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Company JVC KENWOOD Corporation
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Notice on Capital and Business Alliance with In-Car Device Manufacturing Company and Acquisition of the Company's Shares

At its Board of Directors meeting held today, JVC KENWOOD Corporation (JVC KENWOOD) resolved to acquire a total of 45.0% of the outstanding shares in Shinwa International Holdings Limited (Shinwa) from the funds to invest in Japanese corporations ("CITIC Capital Japan Fund") managed by CITIC Capital. It also determined to sign a capital and business alliance agreement with Shinwa, aiming to strengthen and develop the Car Electronics business mainly in emerging markets. The resolution was made in relation to the "Notice on Acquisition of In-car Device Manufacturing Company (Conversion to Subsidiary)" released on June 10, 2011. Then, today, JVC KENWOOD entered into share transfer agreements with Shinwa and CITIC Capital Japan Fund ("Share Transfer Agreements") and shareholders agreements with Shinwa Chairman Yoshifumi Naito, who owns all of the remaining shares in Shinwa (a total of 55.0%), and Shinwa, as well as a business alliance agreement with Shinwa.

It should be noted that we have made changes to the total number of shares to be transferred and the share transfer timing announced in the "Notice on Acquisition of In-Car Device Manufacturing Company (Conversion to Subsidiary)" on June 10, 2011.

1. Reasons for the capital and business alliance and share acquisition

The JVC KENWOOD Group has concentrated on and strengthened the Car Electronics business, the largest business segment in terms of scale. At the same time, it has promoted a growth strategy for the business by leveraging integration effects. As a result, the Car Electronics business is continuing to have a large presence in the consumer market of North America and Europe, and expanding in the consumer market and the OEM sector in Japan.

Furthermore, under the mid-term business plan with the year ending March 2014 as the final year, we will further accelerate the said growth strategy, including expanding business in emerging markets. We will do so by using funds procured through disposing of treasury shares and issuing new shares in January 2011.

As a material development of the growth strategy, JVC KENWOOD today reached agreements with CITIC Capital Japan Fund, one of the the major shareholder of Shinwa, to acquire a total of 45.0% of the outstanding shares in Shinwa from the fund, and with Shinwa to form a capital and business alliance. Shinwa is one of the largest manufacturers and sellers of CD/DVD mechanisms for car AV equipment ("in-car CD/DVD mechanism"), and has strength particularly in the Chinese market. JVC KENWOOD then entered into Share Transfer Agreements with Shinwa and CITIC Capital Japan Fund and shareholders agreements with Shinwa Chairman Yoshifumi Naito, who owns all of the remaining shares in Shinwa (a total of 55.0%), and Shinwa, as well as the business alliance agreement with Shinwa.

With the scheduled closing of the Share Transfer Agreements, Shinwa will become an equity-method company of

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JVC KENWOOD, enabling both Shinwa and JVC KENWOOD to further strengthen their in-car CD/DVD mechanism business. The JVC KENWOOD Group will be able to obtain a strategic partner having a robust relationship with local automobile-related companies for the purpose of realization of expansion and enforcement its businesses in emerging markets, particularly in China, where substantial growth is expected.

Furthermore, JVC KENWOOD will acquire 31.0% of Shinwa shares from Yoshifumi Naito within three years from the scheduled closing of Share Transfer Agreements, in accordance with the shareholders agreements with Yoshifumi Naito and Shinwa. With this acquisition, JVC KENWOOD will hold a total of 76.0% of the outstanding shares in Shinwa, and convert Shinwa into a subsidiary.

With the move, the JVC KENWOOD Group can deepen its business alliance with Shinwa, develop a joint venture for in-car devices, and enhance its business via expansions in its production scale and sales networks. Consequently, the Group expects to be able to achieve sustainable growth.

Specific effects to be expected from this business alliance are as described in “2. (1) Details of the business alliance.”

Note: Changes from when the Memorandum of Understanding was concluded on June 10, 2011

As of June 10, 2011, JVC KENWOOD had assumed that it would acquire 45.0% of the outstanding shares in Shinwa from the CITIC Capital Japan Fund and 6.0% of Shinwa shares from Yoshifumi Naito. However, as a result of subsequent examinations and discussions, JVC KENWOOD decided to make Shinwa into an equity-method company with the completion of the share transfer of 45.0 % of the outstanding share in Shinwa from CITIC Capital Japan Fund at the closing of Share Transfer Agreements, and then, acquire 31.0% of Shinwa shares from Yoshifumi Naito within three years from the closing of Share Transfer Agreements, converting Shinwa into a subsidiary.

2. Details of the capital and business tie-up

(1) Details of the business alliance

JVC KENWOOD has strengths in its basic design capability for the in-car CD/DVD mechanism and its procurement capability for electronic components. Meanwhile, Shinwa's strengths include its cost competitiveness, product design capability, procurement capability for mechanical components, low-cost productivity, high quality, and transactions with major companies in the Chinese market and marketing capabilities to support such transactions. By combining these two companies' strengths, we will aim to expedite cooperative projects, including developing strategic products with high quality and cost competitiveness and enhancing sales expansion activities through an increase of product lineups in the Chinese market; expand our car electronics-related businesses; and maximize synergy effects. To achieve this, the two companies will join hands and deal with the following themes over the next three years.

1) Expansion of the in-car CD/DVD mechanism business

To expand the in-car CD/DVD mechanism business, JVC KENWOOD and Shinwa will jointly develop an in-car CD/DVD mechanism with high quality and cost competitiveness, and use their sales networks.

2) Expansion of the in-car device business

To further ensure the expansion of in-car device business, JVC KENWOOD will make additional investments in Shinwa Mechatronics (Shenzhen) Ltd. (SMZ), a subsidiary of Shinwa. It will expand into the Chinese market and emerging markets while transferring technologies in our in-car device business.

3) Expansion of the panel molding and painting business

JVC KENWOOD and Shinwa will expand into the Chinese market with the panel molding and painting business which uses water-based painting technology, one of Shinwa's strengths. It will do so as a joint enterprise between the two companies and at the same time as each company's individual business.

4) Maximization of synergy effects in the fields of production, procurement and logistics

JVC KENWOOD and Shinwa will consider establishing a structure of producing products at the most appropriate sites by efficiently utilizing both manufacturing bases.

(2) Capital alliance and shareholders agreements

JVC KENWOOD will acquire a total of 45.0% (13,090,910 shares) of the outstanding shares in Shinwa (29,090,910 shares) by acquiring all of Shinwa shares held by CITIC Capital Japan Fund, or 45.0% (13,090,910 shares) of the outstanding shares in Shinwa.

Also, JVC KENWOOD will promote the capital and business alliance with Shinwa, and then, acquire 31.0% of Shinwa shares from Yoshifumi Naito within three years from the scheduled closing of Share Transfer Agreements in accordance with the shareholders agreements concluded with Yoshifumi Naito and Shinwa. With this acquisition, JVC KENWOOD will hold a total of 76.0% of the outstanding shares in Shinwa, converting Shinwa into a subsidiary.

3. Outline of the business alliance party (the new subsidiary)

(1) Company name	Shinwa International Holdings Limited			
(2) Address	1903, 19/F., CCT Telecom Building, 11 Wo Shing St., Fo Tan, Shatin, N.T., Hong Kong.			
(3) Representative's name and title	Yoshifumi Naito, Chairman			
(4) Business	Production of and processing service on consignment regarding car AV mechanisms and painted plastic parts			
(5) Capital	US\$29,090,910 (¥2,327 million) *Exchange rate: US\$1 = ¥80 (the rate Shinwa used for closing adjustments for the second-quarter cumulative consolidation period of the fiscal year ending December 2011)			
(6) Established	April 19, 2004			
(7) Major shareholders and holding ratio	Yoshifumi Naito: 55.0% CITIC Capital Japan Fund: 45.0%			
(8) Relationship with JVC KENWOOD	Capital relationship	There is no significant capital relationship between JVC KENWOOD and this company. In addition, there is no noteworthy capital relationship between the interested parties and affiliated companies of JVC KENWOOD and those of this company		
	Personnel relationship	There is no significant personnel relationship between JVC KENWOOD and this company. In addition, there is no noteworthy personnel relationship between the interested parties and affiliated companies of JVC KENWOOD and those of this company.		
	Transactional relationship	There is a transactional relationship between JVC KENWOOD and this company concerning parts for in-car devices. However, there is no noteworthy transactional relationship between the interested parties and affiliated companies of JVC KENWOOD and those of this company.		
(9) Consolidated operating results and financial conditions for the past three years (millions of yen) * Exchange rate: US\$1 = ¥80 (the rate Shinwa used for closing adjustments for the second-quarter cumulative consolidation period of the fiscal year ending December 2011)				
	Fiscal year	Fiscal year ended December 2008	Fiscal year ended December 2009	Fiscal year ended December 2010
Consolidated net assets		5,770	6,073	6,454
Consolidated total assets		12,726	13,254	15,375

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Consolidated net assets per share (yen)	198.33	208.76	221.85
Consolidated net sales	20,472	17,074	23,891
Consolidated income before taxes	673	1,293	2,479
Consolidated net income	(404)	305	1,140
Consolidated net income per share (yen)	(13.89)	10.50	39.20

4. Sellers of shares

Name	CITIC Capital Japan Fund
Number of shares sold (ratio)	13,090,910 shares (45.0%)
Relationship with JVC KENWOOD	Currently, there are no capital, personnel and transactional relationships between JVC KENWOOD and CITIC Capital Japan Fund.

Name	Yoshifumi Naito
Number of shares sold (ratio)	9,018,183 shares (31.0%)
Relationship with JVC KENWOOD	There is a transactional relationship between JVC KENWOOD and Shinwa concerning parts for in-car devices, but there are no capital, personnel and transactional relationships between JVC KENWOOD and this person. In addition, there are no noteworthy capital and personnel relationships between the interested parties and affiliated companies of JVC KENWOOD and this person and between the interested parties and affiliated companies of JVC KENWOOD and those of this person.

5. Parties to the shareholders agreements

Please refer to “4. Sellers of shares” for details of Yoshifumi Naito, and “3. Outline of the business alliance party (the new subsidiary)” for more information on Shinwa.

6. Number of shares acquired by JVC KENWOOD, acquisition price, and the movement of the shares held by JVC KENWOOD before and after the acquisition

Acquisition of shares from CITIC Capital Japan Fund

(1) Number of shares held before the acquisition	0 shares (Number of voting rights: 0 units) (Holding ratio: 0%)
(2) Number of shares to be transferred	13,090,910 shares (Number of voting rights: 13,090,910 units) (Ratio to the number of outstanding shares: 45.0%) (The acquisition price of Shinwa’s shares totals US\$45.5 million, which will be financed mainly by part of the funds procured through disposing of treasury shares and issuing new shares in January 2011.)
(3) Number of shares held after the acquisition	13,090,910 shares (Number of voting rights: 13,090,910 units) (Holding ratio: 45.0%)

Acquisition of shares from Yoshifumi Naito (within three years from February 2012)

(1) Number of shares held before the acquisition	13,090,910 shares (Number of voting rights: 13,090,910 units) (Holding ratio: 45.0%)
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(2) Number of shares to be transferred	9,018,183 shares (Number of voting rights: 9,018,183 units) (Ratio to the number of outstanding shares: 31.0%)
(3) Number of shares held after the acquisition	22,109,093 shares (Number of voting rights: 22,109,093 units) (Ratio to the number of outstanding shares: 76.0%)

7. Schedule

October 2011	Signing of Share Transfer Agreements, shareholders agreements and the business alliance agreement
February 2012	Closing of Share Transfer Agreements (acquisition of Shinwa shares from CITIC Capital Japan Fund) (scheduled)
Within 3 years from February 2012	Conversion of Shinwa into a subsidiary with the acquisition of Shinwa shares from Yoshifumi Naito (scheduled)

8. Future prospects

JVC KENWOOD will convert Shinwa into an equity-method company from the fourth quarter of the current fiscal year.

The said conversion of Shinwa into an equity-method company is expected to have little effect on consolidated earnings for the current fiscal year. However, it is forecasted that the Car Electronics business will expand and a synergy effect will be generated in and after the following fiscal year. This will be due to the capital and business alliance beginning in the fourth quarter of the current fiscal year. In addition, we expect consolidated earnings to further increase because of Shinwa's conversion into a subsidiary with an additional acquisition of its shares within three years from the closing of the Share Transfer Agreements.

The said conversion is reflected in the "Notice on Difference Between Forecasts and Results and Posting of Non-operating Income for the Second Quarter Cumulative Consolidated period Ending March 2012; Revision of the Performance Forecast for the Fiscal Year Ending March 2012," which was separately released today.