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Accounting Report for the Fiscal Year Ended March 2012 (April 1, 2011 - March 31, 2012)

Consolidated Financial Highlights for the Fiscal Year Ended March 2012 (April 1, 2011 - March 31, 2012)

Operating Results

(Millions of yen, except net income per share)

	FYE 3/2012	FYE 3/2011	YoY (%)
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011	
Net sales	320,868	352,672	91.0
Operating profit	12,813	12,956	98.9
Ordinary income (loss)	6,420	7,579	84.7
Net income (loss)	6,032	(4,025)	-
Net income (loss) per share	43.50 yen	(38.60) yen	-

Sales by Segments

(Millions of yen)

	FYE 3/2012		FYE 3/2011		YoY (%)
	April 1, 2011 to March 31, 2012	%	April 1, 2010 to March 31, 2011	%	
Car Electronics	107,281	33.4	108,449	30.8	98.9
Professional Systems	93,527	29.1	92,545	26.2	101.1
Home & Mobile Electronics	77,545	24.2	100,101	28.4	77.5
Entertainment	36,735	11.4	42,909	12.2	85.6
Others	5,778	1.8	8,666	2.5	66.7
Total	320,868	100.0	352,672	100.0	91.0

Major Products in Each Segment

Car Electronics	Car Audio, Car AV Systems and Car Navigation Systems
Professional Systems	Land Mobile Radio Equipment, Video Surveillance Equipment, Commercial Audio, Video and Display Equipment
Home & Mobile Electronics	Video Cameras, LCD TVs, Projectors, Pure Audio and AV Accessories
Entertainment	Music and video software, such as CDs and DVDs
Others	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 2012

(Overview of the fiscal year under review)

During the fiscal year under review, the global economic recovery stalled due to fiscal problems in Europe, and the pace of economic growth slowed in some emerging countries. In the U.S., economic recovery slowed because of the deteriorating employment situation, but the economy returned to the recovery track in the latter half, due mainly to an increase in consumer spending. The Japanese economy showed signs of recovery from the impact of the Great East Japan Earthquake, which occurred on March 11, 2011 (hereafter, "the Earthquake"), but the progress of recovery slowed, affected primarily by the yen's historic surge and the floods following heavy rains in central Thailand from July 2011 (hereafter, "Thai floods").

Under such circumstances, the net sales of the JVC KENWOOD Group for the fiscal year under review decreased from those of a year earlier. This decrease was attributable to the effects of reductions and transfers of operations under structural reforms implemented during the previous fiscal year, in addition to the strong yen, the Earthquake, and the Thai floods. Profits declined, due mainly to the effects of the Earthquake and the Thai floods. However, operating profits remained unchanged from a year ago, because the Land Mobile Radio segment of the Professional Systems business as well as the OEM and domestic after-market segments of the Car Electronics business achieved growth in line with the mid-term business plan, and the Home & Mobile Electronics business segment posted operating income as a result of a review of product lineups and cost structure. Ordinary income fell, due chiefly to a decrease in non-operating profits. Meanwhile, the net balance improved sharply and was positive on a full-year basis, a target under the mid-term business plan, primarily due to a decrease in extraordinary losses.

The Earthquake had a negative impact of about 2.2 billion yen on net sales for the fiscal year under review and of 0.7 billion yen on operating profits, while the Thai floods had a negative impact of approximately 10.0 billion yen on net sales and of 4.0 billion yen on operating profits.

Profit-and-loss exchange rates used when preparing the financial statements for the fiscal year under review are as follows:

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full year
Profit-and-loss exchange rates	U.S. dollar Euro	About 82 yen About 117yen	About 78 yen About 110 en	About 77 yen About 104yen	About 79 yen About 104 en	About 79 yen About 109yen
FY2010 (Reference)	U.S. dollar Euro	About 92 yen About 117yen	About 86yen About 111yen	About 83 yen About 112yen	About 82 yen About 113yen	About 86 yen About 113yen

*** Net Sales**

Consolidated net sales for the fiscal year under review were 320,868 million yen, down about 31.8 billion yen or 9.0% from the previous fiscal year.

Sales rose in the OEM and domestic after-market segments of the Car Electronics business and the Land Mobile Radio segment of the Professional Systems business, which are promoting growth strategies in line with the mid-term business plan. However, the overall sales of the Car Electronics business dropped slightly, while those of the Professional Systems business registered only a slight rise, reflecting the appreciation of the yen from the previous year, the impact of the Earthquake up to the second quarter, and the effects of the Thai floods during and after the third quarter. As a result, these sales failed to absorb the effects of the realignment of products and regions in part of the Home & Mobile Electronics business, which was implemented during the previous fiscal year, or the transfer of a logistics-contracting subsidiary in the Entertainment business effective April 1, 2011. As a result, the net sales of JVC KENWOOD declined from those of the year before.

*** Operating Profits**

Consolidated operating profits for the fiscal year under review dropped about 100 million yen, or 1.1% year on year, to 12,813 million yen.

The impacts of the Earthquake and the Thai floods, among other factors, put downward pressure on profits. The operating income of JVC KENWOOD, however, remained at the same level as in the previous fiscal year because the effects of sales expansion became visible in the OEM and domestic after-market segments of the Car Electronics business and the Land Mobile Radio segment of the Professional Systems business, while the Home & Mobile Electronics business saw a return to profitability due to the effects of the review of product lineups and structural reforms implemented during the previous fiscal year.

*** Ordinary Income**

Consolidated ordinary income for the fiscal year under review was 6,420 million yen, down about 1.2 billion yen, or 15.3%, from a year earlier, due mainly to a deterioration in non-operating profit and loss.

Non-operating profits decreased approximately 1.5 billion yen year on year because foreign exchange gains and adjustments to past patent royalties, which were posted in the previous fiscal year, were not posted in the fiscal year under review. Meanwhile, non-operating expenses decreased about 0.5 billion yen from those of the year before, due chiefly to the absence of a provision for product warranties, which was posted in the previous fiscal year.

*** Net Income**

Consolidated net income for the fiscal year under review was 6,032 million yen, a sharp improvement of about 10.1 billion yen on a year-on-year basis, marking the first profits recorded since the JVC KENWOOD Group was launched in October 2008. This was due to a substantial improvement in extraordinary profit and loss.

Extraordinary loss decreased about 17.4 billion yen from a year earlier, chiefly because structural reforms were completed as of the end of the previous fiscal year and employment structural reform expenses and loss on sales of fixed assets dropped significantly. Meanwhile, extraordinary profits declined about 6.4 billion yen year on year, due to a fall in gain on sales of fixed assets and the absence of patent licensing royalties, which were posted in the previous fiscal year, despite insurance income for disaster compensation.

(Net Sales, Profits, and Losses by Business Segment)

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

The total amounts of operating profit (loss) by the operating profits of the consolidated income statements are consistent with segment profit (loss).

Fiscal year ended March 2012（from April 1,2011 to March 31,2012）　（Millions of yen）

Business Segment		FYE3/'12	FYE3/'11	Year-on-year basis
Car Electronics	Net sales	107,281	108,449	(1,168)
	Operating profit	6,346	7,894	(1,548)
Professional Systems	Net sales	93,527	92,545	＋982
	Operating profit	3,093	3,594	(501)
Home & Mobile Electronics	Net sales	77,545	100,101	(22,556)
	Operating profit	1,730	(835)	+2,566
Entertainment	Net sales	36,735	42,909	(6,174)
	Operating profit	1,212	2,177	(965)
Others	Net sales	5,778	8,666	(2,888)
	Operating profit	429	125	+304
Total	Net sales	320,868	352,672	(31,804)
	Operating profit	12,813	12,956	(143)
	Ordinary income	6,420	7,579	(1,159)
	Net income	6,032	(4,025)	+10,057

* Car Electronics Business

During the fiscal year under review, net sales of the Car Electronics business decreased approximately 1.2 billion yen, or 1.1% year-on-year, to 107,281 million yen, and operating profit fell approximately 1.5 billion yen, or 19.6%, to 6,346 million yen, due mainly to the effects of the strong yen, the Great East Japan Earthquake, and floods in Thailand.

In the consumer segment, where the overseas sales ratio is high, car audios and car navigation systems both maintained high market shares in the U.S. and European markets. However, both net sales and operating profit in the segment declined due to weakened market conditions in Europe and the Middle East and inventory adjustments for some lower priced products, as well as the effects of the strong yen, the Great East Japan Earthquake, and floods in Thailand. Sales and operating profit increased and market shares grew significantly in the domestic market due to the major success of Saisoku-Navi, an SSD-type AV car navigation system, although production and sales opportunities declined due to the effects of the Great East Japan Earthquake and floods in Thailand.

In the OEM segment, the Great East Japan Earthquake in the first quarter and floods in Thailand in the third quarter adversely affected production and sales of products for automobile manufacturers. However, the Group minimized decreases in production and sales opportunities by procuring substitute parts and making design changes. Meanwhile, orders remained robust for an SSD-type AV car navigation system (dealer option product), whose shipments began in the second quarter, and CD/DVD drive mechanisms for car-mounted equipment, whose shipment volumes have increased sharply in recent years. This contributed to increases in net sales and operating profit of the OEM segment.

*** Professional Systems Business**

In the Professional Systems business, net sales for the fiscal year under review increased modestly by approximately 1.0 billion yen, or 1.1% from a year earlier, to 93,527 million yen, and operating profit decreased approximately 0.5 billion yen, or 13.9%, to 3,093 million yen. The land mobile radio segment remained stable, while the Great East Japan Earthquake and floods in Thailand significantly affected net sales and operating profit of the business solution segment.

The land mobile radio segment, whose overseas sales ratio is high, continued to perform strongly throughout the year, partly because of rising sales of the proprietary professional digital radio system NEXEDGE, with record levels in North America, which is the largest market. The segment avoided the effects of floods in Thailand on sales by procuring substitute parts and making design changes. As a result, net sales and operating profit in the segment expanded substantially.

In the business solution segment, sales opportunities declined in the domestic market due to the effects of the Great East Japan Earthquake, and production and sales opportunities decreased significantly because a plant in Navanakom Industrial Estate, Thailand, was affected by flooding. Substitute production was started at the Yokosuka Business Center in December 2011, and production was partially restarted at the plant in Thailand at the end of January 2012. However, the delays in production and shipments were not fully recovered. In addition, costs increased due to the procurement of substitute parts and substitute production. Furthermore, overseas sales were weak. As a result, this segment saw net sales decrease sharply and posted an operating loss.

*** Home & Mobile Electronics Business**

In the Home & Mobile Electronics business, net sales for the fiscal year under review decreased approximately 22.6 billion yen, or 22.5% from a year earlier, to 77,545 million yen, due mainly to a realignment of some products and regions implemented in the previous fiscal year. The Group posted an operating profit for all quarters due to a review of product lineups and the effects of restructuring conducted in the previous fiscal year, which absorbed the impacts of the Great East Japan Earthquake and floods in Thailand. As a result, operating profit for the full fiscal year was 1,730 million yen, an improvement of roughly 2.6 billion yen.

In the camcorder segment, net sales fell year-on-year due to a decline in sales in overseas markets caused by changes in demand. However, profit and loss improved significantly, due to improved profitability resulting from progress in introducing products with enhanced value-added in the domestic market, in addition to the effects of structural reforms carried out in the previous fiscal year. As a result, an operating profit was posted for the first time since the fiscal year-ended March 2009.

In the display segment, net sales decreased sharply, but profit and loss improved substantially. This improvement was attributable to the effects of structural reforms implemented in the previous fiscal year, the termination of in-house development and production in May 2011, an increase in the practice of outsourcing sales and logistics operations in Europe and the U.S., and income from brand licensing that began in the North American market in July 2011.

The home audio segment benefited from the effects of a realignment of some products and regions implemented in the previous fiscal year and the outsourcing of production. As a result, the segment minimized the deterioration of profit and loss, although sales decreased year-on-year due to a contraction of the market.

The AV accessories segment remained highly profitable, as was the case in the previous fiscal year, due to brisk sales of headphones. In the projector segment, earnings increased due to robust sales of high value-added models, including projectors that can process 3D images.

*** Entertainment Business**

In the Entertainment business, net sales for the fiscal year under review decreased approximately 6.2

billion yen, or 14.4% year-on-year, to 36,735 million yen, and operating profit declined approximately 1.0 billion yen or 44.3% to 1,212 million yen, due primarily to the transfer of a consolidated subsidiary.

In the content business, sales remained robust due to a series of big music hits, and strong animation sales, as well as rights-related income from music.

Among the hits during the fiscal year under review were: “SMAP AID,” an album, and other works of SMAP, “Miyagi Live - Asueno March!! -,” a DVD, of Keisuke Kuwata, “Yasashikunaritai,” a single, and “45 STONES,” an album, of Kazuyoshi Saito at Victor Entertainment, Inc.; and “FIGHT,” an album, and other works of Kanjani Eight, “BEGIN no shimauta/omototakeo no ga best” of BEGIN, and “Asu to iuhi ga,” a single, of Masafumi Akikawa at Teichiku Entertainment.

The OEM business was affected by the transfer of a music and video software logistics subsidiary on April 1, 2011, while orders received for the production of optical discs suffered from a sluggish market.

2. Outlook for the Next Fiscal Year

During the fiscal year under review, the initial year of the mid-term business plan covering the period until the fiscal year ending March 2014, the JVC KENWOOD Group promoted its growth strategy, centered on the Car Electronics business and the Professional Systems business, where the Group’s strengths can be focused. During that period, the Earthquake and the Thai floods affected our operations, and in response, we took emergency measures to minimize the effects of these disasters on all the businesses and return to normal as soon as possible. At the same time, we implemented various measures to achieve profitable growth and made strategic investments using funds procured in January 2011.

During the coming term (fiscal year ending March 2013), as described in “2. Management Policies (3) Issues to be addressed,” we aim to increase both sales and profits by implementing measures to achieve growth focusing on the Car Electronics business and the Land Mobile business, while continuing to make strategic investments from those made during the current fiscal year. To restore earnings, the Business Solution segment, which was affected by the Thai floods, plans to return production at the Thai plant to normal by the end of May 2012. The Home & Mobile Electronics and Entertainment business segments aim to continue to contribute to generating stable earnings as they did during the fiscal year ended March 2012.

With regard to the earnings outlook for the next term, both sales and profits are expected to increase, spurred by growth in the Car Electronics and the Land Mobile businesses, as well as the mitigating effects of the Thai floods. However, JVC KENWOOD’s profits will decrease if the yen falls against the dollar. Furthermore, its profits will drop due to a decrease in patent revenue and an increase in costs associated with the end of the partial return of compensation by employees. As a result, net sales are projected to be 340.0 billion yen, while operating profits are predicted to be 14.0 billion yen. Ordinary income is expected to be 9.0 billion yen, due to improved non-operating profit and loss caused by debt refinancing in March 2012, and net income is projected to be 7.0 billion yen.

For the fiscal year ending March 2013, we assume exchange rates of 80 yen to the U.S. dollar and 110 yen to the euro.

Note: The earnings forecasts, etc., provided in this material are based on information obtained by JVC KENWOOD at this time and on certain premises judged to be rational. Actual earnings may differ significantly due to various factors.

(2) Analysis of Financial Positions

1. Analysis of assets, liabilities and net assets

*** Assets**

Total assets decreased approximately 18.9 billion yen from the end of the previous fiscal year to 241,761 million yen, due primarily to a significant decrease in prepaid pension costs caused by the mergers of subsidiaries through absorption on October 1, 2011, as well as the sale of idle tangible fixed assets and a reduction in inventories.

*** Liabilities**

Liabilities declined approximately 23.2 billion yen from the end of the previous fiscal year to 184,689 million yen. This was due mainly to decreases in other accounts payable and accrued expenses following the payment of employment structural reform expenses in the previous fiscal year, despite increases in trade notes and accounts payable.

Meanwhile, interest-bearing debts (sum of loans payable and bonds payable) decreased approximately 0.7 billion yen from the end of the previous fiscal year to 92,369 million yen. This was attributable chiefly to the repayment of secured loans payable to financial institutions using funds obtained from the sale of idle fixed assets, and the redemption by the purchase of bonds prior to maturity, despite borrowings of unsecured loans payable from financial institutions. The ratio of long-term loans to total loans rose 64.8 percentage points from the end of the previous fiscal year to 67.1% as a result of refinancing in March 2012.

Net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) dropped approximately 1.3 billion yen from the end of the previous fiscal year to 26,808 million yen.

JVC KENWOOD extended the maturity date of No. 7 Unsecured Bond (12.0 billion yen) issued by the former Victor Company of Japan, Limited in August 2007, which is due for redemption in August 2012, by one year for 50% (6.0 billion yen) of the amount, and by three years for the remaining 50% (6.0 billion yen) on August 25, 2011. As an accounting measure following this extension of maturity, JVC KENWOOD reassessed the present value of the No. 7 Unsecured Bond and reflected this reassessment in the consolidated balance sheets.

*** Net Assets**

Retained earnings increased approximately 65.5 billion yen from the end of the previous fiscal year to 24,187 million yen. This was due to the elimination of a loss carried forward that arose from transferring other capital surplus to retained earnings on May 13, 2011, in addition to the Group posting net income for the fiscal year under review. Total shareholders' equity rose approximately 6.0 billion yen from the end of the previous fiscal year to 79,527 million yen.

Total net assets increased approximately 4.3 billion yen from the end of the previous fiscal year to 57,072 million yen, mainly because of a rise in shareholders' equity, despite a decrease in a foreign currency translation adjustment related to investments in overseas affiliates caused by exchange rate fluctuations. The shareholders' equity ratio rose 2.9 percentage points from the end of the previous fiscal year to 22.9%.

2. Cash flow analysis

*** Cash flows from operating activities**

Net cash provided by operating activities for the fiscal year under review was 8,883 million yen, down approximately 11.1 billion yen from a year earlier. This was due primarily to expenditure relating to structural employment reforms carried out in the previous fiscal year and an increase in trade notes and accounts receivable, despite a rise in income mainly from increases in income before taxes and accounts payable.

*** Cash flows from investing activities**

Net cash used in investing activities for the fiscal year under review was 6,498 million yen, down approximately 11.9 billion yen from a year ago, due chiefly to a decrease in proceeds from sales of tangible fixed assets.

*** Cash flows from financing activities**

Net cash used in financing activities for the fiscal year under review was 1,522 million yen, down approximately 0.8 billion yen year-on-year. This was mainly attributable to a net decrease in short-term loans payable and the absence of income resulting from the issuance of new shares and disposition of treasury shares, which were conducted in the previous fiscal year, despite proceeds from long-term loans payable.

As of the end of the fiscal year under review, cash and cash equivalents totaled 65,478 million yen.

(3) Basic Policies for Distributing Profits and Paying Dividends for Term under Review and the Next Term

Regarding matters such as the distribution of retained earnings and other dispositions to be one of the most important managerial issues in providing shareholders with stable returns on their investments, JVC KENWOOD is considering such matters based on a comprehensive appraisal of profitability and financial conditions.

During the fiscal year under review, non-consolidated net income on individual financial statements was positive, and positive retained earnings were also recorded for the first time since the launch of the JVC KENWOOD Group. In addition, we are now confident that we will be able to provide stable returns to shareholders for the fiscal year ending March 2013. Given these factors, we propose to pay a year-end dividend of 5 yen per share for the fiscal year under review.

JVC KENWOOD will pay dividends for the first time since the Group was established.

For the fiscal year ending March 2013, with the aim of improving earnings and our financial condition, we plan to pay a dividend of 10 yen per share in line with the above policies.

2. Management Policy

(1) Basic Management Policy

Under the corporate vision of “Creating Excitement and Peace of Mind for the People of the World,” the JVC KENWOOD Group, as the specialized global manufacturer that creates excitement and peace of mind, will focus on businesses in which it has competitive advantages and achieve profitable growth, while aiming to be a company that is widely trusted by society.

(2) Medium- to Long-term Business Strategies

The Group reorganized its operations effective October 1, 2011 through an absorption-type merger between the former JVC KENWOOD Holdings, Inc. and three companies that were subsidiaries at that time: Victor Company of Japan, Limited (“JVC”), Kenwood Corporation (“Kenwood”), and J&K Car Electronics

Corporation. As a result, JVC KENWOOD Corporation was launched as an integrated company through the merger.

Since the merger, we have vigorously implemented a growth strategy focusing on our core strengths—image, acoustic, radio technologies, and music and visual software—under a corporate structure that was reconstructed through management integration, in line with a newly established corporate vision, management policy, and action guidelines, while optimally leveraging synergies of the integrated company.

In September 2011, we formulated the mid-term business plan, which extends through the fiscal year ending March 2014. During the fiscal year ended March 2012, the initial year of the plan, we achieved the target of positive net income, despite the effects of the strong yen, the Great East Japan Earthquake, and floods in Thailand. Thus, we are confident we will be able to begin providing shareholders with stable returns in the form of dividends.

In financial activities, in August 2011 we extended the maturity date for the 12.0 billion yen portion of an unsecured bond amounting to 20.0 billion yen issued by JVC in August 2007, and redeemed a portion of the remaining 8.0 billion yen of the bond in March 2012 prior to maturity. We also refinanced loans payable in March 2012 after discussions with main banks, following the centralization of fund management in the wake of the merger in October 2011. As a result, the terms of approximately 70% of loans payable were extended, thus strengthening our financial foundation.

However, we now face external factors such as the sharp appreciation of the yen, sluggish market conditions in Europe, and deteriorating political situation in the Middle East, as well as the effects of floods in Thailand, which are lingering longer than expected. As a result, we fully recognize the need to increase a sense of urgency on a company-wide basis and implement a more growth-specific strategy, in order to achieve the mid-term goals of sales and profits.

Against this backdrop, we will implement key measures, which are described in “(3) Issues to be Addressed,” during the fiscal year ending March 2013, giving priority to achieving profitable growth.

(3) Issues to be Addressed

During the fiscal year ended March 2011, JVC KENWOOD completed structural reforms, which had been underway since the launch of the JVC KENWOOD Group in October 2008. Then, during the fiscal year under review through March 2012, JVC KENWOOD began to implement a full-scale growth strategy in accordance with the mid-term business plan while taking advantage of the effects of structural reforms. During the fiscal year under review, we carried out a growth strategy centering on the Car Electronics business and the Professional Systems business. As a result, we expanded the operations of the OEM segment and the domestic consumer segment of the Car Electronics business, and the land mobile radio segment of the Professional Systems business.

However, in the Car Electronics business, earnings of the overseas consumer segment were weaker due to sluggish market conditions in Europe and the Middle East and inventory adjustments for some products. In the Professional Systems business, earnings of the business solution segment deteriorated significantly due to the effects of floods in Thailand. As a result of these factors, JVC KENWOOD failed to grow on a company-wide basis.

Against this backdrop, during the fiscal year ending March 2013, we aim to normalize earnings of the business solution segment and implement growth measures in growth segments by continuing to make strategic investments using funds procured in January 2011. At the same time, to create new growth segments, we will develop new business segments adjacent to and in the proximity of existing businesses by combining the strengths of existing businesses on a company-wide basis.

In addition, we will create funds for supporting the growth of each business, aiming to achieve continued growth and expand corporate value, and will improve managerial efficiency and speed up the decision-making process to raise value added in the operations of each business.

Furthermore, as a member of society and of the Japanese electrical and electronics industries, we will enhance activities for environmental issues, which confront Japan and the electrical machinery and electronics industries.

1. Implementation of Growth Measures and Development of New Business Segments

(1) Implementation of Growth Measures

We will implement measures to achieve growth in the Car Electronics business and the land mobile radio business (land mobile radio segment of the Professional Systems business), which are growth segments of existing businesses.

*** Car Electronics Business**

① Expansion of OEM segment

- Win new orders for genuine goods and dealer option products by leveraging cooperative relationships.
- Enhance the business for CD/DVD mechanisms of car-mounted AV equipment and develop strategic mechanisms taking advantage of a capital and business alliance with Shinwa International Holdings Limited (“Shinwa”), which became an equity-method affiliate on April 20, 2012. (For information on the capital and business alliance with Shinwa, please refer to the “Notice on Acquisition of the Shares of In-Car Device Manufacturing Company” dated April 23, 2012.)

② Expansion of consumer segment

- Increase domestic sales by enhancing the lineup of the “Saisoku-Navi” and expanding its market share.
- Increase overseas sales by introducing “Saisoku-Navi” and expanding lineups of navigation systems compatible with smart phones.

③ Increase in sales of products in emerging markets

- Increase sales of strategic models for emerging markets that have been differentiated from models for Europe and the U.S.

*** Land Mobile Radio Business**

① Increase in sales of digital professional radios

- Increase sales of digital professional radio systems for the public safety sector and private companies in North America.
- Develop and introduce digital professional radio systems for China and Europe.

② Expansion of system solutions segment

- Strengthen the large-scale network business using the proprietary digital professional radio NEXEDGE.
- Introduce system solutions in Japan with Zetron, Inc., a U.S. firm specializing in radio communications systems, as the core, and sell new platforms overseas.

③ Increase in products for emerging markets

- Develop and introduce community-based radio equipment.

(2) Development of New Business Segments

To create new growth segments, we will develop new business segments that are adjacent to and in the proximity of existing business, by combining the strengths of existing businesses on a company-wide basis, for example, through the launch of projects across business groups, and proposing new products and services.

*** Automobile-related Network Business**

We will use the following technologies in the Car Electronics business: image capturing, visual, audio, and data compression/decompression technologies, which have been accumulated in the Home & Mobile Electronics business segment; radio communications technologies of the land mobile radio business segment; and, company-wide cutting-edge elemental technologies on which the Kurihama R&D Center is working. As a result, we will expand the current product lineups of car electronics, consisting mainly of head units, speakers, and amplifiers, into a group of automobile-related network products/services that can interface with headup displays, image-capturing devices, external servers/external mobile devices.

*** Image Capturing, Visual, and Audio Businesses**

The business solution segment, which manufactures and sells professional-use cameras, visual equipment, and audio devices, and the Home & Mobile Electronics business segment, which manufactures and sells consumer-use cameras, visual equipment, and audio devices, will further deepen cooperation and standardize R&D processes and key devices. Making best use of radio communications and cutting-edge basic technologies, as well as the music and visual content and expertise of the Entertainment business segment, the image capturing, visual, and audio business segments will each generate new proposals with the focus on business-to-business and professionals, and capture demand for innovations.

2. Improving Managerial Efficiency and Speeding up the Decision-making Process

To achieve continued growth, we will improve managerial efficiency, speed up the decision-making process, generate funds for growth in each business segment, and raise the entire Group's corporate value by adding value to the operating processes of each business segment. To do this, we will implement consolidated value chain innovations under a matrix structure composed of the four business groups and company-wide functions, including production/procurement, sales/marketing, logistics/service, IT, and quality control. As a result, we will promote innovations in the consolidated value chain, production and quality, aiming to reduce inventories and waste, shorten lead times from the sales division receiving orders to shipment from plants, reduce procurement costs, and minimize market defect rates.

3. Early Recovery from Floods in Thailand

The Thai Plant (JVC Manufacturing (Thailand) Co., Ltd., a subsidiary located in Navanakorn Industrial Estate, which manufactures professional equipment such as cameras and monitors), which had suspended all operations on October 17, 2011 due to floods in Thailand, started full-scale alternative production at the Yokosuka Business Center on December 5, 2011. Repair work was carried out at the Thai Plant, and the manufacture of some products was resumed on January 28, 2012. Since February 2012, JVC KENWOOD has been able to recover normal production capacity by combining alternative production at the Yokosuka Business Center with the resumption of production at the Thai Plant.

Since mid-March 2012, production activities have been transferred gradually back from the Yokosuka Business Center to the Thai Plant. After completing some products that remained at the center due to the delivery deadline of the end of April 2012, all production lines at the center are to be transferred back to the Thai Plant. Furthermore, production of electronic substrates, which was outsourced temporarily, will also be returned to the Thai Plant, and production of professional equipment will be normalized within May 2012.

4. Environmental Conservation and Social Contribution Activities

JVC KENWOOD has decided to participate in the "Action Plan for Low Carbon Society" of Japan's electrical and electronics industries, which is to be launched in fiscal 2013 in line with the "Commitment to a Low Carbon Society" advocated by the Nippon Keidanren (Japan Business Federation). From now, we will make significant efforts to improve energy efficiency and reduce carbon dioxide emissions in production processes, aiming to improve energy consumption by 1% annually on average toward 2020, a common target of the Japanese electrical and electronics industries.

During the fiscal year ending March 2013, under our environment vision and environmental policies, we will focus on establishing a management system and formulating mid- and long-term plans that conform with the "Energy Saving Act" (ACT on Rational Use of Energy), conducting energy-saving activities based on ISO14001, and implementing power-saving measures, while taking into account the status of domestic power generation.

As part of the these measures, we will integrate ISO14001 certifications, which JVC and Kenwood had acquired separately, and extend the range of entities to which certification is applied, taking advantage of the merger in October 2011. Following the fiscal year under review, in view of the status of domestic power generation in the aftermath of the Great East Japan Earthquake, we will also implement power-saving measures centering on offices and manufacturing bases. Furthermore, we will promote energy savings in the development of products and elemental technologies, enhance recycling activities in consideration of resource recycling, manage chemical substances appropriately, and protect biological diversity.

Other

Personnel Changes

(1) Reason for changes

We plan to increase the number of external board members and strengthen governance while focusing on the full-fledged growth of the Group companies, the launch of an enforcement framework for the young generation, growth policies for the fields of growth, the generation of new fields of growth, and strategic policies, based on "(2) Medium Term Company Management Strategy" and "(3) Issues to be addressed" as stated in "2. Management Policies."

(2) Change of the Representative Director of the Board

Representative Director of the Board Planning to Resign

Hisayoshi Fuwa Current President, Representative Director of the Board, Chief Executive Officer (CEO)

*Current Representative Directors of the Board, Haruo Kawahara and Shoichiro Eguchi will not be transferred.

(3) Changes of Other Personnel

1. Prospective Members of the Board

Haruo Kawahara (Reappointed)	Representative Director of the Board, Chairman of the Board of Directors	(Current Chairman, Representative Director of the Board)
Shoichiro Eguchi (Reappointed)	President, Representative Director of the Board	(Current Representative Director of the Board, Deputy President & Executive Officer)
Kazuhiro Aigami (Reappointed)	Director of the Board	(Current Director of the Board, Senior Executive Vice President & Executive Officer)
Satoshi Fujita (Newly Elected)	Director of the Board	(Current Chief Financial Officer (CFO))
Naokazu Kurihara (Reappointed)	Director of the Board	(Current Director of the Board, Senior Vice President & Executive Officer)
Toshiaki Matsuzawa (Newly Elected)	Director of the Board	(Current Operating Officer)
Nobuo Seo (Reappointed)	External Director	(Current External Director)
Koji Kashiwaya (Reappointed)	External Director	(Current External Director)
Junichi Hikita (Newly Elected)	External Director	(Former Managing Director of ROHM Co., Ltd.)

2. Members of the Board Planning to Resign

Hisayoshi Fuwa	Current President, Representative Director of the Board, Chief Executive Officer (CEO)
Kazuo Shiohata	Director of the Board
Hiroshi Kukimoto	Director of the Board, Chief Technology Officer (CTO)

3. Prospective Auditors

Takayoshi Sakamoto (Newly Elected)	Full-Time Auditor	Current SOO(Senior Operating Officer)
Akihiko Washida (Reappointed)	External Auditor	Current External Auditor
Shojiro Asai (Newly Elected)	External Auditor	Current Director of the Board Deputy President of Rigaku Corporation

4. Auditors Planning to Retire

Shigeharu Tsuchitani	Current Full-Time Auditor
Hideaki Kato	Current Full-Time Auditor
Noriyuki Shouyama	External Auditor
Koichi Kurosaki	External Auditor

(4) Planned Date of Taking/Leaving Office

June 26, 2012

*For more details on personnel changes, please refer to the document separately published today entitled “Notice Regarding Changes of Representative Board Members and Personnel.”

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2011)	Current Fiscal Year (as of Mar. 31, 2012)
Assets		
Current assets		
Cash and cash equivalents	64,972	65,560
Trade notes and accounts receivable	51,210	52,899
Merchandise and finished goods	28,249	25,776
Work in process	2,908	2,599
Raw materials and supplies	7,120	7,585
Deferred tax assets	1,427	4,410
Other current assets	12,158	9,142
Allowance for doubtful accounts	(1,788)	(1,643)
Total current assets	166,258	166,331
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,240	13,676
Machinery and equipment, net	3,155	3,007
Tools, furniture and fixtures, net	5,669	4,158
Land	31,401	28,688
Construction in progress	284	761
Total tangible fixed assets	55,750	50,292
Intangible fixed assets		
Goodwill	4,918	4,598
Software	7,111	6,410
Other intangible fixed assets	2,943	2,796
Total intangible fixed assets	14,974	13,805
Investments and other assets		
Investment securities	4,588	4,297
Prepaid pension cost	12,866	1,963
Other investments	7,987	5,872
Allowance for doubtful receivables	(1,936)	(1,140)
Total investments and other assets	23,504	10,993
Total fixed assets	94,229	75,092
Deferred assets		
Bond issuance cost	175	38
Issuance cost of subscription rights to shares	-	298
Total deferred assets	175	336
Total assets	260,664	241,761

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2011)	Current Fiscal Year (as of Mar. 31, 2012)
Liabilities		
Current liabilities		
Trade notes and accounts payable	28,378	32,498
Short term loans payable	71,353	24,693
Current portion of bonds payable	-	6,000
Other accounts payable	14,617	8,238
Accrued expenses	31,111	23,963
Income taxes payable	2,505	1,675
Provision for product warranties	3,194	2,459
Provision for sales returns	1,537	1,899
Other current liabilities	9,612	6,976
Total current liabilities	162,310	108,405
Long term liabilities		
Bonds payable	20,000	11,355
Provision for retirement benefits	15,090	5,883
Long-term loans payable	1,700	50,320
Deferred tax liabilities for land revaluation	2,027	1,772
Deferred tax liabilities	4,911	5,255
Other long term liabilities	1,884	1,697
Total long term liabilities	45,614	76,284
Total liabilities	207,924	184,689
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	105,336	45,875
Retained earnings	(41,305)	24,187
Treasury stock	(534)	(535)
Total shareholders' equity	73,496	79,527
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	267	121
Deferred hedge gain and loss	27	-
Land revaluation surplus	2,954	3,209
Foreign currency translation adjustment	(24,715)	(27,423)
Total other comprehensive income	(21,466)	(24,092)
Subscription rights to shares	-	806
Minority interests	709	830
Total net assets	52,739	57,072
Total liabilities and net assets	260,664	241,761

(2) Consolidated Statements of Income and Statements of Comprehensive Income
(Consolidated Statements of Income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Net sales	352,672	320,868
Cost of sales	241,709	221,462
Gross profit	110,962	99,405
Selling, general and administrative expenses	98,005	86,592
Operating profit	12,956	12,813
Non-operating profit		
Interest income	195	210
Dividends income	154	238
Foreign exchange gain	640	-
Adjustment of patent fees for past years	619	-
Other non-operating profit	1,320	971
Total non-operating profit	2,929	1,421
Non-operating expense		
Interest expense	2,697	2,687
Sales discounts	282	328
Foreign exchange losses	-	153
Loans commission	1,532	1,800
Provision for product warranties	1,361	-
Other non-operating expenses	2,432	2,844
Total non-operating expense	8,306	7,813
Ordinary income	7,579	6,420
Extraordinary profit		
Gain on sales of fixed assets	1,406	167
Gain on sales of investment securities	1	3
Gain on sales of subsidiaries and affiliates' stocks	659	16
Patent licensing royalty	2,967	-
Gain on liquidation of debt account	1,100	-
Gain on adjustment of liability for employees' retirement benefits	2,025	-
Insurance income for disaster	-	1,458
Other extraordinary profit	34	190
Total extraordinary profit	8,194	1,836
Extraordinary loss		
Loss on disposal of fixed assets	645	138
Loss on sales of fixed assets	2,863	74
Business structural reform expenses	679	309
Employment structural reform expenses	8,632	302
Loss on valuation of inventory for closing business	-	180
Loss on compensation for lease contracts	391	277
Levies	1,546	-
Impairment loss	2,970	-
Loss on disaster	-	513
Other extraordinary loss	1,924	422
Total extraordinary loss	19,653	2,218

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Income before income taxes	(3,879)	6,038
Corporate tax, corporate inhabitant tax and corporate enterprise tax	3,667	2,424
Corporate tax and other adjustment	(3,653)	(2,634)
Income taxes	13	(210)
Income before minority interests	(3,892)	6,248
Minority interests in income	132	216
Net income	(4,025)	6,032

(Statements of Comprehensive Income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Income before minority interests	(3,892)	6,248
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	10	(146)
Deferred hedge gain and loss	(357)	(27)
Land revaluation surplus	-	255
Foreign currency translation adjustment	(4,435)	(2,710)
Total other comprehensive income	(4,782)	(2,628)
Comprehensive income	(8,675)	3,620
Breakdown		
Comprehensive income attributable to owners of the company	(8,792)	3,406
Comprehensive income attributable to minority interests	117	214

(3) Consolidated Statements of Changes in Shareholders' Equity

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Shareholders' equity		
Paid-in capital		
Balance at the beginning of current 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 beginning of current period	111,143	105,336
Changes during the year		
Retirement of treasury stock	(5,806)	-
Transfer to retained earnings from capital surplus	-	(59,460)
Total changes during the year	(5,806)	(59,460)
Balance at the end of current period	105,336	45,875
Retained earnings		
Balance at the beginning of current period	(38,301)	(41,305)
Changes during the year		
Net income	(4,025)	6,032
Change of scope of consolidation	1,020	-
Transfer to retained earnings from capital surplus	-	59,460
Total changes during the year	(3,004)	65,493
Balance at the end of current period	(41,305)	24,187
Treasury stock		
Balance at the beginning of current period	(20,261)	(534)
Changes during the year		
Acquisition of treasury stocks	(4)	(1)
Retirement of treasury stock	19,731	0
Total changes during the year	19,727	(1)
Balance at the end of current period	(534)	(535)
Total shareholders' equity		
Balance at the beginning of current period	62,580	73,496
Changes during the year		
Net income	(4,025)	6,032
Acquisition of treasury stocks	(4)	(1)
Retirement of treasury stock	13,924	0
Change of scope of consolidation	1,020	-
Transfer to retained earnings from capital surplus	-	-
Total changes during the year	10,916	6,031
Balance at the end of current period	73,496	79,527

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities		
Balance at the beginning of current period	256	267
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	10	(146)
Total changes during the year	10	(146)
Balance at the end of current period	267	121
Deferred hedge gain and loss		
Balance at the beginning of current period	385	27
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(357)	(27)
Total changes during the year	(357)	(27)
Balance at the end of current period	27	-
Land revaluation surplus		
Balance at the beginning of current period	2,954	2,954
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	-	255
Total changes during the year	-	255
Balance at the end of current period	2,954	3,209
Foreign currency translation adjustment		
Balance at the beginning of current period	(20,295)	(24,715)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(4,420)	(2,707)
Total changes during the year	(4,420)	(2,707)
Balance at the end of current period	(24,715)	(27,423)
Total other comprehensive income		
Balance at the beginning of current period	(16,699)	(21,466)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(4,767)	(2,626)
Total changes during the year	(4,767)	(2,626)
Balance at the end of current period	(21,466)	(24,092)
Subscription rights to shares		
Balance at the beginning of current period	20	-
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(20)	806
Total changes during the year	(20)	806
Balance at the end of current period	-	806
Minority interests		
Balance at the beginning of current period	917	709
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(207)	121

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Total changes during the year	(207)	121
Balance at the end of current period	709	830
Total net assets		
Balance at the beginning of current period	46,819	52,739
Changes during the year		
Net income	(4,025)	6,032
Acquisition of treasury stocks	(4)	(1)
Retirement of treasury stock	13,924	0
Change of scope of consolidation	1,020	-
Changes (net amount) of items other than shareholders' equity during the year	(4,996)	(1,698)
Transfer to retained earnings from capital surplus	-	-
Total changes during the year	5,920	4,333
Balance at the end of current period	52,739	57,072

(4) Consolidated Statement of Cash Flows

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Cash flows from operating activities:		
Income before income taxes	(3,879)	6,038
Depreciation	13,892	11,356
Amortization of goodwill	325	324
Impairment loss	2,970	-
Increase (decrease) in allowance for doubtful accounts	(569)	(816)
Increase (decrease) in provision for retirement benefits	(979)	(9,020)
Decrease (increase) in prepaid pension cost	(11,450)	10,902
Interest and dividends income	(350)	(449)
Interest expense	2,697	2,687
Loss (gain) on sales of investment securities	5	(3)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(659)	(16)
Loss on disposal of fixed assets	645	138
(Gain) loss on sales of fixed assets	1,458	(92)
(Increase) decrease in trade notes and accounts receivable	8,447	(2,962)
(Increase) decrease in inventories	4,415	1,679
Increase (decrease) in accounts payable	(1,590)	4,645
Increase (decrease) in accrued expenses	(4,004)	(6,825)
Other	14,448	(7,022)
Sub-total	25,822	10,562
Interest and dividends received	354	442
Interest paid	(2,867)	(2,668)
Proceeds from insurance income for disaster	-	1,458
Income taxes paid	(3,323)	(912)
Net cash provided by operating activities	19,986	8,883
Cash flows from investing activities:		
Capital investment (real estates, plants and equipments)	(6,236)	(5,547)
Proceeds from sales of properties, plants and equipments	14,180	2,861
Purchase of intangible fixed assets	(3,781)	(3,810)
Proceeds from sales of investment securities	15	4
Proceeds from sales of stocks of subsidiaries and affiliates	761	333
Other	413	(339)
Net cash provided by (used in) investing activities	5,354	(6,498)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(7,066)	(47,808)
Proceeds from long-term loans payable	3,300	54,800
Repayment of long-term loans payable	(9,820)	(4,109)
Redemption of bonds	-	(1,990)
Proceeds from issuance of new share with retirement of treasury stock	13,924	-
Other	(2,629)	(2,415)
Net cash provided by (used in) financing activities	(2,291)	(1,522)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2010 - Mar.31, 2011)	Current Fiscal Year (Apr.1, 2011 - Mar.31, 2012)
Effect of exchange rate fluctuations on cash and cash equivalents	(1,958)	(276)
Net increase (decrease) in cash and cash equivalents	21,091	585
Cash and cash equivalents at beginning of period	43,408	64,891
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	392	1
Cash and cash equivalents at end of quarter	64,891	65,478