

JVC Kenwood Group's Results and Forecast Briefing

Third Quarter of Fiscal Year Ending March 2011

JVC KENWOOD Holdings, Inc
February 2, 2011

- 1. Financial Results Overview for 3Q of Fiscal Year Ending March 2011**
- 2. Business Forecasts for Fiscal Year Ending March 2011**
- 3. Progress in Action Plan for Reconstructing Corporate Bases and Medium-term Business Plan and Growth Strategy Going Forward**

Haruo Kawahara, Chairman, President and CEO

Hisayoshi Fuwa, Director and CFO

1. Financial Results Overview for 3Q of the Fiscal year Ending March 2011

Abbreviation

CE: Car Electronics (Business)

BB: Professional Systems (Business)

COM: Communications (Segment), BS: Business Solution (Segment)

HM: Home & Mobile Electronics (Business)

DP: Display (Segment), CAM: Camcorder (Segment),

HA: Home Audio (Segment), AVC: AV Accessory (Segment)

SE: Entertainment (Business)

3Q Financial Results - Summary

- * Our core businesses, CE and BB, remained robust, following the 1H.
- * Structural reforms and cost reductions in the previous fiscal year proved effective

► Earnings for the Group improved significantly year-on-year

						(billion yen)
		Net sales	Operating profit	Ordinary income	Net income	Exchange rate
3Q	FYE3/'11	90.6	4.0	4.4	5.4	USD: JPY83 Euro: JPY112
	FYE3/'10	102.1	-0.9	-3.3	-5.4	USD: JPY90 Euro: JPY133

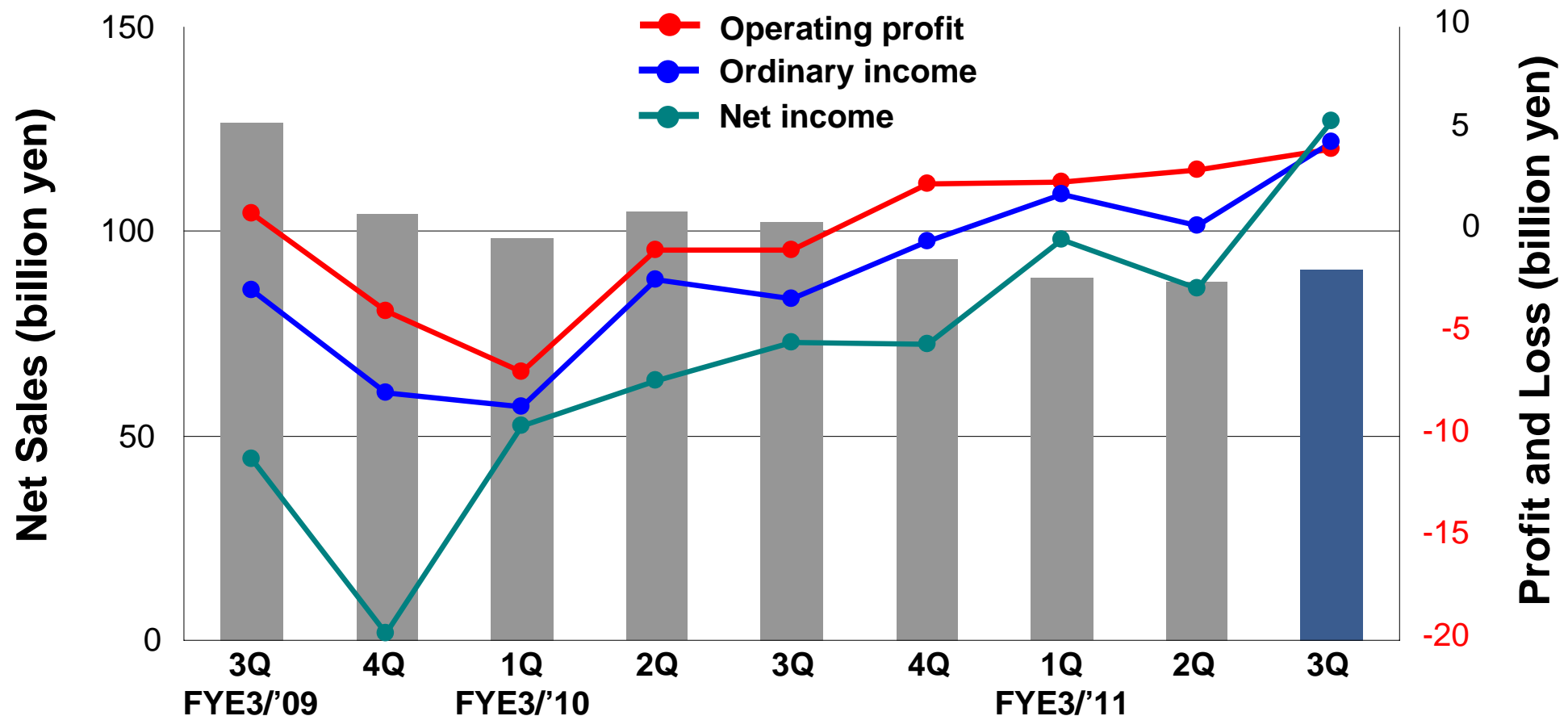
* Foreign exchange impact on net sales: **down JPY4.6B** y-o-y

1-3Q	FYE3/'11	267.2	9.4	6.5	2.2	USD: JPY87 Euro: JPY113
	FYE3/'10	305.4	-8.7	-14.3	-22.3	USD: JPY94 Euro: JPY133

* Foreign exchange impact on net sales: **down JPY12.9B** y-o-y

3Q Financial Results - Quarterly Financial Results

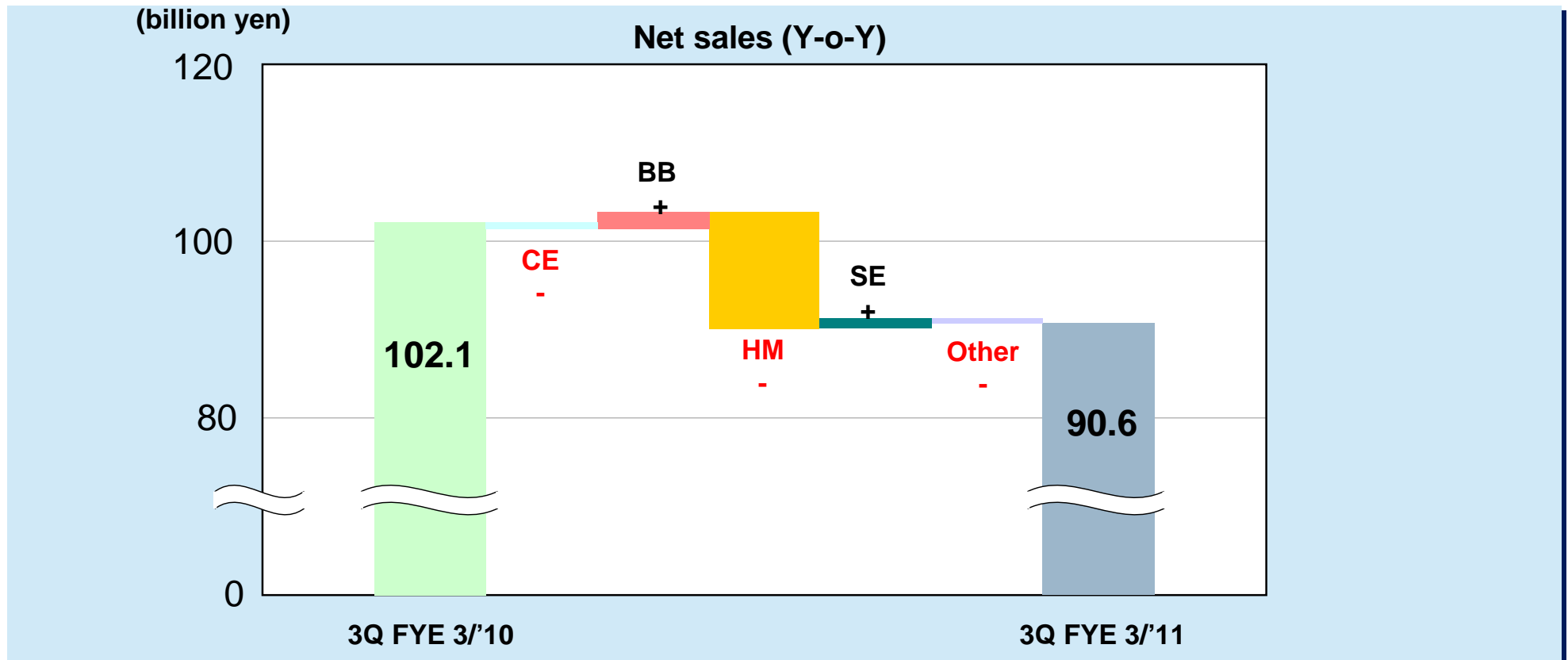
- * Sales are on a recovery trend
- * **Operating profit** was in the black in all business segments, resulting in a record high for the four consecutive quarters
- * **Ordinary income** was in the black for the three consecutive quarters
- * **Net income** for the 3Q and for the 1-3Q moved into the black for the first time since the management integration, supported primarily by the positive result of ordinary income and **posting of an extraordinary profit**.



3Q Financial Results - Net Sales

3Q results: JPY90.6B (1-3Q results: JPY267.2B)

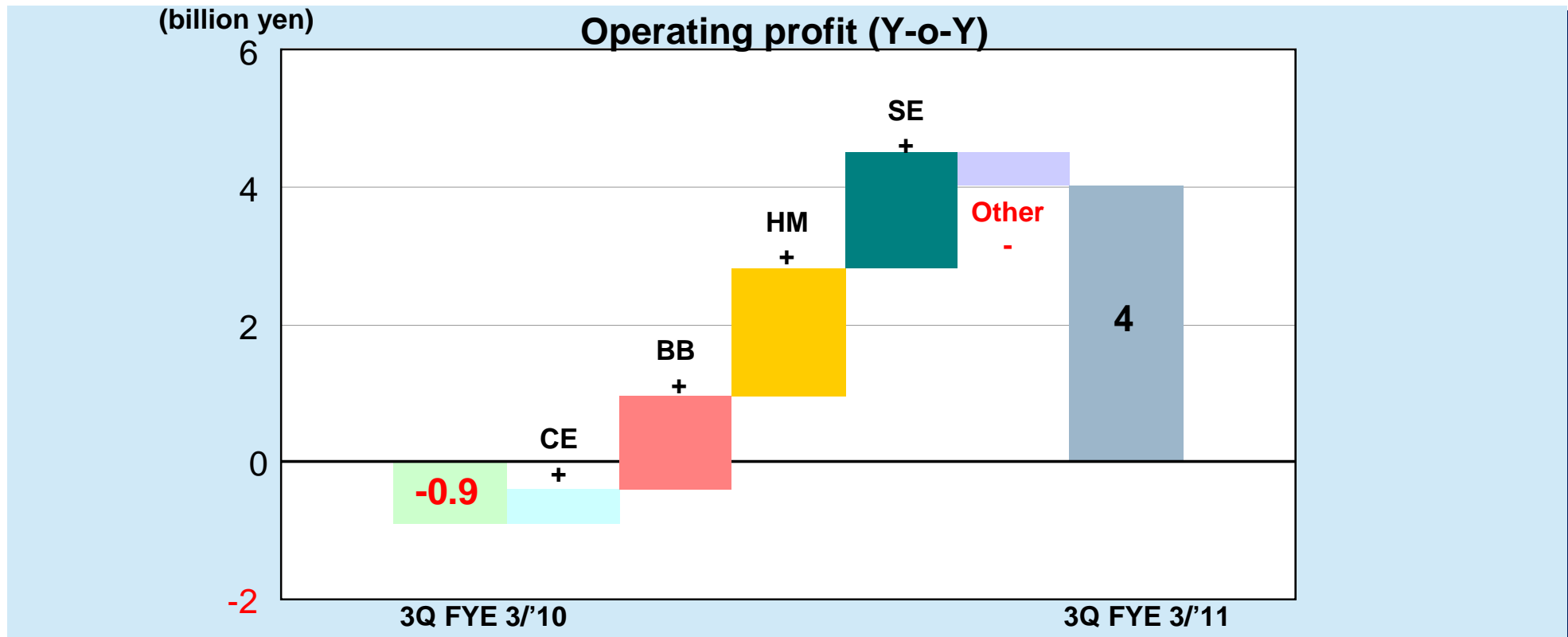
- * In the CE business, sales remained firm in both the After market and OEM segments
 - * Orders for BB recovered mainly in COM to exceed the results of the previous fiscal year
 - * Sales for HM declined, due to the curtailment of DP and a drop in sales of CAM
- ▶ Overall, net sales decreased JPY11.5B year-on-year as expected (down 11.3%, of which 4.5% reflects the impact of the strengthened yen)
- ▶ Consolidated net sales for the 1-3Q decreased JPY38.2B (down 12.5%, of which 4.2% reflects the impact of the strengthened yen) year on year.



3Q Financial Results - Operating Profit

3Q results: JPY4B (1-3Q results : JPY9.4B)

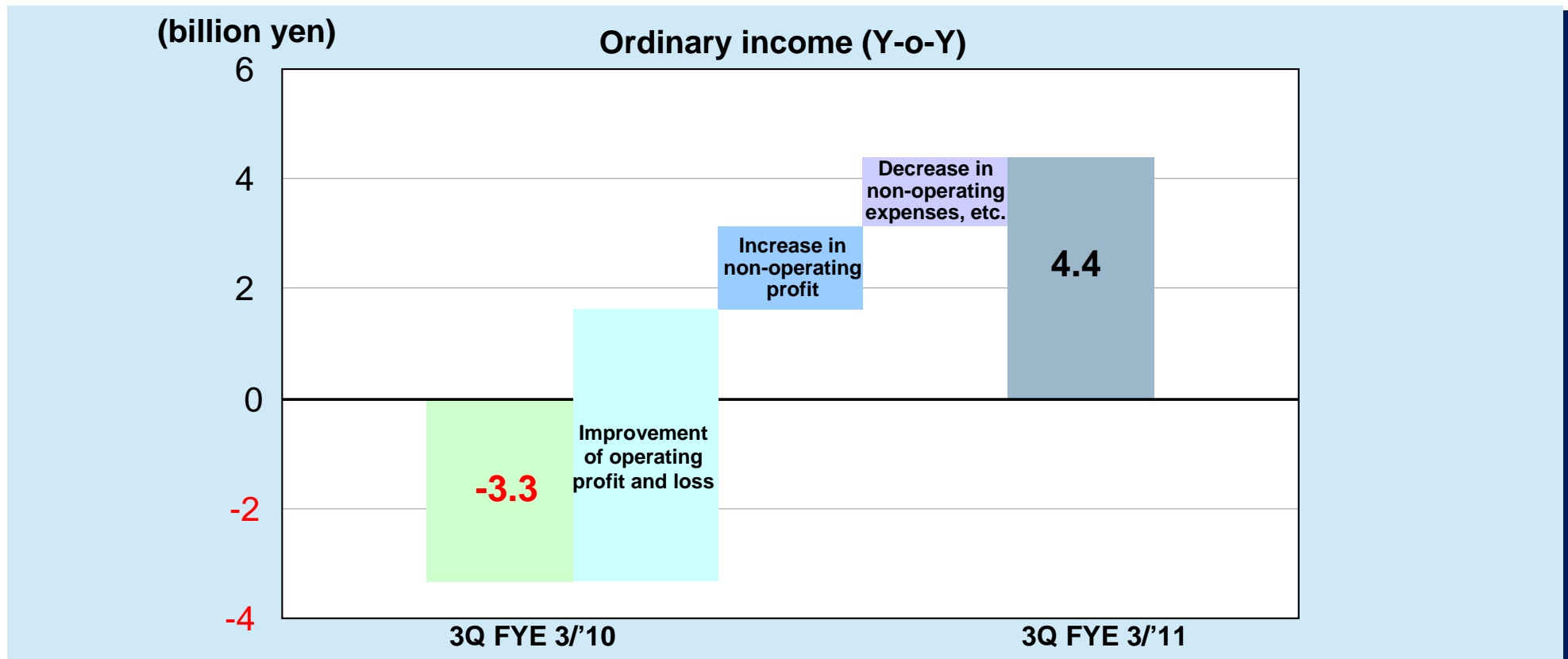
- * CE continued to be strong in the After market even towards the end of the sales period while the expansion of OEM sales contributed to favorable earnings
 - * In BB, COM recovered its earnings capability as in the 2Q while BS showed considerable improvement due primarily to reductions in fixed and variable costs
 - * HM moved into the black for the first time since the 3Q of FYE 3/'09 as a result of the effects of fixed cost reductions and earnings from patent licenses
 - * Earnings for SE further improved, supported by the launch of large projects and cost reductions
- ▶ Overall, operating income was above expectation and favorable in **all segments, to mark a record high for the four consecutive quarters** up JPY4.9B year-on-year
- ▶ Operating profit for the 1-3Q improved JPY18.1B year-on-year.



3Q Financial Results - Ordinary Income

3Q results: JPY4.4B (1-3Q results : JPY6.5B)

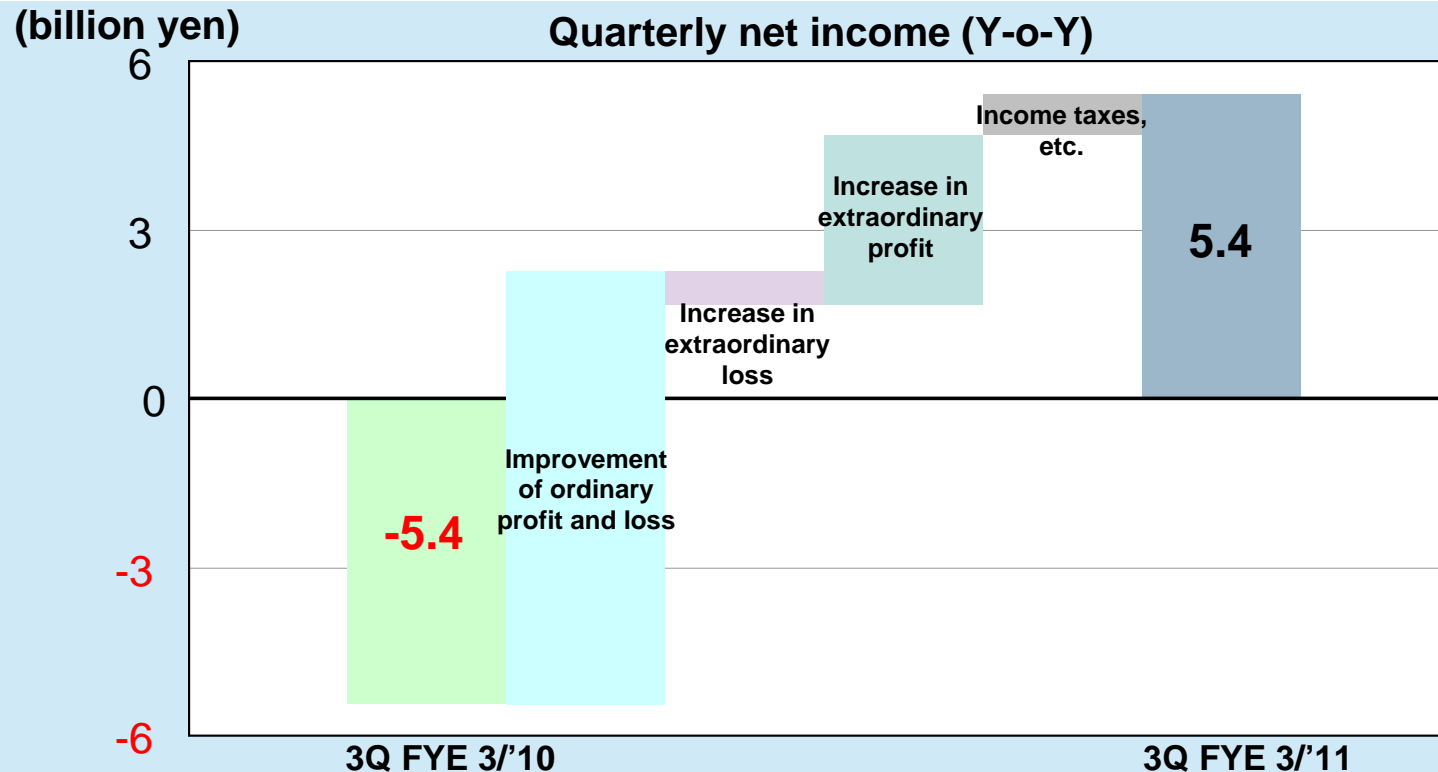
- * Non-operating profit totaling JPY1.8B was posted (up JPY1.5B y-o-y) including a foreign exchange gain of JPY0.5B and adjustments to patent fees of past periods (JPY0.9B)
- * Non-operating expenses totaled JPY1.4B, down JPY1.3B from a year earlier
- ▶ Overall, ordinary income improved above expectations and rose JPY7.7B year-on-year to be in **the black for the three consecutive quarters**
- ▶ Ordinary income for the 1-3Q improved by JPY20.8B year-on-year



3Q Financial Results - Quarterly Net Income

3Q results: JPY5.4B (1-3Q results : JPY2.2B)

- * A total extraordinary loss of JPY2.6B (up JPY0.6B y-o-y) was posted, including a loss on sales of fixed assets (JPY0.1B) and expenses associated with staffing reform (JPY1.2B)
 - * A total extraordinary profit of JPY3.7B (up JPY3.0B y-o-y) was posted, including an extraordinary profit (JPY2.9B) associated with granting patent licenses to Panasonic
 - * Income taxes associated with sales of assets decreased JPY0.8B year-on-year
- ▶ Overall, net income improved JPY10.8B year-on-year, exceeding expectations, and moved into **the black for the first time** since the management integration
- ▶ Net income for the 1-3Q increased by JPY24.5B year-on-year to be in **the black for the first time** since the management integration



Information by Business Segment

Net Sales, Profits, and Losses by Business Segment

(Million Yen)

Business Segment		1-3Q FYE 3/'11	3Q FYE 3/'11	(Reference) 3Q FYE 3/'10
Car Electronics (CE)	Net sales	80,558	25,565	26,337
	Operating profit	6,024	1,363	849
Professional Systems (BB)	Net sales	67,210	23,209	21,316
	Operating profit	1,847	1,197	-158
Home & Mobile Electronics (HM)	Net sales	79,167	26,626	39,784
	Operating profit	-378	295	-1,561
Entertainment (SE)	Net sales	33,742	12,702	11,471
	Operating profit	1,901	1,040	-642
Others	Net sales	6,502	2,489	3,191
	Operating profit	20	134	604
Total	Net sales	267,182	90,592	102,101
	Operating profit	9,416	4,032	-908

* For the fiscal year ended Mar '10, patent revenue and profit/loss related to the business incubation are included in the Others segment. For the fiscal year ending Mar '11, 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.

3Q - Car Electronics Business

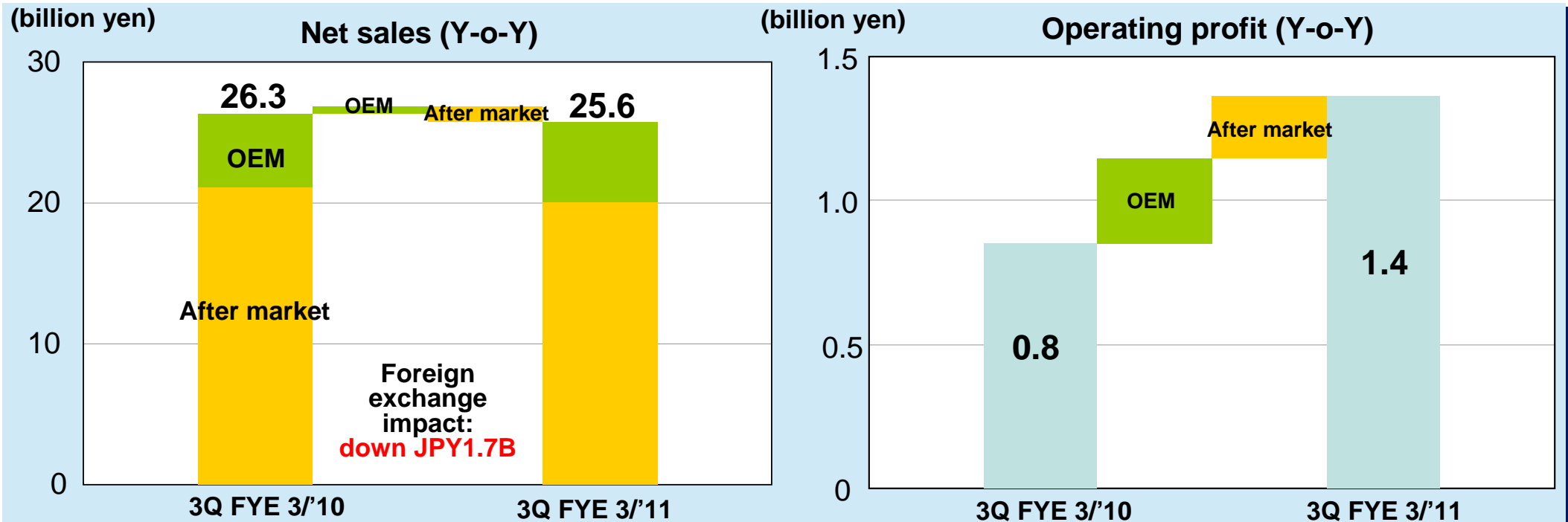
3Q Net sales: JPY 25.6B (1-3Q results: JPY80.6B)

3Q Operating profit: JPY 1.4 B (1-3Q results: JPY6.0B)

* **After market:** Sales of products whose cost competitiveness improved with the integration remained favorable in North America, Asia and Japan, as in the 1H, even toward the end of the sales period for existing products

* **OEM:** Sales of factory-installed and dealer option products remained favorable while shipments of CD/DVD mechanisms for vehicles expanded considerably

► Net sales declined JPY0.8B year-on-year while operating profit increased JPY0.5B year-on-year



3Q - Professional System Business

3Q Net sales: JPY 23.2B (1-3Q results: JPY67.2B)

3Q Operating profit: JPY 1.2 B (1-3Q results: JPY1.8B)

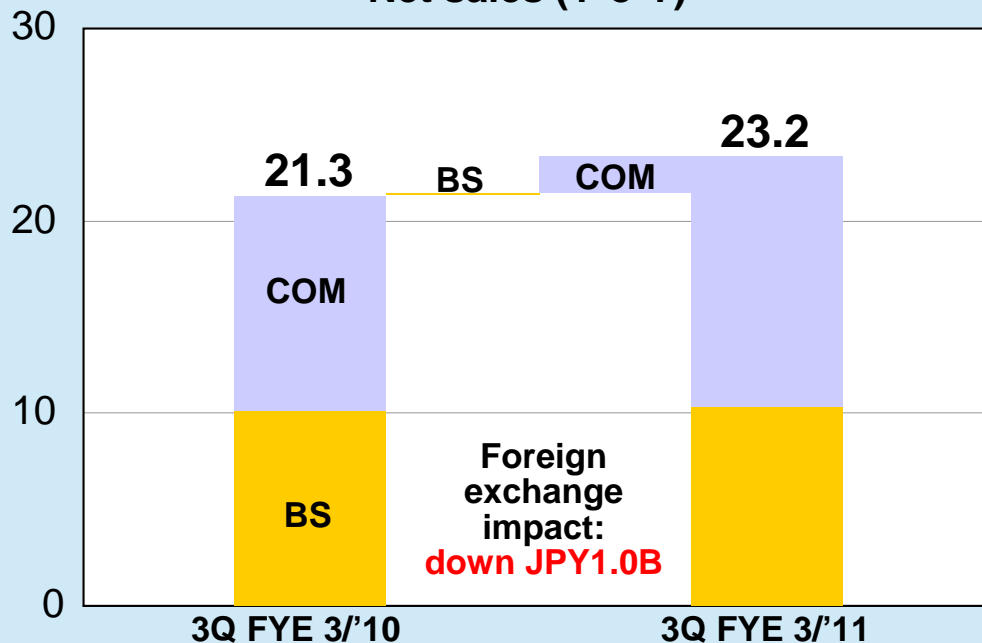
* **COM**: Net sales and earnings expanded as in the 1H, owing to the recovery of orders for public safety market in the U.S., the expanded sales of originally developed digital land mobile radio for the business & industry market and the launch of new products in China and other Asian countries

* **BS**: The segment continued to be in the black as in the 2Q, owing to improved earnings supported by favorable sales of professional cameras (e.g. for CNN), professional audio equipment and ID card printers, and cost and fixed expense reductions

▶ Net sales increased JPY1.9B year-on-year and operating profit rose JPY1.4B year-on-year to be in the black, as in the 2Q

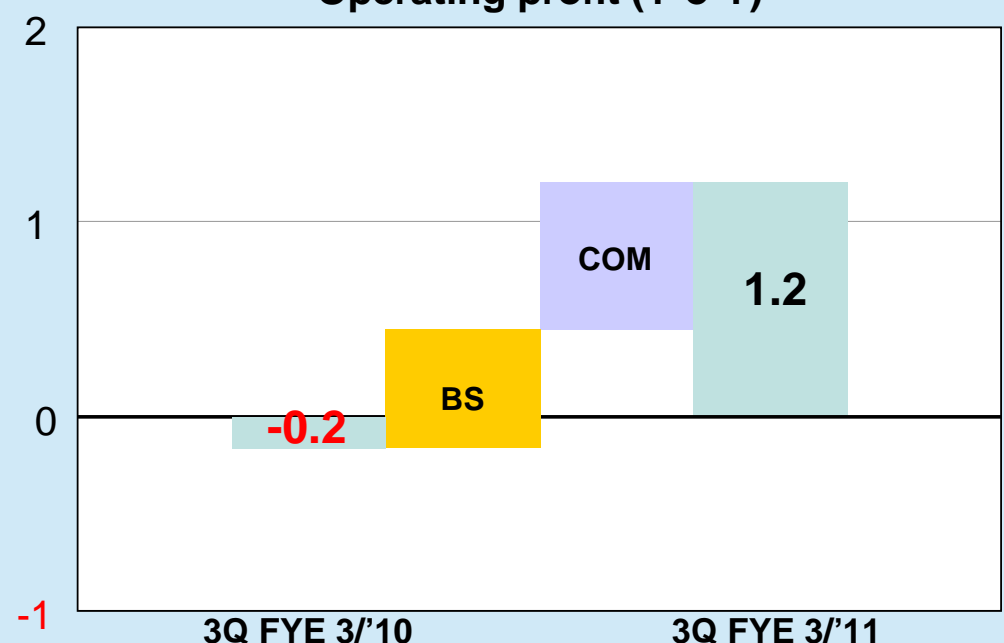
(billion yen)

Net sales (Y-o-Y)



(billion yen)

Operating profit (Y-o-Y)



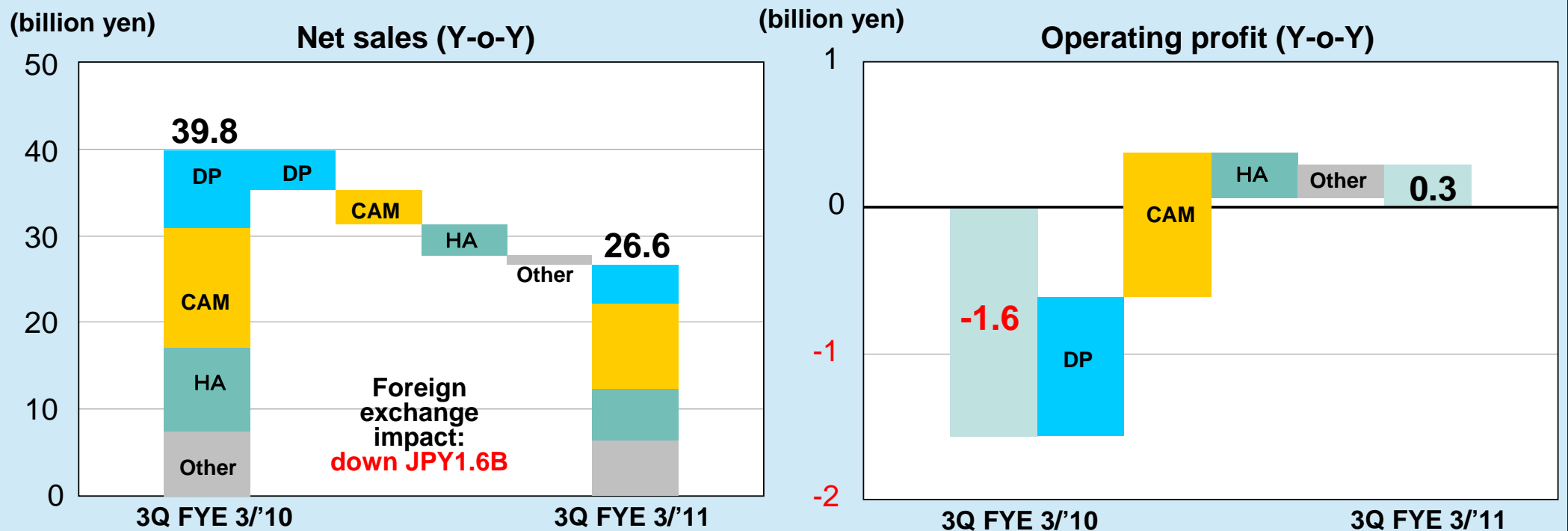
3Q - Home & Mobile Electronics Business

3Q Net sales: JPY 26.6B (1-3Q results: JPY79.2B)

3Q Operating profit: JPY 0.3 B (1-3Q results: JPY-0.4B)

- * **DP**: Losses decreased significantly although net sales halved, affected by the end of sales activities based on in-house manufacturing and sales companies and the conversion to brand license-based and other business models in regions other than Asia
- * **CAM**: Losses decreased significantly despite lower earnings, supported by strong domestic sales against sluggish overseas sales and effects of business structural reforms
- * **HA, AVC, other**: HA managed to be in the black despite lower earnings, AVC remained highly profitable and 3D projectors contributed to favorable earnings

► Overall, operating profit improved considerably by JPY1.9B year-on-year despite the fall in net sales of JPY13.2B and moved into the black for the first time since the 3Q of FY 3/'09



3Q - Entertainment Business

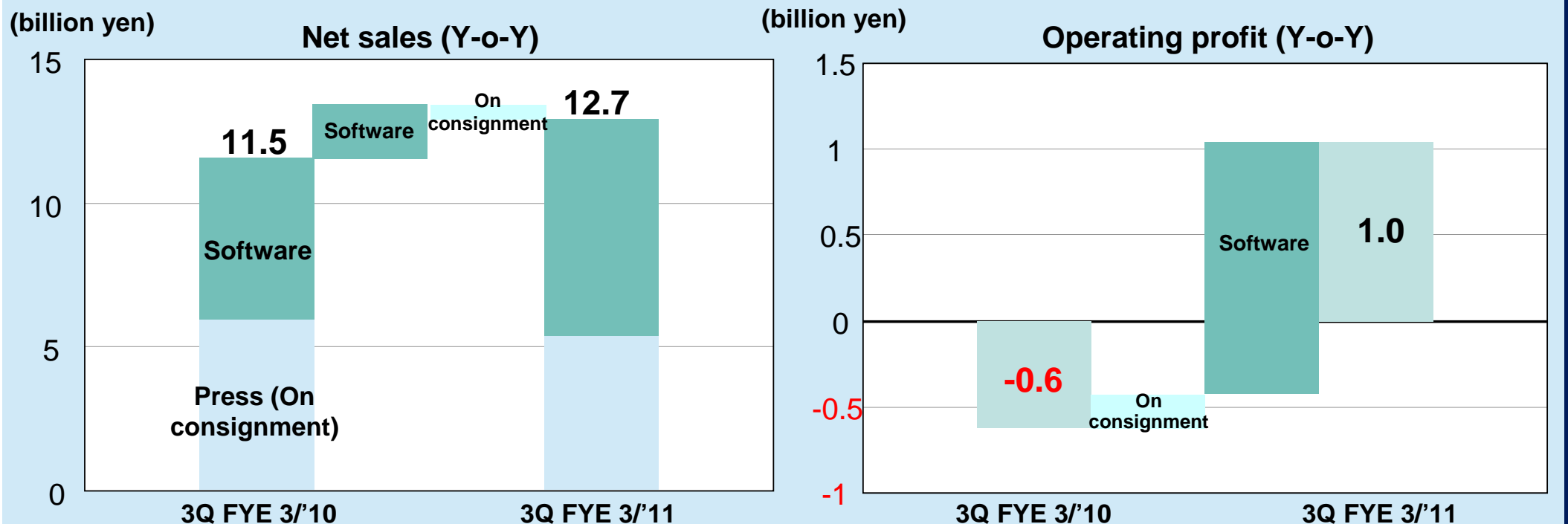
3Q Net sales: JPY 12.7B (1-3Q results: JPY33.7B)

3Q Operating profit: JPY 1.0B (1-3Q results: JPY1.9B)

* **Software:** The financial position further improved as earnings expanded considerably owing primarily to the launch of major music projects and animation hits and revenues from music-related rights while cost reduction advanced

* **On consignment (e.g. optical disk manufacturing):** Earnings improved as a result of steady orders received amid the tough market environment and effects of fixed cost reductions.

▶ Consequently, the business improved significantly to be in the black with net sales up JPY1.2B and operating profit up JPY1.7B from a year earlier



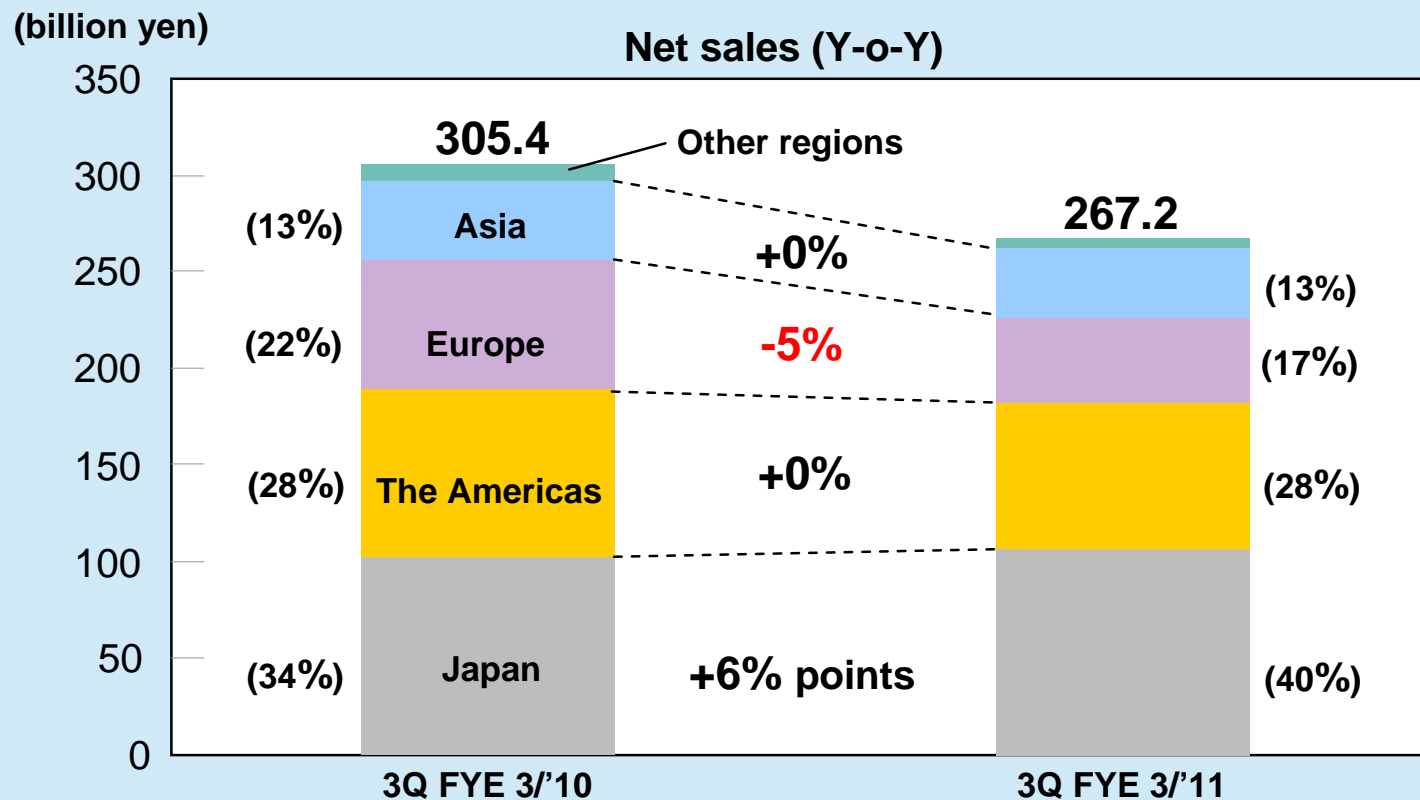
3Q Financial Results - Sales by Region (Reference)

Japan: Sales increased due to increases in sales of the CE and the BS.

The Americas: Sales remained unchanged in sales of the HM, although sales of the CE and the COM increased.

Europe: Sales declined due to a decrease in sales of the HM.

Asia: Sales remained unchanged in sales of the HM, although sales of the CE rose.



Balance Sheets (the end of the 3Q)

- * Total assets declined JPY31.2B year-on-year, due to the decrease in current assets and reduction of assets
- * Interest-bearing debts (sum of loans payable and bonds payable) decreased JPY12B from the end of the previous fiscal year, mainly owing to the repayment of loans payable. Total liabilities fell JPY26.4B. The net debt fell JPY20.9B.
- * Total shareholders' equity increased JPY3.2B from the end of the previous fiscal year, mainly due to a net income being posted for the 1-3Q.
Total net assets fell JPY4.8B from the end of the previous fiscal year, due chiefly to a decrease in foreign currency translation adjustment.
- * Shareholders' equity ratio rose 0.2%
- * **Completed procedures for new share issuance and disposal of treasury stock based on overseas subscription on Jan 25, '11. Consequently, a total of JPY13.9B was deposited as of that date and shareholders' equity and net assets increased by the same amount**

	End of FYE3/'10	End of 3Q	Change from end of FYE3/'10	(billion yen)	
				After overseas subscription	Change from end of 3Q
Total assets	274.8	243.5	-31.2	257.5	+13.9
Interest-bearing debt	108.3	96.3	-12.0	96.3	0
Net debt	64.8	43.9	-20.9	30.0	-13.9
Capital stock	10.0	10.0	0	10.0	0
Capital surplus	111.1	111.1	0	105.3	-5.8
Treasury share	-20.3	-20.3	0	-0.5	+19.7
Shareholders' equity	62.6	65.8	+3.2	79.7	+13.9
Net assets	46.8	42.0	-4.8	55.9	+13.9
Equity ratio (%)	16.7	16.9	+0.2	21.4	+4.5
Net assets per share (yen)	*47.45	425.7	—	397.2	-28.5

* Figures were calculated based on the number of issued and outstanding shares as of FYE 3/'10 prior to the share consolidation (at the rate of 10 shares for 1)

Cash flows (1-3Q)

Cash flows from operating activities: Net cash generated totaled JPY16.8B, up JPY4.8B y-o-y

- * Increase was primarily due to the rise of JPY21.1B in earnings from considerable improvement in quarterly income before income taxes despite the decline in earnings as part of the reduction of inventory assets

Cash flows from investing activities: Net cash generated amounted to JPY6.5B, up JPY9.9B y-o-y

- * Major factors (compared to the 3Q of the previous fiscal year) are a fall of JPY1.8B in payments for the acquisition of tangible and intangible fixed assets and an increase of JPY6.8B in proceeds from sales of tangible fixed assets.

Cash flows from financing activities: Net cash spent totaled JPY11.5B, down JPY6.1B y-o-y

- * The decrease was primarily due to the decline of JPY12.3B in expenditure for repaying long-term loans payable and the elimination of expenditure for bond redemption (the 1-3Q of the previous fiscal year: JPY21.5B) despite the decline in cash from net change in short-term loans payable and long-term loans payable

Cash and cash equivalents as of the end of the 3Q: Totaled JPY52.3B

2. Business Forecasts for Fiscal Year Ending March 2011

Earnings Forecast for FYE3/'11

- * Earnings across all segments exceeded expectations in the 3Q
- * Our commitment for FYE3/'11 is to record ordinary income in the black. In the 4Q, we will exert efforts to complete the “Action Plan for Reconstructing Corporate Bases” and have net income return to the black in the following fiscal year
- * Earnings forecasts for the full year will remain unchanged and we are determined to fully achieve them

(billion yen)

	Net sales	Operating profit	Ordinary income	Net income	Exchange rate
FYE3/'11 1-3Q	267.2	9.4	6.5	2.2	USD: JPY87 Euro: JPY113
FYE3/'11 forecast (as of Oct 28, '10)	360.0	11.0	4.5	-8.0	USD: JPY80 Euro: JPY110
FYE3/'11 initial forecast	380.0	4.0	-3.5	-13.0	USD: JPY90 Euro: JPY125
Results for FYE3/'10	398.7	-6.5	-14.8	-27.8	USD: JPY93 Euro: JPY131

3. Progress in Action Plan for Reconstructing Corporate Bases and Medium-term Business Plan and Growth Strategy Going Forward

Progress in “Action Plan for Restructuring Corporate Base” FYE 3/’11

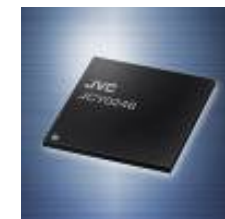
Press ahead with the “Action Plan for Reconstructing Corporate Bases” to pursue renewed growth.

1. Reforming unprofitable businesses

DP >> Almost terminated in-house production and sales (excluding Asia) and **started brand licensing. (Launched in Argentina in Dec '10)**

CAM >> **Developed new product-line with a new processor LSI**, implemented production and sales reforms, etc.

BS >> **Achieved operating profit in 2Q and 3Q** by product innovation, fixed costs reduction, etc.



Newly developed
processor
“FALCONBRID”



Camcorder 2011 model

2. Reconstructing the global operation system

Sold and relocated the Head Office, relocated business centers with business synergy
>> **Completed in Dec '10**

Reorganize the production system >> **Terminated domestic production of professional CAM; transferred to Malaysia (Dec '10)**
Terminated HA production in Malaysia; outsourced (Dec '10)

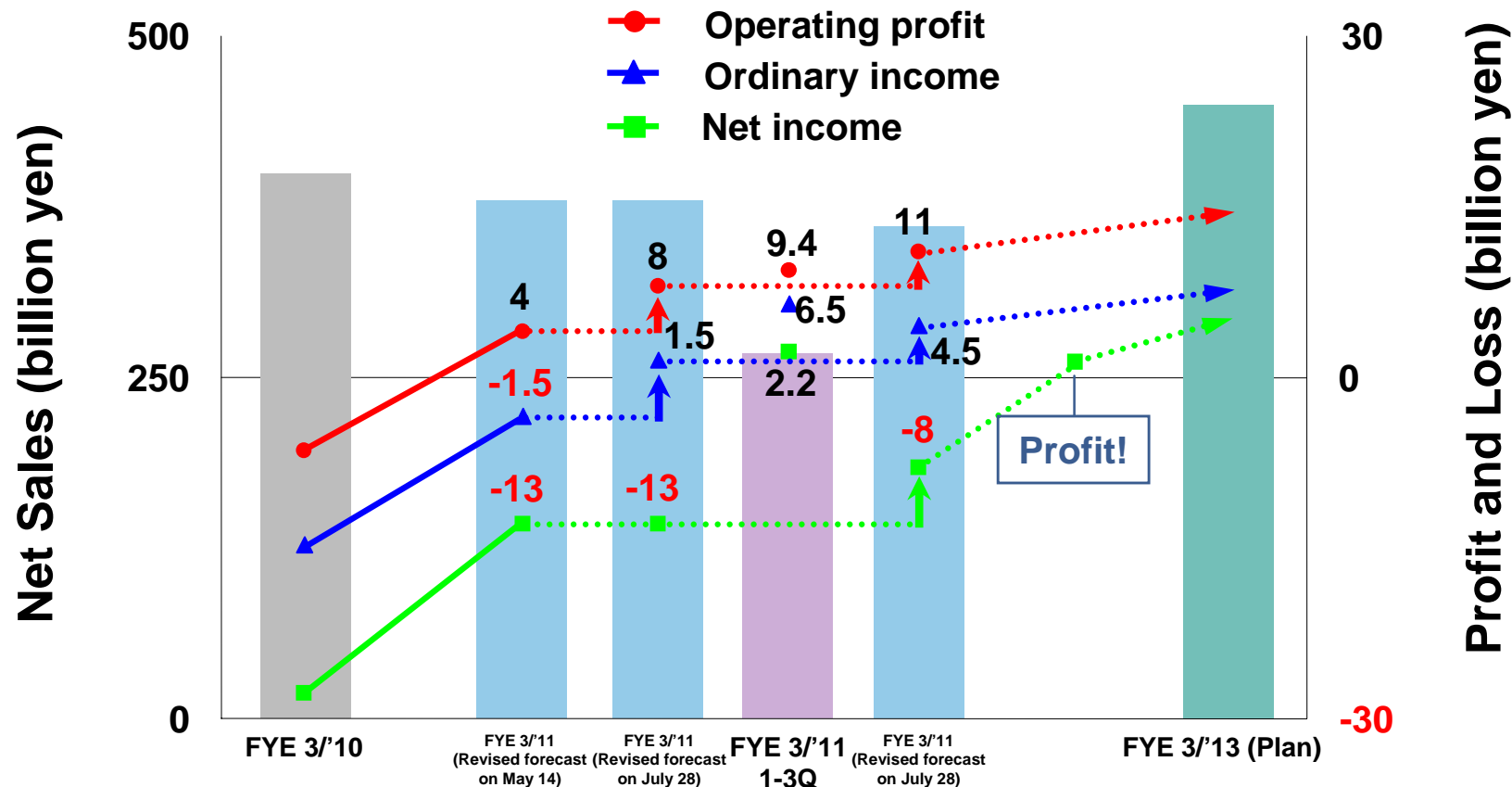
Reconsider human resources framework >> Reduce overseas employees (about 600) and domestic employees (about 500 + 500)

3. Increasing cash flows and reducing total assets

Sold Mexico plant and JVC U.S. sales company's west coast office & storage (Dec '10)
>> **Increased cash by JPY2.1B**

Target and Progress of “Mid-term Business Plan”

- * FYE3/'11: Aim to complete the “Action Plan for Reconstructing Corporate Bases” and get ordinary income into black
- * FYE3/'12: Aim to get all businesses into black and get net income into black
- * Financial target: Aim to remove the going concern reservation at an early stage, and improve equity ratio and net D/E ratio



Application of Funds from Overseas Subscription to Growth Strategies

Appropriate JPY13.9B, received under overseas subscription completed in Jan 25, '11, to the growth strategies below

Aim to establish a new position as a Japan-based specialized (non-diversified) manufacturer focusing on selected AV products, and to realize renewed growth.

Focusing on businesses with a competitive advantage and aiming profitable growth by synergy effects of integration and development within the emerging markets.

1 Growth strategy of Car Electronics Business

Make use of our strong position in the US and European after market.

2 Growth strategy of Professional Systems Business

Make use of the strength of COM in public safety sector and the presence of BS in Japan and overseas.

3 Enter new business domains and promote strategic business alliances

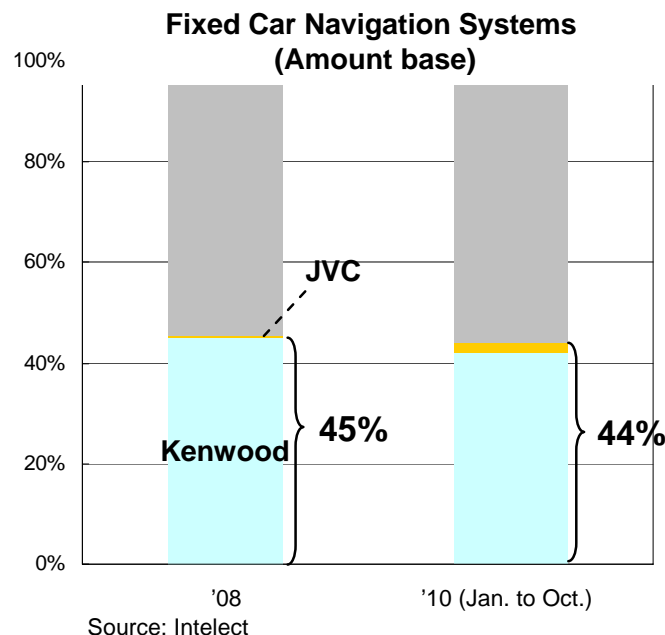
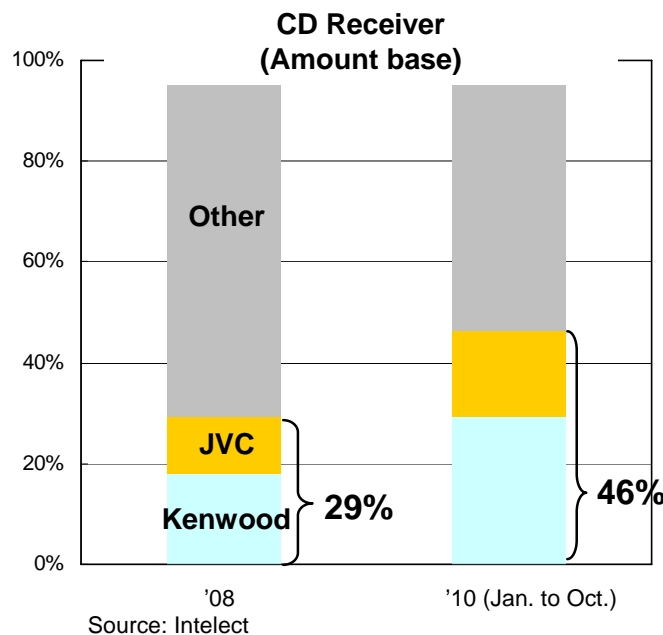
Medical/health care, education, aging population, ecobusiness and personal safety and security

1. Car Electronics Business - Growth Strategy

Strength of Car Electronics

- * Outstanding competitiveness through synergy effects of integration unique to the Company
 >> Overwhelming strength in the USA, Europe and Asian after markets
- * Existence of large markets, including expanding emerging markets
- * Pursue sales growth in After market and diverted OEM segments
 >> Strong sales network
- * High quality and reliability unique to car electronics

Car Electronics U.S. After market market share



Car navigation system



Car audio system



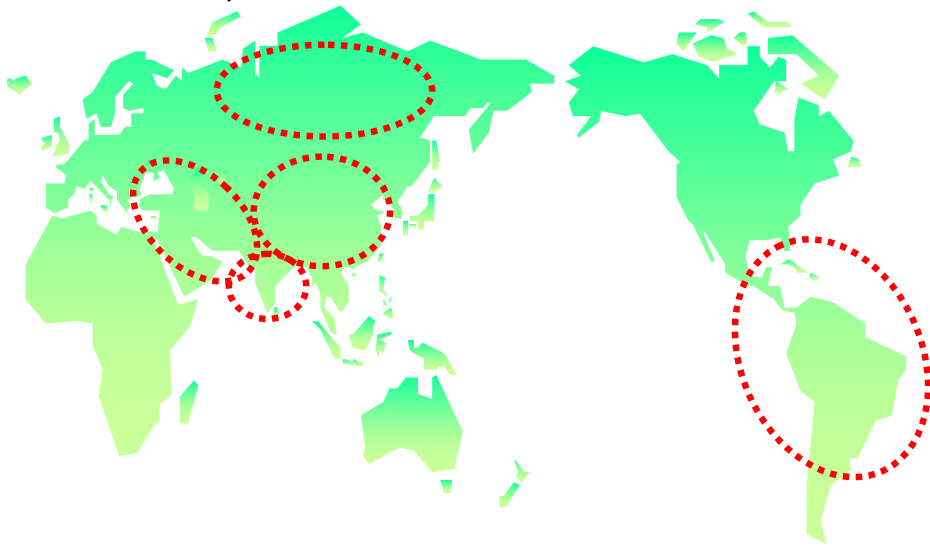
CD and DVD mechanism for car-mounted equipment

1. Car Electronics Business - Growth Strategy

Growth Strategy - Make use of our strong position in the US and European after market.

1. Expand sales in emerging markets

Middle East, Latin America, India, Russia, China and Africa



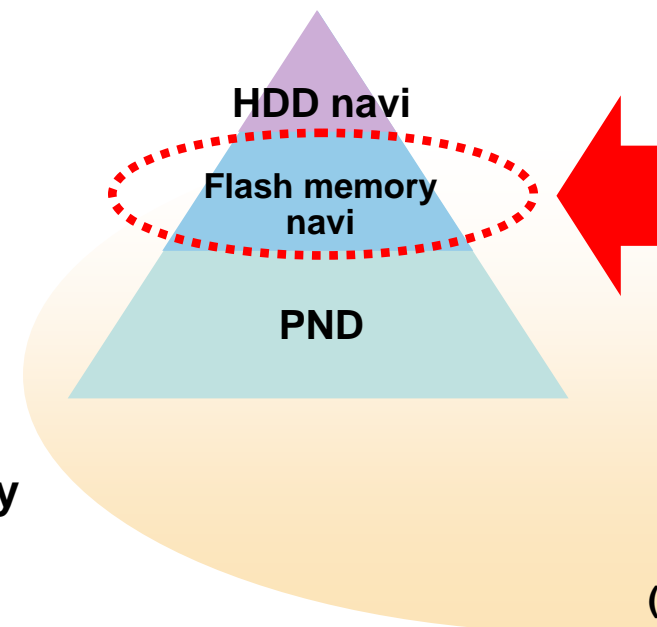
3. Be among the first to develop next-generation car electronics

Add eco-functions and safety functions by utilizing our expertise in wireless communications and cameras

2. Expand sales of car navigation systems through integrated resources and partnership strategy

Make progress with flash memory navigation

- * In Japan, integrated navi of JVC and Kenwood
- * For overseas, collaboration navi with Garmin Ltd.



Memory navi for overseas after markets developed in collaboration with Garmin



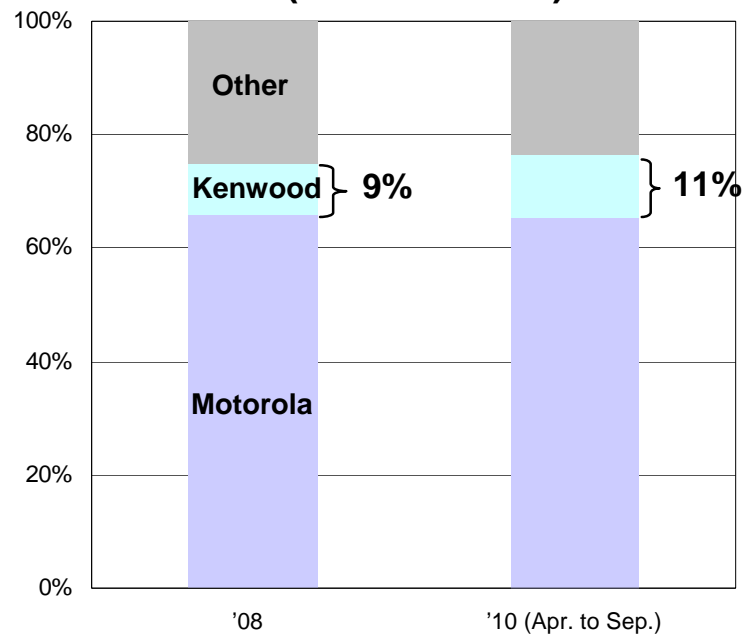
Memory navi developed by Kenwood and JVC under integrated management (To be launched in February)

2. Professional Systems Business - Growth Strategy

Strength of Professional Systems

- * Great presence of COM in the USA, Europe and China
- * Growth strategy unique to the Company through integrated operation of COM and BS
- * Expansion of investments in public safety and private sector

Land Mobile Radio global market share
(Amount base)



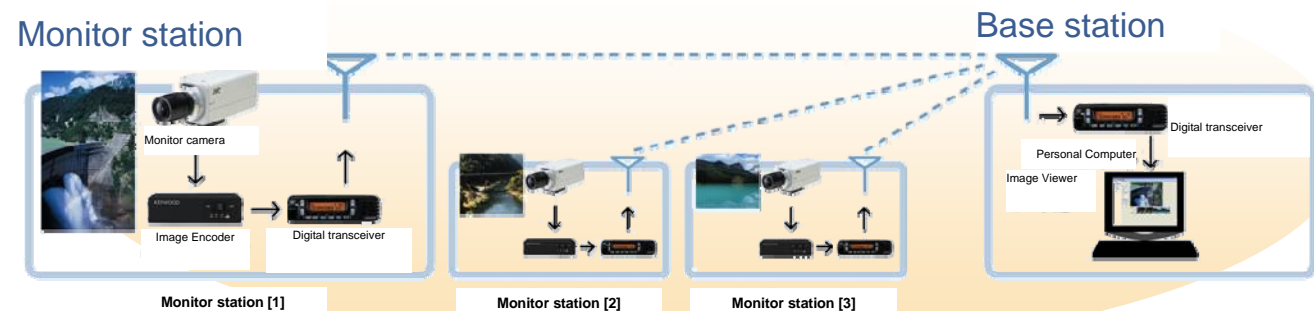
Source: Company estimates



Security camera system



Professional digital land mobile systems



Wireless communication total system solution through integration of security camera and professional digital land mobile system

2. Professional Systems Business - Growth Strategy for the COM

Growth Strategy - Make use of our strength in the public safety sector.

- 1. Expand sales of digital radio equipment**
P25, NEXEDGE, TETRA
- 2. Expand business fields to become a provider of wireless communications system solutions**
Zetron
- 3. Expand sales in emerging markets**
China, India, Africa, Latin America etc.



Land mobile radio
equipment for
emerging markets

Professional digital land mobile
system, NEXEDGE



VoIP radio dispatch system
Wireless command system using the Internet, etc.

2. Professional Systems Business - Growth Strategy for the BS

Growth Strategy - Make use of the presence globally

1. Implement growth strategy with security-related products as growth driver

IP security system, including hardware-to-software and system integration



2. Implement growth strategy through integrated operations and partnerships

New multimedia solution of Kenwood and JVC
3D business in partnership with Hibino, CNN, etc.



Professional memory card
camera recorder
GY-HM790 series



Professional memory card camera
recorder supplied to CNN
GY-HM100



Hibino wide-screen 3D LED display system
based on JVC in-house technology

3. New Business Domains and Strategic Business Alliances

Medical/health care, education, aging population, ecobusiness and personal safety and security

1. Medical/health care, education and aging population

- * High-definition 3D image systems for remote medical treatment
- * High-definition, multi-functional indication systems for remote teaching

2. Ecobusiness and personal safety and security

- * Safety alarm systems to be mounted in vehicles
- * Information transmission systems linking vehicles and homes

3. Expand joint research and development

- * 3D image system that makes objects visible to the naked eye (NICT etc.)
- * Super high-definition 8K4K image system (NHK etc.)
- * 3D image equipment
- * Ultra-small projector element

Strategic Business Alliances

Such as strategic alliance with Hibino Corporation

High-definition 3D image system for remote medical treatment



Wide-screen unaided 3D display jointly developed with National Institute of Communications Technology (NICT)



Photo source: NICT



8K4K super hi-vision jointly developed with NHK



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