

Translation for Reference Only

JVC KENWOOD

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Management Strategy Briefing

JVC KENWOOD Corporation

September 26, 2011

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JVC KENWOOD Corporation

Agenda

1. Merger

2. Management policy

3. Business strategy by segment

Car Electronics Business (CE)

Professional Systems Business (PS)

Home & Mobile Electronics Business (HM)

Entertainment Business (SE)

1. Merger

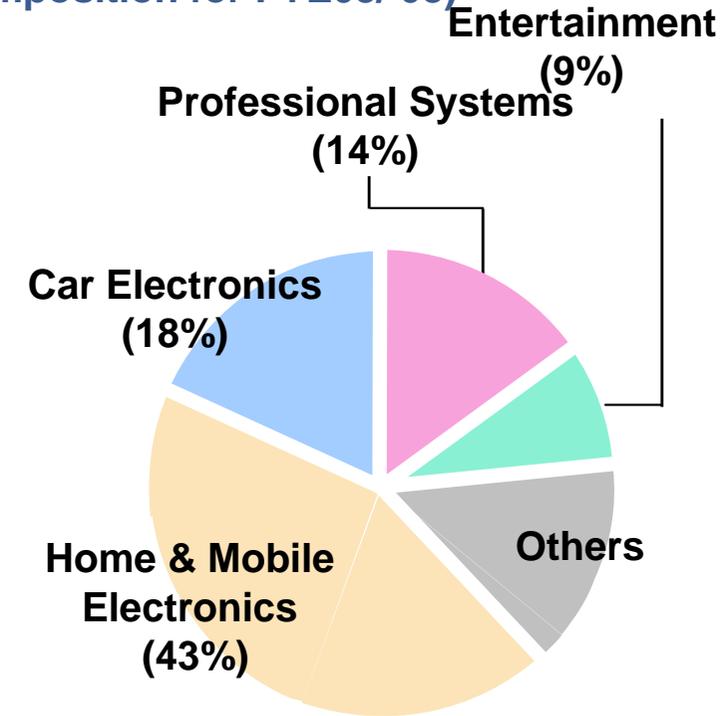
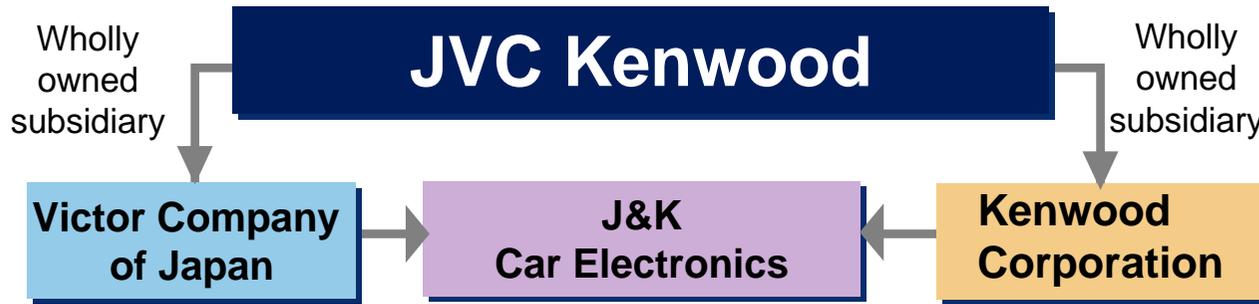
Haruo Kawahara

Chairman, Representative Director of the Board

Merger - To be an integrated company both in name and reality

JVC Kenwood will merge the three operating companies by absorption effective Oct. 1, after confirming they have revived.

(Sales composition for FYE03/'08)

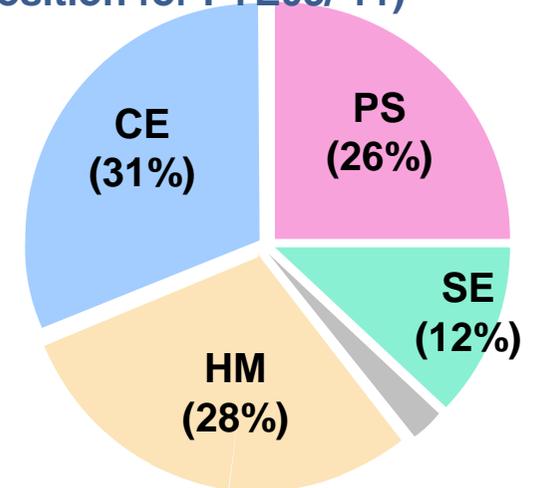


Reorganization of the structure from operating companies to business groups by segment

JVC KENWOOD

- Well-balanced structure by business segment; making all segments profitable
- Centering on world's top level of CE consumer sector and PS

(Sales composition for FYE03/'11)

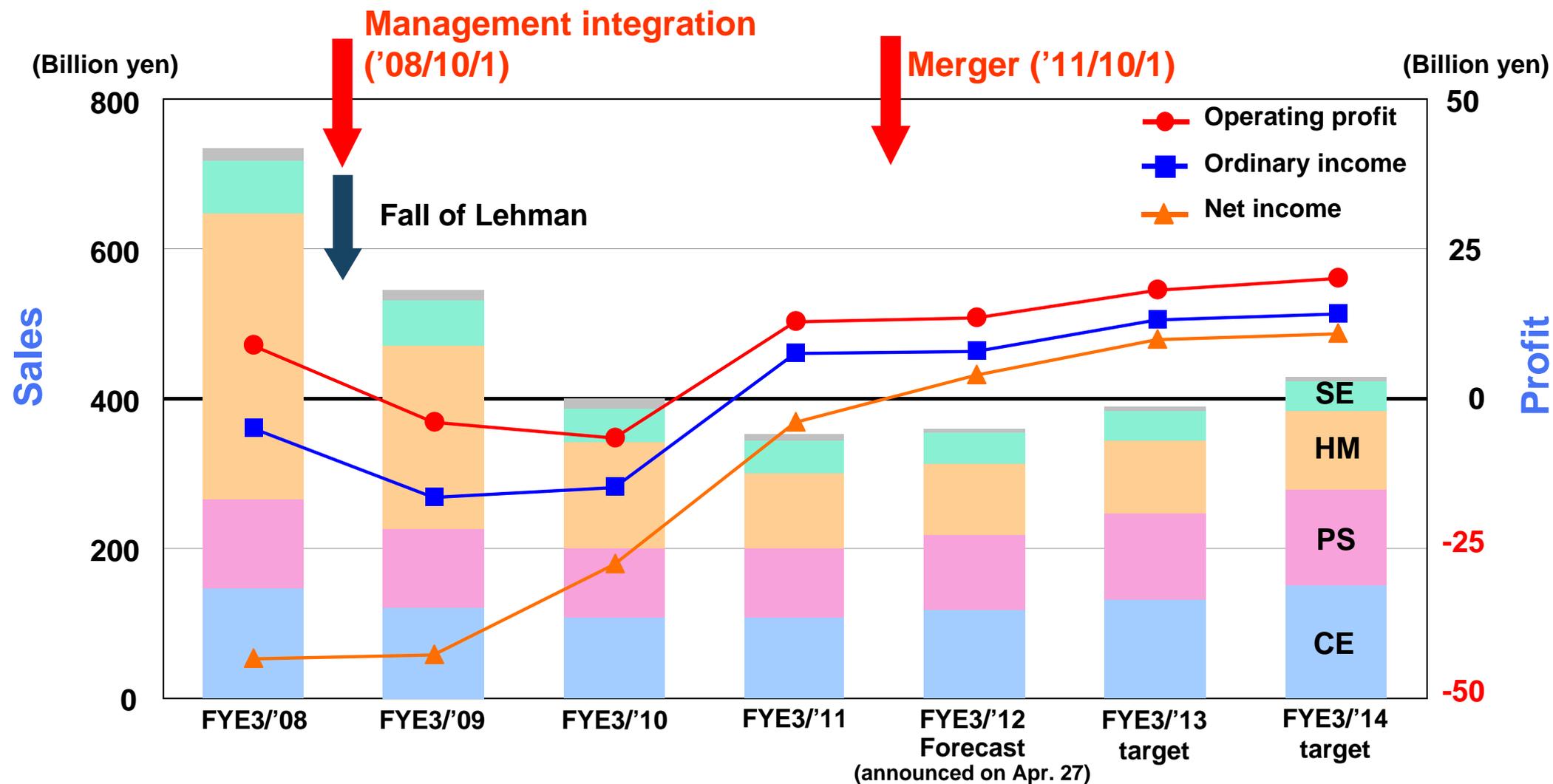


Corporate profile

Company name:	JVC KENWOOD Corporation
Representative Directors:	Haruo Kawahara, Chairman, Representative Director Hisayoshi Fuwa, President, Representative Director and CEO Shoichiro Eguchi, Representative Director and Senior Executive Vice President (slated for Oct. 1)
Capital:	JPY10B
Number of employees (as of end of June 2011):	15,686
Head office:	3-12, Moriyacho, Kanagawa-ku, Yokohama, Kanagawa Prefecture 221-0022
Main domestic offices:	Yokohama Head Office and Business Center, Hachioji Business Center, Hakusan Business Center, Yokosuka Business Center and R&D Center
Main production bases:	Japan: Nagano, Yamagata, Yokosuka, etc. Overseas: Malaysia, Indonesia, Thailand, China (Shanghai), etc.
Showroom:	1F, Shin-Kokusai Bldg., 3-4-1, Marunouchi, Chiyoda-ku, Tokyo (reopening on Oct. 1)
Shareholders (as of end of March 2011):	Panasonic Corporation (19.21%) GOLDMAN SACHS & CO. REG (4.27%) DEUTSCHE BANK AG LONDON 610 (2.96%)

Profit/loss trends

- *Ordinary income turned into surplus in FYE3/'11
- *Net income for FYE3/'12 (targeted); profitable at all segments in 1Q
- *Profitable growth aimed in the new Mid-term Business Plan



Financial Status

- * Stabilizing funds through capital increase, bond redemption and transactions with financial institutions
- * Focusing on capital and dividend policies
- * The merger will have no effect on consolidated B/S.

(Reference)

(Billion yen)

	End of FYE3/'11	End of 1Q FYE3/'12
Total assets	260.7	238.0
Interest-bearing debt	93.1	92.8
Net debt	28.1	37.9
Capital surplus	105.3	45.9
Retained earnings	(41.3)	19.7
Shareholders' equity	73.5	75.0
Net assets	52.7	51.7
Equity ratio (%)	20.0	21.5

Merger - Foundation for new growth

What **stepped up** through the merger

1. Consolidation of corporate management

Increase in the ability to implement strategies and the speed of their implementation

*From a multi-layered governance structure to a centralized governance system
→ **Higher transparency and reliability**

2. Consolidation of fund operation

More flexible and strategic use of funds

*From fund management by operating company to centralized fund management beginning in October 2011
→ **Decisive investments for growth made possible**

3. Consolidation of internal systems

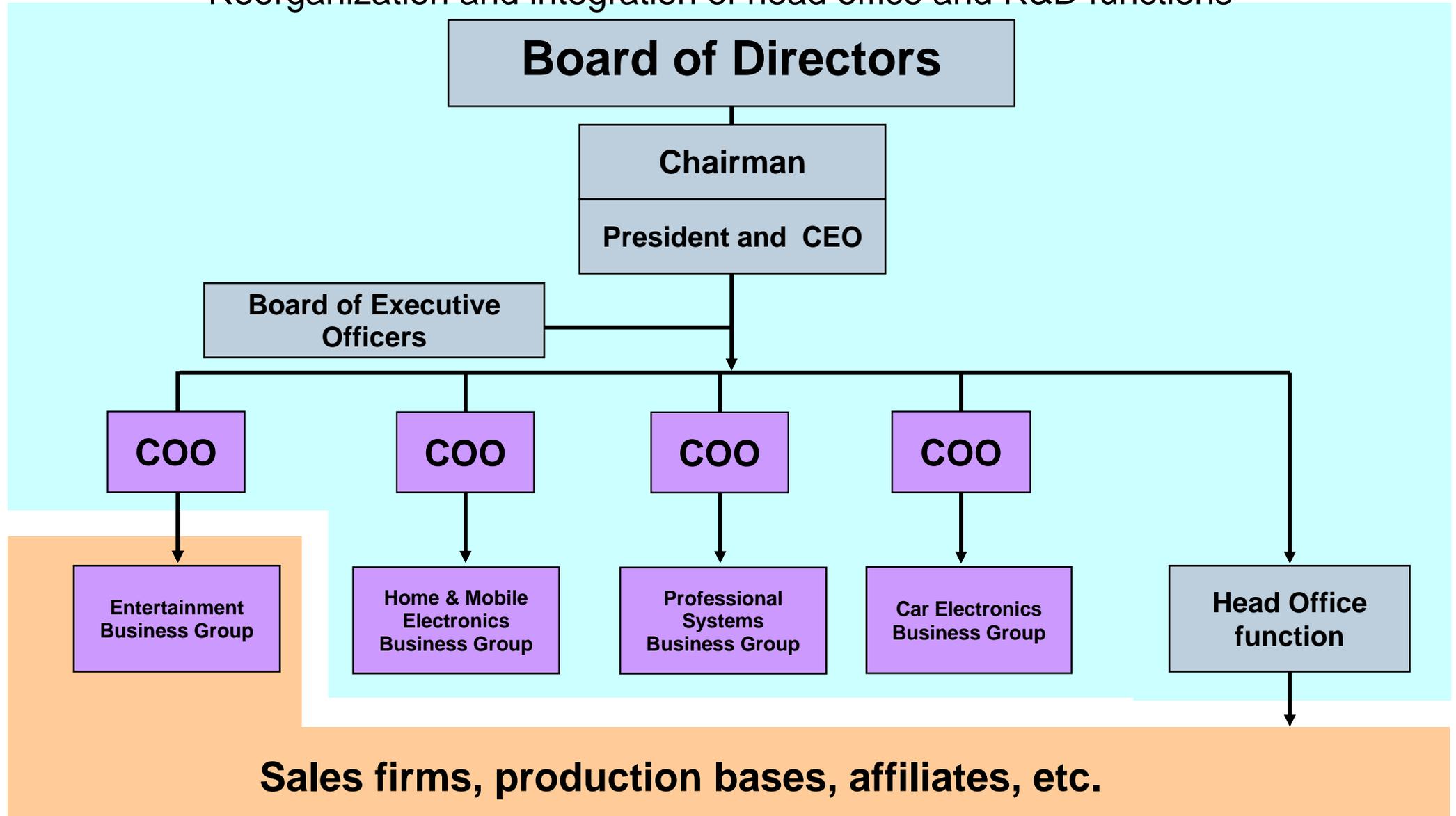
Enhancement in corporate vitality

*Unification of personnel systems, pension programs and health insurance plans
*Corporate-wide centralized management of accounting, development, production, IT, etc.
→ **Vitality strengthened through more active personnel exchange and transfers between different offices**

Merger - Organization System

Reorganization of the corporate structure from the operating company system to the business group system by segment

Reorganization and integration of head office and R&D functions



Corporate Vision

Creating excitement and peace of mind for the people of the world.

Symbol of the merger

Management Policy

- (1) Create excitement and peace of mind as a global manufacturer specializing in electronics and entertainment products.**
- (2) Realize profitable growth by concentrating on strong business.**
- (3) Being a company widely trusted by society.**



JVCKENWOOD

2. Management Policy

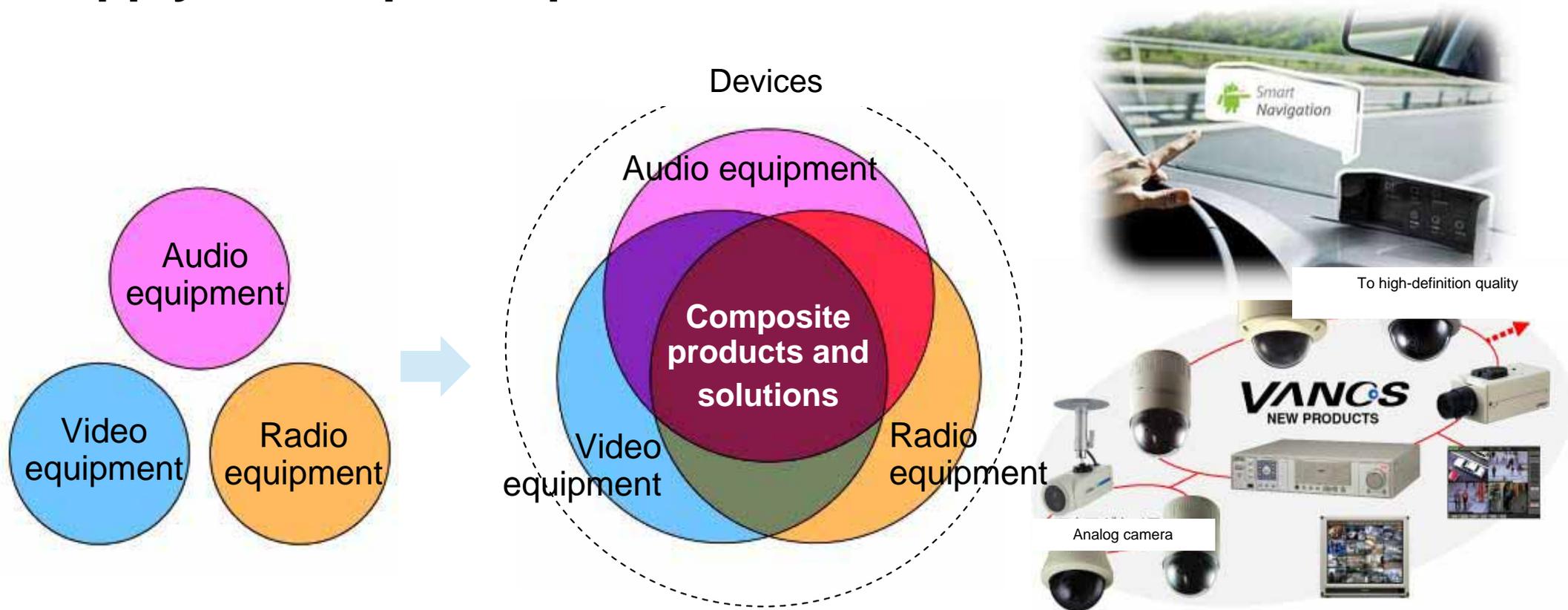
Hisayoshi Fuwa

President, Representative Director and CEO

Values delivered to our customers

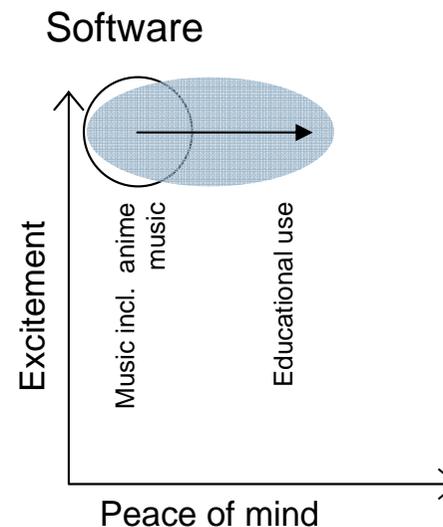
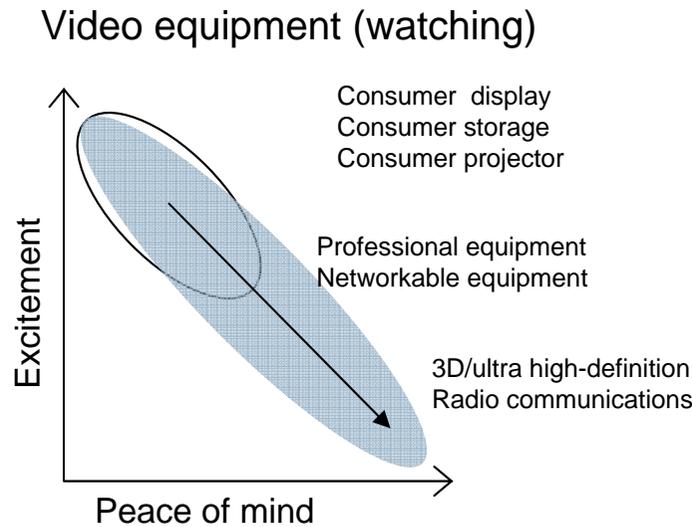
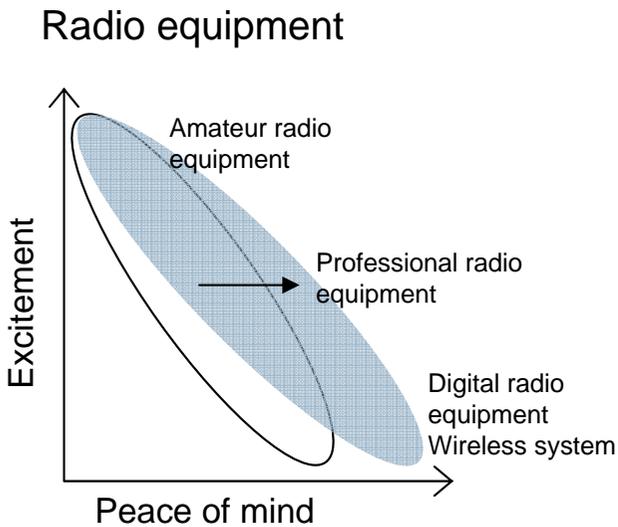
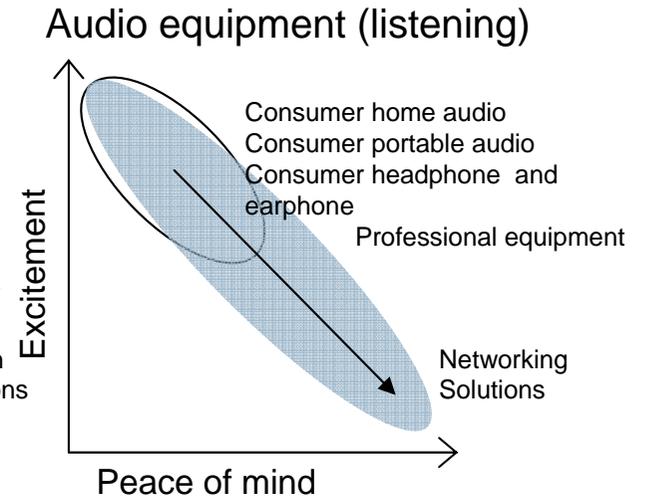
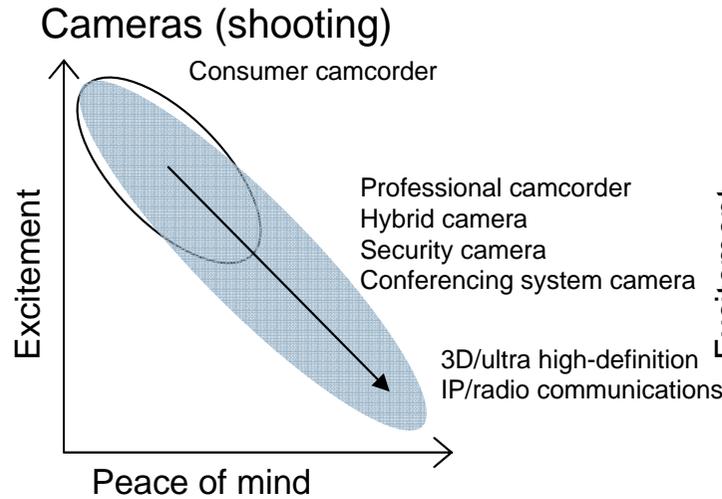
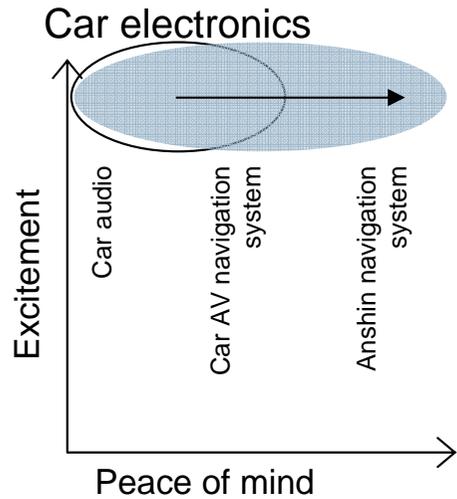
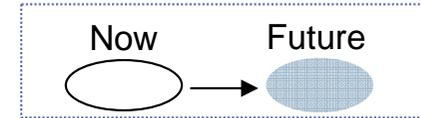
We will provide our customers worldwide with products and drivers that enable communication through audio, video and radio communications.

Expansion of business domains from supply of simple product to supply of composite products, solutions and devices



Business Domains

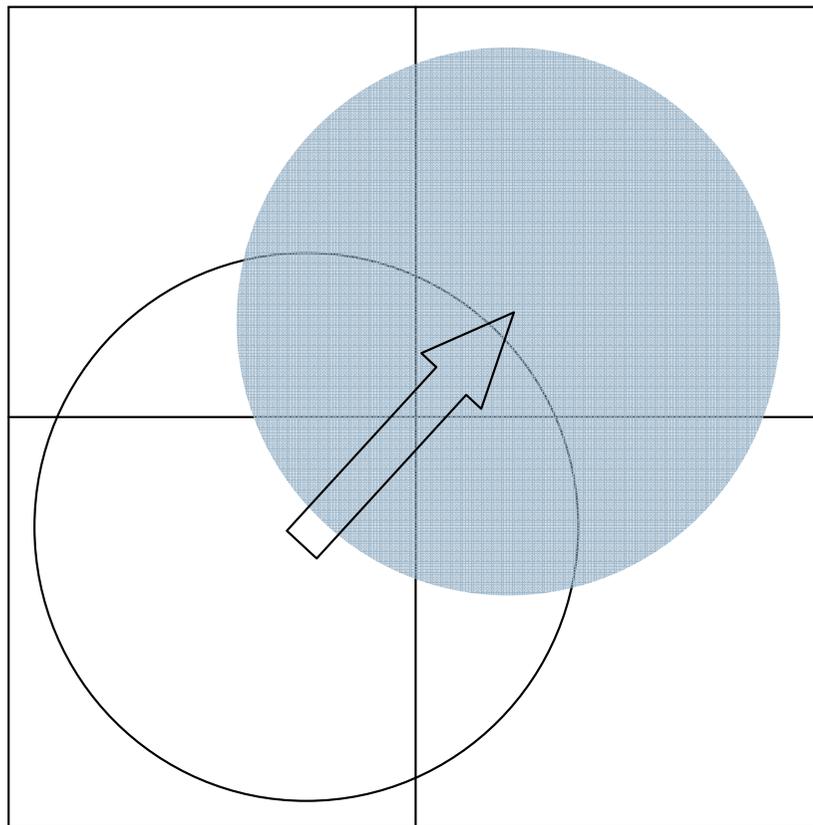
Expansion of business domains at each business segment to include the concept of “peace of mind to people worldwide” in addition to “excitement”



Market exploration

From B-to-C to B-to-B, and P-to-P (professional to professional)
From mass markets to niche and custom markets

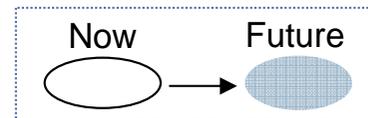
Niche and custom markets



B-to-C

Mass market

B-to-B
P-to-P



Growth Strategy

Growth Strategy Promotion Conference launched to discuss specific details of “strategic investments”



Decision made to provide “strategic investments” worth about JPY7B for a total of 18 themes



The above investments included in the four business segments’ priority measures (to be mentioned later)



To aim at fulfilling the New Mid-term Business plan and achieving continued “profitable growth”

Business brands

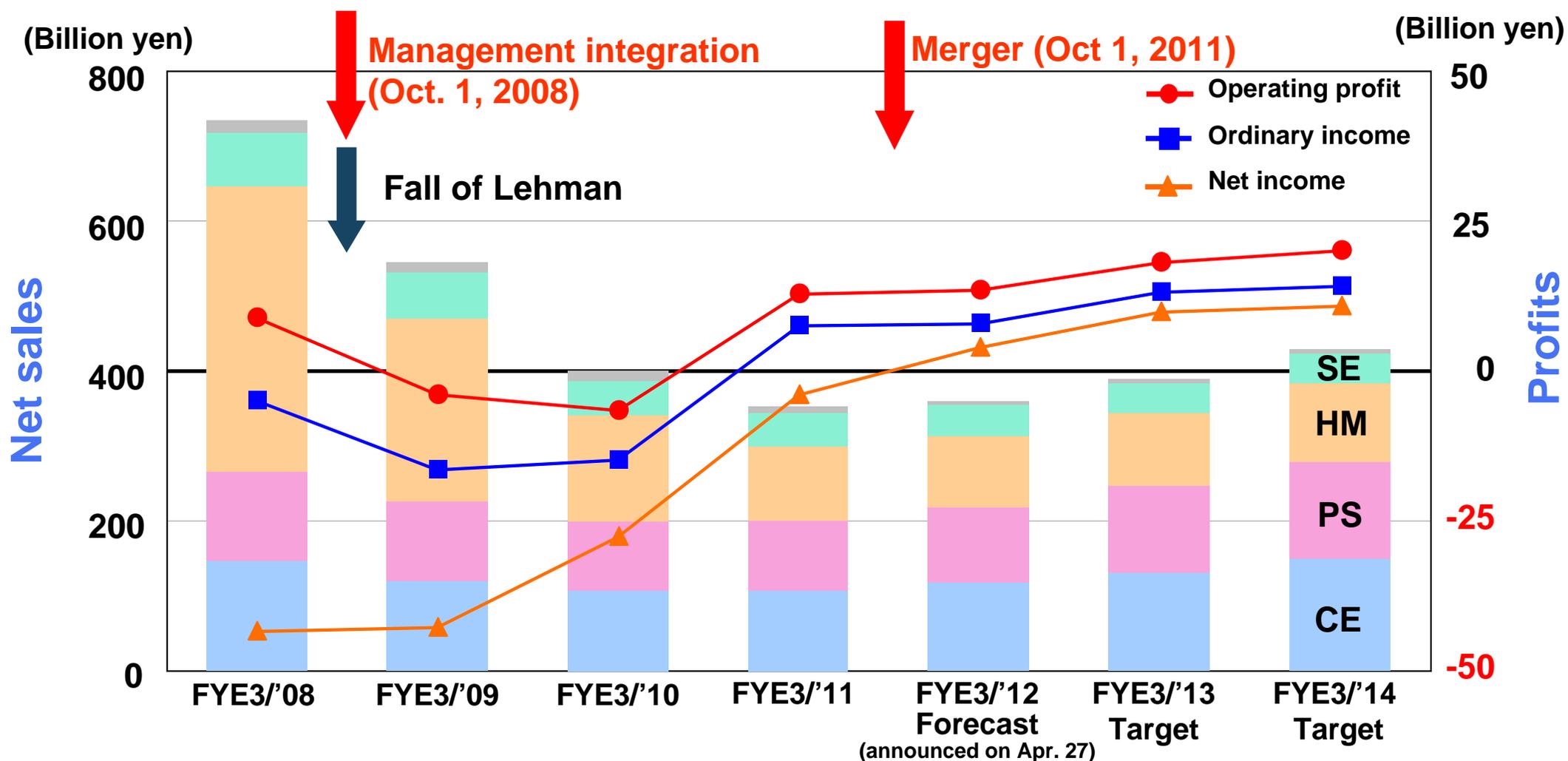


New Brand
New-category products

Merger – Overview of JVC KENWOOD

Mid-term business targets (Forecasted exchange rate USD: JPY80; Euro: JPY110)

- * Net sales: JPY430B; Operating profit: JPY20B; Ordinary income: JPY14B; Net income: JPY11B
- * Equity ratio: 26%; Net D/E ratio: 0.5 or less
- * Net income per share: JPY79; Net assets per share: JPY490



Targets by business segment

Segment		FYF '11/3	FYF '13/3	FYF '14/3
		Results	Target	Target
Car Electronics Business (CE)	Net sales	108.4	132.0	150.0
	Operating profit	7.9	7.5	8.0
Professional Systems Business (PS)	Net sales	92.5	116.0	128.0
	Operating profit	3.6	7.0	7.8
Home & Mobile Entertainment Business (HM)	Net sales	100.1	96.0	105.0
	Operating profit	(0.8)	2.5	3.0
Entertainment Business (SE)	Net sales	42.9	41.0	41.0
	Operating profit	2.2	1.0	1.2
Others	Net sales	8.7	5.0	6.0
	Operating profit	0.1	0	0
Total	Net sales	352.7	390.0	430.0
	Operating profit	13.0	18.0	20.0
	Ordinary income	7.6	13.0	14.0
	Net income	(4.0)	10.0	11.0

Dividend policy

JVC KENWOOD considers it one of the most important issues to provide shareholders with stable returns, and decides the distribution and other appropriation of retained earnings by comprehensively taking into account profitability and financial conditions.

*Under the new Mid-term Management Plan, we will aim to begin distributing dividends as soon as possible.

*We will determine dividends for the current fiscal year together with earnings forecast for the full fiscal year.

(Reference) Earnings forecast for the full fiscal year (announced on Apr. 27)

(Billion yen)

	Net sales	Operating profit	Ordinary income	Net income
FYE3/'12	360	13.5	8.0	4.0
FYE3/'11	352.7	13.0	7.6	-4.0

3. Business Strategy by Segment

Car Electronics Business Strategy

Shoichiro Eguchi
COO of Car Electronics Business Group

Priority measures – Achievement of further growth

1. Expand the OEM sector

Increase in new orders received for genuine products and DOP by leveraging strength in the consumer sector

2. Double domestic sales of consumer navigation systems

With industry's top-level response and clear images

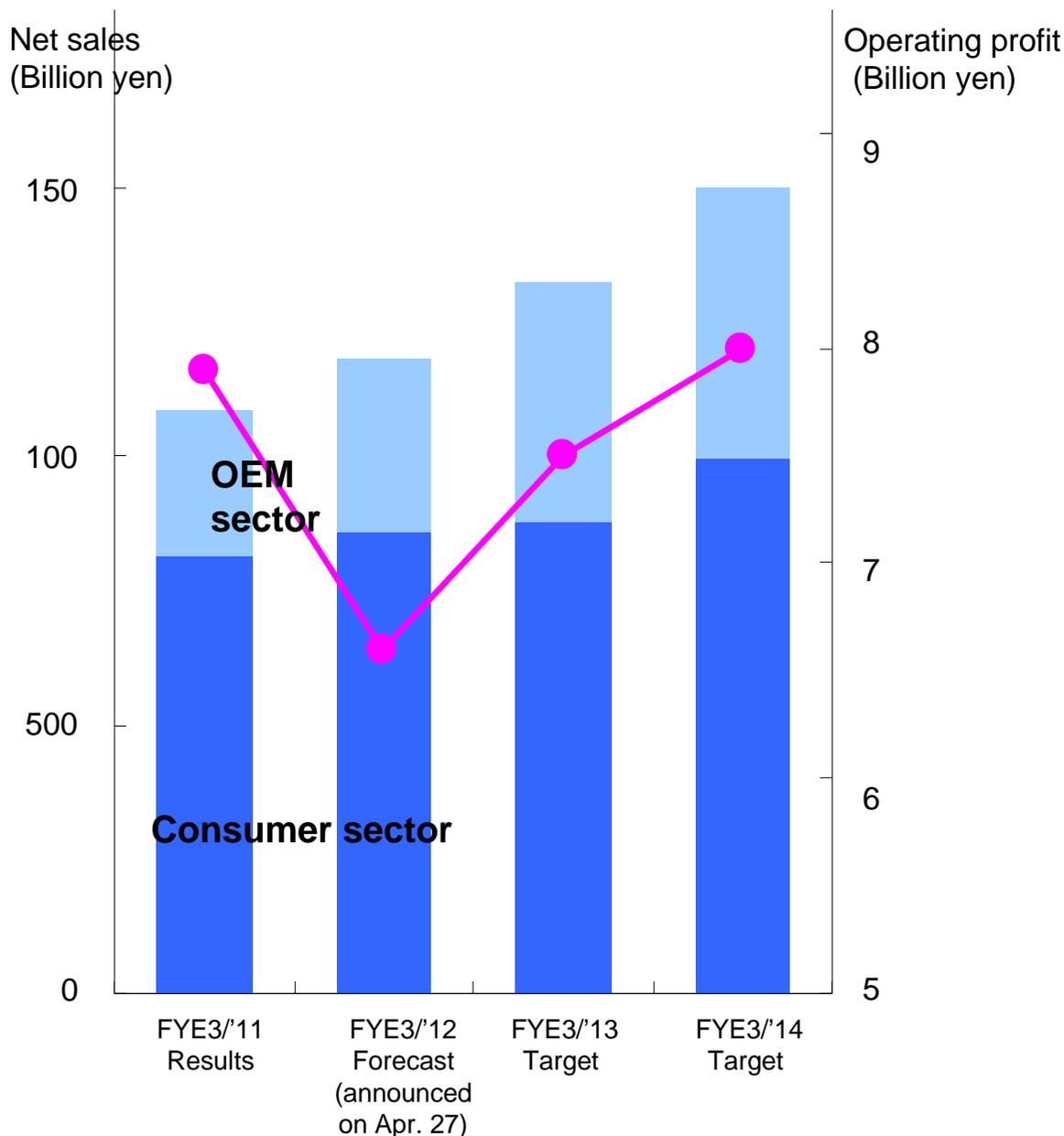
3. Go on the offensive in emerging markets

Seize business opportunities by launching exclusive models



Car Electronics Business – Mid-term Numerical Targets

Targets for FYE3/'14: Net sales: JPY150B; Operating profit: JPY8B



Net sales of OEM sector
FYE3/'11 -> FYE3/'14: up 80%

Domestic sales of consumer navigation systems
40,000 units in FYE3/'11 -> 200,000 units in FYE3/'14

Net sales in emerging markets
JPY22B in FYE3/'11 -> JPY30B or more in FYE3/'14 (up 40%)



Provision of real-time information in combination with mobile tools



(Image)

Professional Systems Business Strategy

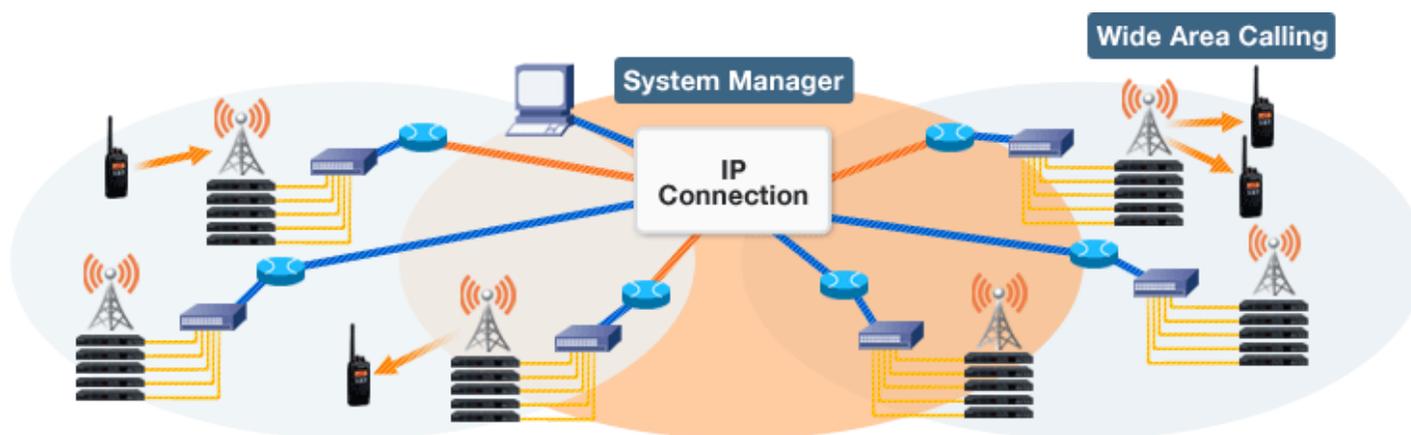
Kazuhiro Aigami

COO of Professional Systems Business Group

1. Expand the radio sector – Digitization and systematization

* Capturing demand for the replacement of professional radio systems from analog to digital, and new demand for the systems

- Expansion of businesses overseas using a network system of proprietary digital professional radio NEXEDGE (market creation)



- TETRA for Europe and other digital radio systems that were made compatible with various digital formats and broadband



Worldwide



Americas



Europe

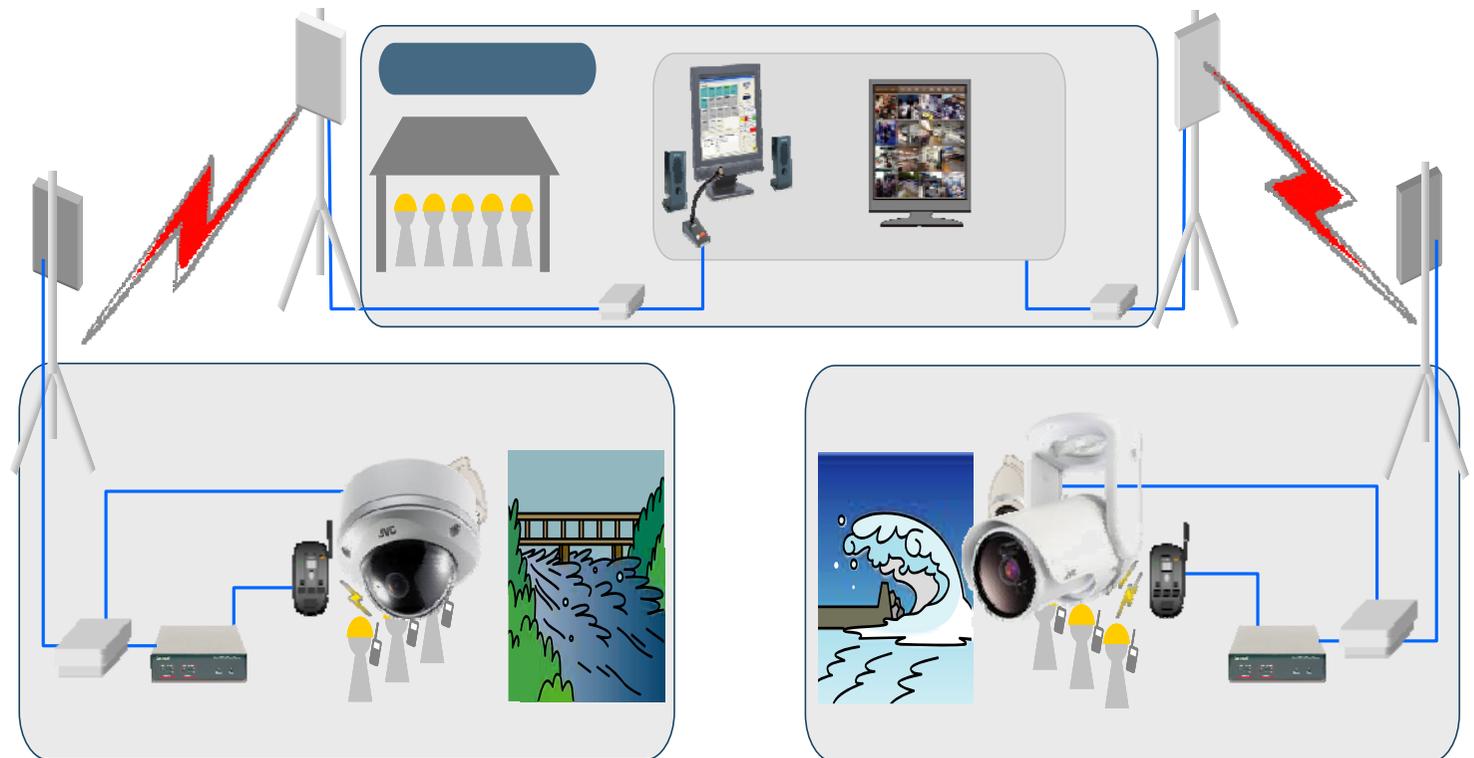


Europe and Asia

1. Expand the radio sector – Digitization and systematization

* Expand the system solutions business

- Expand the digital radio network solutions business using NEXEDGE and Zetron's console systems
- Expand the solutions business that creates markets by providing safety and security through radio systems and security systems



2. Scale up the business solutions business

BUSINESS SOLUTION

- *Expansion of infrastructure system solutions – Security systems and professional audios
- *Expansion of media system solutions – Professional video cameras and monitors

Infrastructure system solutions

Safety



Digital wireless intercom system

Wall-mounted emergency broadcast equipment

Network security system



Media system solutions

Excitement



3D LCD multi-format monitor

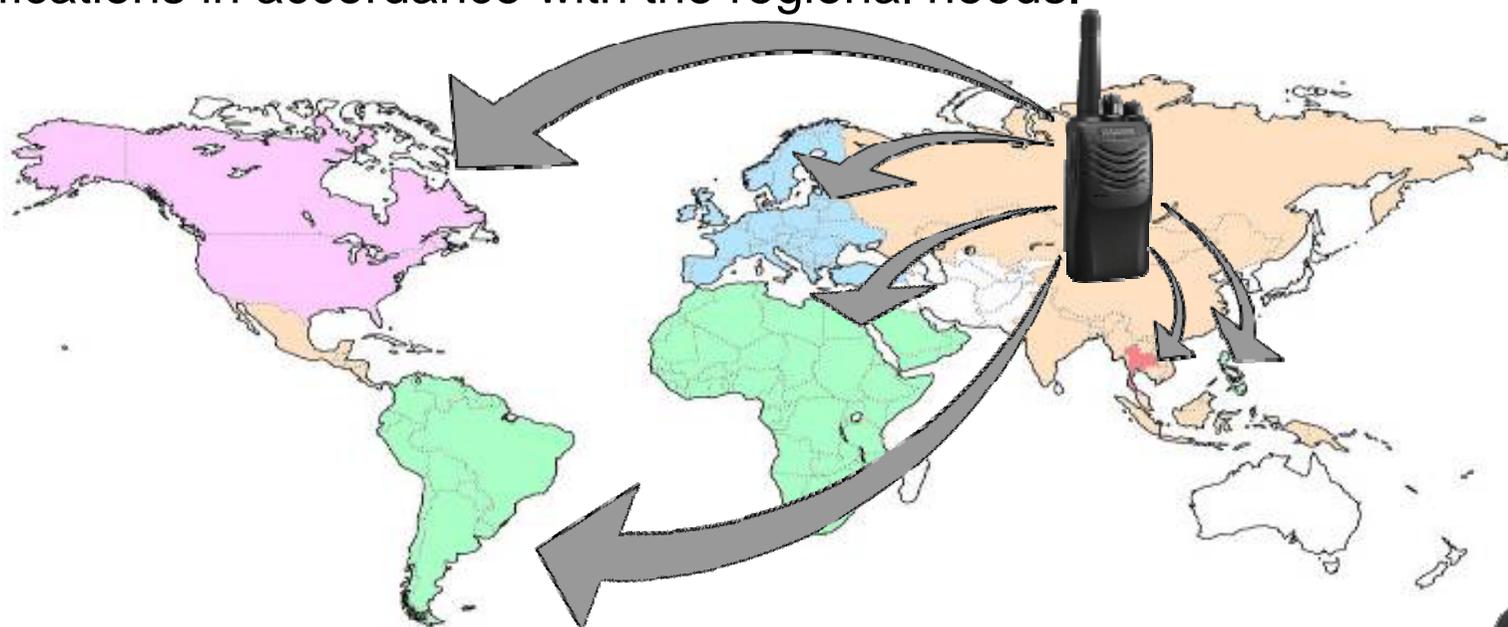
Professional 3D memory camera recorder



3. Expand businesses in emerging markets

- * Launch of the strategic model for radio equipment (NBR) mainly in emerging markets (orange-colored in the map)

We will also sell this equipment worldwide as region-based products by partially modifying the specifications in accordance with the regional needs.



- * Expansion of sales of professional camera recorders

We will increase the lineup of products compatible with high-definition HD recording (MOV/MP4) and SD recording (MOV/AVI), and expand sales of these products to broadcasting stations and production companies (studios) in emerging markets, where HD technology has not fully spread.



4. Embark on new business domains

- * Stand-alone disaster prevention system – Creation of a market with a system combining radio communications and cameras
- * 3D-related systems - 3D projectors and 2D-3D converters
- * Ultra high-definition image systems - 4K2K cameras and D-ILA 4K2K projectors

Stand-alone disaster prevention system



Safety

Antenna
Solar panel

Waterproof monitoring camera

Waterproof control box

Base station

Main markets

Municipalities, colleges, academic societies, etc.

3D-related systems

Professional full Hi-Vision 3D LCD monitor



Excitement



Professional 3D image processor

Main market



3D image editing studio

Ultra high-definition image systems

D-ILA 4K2K projector



4K2K video camera system

Safety

Excitement

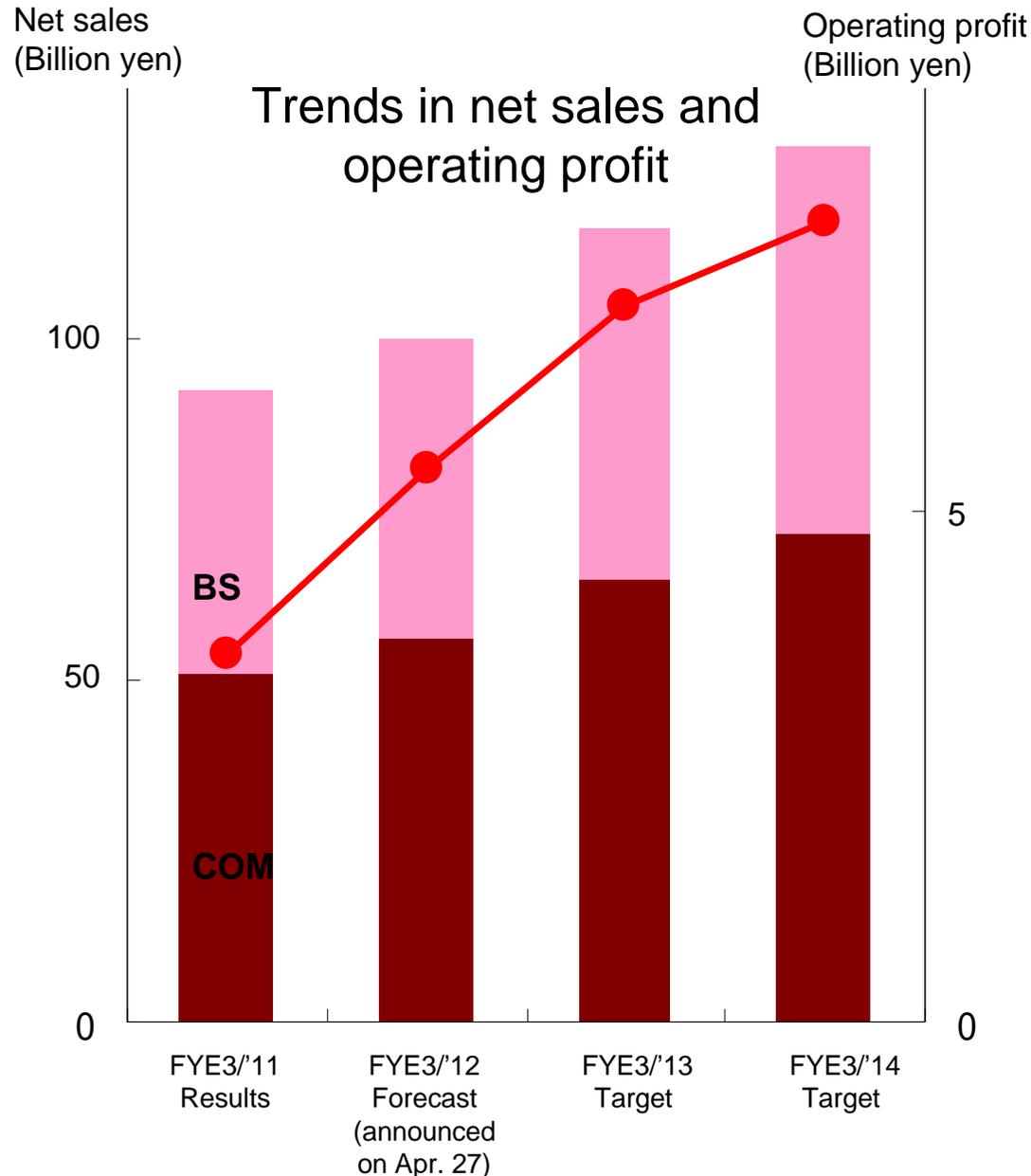
Main market



Medical institutions

Professional Systems Business – Mid-term Numerical Targets

Targets for FYE3/'14: Net sales: JPY128B; Operating profit: JPY7.8B



■ **Radio sector**

Sales composition of digital radio

FYE3/'11: about 20%



FYE3/'14: 40% or more

■ **Business solutions sector**

Sales composition of systems

FYE3/'11: about 30%

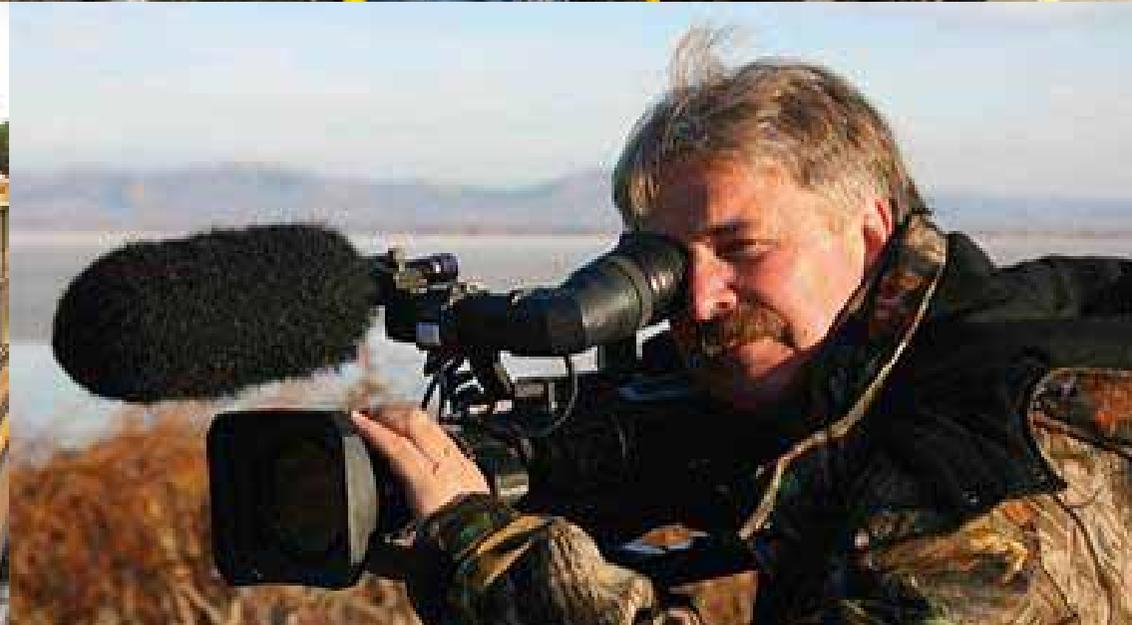


FYE3/'14: 40% or more

Professional Systems Business – Business Vision

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Offer communication that creates excitement and peace of mind by connecting people and making full use of sounds and images.



Home & Mobile Electronics Business Strategy

Hisayoshi Fuwa

COO of Home & Mobile Electronics Business Group

Home & Mobile Electronics Business - Priority Measures

Priority measures are to achieve a change in business domains

1. Enhancing sales of products for shooting and watching moving images in niche and professional markets

- * Hybrid cameras, 3D camcorders and 4K2K camcorders
- * High-definition projectors



2. Realization of more ease and convenience and security

- * Commercialization of camcorders compatible with wireless communications
- * Commercialization of home security systems



3. Embarkation on new business domains

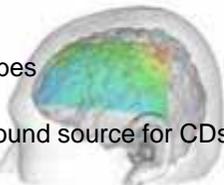
- * Acoustic technology application business – High resolution, etc.
- * Communication service business
- * Enhancement of the AV accessory business – Accessories for the elderly and those compatible with smart phones



Effects of high-resolution audio systems

Activation of the frontal and temporal lobes

Compressed sound source for CDs
44.1kHz / 16bit



High-resolution sound source
96kHz / 24bit

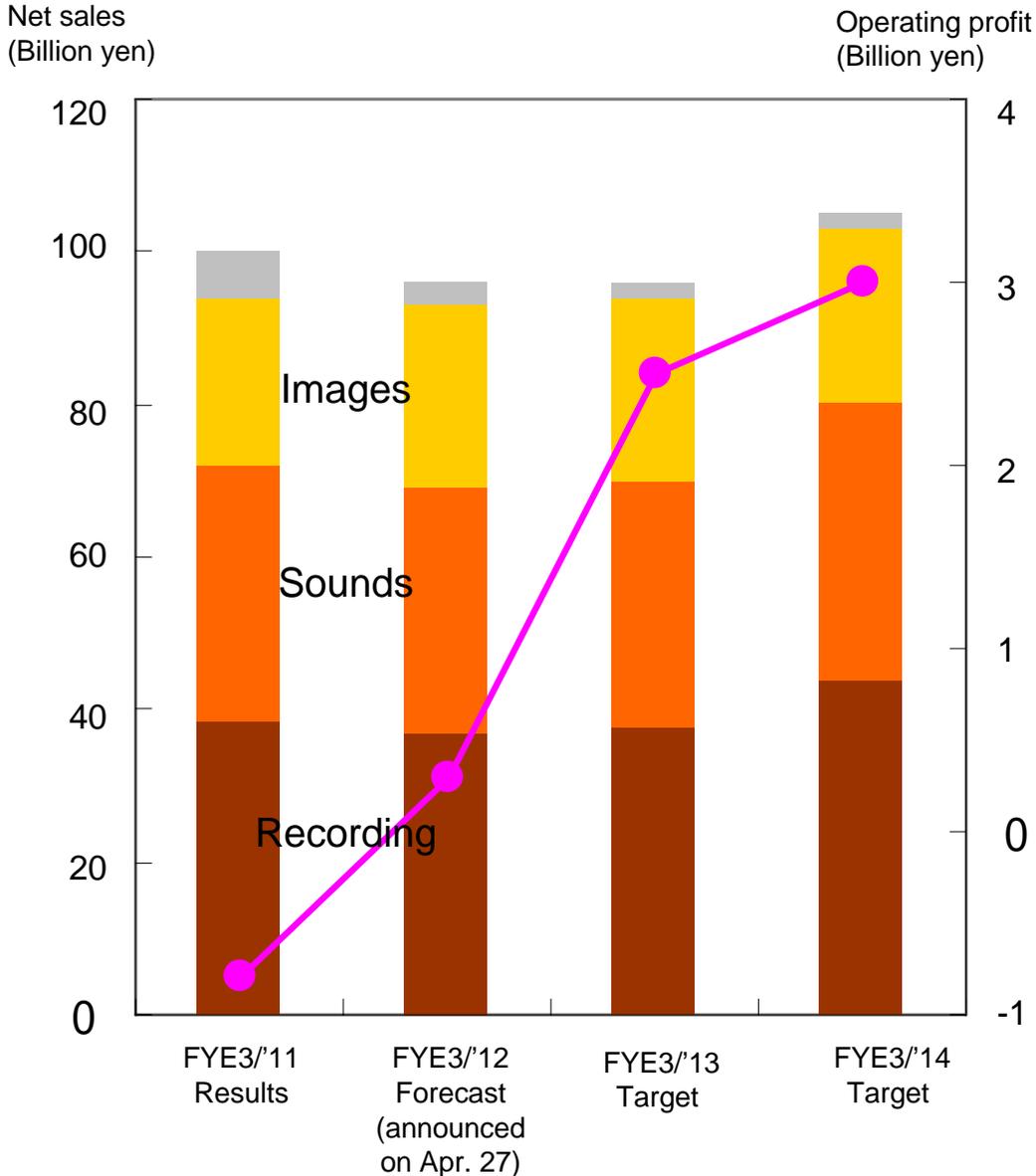


Increase in number of accessories for the elderly



Home & Mobile Electronics Business – Mid-term Numerical Targets

Targets for FYE3/'14/3: Net sales: JPY105B; Operating profit: JPY3B



- Heightening the added value of camcorders
- Exploring new AV accessories and their distribution channels
- Expanding sales of projectors
- Developing new businesses through application of acoustic technology



Home & Mobile Electronics Business - Business Vision

Shifting away from conventional business domains; proposing products and services that attract new customers



Entertainment Business Strategy

Masaaki Saito

COO of Soft Entertainment Business Group

■ Content Business

1. Enhance the core music business

- *Active investments in new talented artists – Aiming to get a hit
- *Promotion of a partnership strategy

2. Promote the realization of total entertainment

- *Enhancement of the B-to-B business
- *Expansion of artists-related businesses
- *Strengthening of anime/visual-related businesses

3. Expand business domains

- *Promotion of a partnership strategy

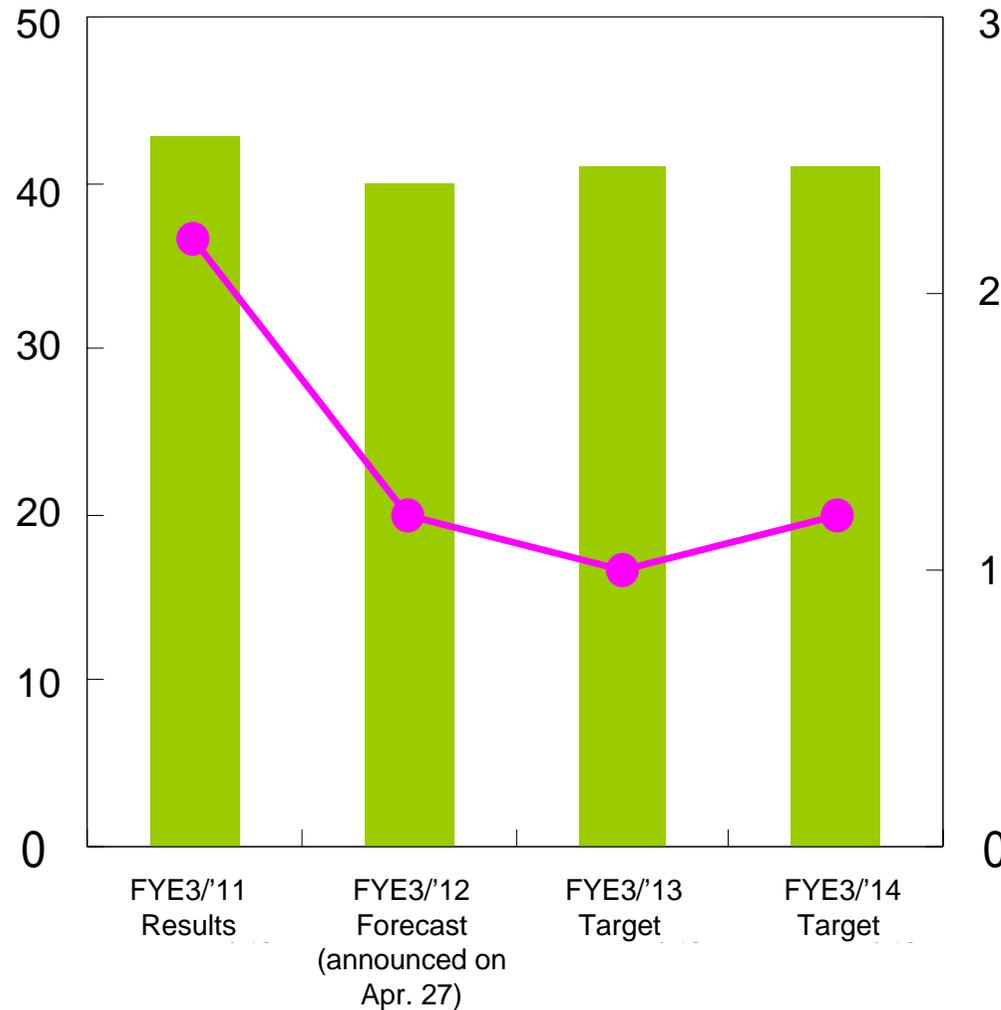
■ On consignment Business

- *Expand the non-package and fulfillment businesses through the use of technologies, know-how and assets

Targets for FYE3/'14: Net sales: JPY41B; Operating profit: JPY1.2B

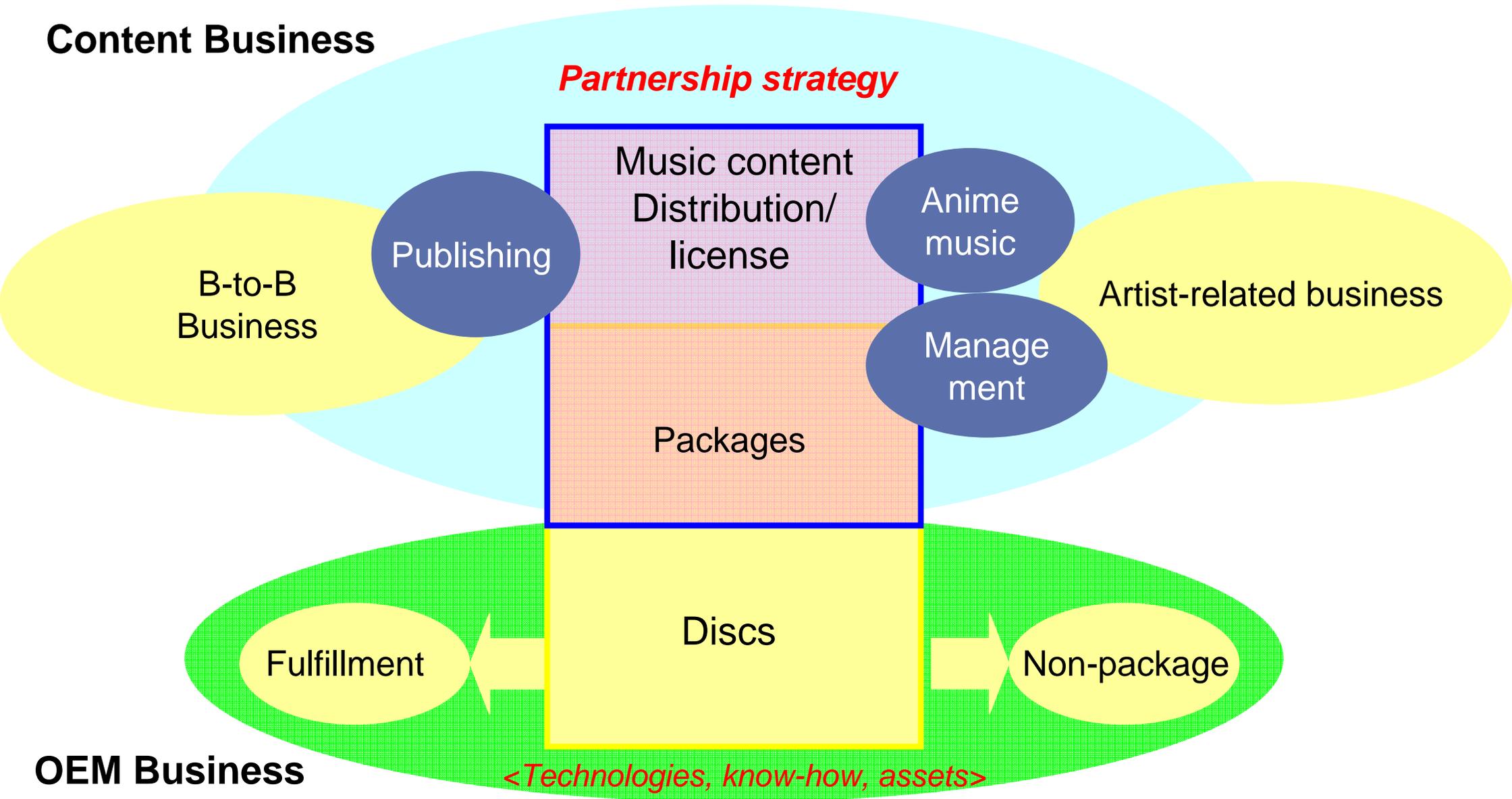
Net sales
(Billion yen)

Operating profit
(Billion yen)



- Mid-term targets (for FYE3/'14)
Net sales: JPY41B
Operating profit: JPY1.2B
Operating margin: 3%
- Long-term targets
Operating margin: 5%

Content Business



OEM Business

JVCKENWOOD

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