



JVCKENWOOD

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Notice on New Mid-term Business Plan

With the aim of sustainable “Profitable Growth” in a rapidly changing business environment, JVC KENWOOD Corporation (“JVCKENWOOD”) reviewed the Mid-term Business Plan through the fiscal year ending March 2014 (the “current Mid-term Business Plan”), which was formulated on September 16, 2011, and drew up a new mid-term business plan with the fiscal year ending March 2016 as the final year (the “new Mid-term Business Plan”), under the new business execution system established in June 2012.

1. Outline of new Mid-term Business Plan

(1) Mid-term vision

“Re Design”- Re-designing the lifestyles of people around the world

JVCKENWOOD, under its corporate vision of “Creating excitement and peace of mind for the people of the world,” aims to create excitement and peace of mind for customers as a global specialty manufacturer, achieve “Profitable Growth” by concentrating on strong businesses, provide stakeholders with new value, and be a company that is widely trusted by society.

Under the new Mid-term Business Plan, which has established the medium-term vision “Re Design” as the first step of a long-term strategy aiming at sustainable “Profitable Growth”, the entire Group and each business segment will focus on reorganizing business models, head office, and business divisions, and re-designing the lifestyles of people around the world to be more comfortable and exciting, and give peace of mind.

We will use cash and profits, generated through these efforts, to invest on sustainable “Profitable Growth”, strengthen our financial base, and provide stable returns to shareholders.

(2) Mid-term key strategies

JVCKENWOOD is now using funds totaling approximately 13.9 billion yen, which it procured in January 2011, to promote M&As and a partnership strategy including strategic alliances, and to plan/implement “Strategic Investments” in R&D and capital expenditures,.

Under the partnership strategy, the Group is promoting a growth strategy, centering on the Car Electronics business, the Professional Systems business, and optical-related businesses that contribute to those two businesses. As part of these activities, we formed a capital and business alliance with Shinwa International Holdings Limited (planned to be a subsidiary by April 2015; “Shinwa”), a car-mounted equipment company based in Hong Kong, and Syndiant, Inc. (“Syndiant”), a U.S. firm engaged in developing and designing microminiature LCOS devices, while made AltaSens, Inc. (“AltaSens”), a U.S. company specializing in the development and design of CMOS image sensors, a subsidiary.

During the period of the new Mid-term Business Plan, while achieving the effects of the above active investments, we will further strengthen relations with Garmin Ltd. (“Garmin”), a leading U.S. manufacturer of portable/personnel navigation devices (PNDs), with which we have been cooperating, and the leading Japanese automotive components manufacturer DENSO Corporation (shareholding ratio: 3.0% as of September 30, 2012; “DENSO”). Furthermore, we aim to further enhance and expand the Car Electronics business and Professional Systems business, increase the sales contribution of the business-to-business (BtoB) segment, in which we will continue to focus, and increase the sales contribution of emerging markets, where there is considerable room for us to grow.

Mid-term targets for the business portfolio

- Sales composition for Car Electronics and Professional Systems: 63% for FYE3/12 to 70% for FYE3/16
- BtoB sales composition: 40% for FYE3/12 to 50% for FYE3/16
- Sales composition for emerging country markets: 11% for FYE3/12 to 25% for FYE3/16

a. The challenge of creating new value

JVCKENWOOD, aiming to become a corporate group that supports communication among people, including mutual understanding and sharing of events, experiences, and feelings, in various arenas through audio, video, and radio communication, has been operating four businesses globally --- Car Electronics, Professional Systems, Home & Mobile Electronics, and Entertainment --- while shifting the focus from business-to-consumer (BtoC) to BtoB.

In the new Mid-term Business Plan, we define the “smart AV field” and the “smart safety field” as business areas where the Group can continue to apply its strengths, taking into account the diffusion of new information terminals, as typified by smartphones and tablets, progress of high-speed communications, and next-generation information networks such as cloud services, and rapidly changing lifestyles and ways of doing business amid a growing awareness of safety and security. By combining the strengths of the four business groups and the Strategic Research & Development Division, which is responsible for developing cutting-edge basic technologies, we will rapidly and successively develop excellent products and services that provide excitement and peace of mind from their use, designs, functions, and performance, centering on the “smart AV field” and the “smart safety field,” and create new value.

* Smart AV field

In the Car Electronics business, it is expected that connectivity between people in a vehicle and external information networks via smartphones, etc. will improve tremendously. Taking advantage of this as a new business opportunity, we will shift our emphasis toward product development from constructing systems with conventional car audio and car navigation systems to establishing systems that have high connectivity with smartphones, etc., and promote market creation and business reforms using our large shares of after-markets in the North America and Europe.

Regarding the camera, video and audio equipment, and entertainment businesses, considering the spread of smartphones, etc., and high-speed communications, the shift from HDD to SSD, and the transition from memory media to cloud services, as new business opportunities, we will focus on products and services that are adapted to these trends, and develop new business areas that are adjacent and close to current businesses.

* Smart safety field

With regard to the Car Electronics business, to develop new business areas, we will focus on developing devices that support drivers by improving safety and functionality, including head-up displays (HUDs), rear-view cameras, and drive recorders.

Regarding the land mobile radio business, focusing on the digitization of land mobile radio, in which we have the world's second largest presence, as a business opportunity, we will begin to sell proprietary digital professional radio systems, which is a business we are currently expanding for U.S. private companies, to the public safety sector in the U.S. and private companies in Japan. Furthermore, we aim to expand this business by focusing on the development of new digital professional radio systems that meet the needs of markets in Europe, China, and other countries in Asia.

In the businesses of cameras and video equipment, recognizing the trend to strengthen security and a growing awareness of security in the world as a major business opportunity, we will concentrate on combining advanced technologies used in cameras, video, data compression, and radio communications, and develop a system that combines land mobile radio with a security camera, as well as security products connected to smartphones.

b. Expanding businesses in emerging countries

Under the Emerging Market Planning Division, which is a company-wide organization under the direct control of the CEO, launched on September 2012, we will expand businesses to match regional needs, where there is ample room for us to grow. To achieve this, we will draw on manufacturing innovations from emerging countries based on the idea of departing from full in-house production through partnerships with Shinwa and other companies, to deliver products dedicated to emerging countries, and reinforce sales structures in emerging countries.

*** Delivering products dedicated to emerging countries**

- Car audio systems for digital media
- Analog radio equipment, security cameras, and professional video cameras
- Consumer-use video cameras and headphones

*** Sales forces in emerging countries**

We have enhanced our sales companies in emerging countries. In 2010, we integrated the sales subsidiaries in Brazil of the former Victor Company of Japan ("Victor"), Limited and the former Kenwood Corporation ("Kenwood"). Further integration of sales subsidiaries followed: in Russia in February 2012, in Panama and Malaysia in October 2012, and in the United Arab Emirates in November 2012. In addition, we are expanding sales networks by strengthening relationships with leading shops and agencies and developing new sales channels in all regions.

c. Establishment of a lean corporate structure

To implement our growth strategy from a long-term perspective, we will make head office functions leaner and more efficient, and reinforce business divisions by shifting management resources from the head office to business divisions, improve the efficiency of manufacturing and sales functions through integration of overseas sales companies and innovation of consolidated value chain, and further bolster our financial base using the cash and profits we generate.

- Reorganizing the head office; reinforcing business divisions

With the management integration of Victor and Kenwood in October 2008, JVCKENWOOD centralized all of its head office functions to integrate functions that are common to the two companies, which operate under different systems, streamline those functions and, as a result, maximize the effects of management integration. Four years after management integration, we completed the process of integrating and streamlining the common functions of the two companies. We then reorganized the head office on November 1, 2012 to establish a lean head office and strong business divisions. Concurrently, we established the professional business support division, which supports business divisions, and have been shifting human resources from the head office to business divisions and the professional business support division.

*** Integrating overseas sales companies**

We have been promoting the integration of overseas sales companies and the operating office to improve overseas sales efficiency and enhance competitiveness, such as integrating sales companies in emerging countries, as well as the sales subsidiaries of the former Victor and the former Kenwood in North America, Europe, and Asia.

*** Innovation of consolidated value chain**

The four business groups and a company-wide task force will promote the consolidated value chain innovation and reconstruct the chain with an emergency response capability. By doing this, we will innovate the consolidated value chain, consisting of production/procurement, sales/marketing, logistics/services, and also reduce inventories and waste, shorten lead times from sales division order placement to factory shipment, cut procurement costs, and minimize market defect rates.

Furthermore, we will establish a system that enables us to quickly begin production at alternative facilities in the case of disasters that could disrupt supply chains, which occurred as a result of the Great East Japan Earthquake and floods in Thailand.

d. Establishment of the JVCKENWOOD brand

Centering of the corporate brand of JVC, KENWOOD and the business and product brands of JVC, Kenwood, Victor Entertainment, Inc., and Teichiku Entertainment, Inc., we will make brand strategy investments to step up sponsorship activities and promote joint brands in collaboration with other companies, and conduct activities to further increase awareness of the brands of our businesses and products. By doing this, we will further improve our corporate brand, the recognition of our business and product brand, and strive to be the leading brand worldwide.

(3) Policy for distributing profits

JVCKENWOOD considers that one of its most important managerial issues is to provide stable returns to shareholders, and makes decisions on the distribution and appropriation of retained earnings by comprehensively taking into account profitability and financial conditions.

Under the new Mid-term Business Plan, to combine both sustainable, continued growth and the provision of stable returns, we have a basic policy of using the cash and profits we generate to invest in "Profitable Growth", strengthen our financial base, and provide shareholders with stable returns. The plan sets the target of achieving a consolidated dividend payout ratio of 25% for the fiscal year ending in March 2016.

(4) Management targets

In addition to the appreciation of the yen to historic levels, the outlook for the global economy remains uncertain due to deterioration of the European economy caused by financial uncertainty, sluggishness of the Middle Eastern economy, and slow economic growth in emerging countries. In the electrical equipment industry, among others, the consumer-use AV equipment sector in particular continued to face a difficult business climate amid intensified international competition with the progress of digitization and commoditization.

Under such circumstances, JVCKENWOOD has incorporated growth measures, based on the corporate base and business structure we have established so far, and is less susceptible to the effects of changes in the business environment and exchange-rate fluctuations, to make up for delays resulting from the effects of the Great East Japan Earthquake and floods in Thailand, and to achieve sustainable growth and strategic measures for creating new growth areas, leading to establishing management targets for the fiscal year ending March 2016. We have also set management targets for the fiscal year ending March 2016, taking into account measures for achieving sustainable, continued growth and strategic measures for creating new growth areas.

The exchange rates assumed in the new Mid-term Business Plan are 80 yen to the U.S. dollar and 103 yen to the euro.

Mid-term numerical targets (consolidated)

- Net sales: 400.0 billion yen; operating profit: 20.0 billion yen (operating margin: 5%); ordinary income: 17.0 billion yen; net income: 13.5 billion yen
- Shareholders' equity ratio: 35%; net-debt: zero; ROE: 10%; net income per share: 81 yen
- Dividend payout ratio: 25%

(Reference) Earnings trends (consolidated)

(Unit: 100 million yen)

	FYE3/12 (For reference)	FYE3/13 Forecast (Announced on November 1)	FYE3/16 Target (New Mid-term Business Plan)	FYE3/14 Target (Current Mid-term Business Plan)
Net sales	3,209	3,200	4,000	4,300
Operating profit	128	140	200	200
Ordinary income	64	90	170	140
Net income	60	70	135	110

In the new Mid-term Business Plan, the Group has set a net sales target of 400.0 billion yen, down 30.0 billion yen or 7.0% from the current Mid-term Business Plan, taking into account factors such as a decrease in amounts converted into yen due to the strong yen, and an operating profit target of 20.0 billion yen, which is unchanged from the current Mid-term Business Plan, due to the increased profitability of each business segment. The ordinary income target has been set at 17.0 billion yen, up 3.0 billion yen or 21.4% from the current Mid-term Business Plan, reflecting

an improved non-operating profit and loss resulting from reduced interest-bearing debt, extended maturities of borrowings, and decreased interest rates. The net income target has been set at 13.5 billion yen, up 2.5 billion yen or 22.7%.

When setting these targets, we took into account the assumption that we would make Shinwa International Holdings Limited, a car-mounted equipment company in Hong Kong, which became an equity-method company in April 2012, into a subsidiary as scheduled by April 2015.

We will set new earnings targets for the fiscal year ending March 2014 and disclose earnings forecasts for the fiscal year ending March 2014 when announcing the operating results for the fiscal year ending March 2013.

In terms of the financials of the Group, which will work to generate cash and profits, having set the shareholders' equity ratio target at 35%, net-debt target of zero, ROE target at 10%, and net income per share target at 81 yen. The dividend payout ratio target has been fixed at 25% on a consolidated basis.

These targets assume that all remaining bonds (unsecured bonds worth 12.0 billion yen) issued by the Group will be redeemed, and all of stock acquisition rights (current exercise price: 454 yen; total number of latent shares: 26,431,200) issued in August 2011 will be exercised.

2. Key measures by business segment

(1) Car Electronics business

JVCKENWOOD will focus on expanding businesses, targeting the OEM segment, the domestic after-market segment, and emerging countries, where there is ample room for the Group's business to grow, by promoting growth strategies that leverage the strengths of JVCKENWOOD and its partners.

In addition, to achieve a "New mobile life," in response to the worldwide popularization of smartphones and growing awareness of safety and peace of mind, we will develop entertainment functions and driver safety support functions with new system configurations that provide an emotional design, as well as user interfaces enabling those functions, and create market and business opportunities based on our strengths in US and European markets.

a. Expanding OEM business

- * Win new orders by leveraging our technological development and after-market product planning capabilities in the video and audio fields, and develop after-market products into dealer option products
- * Expand the in-car device business (mechanisms, optical pickups, water-based paint plastic panel) by enhancing collaboration with Shinwa International Holdings Limited and making it a subsidiary

b. Enhancing car multimedia products for the after-market business

- * Increasing Japanese sales through strengthening the Saisoku-Navi products and sales network.
- * Boost after-market sales by making use of the sales network of the DENSO Group
- * Enhancing and globally expanding car electronics compatible with MirrorLink™, and collaborative with Garmin Ltd.
- * Enhance display audio systems linked with smartphones, targeting overseas markets where the ratio of car audio systems in which displays are not mounted is overwhelmingly high

c. Enhancing "smart AV field" and "smart safety field"

- * Pioneer deployment of HUDs by leveraging our capital and business alliance with SYNDIANT, Inc., and develop rear-view cameras and drive recorders that will extend the functions of car navigation and display audio systems
- * Develop innovative products in collaboration with DENSO

d. Expanding businesses in emerging countries

- * Develop and sell strategic products for emerging countries
- * Strengthen product capability of JVCKENWOOD to manufacture finished products by leveraging the in-car mechanisms of Shinwa
- * Expand business activities with car makers and car accessory makers in ASEAN, Indian, and Chinese markets
Regarding dedicated products for emerging countries, refer 1.(2)-b for details

(2) Professional Systems business

In the radio systems segment, we will focus on developing and selling digital radio equipment and systems that match the characteristics of each market worldwide, and reconcile extremely high reliability and operability, by regarding the global trend of enhancing security and measures by countries to effectively use frequency bands as a chance to popularize and expand digital radio systems.

In the business solutions segment, we will expand business by applying our video and shooting technologies, including conversion of 2D videos into 3D videos and 4K shooting, to business applications, while enhancing the product lineup of security cameras and its sales network.

Furthermore, we will proceed with developing and introducing strategic products for emerging countries in the respective segments, and introduce systems that combine professional radio systems and security cameras by merging radio communications technologies and video technologies. We will also develop professional radio systems, which make the most of smartphones, and solutions including video transmission through broadband and simple video transmission through narrowband, and expand business by sharing sales networks between the radio systems and business solutions segments.

a. Expanding digital LMR business

- * Introduce NEXEDGE professional digital radio system, our proprietary system for private corporations, to large-scale systems for the public safety sector
- * Develop and market digital LMR for the public safety sector in China, the rest of Asia, and Europe
- * Boost sales of digital LMR for the public safety sector in North America through collaboration with EADS Group companies
- * Expanding digital LMR using Zetron's network systems for Japanese broadcasters and communication business companies
- * Expanding digital LMR for Japanese taxi operators with the eyes focused on discontinuation of analog radio communication

b. Expanding business solutions business

- * Expanding IP security cameras lineups and enhancing sales network
- * Strengthening competitiveness of professional video cameras and security cameras by making the most of the conversion of AltaSens, Inc. into a subsidiary
- * Expanding the 3D image production service business, which uses original technologies to convert 2D images into 3D images
- * Increase sales of 4K systems, with 4K video cameras at the core

c. Enhancing "smart safety field"

- * Develop and introduce solutions based on systems that merge professional radio systems and security cameras
- * Develop professional radio systems, making best use of smartphones, etc.
- * Develop solutions such as broadband radio video transmission and narrowband transmission of simple video

d. Expanding businesses in emerging countries

- * Acquire business opportunities with governments centering on China and India, develop sales networks, and promote localization

Regarding dedicated products for emerging countries, refer 1.(2)-b for details

(3) Home & Mobile Electronics business

In response to the bipolarization of markets, JVCKENWOOD will focus on developing and selling highly functional products based on its core technologies and proposal-based products with new value in the mid- and high-price ranges. With regard to mass-market products, we will reorganize the product lineup by rapidly and consecutively launching AV equipment and peripheral equipment with strong connectivity to smartphones by leveraging asset-light business models established in the past.

We will also contribute to the development of new products and services in the Car Electronics business and the Professional Systems business, while developing innovative products using our core technologies.

a. Enhancing "smart AV field"

- * Enhancing the product group of AV accessories and expanding to emerging countries
- * Strengthening horizontal expansion of product lineups using highly functional products, including hybrid cameras, and proposal-based products such as cameras that are compatible with networks and furniture audio systems

- * Strengthening development of the LCOS product, including high-resolution projectors and projectors based on new concepts
- * Developing innovative products and contribute to the development of new products and services in the Car Electronics business and the Professional Systems business

b. Expanding businesses in emerging countries

- * Develop emerging market sales networks, including non-home electronics channels
Regarding dedicated products for emerging countries, refer 1.(2)-b for details

(4) Entertainment business

Regarding the increase and diversification of areas where music and video software products are used, due to the popularization of smartphones, etc., as new business opportunities, JVCKENWOOD will foster and scout for new and middle-standing artists, strengthen the overall entertainment business, and reinforce the music distribution business, while making use of its music and video technologies, as well as the expertise and comprehensive strengths of the Group.

a. Expanding the overall entertainment business

- * Fostering and scouting new and middle-standing artists
- * Promote innovation in entertainment as a whole, mainly by strengthening artist management and the animation category

b. Enhancing “smart AV field”

- * Expand the music distribution business by providing original high-resolution music software and through digital rights management (DRM)