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Notice on Conversion of Operating Companies of JVC Kenwood Group into Companies without a Board of Directors or a Board of Auditors

At its Board of Directors meeting held today, JVC KENWOOD Holdings, Inc. (JVC Kenwood) resolved to convert Victor Company of Japan, Limited (JVC), Kenwood Corporation (Kenwood), and J&K Car Electronics (J&K Car Electronics) — subsidiaries of JVC Kenwood and operating companies of the JVC Kenwood Group — into companies that have no Board of Directors or Board of Auditors, on October 1, 2010, after reviewing their organization designs.

1. Centralization of decision-making process by converting operating companies into corporations without a Board of Directors or a Board of Auditors

The JVC Kenwood Group was inaugurated on October 1, 2008 through the management integration of JVC and Kenwood. Since then, decisions on important issues have been made separately by the Board of Directors and the Board of Executive Officers of the holding company JVC Kenwood, and by the Board of Directors of each operating company, or subsidiary, of JVC Kenwood. However, many issues overlap between JVC Kenwood and the operating companies, resulting in multiple and complex decision-making processes within the Group. In terms of speed, too, the decision-making process needs to be centralized.

October 1, 2010 will mark the third anniversary of management integration. Taking advantage of this landmark, the JVC Kenwood Group will shift its focus from structural reform to growth in accordance with the Mid-term Management Plan announced on May 28, 2010. Taking into account our experience since the beginning of last year, we will further promote integrated management by centralizing the Group's governance system, simplifying the decision-making process, expediting the decision-making process, and improving operational efficiency. To facilitate these measures, on October 1, 2010, we will convert JVC, Kenwood and J&K Car Electronics into companies without a Board of Directors or a Board of Auditors. Corporate decision-making on important issues at each operating company will be centralized at JVC Kenwood to be processed by the general meeting of shareholders, the Board of Directors, or the Board of Executive Officers of JVC Kenwood. Nevertheless, the presidents of operating companies will continue to participate in centralized decision-making as members of the Board of Directors and the Board of Executive Officers of JVC Kenwood.

In relation to the above, the JVC Kenwood Group will review the duties delegated to Directors of JVC, Kenwood, and J&K Car Electronics, and have each operating company appoint one Auditor.

Furthermore, each operating company will newly establish management meetings, which will be chaired by its president, consisting mainly of its Directors and Auditors, as well as line managers and other staff. At meetings, the members will discuss a wide range of matters concerning business operations, including important issues that an operating company proposes to the Board of Directors and the Board of Executive Officers of JVC Kenwood, and important issues and budgets that are approved by each operating company's president, as well as monthly financial results.

2. Organizational systems of JVC Kenwood and operating companies

In parallel with the above-mentioned conversion of the operating companies into corporations that have no Board of Directors or Board of Auditors, to expedite the decision-making process and improve operational efficiency, JVC will flatten its hierarchical structure by reducing the number of strata in each business division from the current two (division and its subordinate operation) to one.

With regard to cross-sectional functions common to JVC Kenwood and its operating companies, head office functions including business planning/management, finance/accounting, and personnel/general affairs, as well as production management and procurement functions, which are each held at JVC Kenwood and its operating companies, will be integrated into the relevant organizations of JVC Kenwood (such as Strategic Corporate Planning Division, Strategic Finance & Accounting Division, Strategic Human Resources & Administration Division, and Integrated Synergy Development Division).