April 27, 2011

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

Accounting Report for the Fiscal Year Ended March 2011 (April 1, 2010 - March 31, 2011)

Consolidated Financial Highlights for the Fiscal Year Ended March 2011 (April 1, 2010 - March 31, 2011)

Selected Operating Results

(Millions of yen, except net income per share)

	FYE 2011	FYE 2010	YoY (%)
	April 1, 2010 to March 31, 2011	April 1, 2009 to March 31, 2010	
Net sales	352,672	398,663	88
Operating profit	12,956	(6,453)	-
Ordinary income (loss)	7,579	(14,752)	-
Net income (loss)	(4,025)	(27,795)	-
Net income (loss) per share	(38.60) yen	(28.75) yen	-

Sales by Segments

(Millions of yen)

	FYE 2011		FYE 2010		YoY (%)
	April 1, 2010 to March 31, 2011	%	April 1, 2009 to March 31, 2010	%	
Car Electronics	108,449	31	107,813	27	101
Professional Systems	92,545	26	91,389	23	101
Home & Mobile Electronics	100,101	28	141,772	36	71
Entertainment	42,909	12	44,933	11	95
Others	8,666	3	12,752	3	68
Total	352,672	100	398,663	100	88

Major Products in Each Segment

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

1. Operating Results

(1) Analysis of Operating Results

1. Consolidated operating results for the year ended March 2011

(Overview of the fiscal year under review)

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 profit 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
USD	¥92	¥86	¥83	¥82
Euro	¥117	¥111	¥112	¥113

*** 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.

*** Operating Profit**

Consolidated operating profit 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 profit.

* 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 profit 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.

* 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 profit 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 Sales, Profits and Losses by Business Segment)

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

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

Note 1: For the fiscal year ended March 2010, patent revenue and profit/loss regarding the business incubation are included in the Other Segment.

Note 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.

* 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 profit increased by 3.8 billion yen to 7,894 million yen.

* Professional Systems 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 profit increased substantially by about 4.9 billion yen to 3,594 million yen. Thus, this segment recorded a profit.

*** 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.

*** 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 profit of 2,177 million yen was recorded, a significant improvement of 3.9 billion yen from operating loss posted in the previous fiscal year.

2. Outlook for Next Fiscal Year

In the fiscal year under review, the JVC Kenwood Group worked on the "corporate base reconstruction action plan" to rebuild a corporate foundation corresponding to the current size of sales, considering changes in the economic environment, foreign exchange fluctuations and the impact of the structural reforms. At the same time, the Group brought out the effects of the "action plan for business structural reform" implemented in the previous fiscal year, and completed major measures by the end of the fiscal year under review.

In line with the med-term business plan to end by the fiscal year ending March 2013, the Group also moved forward with its growth strategy while enjoying the greater synergy effect of the integration, focusing on the Car Electronics business and Professional Systems business in which the strengths of the Group would fully be exerted.

For the next term (the fiscal year ending March 2012), the JVC Kenwood Group will take on the issue of "strategic investment" using funds procured by issuing new shares and disposing of treasury shares in January 2011 in addition to making ordinary investments in order to attain further growth. At the same time, the Group's relaxing of emergency measures such as the partial return of compensation by employees, and the impact of the Great Earthquake are expected to lead to a decrease in income. However, by improving income by about 12.7 billion yen through the effect of the "corporate base reconstruction action plan" and promoting the growth strategy in the Car Electronics business and Professional Systems business respectively, both sales and profits are expected to increase over the fiscal year under review, and consequently net income is also expected to return to the black for the first time since the management integration.

The impact of the Great Earthquake (the Group's assumption of its maximum effect) has been incorporated into the performance forecast for the next fiscal year as of the day this accounting report is prepared. Since it is difficult to identify the time when such impact will occur, however, the performance forecast for the first half of the next consolidated fiscal year will not be disclosed. If the Group expects the Great Earthquake to have a material impact on its performance results in the first half of the next consolidated fiscal year, it will immediately make a public announcement to that effect.

(2) Analysis of Financial Position

1. Analysis of assets, liabilities and net assets

* Assets

Total assets at the end of the fiscal year under review decreased by about 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 52,739 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.

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.

2. 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.

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

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 will refrain from paying year-end dividends, since it is necessary to utilize the management resources for an earnings recovery in the future.

Payment of dividends for the next term (the fiscal year ending March 2012) will be reviewed in consideration of the operating results in the first half of the next consolidated fiscal year, after further intensive efforts for recovering operating results.

(4) 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. As mentioned in “(3) Issues to be Addressed” in the “2. Management Policy” section, 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 2013, 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 profit 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.

2. Management Policy

(1) Basic Management Policy

Regarding management integration as the starting point of a new growth strategy, basically, the JVC Kenwood Group makes efforts to evolve corporate bases that JVC and Kenwood have built up, into a new sustainable business infrastructure to succeed in the digital era and enhance competitiveness and profitability, through the management integration of the two companies. The Group also aims at expanding and creating corporate value taking advantage of synergetic effects from the management integration to establish a position as a unique, specialized and world-leading manufacturer that creates inspiration and security.

(2) Medium- to Long-term Business Strategies

Since the management integration in October 1, 2008, the JVC Kenwood Group has been focusing on various kinds of structural reforms along with efforts to materialize the synergetic effects as soon as possible and cope with the deteriorated management environment. In the fiscal year under review (the fiscal year ended March 2011), the Group worked on the “corporate base reconstruction action plan” to reestablish corporate bases matching the current size of sales and complete the structural reforms, based on the recent trends in the economic environment and change in foreign exchange rates. The Group also launched the mid-term business plan, which is to be completed by the end of the fiscal year ending March 2013, in order to achieve a profitable growth utilizing those established corporate bases.

In the mid-term business plan, the Group drives forward a growth strategy taking advantage of synergy effects of the integration, mainly in the Car Electronics business and Professional Systems business in which the strengths of the Group will be well exerted amid increasingly fierce global competition. Through a stronger integrated management, the Group is also striving to establish a position as a Japanese specialized manufacturer that creates inspiration and security by firmly establishing itself as an expert to attain further growth.

In the fiscal year under review (the fiscal year ended March 2011) as the inaugural year of the mid-term business plan, profits improved more than initially planned and the original goal of “posting a positive ordinary income” for the term ended March 2011 was achieved as a result of promoting the growth strategy focusing on the Car Electronics business and Professional Systems business and stronger integrated management of the Group in addition to the embodied effects of the “action plan for business structural reforms” implemented in the previous fiscal year, even though sales were affected by fluctuations in foreign exchange rates.

Based on the progress of the mid-term business plan, the impact of exchange fluctuations, and change in the economic environment, the mid-term targets (for sales, operating profit and net income) set up at the time of drawing up the mid-term business plan have been modified.

For details, please refer to the “Notification regarding Review of Mid-term Business Plan and Implementation of Strategic Investment” which is announced separately on the day when this report is disclosed.

Looking at the financial aspect, the shareholders’ equity ratio was 20.0% and the net Debt-Equity ratio was 0.53 times compared with the targets for the fiscal year ending March 2013 of 25% and 0.5 times or below, respectively. The results showed a steady progress.

(3) Issues to be Addressed

To cope with deterioration of the management environment, the Group cut costs by about 25.0 billion yen in the previous fiscal year through efforts to reform unprofitable businesses and reduce fixed expenses companywide in line with the “action plan for business structural reforms.” In the action plan, “four structural reform areas” of business, cost, management, and finance were selected as areas to make efforts in.

In the fiscal year under review, the Group worked on the “corporate base reconstruction action plan” mentioned above by realizing and taking advantage of the effects of those reforms. The Group also promoted the growth strategy for attaining profitable growth in line with the mid-term business plan.

1. Progress in Action Plan for Reconstructing Corporate Bases

In the fiscal year under review, the Group rolled out the corporate base reconstruction action plan and completed major measures by the end of the relevant year. The major measures and effects are as mentioned below:

1) Reform of unprofitable operations

*** Display segment**

In Europe and North America, a tie-up sales system was established with dealers and OEM/EMS partners to promote outsourcing of production and distribution. In Asia, production of the JVC Thai plant was transferred to third-party vendors by the spring of 2011 to globally roll out a fabless model in production of displays for consumer use.

*** Camcorder segment**

Sales companies in the Americas and Europe were reorganized and domestic production of consumer-use camcorders was suspended at the end of August 2010. The production was transferred to the Malaysia plant, in which an integrated production system has been introduced.

*** Business Solution segment**

Pursuing the effects of initiatives for lowering cost prices and reducing fixed expenses implemented in the previous fiscal year, the Group transferred the domestic production of video cameras for business use to the Malaysian plant by the end of January 2011 to enhance cost competitiveness.

Thanks to those activities, the Business Solution segment returned to the black in the second quarter onward of the fiscal year under review and also ended in the black on a full-year basis.

2) Reestablishment of a global management system

*** Sales of Head Office and redeployment**

The JVC Yokohama plant (Kanagawa-ku, Yokohama-shi, Kanagawa), in which the Head Offices of JVC Kenwood and JVC were placed, was sold in June 2010, and transferring the Head Offices of JVC Kenwood and JVC to the adjacent JVC Irie plant (renamed as “JVC Kenwood Head Office & Yokohama Plant”) was completed by the end of December 2010.

*** Reorganization of production system**

As mentioned above, the production of camcorders for consumer use and video cameras for business use at the JVC Yokosuka plant was transferred to the JVC Malaysian plant by the end of August 2010 and December 2010, respectively.

The production of home audio devices at the JVC Malaysian plant was shifted to outsourcing by the end of January 2011. With this, a fabless production structure has been established completely in the Home Audio segment.

*** Review of personnel system**

Along with reorganization of global production and sales systems, the number of employees overseas had decreased by about 1,000 by the end of March 2011. In Japan, this number had fallen by around 1,300 by the end of March 2011, through the voluntary early retirement program, next career support plan (a program to support employees in working before mandatory retirement, in response to various personal needs), mandatory retirement, voluntary resignation, and personnel decrease in associated companies in Japan.

3) Increase in cash and reduction in total assets

Operating cash flow for the fiscal year under review resulted in a gain of about 20.0 billion yen, as a result of a performance improvement in the businesses and segments, reduced accounts receivable, and other measures. In addition, due to sales of fixed assets including the JVC Yokohama plant as mentioned above, cash of about 14.2 billion yen was created and assets equivalent to about 14.1 billion yen were compressed in total on a year-to-year basis.

In addition to the above, about 13.9 billion yen was procured through issuing new shares and disposing of treasury shares implemented in January 2011. Consequently, free cash flow for the fiscal year under review reached around 25.3 billion yen.

2. Measures for the Tohoku Region Pacific Cast Earthquake (Great Earthquake)

The Great Earthquake that occurred on March 11, 2011 damaged the buildings and facilities of sales offices and service points in Sendai while domestic business centers and production plants of the Group had only minor damage in some places. Accordingly, operations will not be affected.

Currently, procurement of parts is affected to a certain degree but production using stored goods and parts and sales activities are going on. At the same time, efforts to find and use alternative parts or change designs for replacement continues to minimize the impact on our business.

The impact of the Great Earthquake (the Group’s assumption of its maximum effect) has been incorporated into the performance forecast for the next fiscal year as of the day when this accounting report is prepared.

3. Integrated Management Structure

With three operating companies merging in October 2011, an integrated management organization structure with the speediness and flexibility to change in our business environment has been established as of May 1, 2011 to accelerate the growth strategy for attaining profitable growth as an integrated company. This is after the recent Group’s efforts for management integration including delegation of the director of JVC Kenwood to president of the operating company, reorganization of head offices and business centers and plans, abolishment of the board of directors and board of corporate auditors, unification of internal systems and schemes, and personnel exchanges.

For details, please refer to the “Notice on Changes of Representative Directors and Directors of the Board Associated with Management Structural Reform of JVC Kenwood Group” which is announced separately on April 27, 2011 when this report is disclosed.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2010)	Current Fiscal Year (as of Mar. 31, 2011)
Assets		
Current assets		
Cash and cash equivalents	43,502	64,972
Trade notes and accounts receivable	62,720	51,210
Merchandise and finished goods	31,051	28,249
Work in process	4,121	2,908
Raw materials and supplies	9,588	7,120
Other current assets	15,923	13,585
Allowance for doubtful receivables	(3,847)	(1,788)
Total current assets	163,058	166,258
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	19,885	15,240
Machinery and equipment, net	4,493	3,155
Tools, furniture and fixtures, net	7,140	5,669
Land	47,362	31,401
Construction in progress	1,093	284
Total tangible fixed assets	79,975	55,750
Intangible fixed assets		
Goodwill	5,278	4,918
Software	9,110	7,111
Other intangible fixed assets	3,258	2,943
Total intangible fixed assets	17,647	14,974
Investments and other assets		
Investment securities	4,822	4,588
Prepaid pension cost	-	12,866
Other investments	9,548	7,987
Allowance for doubtful receivables	(690)	(1,936)
Total investments and other assets	13,680	23,504
Total fixed assets	111,303	94,229
Deferred assets		
Bond issuance cost	307	175
Stock issuance cost	70	-
Issuance cost of subscription rights to shares	11	-
Total Deferred assets	389	175
Total assets	274,751	260,664

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2010)	Current Fiscal Year (as of Mar. 31, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	31,371	28,378
Short term loans payable	85,286	71,353
Other accounts payable	-	14,617
Accrued expenses	36,383	31,987
Income taxes payable	2,406	2,505
Provision for product warranties	3,049	3,194
Provision for sales returns	1,541	1,537
Other current liabilities	15,974	8,736
Total current liabilities	176,013	162,310
Long term liabilities		
Bonds payable	20,000	20,000
Liability for employees' retirement benefits	16,273	15,090
Long-term loans payable	3,020	1,700
Deferred tax liabilities for land revaluation	2,027	2,027
Deferred tax liabilities	8,863	4,911
Other long term liabilities	1,734	1,884
Total long term liabilities	51,919	45,614
Total liabilities	227,932	207,924
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	105,336
Retained earnings	(38,301)	(41,305)
Treasury stock	(20,261)	(534)
Total shareholders' equity	62,580	73,496
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	256	267
Deferred hedge gain and loss	385	27
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustment	(20,295)	(24,715)
Total other comprehensive income	(16,699)	(21,466)
Subscription rights to shares	20	-
Minority interests	917	709
Total net assets	46,819	52,739
Total liabilities and net assets	274,751	260,664

(2) Consolidated Statements of Income
(Accumulated period for consolidated third quarter total period)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Net sales	398,663	352,672
Cost of sales	290,073	241,709
Gross profit	108,589	110,962
Selling, general and administrative expenses	115,042	98,005
Operating profit	(6,453)	12,956
Non-operating profit		
Interest income	189	195
Dividends income	217	154
Foreign exchange gain	-	640
Adjustment to royalties	-	619
Other non-operating profit	976	1,320
Total non-operating profit	1,383	2,929
Non-operating expense		
Interest expense	3,161	2,697
Sales discounts	501	282
Foreign exchange losses	830	-
Loans commission	1,121	1,532
Provision for product warranties	-	1,361
Other non-operating expenses	4,068	2,432
Total non-operating expense	9,683	8,306
Ordinary income	(14,752)	7,579
Extraordinary profit		
Gain on sales of fixed assets	577	1,406
Gain on sales of investment securities	23	1
Gain on sales of subsidiaries and affiliates' stocks	-	659
Reversal of liability for employees’ retirement benefits	321	-
Reversal of expense for sales of fixed assets	346	-
Reversal of litigation expenses	345	-
Reversal of License fee for prior periods	721	-
Patent Licensing Royalty	-	2,967
Gain on liquidation of debt account	-	1,100
Gain on adjustment of liability for employees’ retirement benefits	-	2,025
Other extraordinary profit	944	34
Total extraordinary profit	3,281	8,194
Extraordinary loss		
Loss on disposal of fixed assets	779	645
Loss on sales of fixed assets	2,319	2,863
Business structural reform expenses	944	679
Employment structural reform expenses	845	8,632
Loss on compensation for lease contracts	512	391
Loss on reversal of adjustment gain of obligations	1,087	-
Taxes and dues for prior periods	325	-

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Levies	-	1,546
Impairment loss	4,443	2,970
Other extraordinary loss	1,226	1,924
Total extraordinary loss	12,486	19,653
Income before income taxes	(23,957)	(3,879)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	2,584	3,667
Income taxes for prior periods	317	-
Corporate tax and other adjustment	921	(3,653)
Income taxes	3,823	13
Income before minority interests	-	(3,892)
Minority interests in income	14	132
Net income	(27,795)	(4,025)

(Statements of comprehensive income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010)	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Income before minority interests	-	(3,892)
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	-	10
Deferred hedge gain and loss	-	(357)
Foreign currency translation adjustment	-	(4,435)
Total other comprehensive income	-	(4,782)
Comprehensive income	-	(8,675)
Breakdown		
Comprehensive income attributable to owners of the company	-	(8,792)
Comprehensive income attributable to minority interests	-	117

(3) Consolidated Statements of Changes in Shareholders' Equity

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010)	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Shareholders' equity		
Paid-in capital		
Balance at the end of previous period	10,000	10,000
Changes during the year		
Total changes during the year	-	-
Balance at the end of current period	10,000	10,000
Capital surplus		
Balance at the end of previous period	111,143	111,143
Changes during the year		
Retirement of treasury stock	-	(5,806)
Total changes during the year	-	(5,806)
Balance at the end of current period	111,143	105,336
Retained earnings		
Balance at the end of previous period	(10,764)	(38,301)
Changes during the year		
Net income	(27,795)	(4,025)
Change of scope of consolidation	259	1,020
Total changes during the year	(27,536)	(3,004)
Balance at the end of current period	(38,301)	(41,305)
Treasury stock		
Balance at the end of previous period	(20,261)	(20,261)
Changes during the year		
Acquisition of treasury stocks	(0)	(4)
Retirement of treasury stock	-	19,731
Total changes during the year	(0)	19,727
Balance at the end of current period	(20,261)	(534)
Total shareholders' equity		
Balance at the end of previous period	90,116	62,580
Changes during the year		
Net income	(27,795)	(4,025)
Acquisition of treasury stocks	(0)	(4)
Retirement of treasury stock	-	13,924
Change of scope of consolidation	259	1,020
Total changes during the year	(27,536)	10,916
Balance at the end of current period	62,580	73,496

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010)	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities		
Balance at the end of previous period	(401)	256
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	657	10
Total changes during the year	657	10
Balance at the end of current period	256	267
Deferred hedge gain and loss		
Balance at the end of previous period	39	385
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	345	(357)
Total changes during the year	345	(357)
Balance at the end of current period	385	27
Land revaluation surplus		
Balance at the end of previous period	2,954	2,954
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	-	-
Total changes during the year	-	-
Balance at the end of current period	2,954	2,954
Foreign currency translation adjustment		
Balance at the end of previous period	(20,113)	(20,295)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(181)	(4,420)
Total changes during the year	(181)	(4,420)
Balance at the end of current period	(20,295)	(24,715)
Total other comprehensive income		
Balance at the end of previous period	(17,520)	(16,699)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	821	(4,767)
Total changes during the year	821	(4,767)
Balance at the end of current period	(16,699)	(21,466)
Subscription rights to shares		
Balance at the end of previous period	-	20
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	20	(20)
Total changes during the year	20	(20)
Balance at the end of current period	20	-
Minority interests		
Balance at the end of previous period	1,843	917
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(925)	(207)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010)	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Total changes during the year	(925)	(207)
Balance at the end of previous period	917	709
Total net assets		
Balance at the end of previous period	74,439	46,819
Changes during the year		
Net income	(27,795)	(4,025)
Acquisition of treasury stocks	(0)	(4)
Retirement of treasury stock	-	13,924
Change of scope of consolidation	259	1,020
Changes (net amount) of items other than shareholders' equity during the year	(83)	(4,996)
Total changes during the year	(27,619)	5,920
Balance at the end of previous period	46,819	52,739

(4) Consolidated Statement of Cash Flows

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010)	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Cash flows from operating activities:		
Income before income taxes	(23,957)	(3,879)
Depreciation	19,484	13,892
Amortization of goodwill	327	325
Impairment loss	4,443	2,970
Increase (decrease) in allowance for doubtful accounts	467	(569)
Increase (decrease) in allowance for employees' retirement	(1,292)	(979)
Decrease (increase) in prepaid pension costs	-	(11,450)
Interest revenue and dividend income	(406)	(350)
Interest expense	3,161	2,697
Loss (gain) on sales of investment securities	(19)	5
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(659)
Loss on disposal of fixed assets	779	645
(Gain) loss on sales of fixed assets	1,742	1,458
(Increase) decrease in trade notes and accounts receivable	9,423	8,447
(Increase) decrease in inventories	21,992	4,415
Increase (decrease) in accounts payable	752	(1,590)
Increase (decrease) in provision for structural reform	(3,744)	-
Increase (decrease) in accrued expenses	(10,929)	(3,128)
Other	4,206	13,572
Sub-total	26,429	25,822
Interest and dividends received	406	354
Interest paid	(3,139)	(2,867)
Income taxes paid	(2,242)	(3,323)
Net cash provided by operating activities	21,453	19,986
Cash flows from investing activities:		
Capital investment (real estate, plants and equipment)	(7,532)	(6,236)
Proceeds from sales of property, plant and equipment	7,496	14,180
Purchase of intangible fixed assets	(4,328)	(3,781)
Proceeds from sales of investment securities	32	77
Proceeds from sales of stocks of subsidiaries and affiliates	-	700
Other	1,174	413
Net cash used in investing activities	(3,158)	5,354
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	5,268	(7,066)
Proceeds from long-term loans payable	13,700	3,300
Repayment of long-term loans payable	(23,080)	(9,828)
Redemption of bonds	(21,531)	-

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2009 - Mar.31, 2010)	Current Fiscal Year (Apr.1, 2010 - Mar.31, 2011)
Proceeds from issuance of new share with retirement of treasury stock	-	13,924
Other	(1,477)	(2,629)
Net cash used in financing activities	(27,120)	(2,291)
Effect of exchange rate fluctuations on cash and cash equivalents	(229)	(1,958)
Net increase (decrease) in cash and cash equivalents	(9,054)	(21,091)
Cash and cash equivalents at beginning of period	52,393	43,408
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	69	392
Cash and cash equivalents at end of quarter	43,408	64,891