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Accounting Report for the Fiscal Year Ended March 2010 (April 1, 2009 - March 31, 2010)

Consolidated Financial Highlights for the Fiscal Year Ended March 2010 (April 1, 2009 - March 31, 2010)

Selected Operating Results

(Millions of yen, except net income per share)

	FYE 2010 April 1, 2009 to March 31, 2010	FYE 2009 April 1, 2008 to March 31, 2009	Compared with the previous fiscal year (%)
Net sales	398,663	311,299	-
Operating profit	(6,453)	(1,537)	-
Ordinary income (loss)	(14,752)	(9,760)	-
Net income (loss)	(27,795)	(30,734)	-
Net income (loss) per share	(28.75) yen	(46.14)yen	-

Sales by Segments

(Millions of yen)

	FYE 2010 April 1, 2009 to March 31, 2010		FYE2009 April 1, 2008 to March 31, 2009		Compared with the previous fiscal year (%)
		%		%	
Car Electronics	107,813	27	92,237	30	-
Home & Mobile Electronics	141,772	36	105,412	34	-
Professional Systems	91,389	23	78,758	25	-
Entertainment	44,933	11	30,616	10	-
Others	12,752	3	4,274	1	-
Total	398,663	100	311,299	100	-

Note: Since the operating results of JVC for the first half of the consolidated fiscal year ended March 2009 are not consolidated with those of JVC Kenwood for the fiscal year ended March 2009, full-year operating results for the fiscal year ended March 2010 are not compared with those for the fiscal year ended March 2009.

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

Operating Results

(1) Analysis of Operating Results

1. Consolidated operating results for the year ended March 2010

The JVC Kenwood Group implemented adjustments to the earnings results of Victor Company of Japan, Ltd. (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 ended March 2010 and to those of JVC Kenwood for the period from its establishment on October 1, 2008 through the second quarter of the fiscal year ended March 2010, as announced 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" dated March 12, 2010.

All the following qualitative information is based on the revised consolidated financial statements, etc.

JVC Kenwood was inaugurated as a joint holding company of JVC and Kenwood Corporation (Kenwood) as of October 1, 2008. Since the operating results of JVC for the first half of the consolidated fiscal year ended March 2009 are not consolidated with those of JVC Kenwood for the fiscal year ended March 2009, full-year operating results for the fiscal year ended March 2010 are not compared with those for the fiscal year ended March 2009.

Overview of the fiscal year under review

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 used (excluding those for forward exchange contracts) are as follows:

	1Q	2Q	3Q	4Q
USD	¥97	¥94	¥90	¥91
Euro	¥133	¥134	¥133	¥125

***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.

Net sales for the fourth quarter stood at 93,237 million yen, down only about 11.4 billion yen (10.9%) from a year earlier, since the sales increase in the Car Electronics business partially made up for the sales decrease in the Home & Mobile Electronics business.

Compared with the third quarter of the fiscal year, net sales decreased only by about 8.9 billion yen (8.7%) partly thanks to a sales recovery in the Professional Systems business.

***Operating Profit**

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.

Operating profit for the fourth quarter was 2,263 million yen. This was an improvement of about 6.2 billion yen from the corresponding quarter of the previous fiscal year, and reflected a large operating profit posted by the Car Electronics business, which suffered a huge loss a year ago, as well as a decrease in loss of the display and home audio segments of the Home & Mobile Electronics business. The operating profit, which was much larger than the Previous Forecast, is the first operating profit since the third quarter of the previous fiscal year and the largest profit after the management integration. This feat is attributable to better-than-expected earnings of the Car Electronics business and the AV accessory segment of the Home & Mobile Electronics business and a larger-than-expected decrease in loss of the business solution segment of the Professional Systems business.

Compared with the third quarter of the fiscal year, operating profit improved by about 3.2 billion yen due to the significant improvement of profit/loss of the Car Electronics business.

***Ordinary Income**

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).

Ordinary loss for the fourth quarter was 485 million yen, an improvement of about 7.4 billion yen from the corresponding quarter of the previous fiscal year. This was a result of improving operating profit and improving non-operating income and expenses.

Compared with the third quarter of the fiscal year, ordinary income improved by about 2.8 billion yen due to improved operating profit.

***Net Income**

Looking at net income/loss for fiscal year under review, we recorded a loss of 27,795 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).

Net loss for the fourth quarter amounted to 5,516 million yen, an improvement of about 14.2 billion yen from a year ago, which reflects a sharp decline in ordinary loss and a large decrease in extraordinary loss.

Compared with the third quarter of the fiscal year, net loss remained almost unchanged, since the increase in extraordinary loss offset the decrease in ordinary income.

(Net Sales, Profits and Losses by Business Segment)

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

Fiscal year ended March 2010 (April 1, 2009 to March 31, 2010) (Millions of yen)

Business Segment		FYE'10/3	(Reference) FYE'10/3 (Previous segmentation)	(Reference) FYE'09/3
Car Electronics	Net sales	107,813	107,813	92,237
	Operating profit	4,090	4,105	(4,179)
Home & Mobile Electronics	Net sales	141,772	144,459	105,412
	Operating profit	(10,752)	(7,399)	(1,345)
Professional Systems	Net sales	91,389	91,759	78,758
	Operating profit	(1,321)	(2,029)	4,506
Entertainment	Net sales	44,933	44,933	30,616
	Operating profit	(1,743)	(1,743)	248
Others	Net sales	12,752	9,697	4,274
	Operating profit	3,273	613	(766)
Total	Net sales	398,663	398,663	311,299
	Operating profit	(6,453)	(6,453)	(1,537)
	Ordinary income	(14,752)	(14,752)	(9,760)
	Net income	(27,795)	(27,795)	(30,734)

Fourth quarter of the fiscal year ended March 2010 (January 1, 2010 to March 31, 2010) (Millions of yen)

Business Segment		4Q of FYE'10/3	(For reference) 4Q of FYE'10/3 (Previous segmentation)	(For reference) 4Q of FYE'09/3
Car Electronics	Net sales	30,070	30,070	23,181
	Operating profit	3,831	3,798	(2,926)
Home & Mobile Electronics	Net sales	24,140	24,970	43,093
	Operating profit	(2,629)	(1,702)	(1,588)
Professional Systems	Net sales	25,496	25,649	25,343
	Operating profit	154	(23)	1,520
Entertainment	Net sales	9,894	9,894	11,577
	Operating profit	(796)	(796)	(431)
Others	Net sales	3,633	2,651	1,439
	Operating profit	1,705	988	(510)
Total	Net sales	93,237	93,237	104,634
	Operating profit	2,263	2,263	(3,936)
	Ordinary income	(485)	(485)	(7,925)
	Net income	(5,516)	(5,516)	(19,669)

Note 1: Operating results for the fiscal year ended March 2009 were obtained by consolidating the operating results of Kenwood for the fiscal year ended March 2009 with those of JVC for the second half of the fiscal year ended March 2009; the operating results of JVC for the first half of the fiscal year ended March 2009 are not consolidated.

Note 2: For the fiscal year ended March 2009, patent revenue and profit/loss related to the business incubation business are mainly included in the "Home & Mobile Electronics" segment, while profit/loss regarding the optical pickup business is included in the "Others" segment.

For the fiscal year ended March 2010, patent revenue and profit/loss related to the business incubation business are included in the "Others" segment, while profit/loss regarding the optical pickup business is included in the "Car Electronics" segment and the "Home & Mobile Electronics" segment.

Note 3: Figures for the fiscal year ended March 2010 (previous segmentation) represent net sales and profit/loss by segment according to the segmentation for the fiscal year ended March 2009.

*** 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.

Net sales for the fourth quarter increased by about 6.9 billion yen (up 29.7%) from the corresponding quarter of the previous fiscal year to 30,070 million yen, and operating profit was 3,831 million yen, an improvement of about 6.8 billion yen, supported by the effects of introducing new product lines for 2010. Operating profit margin stood at 12.7%.

Compared with the third quarter of the fiscal year, sales in the fourth quarter increased by about 3.7 billion yen (14.2%) and operating profit rose by about 3.0 billion yen (up 450%).

*** 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.

Net sales for the fourth quarter were 24,140 million yen and operating loss was 2,629 million yen due to the aforementioned factors. Since the business segments of the Home & Mobile Electronics business were changed from the current fiscal year, operating results of the fourth quarter of the fiscal year under review cannot be compared simply with those of the corresponding period of the previous fiscal year. When compared according to the previous business segments, net sales for the fourth quarter decreased by about 18.1 billion yen (down 42.1%) and operating loss remained unchanged from a year ago.

Compared with the third quarter of the current fiscal year, net sales fell by about 15.6 billion yen (down 39.3%) and operating loss grew by approximately 1.1 billion 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.

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.

Net sales for the fourth quarter were 25,496 million yen, unchanged from a year ago, due to a recovery in orders received in both the land mobile radio and business solution segments. Meanwhile, operating profit was 154 million yen, down about 1.4 billion yen (down 89.9%) from the previous fiscal year, although operating profit was ensured.

Compared with the third quarter of the current fiscal year, net sales increased by about 4.2 billion yen (up 19.6%) and operating profit improved by about 0.3 billion yen.

*** 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.

Net sales for the fourth quarter decreased by about 1.7 billion yen (down 14.5%) to 9,894 million yen, and operating loss increased by about 0.4 billion yen to 796 million yen due to the factors described above.

Compared with the third quarter of the fiscal year, net sales decreased by about 1.6 billion yen (down

13.7%), and operating loss increased by about 0.2 billion yen.

2. Outlook for Next Fiscal Year

In the fiscal year under review, sales and profit picked up in the Car Electronics business segment and the land mobile radio segment of the Professional Systems business. Positioning these as the earnings bases, the JVC Kenwood Group carried out the Business Structural Reform Action Plan, which was formulated in October 2009, (refer to “1. Progress in and Results of Business Structural Reform Action Plan” in “(3) Issues to be Addressed” in “3. Management Policy” described below). The Group had completed taking 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 next term (the year ending March 2011), the JVC Kenwood Group expects sales to slightly decrease as a result of narrowing down operations in the display segment, which was implemented during the fiscal year under review. However, the Group projects operating profit of 4.0 billion yen, returning to the black on a full-year basis, by striving to strengthen profitability respectively in the Car Electronics business and the land mobile radio segment, its earnings bases, and by making profit/loss improvement effects of about 8.0 billion yen in total become apparent in unprofitable businesses—the display, camcorder and business solution segments—through the Business Structural Reform Action Plan.

(2) Analysis of Financial Position

1. Analysis of assets, liabilities and net assets

***Assets**

Total assets at the end of the fiscal year under review decreased by about 69.3 billion yen from the end of the previous fiscal year to 274,751 million yen due to a decrease of accounts receivable and a reduction of inventories, in addition to the partial sale of tangible fixed assets such as land and buildings.

***Liabilities**

Interest-bearing debts (sum of loans payable and bonds payable) decreased by about 25.8 billion yen from the end of the previous fiscal year to 108,306 million yen. The total liabilities decreased by about 41.7 billion yen from the end of the previous fiscal year to 227,932 million yen due to the redemption of bonds of 20 billion yen at JVC and the repayment of short-term loans payable that related to the repurchase of the Company’s shares that were held by Kenwood. The net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) decreased by about 16.9 billion yen from the end of the previous fiscal year to 64,804 million yen.

***Net assets**

Total shareholders’ equity decreased by about 27.5 billion yen from the end of the previous fiscal year to 62,580 million yen and total net assets decreased by about 27.6 billion yen from the end of the previous fiscal year to 46,819 million yen due to the posting of a net loss for the fiscal year under review.

2. Cash flow analysis

***Cash flows from operating activities**

Although income before income taxes recorded a loss of 23,957 million yen, net cash provided by operating activities for the fiscal year under review was 21,453 million yen, as the required operating fund decreased due to a sharp reduction of trade notes and accounts receivable and inventories.

***Cash flows from investing activities**

Net cash spent in investing activities for the fiscal year under review was 3,158 million yen. This was due to the acquisition of tangible and intangible fixed assets, despite proceeds from sales of property, plant and equipment of about 7.5 billion yen.

***Cash flows from financing activities**

Net cash spent in financing activities for the fiscal year under review was 27,120 million yen. This was due to redemption of unsecured bonds and reduction in interest-bearing debts resulting from a repayment of long-term loans payable.

As of the end of the fiscal year under review, cash and cash equivalents totaled 43,408 million yen.

Cash Flow-Related Indexed

	FYE'10/3
Shareholders' equity ratio (%)	16.7
Market value-based shareholders' equity ratio (%)	13.7
Ratio of interest-bearing liabilities to cash flows (%)	504.8
Interest coverage ratio (times)	6.8

Calculation methods:

- Shareholders' equity ratio = Net assets / Total assets
- Market value-based shareholders' equity ratio = Stock market capitalization / Total assets
- Ratio of interest-bearing liabilities to cash flows = Interest-bearing liabilities / Operating cash flow
- Interest coverage ratio = Operating cash flow / Interest payments

Notes:

- All indexes are calculated using consolidated financial data.
- Stock market capitalization is obtained by multiplying the closing share price at the term end by the number of outstanding shares at the term end (excluding treasury stock).

(3) Basic Policies for Distribution of Profits and Dividends for Term Under Review and Next Term

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

For the term under review (the fiscal year ended March 2010), we in JVC Kenwood will refrain from paying year-end dividends, since we must concentrate our management resources to accomplish an earnings recovery in the future.

For the next term (the fiscal year ending March 2011), we plan to make no dividend payment for similar reasons.

(4) Material Events Regarding Going Concern

The JVC Kenwood Group posted a net loss of 27,795 million yen for the consolidated fiscal year under review, following the booking of a net loss of 30,734 million yen for the previous consolidated fiscal year. This was mainly due to sharp decreases in sales of consumer and industrial equipment, which were mainly attributable to the impact of the US-originated financial turmoil on the global real economy and the yen's sharp appreciation, since the Group's overseas sales ratio is high. JVC, a consolidated subsidiary of JVC Kenwood, has continued to post a net loss both on a non-consolidated basis and a consolidated basis since the fiscal year ended March 2005. As a result, some borrowing contracts of JVC and some borrowing contracts of

Kenwood, for which consolidated shareholders' equity of the JVC Kenwood Group serves as a judgment item, conflicted with the financial covenants (45,268 million yen in total) as of the end of the consolidated fiscal year. under review. Under such circumstances, as of the end of consolidated fiscal year under review, the Group faced a situation where there was material doubt about the going concern assumption.

To resolve this situation, the JVC Kenwood Group will focus on reconstructing its corporate base for new growth, following the business structure reforms implemented in the fiscal year. At the same time, it will obtain certain agreements and continuous support from financial institutions with which it trades. However, if these initiatives do not advance as assumed, the going concern assumption of JVC Kenwood could be seriously affected.

Forward-looking statements in this material are based on the judgment of JVC Kenwood as of the day this accounting report is submitted.

Management Policy

(1) Basic Management Policy

Regarding management integration as the starting point of a new growth strategy, a basic policy of the JVC Kenwood Group is to develop corporate bases that JVC and Kenwood have built into a new substantial business infrastructure to succeed in the digital era, enhance competitiveness and profitability, expand and create corporate value taking advantage of synergistic effects from management integration, and establish a position as a unique, specialized world-leading manufacturer.

(2) Medium- to Long-Term Management Strategies

The JVC Kenwood Group has so far focused on various kinds of structural reforms, since it faced a global economic crisis upon the management integration and its earnings deteriorated. In and after the fiscal year ending March 2011, the Group will strive to reconstruct a corporate base for new growth, as described in "(3) Issues to be Addressed." At the same time, it maximize the effects of various structural reforms and integration effects from the management integration, and work on the medium-term management plan running through the fiscal year ending March 2013 based on the reconstructed corporate base.

We will publicly announce specific measures for the reconstruction of the corporate structure and details of the medium-term management plan by the end of May.

(3) Issues to be Addressed

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 projects operating profit of 4.0 billion yen by making the effects of the Business Structural Reform Action Plan become apparent on a full-year basis, as described in "1. Outlook for Next Fiscal Year" in "(1) Analysis of Operating Results" in "1. Operating Results." The Group will strive to reconstruct the corporate base for new growth 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. It will rebuild the financial base that was damaged by the booking of a net loss in recent years. Based on the reconstructed corporate base, we will work on the medium-term management plan aimed at expanding corporate value.

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. In addition, profit/loss improvement effects of about 8 billion yen in total in the three businesses are expected for the fiscal year ending March 2011. We have incorporated the profit/loss improvement effects into the earnings outlook for the fiscal year ending March 2011, and project an operating profit of 4 billion yen on a full-year basis.

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.

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.

2. Reconstruction of Corporate Base for New Growth and Medium-Term Management Plan

(i) Reconstruction of Corporate Base for New Growth

The Group will strive to reconstruct the corporate base for new growth in order to have all businesses, including display, camcorder and business solution that were major causes of operating loss for the fiscal year under review, return to the black. The Group will rebuild the financial base that was damaged by booking of a net loss in recent years. We will publicly announce specific measures for the reconstruction of the corporate base by the end of May.

1) Reform of unprofitable operations

Display segment – Conversion of business model

- Converting the business model by promoting a fabless structure
- Thoroughly reforming cost structure, including a reduction in fixed expenses

Camcorder segment – Reform of sales system, product competitiveness and cost structure

*Reorganizing and enhancing the sales system

- Strengthening the sales capability by reorganizing regional sales companies and reducing selling, general and administrative expenses
- Acquiring new sales routes by developing new markets

*Strengthening product competitiveness

- Reinforcing cost competitiveness and product competitiveness by newly developed processors
- Enhancing our presence in the market by developing products of new categories

*Reforming cost structure

- Reviewing the procurement of materials to sharply reduce costs
- Reviewing product design and mold investment
- Reorganizing production systems in Japan and abroad and reducing fixed expenses

Business Solutions segment – Enhancement of cooperation as the Professional Systems business

- Deepening cooperation with the land mobile radio segment of Kenwood, including development, sales and production
- Pursuing cost synergy

2) Cost reform

- Establishing a cost structure on a global basis, which corresponds to the corporate and business structures with consolidated net sales of 400 billion yen

3) Financial and capital reforms

- Downsizing the management system by selling fixed assets and improving current balance by reducing interest-bearing liabilities
- Share consolidation and capital policies toward reconstructing corporate value (See “Notice on Share Consolidation,” to be separately announced today.)

4) Management reform

- Reviewing the business portfolio by reorganizing within the Group
- Studying integration with operating companies toward maximizing integration effects

(ii) Medium-Term Management Plan

The JVC Kenwood Group will formulate a medium-term management plan, running through the fiscal year ending March 2013, based on the corporate base for new growth. This will be established by completing the policies mentioned above. In addition, the Group will with concentrate on businesses to be strengthened and converting the business model of the Consumer Electronics business as the key points, and will focus on growth strategies toward expansion of corporate value. We will publicly announce the details of the medium-term management plan by the end of May.

Notes on earnings forecast

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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2009)	Current Fiscal Year (as of Mar. 31, 2010)
Assets		
Current assets		
Cash and cash equivalents	52,417	43,502
Trade notes and accounts receivable	73,221	62,720
Merchandise and finished goods	48,396	31,051
Work in process	5,130	4,121
Raw materials and supplies	14,044	9,588
Other current assets	15,979	15,923
Allowance for doubtful receivables	(3,485)	(3,847)
Total current assets	205,704	163,058
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	22,995	19,885
Machinery and equipment, net	6,932	4,493
Tools, furniture and fixtures, net	10,388	7,140
Land	57,448	47,362
Construction in progress	2,683	1,093
Total tangible fixed assets	100,448	79,975
Intangible fixed assets		
Goodwill	5,580	5,278
Software	9,010	9,110
Other intangible fixed assets	5,503	3,258
Total intangible fixed assets	20,095	17,647
Investments and other assets		
Investment securities	4,468	4,822
Other investments	13,476	9,548
Allowance for doubtful receivables	(738)	(690)
Total investments and other assets	17,206	13,680
Total fixed assets	137,750	111,303
Deferred assets		
Bond issuance cost	463	307
Stock issuance cost	158	70
Issuance cost of subscription rights to shares	-	11
Total Deferred assets	622	389
Total assets	344,077	274,751

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2009)	Current Fiscal Year (as of Mar. 31, 2010)
Liabilities		
Current liabilities		
Trade notes and accounts payable	30,391	31,371
Short term loans payable	92,540	85,286
Current portion of bond	20,960	-
Accrued expenses	46,751	36,383
Income taxes payable	1,457	2,406
Provision for product warranties	3,452	3,049
Provision for sales returns	1,401	1,541
Provision for structural reform	3,744	-
Other current liabilities	17,757	15,974
Total current liabilities	218,456	176,013
Long term liabilities		
Bonds payable	20,600	20,000
Liability for employees' retirement benefits	17,691	16,273
Long-term loans payable	-	3,020
Deferred tax liabilities for land revaluation	2,027	2,027
Deferred tax liabilities	8,489	8,863
Other long term liabilities	2,373	1,734
Total long term liabilities	51,181	51,919
Total liabilities	269,638	227,932
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	111,143
Retained earnings	(10,764)	(38,301)
Treasury stock	(20,261)	(20,261)
Total shareholders' equity	90,116	62,580
Valuation and translation adjustment		
Unrealized gain and loss on available-for-sale securities	(401)	256
Deferred hedge gain and loss	39	385
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustment	(20,113)	(20,295)
Total valuation and translation adjustment	(17,520)	(16,699)
Subscription rights to shares	-	20
Minority interests	1,843	917
Total net assets	74,439	46,819
Total liabilities and net assets	344,077	274,751

(2) Consolidated Statements of Income

(Accumulated period for consolidated third quarter total period)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2008 – Mar.31, 2009	Current Fiscal Year (Apr.1, 2009 - Mar.31, 2010)
Net sales	311,299	398,663
Cost of sales	224,711	290,073
Gross profit	86,587	108,589
Selling, general and administrative expenses	88,125	115,042
Operating profit	(1,537)	(6,453)
Non-operating profit		
Interest income	327	189
Dividends income	82	217
Product warranties income	283	-
Adjustment to royalties	538	-
Other non-operating profit	962	976
Total non-operating profit	2,194	1,383
Non-operating expense		
Interest expense	2,325	3,161
Sales discounts	846	501
Foreign exchange losses	3,040	830
Loans commission	-	1,121
Other non-operating expenses	4,205	4,068
Total non-operating expense	10,417	9,683
Ordinary income	(9,760)	(14,752)
Extraordinary profit		
Gain on sales of fixed assets	1,323	577
Gain on sales of investment securities	372	23
Reversal of liability for employees' retirement benefits	-	321
Reversal of expense for sales of fixed assets	-	346
Reversal of License fee for prior periods	-	721
Other extraordinary profit	87	1,290
Total extraordinary profit	1,783	3,281
Extraordinary loss		
Loss on disposal of fixed assets	661	779
Loss on valuation of inventories	740	-
Loss on sales of fixed assets	3,332	2,319
Business structural reform expenses	538	944
Employment structural reform expenses	1,382	845
Loss on compensation for lease contracts	-	512
Loss on reversal of adjustment gain of obligations	-	1,087
Taxes and dues for prior periods	-	325
Impairment loss	12,481	4,443
Other extraordinary loss	1,444	1,226
Total extraordinary loss	20,582	12,486
Income before income taxes	(28,559)	(23,957)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	1,835	2,584

Income taxes for prior periods	356	317
Corporate tax and other adjustment	48	921
Income taxes	2,241	3,823
Minority interests in income	(65)	14
Net income	(30,734)	(27,795)

(3) Consolidated Statements of Changes in Shareholders' Equity

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2008 – Mar.31, 2009)	Current Fiscal Year (Apr.1, 2009 – Mar.31, 2010)
Shareholders' equity		
Paid-in capital		
Balance at the end of previous period	11,059	10,000
Changes during the year		
Decrease by share transfers	(1,059)	-
Total changes during the year	(1,059)	-
Balance at the end of current period	10,000	10,000
Capital surplus		
Balance at the end of previous period	13,373	111,143
Changes during the year		
Increase by share transfers	97,894	-
Retirement of treasury stock	(125)	-
Total changes during the year	97,769	-
Balance at the end of current period	111,143	111,143
Retained earnings		
Balance at the end of previous period	21,534	(10,764)
Decrease in retained earnings in line with the amended accounting standard No.18	(96)	-
Changes during the year		
Payment of dividends	(1,467)	-
Net income	(30,734)	(27,795)
Change of scope of consolidation	-	259
Total changes during the year	(32,202)	(27,536)
Balance at the end of current period	(10,764)	(38,301)
Treasury stock		
Balance at the end of previous period	(118)	(20,261)
Changes during the year		
Acquisition of treasury stocks	(8)	(0)
Retirement of treasury stock	125	-
Increase by share transfers	(20,260)	-
Total changes during the year	(20,143)	(0)
Balance at the end of current period	(20,261)	(20,261)
Total shareholders' equity		
Balance at the end of previous period	45,848	90,116
Decrease in retained earnings in line with the amended accounting standard No.18	(96)	-
Changes during the year		
Increase by share transfers	76,575	-
Payment of dividends	(1,467)	-
Net income	(30,734)	(27,795)
Acquisition of treasury stocks	(8)	(0)
Change of scope of consolidation	-	259
Total changes during the year	44,364	(27,536)
Balance at the end of current period	90,116	62,580

(JPY in Million)

Valuation and translation adjustment		
Unrealized gain and loss on available-for-sale securities		
Balance at the end of previous period	(7,319)	(401)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	6,918	657
Total changes during the year	6,918	657
Balance at the end of current period	(401)	256
Deferred hedge gain and loss		
Balance at the end of previous period	-	39
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	39	345
Total changes during the year	39	345
Balance at the end of current period	39	385
Land revaluation surplus		
Balance at the end of previous period	2,954	2,954
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	-	-
Total changes during the year	-	-
Balance at the end of current period	2,954	2,954
Foreign currency translation adjustment		
Balance at the end of previous period	(11,558)	(20,113)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(8,555)	(181)
Total changes during the year	(8,555)	(181)
Balance at the end of current period	(20,113)	(20,295)
Total valuation and translation adjustment		
Balance at the end of previous period	(15,923)	(17,520)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(1,597)	821
Total changes during the year	(1,597)	821
Balance at the end of current period	(17,520)	(16,699)
Subscription rights to shares		
Balance at the end of previous period	-	-
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	-	20
Total changes during the year	-	20
Balance at the end of current period	-	20
Minority interests		
Balance at the end of previous period	-	1,843
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	1,843	(925)

(JPY in Million)

Total changes during the year	1,843	(925)
Balance at the end of previous period	1,843	917
Total net assets		
Balance at the end of previous period	29,925	74,439
Decrease in retained earnings in line with the amended accounting standard No.18	(96)	-
Changes during the year		
Increase by share transfers	76,575	-
Payment of dividends	(1,467)	-
Net income	(30,734)	(27,795)
Acquisition of treasury stocks	(8)	(0)
Change of scope of consolidation	-	259
Changes (net amount) of items other than shareholders' equity during the year	245	(83)
Total changes during the year	44,610	(27,619)
Balance at the end of previous period	74,439	46,819

(4) Consolidated Statement of Cash Flows

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2008 – Mar.31, 2009)	Current Fiscal Year (Apr.1, 2009 - Mar.31, 2010)
Cash flows from operating activities:		
Income before income taxes	(28,559)	(23,957)
Depreciation	15,462	19,484
Amortization of goodwill	404	327
Impairment loss	12,481	4,443
Increase (decrease) in allowance for doubtful accounts	126	467
Increase (decrease) in allowance for employees' retirement	(1,218)	(1,292)
Interest revenue and dividend income	(410)	(406)
Interest expense	2,325	3,161
Loss (gain) on sales of investment securities	(370)	(19)
Loss on disposal of fixed assets	661	779
(Gain) loss on sales of fixed assets	2,009	1,742
(Increase) decrease in trade notes and accounts receivable	19,014	9,423
(Increase) decrease in inventories	24,332	21,992
Increase (decrease) in accounts payable	(22,226)	752
Increase (decrease) in provision for structural reform	(5,739)	(3,744)
Increase (decrease) in accrued expenses	(7,767)	(10,929)
Other	4,363	4,206
Sub-total	14,889	26,429
Interest and dividends received	384	406
Interest paid	(2,471)	(3,139)
Income taxes paid	(2,377)	(2,242)
Net cash provided by operating activities	10,424	21,453
Cash flows from investing activities:		
Capital investment (real estate, plants and equipment)	(9,768)	(7,532)
Proceeds from sales of property, plant and equipment	6,841	7,496
Purchase of intangible fixed assets	(6,690)	(4,328)
Proceeds from sales of investment securities	1,196	32
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(1,218)	-
Other	(1,648)	1,174
Net cash used in investing activities	(11,288)	(3,158)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	11,873	5,268
Proceeds from long-term loans payable	-	13,700
Repayment of long-term loans payable	-	(23,080)
Redemption of bonds	(480)	(21,531)
Cash dividends paid	(1,452)	-
Other	(675)	(1,477)
Net cash used in financing activities	9,265	(27,120)
Effect of exchange rate fluctuations on cash and	(3,479)	(229)

cash equivalents		
Net increase (decrease) in cash and cash equivalents	4,923	(9,054)
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	52,393	43,408