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Accounting Report for the First Half of Fiscal Year Ending March 2010 (April 1, 2009 - September 30, 2009)

Consolidated Financial Highlights for the First Half of Fiscal Year Ending March 2010 (April 1, 2009 - September 30, 2009)

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

	First Half of FYE 3/2010 (April 1, 2009 to September 30, 2009)	First Half of FYE 3/2009 (April 1, 2008 to September 30, 2008)
Net sales	203,950	-
Operating profit (loss)	(11,130)	-
Ordinary income (loss)	(14,624)	-
Net income (loss)	(21,521)	-
Net income (loss) per share	(22.26) yen	-

FYE: Fiscal year ended / ending

Sales by Segments (Millions of yen)

	First Half of FYE 3/2010 (April 1, 2009 to September 30, 2009)		First Half of FYE 3/2009 (April 1, 2008 to September 30, 2008)	
Car Electronics	51,405	25%	-	-%
Home & Mobile Electronics	78,474	38%	-	-%
Professional Systems	44,576	22%	-	-%
Entertainment	23,566	12%	-	-%
Others	5,926	3%	-	-%
Total	203,950	100%	-	-%

FYE: Fiscal year ended / ending

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.

Qualitative Information and Financial Statements

1. Qualitative Information Concerning the Consolidated Operating Results

JVC KENWOOD Holdings, Inc. (JVC Kenwood) was founded on October 1, 2008, as a joint holding company of Victor Company of Japan, Limited (JVC), and Kenwood Corporation (Kenwood). In starting operations as a new corporate group, 1) operating results of JVC for the first half was not consolidated in operating results of JVC Kenwood for the fiscal year ended March 2009 as Kenwood became the acquiring company under corporate accounting; 2) JVC Kenwood transferred and terminated non-core businesses and narrowed down unprofitable businesses through structural reforms to reorganize the core businesses of JVC and Kenwood into four business segments; and 3) JVC Kenwood changed the calculation method for JVC's net sales to the net method (in which a portion of customer discount is deducted from gross sales. Therefore, a simple year-on-year comparison of operating results for the second quarter of the fiscal year ended March 2009 is impossible, and its operating results for the previous corresponding period are not stated in this report.

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

Although the global economy in the second quarter of the current fiscal year continued to be stagnant, affected by the lingering influence of the economic crisis that was sparked by the financial turmoil originating in the US last autumn, signs of recovery have become apparent in some industries as a result of aggressive economic measures taken by governments in a number of countries.

Under such circumstances, second-quarter sales of the ongoing businesses of the JVC Kenwood Group recovered as expected. In addition, the operating profit of JVC Kenwood was as projected because profits have recovered in the segments of the Land Mobile Radio business and the Car Electronics business segment of the Professional Systems business, as a result of efforts such as structural reforms, other additional measures and the effect of the merger.

On the other hand, as announced in October 23, 2009 in the publication "Notice on Loss Disposition accompanying Reform of Business Structure and Revision of Earnings Forecast for the Fiscal Year Ending March 2010," the JVC Kenwood Group recognized a loss of 7.6 billion yen in total. Specifically, this consisted of an operating expense of about 5.5 billion yen, a non-operating expense of about 1.2 billion yen, and an extraordinary loss of 0.9 billion yen. This extraordinary loss was a disposition of loss in the second quarter of the current fiscal year, mainly regarding overseas sales corporations of Victor in Europe (including Russia) and China, in connection with a review of the contribution of joint sales promotion expenses with local dealers mainly related to displays. Further, the extraordinary loss was affected by a re-evaluation of inventory and by expenses incurred in connection with the business structure reforms. We made these reforms in order to enhance the profit base of the Home & Mobile Electronics business for the future, while reconstructing the financial and cost structure by promoting the structural reform and the aggressive reduction of assets of the Home & Mobile Electronics business which suffered in the first quarter.

As a result, as announced in October 23, 2009, the final financial results for the second quarter were substantially below our forecast announced on July 31, 2009.

Compared with the first quarter of the current fiscal year, sales and profit have substantially increased and the final operating profit including the extraordinary disposition of loss has improved in the second quarter from that of the first quarter; however, ordinary profit and net profit for the second quarter decreased from those for the first quarter.

In preparing consolidated operating results for the current second quarter, the exchange rates JVC Kenwood used (excluding those for forward exchange contracts) were about JPY94 to the U.S. dollar and about JPY134 to the euro.

***Net Sales**

In the second quarter of the current fiscal year, we recorded sales of 104,841 million yen for JVC Kenwood and 203,950 million yen for the consolidated first half. These figures are as projected due to a steady recovery of sales in the Car Electronics business segment and the Land Mobile Radio business segment of the Professional Systems business, though the Home & Mobile Electronics business remained slow, mainly in Europe.

Sales of the Home & Mobile Electronics business decreased but sales of the Car Electronics business and the Professional Systems business picked up from those of the first quarter of the current fiscal year, resulting in a 5.8% increase from the previous quarter.

***Operating Profit**

Our operating profit from ongoing businesses for the second quarter of the current fiscal year, excluding the aforementioned extraordinary disposition of loss, was about 0.4 billion yen for the entire group, almost as projected originally. This was because the Land Mobile Radio business segment of the Professional Systems business has returned to the black as a result of the structural reforms and effects of additional measures and the merger, while the Car Electronics business segment recovered beyond our initial expectations in both sales in markets and sales for OEM, which generated the first profit since the merger, offsetting the slow recovery in the Home & Mobile Electronics business and the Professional Systems business.

However, due to our recognition of an operating expense of about 5.5 billion yen as the disposition of loss mentioned above, the final operating profit/loss for the second quarter of the current fiscal year ended in a loss of 5,130 million yen, and the operating loss for the consolidated first half of the current fiscal year was 11,130 million yen — substantially below the Forecast.

The effect of the cost reductions achieved through the additional measures was about 6.4 billion yen; the cost synergy effect was about 1.6 billion yen; and the effect from our accounting procedures relating to the merger was about 0.9 billion yen.

Compared with the first quarter of the current fiscal year, the profit/loss of the Home & Mobile Electronics business was affected adversely by the above-mentioned disposition of loss, but ended in an improvement of about 0.9 billion yen due to the improved financial results of the Car Electronics business segment and the Professional Systems business segment.

***Ordinary Income**

Looking at ordinary income for the second quarter of the current fiscal year, we recorded a loss of 7,563 million yen due to worsened operating profit and our recognition of a non-operational expense of 1.2 billion yen as the aforementioned disposition of loss. Ordinary loss for the consolidated first half of the current fiscal year was 14,624 million yen, substantially below the Previous Forecast.

In the meantime, accounting effects including amortization of negative goodwill resulting from the management integration were JPY0.5 billion.

Compared with the first quarter of the current fiscal year, ordinary income fell by about 0.5 billion yen due to the influence of the said disposition of loss, though operating profit improved.

***Net Income**

Looking at net income/loss for the second quarter of the current fiscal year, we recorded a loss of 13,480 million yen due to a decrease of ordinary income and the extraordinary loss of about 0.9 billion yen as part of the aforementioned disposition of loss. In addition, we posted a net loss of 21,521 million yen for the consolidated first half of the current fiscal year, which was substantially below the Forecast.

In the meantime, there were accounting effects (of JPY2.3 billion on aggregate) generated through the provision

of allowances for expenses for additional measures that can be recorded as allowance, and the adoption of

the consolidated taxation system in relation to the management integration.

Compared with the first quarter of the current fiscal year, it decreased by about 5.4 billion yen due to the influence of the disposition of loss mentioned above.

(Net Sales, Profits and Losses by Business Segment)

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

(Millions of yen)

Business Segment		Consolidated 1H for FYE 2010/3	2Q of FYE 2010/3	(For reference) 1Q of FYE 2010/3
Car Electronics	Net sales	51,405	26,577	24,827
	Operating profit	(568)	1,042	(1,611)
Home & Mobile Electronics	Net sales	78,474	38,600	39,874
	Operating profit	(10,036)	(6,818)	(3,218)
Professional Systems	Net sales	44,576	24,582	19,993
	Operating profit	(1,315)	298	(1,614)
Entertainment	Net sales	23,566	11,897	11,669
	Operating profit	(247)	(266)	18
Others	Net sales	5,926	3,183	2,743
	Operating profit	1,037	640	397
Total	Net sales	203,950	104,841	99,109
	Operating profit	(11,130)	(5,103)	(6,026)
	Ordinary income	(14,624)	(7,563)	(7,061)
	Net income	(21,521)	(13,480)	(8,041)

* Car Electronics Business

The Car Electronics business had been the biggest concern of the JVC Kenwood Group since last fall. However, sales at open markets continued to pick up following the first quarter of the current fiscal year, and our year-on-year market shares grew substantially in major regions. In the OEM field, sales of car navigation systems for the domestic market and CD/DVD mechanisms to be mounted in vehicles for overseas markets were boosted due to the effect of measures for stimulating new car purchases executed by various countries, in addition to the effects from our efforts for business structure reforms.

Consequently, sales for the second quarter of the current fiscal year were 26,577 million yen, and operating profit was 1,042 million yen, which is the first profit we have posted since the merger. As a result, sales for the consolidated first half of the current fiscal year were 51,405 million yen and the operating loss for the same period was reduced to 568 million yen.

Compared with the first quarter of the current fiscal year, in the second quarter the sales of the entire Car Electronics business increased by 7.0% and the operating profit improved by about 2.7 billion yen, returning to the black.

* Home & Mobile Electronics Business

Looking at the Home & Mobile Electronics business segment, the home audio business has returned to the black due to the effects of the business structure reforms. On the other hand, the display business was adversely affected by the slow recovery in Europe and higher procurement costs, and the camcorder business was affected by harsher competition overseas, mainly in Europe, and a shift in demand to low-end models, though domestic sales steadily grew due to the marketing of new products.

Consequently, sales for the second quarter of the current fiscal year were 38,600 billion yen, and operating loss, including disposition of loss in association with the aforementioned structure reforms, was 6,818 million

yen. Sales for the consolidated first half of the current fiscal year were 78,474 million yen, and the operating loss for the same period was 10,036 million yen.

Compared with the first quarter of the current fiscal year, sales of the entire Home & Mobile Electronics business segment decreased by 3.2%, and operating profit decreased by about 3.6 billion yen, but the operating loss of the ongoing businesses excluding the disposition of loss mentioned above was halved.

*** Professional Systems Business**

With regard to the Professional Systems segment, orders at the Land Mobile Radio business had been substantially lower due to the effects of policy revisions in investment budgets for the public since April 2009. However, in the second quarter of the current fiscal year, orders started to recover as the once-suspended investment budgets started to be executed and the business has returned to the black. On the other hand, the Professional Systems business segment was slow in recovery due to weaker demand caused by a freeze on private-sector capital spending and an accompanying price decline.

Consequently, sales for the second quarter of the current fiscal year were 24,582 million yen, and operating profit returned to the black, posting 298 million yen. In addition, sales for the consolidated first half of the current fiscal year were 44,576 million yen, and the operating loss for the same period fell to 1,315 million yen. On a quarter-on-quarter basis, sales of the entire Professional Systems segment increased by 23.0%, and the operating profit improved by about 0.19 billion yen and produced a profit.

*** Entertainment Business**

In the Entertainment business segment, the contents business enjoyed a hit blockbuster movie but other new and old albums did not move well. Businesses on consignment such as pressing, distribution and production of music software, benefited from the expansion of the scope of business through the capital and business alliance with Toppan Printing Co., Ltd. but the quantity of consignments fell due to a decline in the popularity of music software.

Consequently, sales for the second quarter of the current fiscal year were 11,897 million yen, while the operating loss was 266 million yen; and sales for the consolidated first half of the current fiscal year were 23,566 million yen and the operating loss for the same period was 247 million yen.

Compared with the first quarter of the current fiscal year, in the second quarter, the sales of the entire Entertainment business segment increased by 2.0%, and the operating profit decreased by about 0.3 billion yen.

For qualitative information regarding the consolidated financial results for the first quarter ending in March 2010, please refer to "Accounting Report for the First Quarter of Fiscal Year Ending March 2010" (announced on July 31, 2009).

2. Qualitative Information Concerning the Consolidated Financial Position

In the consolidated first half of the current fiscal year, JVC Kenwood strived to substantially reduce assets such as accounts receivable, inventory assets, land and buildings, in accordance with one of our key measures for the current term, called "Increase of Cash." Consequently, debt with interest decreased by about 15.1 billion yen, and operating cash flow increased by about 8.6 billion yen, though we did record a net loss for the quarter.

(Analysis of assets, liabilities and net assets)

***Assets**

Total assets for the consolidated first half of the current fiscal year decreased by about 40.6 billion yen from the end of the previous term to 314,093 million yen due to a decrease of accounts receivable and a reduction of inventory assets, in addition to the partial sale of tangible fixed assets such as land and buildings.

***Liabilities**

Debt with interest for the consolidated first half of the current fiscal year decreased by about 15.1 billion yen from the end of the previous term to 117,585 million yen and the total debt decreased by about 16.7 billion yen from the end of the previous term to 252,406 million yen due to the repayment of short-term borrowings (15 billion yen) that related to the repurchase of the Company's shares that were held by Kenwood. The net debt decreased by about 7 billion yen from the end of the previous term to 73,220 million yen.

***Net assets**

Total shareholders' equity for the consolidated first half of the current fiscal year decreased by about 21.3 billion yen from the end of the previous term to 80,793 million yen and total net assets decreased by about 23.9 billion yen from the end of the previous term to 61,686 million yen due to the realization of a net loss for the quarter.

(Cash flow analysis)

***Cash flows from operating activities**

Net cash provided by operating activities for the consolidated first half of the current fiscal year was 8.647 billion yen, though net income before taxes, etc. recorded a loss of 19,823 million yen, as the required operating fund was improved due to a reduction of accounts receivable and inventory assets and increase of accounts payable.

***Cash flows from investing activities**

Net cash spent in investing activities for the consolidated first half of the current fiscal year was 905 million yen due to the acquisition of tangible and intangible fixed assets, despite proceeds from the sale of land and buildings.

***Cash flows from financing activities**

Net cash spent in financing activities for the consolidated first half of the current fiscal year was 15,725 million yen due to a partial redemption of unsecured bonds and reduction in interest-bearing debts resulting from a repayment of long-term borrowings.

As of the end of the current second quarter, cash and cash equivalents totaled JPY43,690 million yen.

3. Qualitative Information Concerning the Consolidated Earnings Forecast

JVC Kenwood has substantially reduced future risk factors and expenses mainly related to overseas sales corporations of JVC through a one-time disposition of loss in connection with the business structure reforms mentioned above, in addition to an upturn in the profit/loss situation of major business segments such as the Car Electronics business and the Land Mobile Radio business. Further JVC Kenwood launched a reconstruction of financial and cost structures mainly of the Home & Mobile Electronics business segment that has been in decline.

JVC Kenwood will, in the current third quarter and afterwards, strive to complete the business structure reform of the Home & Mobile Electronics business in accordance with the action plan specified in the "Notice Concerning Business Structure Reform Action Plan," which was announced today separately, to promote reforms for higher profits. Further JVC Kenwood will also work on some businesses under the Professional Systems business segment that are slow in recovering in the business structure reform to rebuild a solid profit base of the Professional Systems business segment along with the Land Mobile Radio business that is already showing signs of recovery.

In addition, with the focus on digital imaging businesses such as video cameras that have a high presence in

markets and the Business Solution businesses such as professional systems, JVC Kenwood will concentrate on and reinforce businesses where our strength lies, striving to put JVC on a path for new growth.

Following this path, JVC Kenwood will increase the momentum of the second quarter of the current fiscal year when the ongoing businesses returned to the black, and will maintain the trend of further recovery through the latter half of the term so as to achieve the projected earnings for the full fiscal year that we announced on October 23, 2009.

We will not distribute interim dividends for the current term as we projected at the beginning of the term. Although we had announced that we were undecided with regards to our distribution of year-end dividends, we have now decided not to distribute them as well based on the financial results of the consolidated first half of the current fiscal year and our projection for financial results for the full fiscal year.

Notes on earnings forecast

The earnings forecast provided here is a forecast for the future period based on the Company's judgment derived from information that is available at this time; please be advised that actual earnings may differ substantially from the earnings forecast. Consequently, please refrain from making any decisions based solely on this forecast.
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Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(JPY in Million)

	End of current consolidated second quarter (as of Sep. 30, 2009)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2009)
Assets		
Current assets		
Cash and cash equivalents	44,365	52,417
Trade notes and accounts receivable	73,071	78,743
Merchandise and finished goods	39,861	48,843
Work in process	4,659	5,314
Raw materials and supplies	13,301	14,305
Other current assets	15,923	16,876
Allowance for doubtful receivables	(3,617)	(2,911)
Total current assets	187,566	213,588
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	20,894	22,765
Machinery and equipment, net	7,553	8,172
Tools, furniture and fixtures, net	8,911	10,514
Land	51,409	57,508
Construction in progress	1,884	4,172
Total tangible fixed assets	90,654	103,134
Intangible fixed assets		
Goodwill	5,411	5,580
Software	8,982	9,015
Other intangible fixed assets	5,121	5,503
Total intangible fixed assets	19,514	20,100
Investments and other assets		
Investment securities	5,240	4,468
Other investments	11,064	13,476
Allowance for doubtful receivables	(451)	(738)
Total investments and other assets	15,853	17,206
Total fixed assets	126,022	140,441
Deferred assets	503	622
Total assets	314,093	354,652

	(JPY in Million)	
	End of current consolidated second quarter (as of Sep. 30, 2009)	Summary of consolidated balance sheet at end of previous fiscal year (as of Mar. 31, 2009)
Liabilities		
Current liabilities		
Trade notes and accounts payable	34,560	30,391
Short term loans payable	89,985	91,101
Current portion of bond	-	20,960
Accrued expenses	47,309	48,731
Income taxes payable	1,637	1,457
Provision for product warranties	3,045	3,452
Provision for sales returns	1,230	1,401
Provision for structural reform	1,004	3,744
Other current liabilities	15,889	14,650
Total current liabilities	194,663	215,892
Long term liabilities		
Bonds payable	20,000	20,600
Long-term loans payable	7,600	-
Liability for employees' retirement benefits	15,877	17,422
Negative goodwill	1,622	2,433
Other long term liabilities	12,643	12,725
Total long term liabilities	57,743	53,181
Total liabilities	252,406	269,073
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	111,143	111,143
Retained earnings	(20,087)	1,174
Treasury stock	(20,261)	(20,261)
Total shareholders' equity	80,793	102,055
Valuation and translation adjustment		
Unrealized gain and loss on available-for-sale securities	212	(401)
Deferred hedge gain and loss	651	39
Land revaluation surplus	2,954	2,954
Foreign currency translation adjustment	(23,869)	(20,912)
Total valuation and translation adjustment	(20,050)	(18,320)
Subscription rights to shares	20	-
Minority interests	922	1,843
Total net assets	61,686	85,579
Total liabilities and net assets	314,093	354,652

(2) Quarterly Consolidated Statements of Income
(Accumulated period for consolidated first half)

(JPY in Million)

	Accumulated period for current consolidated first half (Apr.1, 2009 - Sep.30, 2009)
Net sales	203,950
Cost of sales	144,281
Gross profit	59,669
Selling, general and administrative expenses	70,799
Operating profit	(11,130)
Non-operating profit	
Interest income	88
Dividends income	198
Amortization of negative goodwill	811
Other non-operating profit	591
Total non-operating profit	1,689
Non-operating expense	
Interest expense	1,547
Other non-operating expenses	3,635
Total non-operating expense	5,183
Ordinary income	(14,624)
Extraordinary profit	
Reversal of liability for employees' retirement benefits	321
Other extraordinary profit	229
Total extraordinary profit	551
Extraordinary loss	
Loss on disposal of fixed assets	458
Loss on sales of fixed assets	2,356
Other extraordinary loss	2,934
Total extraordinary loss	5,750
Income before income taxes	(19,823)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	1,321
Corporate tax and other adjustment	385
Income taxes	1,707
Minority interests in income	(9)
Net income	(21,521)

(Accumulated period for consolidated second quarter)

(JPY in Million)

	Accumulated period for current consolidated second quarter (Jul.1, 2009 - Sep.30, 2009)
Net sales	104,841
Cost of sales	72,949
Gross profit	31,892
Selling, general and administrative expenses	36,995
Operating profit	(5,103)
Non-operating profit	
Interest income	36
Amortization of negative goodwill	405
Other non-operating profit	260
Total non-operating profit	702
Non-operating expense	
Interest expense	763
Loans commission	697
Other non-operating expenses	1,701
Total non-operating expense	3,162
Ordinary income	(7,563)
Extraordinary profit	
Gain on liquidation of subsidiaries and affiliates	44
Other extraordinary profit	66
Total extraordinary profit	110
Extraordinary loss	
Loss on disposal of fixed assets	444
Loss on sales of fixed assets	2,293
Other extraordinary loss	1,993
Total extraordinary loss	4,731
Income before income taxes	(12,184)
Corporate tax, corporate inhabitant tax and corporate enterprise tax	941
Corporate tax and other adjustment	350
Income taxes	1,292
Minority interests in income	4
Net income	(13,480)

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for current consolidated first half (Apr.1, 2009 - Sep.30, 2009)
Cash flows from operating activities:	
Income before income taxes	(19,823)
Depreciation	10,029
Amortization of goodwill	163
Amortization of negative goodwill	(811)
Increase (decrease) in allowance for employees' retirement	(1,568)
Increase (decrease) in allowance for doubtful accounts	455
Interest revenue and dividend income	(286)
Interest expense	1,547
Loss on disposal of fixed assets	458
(Gain) loss on sales of fixed assets	2,294
(Increase) decrease in trade notes and accounts receivable	4,779
(Increase) decrease in inventories	9,502
Increase (decrease) in accounts payable	5,121
Increase (decrease) in allowance for structural reform	(2,740)
Increase (decrease) in accrued expenses	(915)
Other	3,010
Sub-total	11,219
Interest and dividends received	286
Interest paid	(1,605)
Income taxes paid	(1,253)
Net cash provided by operating activities	8,647
Cash flows from investing activities:	
Capital investment (real estate, plants and equipment)	(3,896)
Proceeds from sales of property, plant and equipment	5,110
Purchase of intangible fixed assets	(2,255)
Other	134
Net cash used in investing activities	(905)
Cash flows from financing activities:	
Increase (decrease) in short-term loans payable, net	12,590
Proceeds from long-term loans payable	13,700
Repayment of long-term loans payable	(20,000)
Redemption of bonds	(21,531)
Other	(484)
Net cash used in financing activities	(15,725)
Effect of exchange rate fluctuations on cash and cash equivalents	(788)
Net increase (decrease) in cash and cash equivalents	(8,772)
Cash and cash equivalents at beginning of period	52,393
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	69
Cash and cash equivalents at end of quarter	43,690