

**JVC KENWOOD Holdings, Inc.**  
**Management Policies of Integrated Company**

JVC KENWOOD Holdings, Inc.

Chairman & CEO

**Haruo Kawahara**

October 1, 2008

# 1. Outline of JVC Kenwood Group

# 2. Management Policies and Objectives

# 3. Forecast of FYE'09/3

Abbreviations referred to in the materials

CE: Car Electronics COM: Communications Equipment HE: Home Electronics

FYE: Fiscal Year Ending/Ended

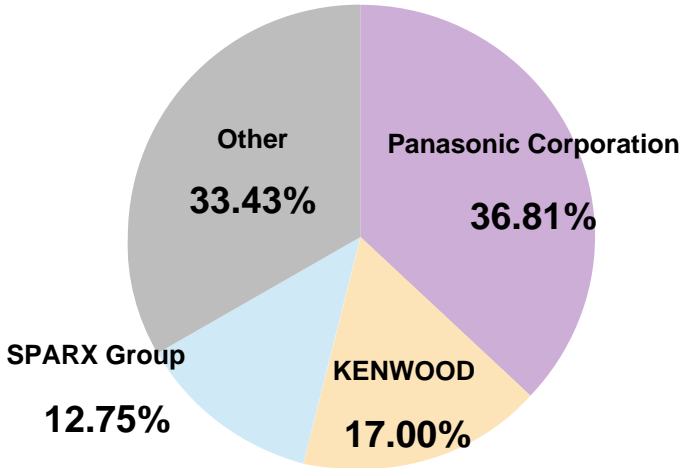
# 1. Outline of JVC Kenwood Group

## Maximize Effect of Integration at Early Stage by Joint Holding Company and Three Business Firms

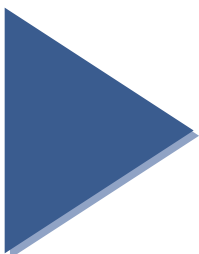
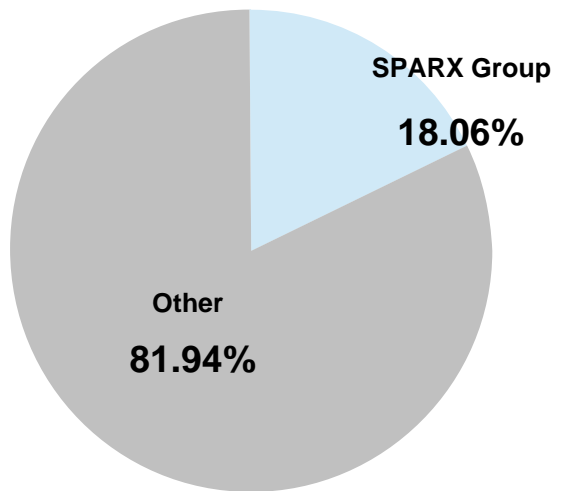
- ❑ The Joint Holding Company will own a 100% stake of JVC and KENWOOD through the Share Transfer
- ❑ By corporate split of Car Electronics business, etc., J&K Technologies Corp. (JKTE) business lines were expanded from joint technological development to full-scale development, design, procurement and manufacturing.



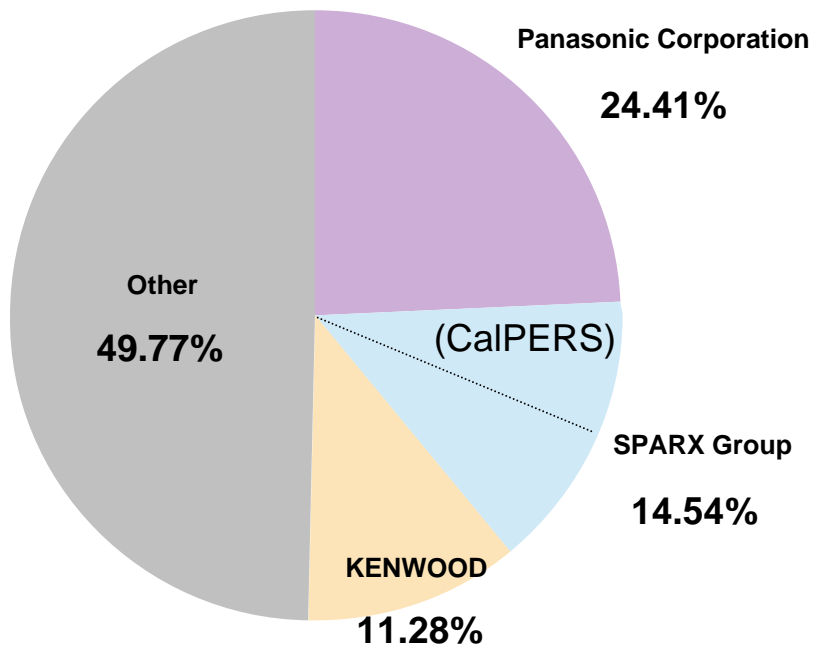
**JVC Shareholder composition (as of March 31, 2008)**



**KENWOOD Shareholder composition (as of March 31, 2008)**



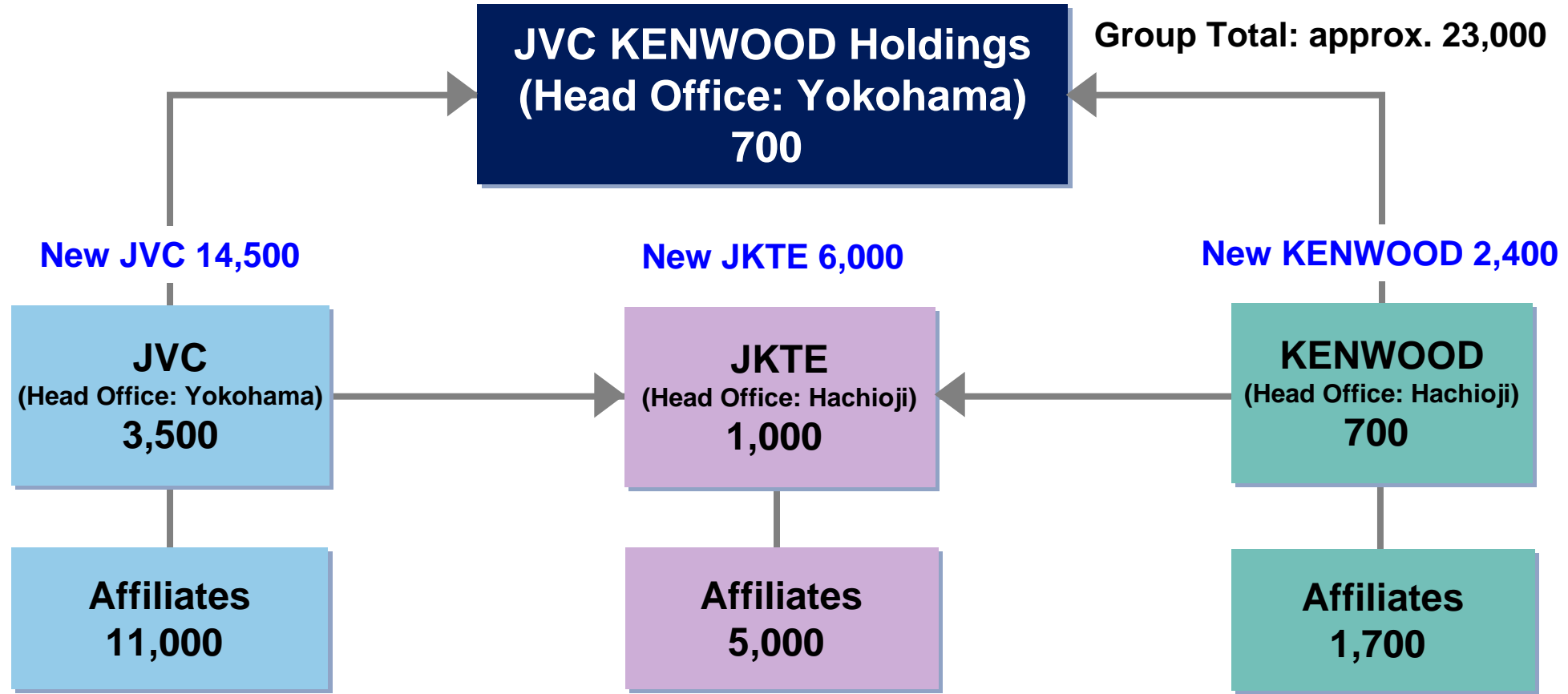
**JVC KENWOOD Holdings Shareholder composition (Based on data as of March 31, 2008)**



- **Matsushita Electric Industrial Co., Ltd. changed its name to Panasonic Corporation as of October 1, 2008.**
- **Shareholding ratio is as of last day of March 2008, and does not reflect the amendment report to the Large Share Holding Report, etc., which was submitted afterwards.**

# Outline of JVC Kenwood Group

## Personnel Numbers for Respective Firms (rough estimate)



**KENWOOD: 4 Manufacturing Bases**  
**JVC: 2 Development and Manufacturing Bases**

## 2. Management Policies and Objectives

### Corporate vision

**“Realize the unconventional (Katayaburi wo katachi ni)”**

### Course of Action

**“Perpetual reform centered on each and every individual”**



**Based on this integration vision and course of action, both companies plan to develop into a corporate group that creates new and unconventional added value to give customers an experience like never before.**



# JVC KENWOOD HOLDINGS

The two ascending arc lines of the logo symbolize growth potential and expandability infinitely toward the future. They also express JVC KENWOOD HD's resolve to lead the world with the power to realize unconventional ideas and the ability to get things done.

Our keen desires to achieve quality-first corporate activities, provide products and services, and receive quality-focused trust from our customers are represented by the logo's stability and sophistication.

The new brand colors are "Intelligent Blue" to express intelligence and dignity and "Techno Gray" to express the ever-evolving technological force.

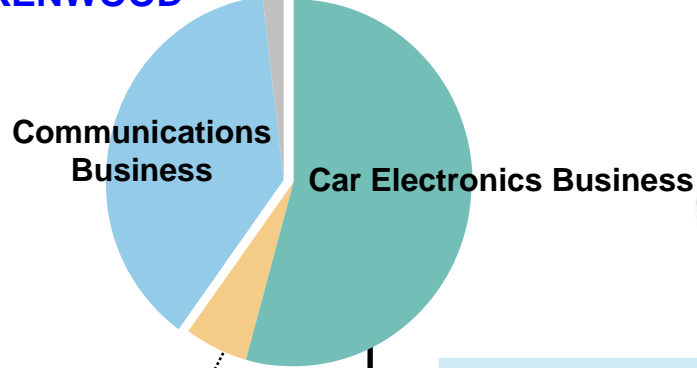
**Having seen respective structural reforms through, and using this management integration as a starting point for a new growth strategy, both Companies will be reborn as a unique, specialized and world leading manufacturing group, striving to grow and create corporate value.**

# Management Policies

## Reorganization into Four Business Segments and Six Genres

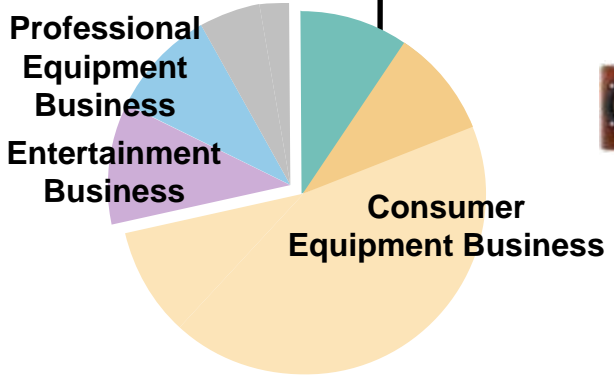
### Sales Composition (FYE'08/3)

#### KENWOOD



Home Electronics Business

#### JVC



1) Car Electronics (18%)



Home Audio



3) Professional Systems (14%)

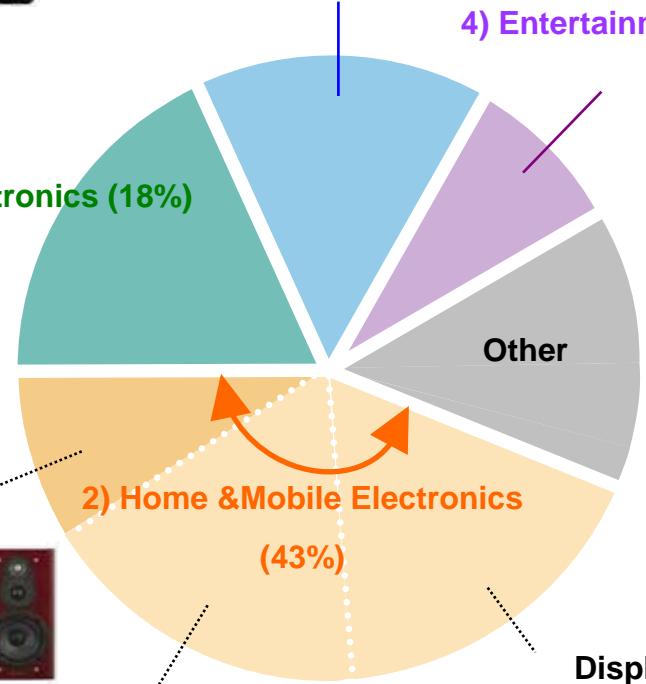


Video Cameras (17%)



Displays

### Sales Composition of Both Companies Total (FYE'08/3)



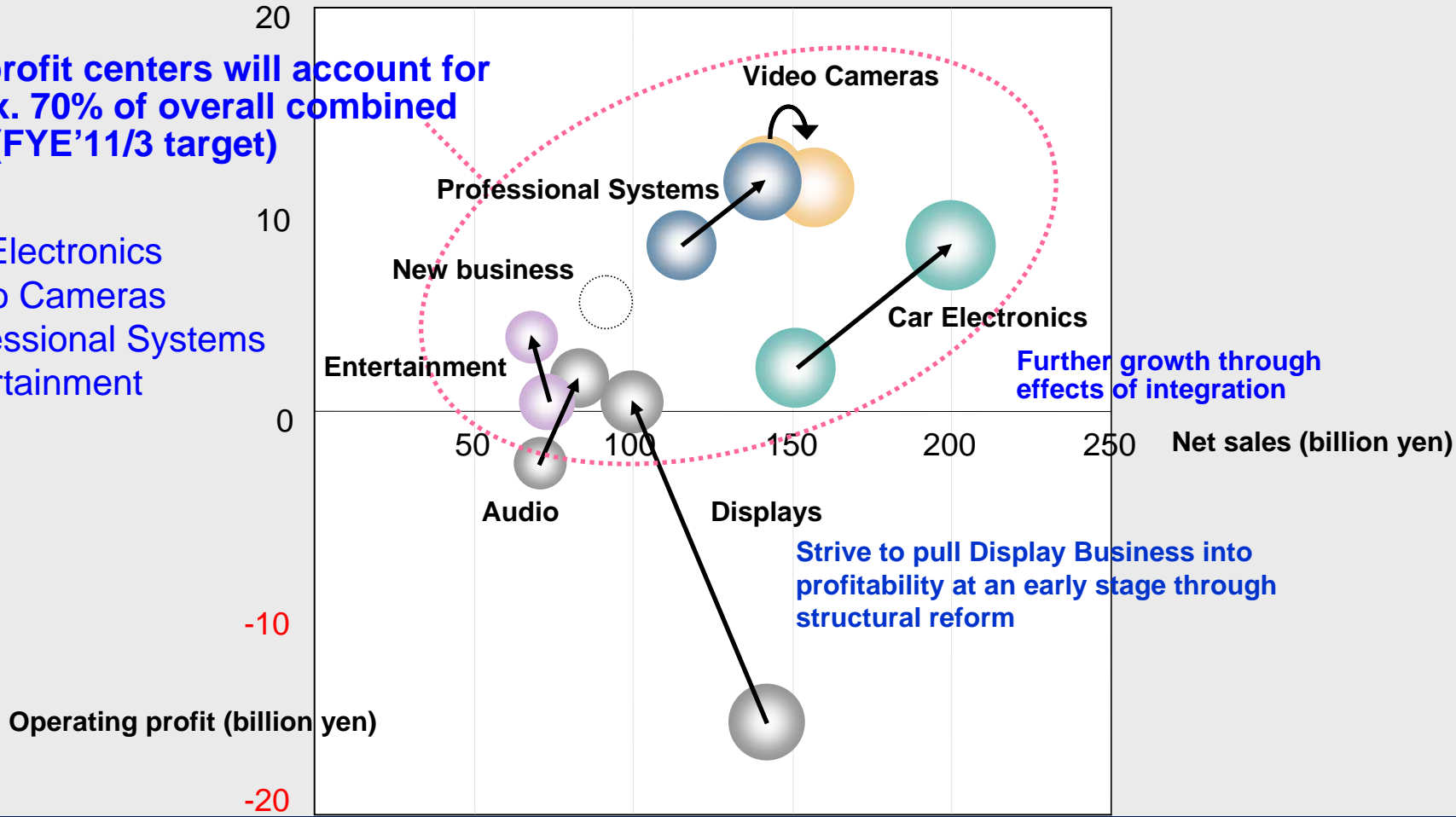
4) Entertainment (9%)



Through growth strategies  
 Combined Car Electronics business will be largest,  
 Professional systems business expected to be most profitable.

Four profit centers will account for approx. 70% of overall combined sales (FYE'11/3 target)

- Car Electronics
- Video Cameras
- Professional Systems
- Entertainment



## Basic Concept

Joint Holding Company and business firms **do not seek profits from single individual units** but **optimization of the entire group**. They will enhance corporate value as a Group through sharing roles as a consolidated corporate entity.

## Definition of Business Firms: JVC, KENWOOD, JKTE

In addition to present business firms, **JVC and KENWOOD**, it is planned for **JKTE**, as a substantial integrated entity for Car Electronics business, to be an independent business company in the future that includes product planning and sales functions, and **to be handled as a quasi-business firm**.

## 1) Realize effects of the integration

### —Develop a new sustainable business infrastructure and synergies

With the new framework of consolidated management controlled by the JVC KENWOOD HD joint holding company, JVC Kenwood Group intends to develop the legacy corporate foundations established by both companies into **a new sustainable business infrastructure to succeed in the digital era** and maximize **synergies** in common businesses at the earliest possible time

## 2) Accelerate corporate growth with the “Genre-top strategy”

JVC Kenwood Group intends to strengthen the competitiveness of its core business segments through the benefits of integration and accelerate each of its businesses’ growth rate by drawing on **the genre-top strategy** so as to lead the industry globally in the priority segments.

## 3) Create new and unconventional added value

As a consolidated entity, the JVC Kenwood Group will offer new products and services and create new and **unconventional added value** to give customers an experience like never before, by blending the technologies and resources of Both Companies.

**Greatest Problem in Consumer Business is instability due to pronounced **fluctuations of sales and prices****

**System management**

**- Key for survival is management accuracy**

**Improve **speed and accuracy** in manufacturing and inventory, linked with product development, costs and sales, through systemizing personnel, organization and infrastructure, resulting in minimized loss.**

**Actualize integration effect** with twin engines of **JKHD and JKTE**, **promote growth strategy** to grow and create corporate value

## JVC KENWOOD Holdings, Inc. (JKHD)

Under the administration of the JKHD, we will allow the corporate infrastructure to evolve into a new foundation for corporate survival through promoting reforms of business, financial and various other profit structures, and thereby enhance competitiveness and profitability.

(ex)\* Purchase accounting

\* Home Audio (**exhibited today**)

\* JVC's professional systems and KENWOOD's land mobile radio equipment (IBC2008)

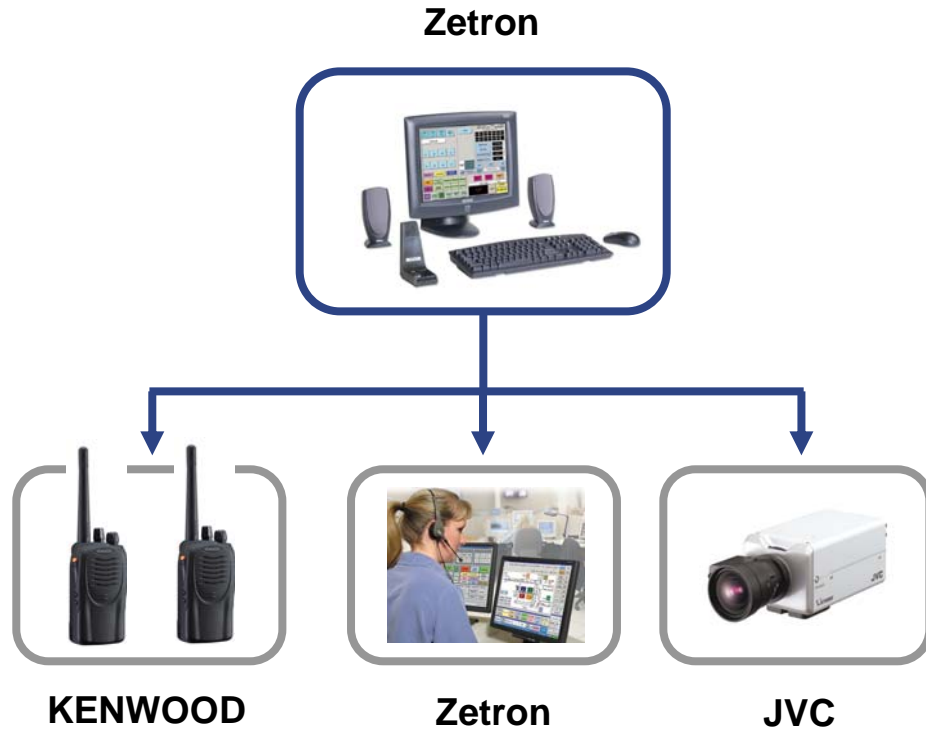
## J&K Technologies (JKTE)

**Car Electronics business** is largest common business for both companies, JKHD plans to maximize synergies centering on **JKTE (exhibited today)** at an early stage



# Realized Integration Effect into New System

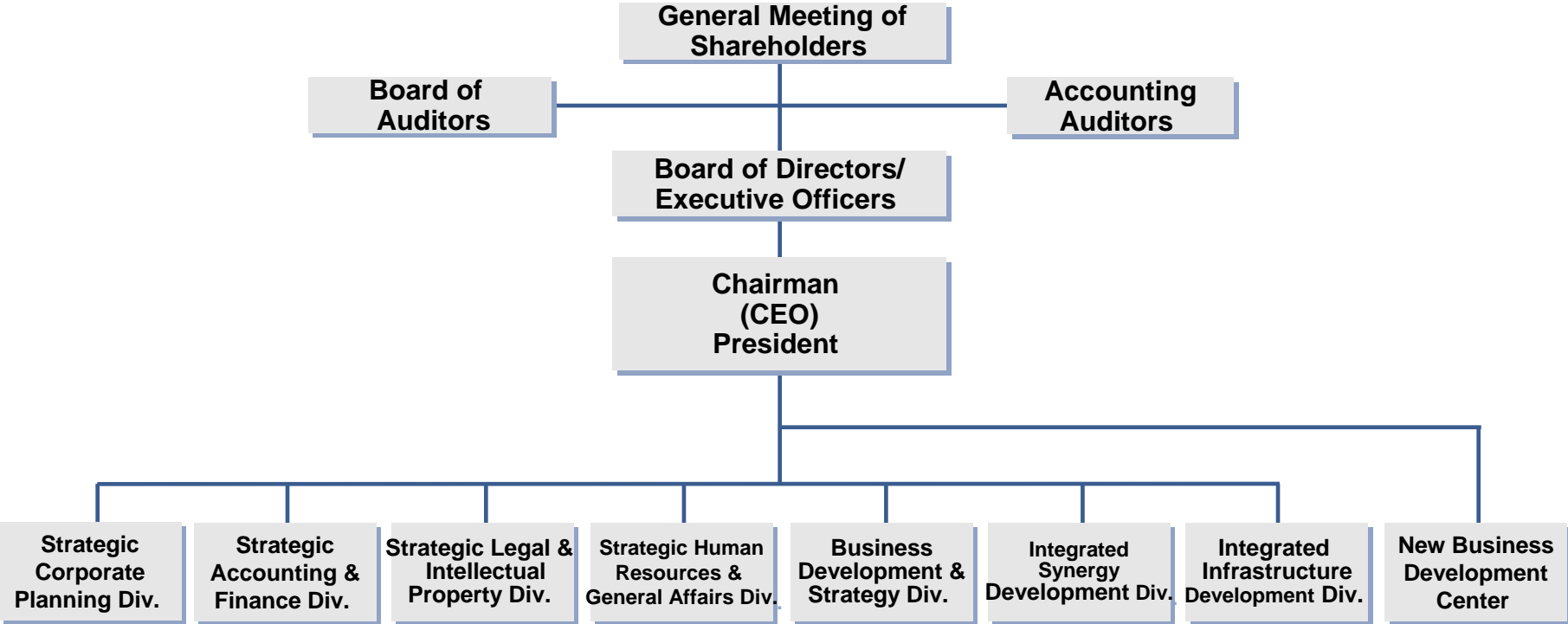
(ex) JVC's professional systems and KENWOOD's land mobile radio equipment (IBC2008)



Exhibition at IBC2008, one of the EU's largest international broadcasting equipment exhibitions.

Enhance transparency of management and overall group governance, meanwhile realize speedy decision-making, and accelerate the Group growth strategy

- \* Out of 7 Directors, 3 are External Directors, and out of 5 Statutory Auditors, 3 are External Statutory Auditors
- \* Operating Officers System Introduced
- \* Simple Organization Design to clarify responsibility for achieving the mission



## Directors

Chairman (Representative Director of the Board)	Haruo Kawahara
President (Representative Director of the Board)	Kunihiko Sato
Deputy President, Director of the Board	Hiroshi Odaka
Senior Vice President, Director of the Board	Motoyoshi Adachi
Director of the Board (External)	Koji Kashiwaya
Director of the Board (External)	Makoto Matsuo
Director of the Board (External)	Jiro Iwasaki

## Auditors

Auditor	Shigeharu Tsuchitani
Auditor	Hideaki Kato
Auditor	Noriyuki Shouyama
Auditor	Akihiko Washida
Auditor	Norimichi Saito

- **Chairman (Representative Director of the Board)**  
Responsible for finance, personnel affairs, and other corporate functions; capital strategies (including M&A); group structural reforms; technology and production strategies
- **President (Representative Director of the Board)**  
Responsible for group businesses; new business development; collaboration businesses (including J&K Technologies); and group marketing strategies

## Executive Officers

<b>Chief Executive Officer</b>	<b>Haruo Kawahara</b>
<b>Executive Officer and Operating Officer</b>	<b>Kunihiko Sato</b>
<b>Executive Officer and CFO, General Executive, Strategic Corporate Planning Div.</b>	<b>Hiroshi Odaka</b>
<b>Executive Officer and Strategic Business Development, General Executive, Business Development &amp; Strategy Div.</b>	<b>Motoyoshi Adachi</b>
<b>Executive Officer and General Executive, Strategic Finance &amp; Accounting Div.</b>	<b>Masaaki Takeda</b>
<b>Executive Officer and General Executive, Strategic Human Resources &amp; General Affairs Div.</b>	<b>Naomasa Mizuno</b>
<b>Executive Officer and Deputy General Executive, Strategic Human Resources &amp; General Affairs Div.</b>	<b>Osamu Ueda</b>
<b>Executive Officer and General Executive, Integrated Synergy Development Div.</b>	<b>Hiroyuki Taki</b>
<b>Executive Officer and General Executive, New Business Development Center</b>	<b>Satoru Maeda</b>
<b>Executive Officer and Deputy General Executive, New Business Development Center</b>	<b>Keiichiro Doi</b>

## Representative Directors of JVC

**President  
(Representative Director of the Board)  
Executive Vice President and  
Representative Director  
Representative Director**

**Hidetoshi Yoshida (Promotion)**

**Ryuhei Nakazawa (Promotion)**

**Haruo Kawahara (Newly elected)**

## Representative Director of KENWOOD

**President  
(Representative Director of the Board)**

**Kazuo Shiohata**

## Representative Directors of J&K Technologies

**Representative Director of the Board  
Representative Director of the Board**

**Kazuo Shiohata  
Nobuo Maeda**

## Performance Results for JVC KENWOOD HD different from the combined results of both companies

As a result of effect of integration under Purchase Accounting, **Results for JVC KENWOOD HD** after 2nd half of FYE'09/3 lack continuity with the combined results of both companies up to 1st half of FYE'09/3

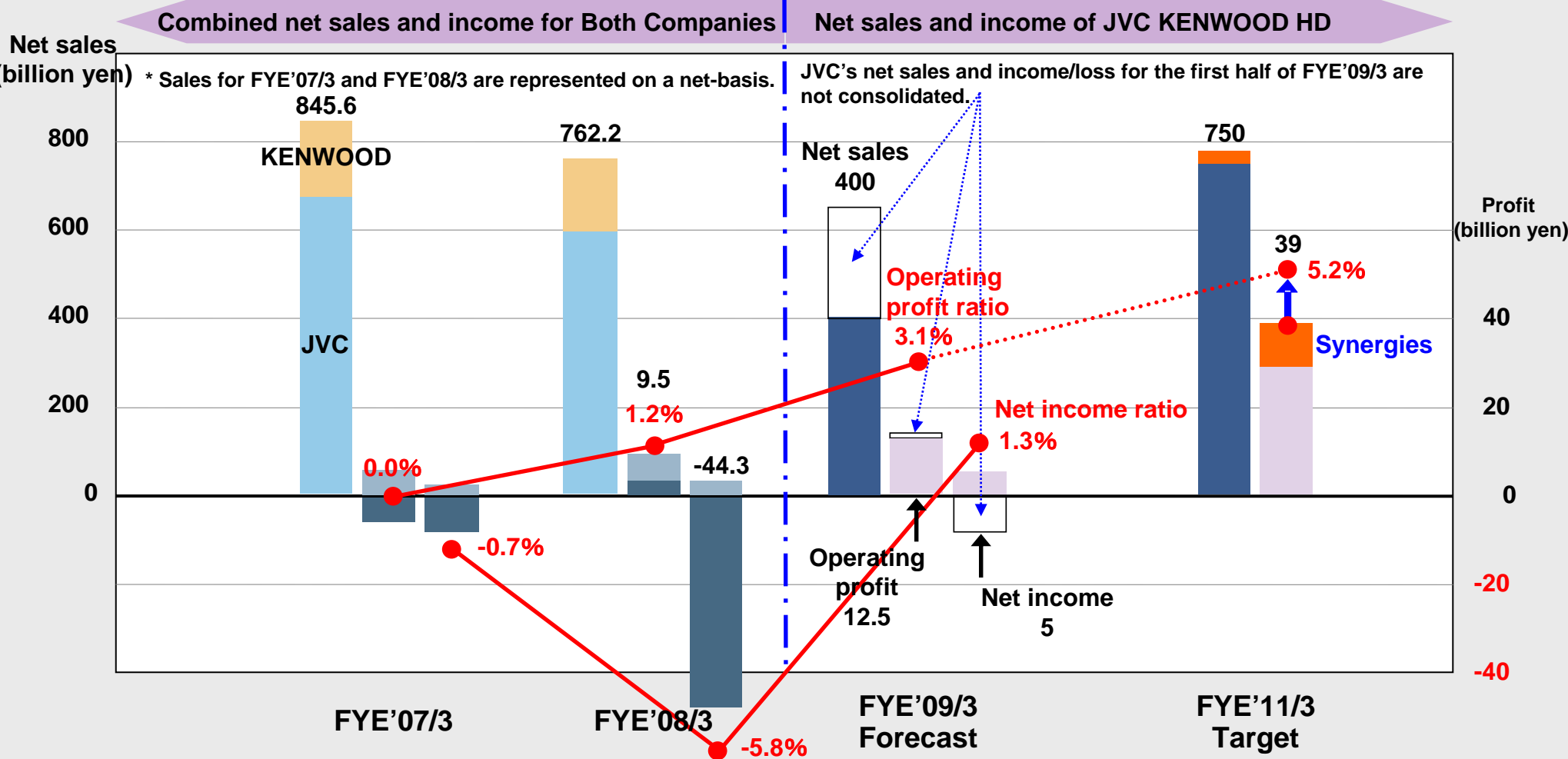
- (1) FYE'09/3 Results for JVC KENWOOD HD are consolidation of results of KENWOOD for FYE'09/3 and results of JVC for 2nd half of FYE'09/3
- (2) With structural reform expenses under Purchase Accounting set aside, JKHD will start with retirement benefits and remaining costs of structural reforms already covered.

# Management Objectives

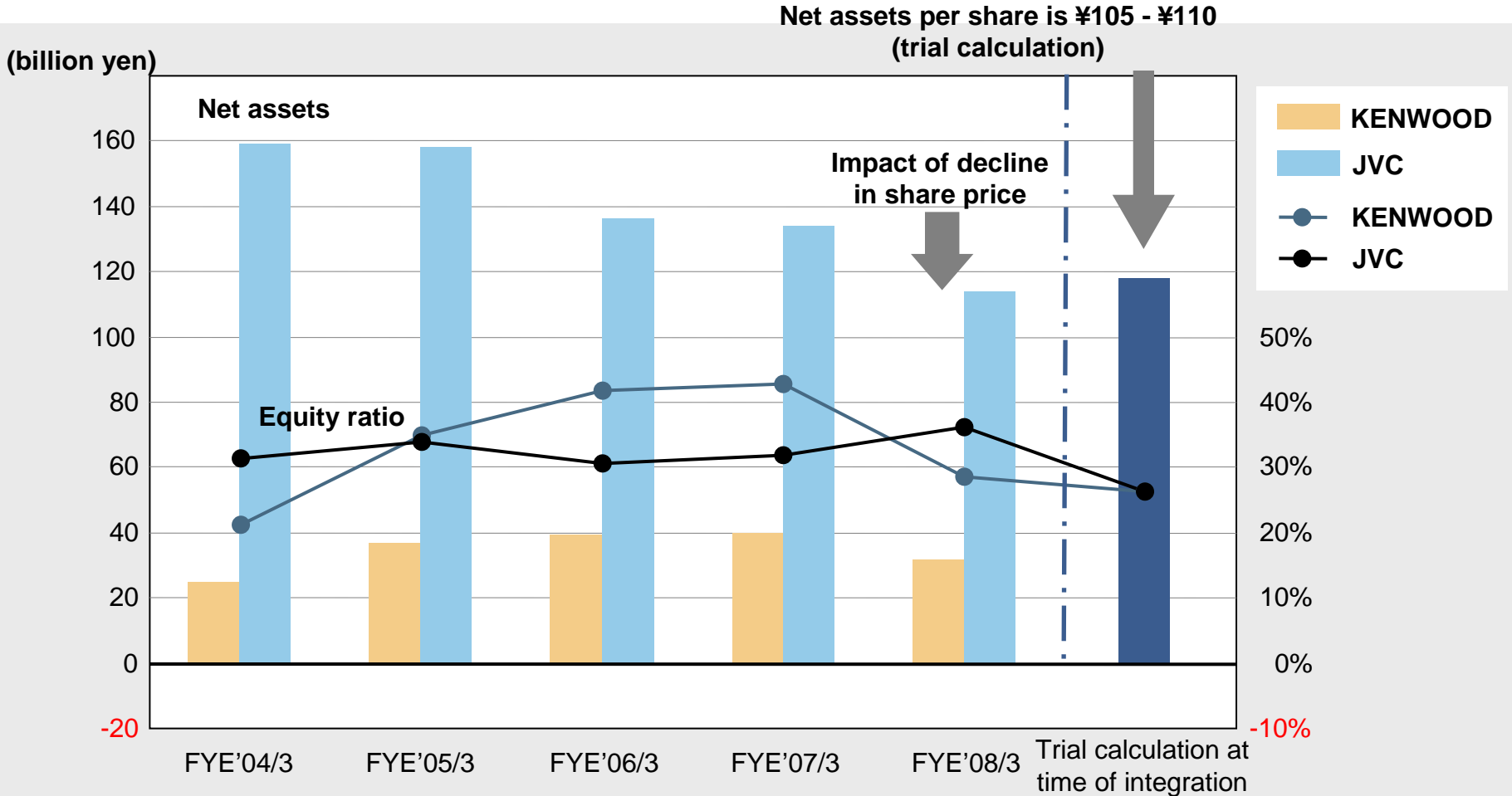
Lack continuity with the combined past results of both companies (Purchase Accounting)

FYE'09/3 Results for JVC KENWOOD HD **lack continuity with the combined results of both companies** up to 1st half of FYE'09/3

FYE'11/3 Target - Net sales: (net method) ¥750 billion, Operating profit ratio: 5.2%



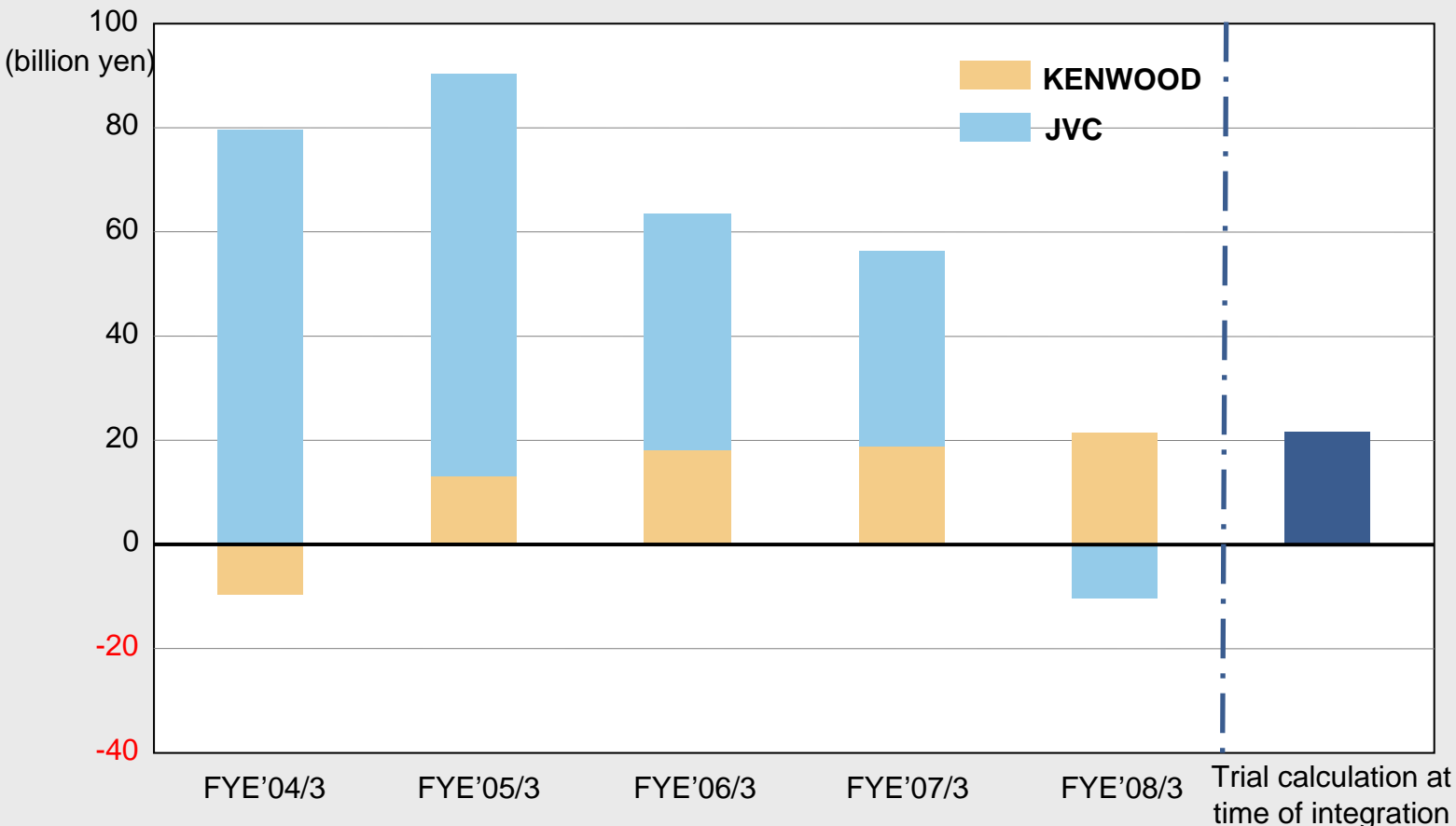
**Net assets will be positive for both companies.  
Maintain equity ratio at level near 30%**



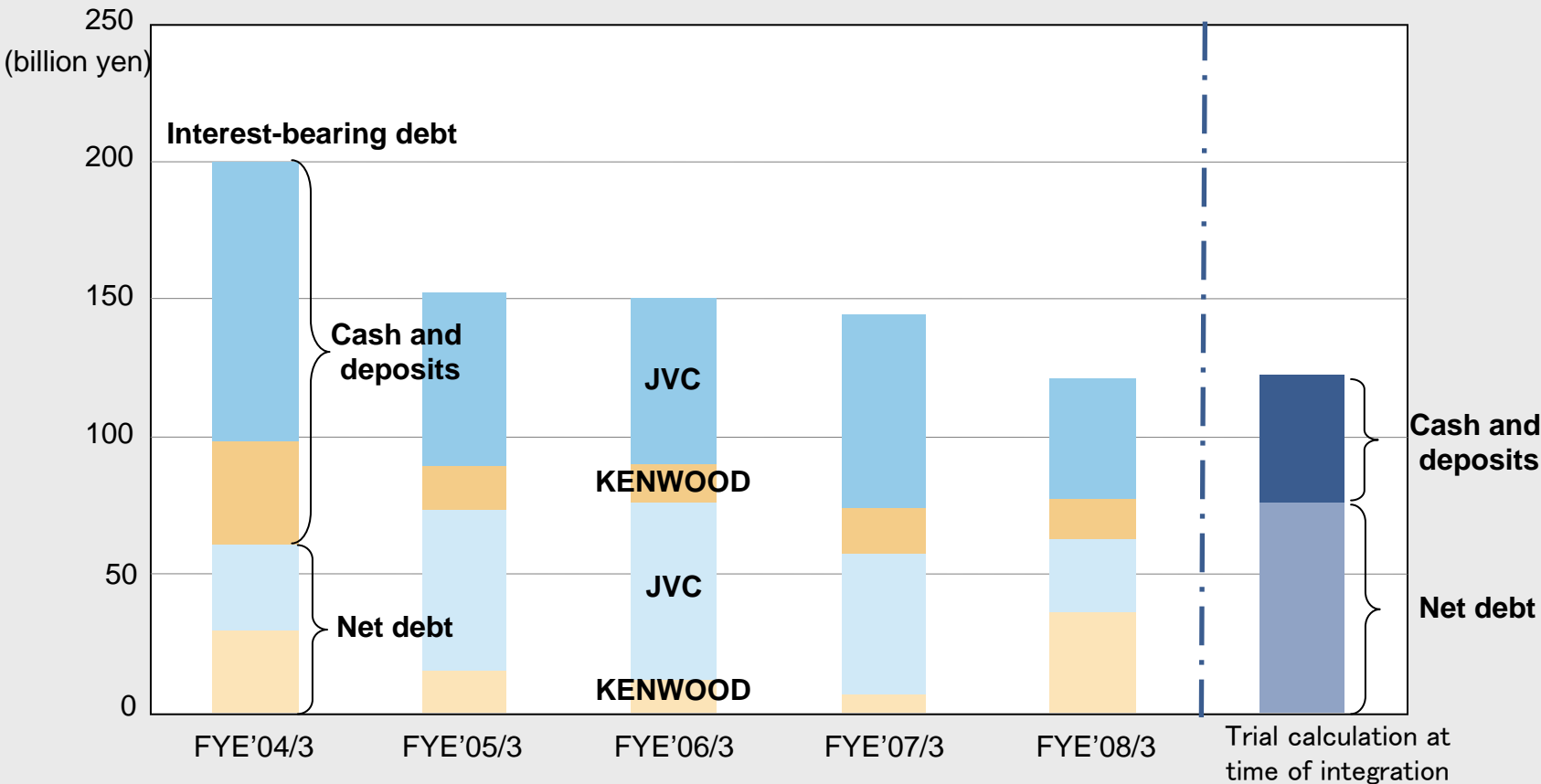


Resulting from the effect of Purchase Accounting, retained earnings use KENWOOD's standard

Loss carried forward for JVC is not incorporated into Balance Sheet



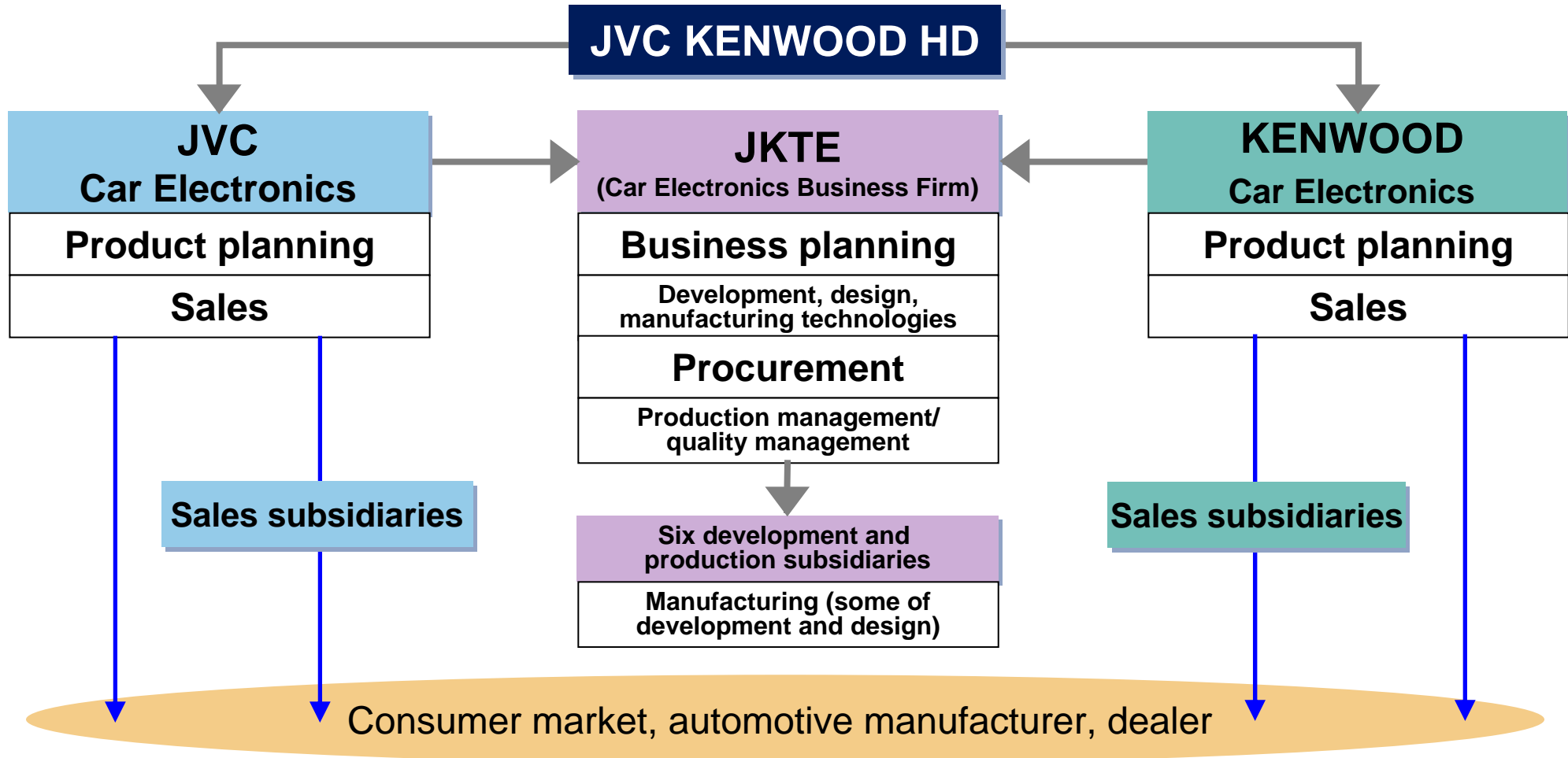
Interest-bearing debt increased slightly in 1st half of FYE'09/3 but still holding to the declining trend of recent years.



# Management Policies

## Car Electronics Business System of Operation

Strive to maximize **synergies** at early stage centering on **JKTE**

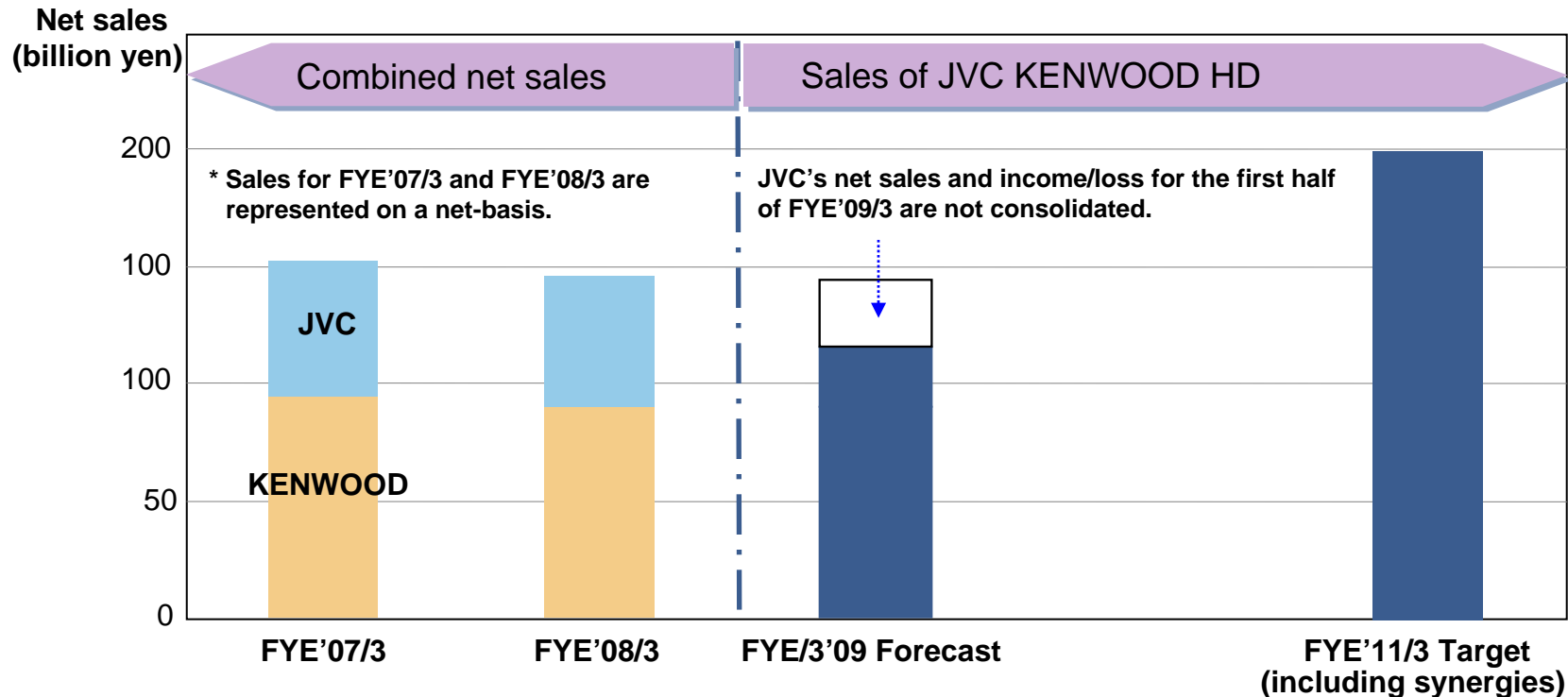


# Management Policies

## Car Electronics Business Strategy

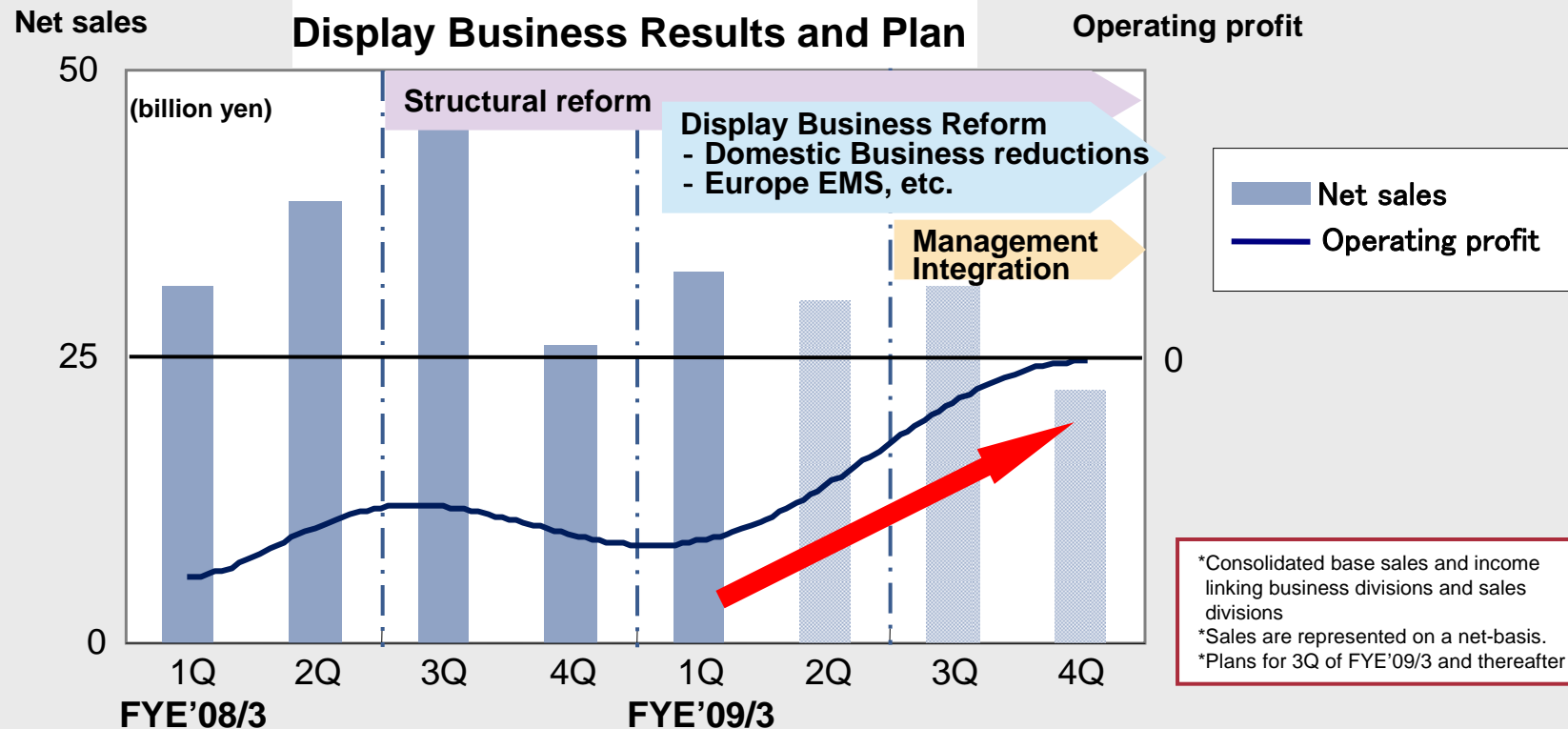
We will strive for growth in our largest segment by sales through synergies

- \* In Consumer Car Audio business, expand market share in primary markets in the US, EU and Japan
  - Further enhance business strategies as global leader
- \* Expand sales of navigation systems in collaboration with Garmin in Consumer Car Multimedia business
  - Expand and improve car navigation systems lineup making use of joint development of navigation engine at JKTE



We will **strive to pull Display Business in the black** through far-reaching reforms

- ❑ Business in Japanese market, the lowest in profitability, is cut back broadly.
- ❑ Improve manufacturing added value by turning to EMS in the EU and accelerating collaboration with Funai Electric Co., Ltd.
- ❑ Inject unique products with high-premiums utilizing our independent technologies



## 3. Forecast of FYE'09/3

- \* FYE'09/3 Forecast for JVC KENWOOD HD **lack continuity with the combined results of both companies up to 1st half of FYE'09/3** as a result of Purchase Accounting
- \* As a result of change of accounting policies (integration into net method), **net sales amount decreases** but return on sales will increase
- \* **Non-operating profits increase** due to negative goodwill
- \* **Predicted tax payment amount decreases** from applying consolidated tax payment system.

(Billion yen )

Net sales	Operating profit (operating profit ratio)	Ordinary profit (ordinary profit ratio)	Net income (net income ratio)
400	12.5 (3.1%)	7.5 (1.9%)	5.0 (1.3%)

## FYE'09/3

Year-end dividend will be passed over to concentrate on growth and creation of corporate value, including building of a new foundation for corporate survival and realizing synergies through management integration.

## FYE'10/3 and afterwards

JVC Kenwood Group considers stable distribution of profits one of its major managerial issues and will comply with the basic policy of determining dividends from surplus and other dispositions from the overall perspective of its profitability and financial conditions.

**Reference:** Interim dividend for the year ending March, 2009  
(before management integration)

**KENWOOD:** ¥2 (same amount as yearly-dividend for the previous term)

**JVC:** No dividend



# JVC KENWOOD HOLDINGS

[www.jk-holdings.com](http://www.jk-holdings.com)

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