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Accounting Report for the First Quarter of Fiscal Year Ending March 2014 (April 1, 2013 - June 30, 2013)

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2014 (April 1, 2013 - June 30, 2013)

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

	1st Quarter of FYE 3/2014 April 1, 2013 to June 30, 2013	1st Quarter of FYE 3/2013 April 1, 2012 to June 30, 2012
Net sales	69,808	73,124
Operating income (loss)	(1,030)	1,987
Ordinary income (loss)	(1,556)	1,603
Net income (loss)	(1,978)	853
Net income (loss) per share	(14.27) yen	6.15 yen

FYE: Fiscal year ended / ending

Sales by Segments (Millions of yen)

	1st Quarter of FYE 3/2014 April 1, 2013 to June 30, 2013		1st Quarter of FYE 3/2014 April 1, 2012 to June 30, 2012	
Car Electronics	25,215	36%	27,062	37%
Professional Systems	20,885	30%	20,015	27%
Home & Mobile Electronics	13,523	19%	16,142	22%
Entertainment	9,057	13%	8,917	12%
Others	1,126	2%	986	1%
Total	69,808	100%	73,124	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.

1. Qualitative Information on 1Q Operating Results, etc.

(1) Qualitative Information Concerning the Operating Results

(Overview of the first quarter of the current fiscal year)

Taking a look at an overview of the global economy during the first quarter of the fiscal year under review, the US economy showed signs of recovery such as an improvement in the job market and expansion of consumer spending, while the European economy remained stagnant. The economies in China and other emerging countries were on an upward trend although the momentum of growth slowed. In Japan, the economy was on a mild recovery track as indicated by an improvement in the export environment and a pickup in consumer spending due to the effects of various stimulus policies implemented by the government. However, the outlook for the global economy on the whole remained clouded by uncertainties.

Under such circumstances, both net sales and profits of the JVCKENWOOD Group for the first quarter under review decreased from a year earlier. This was because sales decreased in the Home & Mobile Electronics business due to the impact of stagnation in the European economy and consolidation of the lineup, as well as drop in sales in the Car Electronics business, despite positive factors such as an increase in the yen-equivalent of sales due to exchange rate fluctuations and a boost in sales in the Professional Systems business as it recovered from the floods in Thailand that had affected the Group's earnings in the previous fiscal year.

Profit-and-loss exchange rates used when preparing the financial statements for the first quarter under review are as follows:

		1 st Quarter
Profit-and-loss exchange rates	U.S. dollar	About 99 yen
	Euro	About 129 yen
FY2012 (for reference)	U.S. dollar	About 80 yen
	Euro	About 103 yen

*Net Sales

The net sales for the first quarter under review were 69,808 million yen, a decrease of about 3.3 billion yen, or 4.5%, from a year earlier. This decrease reflects a decline in sales in the Home & Electronics business due to the impact of stagnation in the European economy and consolidation of the line-up, as well as decreases in sales both in the after-market and OEM segments in the Car Electronics business, although the yen equivalent of sales increased as a result of exchange rate fluctuations.

Sales increased in the Professional Systems business rebounded in the Business Solutions segment because of no impact from the Thailand floods in the previous year. In addition, sales in the Entertainment business remained robust.

*Operating Income

Operating income for the first quarter under review decreased by about 3.0 billion yen from a year earlier and amounted to an operating loss of 1,030 million yen. This decline reflects a significant loss recorded in the Car Electronics business due to the effects of economic slumps in Europe and Asia and exchange rate fluctuations, and a decline in profit in the Home & Mobile Electronics business, whose percentage of sales in the domestic market is the highest of all the Group's four business segments, due to an increase in the cost as a result of exchange rate fluctuations.

Meanwhile, the loss in the Professional Systems business decreased as a result of the absence of the temporary increase in cost caused by the floods in Thailand that was recorded in the previous fiscal year.

*Ordinary Income

Ordinary income for the first quarter under review decreased by about 3.2 billion yen from a year earlier and amounted to an ordinary loss of 1,556 million yen in line with the decrease in operating income.

During the first quarter under review, the financial account balance improved from a year earlier. However, non-operating income and expenses deteriorated about 0.1 billion yen from a year earlier due to factors such as a

decrease in foreign exchange gain.

*Net Income

Net income for the first quarter under review decreased by about 2.8 billion yen from a year earlier and came to an operating loss of 1,978 million yen in line with the decrease in ordinary income.

Extraordinary loss (income) for the first quarter under review improved by about 0.2 billion yen from a year earlier due to the occurrence of negative goodwill as a result of converting Shinwa International Holdings Limited ("Shinwa") into a subsidiary, though expenditures for structural reform were recorded in some of the overseas sales companies.

Income taxes for the first quarter under review decreased by about 0.2 billion yen compared to a year earlier.

(Net Sales, Profits and Losses by Business Segment)

Net sales and operating income (loss) by business segment are as follows.

The total amount of operating income (loss) by business segment is consistent with operating income (loss) of the consolidated income statements.

Net sales do not include inter-segment sales or transfer and only indicate sales to outside customers.

First quarter of the fiscal year through March 2014 (from April 1, 2013 to June 30, 2013)

(Millions of yen)

Business Segment		1Q of FYE 2014/3	1Q of FYE 2013/3	Year-on-year comparison
Car Electronics	Net sales	25,215	27,062	(1,847)
	Operating income (loss)	(336)	1,545	(1,881)
Professional Systems	Net sales	20,885	20,015	+870
	Operating income (loss)	(89)	(329)	+240
Home & Mobile Electronics	Net sales	13,523	16,142	(2,619)
	Operating income (loss)	(787)	78	(865)
Entertainment	Net sales	9,057	8,917	+140
	Operating income (loss)	263	701	(438)
Others	Net sales	1,126	986	+140
	Operating income (loss)	(80)	(9)	(71)
Total	Net sales	69,808	73,124	(3,316)
	Operating income (loss)	(1,030)	1,987	(3,017)
	Ordinary income (loss)	(1,556)	1,603	(3,159)
	Net income (loss)	(1,978)	853	(2,831)

*Car Electronics Business

Net sales in the Car Electronics business for the first quarter under review declined by about 1.8 billion yen, or 6.8%, from a year earlier to 25,215 million yen and operating income decreased by about 1.9 billion yen from a year earlier and amounted to an operating loss of 336 million yen. This is mainly due to the impact of economic slumps in Europe and Asia, the decline in sales in the OEM segment, and the cost increase caused by exchange rate fluctuations.

In the After-market segment, sales remained robust for Saisoku Navi, an SSD-type of AV navigation system, while the domestic market is on the trend toward low-prices. In overseas markets, sales of display audio systems, which are a growth field, continued to expand. While the Group maintained a high level of market share for car audio in Europe and the U.S., sales declined due to the impact of economic slumps in Europe and Asia, and net sales in the overall After-market segment decreased from a year earlier.

Net sales in the OEM segment declined from a year earlier due to factors such as a slowdown in shipments of the SSD-type AV car navigation system for automobile manufacturers (dealer option product).

***Professional Systems Business**

In the Professional Systems business, net sales for the first quarter under review increased by about 0.9 billion yen, or 4.3%, from a year earlier to 20,885 million yen, and operating loss improved by about 0.2 billion yen from a year earlier to the loss of 89 million yen. This reflects the recovery of the business solutions segment that was affected by the floods in Thailand in the corresponding period of the previous fiscal year and an increase in the yen-equivalent of sales due to exchange rate fluctuations.

In the land mobile radio segment, net sales increased from a year earlier due to an increase in new orders received from operators of the broadcasting business and an increase in the yen-equivalent of sales due to exchange rate fluctuations, despite the impact of austerity measures implemented by the U.S. and Canadian governments, the largest market in North America.

In the Business Solution segment, net sales increased from a year earlier as production at plants in Thailand returned to normal and sales recovered mainly in the domestic market.

***Home & Mobile Electronics Business**

Net sales in the Home & Mobile Electronics business decreased about 2.6 billion yen, or 16.2%, to 13,523 million yen, and operating loss declined by about 0.9 billion yen from a year earlier to 787 million yen. This reflects a decrease in sales in Europe and Japan and the effect of consolidation of the line-up of some models in line with the strategy to place importance on high value-added products.

In the Sound & Acoustic Division, sales increased in the AV accessory segment as sales remained robust in the Japanese and US markets, but sales declined in the Home Audio segment amid a market shrinking with the result that sales in the entire Sound & Acoustic division decreased from a year earlier. Sales in the Home Audio segment decreased, operating loss nonetheless improved, as the Group had shifted its focus to high value-added products for product lines improvement such as Wood Cone audio systems, K Series audio systems and design audio systems.

In the Imaging Division, sales in the projector segment increased due to sales expansion of high-definition 4K models. However, sales in the camcorder segment declined due to factors including the economic downturn in Europe, with the result that sales in the entire Imaging Division decreased from a year earlier.

***Entertainment Business**

In the Entertainment Business, net sales for the first quarter under review increased about 0.9 billion yen, or 1.6%, from a year earlier to 9,057 million yen as a result of robust sales in the Content business. Meanwhile, operating income declined about 0.4 billion yen, or 62.5%, from a year earlier to 263 million yen due to the impact of the decrease in sales in the OEM business.

Earnings of the Content business were boosted thanks to strong sales of titles launched by new and mid-career artists, driven by their use as tie-in songs for TV commercials and theme songs for TV dramas.

In the OEM business, sales decreased as a result of sluggish production of optical discs in Japan and the Americas.

There were the following big hits in the first quarter under review.

Main big hits by Victor Entertainment

- “Joy!!,” a single from SMAP
- “Stranger,” an album and “Gag,” a single (the theme song for a movie “Saint ☆Oniisan” from Gen Hoshino)
- “Takahashi 40 years,” an album and “LIVE Re: So fine,” a DBD/Blue-ray from Mariko Takahashi
- “Ama-chan,” an original sound track of NHK’s TV drama “Ama-chan”

Main big hits by Teichiku Entertainment

- “Heso Magari / Kokonishikanaikeshiki,” a single from KANJANI∞
- “Dream Vikings,” an album from Dohatsuten
- “Enishi,” a single from Aya Shimazu”

(2) Qualitative Information Concerning the Financial Position

(Analysis of assets, liabilities and net assets)

***Assets**

Total assets at the end of the first quarter under review increased about 2.8 billion yen from the end of the previous fiscal year to 249,422 million yen. This was due to an increase in tangible fixed assets as a result of converting Shinwa into a consolidated subsidiary, in addition to an increase in inventories such as merchandise and finished goods, although trade notes and accounts receivable declined due to seasonal factors.

***Liabilities**

Liabilities at the end of the first quarter under review decreased about 1.2 billion yen from the end of the previous fiscal year to 178,198 million yen due to a decline in trade notes and accounts payable due to seasonal factors, in addition to a reduction in accrued expenses.

Interest-bearing debts (sum of loans payable and bonds payable) increased about 0.5 billion yen from the end of the previous fiscal year to 86,978 million yen, due primarily to financing of working capital requirements through borrowing from banks although the debt balance decreased as a result of scheduled payments. Net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) declined about 0.4 billion yen to 28,304 million yen due to an increase in cash and deposits as a result of converting Shinwa into a consolidated subsidiary.

***Net Assets**

Retained earnings as of the end of the first quarter under review declined about 2.7 billion yen from the end of the previous fiscal year to 22,015 million yen due mainly to the recording of a net loss for the quarter under review. Total shareholders' equity decreased about 2.7 billion yen from the end of the previous fiscal year to 77,353 million yen.

Total net assets increased about 4,000 million yen from the end of the previous fiscal year to 71,223 million yen, while shareholders' equity decreased about 2.7 billion yen from the end of the previous fiscal year. This was because foreign currency translation adjustments related to investments in overseas affiliates increased about 1.6 billion yen due to the yen's depreciation against major foreign currencies including the U.S. dollar and the euro compared to the levels at the end of the previous fiscal year. It was also because of an increase in minority interests of about 5.1 billion yen as a result of converting Shinwa into a consolidated subsidiary. Shareholders' equity ratio declined 0.7 percentage points from the end of the previous fiscal year to 25.9%.

(Cash Flow Analysis)

***Cash flow from operating activities**

Net cash from operating activities for the first quarter under review was 2,697 million yen, a decrease of approximately 0.2 billion yen from a year earlier. This was primarily due a decrease in trade payables, coupled with the recording of a loss before income taxes for the quarter under review, despite an increase of inflows in line with the decline in accounts receivable.

***Cash flow from investing activities**

Net cash used in investing activities for the first quarter under review was 1,181 million yen, a decline of about 4.2 billion yen from a year earlier. This was mainly due to a decrease of outflow for acquisition of investment securities.

***Cash flow from financing activities**

Net cash spent in financing activities for the first quarter under review was 1,831 million yen, a decline of about 2.0 billion yen from a year earlier. This was mainly because of an increase of outflow with a net increase (decrease) in short-term loans payable.

Cash and cash equivalents at the end of the first quarter under review increased about 0.8 billion yen from the end of the previous fiscal year to 58,280 million yen.

(3) Qualitative Information Concerning the Consolidated Earnings Forecast

Net sales, operating income, ordinary income and net income for the first quarter under review was less than expected, because sales in the entire Group's businesses other than the Entertainment business did not touch the amounts assumed.

In the second quarter and beyond, while the outlook for the European economy will remain uncertain, we can expect a rebound by moving up the schedule for launching new digital radio system products in the Land Mobile Radio business, the largest source of earnings, and through having a recovery in the domestic after-market segment in the Car Electronics business. In addition, we will streamline operations by unifying development and production resources under the new organizational structure, and we can expect an upswing in earnings by stepping up efforts for radically reforming the cost structure. Taking the above into consideration, we have decided to leave the full-year consolidated earnings forecast unchanged.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2013)	End of current consolidated first quarter (as of Jun. 30, 2013)
Assets		
Current assets		
Cash and cash equivalents	57,760	58,674
Trade notes and accounts receivable	52,749	48,867
Merchandise and finished goods	29,904	33,359
Work in process	2,547	3,179
Raw materials and supplies	6,777	8,315
Deferred tax assets	5,319	5,321
Other current assets	9,391	8,077
Allowance for doubtful accounts	(1,327)	(1,406)
Total current assets	163,123	164,389
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	12,924	13,898
Machinery and equipment, net	4,057	7,239
Tools, furniture and fixtures, net	4,634	4,576
Land	28,314	28,369
Construction in progress	1,153	1,492
Total tangible fixed assets	51,083	55,577
Intangible fixed assets		
Goodwill	4,431	4,355
Software	7,199	7,350
Other intangible fixed assets	3,393	3,693
Total intangible fixed assets	15,024	15,398
Investments and other assets		
Investment securities	7,842	4,057
Prepaid pension cost	4,551	5,094
Other investments	5,976	5,860
Allowance for doubtful receivables	(1,162)	(1,097)
Total investments and other assets	17,207	13,914
Total fixed assets	83,316	84,890
Deferred assets		
Issuance cost of subscription rights to shares	174	142
Total deferred assets	174	142
Total assets	246,614	249,422

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2013)	End of current consolidated first quarter (as of Jun. 30, 2013)
Liabilities		
Current liabilities		
Trade notes and accounts payable	32,104	29,500
Short term loans payable	11,472	13,883
Current portion of bonds payable	5,946	5,980
Current portion of long-term loans payable	50,305	50,235
Other accounts payable	10,207	10,274
Accrued expenses	18,568	17,391
Income taxes payable	1,487	1,462
Provision for product warranties	1,773	1,717
Provision for sales returns	1,663	1,732
Other current liabilities	6,100	7,260
Total current liabilities	139,630	139,438
Long term liabilities		
Bonds payable	5,677	5,711
Long-term loans payable	13,064	11,168
Deferred tax liabilities for land revaluation	1,772	1,772
Deferred tax liabilities	6,201	6,286
Provision for retirement benefits	10,687	11,681
Other long term liabilities	2,338	2,140
Total long term liabilities	39,743	38,760
Total liabilities	179,374	178,198
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	45,875	45,875
Retained earnings	24,686	22,015
Treasury stock	(536)	(536)
Total shareholders' equity	80,025	77,353
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	250	295
Land revaluation surplus	3,209	3,209
Foreign currency translation adjustment	(17,870)	(16,316)
Total other comprehensive income	(14,410)	(12,811)
Subscription rights to shares	806	806
Minority interests	818	5,874
Total net assets	67,240	71,223
Total liabilities and net assets	246,614	249,422

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income
(Accumulated period for consolidated first quarter)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2012 - Jun.30, 2012)	Accumulated period for current consolidated first quarter (Apr.1, 2013 - Jun.30, 2013)
Net sales	73,124	69,808
Cost of sales	50,913	50,518
Gross profit	22,211	19,289
Selling, general and administrative expenses	20,223	20,320
Operating income(loss)	1,987	(1,030)
Non-operating income		
Interest income	85	44
Dividends income	59	59
Foreign exchange gain	190	25
Dividends income of insurance	110	122
Equity in earnings of affiliates	20	32
Other non-operating income	374	135
Total non-operating income	841	420
Non-operating expense		
Interest expense	678	594
Sales discounts	99	-
Other non-operating expenses	448	351
Total non-operating expense	1,225	946
Ordinary income(loss)	1,603	(1,556)
Extraordinary profit		
Gain on sales of fixed assets	147	5
Insurance income for disaster	99	-
Gain on bargain purchase	-	257
Total extraordinary profit	247	262
Extraordinary loss		
Loss on disposal of fixed assets	79	14
Loss on sales of fixed assets	0	1
Loss on valuation of investment securities	178	-
Business structural reform expenses	98	124
Employment structural reform expenses	7	134
Other extraordinary loss	53	1
Total extraordinary loss	419	276
Income(loss) before income taxes	1,431	(1,569)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	549	336
Corporate tax and other adjustment	7	14
Income taxes	557	351
Income(loss) before minority interests	873	(1,920)
Minority interests in net income	20	57
Net income(loss)	853	(1,978)

(Statements of Comprehensive Income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2012 - Jun.30, 2012)	Accumulated period for current consolidated first quarter (Apr.1, 2013 - Jun.30, 2013)
Income(loss) before minority interests	873	(1,920)
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	(128)	87
Foreign currency translation adjustment	(3,520)	2,015
Share of other comprehensive income of affiliates accounted for using the equity method	(108)	(579)
Total other comprehensive income	(3,757)	1,523
Comprehensive income	(2,883)	(397)
Breakdown		
Comprehensive income attributable to owners of the company	(2,899)	(378)
Comprehensive income attributable to minority interests	15	(18)

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2012 - Jun.30, 2012)	Accumulated period for current consolidated first quarter (Apr.1, 2013 - Jun.30, 2013)
Cash flows from operating activities:		
Income(loss) before income taxes	1,431	(1,569)
Depreciation	2,393	2,712
Amortization of goodwill	78	80
Increase (decrease) in provision for retirement benefits	1,240	803
Increase (decrease) in allowance for doubtful accounts	(145)	(73)
Interest and dividends income	(145)	(104)
Interest expense	678	594
Equity in (earnings) losses of affiliates	(20)	(32)
Loss on disposal of fixed assets	79	14
(Gain) loss on sales of fixed assets	(146)	(4)
(Increase) decrease in trade notes and accounts receivable	8,781	12,036
(Increase) decrease in inventories	(2,756)	(1,694)
Increase (decrease) in accounts payable	(1,111)	(6,758)
Increase (decrease) in accrued expenses	(7,969)	(2,819)
Other	1,596	257
Sub-total	3,982	3,442
Interest and dividends received	283	104
Interest paid	(442)	(449)
Income taxes paid	(922)	(400)
Net cash provided by operating activities	2,901	2,697
Cash flows from investing activities:		
Capital investment (real estates, plants and equipments)	(1,370)	(1,427)
Proceeds from sales of properties, plants and equipments	704	6
Purchase of intangible fixed assets	(1,002)	(1,175)
Proceeds from sales of investment securities	(3,301)	(1)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	1,424
Other	(389)	(9)
Net cash provided by (used in) investing activities	(5,359)	(1,181)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(4,147)	1,334
Proceeds from long-term loans payable	2,300	-
Repayment of long-term loans payable	(1,157)	(1,966)
Cash dividends paid	(693)	(693)
Other	(97)	(506)
Net cash provided by (used in) financing activities	(3,796)	(1,831)

TRANSLATION - FOR REFERENCE ONLY -

	(JPY in Million)	
	Accumulated period for previous consolidated first quarter (Apr.1, 2012 - Jun.30, 2012)	Accumulated period for current consolidated first quarter (Apr.1, 2013 - Jun.30, 2013)
Effect of exchange rate fluctuations on cash and cash equivalents	(1,728)	1,070
Net increase (decrease) in cash and cash equivalents	(7,983)	754
Cash and cash equivalents at beginning of period	65,478	57,526
Cash and cash equivalents at end of quarter	57,494	58,280