

JVCKENWOOD



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Company	JVC KENWOOD Corporation
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Conversion of In-Car Device Manufacturing Company into Consolidated Subsidiary, and Revision of Consolidated Earnings Forecast for the Fiscal Year Ending March 2014

JVC KENWOOD Corporation (“JVCKENWOOD”), on April 20, 2012, acquired a total of 45.0% of the outstanding shares of Shinwa International Holdings Limited (“Shinwa”), an in-car device manufacturing company, and incorporated Shinwa into an equity-method company, while resolved at the Board of Directors meeting held on today to accept the transfer of total 16.0% of the outstanding shares in Shinwa from Yoshifumi Naito (“this share acquisition”) on June 3, 2013, and entered into the share transfer agreement with Naito dated on today.

With this share acquisition, JVCKENWOOD’s shareholding ratio in Shinwa will be 61.0% as of June 3, 2013, and Shinwa will be converted into a consolidated subsidiary of JVCKENWOOD. Accordingly, JVCKENWOOD will revise consolidated earnings forecast for the fiscal year ending March 2014.

1. Conversion of in-car device manufacturing company into the consolidated subsidiary

(1) Reasons for share acquisition

As announced in the “Notice on Acquisition of the Shares of In-Car Device Manufacturing Company” dated on April 23, 2012, the JVCKENWOOD Group acquired a total of 45.0% of the outstanding shares in Shinwa from CITIC Capital Japan Fund (the funds to invest in Japanese corporations managed by CITIC Capital), one of the major shareholders of Shinwa, on April 20, 2012, and made Shinwa into an equity-method company. 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. Furthermore, JVCKENWOOD had planned to acquire 31.0% of Shinwa shares from Yoshifumi Naito within three years from April 20, 2012, in accordance with the shareholders agreements with Naito and Shinwa, which would result in JVCKENWOOD holding a total of 76.0% of the outstanding shares in Shinwa, and convert Shinwa into the consolidated subsidiary.

This time, with an aim to accelerate the enhancement of the in-car device manufacturing business through expansions in the scale of the in-car CD/DVD mechanism business and sales networks, JVCKENWOOD has decided to convert Shinwa into a consolidated subsidiary at an early date by acquiring a total of 16.0% of the outstanding shares in Shinwa from Yoshifumi Naito on June 3, 2013. With this share acquisition, JVCKENWOOD’s shareholding in Shinwa will increase from 45.0% to 61.0%, and Shinwa will become the consolidated subsidiary of JVCKENWOOD on June 3, 2013. In relation to this, four Directors (including one part-time Director) of Shinwa’s seven Directors will be appointed by JVCKENWOOD.

JVCKENWOOD plans to additionally acquire a total of 15.0% of the outstanding shares in Shinwa no later than April 20, 2015 as well, which will increase JVCKENWOOD’s shareholding in Shinwa to 76.0%.

TRANSLATION - FOR REFERENCE ONLY -

With this share acquisition, JVCKENWOOD and Shinwa will further strengthen their in-car CD/DVD mechanism business, as well as expand and reinforce the said business in emerging markets, particularly in China, where substantial growth is expected.

(2) Outline of the moving 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 (¥2,909 million) *Exchange rate: US\$1 = ¥100 (JVCKENWOOD's assumed exchange rate for the fiscal year ending March 2014)			
(6) Established	April 19, 2004			
(7) Major shareholders and holding ratio	Yoshifumi Naito: 55.0% JVCKENWOOD: 45.0%			
(8) Relationship with JVCKENWOOD	Capital relationship	JVCKENWOOD holds a total of 45.0% of the outstanding shares in this company, and which is an equity-method company of JVCKENWOOD.		
	Personnel relationship	Of this company's seven Directors, three are appointed by JVCKENWOOD.		
	Transactional relationship	There is a transactional relationship between JVCKENWOOD and this company concerning parts for in-car devices.		
(9) Consolidated operating results and financial conditions for the past three years (millions of yen) *Exchange rate: US\$1 = ¥100 (JVCKENWOOD's assumed exchange rate for the fiscal year ending March 2014)				
	Fiscal year	Fiscal year ended December 2010	Fiscal year ended December 2011	Fiscal year ended December 2012
Consolidated net assets		8,067	8,219	8,321
Consolidated total assets		19,219	18,760	17,731
Consolidated net assets per share (yen)		277.31	282.54	286.02
Consolidated net sales		29,864	28,096	29,753
Consolidated income before taxes		3,099	2,401	1,783
Consolidated net income		1,426	1,010	768
Consolidated net income per share (yen)		49.00	34.71	26.39

(3) Sellers of shares

Name	Yoshifumi Naito
Number of shares sold (ratio)	4,654,547 shares (16.0%)
Relationship with JVCKENWOOD	Yoshifumi Naito is Chairman of Shinwa, an equity-method company in which JVCKENWOOD holds a total of 45.0% of the outstanding shares, and owns a total of 55.0% of the outstanding shares in Shinwa. *For the relationship between JVCKENWOOD and Shinwa, please refer to (2) Outline of the moving subsidiary.

(4) Number of shares acquired by JVCKENWOOD, acquisition price, and the movement of the shares held by JVCKENWOOD before and after the acquisition

(1) Number of shares held before the acquisition	13,090,910 shares (Number of voting rights: 13,090,910 units) (Voting right holding ratio: 45.0%)
(2) Number of shares to be transferred	4,654,547 shares (Number of voting rights: 4,654,547 units) (Ratio to the number of outstanding shares: 16.0%)
(3) Acquisition price	US\$12.4 million (¥1,240 million) *Exchange rate: US\$1 = ¥100 (JVCKENWOOD's assumed exchange rate for the fiscal year ending March 2014)
(4) Number of shares held after the acquisition	17,745,457 shares (Number of voting rights: 17,745,457 units) (Voting right holding ratio: 61.0%)

(5) Schedule

June 3, 2013	Conversion of Shinwa into a consolidated subsidiary with the acquisition of a total of 16.0% of the outstanding shares in Shinwa
No later than April 20, 2015	Additional acquisition of a total of 15.0% of the outstanding shares in Shinwa (scheduled)

2. Revision of consolidated earnings forecast**(1) Revision of earnings forecast for the fiscal year ending March 2014 (April 1, 2013 to March 31, 2014)**

(Millions of yen)	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A) (Announced on April 26, 2013)	310,000	10,000	5,500	3,000	yen 21. 63
Revised forecast (B)	330,000	11,000	6,000	3,000	yen 21. 63
Amount of change (B - A)	+20,000	+1,000	+ 500	—	
Rate of change (%)	+6.5	+10.0	+ 9.1	—	
(Reference) Results for the fiscal year ended March 31, 2013	306,580	9,603	3,106	1,146	yen 8. 27

(2) Reasons for earnings revision

In consolidated earnings forecast for the fiscal year ending March 2014, which was announced on April 26, 2013, 45% of Shinwa's net income projected for the said fiscal year was included in non-operating profit (equity in earnings of affiliates), regarding Shinwa as an equity-method company. However, with this share acquisition, Shinwa will become a consolidated subsidiary of JVCKENWOOD on June 3, 2013, and the current transactions between JVCKENWOOD and Shinwa will become intra-group transactions. Given this, JVCKENWOOD decided to revise consolidated earnings forecast for the fiscal year ending March 2014.