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Action Plan for Business Structural Reform

The JVC Kenwood Group has been driving forward with structural reforms in various fields since the management integration in October 2008. In response to the deterioration in financial results for the first quarter of the current financial year, since the current second quarter we have also been implementing a business structure reform of the Professional System (Business Solution) business that is slow in recovering, while launching a structural reform of the Home & Mobile Electronics business, mainly at overseas sales corporations of Victor Company of Japan, Limited (JVC).

As stated in the publication "Notice on Loss Disposition accompanying Reform of Business Structure and Revision of Earnings Forecast for the Fiscal Year Ending March 2010," which we announced on October 23, 2009, in order to rebuild the financial and cost structures of overseas sales corporations of Victor in Europe (including Russia) and China that have lagged behind Japan and the U.S. in the recovery process, to further reinforce the profit base of the Home & Mobile Electronics business for the future, and to expand sales and improve profits in the Business Solutions for a stronger B-to-B business, involving Kenwood Corporation (Kenwood), we will carry out further business structure reforms in accordance with the Business Structural Reform Action Plan as follows:

1. Home & Mobile Electronics Business

(1) Structural reform in Europe

As of August 16, Mr. Saito, director of JVC, was appointed to be responsible for the structural reform in Europe and engage in planning a business structural reform action plan while leading the team to recover sales and profits there.

On September 1, JVC Kenwood repositioned a local corporation called JVC Europe Ltd. (JEL), which had been mainly providing supporting services, as headquarters for European operations, appointed the above-mentioned Mr. Saito as president of JEL on the same day, and strengthened the structure so as to assume responsibilities in sales and profit/loss for our entire European operations.

Further, directors in charge of the overall Digital Imaging and overall Business Solution and Home Electronics were appointed newly for JEL as of October 1 in order to promote a management system directly linked to business departments.

From now on, we will carry out the following action plan.

- (i) As announced on October 23, 2009, we recognized disposition of loss mainly regarding overseas sales corporations of JVC in Europe (including Russia) and China. This extraordinary loss was in connection with a review of contribution of joint sales promotion expenses with local dealers mainly related to displays and a disposition of loss resulting from re-evaluation of inventory in addition to the expenses in connection with the business structural reforms in order to enhance the profit base of the Home & Mobile Electronics business for the future, while reconstructing the financial and cost structure.
- (ii) We will concentrate on and shift to camcorders (video cameras) and professional system businesses that give us a high presence in the respective markets while reducing the size of the display business throughout Europe including Russia, and pursue drastic structural reforms such as reorganizing structures, and reducing and decreasing fixed expenses of sales corporations, logistics and service bases so that they are appropriate for the business size. As part of the efforts, we will review the total number of employees of sales corporations within the region by structurally reforming the sales corporations and reducing the

number of existing employees by about one-third by the end of March 2010.

- (iii) We will reinforce alliances and cooperation in the fields of sales, logistics and services of Kenwood, consolidate logistics, services and sales system into the base in Europe, and reorganize and concentrate back office work such as accounting and IT-related work, aiming for further synergistic effects.

(2) Structural reform in China

With regard to the businesses of JVC in China, we have already drastically reviewed the business strategy with the focus on the existing display business, and have already shifted to a strategy that prioritizes camcorders and Professional System businesses. Further, we will strive to expand synergistic effects through a stronger alliance with Kenwood while reducing the size of our sales corporations, and endeavor to improve profits and strengthen the growth strategy by further focusing on the Professional System business and the D-ILA projector business.

JVC Beijing Electronic Industries Co., Ltd. was a production and sales subsidiary of consumer use devices, but it has terminated that production and is now undergoing liquidation proceedings as a part of the structural reforms in China (as announced on April 28, 2009), and its properties will be sold to a state corporation in November.

2. Reform of Business Solutions

(1) Reorganization of Business Solution Staff and Consolidation to JVC Head Office (Yokohama)

All the staff, 700 in total, of the Business Solution Division of JVC who were working for the Hachioji Plant and other offices and departments in various places such as the Sales Department, Technology Department, Service Department and including the B-to-B business team of Business Incubation Division will be moved to the Head Office of JVC in Yokohama by December 2009 for a business promotion structure under which the sales, technology and service will be united.

(2) Establishment of J & K Business Solutions Corporation

To strengthen the Business Solutions, we will start negotiations with each labor union of relevant companies. The details are as follows:

The engineering division (maintenance, construction and repair departments) of Victor Service & Engineering Co., Ltd. ("VSE"), which is a subsidiary of JVC, and Kenwood Core Corporation, which is a subsidiary of Kenwood, will be integrated to establish a new business solution company called J&K Business Solutions Corporation through a joint investment by JVC and Kenwood as of December 1, 2009. And by further integrating the Solution Sales department and Design department of the Business Solution Division and the mobile maintenance team of Mobile Radio System Division of Kenwood into the new company, the engineering function of VSE and the capabilities in the B-to-B businesses of both JVC and Kenwood will be unified, holding about 250 employees in total, which will result in enhanced sales capabilities in the business solution field. In addition, we will strive to reinforce the Business Solutions and fully utilize the resources of the Group by placing the two solution-related subsidiaries of JVC — Victor Arcs Co., Ltd. and Video-tech Co., Ltd. — under J&K Business Solutions Corporation.

In association with the establishment of J&K Business Solutions Corporation, the customer service division of VSE will be reorganized in the near future as a company specialized in customer services. We are currently discussing a consolidation plan for this with Kenwood Service (Japan) Corporation, a consumer service subsidiary of Kenwood. The aim is to further increase competitiveness through merits of scale while striving to improve services and CS by providing after-sale services to consumers of products of both companies as the Group.

(3) Disposition of Plant, Reorganization and Reinforcement of Structure

As announced, we sold our Hachioji Plant that was manufacturing products for professional-use products of JVC at the end of September 2009, and integrated its manufacturing equipment and staff in our Yokosuka Plant. In addition, we are aiming to further enhance our global competitiveness and capabilities to respond with systems while maximizing synergistic effects through reorganizing and consolidating the production division of the Digital Imaging business of the Yokosuka Plant in November 2009. We will endeavor to enhance and reinforce functions of the plant as the parent plant for subsidiaries around the world, by for example improving its highly value-added production, advanced black box technology, and accumulated production know-how and providing those things to other companies.

3. Strengthening of Consolidated Management System

One year has passed since the JVC Kenwood Group was formed through the management integration. Facing the most difficult time since its formation, in order to overcome the difficulties and relaunch the business of JVC on a new path of recovery and toward a new development, while encouraging a united and consolidated management system, we will conduct some reshuffling of officers as of November 1, 2009.

As of August 16, 2009, Mr. Motoyoshi Adachi and Mr. Hiroshi Odaka, our directors, assumed the post of division manager of the Home Entertainment Division of JVC and division manager of the Business Solution Division of JVC, respectively. In addition, Mr. Haruo Kawahara who is the current Chairman, President and CEO of JVC KENWOOD Holdings, Inc (“JVC Kenwood”), as well as serving as the current Representative Director of JVC and the chairman of the Structural Reform Committee, will be appointed as President and Representative Director of JVC in lieu of Mr. Hidetoshi Yoshida, who is the current President and Representative Director of JVC on November 1, 2009. He will manage both JVC and JVC Kenwood. Accordingly, both management staff of JVC Kenwood and JVC will work in a seamless manner and support the consolidated management in tandem.

4. Increase of Cash through Substantial Reduction of Assets

We have set up “Increase of Cash” as a key measure for the current term, driving for a substantial reduction of assets such as accounts receivable, inventory assets, and properties. Since the beginning of the fiscal term through the second quarter, cash has increased by about 10.6 billion yen through our reduction of inventory assets and by about 3.6 billion yen from our sale of the Hachioji Plant of JVC, and debt with interest has decreased by about 15.1 billion yen as of the end of the second quarter from the end of the previous quarter.

We will keep making efforts to increase our operating cash flow in and after the third quarter by reducing inventory assets, and we expect to liquidate the properties of JVC Beijing Electronic Industries Co., Ltd. (to be scheduled in November) for about one billion yen through selling it.