

JVCKENWOOD



May 14, 2014

Company: JVC KENWOOD Corporation
Representative: Haruo Kawahara, Representative Director
of the Board, Chairman and CEO
(Code: 6632; First Section of the Tokyo
Stock Exchange)
Contact: Seiichi Tamura, Director of the Board and
Chief Strategy Officer (CSO)
(Tel: +81-45-444-5232)

Notice of Transfer of Shares of a Subsidiary and Incurrence of Extraordinary Loss

JVC KENWOOD Corporation (JVCKENWOOD) reached an agreement, as described below, with Cinram Group Inc. (Cinram Group), which manufactures and sells CD/DVD/Blu-Ray disks, on the transfer of shares of JVC America, Inc. (JAI), which also manufactures and sells CD/DVD disks, owned by JVC Americas Corp. (JAC), a fully consolidated US sales subsidiary of JVCKENWOOD. JVCKENWOOD and Cinram Group concluded the stock purchase agreement as of today.

JVCKENWOOD is also expected to post an extraordinary loss of approximately JPY 1.2 billion for the fiscal year ending March 2015 as a “Loss on sales of stocks of subsidiaries” in relation to this share transfer.

After study of the possible impact to the Consolidated Earning by this transfer of shares, the Consolidated Earnings Forecast for the Fiscal Year Ending March 2015 released on April 30, 2014 will not be revised.

1. Reasons for transfer of shares

JAI has mainly engaged in the manufacturing and sale of CD/DVD disks for personal computers and game software. In addition to manufacturing disks, JAI has conducted fulfillment operations such as packaging, shipping, and inventory management in recent years, satisfying the supply chain needs of software content providers.

However, the market for packaged software products (e.g. CD/DVD) has seen a noticeable shrinking trend, particularly in overseas markets, due to the widespread culture of downloading content and the penetration of broadband within the Internet environment, and this trend is expected to continue.

In response to such change in the environment surrounding the industry, JVCKENWOOD has decided to transfer the shares of JAI to Cinram Group, which engages in manufacturing, sales, and fulfillment operations of CD/DVD disks, as does JAI. Through this transfer, we expect the condition of over-supply in the industry will improve, and JAI will improve its capacity utilization and maintain its employees.

With the transfer of the shares, JVCKENWOOD will further advance its focus on core businesses, increase the focus of the JVCKENWOOD group’s efforts on the next generation of business and transforming the “shape of the company”, and accelerate the recovery in earnings.

2. Overview of subsidiary whose shares will be transferred (As of May 14, 2014)

(1) Name	JVC America, Inc.
(2) Address	No. 2 JVC Road, Tuscaloosa, Alabama, 35405, United States

(3) Representative's Name and Title	Shigeru Hirano, President	
(4) Business	Manufacture, sales and product fulfilment of CD/DVD disks	
(5) Established	January 9, 1986	
(6) Major Shareholders and Percentage of Holding	JVC Americas Corp. 100%	
(7) Relationship between JVCKENWOOD and JAI	Capital relationship	JVCKENWOOD owns 100% of JAI's shares through JVC Americas Corp., a consolidated subsidiary of JVCKENWOOD.
	Personnel relationship	Four JAI directors are concurrently JVCKENWOOD directors or employees. JVCKENWOOD has also dispatched one employee to JAI.
	Transactional relationship	There are no significant transactional relationships between JVCKENWOOD and JAI. Financial transactions (lending/borrowing) have been made between JVCKENWOOD's consolidated subsidiary and JAI.

3. Overview of transferee (As of May 14, 2014)

(1) Name	Cinram Group Inc.	
(2) Address	2255 Markham Road Toronto, Ontario, Canada	
(3) Representative's Name and Title	President and Chief Executive Officer Steve Brown	
(4) Business	Blu-ray/DVD/CD replication, sales and product fulfillment	
(5) Major Shareholders and Percentage of Holding	CAI Holdings Inc 100%	
(6) Relationship between JVCKENWOOD and Cinram Group	Capital relationship	There are no significant capital relationships between JVCKENWOOD and Cinram Group. In addition, there are no noteworthy capital relationships between the interested parties and affiliated companies of JVCKENWOOD and Cinram Group.
	Personnel relationship	There are no significant personnel relationships between JVCKENWOOD and Cinram Group. In addition, there are no noteworthy personnel relationships between the interested parties and affiliated companies of JVCKENWOOD and Cinram Group.
	Transactional relationship	There are no significant transactional relationships between JVCKENWOOD and Cinram Group. In addition, there are no noteworthy transactional relationships between the interested parties and affiliated companies of JVCKENWOOD and Cinram Group.
	Related party relationships	Cinram Group is not considered to be a related party of JVCKENWOOD. In addition, interested parties and affiliated companies of Cinram Group do not fall under the related parties of JVCKENWOOD.

4. Number of shares to be transferred and status of shares holding before and after

(1) Number of Shares Holding Before Transfer	794,000 shares (Number of Voting Rights: 794,000 units) (Percentage of Holding: 100.0%)
(2) Number of Shares to be Transferred	794,000 shares (Number of Voting Rights: 794,000 units)
(3) Number of Shares Holding After Transfer	None (Number of Voting Rights: None) (Percentage of Holding: 0.0%)

*The purchase price was negotiated with Cinram Group with reference to an analysis of value of JAI prepared by a third party independent both from Cinram Group and us, and comprehensive consideration of various other conditions surrounding the transaction, and was ultimately agreed. By agreement with the Cinram Group, the purchase price will not be disclosed.

5. Schedule

(1) Board of Directors Resolution on	May 14, 2014
(2) The contract concluded on	May 14, 2014
(3) Share Transfer to be implemented	Middle of June 2014 (scheduled)

6. Posting of the extraordinary loss on the share transfer

JVCKENWOOD is expected to post an extraordinary loss of approximately JPY 1.2 billion as a "Loss on sales of stocks of subsidiaries" in relation to this share transfer.

After study of the possible impact to the Consolidated Earning by this transfer of shares, the Consolidated Earnings Forecast for the Fiscal Year Ending March 2015, released on April 30, 2014 as part of the "Accounting Report for the Fiscal Year Ended March 2014 (based on Japanese standards) (consolidated)," will not be revised.

7. Future Prospects

As described in #5 above, JVCKENWOOD and Cinram Group will proceed with the various procedures towards the implementation of the share transfer in middle of June 2014.