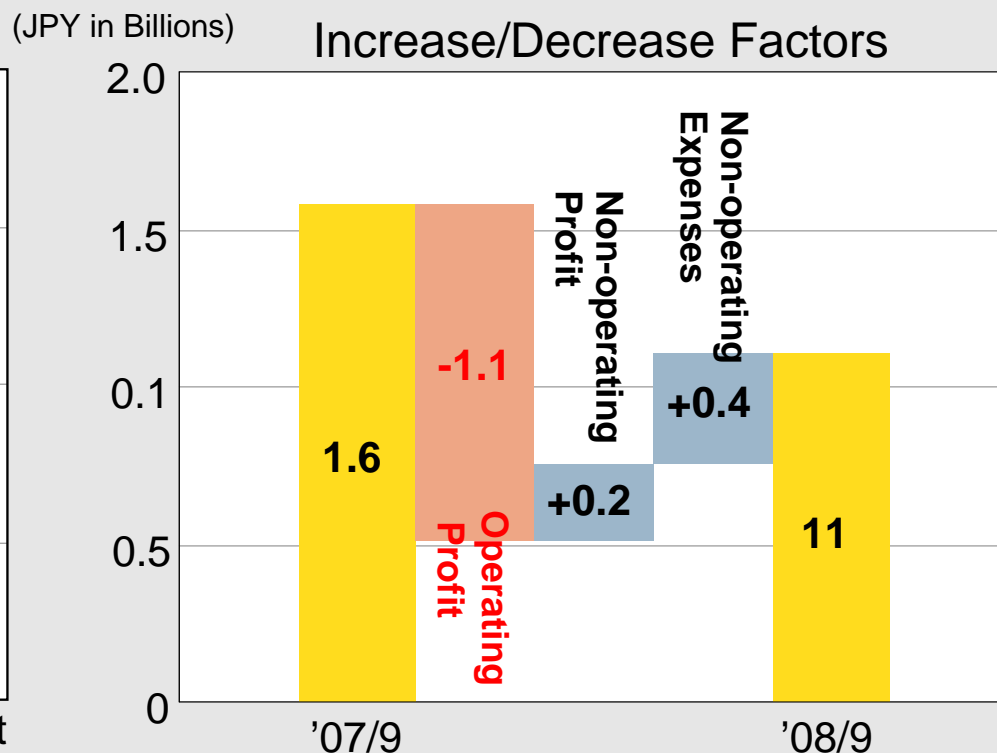
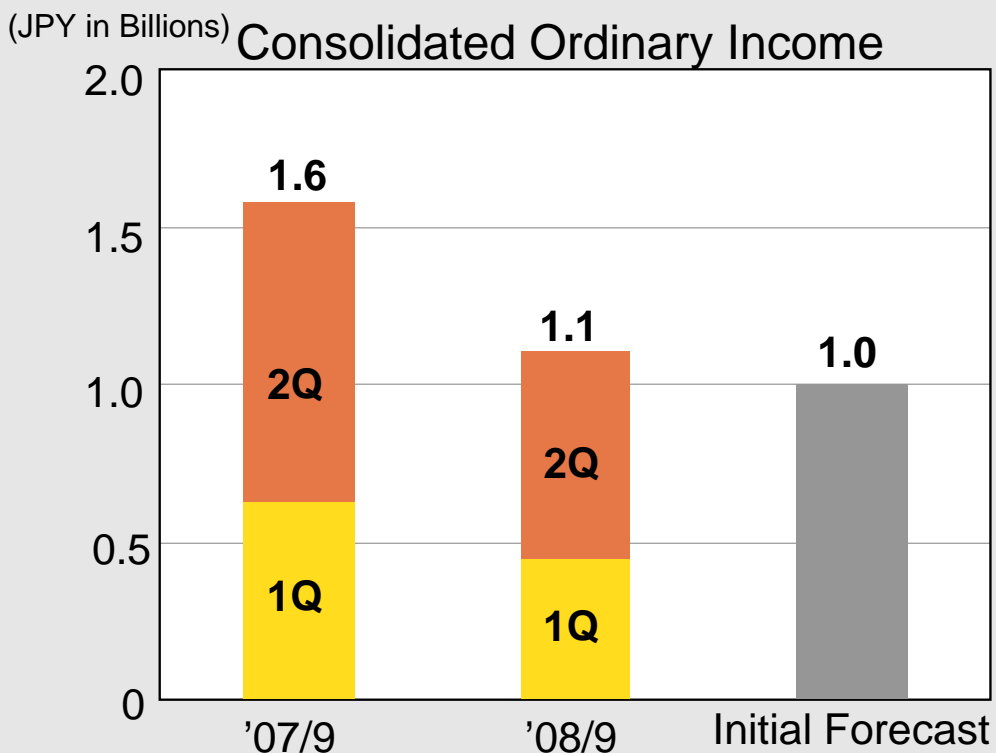


# Financial Results for the First Half of FYE'09/3

## Consolidated Ordinary Income

Approximately 1.1 billion yen, decreased by 29.9% from the previous period

\* An increase in non-operating profits including profits from earnings of overseas subsidiaries and decrease in non-operating expenses, partly making up for adverse effects of lower operating profits, limited a drop in net sales to 29.9 %, a fall in profits of 500 million yen from the previous term.

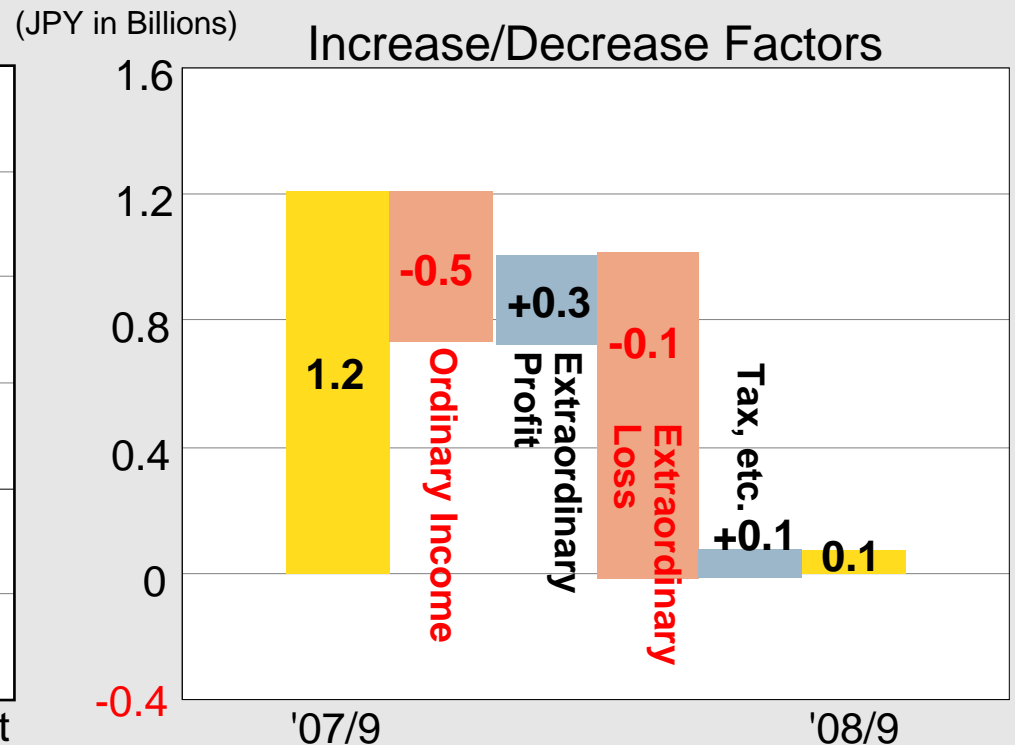
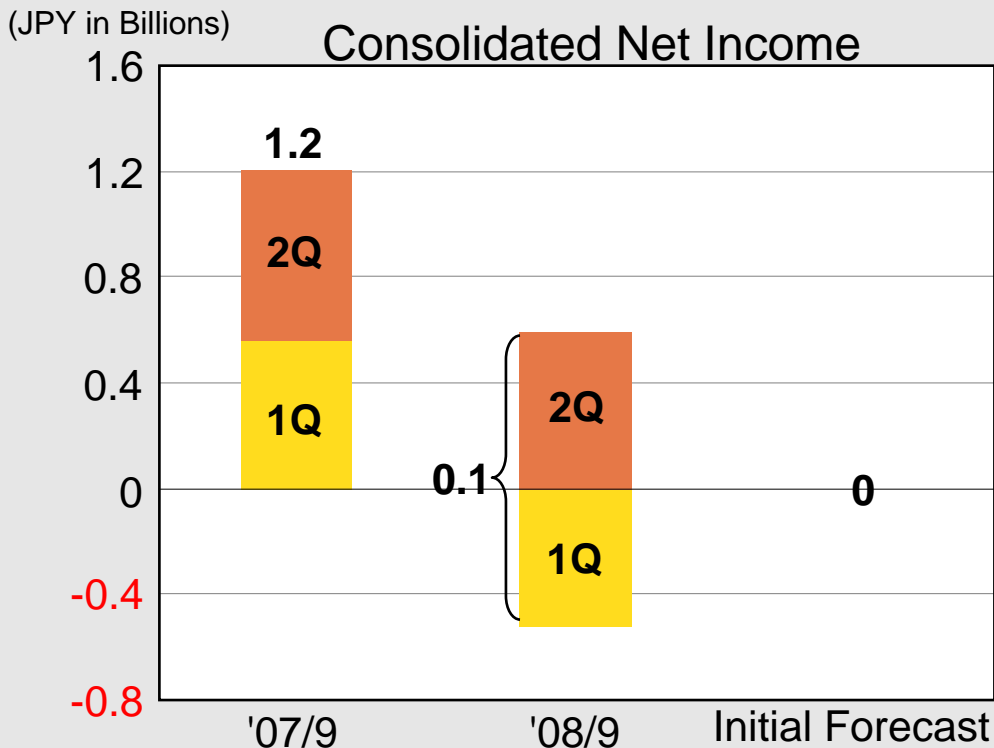


# Financial Results for the First Half of FYE'09/3

## Consolidated Net income

Approximately 100 million yen, a 93.8% decrease from previous period

\*In spite of a decrease in recurring profits as well as appraisal losses on inventory and special retirement reserves reported as extraordinary loss, profit from the sale of investment securities narrowed losses to 1.1 billion yen, a decrease only by 93.8 % from the previous term.



## Balance sheet

- \* Total assets decreased due to increase in accounts receivable and inventory, decrease in market value of investment in securities
- \* Net assets decreased due to decrease in retained earnings, decrease in unrealized gain on revaluation of other securities
- \* Interest-bearing debts and net debts decreased due to partial repayment of short-term debts

## Major Management Indices

(JPY in Billions)

	End of '07/9	End of '08/3	<b>End of '08/9</b>	Change from End of '08/3
Total assets	134.7	126.1	<b>115.4</b>	<b>-10.7</b>
Net assets	34.6	29.9	<b>25.4</b>	<b>-4.6</b>
Retained earnings	19.6	21.5	<b>20.8</b>	<b>-0.8</b>
Shareholders' equity ratio(%)	25.7	23.7	<b>22.0</b>	<b>-1.8</b>
Interest-bearing debt	53.8	51.4	<b>48.8</b>	<b>-2.6</b>
Net debts	35.6	36.4	<b>32.9</b>	<b>-3.5</b>

# Segment Information

# Financial Results for the First Half of FYE'09/3

## CE Business

**Net sales >> Approximately 45.6 billion yen, decreased by 3.8% from previous period**

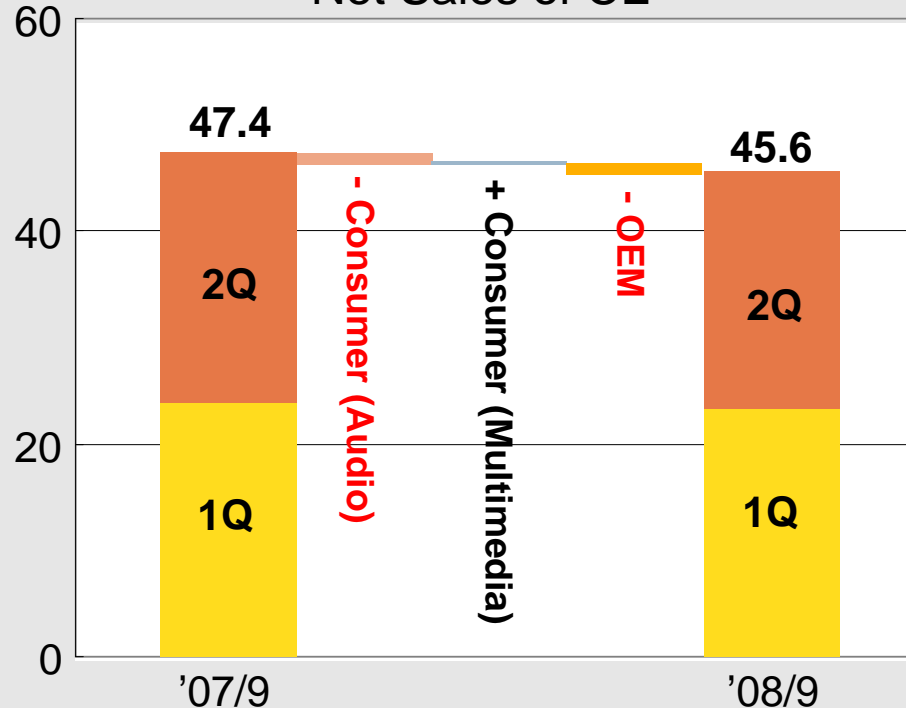
- \* Commercial segment is flat from previous period with robust overseas navigator and audio market absorbing higher yen effect
- \* The Company reported a decline in profits across the organization resulting from structural reform in OEM segment

**Operating profits >> A loss of approximately 300 million yen, half as much as that of the previous term, was reported.**

- \* Consumer segment, reflecting the stronger yen, reported a flat profit compared with the previous term.
- \* Improvement in profits from OEM segment due to structural reform to trim cost successfully reduced losses almost by half throughout the entity.

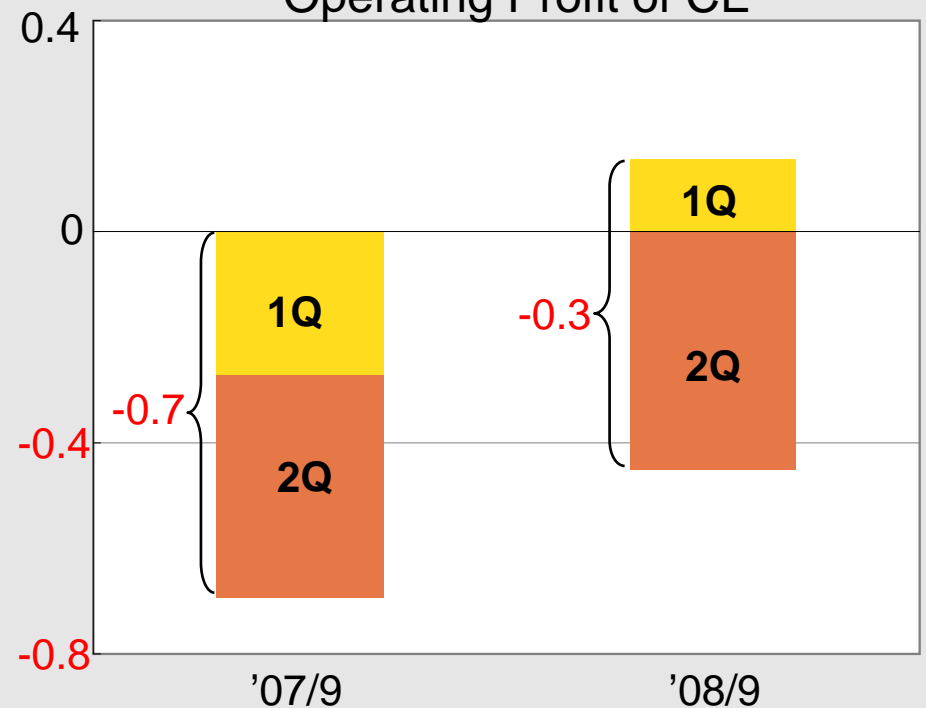
(JPY in Billions)

### Net Sales of CE



(JPY in Billions)

### Operating Profit of CE





# Financial Results for the First Half of FYE'09/3

## COM Business

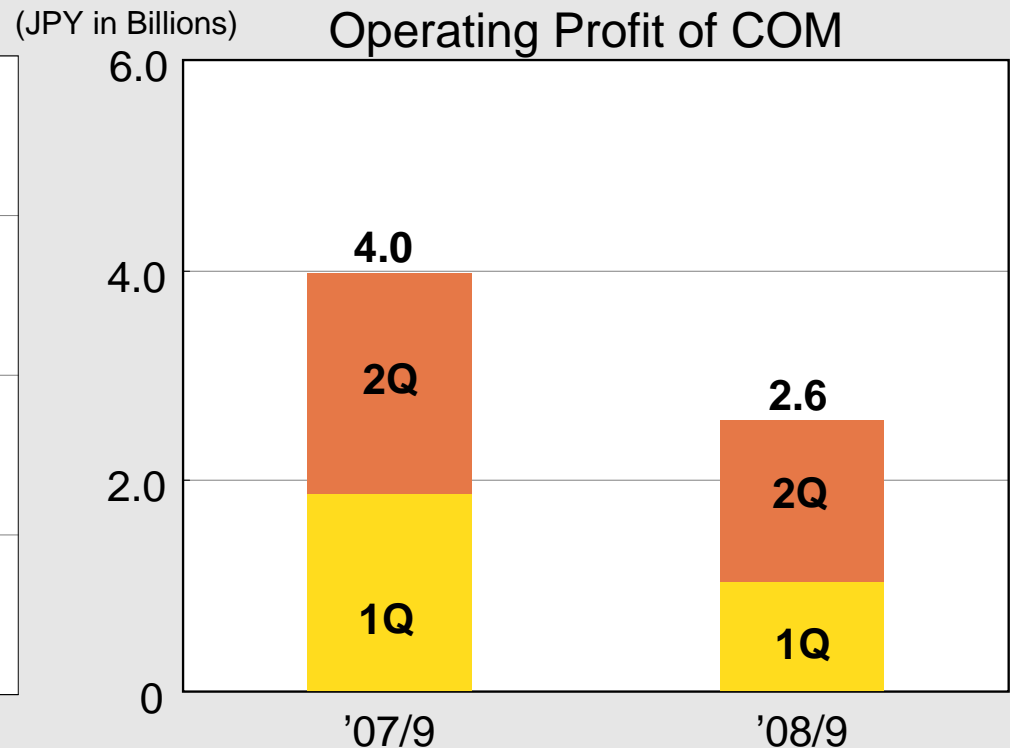
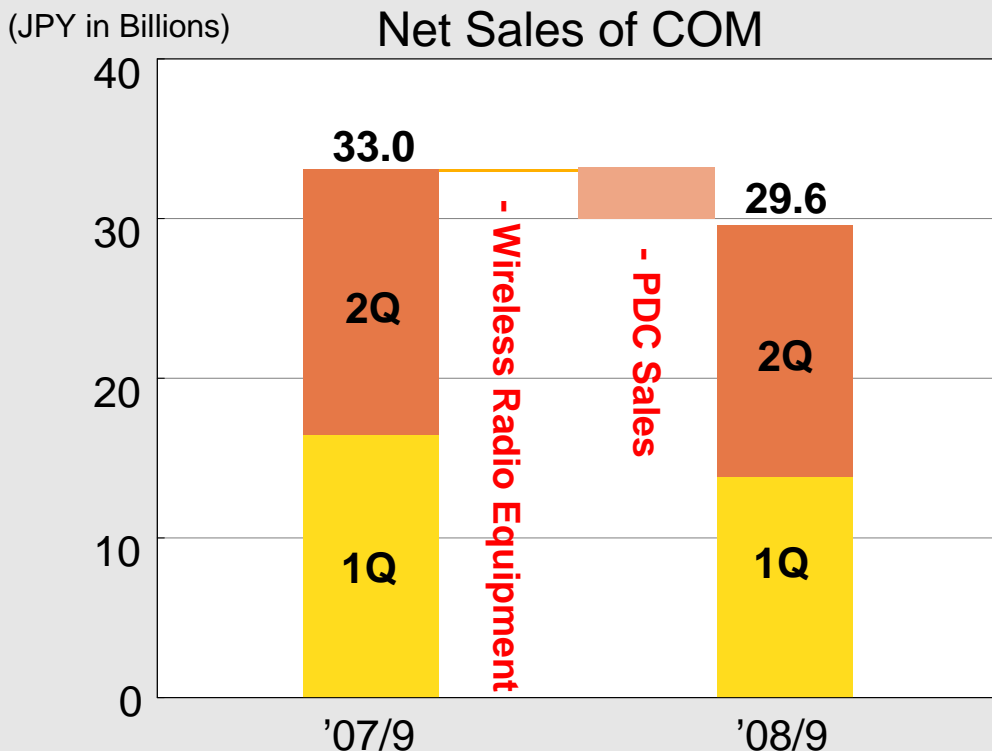
**Net sales >> Approximately 29.6 billion yen, a 10.3 decrease from previous period**

\* Net sales of wireless machinery segment, one of the core businesses of the Company, were the same level of last year's earnings owing to appreciation of the yen.

\* Decline in net sales of cellular phones resulted in lower profits across the organization.

**Operating profit >> Approximately 2.6 billion yen, a 34.9% decrease from previous period**

\* Profits were depressed by the higher yen, decline in net sales of cellular phones and effects of strategic investment.



# Financial Results for the First Half of FYE'09/3

## HE Business

**Net sales >> Approximately 37billion yen, 5.4% decrease from previous period**

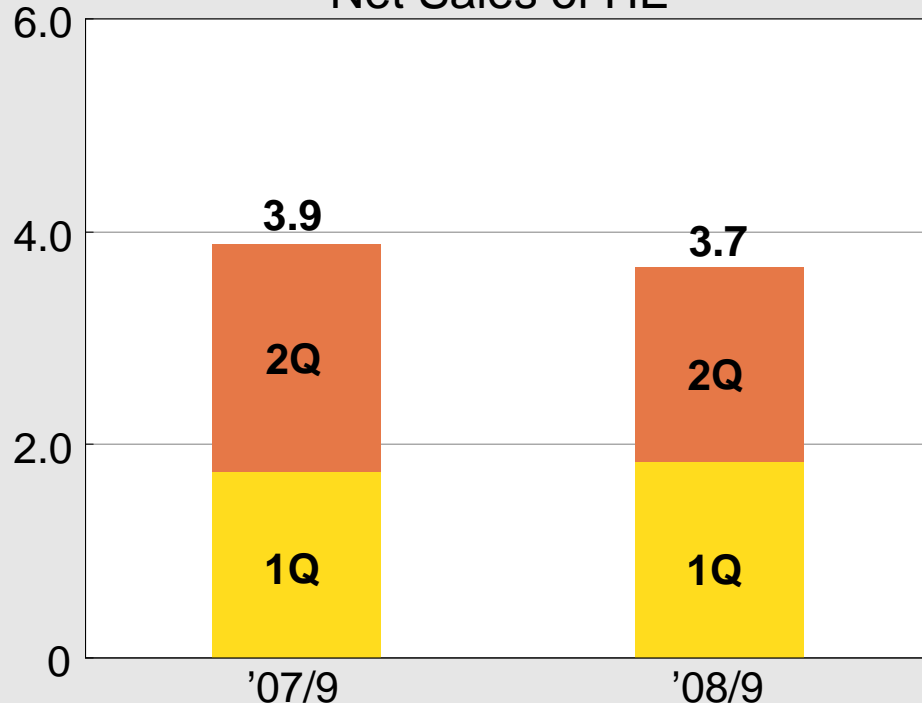
\* With the market shrinking, net sales remained the same level as the previous term, owing to the introduction of increased lineup and even more sophisticated, value-added products in each segment

**Operating profit >> Approximately -0.7 billion yen, about the same as previous period**

\* Deteriorated market condition partly offset results produced by the structural reform to manufacture even more sophisticated, value-added products coming up with results, which eventually led to earnings almost in line with the previous term.

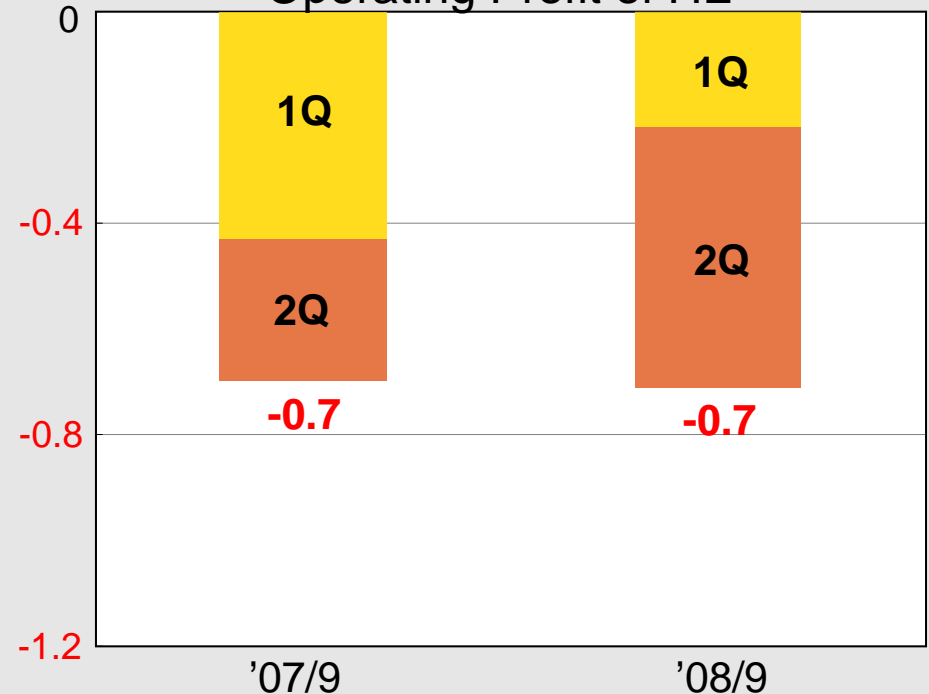
(JPY in Billions)

### Net Sales of HE



(JPY in Billions)

### Operating Profit of HE



# JVC Kenwood Group Business Forecasts and Priority Policies for the Second Half

## Fiscal Year Ending March 2009

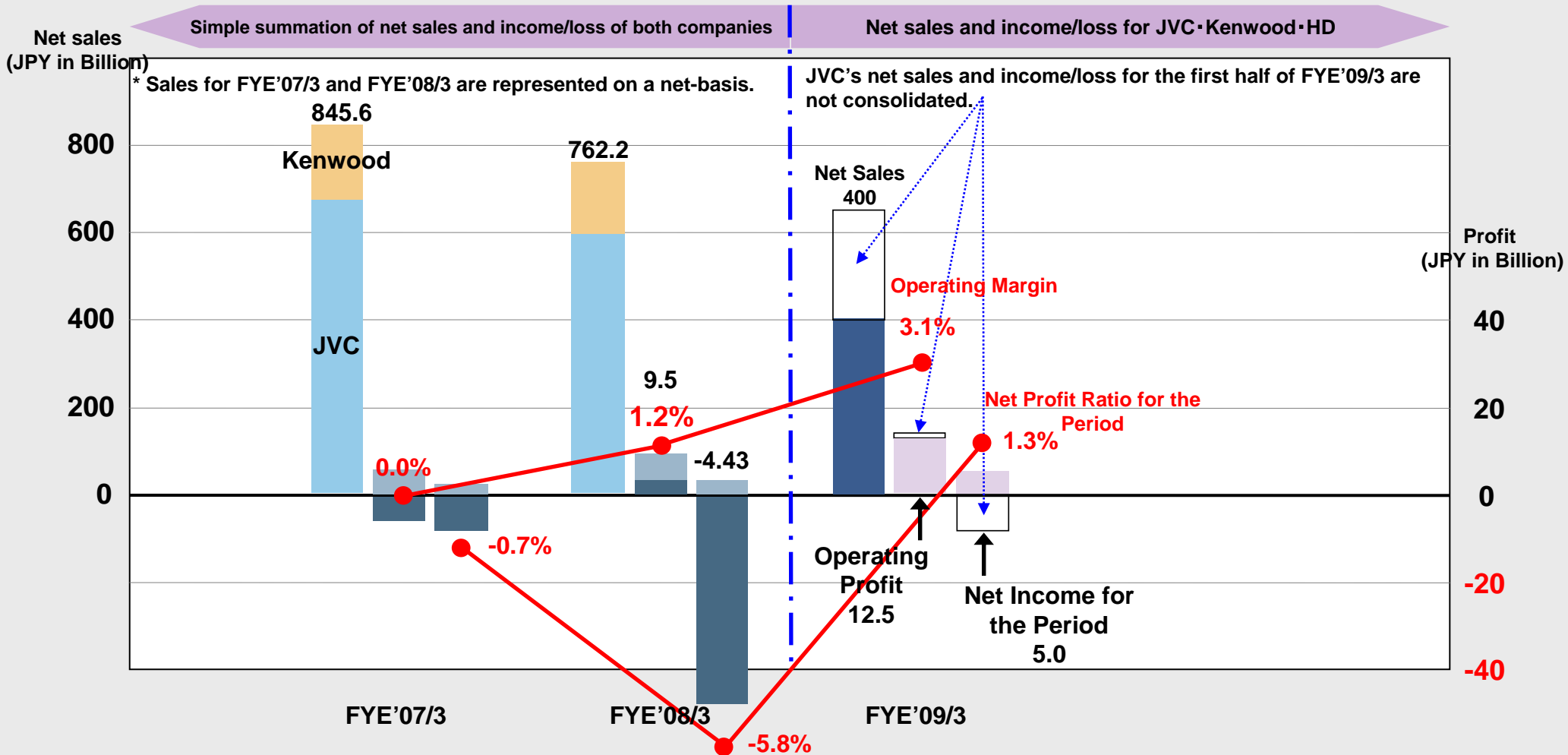
JVC Kenwood Holdings, Inc.

Chairman & CEO

Haruo Kawahara

October 28, 2008

## FYE'09/3 Results for JVC KENWOOD HD **lack continuity with the combined results of both companies up to 1st half of FYE'09/3**



- \*Establish principal measures considering worsening management environment.
- \*Committee to reform cost structure was established, undertaking an initiative to address deteriorated market conditions, and to make the utmost use of the integration as soon as practicable.

(JPY in Billion )

Net sales	Operating profit (operating profit ratio)	Ordinary profit (ordinary profit ratio)	Net income (net income ratio)
400	12.5 (3.1%)	7.5 (1.9%)	5.0 (1.3%)

\*Same as business forecasts announced on October 1, 2008.

\*Reflected are: (1) Change in the calculation method of net sales at JVC,  
(2) Depreciation for period in conjunction with negative goodwill incurred, and  
(3) Decline in estimated tax amount in line with application of consolidated tax system.

# Priority Policies for the Second Half

## Car Electronics Business

- \* Launch partially new product lineup for 2009 in advance
- \* Promote business using strengths of both brands and enhance cost competitiveness using J&K technologies
- \* Launch new AV-installed car navigation system in collaboration with Garmin U.S.
- \* Improve profits centered on result of structural reforms, dealer option products and devices for automobiles



Car navigation systems for overseas markets (All-in-one Type)



DVD/CD/USB Receiver



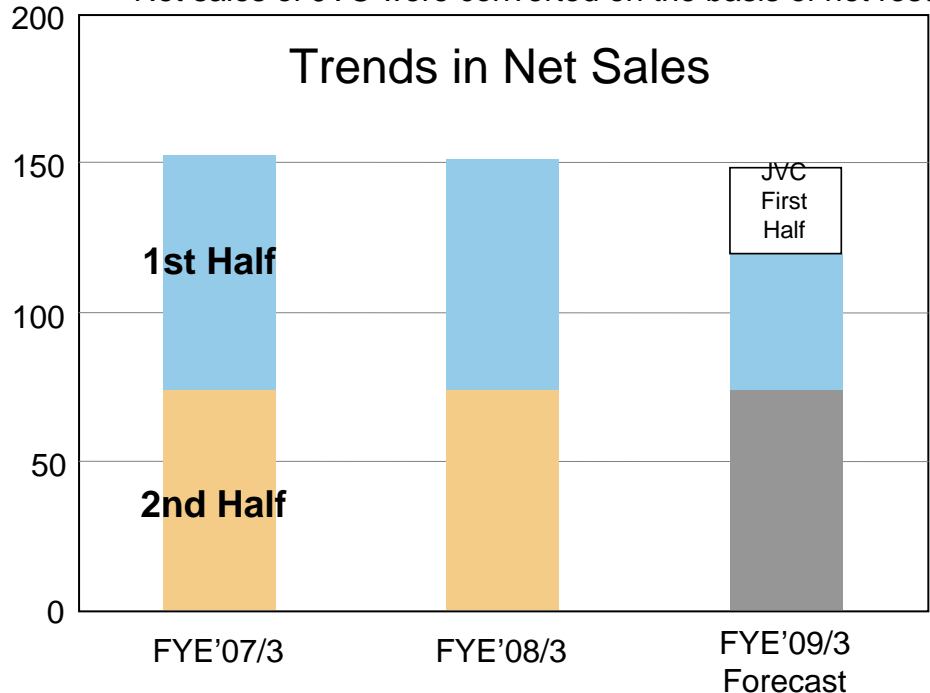
DVD mechanisms



High-sound quality trade-in speakers

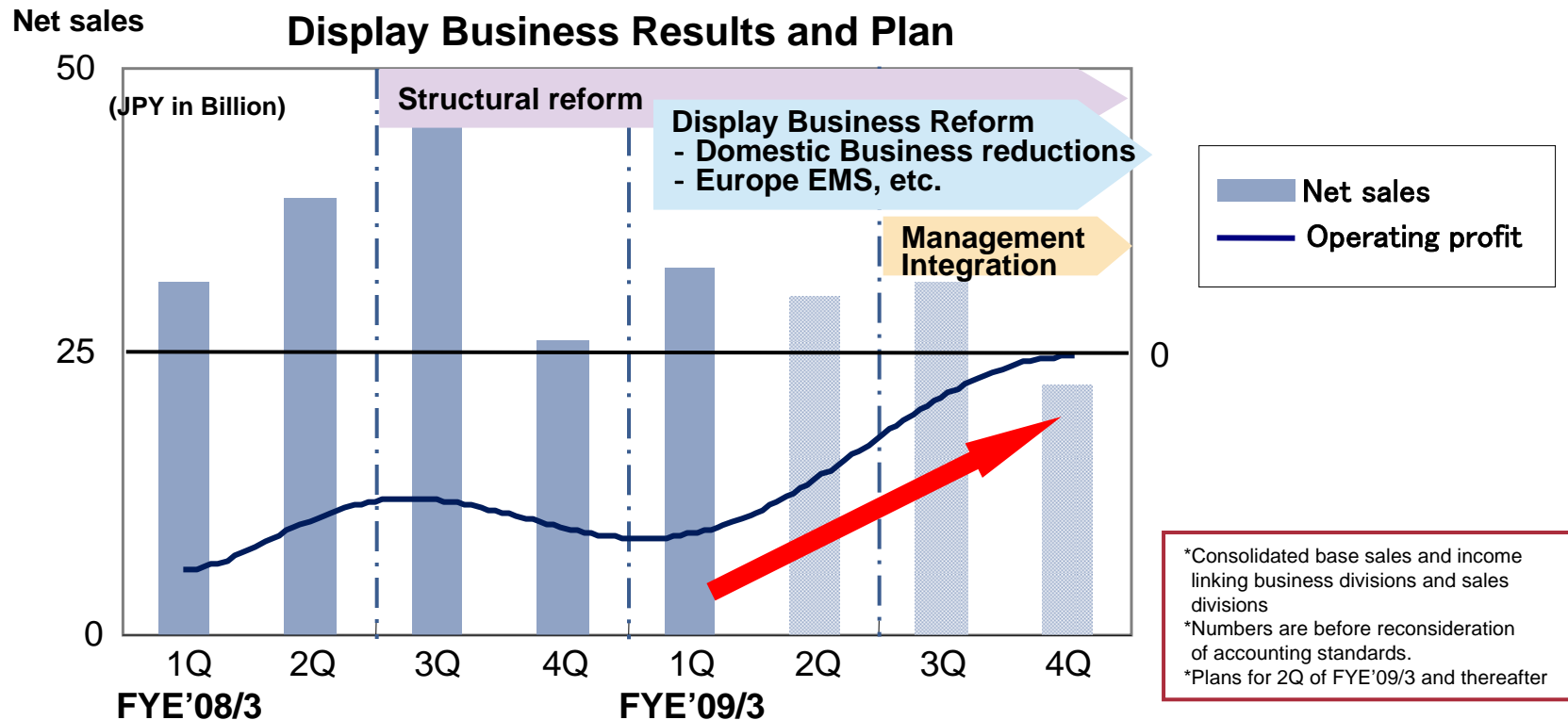
(JPY in Billions)

\* Net sales of JVC were converted on the basis of net results



## Home & Mobile Electronics Business - Display Segment

- \*Steadily execute business structural reforms and sure result implementation of results
  - >> - Trim domestic business - Accelerate Europe EMS ~ collaboration business
  - Reform overseas operations, etc.
- \*Execute measures to secure earnings against market recession
  - >> - Sure reduction of selling and general administrative expenses
  - Activate sales through launching new products in advance





## Home & Mobile Electronics Operations

- \*Home audio market: Better cost competitiveness and a wider range of profitable models as a result of cooperation and reducing unprofitable models  
Promotion of profitable AV accessory segment (including display segment)
- \*Camcorder market: Release of new products with high added-value



Hard disk camcorders



Stereo mini headphones

(JPY in Billions)

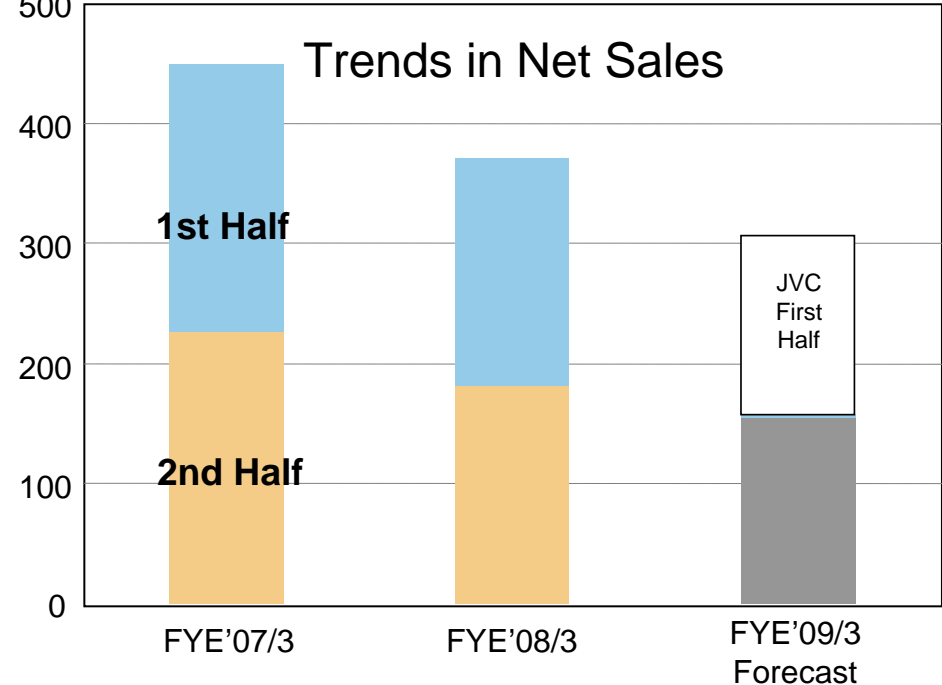


Blu-ray theatre



High-quality pure audio products

\* Net sales of JVC were converted on the basis of net results



## Professional System Operations

\*Stronger sales of Professional digital wireless devices and wireless systems

\*Generating new demand for systems for professional use, and wireless equipment for business use, taking advantage of the Company's network of products and sales



HDV camcorders for business



IP security systems

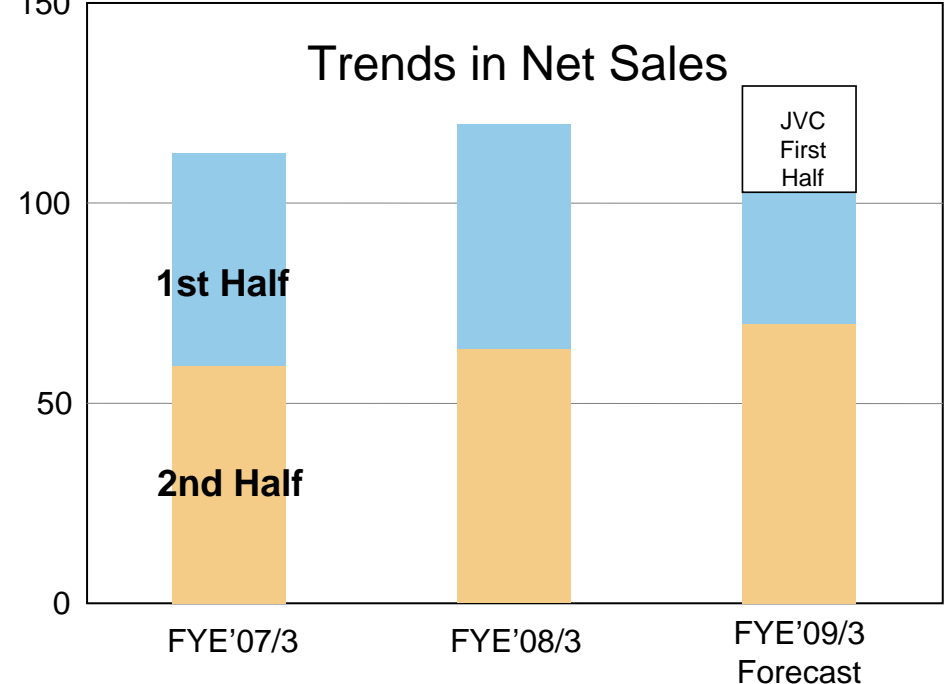


Wireless devices for business that comply with the latest digital wireless protocols



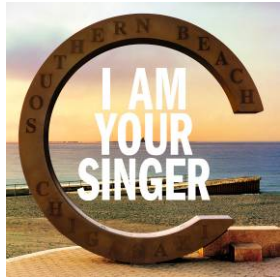
(JPY in Billions)

\* Net sales of JVC were converted on the basis of net results



## Entertainment Operations

- \* Redefining former sales policy
- \* Transfer of recording media segment: developing contents, strengthening artist career development plan, devotion to protect and obtain patents and other exclusive rights in relation to the Company's businesses, and even more efforts to curtail costs



Southern All Stars  
"I AM YOUR SINGER"



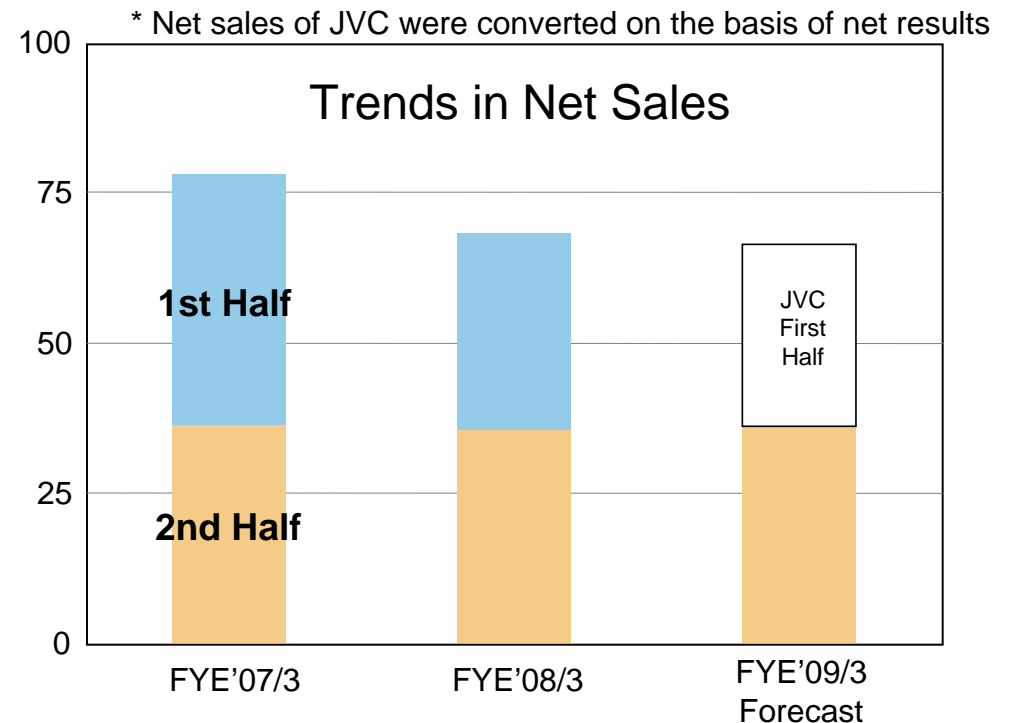
SMAP  
"This moment cannot be a dream"



BEGIN  
"Ichigo Ichie"



May'n/Ai Nakajima  
"Lion"



## Anticipated integration benefits for the second half of this financial year

### Apply purchase accounting

- \* Increase operating profit due to reduced retirement allowance payments and lower restructuring costs
- \* Increase non-operating income due to “negative goodwill”
- \* Lower tax payments by applying consolidated tax payment system

### Synergistic benefits

- \* Lower patent fee costs due to sharing intellectual property
- \* Lower development costs due to joint development
- \* Lower procurement costs due to joint component procurement, etc

### Income restructuring benefits

- \* Emergency measures
- \* Cost restructuring, etc

## Commitment to the Structural Reform to Reduce Costs

JVC established the committee to reform cost structure of the Company effective October 1, 2008 to encourage reform of cost structure to cope with deterioration of circumstances surrounding management of the Company, as the final phase of structural reform.

### (1) Management Structural Reform – Stronger and Consolidated Management Base

- \* Shift to consolidated operational structure where the process from manufacturing through sales is globally synchronized.
- \* More thorough approach to introduce consolidated management system across the entity including subsidiaries
- \* Develop “systematic management” and
- \* Curtail redundant costs involved in transactions between the Company and operating companies, and operating companies and subsidiaries, as well as among subsidiaries

### (2) Financial Structural Reform - Financial and Accounting Structural Reform

- \* Shift to cash management and management with a stress on fund raising throughout the group
- \* Strategic and functional fund raising
- \* Improve working capital through liquidation of fixed assets and depreciation of receivables
- \* Cost structure reform as the final phase of structural reform by applying the purchase method

## Commitment to the Structural Reform to Reduce Costs

### (3) Structural Reform to Reduce Costs – Reorganize Platform and Come up with a Grand Plan

- \* Corporate Division: Review of the cost structure of operating companies, system and objective of Development Division and IT investment
- \* Adopt Restructuring plan for the transactions between group entities in compliance with a new consolidated business strategy
- \* Introduce “manufacturing reform”
- \* Emergency measures

### (4) Business Structure Reform – Structural Reform of Profitability by Business Segment

- \* Display segment plans to enhance competitive advantage in terms of cost in exporting new products to European markets.
- \* Home Audio segment is cutting unprofitable products reflecting levels of profitability identified by geographical area and merchandise.
- \* Structural reform to be carried out by each segment, in a forward looking way

# JVC KENWOOD HOLDINGS

Expressions contained in this presentation materials referring to the Company's future plans, intentions and expectations are categorized as forward-looking statements. Such statements reflect management's expectations of future events, and accordingly, they are inherently susceptible to risk, uncertainty and other factors, whether known or unknown, and may be significantly different from future performance. These statements represent management's targets as at the time of issuing these presentation materials, and the Company is under no obligation and expressly disclaims any such obligation, to update, alter and publicize its forward-looking statements in the event of changes in economic climate and market conditions affecting performance of the Company. Risk factors and other uncertainty which may exert the Company's actual performance include: (1) violent fluctuations in economic circumstances and supply and demand system in major markets (Japan, the .s, EU and Asia); (2) restrictions including trade regulations applicable to major markets including Japan and other foreign countries; (3) sharp currency fluctuations of the exchange rate of the dollar, euro, etc. against the yen; (4) marked fluctuations in exchange rate in the capital market; and (5) change in social infrastructure due to short-term change in technology, etc.; provided, however, that above is not a comprehensive list of all the factors which may exert a significant influence on the Company's performance.