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Company: JVC KENWOOD Holdings, Inc.  
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## Notice on Notes to Financial Statements Regarding Going Concern

JVC KENWOOD Holdings, Inc. (JVC Kenwood) , at a meeting of the board of directors held today, passed a resolution with respect to its status as a going concern in reports on earnings results and quarterly reports for the first three quarters of the fiscal year ending March 2010 to indicate the following as notes.

### 1. Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 2010

The JVC Kenwood Group, given its high percentage of overseas sales, experienced sharp falls in earnings in the consumer electronics and professional electronics segments due primarily to the impact of U.S.-originated financial instability on the real global economy and to the rapid strengthening of the yen. After having posted a net loss of 30,734 million yen on a consolidated basis for the previous accounting year, the Group posted a quarterly net loss of 9,543 million yen on a consolidated, cumulative basis for the first quarter of the fiscal year ending March 2010. JVC posted net losses consecutively from the fiscal year ended March 2004 through the fiscal year ended March 2009, and again recorded a quarterly net loss on a consolidated, cumulative basis for the first quarter of the fiscal year ending March 2010. Furthermore, as a result of adjustments to previous earnings results implemented in the fiscal year ending March 2010, the Group, on a consolidated basis as of the end of the first quarter of the fiscal year ending March 2010, is in breach of a financial covenant clause concerning shareholders' equity (consolidated) contained in the commitment line contract of a syndicated loan to JVC (totaling 24,500 million yen; on September 30, 2009 and December 28, 2009, a total of 20,000 million yen refinanced after the contract term of three months). As a result, the JVC Kenwood Group, on a consolidated basis, as of the end of the first quarter of the fiscal year ending March 2010, is in a situation that raises doubts over its status as a going concern assumption.

The JVC Kenwood Group, based on the Car Electronics Business, for which sales and earnings have been recovering given the effects of restructuring and integration, has been making efforts to further restructure revenues of this business by implementing, in accordance with the business structural reform action plan developed in October 2009, actions such as structural reforms in Europe and China including staff reductions at sales subsidiaries and fully implementing structural reforms of the Home & Mobile Electronics Business, which includes terminating production of the Mexican plant and reducing manpower at plants in Thailand and Malaysia, and has been strengthening its efforts to pursue structural reforms and increase orders of the Professional Systems Business, recovery of which has been delayed, with the aim of recovering the sales and earnings of all companies in the Group.

Furthermore, to reconstruct the corporate base for executing future growth strategies, the Group will develop a fundamental restructuring plan that includes business reforms concentrating on targeted businesses and restructuring unprofitable businesses, cost reforms including sharp reductions of fixed expenses, and financial reforms including funding and capital strategies, and implement these reforms to promptly recover business performance and financial condition.

Meanwhile, JVC, with respect to the financial covenant clause contained in the commitment line contract of the aforementioned syndicated loan (total of 20,000 million yen), which the organization is in breach of, furnished an amended agreement, based on which the financial covenant clause of the subject contract was deleted, and obtained support from financial institutions to renew the contract at the end of March 2010. JVC, given the scheduled refinancing and repayment of bank loans including the above syndicated loan, will continue to seek support from major bank relationships.

While the improvement measures described above are being pursued, considering that recovery of business performance will be impacted by future consumer demand and economic trends, and that negotiations with financial

institutions are underway with respect to the refinancing of loans scheduled within the next year, at the present time serious uncertainty over the going concern assumption can be recognized.

Please note that consolidated financial statements have been prepared on the basis of the group's status as a going concern and do not reflect any effects of the serious uncertainty over the going concern assumption.

## **2. Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 2010**

The JVC Kenwood Group, given its high percentage of overseas sales, experienced sharp falls in earnings in the areas of consumer electronics and professional electronics segments due primarily to the impact of U.S.-originated financial instability on the real global economy and to a rapid strengthening of the yen. After having posted a net loss of 30,734 million yen on a consolidated basis for the previous accounting year, the Group posted a quarterly net loss of 16,849 million yen on a consolidated, cumulative basis for the second quarter of the fiscal year ending March 2010. JVC posted net losses consecutively from the fiscal year ended March 2004 through the fiscal year ended March 2009, and again recorded a quarterly net loss on a consolidated, cumulative basis for the second quarter of the fiscal year ending March 2010. Furthermore, as a result of adjustments to previous earnings results implemented in the fiscal year ending March 2010, the Group, on a consolidated basis as of the end of the second quarter of the fiscal year ending March 2010, is in breach of financial covenant clauses concerning shareholders' equity (consolidated) contained in the commitment line contract of the syndicated loan for JVC (totaling 20,000 million yen; on December 28, 2009, 20,000 million yen refinanced after the contract term of three months) and in the term loan contract (totaling 3,000 million yen; repayment in installments over two years from September 2009). As a result of these circumstances, the JVC Kenwood Group, on a consolidated basis as of the end of the second quarter of the fiscal year ending March 2010, is in a situation that raises doubts over the going concern assumption.

The JVC Kenwood Group, based on the Car Electronics Business, for which sales and earnings have been recovering given the effects of restructuring and integration, has been making efforts to further restructure revenues of this business by implementing, in accordance with the business structural reform action plan developed in October 2009, actions such as structural reforms in Europe and China including staff reductions at sales subsidiaries and fully implementing structural reforms of the Home & Mobile Electronics Business, which includes terminating production of the Mexican plant and reducing manpower at plants in Thailand and Malaysia, and has been strengthening its efforts to pursue structural reforms and increase orders of the Professional Systems Business, recovery of which has been delayed, with the aim of recovering the sales and earnings of all companies in the Group.

Furthermore, to reconstruct the corporate base for executing future growth strategies, the Group will develop a fundamental restructuring plan that includes business reforms concentrating on targeted businesses and restructuring unprofitable businesses, cost reforms including sharp reductions of fixed expenses, and financial reforms including funding and capital strategies, and implement these reforms to promptly recover business performance and financial condition.

Meanwhile, JVC, with respect to the financial covenant clause contained in the commitment line contract of the aforementioned syndicated loan (total of 20,000 million yen), which the organization is in breach of, furnished an amended agreement, based on which the financial covenant clause for the subject contract was deleted, and obtained support from financial institutions to renew the contract at the end of March 2010. With respect to the term loan contract (totaling 3,000 million yen), JVC has received agreement from the lender to abandon the right to claim forfeiture of benefit of time in connection with the subject breach of financial covenants. JVC, given the scheduled refinancing and repayment of bank loans including the above syndicated loan, will continue to seek support from major bank relationships.

While the improvement measures described above are being pursued, considering that recovery of business performance will be impacted by future consumer demand and economic trends, and that negotiations with financial institutions are underway with respect to the refinancing of loans scheduled within the next year, at the present time a serious uncertainty over the going concern assumption can be recognized.

Please note that consolidated financial statements have been prepared on the basis of the group's status as a going concern and do not reflect any effects of the serious uncertainty over the going concern assumption.

### **3. Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 2010**

The JVC Kenwood Group, given its high percentage of overseas sales, experienced sharp falls in earnings in the areas of consumer electronics and professional electronics equipment due primarily to the impact of U.S.-originated financial instability on the real global economy and to a rapid strengthening of the yen. After having posted a net loss of 30,734 million yen on a consolidated basis for the previous accounting year, a quarterly net loss of 22,279 million yen was posted on a consolidated, cumulative basis for the third quarter of the fiscal year ending March 2010. JVC posted net losses consecutively from the fiscal year ended March 2004 through the fiscal year ended March 2009, and again recorded a quarterly net loss on a consolidated, cumulative basis for the third quarter of the fiscal year ending March 2010. Furthermore, as a result of adjustments to previous earnings results implemented in the fiscal year ending March 2010, the Group, on a consolidated basis as of the end of the third quarter of the fiscal year ending March 2010, is in breach of financial covenant clauses concerning shareholders' equity (consolidated) contained in the commitment line contract of the syndicated loan for JVC (totaling 20,000 million yen; on December 28, 2009, borrowed after the contract term of three months) and in the term loan contract (totaling 3,000 million yen; repayment in installments in two years from September 2009). As a result of these circumstances, the JVC Kenwood Group, on a consolidated basis as of the end of the third quarter of the fiscal year ending March 2010, is in a situation that raises doubts over the going concern assumption.

The JVC Kenwood Group, based on the Car Electronics Business, for which sales and earnings have been recovering given the effects of restructuring and integration, has been making efforts to further restructure revenues of this business by implementing, in accordance with the business structural reform action plan developed in October 2009, actions such as structural reforms in Europe and China including staff reductions at sales subsidiaries and fully implementing structural reforms of the Home & Mobile Electronics Business, which includes terminating production of the Mexican plant and reducing manpower at plants in Thailand and Malaysia, and has been strengthening its efforts to pursue structural reforms and increase orders of the Professional Systems Business, recovery of which has been delayed, with the aim of recovering the sales and earnings of all companies in the Group.

Furthermore, to reconstruct the corporate base for executing future growth strategies, the Group will develop a fundamental restructuring plan that includes a business reforms concentrating on targeted businesses and restructuring unprofitable businesses, cost reforms including sharp reductions of fixed expenses, and financial reforms including funding and capital strategies, and implement these reforms to promptly recover business performance and financial condition.

Meanwhile, JVC, with respect to the financial covenant clause contained in the commitment line contract of the aforementioned syndicated loan (total of 20,000 million yen), which the organization is in breach of, furnished an amended agreement, based on which the financial covenant clause for the subject contract was deleted, and obtained support from financial institutions to renew the contract at the end of March 2010. With respect to the term loan contract (totaling 3,000 million yen), JVC has received agreement from the lender to abandon the right to claim forfeiture of benefit of time in connection with the subject breach of financial covenants. JVC, given the scheduled refinancing and repayments of bank loans including the above syndicated loan, will continue to seek support from major bank relationships.

While the improvement measures described above are being pursued, considering that recovery of business performance will be impacted by future consumer demand and economic trends, and that negotiations with financial institutions are underway with respect to the refinancing of loans scheduled within the next year, at the present time, a serious uncertainty over the going concern assumption can be recognized.

Please note that consolidated financial statements have been prepared on the basis of the group's status as a going concern and do not reflect any effects of the serious uncertainty over the going concern assumption.

(Note) JVC is the abbreviation for Victor Company of Japan, Limited.