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Company: JVC KENWOOD Holdings, Inc.
Representative: Haruo Kawahara, President, Chairman and CEO
(Code: 6632; First Section of the Tokyo Stock Exchange)
Contact: Hisayoshi Fuwa, Director and CFO
(Tel: +81-45-444-5232)
(E-mail: prir@jk-holdings.com)

Accounting Report for the First Half of Fiscal Year Ending March 2011 (April 1, 2010 - September 30, 2010)

Consolidated Financial Highlights for the First Half of Fiscal Year Ending March 2011 (April 1, 2010 - September 30, 2010)

Operating Results (Millions of yen, except net income per share)

	First Half of FYE 3/2011 (April 1, 2010 to September 30, 2010)	First Half of FYE 3/2010 (April 1, 2009 to September 30, 2009)
Net sales	176,589	203,324
Operating profit (loss)	5,383	(7,809)
Ordinary income (loss)	2,130	(10,955)
Net income (loss)	(3,193)	(16,849)
Net income (loss) per share	(4.72) yen	(17.43) yen

FYE: Fiscal year ended / ending

Sales by Segments (Millions of yen)

	First Half of FYE 3/2011 (April 1, 2010 to September 30, 2010)		First Half of FYE 3/2010 (April 1, 2009 to September 30, 2009)	
Car Electronics	54,993	31%	51,405	25%
Professional Systems	44,000	25%	44,576	22%
Home & Mobile Electronics	52,541	30%	77,848	38%
Entertainment	21,040	12%	23,566	12%
Others	4,013	2%	5,926	3%
Total	176,589	100%	203,324	100%

FYE: Fiscal year ended / ending

Major Products in Each Segment

Car Electronics	Car Audio, Car AV Systems and Car Navigation Systems
Professional Systems	Land Mobile Radio Equipment, Video Surveillance Equipment, Commercial Audio, Video and Display Equipment
Home & Mobile Electronics	Video Cameras, LCD TVs, Projectors, Pure Audio and AV Accessories
Entertainment	Music and video software, such as CDs and DVDs
Other projects	Radio Frequency ID Systems, Weather Satellite Data Reception Systems, Other Electronic Devices, Recording Media, Interior Furniture, etc.

Qualitative Information on 2Q Consolidated Operating Results, etc.

(1) Qualitative Information Concerning the Consolidated Operating Results
(Overview of the second quarter of the current fiscal year)

Within the global economy, while a recovery was seen in some countries and areas centering on emerging markets in the second quarter of 2010, and temporary measures were taken to boost economies centering on developed countries, the economic outlook remained uncertain with exchange rate fluctuations and a continuation of deflationary trends.

Given such circumstances, in the current second quarter of 2010, following on from the first quarter, because the JVC Kenwood Group succeeded in achieving more-than-expected results in the Car Electronics business and the Professional Systems business, which are Group businesses currently being strengthened, and further cost reductions group-wide facilitated stronger-than-expected improvements in earnings, operating profit of business segments as a whole outperformed projections. Such being the case, the Group's bottom-line results for the second quarter showed a remarkable improvement compared to the same period a year earlier and operating profit marked a record high for the third straight quarter after management integration, following on from the fourth quarter of the preceding fiscal year and the first quarter of the current fiscal year, and ordinary income posted a profit for the second straight quarter following on from the first quarter.

Meanwhile, exchange rates in the current second quarter of 2010 were initially assumed to be 90 yen per U.S. Dollar and 125 yen per Euro (however, in the revised business forecast released on July 28 this year, the influence of the assumption of 90 yen per U.S. Dollar and 110 yen per Euro had already been factored in.), while actual exchange rates (excluding those for forward exchange contracts) used for closing the books of the current second quarter 2010 were approximately 86 yen per U.S. Dollar and about 111 yen per Euro.

*Net Sales

In the current second quarter 2010, following on from the first quarter, as sales of the Car Electronics business were favorable in both consumer and OEM segments and in the Professional Systems business segment orders received recovered centering on land mobile radio segment, despite the fact that overseas net sales decreased in yen terms due to the strength of the yen against foreign currencies upon conversion, net sales of both business segments leveled off compared to the same period of the previous year.

On the other hand, in the Home & Mobile Electronics business, consolidation in the display segment in the U.S. and European markets, as well as a reduction of sales in the camcorder segment led business to decline as a whole from the same period of the previous year. In the Entertainment business, while a string of hits were produced, net sales fell below that of the same period of the previous year due to the influences of market contraction.

As a result, the Group's net sales for the current second quarter period fell approximately 16.9 billion yen (a 16.1% reduction) compared to the same period a year earlier to 87,840 million yen.

Net sales for the consolidated period up to the second quarter including the actual results for the first quarter period decreased by approximately 26.7 billion yen (13.1% fall) compared to the same period of the previous year to 176,589 million yen.

In the second quarter, while there were reductions of approximately 2.7 billion yen and 5.1 billion yen in overseas net sales due to the appreciation of the yen against foreign currencies compared to the initial projection and the same period of the previous year, respectively, net sales were similar to initial projections in local currencies when excluding the influence of the appreciation of the yen, and the recovery of sales in the Car Electronics and Professional Systems business segments partially compensated for a reduction in the sales at the Home & Mobile Electronics business, which was caused through the decrease of product lineups, and decline in the sales at the Entertainment business.

*Operating Profit

In the second quarter, the Car Electronics business continued to be highly profitable following on from the first quarter. In the Professional Systems business, in addition to the fact that the profitability of land mobile radio segment continued to recover, the business solution segment returned to the black due to reductions in the cost of sales, fixed costs, etc., and earnings also showed substantial growth in the entire business segment.

In the Home & Mobile Electronics business, earnings also improved remarkably thanks to the effects of reductions of fixed costs due to structural reforms of the business implemented in the preceding fiscal year. In the Entertainment business, because a string of hits were produced and earnings improved due to cost reductions, the segment also returned profitable from a loss in the same period a year earlier.

As regards currency exchange rate conversions, the Group has a structure such that while profits fall due to the appreciation of the yen against the Euro, they increase due to the appreciation of the yen against the U.S. Dollar.

As a result, the Group’s operating profit for the second quarter improved by approximately 3.9 billion yen to 2,998 million yen, surpassing the initial projection, marking a record high profit after management integration for the third straight quarter, following on from the fourth quarter of the preceding fiscal year and the first quarter of the current fiscal year.

Operating profit for the consolidated period up to the current second quarter, including the results for the first quarter, improved by approximately 13.2 billion yen compared to the same period of the previous year to 5,383 million yen.

***Ordinary Income**

Ordinary income for the second quarter, supported by a substantial improvement in operating profit, increased by approximately 2.7 billion yen from the same period of the previous year to 324 million yen, posting a profit for two consecutive quarters, following on from the first quarter against the initial projection of a loss.

Cumulative ordinary income for the second quarter and the first quarter period improved by approximately 13.1 billion yen from the same period a year earlier to 2,130 million yen.

***Net Income**

In the second quarter, there was an extraordinary loss totaling approximately 2.5 billion yen including a loss on sales of fixed assets (approximately 0.3 billion yen) in connection with the action plan for rebuilding the business foundations of the Group, expenses for the review of the personnel system (approximately 0.7 billion yen), and an impairment loss (approximately 1 billion yen) for idle assets and accounting systems, etc. Although structural reforms are progressing as scheduled, this extraordinary loss was less than initially projected, and the result was a reduction of approximately 1.4 billion yen compared to the same period a year ago. Besides, ordinary income improved significantly, with the net loss for the current second quarter falling by approximately 4.5 billion yen to 2,775 million yen compared to the result for the same period of the previous year.

Net loss for the consolidated period up to the current second quarter including the first quarter improved by approximately 13.7 billion yen year-on-year to 3,193 million yen.

(Net Sales, Profits, and Losses by Business Segment)

Net sales and operating profit by business segment are as follows:

Business Segment		Consolidated 1H for FYE 2011/3	2Q of FYE 2011/3	(Reference) 2Q of FYE 2010/3
Car Electronics	Net sales	54,993	26,030	26,577
	Operating profit	4,661	1,884	989
Professional Systems	Net sales	44,000	23,657	24,582
	Operating profit	649	1,364	298
Home & Mobile Electronics	Net sales	52,541	25,399	38,504
	Operating profit	(674)	(385)	(2,718)
Entertainment	Net sales	21,040	10,785	11,897
	Operating profit	860	330	(100)
Others	Net sales	4,013	1,967	3,183
	Operating profit	(113)	(196)	594
Total	Net sales	176,589	87,840	104,746
	Operating profit	5,383	2,998	(935)
	Ordinary income	2,130	324	(2,391)
	Net income	(3,193)	(2,775)	(7,305)

Note: For the second quarter of the fiscal year ended March 2010, patent revenue and profit/loss related to the business incubation business are included in the Other segment.
For the second quarter of the fiscal year ending March 2011, profit/loss related to patent revenue is allocated to each business segment, and profit/loss regarding the business incubation business is included in the Professional Systems segment.

*** Car Electronics Business**

In the commercial segment, while there was an influence from the appreciation of the yen against foreign currencies, following on from the first quarter period, sales of car audios and car navigation systems, whose cost-competitiveness was bolstered by business integration, increased, sales in emerging Asian markets expanded, and the Group maintained top shares in the U.S. and European markets. In Japanese market, flash memory-type car navigation systems resulting from integrated development by Kenwood and Victor contributed significantly to sales of the business segment.

In the OEM segment, in addition to the fact that sales of genuine products and dealer option products increased, shipments of CD/DVD drive mechanisms to be mounted in vehicles continued to increase as a result of significant rises in orders received.

As a result, net sales of this entire segment for the current second quarter decreased by approximately 0.5 billion yen (of which about 2 billion yen was due to an erosion of value due to the appreciation of the yen following conversion) year on year to 26,030 million yen, and operating profit improved by approximately 0.9 billion yen (of which about 0.2 billion yen was generated due to changes in the business segment) to 1,884 million yen.

Net sales for the consolidated period up to the current second quarter including the results for the first quarter amounted to 54,993 million yen and operating profit were 4,661 million yen.

*** Professional Systems Business**

In the land mobile radio segment, in addition to the fact that, following on from the first quarter, investment budgets in the public safety market in the U.S., which is the largest market, recovered and orders received for the public safety market also recovered, sales of proprietary digital ratio systems for civilian use expanded significantly and their sales also grew in China and other Asian countries, resulting increased net sales and profit.

In the business solution segment, although demand in domestic and overseas markets continued to be sluggish, because sales of professional video cameras rose and improved earnings due to reductions in costs of sales and fixed costs largely surpassed the initial projection, the segment moved into the black.

As a result, net sales of segment as a whole for the second quarter fell by approximately 0.9 billion yen (of which about 1.1 billion yen was eroded due to the yen's appreciation following conversion) year-on-year to 23,657 million yen and operating profit improved by approximately 1.1 billion yen (of which about 0.1 billion yen was generated by changes in the business segment) year-on-year to 1,364 million yen.

Net sales for the consolidated period up to the second quarter including the results for the first quarter amounted to 44,000 million yen and operating profit was 649 million yen.

*** Home & Mobile Electronics Business**

In the display segment of the Home & Mobile Electronics business, sales fell sharply from the previous fiscal year, however, the operating loss was trimmed significantly because of reductions of fixed costs achieved by business structural reform implemented in the previous fiscal year. Such reforms included shutting down product lines and sales channels in Europe and the U.S., terminating production of a plant in Mexico, and rationalization of a plant in Thailand.

In the camcorder segment, while sales in overseas markets were slow, because sales in the Japanese market increased steadily following on from the first quarter due to the rollout of high-resolution, entry-level models and expansion of new sales channels, and also because of the rationalization of a factory in Malaysia in the preceding fiscal year and the effects of reforms to the business structure including cost reductions, while net sales were scaled back compared to the same period a year earlier, operating loss halved in the consolidated period up to the current second quarter.

In the home audio segment, while net sales were scaled back due to the effects of the consolidation of some products, only a small loss was posted, and the AV accessories segment, including headphones and earphones, continued to be highly profitable following on from the first quarter.

As a result, while net sales of the segment as a whole for the current second quarter decreased by approximately 13.1 billion yen (of which about 1.4 billion yen was eroded due to the yen's appreciation following conversion) year-on-year to 25,399 million yen, operating loss improved significantly by approximately 2.3 billion yen (of which about 0.7 billion yen was generated by changes in the business segment) to 385 million yen.

Net sales for the consolidated period up to the current second quarter including the results for the first quarter amounted 52,541 million yen and operating loss was 674 million yen.

*** Entertainment Business**

The software business was influenced by delayed sales of major products and consolidation, however, it produced a string of hits in a consistent manner following on from the first quarter and there were further cost reductions. While the number of orders received on consignment remained flat, earnings improved because of reduced fixed costs.

As a result, net sales of the Entertainment business for the second quarter under review were 10,785 million yen, down about 1.1 billion yen from a year earlier. Operating balance moved into the black with an operating profit of 330 million yen, an improvement of about 0.4 billion yen (including about 0.3 billion yen related to a change in segmentation).

Net sales for the consolidated period up to the second quarter including the results for first quarter amounted 21,040 million yen and operating profit was 860 million yen.

(2) Qualitative Information Concerning the Consolidated Financial Position

(Analysis of assets, liabilities, and net assets)

*** Assets**

Total assets at the end of the second quarter under review were 247,537 million yen, down about 27.2 billion yen from the end of the previous fiscal year, due to a decrease of about 7.8 billion yen in current assets including trade notes and accounts receivable, and a reduction of assets from sales of tangible fixed assets such as JVC's Yokohama Plant.

*** Liabilities**

Interest-bearing debts (sum of loans payable and bonds payable) were 100,126 million yen, down about 8.2 billion yen from the end of the previous fiscal year, mainly due to the repayment of loans payable from financial institutions using proceeds from sales of assets. Total liabilities fell about 18.8 billion yen year-on-year to 209,096 million yen.

Net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) was 47,736 million yen, down about 17.1 billion yen from the end of the previous fiscal year.

*** Net assets**

Total shareholders' equity was 60,406 million yen, down about 2.2 billion yen from the end of the previous fiscal year, due primarily to a net loss.

Total net assets were 38,441 million yen, down approximately 8.4 billion yen from the end of the previous fiscal year, because in addition to the decrease in shareholders' equity, the foreign currency translation adjustment in relation to investments in overseas affiliates decreased approximately 5.5 billion yen due to the yen's appreciation against major currencies such as the U.S. dollar and the Euro since the end of the previous fiscal year. Shareholders' equity ratio also fell 1.5 percentage points from the end of the previous fiscal year to 15.2%.

(Cash flow analysis)

*** Cash flows from operating activities**

Net cash provided by operating activities was 11,663 million yen for the second-quarter cumulative period, up about 2.6 billion yen from the corresponding period of the previous fiscal year. This reflects an increase in inventories of about 8.4 billion yen, a decrease in accounts payable-trade of approximately 6.3 billion yen, net loss before income taxes of roughly 10.9 billion yen, a decline in accounts receivable-trade of 4.0 billion yen, and elimination of allowance for restructuring of some 2.7 billion yen.

*** Cash flows from investing activities**

Net cash provided by investing activities was 7,234 million yen, up about 8.1 billion yen, due chiefly to an approximately 2.3 billion yen decrease in the acquisition of tangible and intangible fixed assets and a roughly 5.5 billion yen increase in proceeds from sales of tangible fixed assets, including JVC's Yokohama Plant.

***Cash flows from financing activities**

Net cash used in financing activities was 7,847 million yen, down about 8.3 billion yen, reflecting an approximately 13.4 billion yen decrease in income from short-term borrowings and a roughly 21.5 billion yen drop in redemptions of corporate bonds.

As of the end of the second quarter under review, cash and cash equivalents totaled 52,327 million yen.

(3) Qualitative Information Concerning the Consolidated Earnings Forecast

The results of the period up to and including the second quarter and a decline projected for the third quarter and thereafter are reflected in the net sales forecast, taking into account a drop in overseas sales after translation into yen, as described in the "Notice on Revision of Earnings Forecast for the Fiscal Year Ending March 2011" announced on October 28, 2010.

Although the economic environment for the third quarter and thereafter is becoming increasingly uncertain, the forecast for operating profit and ordinary income for the third quarter and thereafter remains unchanged from the previous forecast (announced July 28, 2010), considering earnings recoveries in every business segment up to the second quarter, and reflects only increases up to and including the second quarter in the profits forecast for the full fiscal year.

Fixed costs and selling expenses are decreasing at a faster pace than expected, and the extraordinary loss for the third quarter and thereafter is likely to be less than that previously forecasted (announced on July 28, 2010), although structural reforms are being implemented in line with the plan. Consequently, we reflected these factors and an increase of net income in the period up to and including the second quarter in the net income forecast for the full fiscal year.

Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(JPY in Million)

	End of current consolidated second quarter (as of Sep. 30, 2010)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2010)
Assets		
Current assets		
Cash and cash equivalents	52,389	43,502
Trade notes and accounts receivables	50,882	62,720
Merchandise and finished goods	29,896	31,051
Work in process	4,036	4,121
Raw materials and supplies	8,293	9,588
Other current assets	11,479	15,923
Allowance for doubtful receivables	(1,727)	(3,847)
Total current assets	155,250	163,058
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	16,997	19,885
Machinery and equipment, net	3,992	4,493
Tools, furniture and fixtures, net	6,068	7,140
Land	35,661	47,362
Construction in progress	575	1,093
Total tangible fixed assets	63,296	79,975
Intangible fixed assets		
Goodwill	5,092	5,278
Software	7,562	9,110
Other intangible fixed assets	2,993	3,258
Total intangible fixed assets	15,648	17,647
Investments and other assets		
Investment securities	4,415	4,822
Other investments	10,659	9,548
Allowance for doubtful receivables	(2,011)	(690)
Total investments and other assets	13,063	13,680
Total fixed assets	92,008	111,303
Deferred assets	278	389
Total assets	247,537	274,751

(JPY in Million)

	End of current consolidated second quarter (as of Sep. 30, 2010)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2010)
Liabilities		
Current liabilities		
Trade notes and accounts payables	28,596	31,371
Short term loans payable	79,206	85,286
Accrued expenses	32,870	36,383
Income taxes payable	1,976	2,406
Provision for product warranties	3,473	3,049
Provision for sales returns	1,562	1,541
Other current liabilities	14,522	15,974
Total current liabilities	162,208	176,013
Long term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	920	3,020
Liability for employees' retirement benefits	15,678	16,273
Asset retirement obligations	861	-
Other long term liabilities	9,428	12,625
Total long term liabilities	46,887	51,919
Total liabilities	209,096	227,932
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	111,143
Retained earnings	(40,473)	(38,301)
Treasury stock	(20,263)	(20,261)
Total shareholders' equity	60,406	62,580
Valuation and translation adjustment		
Unrealized gain on available-for-sale securities	71	256
Deferred hedge gain	33	385
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustments	(25,758)	(20,295)
Total valuation and translation adjustment	(22,698)	(16,699)
Subscription rights to shares	-	20
Minority interests	733	917
Total net assets	38,441	46,819
Total liabilities and net assets	247,537	274,751

(2) Quarterly Consolidated Statements of Income
(Accumulated period for consolidated first half)

(JPY in Million)

	Accumulated period for previous consolidated first half (Apr.1, 2009 - Sep.30, 2009)	Accumulated period for current consolidated first half (Apr.1, 2010 - Sep.30, 2010)
Net sales	203,324	176,589
Cost of sales	149,075	122,244
Gross profit	54,248	54,344
Selling, general and administrative expenses	62,057	48,961
Operating profit (loss)	(7,809)	5,383
Non-operating profit		
Interest income	88	106
Dividends income	198	119
Foreign exchange gain	346	849
Other non-operating profit	591	717
Total non-operating profit	1,224	1,794
Non-operating expense		
Interest expense	1,515	1,458
Provision for product warranties	-	1,022
Other non-operating expenses	2,854	2,566
Total non-operating expense	4,370	5,047
Ordinary income (loss)	(10,955)	2,130
Extraordinary profit		
Gain on sales of fixed assets	62	545
Reversal of liability for employees' retirement benefits	321	-
Reversal of Business structural reform expenses	245	34
Other extraordinary profit	167	7
Total extraordinary profit	796	587
Extraordinary loss		
Loss on disposal of fixed assets	458	286
Loss on sales of fixed assets	2,356	2,181
Impairment loss	451	1,005
Business structural reform expenses	548	135
Employment structural reform expenses	326	719
Levies	-	1,546
Other extraordinary loss	781	1,006
Total extraordinary loss	4,923	6,881
Loss before income taxes	(15,082)	(4,164)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	1,321	1,621
Corporate tax and other adjustment	466	(2,589)
Income taxes	1,788	(967)
Loss before minority interests	-	(3,196)
Minority interests in loss	(21)	(3)
Net loss	(16,849)	(3,193)

(Accumulated period for consolidated second quarter)

(JPY in Million)

	Accumulated period for previous consolidated first half (Jul.1, 2009 - Sep.30, 2009)	Accumulated period for current consolidated first half (Jul.1, 2010 - Sep.30, 2010)
Net sales	104,746	87,840
Cost of sales	75,142	61,355
Gross profit	29,603	26,485
Selling, general and administrative expenses	30,538	23,487
Operating profit (loss)	(935)	2,998
Non-operating profit		
Interest income	36	36
Foreign exchange gains	346	-
Adjustment to royalties	-	133
Other non-operating profit	260	124
Total non-operating profit	643	294
Non-operating expense		
Interest expense	731	703
Foreign exchange loss	-	260
Loans commission	697	378
Provision for product warranties	-	952
Other non-operating expenses	670	672
Total non-operating expense	2,099	2,968
Ordinary income (loss)	(2,391)	324
Extraordinary profit		
Gain on sales of fixed assets	16	81
Gain on liquidation of subsidiaries and affiliates	44	-
Reversal of Business structural reform expenses	245	34
Other extraordinary profit	50	1
Total extraordinary profit	356	117
Extraordinary loss		
Loss on disposal of fixed assets	444	277
Loss on sales of fixed assets	2,293	344
Impairment loss	451	1,005
Business structural reform expenses	337	112
Employment structural reform expenses	219	716
Other extraordinary loss	158	83
Total extraordinary loss	3,905	2,540
Loss before income taxes	(5,940)	(2,099)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	941	683
Corporate tax and other adjustment	430	(7)
Income taxes	1,372	675
Income (loss) before minority interests	-	(2,774)
Minority interests in income (loss)	(7)	0
Net Loss	(7,305)	(2,775)

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first half (Apr.1, 2009 - Sep.30, 2009)	Accumulated period for current consolidated first half (Apr.1, 2010 - Sep.30, 2010)
Cash flows from operating activities:		
Income before income taxes	(15,082)	(4,164)
Depreciation	9,816	7,209
Amortization of goodwill	163	163
Impairment loss	451	1,005
Decrease in allowance for employees' retirement	(1,570)	(314)
Increase (decrease) in allowance for doubtful accounts	857	(504)
Interest revenue and dividend income	(286)	(226)
Interest expense	1,515	1,458
Loss on disposal of fixed assets	458	286
Loss on sales of fixed assets	2,294	1,635
Decrease in trade notes and accounts receivable	4,425	8,469
Decrease in inventories	8,716	297
Increase (decrease) in accounts payable	5,121	(1,143)
Increase (decrease) in provision for structural reform	(2,740)	-
Decrease in accrued expenses	(343)	(2,099)
Other	(2,118)	2,809
Sub-total	11,680	14,882
Interest and dividends received	286	230
Interest paid	(1,605)	(1,621)
Income taxes paid	(1,253)	(1,827)
Net cash provided by operating activities	9,108	11,663
Cash flows from investing activities:		
Capital investment (real estate, plants and equipment)	(3,896)	(2,192)
Proceeds from sales of property, plant and equipment	5,110	10,581
Purchase of intangible fixed assets	(2,255)	(1,670)
Other	134	515
Net cash used in investing activities	(905)	7,234
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	12,162	(1,276)
Proceeds from long-term loans payable	13,700	1,000
Repayment of long-term loans payable	(20,000)	(6,680)
Redemption of bonds	(21,531)	-
Other	(518)	(890)
Net cash used in financing activities	(16,187)	(7,847)
Effect of exchange rate fluctuations on cash and cash equivalents	(788)	(2,523)
Net increase (decrease) in cash and cash equivalents	(8,772)	8,527
Cash and cash equivalents at beginning of period	52,393	43,408
Increase in cash and cash equivalents resulting from change of scope of consolidation	69	392
Cash and cash equivalents at end of quarter	43,690	52,327

(4) Notes to Financial Statements Regarding Going Concern

Because the JVC Kenwood Group, given its high overseas sales ratio, experienced a substantial reduction of earnings in the areas of consumer electronics and professional electronics equipment, which was due primarily to the impact of U.S.-originated financial instability on the real global economy and to a sharp appreciation of the yen, it posted net losses consecutively from the consolidated fiscal year ended March 2009 through the preceding consolidated fiscal year. Within the JVC Kenwood Group, JVC and its subsidiaries posted consolidated net losses consecutively from the consolidated fiscal year ended March 2005 through the preceding consolidated fiscal year. The JVC Kenwood Group has procured funds including operating funds mainly through short-term loans. 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 2011, is in a situation that raises doubts over the going concern assumption.

In such circumstances, besides the structural reforms advanced so far, the JVC Kenwood Group formulated a mid-term management plan in May 2010 to rebuild action plans focusing on the restructuring of unprofitable businesses and reconstructing its global operating system (sale of head office building, restructuring of production system, review of personnel system, etc.) as key points, as well as its earnings base, with a view to moving all of its businesses into the black and taking ordinary income for the current consolidated fiscal year into positive territory, and is in the course of implementing it. While the current consolidated first half showed improved performance by each business, resulting in an operating profit of 5,383 million yen and an ordinary income of 2,130 million yen, the JVC Kenwood Group will continue to aim for an early recovery of business results and financial conditions. In addition, regarding the procurement of funds, the JVC Kenwood Group will ask its main correspondent financial institutions for their continued financial support.

The JVC Kenwood Group is on track to pursue such measures and has confirmed an improvement of performance for the current consolidated first half. However, achieving the goals of action plans and mid-term business plan depends on future trends of consumer demand and the economic environment and also trends for the procurement of funds, therefore, negotiations with financial institutions are underway on refinancing loans scheduled within the current consolidated fiscal year. And, at this point in time, serious uncertainty about the going concern assumption is recognized.

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