



February 1, 2011

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## Accounting Report for the Third Quarter of Fiscal Year Ending March 2011 (April 1, 2010 - December 31, 2010)

### Consolidated Financial Highlights for the Third Quarter of Fiscal Year Ending March 2011 (April 1, 2010 - December 31, 2010)

#### Operating Results

(Millions of yen)

	3 <sup>rd</sup> Quarter			1 <sup>st</sup> Quarter to 3 <sup>rd</sup> Quarter		
	Oct.1, 2010 to Dec.31, 2010	(For reference) Oct.1, 2009 to Dec.31, 2009	YoY (%)	April 1, 2010 to Dec.31, 2010	(For reference) April 1, 2009 to Dec.31, 2009	YoY (%)
Net sales	90,592	102,101	89	267,182	305,425	88
Operating profit (loss)	4,032	(908)	-	9,416	(8,717)	-
Ordinary income (loss)	4,399	(3,312)	-	6,530	(14,267)	-
Net income (loss)	5,386	(5,430)	-	2,193	(22,279)	-

#### Sales by Segments

(Millions of yen)

	3 <sup>rd</sup> Quarter			1 <sup>st</sup> Quarter to 3 <sup>rd</sup> Quarter		
	Oct.1, 2010 to Dec.31, 2010	(For reference) Oct.1, 2009 to Dec.31, 2009	YoY (%)	April 1, 2010 to Dec.31, 2010	(For reference) April 1, 2009 to Dec.31, 2009	YoY (%)
Car Electronics	25,565	26,337	97	80,558	77,742	104
Professional Systems	23,209	21,316	109	67,210	65,892	102
Home & Mobile Electronics	26,626	39,784	67	79,167	117,632	67
Entertainment	12,702	11,471	111	33,742	35,038	96
Others	2,489	3,191	78	6,502	9,118	71
Total	90,592	102,101	89	267,182	305,425	87

#### Major Products in Each Segment

Car Electronics	Car Audio, Car AV Systems and Car Navigation Systems
Home & Mobile Electronics	Video Cameras, LCD TVs, Projectors, Pure Audio and AV Accessories
Professional Systems	Land Mobile Radio Equipment, Video Surveillance Equipment, Commercial Audio, Video and Display Equipment
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.

## **1. Qualitative Information on 3Q Consolidated Operating Results, etc.**

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

Within the global economy, while a recovery was seen in emerging markets in the current third quarter, 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.

Under such circumstances, the Group's performance in the current third quarter substantially improved on a year-to-year basis following the current consolidated six months. This was mainly because the Car Electronics business and the Professional Systems business, our core businesses, remained strong and positive effects surfaced from restructuring and cost cutting efforts that we carried out in the previous fiscal year, despite the negative impact of the yen's appreciation.

All business segments were in the black in the current third quarter, and operating profit marked a record high for the fourth consecutive quarter since the previous fourth quarter after the management integration. We posted a profit in terms of ordinary income for three quarters straight from the first quarter. Net income for the current quarter entered the black for the first time since the management integration, mainly because we posted an ordinary income and earned extraordinary income from patent licensing, in spite of expenses incurred in connection with restructuring. In addition, net income for the current consolidated nine months also entered the black.

Meanwhile, exchange rates in the current third quarter were initially assumed to be 80 yen per U.S. Dollar and 110 yen per Euro, while actual exchange rates (excluding those for forward exchange contracts) used for closing the books of the current third quarter were approximately 83 yen per U.S. Dollar and about 112 yen per Euro.

#### **\*Net Sales**

In the current third quarter, following on from the second consolidated first half, 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.

On the other hand, since JVC Kenwood's overseas sales ratio is high, overseas sales were reduced by about 4.6 billion yen. This mainly arose when converting the yen and was in connection with the yen's appreciation (a decrease of 4.5% in sales from the same period of the previous fiscal year). In addition, in the Home & Mobile Electronics Business there was reduction in the display segment in the U.S. and European markets, and lower sales mainly overseas in the camcorder segment, and these factors also caused business to decline.

As a result, the JVC Kenwood's sales for the current third quarter period fell approximately 11.5 billion yen (a decrease of 11.3%) to 90,592 million yen on a year-to-year comparison, though the sales level of the JVC Kenwood for the current third quarter was almost as predicted.

The total sales for the consolidated period up to the third quarter including the actual results for the current consolidated six months decreased by approximately 38.2 billion yen (a decrease of 12.5%) to 267,182 million yen on a year-to-year comparison.

#### **\*Operating Profit**

For the current third quarter, the Car Electronics business has remained strong following the trend in the current consolidated six months. It has kept profitability among the closing procedures of current models (termination of sale) in the consumer segment, and sales growth of the OEM segment also contributed to the profit. The Professional Systems business picked up substantially following the current consolidated six months. This was because profitability in the land mobile radio segment returned and income and loss in the business solutions segment materially improved as a result of cost cutting measures and reduced fixed expenses.

Further, the Home & Mobile Electronics Business that had remained in the red up to the current second quarter improved its income and loss dramatically and entered the black for the first time since the third quarter for the fiscal year ended in March 2009. This was due to a sales campaign carried out at the end of last year in addition to successful effects from reduced fixed expenses and such like implemented under the business structural reform that took place in the previous fiscal year. In the Entertainment Business also, the profit and loss further improved due to a series of hit products and cost cuts.

In addition to the above factors, other revenue (about 800 million yen) was earned in connection with patent licensing to Panasonic Corporation (hereinafter referred to as "Panasonic"), and the operating profit of the JVC Kenwood for the current third quarter materially exceeded our projection. This resulted in all the business segments posting a profit. The operating income saw an increase of 4.9 billion yen to 4,032 million yen, and it marked a record high for the fourth consecutive quarter since the previous fourth quarter after the management integration.

Operating profit for the current consolidated nine months, including the actual results for the current consolidated six months, was 9,416 million yen, or an increase of 18.1 billion yen on a year-to-year basis.

#### **\*Ordinary Income**

In this current third quarter, non-operating income increased by about 1.5 billion yen from the same period previous fiscal year to about 1.8 billion yen in total due to a foreign exchange gain (about 500 million yen) and adjustment of past patent royalties (about 900 million yen). In addition, non-operating expenses decreased by about 1.3 billion yen to 1.4 billion yen in total.

Ordinary income for the current third quarter increased by about 7.7 billion yen compared with the same period in the previous fiscal year to 4,399 million yen, far exceeding our projection. This was due to a substantial improvement in operating profit and non-operating income as stated above, and we marked a profit for three consecutive quarters from the current first quarter.

Ordinary income for the current consolidated nine months, including the actual results for the current second quarter, increased by about 20.8 billion yen to about 6,530 million yen compared with the same period of the previous fiscal year.

#### **\*Net Income**

For the current third quarter, we continued to sell assets including a plant in Mexico whose production had been terminated and an office and storage on the west coast of the US owned by a US sales corporation of JVC. These sales were in accordance with the action plan for reconstructing corporate bases. As a result, extraordinary loss in the amount of about 2.6 billion yen in total, or an increase of 600 million yen compared with the same period of the previous fiscal year, was recorded. This was due to a loss on sales of fixed assets (about 1 billion yen) and expenses in connection with personnel measures including the implementation of a voluntary early retirement program targeting key employees (about 1.2 billion yen). On the other hand, extraordinary income in the amount of about 3.7 billion yen in total, or a 3 billion yen increase compared with the same period of the previous fiscal year, was recorded mainly due to the posting of extraordinary income in connection with patent licensing to Panasonic (about 2.9 billion yen).

Quarterly net income for the current third quarter increased by about 10.8 billion yen, on a year-to-year basis, to 5,386 million yen. This was due to the substantial improvement in ordinary income, the extraordinary income and loss described above and reduced adjustment for corporate tax, etc. in connection with sale of assets. Thus, we marked the first profit in quarterly net income after the management consolidation, despite previously projecting a loss.

Quarterly net income for the current consolidated nine months including the actual results for the current second quarter increased by about 24.5 billion yen to about 2,193 million yen compared with the same period of the previous fiscal year. This marked the first profit after the management consolidation.

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

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

Business Segment		Current consolidated nine months of FYE 2011/3	3Q of FYE 2011/3	(Reference) 3Q of FYE 2010/3
Car Electronics	Net sales	80,558	25,565	26,337
	Operating profit	6,024	1,363	849
Professional Systems	Net sales	67,210	23,209	21,316
	Operating profit	1,847	1,197	-158
Home & Mobile Electronics	Net sales	79,167	26,626	39,784
	Operating profit	-378	295	-1,561
Entertainment	Net sales	33,742	12,702	11,471
	Operating profit	1,901	1,040	-642
Others	Net sales	6,502	2,489	3,191
	Operating profit	20	134	604
Total	Net sales	267,182	90,592	102,101
	Operating profit	9,416	4,032	-908
	Ordinary income	6,530	4,399	-3,312
	Net income	2,193	5,386	-5,430

Note: For the fiscal year ended March 2010, patent revenue and profit/loss regarding the business incubation are included in the Other Segment.

For 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 is included in the Professional Systems Business segment.

**\* Car Electronics Business**

Usually the third quarter for the consumer segment of the Car Electronics Business sees a seasonal factor that reduces sales and profit every year. This is because it is the time when current products are terminated (terminating sale) in preparation for the entry of new products scheduled for the fourth quarter. But this current third quarter contributed to profit, following on from the consolidated six months. This was mainly because sales of car audio equipment and car navigation systems, with greater competitiveness owing to management integration, remained strong in markets in the USA, Asia and Japan.

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

As a result, sales of the entire Car Electronics Business for the current third quarter decreased by about 800 million yen to 25,565 million yen (actually revenue increased on a local currency basis, but sales decreased by about 1.7 billion yen because of the yen's appreciation and the related foreign exchange conversion), and operating profit increased by about 500 million yen to 1,363 million yen, on a year-to-year basis.

Net sales for the consolidated period up to the current third quarter including the results for the first half amounted to 80,558 million yen and operating profit was 6,024 million yen.

**\* Professional Systems Business**

In the land mobile radio segment, following on from the second quarter, there was a recovery in orders received for the public safety market in the U.S., which is the largest market. In addition, sales of proprietary digital land mobile radio for business and industry market expanded significantly and their sales also grew in China and other Asian countries, resulting in increased net sales and profit.

In the Business Solutions segment, sales of professional cameras, professional audio equipment, and professional card printers continued to see steady growth under generally stagnant conditions with weak demand in Japan and abroad. Also, the profit and loss further improved because of cost cutting measures and reductions in fixed expenses. Thus, this segment recorded a profit following on from the current second quarter.

As a result, sales of the entire Professional Systems Business for the current third quarter increased by about 1.9 billion yen to 23,209 million yen (sales fell by about 1 billion yen through foreign currency-yen conversion due to the yen's appreciation) and operating profit increased substantially by about 1.4 billion yen to 1,197 million yen. Thus, this segment recorded a profit following on from the current second quarter.

Net sales for the consolidated period up to the third quarter including the results for the first half amounted to 67,210 million yen and operating profit was 1,847 million yen.

#### **\* Home & Mobile Electronics Business**

In the display segment, there were ongoing efforts for structural reform including a further shift to a business model such as the brand license business with a lighter asset burden, achieved by terminating sales activities of in-house production and by own sales corporations in all regions excluding Asia. These efforts brought positive effects. Though sales fell by half, operating loss improved substantially on a year-to-year basis.

In the camcorder segment, though sales overseas (mainly in the USA) were sluggish, sales in Japan remained steady. In addition, due to efforts made in the previous fiscal year for structural reform, lower costs and a greater competitive edge in products, operating loss decreased substantially despite a sales decrease in a year-to-year comparison.

The home audio segment lost some sales, adversely impacted by a partial reduction in goods, but secured profitability. The AV accessories segment including headphones and earphones remained highly profitable. Sales of projectors that can handle 3D images grew strongly, and contributed to the profit.

As a result, sales of the entire Home & Mobile Electronics Business for the current third quarter decreased by about 13.2 billion yen to 26,626 million yen. However, operating profit increased materially by about 1.9 billion yen to 295 million yen, meaning that this segment marked its first profit since the third quarter of the fiscal year ended in March 2009.

Net sales for the consolidated period up to the current third quarter including the results for the first half amounted to 79,167 million yen and operating loss was 378 million yen.

#### **\* Entertainment Business**

Sales at the content business grew substantially due to a series of big hits in music and animation, as well as rights-related income relevant to music, and the internal reform progressed through cost reductions. Profit at the OEM business including production of optical discs increased due to steady growth in orders received amid severe market conditions and the effects of reduced fixed costs.

As a result, sales of the entire Entertainment Business for the current third quarter increased by about 1.2 billion yen to 12,702 million yen on a year-to-year comparison, and operating profit grew substantially by about 1.7 billion yen to a profit of 1,040 million yen.

Net sales for the consolidated period up to the third quarter including the results for the first half amounted to 33,742 million yen and operating profit was 1,901 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 quarter under review decreased by about 31.2 billion yen to 243,545 million yen from the end of the previous fiscal year. This was due to a decrease of about 8.7 billion yen in current assets including trade notes and accounts receivable and inventories, and the fact that fewer assets were held because tangible assets, including head office buildings of the JVC Kenwood and JVC, were sold.

#### **\* Liabilities**

Interest-bearing debts (sum of borrowings and corporate bonds) decreased by about 12 billion yen to 96,260 million yen from the end of the previous fiscal year on a consolidated basis. This was mainly due to the repayment of borrowings from financial institutions by using proceeds from sale of assets. Total liabilities also decreased by about 26.4 billion yen to 201,560 million yen from the end of the previous fiscal year on a consolidated basis.

In addition, net debt (the amount calculated by subtracting cash and deposits from interest-bearing debts) decreased by about 20.9 billion yen to 43,876 million yen.

**\* Net assets**

Total shareholders' equity was 65,792 million yen, up about 3.2 billion yen from the end of the previous fiscal year, due primarily to the posting of a net income.

Total net assets decreased by about 4.8 billion yen to 41,984 million yen compared with the end of the previous fiscal year on a consolidated basis. This was because foreign currency translation adjustments related to investments in overseas affiliates decreased by about 7.7 billion yen due to the yen's appreciation against major foreign currencies including the US dollar and the euro, though shareholders' equity increased. On the other hand, shareholder's equity ratio increased by 0.2% from the end of the previous fiscal year on a consolidated basis to 16.9%.

Please note that, at a meeting of the board of directors of the Company held on January 5, 2011, the JVC Kenwood made a resolution to issue new shares to be offered overseas and sell its treasury shares. The aim was to raise funds for profitable growth and to reinforce the franchise. Accordingly, on January 25, 2011 such procedures were completed. With the completion of these procedures, on January 25, 2011 the JVC Kenwood made a full payment in the amount of 13,924 million yen in total, and accordingly our shareholders' equity and net assets increased by the same amount.

**(Cash flow analysis)**

**\* Cash flows from operating activities**

Net cash provided by operating activities was 16,792 million yen for the nine months period, up about 4.8 billion yen from the corresponding period of the previous fiscal year. The greater cash flow was a result of an increase in income of about 21.1 billion yen due to the substantial improvement in quarterly profit before adjustment of tax etc. However, income decreased due to the completion of inventory reductions.

**\* Cash flows from investing activities**

Cash provided by investment activities for the consolidated nine months period up to the current third quarter increased by about 9.9 billion yen to 6,534 million yen, compared with the consolidated nine months period up to the third quarter of the previous fiscal year. This was mainly due to a reduction in expenses of about 1.8 billion yen in connection with the acquisition of tangible and intangible fixed assets, as well as an increase in income of about 6.8 billion yen due to the sale of tangible fixed assets including head office buildings of JVC Kenwood and JVC.

**\*Cash flows from financing activities**

Cash spent in investment activities for the consolidated nine months period up to the current third quarter decreased by about 6.1 billion yen to 11,480 million yen, compared with the consolidated nine months period up to the third quarter of the previous fiscal year. This was mainly due to a decrease of about 12.3 billion yen in repayment expenses of long-term borrowings and elimination of expenses in connection with the redemption of corporate bonds (which amounted to about 21.5 billion yen for the consolidated nine months period up to the third quarter of the previous fiscal year). However, income from short-term borrowings and long-term borrowings decreased by about 27.6 billion yen.

As of the end of the third quarter under review, cash and cash equivalents totaled 52,319 million yen.

**(3) Qualitative Information Concerning the Consolidated Earnings Forecast**

On October 28, 2010, JVC Kenwood revised its full-year earnings forecast based on the actual results for the current consolidated six months and the foreign exchange trends. While sales for the current third quarter achieved the forecasted figure, operating profit, ordinary income and net income exceeded our estimates substantially.

In the fourth quarter, we will see some seasonal factors: it is a season for the consumer segment of the Car Electronics business and the camcorder segment of the Home & Mobile Electronics Business to introduce new products into markets and for the Professional Systems business to see a substantial increase in orders received. On the other hand, given the continuing tough competition with Asian manufacturers and others in the consumer audio visual equipment market, during the current fourth quarter, we will implement the voluntary early retirement

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program that we announced on December 24, 2010. We will also complete the “Action Plan for Reconstructing Corporate Bases.”

Accordingly, we make no change to the earnings forecast for the full year.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheets**

(JPY in Million)

	End of current consolidated third quarter (as of Dec. 31, 2010)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2010)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	52,383	43,502
Trade notes and accounts receivables	51,031	62,720
Merchandise and finished goods	29,048	31,051
Work in process	3,409	4,121
Raw materials and supplies	7,808	9,588
Other current assets	12,361	15,923
Allowance for doubtful receivables	(1,662)	(3,847)
Total current assets	154,381	163,058
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	16,149	19,885
Machinery and equipment, net	3,360	4,493
Tools, furniture and fixtures, net	5,987	7,140
Land	33,084	47,362
Construction in progress	424	1,093
Total tangible fixed assets	59,007	79,975
Intangible fixed assets		
Goodwill	5,000	5,278
Software	7,526	9,110
Other intangible fixed assets	2,890	3,258
Total intangible fixed assets	15,417	17,647
Investments and other assets		
Investment securities	4,536	4,822
Other investments	11,908	9,548
Allowance for doubtful receivables	(1,944)	(690)
Total investments and other assets	14,500	13,680
Total fixed assets	88,924	111,303
Deferred assets	238	389
<b>Total assets</b>	<b>243,545</b>	<b>274,751</b>

(JPY in Million)

	End of current consolidated third quarter (as of Dec. 31, 2010)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payables	30,206	31,371
Short term loans payable	75,460	85,286
Accrued expenses	30,375	36,383
Income taxes payable	1,870	2,406
Provision for product warranties	3,225	3,049
Provision for sales returns	1,553	1,541
Other current liabilities	13,675	15,974
<b>Total current liabilities</b>	<b>156,367</b>	<b>176,013</b>
Long term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	800	3,020
Liability for employees' retirement benefits	15,012	16,273
Asset retirement obligations	872	-
Other long term liabilities	8,507	12,625
<b>Total long term liabilities</b>	<b>45,193</b>	<b>51,919</b>
<b>Total liabilities</b>	<b>201,560</b>	<b>227,932</b>
<b>Net assets</b>		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	111,143
Retained earnings	(35,086)	(38,301)
Treasury stock	(20,264)	(20,261)
<b>Total shareholders' equity</b>	<b>65,792</b>	<b>62,580</b>
Valuation and translation adjustment		
Unrealized gain on available-for-sale securities	226	256
Deferred hedge gain	231	385
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustments	(28,044)	(20,295)
<b>Total valuation and translation adjustment</b>	<b>(24,632)</b>	<b>(16,699)</b>
Subscription rights to shares	-	20
Minority interests	825	917
<b>Total net assets</b>	<b>41,984</b>	<b>46,819</b>
<b>Total liabilities and net assets</b>	<b>243,545</b>	<b>274,751</b>

**(2) Quarterly Consolidated Statements of Income**  
**(Accumulated period for consolidated third quarter total period)**

(JPY in Million)

	Accumulated period for previous consolidated third quarter total period (Apr.1, 2009 - Dec.31, 2009)	Accumulated period for current consolidated third quarter total period (Apr.1, 2010 - Dec.31, 2010)
Net sales	305,425	267,182
Cost of sales	223,222	184,000
Gross profit	82,203	83,181
Selling, general and administrative expenses	90,921	73,765
Operating profit (loss)	(8,717)	9,416
Non-operating profit		
Interest income	148	148
Dividends income	217	153
Foreign exchange gain	-	1,313
Adjustment of patent fees for past years	-	634
Other non-operating profit	756	1,006
Total non-operating profit	1,121	3,257
Non-operating expense		
Interest expense	2,345	2,207
Sales discounts	413	225
Foreign exchange losses	180	-
Provision for product warranties	-	1,068
Other non-operating expenses	3,732	2,641
Total non-operating expense	6,671	6,143
Ordinary income (loss)	(14,267)	6,530
Extraordinary profit		
Gain on sales of fixed assets	411	631
Gain on sales of investment securities	19	1
Gain on sales of subsidiaries and affiliates' stocks	-	659
Reversal of liability for employees' retirement benefits	321	-
Reversal of Business structural reform expenses	245	34
Reversal of expense for sales of fixed assets	348	-
Patent Licensing Royalty	-	2,909
Other extraordinary profit	165	97
Total extraordinary profit	1,511	4,333
Extraordinary loss		
Loss on disposal of fixed assets	530	389
Loss on sales of fixed assets	2,484	3,212
Loss on valuation of investment securities	508	-
Business structural reform expenses	933	150
Employment structural reform expenses	494	1,909
Levies	-	1,546
Impairment loss	1,218	1,037
Other extraordinary loss	771	1,256
Total extraordinary loss	6,940	9,504
Income (loss) before income taxes	(19,696)	1,359

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	(JPY in Million)	
	Accumulated period for previous consolidated third quarter total period (Apr.1, 2009 - Dec.31, 2009)	Accumulated period for current consolidated third quarter total period (Apr.1, 2010 - Dec.31, 2010)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	1,652	2,484
Income taxes for prior periods	317	-
Corporate tax and other adjustment	610	(3,363)
Income taxes	2,580	(879)
Income before minority interests	-	2,238
Minority interests in income	2	45
Net income	(22,279)	2,193

**(Accumulated period for consolidated third quarter)**

(JPY in Million)

	Accumulated period for previous consolidated third quarter (Oct.1, 2009 – Dec.31, 2009)	Accumulated period for current consolidated third quarter (Oct.1, 2010 – Dec.31, 2010)
Net sales	102,101	90,592
Cost of sales	74,146	61,755
Gross profit	27,955	28,837
Selling, general and administrative expenses	28,863	24,804
Operating profit (loss)	(908)	4,032
Non-operating profit		
Interest income	59	41
Dividends income	18	33
Adjustment to royalties	-	925
Foreign exchange gains	-	464
Other non-operating profit	165	289
Total non-operating profit	243	1,754
Non-operating expense		
Interest expense	830	749
Sales discounts	105	71
Foreign exchange loss	527	-
Settlement of patent dispute	580	-
Provision for product warranties	-	46
Other non-operating expenses	604	519
Total non-operating expense	2,648	1,387
Ordinary income (loss)	(3,312)	4,399
Extraordinary profit		
Gain on sales of fixed assets	348	86
Gain on sales of subsidiaries and affiliates' stocks	-	659
Reversal of expense for sales of fixed assets	325	-
Patent Licensing Royalty	-	2,909
Other extraordinary profit	40	91
Total extraordinary profit	715	3,746
Extraordinary loss		
Loss on disposal of fixed assets	71	102
Loss on sales of fixed assets	127	1,031
Loss on valuation of investment securities	456	-
Business structural reform expenses	385	15
Employment structural reform expenses	167	1,190
Impairment loss	766	32
Other extraordinary loss	42	250
Total extraordinary loss	2,017	2,622
Income (loss) before income taxes	(4,614)	5,523
Corporate tax, corporate inhabitant tax and corporate enterprise tax	330	862
Income taxes for prior periods	317	-
Corporate tax and other adjustment	143	(774)
Income taxes	791	88

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	(JPY in Million)	
	Accumulated period for previous consolidated third quarter (Oct.1, 2009 – Dec.31, 2009)	Accumulated period for current consolidated third quarter (Oct.1, 2010 – Dec.31, 2010)
Income before minority interests	-	5,435
Minority interests in income	24	48
Net Income (loss)	(5,430)	5,386

**(3) Quarterly Consolidated Statement of Cash Flows**

(JPY in Million)

	Accumulated period for previous consolidated third quarter total period (Apr.1, 2009 - Dec.31, 2009)	Accumulated period for current consolidated third quarter total period (Apr.1, 2010 - Dec.31, 2010)
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes	(19,696)	1,359
Depreciation	14,608	10,542
Amortization of goodwill	245	244
Impairment loss	1,218	1,037
Decrease in allowance for employees' retirement	(1,753)	(825)
Increase (decrease) in allowance for doubtful accounts	1,626	(537)
Interest revenue and dividend income	(365)	(301)
Interest expense	2,345	2,207
Loss (gain) on sales of investment securities	(16)	5
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(659)
Loss on disposal of fixed assets	530	389
Loss on sales of fixed assets	2,073	2,581
Decrease in trade notes and accounts receivable	6,083	7,232
Decrease in inventories	16,051	1,513
Increase (decrease) in accounts payable	2,250	1,074
Increase (decrease) in provision for structural reform	(3,211)	-
Decrease in accrued expenses	(7,837)	(4,287)
Other	1,499	(166)
Sub-total	15,652	21,410
Interest and dividends received	365	306
Interest paid	(2,186)	(2,189)
Income taxes paid	(1,879)	(2,734)
Net cash provided by operating activities	11,951	16,792
<b>Cash flows from investing activities:</b>		
Capital investment (real estate, plants and equipment)	(5,730)	(4,523)
Proceeds from sales of property, plant and equipment	5,791	12,632
Purchase of intangible fixed assets	(3,457)	(2,819)
Proceeds from sales of investment securities	28	74
Proceeds from sales of stocks of subsidiaries and affiliates	-	700
Other	13	470
Net cash used in investing activities	(3,353)	6,534
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans payable, net	11,469	(3,459)
Proceeds from long-term loans payable	13,700	1,000
Repayment of long-term loans payable	(20,187)	(7,855)
Redemption of bonds	(21,531)	-
Other	(1,064)	(1,165)
Net cash used in financing activities	(17,613)	(11,480)

(JPY in Million)

	Accumulated period for previous consolidated third quarter total period (Apr.1, 2009 - Dec.31, 2009)	Accumulated period for current consolidated third quarter total period (Apr.1, 2010 - Dec.31, 2010)
Effect of exchange rate fluctuations on cash and cash equivalents	(216)	(3,328)
Net increase (decrease) in cash and cash equivalents	(9,231)	8,518
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	43,231	52,319

#### (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. It also expects to post net losses for the consolidated fiscal year ending March 2011. 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 third quarter of the fiscal year ending March 2011, is in a situation that raises doubts over the going concern assumption.

In such circumstances, in addition to the structural reforms advanced so far, the JVC Kenwood Group formulated in May 2010, the initial year of a mid-term business plan, action plans to rebuild its earnings base. This focuses on the restructuring of unprofitable businesses and reconstruction of its global operating system (sale of head office building, restructuring of production system, review of personnel system, etc.) as key points, with a view to taking ordinary income for the current consolidated fiscal year into positive territory, and the JVC Kenwood Group is in the course of implementing it. The aforementioned improvement measures steadily produced results in the first nine months of the current consolidated fiscal year. The JVC Kenwood Group posted an operating profit of 9,416 million yen (operating loss of 8,717 million yen in the corresponding period of the preceding fiscal year), an ordinary income of 6,530 million yen (ordinary loss of 14,267 million yen a year ago) and a net income of 2,193 million yen (net loss of 22,279 million yen a year ago). Thus, the JVC Kenwood Group, which posted net losses in the corresponding period of the preceding consolidated fiscal year, succeeded in moving into the black. The JVC Kenwood Group raised approximately 13.9 billion yen in January 2011 through issuing new shares and selling treasury shares, and is in negotiations with some financial institutions, aiming to ensure a steady supply of funds over the long term.

The JVC Kenwood Group will continue striving for better business results and financial conditions, and focus on creating net income by quickly implementing the action plans mentioned above. As described above, the JVC Kenwood Group has significantly improved its earnings and its level of funds. However, the JVC Kenwood Group is still pushing forward with the actions plans and currently negotiating with financial institutions about the terms of refinancing loans. 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.