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Accounting Report for the Third Quarter of Fiscal Year Ending March 2010 (April 1, 2009 - December 31, 2009)

Consolidated Financial Highlights for the Third Quarter of Fiscal Year Ending March 2010 (April 1, 2009 – December 31, 2009)

Operating Results

(Millions of yen, except net income per share)

	3 rd Quarter			1 st Quarter to 3 rd Quarter		
	Oct.1, 2009 to Dec.31, 2009	(For reference) Oct.1, 2008 to Dec.31, 2008	YoY	April 1, 2009 to Dec.31, 2009	(For reference) April 1, 2008 to Dec.31, 2008	YoY
Net sales	102,101	126,574	% 81	305,425	206,664	% 148
Operating profit (loss)	(908)	851	-	(8,717)	2,399	-
Ordinary income (loss)	(3,312)	(2,942)	-	(14,267)	(1,834)	-
Net income (loss)	(5,430)	(11,140)	-	(22,279)	(11,065)	-
Net income (loss) per share	-	-	-	(23.04) yen	(19.49)yen	-

Sales by Segments

(Millions of yen)

	3 rd Quarter					1 st Quarter to 3 rd Quarter				
	Oct.1, 2009 to Dec.31, 2009		(For reference) Oct.1, 2008 to Dec.31, 2008		YoY	April 1, 2009 to Dec.31, 2009		(For reference) April 1, 2008 to Dec.31, 2008		YoY
Car Electronics	26,337	26	23,437	19	112	77,742	25	69,055	33	113
Home & Mobile Electronics	39,784	39	58,645	46	68	117,632	39	62,318	30	189
Professional Systems	21,316	21	23,809	19	90	65,892	22	53,414	26	123
Entertainment	11,471	11	19,039	15	60	35,038	11	19,039	9	184
Others	3,191	3	1,642	1	194	9,118	3	2,835	2	322
Total	102,101	100	126,574	100	81	305,425	100	206,664	100	148

Major Products in Each Segment

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

Qualitative Information and Financial Statements

1. Qualitative Information Concerning the Consolidated Operating Results

The JVC Kenwood Group revised the earnings results of Victor Company of Japan, Limited (JVC), a consolidated subsidiary of JVC KENWOOD Holdings, Inc. (JVC Kenwood), for the period between the fiscal year ended March 2005 and the second quarter of the fiscal year ending March 2010, and those of JVC Kenwood for the period from establishment on October 1, 2008 through the said second quarter, as announced separately today in the "Adjustments to Previous Earnings Results of JVC Kenwood and JVC, Formulation of Measures to Prevent a Recurrence of Inappropriate Accounting, and Submission of Quarterly Report on Earnings Results for the Third Quarter of the Fiscal Year Ending March 2010."

The qualitative information below is based on the revised consolidated financial statements, etc.

JVC Kenwood was established on October 1, 2008 as a joint holding company of JVC and Kenwood Corporation (Kenwood). The earnings results of JVC for the consolidated second quarter of the fiscal year ended March 2009 are not included in the earnings results of JVC Kenwood for the same fiscal year. Accordingly, the earnings results of JVC Kenwood for the consolidated third quarter of the fiscal year ended March 2009 are not stated.

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

During the third quarter of the current fiscal year, the world economy continued to be moribund affected by the lingering influence of the economic crisis that was sparked by financial turmoil originating in the U.S. However, signs of recovery have become apparent in some countries and regions due to the effects of their governments' aggressive economic measures.

Under such circumstances, both net sales and operating profit of all companies of the JVC Kenwood Group for the third quarter under review decreased from the corresponding period of the previous fiscal year, hurt by a delay in the recovery of the Home & Mobile Electronics business and the Professional Systems business, although the Car Electronics business recovered steadily, as it did in the second quarter.

For the third quarter under review, assumed exchange rates were JPY95 to the U.S. dollar and JPY130 to the euro. However, when preparing the consolidated operating results for the same quarter, the exchange rates JVC Kenwood used (excluding those for forward exchange contracts) were about JPY90 to the U.S. dollar and about JPY133 to the euro.

* Net Sales

Consolidated net sales for the third quarter under review were 102,101 million yen, down about 24.5 billion yen (or 19.3%) from the previous fiscal year. In the Car Electronics business, sales increased from the previous fiscal year thanks to a steady recovery of performance for the second straight quarter. Meanwhile, in the Home & Mobile Electronics business, display operations in Europe were curtailed and the recovery of sales of camcorders was slow; in the Professional Systems business, a recovery of orders received was delayed; and, in the Entertainment business, there was a shortage of blockbusters.

Net sales for the consolidated third quarter, which are the net sales above aggregated with adjusted net sales for the consolidated second quarter, were 305,425 million yen.

Compared to adjusted net sales for the second quarter, net sales for the third quarter declined 2.5%, primarily due to a fall of sales in the Professional Systems business.

* Operating Profit

Consolidated operating profit for the third quarter decreased about 1.8 billion yen to a loss of 908 million yen from the previous fiscal year. In the Car Electronics business, both sales in markets and sales for OEM recovered steadily, as they did in the second quarter, generating a profit against a loss posted in the corresponding quarter of the previous fiscal year. In the Home & Mobile Electronics business, earnings

declined due to falling sales and prices of camcorders. Both the Professional Systems business and the Entertainment business saw earnings deteriorate because of a fall of sales.

Combining operating loss for the consolidated second quarter, which decreased about 3.3 billion yen as a result of adjustments to previous earnings results, with an operating loss for the third quarter under review, the operating loss for the consolidated third quarter was 8,717 million yen.

Additional measures taken in the third quarter under review generated cost reduction effects of approximately 6.0 billion yen, and the effect of cost synergies was about 2.0 billion yen. Accounting effects produced by management integration totaled about 0.9 billion yen.

The operating loss for the third quarter remained at almost the same level as the adjusted operating loss for the second quarter, affected by deteriorating earnings of the Professional Systems business and the Entertainment business, despite a sharp reduction of losses in the Home & Mobile Electronics business.

*** Ordinary Income**

Consolidated ordinary loss for the third quarter under review was 3,312 million yen, with a limited deterioration of about 0.4 billion yen from the previous fiscal year, reflecting a decline of operating profit and improved non-operating profit and expenses.

Accounting effects produced by management integration totaled about 0.1 billion yen.

Combining an ordinary loss for the consolidated second quarter, which decreased about 3.7 billion yen as a result of adjustments to previous earnings results, with an ordinary loss for the third quarter under review, the ordinary loss for the consolidated third quarter was 14,267 million yen.

Compared to the adjusted ordinary loss for the second quarter, the ordinary loss for the third quarter worsened by about 0.9 billion yen due to deteriorating non-operating profit and expenses.

*** Net Income**

Consolidated net loss for the third quarter under review was 5,430 million yen, an improvement of about 5.7 billion yen from the previous fiscal year thanks to a significant decrease of extraordinary losses.

Combining the net loss for the consolidated second quarter, which decreased about 4.7 billion yen as a result of adjustments to the previous earnings results, with a net loss for the third quarter under review, the net loss for the consolidated third quarter was 22,279 million yen, partly reflecting accumulated losses on sales of fixed assets until the second quarter.

During the third quarter under review, accounting effects amounted to about 0.5 billion yen, generated through the provision of expenses for additional measures to satisfy requirements to be recorded as an allowance and adoption of the consolidated taxation system in relation to management integration.

Compared to the adjusted net loss for the second quarter, the net loss for the third quarter improved about 1.9 billion yen due to a sharply declining extraordinary loss despite a decrease of ordinary income.

(Net Sales, Profits and Losses by Business Segment)

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

(Millions of yen)

Business Segment		Consolidated 3H for FYE 2010/3	3Q of FYE 2010/3	(For reference) 3Q of FYE 2009/3
Car Electronics	Net sales	77,742	26,337	23,437
	Operating profit	259	849	(938)
Home & Mobile Electronics	Net sales	117,632	39,784	58,645
	Operating profit	(8,122)	(1,561)	951
Professional Systems	Net sales	65,892	21,316	23,809
	Operating profit	(1,475)	(158)	403
Entertainment	Net sales	35,038	11,471	19,039
	Operating profit	(947)	(642)	679
Others	Net sales	9,118	3,191	1,642
	Operating profit	1,568	604	(243)
Total	Net sales	305,425	102,101	126,574
	Operating profit	(8,717)	(908)	851
	Ordinary income	(14,267)	(3,312)	(2,942)
	Net income	(22,279)	(5,430)	(11,140)

Note: For the third quarter of the previous fiscal year, royalty income and profit/loss on developing businesses are included in the Home & Mobile Electronics business segment, and profit/loss on the optical pickup business in the Others business segment. For the current third quarter, royalty income and profit/loss on developing businesses are included in the Others business segment, and profit/loss on the optical pickup business in the Home & Mobile Electronics business segment.

*** Car Electronics Business**

As for the Car Electronics business, the mainstay consumer sector maintained its high market share in major regions during the third quarter under review, as it did in the second quarter, due to brisk sales mainly in overseas markets, despite the seasonal factor that both sales and revenues decreased because the third quarter falls in a period when sales of currently-sold products end prior to the introduction of new products in the fourth quarter. In the OEM sector, sales of car navigation systems for the Japanese market and CD/DVD mechanisms to be mounted in vehicles for overseas markets increased, as they did in the second quarter, thanks to a recovery of automobile sales prompted by new car purchasing promotional measures implemented by various countries.

As a result, sales for the third quarter under review were 26,337 million yen, up approximately 2.9 billion yen (or 12.4%) from the corresponding quarter of the previous fiscal year, and operating profit increased about 1.8 billion yen to 849 million yen, marking a profit for the second consecutive quarter.

Combining these figures with the adjusted earnings results for the consolidated second quarter, sales for the consolidated third quarter were 77,742 million yen and operating profit moved into the black at 259 million yen.

Compared to the second quarter, during the third quarter under review, sales of the entire Car Electronics business remained unchanged and the deterioration of operating profit was limited to about 0.1 billion yen, despite the seasonal factor mentioned above in the consumer sector.

*** Home & Mobile Electronics Business**

With regard to the Home & Mobile Electronics business, sales of the AV accessory sector continued to fare well, and the home audio sector turned a profit for the second straight quarter due to the effects of business

structure reforms. In the display sector, profits and losses improved, although sales decreased substantially due to a reduction of sales channels in the U.S., which was implemented as part of the restructuring undertaken in the previous fiscal year, and the effects of ending production at Mexican plants, as well as a reduction of product sales channels in Europe, which started in the second quarter. Meanwhile, in the camcorder sector, sales in Japan remained strong, while profitability worsened because of intensified competition overseas, mainly in Europe, a shift of demand to low-end models, and the seasonal factors characteristic of the third quarter, which were similar to those that adversely affected the consumer sector of the Car Electronics business.

Consequently, sales for the third quarter under review were 39,784 million yen and operating loss was 1,561 million yen.

The contents of the Home & Mobile Electronics business were changed from the fiscal year ending March 2010. Hence, the performance of the business for the third quarter under review cannot simply be compared to that of the corresponding quarter of the previous fiscal year. For reference, sales for the third quarter under review decreased about 18.4 billion yen (or 31.3%) from the previous fiscal year, according to the previous business classification, and operating profit dropped about 1.8 billion yen.

Combining the earnings results above with the adjusted earnings results for the consolidated second quarter, sales for the consolidated third quarter were 117,632 million yen and operating loss was 8,122 million yen.

Compared to the second quarter, during the third quarter under review, sales of the entire Home & Mobile Electronics business increased 3.3% and operating loss improved about 1.2 billion yen.

*** Professional Systems Business**

In the Professional Systems business, orders in the mainstay land mobile radio sector, which began to recover in the second quarter, leveled off due to the failure of investment budgets for public safety in the U.S. to recover, a further conspicuous procrastinated execution of such budgets, and slowing private-sector demand. The business solution (professional systems) sector was slow to recover due to weaker demand caused by a curtailment of private-sector capital spending and accompanying price declines.

As a result, sales for the third quarter under review decreased about 2.5 billion yen (or 10.5%) from the previous fiscal year to 21,316 million yen. Operating profit dropped about 0.6 billion yen to record a loss of 158 million yen, although the land mobile radio sector maintained profitable.

Combining these figures with the adjusted earnings results for the consolidated second quarter, sales for the consolidated third quarter were 65,892 million yen and operating loss was 1,475 million yen.

Compared to the second quarter, during the third quarter under review, sales of the entire Professional Systems business decreased 13.3% and operating profit declined about 0.5 billion yen.

*** Entertainment Business**

With regard to the Entertainment business, the content business saw anime-related products fare well, but it suffered from fewer blockbusters and weak sales of existing music content. As for businesses on consignment such as pressing and distribution of music software, the volume of consignments fell due to a reduction of music software.

As a result, sales for the third quarter under review fell about 7.6 billion yen (or 39.7%) from the previous fiscal year to 11,471 million yen, and operating profit decreased about 1.3 billion yen to record a loss of 642 million yen.

Combining these figures with the adjusted earnings results for the consolidated second quarter, sales for the consolidated third quarter were 35,038 million yen and operating loss was 947 million yen.

Compared to the second quarter, during the third quarter under review, sales of the entire Entertainment business decreased 3.6% and operating profit declined about 0.5 billion yen.

2. Qualitative Information Concerning the Consolidated Financial Position

(Analysis of assets, liabilities, and net assets)

*** Assets**

Total assets for the consolidated third quarter of the current fiscal year decreased by about 52.4 billion yen from the end of the previous term to 291,664 million yen due to a decrease of accounts receivable and a reduction of inventory assets, in addition to the partial sale of tangible fixed assets such as land and buildings.

*** Liabilities**

Interest-bearing liabilities (a total of borrowings and corporate bonds) decreased about 15.9 billion yen from the end of the previous fiscal year to 118,181 million yen, due to the redemption of bonds by JVC and the repayment of short-term borrowings related to the conversion of JVC Kenwood's shares held by Kenwood into treasury stock. Total liabilities dropped about 29.4 billion yen from the end of the previous term to 240,252 million yen. Net debt (interest-bearing liabilities minus cash and deposits) declined about 6.8 million yen from the end of the previous fiscal year to 74,872 million yen.

*** Net assets**

Total shareholders' equity for the consolidated third quarter of the current fiscal year decreased by about 22.0 billion yen from the end of the previous term to 68,096 million yen and total net assets decreased by about 23.0 billion yen from the end of the previous term to 51,412 million yen, due to the realization of a net loss for the quarter.

(Cash flow analysis)

*** Cash flows from operating activities**

Net cash provided by operating activities for the consolidated third quarter of the current fiscal year was 11,951 million yen, although net income before taxes, etc., recorded a loss of 19,696 million yen, as the required operating funds was improved due to a sharp reduction of accounts receivable and inventory assets.

*** Cash flows from investing activities**

Net cash spent in investing activities for the consolidated third quarter of the current fiscal year was 3,353 million yen due to the acquisition of tangible and intangible fixed assets, despite proceeds of 5.8 billion yen from the sale of land and buildings.

***Cash flows from financing activities**

Net cash spent in financing activities for the consolidated third quarter of the current fiscal year was 17,613 million yen due to a partial redemption of unsecured bonds and reduction in interest-bearing debts resulting from a repayment of long-term borrowings.

As of the end of the current third quarter, cash and cash equivalents totaled JPY43,231 million yen.

3. Qualitative Information Concerning the Consolidated Earnings Forecast

As described above, JVC Kenwood implemented adjustments to the earnings results of JVC, a consolidated subsidiary of JVC Kenwood, for the period between the fiscal year ended March 2005 and the second quarter of the current fiscal year (including consolidated financial statements, etc. of JVC as a consolidated subsidiary of JVC Kenwood) and to those of JVC Kenwood for the period from establishment on October 1, 2008 through the said second quarter.

Consequently, a considerable portion of 7.6 billion yen (a total of about 5.5 billion yen of operating expenses,

1.2 billion yen of non-operating expenses, and 0.9 billion yen of extraordinary losses), which was previously booked in financial statements for the second quarter of the current fiscal year, has been stated as losses incurred before the fiscal year ended March 2009. However, due to losses booked anew, operating expenses were about 2.2 billion yen for the consolidated second quarter of the current fiscal year and non-operating expenses were about 0.8 billion yen. These expenses weighed down earnings results for the consolidated second quarter of the current fiscal year, making such results appear worse than actual business performance. Compared to figures for the consolidated second quarter of the current fiscal year, which have already been announced, operating loss decreased about 3.3 billion yen, ordinary loss declined about 3.7 billion yen, and net loss dropped about 4.7 billion yen.

As for profits and losses for the third quarter under review, both net sales and operating profit of all companies of the JVC Kenwood Group were lower than expectations. The poor performances were attributed to a deterioration of profitability caused by price declines and delayed recovery of sales in the camcorder sector of the Home & Mobile Electronics business, and by a delay in the recovery of orders received in the Professional Systems business.

In the fourth quarter of the current fiscal year, the mainstay consumer sector of the Car Electronics business and the camcorder sector of the Home & Mobile Electronics business are expected to introduce new products. In addition, in the business solution (professional systems) sector of the Professional Systems business, the fourth quarter includes the year-end high demand season in Japan when the sector's sales composition ratio by country is high. Given these factors, both sales and profits are forecasted to pick up in the fourth quarter. However, we will revise the earnings forecast for the fiscal year ending March 31, 2010, anticipating that the tough market environment seen in the third quarter will continue, while taking into account the above-mentioned adjustments to earnings results for the consolidated second quarter.

For further details, please refer to "Notice on Revision of Earnings Forecast for the Fiscal Year Ending March 2010," which has been disclosed separately.

Notes on earnings forecast

<p>The earnings forecast provided here is a forecast for the future period based on the Company's judgment derived from information that is available at this time; please be advised that actual earnings may differ substantially from the earnings forecast. Consequently, please refrain from making any decisions based solely on this forecast.</p>

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

(JPY in Million)

	End of current consolidated third quarter (as of Dec. 31, 2009)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2009)
Assets		
Current assets		
Cash and cash equivalents	43,309	52,417
Trade notes and accounts receivable	66,760	73,221
Merchandise and finished goods	35,424	48,396
Work in process	4,884	5,130
Raw materials and supplies	10,617	14,044
Other current assets	16,983	15,979
Allowance for doubtful receivables	(5,134)	(3,485)
Total current assets	172,844	205,704
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	20,619	22,995
Machinery and equipment, net	5,196	6,932
Tools, furniture and fixtures, net	7,703	10,388
Land	50,922	57,448
Construction in progress	1,515	2,683
Total tangible fixed assets	85,959	100,448
Intangible fixed assets		
Goodwill	5,368	5,580
Software	9,741	9,010
Other intangible fixed assets	3,168	5,503
Total intangible fixed assets	18,278	20,095
Investments and other assets		
Investment securities	4,744	4,468
Other investments	10,102	13,476
Allowance for doubtful receivables	(711)	(738)
Total investments and other assets	14,135	17,206
Total fixed assets	118,373	137,750
Deferred assets	446	622
Total assets	291,664	344,077

(JPY in Million)

	End of current consolidated third quarter (as of Dec. 31, 2009)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2009)
Liabilities		
Current liabilities		
Trade notes and accounts payable	32,221	30,391
Short term loans payable	92,269	92,540
Current portion of bond	-	20,960
Accrued expenses	38,965	46,751
Income taxes payable	1,793	1,457
Provision for product warranties	3,008	3,452
Provision for sales returns	1,229	1,401
Provision for structural reform	533	3,744
Other current liabilities	15,539	17,757
Total current liabilities	185,559	218,456
Long term liabilities		
Bonds payable	20,000	20,600
Long-term loans payable	5,912	-
Liability for employees' retirement benefits	15,970	17,691
Other long term liabilities	12,809	12,890
Total long term liabilities	54,692	51,181
Total liabilities	240,252	269,638
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	111,143
Retained earnings	(32,784)	(10,764)
Treasury stock	(20,261)	(20,261)
Total shareholders' equity	68,096	90,116
Valuation and translation adjustment		
Unrealized gain and loss on available-for-sale securities	115	(401)
Deferred hedge gain and loss	544	39
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustment	(21,229)	(20,113)
Total valuation and translation adjustment	(17,614)	(17,520)
Subscription rights to shares	20	-
Minority interests	909	1,843
Total net assets	51,412	74,439
Total liabilities and net assets	291,664	344,077

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

(JPY in Million)

	Accumulated period for previous consolidated third quarter total period (Apr.1, 2008 - Dec. 31, 2008)	Accumulated period for current consolidated third quarter total period (Apr.1, 2009 - Dec.31, 2009)
Net sales	206,664	305,425
Cost of sales	147,548	223,222
Gross profit	59,116	82,203
Selling, general and administrative expenses	56,716	90,921
Operating profit	2,399	(8,717)
Non-operating profit		
Interest income	277	148
Dividends income	65	217
Product warranties income	283	-
Other non-operating profit	711	756
Total non-operating profit	1,338	1,121
Non-operating expense		
Interest expense	1,456	2,345
Sales discounts	713	413
Foreign exchange losses	1,169	180
Other non-operating expenses	2,232	3,732
Total non-operating expense	5,572	6,671
Ordinary income	(1,834)	(14,267)
Extraordinary profit		
Gain on sales of fixed assets	124	411
Gain on sales of investment securities	372	19
Reversal of liability for employees' retirement benefits	-	321
Reversal of expense for business structural reform	-	245
Reversal of expense for sales of fixed assets	-	348
Other extraordinary profit	5	165
Total extraordinary profit	502	1,511
Extraordinary loss		
Loss on disposal of fixed assets	82	530
Loss on sales of fixed assets	28	2,484
Loss on valuation of investment securities	373	508
Provision for product warranties	195	-
Business structural reform expenses	61	933
Employment structural reform expenses	388	494
Loss on valuation of inventories	740	-
Impairment loss	6,202	1,218
Other extraordinary loss	13	771
Total extraordinary loss	8,084	6,940
Income before income taxes	(9,416)	(19,696)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	1,322	1,652
Income taxes for prior periods	237	317
Corporate tax and other adjustment	122	610

TRANSLATION - FOR REFERENCE ONLY -

Income taxes	1,683	2,580
Minority interests in income	(34)	2
Net income	(11,065)	(22,279)

(Accumulated period for consolidated third quarter)

(JPY in Million)

	Accumulated period for previous consolidated third quarter (Oct.1, 2008 - Dec. 31, 2008)	Accumulated period for current consolidated third quarter (Oct.1, 2009 - Dec.31, 2009)
Net sales	126,574	102,101
Cost of sales	87,735	74,146
Gross profit	38,838	27,955
Selling, general and administrative expenses	37,986	28,863
Operating profit	851	(908)
Non-operating profit		
Interest income	199	59
Dividends income	36	18
Compensation for quality issue	132	-
Other non-operating profit	233	165
Total non-operating profit	601	243
Non-operating expense		
Interest expense	984	830
Sales discounts	187	105
Foreign exchange losses	1,337	527
Settlement of patent at dispute	-	580
Other non-operating expenses	1,885	604
Total non-operating expense	4,395	2,648
Ordinary income	(2,942)	(3,312)
Extraordinary profit		
Gain on sales of fixed assets	122	348
Reversal of expense for sales of fixed assets	-	325
Other extraordinary profit	3	40
Total extraordinary profit	126	715
Extraordinary loss		
Loss on disposal of fixed assets	62	71
Loss on sales of fixed assets	26	127
Loss on valuation of investment securities	273	456
Provision for product warranties	195	-
Business structural reform expenses	61	385
Employment structural reform expenses	80	167
Impairment loss	6,202	766
Other extraordinary loss	11	42
Total extraordinary loss	6,913	2,017
Income before income taxes	(9,730)	(4,614)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	859	330
Income taxes for prior periods	(74)	317
Corporate tax and other adjustment	659	143
Income taxes	1,444	791
Minority interests in income	(34)	24
Net income	(11,140)	(5,430)

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated third quarter (Oct.1, 2008 - Dec. 31, 2008)	Accumulated period for current consolidated third quarter (Oct.1, 2009 - Dec.31, 2009)
Cash flows from operating activities:		
Income before income taxes	(9,416)	(19,696)
Depreciation	9,197	14,608
Amortization of goodwill	303	245
Impairment loss	6,202	1,218
Increase (decrease) in allowance for employees' retirement	(310)	(1,753)
Increase (decrease) in allowance for doubtful accounts	(225)	1,626
Interest revenue and dividend income	(343)	(365)
Interest expense	1,456	2,345
Loss (gain) on sales of investment securities	(370)	(16)
Loss on disposal of fixed assets	82	530
(Gain) loss on sales of fixed assets	(96)	2,073
(Increase) decrease in trade notes and accounts receivable	7,459	6,083
(Increase) decrease in inventories	2,875	16,051
Increase (decrease) in accounts payable	(9,535)	2,250
Increase (decrease) in provision for structural reform	(1,061)	(3,211)
Increase (decrease) in accrued expenses	(2,763)	(7,837)
Other	(453)	1,499
Sub-total	3,000	15,652
Interest and dividends received	346	365
Interest paid	(1,302)	(2,186)
Income taxes paid	(1,320)	(1,879)
Net cash provided by operating activities	724	11,951
Cash flows from investing activities:		
Capital investment (real estate, plants and equipment)	(5,273)	(5,730)
Proceeds from sales of property, plant and equipment	1,029	5,791
Purchase of intangible fixed assets	(3,588)	(3,457)
Proceeds from sales of investment securities	1,196	28
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(1,218)	-
Other	(126)	13
Net cash used in investing activities	(7,981)	(3,353)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	13,844	11,469
Proceeds from long-term loans payable	-	13,700
Repayment of long-term loans payable	-	(20,187)
Redemption of bonds	-	(21,531)
Cash dividends paid	(1,397)	-
Other	(677)	(1,064)
Net cash used in financing activities	11,768	(17,613)

TRANSLATION - FOR REFERENCE ONLY -

Effect of exchange rate fluctuations on cash and cash equivalents	(5,042)	(216)
Net increase (decrease) in cash and cash equivalents	(530)	(9,231)
Cash and cash equivalents at beginning of period	14,952	52,393
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	69
Increase (decrease) in cash and cash equivalents resulting from equity transfer	32,517	-
Cash and cash equivalents at end of quarter	46,939	43,231

(4)Notes to Financial Statements Regarding Going Concern

The JVC Kenwood Group, given its high percentage of overseas sales, experienced sharp falls in earnings in the areas of consumer electronics and professional electronics equipment due primarily to the impact of U.S.-originated financial instability on the real global economy and to a rapid strengthening of the yen. After having posted a net loss of 30,734 million yen on a consolidated basis for the previous accounting year, a quarterly net loss of 22,279 million yen was posted on a consolidated, cumulative basis for the third quarter of the fiscal year ending March 2010. JVC posted net losses consecutively from the fiscal year ended March 2004 through the fiscal year ended March 2009, and again recorded a quarterly net loss on a consolidated, cumulative basis for the third quarter of the fiscal year ending March 2010. Furthermore, as a result of adjustments to previous earnings results implemented in the fiscal year ending March 2010, the Group, on a consolidated basis as of the end of the third quarter of the fiscal year ending March 2010, is in breach of financial covenant clauses concerning shareholders' equity (consolidated) contained in the commitment line contract of the syndicated loan for JVC (totaling 20,000 million yen; on December 28, 2009, borrowed after the contract term of three months) and in the term loan contract (totaling 3,000 million yen; repayment in installments in two years from September 2009). As a result of these circumstances, the JVC Kenwood Group, on a consolidated basis as of the end of the third quarter of the fiscal year ending March 2010, is in a situation that raises doubts over the going concern assumption.

The JVC Kenwood Group, based on the Car Electronics Business, for which sales and earnings have been recovering given the effects of restructuring and integration, has been making efforts to further restructure revenues of this business by implementing, in accordance with the business structural reform action plan developed in October 2009, actions such as structural reforms in Europe and China including staff reductions at sales subsidiaries and fully implementing structural reforms of the Home & Mobile Electronics Business, which includes terminating production of the Mexican plant and reducing manpower at plants in Thailand and Malaysia, and has been strengthening its efforts to pursue structural reforms and increase orders of the Professional Systems Business, recovery of which has been delayed, with the aim of recovering the sales and earnings of all companies in the Group.

Furthermore, to reconstruct the corporate base for executing future growth strategies, the Group will develop a fundamental restructuring plan that includes a business reforms concentrating on targeted businesses and restructuring unprofitable businesses, cost reforms including sharp reductions of fixed expenses, and financial reforms including funding and capital strategies, and implement these reforms to promptly recover business performance and financial condition.

Meanwhile, JVC, with respect to the financial covenant clause contained in the commitment line contract of the aforementioned syndicated loan (total of 20,000 million yen), which the organization is in breach of, furnished an amended agreement, based on which the financial covenant clause for the subject contract was deleted, and obtained support from financial institutions to renew the contract at the end of March 2010. With respect to the term loan contract (totaling 3,000 million yen), JVC has received agreement from the lender to abandon the right to claim forfeiture of benefit of time in connection with the subject breach of financial covenants. JVC, given the scheduled refinancing and repayments of bank loans including the above syndicated loan, will continue to seek support from major bank relationships.

While the improvement measures described above are being pursued, considering that recovery of business performance will be impacted by future consumer demand and economic trends, and that negotiations with financial institutions are underway with respect to the refinancing of loans scheduled within the next year, at the present time, a serious uncertainty over the going concern assumption can be recognized.

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