

JVC Kenwood Group Action Plan for Reconstructing the Corporate Base Medium-term Management Plan

from FYE3/'11 to FYE3/'13

JVC KENWOOD Holdings, Inc.
Haruo Kawahara, Chairman, President and CEO
May 28, 2010

Completed implementing principal measures for structural reforms concerning unprofitable businesses at the end of March 2010.

>> Expected to return to profit at the Operating profit level for FYE3/'11

Shifting to growth from structural reform in a struggle for survival by carrying out **action plan for restructuring its corporate base** successfully.

>> Returning all businesses to profitability is within sight.

Aiming to return to profit at the ordinary income level for FYE3/'11.

Working on executing the **Medium-term Management Plan** based on the restructured corporate base with the aim of **resuming dividend payment at an early date**.

>> Returning to profit at the net income level in FYE3/'12

Returning all businesses to the black for FYE3/'13

Purpose of formulating the Medium-term Management Plan

Abbreviations

CE: **Car Electronics**

BB: **Professional Systems**

COM: Communications, BS: Business solution

HM: **Home& Mobile Electronics**

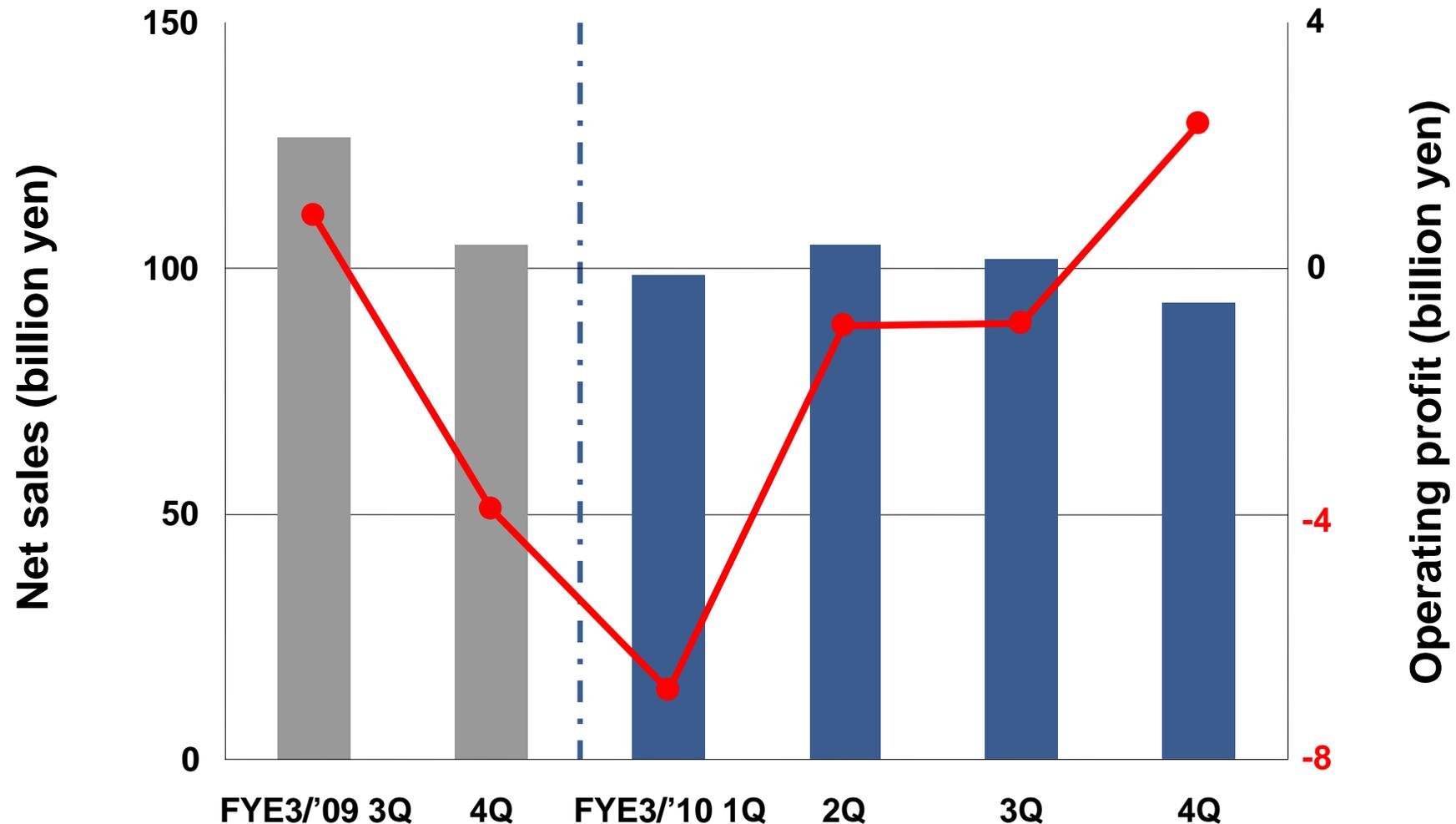
DP: Display, CAM: Camcorder, HA: Home Audio, AVC: AVC accessory

SE: **Entertainment**

Looking back on FYE3/'10

In FYE3/'10, we implemented the Business Structural Reform Action Plan that focused on improving profit and loss of unprofitable businesses with the Car Electronics Business and Land Mobile Radio segment positioned as earnings bases.

We completed implementing principal measures by the end of the fourth quarter of FYE3/'10 and returned to the black at an operating level in the fourth quarter for the first time on a quarterly basis since the third quarter of FYE3/'09.



Looking back on FYE3/'10

Progress in and results of Business Structural Reform Action Plan formulated in October 2009

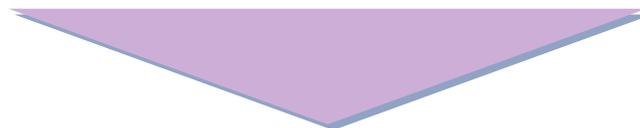
1. Home & Mobile Electronics (DP, CAM)

- 1) Structural reform in Europe – Completed at the end of 4Q of FYE3/'09
(Profit/loss improvement effects of 3 billion yen – These effects are included in the profit/loss improvement effects in each business.)
- 2) Structural reform in DP business – Completed at the end of 4Q of FYE3/'09
(Profit /loss improvement effects of 4 billion yen)
- 3) Structural reform in CAM business (Profit/loss improvement effects of 3 billion yen)

2. Professional Systems (mainly in BS business)

(Profit/loss improvement effects of 1 billion yen)

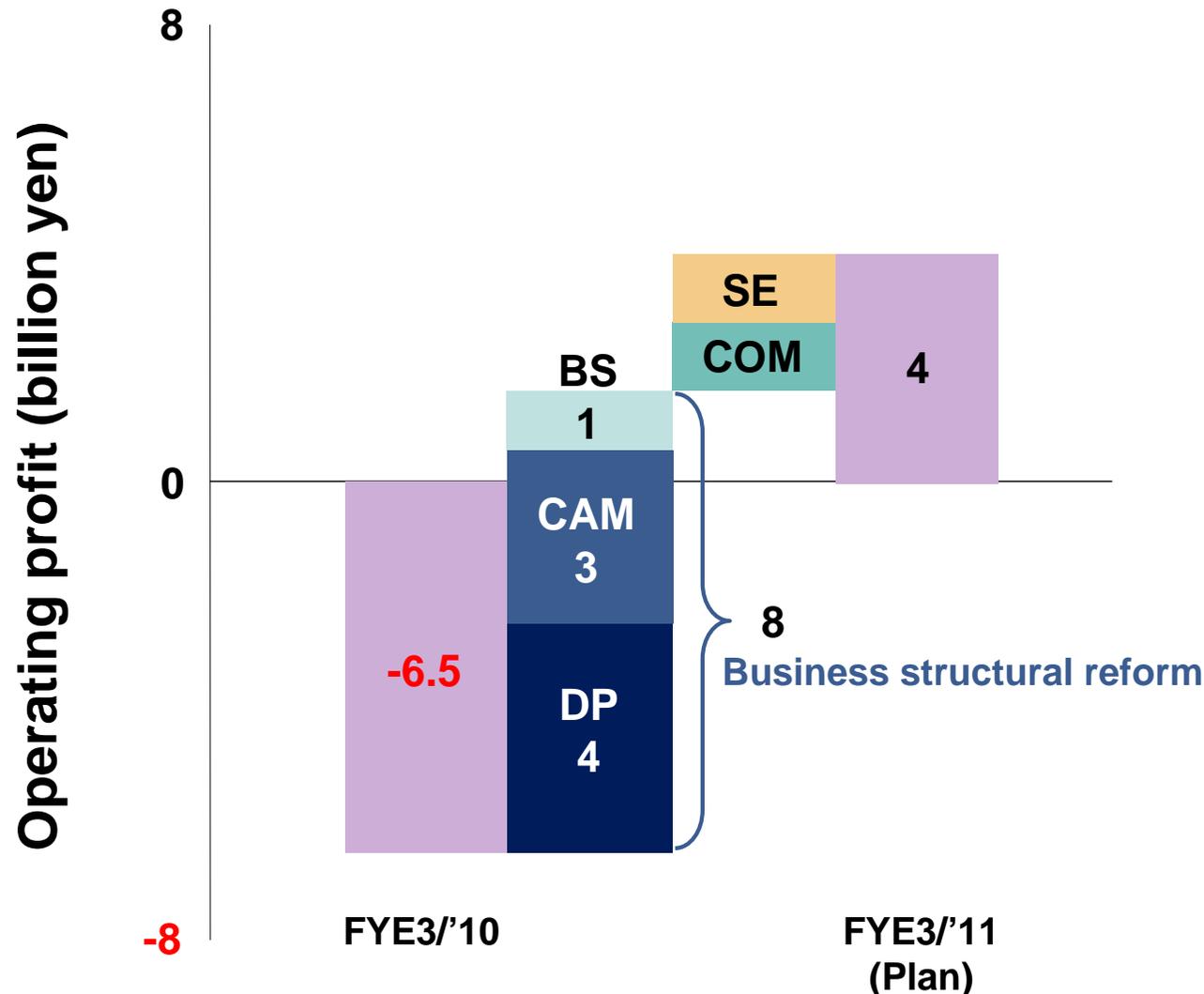
- 1) Reorganization of BS business system.
- 2) Enhancing Solutions business system.
- 3) Reorganizing the production system in BS business.



Expecting to achieve **profit/loss improvement effects of 8 billion yen** in total of 3 businesses in FYE3/'11.

Earnings forecast for FYE3/'11

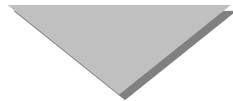
We expect to return to profit on an operating level on a full-year basis in total of unprofitable businesses (DP, CAM and BS business segments) in FYE3/'11 due to the profit/loss improvements effect of 8 billion yen achieved as a result of the Business Structural Reform Action Plan implemented in FYE3/'10.



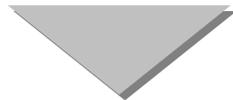
* Profit/loss improvement effects by business segment are based on the new segmentation described on p.19.

Purpose of formulating the Medium-term Management Plan

However, it is essential that we implement stepped-up measures to reconstruct the corporate base and make it appropriate for the current sales size. This will be based on downsizing some of the businesses such as DP business due to changes in the economic environment, exchange-rate fluctuations and structural reforms. We must return to profit at the ordinary income and net income levels, and shift the focus to growth from structural reforms in a struggle for survival.



Action Plan for restructuring of the corporate base



We will work on the **Medium-term Management Plan** based on the reconstructed corporate base and aim at resuming dividend payment at an early date by restructuring and enhancing corporate values.

Action Plan for Reconstructing the Corporate Base

In addition to the effects of Business Structural Reform Action Plan implemented in the previous fiscal year (profit/loss improvement effects of approximately 8 billion yen), we expect to generate the additional effects of about 10 billion yen/year eventually by working on the following various measures.

(1) Reform of unprofitable operations – Toward returning all businesses to the black

1) DP - Conversion of business model (Splitting up of business and promoting partnership strategy)

- * Converting the business model by promoting a fables structure.
- * Splitting up and transferring the business head office function to its plant in Thailand.
- * Promoting partnership strategy >> Utilizing the brand power, product planning and developing capability and sales networks.

2) CAM - Reform of competitiveness (Shifting to overseas production and outsourcing)

- * Reorganizing the production system by terminating production in domestic plants and increasing outsourcing of production.
- * Strengthening the sales capability and reforming costs by reorganizing sales companies mainly in Europe and boosting sales by developing new markets.
- * Reinforcing cost competitiveness and product competitiveness and enhancing our presence in the market, which is currently the second largest in the world, by developing products of new categories.

3) BS - Integrating operation with COM business of Kenwood

- * Promoting new multimedia solutions, consolidation of sales activities, mutual use of sales channels and bases and shared procurement of materials through integrated operation.
- * Pressing ahead with business creation in new growth markets such as the public safety market and the security market, as well as development of emerging markets.
- * Expanding sales and improving the cost structure by reorganizing the production system and increasing the rate of in-house production.

Action Plan for Reconstructing Corporate Base

(2) Reconstructing the global operation system

1) Sellout and reallocation of the Head Office (announced May 28, 2010)

* Selling the Yokohama Head Office and promoting integrated operation and cost reduction by reallocating the head office function.

2) Reorganizing the production system

	Yokosuka Plant of JVC	Malaysia Plant of JVC	Thai Plant of JVC
Current status	<ul style="list-style-type: none"> • Camcorder (for domestic market) • BS products (commercial AV equipment) • Projector 	<ul style="list-style-type: none"> • Camcorder • Home audio 	<ul style="list-style-type: none"> • Display • BS products (commercial AV equipment)
Reorganization	Terminating production of camcorder (1H FYE3/'11) Transferring production to Malaysia	Terminating production of home audio (by the end of FYE3/'11) Producing part of BS products	Transferring outsourcing of BS products Transferring to Malaysia
After reorganization	Production plants for BS and projector	Dedicated plant for production of camera-related products	Display Business Headquarters and dedicated plan for display related products

Action Plan for Restructuring Corporate Base

3) Reviewing human resources framework

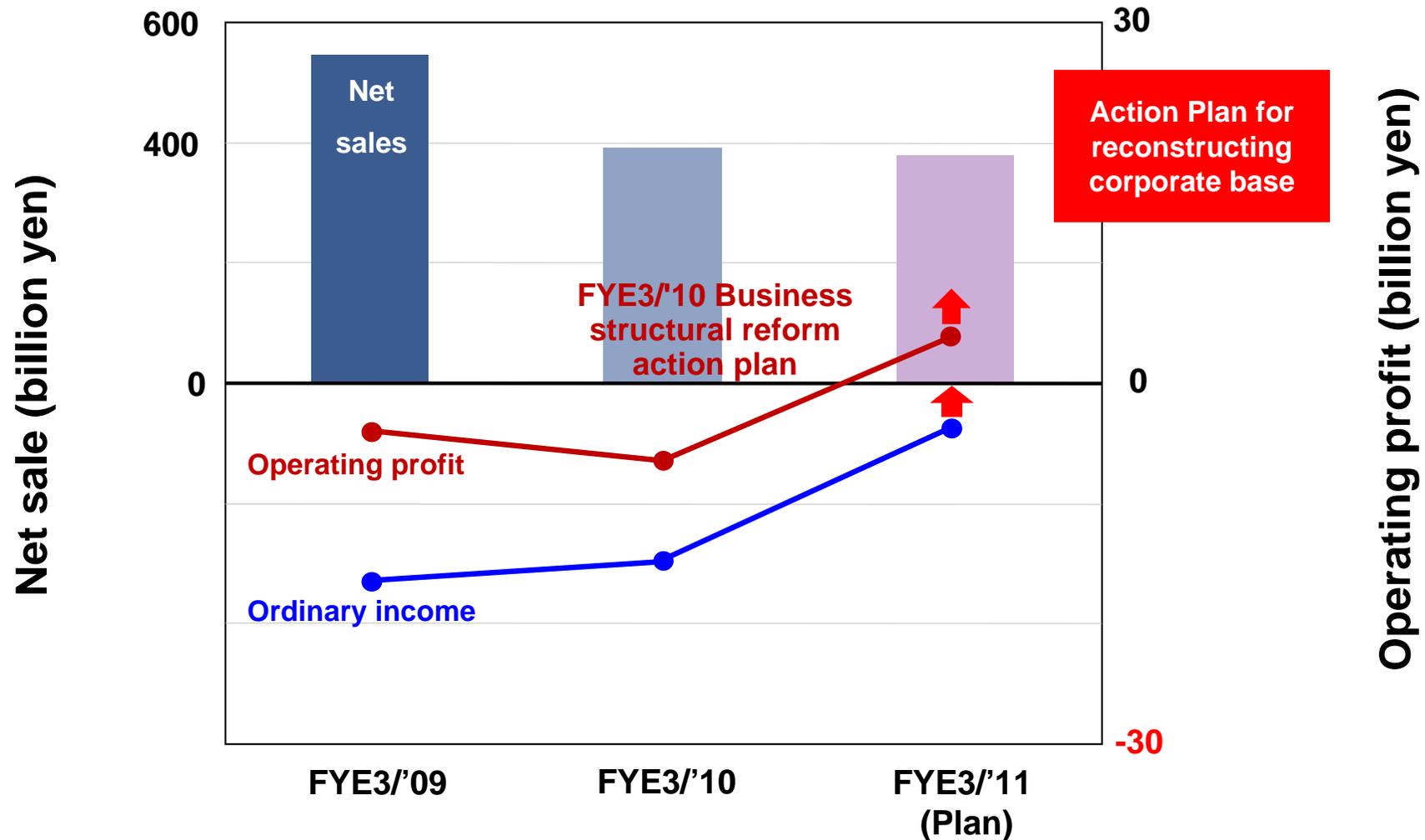
- * Implementing reallocation, employment transfer and reduction of a thousand and several hundred employees across the Group companies in Japan and overseas altogether.
(Making a decision in accordance with the progress of production system reorganization and integration of operation and implementing the measure in stages.)

(3) Increasing cash flows and reducing total assets

- * Advancing sale of fixed assets to increase cash flows and reduce total assets.
- * As part of efforts for the above, advancing sale of office buildings, warehouses and other fixed assets of sales companies in Europe and the U.S.

Action Plan for Reconstructing Corporate Base

Creating prospects for returning all businesses into the black and aiming to return to profit at the ordinary income level in FYE3/'11.



* JVC's operating results for 1H of FYE3/'09 are consolidated in the operating results for FYE3/'09.

Medium-term Management Plan

**Aims to establish a new position
as a manufacturer specialized
in Japanese audio visual products**

Note: In the business segmentation for financial statements for FYE3/'10, patent revenue and profit/loss related to the business incubation business were included in the “Others” segment while patent revenue is allocated to each business and profit/loss related to the business incubation business is transferred to the “Professional Systems Business” segment under the new business segmentation. Profit/loss in this material is based on this new business segmentation. JVC’s operating results for FYE3/'09 are consolidated in the operating performance for FYE3/'09.

Medium-term Strategies

Medium-Term Strategies - Reconstructing earnings bases and resuming dividend payment at an early date

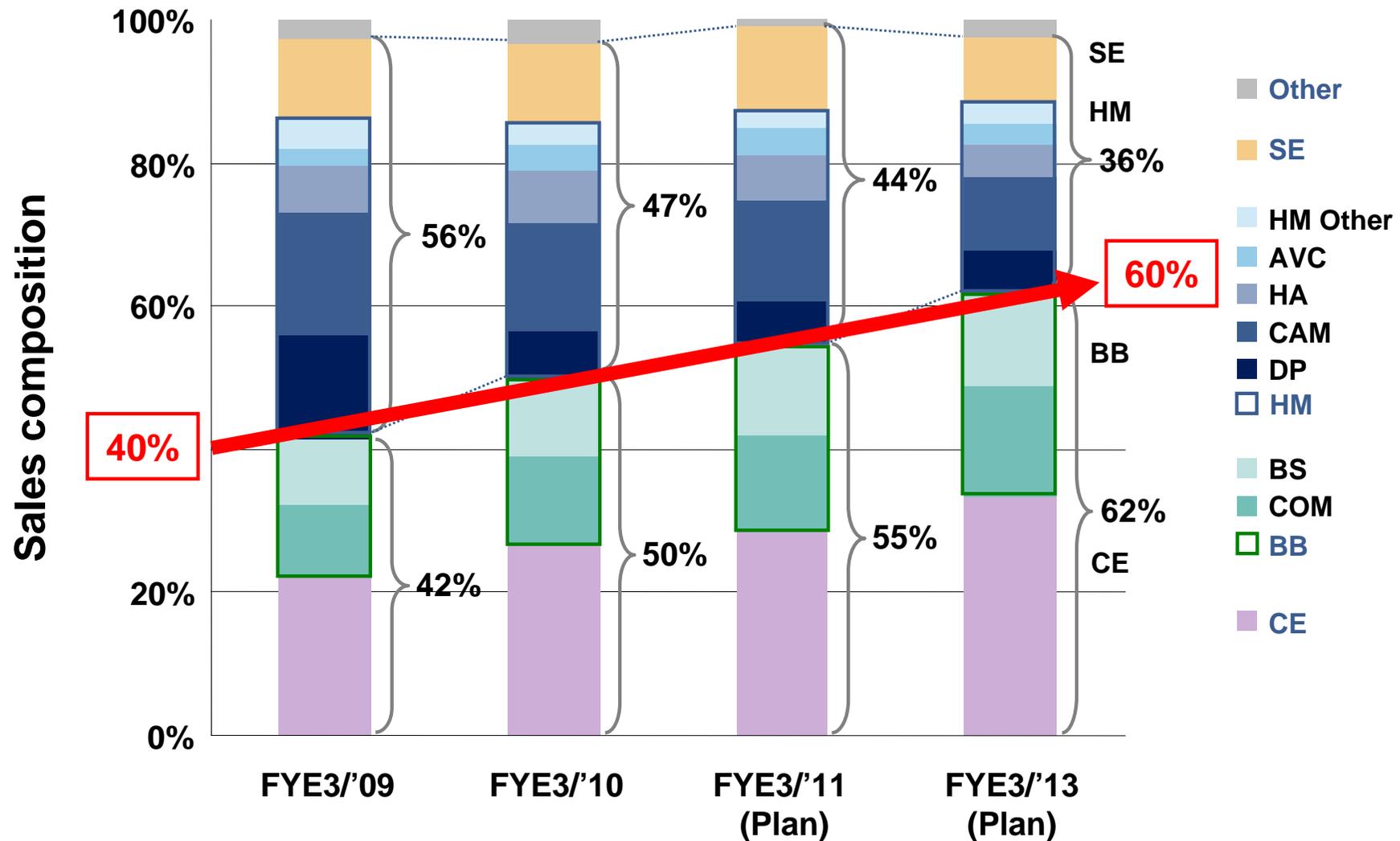
- 1) Focusing efforts on businesses with a competitive advantage to aim at achieving integration effects and profitable growth in emerging markets.
 - * Expanding the sales composition ratio to the total of the Car Electronics Business and Professional Systems Business from 40% at the time of management integration to 60% or higher (see note) and aiming to achieve Operating profit of 13 billion yen (see note).
- 2) Converting the business models of Consumer Electronics Business and Software Business to make the businesses profitable.
 - * We will incorporate the effects of the Business Structural Reform Action Plan (profit/loss improvement effects of 8 billion yen annually), which was completed in the previous fiscal year, and the effects of Action Plan for Reconstructing Corporate Base, and aim to generate Operating profit of 1.5 billion yen (see note) in total of the Home & Mobile Electronics Business and the Entertainment Business.

Note: Target for FYE3/'13 (the final year of the Medium-term Management Plan)

Medium-term Strategies

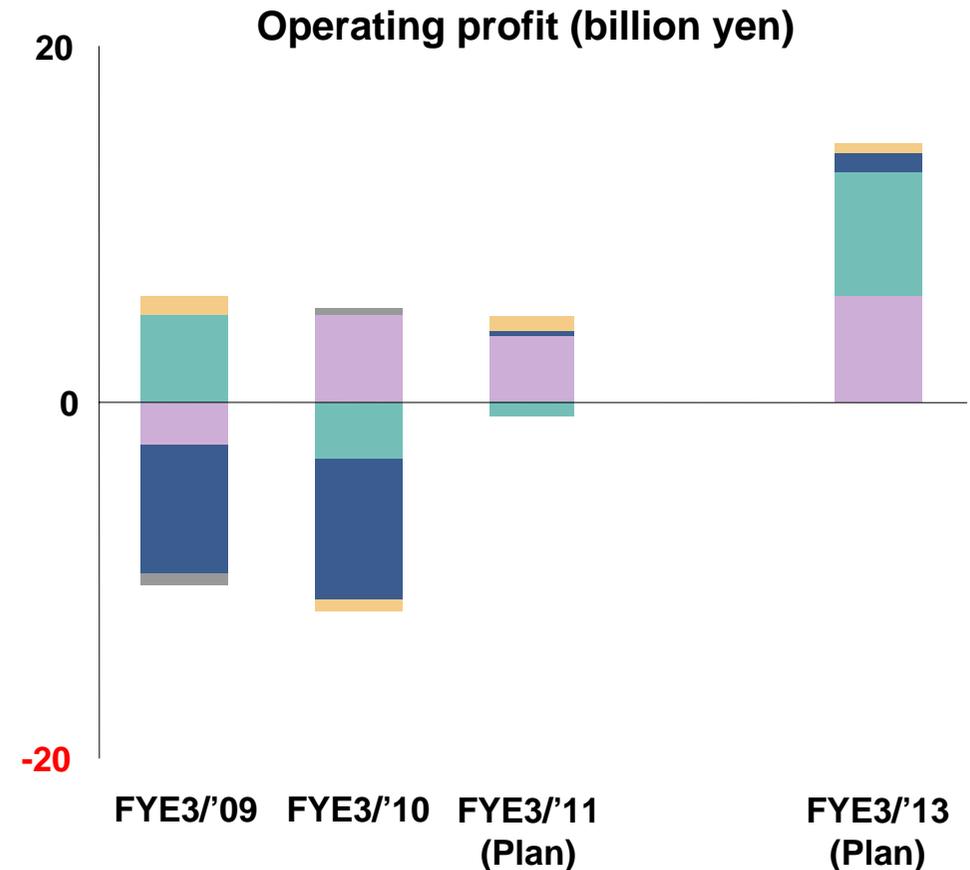
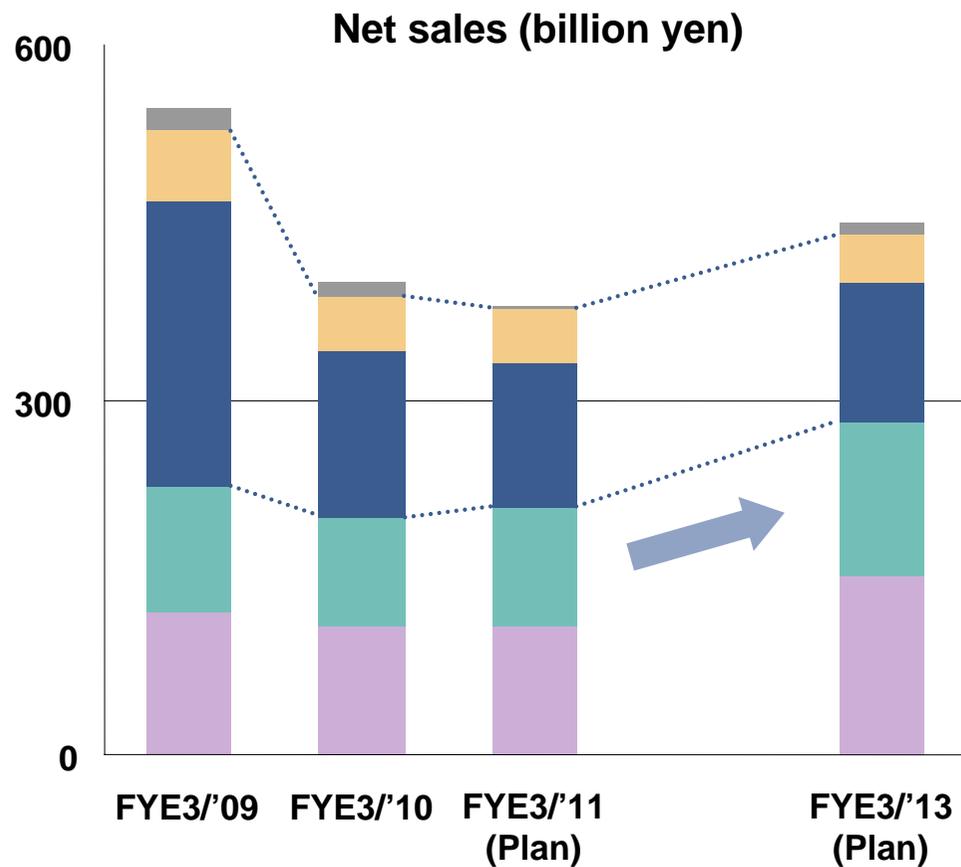
Converting the business portfolio (sales composition)

Concentrating efforts on businesses with competitive advantage:
From the consumer segment to the in-car/professional segment



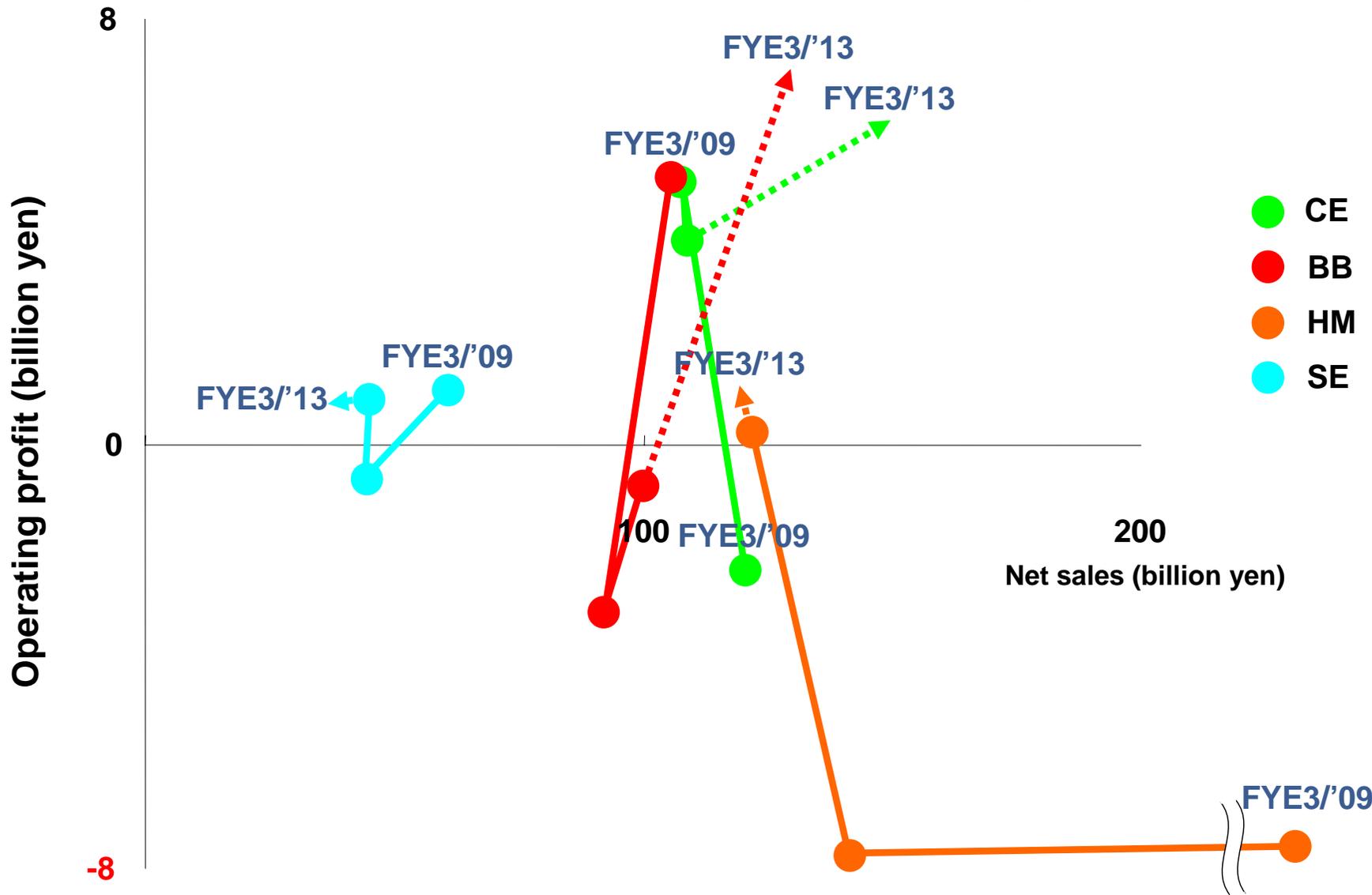
Medium-term Strategies

Converting the business portfolio (Net sales/Operating profit)



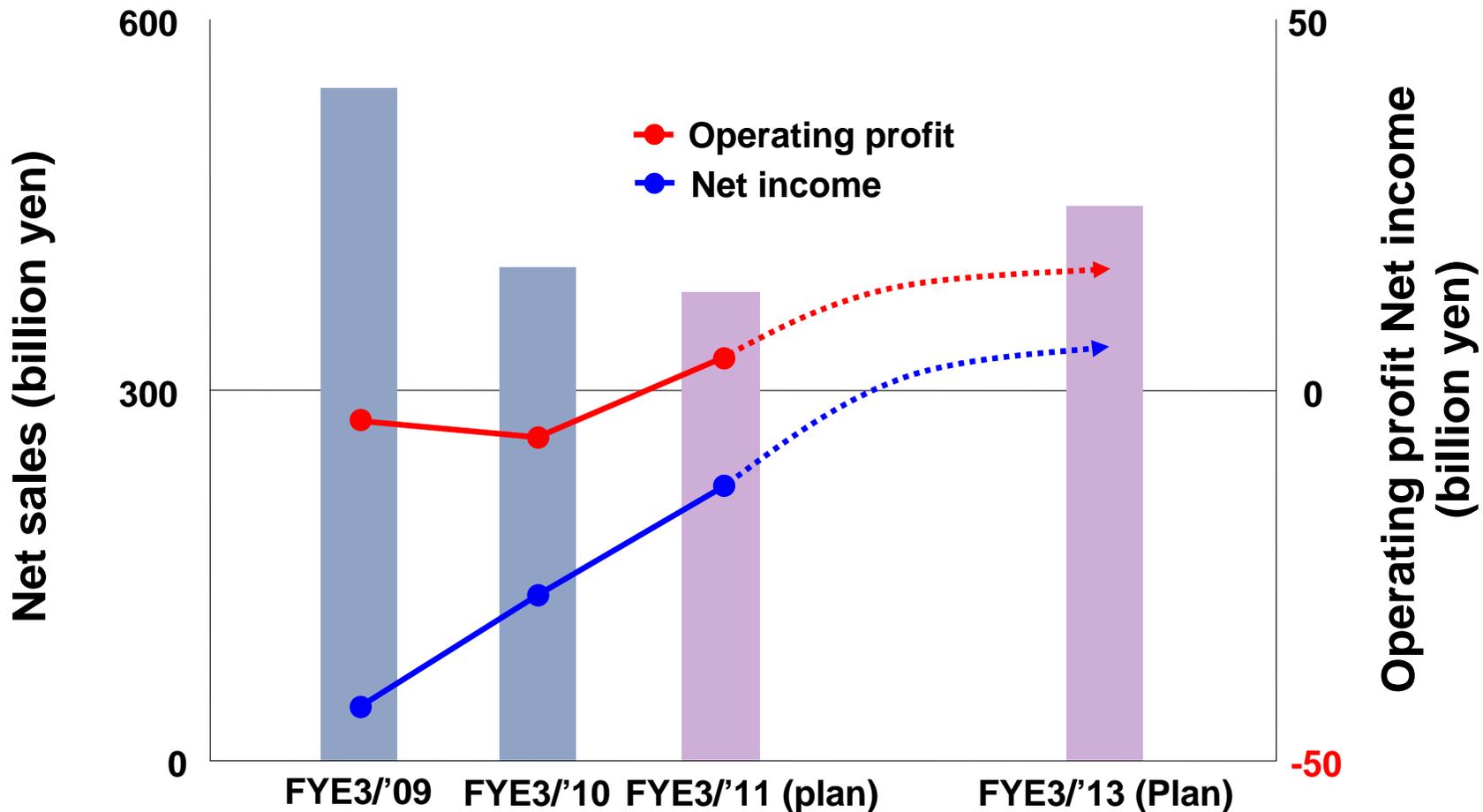
CE BB HM SE Other

Changes in earnings by segment (FYE3/'09 >> FYE3/'10 >> FYE3/'11 >> FYE3/'13)



Medium-term management plan **Medium-term target**

- * Fiscal year ending March 2011 Post an ordinary income
- * Fiscal year ending March 2012 Post a net income
- * Fiscal year ending March 2013 Post net sales of 450 billion yen, Operating profit of 14.5 billion yen (return all businesses to the black), and net income of 4.5 billion yen
- * In addition, we aim to start paying dividends during the period of the medium-term management plan.
- * The extraordinary loss due to the sale of fixed assets and reform of unprofitable operations which we expect to conduct in the first half of the fiscal year ending March 2011 are taken into consideration. However, other impacts or effects of measures under the corporate base reconstruction action plan or medium-term management plan are not considered.



Medium-term management plan **Target by segment**

(billion yen)

Segment		(Reference) FYE3/'10 (New segmentation)	(Reference) FYE3/'11 Earnings forecast	FYE3/'13 Target	Change
Car Electronics + Professional Systems	Net sales	200.3	200-210	280	Annual growth of app.16%
	Operating profit	1.7	3	13	+10
Home & Mobile Electronics + Entertainment	Net sales	186.7	160-170	160	-0-10
	Operating profit	(8.5)	1	1.5	+0.5
New operation/Other	Net sales	11.7	3-5	10	+5-7
	Operating profit	0.5	0	0	-
Total	Net sales	398.7	380	450	Annual growth of app.9%
	Operating profit	(6.5)	4	14.5	+10.5
	Ordinary income	(14.8)	(3.5)	7.5	-
	Net income	(27.8)	(13)	4.5	+17.5

Note: For the fiscal year ended March 2010, patent revenue and profit/loss related to the business incubation business were included in the "Other" segment. However, for the fiscal year ended March 2010 (new segmentation), patent revenue was allocated to each business and profit/loss related to the business incubation business was transferred to the "Professional Systems Business" segment. For the fiscal year ending March 2011 and thereafter, they are classified in the same manner.

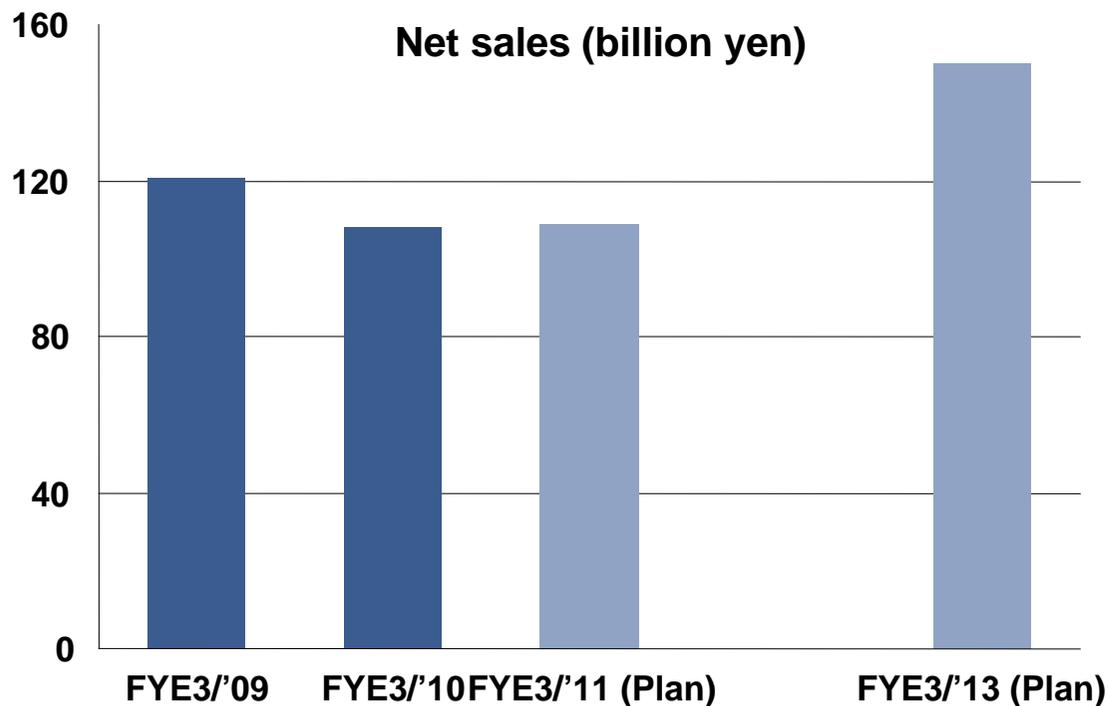
Business strategies and target - Car Electronics

Consumer

- * Actively developing the emerging markets including those in Brazil, India and China
- * Enforcing the car navigations systems commercially available in Japan by taking advantage of the effect of consolidation

OEM

- * Increasing the number of orders received in Japan and overseas for car navigation systems which are genuine or installed optionally by dealers
- * Increasing the number of orders for CD/DVD mechanisms by taking advantage of synergistic effects of Kenwood and JVC



Integrated navigation system manufactured by Kenwood and JVC for the first time (for Japanese consumers)

Memory navigation systems for overseas consumers developed in cooperation with Garmin



CD receiver for overseas consumers



Business strategies and target - Professional Systems

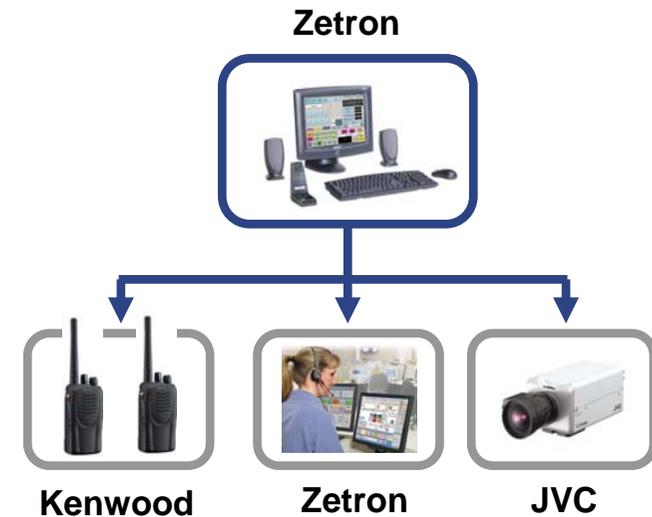
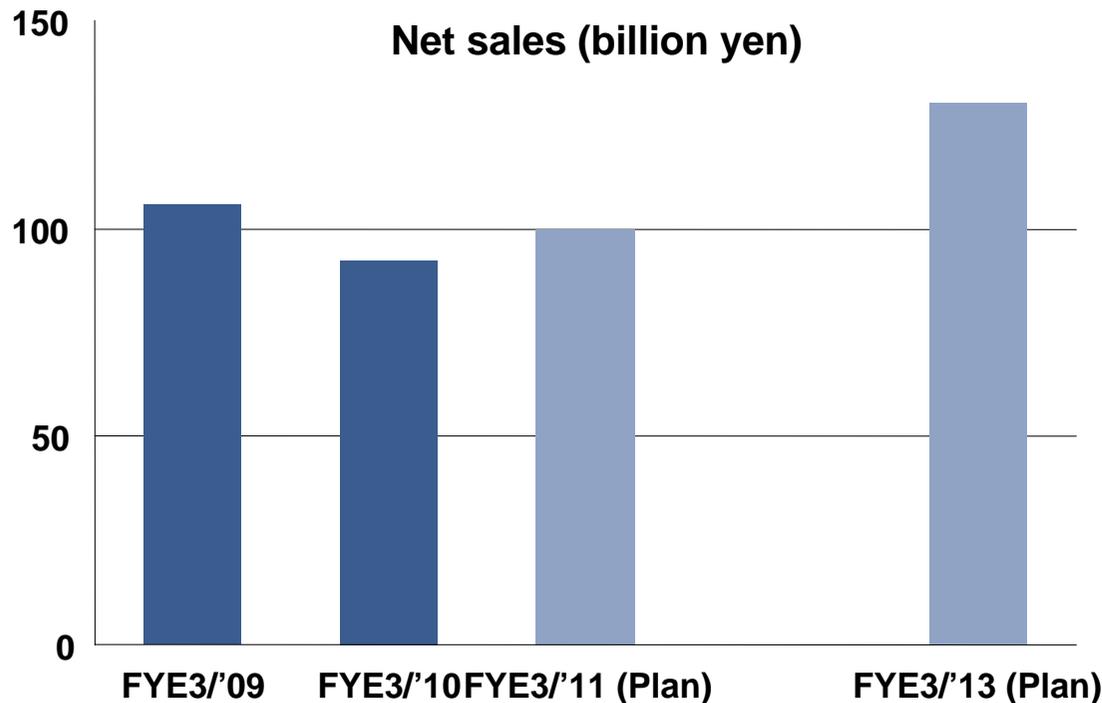
Consolidated operation of Kenwood's COM and JVC's BS, creation of business in the public safety and security market

COM – Second place in the world

- * Expansion of Digital Land Mobile Radios
- * Expansion of business region from supply of radio terminals to supply of system solutions
- * Expansion of business in Japan, China, Asia and Europe

BS

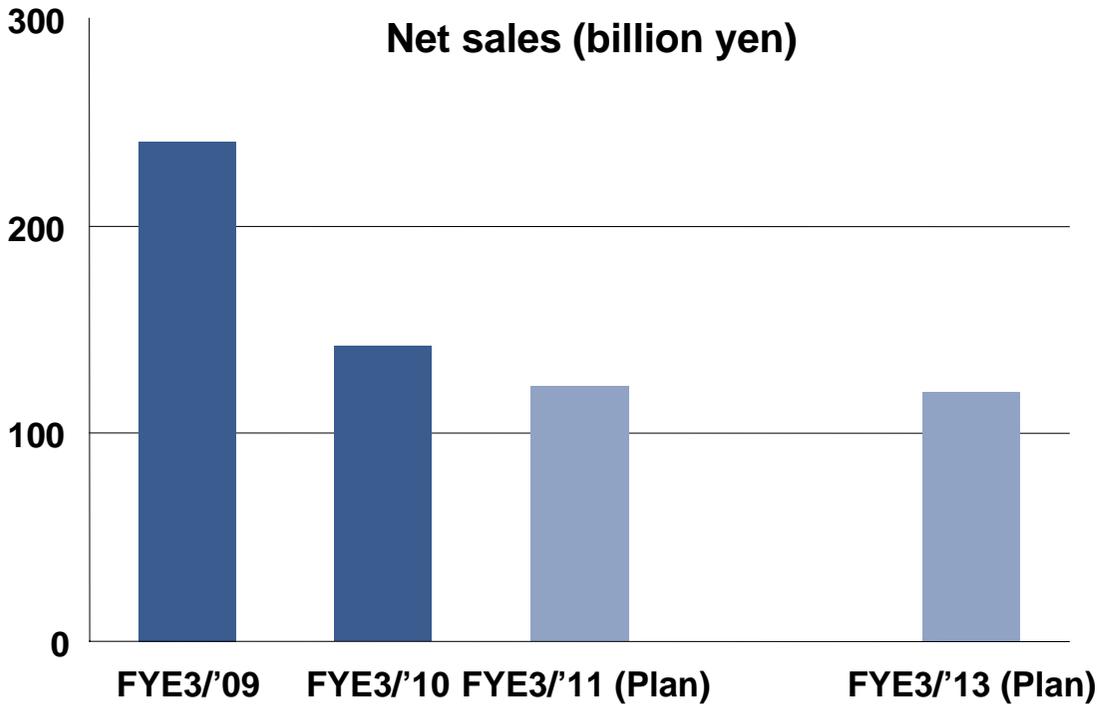
- * Shift from individual hard business to solution business
- * Expansion of business in Japan and deployment of business in the U.S. and Europe
- * Expansion of business with a view to cooperation and alliance with other companies



Business strategies and target - Home & Mobile Electronics

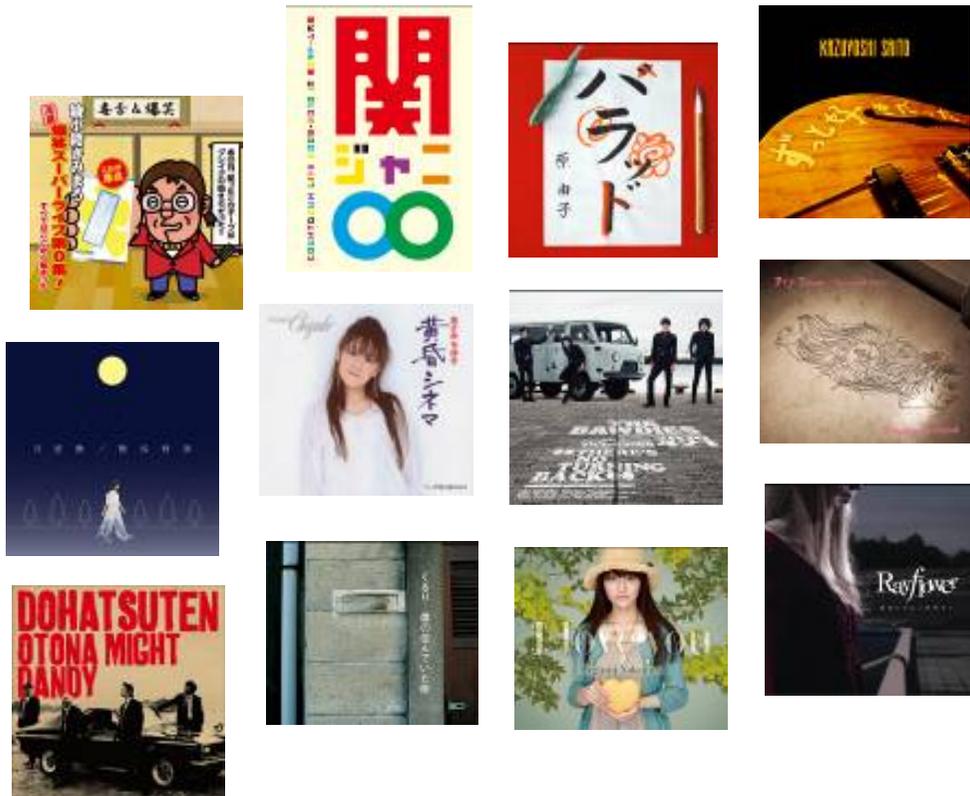
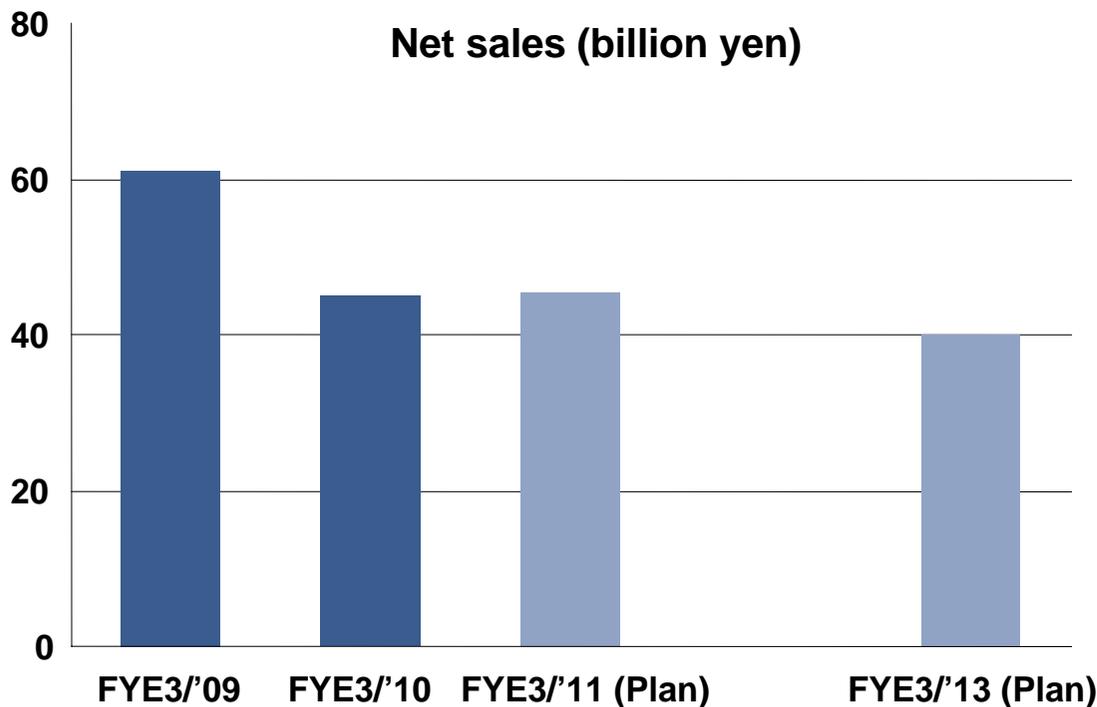
Aiming for new development by promoting a fabless structure and partnership strategy

- DP** Partnership strategy taking advantage of power of brand, product planning and development ability, and sales network
- CAM** Reinforcing cost competitiveness and product competitiveness and enhancing our presence in the market by developing products of new categories
- HA** Shifting investment from existing categories to new categories
- AVC** Expanding into unexplored overseas market and strengthening domestic market



Business strategies and target - Entertainment

- * Business expansion and enhancement by spotting and fostering new talents
- * Realizing comprehensive entertainment which corresponds to diversification of media such as music distribution



- * Releasing and commercializing products such as Home AVC which offers new lifestyle, tuners supporting new network services and mobile AV, and promoting development of next-generation products
- * Strengthening efforts for new business by taking advantage of acoustic technique

Fusion of audio and video
Home AVC



Supporting new network services
Tuner Box



New network services



Financial and capital strategies

Financial and capital strategies

- * Improving earnings by recovering and strengthening business, improving current balance by decreasing interest-bearing debts and minimizing extraordinary loss as a result of completion of structural reform
- * Improving cash flows by reducing inventories and accounts receivable



**Advancing the reform of interest-bearing debts
by implementing these strategies**

- * Aiming to enhance the base toward expansion of corporate value through share consolidation and making an effort toward capital adequacy

Dividend policy – Starting paying dividends at an early stage

- * Aiming to post net income and start paying dividends at an early stage of the medium-term management plan

Advancing study of early integration of operating companies toward optimization of group management and maximization of integration effects

JVC KENWOOD Holdings, Inc.

Chairman, President and CEO

Representative Director, in charge of management and finance reforms and Deputy President

Director, in charge of group management renovation

Director, CFO and in charge of Management Strategy

Representative Director, Kenwood

Representative Director, JVC

Director, President and Representative Director of J&K Car Electronics

Director (External director)

Director (External director)

Haruo Kawahara (Reappointed)

Kazuo Shiohata (Incumbent director)

Hiroshi Odaka (Reappointed)

Hisayoshi Fuwa (Newly appointed)

Kazuhiro Aigami (Reappointed)

Yuta Ito (Newly appointed)

Shoichiro Eguchi (Newly appointed)

Koji Kashiwaya (Reappointed)

Nobuo Seo (Newly appointed)

JVC

President and Representative Director
Yuta Ito (Reappointed)

*Representative Director
Hiroshi Odaka (Newly appointed)

*Concurrently serving as Director of the Board
of JVC Kenwood

J&K Car Electronics

President and Representative Director
Shoichiro Eguchi
(Inc. Executive Managing Director)

Kenwood

President and Representative Director
Kazuhiro Aigami (Reappointed)

*Representative Director
Kazuo Shiohata (Reappointed)

*Concurrently serving as Director of the Board
of JVC Kenwood

JVC KENWOOD HOLDINGS

The logo graphic consists of two thick, curved, parallel lines that sweep upwards and to the right, positioned to the right of the company name.

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