

**(Translation)**

**Report for 2nd Business Term**  
(From April 1, 2009 to March 31, 2010)

**BUSINESS REPORT**

Consolidated Balance Sheets  
Consolidated Statement of Income  
Consolidated Statement of Changes in Shareholders' Equity

Non-consolidated Balance Sheets  
Non-consolidated Statement of Income  
Non-consolidated Statement of Changes in Shareholders' Equity

**JVC KENWOOD Holdings, Inc.**

**(Translation)**

(Document Provided Based on Article 437, Article 444 of the Corporate Act)

**BUSINESS REPORT**

(From April 1, 2009 to March 31, 2010)

**1. Matters Concerning the Current Situation of the Group**

On March 12, 2010, the JVC Kenwood Group made corrections to the financial results of Victor Company of Japan, Limited, a consolidated subsidiary of the Company for the fiscal year ended March 31, 2005 through the second quarter of the fiscal year ended March 31, 2010. It also corrected the financial results of the Company from its foundation on October 1, 2008 through the second quarter of the fiscal year ended March 31, 2010. These were made in accordance with the Financial Instruments and Exchange Act. The amount of net income and loss shown in this business report and financial statements is different from that shown in the Japanese annual report (*yukashoken-hokokusho*) and others because cumulative gain/loss on the correction for the previous years as stated above is recognized in this current fiscal term under the Corporate Act. For details, refer to Sections [9] (Transition of Assets and Profit & Loss) and [15] (Other Important Subsequent Events of the Consolidated Group.)

**[1] Course of Business and the Results**

The global economy in the fiscal year under review continued to be stagnant, affected by the economic crisis that was sparked by the financial turmoil originating in the US. However, signs of recovery have become apparent in some industries as a result of aggressive economic measures taken by governments in a number of countries and economic growth in emerging countries.

Under such circumstances, operating results of the JVC Kenwood Group started recovering in the second quarter, after bottoming out in the first quarter. This was a result of efforts such as structural reforms that were implemented in the previous fiscal year and the effect of the merger. The Group posted an operating profit in the fourth quarter for the first time since the third quarter of the previous fiscal year, posting a record profit after the management integration.

In preparing consolidated operating results for the fiscal year under review, the exchange rates the Group uses (excluding those for forward exchange contracts) are as follows:

	1Q	2Q	3Q	4Q
U.S. dollar	About 97 yen	About 94 yen	About 90 yen	About 91 yen
Euro	About 133 yen	About 134 yen	About 133 yen	About 125 yen

**\* Net Sales**

Net sales for the fiscal year under review were 398,663 million yen. This reflects the curtailment of the display segment in Europe and the slow recovery in sales in the camcorder segment of the Home & Mobile Electronics business as well as a delay in recovery of order-receiving in the Professional Systems business and shortage of hit movies and music in the Entertainment business. However, the Car Electronics business started recovering in the second quarter.

**\* Operating Profit and Loss**

Operating loss for the fiscal year under review was 6,453 million yen. This was because there was a worsening of profit/loss due to lower sales at the business solution (professional systems) segment of the Professional Systems business. In addition, there was a deterioration of profit/loss resulting from declined prices and increased sales promotional expenses in the camcorder segment of the Home & Mobile Electronics business. However, both the consumer and OEM segments of the Car Electronics business returned to the black from the second quarter and produced a profit on a full-year basis. The land mobile radio segment of the Professional Systems business saw its earnings recover from the second quarter and maintained profitability for the full year.

During the fiscal year under review, additional measures generated cost reduction effects of about 24.5 billion yen and cost synergy effects of about 7.8 billion yen, and the management integration produced accounting effects of approximately 3.7 billion yen.

**\* Ordinary Income and Loss**

Looking at ordinary income for the current fiscal year, we recorded a loss of 14,752 million yen. This is because we posted interest expense and loans commission of about 4.3 billion yen under non-operating expense, foreign exchange losses of about 0.8 billion yen and out-of-term service cost of displays, etc. of approximately 0.9 billion yen. However, the management integration generated accounting effects (of about 0.6 billion yen) and cost synergy effects (of approximately 0.2 billion yen).

## (Translation)

### \* Net Income and Loss

Looking at net income/loss for fiscal year under review, we recorded a loss of 39,734 million yen. This was mainly because we posted an impairment loss of about 4.4 billion yen, loss on sales and disposal of fixed assets of about 3.1 billion yen, business structural reform expenses of approximately 1.8 billion yen and income taxes of about 3.8 billion yen. In the meantime, there were accounting effects (of about 4.1 billion yen) generated through the provision of allowances for structural reform expenses that can be recorded as allowance, and the adoption of the consolidated taxation system in relation to the management integration, in addition to cost synergy effects (of about 0.7 billion yen)

The Company made partial corrections to the Japanese annual report (*yukashoken-hokokusho*) for the previous years in accordance with the Financial Instruments and Exchange Act, as stated in Sections [9] and [15]. In the business report and financial statements for the consolidated fiscal year under review, 11,938 million yen is collectively recorded as extraordinary loss for this consolidated fiscal year under the Corporate Act.

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

#### \* Car Electronics Business

The Car Electronics business produced a profit on a full-year basis, as the consumer and OEM segments respectively returned to the black in the second quarter. This was thanks to great contributions of integration effects, resulting from the business integration, in terms of market and merchandise competitiveness, and to effects of structural reforms carried out so far.

In the mainstay consumer segment, sales remained robust mainly in overseas markets in and after the second quarter and we maintained large market shares in major regions. Particularly in the fourth quarter, both sales and profit grew significantly. This was because the introduction of new product lines for 2010, featuring enhanced cost competitiveness that was realized by integration effects, advanced smoothly.

In the OEM field, sales of car navigation systems remained brisk due to the recovery of automobile sales as a result of measures for stimulating new car purchases executed by various countries, in addition to the effects from our efforts for structural reforms in the previous fiscal year. The shipment volume of CD/DVD mechanisms to be mounted in vehicles nearly tripled from the previous fiscal year, since shipments of large orders received up to the previous fiscal year moved into high gear and automobile sales picked up. The expansion of the shipment volume greatly contributed to profits.

Consequently, net sales of this business for the current fiscal year were 107,813 million yen, and operating profit was 4,090 million yen.

#### \* Home & Mobile Electronics Business

The Home & Mobile Electronics business produced a profit on a full-year basis, as the AV accessory segment maintained large earnings and the profit/loss of the home audio segment improved remarkably thanks to the effects of the business structure reforms. The display segment, which had been the biggest concern of the Group, reduced production and sales and sharply trimmed loss. It achieved this by significantly reducing domestic operations and narrowing down sales channels in the US in the previous fiscal year. In addition, it terminated production at the Mexican plant and rationalized the Thai plant in the current fiscal year, and curtailed merchandise and sales channels in Europe, on which it has been focusing since the second quarter.

On the other hand, the profit/loss situation of the camcorder segment deteriorated greatly. This was due to the sluggishness of 2009 merchandise, including price declines and increased sales promotion expenses overseas, mainly in Europe. It was also due to decreased sales as a result of a shift in demand to low-end models, and a delay in ending the sales of 2009 merchandise, thus causing a delay in introducing new products for 2010, featuring high competitiveness. However, domestic sales steadily grew.

As a result, net sales of this business for the fiscal year under review were 141,772 million yen, and operating loss was 10,752 million yen.

#### \* Professional systems Business

In the mainstay land mobile radio segment, the number of orders received fell mainly for products for the public safety market, since companies noticeably postponed executing their investment budgets. In addition, there was a slow recovery in investment budgets for the public safety market in the US, which is the largest market. However, recovery advanced in private-sector demand, including demand related to railways in the US. Sales of digital radio systems, which JVC Kenwood originally developed and strived to sell in the private-sector market, expanded considerably. Meanwhile, sales of digital radio systems increased in Europe, Asia and other regions. As a result, this business maintained a profit on a full-year basis.

## **(Translation)**

The business solution segment posted a loss for the full year due to weaker demand caused by a freeze on private-sector capital spending both in Japan and abroad, and declined prices, thus causing a delay in recovery. In the fourth quarter, however, profit/loss of this segment improved more than expected mainly thanks to the effects of structural reforms.

Consequently, net sales of the Professional Systems business for the fiscal year under review were 91,389 million yen, while operating loss amounted to 1,321 million yen because operating loss of the first quarter could not be compensated for.

### **\* Entertainment Business**

In the content business, while animation-related sales were robust, music-related sales were sluggish due to weak sales of old albums and a small number of new albums amid an off season for blockbuster releases. In businesses on consignment such as pressing and distribution of music software, the quantity of consignments fell due to a decline in the popularity of music software.

Consequently, net sales of this business for the fiscal year under review were 44,933 million yen, and operating loss was 1,743 million yen.

## **[2] Issues**

Since the management integration on October 1, 2008, the JVC Kenwood Group has pushed forward with various kinds of structural reforms to contend with the deterioration of the management climate, while making efforts to quickly have integration effects materialized. During the fiscal year under review, sales and profit were picking up in the Car Electronics business segment and the land mobile radio segment of the Professional Systems business. Positioning them as the earnings bases, the JVC Kenwood Group carried out the Business Structural Reform Action Plan, which was formulated in October 2009. It had completed the principal measures by the end of the fiscal year under review. As a result, we posted an operating profit for the fourth quarter, the first profit since the third quarter of the fiscal year ended March 2009 and the largest profit after the management integration.

For the fiscal year ending March 2011, the Group will strive to reconstruct the corporate base for new growth by making the effects of the Business Structural Reform Action Plan become apparent on a full-year basis, so that all businesses, including display, camcorder and business solutions that were major causes of operating loss for the fiscal year under review, can return to the black. We will work on the medium-term management plan aimed at expanding corporate value.

## (Translation)

### **1. Progress in and Results of the Business Structural Reform Action Plan – Profit/loss improvement effects of about 8 billion yen in the next term**

During the fiscal year under review, the JVC Kenwood Group focused on structural reforms in the three unprofitable businesses – display, camcorder and business solution – and the structural reform in Europe as a measure common to the three businesses, in line with the Business Structural Reform Action Plan, formulated in October 2009. It had completed the principal measures by the end of the current fiscal year. The effects of these efforts have been contributing to the earnings recovery since the fourth quarter.

#### 1) Structural reform in Europe

As profit/loss improvement measures common to the three businesses of display, camcorder and business solution, the JVC Kenwood Group downsized the sales system, downsized logistics and after-sales service system and optimized IT infrastructure and various types of equipment. The aim was to significantly streamline the display segment in Europe. The Group had completed the principal measures by the end of the current fiscal year. Consequently, fixed expenses were sharply reduced in European sales companies, and the European business at JVC has shifted to a system centering on camcorders, home audio and car electronics.

(Principal measures implemented during the current fiscal year: profit/loss improvement effects of about 3 billion yen) \*These effects are included in the profit/loss improvement effects specified in 2), 3) and 4).

- Reduced the number of employees of the European sales system to 500 from 900 and restructured sales companies, taking into consideration the significant reduction of the display business.
- Downsized logistics and the after-sales service system and optimized IT infrastructure and various types of equipment.

#### 2) Display segment

The JVC Kenwood Group terminated production at the Mexican plant, rationalized the Thai plant and narrowed down merchandise and sales channels in Europe in the current fiscal year. This followed a significant reduction in domestic operations and curtailment of sales channels in the U.S., which were implemented in the previous fiscal year. The Group had completed the principal measures by the end of the third quarter of the current fiscal year. As a result, loss decreased as planned in and after the third quarter, and profit/loss of ongoing businesses, excluding after-sales service expenses, recovered to the extent that a return to the black was in view.

(Principal measures implemented during the current fiscal year: profit/loss improvement effects of about 4 billion yen)

- Significantly narrowed down operations in Europe, where profitability had deteriorated significantly.
- Terminated production at the Mexican plant and shifted to a low-cost business management system making the most of EMS in the Americas, following Europe.
- Reduced the number of employees in the production system at the Thai plant to 600 from 1,000, greatly curtailed display production and established a parallel production system with professional systems.

#### 3) Camcorder segment (digital imaging)

To cope with the rapid deterioration in profit/loss, the JVC Kenwood Group pushed forward with reducing fixed expenses, including a reduction of the production system of the Malaysian plant in accordance with changes in merchandise composition and market prices. The Group also promoted an improvement in earnings and growth strategies by concentrating its energy on professional systems and projectors.

(Principal measures implemented during the current fiscal year: profit/loss improvement effects of about 3 billion yen)

- Reduced fixed expenses, including a reduction in the number of employees in the production system at the Malaysian plant to 1,300 from 1,900.
- Reduced the sales system in China.
- Focused on professional systems and projectors.
- Reformed the competitiveness of 2010 models

## **(Translation)**

### **4) Business Solutions**

The JVC Kenwood Group gathered the Sales Department, Technology Department and After-Sales Service Department of the Business Solution Division and the B-to-B team of the Business Incubation Division to the Head Office of JVC in Yokohama. The Group shifted it to a system under which they operate together with the Digital Imaging Division, which is expected to generate synergistic effect with camcorders, etc. In addition, the Group sold the Hachioji Plant of JVC. The Group also pushed forward with business structural reform of the Business Solutions, by enhancing efforts for expanding orders received by shifting engineers of the Business Solutions to sales and establishing a new business solution company called J&K Business Solutions Corporation.

(Principal measures implemented during the current fiscal year: profit/loss improvement effects of about 1 billion yen)

- Gathered the sales, technology and after-sales service departments and the B-to-B team of the Business Incubation Division to the Head Office of JVC in Yokohama.
- Enhanced efforts for expanding orders received by transferring personnel from the technology division to the sales division.
- Established a new business solution company called J&K Business Solutions Corporation by integrating the maintenance, construction and repair divisions of Victor Service & Engineering Co., Ltd. and Kenwood Core Corporation.
- Sold the Hachioji Plant of JVC and transferred the production function to the Yokosuka Plant of JVC to establish a system under which the production function and the production department of the Digital Imaging Division operate together.

### **[3] State of Capital Investments**

The total amount of capital investments implemented in this consolidated fiscal year is about JPY6,600 million. The main subjects of the investments are for the expansion/improvement and upgrade of production facilities, including tools and equipment.

### **[4] State of Financing**

In the consolidated fiscal year under review, in September 2009, Victor Company of Japan, Limited, a consolidated subsidiary of the Company arranged a total of 12.2 billion yen consisting of several syndicated loans, which is to be partially spent on redemption of bonds. In March 2010, it also extended the period of commitment line agreement by which 20 billion yen is provided as working capital.

In the consolidated fiscal year under review, in September 2009, Kenwood Corporation, a consolidated subsidiary of the Company arranged 15.5 billion yen under a term-loan agreement and 17.5 billion yen under a revolving line agreement, which is to be spent as working capital. Moreover, in October 2009, it re-financed about 2.8 billion yen which is to be partially spent for acquiring shares of Zetron Inc.

In the consolidated fiscal year under review, on July 28, 2009, the Company issued its 1<sup>st</sup> to 8<sup>th</sup> share options (for a total of 20 million yen).

### **[5] State of Transfer of Business, Merger & Division, or New Establishment & Division**

Not applicable.

### **[6] State of Transfer of Business from Other Companies**

Not applicable.

### **[7] State of Succession of Rights and Obligations Regarding Other Corporations in Relation to the Merger & Acquisition or Merger & Division**

Not applicable.

### **[8] State of Ownership of Other Company Shares or Acquisition/Disposal of Share Options**

Not applicable.

(Translation)

[9] Transition of Assets and Profit & Loss (Corporate group)

(1) State of Assets and Profit & Loss

(Millions of yen)

Items	1st Term (current) (March 2009)	2nd Term (current) (March 2010)
Net sales	309,771	398,663
Operating profit (Loss)	107	(6,453)
Ordinary income (loss)	(6,809)	(14,752)
Net income (loss)	(18,795)	(39,734)
Net income (loss) per share (yen)	(28.22)	(41.10)
Total assets	354,652	275,751
Net assets	85,579	46,819
Net assets per share (yen)	86.60	47.45

(Notes) 1. As JVC Kenwood was established on October 1, 2008, there is only of one accounting period.

2. Net income (loss) per share is calculated based on the average number of outstanding shares in the fiscal year. The treasury stocks are excluded from the average number of outstanding shares in the fiscal year.

The Company made partial corrections to the Japanese annual report (*yukashoken-hokokusho*) for the previous years in accordance with the Financial Instruments and Exchange Act, as stated in Section [15]. In the business report and financial statements for the consolidated fiscal year under review, the relevant amount on the said correction is collectively expensed as extraordinary loss for this consolidated fiscal year under the Corporate Act. Figures (consolidated) after the correction shown in the correction report of the above-mentioned Japanese annual report and the state of assets and profit & loss for the consolidated fiscal year under review, which are prepared under the Financial Instruments and Exchange Act, are as follows.

(Millions of yen)

Items	1st Term (current) (March 2009)	2nd Term (current) (March 2010)
Net sales	311,299	398,663
Operating profit (Loss)	(1,537)	(6,453)
Ordinary income (loss)	(9,760)	(14,752)
Net income (loss)	(30,734)	(27,795)
Net income (loss) per share (yen)	(46.14)	(28.75)
Total assets	344,077	274,751
Net assets	74,439	46,819
Net assets per share (yen)	75.08	47.45

**(Translation)****(2) State of Assets and Profit & Loss (the Company)**

(Millions of yen)

Items	1st Term (current) (March 2009)	2nd Term (current) (March 2010)
Net sales	3,983	9,401
Operating profit (loss)	125	1,174
Ordinary income (loss)	(438)	440
Net income (loss)	(1,468)	(57,243)
Net income (loss) per share (yen)	(1.36)	(59.20)
Total assets	134,467	80,759
Net assets	110,436	53,213
Net assets per share (yen)	114.22	55.01

(Notes) 1. As JVC Kenwood was established on October 1, 2008, there is no data for the preceding fiscal year and the years before.

2. Net income (loss) for the 2<sup>nd</sup> term includes 57,410 million yen of loss on valuation of stocks of subsidiaries and affiliates. The amount of net assets in the consolidated balance sheet is not thereby affected as the said loss is subject to intercompany elimination.

3. Net current loss per share is calculated based on the average number of outstanding shares in the fiscal year. The treasury stocks are excluded from the average number of outstanding shares in the fiscal year.

**[10] State of Important Parent Companies and Subsidiaries, etc****(1) State of Parent Companies**

Not applicable.

**(2) State of Important Subsidiaries**

Name	Capital	Ratio of the Company's Capital Contribution	Major Businesses
Victor Company of Japan, Limited	51,615 Million JPY	100.0%	Research, development, manufacturing and sales of audio, visual, computer- related consumer and professional equipment, and magnetic tapes and disks, etc.
Kenwood Corporation	22,059 Million JPY	100.0%	Manufacturing and sales of products related to car electronics, communications and home electronics, and other related businesses
J&K Car Electronics Corporation	445 Million JPY	100.0% (100.0%)	Research, development, design and manufacturing of automotive electric components, other automotive parts, audio equipment, visual equipment and electric and electronic machinery and appliances, and other related businesses

(Note) Numbers in parentheses under the column of capital contribution show the ratio of indirect investment by JVC Kenwood.

(Translation)

**[11] Major Businesses (As of March 31, 2010)**

Business Segment	Key Products
Car Electronics Business	Car Audio, Car AV System and Car Navigation System, Optical Pickups (internal sales)
Home & Mobile Electronics Business	Car Audio, Car AV System and Car Navigation System, Optical Pickups (external sales)
Professional systems business	Land Mobile Radio Equipment, Video Surveillance Equipment, Video Equipment, Audio Equipment and Display Equipment
Entertainment business	Music and video software, such as CDs and DVDs
Other	Optical pickups, Non-contact mobile identification system, Meteorological-satellite data receiving system, Other electronics, Blank-media, home furniture, etc.

**[12] Main Offices and Factories (As of March 31, 2010)**

**(1) Head Office**

12, 3-chome, Moriya-cho, Kanagawa-ku, Yokohama, Kanagawa, Japan

**(2) R&D Center**

Name	Location
JVC KENWOOD Holdings, Inc.	
New Business Development Center	Yokohama, Kanagawa
Strategic Research & Development Division	Yokohama, Kanagawa
Victor Company of Japan, Limited	
JVC Head Office & Yokohama Plant	Yokohama, Kanagawa
JVC Kurihama R&D Center	Yokosuka, Kanagawa
JVC Maebashi Plant	Maebashi, Gunma
Kenwood Corporation	
Kenwood Hachioji Business Center	Hachioji, Tokyo
Kenwood Yokohama Business Center	Yokohama, Kanagawa

**(3) Main Japanese Manufacturing Sites**

Name	Location
Victor Company of Japan, Limited	
JVC Yokosuka Plant	Yokosuka, Kanagawa
JVC Head Office & Yokohama Plant	Yokohama, Kanagawa
Victor Creative Media Co., Ltd.	Yamato, Kanagawa
Victor Interior Furniture Co., Ltd.	Fukuroi, Shizuoka
Kenwood Yamagata Corporation	Tsuruoka, Yamagata
Kenwood Nagano Corporation	Ina, Nagano

**(4) Japanese Business sites**

Name	Location
Victor Company of Japan, Limited	Business sites nationwide, including Tokyo, Sapporo, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka and others
Kenwood Corporation	Business sites nationwide, including Tokyo, Sapporo, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka and others
Victor Entertainment, Inc.	Shibuya-ku, Tokyo

**(Translation)****(5) Main Global Manufacturing Sites**

Name	Location
JVC America, Inc.	U.S.A.
JVC Manufacturing Malaysia Sdn. Bhd.	Malaysia
JVC Manufacturing (Thailand) Co., Ltd.	Thailand
JVC OPTICAL COMPONENTS (THAILAND) Co., Ltd.	Thailand
P.T. JVC Electronics Indonesia	Indonesia
Kenwood Electronics Technologies (S) Pte. Ltd.	Singapore
Kenwood Electronics Technologies (M) Sdn. Bhd.	Malaysia
Shanghai Kenwood Electronics Co. Ltd.	China

**(6) Main Regional Company and Regional Head Quarter**

Name	Location
JVC Americas Corp.	U.S.A.
JVC Europe Ltd.	United Kingdom
JVC Asia Pte. Ltd.	Singapore
JVC (China) Investment Co., Ltd.	China
Kenwood U.S.A. Corporation	U.S.A.
Kenwood Electronics Europe B.V.	Netherlands
Kenwood Electronics Singapore Pte. Ltd.	Singapore

**[13] State of Employees (As of March 31, 2010)****(1) State of Employees at the Group**

Number of employees	Number of increase/decrease in comparison with end of previous consolidated fiscal year
18,446	1,094 decrease

(Note) The number of employees excludes employees transferred from a JVC KENWOOD Group Company to a non-JVC KENWOOD Group company, but includes employees transferred from a non-JVC KENWOOD Group Company to a JVC KENWOOD Group company.

**(2) State of Employees at the Company**

Number of Employees	Number of Increase/decrease in Comparison with End of Previous Fiscal Year	Average Age	Average Years of Service
1,044	413 increase	43	19

(Notes)1. The number of employees excludes employees transferred from JVC KENWOOD to an outside company, but includes employees transferred from an outside company to JVC KENWOOD.

2. The number of employees has increased by 413 in comparison with the previous fiscal year mainly because of an organizational change carried out during the fiscal year. Through such change, divisions including research & development, business planning, procurement, development & sales and customer services, which were previously placed in Victor Company of Japan, Limited, a consolidated subsidiary of the Company, were merged and replaced with an internal organization.

**[14] State of Major Borrowing Companies (As of March 31, 2010)**

(Millions of yen)

Borrowing Companies	Debt Balance
Sumitomo Mitsui Banking Corporation	20,350
The Sumitomo Trust & Banking Co., Ltd.	17,399
Resona Bank, Ltd.	14,991
Mitsubishi UFJ Trust and Banking Corporation	9,604
Bank Austria Creditanstalt AG	4,994
The Chuo Mitsui Trust and Banking Company, Limited.	2,800
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,918
The Hachijuni Bank, Ltd.	1,800
Aozora Bank, Ltd.	1,790
The Bank of Yokohama, Ltd.	1,725

(Translation)

**[15] Other Important Subsequent Events of the Consolidated Group**

In the consolidated fiscal year under review, the Company carried out an investigation regarding the disposition of deficit and others relating to Victor Company of Japan, Limited, a consolidated subsidiary of the Company. It did this by establishing an investigation committee which was composed of members and outside experts. As a result of the said investigation, the Company found that there were inappropriate accounting procedures regarding the financial results of Victor Company of Japan, Limited for the fiscal year ended March 2005, which is prior to the foundation of the Company on October 1, 2009, through the second quarter of the fiscal year ended March 2010. The total amount for the disposition of deficit therewith was about 17.1 billion yen.

The Group, as announced on March 12, 2010, made corrections to the financial results of Victor Company of Japan, Limited, a consolidated subsidiary of the Company for the fiscal year ended March 31, 2005 through the second quarter of the fiscal year ended March 31, 2010. It also corrected the financial results of the Company from its foundation on October 1, 2008 through the second quarter of the fiscal year ended March 31, 2010. This was done in accordance with the Financial Instruments and Exchange Act.

We sincerely apologize to our shareholders for the great confusion and concern caused by the correction to the financial results for the previous years.

We will do our best to clear up these past issues and make a fresh start. Thank you for your continued understanding.

**(1) Details of Corrections to the Financial Results of Victor Company of Japan, Limited for the Precious Years**

Descriptions	Total disposition of deficit
Entry of deficit on a sales subsidiary in Spain	About 4,800 million yen
Entry of deficit on a sales subsidiary in Germany	About 1,500 million yen
Entry of deficit on a sales subsidiary in Austria	About 2,100 million yen
Entry of deficit on a sales subsidiary in China	About 1,300 million yen
Entry of deficit on the Optical Component Division	About 1,800 million yen
Entry of deficit on a service subsidiary in Germany	About 1,100 million yen
Entry of deficit on Victor Company of Japan, Limited	About 800 million yen
Disposition of deficit on other overseas sales subsidiaries and others	About 800 million yen
Entry of impairment relating to corrections to financial results for the previous years	About 2,800 million yen
Total	About 17,100 million yen

**(2) Details of Corrections to Financial Results of the Company for the Previous Years**

Corrections to Financial Results for the 1st Term (fiscal year ended March 2009) (consolidated) (Millions of yen)

Term	Items	Before	After	Amounts subject to correction
1st Term (current) (March 2009)	Net sales	309,771	311,299	1,528
	Operating profit (loss)	107	(1,537)	(1,644)
	Ordinary income (loss)	(6,809)	(9,760)	(2,951)
	Net income (loss)	(18,795)	(30,734)	(11,938)
	Total assets	354,652	344,077	(10,575)
	Net assets	85,579	74,439	(11,140)

(Note) The above table shows the details of corrections made under the Financial Instruments and Exchange Act.

(Translation)

**2. Matters Regarding the Company's Shares (As of March 31, 2010)**

[1] Total number of authorized shares 4,000,000,000

[2] Total number of outstanding shares 1,090,002,015  
(Treasury stock 123,121,612)

[3] Number of shareholders 70,034

**[4] Major shareholders (Top 10) (As of March 31, 2010)**

Name of Shareholder	State of Capital Contribution	
	Number of Shareholding	Ratio of Capital Contribution
Panasonic Corporation	266,454,660	27.56%
Takashi Kotegawa	53,000,000	5.48%
The Dai-ichi Life Insurance Company, Limited	18,522,680	1.92%
Resona Bank, Ltd.	13,724,559	1.42%
Japan Trustee Services Bank, Ltd. (Trust Account)	12,370,400	1.28%
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	7,304,508	0.76%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,701,000	0.69%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	5,691,700	0.59%
STATE STREET BANK AND TRUST COMPANY 505103	5,444,800	0.56%
Japan Trustee Services Bank, Ltd. (Trust Account 6)	5,347,600	0.55%

(Note) Ratio of Capital Contribution is calculated deducting the treasury stock (123,121,612).

**3. Matters Regarding the Company's Share Options (As of March 31, 2010)**

[1] Share options granted to and held by the Company's officers in compensation for execution of their duties

Not applicable.

[2] Share options granted to the Company's employees, etc. during this fiscal year in compensation for execution of their duties

Not applicable.

[3] Other matters regarding share options

Share Options issued based on the resolution adopted at the meeting of the Board of Directors held on July 10, 2009 (1st to 8th share options)

The 1st to 8th share options (hereinafter individually referred to as "the share option" for each of them, and collectively or individually as "the Share Options") are subject to the same conditions with regard to matters stipulated in the relevant items, Paragraph 1, Article 236 of the Corporation Law and the common items as follows.

**(Translation)**

Number of stock acquisition rights	40
Class of shares to be issued or transferred upon exercise of the share options	Common Stock
The class, number and calculation method of shares subject to the share option	<p>1. (1) The class and total number of shares subject to the share option shall be 20 million common shares of the Company. (The number of shares subject to one share option (hereinafter referred to as "Number of Shares To Be Delivered") shall be 0.5 million shares.) Provided, however, if the Number of Shares To Be Delivered is to be adjusted in accordance with items (2) through (5) of this paragraph, the total number of shares subject to the share option shall be adjusted according to the Number of Shares To Be Delivered After Adjustment.</p> <p>(2) If the Company intends to adjust the Exercise Price (to be defined in item (2) of paragraph 2; the same shall apply hereinafter) in accordance with the provisions in paragraph 4, the Number of Shares To Be Delivered shall be adjusted in accordance with the following formula.</p> $\text{Number of Shares To Be Delivered After Adjustment} = \frac{\text{Number of Shares To Be Delivered Before Adjustment} \times \text{Exercise Price Before Adjustment}}{\text{Exercise Price After Adjustment}}$ <p>The Exercise Price Before Adjustment and the Exercise Price After Adjustment in the above formula shall be the Exercise Price Before Adjustment and the Exercise Price After Adjustment to be defined in paragraph 4 hereof respectively.</p> <p>(3) The adjustment set forth in the preceding item shall be made only regarding the Number of Shares To Be Delivered relevant to the share option before execution as of such time, and any fragment less than one share resulting from the adjustment shall be rounded down.</p> <p>(4) The date when the Number of Shares To Be Delivered After Adjustment shall be applied shall be the same as the date when the Exercise Price After Adjustment is to be applied regarding the adjustment of the Exercise Price in accordance with items (2) and (4) of paragraph 4.</p> <p>(5) When making an adjustment of the Number of Shares To Be Delivered, the Company shall notify, in writing, each person entitled to the share option in the register of share option of the Company's intention and event, the Number of Shares To Be Delivered Before Adjustment, the Number of Shares To Be Delivered After Adjustment, the date of the adjustment and other required matters beforehand. In case of paragraph 4 (2) 6) and other cases where the notification set forth above cannot be made before the preceding day of the date when the adjustment is to be applied, the notification shall be made swiftly on and after the date when the adjustment is applied.</p>
Amount of the payment of the share option for subscription or its calculation method or intention not requiring payment	¥ 65,262.5 per share option
Payment date of share option	July 28, 2009
Amount of assets to be contributed upon exercise of share option	<p>1. The assets to be contributed upon exercise of this share option shall be moneys, and the amount to be contributed upon exercise of one share option shall be the amount derived by multiplying the Exercise Price by the Number of Shares To Be Delivered, and any fragment less than one yen resulting from the calculation shall be rounded up.</p> <p>2. The amount of moneys per share of the common shares of the Company to be contributed upon exercise of the share option (hereinafter referred to as</p>

(Translation)

	<p>“Exercise Price”) shall be 116 yen initially. However, the Exercise Price is subject to revision or adjustment in accordance with paragraph 3 or paragraph 4.</p> <p>3. Exercise Price of Revision</p> <p>(1) The Company may decide to revise the Exercise Price of the share option (hereinafter referred to as “Decision to Revise Exercise Price”) in accordance with the provisions hereof on and after the Revision Commencement Day (to be defined in item (2) of this paragraph; the same shall apply hereinafter) only once during the period from July 29, 2009 to July 11, 2011, if 1) the Board of Directors of the Company admits such necessity for fund raising and 2) if the closing price of one common stock of the Company traded in regular transactions on the Tokyo Stock Exchange (hereinafter referred to as “TSE”) (not including any indicative price; the same shall apply hereinafter) (if there is no closing price on that day, then the closing price on the day immediately preceding the day) on the preceding bank business day of the Resolution Day of Revision of Exercise Price (to be defined in item (2) of this paragraph; the same shall apply hereinafter) exceeds ¥29.0 (however, subject to the adjustment paragraph 4, items (1) through (4)), and when such decision is made, the Company shall inform each person entitled to the share option in the register of share option of the Decision to Revise Exercise Price on the Resolution Day of Revision of Exercise Price.</p> <p>Further, the Company (i) may make the Decision to Revise Exercise Price relevant to the share option as far as the share option among the Share Options is the most young number series existing at the time when the Company makes the Decision to Revise Exercise Price on the share option, and (ii) in a case where the Decision to Revise Exercise Price is made for Share Options other than this share option, may not make the Decision to Revise Exercise Price for this share option until the Revision Commencement Day has lapsed relevant to the Share Option.</p> <p>(2) When the Decision to Revise Exercise Price is made, the Exercise Price shall be revised to an amount (to calculate up to the second decimal place, and round down to one decimal place) representing 92% of the average price of closing prices of common shares of the Company for three consecutive trading days with closing prices traded in regular transactions on the TSE (hereinafter referred to as “Calculation Period for Revised Exercise Price”) to be commenced on the day falling the third business day (including the day) from the day when the Decision to Revise Exercise Price is made (hereinafter referred to as “Resolution Day of Revision of Exercise Price”) on and after the bank business day following the last day (hereinafter referred to as “Revision Commencement Day”) of the Calculation Period for Revised Exercise Price (to be defined hereinafter) (the Exercise Price after the revision shall be referred to as “Exercise Price After Revision”).</p> <p>In judging which three consecutive trading days with closing prices are applicable, trading days set forth from (i) through (iv) below shall not be included in the trading days with closing prices and shall not impede the consecutiveness.</p> <p>(i) a trading day when common shares of the Company have not been traded in regular transactions for the day due to system failure on the TSE, etc.;</p> <p>(ii) a trading day when trading of common shares of the Company traded in regular transactions closed remaining at the upper limit (stop high) or lower limit (stop low) of the trading limit of the quote that TSE stipulates (regardless of whether or not the closing price of common shares of the Company traded in regular transactions on the TSE are established through pro rata allocation (allocation due to trading limit));</p>
--	--

**(Translation)**

(iii) a trading day when trading of common shares of the Company traded in regular transactions was closed with special quotation for bid or asked; and

(iv) a trading day when final special quotation (SQ) of index futures or index option transactions on the TSE is to be calculated.

In addition, if any event of adjustment of Exercise Price set forth in item (2) or (4) of paragraph 4 occurs during the Calculation Period for Revised Exercise Price, the Exercise Price after the revision shall be adjusted to a price that the Company considers appropriate in accordance with the provisions hereof.

(3) If the Exercise Price is to be revised due to items (1) and (2) of this paragraph, the Company shall notify, in writing, each person entitled to the share option in the register of share option of the Company's intention, the Exercise Price before revision, the Exercise Price After Revision and Revision Commencement Day and other necessary matters beforehand.

**4. Exercise Price of Adjustment**

(1) If changes are made or may be made in the Company's common shares in accordance with any of the events set forth in item (2) of this paragraph after the issuance of this share option, the Company shall adjust the Exercise Price using the formula set forth below (hereinafter referred to as "Formula For Exercise Price Adjustment").

$$\begin{array}{rcl}
 \text{Exercise Price} & & \text{Number of} \\
 \text{After} & & \text{Issued} \\
 \text{Adjustment} & = & \text{Common} \\
 & & \text{Shares} \\
 & & \text{+} \\
 & & \text{Common} \\
 & & \text{Shares To} \\
 & & \text{Be Delivered} \\
 & & \text{Market Value} \\
 & & \text{Amount of} \\
 & & \text{Payment} \\
 & & \text{per Share} \\
 & & \text{×} \\
 & & \text{Market Value} \\
 & & \text{+} \\
 & & \text{Common Shares To Be} \\
 & & \text{Delivered}
 \end{array}$$

(2) The cases to make an adjustment to the Exercise Price of this share option in accordance with the Formula For Exercise Price Adjustment and the timing when the Exercise Price shall be applied after the adjustment shall be as set forth below:

1) When common shares of the Company are to be delivered for the amount of payment below the Market Value (to be defined in 2) (item (3) of this paragraph); the same shall apply hereinafter) (however, excluding cases where such are delivered in exchange for shares subject to call, shares with put option or shares option subject to call (including those attached to bonds with share option) issued by the Company, or delivery through conversion, exchange or exercise of share option (including those attached to bonds with share option), other securities or rights that can demand delivery of common shares of the Company), the Exercise Price after the adjustment shall be applied on or after the following day of the payment date (in case a payment period is provided for the offering, then the last day of such payment period; the same shall apply hereinafter), and if there is a base date in order to vest the Shareholders of Common Shares of the Company (hereinafter referred to as "Shareholders of Common Shares of the Company") with allocation, then on and after the day following the base date.

2) In case of share split of common shares of the Company or allotment without contribution of common shares of the Company, the Exercise Price after adjustment shall be applied on or after the day following the base date for the share split of common shares of the Company or on or after the day following the effective date of allotment without contribution of common shares of the Company; provided, however, if a base date is provided for to vest the Shareholders of Common Shares of the Company with allotment without contribution of common shares of the Company, then it shall be applied on or after the day following such date.

(Translation)

	<p>3) If the Company intends to issue shares with put option in exchange for acquisition of which it is provided for that common shares of the Company shall be delivered for the Consideration (to be defined in (3) 5) of this paragraph; the same shall apply hereinafter) below the Market Value (including a case of allotment without contribution), or if the Company intends to issue share options (including those attached to bonds with share option), other securities or rights (including a case of allotment without contribution) that may demand for delivery of common shares of the Company for the Consideration below the Market Value (however, excluding issuance of the Share Options other than this share option).</p> <p>The Exercise Price after adjustment shall be calculated applying the Formula For Exercise Price Adjustment mutatis mutandis assuming that the number of common shares of the Company that would be delivered if all the shares with put option, shares option (including those attached to bonds with share option), other securities or rights (hereinafter referred to as "Share With Put Option, Etc.") were converted, exchanged or exercised in compliance with the initial conditions as "Common Shares To Be Delivered" in accordance with the Formula For Exercise Price Adjustment, on or after the day following the payment date (in case of share option (including those attached to bonds with share option), the day of allotment) or on or after the day following the effective date of the allotment without contribution; provided, however, that if a base date is provided for to vest the Shareholders of Common Shares of the Company with allotment without contribution of common shares of the Company, then it shall be applied on or after the day following such date.</p> <p>Notwithstanding the above, the Consideration for common shares of the Company to be delivered upon conversion, exchange or exercise has not been established at the time that Shares With Put Option, Etc. are issued, then the Exercise Price after adjustment shall be calculated applying the Formula For Exercise Price Adjustment mutatis mutandis assuming that the number of common shares of the Company that would be delivered if all the Share With Put Option, Etc. issued when such Consideration is established were converted, exchanged or exercised in compliance with the conditions at the time of establishment of such Consideration as "Common Shares To Be Delivered" in accordance with the Formula For Exercise Price Adjustment, on or after the day following the establishment date of Consideration.</p> <p>4) When common shares of the Company are to be issued for the Consideration below the Market Value in exchange for the shares subject to call or share options subject to call (including those attached to bonds with share option) issued by the Company, the Exercise Price after adjustment shall be applied on or after the day following the acquisition day.</p> <p>Notwithstanding the above, if adjustment of the Exercise Price was made in accordance with item 3) or 5) before the said adjustment regarding the above mentioned shares subject to call or share options subject to call (including those attached to bonds with share option) (hereinafter referred to as "Shares Subject To Call, Etc."), and (i) only when the Number of Fully-diluted Common Shares after the delivery set forth above (to be defined in (3) 6) of this paragraph; the same shall apply hereinafter) exceeds the Number of Issued Common Shares immediately before the delivery (to be defined in (3) 3) of this paragraph; the same shall apply hereinafter), the Exercise Price after adjustment shall be calculated applying the Formula For Exercise Price Adjustment mutatis mutandis assuming such excess number of common shares as "Common Shares To Be Delivered" in accordance</p>
--	---

(Translation)

	<p>with the Formula For Exercise Price Adjustment, and (ii) if it does not exceed the Number of Issued Common Share immediately before the delivery as stated above, the adjustment set forth in this 4) shall not be made.</p> <p>5) When the Consideration per one share of the common shares of the Company (for the purpose of this 5), "Acquisition Price, Etc." is downwardly revised (excluding adjustment based on item (2) of this paragraph or anti-dilution provisions similar to item (4) of this paragraph) in accordance with the issuance conditions of the Share With Put Option, Etc., and the said Acquisition Price, Etc. after the downward revision becomes lower than the Market Value on the day when the relevant revision is made (hereinafter referred to as "Revision Date") (however, excluding a case of revision of the Exercise Price of the Share Option other than this share option).</p> <p>(i) If, regarding said Share With Put Option, Etc., the adjustment of the Exercise Price pursuant to item 3) was not made before the Revision Date, the Exercise Price after adjustment shall be calculated applying the provision of item 3) mutatis mutandis assuming the number of common shares of the Company to be delivered upon conversion, exchange or exercise of all of the Share With Put Option, Etc. existing on the Revision Date in accordance with terms and conditions effective as of the Revision Date as "Common Shares To Be Delivered" under the Formula For Exercise Price Adjustment, and shall be applied on or after the day following the Revision Date.</p> <p>(ii) If, regarding said Share With Put Option, Etc., the adjustment of the Exercise Price pursuant to item 3) or (i) above was made before the Revision Date, and if the Number of Fully-diluted Common Shares based on the assumption assuming that the number of common shares of the Company to be delivered upon conversion, exchange or exercise of all of the Share With Put Option, Etc. existing on the Revision Date in accordance with terms and conditions effective as of the Revision Date exceeds the Number of Issued Common Share in case such revision being not made, then the Exercise Price after adjustment shall be calculated applying the Formula For Exercise Price Adjustment mutatis mutandis assuming such excess number of common shares as "Common Shares To Be Delivered" in accordance with the Formula For Exercise Price Adjustment, and shall be applied on or after the day following the Revision Date; and if a multiple number of revisions are to be made to the Acquisition Price, Etc. in a month, the Exercise Price after adjustment shall be calculated applying the Formula For Exercise Price Adjustment mutatis mutandis on the lowest price of the revised Acquisition Prices, Etc., and shall be applied on or after the day following the last day of such month.</p> <p>6) In each transaction under items from 1) through 3) above, if a base date is provided for to vest the Shareholders of Common Shares of the Company with allotment and effectiveness of each transaction is subject to approval by a shareholders' meeting or board meeting or other body of the Company to be held on or after such base date, then notwithstanding the provisions of items from 1) through 3) above, the Exercise Price after adjustment shall be applied on or after the day following the day of approval.</p> <p>In such case, the number of common shares of the Company calculated using the following method shall be delivered to persons entitled to the share option who exercised the share option during the period from the date following such base date to the day of approval of such transaction. Provided, however, that provisions of paragraph 19 (2) of Issuance Guidance shall apply mutatis mutandis to the</p>
--	---

(Translation)

	<p>delivery of shares.</p> $\text{Number of Shares} = \frac{(\text{Exercise Price Before Adjustment} - \text{Exercise Price After Adjustment}) \times \text{Number of Shares Delivered during the Period in accordance with Exercise Price Before Adjustment}}{\text{Exercise Price After Adjustment}}$ <p>In such case, any fragment less than one share resulting from the calculation shall be rounded down, and adjustment by cash will not be made.</p> <p>7) In case securities or rights similar to the securities or rights set forth in items from 1) through 5) above are delivered, the Exercise Price after adjustment shall be calculated by applying mutatis mutandis the provisions regarding securities or rights similar to the securities or rights out of provisions set forth in items from 1) through 6).</p> <p>(3) 1) Regarding Formula For Exercise Price Adjustment, the calculation shall be made up to the second decimal place and rounded down to one decimal place.</p> <p>2) The "Market Value" for the purpose of Formula For Exercise Price Adjustment and item (2) of this paragraph shall mean the average value of closing prices of every day of common shares of the Company traded in regular transactions on the TSE for 30 trading days commencing on the 45th trading days (excluding days without closing price) prior to the date when the Exercise Price after adjustment is to be applied (however, in case of (2) 6) of this paragraph, the base date). In this case, the calculation of the average value shall be made up to the second decimal place, and be rounded down to one decimal place.</p> <p>3) The "Number of Issued Common Shares" for the purpose of Formula For Exercise Price Adjustment and item (2) of this paragraph shall be derived by subtracting the number of common shares held by the Company as of, if a base date is provided for to vest the Shareholders of Common Shares of the Company with allotment, then the date, and if such base date is not provided for, then a day one month preceding the date when the Exercise Price after adjustment is to be applied, from the number of issued and outstanding common shares on such day, and adding the number of common shares of the Company that have not been delivered out of the common shares of the Company that was assumed as the "Common Shares To Be Delivered" based on item (2) or (4) of this paragraph before the adjustment of the Exercise Price.</p> <p>4) In case of a share split of common shares of the Company, the "Common Shares To Be Delivered" to be used in Formula For Exercise Price Adjustment shall not include the number of common shares of the Company that were added on the base date relevant to the common shares of the Company held by the Company.</p> <p>5) The "Consideration" for the purpose of item (2) of this paragraph shall be the amount of money derived by subtracting, from the amount paid on the issuance of said shares or share options (including those attached to bonds with share option) (in case of share option (including those attached to bonds with share option) under paragraph (2) 3), the amount of assets to be contributed upon exercise hereon shall be added), the amount of moneys and other assets (excluding common shares of the Company) to be delivered to holders of such shares or share options, and then by dividing the resulting difference by the number of common shares of the Company to be delivered upon the acquisition or execution thereof; in adjustment of the Exercise Price, the Consideration shall be the amount paid per share in the Formula For Exercise Price Adjustment.</p> <p>6) The "Number of Fully-diluted Common Shares" for the purpose of item (2) of this paragraph shall derived by subtracting the number of</p>
--	---

(Translation)

	<p>common shares of the Company held by the Company as of the day falling on one month prior to the date when the Exercise Price after adjustment shall be applied from the number of common shares of the Company that have been issued as of such day, and (i) by adding (for the purpose of (2) 4) of this paragraph) the number of common shares of the Company that have not been delivered out of the common shares of the Company that were assumed as "Common Shares To Be Delivered" in accordance with item (2) or (4) of this paragraph before the adjustment of the Exercise Price (provided, however, excluding the number of common shares of the Company that have not been delivered out of the common shares of the Company that were assumed as "Common Shares To Be Delivered" with regard to the said Shares Subject To Call, Etc. before the adjustment of the Exercise Price) and the number of common shares of the Company to be delivered in exchange for acquisition of said Shares Subject To Call, Etc., further (ii) by adding (for the purpose of (2) 5) of this paragraph) the number of common shares of the Company that have not been delivered out of the common shares of the Company that were assumed as "Common Shares To Be Delivered" in accordance with item (2) or (4) of this paragraph before the adjustment of the Exercise Price (provided, however, excluding the number of common shares of the Company that have not been delivered out of the common shares of the Company that were assumed as "Common Shares To Be Delivered" with regard to the said Share With Put Option, Etc. before the adjustment of the Exercise Price) and the number of common shares of the Company to be delivered when all the remaining Share With Put Option, Etc. as of the Revision Date are converted, exchanged or executed in compliance with the terms and conditions as of the Revision Date.</p> <p>(4) In addition to a case when adjustment of the Exercise Price is required under item (2) of this paragraph, the Company will make required adjustment in case of any of the following events:</p> <ol style="list-style-type: none"><li>1) when adjustment of the Exercise Price is required because of consolidation of shares, reduction of the stated capital, merger in which the Company is as the surviving company, succession of the whole or a part of rights and/or obligations of a company through absorption of the company by other company, or acquisition of the entire outstanding shares of a company through exchange of shares by other company;</li><li>2) when adjustment of the Exercise Price is required for allotment without contribution of shares in other class to the Shareholders of Common Shares of the Company;</li><li>3) when adjustment of the Exercise Price is required resulting from an event that changes or may change the number of common shares of the Company (however, excluding a case of adjustment of the Exercise Price of the Share Option other than this share option); and</li><li>4) if multiple events due to which the Exercise Price should be adjusted occur consecutively and influence by the other events has to be taken into consideration with regard to the Market Value that is to be used in calculation of the Exercise Price after adjustment based on one event.</li></ol> <p>(5) When adjustment of the Exercise Price is made in accordance with items (1) through (4) of this paragraph, the Company shall notify, in writing, each person entitled to the share option in the register of share option of the Company's intention, the Exercise Price before adjustment, the Exercise Price after adjustment and date of application thereof and other necessary matters beforehand. In case of item (2) 6) of this paragraph or if such notification is not possible to be made before the previous day of such day of application, such shall be promptly made on or after the application day.</p>
--	--

**(Translation)**

Period during which share options may be exercised	From July 29, 2009 to July 27, 2011 (hereinafter referred to as “Exercisable Period”). However, if a Decision to Revise Exercise Price is made, the Exercisable Period shall be until the following bank business day of the Revision Commencement Day relevant to such Decision to Revise Exercise Price (hereinafter referred to as “Exercise Deadline”), and if the Revision Commencement Day relevant to such Decision to Revise Exercise Price or the following bank business day of the Revision Commencement Day relevant to the Decision to Revise Exercise Price falls on a day when Japan Securities Depository Center, Inc. (hereinafter referred to as “Depository Center”) does not handle share option agency business, the Exercise Deadline shall be extended for the number of bank business days equal to the number of days during which the Depository Center does not handle such; provided, however, that in any case this share option may not be exercised later than July 27, 2011.
Increasing capital and capital reserve when issuing new shares following the exercise of share options	<p>1. Issue price of one share when issuing shares following the exercise of share option The issue price of one share of common shares of the Company issued following the exercise of share options shall be the issue price of one share option divided by the number of effective shares delivered upon exercise of the share option, added to the Exercise Price of the share option (however, if the Exercise Price is revised or adjusted in accordance with item (3) or (4) of paragraph 4 (Amount of assets to be contributed upon exercise of share option), the Exercise Price After Revision or Adjustment is used)</p> <p>2. Increasing capital and capital reserve when issuing new shares following the exercise of share options The amount of increasing capital when issuing shares following the exercise of share options shall be half of the amount of the limit on the increase of capital, etc. calculated pursuant to the provisions of Article 17 of the Ordinance for Corporate Accounting, and any fraction less than 1 yen resulting from such calculation shall be rounded up to the nearest yen. The amount of increasing capital reserve shall be the amount of the limit on the increase of capital, etc. less the amount of increasing capital.</p>
Conditions for exercising share options	Each of this share option may be exercised only in entirety.
Party subject to allotment	Nomura Securities Co., Ltd.

**(note)** The Company shall issue shares through a new record of shares to be transferred or transfer of treasury stocks under the name of the Company on the day that is three bank business days from the date when the claim for exercise of the share option takes effect.

(Translation)

4. Matters Regarding Company Officers

[1] State of Directors and Auditors (As of March 31, 2010)

Name	Position and Responsibilities	State of Representation of Other Corporations
Haruo Kawahara	Chairman and President, Representative Director of the Board, Chief Executive Officer (CEO)	Representative Director, Victor Company of Japan, Limited
Hiroshi Odaka	Director of the Board, and Chief Financial Officer (CFO)	Director, Victor Company of Japan, Limited
Jiro Iwasaki	Director of the Board, Senior Vice President & Executive Officer, General Executive of Strategic Human Resources & Administration Division	Director of the Board of J&K Car Electronics Corporation External Auditor, GCA Savvian Corporation
Motoyoshi Adachi	Director of the Board, Senior Vice President & Executive Officer, General Manager of New Business Start-Up Office in New Business Development Center	Director of the Board of Victor Company of Japan, Limited
Kazuo Shiohata	Director of the Board	President and Representative Director of the Board of J&K Car Electronics Corporation, Representative Director of the Board of Kenwood Corporation
Kazuhiro Aigami	Director of the Board	President and Representative Director of the Board of Kenwood Corporation
Koji Kashiwaya	Director of the Board (External)	Director, Maruzen Textile Co. Director, Busou Real Estate Co.
Makoto Matsuo	Director of the Board (External)	Partner; Momoo, Matsuo & Namba Law Firm External Director, Demel Japan Co., Ltd. External Auditor, Nike Japan Corp. External Auditor, Billing System Corporation External Auditor, Aquacast Corporation External Director, Capcom Co., Ltd. External Auditor, Burberry Japan K.K. External Auditor, Toray Industries, Inc.
Shigeharu Tsuchitani	Auditor	External Auditor, Kenwood Corporation
Hideaki Kato	Auditor	External Auditor, Victor Company of Japan, Limited
Noriyuki Shouyama	Auditor	External Auditor, Victor Company of Japan, Ltd. Advisor, The Shinsen Company, Limited
Akihiko Washida	Auditor	Auditor, Cool.revo Inc.
Koichi Kurosaki	Auditor	External Auditor, Kenwood Corporation Auditor (External), Takarajima Wondernet Inc.

(Notes) 1. Directors Mr. Koji Kashiwaya and Mr. Makoto Matsuo are external directors stipulated in Article 2-15 of the Corporate Act.

2. Auditors Mr. Noriyuki Shouyama, Mr. Akihiko Washida, Mr. Koichi Kurosaki are external auditors stipulated in Article 2-16 of the Corporate Act.

3. Auditor Mr. Hideaki Kato has been responsible of accounting operations at the Company for 26 years and has sufficient knowledge concerning finances and accounting.

4. Changes in Directors and Statutory Auditors during the fiscal year are as follows.

(1) Mr. Kunihiro Sato, Director, retired from office upon expiration of his term as of the end of the 1<sup>st</sup> General Meeting of Shareholders held on June 24, 2009.

(2) Mr. Norimichi Saito, Statutory Auditor, resigned from office as of the end of the 1<sup>st</sup> General Meeting of Shareholders held on June 24, 2009.

(3) Mr. Hidetoshi Yoshida, Director, resigned from office as of the end of the meeting of the Board of Directors held on March 12, 2010. Mr. Yoshida's position and responsibility in the Company and major concurrent positions at the time of retirement are as follows.

Position and responsibility: Director of the Board, Assistant to President

Major concurrent position: There were no relevant issues.

5. Changes in the positions and responsibilities of Directors and Statutory Auditors and their major concurrent positions after the last day of the consolidated fiscal year under review are as follows. (as of April 1, 2010)

(Translation)

Name	Position and Responsibilities	State of Representation of Other Corporations
Kazuo Shiohata	Director of the Board, and Assistant CEO (management reforms)	President and Representative Director of the Board of J&K Car Electronics Corporation, Representative Director of the Board of Kenwood Corporation
Hiroshi Odaka	Director of the Board, and Chief Financial Officer (CFO)	Not applicable.

6. The Company designated Mr. Koji Kashiwaya, Director, as independent executive as stipulated in the provisions of Tokyo Stock Exchange (TSE) and has notified the TSE of that.
7. The Company adopts the Executive Officer System.  
There are a total of 7 executive officers including the aforementioned Directors Mr. Haruo Kawahara, Mr. Hiroshi Odaka, Mr. Jiro Iwasaki and Mr. Motoyoshi Adachi.

Name	Position and Responsibilities
Hiroyuki Taki	Senior Vice President & Executive Officer, General Executive, Integrated Synergy Development Division
Satoru Maeda	Senior Vice President & Executive Officer and General Executive, New Business Development Center
Keiichiro Doi	Senior Vice President & Executive Officer and General Executive, Strategic Research & Development Division

**[2] Amount of Compensations of Directors and Statutory Auditors**

Title	Number of Relevant Personnel	Amount of Compensation (Millions of yen)
Director	10	231
(External Director)	(3)	(34)
Statutory Auditor	6	51
(External Auditor)	(4)	(20)
Total	16	283

- (Notes) 1. The amount of compensation for the Directors does not include Employee compensation for 'Director and Employee'. Currently, there is no 'Director and Employee' in the Company.
2. According to Article 40 of JCV Kenwood's Articles of Incorporation, which was approved as a part of the proposal regarding the share transfer plan at the 119<sup>th</sup> Ordinary General Meeting of Shareholders of Victor Company of Japan, Limited, and the 79<sup>th</sup> Ordinary General Meeting of Shareholders of Kenwood Corporation, both held on June 27, 2008, the amount of compensation for directors from the establishment day (October 1, 2008) to the 1<sup>st</sup> Ordinary General Meeting of Shareholders has been set at up to JPY 36 million per month and the amount of compensation for auditors for the same period has been set at up to JPY9 million per month.
3. The number of External Directors and the amount of compensation therefor include information for a Director who assumed the position as External Director until the end of the 1<sup>st</sup> General Meeting of Shareholders held on June 24, 2009. However, the amount of compensation only includes the relevant amount for the said period.

(Translation)

**[3] Matters Regarding External Officers**

**(1) State of Important Concurrence of External Officers**

Position	Name	Company of Concurrent Office	Responsibilities of Concurrent Office	Relationship
External Director	Koji Kashiwaya	Maruzen textile Co.	Director	No significant business relationship with JVC KENWOOD Holdings, Inc.
		Busou Real Estate Co.	Director	
	Makoto Matsuo	Momoo, Matsuo & Namba Law Firm	Partner	No significant business relationship with JVC KENWOOD Holdings, Inc.
		Demel Japan Co., Ltd.	External Director	
		Nike Japan Corp.	External Auditor	
		Billing System Corporation	External Auditor	
		Aquacast Corporation	External Auditor	
		Capcom Co., Ltd.	External Director	
		Burberry Japan K.K.	External Auditor	
Toray Industries, Inc.	External Auditor			
External Auditor	Noriyuki Shouyama	Victor Company of Japan, Limited.	External Auditor	Subsidiary Company of JVC KENWOOD Holdings, Inc.
		The Shinsen Company, Limited	Advisor	No significant business relationship with JVC KENWOOD Holdings, Inc.
	Akihiko Washida	Cool.revo Inc.	Auditor	
	Koichi Kurosaki	Kenwood Corporation	External Auditor	Subsidiary Company of JVC KENWOOD Holdings, Inc.
		Takarajima Wondernet Inc.	Auditor (External)	No significant business relationship with JVC KENWOOD Holdings, Inc.

(Translation)

**(2) Major Activities of External Officers**

Position	Name	Major Activities
External Director	Koji Kashiwaya	Attendance for the meeting of the Board of Directors in the current fiscal year: 28 (Attendance rate: 100%) Mr. Kashiwaya provides advice and propositions to secure the legitimacy and appropriateness of the decisions of the Board of Directors in a timely manner based on his plentiful experience, performance records and insight in areas such as finance and taxation.
	Makoto Matsuo	Attendance for the meeting of the Board of Directors in the current fiscal year: 22 (Attendance rate: 79%) Mr. Matsuo provides advice and propositions to secure the legitimacy and appropriateness of the decisions of the Board of Directors in a timely manner based on his plentiful experience, knowledge and professional views from a legal aspect as a lawyer.
External Auditor	Noriyuki Shouyama	Attendance for the meeting of the Board of Directors in the current fiscal year: 27 (Attendance rate: 96%) Attendance for the meeting of the Board of Auditors in the current fiscal year: 16 (Attendance rate: 100%) Mr. Shouyama has a background of working for a financial institution (a trust bank) and provides the necessary comments regarding issues such as the agenda and discussions of the Board of Directors and Board of Auditors in a timely manner based on his plentiful experience, performance records and insight.
	Akihiko Washida	Attendance for the meeting of the Board of Directors in the current fiscal year: 28 (Attendance rate: 100%) Attendance for the meeting of the Board of Auditors in the current fiscal year: 16 (Attendance rate: 100%) Mr. Washida provides necessary comments regarding issues such as the agenda and discussions of the Board of Directors and Board of Auditors in a timely manner based on his plentiful experience, performance records and insight regarding business management.
	Koichi Kurosaki	Attendance for the meeting of the Board of Directors in the current fiscal year: 9 (Attendance rate: 82%) Attendance for the meeting of the Board of Auditors in the current fiscal year: 9 (Attendance rate: 100%) Mr. Kurosaki has a background of working for a financial institution and provides the necessary comments regarding issues such as the agenda and discussions of the Board of Directors and Board of Auditors in a timely manner based on his plentiful experience, performance records and insight.

(Note) 1. During the current fiscal year, there were 28 meetings of the Board of Directors and there were 16 meetings of the Board of Auditors.

2. Mr. Koichi Kurosaki, Statutory Auditor, assumed office as of the end of the 1st General Meeting of Shareholders held on June 24, 2009. His attendance rate is calculated based on his attendance at 23 meetings of the Board of Directors and 13 meetings of the Board of Statutory Auditors held after his appointment.
3. Inappropriate accounting procedures concerning the financial results of Victor Company of Japan, Limited, a consolidated subsidiary of the Company, are as explained in Section [15] (Other Important Subsequent Events of the Consolidated Group) of Part 1. However, although External Directors of the Company were regularly making proposals in light of statutory compliance and the importance thereof to prevent the occurrence of such event, they were not able to predict it. After the occurrence of the event, they have been properly performing their duties by actively providing their opinions concerning the formulation of group-wide measures for preventing reoccurrence and other necessary matters. Mr. Koji Kashiwaya, External Director and Mr. Akihiko Washida, External Auditor, make proposals regarding investigations on facts and measures for preventing reoccurrence as members of the investigation committee, as stated in the said section.

**(3) Matters Regarding the Liability Limitation Agreement (Overview of the Liability Limitation Agreement of External Directors and External Auditors)**

The Company prescribes the provision regarding the liability limitation agreement to be concluded with external directors and external auditors in the Articles of Incorporation.

An outline of the contents of liability limitation agreements that the Company concluded with all

**(Translation)**

external directors and external auditors in accordance with the Articles of Incorporation is as follows:

The amount of indemnity liability provided under Article 423-1 of the Corporate Act is limited to JPY5 million or the minimum liability limitation provided by the law, whichever is higher, provided that the external directors and external auditors have conducted their duty faithfully and without gross negligence.

**(4) Amount of Compensation Received as Executive Officer for Current Fiscal Year from Parent Company or Subsidiary of Parent Company**

Not applicable.

**(5) Opinions from External Officers in Relation to the Description**

Not applicable.

**5. State of Accounting Auditor**

**[1] Name of Accounting Auditor**

Deloitte Touche Tohmatsu

**[2] Overview of Liability Limitation Agreement**

Not applicable.

**[3] Amount of Compensation for Accounting Auditor for Current Fiscal Year**

(Millions of yen)

Amount of compensation for accounting auditor for current fiscal year	174
Total amount of money and other financial benefits to be paid by the Company and the Company's subsidiaries	280

- (Notes) 1. The Company pays to the accounting auditor, in consideration of the consulting service concerning internal control upon financial reporting, which is a service other than those stipulated in Article 2 Clause 1 of the Certified Public Accountants Law.
2. In the audit agreement between the Company and the accounting auditor, the amounts of compensations for the audit based on the Corporate Act and the audit based on the Financial Instruments Exchange Law is not distinguished, and also substantively undistinguished. Therefore the total amount of these compensations is stated as the amount of compensation for accounting auditor for current fiscal year.
3. Victor Company of Japan, Limited, a subsidiary of the Company, is being audited by an auditing firm which is different from the auditing firm of the Company.

**(4) Policy for Dismissal and Non-reappointment Decisions**

At the Company, if the accounting auditor falls under the items stipulated in Article 340-1 of the Corporate Act, the Board of Auditors shall dismiss the accounting auditor based on the unanimous consent of the Board of Auditors. Also, in principle, in case the accounting auditor falls into a condition that is seriously detrimental to performing the auditing service, such as receiving an audit business suspension order from a regulatory authority, the Board of Auditors shall propose to the general meeting of shareholders, a bill concerning the dismissal or non-reappointment of the accounting auditor.

(Translation)

## 6. Framework and Policies of the Company

### [1] Framework to Ensure the Conformity of the Directors' Exercise of Function with the Laws and Regulations and the Articles of Incorporation/Framework to Ensure Propriety of Other Operations

The matters which the Company set forth at the Board of Directors as "an establishment of framework necessary to ensure propriety of the operations of a stock corporation" stipulated in Article 362-4-6 of the Corporate Act and in Article 100-1 and 100-3 of the Ordinance for Enforcement of the Corporate Act are as follows:

#### 1) Framework to Ensure the Conformity of the Directors' Exercise of Function with the Laws and Regulations and the Articles of Incorporation

- (1) To concretely lay down the guideline for practicing the management principles and abide thereby
- (2) To establish rules regarding the directors' ethics and abide thereby
- (3) To prescribe the "Board of Directors Regulation" and properly supervise the decision-making by the management and execution of duty by the directors
- (4) To let the auditors audit the directors' execution of their duties from an independent position

#### 2) Framework for the Storage and Management of Information in Relation to the Directors' Exercise of Function

- (1) To create Minutes of Board of Directors in accordance with the "Board of Directors Regulation" and permanently store the minutes at the head office
- (2) To establish rules for the decision-making (*ringi*) system, safe-keeping of important information related to finance, etc., and creation/storage of documents and handle them determinately

#### 3) Framework for Regulations and Such Concerning the Management of Risk of Loss

- (1) To prescribe rules regarding the compliance and risk management, establish a company-wide structural system to monitor them and clarify the responsibility
- (2) To update risk management rules classified for types of risk and apply them for the prevention of various risks, clarification of actions to be taken and measures for restoration

#### 4) Framework to Ensure the Efficient Exercise of Function of the Directors

- (1) To clarify the management objectives by the establishment of a business plan or such like, and verify the accomplishment status thereof
- (2) To prescribe the "Board of Directors Regulation" and the "Administrative Authority Regulation" and clarify the management decision-making method
- (3) To establish rules regarding the segregation of authority and duty for each department and implement them determinately

#### 5) Framework to Secure Compliance of Employees' Execution of Duty with Laws/Regulations and Articles of Incorporation

- (1) To establish standards which indicate the corporate philosophy and action guidelines for employees, nominate the department to manage the observation of corporate ethics and let the standard and the organization be fully recognized by all employees including those of domestic and overseas group companies
- (2) To update various internal rules, guidelines, and such like, and make them as the guidelines for the execution of duties by the employees
- (3) To execute the internal audit and make the internal notification system fully workable

#### 6) Framework to Ensure Propriety of Business Operation for the Corporate Group Consisting of the Company and Its Subsidiaries

- (1) To share the corporate philosophy and management policies with subsidiary group companies and expand the application of the "Administrative Authority Regulation," the "Decision-making Authority Standards" and the "Decision-making Items Table" to subsidiary group companies in order to ensure the propriety of business operations as a whole corporate group
- (2) To dispatch directors or business supervising officers to main group subsidiary companies in order to ensure the propriety of business operation
- (3) To execute the audit of subsidiary group companies by the internal audit department

#### 7) System Related to Employees to Assist Auditors' Duty and Matters Regarding Independency of Such Employees from Directors' Control

- (1) To assign employees to support the auditing work as staffs of auditors
- (2) To let auditors evaluate the performance of employees exclusively assigned as staff of auditors and to have prior discussion with auditors with regard to the assignment of such staff

#### 8) Framework for the Reporting of Directors and Assistants to Auditors/Framework for Other Reporting to Auditors

- (1) To let auditors attend the Board of Directors meetings and other important meetings and

**(Translation)**

listen to reports there

- (2) To let directors and general managers of head office departments report their business execution status periodically and as required
- (3) To let auditors execute auditing of every business units and domestic/overseas group companies based on the annual audit plan, including the above, and listen to reports there.
- (4) To provide a notification system, by which parties such as employees can directly notify any fraudulent activities and concerned issues regarding accounting and auditing to the board of auditors

**9) Framework to Ensure Effective Auditing of Auditors**

- (1) To let directors prepare conditions to enable the execution of effective audit in accordance with the audit plan to be made up by auditors.
- (2) To let representative directors and auditors have periodical meetings in order to enhance mutual communication
- (3) To let directors prepare conditions to enable auditors to cooperate with the departments in charge of legal affairs, accounting and internal auditing as well as external experts for the implementation of their duty

**10) Framework to Ensure Propriety of financial Reports**

- (1) To prepare the system to ensure the propriety of financial reports of the corporate group consisting of the company and its subsidiaries based on the Financial Instruments and Exchange Act and related laws and regulations
- (2) To evaluate the enhancement and operation of the system to ensure the propriety of financial reports periodically and promote the improvement

**11) Basic Policy for the Elimination of Antisocial Forces**

The JVC Kenwood Group shall block off any and all transactions, including the provision of funds and backstage deals, with all antisocial organizations which could possibly cause damage to the whole JVC Kenwood Group, including its stakeholders by making unjustifiable requests to the group's officers and employees or by obstructing healthy business activities, by means of tying up with external professional organizations as needed and taking appropriate measures including legal actions. The JVC Kenwood Group recognizes that the exclusion of such antisocial forces is essential for ensuring the propriety of JVC Kenwood's businesses.

**(2) Basic Policy Regarding the Control of a Stock Company**

In a case where share acquisition by a specific individual or group may risk damaging the corporate value or the common interests of shareholders, it is considered necessary to take appropriate measures to ensure the corporate value and the common interests of shareholders to the extent that can be tolerated by laws and regulations and the Articles of Incorporation. The Company also acknowledges the importance of ensuring the corporate value and the common interests of shareholders, and is carefully continuing reviews on the matter, but at this point no introduction of any concrete defense measures have been implemented.

**(3) Basic Policies for Distribution of Profits**

JVC Kenwood considers it one of the most important managerial issues to provide shareholders with stable returns on their investments, and decides on details such as the distribution of retained earnings by comprehensively taking into account profitability and financial conditions.

We sincerely regret that we will not be able to pay a year-end dividend, just as we did not pay an interim dividend, for the fiscal year under review. We are doing this to concentrate management resources on recovering our business performance.

END

(Translation)

**Consolidated Balance Sheets**

(As of March 31, 2010)

(Millions of yen)

Accounting Items	Amount	Accounting Items	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>163,058</b>	<b>Current liabilities</b>	<b>176,013</b>
Cash and cash equivalents	43,502	Trade notes and accounts payable	31,371
Trade notes and accounts receivable	62,720	Short-term borrowings	85,286
Finished goods	31,051	Income taxes payable	2,406
Work in process	4,121	Provision for product warranties	3,049
Raw materials and supplies	9,588	Provision for returned goods adjustment	1,541
Other	15,923	Accrued expenses	36,383
Allowance for doubtful receivables	(3,843)	Other	15,974
<b>Fixed assets</b>	<b>111,303</b>	<b>Long term liabilities</b>	<b>51,919</b>
<b>Tangible fixed assets</b>	<b>79,975</b>	Bonds	20,000
Buildings and structures	19,885	Long-term borrowings	3,020
Machinery and equipment	4,493	Liability for employee's retirement benefits	16,273
Tools, furniture and fixtures	7,140	Other	12,625
Land	47,362	<b>Total Liabilities</b>	<b>227,932</b>
Construction in Process	1,093	(Net Assets)	
<b>Intangible fixed assets</b>	<b>17,647</b>	<b>Shareholders' equity</b>	<b>62,580</b>
Software	9,110	Paid-in capital	10,000
Goodwill	5,278	Capital surplus	111,143
Other	3,258	Retained earnings	(38,301)
<b>Investments and other assets</b>	<b>13,680</b>	Treasury stock	(20,261)
Investment securities	4,822	<b>Valuation and translation adjustment</b>	<b>(16,699)</b>
Other	9,548	Unrealized gain and loss on available-for-sale securities	256
Allowance for doubtful receivables	(690)	Deferred hedge gain and loss	385
<b>Deferred assets</b>	<b>389</b>	Land revaluation surplus	2,954
Bond issuing expenses	307	Foreign currency translation adjustments	(20,295)
Stock issuing expenses	70	<b>Subscription rights to shares</b>	<b>20</b>
Share Options issuing expenses	11	<b>Minority interests</b>	<b>917</b>
<b>Total Assets</b>	<b>274,751</b>	<b>Total Net Assets</b>	<b>46,819</b>
		<b>Total Liabilities and Net Assets</b>	<b>274,751</b>

(Translation)

**Consolidated Statement of Income**  
(From April 1, 2009 to March 31, 2010)

(Millions of yen)

Accounting Items	Amount	
<b>Net sales</b>		<b>398,663</b>
<b>Cost of sales</b>		<b>290,073</b>
<b>Gross profit</b>		<b>108,589</b>
<b>Selling, general and administrative expenses</b>		<b>115,042</b>
<b>Operating profit</b>		<b>(6,453)</b>
<b>Non-operating profit</b>		
Interest	189	
Dividends income	217	
Other	976	1,383
<b>Non-operating expense</b>		
Interest expense	3,161	
Sales discount	501	
Foreign currency loss	830	
Loan fee	1,121	
Other	4,068	9,683
<b>Ordinary profit (loss)</b>		<b>(14,752)</b>
<b>Extraordinary profit</b>		
Gain on sales of fixed assets	577	
Gain on sales of investment securities	23	
Reversal of provision for retirement benefits	321	
Reversal of expenses on sales of noncurrent assets	346	
Reversal of litigation expenses	345	
Reversal of patent fee for prior periods	721	
Other	944	3,281
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	779	
Loss on sales of fixed assets	2,319	
Loss on decrease	4,443	
Loss on prior periods adjustment	11,938	
Loss on carryback of gain on adjustment of account payable	1,087	
Guarantee loss on lease contract	512	
Taxes and dues for prior periods	325	
Other	3,016	24,425
<b>Income (loss) before income taxes</b>		<b>(35,896)</b>
Corporate tax, corporate inhabitant tax and corporate enterprise tax	2,584	
Income taxes for prior periods	317	
Corporate tax and other adjustment	921	3,823
Minority interests (loss)		14
<b>Net income (loss)</b>		<b>(39,734)</b>

(Translation)

**Consolidated Statement of Changes in Shareholders' Equity**  
(From April 1, 2009 to March 31, 2010)

(Million of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	10,000	111,143	1,174	(20,261)	102,055
Changes during the consolidated fiscal year					
Net income (loss)			(39,734)		(39,734)
Acquisition of treasury stocks				(0)	(0)
Increase by change of scope of consolidation			259		259
Changes (net amount) of items other than shareholders' equity during the fiscal year					-
Total changes during the fiscal year	-	-	(39,475)	(0)	(39,475)
Balance as of March 31, 2010	10,000	111,143	(38,301)	(20,261)	62,580

	Valuation and translation adjustments					Subscription rights to shares	Minority interests	Total net assets
	Unrealized gain and loss on available-for-sale securities	Deferred hedge gain and loss	Land revaluation surplus	Foreign currency translation adjustments	Total valuation and translation adjustment			
Balance as of March 31, 2008	(401)	39	2,954	(20,912)	(18,320)	-	1,843	85,579
Changes during the consolidated fiscal year								
Net income (loss)								(39,734)
Acquisition of treasury stocks								(0)
Increase by change of scope of consolidation								259
Changes (net amount) of items other than shareholders' equity during the fiscal year	657	345	-	617	1,620	20	(925)	715
Total changes during the fiscal year	657	345	-	617	1,620	20	(925)	(38,759)
Balance as of March 31, 2010	256	385	2,954	(20,295)	(16,699)	20	917	46,819

(Translation)

**Non-consolidated Balance Sheets**

(As of March 31, 2010)

(Millions of yen)

Accounting Items	Amount	Accounting Items	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>4,331</b>	<b>Current liabilities</b>	<b>5,536</b>
Cash and cash equivalents	155	Notes payable-trade	46
Notes receivable-trade	2	Debt for lease	2
Prepaid expenses	32	Accounts payable (not trade)	4,633
Advances paid	754	Accrued expenses	522
Accrued revenue	3,387	Income taxes payable	74
		Other	256
<b>Fixed assets</b>	<b>76,415</b>	<b>Long term liabilities</b>	<b>22,008</b>
<b>Tangible fixed assets</b>	<b>57</b>	Long term debt in affiliated companies	22,000
Machinery and equipment	4	Debt for lease	8
Vehicle equipment	3	<b>Total Liabilities</b>	<b>27,545</b>
Tools, furniture and fixtures	49	(Net Assets)	
<b>Intangible fixed assets</b>	<b>103</b>	<b>Shareholders' equity</b>	<b>53,192</b>
Software	103	<b>Paid-in capital</b>	<b>10,000</b>
<b>Investments and other assets</b>	<b>76,255</b>	<b>Capital surplus</b>	<b>122,166</b>
Investments in affiliated companies	76,255	Capital reserve	10,000
		Other capital surplus	112,166
<b>Deferred assets</b>	<b>11</b>	<b>Retained earnings</b>	<b>(58,712)</b>
Share option issuance cost	11	Other retained earnings	<b>(58,712)</b>
		Cumulative retained earnings	<b>(58,712)</b>
		<b>Treasury stock</b>	<b>(20,261)</b>
		<b>Subscription rights to shares</b>	<b>20</b>
		<b>Total Net Assets</b>	<b>53,213</b>
<b>Total Assets</b>	<b>80,759</b>	<b>Total Liabilities and Net Assets</b>	<b>80,759</b>

(Translation)

**Non-consolidated Statement of Income**  
(From April 1, 2009 to March 31, 2010)

(Millions of yen)

Accounting Items	Amount	
<b>Operating revenue</b>		<b>9,401</b>
<b>Operating cost</b>		<b>8,226</b>
<b>Operating profit</b>		<b>1,174</b>
<b>Non-operating profit</b>		0
<b>Non-operating expense</b>		
Interest expense	402	
Expense for adjustment of financial results	323	
Other	6	733
<b>Ordinary profit (loss)</b>		<b>440</b>
<b>Extraordinary loss</b>		
<b>Loss on valuation of stocks of subsidiaries and affiliates</b>	57,410	
other	0	57,411
<b>Income (loss) before income taxes</b>		<b>(56,969)</b>
Corporate tax, corporate inhabitant tax and corporate enterprise tax	273	273
<b>Net income (loss)</b>		<b>(57,243)</b>

**Non-consolidated Statement of Changes in Shareholders' Equity**  
(From April 1, 2009 to March 31, 2010)

(Unit: million yen)

	Shareholders' equity							Subscripti on rights to shares	Total net assets
	Paid-in capital	Capital surplus			Retained earnings	Treasury stock	Total sharehold ers' equity		
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Cumulativ e retained earnings				
Balance as of April 1, 2009	10,000	10,000	112,166	122,166	(1,468)	(20,261)	110,436	-	110,436
Changes during the fiscal year									
Net income (loss)					(57,243)		(57,243)		(57,243)
Acquisition of treasury stocks						(0)	(0)		(0)
Changes of items other than shareholders' equity							-	20	20
Total changes during the fiscal year	-	-	-	-	(57,243)	(0)	(57,243)	20	(57,222)
Balance as of March 31, 2010	10,000	10,000	112,166	122,166	(58,712)	(20,261)	53,192	20	53,213

(Translation)

## SHAREHOLDERS' MEMO

- Fiscal year	April 1 to March 31
- Ordinary general meeting of shareholders	Some time in June
- Record date with respect to voting rights to be exercised at the ordinary general meeting of shareholders	March 31
- Base dates for dividends of surplus	September 30 March 31 Dividends of surplus may be paid on base dates other than the above base dates.
- Method of public notice	Public notice will be made electronically. Electronic public notices will be posted on our website: ( <a href="http://www.jk-holdings.com">http://www.jk-holdings.com</a> )  However, in the event that electronic public notices are not available for reasons such as accidents or other contingencies, the public notice will be posted in the Nikkei (the Nihon Keizai Shimbun)
- Stock listing market	1st Section of Tokyo Stock Exchange
- Securities Code	6632
- Administrator of shareholder registry	5-33, 4-chome, Kitahama, Chuo-ku, Osaka The Sumitomo Trust & Banking Co., Ltd.
Service location	4-4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd.
Contact (Inquires/Sending address)	1-10 Nikkoucho, Fuchu-shi, Tokyo, 183-8701 Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. (Telephone inquires) 0120-176-417 (URL) <a href="http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html">http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html</a>

<Contact>

Public and Investor Relations, Strategic Corporate Planning Division, JVC KENWOOD Holdings, Inc.

Address: 12, 3-chome, Moriya-cho, Kanagawa-ku, Yokohama, Kanagawa, 221-0022, Japan

TEL: +81-45-444-5232 (direct)

### Forward-looking Statements

When included in this convocation notice, the words "will," "should," "expects," "intends," "anticipates," "estimates," and similar expressions, among others, identify forward-looking statements. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in this document. These forward-looking statements are made only as of the date of this document. JVC KENWOOD Holdings, Inc. expressly disclaim any obligations or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. Actual results may vary widely from forecasts due to the following factors: 1) drastic changes in economic conditions and product supply and demand in major markets (Japan, Europe, The Americas, Asia etc.), 2) changes in trade regulations and other regulatory changes in major domestic and international markets, 3) drastic changes in foreign exchange rates (yen-dollar, yen-euro etc.), 4) sharp moves in the capital markets, and 5) changes in social infrastructure caused by drastic changes in technology etc. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

END