Translation for Reference Only

JVC Kenwood Group's Results and Forecast Briefing

First Quarter of Fiscal Year Ending March 2011

JVC KENWOOD Holdings, Inc
July 29, 2010

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Financial Results Overview for 1Q of Fiscal Year Ending March 2011

Hisayoshi Fuwa, Director and CFO

Business Forecasts and Future Measures for Fiscal Year Ending March 2011

Haruo Kawahara, Chairman, President and CEO

Financial Results Overview for 1Q of the Fiscal year Ending March 2011

Hisayoshi Fuwa, Director and CFO

[Abbreviation]

CE: **Car Electronics**

BB: **Home & Mobile Electronics**
COM: Communications, BS: Business solution

HM: **Home & Mobile Electronics**
DP: Display, CAM: Camcorder,
HA: Home audio, AVC: AV Accessory

SE: **Entertainment**

1Q - Financial Results - Summary

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[Net sales]

* Sales for the CE business increased substantially following the 4Q of the previous fiscal year, while sales for the HM business decreased sharply due to the curtailment of DP operations and a decrease in sales of CAMs.
* The Group's sales declined from the previous fiscal year as expected.

[Profits/Losses]

* Earnings capabilities of the CE and COM businesses recovered, as they did in the previous 4Q. Earnings of the HM, BS and SE businesses improved sharply.
* The Group's earnings improved more than expected.

(billion yen)

	Net sales	Operating profit	Ordinary income	Net income	Exchange rate
1Q FYE 3/'11	88.7	2.4	1.8	-0.4	USD: JPY 92 Euro: JPY 117
1Q FYE 3/'10	98.6	-6.9	-8.6	-9.5	USD: JPY 97 Euro: JPY 133

1Q - Financial Results - Quarterly financial results

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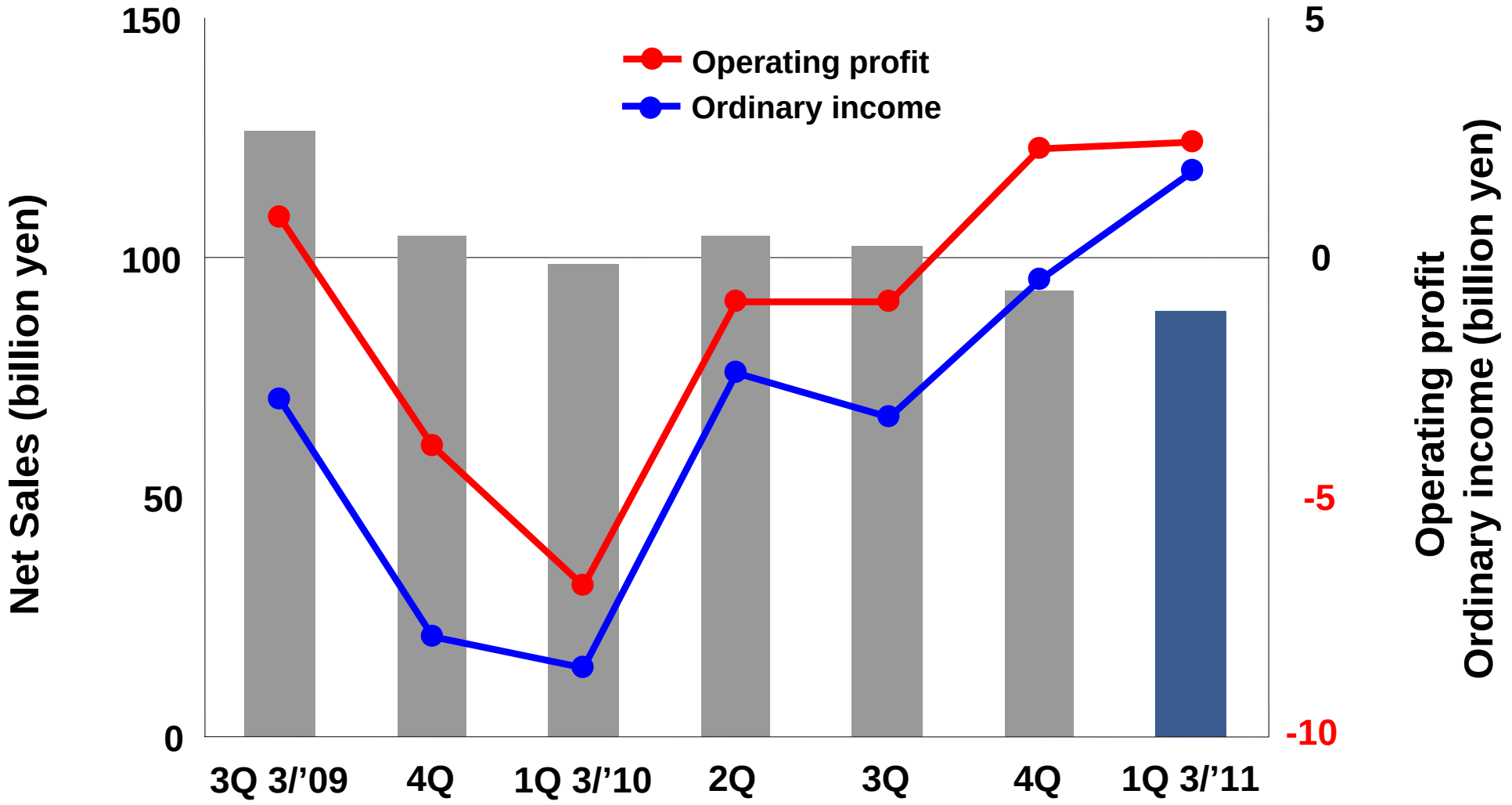
* Since the management integration, operating profit hit a record high for the second quarter in a row.

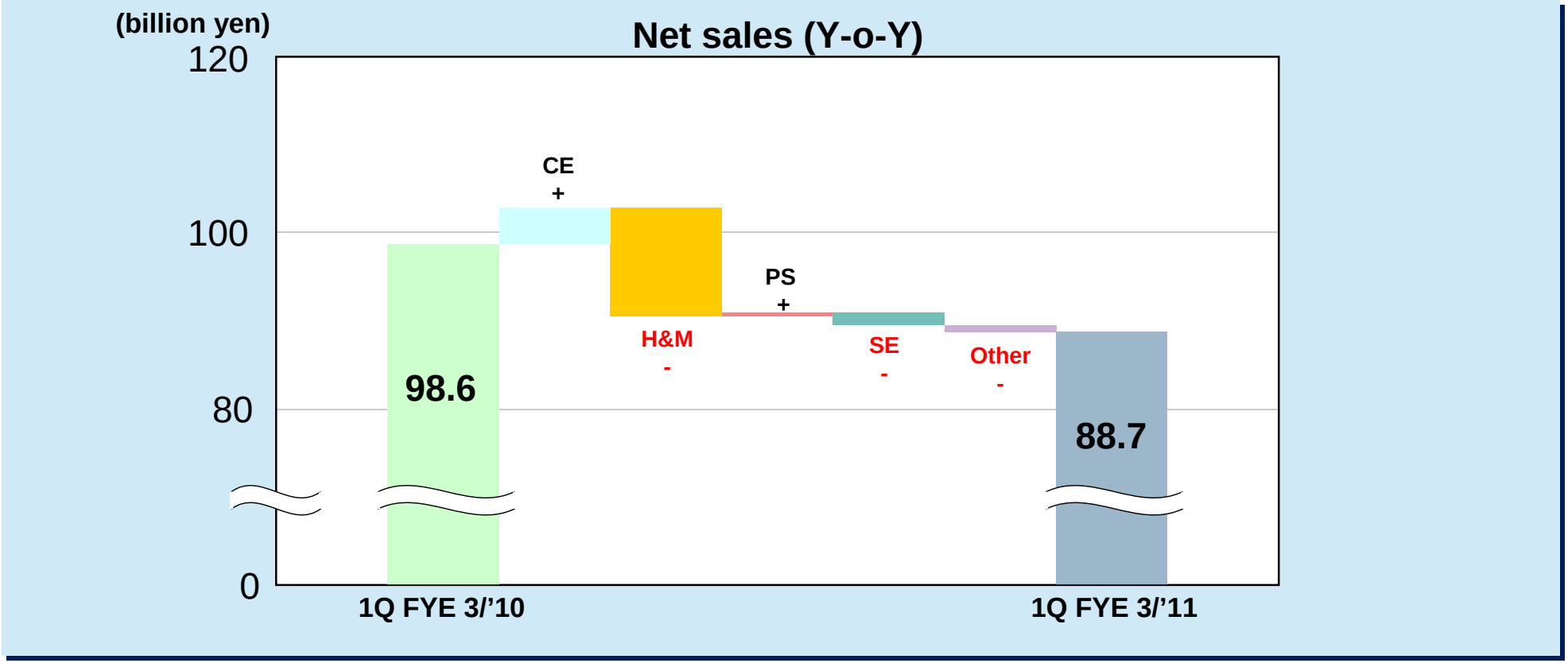
* We posted an ordinary income for the first time since the management integration.



1Q - Financial Results - Net Sales

1Q : JPY88.7B (down 10.0% year on year)

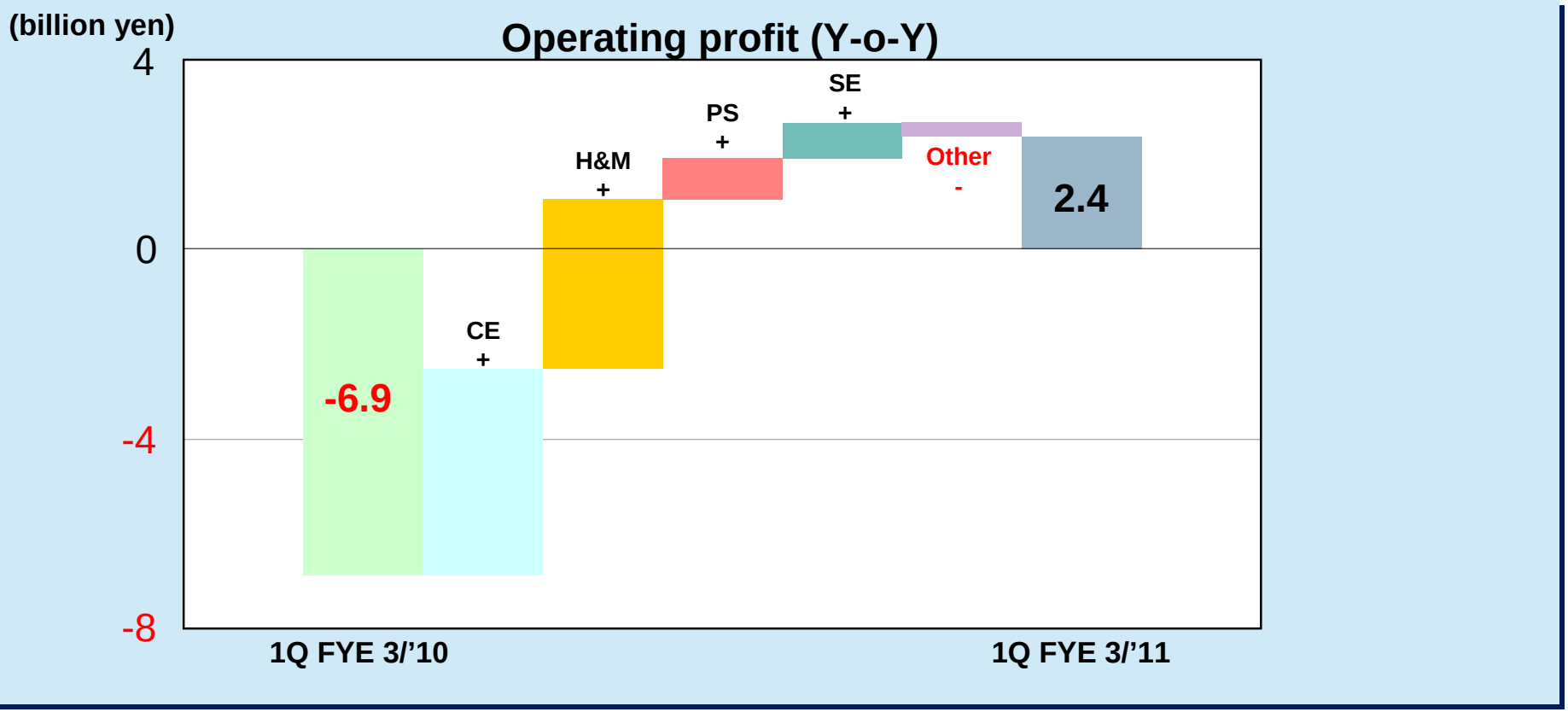
* In the CE business, sales rose sharply as the consumer segment's market share expanded and the OEM segment increased sales following the previous 4Q. The CE business became the Group's largest business in terms of sales.
* Sales for the HM business decreased substantially due to the curtailment of DP operations and a drop in sales of CAMs.
* Consolidated net sales declined 10% from the corresponding quarter of the previous fiscal year in line with our expectations.



1Q - Financial Results - Operating profit

1Q : JPY2.4B (up JPY9.3B year on year)

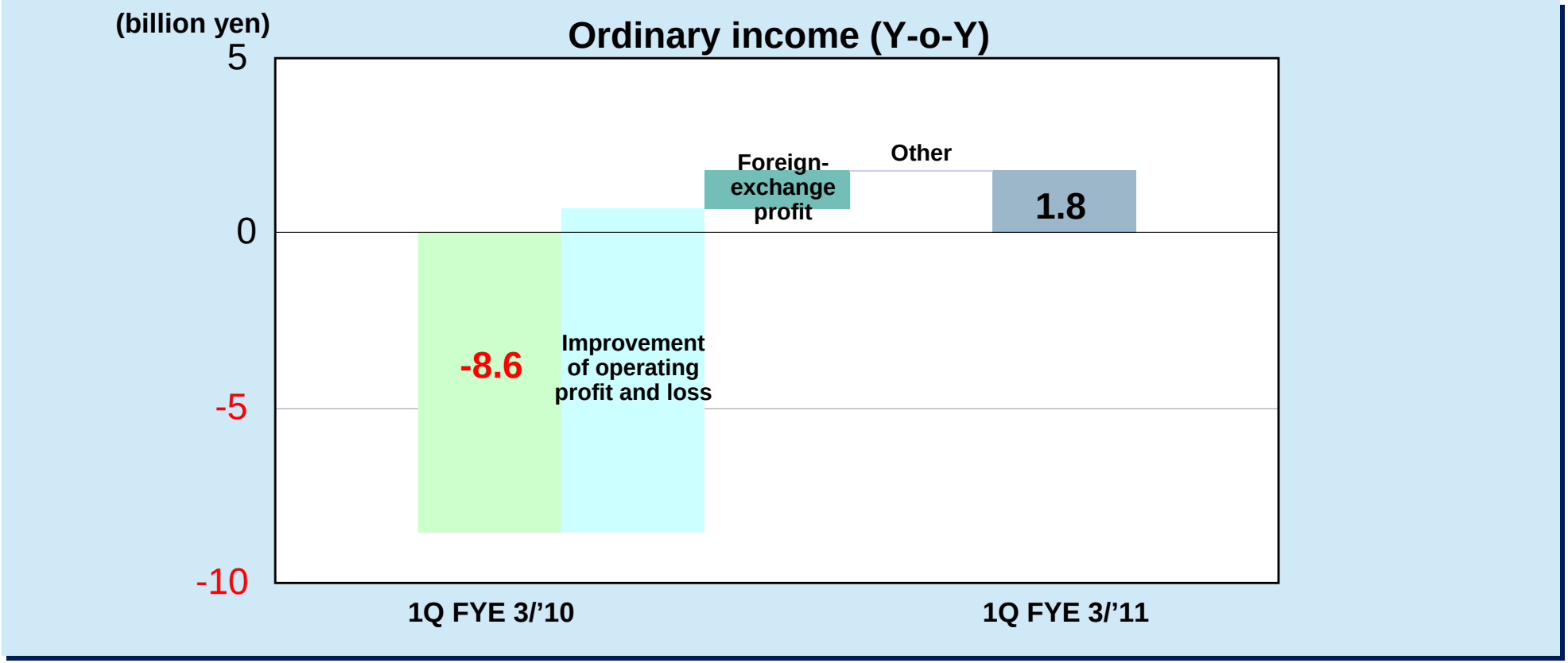
* Earnings capabilities of both the CE and COM businesses recovered following the previous 4Q, and both businesses moved into the black following the red ink seen in the corresponding quarter of the previous fiscal year.
* Fixed costs reduced markedly due to business structural reforms, and losses of unprofitable businesses decreased sharply, resulting in higher earnings of the HM and SE businesses and the BS segment.
* Operating profit improved JPY9.3B from a year earlier, which is far above our expectations, marking a record high since the management integration for the second consecutive quarter.



1Q - Financial Results - Ordinary income

1Q : JPY1.8B (up JPY10.4B year on year)

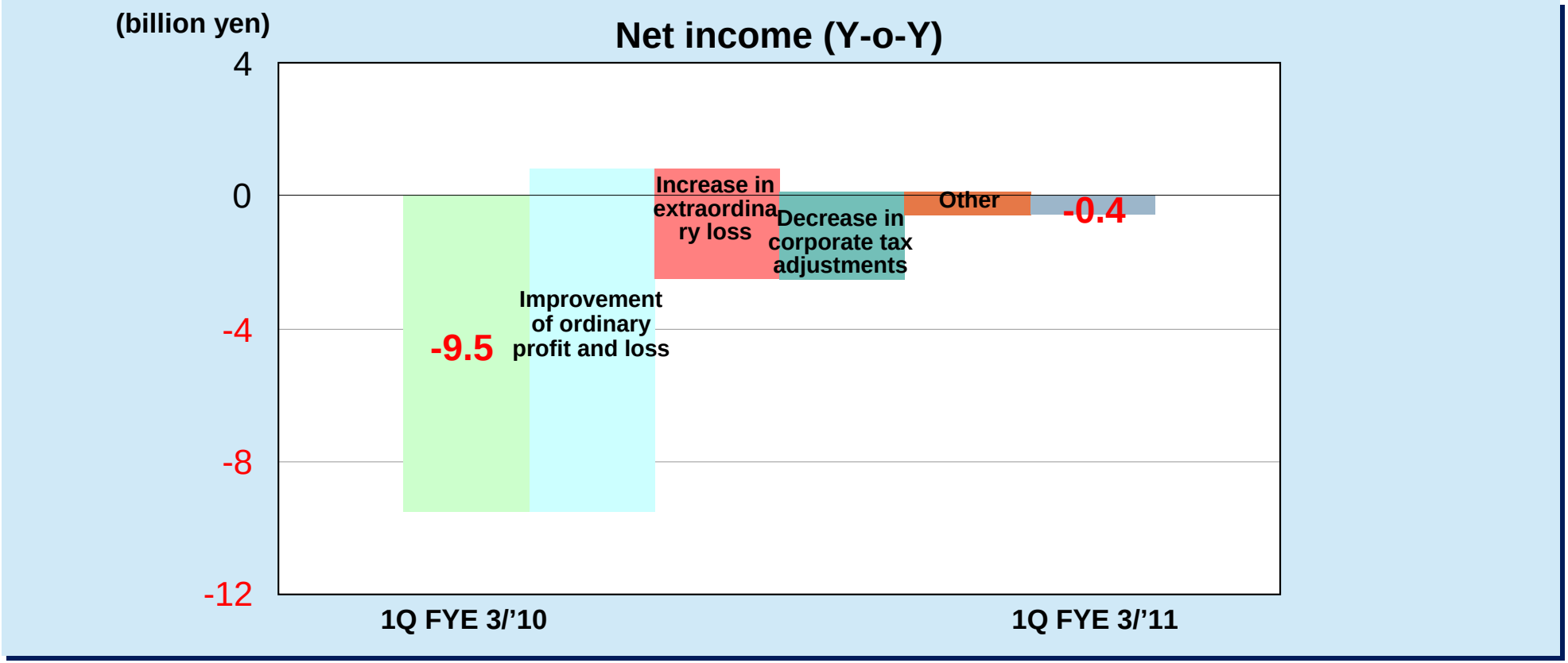
* Operating profit improved sharply, and non-operating profit and loss improved thanks to foreign-exchange gains (JPY1.1B).
* Reflecting the above, consolidated ordinary income improved JPY10.4B from a year ago, a figure far above our expectations, turned positive for the first time since the management integration.



1Q - Financial Results - Net income

1Q : JPY-0.4B (up JPY9.1B year on year)

* Extraordinary loss was a total of JPY4.3B (up JPY3.3B year on year), including losses on sale of fixed assets (JPY1.8B), allowance for levies (JPY1.5B) and asset retirement obligations.
* Net income, however, improved JPY9.1B from a year ago, far exceeding our expectations, due chiefly to a sharp improvement in ordinary income and a decrease in corporate tax adjustments (JPY2.6B).



1Q - Financial Results - Analysis of Year-on-Year Changes

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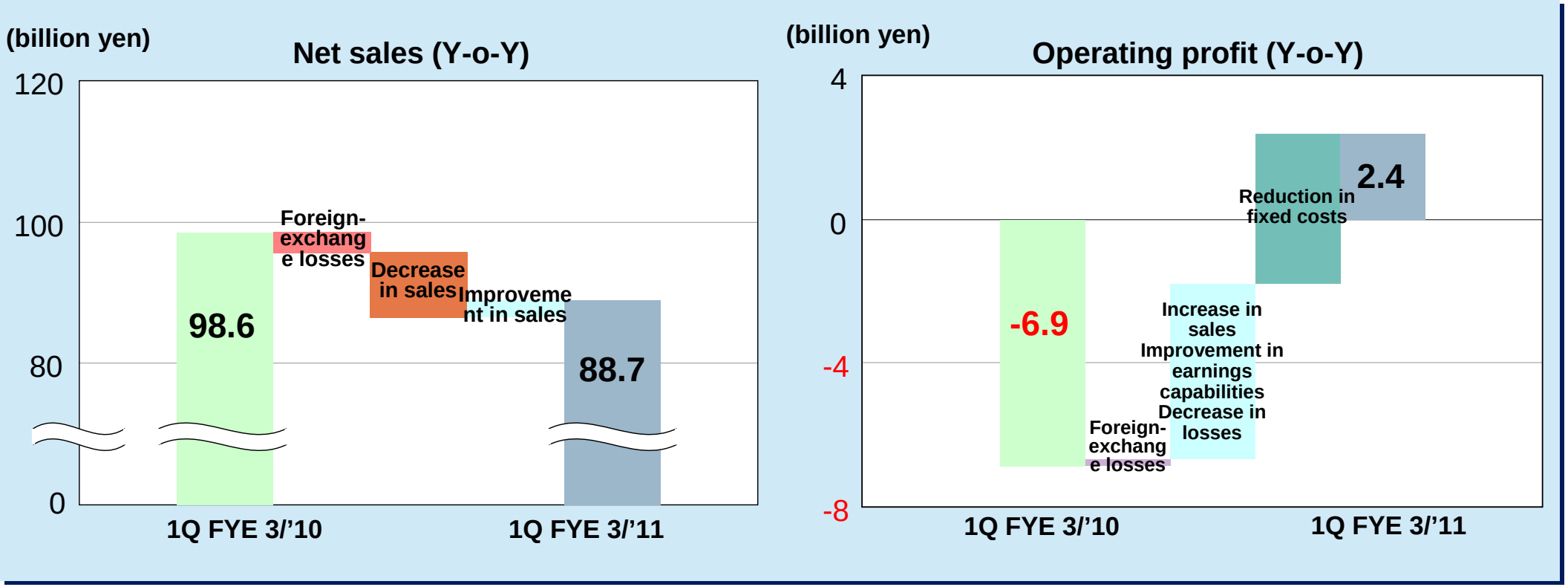
* Net sales dropped sharply due to a decrease in sales for the HM business (caused by the curtailment of DP operations and a fall in sales of CAMs).
* Profits rose substantially thanks to expanded sales and improved earnings capabilities (in the CE business), decreased losses (in DP operations) and reduced fixed costs (in the HM and BB businesses).



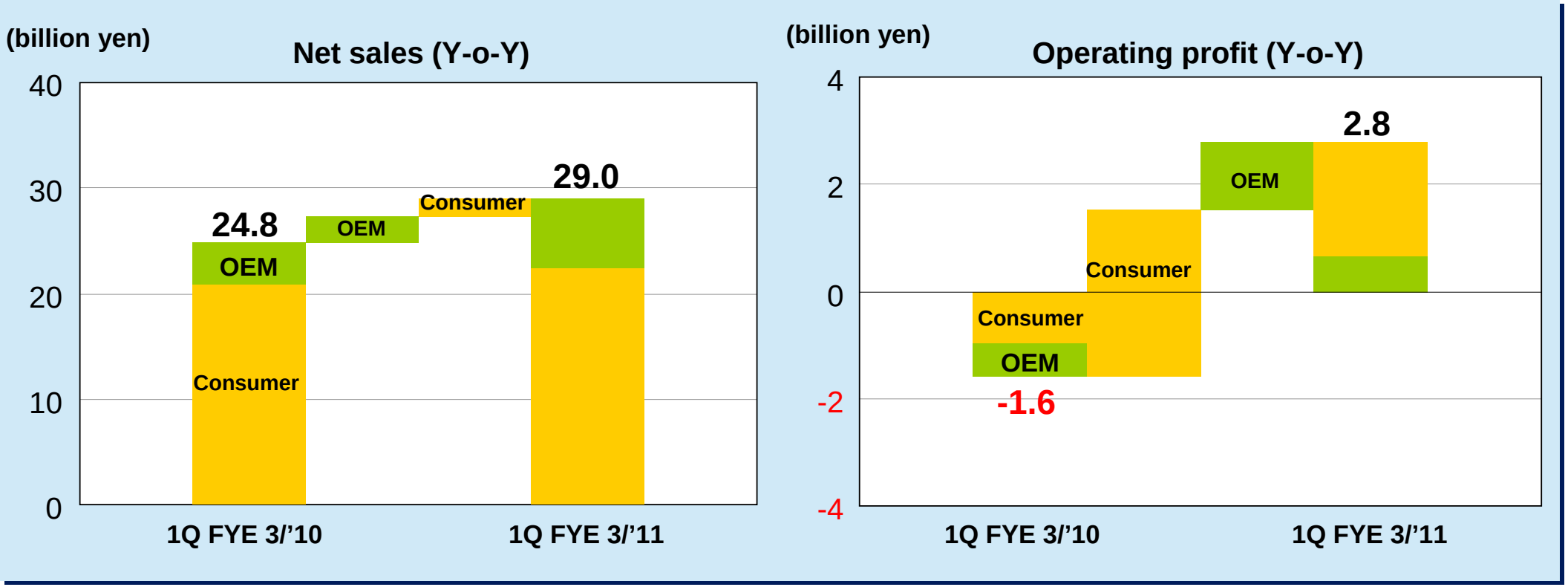
Information by Business Segment

1Q - Car Electronics Business

Net sales: JPY29B (up 16.7% year on year)

Operating profit: JPY2.8B (up JPY4.4B year on year)

* **Consumer: Sales increased in emerging countries and the market share was boosted in Europe and the U.S. This was due to the expansion of new product lineups for 2010, whose cost competitiveness strengthened as a result of the management integration. In the domestic market, sales of car navigation systems using flash memory contributed to sales for this segment.**
* **OEM: Sales of car navigations systems for dealer options increased, and shipments of CD/DVD mechanisms to be mounted in vehicles also further rose.**
* **As a result, net sales rose 16.7% from a year earlier. Operating profit remained strong, improving JPY4.4B year on year.**

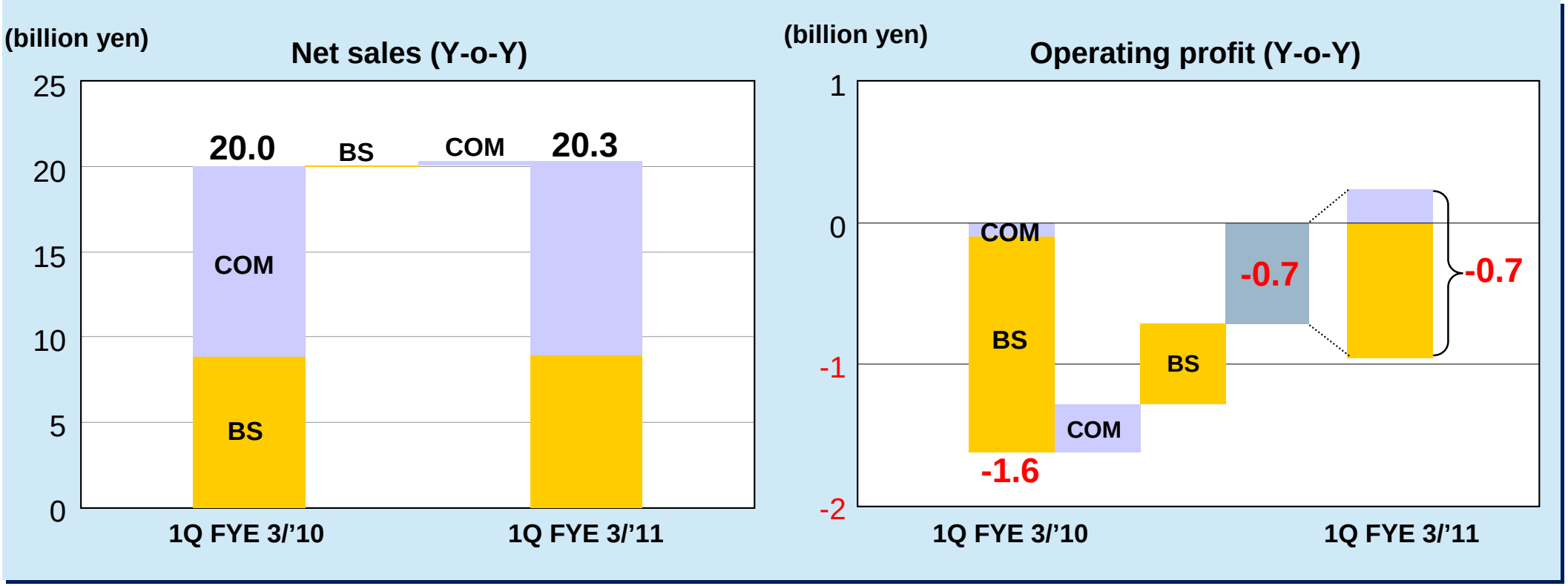


1Q - Professional System Business

Net sales: JPY20.3B (up 1.8% year on year)

Operating profit: JPY-0.7B (up JPY0.9B year on year)

* **COM: In the U.S., orders received for products for public safety started to recover, and sales of digital radio systems increased due to continued strong private-sector demand, including demand related to railways. In addition, sales of such digital radio systems expanded in Europe and Asia. Consequently, sales of this segment recovered from the previous fiscal year and operating profit stayed in the black.**
* **BS: Although demand continued to be weak, sales of products in the creation field, professional audio equipment and printers, among others, began to recover. Accordingly, sales of this segment remained almost unchanged from a year ago, and operating loss decreased notably reflecting the effects of restructuring reforms.**
* **As a result, net sales of this business increased 1.8% from the previous fiscal year, and operating profit improved JPY0.9B.**

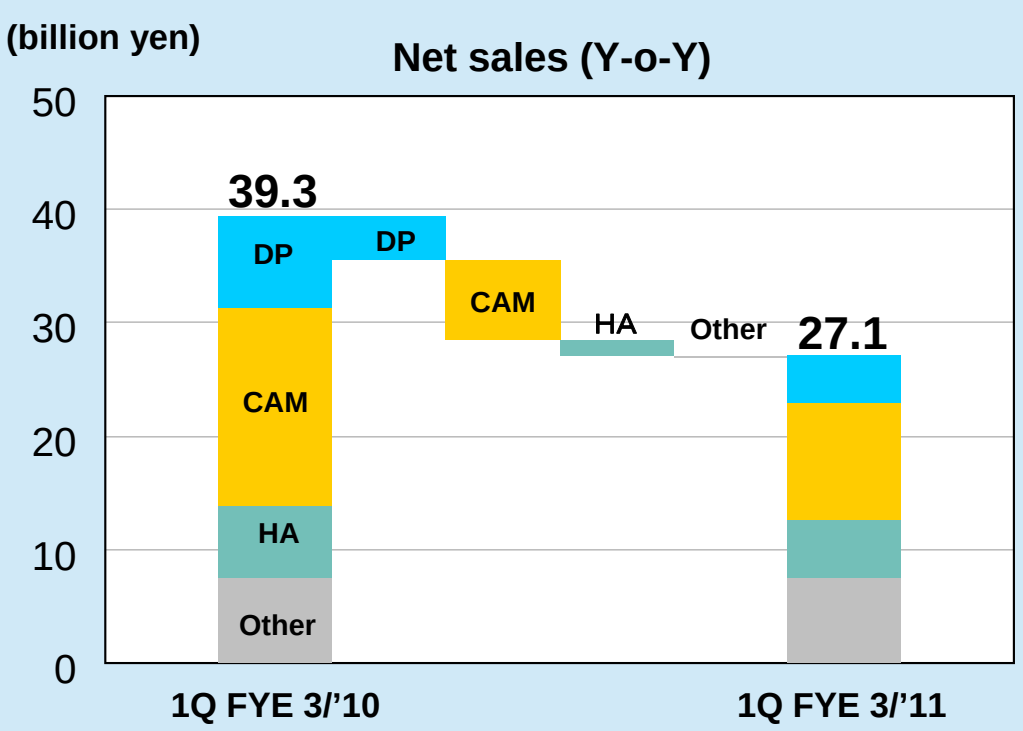


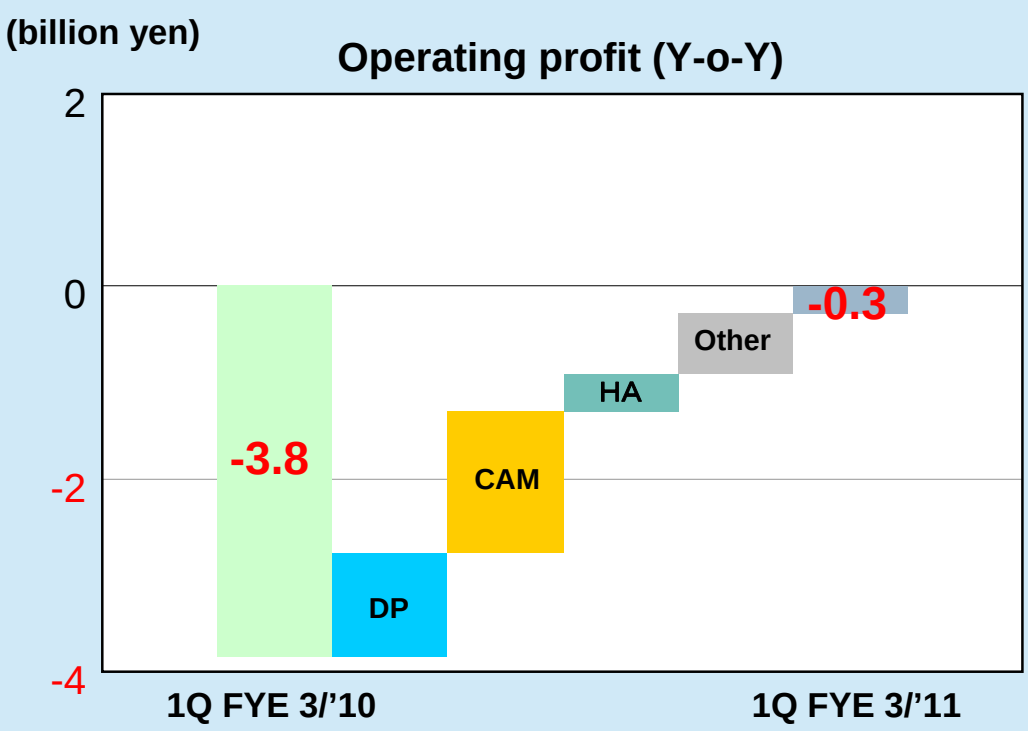
1Q - Home & Mobile Electronics Business

Net sales: JPY27.1B (down 31.0% year on year)

Operating profit: JPY-0.3B (up JPY3.6B year on year)

* **DP**: **Despite a sharp fall in sales, losses decreased significantly, because of a reduction in fixed costs through business restructuring reforms and disposition of loss.**
* **CAM**: **Sales decreased but losses were trimmed substantially, reflecting steady domestic sales and the effects of business structural reforms, despite sluggish overseas sales.**
* **AVC, HA**: **In the AVC segment, both sales and operating profit advanced, while in the HA segment, sales declined but losses reduced from a year earlier.**
* **As a result, net sales of this business decreased 31.0% year on year. Meanwhile, operating profit significantly improved by JPY3.6B (including JPY0.4B related to a change in the segmentation).**

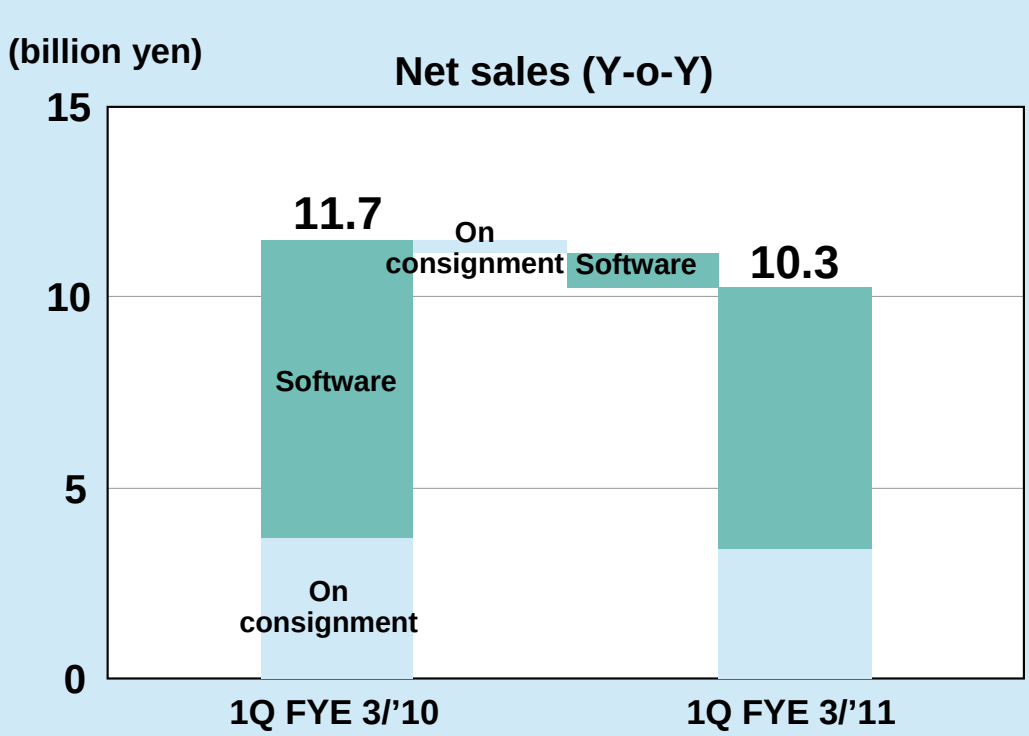


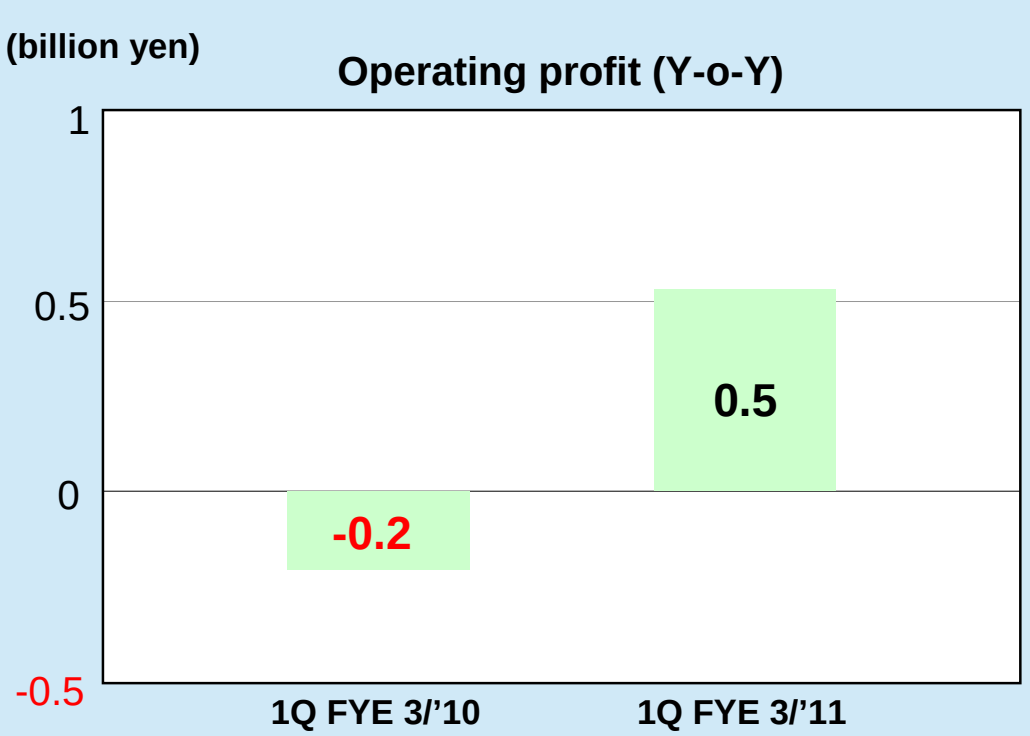


1Q - Entertainment Business

Net sales: JPY10.3B (down 12.1% year on year)
Operating profit: JPY0.5B (up JPY0.7B year on year)

* In the software business, sales of new music albums were robust and sales of animation-related products remained steady.
* In the pressing business, sales of CDs and BDs continued to be strong.
* As a result, net sales of this business dropped 12.1% from a year earlier, while operating profit improved JPY0.7B, moving into the black.





1Q - Financial Results - Financial Status

Balance Sheets

* Total assets decreased JPY 23.3 B from the end of the previous fiscal year due to a decline in trades notes and accounts receivable, a reduction in inventories, and sales of tangible fixed assets.
* Interest-bearing debts (sum of loans payable and bonds payable) decreased JPY6.8B from the end of the previous fiscal year, mainly owing to the repayment of loans payable. Total liabilities fell JPY18.1B. The net debt fell JPY6.9B.
* Despite posting a net loss, total shareholders' equity increased JPY0.6B from the end of the previous fiscal year due to an increase in retained earnings. Total net assets fell JPY5.3B from the end of the previous fiscal year, owing to a decrease in foreign currency translation adjustment. The shareholders' equity ratio also dropped, though slightly.

(billion yen)

	End of FYE3/'10	End of 1Q	Change from end of FYE3/'10
Total assets	274.8	251.4	-23.3
Interest-bearing debt	108.3	101.6	-6.8
Net debt	64.8	57.9	-6.9
Capital stock	10	10	0
Shareholders' equity	62.6	63.2	0.6
Net assets	46.8	41.5	-5.3
Equity ratio (%)	16.7	16.2	-0.5
Net assets per share (yen)	47.45	42.16	-5.29

1Q - Financial Results - Financial Status

Cash flows Key measures: “Increase of Cash”

Cash flows from operating activities

* Net cash provided by operating activities was JPY3.1B, reflecting a decrease in required operating funds due to a reduction in trade notes and accounts receivable, despite posting a net loss before income taxes of JPY2.1B.

Cash flows from investing activities

* Net cash provided by investing activities was JPY4.9B owing to proceeds from sales of tangible fixed assets, despite the acquisition of other tangible and intangible fixed assets.

Cash flows from financing activities

* Net cash spent in financial activities was JPY5.6B due to a reduction in items such as interest-bearing debts through the repayment of long-term loans payable.

As of the end of the fiscal year under review, cash and cash equivalents totaled JPY43.6B.

Business Forecasts and Future Measures for Fiscal Year Ending March 2011

Haruo Kawahara, Chairman, President and CEO

Earnings Forecast for FYE3/'11

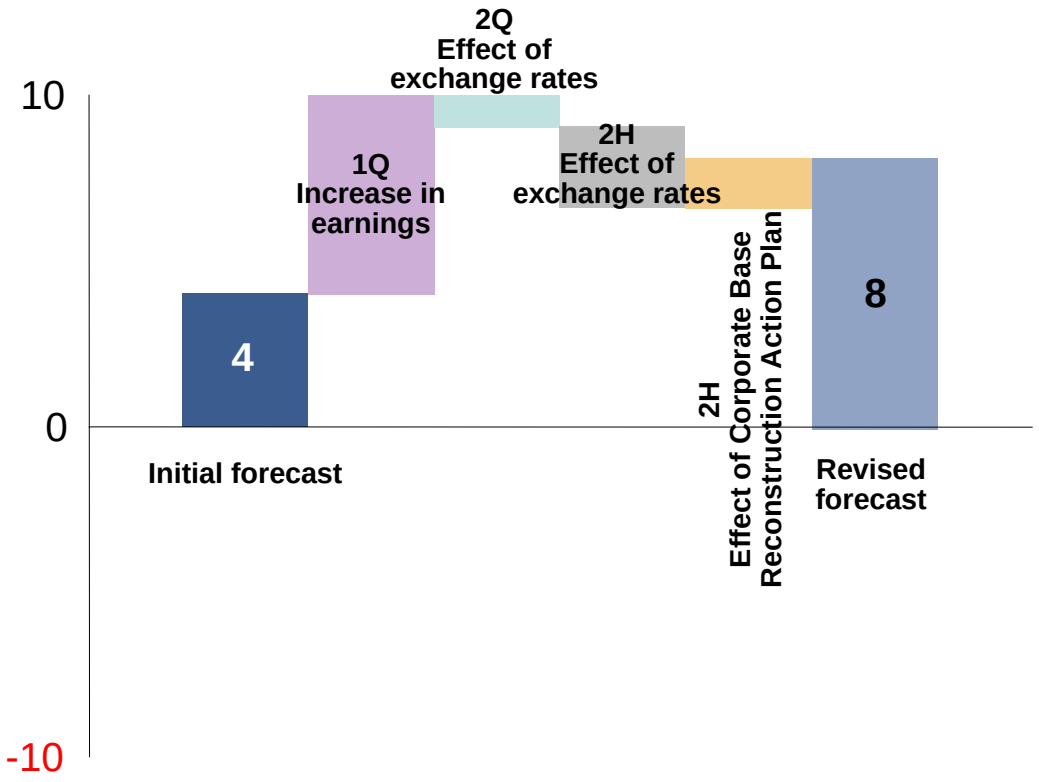
Taking into account an upward trend in 1Q earnings and the effects of anticipated strong yen for 2Q and beyond, the Group revised its earnings forecasts for the first-half period and the full fiscal year (which was announced on July 28, 2010).

(billion yen)

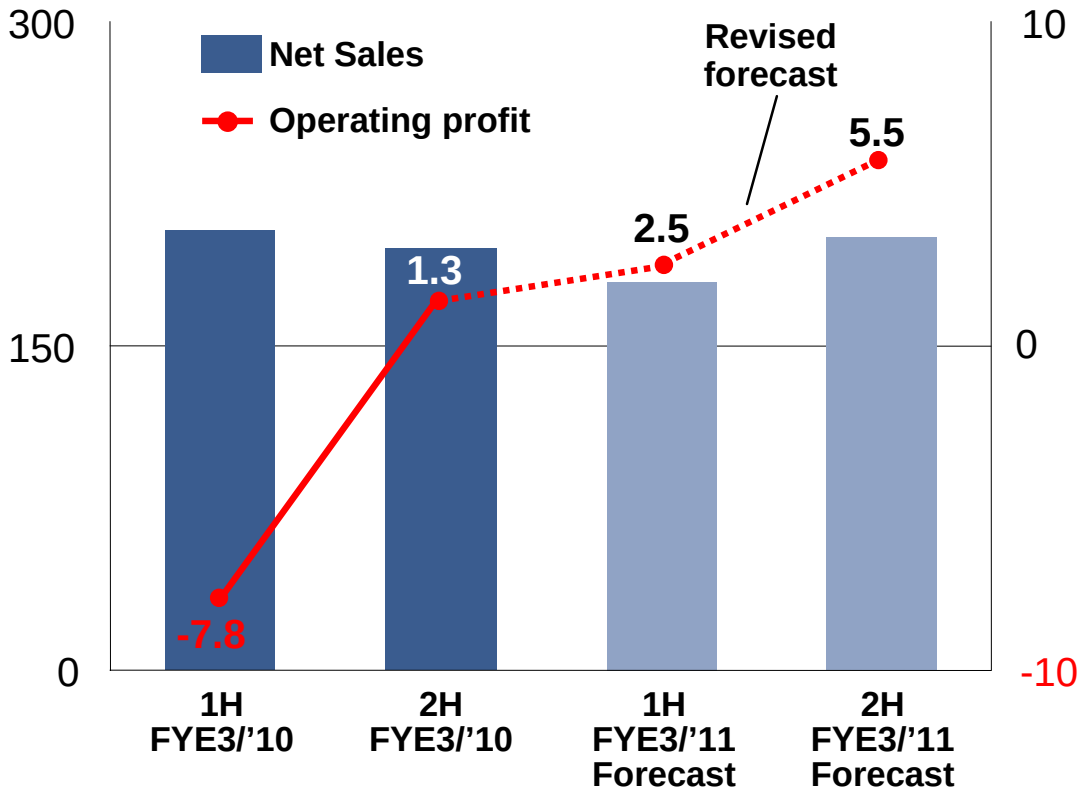
	Net sales	Operating profit	Ordinary income	Net income
< First-half period >				
Revised forecast	180	2.5	-0.5	-7
Initial forecast	180	-2.5	-6.5	-14.5
< 2nd half >				
Revised forecast	200	5.5	2	-6
Initial forecast	200	6.5	3	1.5
< Full fiscal year>				
Revised forecast	380	8	1.5	-13
Initial forecast	380	4	-3.5	-13

Earnings Forecast for FYE3/'11 - Operating profit

< Operating profit: billion yen >

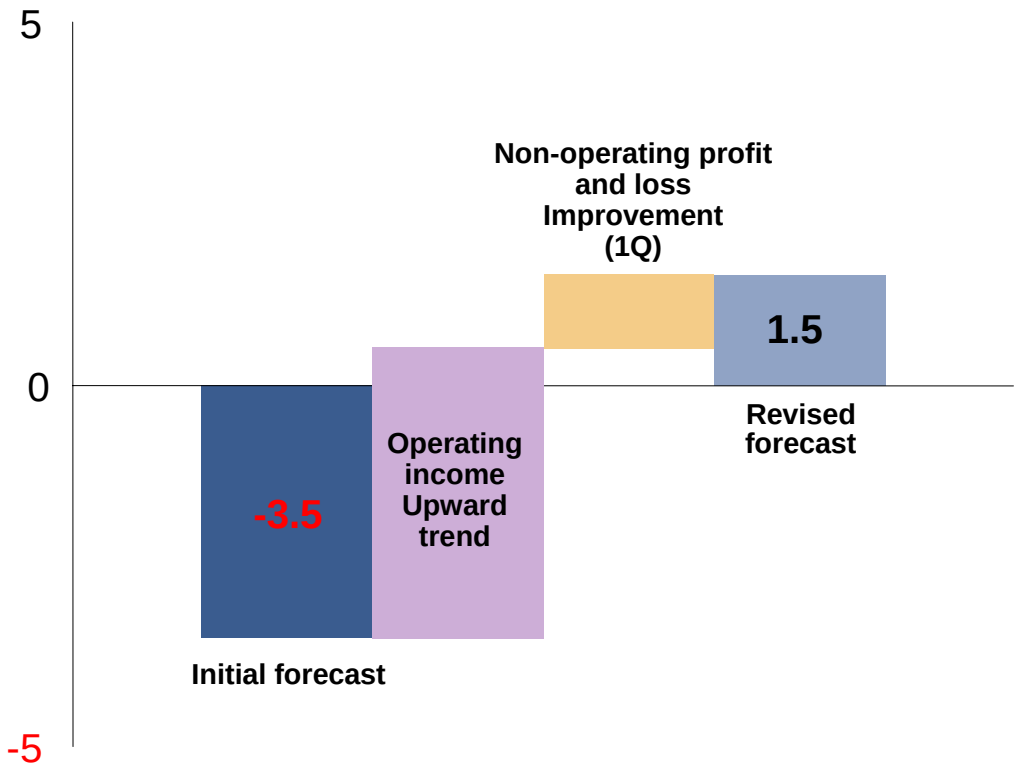


< Half-yearly trends: billion yen >

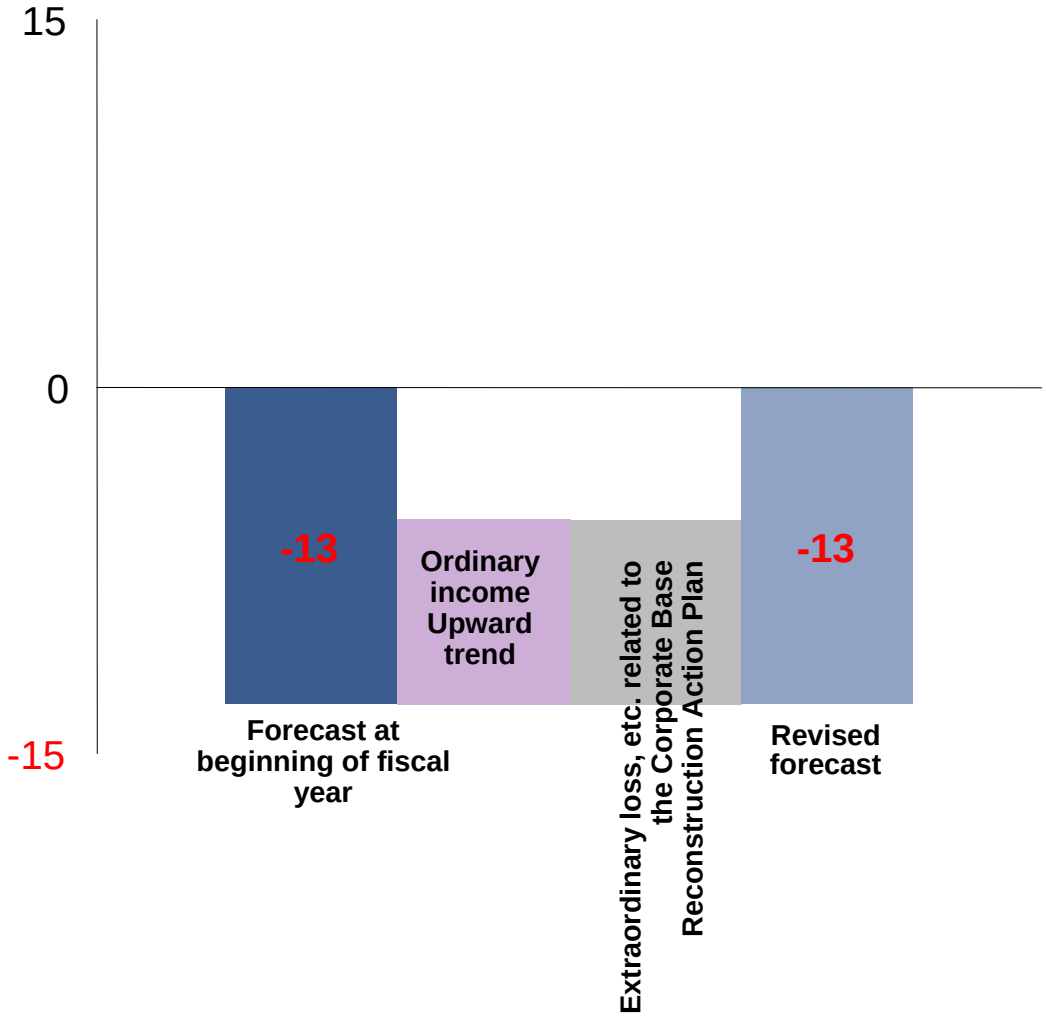


Earnings Forecast for FYE3/'11 - Ordinary Income and Net Income

< Ordinary income: billion yen >



< Net Income : billion yen >



Future Measures - Car Electronics

Boosting further the business areas that were strong in the 1Q

* To raise the market share in Europe and the U.S. (consumer segment)
* To increase sales in emerging countries (consumer and DOP segments)
* To expand sales and lineups of car navigation systems using flash memory (consumer and DOP segments)
* To increase shipments of DVD/CD mechanisms (OEM segment)
* To increase sales of genuine navigation systems (OEM segment)

New product lineups for 2010 in the consumer segment of the CE business whose sales are robust

Navigation system developed for the first time by Kenwood and JVC under the integrated management (for the domestic consumer market)

Memory navigation system for overseas consumer markets that was developed in collaboration with Garmin

Car-mounted DVD/CD mechanisms whose shipments are expected to increase 1 million units form a year ago to 4 million units

CD receiver for overseas consumer markets

Future Measures - Professional Systems

Putting the 1Q recovery on track

* To implement measures to further boost the recovery in orders received for products for public safety in the U.S. (COM segment)
* To increase sales of digital radio systems for the private sector in the U.S., including railway companies; to expand sales of such digital radio systems in Europe and Asia (COM segment)
* To take measures to aid the recovery in sales of products in the creation field, professional audio equipment and printers (BS segment)

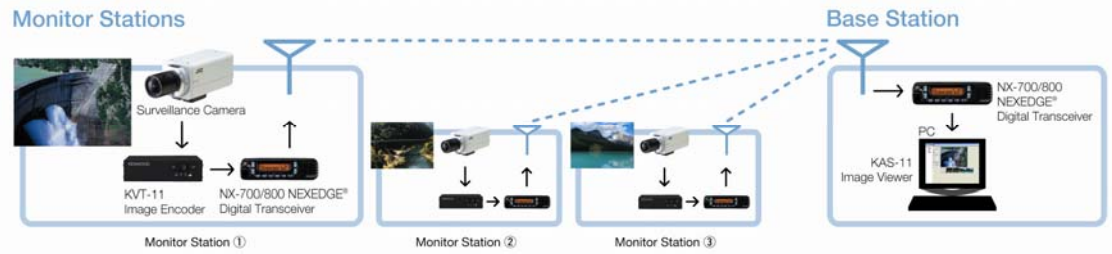


Image Encoder and Image Viewer jointly developed by combining Kenwood's radio technologies and JVC's image-compression technologies
With these products connected with the NEXEDGE® series, monitor camera images can be transmitted.

Digital Land Mobile Radio system NEXEDGE® series used at the G8 and G20 Summits in Canada

3D image processor

JVC's 2D-3D conversion technology has been adopted by Toei Co., Ltd. for 3D movie production.

Future Measures - Home & Mobile Electronics

Shifting to a new business model by taking advantage of the effects of the Corporate Base Reconstruction Action Plan, while bringing to an end the structural reforms made to date

* **To shift to a new business model (DP segment)**
* **To aim for a recovery in sales through the launch of 2011 models (CAM segment)**
* **To enhance profitability (AVC and HA segments)**

Received the year's most excellent product prize in the high-end camcorder division of the TIPA Awards 2010, a prestigious award in Europe

Hi-vision memory camera Everio GZ-HM1

AVC accessories that continue to be highly profitable

Future Measures - Entertainment

Releasing a number of hit music albums following the 1Q, aiming to provide comprehensive entertainment

*** To release old and new music albums that are likely to prove a big hit**

*** To provide comprehensive entertainment service**

Hit albums released in the 1Q and potential albums to be released in the 2Q in the Entertainment business

“Harad” by Yoshiko Hara
Victor Entertainment, Inc.

“COUNTDOWN LIVE 2009-2010 in Kyocera Dome Osaka” by Kanjani 8
Teichiku Entertainment, Inc.

“We are SMAP!” by SMAP
Victor Entertainment, Inc.

“Kanpani Vol. 1-3” by Kanjani8
Teichiku Entertainment, Inc.

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