JVCKENWOOD

January 31, 2017

Company	JVCKENWOOD Corporation
Representative	Takao Tsuji, President & CEO (Code: 6632; First Section of the Tokyo Stock Exchange)
Contact	Shinichiro Nishishita, General Executive, Corporate Communication Division (TEL: 81-45-444-5232)

Partial Revisions to "Accounting Report for the Fiscal Year Ended March 2013"

JVCKENWOOD Corporation hereby announces that it has partially corrected the "Accounting Report for the Fiscal Year Ended March 2013."

1. Background and Reason for Corrections

For the details and reason for the corrections, please refer to the "Notice Regarding Corrections to Earnings Results of the Company" released on January 31, 2017.

2. Details of Corrections

Corrected parts are underlined. Please note that corrections have been made to numerous items, and therefore only corrected figures are provided in this document.

TRANSLATION - FOR REFERENCE ONLY -

JVCKENWOOD

April 26, 2013

Company: JVC KENWOOD Corporation
Representative: Shoichiro Eguchi, President and CEO
(Code: 6632; First Section of the Tokyo Stock Exchange)
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Accounting Report for the Fiscal Year Ended March 2013 (April 1, 2012 - March 31, 2013)

Consolidated Financial Highlights for the Fiscal Year Ended March 2013 (April 1, 2012 - March 31, 2013)

Operating Results

(Millions of yen, except net income per share)

	FYE 3/2013	FYE 3/2012	YoY (%)
	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012	
Net sales	306,580	320,868	95.5
Operating profit	9,761	13,105	74.5
Ordinary income (loss)	3,263	6,712	48.6
Net income (loss)	1,243	6,213	20.0
Net income (loss) per share	8.97 yen	44.81 yen	-

Forecast for the Fiscal Year Ending March 2014

(Millions of yen)

	FYE 3/2014	FYE 3/2013	YoY (%)
	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013	
Net sales	310,000	306,580	101.1
Operating Income (loss)	10,000	9,761	102.4
Ordinary income (loss)	5,500	3,263	168.6
Net income (loss)	3,000	1,243	241.4

Paying Dividends

(yen)

	Annual dividend
FYE 3/2012	5.00
FYE 3/2013	5.00
FYE 3/2014 (forecast)	5.00

1. Operating Results

(1) Analysis of Operating Results

1. Consolidated operating results for the year-ended March 2013
(Overview of the fiscal year under review)

During the fiscal year under review, the outlook for the global economy remained uncertain due primarily to the deteriorating financial crisis in Europe and a slowdown of the Asian economy including that of China.

Japan's economy followed a gradual recovery track on the strength of demand for reconstruction in the wake of the Great East Japan Earthquake, and showed a sign of bottoming out in the second half due mainly to the correction of strong yen. However, the Japanese economy in general was affected by the slowdown in the global economy.

Under such circumstances, sales and profits of the JVCKENWOOD Group for the fiscal year under review declined on a year-on-year basis, because of sluggish European sales in the Car Electronics, Professional Systems and Home & Mobile Electronics businesses, and impact of foreign exchange fluctuation, while the Entertainment business continued to be strong throughout the fiscal year and posted higher sales and profits compared to the previous fiscal year.

On the financial front, while interest-bearing debts declined from a year earlier, total net assets increased, resulting in a rise of shareholders' equity ratio.

Exchange rates used for profit-and-loss calculation to prepare the financial statements for the fiscal year under review are as follows. A strong yen against the U.S. dollar and a weaker yen against the euro are positive factors for Operating income of the JVCKENWOOD Group. In the fiscal year under review, however, the yen depreciated against the U.S. dollar while appreciated against the euro, compared to movements in the previous fiscal year. As a result, the movements of both the U.S. dollar and the euro against the yen became negative factors for the Group's operating income. To cope with this, the Group implemented measures to reduce foreign exchange fluctuation risks related to operating income and non-operating income and loss, as described in "2. Management Policy (3) Issues to be Addressed 2. Reduction in Exchange Fluctuation Risks."

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full year
Profit-and-loss	U.S. dollar	Approx. 80 yen	Approx. 79 yen	Approx. 81 yen	Approx. 92 yen	Approx. 83 yen
exchange rates	Euro	Approx. 103 yen	Approx. 98 yen	Approx. 105 yen	Approx. 112 yen	Approx. 107 yen
FY2011	U.S. dollar	Approx. 82 yen	Approx. 78 yen	Approx. 77 yen	Approx. 79 yen	Approx. 79 yen
(Reference)	Euro	Approx. 117 yen	Approx. 110 en	Approx. 104 yen	Approx. 104 yen	Approx. 109 yen

***Net Sales**

Consolidated net sales for the fiscal year under review decreased about 14.3 billion yen, or 4.5%, from a year earlier to 306,580 million yen.

During the fiscal year under review, the Entertainment business posted higher sales year on year as a result of a series of hit releases, and the Car Electronics, Professional Systems and Home & Mobile Electronics businesses saw sales remain steady in North America. However, the Group's net sales decreased due to lower sales in Europe in the Car Electronics, Professional Systems and Home & Mobile Electronics businesses caused by the deteriorated local economy, and realignment of some models in the Home & Mobile Electronics business.

***Operating Income**

Consolidated operating income for the fiscal year under review dropped about 3.3 billion yen, or 25.5%, from a year ago to 9,761 million yen.

During the fiscal year under review, the Entertainment business posted higher profits than a year earlier thanks to an increase in sales. The Professional Systems business also recorded higher profits due to a reduction in effects of the Great East Japan Earthquake and Thai floods, which both occurred in the previous fiscal year. However, the Group's operating income declined, influenced by a fall in European sales in the Car Electronics, Professional Systems and Home & Mobile Electronics businesses, intensified competition in the domestic market of the Car Electronics business, and the yen's appreciation against the euro mainly in the first half.

On the other hand, a rise in costs associated with a decrease in patent licensing royalties and completion of measures to reduce labor costs was absorbed by the reinforced earnings capability in each business.

***Ordinary Income**

Consolidated ordinary income for the fiscal year under review fell about 3.4 billion yen, or 51.4%, from a year ago to 3,263 million yen.

Non-operating income increased approximately 0.5 billion yen year on year, as the Group acquired 45% of the issued shares of Shinwa International Holdings Limited ("Shinwa"), an in-car device manufacturing company in Hong Kong, effective April 20, 2012, and posted equity in earnings of the affiliate.

Non-operating expenses rose about 0.6 billion yen, as the yen equivalent value of foreign-currency-denominated loans between the JVCKENWOOD and group subsidiaries increased and exchange losses worth about 2.8 billion yen occurred in conjunction with the depreciation of the yen against the U.S. dollar in and after the third quarter, while decreased in loan commission due to reduction of loans payable and extension of borrowing periods.

Consequently, non-operating income and loss for the fiscal year under review deteriorated about 0.1 billion yen from a year earlier.

To address foreign exchange losses, the JVCKENWOOD Group implemented measures to reduce foreign exchange fluctuation risks, as described in "2. Management Policy (3) Issues to be Addressed 2. Reduction in Foreign Exchange Fluctuation Risks."

***Net Income**

Consolidated net income for the fiscal year under review decreased about 5.0 billion yen, or 80.0%, from a year ago to 1,243 million yen, due chiefly to a drop in ordinary income and an increase in income taxes.

Extraordinary profit fell approximately 0.4 billion yen year on year, primarily because of a decrease in insurance income from the Thai floods, despite increases in gain on sales of investment securities and gain on sales of fixed assets.

Extraordinary loss dropped about 0.7 billion yen due mainly to a fall in loss from disaster caused by the Thai floods.

As a result, extraordinary profit and loss improved by about 0.3 billion yen from a year earlier.

Total income taxes for the fiscal year under review increased about 2.0 billion yen from a year earlier, partly because corporate tax and other adjustment stood at about -0.0 billion yen, compared to about -2.5 billion yen a year earlier, while there was decreases in corporate tax, corporate inhabitant tax and corporate enterprise tax resulting from the refund of Kanagawa Prefecture's special interim corporate tax.

(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 2013 (from April 1, 2012 to March 31, 2013) (Millions of yen)

Business Segment		FYE3/2013	FYE3/2012	Year-on-year basis
Car Electronics	Net sales	100,548	107,281	(6,733)
	Operating income	2,561	6,454	(3,892)
Professional Systems	Net sales	91,830	93,527	(1,697)
	Operating income	4,065	3,174	＋891
Home & Mobile Electronics	Net sales	68,793	77,545	(8,752)
	Operating income	1,097	1,834	(737)
Entertainment	Net sales	40,858	36,735	＋4,123
	Operating income	2,044	1,212	＋832
Others	Net sales	4,550	5,778	(1,228)
	Operating income	(9)	429	(438)
Total	Net sales	306,580	320,868	(14,288)
	Operating income	9,761	13,105	(3,345)
	Ordinary income	3,263	6,712	(3,449)
	Net income	1,243	6,213	(4,970)

*Car Electronics Business

Net sales of the Car Electronics business for the fiscal year under review decreased approximately 6.7 billion yen, or 6.3%, from the previous fiscal year to 100,548 million yen, and operating income fell about 3.9 billion yen, or 60.3%, from a year earlier to 2,561 million yen. This was due to economic deterioration in Europe, heightened competition in the domestic market, and the yen's appreciation against the euro in the first half.

In the after-market business, sales of car audios and car navigation systems continued to be robust in North America where the sales contribution ratio was highest, and sales of display audio systems, a high-growth field, increased. Sales recovered in Asia where the impact from the floods in Thailand was strong in the previous fiscal year. However, in Europe, the Group was strongly affected by deterioration in the local economy and the strong yen against the euro mainly in the first half. In the domestic market, earnings were weighed down by a lower price product mix in and after the second quarter due to a change in the competitive environment, despite sharp year-on-year growth in the sales volume of Saisoku-Navi, an SSD AV car navigation system.

In the OEM business, earnings were affected by a slowdown of shipment volumes of HDD AV car navigation systems to automobile makers (dealer option product) in and after the second quarter. The shipment volume of optical pickups for car-mounted equipment remained robust, while shipments of CD/DVD drive mechanisms for car-mounted equipment for Europe were affected by dull market conditions.

As a result, both sales and profits decreased in the after-market and OEM businesses.

*Professional Systems Business

Net sales of the Professional Systems business for the fiscal year under review decreased approximately 1.7 billion yen, or 1.8%, year on year to 91,830 million yen, while operating income increased about 0.9 billion yen, or 28.1%, from a year earlier to 4,065 million yen. This was due to a recovery in sales with the end of the effects of the Thai floods in the Business Solution segment in the first quarter, despite lower sales in Europe and the delayed recovery of sales primarily in the Land Mobile Radio segment in China.

As for the Land Mobile Radio segment, sales of professional digital radio systems for the public safety sector and the NEXEDGE proprietary professional digital radio system for the private sector remained robust in North America, their largest market. In the domestic market, new orders were received from operators of broadcasting and communication businesses and this helped boost sales. But overall sales and profits dropped, influenced by sluggish sales in Europe and the delayed recovery of sales in China.

In the Business Solution segment, on top of sluggish sales overseas mainly in Europe, costs increased temporarily in the first quarter of the fiscal year under review because we switched production to the Yokosuka Production Center in response to the floods in Thailand. However, production at plants in Thailand was normalized in and after the second quarter, and this was followed by a sales recovery mainly in Japan. As a result, overall sales remained unchanged from a year earlier, and profit and loss improved considerably compared to the previous fiscal year.

***Home & Mobile Electronics Business**

In the Home & Mobile Electronics business, net sales for the fiscal year under review decreased approximately 8.8 billion yen, or 11.3%, from the year before to 68,793 million yen, and operating income declined about 0.7 billion yen, or 40.2%, year on year to 1,097 million yen. This was due to weak sales in Europe, a realignment of some models in line with a strategy that places importance on high value-added products, and the yen's appreciation against the euro mainly in the first half, despite continued strong performance in the AV accessory segment and the projector segment.

As for the Sound & Acoustic Division, earnings of the highly profitable AV accessory segment increased due to brisk sales of headphones and earphones. In the home audio segment, profit and loss worsened, due primarily to a shrinking domestic market and the deteriorating European economy, although we made efforts to improve product mix through introducing proposal-based products such as an audio product with a built-in ionizer and furniture audio. As a result, the entire Sound & Acoustic Division remained in the black, but its sales and profits declined.

In the Imaging Division, we made efforts to improve product mix by introducing sports camcorders and live streaming cameras as proposal-based products following Wi-Fi HD camcorders. However, profit and loss in the camcorder segment deteriorated owing mainly to the worsened European economy. Earnings of the projector segment increased substantially, because of a sales expansion of high-definition 4K models. In addition, profit and loss in the display segment moved into the black due to the adoption of a business model with a light asset burden and the realignment of products for Asia. Consequently, profit and loss in the entire Imaging Division improved year on year, although its sales decreased.

***Entertainment Business**

In the Entertainment business, net sales for the fiscal year under review increased approximately 4.1 billion yen, or 11.2%, from a year earlier to 40,858 million yen, and operating income rose about 0.8 billion yen, or 68.6%, to 2,044 million yen. This was a result of strong performance in the Content business and cost reductions in the OEM business.

Earnings of the Content business were boosted by a series of major hits that included theme songs of TV dramas and albums, and several hit-making music albums launched by new and mid-catalog artists, in addition to the steady growth of rights-related income associated with animation and music pieces.

In the OEM business, profit and loss improved thanks to cost reduction efforts, on top of solid production of optical discs backed by a series of major hits.

The following major hits were recorded in the fourth quarter. For major hits in the first, second and third quarters, refer to the Accounting Report for the First Quarter of Fiscal Year Ending March 2013 (April 1, 2012 - June 30, 2012) released effective August 1, 2012, the Accounting Report for the First Half of Fiscal Year Ending March 2013 (April 1, 2012 - September 30, 2012) released effective November 1, 2012 and the Accounting Report for the Third Quarter of Fiscal Year Ending March 2013 (April 1, 2012 - December 31, 2012) released effective February 1, 2013.

Major hits at Victor Entertainment

- LIVE TOUR & DOCUMENTARY FILM "I LOVE YOU - now & forever -," a DVD/Blue-ray from Keisuke Kuwata
- "Mistake!/Battery," a single release from SMAP
- "sakanaction," an album from Sakanaction

・ “LEO ~ 1st Live Tour ~,” a DVD/Blue-ray from LEO Ieiri

Major hits at Teichiku Entertainment

・ “KANJANI ∞ LIVE TOUR!! 8EST ~ *MINNANO OMOI WA DOUNANDAI? BOKURA NO OMOI WA MUGENDAI!!* ~,” a DVD from Kanjani ∞
・ “*HARU NI* GONDOLA,” a single release from BEGIN
・ “music,” a single release from Shishido Kavka

2. Outlook for the Next Fiscal Year

The JVCKENWOOD Group in November 2012 formulated a new mid-term business plan covering the fiscal year ending March 2016 as the final year (the “new mid-term business plan”), as described in 2. Management Policy (2) Medium- to Long-term Business Strategies. With this plan, the Group launched measures to achieve sustainable “profitable growth” in the electronics industry which is facing to revolutionary times.

During the coming term (fiscal year ending March 2014), in the priority Car Electronics business, the OEM segment will enter an off-demand period, and focus will be placed on advance investments with an aim to win large orders in and after the fiscal year ending March 2015. Meanwhile, another priority, the Professional Systems business, is expected to grow thanks to the contributions of the Land Mobile Radio segment, whose performance remains strong, and the Business Solution segment, whose sales have recovered due to the diminished effects of the Thai floods. In the Home & Mobile Electronics and Entertainment businesses, earnings are forecast to remain stable. Consequently, the Group’s sales and profits for the next fiscal year are predicted to increase slightly from a year earlier, with net sales of 310.0 billion yen and operating income of 10.0 billion yen. We reduced foreign exchange rate fluctuation risks, which were the cause of foreign exchange losses for the fiscal year under review, as described in “2. Management Policy (3) Issues to be Addressed 2. Reduction in Foreign Exchange Fluctuation Risks”. As a result, ordinary income is expected to be 5.5 billion yen and net income is expected to be 3.0 billion yen for the next fiscal year, due to a projected significant improvement in non-operating income and loss.

The planned succession of the information equipment business of TOTOKU Electric Co., Ltd. (“TOTOKU Electric”) through a corporate split (absorption-type split) effective July 1, 2013 was reflected in earnings forecasts for the fiscal year ending March 2014. However, the conversion of Shinwa into a consolidated subsidiary was not reflected in the said forecasts.

Note: The earnings forecasts, etc., provided in this material are based on information obtained by JVCKENWOOD 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 at the end of the fiscal year under review increased approximately <u>5.1</u> billion yen from a year earlier to <u>246,735</u> million yen, due mainly to a rise in the yen equivalent value of foreign-currency-denominated assets caused by the yen’s depreciation against major currencies such as the U.S. dollar and the euro from the end of the previous fiscal year. This was despite a drop in cash and deposits owing chiefly to the redemption of bonds.

***Liabilities**

Liabilities as of the end of the fiscal year under review decreased approximately <u>5.2</u> billion yen from a year ago to <u>179,216</u> million yen, due chiefly to a decline in accrued expenses and the redemption of corporate bonds, despite an increase in provision for retirement benefits.

Interest-bearing debts (sum of loans payable and bonds payable) declined about 5.9 billion yen from the end of the previous fiscal year to 86,467 million yen, primarily because of the redemption of corporate bonds. Net debt (amount obtained by subtracting cash and deposits from interest-bearing debts) increased approximately 1.9 billion yen to 28,706 million yen due mainly to a fall in cash and deposits caused by the acquisition of Shinwa's shares.

***Net Assets**

Retained earnings at the end of the fiscal year under review increased approximately 0.6 billion yen year on year to 24,965 million yen due mainly to the posting of net income. Total shareholders' equity also rose about 0.6 billion yen to 80,304 million yen.

Total net assets increased approximately 10.3 billion yen from the previous fiscal year to 67,518 million yen. This was primarily because foreign currency translation adjustments related to investments in overseas affiliates improved from about minus 27.4 billion yen to approximately minus 17.9 billion yen as the yen depreciated against major currencies such as the U.S. dollar and the euro, compared to levels at the end of the previous fiscal year. Shareholder's equity ratio rose 3.7 percentage points from the end of the previous fiscal year to 26.7%.

2. Cash flow analysis

***Cash flows from operating activities**

Net cash provided by operating activities for the fiscal year under review was 9,771 million yen, up approximately 0.9 billion yen from a year earlier. This was due mainly to a rise in proceeds from a decrease in trade notes and accounts receivable and a considerable fall in expenditure relating to employment structure reforms, despite decreases in income before income taxes and trade notes and accounts payable.

***Cash flows from investing activities**

Net cash used in investing activities for the fiscal year under review was 13,356 million yen, up approximately 6.9 billion yen from a year ago. This was chiefly as a result of promoting strategic investments for growth, including the acquisition of Shinwa's shares and other capital and business alliances.

***Cash flows from financing activities**

Net cash used in financing activities for the fiscal year under review was 8,608 million yen, up approximately 7.1 billion from a year ago. This was attributable primarily to a decrease in proceeds from long-term loans payable and an increase in redemption of bonds, despite a net decrease in short-term loans payable.

As of the end of the fiscal year under review, cash and cash equivalents totaled 57,526 billion yen, down about 8.0 billion yen from a year earlier.

(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, JVCKENWOOD is considering such matters based on a comprehensive appraisal of profitability and financial conditions

During the fiscal year under review, consolidated net income decreased substantially from a year earlier, but retained earnings came up to a sufficient level to pay dividends. Accordingly, we plan to pay a year-end dividend of 5 yen per share for the fiscal year under review, the same amount as for the previous fiscal year.

For the fiscal year ending March 2014, when we will focus on improving our earnings and financial conditions, we set a dividend forecast at 5 yen per share in line with the above policies.

2. Management Policy

(1) Basic Management Policy

The JVCKENWOOD Group has the corporate vision of “Creating Excitement and Peace of Mind for the People of the World.” Under this vision, the Group, as a specialized global manufacturer that creates excitement and peace of mind, will focus on businesses in which it has competitive advantages, achieve profitable growth, and provide stakeholders with innovative value, 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 Corporation and three companies that were consolidated 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.

In November 2012, the Group formulated the new mid-term business plan covering the fiscal year ending March 2016 as the final year, aiming to achieve sustainable and profitable growth in the electronics industry, which is facing to revolutionary times.

In the new mid-term business plan, we define the business domains in which the Group, with image, acoustic and radio technologies and music and visual software as its core competence, can continue to apply its strengths as the “smart AV field” and the “smart safety field.” As the first step in a long-term strategy centering on these two business fields, we have established the medium-term vision “Re Design.” And we have launched measures for promoting self-reformation on a group-wide basis with enthusiasm and a sense of speed, re-designing the lifestyles of people around the world by consecutively introducing products that deliver excitement and peace of mind.

The Group will use profits, generated through these measures, to invest in sustainable growth, strengthen the financial base, and provide stable returns to shareholders.

(3) Issues to be Addressed

During the fiscal year ended March 2011, the JVCKENWOOD Group completed the structural reforms that had been underway since the launch of the Group in October 2008. Then, the Group in the fiscal year ended March 2012 began to implement a full-scale growth strategy by optimally leveraging the effects of structural reforms and the synergies of the integrated company through the merger.

In the fiscal year under review, the Group carried out a growth strategy centering on the Car Electronics business and the Professional Systems business. As a result, amid the difficult business environment, we achieved an increase in sales volume of consumer car navigation systems for the domestic market, an expansion in sales of professional radio systems for North America, and an improvement in profit and loss of the Business Solution segment (professional AV devices), whose performance recovered from the effects of the Thai floods. In addition, the Entertainment business achieved growth due to a series of hit releases.

However, sales of each business in Europe remained sluggish affected by economic deterioration there, lowered prices of car navigation systems in the domestic market amid heightened competition, and a slow recovery in sales of professional radio systems. As a result of these factors, the Group’s sales on the whole failed to grow.

Against this backdrop, in the fiscal year ending March 2014, we will classify the business units of the four business segments into three groups according to their characteristics, and do our utmost to achieve each group’s goal.

1. Enhancement of Business Portfolio

1) Business group that focuses on profit expansion

In the group of the Land Mobile Radio segment of the Professional Systems business, the Entertainment business, the AV accessory and projector segments of the Home & Mobile Electronics business, the segment of optical pickups for car-mounted equipment of the Car Electronics business, we will strive to increase sales. In this way, we will work to improve profits by taking advantage of high profitability, which results from high barriers to entry in the markets where these businesses and segments belong and from solid their business structures.

ⅰ) Land Mobile Radio segment (Professional Systems business)
- Development and sales of professional digital radio equipment and systems that are compatible with communications protocols used in different regions of the world
- Optimization of production systems, and strengthening of sales networks

ⅱ) Entertainment business
- Cultivating and nourishing of new and mid-catalog artists, and innovation of the business into comprehensive entertainment
- Increase in productivity of the OEM business

ⅲ) AV accessory segment (Home & Mobile Electronics business)
- Expansion of product line-ups including flagship models and models exclusively for emerging countries, and extension of sales areas

ⅳ) Projector segment (Home & Mobile Electronics business)
- Increase in sales volumes and channels of 4K projector, in which we are ahead of rivals

ⅴ) Segment of optical pickups for car-mounted equipment (Car Electronics business)
- Expansion in full-scale mass production of newly-developed pickup, and acquisition of new customers for the product

2) Business group that focuses on increasing profitability

As for the group of the Business Solution segment of the Professional Systems business, the after-market business and the OEM business of the Car Electronics business, and the camcorder and audio segments of the Home & Mobile Electronics business, we will strive to increase profitability by establishing a structure that is robust against seasonal factors and the market environment’s changes.

ⅰ) Business Solution segment (Professional Systems business)
- Reinforcement of system development and design systems, and expansion of the solution business through partnership
- Increase in sales of professional video cameras and security cameras

ⅱ) After-market business (Car Electronics business)
- Enhancement of marketability of SSD-type car navigation systems for the domestic market, expansion of sales of the systems and reduction of relevant costs
- Expansion of the line-up of display audio systems for overseas markets, and increase in their sales
- Development of emerging markets through products exclusively for emerging countries

ⅲ) OEM business (Car Electronics business)
- Development and mass production of specially-designed car navigation systems and display audio systems, and winning of new orders received for their next models
- Increase in orders received for car navigation systems to be converted for the after-market models as dealer option products
- Commercialization of innovative products such as head-up displays

ⅳ) Camcorder segment (Home & Mobile Electronics business)
- Further shift to proposal-based and high-value-added product line-ups, such as sports camcorders and live streaming cameras

ⅴ) Audio segment (Home & Mobile Electronics business)
- Realignment of sales areas and products, and further concentration on high-value-added product line-ups through the use of outsourcing

3) Business group that focuses on strategic growth

We made Shinwa into an equity-method company effective April 20, 2012 through a strategic investment that used funds procured in January 2011. We plan to convert Shinwa and the information equipment business of TOTOKU Electric into our consolidated subsidiary, with the latter conversion effective July 1, 2013. In this way, we will endeavor to strategically increase earnings by generating synergies from M&As and capital and business alliances.

ｉ) Shinwa

・ Preparation for the conversion of Shinwa into a consolidated subsidiary of JVCKENWOOD at an early date
・ Creation of synergies in the business of optical disk drive mechanism for car-mounted equipment, and expansion of the business of water-based paint plastic panels

ⅱ) Information equipment business of TOTOKU Electric

・ TOTOKU Electric's subsidiary engaged in information equipment business planned to be converted into a consolidated subsidiary of JVCKENWOOD effective July 1, 2013
・ Full-scale entry into the medical/health care field, and creation of synergies in video technology

2. Reduction in Foreign Exchange Fluctuation Risks

1) Reduction in foreign exchange fluctuation risks to operating income and loss

Overseas production of the JVCKENWOOD Group accounts for over 90% of the entire Group's production, with most done in Asia particularly China, and the production costs are denominated mainly in U.S. dollars. Hence, imports exceed exports in terms of the U.S. dollar, and the weak yen against the U.S. dollar becomes a negative factor for profits. Meanwhile, in Europe, where our production is in small lots, exports exceed imports in terms of the euro, and the weak yen against the euro becomes a positive factor for profits.

In the fiscal year under review, there was variance between the exchange rate sensitivity (effects of 1-yen depreciation/appreciation against the foreign currency on annual operating income) to the U.S. dollar and the euro. To rectify this, we reduced the exchange rate sensitivity to the U.S. dollar by expanding sales and reviewing production costs in the U.S. dollar economy zone. As a result, we made a balance between the exchange rate sensitivity to the U.S. dollar and that to the euro.

2) Reduction in foreign exchange fluctuation risks to non-operating income and loss

JVCKENWOOD, as announced in the "Notice on Reduction of Foreign Exchange Revaluation Losses (Gains) as a result of Eliminating Inter-company Loans between the Parent Company and its Subsidiary" on March 8, 2013, had posted differences in the conversion of foreign-currency-denominated loans receivable and loans payable into yen, which arise from foreign exchange fluctuations, as foreign exchange losses (gains).

To cope with such risks of foreign exchange revaluation losses (gains), JVCKENWOOD eliminated 99 million U.S. dollars out of the U.S. dollar-denominated loan overbalance between JVCKENWOOD and its overseas subsidiaries by distributing the same amount from the overseas subsidiaries to JVCKENWOOD effective March 8, 2013. By doing this, we achieved a balance between foreign-currency-denominated loans payable and loans receivable between JVCKENWOOD and its overseas subsidiaries. This led to a substantial reduction of the difference in the conversion of foreign-currency-denominated loans receivable and loans payable into yen, which accounted for about half of the foreign exchange losses posted in the fiscal year under review.

As a result, we reduced the risk of foreign exchange revaluation losses (gains) associated with possible foreign-currency-denominated loan transactions within the JVCKENWOOD Group.

3. Strengthening of Corporate Structure

1) Reinforcement of financial foundation

The former Victor Company of Japan, Limited, which JVCKENWOOD merged with by absorption in October 2011, issued bonds amounting to 20.0 billion yen in August 2007, of which we redeemed by purchase a 2.0 billion yen portion of the No. 8 Unsecured Bond, worth 8.0 billion yen, on March 30, 2012 and redeemed the remaining 6.0 billion yen on August 2, 2012. As for the No. 7 Unsecured Bond totaling 12.0 billion yen, in the fiscal year ending March 2014, we will redeem the 6.0 billion yen portion, which is due for redemption on August 2, 2014, using unsecured loans payable procured in March 2013.

With regard to interest-bearing debts, we refinanced some of the loans payable from financial institutions in March 2013, resulting in extending the term of loans payable and improving the loans' interest rates. In the fiscal year ending March 2014, we will further improve conditions and terms of loans by refinancing some of our loans payable.

2) Integration of overseas sales companies

To improve the efficiency of its overseas sales system and strengthen its competitiveness, the JVCKENWOOD Group is promoting the integration of overseas sales subsidiaries and offices of the former Victor Company of Japan, Limited and the former Kenwood Corporation. As a result, the number of the Group's sales subsidiaries decreased to about 30 as of the end of March 2013 from approximately 40 at the end of March 2012. We will continue to integrate overseas sales companies and offices in line with the new mid-term business plan.

3) Consolidated value chain innovations

In line with the new mid-term business plan, the JVCKENWOOD Group will promote consolidated value chain innovations under a structure composed of the four business groups and company-wide task forces. The aim is to increase the value added to the operating processes of each business segment and eventually raise the entire Group's corporate value. As a result, we will innovate the consolidated value chain, which consists of production and procurement, sales and marketing, logistics and services, and design and quality control, 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. Furthermore, we will establish a structure that can rapidly provide substitute measures in case the supply chain is disrupted by disasters, such as the Great East Japan Earthquake and Thai floods, and other emergencies.

4. Environmental Conservation and Social Contribution Activities

JVCKENWOOD will 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 2014, under our environment vision and environment policies, we will focus on establishing a management system and formulating mid- and long-term plans that conform to the "Energy Saving Act" (Act on Rational Use of Energy). We will work to conduct energy-saving activities based on ISO14001, and implement power-saving measures, while taking into account the status of domestic power generation.

In the fiscal year under review, we carried out harmless treatment on all of the low concentration PCB-contaminated insulating oil, which had been kept within the JVCKENWOOD Group. In the fiscal year ending March 2014, we will treat transformer cabinets (PCB-contaminated metal), which had contained the said insulation oil. 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2012)	Current Fiscal Year (as of Mar. 31, 2013)
Assets		
Current assets		
Cash and cash equivalents	65,560	57,760
Trade notes and accounts receivable	52,899	52,749
Merchandise and finished goods	25,776	29,904
Work in process	2,599	2,547
Raw materials and supplies	7,585	6,777
Deferred tax assets	4,299	5,148
Other current assets	9,142	9,684
Allowance for doubtful accounts	(1,643)	(1,327)
Total current assets	166,220	163,245
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	13,676	12,924
Machinery and equipment, net	3,007	4,057
Tools, furniture and fixtures, net	4,158	4,634
Land	28,688	28,314
Construction in progress	761	1,153
Total tangible fixed assets	50,292	51,083
Intangible fixed assets		
Goodwill	4,598	4,431
Software	6,410	7,199
Other intangible fixed assets	2,796	3,393
Total intangible fixed assets	13,805	15,024
Investments and other assets		
Investment securities	4,297	7,842
Prepaid pension cost	1,963	4,551
Other investments	5,872	5,976
Allowance for doubtful receivables	(1,140)	(1,162)
Total investments and other assets	10,993	17,207
Total fixed assets	75,092	83,316
Deferred assets		
Bond issuance cost	38	-
Issuance cost of subscription rights to shares	298	174
Total deferred assets	336	174
Total assets	241,650	246,735

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2012)	Current Fiscal Year (as of Mar. 31, 2013)
Liabilities		
Current liabilities		
Trade notes and accounts payable	32,498	32,104
Short term loans payable	20,213	11,472
Current portion of bonds payable	6,000	5,946
Current portion of long-term loans payable	4,480	50,305
Other accounts payable	8,238	10,207
Accrued expenses	23,963	18,568
Income taxes payable	1,382	1,330
Provision for product warranties	2,459	1,773
Provision for sales returns	1,899	1,663
Other current liabilities	6,976	6,100
Total current liabilities	108,112	139,473
Long term liabilities		
Bonds payable	11,355	5,677
Long-term loans payable	50,320	13,064
Deferred tax liabilities for land revaluation	1,772	1,772
Deferred tax liabilities	5,255	6,201
Provision for retirement benefits	5,883	10,687
Other long term liabilities	1,697	2,338
Total long term liabilities	76,284	39,743
Total liabilities	184,396	179,216
Net assets		
Shareholders' equity		
Paid-in capital	10,000	10,000
Capital surplus	45,875	45,875
Retained earnings	24,369	24,965
Treasury stock	(535)	(536)
Total shareholders' equity	79,709	80,304
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	121	250
Land revaluation surplus	3,209	3,209
Foreign currency translation adjustment	(27,423)	(17,870)
Total other comprehensive income	(24,092)	(14,410)
Subscription rights to shares	806	806
Minority interests	830	818
Total net assets	57,253	67,518
Total liabilities and net assets	241,650	246,735

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

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Net sales	320,868	306,580
Cost of sales	221,462	216,140
Gross profit	99,405	90,440
Selling, general and administrative expenses	86,300	80,679
Operating income	13,105	9,761
Non-operating income		
Interest income	210	201
Dividends income	238	85
Adjustment of patent fees for past years	16	318
Reversal of allowance for product warranties	103	431
Equity in earnings of affiliates	-	120
Other non-operating income	851	785
Total non-operating income	1,421	1,942
Non-operating expense		
Interest expense	2,687	2,721
Sales discounts	328	347
Foreign exchange losses	153	2,819
Loans commission	1,800	598
Other non-operating expenses	2,844	1,952
Total non-operating expense	7,813	8,439
Ordinary income	6,712	3,263
Extraordinary profit		
Gain on sales of fixed assets	167	244
Gain on sales of investment securities	3	279
Gain on sales of subsidiaries and affiliates' stocks	16	-
Insurance income for disaster	1,458	918
Other extraordinary profit	190	21
Total extraordinary profit	1,836	1,463
Extraordinary loss		
Loss on disposal of fixed assets	138	138
Loss on sales of fixed assets	74	120
Loss on sales of investment securities	1	175
Business structural reform expenses	309	284
Employment structural reform expenses	302	555
Loss on valuation of inventory for closing business	180	-
Loss on compensation for lease contracts	277	45
Loss on disaster	513	155
Other extraordinary loss	421	47
Total extraordinary loss	2,218	1,524

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Income before income taxes	6,331	3,203
Corporate tax, corporate inhabitant tax and corporate enterprise tax	2,424	1,975
Corporate tax and other adjustment	(2,523)	(51)
Income taxes	(99)	1,924
Income before minority interests	6,430	1,278
Minority interests in income	216	34
Net income	6,213	1,243

(Statements of Comprehensive Income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Income before minority interests	6,430	1,278
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities	(146)	87
Deferred hedge gain and loss	(27)	-
Land revaluation surplus	255	-
Foreign currency translation adjustment	(2,710)	9,032
Share of other comprehensive income of affiliates accounted for using the equity method	-	579
Total other comprehensive income	(2,628)	9,699
Comprehensive income	3,801	10,977
Breakdown		
Comprehensive income attributable to owners of the company	3,587	10,925
Comprehensive income attributable to minority interests	214	52

(3) Consolidated Statements of Changes in Shareholders' Equity

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
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	105,336	45,875
Changes during the year		
Transfer to retained earnings from capital surplus	(59,460)	-
Total changes during the year	(59,460)	-
Balance at the end of current period	45,875	45,875
Retained earnings		
Balance at the beginning of current period	(41,305)	24,369
Changes during the year		
Dividends from surplus	-	(693)
Net income	6,213	1,243
Change of scope of consolidation	-	45
Transfer to retained earnings from capital surplus	59,460	-
Total changes during the year	65,674	596
Balance at the end of current period	24,369	24,965
Treasury stock		
Balance at the beginning of current period	(534)	(535)
Changes during the year		
Acquisition of treasury stocks	(1)	(0)
Retirement of treasury stock	0	0
Total changes during the year	(1)	(0)
Balance at the end of current period	(535)	(536)
Total shareholders' equity		
Balance at the beginning of current period	73,496	79,709
Changes during the year		
Dividends from surplus	-	(693)
Net income	6,213	1,243
Acquisition of treasury stocks	(1)	(0)
Retirement of treasury stock	0	0
Change of scope of consolidation	-	45
Total changes during the year	6,212	595
Balance at the end of current period	79,709	80,304

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Other comprehensive income		
Unrealized gain and loss on available-for-sale securities		
Balance at the beginning of current period	267	121
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(146)	129
Total changes during the year	(146)	129
Balance at the end of current period	121	250
Deferred hedge gain and loss		
Balance at the beginning of current period	27	-
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(27)	-
Total changes during the year	(27)	-
Balance at the end of current period	-	-
Land revaluation surplus		
Balance at the beginning of current period	2,954	3,209
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	3,209	3,209
Foreign currency translation adjustment		
Balance at the beginning of current period	(24,715)	(27,423)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(2,707)	9,552
Total changes during the year	(2,707)	9,552
Balance at the end of current period	(27,423)	(17,870)
Total other comprehensive income		
Balance at the beginning of current period	(21,466)	(24,092)
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	(2,626)	9,682
Total changes during the year	(2,626)	9,682
Balance at the end of current period	(24,092)	(14,410)
Subscription rights to shares		
Balance at the beginning of current period	-	806
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	806	-
Total changes during the year	806	-
Balance at the end of current period	806	806

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Minority interests		
Balance at the beginning of current period	709	830
Changes during the year		
Changes (net amount) of items other than shareholders' equity during the year	121	(12)
Total changes during the year	121	(12)
Balance at the end of current period	830	818
Total net assets		
Balance at the beginning of current period	52,739	57,253
Changes during the year		
Dividends from surplus	-	(693)
Net income	6,213	1,243
Acquisition of treasury stocks	(1)	(0)
Retirement of treasury stock	0	0
Change of scope of consolidation	-	45
Changes (net amount) of items other than shareholders' equity during the year	(1,698)	9,669
Total changes during the year	4,514	10,265
Balance at the end of current period	57,253	67,518

(4) Consolidated Statement of Cash Flows

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Cash flows from operating activities:		
Income before income taxes	6,331	3,203
Depreciation	11,356	10,441
Amortization of goodwill	324	318
Increase (decrease) in allowance for doubtful accounts	(816)	(436)
Increase (decrease) in provision for retirement benefits	(9,020)	4,544
Decrease (increase) in prepaid pension cost	10,902	(2,587)
Interest and dividends income	(449)	(287)
Interest expense	2,687	2,721
Equity in (earnings) losses of affiliates	-	(120)
Loss (gain) on sales of investment securities	(3)	(103)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(16)	-
Loss on disposal of fixed assets	138	138
(Gain) loss on sales of fixed assets	(92)	(124)
(Increase) decrease in trade notes and accounts receivable	(2,962)	5,479
(Increase) decrease in inventories	1,679	215
Increase (decrease) in accounts payable	4,645	(4,650)
Increase (decrease) in accrued expenses	(6,825)	(6,112)
Other	(7,314)	826
Sub-total	10,562	13,466
Interest and dividends received	442	558
Interest paid	(2,668)	(2,449)
Proceeds from insurance income for disaster	1,458	211
Income taxes paid	(912)	(2,016)
Net cash provided by operating activities	8,883	9,771
Cash flows from investing activities:		
Capital investment (real estates, plants and equipments)	(5,547)	(6,164)
Proceeds from sales of properties, plants and equipments	2,861	1,526
Purchase of intangible fixed assets	(3,810)	(4,979)
Purchase of investment securities	(4)	(3,557)
Proceeds from sales of investment securities	4	779
Proceeds from sales of stocks of subsidiaries and affiliates	333	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(415)
Other	(335)	(545)
Net cash provided by (used in) investing activities	(6,498)	(13,356)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(47,808)	(9,205)
Proceeds from long-term loans payable	54,800	13,400
Repayment of long-term loans payable	(4,109)	(4,830)
Redemption of bonds	(1,990)	(6,000)
Cash dividends paid	(0)	(693)

Other	(2,414)	(1,280)
Net cash provided by (used in) financing activities	(1,522)	(8,608)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2011 - Mar.31, 2012)	Current Fiscal Year (Apr.1, 2012 - Mar.31, 2013)
Effect of exchange rate fluctuations on cash and cash equivalents	(276)	4,161
Net increase (decrease) in cash and cash equivalents	585	(8,032)
Cash and cash equivalents at beginning of period	64,891	65,478
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	1	80
Cash and cash equivalents at end of period	65,478	57,526