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Company: JVC KENWOOD Holdings, Inc.
 Representative: Haruo Kawahara, President, Chairman and CEO
 (Code: 6632; First Section of the Tokyo Stock Exchange)
 Contact: Hisayoshi Fuwa, Director and CFO
 (Tel: +81-45-444-5232)
 (E-mail: prir@jk-holdings.com)

Notice Concerning the Impact of the “Action Plan for Business Structural Reform,” Progress under the “Action Plan for Reconstructing Corporate Bases,” and Implementation of the “Mid-term Business Plan”

As announced on May 28, 2010 in the “Notice on Action Plan for Reconstructing Corporate Bases and Mid-term Business Plan,” JVC Kenwood Holdings, Inc. (hereinafter referred to as JVC Kenwood) has continued to focus on its action plan for reconstructing corporate bases (hereinafter referred to as “Action Plan for Reconstructing Corporate Bases”). At the same time, JVC Kenwood has placed considerable weight on its “Mid-term business plan,” which covers the three fiscal year period from April 1, 2010 to March 2013, having realized the benefits of its “Action Plan for Business Structural Reform,” implemented in the previous fiscal year.

With structural reform projected to end in the fiscal year ending March 2011 due to progress made under the “Action Plan for Reconstructing Corporate Bases,” JVC Kenwood implemented specific measures under its “Mid-term Business Plan,” in efforts to further ensure profitable growth and post net income for the fiscal year ending March 2012. Brief details are presented as follows.

1. Impact of the “Action Plan for Business Structural Reform,” implemented in the previous fiscal year

In line with the “Action Plan for Business Structural Reform,” details of which were announced on October 29, 2009, JVC Kenwood focused on reforming unprofitable businesses at Victor Company of Japan, Limited (JVC) and significantly reducing fixed expenses common to all companies throughout the Group. Complementing these endeavors, steps were taken to strengthen the consolidated management system and increase cash through a significant reduction of assets as well as structural reforms in the four areas of business, costs, management and finance. Principal measures were completed by the end of the previous fiscal year.

As a result, JVC Kenwood’s consolidated operating profit for the first half of the fiscal year under review improved by about 13.2 billion yen from a year earlier. Because the aforementioned measures are expected to continue contributing to earnings during and after the third quarter of the current fiscal year, operating profit for the full fiscal year is forecast to improve by around 17.5 billion yen year on year.

(1) Business and cost structural reforms

(1)-1. Home & Mobile Electronics Business (Display segment and Camcorder segment)

The display segment shifted to a low-cost business management system that takes advantage of EMS in Europe and North America by the end of the previous fiscal year, while at the same time completing a significant consolidation of its businesses in Europe and Russia and the shutting down of production at JVC’s Mexican plant. In connection with the shift, JVC Kenwood also significantly slimmed down the production system at JVC’s Thai plant and the sales system in Europe. As a result, sales activities by own production/own sales companies effectively came to an end in all regions except Asia.

In the camcorder segment, JVC kenwood focused on enhancing product competitiveness by rationalizing the production system of JVC’s plant in Malaysia as well as sales systems in Europe and China by the end of the previous fiscal year, and reducing costs by establishing a newly developed processor (LSI) as a new platform.

(1)-2. Professional Systems Business (Business Solutions segment)

JVC Kenwood pressed ahead with cutting costs and fixed expenses by concentrating on production innovations,

while selling off JVC's Hachioji Plant and transferring control of production to JVC's Yokosuka Plant.

(1)-3. Significant reductions of fixed expenses common to the entire Group

JVC Kenwood halved annual IT costs, which amounted to about 10 billion yen at the time of management integration, through such major reforms as the introduction of cloud computing and servers to JVC's IT systems that had centered on mainframes. The effects of cost reductions are reflected significantly in the results of the current fiscal year. In addition, we are working to integrate the systems of all companies of the JVC Kenwood Group.

Moreover, we reduced selling, general and administrative expenses by cancelling unnecessary company vehicle, office equipment and related item leases and terminating sponsorships of various events, including the UEFA European Football Championship, which focused largely on advertising for such consumer products as displays.

(2) Management structural reforms—Strengthening the consolidated management system

In parallel with the revision of earnings results for previous fiscal years, JVC Kenwood carried out major reforms of the structure of selling, general and administrative expenses, which entailed the disposal of logistics subsidiaries in Japan and Europe and the contracting of third-party logistics (3PL) services, while also implementing significant reviews of affiliates. At the same time, JVC Kenwood consolidated management functions through structural reforms significantly slimming down the European sales system.

(3) Financial structural reform—Increasing cash through the substantial reduction of assets

We pushed forward with financial structural reforms, which included reducing assets and increasing cash through the disposal of JVC's Hachioji Plant, the redemption of debentures and financial structural reforms of overseas sales companies.

2. Progress under the “Action Plan for Reconstructing Corporate Bases”

In proceeding with the “Mid-term Business Plan,” JVC Kenwood formulated and started implementing the “Action Plan for Reconstructing Corporate Bases.”

As described below, significant progress was made with major measures in the first half of the current fiscal year. JVC Kenwood plans to complete the remaining measures by the end of the current fiscal year.

As a result of implementing the “Action Plan for Reconstructing Corporate Bases,” profitability is expected to improve by about 6.5 billion yen in the fiscal year ending March 2012. JVC Kenwood is expected to incur extraordinary losses of about 10 billion yen (of which, 4 billion yen was posted during the first half of the current fiscal year) in the current fiscal year as a result of implementing the action plan. These extraordinary losses have been factored into earnings forecasts for the fiscal year ending March 2011, which were outlined in the “Notice on Revision of Earnings Forecast for the Fiscal Year ending March 2011,” announced separately on October 28, 2010.

(1) Reform of unprofitable operations

(1)-1. Display segment

With exception of Asia, JVC Kenwood has essentially completed sales activities of own production/own sales companies in all regions including Europe and North America. Furthermore, we made the display-related business division an independent business division under the direct control of the President as of October 1, 2010, promoting a shift to an asset-light business model through the outsourcing of production and distribution to third parties and brand licensing.

Under our partnership strategy, we have established cooperative sales systems with dealers and subcontractors in Europe and the U.S., and concluded brand licensing agreements with AmTRAN Technology Co., Ltd. (AmTRAN), a leading EMS provider in Taiwan, and an Argentine agency.

As a result, we have opened prospects that will enable us to break out of the red with the exception of such legacy costs as service expenses during and after the third quarter of the current fiscal year.

(1)-2. Camcorder segment

JVC Kenwood strengthened its consolidation system on an individual business basis by reorganizing JVC's sales companies in Europe and the Americas as of October 1, 2010. JVC Kenwood also completed reforms of production

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and sales systems in response to appreciation of the yen, and enhanced its competitiveness by terminating domestic production of consumer camcorders for the domestic market at the end of August 2010 and shifting to an integrated production system in Malaysia.

From a product strategy perspective, JVC Kenwood reviewed its product mix taking into consideration present market needs, and started introducing new product groups featuring enhanced product and cost competitiveness, which are based on a newly developed processor.

Furthermore, we will focus on strategies that appeal to still camera users by developing products in a new category that makes best use of a freshly developed processor utilizing original JVC high-resolution video and advanced image compression technologies.

Through these measures, we have now laid the foundation for returning to the black.

(1)-3. Business Solutions segment

JVC Kenwood implemented production reforms in the previous fiscal year, under which JVC's Hachioji Plant was sold. Production functions were then centralized at the Yokosuka Plant. Buoyed by substantial cutbacks in costs and fixed expenses, JVC Kenwood posted a profit in the second quarter of the current fiscal year. We will further reinforce competitiveness in the third quarter by transferring production of professional video cameras overseas and other measures.

Taking advantage of the relocation of our head office, we are also pressing ahead with the consolidation of business bases to promote integrated operations in such areas as Kenwood Corporation's (Kenwood) Land Mobile Radio segment.

(2) Reconstructing the global operating system

(2) -1. The Sale and reallocation of JVC Kenwood's head office

In June 2010, JVC Kenwood sold JVC's Yokohama Plant (Kanagawa-ku, Yokohama, Kanagawa Prefecture), where JVC Kenwood and JVC are headquartered, with plans for its transfer by the end of December 2010. On this occasion, we are proceeding with relocation preparations in a way that maximizes integrated management and business operating efficiencies.

(2)-2. Reorganizing the production system

As mentioned above, and in line with the plan announced on May 28, 2010, JVC Kenwood terminated production of camcorders for Japanese consumers at JVC's Yokosuka Plant as of the end of August 2010, and transferred it to JVC's plant in Malaysia. JVC Kenwood also decided to terminate the production of professional video cameras at JVC's Yokosuka Plant as of the end of December 2010 and transfer production to JVC's Malaysia plant.

JVC Kenwood decided to halt the production of home audio products at JVC's plant in Malaysia as of the end of December 2010 and to outsource production to third parties, including EMS. These moves then complete the home audio segment's fables strategy.

(2)-3. Reviewing the human resources framework

In connection with efforts to restructure JVC Kenwood's head office, production and sales systems as well as integrate Group management, JVC Kenwood planned to redeploy, transfer to third parties and reduce employees by between one and two thousand across the entire Group encompassing Japanese and overseas offices and plants. At this time, we project a reduction of more than one thousand employees, as described below:

(i) Reduction of overseas employees following the first reorganization of production and sales systems (about 600)

JVC Kenwood is reducing its overseas employees by about 600 through a reorganization of global production and sales systems. Initiatives include a review of the personnel system at JVC's Malaysia plant as a part of the aforementioned production system reorganization that includes the outsourcing of home audio products to third parties, as well as a review of personnel systems centering on the back offices of JVC's sales companies in Europe and the U.S. This is in response to changes in the composition and scale of sales in the European and U.S. markets.

(ii) Reduction of domestic employees through early retirement preferential treatment programs, natural attrition, etc. (about 500)

As announced on October 14, 2010 in the "Notice on Early Retirement Preferential Treatment Programs," JVC Kenwood has decided to implement early retirement preferential treatment programs covering 150 employees, targeting JVC executives aged 50 and older.

In addition, about 120 employees will retire under the next career support program (a system to support employees changing careers before reaching the age of retirement age, implemented in response to various individual needs), which was promoted at JVC through to the end of September 2010 as part of efforts to achieve a dual-track employment system.

In the natural course of events, the number of domestic employees is expected to decrease by about 500 as employees reach retirement age. This number also includes the retirement of personnel for personal reasons and reductions at domestic affiliates.

(3) Increasing cash and reducing total assets

Cash from operating activities in the first half of the current fiscal year was about 11.7 billion yen due to improved earnings in each business and a reduction in accounts receivable. JVC Kenwood increased cash by about 10.6 billion yen through the disposal of fixed assets, including a warehouse in Osaka and a sales office building in Okayama in addition to JVC's Yokohama Plant. At the same time, JVC Kenwood reduced total assets by about 27.2 billion yen from the end of the previous fiscal year. Free cash flow amounted to about 18.9 billion yen, while interest-bearing debt decreased by about 8.1 billion yen from the end of the previous fiscal year. Funds on hand increased by approximately 8.9 billion yen from the previous fiscal year-end.

JVC Kenwood expects cash to increase during and after the third quarter of the current fiscal year. We plan to utilize this cash together with the funds on hand accrued during the first half of the current fiscal year to implement necessary structural reforms.

3. Putting into practice the "Mid-term Business Plan"

In the "mid-term business plan," announced on May 28, 2010, the JVC Kenwood Group set the basic policy of "aiming to secure a new position as a Japanese specialty manufacturer of audio visual equipment that is capable of realizing new growth." At the same time, the Group set the mid-term vision of "focusing efforts on businesses with a competitive advantage in order to promote integration effects and profitable growth in emerging markets."

As described in the "Notice on Revision of Earnings Forecast for the Fiscal Year Ending March 2011," announced separately today, we will formulate specific new measures to further expand growth strategies while increasing the possibility of achieving the final targets of the "Mid-term Business Plan," namely sales of 450 billion yen, operating profit of 14.5 billion yen and current net income of 4.5 billion yen for the fiscal year ending March 2013." These measures take into consideration the fruits of our efforts to date and the prospect of "posting ordinary income for the fiscal year ending March 2011" and "net income for the fiscal year ending March 2012," two key targets of the "Mid-term Business Plan."

Under the "mid-term business plan," announced on May 28, 2010, we target operating profit of 13 billion yen for the Car Electronics and Professional Systems businesses combined. In each of these areas, JVC Kenwood is well positioned to exercise the strengths of the Group by expanding the ratio to sales from 40% as of the time of management integration to 60% or above. We have formulated key measures for these two businesses and will bolster efforts to enter new business fields over the medium to long term. Brief details are presented as follows.

(1) Car Electronics Business (Consumer and OEM segments)

(Sales: actual sales for the fiscal year ended March 2010: about 107.8 billion yen → sales target for the fiscal year ending March 2013: 150 billion yen)

JVC Kenwood will further reinforce the consumer car audio segment, in which the combined presence of the Kenwood and JVC brands ranks first in Europe and the U.S., and solidify its global top position in the consumer car audio segment.

We will also target a top position in the global consumer car electronics segment, which combines car audio products and car navigation systems, while enhancing the consumer car navigation system segment. We will harness our strengths in each of these areas to further develop business activities in the OEM field.

JVC Kenwood will also focus on establishing a lead in the next-generation car electronics segment.

***Key measure (i)— Sales expansion in emerging markets**

(Sales in emerging markets: actual sales for the fiscal year ended March 2010: about 19 billion yen → sales target for the fiscal year ending March 2013: 40 billion yen)

JVC Kenwood will work to expand sales in emerging markets, which have much room for growth. To this end, we will promote merchandise strategies that leverage our presence in the consumer markets of Europe and the U.S., the strengths of our brands and merchandise, and our cost competitiveness. This latter cost competitiveness is attributable to the use of our R&D center in Singapore and the effects of OEM integration for consumer products, over and above the consumer segment.

- In Brazil, where we have integrated the sales subsidiaries of Kenwood and JVC and finished building an integrated sales system, we established a new partner production outsourcing relationship and have started full-scale business development.
- In India, JVC Kenwood is working to expand sales in both the consumer and OEM segments by further strengthening its relationship with a leading agency with which it has been trading since the 1990s.
- In China, JVC Kenwood will work to enhance sales networks and expand transactions with local automobile manufacturers. To that end, JVC Kenwood established the China strategy office on October 1, 2010, with its eyes on the expanding consumer market.

***Key measure (ii)— Sales expansion of car navigation systems through integrated resources and a partnership strategy**

(Sales volume of car navigation systems: actual sales for the fiscal year ended March 2010: about 250,000 units → sales target for the fiscal year ending March 2013: 500,000 units)

JVC Kenwood will promote a growth strategy that combines the integrated resources of Kenwood and JVC as well as a partnership strategy, in response to the shift in demand from HDD navigation systems to navigation systems using flash memory.

- In overseas markets, JVC Kenwood will accelerate global expansion of navigation systems using flash memories in the consumer segment, making the most of its partnership with Garmin Ltd., the largest manufacturer of Portable Navigation Devices (PND). JVC Kenwood will also leverage its presence as a manufacturer that boasts top market shares in Europe and the U.S., its brand power and merchandising capabilities and its cost competitiveness resulting from integration. Through these means, we will shift such systems to OEM in the consumer segment to boost sales.
- In the domestic market, JVC Kenwood will expand sales of consumer navigation systems using flash memories in mini-vehicles, etc., by accelerating the shift from HDD navigation systems using an expanded lineup of systems developed jointly by Kenwood and JVC. At the same time, we will deploy such navigation systems as dealer options and win new orders for genuine products.

***Key measure (iii)— Leading in the development of next-generation car electronics**

JVC Kenwood will proceed with developing products in a new category, making the most of current car electronics technologies. We will also focus on developing next-generation products that boast additional functionality with a particular emphasis on “ecology,” “security and safety” concerns, making the most of wireless communications, voice recognition/composition, and cameras.

- In the car navigation system segment, we will press ahead with planning and developing new category products that feature enhanced connectivity with external equipment. We will also pursue the planning and development of consumer products that accommodate expanded use with other external equipment and media. We would expect these efforts to further boost next-generation car electronics products.
- In the car audio segment, JVC Kenwood will promote the planning and development of products for new categories, including CD receivers with external connection terminals and mechaless receivers. Furthermore, we will stimulate and capture replacement demand for newly developed products among users of conventional

CD receivers.

- In the device segment, we will generate comprehensive benefits through CD/DVD mechanisms equipped with optical pickups, for which we boast one of the largest market shares in the world at sales of 40 million units in total for both in-house use and for external sale. We will also focus on developing next-generation devices.

(2) Professional Systems Business (Land Mobile Radio and Business Solutions segments)

(Sales: actual sales for the fiscal year ended March 2010: about 91.4 billion yen → sales target for the fiscal year ending March 2013: 130 billion yen)

JVC Kenwood will work to increase orders received by sharing sales networks. Accordingly, JVC Kenwood will drive growth strategies by formulating key measures in Kenwood's Land Mobile Radio segment, which is ranked second in the world and therefore maintains a dominant presence mainly overseas. Key growth strategy measures will also be used in JVC's Business Solutions segment, which has a major presence in Japan. In conjunction, we will integrate the main business bases of the Land Mobile Radio segment and the Business Solutions segment in December 2010 to accelerate integrated operations. Moreover, JVC Kenwood will promote expansion in commercial multimedia systems through the integration of Land Mobile Radio, making the most of wireless communications, video and compression technologies and security cameras.

(2)-1. Land Mobile Radio segment

***Key measure (i) — Sales expansion of digital radio systems**

(Sales composition ratio of digital radio systems^{*1}: Actual ratio for the fiscal year ended March 2010: 10% → target ratio for the fiscal year ending March 2013: 30%)

JVC Kenwood will focus on increasing sales of professional digital radio systems, which are expected to expand further, in the mainstay Land Mobile Radio segment.

- In connection with the ongoing development of an original professional digital radio system for consumers (NEXEDGE), JVC Kenwood will channel its energies into developing products that take advantage of strong replacement demand for digital radio systems among users of analogue radio systems, and work to expand sales in the U.S., which is the largest market, and Europe, China, Japan, and other parts of Asia, where sales are increasing.
- With regard to professional digital radio systems for public safety, JVC Kenwood is pursuing an alliance with the EADS Group, a leading European aerospace and defense corporation, based on terminals that conform to P25 (a digital radio format for public safety in the U.S.). JVC Kenwood will focus on increasing orders received globally by entering the market for Trans-European Trunked Radio (TETRA: a digital mobile radio standard for public safety in Europe) compliant terminals for Europe.

***Key measure (ii) — Business region expansion as a part of efforts to become a provider of radio communications system solutions**

(Sales composition ratio of radio systems^{*2}: Actual ratio for the fiscal year ended March 2010: 15% → target ratio for the fiscal year ending March 2013: 25%)

JVC Kenwood will expand its business from supplying radio terminals to supplying radio communications system solutions, and will work on growth strategies that leverage the effects of integration with the Business Solutions segment of JVC.

- JVC Kenwood will expand its business from the supply of terminals to the sale of systems. We will become a solution provider by increasing sales of radio systems in the domestic and overseas markets, using the wireless communications command and control systems of Zetron, Inc., a U.S. systems-based communications company that became a Kenwood subsidiary in 2007.
- In the domestic market, we will increase orders by sharing sales networks and opportunities through integrated operation with JVC's Business Solutions segment.

***Key measure (iii) — Sales expansion in emerging markets**

(Composition ratio of sales in emerging markets: Actual ratio for the fiscal year ended March 2010:

15% → target ratio for the fiscal year ending March 2013: 25%)

JVC Kenwood will drive sales expansion in emerging markets such as China, Africa and Latin America, which are expected to grow, leveraging progress in the improvement and construction of social infrastructure. To this end, we will introduce basic models for emerging countries.

*¹ Sales ratio of digital radio systems in the radio system business

*² Sales ratio of the radio system business division in the radio system business

(2)-2. Business Solutions segment

***Key measure (1) — Growth strategy that positions security-related products as a growth driver**

(Domestic sales: actual sales for the fiscal year ended March 2010: about 23 billion yen → sales target for the fiscal year ending March 2013: 30 billion yen)

JVC Kenwood will focus on a growth strategy with security-related products, for which both public safety investment and private-sector capital expenditure can be expected from the standpoint of security enhancement, as a driver of growth. To achieve this goal, we will concentrate efforts on the camera segment, where JVC's video and compression technologies can be used to full advantage, based on an enhanced cost competitiveness that has increased due to the significant cost and fixed asset initiatives carried out in the previous fiscal year.

- JVC Kenwood will work to gain new customers capturing replacement demand following the increased application of high-definition images that use radio communications technologies, while promoting solution business expansion through the introduction of IP systems.
- We will increase orders received in the domestic market by pressing ahead with projects defined by business categories/customers in five markets—electric facilities, education/public welfare, corporations, entertainment facilities and new markets.
- We will raise the ratio of in-house production of highly profitable software and services by making the most of expanded technological and sales resources.

***Key measure (ii) — Growth strategy that focuses on integrated management and partnerships**

JVC Kenwood will focus on strategic business development through a growth strategy that benefits from the effects of integration with Kenwood's Land Mobile Radio segment and partnership strategy.

- In overseas markets, JVC Kenwood will work diligently to increase orders by sharing sales networks and opportunities by integrating operations with Kenwood's Land Mobile Radio segment.
- In overseas markets, we will accelerate the expansion of high-definition (4K2K) projectors, including flight simulators, to professional systems.
- JVC Kenwood will endeavor to strengthen sales in the professional sound and video segment through a strategic alliance with Hibino Corporation, details of which were announced on September 24, 2010. We will also focus on expanding the 3D business, in conjunction with Video-Tech Co., Ltd., a subsidiary of JVC Kenwood. In addition, we will promote strategic business development and partnership strategies aimed at expanding opportunities. These efforts are expected to help win orders in the camera and other segments.

(3) New growth strategy—Aiming to enter new business regions that encompass the medical and education fields as well as products that address concerns relating to an aging society, ecology and security/safety

JVC Kenwood will shift from its previous strategy that focuses on developing individual core technologies to a growth strategy aimed at commercializing core technologies, including world-class 3D video technologies, image compression technologies, radio technologies, sound technologies, GPS-related technologies and devices.

We aim to make inroads into new business fields by concentrating on commercialization in the medical and education fields as well as products that address concerns about an aging population, ecology and security/safety, which can be expected to grow in the future. Our efforts will be based on video, compression, sound, communications and other core technologies, which we have fostered over many years. We also plan to promote cooperation with industry, government and academia. JVC Kenwood will expand new businesses in the Car

Electronics Business and Professional Systems Business segments, targeting profitable growth from both the medium- and long-term perspectives.

To date, JVC Kenwood has driven Group-wide core technology development through its Core Technical R&D Center, which was under the wing of the Comprehensive Technological Strategy Promotion Division, a technology development organization under JVC Kenwood's direct control. However, JVC Kenwood reorganized the Core Technology Development Center into the Technology Development Center as of October 1, 2010, shifting to a system that concentrates on the commercialization themes mentioned above, and established the New Business Incubation Division, which promotes commercialization, under this new Center. Following reorganization, we transferred human resources and equipment with a particular focus on development themes directly connected to the ongoing businesses of respective business divisions.

***Key measure (i) – Activities in the medical and education fields as well as products that address the concern of an aging population**

From a perspective unique to a manufacturer of image, sound and communications equipment, JVC Kenwood will work on developing medical examination and treatment-supporting equipment, education-supporting equipment, and information-providing systems that capitalize on high-resolution image technology, advanced video compression/transmission technology, image/sound analysis technology and communications technology, in cooperation with the medical schools of a number of universities and the Solutions Research Laboratory of the Tokyo Institute of Technology. Such equipment and systems include high-definition 3D image systems for remote medical treatment that support medical institutions and high-definition, multi-functional indication systems for remote teaching that help educational institutions.

***Key measure (ii) – Ecology and security/safety**

From the specific perspective of a car electronics manufacturer, JVC Kenwood will focus on developing equipment and interfaces to be mounted in vehicles that use image technology, advanced video compression/transmission technology, in-vehicle sound technology, communications/network technology and algorithms for equipment to be installed in vehicles, while at the same time cooperating with industry, government, and academia. Such equipment include: systems to be installed in vehicles that enhance safety while vehicles are being driven and information transmission systems linking automobiles and homes that support eco-friendly driving. We will also expand such technologies and interfaces to equipment and systems other than in-vehicle products.

In addition, JVC Kenwood is developing new products, applying its world-class image compression technologies, for multimedia professional radio systems, in which JVC Kenwood has the second-largest presence in the world.

***Key measure (iii) – Joint research and development**

JVC Kenwood will promote joint research and development projects that are underway as R&D businesses. Among such projects are: the development of 3D image systems that make objects visible to the naked eye with the National Institute of Information and Communications Technology (NICT); the development of an 8K4K ultra-high-definition image system with Japan Broadcasting Corporation (NHK); the development of 3D image equipment with a corporate partner; the expansion of an image projector semiconductor element (LCOS: product name of JVC Kenwood is "ILA") to an ultra-small projector element; and, research on an optical element combined with a laser source.

(4) Strategic investment

Taking into account the growth strategy discussed above, JVC Kenwood will proactively appropriate 70% to 80% of its research and development investment to the Car Electronics Business, the Professional Systems Business and the new business areas mentioned above.

We will also channel 70% to 80% of capital expenditure to the Car Electronics Business, the Professional Systems Business and the new business areas mentioned above, in similar fashion to R&D expenses.

(5) Financial and capital strategies—Aiming to achieve an equity ratio of 25% and a net D/E ratio of 0.5 or less

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JVC Kenwood will continue to improve its current account balance by reducing its interest-bearing debt, improving business earnings and promoting a growth strategy. We will also work to post net income during and after the fiscal year ending March 2012, and enhance our financial position by completing structural reforms by the end of the fiscal year ending March 2011. Our immediate goal is to remove all concerns regarding our ability to continue business as a going concern.

Through these efforts, we aim to attain an equity ratio of 25% and a net D/E ratio of 0.5 or less for the fiscal year ending March 2013.

(6) Management reform

To integrate JVC, Kenwood and J&K Car Electronics, which are all subsidiaries of JVC Kenwood as well as the Group's core operating companies, we converted these three entities into companies that have no Board of Directors or Board of Auditors, on October 1, 2010, and consolidated those head office functions that had been dispersed among all of the aforementioned into JVC Kenwood. In this manner, we took steps to put integrated management into practice.

4. Impact on forecasts of operations for the fiscal year ending March 2011

Forecasts of operations for the fiscal year ending March 2011, which are presented in "Notice on Revision of Earnings Forecast for the Fiscal Year ending March 2011," announced separately today, include the effects of the "Action Plan for Reconstructing Corporate Bases" and implementation of the "Mid-term Business Plan."