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Notice on Revision of Mid-term Business Plan and Implementation of Strategic Investments

JVC KENWOOD Holdings, Inc. (JVC Kenwood) has decided to revise the numerical targets in the Mid-term Business Plan, which was announced on May 28, 2010 in the “Notice on Action Plan for Reconstructing Corporate Bases and Mid-term Management Plan.” This revision shall be made by taking into account the subsequent changes in the economic environment, the yen’s further appreciation and the earnings trends of each business. At the same time, aiming for new growth, JVC has decided to implement strategic investments.

1. Revision of mid-term numerical targets

(1) Reasons for the revision

The JVC Kenwood Group on May 28, 2010 formulated a three-year Mid-term Business Plan that runs from the fiscal year ended March 2011 through the fiscal year ending March 2013, and mapped out specific measures for the plan on October 28, 2010.

Net sales of the JVC Kenwood Group were adversely affected by the strong yen in the fiscal year ended March 2011, the initial year of the Mid-term Business Plan. However, profits greatly exceeded the original projections as the Group (i) promoted a growth strategy that leverages integration effects, centering on the Car Electronics and Professional Systems businesses, in which it can demonstrate its strengths, and (ii) enhanced integrated group management, while bringing in the benefits of the “Action Plan for Business Structural Reform” implemented in the previous fiscal year. Thus, we achieved the goal for the fiscal year ended March 2011: posting an ordinary income.

In the fiscal year ended March 2011, the benefits of the “Action Plan for Business Structural Reform” implemented in the previous fiscal year and profits of the core businesses, Car Electronics and Professional Systems were far above our initial forecasts. Given this, and also factoring in the effects that strategic investments (described later) have on earnings, the Group will revise the mid-term target for operating profit to 17.0 billion yen from 14.5 billion yen and that for net income to 9.0 billion yen from 4.5 billion yen.

Meanwhile, we will revise the initial mid-term goal for net sales to 410.0 billion yen from 450.0 billion yen. Behind this downward revision lie the following factors: the yen further strengthened against major currencies compared with our forecast in the original plan (90 yen to the U.S. dollar; 125 yen to euro); we have changed the business model of the Home & Mobile Electronics business more than initially planned, in view of the environment surrounding the business; and we transferred shares of a subsidiary in the Entertainment business.

(2) Revision of targets by business segment

(Billions of yen)

Business segment		FYE3/'10 (For reference)	FYE3/'11 (For reference)	FYE3/'12 Forecast	FYE3/'13		
					Revised target (a)	Initial target (b)	Difference (a – b)
Car Electronics + Professional Systems	Net sales	200.3	201.0		265.0	280.0	(15.0)
	Operating profit	1.7	11.5		13.0	13.0	0
Home & Mobile Electronics + Entertainment	Net sales	186.7	143.0		140.0	160.0	(20.0)
	Operating profit	(8.5)	1.3		4.0	1.5	+2.5
New business and others	Net sales	11.7	8.7		5.0	10.0	(5.0)
	Operating profit	0.5	0.1		0	0	0
Total	Net sales	398.7	352.7	360.0	410.0	450.0	(40.0)
	Operating profit	(6.5)	13.0	13.5	17.0	14.5	+2.5
	Ordinary income	(14.8)	7.6	8.0	12.0	7.5	+4.5
	Net income	(27.8)	(4.0)	4.0	9.0	4.5	+4.5

* Net sales and operating profit by business segment for the fiscal year ended March 2010 are calculated based on the present business classification.

2. Implementation of strategic investments for new growth

Under the Mid-term Business Plan, the JVC Kenwood Group set the basic policy of “aiming to further strengthen its capabilities as a Japanese specialty manufacturer that makes an impression on customers and provides safety for them, secure a new position and realize new growth.” The Group also formulated priority measures for the Car Electronics and Professional Systems businesses, in which it can demonstrate its strengths, and bolstered efforts to enter new business fields from medium- to long-term perspectives.

In January 2011, the Group procured funds totaling about 13.9 billion yen through issuing new shares and disposing of treasury shares. To promote a growth strategy, the procured funds were allocated to the development of new products, R&D and capital investment in the Car Electronics and Professional Systems businesses; R&D for entering new business domains such as medical, health care, education and products that address concerns relating to an aging society; and strategic business tie-ups in the focus fields.

This time, the Group will make strategic investments in addition to ordinary investments in order to lead the development of new products and technologies in existing and new businesses, cultivate new sales channels, and implement marketing and brand strategies. We will also accelerate the growth strategy to achieve newly set mid-term numerical targets, and pursue continued growth after the Mid-term Managing Plan.

The JVC Kenwood Group will make these strategic investments in the following key measures, which were disclosed in the “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’” dated October 28, 2010.

(1) Car Electronics Business (After-market and OEM segments)

- *Expand sales in emerging markets
- *Expand sales of car navigation systems through integrated resources and partnership strategy
- *Be among the first to develop next-generation car electronics

(2) Professional Systems Business**Land Mobile Radio segment**

- *Expand sales of digital radio equipment
- *Expand business fields to become a provider of wireless communications system solutions
- *Expand sales in emerging markets

Business Solutions segment

- *Implement growth strategy with security-related products as growth driver
- *Implement growth strategy through integrated operations and partnerships

(3) Efforts for entering new business domains

*Medical/health care, education and aging population (high-definition 3D image systems for remote medical treatment, high-definition, multi-functional indication systems for remote teaching, etc.)

*Ecobusiness and personal safety and security (automobile-mounted systems that warn drivers of dangerous situations, information transmission systems linking automobiles and homes, etc.)

Expand joint research and development (3D image systems that make objects visible to the naked eye, 8K4K ultra-high-definition image systems, 3D image equipment and ultra-small LCOS element)

*LCOS: Liquid Crystal On Silicon

Note: The above description of management goals is based on the information that JVC Kenwood has obtained to date and certain assumptions that are judged as rational. Hence, actual earnings may vary from the above projections due to various factors.