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## Notice on Revision of Earnings Forecast and Special Measures for Fiscal Year Ending March 2010

JVC KENWOOD Holdings, Inc. (JVC Kenwood) hereby announces that it has revised its previous earnings forecast for the fiscal year ending March 2010 (from April 1, 2009 to March 31, 2010), which was announced on April 28, 2009 in its accounting report for the fiscal year ended March 2009, based on the business performance of the current first quarter.

### 1. Revision to Earnings Forecast

For the first half of the current fiscal year ending March 2010, net sales will exceed the amount previously forecast by 2.5%, whereas operating profit will fall below the previous forecast by ¥7.5 billion. While we expect ordinary income to remain below the previous forecast by ¥6.5 billion because we expect non-operating expenses to decrease from the original projections, net income will fall short of the previous forecast by ¥10 billion as extraordinary losses will increase due to the special measures we have taken, the details of which are mentioned later.

The full-year performance forecast as of today reflects only the revised part of the performance forecast for the first half of the current fiscal year, and thus, we will separately announce the complete full fiscal year performance forecast before the announcement of the actual performance result for the second quarter, taking into account such factors that the recovery of net sales and profits from June and toward the second quarter will lead to improvement in the performance result of the second half of the current fiscal year and earnings in the third quarter and onward are expected to recover more than originally expected at the beginning of the current fiscal year through implementation of new special measures.

### (1) Revisions to the Consolidated Earnings Forecast for the First Half of the Current Fiscal Year (from April 1, 2009 to September 30, 2009)

(Million yen)

	Net Sales	Operating Profit	Ordinary Income	Net Income	Net Income per Share (yen)
Previous forecast (A) (Announced on April 28, 2009)	200,000	2,000	(2,000)	4,000	(4.14)
Revised forecast (B)	205,000	(5,500)	(8,500)	(14,000)	(14.48)
Amount of change (B - A)	+5,000	-7,500	-6,500	-10,000	-10.34
Rate of change (%)	+2.5%	-	-	-	-

• Because JVC Kenwood was established on October 1, 2008, actual figures for the previous corresponding period are not shown here.

**(2) Revisions to the Consolidated Earnings Forecast for the Full Fiscal Year  
(from April 1, 2009 to March 31, 2010)**

(Million yen)

	Net Sales	Operating Profit	Ordinary Income	Net Income	Net Income per Share (yen)
Previous forecast (A) (Announced on April 28, 2009)	430,000	9,500	3,000	0	0.00
Revised forecast (B)	435,000	2,000	(3,500)	(10,000)	(10.34)
Amount of change (B - A)	+5,000	-7,500	-6,500	-10,000	-10.34
Rate of change (%)	+1.2%	-	-	-	-
(Reference) Actual figures for the fiscal year ended March 2009	309,771	107	(6,809)	(18,795)	

• (For reference) Actual figures for the fiscal year ended March 2009 are consolidated results of Kenwood Corporation for the fiscal year ended March 2009 and results of Victor Company of Japan, Ltd. (JVC) for the second half of the same fiscal year. They are not consolidated figures of results of JVC for the first half of the same fiscal year.

**(3) Reasons for Revision**

JVC Kenwood formulated its profit and loss plan based on the net sales and operating profit for the fourth quarter of the previous fiscal year, forecasting a deteriorated business performance compared with the fourth quarter of the previous fiscal year. JVC Kenwood made the revisions especially in consideration of a possible delay in earnings recovery in Europe in the current first quarter, while envisioning a possible earnings recovery in the current second quarter.

In the current first quarter, with the extremely severe outlook mentioned above, our sales, especially at the Car Electronics business segment, showed a recovery toward the end of the first quarter, topping our forecast of net sales at the beginning of the current fiscal year. On the other hand, looking at profit and loss, while JVC Kenwood went far in carrying out additional measures that it had focused on during the fourth quarter of the previous fiscal year, having achieved a cost reduction as was expected at the beginning of the current fiscal year, profit and loss at the Professional Systems business segment fell far below our forecast at the beginning of the current fiscal year because the Land Mobile Radio business was negatively affected by policy revisions in investment budgets for public safety sector in the US and there was a temporary procrastination in the execution of such investment. On top of that, because the recovery in the camcorder business was delayed in Europe, disposal of old products and launch of new product families were delayed, resulting in our failure to absorb the impact of price reductions. As a result, profit in the Home & Mobile Electronics business segment fell short of the forecast at the beginning of the current fiscal year.

In the current second quarter, the situation that we saw in the first quarter will drag on in some of the Home & Mobile Electronics business segment, while a recovery trend has come to the front with a great recovery in profits in June, following the recovery of sales toward the end of the current first quarter. In addition, we expect there to be a further recovery in earnings at the Car Electronics business segment for the current second quarter and onward. Meanwhile, we also expect the budget execution for public stability sector in the US, which has been postponed temporarily, to be materialized, and accordingly, at the Professional Systems business segment, we expect that the operating profit will go into the black. In order to secure earnings and open a vista for the next fiscal year and onward, we will take the following special measures and in consideration of the extraordinary loss accompanying such measures, we hereby modify the performance forecast for the current first half.

The full-year performance forecast as of today reflects only the revised part of the performance forecast for the current first half, and thus, we will separately announce the complete full-year performance forecast until we

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announce the actual performance results for the first half, taking into account such factors as the facts that the recovery of net sales and profits from June and toward the current second quarter will lead to an improvement in the performance results of the current second half, and that we predict earnings in the third quarter and onward will recover more than originally expected at the beginning of the current fiscal year through our implementation of new special measures.

## **2. Special Measures in and after the Second Quarter of the Current Fiscal Year and Expected Effects**

JVC Kenwood, with its establishment on October 1, 2008, started to reform its profit structure and implemented additional measures against subsequent deteriorations in the business environment. The main measures were completed by the end of the fourth quarter of the previous fiscal year and are scheduled to generate cost reduction effects amounting to about ¥20 billion in the current fiscal year. However, in view of unexpected factors that occurred and aggravated earnings in the current first quarter, JVC Kenwood will carry out the following special measures in order to secure the current fiscal year's earnings, and to open a vista for the next fiscal year and onward. By doing this, we will aim for profitability improvement of ¥25 billion within the current fiscal year in combination with the effects of a cost reduction of ¥21.1 billion (originally estimated at about ¥20 billion) from the additional measures taken up so far.

In addition, JVC Kenwood will procure the necessary funds for such special measures and accelerate the raising of cash by generating additional sales of its assets, aiming to appropriate that cash for investment funds for the growth strategy which we are promoting in conjunction with a series of structural reforms.

### **(1) JVC's Structural Reform in Europe and Business System Reform in the professional AV systems business**

#### **- Structural Reform in Europe**

JVC Kenwood will work on strengthening its sales force in the camcorder, display and home audio businesses which are JVC's key businesses in Europe, radically reforming the cost structure in the camcorder business, and carrying out drastic structural reforms, at the consumer businesses and professional AV systems business which are B-to-B business throughout the whole of Europe.

#### **- Business Structural Reform in Professional Systems Business**

JVC Kenwood will also expand its business domain from the current operation that focuses on the distribution of equipment to a system for delivering business solutions that materialize customers' needs in an integrated manner while fostering businesses, and capitalize on its unique technologies.

We have been considering whether to integrate the production function of JVC Hachioji Plant, which is manufacturing professional systems business, into the Yokosuka Plant to consolidate the domestic production into one site. However, in order to further increase the efficiency of business operations and capitalize assets, we are now discussing whether to sell the Hachioji Plant. We have incorporated the potential loss from selling the plant into the performance forecast for the first half of the current fiscal year.

For the details of these reforms, please refer to the "Notice on Business Structure Reform of JVC and Major Personnel Changes as of August 16" separately announced today.

### **(2) Early Retirement Benefit Program in Victor Service & Engineering Co., Ltd.**

Since the establishment of JVC Kenwood, Victor Service & Engineering Co., Ltd., JVC's subsidiary, has also worked on structural reform and pushed ahead with cost reductions. Because it expects the business environment to become harsher, with for example weaker demand for repairs as a result of lower product sales and a reduction in the shipping volume of repair parts, Victor Service & Engineering is discussing with its labor union about how to implement an early retirement benefit program in order to ensure stable management over the medium to long term.

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For details, please refer to the “Announcement on Early Retirement Preferential Treatment Programs” announced separately today.

### **(3) IT Cost Reduction by Optimizing Cloud Computing Services and Cost Reduction Related to Events**

JVC Kenwood will review the operations and administration of host computers and servers that are owned, operated and managed by JVC to fundamentally shift to a system that is commensurate with the current scale and structure of business operations. To step up further cost reductions and efficiency improvement in the operations and administration, specifically, JVC Kenwood will conclude a strategic outsourcing agreement with IBM Japan and transfer and consolidate our data center function located in two sites into the IBM Makuhari Data Center to utilize its cloud computing services (shared hosting service), while canceling the existing host computer lease contract. With these efforts, we plan to reduce costs by ¥4.2 billion for the coming six years and by ¥0.6 billion in the current fiscal year.

In addition, we will take aggressive cost reduction measures focusing on event-related costs, including refraining from making a presentation at CEATEC JAPAN 2009, which is slated to be held in October 2009.

#### **Notes on Earnings Forecast**

<p>The earnings forecast described above are estimates of the future state of affairs reflecting the judgments that the Group has made based on currently available information. Please note that actual results may vary materially from the results projected and presented in this forecast for a variety of reasons. Accordingly, the Group recommends that you refrain from making your investment decisions solely on the strength of this forecast.</p>
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