



JVCKENWOOD

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Company JVC KENWOOD Corporation
 Representative Hisayoshi Fuwa, President and CEO
 (Code: 6632, First Section of the Tokyo Stock Exchange)
 Contact Satoshi Fujita, Executive Officer and CFO
 (Tel: +81-45-444-5232)
 (E-mail: prir@jvckenwood.com)

Notice on Variance Between the Earnings Forecast and Operating Results for the First Half of Fiscal Year Ending March 2012; Posting of Non-Operating Profit; and Revision of Earnings Forecast for the Fiscal Year Ending March 2012

JVC KENWOOD Corporation (JVC KENWOOD) hereby announces a variance between the earnings forecast released on August 1, 2011 and the operating results announced today for the first half of the fiscal year ending March 2012. This release is also to notify you that JVC KENWOOD posted a non-operating profit in the first half of the fiscal year.

Furthermore, JVC KENWOOD will revise the earnings forecast for the fiscal year ending March 2012 announced on April 27, 2011 by taking into account the profit and loss conditions in the first half of the fiscal year and the projections for the third quarter and beyond.

We are not disclosing our non-consolidated earnings forecast.

1. Variance between the Earnings Forecast and Operating Results

(1) Variance between Earnings Forecast and Operating Results for the First Half of the Fiscal Year Ending March 2012 (April 1, 2011 to September 30, 2011) (Millions of yen)

	Net Sales	Operating Profit (Loss)	Ordinary Income	Net Income (Loss)	Net Income (Loss) per Share (yen)
Previous Forecast (A) (Announced on August 1, 2011)	162,000	6,000	3,500	1,600	11.54
Operating Results (B)	157,861	6,933	6,393	4,873	35.15
Amount of Change (B - A)	(4,139)	+933	+2,893	+3,273	
Rate of Change (%)	(2.6)	+15.6	+82.7	+204.6	
(Reference) Results for the First Half of the Year Ended March 2011	176,589	5,383	2,130	(3,193)	(33.03)

(2) Reasons for the Variance

JVC KENWOOD announced the earnings forecast for the first half of the fiscal year ending March 31, 2012 on August 1, 2011. The forecast was made in consideration of the operating results of the first quarter and the management environment and operating conditions of the second quarter of the fiscal year, the impact of the Great East Japan Earthquake that struck on March 11, 2011 (hereafter, "the Earthquake") and the expenses associated with the management integration implemented effective October 1, 2011.

Net sales for the first half of the fiscal year ending March 2012 fell approximately 4.1 billion (2.6%) below the forecast announced earlier. This was due to the decrease in yen-based net sales overseas caused by the strong yen. However, operating profit for the first half of the fiscal year was about 0.9 billion yen (15.6%) above the

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announced forecast. This reflected a higher-than-expected growth in the segments of domestic after-market and OEM in the Car Electronics business and the Land Mobile Radio segment in the Professional Systems business, while in the Home & Mobile Electronics business the effects of the structural reforms and the recovery of the camcorder segment were achieved.

In addition, non-operating profit and loss improved significantly, primarily as a result of posting a foreign exchange gain, which had not been incorporated in the earnings forecast, and lower-than-expected expenses associated with the management integration. As a result, operating profit for the first half of the fiscal year under review exceeded the earnings forecast announced earlier by roughly 2.9 billion yen (82.7%) and net income exceeded the forecast by about 3.3 billion yen (204.6%).

2. Posting of Non-Operating Profit

(1) Non-Operating Profit for the First Half of Fiscal Year Ending March 31, 2012

JVC KENWOOD posted a foreign exchange gain of 1,651 million yen for the first half of the fiscal year under review, due to the effects of the strong yen.

(2) Impact on Operating Results

The non-operating profit above has already been incorporated in the earnings forecast for the fiscal year ending March 2012 indicated under "3. Revision of Earnings Forecast."

3. Revision of Earnings Forecast

(1) Revision of Earnings Forecast for the Fiscal Year Ending March 2012 (April 1, 2011 to March 31, 2012)

	Net Sales	Operating Profit (Loss)	Ordinary Income	Net Income (Loss)	Net Income (Loss) per Share (yen)
Previous Forecast (A) (Announced on April 27, 2011)	360,000	13,500	8,000	4,000	28.84
Operating Results (B)	333,000	14,000	10,000	6,500	46.87
Amount of Change (B – A)	(27,000)	+500	+2,000	+2,500	
Rate of Change (%)	(7.5)	+3.7	+25.0	+62.5	
(Reference) Results for the Fiscal Year Ended March 31, 2011	352,672	12,956	7,579	(4,025)	(38.60)

(Note) JVC KENWOOD conducted a reverse split of stocks, consolidating 10 shares into 1 share, as of August 1, 2010. It also issued new shares of its common stock and disposed of treasury shares as of January 25, 2011.

(Reference) Net income (loss) per share in the results for the first half of the fiscal year ended March 2011 was calculated, to make comparison easier, on the assumption that the shares were consolidated at the beginning of the said period.

(Reference) Changes in the number of shares resulting from the issuance of new shares and disposition of treasury shares as of January 25, 2011 are not reflected in net income (loss) per share in the results for the first half of the fiscal year ended March 2011.

(2) Reasons for the Revision

JVC KENWOOD publicly released its earnings forecast for the fiscal year ending March 2012 on April 27, 2011 and its earnings forecast for the first half of the fiscal year on August 1, 2011. At those times, it had already announced its intention to make any necessary revisions to the forecasts after carefully examining the management

environment and operating conditions for the third quarter and thereafter, the impact of the Earthquake and the expenses associated with the management integration effective October 1, 2011. It stated it would make any such revisions prior to announcing the second quarter results of the fiscal year.

In the first half of the fiscal year under review, operating profit, ordinary income and net income were above the forecast as previously indicated in "1. Variance between the Earnings Forecast and Operating Results."

We expect that the earnings trends seen in the first six months of the fiscal year will continue in and after the third quarter. We project that the Car Electronics business will experience growth in the domestic after-market segment and the OEM segment based on the stable earnings in the U.S. and European consumer markets. Also, we anticipate stable growth in the Professional Systems business in the highly profitable Land Mobile Radio segment.

Therefore, we project that operating profit for the full year will be slightly above the former forecast announced on April 27, 2011, even taking into consideration the adverse effects of the floods in Thailand (hereafter, "Thai floods").

Assuming that no foreign exchange gain or loss will be incurred in and after the third quarter, we will revise the forecasts for ordinary income and net income. We will do so by primarily taking into account the expenses associated with the management integration implemented on October 1, 2011 as well as the plan to make Shinwa International Holding Limited as a Group company accounted for under the equity method effective February 2012. This plan was announced in our separate release titled, "Notice on Capital and Business Alliance with In-Vehicle Equipment Business Operating Company and Acquisition of Shares of the Company" issued as of this date.

We will revise our forecast for net sales on a full-year basis to reflect our expected effects of the Thai floods and the appreciation of the yen.

We assume the foreign exchange rates in and after the third quarter of the fiscal year will be 77 yen to the U.S. dollar and 104 yen to the euro.

We will determine dividend for the first half of the fiscal year as soon as we finalize the initial balance sheets, reflecting the business combination accounting associated with the management integration implemented effective October 1, 2011.

The management integration, being an internal organizational restructure, has no impact on the consolidated balance sheets

(Reference) Status of JVC KENWOOD in Connection with the Thai Floods

With regard to the floods in central Thailand caused by large amount of rain that has fallen there since July, the status surrounding JVC KENWOOD is as follows.

(1) Damage Incurred

The JVC KENWOOD Group maintains two manufacturing subsidiaries and two sales subsidiaries in Thailand. The subsidiaries have not seen any injuries to people as of October 27, 2011.

One of the two manufacturing subsidiaries is JVC Manufacturing (Thailand) Co., Ltd. (hereafter, "JMT"), a manufacturer of professional systems (e.g. professional monitors and security cameras) located in Nava Nakorn Industrial Zone. It ordered all its employees to evacuate and fully suspended its operations on October 17, 2011. This was in response to the evacuation call (subsequently escalated to evacuation order) issued in the Industrial Zone. Prior to evacuating, it took anti-flooding measures including moving part of the equipment on the first floor to the second floor. Yet, it is confirmed as of this date that the first floor has been submerged and partial damage to the facility and equipment is expected.

JVC Optical Components (Thailand) Co., Ltd. is a subsidiary manufacturing electronic components (in-vehicle optical pick-up) and it is located in Suranaree Industrial Zone. JVC Sales & Service (Thailand) Co., Ltd. and Kenwood Electronics (Thailand) Co., Ltd. are sales companies in Bangkok. There has been no damage to the facilities and equipment at these companies as of October 27, 2011.

(2) Action Going Forward and Effects on Operating Results

The JVC KENWOOD Group will continue to monitor the circumstances in Thailand and take initiatives aimed at swift restoration in line with the directions from the Thai government.

With regard to production at JMT, we are proceeding with arrangements to temporarily conduct production

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activities at an alternative site, on the assumption that a certain period will be required before resuming full operations at JMT.

Meanwhile, we are taken some measures given the damage incurred by some components manufacturers, which are the Group's business counterparts. They include adjusting our components inventory and adopting alternative parts to ensure production.

Some of the Group's sales correspondents have also incurred damage, and we are taking the required actions, such as front-loading or rear-loading the delivery of products as per the requests of the correspondents.

Taking into account the magnitude of damage and the required measures, JVC KENWOOD projects the effects of the Thai floods on the operating results of the fiscal year under review to be a decrease of 8.0 billion yen in net sales and 2.0 billion yen in operating profit. These factors have been incorporated in the earnings forecast for the fiscal year presented above.

(Note) The earnings forecasts for the fiscal year ending March 2012 indicated above are based on the information available to date along with a certain set of assumptions deemed rational. Actual results may differ from these forecasts due to various factors.