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Company: JVC KENWOOD Holdings, Inc.
Representative: Haruo Kawahara, President, Chairman and CEO
(Code: 6632; First Section of the Tokyo Stock Exchange)
Contact: Hisayoshi Fuwa, Director and CFO
(Tel: +81-45-444-5232)
(E-mail: prir@jk-holdings.com)

Accounting Report for the First Quarter of Fiscal Year Ending March 2011 (April 1, 2010 - June 30, 2010)

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2010 (April 1, 2010 - June 30, 2010)

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

	1st Quarter of FYE 3/2011 April 1, 2010 to June 30, 2010	1st Quarter of FYE 3/2010 April 1, 2009 to June 30, 2009
Net sales	88,749	98,578
Operating profit (loss)	2,385	(6,873)
Ordinary income (loss)	1,806	(8,564)
Net income (loss)	(418)	(9,543)
Net income (loss) per share	(0.43) yen	(9.87) yen

FYE: Fiscal year ended / ending

Sales by Segments (Millions of yen)

	1st Quarter of FYE 3/2011 April 1, 2010 to June 30, 2010		1st Quarter of FYE 3/2010 April 1, 2009 to June 30, 2009	
Car Electronics	28,962	33%	24,827	25%
Professional Systems	20,343	23%	19,993	20%
Home & Mobile Electronics	27,141	31%	39,343	40%
Entertainment	10,255	11%	11,669	12%
Others	2,045	2%	2,743	3%
Total	88,749	100%	98,578	100%

FYE: Fiscal year ended / ending

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.

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

(1) Qualitative Information Concerning the Consolidated Operating Results

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

In the first quarter under review, the economy recovered in some countries and regions due to their active implementation of economic-stimulus measures to cope with the worldwide economic crisis. However, the financial anxiety in Europe began to affect the real economy, and uncertainties over the economy increased around the world.

Under such circumstances, the Car Electronics business of the JVC Kenwood Group continued to be strong, as in the fourth quarter of the previous fiscal year. The other businesses also saw profits and losses improve thanks mainly to restructuring reforms implemented in the previous fiscal year. As a result, the Group's earnings improved sharply from a year ago. Operating profit posted a record high since the management integration for the second consecutive quarter, while ordinary balance moved into the black for the first time since the said integration.

For the first quarter under review, the Group had assumed the U.S. dollar would be worth 90 yen and the euro would be equivalent to 125 yen. However, exchange rates (excluding those for forward exchange contracts) that we actually used in preparing financial statements were about 92 yen to the dollar and approximately 117 yen against the euro.

***Net Sales**

In the Car Electronics business, sales rose significantly from a year earlier. These favorable results are attributable to a further expansion of the market share in major regions through the introduction of new product lineups in the consumer segment, as happened in the fourth quarter of the previous fiscal year, when earnings of this business improved notably. Besides, in the OEM sector, sales of dealer option products and CD/DVD mechanisms to be mounted in vehicles increased. Meanwhile, sales of the Home & Mobile Electronics business dropped considerably from the previous fiscal year owing to the curtailment of the display segment in Europe and a decrease in sales at the camcorder segment. Net sales of the Group for the first quarter under review were 88,749 million yen, down about 9.8 billion yen (10.0%) from a year ago, in line with our expectations.

As a result, the Car Electronics business became the Group's largest business in terms of sales, which is something we aimed for in the mid-term management plan announced on May 28, 2010. That is, we were able to change our sales composition as originally planned.

***Operating Profit**

In the Car Electronics business and the communications segment of the Professional Systems business, profitability picked up for two quarters in a row, resulting in us turning a profit in contrast to the red ink in the corresponding quarter of the previous fiscal year. Furthermore, fixed costs were reduced dramatically due to the Business Structural Reform Action Plan, which was carried out in the previous fiscal year. This led to a substantial decrease in losses of unprofitable businesses such as the display segment. In addition, profits and losses improved sharply in the Home & Mobile Electronics business, the business solutions segment of the Professional Systems business, and the Entertainment business. As a result, operating income of the Group for the first quarter under review significantly exceeded our forecast, posting 2,385 million yen, up about 9.3 billion yen from a year earlier, marking a record high for the second straight quarter after the management integration.

***Ordinary Income**

Outpacing our original estimate markedly, ordinary income for the first quarter under review moved into the black for the first time after the management integration, posting 1,806 million yen, an improvement of about

10.4 billion yen from a year ago. This outstanding performance is attributable to a sharp improvement in operating income and an improvement in non-operating profits and losses owing to the generation of foreign currency gains (approximately 1.1 billion yen).

***Net Income**

In the first quarter under review, the Group posted an extraordinary loss of about 4.3 billion yen, up 3.3 billion yen from a year earlier. This reflects loss on sales of fixed assets (approximately 1.8 billion yen) in association with sales of JVC's head office, extraordinary loss (about 1.5 billion yen) caused by the surcharge related to adjustments to previous earnings results, and extraordinary loss for the initial fiscal year following the adoption of new accounting standards for "Asset Retirement Obligations." However, net loss was only 418 million yen, an improvement of about 9.1 billion yen from a year ago, which was far above our forecast. Such improvement was due to a sharp improvement in ordinary income and a decrease in income taxes adjustment (about 2.6 billion yen) in association with sales of JVC's head office.

(Net Sales, Profits and Losses by Business Segment)

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

First quarter of the fiscal year through March 2011 (from April 1, 2010 to June 30, 2010) (Millions of yen)

Business Segment		1Q of FYE 2011/3	(Reference) 1Q of FYE 2011/3	Year-on-year comparison
Car Electronics	Net sales	28,962	24,827	+4,135
	Operating profit	2,776	(1,580)	+4,356
Home & Mobile Electronics	Net sales	20,343	19,993	+350
	Operating profit	(714)	(1,616)	+902
Professional Systems	Net sales	27,141	39,343	(12,202)
	Operating profit	(288)	(3,841)	+3,553
Entertainment	Net sales	10,255	11,669	(1,414)
	Operating profit	530	(205)	+735
Others	Net sales	2,045	2,743	(698)
	Operating profit	82	369	(287)
Total	Net sales	88,749	98,578	(9,829)
	Operating profit	2,385	(6,873)	+9,259
	Ordinary income	1,806	(8,564)	+10,370
	Net income	(418)	(9,543)	+9,125

Note: For the first quarter of the fiscal year ended March 2010, patent revenue and profit/loss related to the business incubation business are included in the "Other" segment.

For the first quarter of the fiscal year ending March 2011, profit/loss related to patent revenue is allocated to each business, and profit/loss regarding the business incubation business is included in the "Professional Systems" segment.

*** Car Electronics Business**

In the consumer segment, sales of car audios and car navigation systems, whose cost competitiveness has become strong as a result of the management integration, increased in emerging countries, centering on those in Asia, through the expansion of new product lineups for 2010. In addition, the market share for these products further increased in major regions such as Europe and the U.S. In the domestic market, flash-memory type car navigation systems, which were developed under the integrated management, contributed significantly to sales of this segment.

In the OEM segment, sales of car navigations systems for dealer options for a wide range of vehicles from high-end to low fuel-efficient ones increased due to a recovery in auto sales, and shipments of CD/DVD drive mechanisms to be mounted in vehicles, for which orders received are growing sharply, also further rose.

Both in the consumer and OEM segments, net sales for the first quarter under review advanced substantially from the previous fiscal year. Operating income remained high, as in the fourth quarter. Hence, sales for this business jumped about 4.1 billion yen (16.7%) from a year ago to 28,962 million yen. Operating balance moved into the black, posting an income of 2,776 million yen, a sharp improvement of approximately 4.4 billion yen (including about 0.1 billion yen related to a change in the segmentation).

*** Professional Systems Business**

As for the land mobile radio segment of the Professional Systems business, investment budgets for the public safety market in the U.S., which is the largest market, began to recover, and orders received for products for public safety started to increase. Furthermore, sales of proprietarily developed digital radio systems rose substantially, supported by strong private-sector demand in the U.S., including demand related to railways, which was also seen in the fourth quarter. In addition, sales of such digital radio systems expanded in Europe and Asia. As a result, sales of this segment recovered from the previous fiscal year and operating income stayed in the black.

In the business solution segment, demand continued to be weak both at home and abroad, but sales of products in the creation field, professional audio equipment and printers, among others, began to recover. Accordingly, sales of this segment remained almost unchanged from a year ago, and operating loss decreased notably, reflecting the effects of restructuring reforms carried out in the previous fiscal year.

As a result, net sales of the Professional Systems business for the first quarter under review increased about 0.3 billion yen (1.8%) year on year to 20,343 million yen, and operating loss was limited to 714 million yen, an improvement of approximately 0.9 billion yen (including less than 0.1 billion yen related to a change in the segmentation).

*** Home & Mobile Electronics Business**

With regard to the display segment of the Home & Mobile Electronics business, sales reduced sharply from the previous fiscal year, but at the same time, operating loss was trimmed significantly, because of a reduction in fixed costs through restructuring reforms, which were implemented in the previous fiscal year, and loss disposition. Such reforms included the curtailments of product lines and sales channels in Europe, the termination of production at the Mexican plant, and the rationalization of the Thai plant.

Sales of the camcorder segment were sluggish in overseas markets. However, sales of new product lineups for 2010 featuring high competitiveness, centering on full hi-vision products, continued to be robust in Japan. In addition, restructuring reforms implemented in the previous fiscal year, including the reorganization of the Malaysia plant and cost reductions, helped improve earnings of this segment. Consequently, operating loss decreased significantly from a year earlier, despite a fall in sales.

In the AV accessory segment, which deals with products such as headphones and earphones, both sales and operating income grew from the previous fiscal year. Sales of the home audio segment declined from a year ago affected by the curtailment of some products, but profit/loss of the segment improved.

As a result, net sales of the Home & Mobile Electronics business for the first quarter under review dropped about 12.2 billion yen (31.0%) year on year to 27,141 million yen. Meanwhile, operating loss was limited to 288 million yen, a significant improvement of approximately 3.6 billion yen (including about 0.4 billion yen related to a change in the segmentation).

*** Entertainment Business**

In businesses on consignment, the number of orders received was low. Meanwhile, in the software business, a number of new music albums became hits, sales of old albums were strong, and demand for animation-related old albums and visual software was high. The pressing business was steady particularly in the area of CDs and Blue-ray Discs.

As a result, net sales of the Entertainment business for the first quarter under review were 10,255 million yen, down about 1.4 billion yen (12.1%) from a year earlier. Operating balance moved into the black with an operating income of 530 million yen, a sharp improvement of about 0.7 billion yen (including about 0.2 billion yen related to a change in the segmentation).

(2) Qualitative Information Concerning the Consolidated Financial Position

(Analysis of assets, liabilities, and net assets)

*** Assets**

Total assets at the end of the first quarter under review were 251,415 million yen, down about 23.3 billion yen from the end of the previous fiscal year, due to a decrease of about 11.3 billion yen in current assets including trade notes and accounts receivable, and the reduction of assets through sales of tangible fixed assets such as JVC's head office.

*** Liabilities**

Interest-bearing debts (sum of loans payable and bonds payable) were 101,552 million yen, down about 6.8 billion yen from the end of the previous fiscal year, mainly owing to the repayment of loans payable from financial institutions using proceeds from sales of tangible fixed assets. Total liabilities fell about 18.1 billion yen year on year to 209,866 million yen.

The net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) was 57,927 million yen, down about 6.9 billion yen from the end of the previous fiscal year.

*** Net assets**

Total shareholders' equity was 63,183 million yen, up about 0.6 billion yen from the end of the previous fiscal year, due to an increase in retained earnings following the change in scope of consolidation, despite the fact that a net loss was posted for the first quarter under review.

Total net assets were 41,549 million yen, down about 5.3 billion yen from the end of the previous fiscal year, because foreign currency translation adjustment decreased owing to the yen's appreciation against major currencies such as the U.S. dollar and euro since the end of the previous fiscal year. The shareholders' equity ratio dropped slightly from the end of the previous fiscal year to 16.2%.

(Cash flow analysis)

*** Cash flows from operating activities**

Net cash provided by operating activities was 3,076 million yen for the first quarter under review, chiefly as required operating fund decreased due to a reduction in trade notes and accounts receivable, despite the posting of about 2.1 billion yen in net loss before income taxes.

*** Cash flows from investing activities**

Net cash provided by investing activities was 4,897 million yen for the first quarter under review, owing to proceeds of about 6.3 billion yen from sales of tangible fixed asset such as JVC's head office, despite the acquisition of tangible and intangible fixed assets.

***Cash flows from financing activities**

Net cash spent in financial activities was 5,621 million yen for the first quarter under review, due to an accelerated reduction of interest-bearing debts through the repayment of long-term loans payable from financial institutions.

As of the end of the first quarter under review, cash and cash equivalents totaled 43,578 million yen, down about 0.2 billion yen from the end of the previous fiscal year.

(3) Qualitative Information Concerning the Consolidated Earnings Forecast

For the first quarter under review, as described above, an expansion in earnings of the Car Electronics business and improvement in profit/loss of the other businesses far exceeded our original projections. Besides, operating income, ordinary income and net income were far above our earlier expectations, thanks to an improvement in non-operating income and expenses and a decrease in income taxes adjustment.

Taking into account these earnings for the first quarter under review, and the effect of strong yen in and earnings outlook for the second quarter and beyond, JVC Kenwood has revised earnings forecast for the second-quarter cumulative period and the full fiscal year, which was announced on May 14, 2010, as described in the "Notice on Earnings Forecast for the Fiscal Year Ending March 2011," which was separately announced on July 28, 2010.

We have changed the assumed exchange rates for the second quarter beyond to 90 yen to the U.S. dollar and 110 yen against the euro (from the previous 90 yen to the U.S. dollar and 125 yen against the euro).

2. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(JPY in Million)

	End of current consolidated first quarter (as of Jun. 30, 2010)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2010)
Assets		
Current assets		
Cash and cash equivalents	43,625	43,502
Trade notes and accounts receivable	54,016	62,720
Merchandise and finished goods	30,709	31,051
Work in process	3,897	4,121
Raw materials and supplies	9,858	9,588
Other current assets	13,061	15,923
Allowance for doubtful receivables	(3,397)	(3,847)
Total current assets	151,772	163,058
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	17,605	19,885
Machinery and equipment, net	4,318	4,493
Tools, furniture and fixtures, net	6,413	7,140
Land	40,549	47,362
Construction in progress	694	1,093
Total tangible fixed assets	69,581	79,975
Intangible fixed assets		
Goodwill	5,184	5,278
Software	8,371	9,110
Other intangible fixed assets	3,077	3,258
Total intangible fixed assets	16,634	17,647
Investments and other assets		
Investment securities	4,515	4,822
Other investments	9,308	9,548
Allowance for doubtful receivables	(728)	(690)
Total investments and other assets	13,094	13,680
Total fixed assets	99,310	111,303
Deferred assets	331	389
Total assets	251,415	274,751

(JPY in Million)

	End of current consolidated first quarter (as of Jun. 30, 2010)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2010)
Liabilities		
Current liabilities		
Trade notes and accounts payable	30,294	31,371
Short term loans payable	80,615	85,286
Accrued expenses	31,830	36,383
Income taxes payable	1,719	2,406
Provision for product warranties	2,709	3,049
Provision for sales returns	1,448	1,541
Other current liabilities	14,143	15,974
Total current liabilities	162,761	176,013
Long term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	937	3,020
Liability for employees' retirement benefits	15,655	16,273
Asset retirement obligations	790	-
Other long term liabilities	9,721	12,625
Total long term liabilities	47,104	51,919
Total liabilities	209,866	227,932
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	111,143
Retained earnings	(37,698)	(38,301)
Treasury stock	(20,261)	(20,261)
Total shareholders' equity	63,183	62,580
Valuation and translation adjustment		
Unrealized gain and loss on available-for-sale securities	125	256
Deferred hedge gain and loss	174	385
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustment	(25,674)	(20,295)
Total valuation and translation adjustment	(22,419)	(16,699)
Subscription rights to shares	20	20
Minority interests	764	917
Total net assets	41,549	46,819
Total liabilities and net assets	251,415	274,751

(2) Quarterly Consolidated Statements of Income
(Accumulated period for consolidated first quarter) (JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2009 - Jun.30, 2009)	Accumulated period for current consolidated first quarter (Apr.1, 2010 - Jun.30, 2010)
Net sales	98,578	88,749
Cost of sales	73,933	60,889
Gross profit	24,644	27,859
Selling, general and administrative expenses	31,518	25,473
Operating profit	(6,873)	2,385
Non-operating profit		
Interest income	51	70
Dividends income	197	117
Foreign exchange gains	-	1,109
Other non-operating profit	331	594
Total non-operating profit	580	1,893
Non-operating expense		
Interest expense	784	754
Sales discounts	153	90
Foreign exchange losses	122	-
Other non-operating expenses	1,210	1,627
Total non-operating expense	2,270	2,472
Ordinary income	(8,564)	1,806
Extraordinary profit		
Gain on sales of fixed assets	45	463
Reversal of liability for employees' retirement benefits	321	-
Other extraordinary profit	72	5
Total extraordinary profit	440	469
Extraordinary loss		
Loss on disposal of fixed assets	14	8
Loss on sales of fixed assets	63	1,836
Loss on liquidation of subsidiaries and affiliates	261	88
Business structural reform expenses	210	22
Employment structural reform expenses	107	3
Taxes and dues for prior periods	289	-
Levies	-	1,546
Other extraordinary loss	72	834
Total extraordinary loss	1,018	4,340
Income before income taxes	(9,142)	(2,064)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	379	938
Corporate tax and other adjustment	35	(2,581)
Income taxes	415	(1,643)
Income before minority interests	-	(421)
Minority interests in loss	(14)	(3)
Net income	(9,543)	(418)

(3) Quarterly Consolidated Statement of Cash Flows (JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2009 - Jun.30, 2009)	Accumulated period for current consolidated first quarter (Apr.1, 2010 - Jun.30, 2010)
Cash flows from operating activities:		
Income before income taxes	(9,142)	(2,064)
Depreciation	4,905	3,829
Amortization of goodwill	82	81
Increase (decrease) in allowance for employees' retirement	(1,375)	(194)
Increase (decrease) in allowance for doubtful accounts	106	(68)
Interest revenue and dividend income	(249)	(188)
Interest expense	784	754
Loss on disposal of fixed assets	14	8
(Gain) loss on sales of fixed assets	17	1,372
(Increase) decrease in trade notes and accounts receivable	9,059	5,497
(Increase) decrease in inventories	5,352	(1,610)
Increase (decrease) in accounts payable	689	306
Increase (decrease) in provision for structural reform	(532)	-
Increase (decrease) in accrued expenses	(5,816)	(3,435)
Other	(1,908)	611
Sub-total	1,987	4,900
Interest and dividends received	249	188
Interest paid	(478)	(608)
Income taxes paid	(1,009)	(1,404)
Net cash provided by operating activities	748	3,076
Cash flows from investing activities:		
Capital investment (real estate, plants and equipment)	(1,927)	(994)
Proceeds from sales of property, plant and equipment	284	6,315
Purchase of intangible fixed assets	(1,101)	(694)
Other	(60)	271
Net cash used in investing activities	(2,805)	4,897
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(4,043)	(99)
Repayment of long-term loans payable	-	(5,287)
Redemption of bonds	(2,955)	-
Other	82	(233)
Net cash used in financing activities	(6,915)	(5,621)
Effect of exchange rate fluctuations on cash and cash equivalents	626	(2,574)
Net increase (decrease) in cash and cash equivalents	(8,345)	(222)
Cash and cash equivalents at beginning of period	52,393	43,408
Increase (decrease) in cash and cash	69	392

equivalents resulting from change of scope of consolidation		
Cash and cash equivalents at end of quarter	44,117	43,578

(4) Notes to Financial Statements Regarding Going Concern

Because the JVC Kenwood Group, given its high overseas sales ratio, experienced a substantial reduction of earnings in the areas of consumer electronics and professional electronics equipment, which was due primarily to the impact of U.S.-originated financial instability on the real global economy and to a sharp appreciation of the yen, it posted net losses consecutively from the consolidated fiscal year ended March 2009 through the preceding consolidated fiscal year. Within the JVC Kenwood Group, JVC and its subsidiaries posted consolidated net losses consecutively from the consolidated fiscal year ended March 2005 through the preceding consolidated fiscal year. The JVC Kenwood Group has procured funds including operating funds mainly through short-term loans. As a result of these circumstances, the JVC Kenwood Group, on a consolidated basis as of the end of the first quarter of the fiscal year ending March 2011, is in a situation that raises doubts over the going concern assumption.

In such circumstances, besides the structural reforms advanced so far, the JVC Kenwood Group formulated a mid-term business plan in May 2010 to rebuild action plans focusing on the restructuring of unprofitable businesses and reconstructing its global operating system (sale of head office building, restructuring of production system, review of personnel system, etc.) as key points, as well as its earnings base, with a view to moving all of its businesses into the black and taking ordinary income for the current consolidated fiscal year into positive territory, and is in the course of implementing it. While the current consolidated first quarter showed improved performance by each business, resulting in an operating profit of 2,385 million yen and an ordinary income of 1,806 million yen, the JVC Kenwood Group will continue to aim for an early recovery of business results and financial conditions. In addition, regarding the procurement of funds, the JVC Kenwood Group will ask its main correspondent financial institutions for their continued financial support.

The JVC Kenwood Group is on track to pursue such measures and has confirmed an improvement of performance for the current consolidated first quarter. However, achieving the goals of action plans and mid-term business plan depends on future trends of consumer demand and the economic environment and also trends for the procurement of funds, therefore, negotiations with financial institutions are underway on refinancing loans scheduled within the current consolidated fiscal year. And, at this point in time, serious uncertainty about the going concern assumption is recognized.

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