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Notice on Reporting Losses Accompanying Reforms of Business Structure and Revision of Earnings Forecast for the Fiscal Year Ending March 2010

JVC KENWOOD Holdings, Inc. (JVC Kenwood) hereby announces in the account settlement for the second quarter of 2009 that it has reported losses as a part of its reforms of business structure and accordingly, revised its previous consolidated earnings forecast for the fiscal year ending March 2010 (from April 1, 2009 to March 31, 2010), which was announced on July 31, 2009.

1. Revisions to the Consolidated Earnings Forecast of the Fiscal Year Ending March 2010

(1) Revisions to the Earnings Forecast Up to the Second Quarter

(Million yen)

	Net sales	Operating profit (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share (yen)
Previous forecast (A) (Announced on July 31, 2009)	205,000	(5,500)	(8,500)	(14,000)	(14.48)
Revised forecast (B)	204,000	(11,100)	(14,600)	(21,500)	(22.24)
Amount of change (B - A)	(1,000)	(5,600)	(6,100)	(7,500)	-
Rate of change (%)	-0.5%	-	-	-	-

• Because JVC Kenwood was established on October 1, 2008, results for the corresponding period of the previous fiscal year are not stated here.

(2) Revisions to the Earnings Forecast for the Full Fiscal Year

	Net sales	Operating profit (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share (yen)
Previous forecast (A) (Announced on July 31, 2009)	435,000	2,000	(3,500)	(10,000)	(10.34)
Revised forecast (B)	430,000	(3,500)	(10,500)	(20,000)	(20.68)
Amount of change (B - A)	(5,000)	(5,500)	(7,000)	(10,000)	-
Rate of change (%)	-1.1%	-	-	-	-
(Reference) Results for the fiscal year ended March 2009	309,771	107	(6,809)	(18,795)	

• Results for the fiscal year ended March 2009 (Reference) 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. The results of JVC for the first half of the same fiscal year are not consolidated.

2. Reasons for Revision

(1) Reasons for Revision to Earnings Forecasts Up to the Second Quarter

Sales of running businesses in the second quarter have recovered as we projected. Not only did the Land Mobile Radio business, which is the profit base, in the Professional Systems business segment record a surplus at the operating level, but also the Car Electronics business segment has experienced a greater-than-expected recovery in both the consumer business and OEM business, and gone into the black for the first time since the management integration. Consequently, since these good results made up for the delay in the recovery in the Home & Mobile Electronics business segment and the professional AV systems business in the Professional Systems business segment, the running business of the entire group is in the black on an operating level.

The JVC Kenwood Group, centering on JVC's overseas sales companies, has promoted structural reforms of the Home & Mobile Electronics business, which was sluggish in the first quarter, and has downsized the display businesses in Europe and China, which are lagging behind those our bases in Japan and the U.S. As a consequence, JVC Kenwood has decided to carry out fundamental reforms of business structure including a review of sales, distribution and after-sales service systems in order to promote new business operations by rebuilding the operation system.

Under these circumstances, in order to rebuild the financial and cost structures of JVC's overseas sales companies in Europe including Russia and China by aggressively reducing their assets, and to improve our profit base in the Home & Mobile Electronics business with an eye on the future, we have decided to review the burdens of joint sales promotional expenses, mainly concerning displays, with local dealers, reported losses caused by reevaluations of inventory, and post expenses accompanying the aforementioned structural reforms.

Revision to earnings forecasts up to the second quarter is due to the fact that JVC Kenwood is to post as a temporary loss disposition the total amount of JPY7.6 billion, comprising an operating expense of JPY5.5 billion, a non-operating expense of JPY1.2 billion yen and an extraordinary loss of JPY0.9 billion yen for the second quarter.

(2) Reason for Revision of Earnings Forecast for the Full Fiscal Year

There have been improvements in the running businesses, as stated above, in the second quarter and we expect to achieve an operating profit of about JPY7.5 billion, which we had projected at the beginning of the current fiscal year, in the second half too. However, we have revised our earnings forecast for the current fiscal year as described above to reflect this loss disposition and expenses for structural reforms that we expect to occur in the second half.

3. Future Outlook

Owing to the various structural reforms that we have carried out and the integration effects, the earnings of our main businesses, including the Car Electronics business segment and the Land Mobile Radio business, have been recovering. However, we believe that we can drastically reduce risk factors and expenses in the future by disposing of loss accompanying the aforementioned reforms of business structure, and we expect to further reinforce the profit base of overseas sales companies by rebuilding their financial and cost structures. Based on these efforts we will concentrate on reinforcing our strong business segments, such as the digital imaging business including video cameras which has a high market presence, or the business solution business including professional systems and reaffirm our efforts for the further progress of JVC's businesses.

Through these actions we will accelerate the good trends that saw us record a surplus in the running businesses in the second quarter, generating momentum for a robust business recovery in the second half.

Notes on Earnings Forecast

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.
