JVC KENWOOD

Financial Section

Annual Report 2011

JVC KENWOOD Corporation

Annual Report 2011 Financial Section

Contents

Financial Review

Overview of the Fiscal Year Ended March 2011

The global economy in the fiscal year under review saw a recovery mainly in emerging markets. However, there was still uncertainty due to the economic measures taken mainly by developed countries coming full circle, fluctuations in foreign exchange rates, deflationary trends, and political instability in the Middle East. The Great East Japan Earthquake and Tsunami ("the Great Earthquake" below) which occurred on March 11, 2011, also had an enormous impact on the Japanese economy and consequently created an unpredictable situation, since this impact has been spreading to the world economy.

In such circumstances, operating results of the JVC KENWOOD Group significantly improved over the previous fiscal year thanks to the effects of cost reductions attained by the structural reforms implemented in the previous fiscal year, in addition to sound progress both in the Car Electronics business and Professional Systems business, which are core businesses in the Group, in spite of impacts by the Great Earthquake and appreciation of the yen.

Operating income and ordinary income returned to the black in all the four quarters of the fiscal year under review, resulting in the Group posting a full-year profit for the first time since the management integration. In the fiscal year under review, the Group saw a full-year deficit due to temporary expenses associated with the structural reform, posted in the fourth quarter after it entered the black in the third quarter on a consolidated year-to-date basis. Loss, however, significantly shrank on a year-on-year basis due to the ordinary income.

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
U.S.$	¥92	¥86	¥83	¥82
Euro	¥117	¥111	¥112	¥113

Sales and Income

▶ Consolidated Operating Results

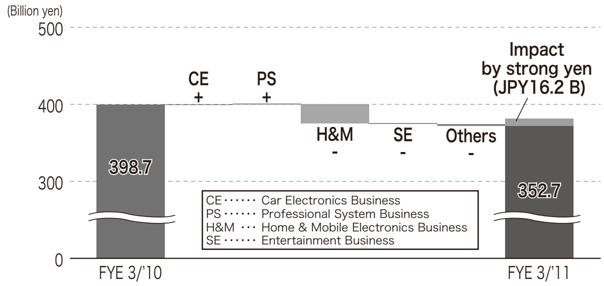
∗Net Sales

Consolidated net sales for the fiscal year under review were 352,672 million yen, a decrease of about 46.0 billion yen (down 11.5%) over the previous fiscal year. This reflects a decrease of about 16.2 billion yen (down 4.1% from sales from the previous fiscal year) in yen-dominated overseas sales associated with the appreciation of the yen since the JVC KENWOOD Group highly depends on global sales. In addition, a narrowing down of the Display segment in the Home & Mobile Electronics business in Europe and the United States and decreased sales in the Camcorder segment mainly in the overseas markets put pressure on net sales.

The Great Earthquake also affected the domestic markets leading to a decrease in commercial opportunities mainly in the Home & Mobile Electronics business and a delay in the release of new albums in the Entertainment business, which resulted in lower net sales.

On the other hand, both the After-market and OEM segments of the Car Electronics business fared well, and orders received in the Land Mobile Radio segment of the Professional Systems business showed a recovery in the largest market, the U.S., and also expanded in emerging markets such as China and other Asian countries.

Net sales (Y-o-Y)



∗Operating Income

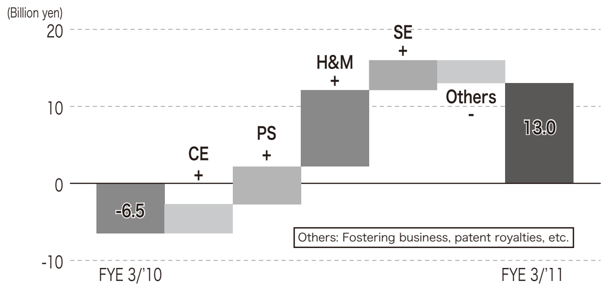
Consolidated operating income for the fiscal year under review was 12,956 million yen, an increase of 19.4 billion yen over the previous fiscal year, and ended in the black for the full year for the first time since the management integration, even though the business was affected by the Great Earthquake.

This is because the Car Electronics business built on the solid growth and high profitability sustained in the After-market segment. Sales expansion in the OEM segment also greatly contributed to higher income, leading to a great increase in profit. The Professional Systems business returned to the black as a whole since the profit and loss balance in the Business solution segment significantly improved with lower cost prices and the effects of fixed expense reductions and returned to the black, in addition to the recovery of profitability in the Land Mobile Radio segment. The Entertainment business also returned to profitability due to higher income achieved by releasing hit movies and music and reducing costs.

In addition, the Home & Mobile Electronics business saw a significant improvement in income thanks to the effects of fixed expense reduction measures implemented in the business structure reforms, which contributed to a drastic shrinkage of loss.

Furthermore, income (about 800 million yen) associated with granting a patent license to Panasonic Corporation ("Panasonic" below) helped to increase operating income.

Operating income (Y-o-Y)

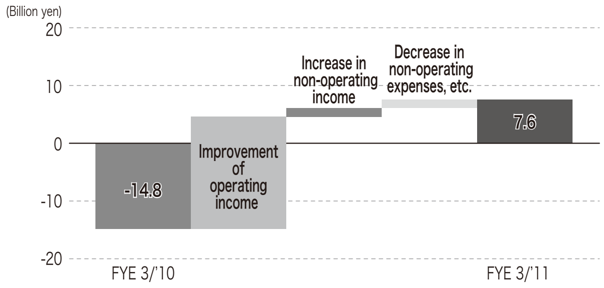


∗Ordinary Income

Ordinary income for the fiscal year under review was 7,579 million yen, an increase of about 22.3 billion yen on a year-on-year basis reflecting the operating income and improved non-operating income, and ended in the black on a full-year basis for the first time since the management integration.

In the fiscal year under review, non-operating income of about 2.9 billion yen was recorded in total, exceeding the previous fiscal year's figure by over 1.5 billion yen. It included foreign exchange profit and patent license fees adjusted for past years. On the other hand, non-operating expenses totaled about 8.3 billion yen, a decrease of about 1.4 billion yen from the previous fiscal year, due to a decrease in interest expenses, a disappearance of foreign exchange losses and other factors.

Ordinary income (Y-o-Y)



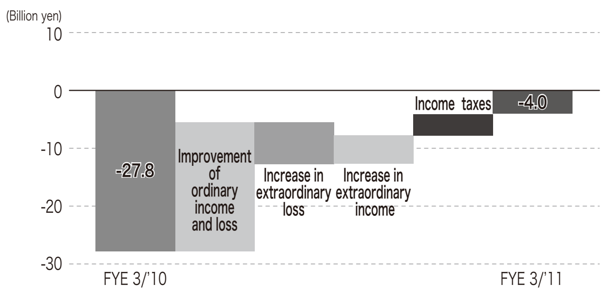
*Net Income

For the fiscal year under review, the Group posted a net loss but kept it from exceeding 4,025 million yen, an improvement of about 23.8 billion yen on a year-to-year basis, since ordinary income returned to the black, the extraordinary income and loss mentioned below were recorded, and corporate tax and other adjustments were reduced associated with the sale of assets.

This is because extraordinary profit increased by about 4.9 billion yen compared with the previous fiscal year, reaching about 8.2 billion yen in total, including patent royalties associated with the granting of a patent license to Panasonic and increased profit pertaining to sales of fixed assets.

On the other hand, extraordinary loss increased by about 7.2 billion yen compared with the previous fiscal year and came to about 19.7 billion yen in total. This was due to surcharges posted in the first quarter pertaining to a correction of settlement for the previous fiscal year as well as an increase in retirement loss and loss on sales of fixed assets and expenses associated with the structural reforms including the voluntary early retirement program, which were implemented in line with an action plan for reconstructing corporate bases (“corporate bases reconstruction action plan” below), even though impairment loss decreased from the previous fiscal year.

Net income (Y-o-Y)



▶ Net Sales and Earnings by Business Segment

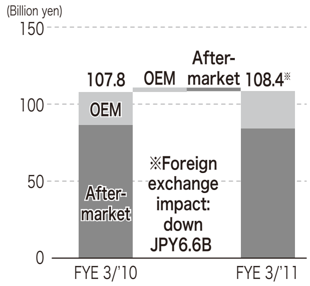
*Car Electronics Business

In the After-market segment, throughout the fiscal year under review, sales of car audio equipment and car navigation systems, with greater competitiveness owing to the effect of management integration, remained strong in markets in Europe and the U.S. and great market shares were maintained, while net sales grew in Asian markets. In Japan, net sales expanded thanks to brisk sales of car navigation systems using flash memory whose competitiveness had been enhanced by the integrated development between Victor Company of Japan, Limited (JVC) and Kenwood Corporation (Kenwood).

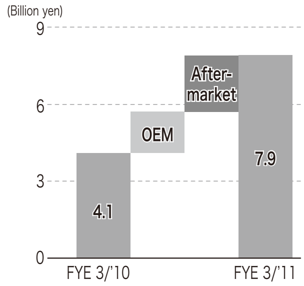
In the OEM segment, in addition to the fact that sales of factory-installed products and dealer option products increased, shipments of CD/DVD drive mechanisms to be mounted in vehicles grew considerably as a result of significant rises in orders received. After the occurrence of the Great Earthquake, the number of opportunities to sell factory-installed products to domestic automobile manufacturers declined. However, this decrease was made up for by sales of factory-installed products to overseas automobile manufacturers and sales of CD/DVD drive mechanisms to manufacturers of car accessories.

Consequently, net sales of this business for the current fiscal year increased by about 600 million yen to 108,449 million yen (sales decreased by about 6.6 billion yen because of the yen’s appreciation and the related foreign exchange conversion), and operating income increased by 3.8 billion yen to 7,894 million yen.

Car Electronics Business
Net sales (Y-o-Y)



Operating income (Y-o-Y)



*Professional System Business

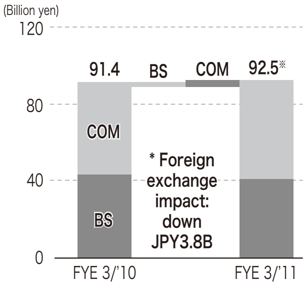
In the Land Mobile Radio segment, there was a recovery in orders received for the public safety market in the U.S., which is the largest market. In addition, sales of proprietary digital land mobile radio for business and industry market expanded significantly and their sales also grew in China and other Asian countries, resulting in increased net sales and profit.

In the Business Solutions segment, sales of professional cameras, professional audio equipment, and professional card printers continued to see steady growth under generally stagnant conditions with weak demand in Japanese and overseas markets. Also, the profit and loss further improved because of cost cutting measures and reductions in fixed expenses. Thus, this segment recorded a profit for the third straight quarter from the current second quarter, and posted a profit on a full-year basis as well. After the occurrence of the Great Earthquake, the number of opportunities to sell some products decreased. However, this segment minimized the impact of the earthquake by making up for the decline with other products.

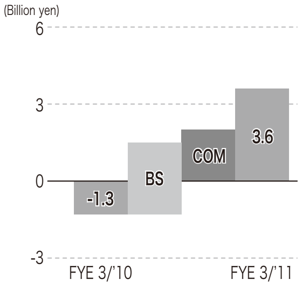
As a result, sales of this business for the fiscal year under review increased by about 1.2 billion yen to 92,545 million yen (sales fell by about 3.8 billion yen through foreign currency-yen conversion due to the yen’s appreciation), and operating income increased substantially by about 4.9 billion yen to 3,594 million yen. Thus, this segment recorded a profit.

Professional Systems Business

Net sales (Y-o-Y)



Operating income (Y-o-Y)



＊Home & Mobile Electronics Business

In the Display segment, there were ongoing efforts for structural reform including a further shift to a business model such as the brand license business with a lighter asset burden, achieved by terminating sales activities of in-house production and by own sales corporations in all regions excluding Asia. These efforts brought positive effects. Though sales fell by half, operating loss decreased substantially on a year-to-year basis.

In the Camcorder segment, though sales overseas were sluggish, sales in Japan remained steady. In addition, due to efforts made in the previous fiscal year for structural reform, lower costs, a greater competitive edge in products realized by a newly developed processor and effects of the development of new sales channels, operating loss decreased by half.

The Home audio segment lost some sales, adversely impacted by a sales reduction in some goods and a decrease in sales overseas, and recorded a loss. The AV accessories segment including headphones and earphones remained highly profitable throughout the fiscal year under review.

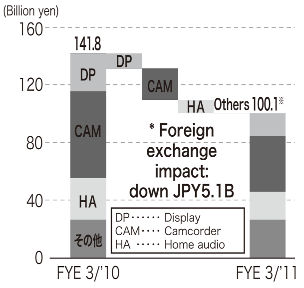
Sales of projectors that can handle 3D images grew strongly, and contributed to the profit.

After the occurrence of the Great Earthquake, the number of sales opportunities in the Camcorder and Home audio segments in Japan declined, adversely affecting net sales and profit.

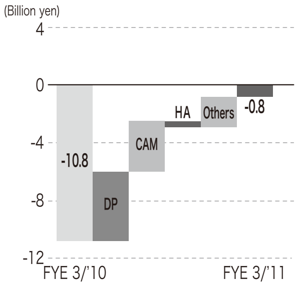
Consequently, net sales of this business for the fiscal year under review decreased by about 41.7 billion yen to 100,101 million yen (sales fell by about 5.1 billion yen through foreign currency-yen conversion due to the yen's appreciation), but operating loss decreased significantly by about 9.9 billion yen from the previous fiscal year to 835 million yen.

Home & Mobile Electronics Business

Net sales (Y-o-Y)



Operating income (Y-o-Y)



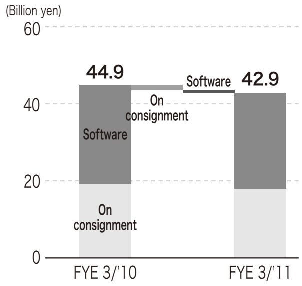
＊Entertainment Business

The content business managed to keep sales at about the same level as the previous fiscal year due to a series of big hits in music and animation, as well as rights-related income relevant to music, although there were delays in releasing new albums because of the earthquake. Also, the internal reform progressed through cost reductions. Profitability at the OEM business including production of optical discs improved due to steady growth in orders received amid sluggish market conditions and the effects of reduced fixed costs.

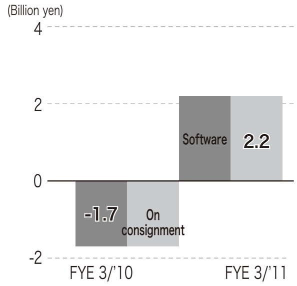
As a result, net sales of this business for the current fiscal year decreased only by about 2.0 billion yen to 42,909 million yen in a year-to-year comparison, and operating income of 2,177 million yen was recorded, a significant improvement of 3.9 billion yen from operating loss posted in the previous fiscal year.

Entertainment Business

Net sales (Y-o-Y)



Operating income (Y-o-Y)



Net Sales, Operating Income and Losses by Business Segment
Fiscal year ended March 2011 (April 1, 2010 to March 31, 2011) (Millions of yen)

Business Segment		FYE3/'11	FYE3/'10	Year-on-year basis
Car Electronics business	Net sales	108,449	107,813	+636
	Operating income	7,894	4,090	+3,804
Professional Systems business	Net sales	92,545	91,389	+1,156
	Operating income	3,594	(1,321)	+4,915
Home & Mobile Electronics	Net sales	100,101	141,772	(41,671)
	Operating income	(835)	(10,752)	+9,917
Entertainment	Net sales	42,909	44,933	(2,024)
	Operating income	2,177	(1,743)	+3,920
Others	Net sales	8,666	12,752	(4,086)
	Operating income	125	3,273	(3,148)
Total	Net sales	352,672	398,663	(45,991)
	Operating income	12,956	(6,453)	+19,409
	Ordinary income	7,579	(14,752)	+22,331
	Net income	(4,025)	(27,795)	+23,770

Notes:
1. For the fiscal year ended March 2010, patent revenue and profit/loss regarding the business incubation are included in the Other Segment.
2. For the fiscal year ended March 2011, profit/loss related to patent revenue is allocated to each business segment, and profit/loss regarding the business incubation is included in the Professional Systems Business Segment.

Analysis of Financial Position

▶ Analysis of assets, liabilities and net assets

***Assets**

Total assets at the end of the fiscal year under review decreased by about 14.1 billion yen from the end of the previous fiscal year to 260,664 million yen due to decreases in accounts receivable and inventories and progress in reducing assets by selling tangible fixed assets, including head offices of JVC KENWOOD and JVC, although cash and deposits increased as a result of fund procurement through issuing new shares and disposing of treasury shares.

***Liabilities**

Interest-bearing debts (sum of loans payable and bonds payable) decreased by about 15.3 billion yen from the end of the previous fiscal year to 93,053 million yen. This was mainly due to the repayment of borrowings from financial institutions by using proceeds from sales of assets. Total liabilities also decreased by about 20.0 billion yen from the end of the previous fiscal year to 207,924 million yen.

The net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) decreased by about 36.7 billion yen from the end of the previous fiscal year to 28,081 million yen.

***Net assets**

Total shareholders' equity increased by about 10.9 billion yen from the end of the previous fiscal year to 73,496 million yen due to the issuance of new shares and disposition of treasury shares, despite the posting of a net loss for the fiscal year under review.

Total net assets increased by about 5.9 billion yen from the end of the previous fiscal year to 52,740 million yen. This was because shareholders' equity increased, though foreign currency translation adjustments related to investments in overseas affiliates decreased by about 4.4 billion yen due to the yen's appreciation against major foreign currencies including the U.S. dollar and the euro.

At its Board of Directors meeting held on January 5, 2011, the Company resolved to issue new shares through an overseas offering and to dispose of its treasury shares to raise funds for achieving profitable growth and to strengthen its financial base and capital structure. Procedures for these practices were completed on January 25, 2011, and a total of 13,924 million yen was paid on the same day. This led to increasing shareholders' equity and net assets by the same amount.

As a result, shareholders' equity ratio increased by 3.3 percentage points from the end of the previous fiscal year on a consolidated basis to 20.0%. The net D/E ratio stood at 0.53.

(Reference)

On May 13, 2011, cumulative losses were eliminated by transferring other capital surplus to retained earnings.

▶ Cash flow analysis

***Cash flows from operating activities**

Net cash provided by operating activities for the fiscal year under review was 19,986 million yen, down about 1.5 billion yen from the previous fiscal year. The smaller cash flow was a result of a decrease in income due to the completion of inventory reductions and an increase in prepaid pension costs, despite an increase in income because of a substantial decrease in loss before income taxes.

***Cash flows from investing activities**

Net cash provided by investing activities for the fiscal year under review increased by about 8.5 billion yen to 5,354 million yen, compared with the previous fiscal year. This was mainly due to a reduction in expenses of about 1.8 billion yen in connection with the acquisition of tangible and intangible fixed assets, as well as an increase in income of about 6.7 billion yen due to the sale of tangible fixed assets including head office buildings of JVC KENWOOD and JVC.

***Cash flows from financing activities**

Net cash spent in financing activities for the fiscal year under review decreased by about 24.8 billion yen to 2,291 million yen, compared with the previous fiscal year. This was mainly due to a decrease of about 34.8 billion yen in repayment expenses for long-term loans payable and redemption of bonds and an increase of about 13.9 billion yen in income resulting from issuance of new shares and disposition of treasury shares, despite a decrease of about 22.7 billion yen in income due to a decrease in short-term loans payable and a decline in long-term loans payable.

As of the end of the fiscal year under review, cash and cash equivalents totaled 64,891 million yen, an increase of about 21.5 billion yen from the end of the previous fiscal year.

Basic Policies for Payment of Dividends

Regarding it as one of the most important managerial issues to provide shareholders with stable returns on their investment, JVC KENWOOD will decide matters such as the distribution of retained earnings and other dispositions based on the comprehensive consideration of profitability and financial conditions.

For the term under review (the fiscal year ended March 2011), JVC KENWOOD decided to refrain from paying year-end dividends, since it is necessary to utilize the management resources for an earnings recovery in the future.

Material Events Regarding Going Concern

The JVC KENWOOD Group posted consecutive net losses from the fiscal year ended March 2009 to the fiscal year under review, due to a deterioration in income associated with changes in the economic environment and expenses incurred by the structural reforms. These losses were stated in the "Notes regarding Going Concern Assumption" section of the report from the first quarter of the consolidated fiscal year ended March 2010 to the third quarter of the consolidated fiscal year ended March 2011. However, the Group carried out the "action plan for business structural reforms" focusing on improving income in unprofitable businesses in the previous fiscal year and achieved drastic reforms in the cost structure such as a great reduction in fixed expenses. In the fiscal year under review, optimizing those effects, the Group worked on the "corporate base reconstruction action plan" for rebuilding corporate bases corresponding to the current sales size, based on changes in the economic environment, foreign exchange fluctuations and the impact of the structural reforms, and completed major measures by the end of the fiscal year under review.

In line with the mid-term business plan to be completed by the end of the fiscal year ending March 2014, the Group also moved forward with its growth strategy with optimized synergy effects of the integration, focusing on the Car Electronics business and Professional Systems business in which the strengths of the Group would be well exerted.

As a result of those efforts, operating income reached 12,956 million yen and ordinary income came to 7,579 million yen for the fiscal year under review, with both figures returning to the black for the first time since the management integration. Net income for the fiscal year under review resulted in a full-year loss of 4,025 million yen due to temporary expenses associated with the "corporate base reconstruction action plan" posted in the fourth quarter, after it marked black ink in the third quarter of the fiscal year under review on a consolidated year-to-date basis.

As mentioned above, the JVC KENWOOD Group made steady advances to attain a positive net income and further growth, by achieving financial progress such as an improvement in cash flow in conjunction with an improvement in performance, increase in cash from reducing inventory assets and sales of assets. These efforts contributed to a significant improvement in the cash position in the fiscal year under review. Furthermore, funds of about 13.9 billion yen were procured by issuing new shares and disposing of treasury shares in January 2011. The Group also negotiated on financial covenants with its major trading financial institutions and succeeded in securing funds by the end of the fiscal year under review.

Therefore, the Group judges that there is no material uncertainty identified with the events or situations that may raise any material doubt about the going concern assumption of the Group as of the day when this accounting report is prepared.

Forward-looking statements contained in this Annual Report are based on the judgments of JVC KENWOOD as of the day this financial section was prepared.

Important subsequent events reported in the first and second quarter of the Fiscal Year ending March 2012

∗Issue of Stock Acquisition Rights in Relation to Modification of Terms (Extension of Maturity Date, etc.) of JVC's Bond

At its Board of Directors Meeting held on August 1, 2011, JVC KENWOOD Corporation resolved to issue stock acquisition rights on the condition that modification of the terms of the No.7 Unsecured Bond (the "Bond") issued by Victor Company of Japan, Limited ("JVC") in August 2007, including the extension of the maturity date, (the "Term Modification"), is approved at the bondholders meeting (the "Bondholders Meeting"). The Bondholders Meeting was held on August 8, 2011, and the Term Modification was approved.

The JVC KENWOOD Group will establish a scheme to spread out the maturity of the Bond over the four-year period without increasing the Bond's interest rate, at this time when one year is left until the original maturity dates come, setting a course to redeem the ¥20 billion unsecured bonds.

∗Merger of JVC KENWOOD and its Three Subsidiaries

At its Board of Directors Meeting held on August 1, 2011, JVC KENWOOD Corporation resolved to execute an absorption-type merger of its three subsidiaries, Victor Company of Japan, Limited, Kenwood Corporation, and J&K Car Electronics Corporation, which are operating companies of the JVC KENWOOD Group and completed the merger effective October 1, 2011.

∗Signing of a Capital and Business Alliance Agreement

At its Board of Directors Meeting held on October 28, 2011, JVC KENWOOD Corporation resolved to acquire a total of 45.0% of the outstanding shares in Shinwa International Holdings Limited ("Shinwa") from the funds to invest in Japanese corporations ("CITIC Capital Japan Fund") managed by CITIC Capital. It also determined to sign a capital and business alliance agreement with Shinwa. In line with this, we entered into share transfer agreements with Shinwa and CITIC Capital Japan Fund ("Share Transfer Agreements") and shareholders agreements with Shinwa Chairman Yoshifumi Naito, who owns all of the remaining shares in Shinwa (55%), and Shinwa, as well as a business alliance agreement with Shinwa.

(1) Sellers of shares:
CITIC Capital Japan Fund 13,090,910 shares (45.0%)

(2) Schedule:
October 28, 2011
Signing of share transfer agreements, shareholders agreements, and the business alliance agreement
February 2012 Closing of share transfer agreements (scheduled)
Within 3 years from February 2012
Conversion of Shinwa into a subsidiary with the acquisition of Shinwa shares from Yoshifumi Naito (scheduled)

Note: Changes from when the Memorandum of Understanding was concluded on June 10, 2011

As of June 10, 2011, JVC KENWOOD had assumed that it would acquire 45.0% of the outstanding shares in Shinwa from the CITIC Capital Japan Fund and 6.0% of Shinwa shares from Yoshifumi Naito to make Shinwa into a subsidiary. However, as the result of subsequent examinations and discussions, JVC KENWOOD decided to make Shinwa into an equity-method company with the completion of the share transfer of 45.0% of the outstanding share in Shinwa from CITIC Capital Japan Fund at the closing of Share Transfer Agreements, and then acquire 31.0% of Shinwa shares from Yoshifumi Naito within three years from the Share Transfer Agreements, converting Shinwa into a subsidiary at that stage.

Consolidated Balance Sheets

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

As of March 31, 2011 and 2010

ASSETS	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
Current Assets:			
Cash and cash equivalents (Notes 7 and 17)	¥ 64,892	¥ 43,408	$ 780,421
Time deposits (Note 17)	80	94	962
Notes and accounts receivable (Notes 7 and 17)			
Trade	51,115	62,442	614,732
Unconsolidated subsidiaries and associated companies	316	814	3,800
Other	8,853	6,316	106,470
Less: Allowance for doubtful receivables	(1,788)	(3,847)	(21,503)
Inventories (Note 7)			
Finished goods	28,249	31,051	339,735
Work in process	2,909	4,121	34,985
Raw materials and supplies	7,120	9,588	85,628
Other current assets (Notes 7, 13 and 21)	4,513	9,072	54,277
Total current assets	166,259	163,059	1,999,507
Property, Plant and Equipment (Notes 4, 5 and 7) :			
Land (Note 6)	31,402	47,363	377,655
Buildings and structures	69,295	82,019	833,373
Machinery and equipments	52,493	67,609	631,305
Furniture and fixtures	91,984	104,471	1,106,242
Construction in progress	284	1,093	3,415
Total	245,458	302,555	2,951,990
Accumulated depreciation	(189,707)	(222,579)	(2,281,503)
Net property, plant and equipment	55,751	79,976	670,487
Investments and Other Assets:			
Investment securities (Notes 3 and 17)	4,483	4,586	53,915
Investments in and advances to unconsolidated subsidiaries and associated companies	400	855	4,811
Goodwill (Note 4)	4,919	5,278	59,158
Software (Note 7)	7,112	9,110	85,532
Prepaid pension costs (Note 8)	12,866	1,415	154,732
Bond issuance costs	176	307	2,117
Stock issuance costs		70	
Other (Notes 7 and 13)	8,698	10,096	104,606
Total investments and other assets	38,654	31,717	464,871
TOTAL ASSETS	¥ 260,664	¥ 274,752	$ 3,134,865

See notes to consolidated financial statements.

Consolidated Balance Sheets (continued)

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

As of March 31, 2011 and 2010

LIABILITIES AND EQUITY	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
Current Liabilities:			
Notes and accounts payable (Note 17)			
Trade	¥ 28,366	¥ 30,843	$ 341,143
Unconsolidated subsidiaries and associated companies	32	529	385
Other	14,710	5,799	176,909
Short-term bank loans (Notes 7 and 17)	68,953	77,686	829,260
Current portion of long-term debt (Notes 7 and 17)	2,972	8,541	35,743
Accrued expenses (Note 17)	31,092	36,383	373,927
Income taxes payable (Note 17)	2,505	2,407	30,126
Warranty reserves	3,195	3,050	38,424
Sales return reserves	1,538	1,541	18,497
Other current liabilities (Notes 3 and 13)	8,947	9,235	107,600
Total current liabilities	162,310	176,014	1,952,014
Long-term Liabilities:			
Long-term debt (Notes 7 and 17)	22,033	24,297	264,979
Liability for retirement benefits (Note 8)	15,091	16,273	181,491
Deferred tax liabilities (Notes 6 and 13)	6,939	10,892	83,452
Other	1,551	457	18,653
Total long-term liabilities	45,614	51,919	548,575
Commitments and Contingent Liabilities (Notes 5, 16 and 18)			
Equity (Notes 9 and 10):			
Common stock, authorized – 400,000,000 shares			
Issued – 139,000,201 shares in 2011			
1,090,002,015 shares in 2010	10,000	10,000	120,265
Capital surplus	105,336	111,143	1,266,819
Stock acquisition rights		21	
Retained earnings	(41,305)	(38,301)	(496,753)
Less: Treasury stock at cost ;	(534)	(20,262)	(6,422)
Common stock 326,680 shares in 2011			
Common stock 123,121,612 shares in 2010			
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	267	256	3,211
Deferred gain on derivatives under hedge accounting	27	385	325
Land revaluation surplus (Note 6)	2,954	2,954	35,526
Foreign currency translation adjustments	(24,715)	(20,295)	(297,234)
Total	52,030	45,901	625,737
Minority interests	710	918	8,539
Total equity	52,740	46,819	634,276
TOTAL LIABILITIES AND EQUITY	¥ 260,664	¥ 274,752	$ 3,134,865

See notes to consolidated financial statements.

Consolidated Statements of Operations

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Net Sales	¥ 352,672	¥ 398,663	$ 4,241,395
Cost of Sales (Note 12)	241,709	290,074	2,906,903
Gross profit	110,963	108,589	1,334,492
Selling, General and Administrative Expenses (Notes 11 and 12)	98,006	115,043	1,178,665
Operating income (loss)	12,957	(6,454)	155,827
Other Income (Expenses):			
Interest and dividend income	350	407	4,209
Interest expense	(2,698)	(3,161)	(32,447)
Foreign exchange gain (loss)	640	(830)	7,697
Gain on adjustments of patent fee	619		7,444
Borrowing costs	(1,532)	(1,121)	(18,425)
Provision for product warranties	(1,362)		(16,380)
Loss on sales of property, plant and equipment, net (Note 4)	(1,458)	(1,743)	(17,535)
Gain on sale of shares in affiliates	660		7,937
Royalty income	2,967		35,683
Gain on liquidation of debt account	1,101		13,241
Gain on partial termination of certain retirement benefit plans (Note 8)	2,025		24,354
Loss on disposal of property, plant and equipment (Note 4)	(645)	(780)	(7,757)
Business structure improvement expenses	(680)	(945)	(8,178)
Employment structure improvement expenses	(8,632)	(846)	(103,812)
Loss on compensation of lease contracts	(391)	(512)	(4,702)
Reversal of profit on liquidation of debt account		(1,088)	
Loss on administrative surcharge	(1,547)		(18,605)
Loss on impairment of long-lived assets (Notes 4 and 5)	(2,970)	(4,444)	(35,719)
Other, net	(3,283)	(2,441)	(39,483)
Other Expenses, Net	(16,836)	(17,504)	(202,478)
Loss before Income Taxes and Minority Interests	(3,879)	(23,958)	(46,651)
Income Taxes (Note 13):			
Current	3,667	2,584	44,101
Income taxes for prior periods		318	
Deferred	(3,653)	922	(43,933)
Total income taxes	14	3,824	168
Net Loss before Minority Interests	(3,893)	(27,782)	(46,819)
Minority Interests in Net Loss	132	14	1,587
Net Loss	¥ (4,025)	¥ (27,796)	$ (48,406)

	Yen		U.S. Dollars (Note 1)
Per Share of Common Stock (Notes 2(x) and 15):	**2011**	2010	**2011**
Basic net loss	¥ (38.60)	¥ (28.75)	$ (0.46)

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
Net Loss before Minority Interests	¥ (3,893)	$ (46,819)
Other Comprehensive Income (Note 14):		
Unrealized gain on available-for-sale securities	11	132
Deferred loss on derivatives under hedge accounting	(358)	(4,306)
Foreign currency translation adjustments	(4,435)	(53,337)
Total other comprehensive income	(4,782)	(57,511)
Comprehensive Income (Note 14)	¥ (8,675)	$ (104,330)
Total Comprehensive Income Attributable to:		
Owners of the parent	¥ (8,792)	$ (105,737)
Minority interests	117	1,407

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Common Stock (Notes 9 and 10):			
Beginning balance	¥ 10,000	¥ 10,000	$ 120,265
Ending balance	¥ 10,000	¥ 10,000	$ 120,265
Capital Surplus (Notes 9 and 10):			
Beginning balance	¥ 111,143	¥ 111,143	$ 1,336,657
Disposal of treasury stock	(5,807)		(69,838)
Ending balance	¥ 105,336	¥ 111,143	$ 1,266,819
Stock Acquisition Rights (Notes 9 and 10):			
Beginning balance	¥ 21		$ 253
Net (decrease) increase of subscription rights to shares	(21)	¥ 21	(253)
Ending balance		¥ 21	
Retained Earnings (Note 9):			
Beginning balance	¥ (38,301)	¥ (10,765)	$ (460,625)
Change of scope of consolidation	1,021	260	12,278
Net loss	(4,025)	(27,796)	(48,406)
Ending balance	¥ (41,305)	¥ (38,301)	$ (496,753)
Treasury Stock (Notes 9 and 10):			
Beginning balance	¥ (20,262)	¥ (20,262)	$ (243,680)
Repurchase of treasury stock	(4)		(48)
Disposal of treasury stock	19,732		237,306
Ending balance	¥ (534)	¥ (20,262)	$ (6,422)
Accumulated Other Comprehensive Income:			
Net Unrealized Gain(Loss) on Available-for-sale Securities:			
Beginning balance	¥ 256	¥ (401)	$ 3,079
Net decrease of unrealized loss on available-for-sale securities	11	657	132
Ending balance	¥ 267	¥ 256	$ 3,211
Deferred Gain on Derivatives under Hedge Accounting:			
Beginning balance	¥ 385	¥ 40	$ 4,630
Net (decrease) increase of gain on derivatives under hedge accounting	(358)	345	(4,305)
Ending balance	¥ 27	¥ 385	$ 325
Land Revaluation Surplus (Note 6):			
Beginning balance	¥ 2,954	¥ 2,954	$ 35,526
Ending balance	¥ 2,954	¥ 2,954	$ 35,526
Foreign Currency Translation Adjustments:			
Beginning balance	¥ (20,295)	¥ (20,113)	$ (244,077)
Net (decrease) increase of foreign currency translation adjustments	(4,420)	(182)	(53,157)
Ending balance	¥ (24,715)	¥ (20,295)	$ (297,234)
Total of Accumulated Other Comprehensive Income:			
Beginning balance	¥ (16,700)	¥ (17,520)	$ (200,842)
Net (decrease) increase of items other than shareholders' equity	(4,767)	820	(57,330)
Ending balance	¥ (21,467)	¥ (16,700)	$ (258,172)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity (continued)

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Total	¥ 52,030	¥ 45,901	$ 625,737
Minority Interests:			
Beginning balance	¥ 918	¥ 1,843	$ 11,040
Net decrease of minority interests	(208)	(925)	(2,501)
Ending balance	¥ 710	¥ 918	$ 8,539
Total Equity	¥ 52,740	¥ 46,819	$ 634,276

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries

For the years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Operating Activities:			
Loss before income taxes and minority interests	¥ (3,879)	¥ (23,958)	$ (46,651)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities :			
Income taxes – paid	(3,323)	(2,242)	(39,964)
Depreciation	13,893	19,484	167,084
Amortization of goodwill	325	327	3,909
Loss on impairment of long-lived assets (Note 4)	2,970	4,444	35,719
Gain on sale of shares in affiliates	(660)		(7,937)
Loss on disposal of property, plant and equipment	645	780	7,757
Loss on sales of property, plant and equipment, net	1,458	1,743	17,535
Change in assets and liabilities:			
Decrease in trade notes and accounts receivable	8,448	9,424	101,600
Decrease in inventories	4,415	21,992	53,097
(Decrease) increase in trade notes and accounts payable	(1,591)	752	(19,134)
Decrease in restructuring reserves		(3,745)	
Decrease in accrued expenses	(4,004)	(10,930)	(48,154)
(Decrease) increase in allowance for doubtful receivables	(570)	467	(6,855)
Decrease in liability for retirement benefits	(979)	(1,292)	(11,774)
Increase in prepaid pension costs	(11,450)		(137,703)
Other, net	14,289	4,207	171,844
Total adjustments	23,866	45,411	287,024
Net cash provided by operating activities	19,987	21,453	240,373
Investing Activities:			
Purchases of property, plant and equipment	(6,236)	(7,533)	(74,997)
Proceeds from sales of property, plant and equipment	14,180	7,497	170,535
Purchases of software and other intangibles	(3,781)	(4,329)	(45,472)
Proceeds from sales of investment securities	15	32	180
Proceeds from sales of shares in affiliates	762		9,164
Other, net	414	1,175	4,980
Net cash provided by (used in) investing activities	5,354	(3,158)	64,390
Financing Activities:			
(Decrease) increase in short-term bank loans, net	(7,067)	5,268	(84,991)
Proceeds from long-term debt	3,300	13,700	39,687
Repayment of long-term debt	(9,820)	(23,080)	(118,100)
Payment of redemption of bonds		(21,531)	
Proceeds from issuance of new stocks with disposal of treasury stock	13,925		167,468
Other, net	(2,629)	(1,477)	(31,617)
Net cash used in financing activities	(2,291)	(27,120)	(27,553)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,958)	(229)	(23,548)
Net Increase (Decrease) in Cash and Cash Equivalents	21,092	(9,054)	253,662
Cash and Cash Equivalents at Beginning of Year	43,408	52,393	522,044
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	392	69	4,715
Cash and Cash Equivalents at End of Year	¥ 64,892	¥ 43,408	$ 780,421

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of JVC KENWOOD Holdings, Inc. (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared based on the consolidated financial statements which were filed with the Financial Services Agency ("FSA") pursuant to provisions set forth in the Japanese Financial Instruments and Exchange Act, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, the disclosure of a consolidated statement of comprehensive income is required from the year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statements of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 14. In addition, "net loss before minority interests" is disclosed in the consolidated statements of operations from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 consolidated financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company was incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 110 (111 in 2010) significant subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations excluding insignificant companies are fully consolidated, and those companies over which the Company has the ability to exercise significant influence excluding insignificant companies are accounted for by the equity method.

In the fiscal year ended March 31, 2011, the Company's consolidated subsidiary Victor Logistics, Inc. was spun off and Victor Logistics Real Estate Company, Limited. was established. Then, all of the issued and outstanding shares of Victor Logistics, Inc. were transferred to a third party. The newly established Victor Logistics Real Estate Company, Limited. was then included in the Company's scope of consolidation while Victor Logistics, Inc. was removed effective from the fiscal year ended March 31, 2011. In addition, the Company's consolidated subsidiary JVC Svenska AB merged with a consolidated subsidiary JVC Scandinavia AB as a purchase acquisition. As a result, JVC Scandinavia AB was dissolved and the number of consolidated subsidiaries decreased.

Non-consolidated subsidiary companies which were also not accounted for by the equity method, VIDEO TECH CO., LTD., VICTOR TECHNO-BRAIN CO., LTD., Beijing JVC AV Equipment Co., Ltd., JVC PURCHASING CENTER (HK), LTD. and J&K Optical Components Corporation, have been included in the Company's scope of consolidation effective since the fiscal year ended March 31, 2011 due to their increased importance.

In addition, Sanin Victor Sales Co., Ltd., Okinawa Victor Sales Co., Ltd., JVC Electronics (Thailand) Co., Ltd., Victor Parts & Technical Support, Inc. and JVC INDUSTRIAL DE MEXICO, S.A. DE C.V. were liquidated and removed from the Company's scope of consolidation.

Investment in one (one in 2010) associated company (Victor Advanced Media Co., Ltd.) is accounted for by the equity method.

Non-consolidated subsidiary companies not accounted for by the equity method include Speedstar Music, Inc. and 7 (15 in 2010) other companies. Associated companies include TAISHITA Label Music Co., Ltd. and 9 (11 in 2010) other companies. These non-consolidated subsidiary companies and associated companies are excluded from the application of the equity method because our proportionate share of their net income and retained earnings have only a slight effect on our consolidated financial statements and are considered insignificant overall.

Of the Company's consolidated subsidiaries, the fiscal year-end of each of JVC DE MEXICO, S.A. DE C.V., 000 JVC CIS ("000" in a company name stands for Limited Liability Company), JVC (China) Investment Co., Ltd., JVC Guangzhou Electronics Co., Ltd., JVC Shanghai Electronics Co.,Ltd., JVC Beijing Electronic Industries Co., Ltd., Beijing JVC AV Equipment Co., Ltd., Shanghai Kenwood Electronics Co.,Ltd., Kenwood Electronics Trading (Shanghai) Co., Ltd. and Kenwood Electronics C.I.S. Limited Liability Company is December 31. Financial statements based on provisional settlement dates are used for each of the aforementioned subsidiaries in the preparation of the Company's consolidated financial statements.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition has been amortized over 5 to 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group have been eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

(c) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method
In March 2008, the ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

(d) Business Combination
In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria were met such that the business combination was essentially regarded as a uniting-of-interests. For business combinations that did not meet the uniting-of-interests criteria, the business combination was considered to be an acquisition and the purchase method of accounting was required. This standard also prescribed the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in a business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

(e) Asset Retirement Obligations
In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period that the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

Effective from the fiscal year ended March 31, 2011, the Company adopted the Accounting Standard for Asset Retirement Obligations and the Guidance on Accounting Standard for Asset Retirement Obligations.

Operating income decreased ¥52 million ($625 thousand) while the loss before income taxes and minority interests increased ¥815 million ($9,802 thousand) as a result of the application of the aforementioned accounting standard and guidance. In addition, the change in the amount of asset retirement obligations resulting from the application of the accounting standard is ¥781 million ($9,393 thousand).

(f) Inventories
Inventories are principally stated at the lower of cost determined by the gross-average method or net selling value. Inventories held by foreign subsidiaries are principally stated at the lower of cost determined by the first-in, first-out method or market price.

In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

On September 26, 2008, the ASBJ issued ASBJ Statement No. 9 (revised 2008), “Accounting Standard for Measurement of Inventories”. Under this accounting standard, the last-in, first-out (LIFO) method is no longer permitted.

(g) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits and commercial paper, all of which mature or become due within 3 months of the date of acquisition.

(h) Foreign Currency Transactions and Financial Statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of operations to the extent that they are not hedged by forward exchange contracts.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity which is translated at the historical rate.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average annual rate.

Differences arising from such translation are included in “Foreign currency translation adjustments” and “Minority interests” in a separate component of equity in consolidated balance sheets.

(i) Allowance for Doubtful Receivables

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful receivables in an amount sufficient to cover expected probable losses on collection of receivables. It consists of an estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses with respect to the other receivables. Foreign consolidated subsidiaries provide an estimated uncollectible amount of receivables.

(j) Marketable and Investment Securities

Debt and equity securities excluding shares of associated companies are classified as available-for-sale securities based on management’s intention. Available-for-sale securities other than non-marketable securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(k) Derivatives and Hedging Activities

The Group uses foreign currency forward contracts, currency options and interest rate caps as means of hedging exposure to foreign currencies and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts and currency options are employed to hedge foreign exchange exposures for export sales and procurement of raw materials from foreign suppliers. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Forward contracts applied to forecasted transactions are also measured at fair value but the unrealized gains or losses are deferred until the underlying transactions are completed.

Interest rate caps are employed to hedge interest rate exposures of bonds. Interest rate caps are accounted for based on an exceptional accounting treatment if the caps meet required conditions to adopt the treatment.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

(l) Property, Plant and Equipment (excluding Leased Assets)

Property, Plant and Equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of foreign consolidated subsidiaries over their estimated useful lives. The ranges of useful lives are as follows:

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 16 years
Furniture and fixtures	1 to 20 years

(m) Intangible Assets (excluding Leased Assets)

Internal use software is carried at cost less accumulated amortization which is calculated by the straight-line method principally over their estimated useful lives, 3 to 5 years. Internally developed software, incorporated as part of a product, is carried at cost less accumulated amortization, which is calculated by the proportion of the actual sales volume of the products during the current year to the estimated total sales volume over the estimated salable years of the products or by the straight-line method over the estimated salable years of the products, 1 to 5 years, with consideration for the nature of the products. Goodwill and other intangible assets are carried at cost less accumulated amortization which is calculated by the straight-line method over 5 to 20 years for goodwill and 5 to 15 years for other intangible assets.

(n) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or net selling price at disposition.

(o) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective from April 1, 2008.

All other leases are accounted for as operating leases.

The method used to calculate depreciation expenses for leased assets involving finance lease transactions under which the ownership of the leased assets is transferred to lessees is the same as that applied to fixed assets owned by the Company.

Finance leases that do not transfer ownership of the leased property to the lessee are depreciated on the straight-line method over the lease term with zero residual value.

(p) Accounting Standards Applicable to Significant Revenue and Expense Items

Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

(q) Bond Issuance Costs

Bond issuance costs, which are capitalized and included in investment and other assets, net of accumulated amortization, are amortized using the straight-line method over the term of the bond.

(r) Stock Issuance Costs

In the past, stock issuance costs were recorded as deferred assets and amortized over 3 years using the straight-line method. Taking into consideration the burden of future financial expenses and in an effort to ensure an increasingly sound financial position, the Company has decided to charge the full amount as an expense at the time of payment effective from the fiscal year ended March 31, 2011. The impact of this change was not material.

(s) Income Taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured at the tax rates that are expected to apply to the period when the temporary differences are solved.

The Group files a tax return under the consolidated corporate-tax system which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly-owned domestic subsidiaries.

(t) Retirement and Pension Plans

The Company and certain domestic consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans which cover employees. In addition, there are instances where the Company undertakes premium severance payments at the time of employees' retirement. Certain foreign consolidated subsidiaries have non-contributory and contributory retirement benefit plans. The Group accounts for the liability for retirement benefits based on projected benefit obligations and fair value of plan assets at the balance sheet date. Unrecognized prior service costs are amortized on a straight-line method over 5 to 10 years, which is determined within the average remaining service periods for the employees, from the year in which it occurs. Unrecognized actuarial gains or losses are amortized on a straight-line method over 10 years, which is determined to be within the average remaining service periods for the employees, from the following year in which it occurs. The transitional obligation is amortized over 15 years.

(u) Warranty Reserves

In connection with warranty service which might be required in a certain period related to products sold, the Group recognizes warranty reserves estimated based on a percentage of the warranty expenses occurred.

(v) Sales return reserves

The Company provides for losses relating to the return of products sold including compact disks, audio tapes and video disks by providing an estimated amount based on the subject rates of returned goods.

(w) Appropriation of Retained Earnings

Appropriation of retained earnings is reflected in the accompanying consolidated financial statements for the following year upon the Board of Directors' approval.

(x) Per Share Information

Basic net loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period.

(y) New Accounting Pronouncements

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under the standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

The Accounting Standard for Presentation of Comprehensive Income—Effective from the fiscal year ended March 31, 2011, the Group has applied the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 issued on June 30, 2010). However, the amounts of other comprehensive income and total other comprehensive income for the previous fiscal year are the amounts recorded for valuation and translation adjustment and total valuation and translation adjustment.

3. Investment Securities

Investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Non-current:			
Equity securities	¥ 4,475	¥ 4,579	$ 53,818
Corporate bonds	8	7	97
Total	¥ 4,483	¥ 4,586	$ 53,915

The cost and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,947	¥ 497	¥ 324	¥ 3,120

	Millions of Yen			
	2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,478	¥ 671	¥ 168	¥ 2,981

	Thousands of U.S. Dollars			
	2011			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 35,442	$ 5,978	$ 3,897	$ 37,523

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥12million ($144 thousand) and ¥42million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥2 million ($24 thousand) and ¥4 million ($48 thousand) for the year ended March 31, 2011 and ¥23 million and ¥4 million for the year ended March 31, 2010, respectively.

Investment securities include loaned securities of ¥1,057 million ($12,712 thousand) and ¥1,087 million; deposited cash of ¥825 million ($9,922 thousand) and ¥837 million as collateral was presented as other current liabilities as of March 31, 2011 and 2010, respectively.

Impairment losses relating to marketable securities for each of the fiscal years ended March 31, 2011 and 2010 were ¥106 million ($1,275 thousand) (available-for-sale equity securities ¥106 million ($1,275 thousand)) and ¥508 million (available-for-sale equity securities ¥508 million), respectively. Moreover, with respect to the treatment of impairment losses, when fair value of securities as of the end of the fiscal year is less than 50% of their acquisition cost, the Group recognizes the difference between the fair value and the acquisition cost as an impairment loss. For securities whose fair value as of the end of the fiscal year decreases by approximately between 30 to 50% from their acquisition costs, the Group recognizes an impairment loss for required amounts determined based on its recoverability.

4. Long-Lived Asset

Major components of loss on sales of property, plant and equipment, net for the year ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gain on sales of property, plant and equipment:			
Buildings and structures	¥ 743	¥ 102	$ 8,936
Machinery and equipments	65	173	782
Furniture and fixtures	32	33	385
Land	566	248	6,806
Intangible asset		21	
Total	¥ 1,406	¥ 577	$ 16,909
Loss on sales of property, plant and equipment:			
Buildings and structures	¥ 1,190	¥ 7	$ 14,311
Machinery and equipments	4	132	48
Furniture and fixtures	2	8	24
Land	1,668	2,149	20,061
Intangible asset		24	
Total	¥ 2,864	¥ 2,320	$ 34,444
Loss on sales of property, plant and equipment, net	¥ 1,458	¥ 1,743	$ 17,535

Major components of loss on disposal of property, plant and equipment, net for the year ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Buildings and structures	¥ 96	¥ 118	$ 1,155
Machinery and equipments	133	111	1,600
Furniture and fixtures	338	157	4,065
Intangible asset	33	22	397
Lease assets	45	372	540
Total	¥ 645	¥ 780	$ 7,757

The Group reviewed its long-lived assets for impairment as of March 31, 2011, and recognized impairment losses as follows:

Companies	Business Group	Location	Classification by use	Type of assets	Millions of Yen	Thousands of U.S. Dollars
JVC	Display	Yokohama (Kanagawa)	Business assets	Machinery and equipment, die and molds	¥ 29	$ 349
JVC Manufacturing (THAILAND) Co.,Ltd.	Display	Pathumthani, Thailand	Business assets	Building structures, machinery and equipment, tools and furniture, die and molds	101	1,215
Victor Entertainment Co., Ltd.	Entertainment	Shibuya (Tokyo)	Business assets	Building structures, land and others	190	2,285
JVC	Others	Yokohama (Kanagawa)	Business assets	Intangible assets	545	6,554
JVC Deutschland GmbH	Others	Friedberg, Hassen, Germany	Idle assets	Land and others, leased assets	371	4,462
000 JVC CIS	Others	Moscow, Russia	Idle assets	Tools and furniture	24	289
Victor Logistics Real Estate Company, Limited.	Others	Kasuya-gun, (Fukuoka)	Business assets	Land and others	29	349
JVC and Victor Facility Management Co., Ltd.	Others	Mito (Ibaraki)	Idle assets	Building structures, land and others	1,378	16,572
JVC Americas Corp.	Others	Aurora, Illinois, U.S.A.	Business assets	Building structures, land and others	303	3,644
Total					¥ 2,970	$ 35,719

(Circumstances Leading to the Recognition of Impairment)

(1) The Display Business

The Display business group recognized impairment losses after writing down group assets to their recoverable amounts following the decision that business group cash flows would fall below the carrying amounts of business group assets. This in turn reflected the decision to terminate the in-house production of consumer-use displays at the manufacturing subsidiary in Thailand in accordance with business structural reform initiatives and the reorganization of production bases.

(2) The Entertainment Business

The Entertainment business group recognized impairment losses after writing down group assets to their recoverable amounts. This reflected the downward pressure on earnings due to the slump in market conditions and the determination that business group cash flows would fall below the carrying amounts of business group assets.

In addition, carrying amounts of noncurrent assets held for sale as a result of offices integrated due to business structural reformation have been written down to their recoverable amounts and recorded the differences as an impairment loss because expected selling prices of the noncurrent assets have been determined to be devalued below their carrying amount.

(3) Others

Following changes to its accounting systems, JVC recognized impairment losses after writing down the value of existing accounting systems to their recoverable amounts. This reflected the determination that the value in use of existing accounting systems would fall below their carrying amounts.

JVC Deutschland GmbH recognized impairment losses with respect to fixed assets that became idled as a result of a reduction in business scale.

Impairment losses were recognized with respect to fixed assets that became idle as a result of the relocation of 000 JVC CIS company premises.

Victor Logistics Real Estate Company, Limited. recognized impairment losses after writing down rental properties held to their recoverable amounts. This initiative took into consideration the drop in land values and the determination that fair values less associated costs to sell would fall below their carrying amounts.

JVC and Victor Facility Management Co., Ltd. recognized impairment losses with respect to fixed assets that became idle following the reorganization of domestic production bases.

JVC Americas Corp. recognized impairment losses with respect to fixed assets scheduled for sale. This reflected the determination that recoverable amounts would fall below their carrying amounts.

(Grouping of assets)

Business assets are grouped according to their reporting segment with consideration given to managerial and identifiable cash-generating units. Idle assets are grouped on an individual asset base. Headquarter assets are classified as corporate assets, as they do not have identifiable cash flows independent of other asset groups.

(Assessments of recoverable amounts)

The carrying amounts of those idle assets have been written down to their net realizable value and the difference was recognized as an impairment loss. Recoverable amounts of business assets were measured either at reasonably assessed fair value less associated costs to sell, or value in use.

Fair values less associated costs to sell for the fiscal year are based on market values reasonably computed by third parties or on scheduled sales values.

Accounting systems employed by JVC are measured at their recoverable amounts determined by their value in use equivalent to their amortization to be recognized by the time of disposal.

The Group reviewed its long-lived assets for impairment as of March 31, 2010, and recognized impairment losses as follows:

Companies	Business Group	Location	Classification by use	Type of assets	Millions of Yen
Consolidated subsidiaries (JVC)	Display	Yokohama (Kanagawa)	Business assets	Machinery and equipment, tools and furniture, die and molds, intangible assets, lease assets and others	¥ 321
Consolidated subsidiaries (JVC)	Display	Tijuana, Mexico	Idle assets	Machinery and equipment, tools and furniture, die and molds, land, intangible assets and others	766
Consolidated subsidiaries (JVC)	Entertainment	Shibuya (Tokyo) and other	Business assets	Building structures, machinery and equipment, tools and furniture, lease assets, land, intangible assets and others	3,225
Consolidated subsidiaries (JVC)	Optical pickup	Yokohama (Kanagawa)	Business assets	Machinery and equipment, tools and furniture, die and molds, and others	14
Consolidated subsidiaries (JVC)	Optical pickup	Nakhon Ratchasima, Thailand	Business assets	Machinery and equipment, tools and furniture, die and molds, and others	92
Consolidated subsidiaries (JVC)	Others	Urayasu (Chiba)	Idle assets	Building, structures, tools and furniture and others	26
Total					¥ 4,444

(Circumstances leading to the recognition of impairment)

(1) The Display Business

The Display business group recognized impairment losses after writing down group assets to their recoverable amounts. Despite the concentration of consumer-use LCD TVs and measures implemented to rationalize the group's business structure, this was attributable to greater than anticipated deterioration in European market conditions and the impact of a sharp surge in panel costs resulting in little or no prospects for a cash flow recovery.

In addition, the Display business group recognized impairment losses on idle fixed assets which were written down to their recoverable amounts. Idle fixed assets resulted from the suspension of operations at a Mexico-based manufacturing subsidiary in line with the reorganization of overseas production bases following contraction in the Display business group.

(2) The Entertainment Business

The Entertainment business group recognized impairment losses after writing down group assets to their recoverable amounts. This reflected downward pressure of earnings due to the slump in market conditions and the determination that business group cash flows would fall below the carrying amounts of business group assets.

(3) The Optical Pickup Business

The Optical Pickup business group recognized impairment losses after writing down group assets to their recoverable amounts. This was largely attributable to the determination that expected future cash flows in this business would fall below the carrying amounts of business group assets due mainly to the drop in orders from principal customers.

(4) Others

Impairment losses were recognized relating to idle premises following the relocation of VICTOR SERVICE & ENGINEERING CO., LTD.

(Grouping of assets)

Business assets are grouped according to their operating segment with consideration given to managerial and identifiable cash-generating units. Idle assets are grouped on an individual asset base. Headquarter assets are classified as corporate assets, as they do not have identifiable cash flows independent of other asset groups.

(Recoverable amount)

The Group recognized an impairment loss from those idle assets to the extent of their full carrying amount, as the recoverability of these idle assets was not expected. Recoverable amounts of business assets were measured either at reasonably assessed fair value less associated costs to sell, or value in use.

5. Leases

The Group leases mainly host computers, servers and software. Total lease expense was ¥5,620 million ($67,589 thousand) and ¥6,503 million for the years ended March 31, 2011 and 2010, respectively. Impairment losses of on certain leased property held under finance leases that do not transfer ownership were ¥188 million ($2,261 thousand) and ¥51 million for each of the fiscal years ended March 31, 2011 and 2010 (see Note 4).

As discussed in Note 2(o), pro forma information of leased properties accounted for as operating lease transactions, such as acquisition cost, accumulated depreciation, net leased property of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 2010 was as follows:

	Millions of Yen		
	2010		
	Cost	Accumulated depreciation	Net leased property
Machinery and vehicle	¥ 4	¥ 4	

Obligations under operating leases for the year ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Operating leases：			
Due within one year	¥ 351	¥ 435	$ 4,221
Due after one year	432	528	5,196
Total	¥ 783	¥ 963	$ 9,417

Depreciation expense which was not reflected in the accompanying consolidated statements of operations, computed by straight-line method was as follow:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense		¥ 1	

6. Land Revaluation Surplus

In accordance with the “Law of Land Revaluation” (Law No. 34, promulgated on March 31, 1998), the Company elected to revaluate land used for business operations. As a result, the Company recorded amounts for land revaluation excess and deferred tax liabilities relating to revaluation of ¥2,954 million ($35,526 thousand) and ¥2,028 million ($24,390 thousand), respectively.

Revaluation Method
The revaluation of land used for business operations is calculated by undertaking “a rational adjustment of the value of a standard parcel of land located in close proximity to the subject land used for business operations as stipulated under Article 6 of the Land Price Publication Act” as specified under Article 2, Paragraph 1 of the Order for Enforcement on the Law on Revaluation of Land (Enforcement Order No. 119 enacted on March 31, 1998).
Date of Revaluation: March 31, 2000
The difference between the market value of land used for business operations subject to the revaluation as stipulated under Article 10 of the aforementioned law as of the fiscal year-end and the book value of the land after revaluation as of March 31, 2000.:

Millions of Yen		Thousands of U.S. Dollars
2011	2010	2011
¥ (3,147)	¥ (2,985)	$ (37,847)

7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans which generally consist of notes to banks and bank overdrafts are due within one year. The annual average interest rates applicable to the short-term bank loans as of March 31, 2011 and 2010 were 2.75 % and 2.58 %, respectively.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
2.66% unsecured bonds due in 2012	¥ 12,000	¥ 12,000	$ 144,318
1.35% floating rate unsecured bonds due in 2012 (Note)	8,000	8,000	96,212
Loans, from banks with interest rate principally at 3.14 % (2011) and 2.44 %(2010)	4,100	10,620	49,308
Obligations under finance leases	905	2,218	10,884
Total	25,005	32,838	300,722
Less current portion	2,972	8,541	35,743
Long-term debts, less current portion	¥ 22,033	¥ 24,297	$ 264,979

Note: Floating rate of interest: six-month euro-yen LIBOR + 1.00% per annum. 1.35% interest rate calculation period: February 3, 2011 to August 2, 2011.

The aggregate annual maturities of long-term debt, excluding finance leases, at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years ending March 31	2011	2011
2012	¥ 2,400	$ 28,863
2013	21,300	256,164
2014	400	4,811
Total	¥ 24,100	$ 289,838

The aggregate annual maturities of lease obligations at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years ending March 31	2011	2011
2012	¥ 572	$ 6,879
2013	194	2,333
2014	89	1,070
2015	28	337
2016	16	193
2017 and thereafter	6	72
Total	¥ 905	$ 10,884

As of March 31, 2011 and 2010, the carrying amounts of assets pledged as collateral for short-term bank loans and current portion of long-term debt of ¥63,191 million ($759,964 thousand) and ¥28,380 million, as well as long-term debt of ¥1,700 million ($20,445 thousand) and ¥2,645 million were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and cash equivalents	¥ 642	¥ 1,028	$ 7,721
Notes and accounts receivable-trade, other current assets	16,462	16,762	197,979
Inventories	2,813	3,296	33,830
Buildings and structures	8,570	8,229	103,067
Machinery and equipments	146	193	1,756
Furniture and fixtures	5	11	60
Land	26,858	25,063	323,007
Software	56	14	673
Other assets	210	109	2,526
Total	¥ 55,762	¥ 54,705	$ 670,619

JVC, JVC Americas Corp. and Kenwood, the consolidated subsidiaries of the Company, concluded loan agreements with their banks to establish efficient fund procurement in order to secure their working capital in the fiscal year ended March 31, 2011.

<1> Commitment Agreement of Syndicated Loans (JVC)

The outstanding balance of the commitment at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total commitment line of credit	¥ 15,000	$ 180,397
Borrowings	15,000	180,397
Available amount		

The above agreement is subject to the following financial covenants.

(1) Maintain the amount of total stockholders' equity (sum of common stock, capital surplus, retained earnings and the amount of treasury stock) at not less than ¥47,000 million ($565,244 thousand) on JVC's consolidated balance sheet as of March 31, 2011.

(2) Maintain the amount of total stockholders' equity recorded on JVC's consolidated balance sheet as of the end of each quarter from the first quarter of the fiscal year ending March 31, 2012 at not less than 90% of the total stockholders' equity recorded on JVC's consolidated balance sheet as of March 31, 2011.

<2> Syndicated Loans Agreement (JVC)

The outstanding balance of the agreement at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 6,900	$ 82,983

The above agreement is subject to the following financial covenants.

(1) Maintain the amount of total stockholders' equity (sum of common stock, capital surplus, retained earnings, and the amount of treasury stock) at not less than ¥47,000 million ($565,244 thousand) on JVC's consolidated balance sheet on March 31, 2011.

(2) Maintain the amount of total stockholders' equity recorded on JVC's consolidated balance sheet as of the end of each quarter from the first quarter of the fiscal year ending March 31, 2012 at not less than 90% of the total stockholders' equity recorded on JVC's consolidated balance sheet as of March 31, 2011.

<3> Syndicated Loans Agreement (JVC)

The outstanding balance of the agreement at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 425	$ 5,111

The above agreement is subject to the following financial covenants.

(1) Maintain the amount of consolidated shareholders' equity at not less than ¥44,700 million ($537,583 thousand) on JVC's consolidated balance sheet.

(2) Avoid operating loss on JVC's consolidated statements of operations (except for second quarter) for each fiscal year.

(3) Maintain the aggregate total balance of cash and time deposits of JVC, its subsidiary companies and associated companies and the aggregate unexecuted balance of commitment agreements (including agreements executed after the execution date of this memorandum of understanding, as well as any agreement under which a loan obligation arises with respect to this agreement irrespective of the name) where JVC, its subsidiary companies and associated companies are a party to agreements as borrower at not less than ¥15,000 million ($180,397 thousand) as of the end of each month from July 31, 2010.

<4> Term Loan Agreement (JVC)

The balance of the term loan agreement at March 31, 2011 was as follow:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 1,200	$ 14,432

The above agreement is subject to the following financial covenants.

(1) Maintain the amount of total stockholders' equity (the sum of common stock, suspense receipts on capital subscriptions, capital surplus, retained earnings, treasury stock and suspense receipts on treasury stock subscriptions) at not less than 75% of the balance of total stockholders' equity on JVC's consolidated balance sheet as of March 31, 2010 (¥59,600 million ($716,777 thousand)), as of the end of each fiscal year and each second quarter.

(2) As of the end of each account settlement period, JVC will not incur an operating loss as recorded in its consolidated statements of operations for two consecutive fiscal periods.

(3) Maintain the aggregate total balance of cash and time deposits of JVC, its subsidiary companies and associated companies and the aggregate unexecuted balance of established commitment agreements (including the other financial covenants agreements established after the closing dates of the aforementioned agreements) where JVC, its subsidiary companies and associated companies are a party to agreements as borrower (and including established agreement irrespective of the name) at not less than ¥15,000 million ($180,397 thousand) as of the end of each month.

<5> Term Loan Agreement (JVC)

The balance of the term loan agreement at March 31, 2011 was as follow:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 1,000	$ 12,026

The above agreement is subject to the following financial covenants.

(1) Maintain the amount of total stockholders' equity (the sum of common stock, suspense receipts on capital subscriptions, capital surplus, retained earnings, treasury stock and suspense receipts on treasury stock subscriptions) at not less than 75% of the balance of total stockholders' equity on JVC's consolidated balance sheet as of March 31, 2010 (¥59,600 million ($716,777 thousand)), as of the end of each fiscal year and each second quarter.

(2) As of the end of each account settlement period, JVC will not incur an operating loss as recorded in its consolidated statements of operations for two consecutive fiscal periods.

(3) Maintain the aggregate total balance of cash and time deposits of JVC, its subsidiary companies and associated companies and the aggregate unexecuted balance of established commitment agreements (including the other financial covenants agreements established after the closing dates of the aforementioned agreements) where JVC, its subsidiary companies and associated companies are a party to agreements as borrower (and including established agreement irrespective of the name) at not less than ¥15,000 million ($180,397 thousand) as of the end of each month.

<6> Term Loan Agreement (JVC)

The balance of the term loan agreement at March 31, 2011 was as follow:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 1,100	$ 13,229

The above agreement is subject to the following financial covenants.

Maintain the amount of total stockholders' equity at not less than ¥44,700 million ($537,583 thousand) recorded in the consolidated balance sheets of JVC as of the end of each account settlement period (the end of each business term) and each interim period (the period of 6 months after the commencement of each subject business term) from the date of execution of this agreement.

<7> Revolving Loan Agreement (JVC Americas Corp.)

The outstanding balance of the revolving loan agreement at March 31, 2011 was as follows:

	Millions of U.S. Dollars
Total commitment line of the agreement	$ 50.0
Borrowings	17.0
Available amount	$ 33.0

The above agreement is subject to the following financial covenants.

Maintain the Fixed Charge Coverage Ratio of JVC Americas Corp, the borrower, at not less than 1.0.

Note: Fixed Charge Coverage Ratio

= (EBITDA – The amount of tax paid – Capital investment) / (The amount of principal and interest paid + The amount of cash dividends paid)

<8> Revolving Loan Agreement (Kenwood)

The outstanding balance of the revolving loan agreement at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total commitment line of the agreement	¥ 12,600	$ 151,533
Borrowings	11,466	137,895
Available amount	¥ 1,134	$ 13,638

<9> Term Loan Agreement (Kenwood)

The balance of the term loan agreement at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 2,773	$ 33,349

<10> Term Loan Agreement (Kenwood)

The balance of the term loan agreement at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 8,821	$ 106,085

<11> Term Loan Agreement (Kenwood)

The balance of the term loan agreement at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Executed amount	¥ 4,688	$ 56,380

<12> Commitment Agreement (Kenwood)

The outstanding balance of the commitment at March 31, 2011 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total commitment line of credit	¥ 4,100	$ 49,308
Borrowings	3,731	44,871
Available amount	¥ 369	$ 4,437

The aforementioned <8>, <9>, <10>, <11> and <12> agreements are subject to the following financial covenants.

(1) Maintain total consolidated stockholders' equity as recorded in the consolidated balance sheet of Kenwood as of March 31, 2011 at not less than 75% of the total consolidated stockholders' equity as of the end of the prior fiscal year.

(2) Maintain total non-consolidated stockholders' equity as recorded in the non-consolidated balance sheet of Kenwood as of March 31, 2011 at not less than 75% of the total non-consolidated stockholders' equity as of the end of the prior fiscal year.

(3) Maintain the balance of interest-bearing liabilities as recorded in the consolidated balance sheet of Kenwood at not more than ¥80,000 million

($962,117 thousand) as of the end of each account settlement period.

(4) Kenwood will not incur an operating loss as recorded in its consolidated statements of operations for the fiscal year ended March 31, 2011.

(5) The Company will not incur an operating loss as recorded in its consolidated statements of operations for the fiscal year ended March 31, 2011.

8. Retirement and Pension Plans

The liability for retirement benefits at March 31, 2011 and 2010 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 105,095	¥ 120,528	$ 1,263,921
Fair value of plan assets	(93,763)	(96,502)	(1,127,637)
Unrecognized actuarial loss	(7,356)	(6,982)	(88,467)
Unrecognized prior service cost		4	
Unrecognized transitional obligation	(1,751)	(2,190)	(21,058)
Prepaid pension costs	12,866	1,415	154,732
Net liability	¥ 15,091	¥ 16,273	$ 181,491

Note: Certain consolidated subsidiaries apply the simplified method in the calculation of retirement benefit obligations. The pension assets of consolidated subsidiaries that have adopted comprehensive establishment-type employees' pension schemes as of March 31, 2011and 2010 were ¥547 million ($6,578 thousand) and ¥523 million, respectively, and were not included in the aforementioned pension assets.

The components of net periodic retirement benefit costs for the year ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 3,836	¥ 3,906	$ 46,133
Interest cost	2,534	2,978	30,475
Expected return on plan assets	(2,813)	(1,167)	(33,830)
Amortization of prior service cost	(4)	(15)	(48)
Recognized actuarial loss	839	1,692	10,090
Amortization of transitional obligation	438	438	5,268
Net periodic retirement benefit costs	¥ 4,830	¥ 7,832	$ 58,088

Note: The periodic retirement benefit costs of the consolidated subsidiaries using simplified method calculation of their retirement obligations were included in service cost.

Assumptions used for the year ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
Discount rate	2.0-2.155%	2.0-2.155%
Expected rate of return on plan assets	2.8-4.5%	1.2-3.0%
Amortization period of prior service cost	5-10 years	5-10 years
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	15 years	15 years

In addition to the above, net periodic retirement benefit costs for the years ended March 31, 2011 and 2010; premium severance payments of ¥8,632 million ($103,812 thousand) and ¥846 million were included in the employment structure improvement expenses in the consolidated statements of operations.

During the year ended March 31, 2011, simultaneous and other retirements resulting from the implementation of employment structure improvements in certain consolidated subsidiaries met definitions of large-scale and other retirement as stipulated under ASBJ Guidance No. 1 "Guidance on Accounting Treatment for Transfer between Retirement Benefit Plans". Accordingly, steps were taken to terminate certain retirement benefit plans. As a result, the net amount of gain on termination of projected benefit obligation of ¥2,205 million ($26,518 thousand) and one-time amortization of an unrecognized actuarial difference of ¥180 million ($2,165 thousand), or ¥2,025 million ($24,354 thousand) was recorded as gain on partial termination of certain retirement benefit plans.

Certain consolidated subsidiaries have changed their calculation method of retirement benefit liabilities from the projected benefit obligations, or principle, method to the simplified (valuation) method since the year ended March 31, 2010. The change in calculation was made because the incidence of large-scale retirements in the year ended March 2009 made it more difficult to estimate actuarial differences reasonably. As a result, a gain on reversal of liability for retirement benefits totaling ¥322 million was recognized due to unrecognized actuarial differences and an unrecognized difference at change of accounting standard processed at once. The gain consists of an amortization of unrecognized items resulting from the large-scale retirements of △¥85 million and an impact from the change in the calculation method to the simplified method of ¥407 million.

9. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as;
(1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as 1 year rather than 2 years of normal term by its articles of incorporation, the Board of Directors may declare dividends at any time during the fiscal year (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2011

1. Matters relating to the class and number of shares issued and outstanding and the class and number of treasury stock

	Number of shares as of March 31, 2010 (thousands of shares)	Increase (thousands of shares)	Decrease (thousands of shares)	Number of shares as of March 31, 2011 (thousands of shares)
Number of shares issued and outstanding				
Common stock (Note 1)	1,090,002	30,000	981,002	139,000
Total	1,090,002	30,000	981,002	139,000
Treasury stock				
Common stock (Note 2)	123,122	17	122,812	327
Total	123,122	17	122,812	327

Notes:

1. The increase of 30,000,000 shares of common stock is attributable to an international offering with due date of payment of January 25, 2011. The decrease of 981,002,000 shares of common stock is attributable to the 10 for 1 share consolidation with an effective date of August 1, 2010.
2. The increase of 17,000 shares of treasury stock is attributable to the purchase of odd stocks. The decrease of 122,812,000 shares of treasury stock is attributable to the decline of 110,811,000 shares as a result of share consolidation, 12,000,000 shares owing to the disposal of treasury stock (the international offering) and 1,000 shares due to the sale of treasury stock following requests for additional purchases of odd stocks.

2. Matters relating to stock acquisition rights

Classification	Breakdown of stock acquisition rights	Class of shares underlying stock acquisition rights	The number of shares underlying stock acquisition rights (thousands of shares)				Balance as of March 31, 2011 (Million s of yen)
			March 31, 2010	Increase	Decrease	March 31, 2011	
The Company	Series 1 to series 8 stock acquisition rights (Notes 1 and 2)	Common stock	160,000		160,000		
	(Treasury stock acquisition rights) (Notes 2 and 3)			(16,000)	(16,000)		
Total							

Notes:
1. 144,000,000 shares included in the decrease in series 1 to series 8 stock acquisition rights,represent the 10 for 1 share consolidation with an effective date of August 1, 2010.
2. 16,000,000 shares included in the decrease in series 1 to series 8 stock acquisition rights and 16,000,000 shares included in the decrease in treasury stock acquisition rights represent the retirement of stock acquisition rights.
3. The increase in treasury stock acquisition rights is attributable to the acquisition of stock acquisition rights.

3. Matters relating to dividends
None

For the fiscal year ended March 31, 2010

1. Matters relating to the class and number of shares issued and outstanding and the class and number of treasury stock

	Number of shares as of March 31, 2009 (thousands of shares)	Increase (thousands of shares)	Decrease (thousands of shares)	Number of shares as of March 31,2010 (thousands of shares)
Number of shares issued and outstanding				
Common stock	1,090,002			1,090,002
Total	1,090,002			1,090,002
Treasury stock				
Common stock (Note)	123,116	6		123,122
Total	123,116	6		123,122

Note:The increase in treasury stock of 6,000 shares is attributable to the purchase of odd stocks.

2. Matters relating to stock acquisition rights

Classification	Breakdown of stock acquisition rights	Class of shares underlying stock acquisition rights	The number of shares underlying stock acquisition rights (thousands of shares)				Balance as of March 31, 2010 (Million s of yen)
			March 31, 2009	Increase	Decrease	March 31, 2010	
The Company	Series 1 to series 8 stock acquisition rights	Common stock		160,000		160,000	21
Total							21

Note:The increase in the series 1 to series 8 stock acquisition rights is attributable to the issuance of stock acquisition rights.

3. Matters relating to dividends
None

11. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Advertising and promotion expenses	¥ 13,726	¥ 18,033	$ 165,075
Provision of allowance for doubtful accounts	487	1,123	5,857
Provision for product warranties	2,443	3,050	29,381
Personnel expenses	51,159	56,451	615,262
Transportation expenses	8,299	11,743	99,808

12. Research and Development Costs

Research and development costs charged to income were ¥ 23,779 million ($ 285,977 thousand) and ¥31,157 million for the year ended March 31, 2011 and 2010, respectively.

13. Income Taxes

Under the consolidated corporate-tax system, the normal effective statutory tax rate of the Company and domestic subsidiaries was approximately 40.7% for the years ended March 31, 2011 and 2010.

The tax effects of temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Deferred tax assets：	2011	2010	2011
Depreciation	¥ 4,717	¥ 11,613	$ 56,729
Valuation difference due to application of purchase method accounting	522	757	6,278
Liability for retirement benefits	4,497	4,229	54,083
Provision for inventory reserves	2,122	3,579	25,520
Net operating loss carry forwards	66,450	62,571	799,158
Other	11,882	11,141	142,898
Less valuation allowance	(85,446)	(88,703)	(1,027,612)
Total	¥ 4,744	¥ 5,187	$ 57,054
Deferred tax liabilities：			
Prepaid pension costs	¥ 1,874	¥ 1,851	$ 22,538
Valuation difference due to application of purchase method accounting	5,178	9,099	62,273
Land revaluation surplus	2,028	2,028	24,390
Other	539	1,279	6,482
Total	¥ 9,619	¥ 14,257	$ 115,683
Deferred tax liabilities, net：	¥ 4,875	¥ 9,070	$ 58,629

Net deferred tax liabilities as of March 31, 2011 and 2010 were recorded in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current assets－other	¥ 1,427	¥ 1,580	$ 17,163
Non-current assets－other	659	635	7,925
Current liabilities－other	22	393	265
Long-term liabilities－deferred tax liabilities	6,939	10,892	83,452
	¥ 4,875	¥ 9,070	$ 58,629

Due to loss before income taxes and minority interests, a breakdown by major item of factors that have caused significant differences between the normal effective statutory tax rate and the income tax rate after applying tax-effect accounting reflected in the accompanying consolidated statements of operations for the years ended March 31, 2011 and 2010 was omitted.

14. Comprehensive Income

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	2010
	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥ (26,975)
Minority interests	22
Total comprehensive income	¥ (26,953)

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	2010
	Millions of Yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 658
Deferred gain on derivatives under hedge accounting	345
Foreign currency translation adjustments	(174)
Total other comprehensive income	¥ 829

15. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 was as follows:

Fiscal year ended March 31, 2011

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net loss	Weighted average shares	EPS	
Net loss available to common shareholders	¥ (4,025)	104,276	¥ (38.60)	$ (0.46)

Diluted net income per share was not presented in the accompanying consolidated financial statements as it was net loss and the Group did not have any dilutive shares as of March 31, 2011.

Fiscal year ended March 31, 2010

	Millions of Yen	Thousands of shares	Yen
	Net loss	Weighted average shares	EPS
Net loss available to common shareholders	¥ (27,796)	966,883	¥ (28.75)

Although there were dilutive shares, information relating to diluted net income per share is not presented in the accompanying consolidated financial statements because the Group incurred a net loss for the year ended March 31, 2010.

16. Contingent Liabilities

The contingent liabilities of the Group as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Notes receivable factored with recourse	¥ 377	¥ 401	$ 4,534
Guarantee of bank loans for employees	723	936	8,695
Guarantee of bank loans for associated companies	204	2,209	2,454
Total	¥ 1,304	¥ 3,546	$ 15,683

17. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Management Policy with respect to Financial Instruments

Taking into consideration its capital investment and other plans, the Group largely procures essential funds through indirect financing such as loans from banks and other financial institutions and direct financing including the issuance of corporate bonds. Surplus funds held on a temporary basis are mainly channeled into highly liquid financial assets for fund management purposes. In addition, short-term working capital is procured through bank loans as required. The Group also utilizes derivative financial instruments to hedge the various risks described as follows and does not enter into derivative transactions for investment, trading or speculative purposes.

(2) Details of Financial Instruments and Associated Risks

The trade notes and accounts receivable are exposed to the credit risk of customers.

In addition, trade notes and accounts receivable denominated in foreign currencies that arise in the course of global business development are subject to the risk of fluctuation in foreign currency exchange rates. In principle, the Company utilizes foreign currency forward contracts as a hedging instrument against this risk.

Marketable securities and investment securities are essentially comprised of company shares with which the Group maintains business relationships. These financial instruments are exposed to market fluctuation risks.

Maturities of notes and accounts payable are generally within four months. A certain portion denominated in foreign currencies is subject to the risk of fluctuation in foreign currency exchange rates. The Company utilizes foreign currency forward contracts as a hedging instrument against this risk.

Short-term bank loans effectively comprise funds procured for business purposes. Long-term debt and bonds in essence reflect funds procured for capital investment purposes. Redemption dates extend through to a maximum of one year and four months after settlement. Although majority of the long-term debt and bonds has fluctuating interest rates and therefore they are exposed to risk of fluctuations in interest rates, the Group engages in derivative transactions (interest rate cap transactions) as a hedging instrument against the increase in interest rates for certain bonds.

Derivative transactions comprise foreign currency forward contract transactions entered into for the purpose of hedging against the risk of fluctuations in foreign currency exchange rates applicable to trade notes and accounts receivable and payable denominated in foreign currencies and interest rate cap transactions entered into for the purpose of hedging against fluctuations in interest rates applicable to bonds. Moreover, for details regarding hedge methods, hedged items, hedging policies, methods for evaluating hedge efficacy and related items please refer to note 2 (k).

⑶ Risk Management for Financial Instruments

Credit Risk Management

Credit risk refers to the economic loss that arises when a trading partner is unable to meet the terms and conditions of contractual obligations such as the payment of principal and / or interest. People in charge of each business department, in accordance with the credit risk management policy, regularly monitor conditions of major customers as to trade receivables and manage their dues and balances by customer as well as collecting information about credit research in order to understand, in a timely manner or reduce risk of uncollectible receivables due to financial deterioration, etc. In addition, the Group utilizes credit guarantee for customers for further risk modification.

The counterparties with respect to derivative transactions are limited to major financial institutions. Accordingly, the Group is confident that little or no credit risk exists as a result of contractual default.

Market Risks (Foreign Currency Exchange and Interest Rate Risks) Management

The Group, in principle, utilizes foreign currency forward contracts as a hedging instrument against identified risks of fluctuation in exchange rates for trade notes and accounts receivable and payable denominated in foreign currencies by individual foreign currency and month. In addition, the Group engages in interest rate cap transactions in order to control the risk of fluctuations in interest payable on certain bonds.

The portfolio of investment securities is continuously evaluated considering market conditions or relationship with issuers, i.e. counterparties, by regularly reviewing their market value or the financial performance of issuers.

Derivative transactions entered into are undertaken in accordance with the authority, rules and regulations stipulated under the Group's internal policies. Each transaction is in effect undertaken by the director responsible for finance of each Group company or an individual or party nominated by the director responsible for finance of the relevant Group company. In addition to the authorization of the responsible director, details of the transaction are reported to the responsible director in each instance.

Liquidity Risk Management

The liquidity risk refers to a possibility of inability of the Group to meet its obligations on the date of each maturity.

Based on the information obtained from each department and division, the Group ensures that all appropriate cash management plans are prepared and updated in a timely manner. At the same time, the Group is managing the risks associated with liquidity through a variety of initiatives including the maintenance of liquidity.

⑷ Supplemental Important Matters Relating to the Fair Values of Financial Instruments

The fair values of financial instruments are measured based on their quoted market prices, if available; or their reasonably assessed values if quoted markets prices are not available. The fair values of financial instruments for which quoted market prices are not available are calculated based on certain assumptions. Accordingly, fair values may differ if different assumptions are used. In addition, the contract amounts of the derivative transactions described in note 18 regarding derivative transactions do not represent the market risks of the derivative transactions.

(5) The Fair Values of Financial Instruments

The fair values of financial instruments were based on their market values. In the event there were no market values for certain financial instruments, other assessment methods were applied. Financial instruments for which fair values were extremely difficult to determine were not included.

(a) Fair value of financial instruments

March 31, 2011	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 64,892	¥ 64,892	
Time deposits	80	80	
Notes and accounts receivable—trade, unconsolidated subsidiaries and associated companies	51,431	51,431	
Investment securities	3,120	3,120	
Total	¥ 119,523	¥ 119,523	
Short-term bank loans, current portion of long-term debt	¥ 71,925	¥ 71,925	
Notes and accounts payable—trade, unconsolidated subsidiaries and associated companies	28,398	28,398	
Accrued expenses	31,092	31,092	
Income taxes payable	2,505	2,505	
Long-term debt	22,033	22,477	¥ 444
Total	¥ 155,953	¥ 156,397	¥ 444
Derivatives	¥ 22	¥ 22	

March 31, 2010	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥ 43,408	¥ 43,408	
Time deposits	94	94	
Notes and accounts receivable—trade, unconsolidated subsidiaries and associated companies	63,256	63,256	
Investment securities	2,981	2,981	
Total	¥ 109,739	¥ 109,739	
Short-term bank loans, current portion of long-term debt	¥ 86,227	¥ 86,227	
Notes and accounts payable—trade, unconsolidated subsidiaries and associated companies	31,372	31,372	
Accrued expenses	36,383	36,383	
Income taxes payable	2,407	2,407	
Long-term debt	24,297	24,138	¥ (159)
Total	¥ 180,686	¥ 180,527	¥ (159)
Derivatives	¥ 628	¥ 628	

March 31, 2011	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	$ 780,421	$ 780,421	
Time deposits	962	962	
Notes and accounts receivable—trade, unconsolidated subsidiaries and associated companies	618,532	618,532	
Investment securities	37,523	37,523	
Total	$ 1,437,438	$ 1,437,438	
Short-term bank loans, current portion of long-term debt	$ 865,003	$ 865,003	
Notes and accounts payable—trade, unconsolidated subsidiaries and associated companies	341,528	341,528	
Accrued expenses	373,927	373,927	
Income taxes payable	30,126	30,126	
Long-term debt	264,979	270,319	$ 5,340
Total	$ 1,875,563	$ 1,880,903	$ 5,340
Derivatives	$ 265	$ 265	

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Receivables, Payables and Short-term Bank Loans

The carrying values of receivables, payables and short-term bank loans approximate fair value because of their short maturities.

Long- term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt over its remaining period at the rate which reflects the Company's credit risk.

Derivatives

The information of the fair value for derivatives is included in Note 18.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S.Dollars
	2011	2010	2011
Unlisted equity securities	¥ 1,355	¥ 1,598	$ 16,296
Unlisted foreign bonds	8	7	96
Investments in unconsolidated subsidiaries and associated companies	106	237	1,275

Since it is extremely difficult to determine the fair values of the above financial instruments as there are no market values for them, they are not included in investment securities as described in (a) Fair value of financial instruments.

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 64,892			
Time deposits	80			
Notes and accounts receivable-trade,unconsolidated subsidiaries and associated companies	51,431			
Total	¥ 116,403			

	Millions of Yen			
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 43,408			
Time deposits	94			
Notes and accounts receivable-trade, unconsolidated subsidiaries and associated companies	63,256			
Total	¥ 106,758			

	Thousands of U.S.Dollars			
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 780,421			
Time deposits	962			
Notes and accounts receivable-trade, unconsolidated subsidiaries and associated companies	618,532			
Total	$ 1,399,915			

Please see Note 7 for annual maturities of long-term debt and obligations under finance leases.

18. Derivatives

The Group had the following derivatives contracts outstanding at March 31, 2011 and 2010:

Derivative transactions to which hedge accounting is not applied

	Millions of Yen		
	2011		
	Contract amount	Fair value	Unrealized gain/loss
Foreign exchange contracts			
Selling：			
Euro	¥ 1,836	¥ (44)	¥ (44)
Total	¥ 1,836	¥ (44)	¥ (44)

	Millions of Yen		
	2010		
	Contract amount	Fair value	Unrealized gain/loss
Foreign exchange contracts			
Selling：			
U.S. Dollar	¥ 335	¥ (4)	¥ (4)
Euro	1,249	1	1
Canadian Dollar	316	(4)	(4)
Australian Dollar	250	(4)	(4)
Hong Kong Dollar	612	(3)	(3)
Total		¥ (14)	¥ (14)

	Thousands of U.S. Dollars		
	2011		
	Contract amount	Fair value	Unrealized gain/loss
Foreign exchange contracts			
Selling：			
Euro	$ 22,081	$ (529)	$ (529)
Total	$ 22,081	$ (529)	$ (529)

Derivative transactions to which hedge accounting is applied

	Millions of Yen			
	2011			
	Hedged item	Contract amount	Contract amount due after one year	Fair value (Note 1)
Foreign currency forward contracts (deferral hedge accounting)				
Selling：				
U.S. Dollar	Accounts receivable-trade	¥ 1,887		¥ 21
Euro	Accounts receivable-trade	1,510		(39)
British Pound	Accounts receivable-trade	256		(4)
Canadian Dollar	Accounts receivable-trade	8		(0)
Buying：				
U.S. Dollar	Accounts payable-trade	7,117		88
Foreign currency forward contracts (alternative method) (Note 2)				
Selling：				
U.S. Dollar	Accounts receivable-trade	4,887		(Note 2)
Euro	Accounts receivable-trade	3,371		(Note 2)
British Pound	Accounts receivable-trade	352		(Note 2)
Canadian Dollar	Accounts receivable-trade	30		(Note 2)
Rouble	Accounts receivable-trade	363		(Note 2)
Buying：				
U.S. Dollar	Accounts payable-trade	9,115		(Note 2)
Singapore Dollar	Accounts payable-trade	26		(Note 2)
Interest rate caps	Bonds	8,000	8,000	(Note 3)
(Short-cut method)				

	Millions of Yen			
	2010			
	Hedged item	Contract amount	Contract amount due after one year	Fair value (Note 1)
Foreign currency forward contracts (deferral hedge accounting)				
Selling：				
U.S. Dollar	Accounts receivable-trade	¥ 15,375		¥ (286)
Euro	Accounts receivable-trade	5,676		184
British Pound	Accounts receivable-trade	1,257		166
Canadian Dollar	Accounts receivable-trade	807		(35)
Singapore Dollar	Accounts receivable-trade	58		(1)
Thai Baht	Accounts receivable-trade	151		(3)
Buying：				
U.S. Dollar	Accounts payable-trade	13,493		613
Singapore Dollar	Accounts payable-trade	92		4
Foreign currency forward contracts (alternative method) (Note 2)				
Selling：				
U.S. Dollar	Accounts receivable-trade	6,351		(Note 2)
Euro	Accounts receivable-trade	3,750		(Note 2)
British Pound	Accounts receivable-trade	587		(Note 2)
Canadian Dollar	Accounts receivable-trade	391		(Note 2)
Singapore Dollar	Accounts receivable-trade	4		(Note 2)
Thai Baht	Accounts receivable-trade	7		(Note 2)
Australian Dollar	Accounts receivable-trade	66		(Note 2)
Hong Kong Dollar	Accounts receivable-trade	340		(Note 2)
Buying：				
U.S. Dollar	Accounts payable-trade	11,998		(Note 2)
Singapore Dollar	Accounts payable-trade	21		(Note 2)
Interest rate caps (Short-cut method)	Bonds	8,000	8,000	(Note 3)

	Thousands of U.S. Dollars			
	2011			
	Hedged item	Contract amount	Contract amount due after one year	Fair value (Note 1)
Foreign currency forward contracts (deferral hedge accounting)				
Selling：				
U.S. Dollar	Accounts receivable-trade	$ 22,694		$ 253
Euro	Accounts receivable-trade	18,160		(469)
British Pound	Accounts receivable-trade	3,079		(48)
Canadian Dollar	Accounts receivable-trade	96		(0)
Buying：				
U.S. Dollar	Accounts payable-trade	85,592		1,058
Foreign currency forward contracts (alternative method) (Note 2)				
Selling：				
U.S. Dollar	Accounts receivable-trade	58,773		(Note 2)
Euro	Accounts receivable-trade	40,541		(Note 2)
British Pound	Accounts receivable-trade	4,233		(Note 2)
Canadian Dollar	Accounts receivable-trade	361		(Note 2)
Rouble	Accounts receivable-trade	4,366		(Note 2)
Buying：				
U.S. Dollar	Accounts payable-trade	109,621		(Note 2)
Singapore Dollar	Accounts payable-trade	313		(Note 2)
Interest rate caps (Short-cut method)	Bonds	96,212		(Note 3)

Notes:

1. The fair value of derivative transactions is measured at the quoted price and exchange rate obtained from the financial institution.
2. Items subject to translation at the contracted rates under forward exchange contracts are accounted for together with monetary receivables and payables denominated in foreign currencies classified as hedged items. Accordingly, their fair values are included in the fair values of the monetary receivables and payables denominated in foreign currencies.
3. Items that meet the specific matching criteria of interest rate caps are accounted for together with bonds classified as hedged items. Accordingly, their fair values are included in the bonds.

19. Supplemental Information for Statements of Cash Flows

Cash paid for interest for the year ended March 31, 2011 and 2010 were ¥ 2,867 million ($ 34,480 thousand) and ¥ 3,140 million, respectively.

Cash received for dividends and interest for the year ended March 31, 2011 and 2010 were ¥ 354 million ($ 4,257 thousand), and ¥ 406 million, respectively.

20. Segment Information

For the years ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 “Accounting Standard for Segment Information Disclosures” and issued ASBJ Guidance No.20 “Guidance on Accounting Standard for Segment Information Disclosures”. Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Overview of reportable segments

Reportable segments are the Company's constituent business units for which separate financial information can be obtained and those which are periodically examined by the Board of Directors for the purposes of determining the allocation of resources and evaluating results of operations.

The Group has put in place operating divisions and operating control divisions in each operating company. Each operating division and operating control division formulates comprehensive strategies and engages in business activities according to products and services handled in and outside Japan.

Accordingly, the Group is made up of reportable segments based on products and services fundamental to each operating company's operating division and operating control division. As a result, there are four reportable segments, namely Car electronics business, Professional systems business, Home and mobile electronics business and Entertainment business.

(Car electronics business)
Car audio, car AV systems, car navigation systems, other
(Professional systems business)
Land mobile radio equipment, video surveillance equipment, video equipment, audio equipment, display equipment, other
(Home and mobile electronics business)
Camcorders (video cameras), LCD TVs, projectors, home audio and AV accessories, other
(Entertainment business)
Music and video software, such as CDs and DVDs and distribution of software, other
(Others)
Recording media, interior furniture, other

(2) Methods of measurement for the amounts of sales, profit and loss, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies".

(3) Information relating to sales, profit and loss, assets and other items for each reportable segment

For the year ended March 31, 2011

	Millions of Yen								
	Reportable segment								
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Total	Others	Total	Adjustment (Note 2)	Consolidated financial statements (Note 1)
Sales									
Sales to customers	¥ 108,449	¥ 92,546	¥ 100,101	¥ 42,909	¥ 344,005	¥ 8,667	¥ 352,672		¥ 352,672
Intersegment sales or transfers			2,622		2,622		2,622	¥ (2,622)	
Total	108,449	92,546	102,723	42,909	346,627	8,667	355,294	(2,622)	352,672
Segment income (loss)	7,895	3,594	(835)	2,178	12,832	125	12,957		12,957
Segment assets	74,909	54,099	69,242	27,276	225,526	5,541	231,067	29,597	260,664
Other items									
Depreciation	4,808	2,933	4,588	1,261	13,590	303	13,893		13,893
Increase in property, plant and equipment and intangible assets	4,257	2,628	2,733	263	9,881	164	10,045		10,045

For the year ended March 31, 2010

	Millions of Yen								
	Reportable segment								
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Total	Other	Total	Adjustment (Note 2)	Consolidated financial statements (Note 1)
Sales									
Sales to customers	¥ 112,386	¥ 91,390	¥ 137,200	¥ 44,934	¥ 385,910	¥ 12,753	¥ 398,663		¥ 398,663
Intersegment sales or transfers			4,353		4,353	65	4,418	¥ (4,418)	
Total	112,386	91,390	141,553	44,934	390,263	12,818	403,081	(4,418)	398,663
Segment income (loss)	4,390	(267)	(7,251)	(909)	(4,037)	(2,417)	(6,454)		(6,454)
Segment assets	80,982	51,157	80,593	36,042	248,774	12,553	261,327	13,425	274,752
Other items									
Depreciation	5,891	2,874	6,960	1,263	16,988	2,496	19,484		19,484
Increase in property, plant and equipment and intangible assets	2,943	2,630	4,172	630	10,375	669	11,044		11,044

For the year ended March 31, 2011

	Thousands of U.S.Dollars								
	Reportable segment								
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Total	Other	Total	Adjustment (Note 2)	Consolidated financial statements (Note 1)
Sales									
Sales to customers	$ 1,304,257	$ 1,113,001	$ 1,203,861	$ 516,043	$ 4,137,162	$ 104,233	$ 4,241,395		$ 4,241,395
Intersegment sales or transfers			31,533		31,533		31,533	$ (31,533)	
Total	1,304,257	1,113,001	1,235,394	516,043	4,168,695	104,233	4,272,928	(31,533)	4,241,395
Segment income (loss)	94,949	43,223	(10,042)	26,194	154,324	1,503	155,827		155,827
Segment assets	900,890	650,619	832,736	328,034	2,712,279	66,639	2,778,918	355,947	3,134,865
Other items									
Depreciation	57,823	35,274	55,177	15,166	163,440	3,644	167,084		167,084
Increase in property, plant and equipment and intangible assets	51,197	31,606	32,868	3,163	118,834	1,972	120,806		120,806

Notes:

1. The total amount of segment income and loss is equivalent to the amount of operating income recorded on the consolidated statements of operations.
2. Corporate assets included in “Adjustment” as of March 31, 2011 of ¥29,597 million ($355,947 thousand) mainly consisted of cash, cash equivalents and long-term investment assets (investment securities) held by the Company, JVC and Kenwood.

(Related information)

For the year ended March 31, 2011

1. Information by product and service

   The same information is presented as segment information. Accordingly, this information has been omitted.
2. Information by region

(1) Sales

Millions of Yen					
Japan	America	Europe	Asia	Others	Total
¥ 142,285	¥ 97,519	¥ 58,911	¥ 48,066	¥ 5,891	¥ 352,672

Thousands of U.S. Dollars					
Japan	America	Europe	Asia	Others	Total
$ 1,711,184	$ 1,172,808	$ 708,491	$ 578,064	$ 70,848	$ 4,241,395

Note: Sales are classified into each country or region on the basis of customers’ locations.

(2) Property, Plant and Equipment

Millions of Yen					
Japan	America	Europe	Asia	Others	Total
¥ 43,182	¥ 2,850	¥ 2,512	¥ 7,201	¥ 6	¥ 55,751

Thousands of U.S. Dollars					
Japan	America	Europe	Asia	Others	Total
$ 519,327	$ 34,275	$ 30,210	$ 86,603	$ 72	$ 670,487

3. Information by major customer

There are no customers who account for 10% or more of total net sales as posted on the Company’s consolidated statements of operations. Accordingly, this information has been omitted.

(Information relating to loss on impairment of long-lived assets by reportable segment)

For the year ended March 31, 2011

During the fiscal year ended March 31, 2011, the Company recorded impairment losses relating to the decision to terminate the in-house production of consumer-use displays at the manufacturing subsidiary in Thailand as well as impairment losses relating to idle and other assets with respect to reorganization of the production bases of JVC and Victor Facility Management Co., Ltd. The amounts of impairment loss by segment were presented as follows.

	Millions of Yen						
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Others	Eliminations / Corporate	Total
Loss on impairment	¥ 274	¥ 160	¥ 887	¥ 235	¥ 1,414		¥ 2,970

	Thousands of U.S. Dollars						
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Others	Eliminations / Corporate	Total
Loss on impairment	$ 3,295	$ 1,925	$ 10,667	$ 2,826	$ 17,006		$ 35,719

(Information relating to the amortization and ending balance of goodwill by reportable segment)

For the year ended March 31, 2011

	Millions of Yen						
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Others	Eliminations / Corporate	Total
Amortization of goodwill		¥ 325					¥ 325
Ending balance		¥ 4,919					¥ 4,919

	Thousands of U.S. Dollars						
	Car electronics business	Professional systems business	Home and mobile electronics business	Entertainment business	Others	Eliminations / Corporate	Total
Amortization of goodwill		$ 3,909					$ 3,909
Ending balance		$ 59,158					$ 59,158

For the year ended March 31, 2010

The Company defines its business segments as follows:

(Car electronics business)

Car audio, car AV systems, car navigation systems and optical pickups (intersegment sales)

(Home and mobile electronics business)

Video cameras, LCD TVs, projectors, pure audio and AV accessories, set stereos, portable audio devices and optical pickups (sale to external customers)

(Professional systems business)

Land mobile radio equipment, video surveillance equipment, video equipment, audio equipment and display equipment

(Entertainment business)

Music and video software, such as CDs and DVDs and distribution of software

(Others)

Radio frequency ID systems, weather satellite data reception systems, other electronic devices, recording media, interior furniture, other

(Operations by business segment)

Operations by business segment for the year ended March 31, 2010 was summarized as follows:

For the year ended March 31, 2010

	Millions of Yen							
	Car electronics business	Home and mobile electronics business	Professional systems business	Entertainment business	Others	Total	Eliminations/ Corporate	Consolidated
Sales:								
Sales to customers	¥ 107,814	¥ 141,773	¥ 91,390	¥ 44,934	¥ 12,752	¥ 398,663		¥ 398,663
Intersegment sales	4,962	4,353			65	9,380	¥ (9,380)	
Total	112,776	146,126	91,390	44,934	12,817	408,043	(9,380)	398,663
Operating expenses	108,686	156,878	92,711	46,678	9,544	414,497	(9,380)	405,117
Operating income (loss)	¥ 4,090	¥ (10,752)	¥ (1,321)	¥ (1,744)	¥ 3,273	¥ (6,454)		¥ (6,454)
Total assets	¥ 79,141	¥ 82,434	¥ 51,157	¥ 36,042	¥ 12,553	¥ 261,327	¥ 13,425	¥ 274,752
Depreciation	5,935	6,916	2,874	1,264	2,495	19,484		19,484
Impairment loss		1,193	26	3,225		4,444		4,444
Capital expenditures	2,799	4,316	2,630	630	669	11,044		11,044

Note: Businesses segments have been classified based on the internal management classifications of the Group after taking into consideration the similarities of the types, attributes and other factors of products and services.

(Changes in business segment classification)
With respect to the Company's subsidiary, JVC, and taking into consideration the establishment of the Business Incubation Division, a new organization charged with the responsibility of managing growth in the initial stages of business development, related patent revenue, manufacturing as well as R&D expenses will all be posted to the newly established and independent Business Incubation Business segment effective for the year ended March 31, 2010. Previously with respect to business incubation activities, patent revenues were included in the sales of the Home & Mobile Electronics Business segment while business incubation-related manufacturing and R&D expenses were posted to the Home & Mobile Electronics Business and the Professional Systems Business segments. The reasons for revising business segments and reallocating revenues and expenses in this instance are to better disclose the company's activities in line with actual circumstances taking into consideration the status of management resource allocation regarding the Business Incubation business and progress with respect to growth, as well as operating performance based on each business segment's manufacturing and sales activities. At the same time, as the sales and operating income of this business segment account for only a relatively small portion of the sales and operating income of all business segments, these items are included in the Others business segment.

In addition, in connection with the Optical Pickup business which had previously been included in the Others business, manufacturing activities were consolidated with the manufacturing, distribution and procurement activities of the Car Electronics business with an eye to optimizing each of these functions. At the same time, sales activities were consolidated with the Home & Mobile Electronics business in an effort to boost the sales function relating to optical products. In conjunction with this organizational change, effective from the year ended March 31, 2010, sales to customer and operating expenses were included in the Home & Mobile Electronics Business and intersegment sales and operating expenses were included in the Car Electronics business segment.

Based on the previous classification of business segments, operations by business segment for the year ended March 31, 2010 was as follows:

For the year ended March 31, 2010

	Millions of Yen							
	Car electronics business	Home and mobile electronics business	Professional systems business	Entertainment business	Others	Total	Eliminations/ Corporate	Consolidated
Sales:								
Sales to customers	¥ 107,814	¥ 144,459	¥ 91,759	¥ 44,934	¥ 9,697	¥ 398,663		¥ 398,663
Intersegment sales	673	4,353			65	5,091	¥ (5,091)	
Total	108,487	148,812	91,759	44,934	9,762	403,754	(5,091)	398,663
Operating expenses	104,381	156,211	93,789	46,678	9,149	410,208	(5,091)	405,117
Operating income (loss)	¥ 4,106	¥ (7,399)	¥ (2,030)	¥ (1,744)	¥ 613	¥ (6,454)		¥ (6,454)
Total assets	¥ 78,603	¥ 82,399	¥ 51,396	¥ 36,042	¥ 12,887	¥ 261,327	¥ 13,425	¥ 274,752
Depreciation	5,946	6,989	2,889	1,264	2,396	19,484		19,484
Impairment loss		1,087	26	3,225	106	4,444		4,444
Capital expenditures	2,774	4,341	2,722	630	577	11,044		11,044

Notes:
1. There are no operating expenses which can not be allocated for the fiscal year ended March 31, 2010.
2. Corporate assets included in "Eliminations/corporate" as of March 31, 2010 of ¥13,425 million mainly consisted of cash and cash equivalents and long-term investment assets (investment securities) held by the Company, JVC and Kenwood.

Changes in accounting principles

Revenue recognition for construction had been applied utilizing the completed-contract method. Effective from the fiscal year ended March 31,2010, the Company has applied the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15 released on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18 released on December 27, 2007). Accordingly, with regard to construction contracts commenced under the fiscal year ended March 31, 2010, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. For all other construction, the completed-contract method should be applied.

There was no impact on sales and income as a result of the application of the new accounting standard.

In connection with licenses for music under management held by the Company's subsidiary Victor Entertainment, Inc. and other companies, the recognition of sales was in principle previously recognized based on an apportionment method over the term of each license. Effective from the fiscal year ended March 31, 2010, for transactions that are deemed as sales of assets or interests and considered material under the terms and conditions of each agreement, the method for recording the recognition of sales has changed such that sales are now recognized in full at the time license agreements are concluded. This change was adopted in conjunction with a review of transactions relating to music and other copyrights in the fiscal year ended March 31, 2010 in order to better reflect in consolidated financial statements adjustments to actual conditions following revenue recognition of transactions deemed as sales of material assets or the rights. As a result of this change, sales in the Entertainment business increased by ¥124 million while operating loss in the Entertainment business decreased by ¥124 million, for the year ended March 31, 2010, compared with the previously applied method.

(Operations by geographical area)

For the year ended March 31, 2010

	Millions of Yen							
	Japan	America	Europe	Asia	Others	Total	Eliminations/ Corporate	Consolidated
Sales:								
Sales to customers	¥ 162,378	¥ 104,311	¥ 80,801	¥ 48,880	¥ 2,293	¥ 398,663		¥ 398,663
Intersegment sales	141,928	358	2,164	102,920	68	247,438	¥ (247,438)	
Total	304,306	104,669	82,965	151,800	2,361	646,101	(247,438)	398,663
Operating expenses	307,222	103,900	88,031	151,290	2,261	652,704	(247,587)	405,117
Operating income (loss)	¥ (2,916)	¥ 769	¥ (5,066)	¥ 510	¥ 100	¥ (6,603)	¥ 149	¥ (6,454)
Total assets	¥ 247,852	¥ 61,945	¥ 36,250	¥ 69,032	¥ 1,364	¥ 416,443	¥ (141,691)	¥ 274,752

Notes:

1. The geographic areas except Japan consist primarily of the following countries and regions:
   America - U.S.A., Canada and Panama
   Europe - Germany, France and the United Kingdom
   Asia - China, Singapore and U.A.E.
   Other – Australia
2. Segment information by geographical area including such items as net sales and operating income of the Company and consolidated subsidiaries are classified according to the countries and regions in which the Company and consolidated subsidiaries are domiciled.
3. There are no operating expenses which can not be allocated for the fiscal year ended March 31, 2010.
4. Corporate assets included in “Eliminations/corporate” as of March 31, 2010 of ¥13,425 million mainly consisted of cash and cash equivalents and long-term investment assets (investment securities) held by the Company, JVC and Kenwood.

Changes in accounting principles

Revenue recognition for construction had been applied utilizing the completed-contract method. Effective from the fiscal year ended March 31, 2010, the Company has applied the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15 released on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18 released on December 27, 2007). Accordingly, with regard to construction contracts commenced under the fiscal year ended March 31, 2010, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. For all other construction, the completed-contract method should be applied.

There was no impact on sales and income as a result of the application of the new accounting standard.

In connection with licenses for music under management held by the Company's subsidiary Victor Entertainment, Inc. and other companies, the recognition of sales was in principle previously recognized based on an apportionment method over the term of each license. Effective from the fiscal year ended March 31, 2010, for transactions that are deemed as sales of assets or interests and considered material under the terms and conditions of each agreement, the method for recording the recognition of sales has changed such that sales are now recognized in full at the time license agreements are concluded. This change was adopted in conjunction with a review of transactions relating to music and other copyrights in the fiscal year ended March 31, 2010 in order to better reflect in consolidated financial statements adjustments to actual conditions following revenue recognition of transactions deemed as sales of material assets or the rights. As a result of this change, sales of Japan increased by ¥124 million while operating loss of Japan decreased by ¥124 million, for the year ended March 31,2010, compared with the previously applied method.

(Overseas sales)

For the year ended March 31, 2010

	Millions of Yen				
	America	Europe	Asia	Others	Total
Overseas sales	¥ 109,570	¥ 82,966	¥ 52,139	¥ 10,894	¥ 255,569
Consolidated net sales					398,663
Percentage of overseas sales to consolidated net sales	27.5%	20.8%	13.1%	2.7%	64.1%

Notes:

1. The geographic areas except Japan consist primarily of the following countries and regions:
   America - U.S.A., Canada and Panama
   Europe - Germany, France and the United Kingdom
   Asia - China, Singapore and U.A.E.
   Other - Australia and Africa
2. Overseas sales comprising sales of the Company and its consolidated subsidiaries in countries and regions outside of Japan (excluding intersegment sales between consolidated subsidiaries) are classified and presented on the basis of customers' country or region.

21. Related Party Information

For the year ended March 31, 2011

Transactions with Related Parties

Transactions between consolidated subsidiaries of the company and related parties such as the parent company of the company and major shareholders (limited to corporate and other entities) and other were as follows:

Category	Name of company or person	Address	Capital or investment (Millions of Yen)	Business activities or profession	Percentage of voting rights (held) (%)	Transaction details	Transaction amount (Millions of Yen)	Accounting line item of balance sheet	Balance as of the end of the period (Millions of Yen)
Major shareholders	Panasonic Corporation	Kadoma City, Osaka	¥ 258,740	Manufacture and sale of electric and electronic devices	(held) direct 19.3	Licensing fee for the use of patents	¥ 2,967	Current assets, other (other accounts receivable)	¥ 58

Category	Name of company or person	Address	Capital or investment (Thousands of U.S. Dollars)	Business activities or profession	Percentage of voting rights (held) (%)	Transaction details	Transaction amount (Thousands of U.S. Dollars)	Accounting line item of balance sheet	Balance as of the end of the period (Thousands of U.S. Dollars)
Major shareholders	Panasonic Corporation	Kadoma City, Osaka	$ 3,111,726	Manufacture and sale of electric and electronic devices	(held) direct 19.3	Licensing fee for the use of patents	$ 35,683	Current assets, other (other accounts receivable)	$ 698

Notes:

1. Transaction amounts presented in the above table were exclusive of consumption and related taxes. Balances as of the end of the period were inclusive of consumptions and other taxes.
2. Licensing fees for the use of patents are subject to negotiation and determined based on generally accepted transaction terms and conditions.

22. Subsequent Events

1. Elimination of the loss cumulated by transfer of other capital surplus to retained earnings

When the Company held a meeting of its Board of Directors on May 13, 2011, the Company resolved to transfer the capital surplus to retained earnings as follows effective the same date.

(1) Purpose of the appropriation of surplus

As of March 31, 2011, the amount of capital surplus recorded on the Company's non-consolidated financial statements was ¥116,360 million ($1,399,399 thousand) while retained earnings stood a loss carried forward of ¥59,461 million ($715,105 thousand).

In order to correct this capital structure and to ensure the early payment of cash dividends from retained earnings, the Company appropriated its capital surplus to eliminate the loss carried forward in accordance with Article 452 and Article 459 of Japan's Companies Act. This appropriation was undertaken pursuant to a resolution of the Board of Directors at a meeting held on May 13, 2011 as outlined in"(2) Details of surplus appropriation" that follows.

(2) Details of surplus appropriation

With respect to the payment of cash dividends from surplus as stipulated under Article 459, Paragraph 1 of the Companies Act, and excluding instances stipulated under separate legislation, the Company transferred ¥59,461 million ($715,105 thousand) from other capital surplus to retained earnings effective May 13, 2011 in accordance with the stipulations outlined under its articles of incorporation.

1. The accounting line item to be reduced and reduction amount
   Capital surplus ¥59,461 million ($715,105 thousand)

2. The accounting line item to which the aforementioned amount was transferred and the amount of increase
Retained earnings ¥59,461 million ($715,105 thousand)
3. Effective date
May 13, 2011

2. Memorandum of Understanding (MOU) regarding the Acquisition of Shares

When the Company held a meeting of its Board of Directors on June 10, 2011,the Company resolved to acquire a total of 51% of the outstanding shares of Shinwa International Holdings Limited (Shinwa) from the funds managed by CITIC Capital (CITIC Capital), as well as Yoshifumi Naito, Chairman of Shinwa, and to make Shinwa its subsidiary company. Based on this resolution, the Company entered into an MOU with each of Shinwa, CITIC and Yoshifumi Naito.

(1) Reasons for the share acquisition

The Group has continued to concentrate on and strengthen the Car electronics business, the Group's largest business segment in terms of sales, while promoting a growth strategy for the business by leveraging integration effects.

In this context, as a major step forward in developing its growth strategy, the Company concluded an MOU on June 10, 2011 with each of Shinwa and its major shareholders CITIC Capital and Yoshifumi Naito, with the aim of making Shinwa into a subsidiary company. Shinwa is a major player in the device business, and as a manufacturer and marketer of CD/DVD mechanisms for car AV equipment boasts considerable strength particularly in the Chinese market. Moving forward the parties to the MOU will commence discussions regarding the execution of an official share transfer agreement.

By making Shinwa a subsidiary company considerable potential exists to further strengthen the device business common to both parties. At the same time, the Group, which aims to expand and strengthen its business in emerging markets and particularly China, a country where substantial growth is likely to continue, will be better positioned to obtain a strategic partner with an excellent transaction track record with Chinese companies in the automotive industry. For its part, Shinwa, under the new relationship with the Company, is expected to enhance its business and achieve sustainable growth by gaining access to an expanded production scale and sales network.

(2) The name of the company, business activities, scale and other pertinent details

Company name:	Shinwa International Holdings Limited
Address:	1903, CCT Telecom Building, 11 Wo Shing Street, Fo Tan, Shantin, N.T., Hong Kong
Representative:	Yoshifumi Naito, President and CEO
Business activities:	Production and processing services on consignment for car AV mechanisms and painted plastic parts
Capital:	US$29,090,910 (¥2,369 million*)
	* Exchange rate: US$1 = ¥81.45 (as of the end of December 2010)
Date of Establishment:	April 19, 2004
Major shareholders:	Yoshifumi Naito: (Percentage of shareholdings: 55%)
	CITIC Capital: (Percentage of shareholdings: 45%)

Consolidated operating results and financial condition (the fiscal year ended December 31, 2010)

Net assets:	¥6,591 million* ($80,921 thousand)
Total assets:	¥15,654 million* ($192,192 thousand)
Net sales:	¥24,206 million* ($297,188 thousand)
Income before taxes:	¥2,544 million* ($31,234 thousand)
Net income:	¥1,181 million* ($14,500 thousand)

* Exchange rate: US$1 = ¥81.45 (as of the end of December 2010)

(3) Parties that shares are to be acquired

CITIC Capital:	13,090,910 shares (45.0%)
Yoshifumi Naito:	1,745,460 shares (6.0%)

(4) Number of shares to be acquired, acquisition price and percentage of shares held following acquisition

Number of shares held prior to acquisition:	0 shares (0%: percentage of shareholdings)
Number of shares to be acquired:	14,836,370 shares (51.0%: percentage of shareholdings)
Acquisition price:	To be determined based on an assessment of assets and related matters
Number of shares to be held after acquisition:	14,836,370 shares (51.0%: percentage of shareholdings)

(3) Schedule

June 10, 2011	Conclusion of the MOU
August 2011	Planned conclusion of a share transfer agreement
October 2011	Planned transfer of shares

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JVC KENWOOD Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of JVC KENWOOD Holdings, Inc. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JVC KENWOOD Holdings, Inc. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 22 to the consolidated financial statements, the Company resolved to eliminate the accumulated loss carried forward by way of a transfer from other capital surplus to retained earnings at a Board of Directors meeting held on May 13, 2011.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2011

Member of
Deloitte Touche Tohmatsu Limited

JVC KENWOOD

JVC KENWOOD Corporation

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