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Accounting Report for the First Quarter of Fiscal Year Ending March 2012 (April 1, 2011 - June 30, 2011)

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2012 (April 1, 2011 - June 30, 2011)

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

	1st Quarter of FYE 3/2012 April 1, 2011 to June 30, 2011	1st Quarter of FYE 3/2011 April 1, 2010 to June 30, 2010
Net sales	77,194	88,749
Operating profit (loss)	3,019	2,385
Ordinary income (loss)	2,670	1,806
Net income (loss)	1,544	(418)
Net income (loss) per share	11.14 yen	(4.33) yen

FYE: Fiscal year ended / ending

Sales by Segments (Millions of yen)

	1st Quarter of FYE 3/2012 April 1, 2011 to June 30, 2011		1st Quarter of FYE 3/2011 April 1, 2010 to June 30, 2010	
Car Electronics	26,600	34%	28,962	33%
Professional Systems	21,563	28%	20,343	23%
Home & Mobile Electronics	18,701	24%	27,141	31%
Entertainment	8,993	12%	10,255	11%
Others	1,335	2%	2,045	2%
Total	77,194	100%	88,749	100%

FYE: Fiscal year ended / ending

Major Products in Each Segment

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

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

(1) Qualitative Information Concerning the Consolidated Operating Results

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

The world economy in the first quarter under review saw continued growth in emerging markets and a recovery trend in developed countries. Meanwhile, the Japanese economy started gradually showing a recovery tendency, although production activities stagnated and consumer spending and capital investment were sluggish. This was due to the impact of the Great East Japan Earthquake (hereinafter referred to as the "Earthquake"), which occurred on March 11, 2011.

Under such circumstances, net sales of the JVC KENWOOD Group for the first quarter under review decreased from a year earlier due to the strong yen, the Earthquake and a reduction of some operations under the structural reforms implemented in the previous fiscal year. However, operating profit and ordinary income increased year on year, since the Car Electronics business and the Professional Systems business, which are core businesses in the Group, remained strong mainly in overseas markets. In addition, the effects obtained from structural reforms were greater than assumed. Also, net income was posted for the current first quarter thanks to a sharp year-on-year decrease in extraordinary losses. The Group made a smooth start toward posting net income on a full-year basis, which is a target of the mid-term management plan.

For the first quarter under review, the Group had assumed the U.S. dollar would be worth 85 yen and the euro would be equivalent to 113 yen. However, exchange rates (excluding those for forward exchange contracts) that we actually used in preparing financial statements were about 82 yen to the dollar and approximately 117 yen against the euro.

*** Net sales**

Consolidated net sales for the first quarter under review were 77,194 million yen, a decrease of about 11.6 billion yen (down 13.0%) from a year earlier.

The decrease reflects an advance in the appreciation of the yen from a year ago, the impact of the Earthquake on some businesses mainly in the domestic market, a reduction of products and regions in part of the Home & Mobile Electronics business under the structural reforms implemented in the previous fiscal year and a transfer of a logistics contracting subsidiary in the Entertainment business. On the other hand, despite the impact of the Earthquake, the Car Electronics business maintained great market shares in the consumer markets in Europe and the U.S., while sales of the Professional Systems business remained robust mainly in overseas markets. As a result, the decrease in net sales was smaller than assumed.

*** Operating Profit**

Consolidated operating profit for the first quarter under review was 3,019 million yen, an increase of about 0.6 billion yen (up 26.6%) year on year. This was due to the profits of core businesses and the effects of the structural reforms carried out in the previous fiscal year, which absorbed the influence of the Earthquake, with all the four business segments posting an operating profit.

In the first quarter under review, the impact of the Earthquake was smaller than expected and the Car Electronics business continued to post an operating profit. Meanwhile the Professional Systems business also saw an operating profit thanks to the expansion of earnings in the Land Mobile Radio segment, in which the overseas sales ratio is high, and improvement of the profit and loss in the business solutions segment. Also, the Home & Mobile Electronics business recorded operating profit thanks to the effect of the structural reforms, while the Entertainment business maintained an operating profit due to a series of big hits and the effects of cost reductions despite the impact of the Earthquake.

*** Ordinary Income**

Ordinary income for the first quarter under review was 2,670 million yen, an increase of about 0.9 billion yen on a year-on-year basis (up 47.8%). This reflected increased operating profit and an improvement in non-operating profit and loss.

During the current first quarter, non-operating profit decreased by about 1 billion yen from a year earlier mainly due to a decrease in foreign exchange gain. Meanwhile, non-operating expenses declined by about 1.2 billion yen primarily reflecting a decrease in loans payable and declines in interest expense and loans commission.

*** Net Income**

For the first quarter under review, the Group posted a net income of 1,544 million yen, an improvement of about 2 billion yen year on year, thanks to an increase in ordinary income and a significant improvement in extraordinary profit and loss.

Extraordinary loss decreased by about 3.8 billion yen from a year earlier. This was because there was no extraordinary loss such as the loss on sales of fixed assets that occurred in the first quarter of the previous fiscal year. This was because the structural reforms were completed as of the end of the previous fiscal year. Meanwhile, extraordinary profit declined by about 0.4 billion yen year on year.

(Net Sales, Profits and Losses by Business Segment)

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

Operating profit (loss) by business segment is consistent with segment profit (loss).

First quarter of the fiscal year through March 2012 (from April 1, 2011 to June 30, 2011)

(Millions of yen)

Business Segment		1Q of FYE 2012/3	1Q of FYE 2011/3	Year-on-year comparison
Car Electronics	Net sales	26,600	28,962	(2,362)
	Operating profit	1,745	2,776	(1,031)
Professional Systems	Net sales	21,563	20,343	+1,220
	Operating profit	517	(714)	+1,231
Home & Mobile Electronics	Net sales	18,701	27,141	(8,440)
	Operating profit	186	(288)	+474
Entertainment	Net sales	8,993	10,255	(1,262)
	Operating profit	462	530	(68)
Others	Net sales	1,335	2,045	(710)
	Operating profit	107	82	+25
Total	Net sales	77,194	88,749	(11,555)
	Operating profit	3,019	2,385	+634
	Ordinary income	2,670	1,806	+864
	Net income	1,544	(418)	+1,962

*** Car Electronics Business**

Net sales of the Car Electronic business for the first quarter under review were 26,600 million yen, a year-on-year decrease of 2.4 billion yen (down 8.2%). Meanwhile, an operating profit of 1,745 million yen was secured despite a decline of about 1 billion yen (down 37.1%) in operating profit from a year earlier.

The After-market segment maintained great market shares in the markets in Europe and the U.S. despite the impact of the strong yen and the Earthquake. In Japan, the introduction of "Saisoku-Navi," an SSD-type of AV car navigation system, which was launched in February 2011, progressed smoothly.

In the OEM segment, shipments of factory-installed products for automobile manufacturers were sluggish in

April and May due to the Earthquake, but recovered in June. Meanwhile shipments of CD/DVD drive mechanisms to be mounted in vehicles, for auto accessories manufacturers, remained robust, as was the case in the previous fiscal year.

*** Professional Systems Business**

Net sales of the Professional Systems business for the first quarter under review increased by about 1.2 billion yen from a year earlier (up 6.0%) to 21,563 million yen. In addition, operating profit of 517 million yen was posted, an improvement of about 1.2 billion yen year on year.

In the Land Mobile Radio segment, in which the overseas sales ratio is high, net sales and operating profit grew significantly from a year earlier despite the impact of the strong yen. In this way, the segment maintained the good performance that started in the second quarter of the previous fiscal year.

The business solutions segment managed to keep sales at about the same level as the previous fiscal year. This was mainly due to brisk sales of video cameras and other products in overseas markets, though the number of sales opportunities decreased in Japan because of the Earthquake. This was also due to the seasonal factor in which demand tails off immediately after a sales battle period in the fourth quarter of the previous fiscal year. Operating loss decreased year on year thanks to the effects of improvement in the profit and loss because of cost cutting measures and reductions in fixed expenses, which were implemented in the previous fiscal year.

*** Home & Mobile Electronics Business**

In the Home & Mobile Electronics business, though net sales for the first quarter under review stood at 18,701 million yen, a decrease of about 8.4 billion yen from a year earlier (down 31.1%), operating profit of 186 million was recorded, representing an improvement of about 0.5 billion yen.

In the camcorder segment, the profit and loss improved and the balance was kept between income and expenditure, though net sales decreased year on year. This improvement is attributable to the advance in the introduction of a group of new products with enhanced added values, realized by installing a newly developed processor. In addition, it was due to the effects of the structural reforms carried out in the previous fiscal year, despite declines in sales in overseas markets due to changes in demand and a decrease in the number of sales opportunities in Japan because of the Earthquake.

In the display segment, effects were brought about by structural reforms, under which in-house development and production were terminated in May 2012 and a shift to a business model with a lighter asset burden was promoted. In the home audio segment, effects surfaced from structural reforms implemented in the previous fiscal year, under which products and regions were partly reduced and a shift to a fabless production structure progressed through outsourcing of production. As a result, the profit and loss of the home AV segment, in which the display and home audio segments are combined, improved significantly, though sales decreased year on year.

The AV accessories segment remained highly profitable, as was the case in the previous fiscal year, thanks to brisk sales of headphones and earphones. In the projector segment, sales of high-value-added models, including projectors that can handle 3D images, grew and the profit and loss improved.

*** Entertainment Business**

Net sales of the Entertainment business decreased by about 1.3 billion yen from a year earlier (down 12.3%) to 8,993 million yen, while operating profit of 462 million yen was secured despite a year-on-year decrease of about 0.1 billion yen (down 12.8%) in operating profit.

In the content business, sales remained robust, amid sluggish demand that was partly due to the effects of the Earthquake, thanks to a series of big hits in music and strong sales in animation as well as rights-related income relevant to music, while the internal reform progressed through cost reductions.

Profitability at the OEM business improved due to steady growth in orders received for production of optical

discs amid sluggish market conditions and the effects of reduced fixed costs, though net sales decreased sharply as a result of transfer of Nippon Record Center Co., Ltd., a subsidiary engaged in logistics of music and video software.

(2) Qualitative Information Concerning the Consolidated Financial Position (Analysis of assets, liabilities, and net assets)

*** Assets**

Total assets at the end of the first half of the fiscal year under review decreased by about 22.6 billion yen from the end of the previous fiscal year to 238,022 million yen. This was due to decreases in cash and cash equivalents resulting from payment of expenses on employment structural reform implemented in the previous fiscal year and declines in trade notes and accounts receivable.

*** Liabilities**

Liabilities decreased by about 21.6 billion yen from the end of the previous fiscal year to 186,363 million yen due to decreases in other accounts payable and accrued expenses following the payment of employment structural reform expenses, mentioned above.

Interest-bearing debts (sum of loans payable and bonds payable) decreased by about 0.3 billion yen from the end of the previous fiscal year to 92,766 million yen. The net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) increased by about 9.8 billion yen from the end of the previous fiscal year to 37,927 million yen due to the decreases in cash and cash equivalents, mentioned above.

*** Net assets**

Retained earnings increased by about 61.0 billion yen from the end of the previous fiscal year to 19.7 billion yen. This was due to the elimination of loss that arose by transferring other capital surplus to retained earnings, as stated in the "Notice on Elimination of Loss Cumulated by Transfer of Other Capital Surplus to Retained Earnings," as of May 13, 2011. In addition, it was due to posting the net income in the first quarter under review. Total shareholders' equity increased by about 1.5 billion yen from the end of the previous fiscal year to 75,040 million yen.

Total net assets decreased by about 1.1 billion yen from the end of the previous fiscal year to 51,659 million yen. This was because foreign currency translation adjustments related to investments in overseas affiliates decreased by about 2.5 billion yen due to the yen's appreciation against major foreign currencies including the U.S. dollar and the euro, though shareholders' equity increased. On the other hand, shareholders' equity ratio increased by 1.5 percentage points from the end of the previous fiscal year to 21.5%.

(Cash flow analysis)

*** Cash flows from operating activities**

Net cash spent in operating activities for the first quarter under review was 7,526 million yen, up about 10.6 billion yen from the first quarter of the previous fiscal year. This was primarily due to decreases in employment structural reform expenses and accrued expenses, despite an increase in income because of a rise in income before income taxes.

*** Cash flows from investing activities**

Net cash spent in investing activities for the first quarter under review was 1,591 million yen, a decrease of about 6.5 million yen in cash provided by investing activities compared with the first quarter of the previous fiscal year. This was mainly due to a decrease in income of about 6.3 billion yen in connection with the sale of tangible fixed assets.

*** Cash flows from financing activities**

Net cash spent in financing activities for the first quarter under review decreased by about 5.3 billion yen to 355 million yen, compared with the first quarter of the previous fiscal year. This was mainly due to a decrease of about 4.8 billion yen in repayment expenses for long-term loans payable.

As of the end of the first quarter under review, cash and cash equivalents totaled 54,758 million yen.

(3) Qualitative Information Concerning the Consolidated Earnings Forecast

When JVC KENWOOD publicly announced its earnings forecast for the fiscal year ending March 2012, as of April 27, 2011, it had incorporated the impact of the Earthquake into the earnings forecast for the full fiscal year as far as it could. However, it left its earnings forecast for the first half of the fiscal year ending March 2012 undecided, since it was difficult to identify the time when such impact would occur.

We decided the earnings forecast for the first half of the fiscal year ending March 2012, taking into consideration the results of the first quarter of the fiscal year under review that were announced today, assuming the management environment and the status of business in the first half of the current fiscal year and the impact of the Earthquake as much as possible and incorporating expenses on the merger of JVC KENWOOD with its subsidiaries, scheduled on October 1, 2011.

The impact of the Earthquake in the fiscal year ending March 2012 is expected to be smaller than the assumption as of April 27, 2011. Meanwhile, the structural reforms implemented in the previous fiscal year brought about greater effects than assumed in the first quarter of the fiscal year ending March 2012. However, we will make any necessary revisions to the earnings forecast for the full fiscal year after carefully examining the management environment and the status of business in and after the third quarter of the current fiscal year, the impact of the Earthquake and the influence of the merger of JVC KENWOOD with its subsidiaries. Any revisions will be made before JVC KENWOOD announces its business results for the first half of the fiscal year ending March 2012.

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

(JPY in Million)

	Previous Fiscal Year (as of March 31, 2011)	End of current consolidated first quarter (as of Jun.30, 2011)
Assets		
Current assets		
Cash and cash equivalents	64,972	54,838
Trade notes and accounts receivable	51,210	44,692
Merchandise and finished goods	28,249	27,380
Work in process	2,908	3,206
Raw materials and supplies	7,120	7,606
Other current assets	13,585	12,001
Allowance for doubtful accounts	(1,788)	(1,549)
Total current assets	166,258	148,176
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,240	14,391
Machinery and equipment, net	3,155	2,821
Tools, furniture and fixtures, net	5,669	4,866
Land	31,401	31,326
Construction in progress	284	412
Total tangible fixed assets	55,750	53,819
Intangible fixed assets		
Goodwill	4,918	4,853
Software	7,111	6,632
Other intangible fixed assets	2,943	2,828
Total intangible fixed assets	14,974	14,314
Investments and other assets		
Investment securities	4,588	4,411
Prepaid pension cost	12,866	11,774
Other investments	7,987	7,192
Allowance for doubtful receivables	(1,936)	(1,809)
Total investments and other assets	23,504	21,569
Total fixed assets	94,229	89,703
Total Deferred assets	175	142
Total assets	260,664	238,022

(JPY in Million)

	Previous Fiscal Year (as of March 31, 2011)	End of current consolidated first quarter (as of Jun.30, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	28,378	26,689
Short term loans payable	71,353	72,066
Other accounts payable	14,617	3,812
Accrued expenses	31,111	25,081
Income taxes payable	2,505	2,174
Provision for product warranties	3,194	3,050
Provision for sales returns	1,537	1,562
Other current liabilities	9,612	7,749
Total current liabilities	162,310	142,187
Long term liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	1,700	700
Provision for retirement benefits	15,090	14,764
Other long term liabilities	8,823	8,710
Total long term liabilities	45,614	44,175
Total liabilities	207,924	186,363
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	105,336	45,875
Retained earnings	(41,305)	19,700
Treasury stock	(534)	(535)
Total shareholders' equity	73,496	75,040
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	267	301
Deferred hedge gain and loss	27	-
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustment	(24,715)	(27,190)
Total other comprehensive income	(21,466)	(23,935)
Minority interests	709	554
Total net assets	52,739	51,659
Total liabilities and net assets	260,664	238,022

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

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2010 - Jun.30, 2010)	Accumulated period for current consolidated first quarter (Apr.1, 2011- Jun.30, 2011)
Net sales	88,749	77,194
Cost of sales	60,889	52,370
Gross profit	27,859	24,823
Selling, general and administrative expenses	25,473	21,804
Operating profit	2,385	3,019
Non-operating profit		
Interest income	70	66
Dividends income	117	197
Foreign exchange gain	1,109	345
Other non-operating profit	594	324
Total non-operating profit	1,893	933
Non-operating expense		
Interest expense	754	645
Sales discounts	90	85
Other non-operating expenses	1,627	550
Total non-operating expense	2,472	1,282
Ordinary income	1,806	2,670
Extraordinary profit		
Gain on sales of fixed assets	463	12
Gain on sales of subsidiaries and affiliates' stocks	-	16
Reversal of employment structural reform expenses	-	25
Other extraordinary profit	5	-
Total extraordinary profit	469	54
Extraordinary loss		
Loss on disposal of fixed assets	8	59
Loss on sales of fixed assets	1,836	-
Loss on valuation of investment securities	-	143
Loss on liquidation of subsidiaries and affiliates	88	26
Business structural reform expenses	22	12
Employment structural reform expenses	3	-
Loss on valuation of inventory for closing business	-	180
Levies	1,546	-
Other extraordinary loss	834	70
Total extraordinary loss	4,340	492
Income before income taxes	(2,064)	2,232
Corporate tax, corporate inhabitant tax and corporate enterprise tax	938	766
Corporate tax and other adjustment	(2,581)	(18)
Income taxes	(1,643)	747
Income before minority interests	(421)	1,484
Minority interests in income	(3)	(59)
Net income	(418)	1,544

(Statements of comprehensive income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2010 - Jun.30, 2010)	Accumulated period for current consolidated first quarter (Apr.1, 2011- Jun.30, 2011)
Income before minority interests	(421)	1,484
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	(130)	34
Deferred hedge gain and loss	(210)	(27)
Foreign currency translation adjustment	(5,388)	(2,477)
Total other comprehensive income	(5,729)	(2,470)
Comprehensive income	(6,151)	(985)
Breakdown		
Comprehensive income attributable to owners of the company	(6,138)	(923)
Comprehensive income attributable to minority interests	(13)	(62)

(3) Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2010 - Jun.30, 2010)	Accumulated period for current consolidated first quarter (Apr.1, 2011- Jun.30, 2011)
Cash flows from operating activities:		
Income before income taxes	(2,064)	2,232
Depreciation	3,829	2,602
Amortization of goodwill	81	81
Increase (decrease) in provision for retirement benefits	(194)	(278)
Increase (decrease) in allowance for doubtful accounts	(68)	(336)
Interest and dividends income	(188)	(263)
Interest expense	754	645
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(16)
Loss on disposal of fixed assets	8	59
(Gain) loss on sales of fixed assets	1,372	(12)
(Increase) decrease in trade notes and accounts receivable	5,497	5,602
(Increase) decrease in inventories	(1,610)	(432)
Increase (decrease) in accounts payable	306	(1,086)
Increase (decrease) in accrued expenses	(3,435)	(5,591)
Other	611	(9,400)
Sub-total	4,900	(6,194)
Interest and dividends received	188	262
Interest paid	(608)	(580)
Income taxes paid	(1,404)	(1,014)
Net cash provided by operating activities	3,076	(7,526)
Cash flows from investing activities:		
Capital investment (real estate, plants and equipment)	(994)	(1,250)
Proceeds from sales of property, plant and equipment	6,315	33
Purchase of intangible fixed assets	(694)	(748)
Other	271	374
Net cash used in investing activities	4,897	(1,591)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(99)	412
Repayment of long-term loans payable	(5,287)	(516)
Other	(233)	(251)
Net cash used in financing activities	(5,621)	(355)
Effect of exchange rate fluctuations on cash and cash equivalents	(2,574)	(660)
Net increase (decrease) in cash and cash equivalents	(222)	(10,133)
Cash and cash equivalents at beginning of period	43,408	64,891
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	392	-
Cash and cash equivalents at end of quarter	43,578	54,758