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Company JVC KENWOOD Holdings, Inc.
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Adjustments to Previous Earnings Results of JVC Kenwood and JVC, Formulation of Measures to Prevent a Recurrence of Inappropriate Accounting, and Submission of Quarterly Report on Earnings Results for the Third Quarter of the Fiscal Year Ending March 2010

The JVC Kenwood Group, given the results of an investigation on losses with respect to Victor Company of Japan, Ltd. (JVC)—a consolidated subsidiary of JVC Kenwood Holdings, Inc. (JVC Kenwood)—reported by the investigation committee including outside experts (hereinafter, "Investigation Committee") at a meeting of the Board of Directors on February 8, 2010, had formulated a policy to implement adjustments to the earnings results of JVC for the period between the fiscal year ended March 2005 and the second quarter of the fiscal year ending March 2010 (including consolidated financial statements as a consolidated subsidiary of JVC Kenwood) and to those of JVC Kenwood for the period from its establishment on October 1, 2008 through the second quarter of the fiscal year ending March 2010, as announced in the "Report of the Investigation Committee and Summary of Adjustments to Previous Earnings Results; Delay in Submission of Quarterly Report on Earnings Results for the Third Quarter; and Prospect for Assignment to Securities Under Supervision (Confirmation)" dated February 8, 2010.

Based on this policy, JVC Kenwood, thus far had been conducting validations and reexaminations of the details of the results of the investigation, making adjustments to previous earnings results, performing accounting audits, and implementing other tasks. As a consequence of these tasks performed, JVC Kenwood determined the contents of the adjustments and the measures to prevent recurrence as described hereafter.

Accordingly, JVC Kenwood implemented, as announced separately, adjustments to previous accounting reports and financial and business results of JVC and of JVC Kenwood, and submitted the quarterly report on earnings results for the third quarter of the fiscal year ending March 2010. JVC Kenwood has also been proceeding with the submission of revised interim and quarterly reports and revised registration statements (including internal control reports) to the Kanto Local Finance Bureau. The quarterly report for the third quarter of the fiscal year ending March 2010 for JVC Kenwood and the interim report for the said fiscal year for JVC, submission of which had been delayed, will be submitted to the Kanto Local Finance Bureau as of this date.

We deeply apologize for the inconvenience and concern caused to shareholders, investors, financial institutions, customers, and many other parties with regard to the subject adjustments to previous-year earnings results and the associated delay in submitting the quarterly report for the third quarter of the fiscal year ending March 2010. We are committed to making every effort to resolve all past issues and make a fresh start, and would greatly appreciate your continued support and understanding on this matter.

Please note that the values of adjustments have changed in part from those announced in the notice dated February 8, 2010.

1. Report of Investigation Committee and Actions Taken by JVC Kenwood

As announced in the "Report of the Investigation Committee and Summary of Adjustments to Previous Earnings Results; Delay in Submission of Quarterly Report on Earnings Results for the Third Quarter; and Prospect for Assignment to Securities Under Supervision (Confirmation)" dated February 8, 2010, the results of the investigation conducted by the Investigation Committee revealed inappropriate accounting treatment adopted by JVC, which became a consolidated subsidiary of JVC Kenwood as a consequence of management integration on October 1, 2008, with respect to earnings results prior to management integration.

JVC Kenwood, having seriously recognized the results of the investigation conducted by the Investigation Committee, promptly proceeded with the tasks of making adjustments to previous earnings results, as well as thoroughly validating and examining the background and causes that led to inappropriate accounting, and made efforts to identify fundamental measures to prevent recurrence—measures that are more effective than had been considered in the past. As a result, JVC Kenwood finalized the adjustments to previous earnings results as described hereafter in “2. Adjustments to Previous Earnings Results” and fundamental measures to prevent recurrence as described hereafter in “6. Formulation of Measures to Prevent Recurrence.”

Furthermore, taking into consideration the seriousness of the subject inappropriate accounting treatment and other issues, JVC Kenwood decided to impose penalties on related parties as indicated hereafter in “5. Penalties Imposed on Related Parties.”

2. Adjustments to Previous Earnings Results

(1) Contents of adjustments

(i) Contents of adjustments to previous earnings results for JVC

As a result of validating and reexamining the results of the investigation conducted by the Investigation Committee, JVC Kenwood decided to implement adjustments retroactively for the financial periods in which proper treatment should have been made, with respect to the inappropriate accounting exercised by JVC’s sales subsidiaries in Spain and Germany, its Austrian sales subsidiary responsible for Russia and eastern Europe, its Chinese sales subsidiary, Optical Component Business Department, and service subsidiary in Germany.

In addition to the above, JVC Kenwood decided to post adjustments with respect to erroneous accounting processes made by JVC regarding unsettled expenses and insufficient allowance for doubtful collection of accounts receivable and for inventory assets detected with the overseas sales subsidiaries of JVC.

Furthermore, in conjunction with the adjustments described above, JVC Kenwood decided to revise the timing of posting impairment losses on fixed assets related to JVC’s display and optical component businesses.

These adjustments to previous earnings results have a total impact of approximately 17.1 billion yen of losses for the period from the fiscal year ended March 2005 to the second quarter of the fiscal year ending March 2010. This is an increase of some 9.5 billion yen compared to the approximate amount of 7.6 billion yen of losses posted in the second quarter of the fiscal year ending March 2010.

Of the losses totaling 17.1 billion yen described above, losses for the period prior to management integration amount to approximately 10.1 billion yen, while losses for the year from management integration up to the second quarter of the fiscal year ending March 2010 amount to approximately 7.0 billion yen. This is roughly 0.6 billion yen less than the approximate amount of 7.6 billion yen of losses posted in the second quarter of the said fiscal year. We perceive that these factors entail little possibility of the need to pay out cash.

The contents of the adjustments and a breakdown of the adjustment amount (a total of approximately 17.1 billion yen) are described below.

1) Posting of losses concerning sales subsidiary in Spain

The inappropriate accounting treatment of putting off recognition of sales-related expenses such as sales promotion costs pertaining to the display business resulted in long outstanding accounts receivable and liabilities not accounted for. There were also issues such as insufficient allowance for accounts receivable that became difficult to collect due to the collapse of a dealer and for product inventory. When accounting for the aforementioned unsettled expenses and others, losses totaling approximately 4.8 billion yen for the period between the fiscal year ended March 2005 to the second quarter of the fiscal year ending March 2010 are posted.

2) Posting of losses concerning sales subsidiary in Germany

The inappropriate accounting treatment of putting off recognition of sales-related expenses such as sales promotion costs pertaining to the display business resulted in long outstanding accounts receivable and liabilities not accounted for. When accounting for such unsettled expenses and others, losses totaling approximately 1.5 billion yen for the period between the fiscal year ended March 2007 to the second quarter of the fiscal year ending March 2010 are posted.

3) Posting of losses concerning sales subsidiary in Austria

In the course of pursuing sales activities with dealers in Russia through a processing service supplier, the transaction method with the supplier was changed. Due to an accounting treatment that did not properly agree with the revised transaction method, there was a lack of a provision for long outstanding accounts receivable, collection of which became difficult, and foreign exchange losses that were not accounted for. When accounting for such unsettled expenses and others, losses totaling approximately 2.1 billion yen for the period between the fiscal year ended March 2008 to the second quarter of the fiscal year ending March 2010 are posted.

4) Posting of losses concerning sales subsidiary in China

In the course of changing the sales method from the traditional margin transaction method to an advance payment method in an effort to improve the management of sales promotion expenses and others, sales promotion costs and other expenses related to the camcorder and audio businesses had been left unsettled, which resulted in long outstanding accounts receivable and liabilities unaccounted for. When accounting for such unsettled expenses and others, losses totaling approximately 1.3 billion yen for the period between the fiscal year ended March 2007 to the second quarter of the fiscal year ending March 2010 are posted.

5) Posting of losses concerning Optical Component Business Department

When conducting business with a subsidiary of JVC, Optical Component Business Department posted profits while the subsidiary inappropriately put off accounting for expenses. As a result, there was an overstatement of receivables. In addition, raw materials associated with a business that that had been closed, which should have been disposed of and posted as losses, had been left unaccounted for. When accounting for such unsettled expenses and others, losses totaling approximately 1.8 billion yen for the period between the fiscal year ended March 2005 to the second quarter of the fiscal year ending March 2010 are posted.

6) Posting of losses concerning service subsidiary in Germany

It became evident that custom duties that should have been borne by JVC as the parent company and a portion of taxes in arrears had been left unaccounted for by JVC. In addition, it was found that with respect to the provision for employees' retirement benefits recognized in accordance with German tax law, there was a need to revise the accounting recognition to a liability for employees' retirement benefits based on international financial reporting standards. When accounting for such unsettled expenses and making the adjustment to the provision for employees' retirement benefits, losses totaling approximately 1.1 billion yen for the period between the fiscal year ended March 2006 to the second quarter of the fiscal year ending March 2010 are posted.

7) Posting of losses concerning JVC

It was revealed that in the past, reversal of a provision for an investment valuation had been accounted for in duplicate, initially at the end of the interim term and again at the end of the fiscal year. As a result, a debit balance of approximately 1.3 billion yen in unpaid expenses remained. A correction will be made retroactively for the fiscal year ended March 2005. Also, with respect to the credit balance of some 0.5 billion yen of unpaid expenses that required no provision, a reversal will be made for the fiscal year ended March 2005 and the second quarter of the fiscal year ending March 2010. These corrections result in a net increase of losses amounting to roughly 0.8 billion yen.

8) Posting of losses concerning other overseas sales subsidiaries

It was also found that in other overseas sales subsidiaries of JVC, there were cases of a lack of provision for accounts receivable for which collection was doubtful and for inventory assets. When accounting for such additional provision and others, losses totaling approximately 0.8 billion yen for the period between the fiscal year ended March 2009 and the second quarter of the fiscal year ending March 2010 are posted.

9) Accounting for impairment loss concerning adjustments to previous earnings results

In conjunction with the adjustments to previous earnings results described above, JVC Kenwood recognized the need to revise the timing for posting impairment losses or make additional postings with respect to the Optical Component Business Department, a subsidiary engaged in the optical component business, and the U.K. plant (closed) that produced displays. When revising the timing of posting losses and accounting for additional losses,

losses totaling approximately 2.8 billion yen for the period between the fiscal year ended March 2007 and the second quarter of the fiscal year ending March 2010 are posted.

(ii) Contents of adjustments to previous earnings results for JVC Kenwood

JVC Kenwood was newly established on October 1, 2008 through management integration by the share transfer method executed between JVC and Kenwood Corporation (hereinafter “Kenwood”). Under the purchase accounting standard applied for management integration, Kenwood is the purchasing company in accounting terms, and profits and losses, net assets, and other accounting items of JVC, the purchased company, for the periods prior to management integration, are not carried over to the consolidated financial statements of JVC Kenwood. Therefore, profits and losses, net assets, and other accounting items of JVC Kenwood at the time of establishment are not affected directly by the adjustments to previous earnings results prior to management integration with respect to JVC described in (i) above. The total losses of JVC prior to management integration (approximately 10.1 billion yen) equate to a reduction of JVC’s net assets, which affect the positive or negative goodwill that JVC Kenwood must recognize in conjunction with management integration. As a result, positive goodwill (hereinafter “goodwill”) of roughly 6.2 billion yen after foreign currency translation adjustments must be recognized in place of the negative goodwill of about 3.2 billion yen previously recognized, and the amount of negative goodwill amortized and posted until the second quarter of the fiscal year ending March 2010 must be cancelled. Hence, non-operating income will decrease by a total of approximately 1.6 billion yen.

JVC Kenwood determined as a result of discussions with the accounting firm, to fully apply impairment accounting on this “goodwill” retroactively for the term directly after management integration. Therefore, an extraordinary loss of approximately 6.2 billion yen will be posted for the third quarter of the fiscal year ended March 2009.

As a result of the adjustments described above, losses pertaining to the losses recognized by JVC Kenwood after management integration, cancellation of amortized negative goodwill, and full impairment accounting applied to goodwill amount to roughly 14.8 billion yen. This is approximately 7.2 billion yen greater than the approximate amount of 7.6 billion yen posted in the second quarter of the fiscal year ending March 2010. We perceive that this entails little possibility of a need to pay out cash.

Amount of Posting losses by JVC

	Prior to management integration	After management integration	Total
Prior to adjustments	—	7.6 billion yen	7.6 billion yen
After adjustments (rough estimate)	10.1 billion yen	7.0 billion yen	17.1 billion yen
Amount of impact (rough estimate)	Increase by 10.1 billion yen	Decrease by 0.6 billion yen	Increase by 9.5 billion yen

Effects on JVC Kenwood

	Effects on positive or negative goodwill		Effects on posting losses	Total
Prior to adjustments	At the time of management integration Negative goodwill: 3.2 billion yen	Negative goodwill amortized: 1.6 billion yen already posted	7.6 billion yen	
After adjustments (rough estimate)	Positive goodwill after foreign currency translation adjustments: 6.2 billion yen Full impairment	Amortized negative goodwill of 1.6 billion yen to cancell	7.0 billion yen	14.8 billion yen

Amount of impact (rough estimate)	Extraordinary loss: 6.2 billion yen	Non-operating profit: Decrease by 1.6 billion yen	Decrease of 0.6 billion yen	Increase of 7.2 billion yen

(2) Accounting reports, securities reports, and others subject to adjustments

Accounting reports, securities reports, securities registration statements, etc., of JVC, JVC Kenwood, and Kenwood subject to adjustments described herein are listed below.

Adjustments were made, as announced separately, to applicable accounting reports and financial and business results for the past fiscal years, and a report of earnings results for the third quarter of the fiscal year ending March 2010 was also submitted.

Also, with respect to securities reports (including internal control reports), revised versions of interim and quarterly reports and revised securities registration statements for the past fiscal years, JVC Kenwood has been proceeding with a submission to the Kanto Local Finance Bureau. The quarterly report for the third quarter of the fiscal year ending March 2010 for JVC Kenwood and the interim report for the fiscal year ending March 2010 for JVC, submissions of which had been delayed, will be submitted to the Kanto Local Finance Bureau as of this date.

(i) Accounting reports, securities reports, etc., of JVC subject to adjustments

	Accounting Reports	Securities Reports and Others
Fiscal year ended March 2005	Accounting report	Securities report for the 116th term
Fiscal year ended March 2006	Accounting report for the first quarter Accounting report for the first half Accounting report for the third quarter Accounting report	Interim report for the 117th term Securities report for the 117th term
Fiscal year ended March 2007	Accounting report for the first quarter Accounting report for the first half Accounting report for the third quarter Accounting report	Shelf registration statement (submitted on August 23, 2006) Shelf registration supplements (submitted on September 5, 2006) Interim report for the 118th term Securities report for the 118th term
Fiscal year ended March 2008	Accounting report for the first quarter Accounting report for the first half Accounting report for the third quarter Accounting report	Securities registration statement (submitted on July 24, 2007) Interim report for the 119th term Securities report for the 119th term
Fiscal year ended March 2009	Accounting report for the first quarter Accounting report for the first half	Quarterly report for the first quarter of the 120th term Interim report for the 120th term Securities report for the 120th term

(Note) JVC terminated its enlistment on the Tokyo Stock Exchange and the Osaka Stock Exchange as of September 25, 2008.

The shelf registration statement (submitted on August 23, 2006), shelf registration supplements (submitted on September 5, 2006), and the securities registration statement (submitted on July 24, 2007) contain consolidated financial statements of JVC that are subject to adjustments.

(ii) Accounting reports, securities reports, and others of JVC Kenwood subject to adjustments

	Accounting Reports	Securities Reports and Others
Fiscal year ended March 2009	Accounting report for the third quarter Accounting report	Securities registration statement (submitted on June 11, 2008) Quarterly report for the third quarter of the 1st term Securities report for the 1st term
Fiscal year ending March 2010 (current term)	Accounting report for the first quarter Accounting report for the first half	Securities registration statement (submitted on July 10, 2009) Quarterly report for the first quarter of the 2nd term Quarterly report for the second quarter of the 2nd term

(Note) The securities registration statement (submitted on June 11, 2008) contains consolidated financial statements of JVC that are subject to adjustments.

The securities report (submitted on July 10, 2009) contains consolidated financial statements of JVC Kenwood that are subject to adjustments.

(iii) Accounting reports, securities reports, and others of Kenwood subject to adjustments

	Accounting Reports	Securities Reports and Others
Fiscal year ended March 2008		Securities report for the 79th term
Fiscal year ended March 2009		Interim report for the 80th term

(Note) Kenwood terminated its enlistment on the Tokyo Stock Exchange as of September 25, 2008.

The securities report for the fiscal year ended March 2008 contains consolidated financial statements of JVC that are subject to adjustments.

The interim report for the fiscal year ended March 2009 contains consolidated financial statements of JVC and JVC Kenwood that are subject to adjustments.

3. Impact Associated with Adjustments to Previous Earnings Results

The financial impact associated with the subject adjustments to previous earnings results has been finalized as indicated on the attachment “Summary of Adjustments to Previous Earnings Results.”

4. Full-Year Business Forecasts for the Fiscal Year Ending March 2010

When implementing the subject adjustments to previous earnings results, the majority of losses totaling approximately 7.6 billion yen posted in the second quarter of the fiscal year ending March 2010 were adjusted retroactively for the terms prior to the fiscal year ended March 2009, and the losses posted for the cumulative accounting period of the second quarter of the fiscal year ending March 2010 declined. However, taking into consideration the delay in the recovery of profits and losses for the third quarter of the said fiscal year and thereafter, full-year business forecasts for the fiscal year ending March 2010 have been revised as announced separately in “Notice on Revision of Earnings Forecasts for the Fiscal Year Ending March 2010.”

5. Penalties Imposed on Related Parties

The JVC Kenwood Group seriously acknowledges the results of the investigation conducted by the Investigation Committee, and is committed, with respect to the inappropriate accounting treatments adopted prior to management integration of JVC that caused the subject adjustments to previous earnings results, to make every effort to prevent recurrence. Seriously recognizing, the responsibility for having caused the company to incur losses, the Group has decided to impose penalties on directors as indicated below. Penalties will be imposed also on other relevant employees.

The JVC Kenwood Group, since last year, has been promoting personnel exchanges within the Group, and given the deterioration of business performance, the Group has implemented 30 to 65% reductions (return of compensation) of basic compensation for full-time directors of JVC and of JVC Kenwood. The aforementioned penalties are implemented on top of the reductions. Concurrent positions held by directors with some of the business companies are omitted in the list below.

(1) Directors related to JVC

Hidetoshi Yoshida	Resigned as Director of JVC Kenwood (Had held position after resigning as President & Representative Director of JVC in October 2009)	
Masaaki Takeda	Resigned as Director of Kenwood (Had held position after resigning as Senior Vice President & Director of JVC in June 2009)	
Ryuhei Nakazawa	Director of J&K Car Electronics (note) (Assumed present position after retiring as Deputy President & Representative Director of JVC in October 2009)	30% reduction of compensation for 6 months
Nobuo Hori	Director of JVC	30% reduction of compensation for 6 months
Masanori Kitami	Director of JVC	30% reduction of compensation for 6 months
Takayoshi Sakamoto	Director of JVC	30% reduction of compensation for 6 months
Masahiko Tsuruta	Director of JVC	15% reduction of compensation for 3 months
Manabu Saito	Director of JVC	15% reduction of compensation for 3 months
Nobuhiko Yonemitsu	Director of JVC	15% reduction of compensation for 3 months
Osamu Ueda	Director of JVC	15% reduction of compensation for 3 months
Motoyoshi Adachi	Director of JVC	15% reduction of compensation for 3 months
Keiichiro Doi	Executive Officer of JVC Kenwood (Assumed present position after retiring as Senior Vice President & Director of JVC in June 2009)	15% reduction of compensation for 3 months
Naomasa Mizuno	Director of Kenwood (Retired as Director of JVC in October 2008; assumed present position in June 2009)	15% reduction of compensation for 3 months
Kazuo Suetake	Auditor of JVC	15% reduction of compensation for 3 months
Noriyuki Shouyama	Auditor of JVC	15% reduction of compensation for 3 months
Shigeharu Tsuchitani	Auditor of JVC Kenwood (Assumed present position in October 2008; retired as auditor of JVC in June 2009)	15% reduction of compensation for 3 months
Makoto Matsuo	Director of JVC Kenwood (Assumed present position after retiring as auditor of JVC in June 2009; no concurrent position)	15% reduction of compensation for 3 months

(Note) J&K Car Electronics is the abbreviation for J&K Car Electronics Corporation.

(2) Directors related to JVC Kenwood

Haruo Kawahara	Chairman & President	30% reduction of compensation for 6 months
Hiroshi Odaka	Director	30% reduction of compensation for 6 months
Jiro Iwasaki	Director	5% reduction of compensation for 3 months
Kazuo Shiohata	Director	5% reduction of compensation for 3 months
Kazuhiro Aigami	Director	5% reduction of compensation for 3 months
Koji Kashiwaya	Director	5% reduction of compensation for 3 months
Hideaki Kato	Auditor	5% reduction of compensation for 3 months
Akihiko Washida	Auditor	5% reduction of compensation for 3 months
Koichi Kurosaki	Auditor	5% reduction of compensation for 3 months

6. Formulation of Measures to Prevent Recurrence

The JVC Kenwood Group, having seriously acknowledged the results of the investigation conducted by the Investigation Committee, thoroughly validated and examined the background and causes that led to the inappropriate accounting treatment, and has been considering fundamental measures to prevent recurrence that are more aggressive than the measures identified earlier. Consequently, JVC Kenwood has finalized the measures as described below.

The JVC Kenwood Group will promptly implement these measures and resolve all past issues, and is committed to making the utmost efforts to restore the company's credibility among all stakeholders and the market.

(1) Establishment of management structure and internal control system to improve corporate culture

JVC Kenwood, upon its establishment in October 2008, put in place various rules such as: rules on duties and authorization, regulations of the board of directors, rules of the board of auditors and basic policies on consolidated management that defines the roles and responsibilities of each organization within the group companies "Standards for Decision-Making and Authorities/List of Decision-Making Matters," a standard for settling critical matters for the management of business companies and their affiliates with JVC Kenwood at the top of the hierarchy, and other standards. In addition, JVC Kenwood established a compliance committee to promote the Group-wide compliance, a management audit office responsible for conducting internal audits for the entire Group, and other mechanisms to construct an internal control system. However, as JVC and its affiliates continued for the time being to operate under traditional management systems, efforts were lacking to secure proper internal control and soundness of operations. Hence, the risk management system was not functioning properly. Furthermore, the overseas subsidiaries, in particular, did not maintain an adequate set of the corporate code of conduct, internal control rules, etc., while internal audits were conducted primarily by the accounting department of JVC, although an independent internal audit function should have been in place, which hindered adequately implementing improvements to the management system.

The report of the investigation issued by the Investigation Committee points out that there was a delay in the implementation of strict governance by JVC Kenwood, because after the company was established in October 2008 up to June of the following year during which time when major personnel exchanges between JVC and Kenwood took place and the management structure of JVC Kenwood was reformed, a certain transition period was set with respect to executing consolidated management, and that the subject accounting issues were detected during the course of JVC Kenwood reinforcing its management structure.

JVC Kenwood seriously acknowledges the above indications and will lead the implementation of measures to strengthen internal controls and secure strict adherence throughout the entire Group including JVC in the following manner.

(i) On the basis that JVC Kenwood is positioned at the top of the internal control hierarchy, promote reinforcement of supervision by the board of directors of JVC Kenwood over business companies (JVC, Kenwood, and J&K Electronics) and others.

(ii) In accordance with the "basic policies on consolidated management" mentioned previously, ensure that the principles of "Guidelines for Group Consolidated Management" established for the purpose of efficiently and properly executing and operating, under a uniform standard, consolidated management over the entire JVC Kenwood Group including JVC Kenwood, business companies, affiliates of business companies, affiliates other than business companies under direct management of JVC Kenwood, and all other companies.

(iii) By establishing "Standards for Decision-Making and Authorities/List of Decision-Making Matters" and ensuring that the contents are thoroughly diffused within the JVC Kenwood Group, reconfirm awareness within the entire Group of the system of having the board of directors of JVC Kenwood authorize important management matters.

(iv) Establish "JVC Kenwood Group Code of Conduct on Compliance" (hereinafter "Code of Conduct") that specifically outlines common values and ethical views to be shared by directors, auditors, executive officers, and employees of the JVC Kenwood Group for taking sincere and appropriate actions, and ensure strict adherence to the Code of Conduct. In addition, emphasize that securing compliance is the most important issue under the management policy and provide education on compliance as part of the management education program.

(v) Ensure that all parties within the JVC Kenwood Group are well aware of the internal whistle-blowing rules, which stipulate the reporting of any acts that deviate from the Code of Conduct and define procedures for corrective actions. Also, ensure that the whistle-blowing system is operated so that a person reporting a problematic act is not treated unfairly.

(vi) To prevent falsified recording, etc., in financial reports, revise the internal control assessment manual and enhance the control assessment and reporting system so that there is greater sensitivity to effectively detecting any deficiencies in internal control.

(vii) To establish a management culture that can flexibly respond to changes in the market environment, strengthen and expand the marketing functions and reinforce the structure so that any changes in the market environment are promptly reflected on business strategies.

(2) Reform of accounting system and structures

The report of the investigation of the Investigation Committee indicates that one of the factors that caused the subject inappropriate accounting treatment was the corporate culture at JVC, under which the accounting department not only assisted management but was also considered to be jointly responsible for business results, and there was a lack of internal control to rectify such a mindset.

In order to mitigate the risk of inappropriate accounting caused by such a factor and to establish and operate, on a company-wide basis, organizational, systematic, and operational processes, JVC Kenwood will pursue the following reforms consisting of key elements: segregation of management and accounting, enhancement of internal control, and establishment of a consolidated accounting system.

(i) Establish, with respect to the subject inappropriate accounting treatment, a "committee for preventing recurrence" as an entity under the Compliance Committee of JVC Kenwood, and first develop "improvement measures to prevent recurrence of inappropriate accounting, etc.," applicable throughout the Group to be promoted and monitored. In addition, assign a director responsible for compliance at each group company to strengthen the internal control system of every company.

(ii) As part of the reexamination of the human resources system, establish working rules, dismissal regulations and other compliance-related rules as the rules of JVC Kenwood, and apply these rules uniformly throughout the entire Group.

(iii) Revise the current accounting system in which profits and losses are accounted for within each of the regional companies in Europe, Americas, and Asia, and establish consolidated accounting rules and develop operational workflows and systems that enable JVC Kenwood to centrally identify the profits and losses of business companies as well as of overseas affiliates. In addition, promote a strengthening of consistent consolidated management by business segment, establish a management system over affiliated companies overseas, and revise the existing accounting rules as necessary.

(iv) To prevent recurrence of inappropriate accounting treatment, establish a double-checking system between overseas sales subsidiaries and accounting function of the business departments, as well as a cross-checking system with the accounting department of the head office.

(v) To eliminate a situation in which a certain managerial staff member is assigned to the same area of the organization for a long period, set a limit on the length of assignments in the same department and periodically execute staff rotations.

In addition to the above measures, JVC implemented the following measures, which are already in operation under the guidance of JVC Kenwood.

- Since June 2009, JVC has reformed its management system and has been making efforts to strengthen the supervisory function of the board of directors through personnel exchanges with Kenwood and other means. In terms of organization, JVC has been promoting greater efficiency by centralizing the staff functions of the head office and eliminating functions that are redundant with JVC Kenwood. Furthermore, financial strategies and human resources administration have been established as independent organizations, and accounting and human resources functions have been placed directly under the head office of JVC. JVC Kenwood manages the senior officers responsible for accounting and human resources on a group-wide basis and assignments are made under a staff rotation system. Specifically, in June 2009, an individual from Kenwood assumed the position of Director and Financial Manager of JVC. Since then, he has brought a new perspective to understanding and analyzing the financial status and the overall accounting process of JVC and its affiliates, and made corrections where necessary. Under his guidance, accounting staff members assigned to each of the business departments were reassigned to the accounting department of the head office to establish a structure that facilitates cross-checking, etc. of accounting procedures.

- In November 2009, new consolidated accounting rules were developed with the aim of strengthening the management system for consolidated accounting at JVC. Further, to maintain the soundness of assets, prevent any unexpected situation that could lead to incurring losses, and enhance and operate solid internal controls, management structures for overseas sales subsidiaries, management systems, and accounting functions in business departments were reconstructed. In addition, a system was established under which the management audit office, which serves as the internal audit department for JVC Kenwood, performs internal audits in collaboration with the financial accounting department of JVC, and it is in operation.
- Since December 2009, a mechanism has been in place whereby the head office of JVC directly evaluates, through a monthly consolidated management correspondence meeting, overseas regional companies, overseas sales subsidiaries, and others. By means of this mechanism, efforts are being made to promptly detect any irregularities in overseas operations and to respond quickly as necessary.
- A leading business unit to manage the subsidiaries of JVC has been established as a consolidated business entity that oversees not only the business departments but also the overseas affiliates. It provides guidance on internal control and compliance to subsidiaries.

(3) Reinforcement of Monitoring

The report of the investigation issued by the Investigation Committee points out weak internal controls at JVC. In response to this issue, JVC Kenwood will promote, as a deterrent to prevent recurrence of inappropriate accounting treatment, collaboration between JVC Kenwood and regional companies and enhance the audit function within the entire Group, and will implement a system to permanently monitor business operations.

(i) JVC Kenwood, by reinforcing the activities of its management audit office, has been widely conducting onsite examinations of business companies and their affiliates within the Group to centrally monitor the internal control status, and is making efforts to promptly detect problematic issues from a perspective that is separate from that of the business locations to heighten the capability to prevent the occurrence of problems. Further efforts are being made to strengthen and enhance the staff of the management audit office of JVC Kenwood and ensure that a thorough monitoring function is in place.

(ii) In order to put in place a transparent corporate culture, ensure that based on the Code of Conduct, rules are defined with respect to the reporting of unusual circumstances caused by an inappropriate action. Specifically, establish an internal whistle-blowing system as a mechanism to enable personnel in overseas affiliates also to directly access JVC Kenwood.

(iii) The management audit office of JVC Kenwood, in order to validate the effectiveness of the series of measures to prevent recurrence, will collect accounting, financial, and other relevant data monthly from all related companies of the Group and analyze the data.

(iv) Business operations related to internal control will be examined every six months.

(v) Audits will be conducted by compliance-related theme at all locations of the Group.

(vi) The aforementioned monitoring system will be evaluated continuously for effectiveness by external specialists.

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Summary of Adjustments to Previous Earnings Results

1.Summary of adjustments to previous earnings results for JVC

Adjustments to Consolidated Earnings Results for FYE 3/'05 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
FYE 3/'05	Net sales	840,590	840,581	△ 9
	Operating profit	10,369	10,236	△ 133
	Ordinary income	7,282	7,148	△ 134
	Net income	△ 1,857	△ 3,412	△ 1,555
	Total Asset	466,548	466,189	△ 359
	Net assets	158,235	156,673	△ 1,562

Adjustments to Consolidated Earnings Results for FYE 3/'06 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
1Q FYE 3/'06	Net sales	174,252	174,248	△ 4
	Operating profit	△ 2,763	△ 2,769	△ 6
	Ordinary income	△ 5,498	△ 5,503	△ 5
	Net income	△ 5,615	△ 5,620	△ 5
	Total Asset	456,249	455,885	△ 364
	Net assets	152,695	151,134	△ 1,561
1H FYE 3/'06	Net sales	387,264	387,256	△ 8
	Operating profit	△ 3,733	△ 3,774	△ 41
	Ordinary income	△ 8,467	△ 8,509	△ 42
	Net income	△ 15,310	△ 15,386	△ 76
	Total Asset	486,853	486,430	△ 423
	Net assets	145,864	144,229	△ 1,635
3Q FYE 3/'06	Net sales	627,808	627,795	△ 13
	Operating profit	△ 2,222	△ 2,412	△ 190
	Ordinary income	△ 8,340	△ 8,530	△ 190
	Net income	△ 15,235	△ 15,474	△ 239
	Total Asset	491,610	491,136	△ 474
	Net assets	150,748	148,942	△ 1,806
FYE 3/'06	Net sales	806,899	806,884	△ 15
	Operating profit	△ 6,890	△ 6,984	△ 94
	Ordinary income	△ 15,038	△ 15,132	△ 94
	Net income	△ 30,607	△ 30,870	△ 263
	Total Asset	446,812	446,333	△ 479
	Net assets	136,289	134,450	△ 1,839

Adjustments to Consolidated Earnings Results for FYE 3/'07 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
1Q FYE 3/'07	Net sales	176,095	176,092	△ 3
	Operating profit	△ 1,940	△ 2,446	△ 506
	Ordinary income	△ 2,938	△ 3,443	△ 505
	Net income	△ 3,410	△ 3,918	△ 508
	Total Asset	433,247	432,727	△ 520
	Net assets	135,148	132,784	△ 2,364
1H FYE 3/'07	Net sales	371,241	370,657	△ 584
	Operating profit	△ 684	△ 1,953	△ 1,269
	Ordinary income	△ 3,436	△ 4,705	△ 1,269
	Net income	5,025	4,126	△ 899
	Total Asset	470,136	469,169	△ 967
	Net assets	143,890	141,106	△ 2,784
3Q FYE 3/'07	Net sales	576,309	576,277	△ 32
	Operating profit	108	△ 1,280	△ 1,388
	Ordinary income	△ 3,757	△ 5,147	△ 1,390
	Net income	3,574	2,585	△ 989
	Total Asset	469,028	468,010	△ 1,018
	Net assets	144,892	141,958	△ 2,934
FYE 3/'07	Net sales	742,685	742,647	△ 38
	Operating profit	△ 5,656	△ 7,872	△ 2,216
	Ordinary income	△ 11,695	△ 13,910	△ 2,215
	Net income	△ 7,891	△ 12,531	△ 4,640
	Total Asset	420,707	415,643	△ 5,064
	Net assets	133,786	127,222	△ 6,564

Adjustments to Consolidated Earnings Results for FYE 3/'08 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
1Q FYE 3/'08	Net sales	159,027	159,017	△ 10
	Operating profit	△ 6,299	△ 6,876	△ 577
	Ordinary income	△ 7,722	△ 8,301	△ 579
	Net income	△ 12,958	△ 13,536	△ 578
	Total Asset	408,495	402,700	△ 5,795
	Net assets	128,257	120,803	△ 7,454
1H FYE 3/'08	Net sales	330,167	330,150	△ 17
	Operating profit	△ 5,380	△ 5,511	△ 131
	Ordinary income	△ 10,543	△ 10,769	△ 226
	Net income	△ 42,051	△ 42,523	△ 472
	Total Asset	405,366	399,891	△ 5,475
	Net assets	128,857	121,711	△ 7,146
3Q FYE 3/'08	Net sales	514,263	514,180	△ 83
	Operating profit	△ 599	△ 776	△ 177
	Ordinary income	△ 8,273	△ 8,549	△ 276
	Net income	△ 38,695	△ 39,311	△ 616
	Total Asset	380,372	374,894	△ 5,478
	Net assets	131,396	124,121	△ 7,275
FYE 3/'08	Net sales	658,449	658,286	△ 163
	Operating profit	3,262	2,729	△ 533
	Ordinary income	△ 7,951	△ 8,708	△ 757
	Net income	△ 47,521	△ 46,662	859
	Total Asset	315,003	311,271	△ 3,732
	Net assets	114,126	108,695	△ 5,431

Adjustments to Consolidated Earnings Results for FYE 3/'09 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
1Q FYE 3/'09	Net sales	132,738	129,878	△ 2,860
	Operating profit	△ 1,272	△ 3,748	△ 2,476
	Ordinary income	△ 2,378	△ 4,852	△ 2,474
	Net income	△ 6,902	△ 9,376	△ 2,474
	Total Asset	309,314	305,786	△ 3,528
	Net assets	110,083	101,408	△ 8,675
1H FYE 3/'09	Net sales	270,147	266,202	△ 3,945
	Operating profit	1,309	△ 2,469	△ 3,778
	Ordinary income	△ 2,691	△ 6,765	△ 4,074
	Net income	△ 8,095	△ 12,155	△ 4,060
	Total Asset	301,856	296,981	△ 4,875
	Net assets	106,280	96,833	△ 9,447
3Q FYE 3/'09	Net sales			
	Operating profit			
	Ordinary income			
	Net income			
	Total Asset			
	Net assets			
FYE 3/'09	Net sales	462,086	459,668	△ 2,418
	Operating profit	△ 933	△ 6,357	△ 5,424
	Ordinary income	△ 10,307	△ 16,520	△ 6,213
	Net income	△ 24,350	△ 33,336	△ 8,986
	Total Asset	257,977	247,402	△ 10,575
	Net assets	88,145	74,571	△ 13,574

(Note 1) As a result of the management integration effective October 1, 2008, submission of reports on earnings results for the third quarter of the fiscal year ended March 2009 and thereafter became unnecessary, and hence the data is not indicated

(Note 2) While a full-year report on earnings results for the fiscal year ended March 2009 was not submitted, the Securities Report was issued. The figures above are those on the Report. Effective from the third quarter of the fiscal year ended March 2009, the method of computing net sales was changed to the net method in which part of the amount discounted for clients is deducted from net sales).

2.Summary of adjustments to previous earnings results for JVC Kenwood

Adjustments to Consolidated Earnings Results for FYE 3/'09 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
3Q FYE 3/'09	Net sales	206,380	206,664	284
	Operating profit	3,452	2,399	△ 1,053
	Ordinary income	△ 309	△ 1,834	△ 1,525
	Net income	△ 3,337	△ 11,065	△ 7,728
	Total Asset	396,454	385,598	△ 10,856
	Net assets	97,053	90,332	△ 6,721
FYE 3/'09	Net sales	309,771	311,299	1,528
	Operating profit	107	△ 1,537	△ 1,644
	Ordinary income	△ 6,809	△ 9,760	△ 2,951
	Net income	△ 18,795	△ 30,734	△ 11,939
	Total Asset	354,652	344,077	△ 10,575
	Net assets	85,579	74,439	△ 11,140

Adjustments to Consolidated Earnings Results for FYE 3/'10 (Millions of yen)

		Prior to adjustments	After adjustments	Amount of adjustments
1Q FYE 3/'10	Net sales	99,109	98,578	△ 531
	Operating profit	△ 6,026	△ 6,873	△ 847
	Ordinary income	△ 7,061	△ 8,564	△ 1,503
	Net income	△ 8,041	△ 9,543	△ 1,502
	Total Asset	332,725	320,825	△ 11,900
	Net assets	78,437	65,484	△ 12,953
2Q FYE 3/'10	Net sales	203,950	203,324	△ 626
	Operating profit	△ 11,130	△ 7,809	3,321
	Ordinary income	△ 14,624	△ 10,955	3,669
	Net income	△ 21,521	△ 16,849	4,672
	Total Asset	314,093	305,343	△ 8,750
	Net assets	61,686	55,130	△ 6,556