

# Annual Report

Company Profile Section

# 2010

## Corporate vision

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

## Course of action

“Perpetual reform centered on each and every individual”

We determined this corporate vision to include concepts held in common in JVC’s Brand Statement, “The Perfect Experience,” and in Kenwood’s corporate vision, “Reaching out to discover, inspire and enhance the enjoyment of life.”

Moreover, we determined the course of action as a code of behavior for sharing and realizing the corporate vision by all of the employees of the Group.

Under the corporate vision and course of action, we will create new and unconventional added value and evolve into a corporate group that provides customers with incomparable experiences they have never before experienced.

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### Disclaimer

Forward-looking statements and charts contained in our documents are based on currently available information and therefore actual results may significantly differ from projected figures depending on various factors. Please do not make any material judgments based on the projections contained herein alone. Our core businesses deal with the rapidly changing electronics sector and factors including technology, demand, price, competitive environment, changes in economic environment, exchange rate fluctuations and many other factors may adversely impact management results or the financial condition of the Company.

# Financial Highlights

## Financial Highlight

JVC KENWOOD Holdings, Inc. and Consolidated Subsidiaries  
Fiscal Year ended March 31

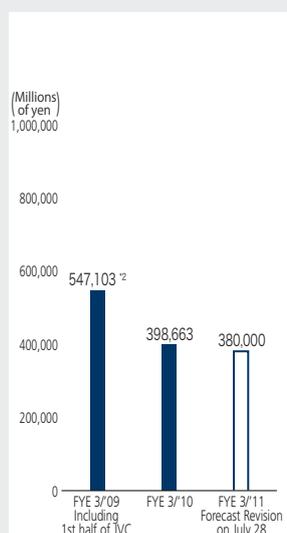
(Millions of yen)

	FYE 3/10	FYE 3/09	
		*1	*2 Including 1st half of JVC
Net sales	398,663	311,299	547,103
Operating income (loss)	(6,454)	(1,537)	(4,007)
Ordinary income (loss)	(14,753)	(9,760)	(16,526)
Net income (loss)	(27,796)	(30,735)	(42,891)

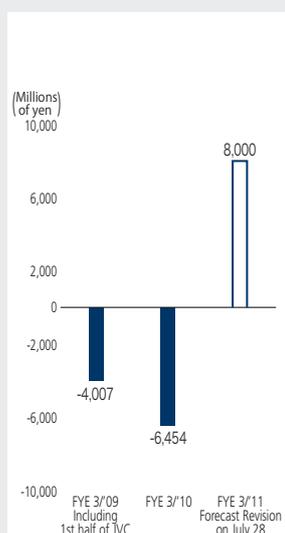
(Millions of yen)

	FYE 3/10	FYE 3/09 *1
Total assets	274,752	344,077
Net assets	46,819	74,439
Net assets per share (Yen)	47.45	75.08
Stockholder's equity ratio (%)	16.7	21.1
Retained earnings	(38,301)	(10,765)
Interest-bearing debt	108,306	134,100
Net debt	64,804	81,683
Cash flows from operating activities	21,453	10,425
Cash flows from investing activities	(3,159)	(11,288)
Cash flows from financing activities	(27,120)	9,265
Number of employees	18,446	19,540

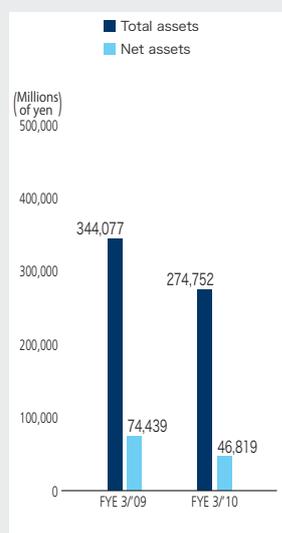
Net sales



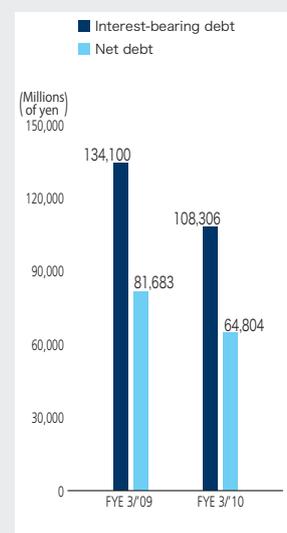
Operating income (loss)



Total assets/Net assets



Interest-bearing debt/Net debt



\*1. In the Group's earnings results for the fiscal year ended March 2009, JVC's results for the first half are not consolidated due to the adoption of the purchase method.  
\*2. JVC's net sales in the reference figures have been converted under the net method and have not been certified by the accounting firm.

# Management Message



## **We will recover the trust of society, create new added value, and expand corporate value**

First, we would like to apologize for the inconvenience and concern caused to all of you by the adjustments made to previous earnings results. The JVC Kenwood Group as a whole will do its utmost to prevent a recurrence and to regain the trust of society at large, while creating added value and increasing our corporate value. We would like to ask for your continued understanding and support.

The JVC Kenwood Group was launched on October 1, 2008, through the management integration of Victor Company of Japan, Limited (JVC) and Kenwood Corporation (Kenwood). In line with the corporate vision of the JVC Kenwood Group, "Realize unconventional (*Katayaburi wo katachi ni*)," the two long-established companies chose to integrate their management with the aim of building a corporate group that will survive intensifying international competition caused by the progress of digital technology, and achieve global leadership as a unique specialty manufacturer of unconventional AV products and services. At the time management integration was being implemented, the worldwide economic crisis was growing more severe. To overcome the resulting difficulties

and achieve the original purpose of management integration as soon as possible, we strengthened the business areas where we can demonstrate our strengths, and promoted various structural reforms based on a four-pronged reform approach focusing on management, finance, costs, and businesses.

Specifically, to establish the medium to long-term earnings structure of the JVC Kenwood Group and achieve new growth, we strengthened business and product competitiveness and improved sales and profits in the following two businesses: the Car Electronics business, where the most positive effects of integration are expected, and the Land Mobile Radio business, in which high levels of profitability can be achieved. Following profit structural reforms launched at the same time as management integration, the JVC Kenwood Group implemented the Business Structural Reform Action Plan, which focused on improving the performance of unprofitable businesses in the fiscal year ended March 2010. Consequently, we significantly reduced fixed costs in the display, camcorder, and business solution segments by the end of March 2010.

As a result, we forecast that the operating balance will turn positive for the fiscal year ending March 2011. In the first quarter of the fiscal year, the Car Electronics business made advances and the performance of other businesses improved more than expected, chiefly due to the effects of structural reforms. This led to operating profit for the first quarter hitting a record high for the second consecutive quarter since management integration, and ordinary income moving into the black for the first time since management integration.

It has taken two years since management integration to put the business on a proper track. Now, we will shift our attention away from conventional structural reforms intended to keep the group afloat to growth. The first step will be to implement an action plan for reconstructing the corporate base into one that is appropriate for current revenues. With the new corporate base, we will carry out the Mid-term business plan through to the fiscal year ending March 2013, re-create and expand corporate value, create new added value in line with the corporate vision of realizing unconventional, and evolve into a corporate group that inspires customers in ways they never previously experienced.

## **Creating new added value and expanding corporate value under the Mid-term business plan**

Under the JVC Kenwood Group's first Mid-term business plan announced in May 2010, we aim to focus further on core strengths, reposition ourselves, and achieve renewed growth

as Japan's leading specialty AV manufacturer. To this end, we are implementing a policy to transform ourselves into a next-generation specialty AV manufacturer with car-mounted components, radio equipment, professional AV equipment, and solution business—where we are able to make the most of our long-established strengths, such as technological prowess, marketing and development capabilities, reliability, sales network, and high brand recognition—at the core.

In the Car Electronics business—which is a business common to JVC and Kenwood, and where we enjoy No. 1 share in the consumer market (sales of both companies combined) in Europe and the U.S.—we will concentrate marketing activities on emerging markets where high growth can be expected. At the same time, we are focusing our resources on the development of new car navigation systems, for which we expect a new market to emerge that combines previous car navigation systems and PND, thus consolidating our position as the No. 1 company in this field worldwide. Furthermore, we are working to develop car electronics that are compatible with next-generation new media and services.

With respect to the land mobile radio segment, Kenwood is ranked second in the world and top in Japan by market share in a market where high levels of public safety are required. Meanwhile, JVC is active in the business solutions segment, marketing security and audio/visual equipment that use state-of-the-art technologies accumulated in the consumer market. By strengthening the integrated management of these segments in the Professional Systems Business, where absolute reliability is required, we are working to transform the segment into a comprehensive solution business fusing sound, visual, and telecommunication.

Furthermore, to make the corporate vision of being unconventional a reality, the JVC Kenwood Group is developing products and services that, through unique ideas, will stimulate people's sensitivities and awaken latent demand, and also bring surprises and changes to everyday lifestyles. We will launch new products onto the market, and take the first step toward creating new added value.

Please see "Mid-term business plan" on pages 7-9 and "Outline of Business and Priority Measures" on pages 10-19 for further details.

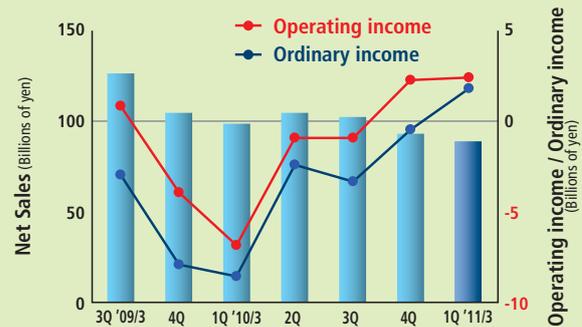
**Meeting expectations and building a company trusted by society**

—Perpetual reform centered on each and every individual  
The JVC Kenwood Group considers it a prerequisite of a

**1Q - Financial Results - Quarterly financial results**

\* Since the management integration, operating income hit a record high for the second quarter in a row.

\* We posted an ordinary income for the first time since the management integration.



corporation that intends to develop continuously to respond to the expectations of all stakeholders and to be trusted by and contribute to society. We will return to this basic idea, and implement the following measures on a group-wide basis to prevent a recurrence of adjustments to previous earnings results: (1) establish management and internal control systems to change the corporate culture; (2) reform the accounting system and structure; and, (3) enhance monitoring capabilities. At the same time, we will do our utmost to regain trust.

In addition to carrying out compliance as a matter of course in all our activities, we will reinforce corporate governance, promote highly transparent management, and contribute to preserving the environment for the next generation.

In particular, our video and audio equipment business and software businesses support cultural activities that foster people's sensitivities, and our mobile radio business supports communication of vital information among people. Keeping this mission and our responsibilities in mind, all of the employees of the JVC Kenwood Group will fulfill their responsibilities in accordance with our guidelines for business conduct based on the idea of continuous change centered on each individual.

We sincerely request your continued understanding and support.

September 2010

Haruo Kawahara  
Chairman, President and CEO

# Management Policy and Strategies

~ We are continuing to bolster our specialist attributes and transformation toward a designated manufacturer of AV products focusing on the car electronics and professional systems businesses. ~

The JVC Kenwood Group has been pushing forward with structural reforms in various fields since steps were taken in October 2008 to complete management integration due to the deterioration of financial results that resulted from the global economic crisis. In the fiscal year ended March 31, 2010, the Group completed major measures, having applied the Action Plan for Business Structural Reform. This plan mainly aims to secure a drastic improvement in profits at such unprofitable businesses as the Home & Mobile Electronics Business and the Business Solution segment of the Professional Systems Business. This has been driven by businesses in which sales and profits have recovered, such as the Car Electronics Business and the Land Mobile Radio segment of the Professional Systems Business. As a result, and as announced on May 14, 2010 in the flash earnings report for the fiscal year ended March 31, 2010, in the fourth quarter of the fiscal year ended March 31, 2010 we recorded the Company's first profit since the third quarter of the previous fiscal year. We expect to be in the black on an operating level for the full year in the fiscal year ending March 31, 2011.

Notwithstanding this positive trend, we decided to step up efforts through an additional action plan aimed at reconstructing our corporate base (hereinafter referred to as the "Action Plan for Reconstructing the Corporate Base") by implementing further measures that are considered necessary to promote the move from a structural reform stage for survival to a growth stage. We will also do this by reconstructing our corporate base so that its scale better matched our reduced corporate size, resulting from previously implemented structural reforms, as well as our current sales level, taking into consideration the recent changes in economic environments and fluctuations in exchange rates. Through the successful completion of this Action Plan for Reconstructing the Corporate Base we will reconstruct our corporate base to realize new growth. And based on this corporate base, the Company will focus on its Mid-term business plan, scheduled to end in the fiscal year ending March 31, 2013, while aiming to recreate and enhance corporate values and again distribute dividends at an early stage.

## Management policies

To establish a new position as a specialty manufacturer of audio visual equipment and to realize new growth, amidst increasingly intense global competition, we will strive to select and concentrate our business and alter our business model.

Up to now, we have tried to optimize the effects of integration with the focus on businesses common to JVC and Kenwood (the Car Electronics and Home Audio businesses). But from now on, the Company will try to create and enhance synergy effects, promote new businesses and development new products. It will do this by optimizing the integrated management of the Group as well as businesses that are not common to them.

## Strategies

### 1. Action Plan for Reconstructing the Corporate Base

We projected an increase of about eight billion yen in the fiscal year ending March 31, 2011 as an improvement in profits resulting from the Action Plan for Business Structural Reform implemented in the fiscal year ended March 31, 2010, with underperforming operations being substantially improved. In addition, the Company will take measures aimed at making all businesses profitable, posting ordinary income for the fiscal year ending March 31, 2011, as set forth below:

We expect the effects of those measures to become apparent sometime in the fiscal year ending March 31, 2011 and we project they will result in an improvement in profit of about ten billion yen after the fiscal year ending March 31, 2012.

### (1) Reform of unprofitable operations -Returning all businesses to the black

#### ① Display segment

— Conversion of the business model (Splitting up of the business and promoting a partnership strategy)

\* Transform itself to a new fables business model.

\* In line with this strategy, the functions of the business headquarters will be vested and transferred to the JVC's main plant in Thailand, namely the display manufacturing center, by splitting off the headquarters function. A new strategy will be promoted by fully utilizing the Company's strengths in branding, marketing, merchandizing and development, as well as its sales network. At the same time, we will further pursue partnership strategies, after reinforcing competitiveness.

#### ② Camcorder segment

— Reform of competitiveness (Shifting to overseas production and outsourcing)

\* The Company will accelerate production reform by increasing the level of production by third parties, while reorganizing its production system by completely the transfer of production bases from Japan to overseas.

\* We will proceed with reforms to reinforce sales and reduce sales cost by reorganizing sales companies mainly in Europe; to acquire new sales routes by exploring new markets; and to expand sales.

\* Regarding the product strategy, the Company will take measures to strengthen cost competitiveness and product competitiveness while developing a new platform. It will also reinforce our position, ranking second in the world market, by developing a new category of products.

#### ③ Business Solutions segment

— Integrating operations with the Land Mobile Radio segment of Kenwood

\* By integrating operations between the Land Mobile Radio segment of Kenwood, which boasts a dominant presence overseas, ranking second in the world, and the Business Solution segment of JVC which has strengths in Japan, the Company will drive the development of new multimedia solutions. This will be achieved by integrating technologies of the two companies, combining sales activities, mutually using sales networks and bases, jointly purchasing materials and conducting other activities to create businesses in growing markets. These include the public security markets and security markets. At the same time, we will open the door to emerging markets by developing products destined for Asia, including China and India.

\* Furthermore, we will strive to expand sales and improve the cost structure by raising the self-manufacturing ratio in the solution business field including software and services, while reorganizing the production structure.

# Management Policy and Strategies

## (2) Reconstructing the global operation system

In the fiscal year ending March 31, 2011 we will reconstruct a new global operating structure, while deliberating possible changes to the business composition (business portfolio) as well as integrated group operations. We will proceed with efforts to restructure the head office, production system and sales system from a global point of view, and dispose of assets that may consequently become unnecessary.

### ① Sellout and reallocation of the head office

The premises of the head office of the Company and JVC are to be sold in June 2010 with the functions of the head office to be relocated. In this way, we will generate maximum synergy effects to further promote the integration of operations and cut costs.

### ② Reorganizing the production system

\*The Yokosuka Plant of JVC - Plant mainly for business solution products

Taking into consideration the termination of a portion of the production of camcorders destined for domestic markets at JVC's Yokosuka Plant, this Plant will be repositioned as a production plant for business solution-related products and projectors.

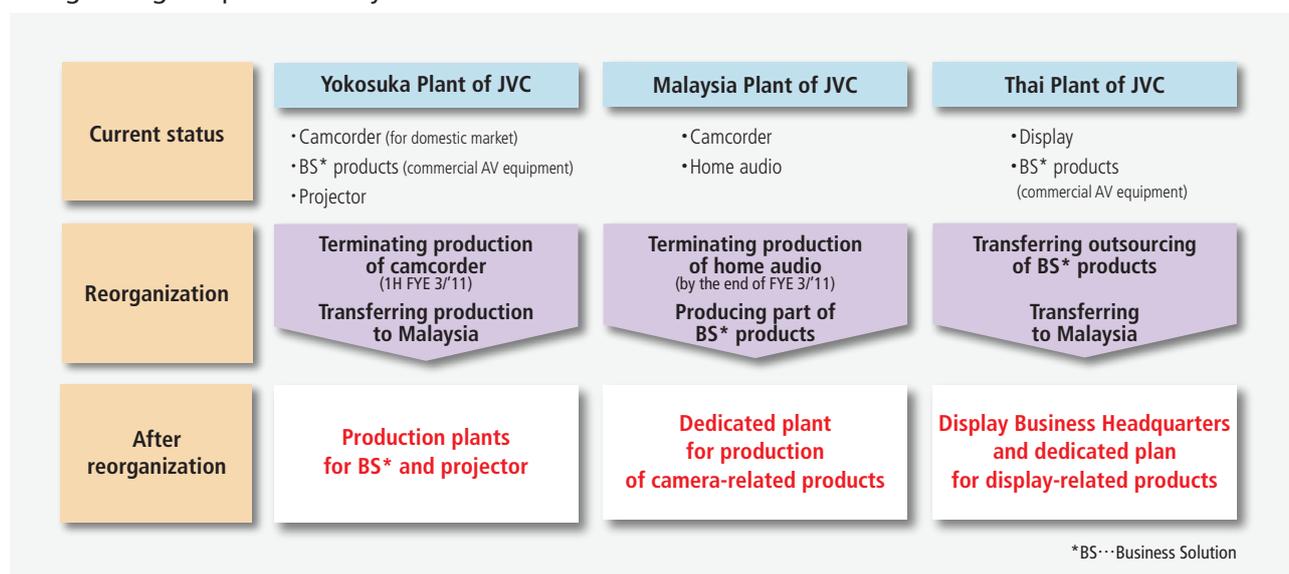
\*The Thai plant of JVC - Display business head office and exclusive display plant

Production of business solution products (monitors, recorders, video cameras, etc.) manufactured at JVC's Thai Plant is to be outsourced or transferred to JVC's plant in Malaysia, and the plant in Thailand will serve as the display business head office as well as a plant that is exclusively for displays

\*The Malaysian plant of JVC - Plant exclusively for cameras

Production of home audio products at the Malaysia plant will be terminated. Regarding home audio products, the Company will become fables, and the JVC's plant in Malaysia will be repositioned as a plant exclusively for cameras including camcorders and security cameras.

## Reorganizing the production system



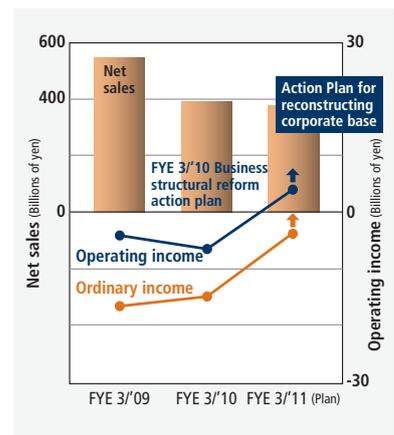
**③ Reviewing the human resource framework**

In connection with efforts to restructure the head office, production system and sales system as well as the integrated management of the Group, the Company plans to redeploy, transfer to third parties and reduce employees by between one and two thousand across the entire Group which includes Japanese and overseas offices and plants.

**(3) Increasing cash flows and reducing total assets**

Responding to the restructure of the global operation system, cash will be increased and total assets reduced through the disposal of fixed assets.

Action Plan for Reconstructing Corporate Base



## 2. Mid-term business plan

**(1) Strategies - Reconstruction of the profit base and early resumption of the distribution of dividends**

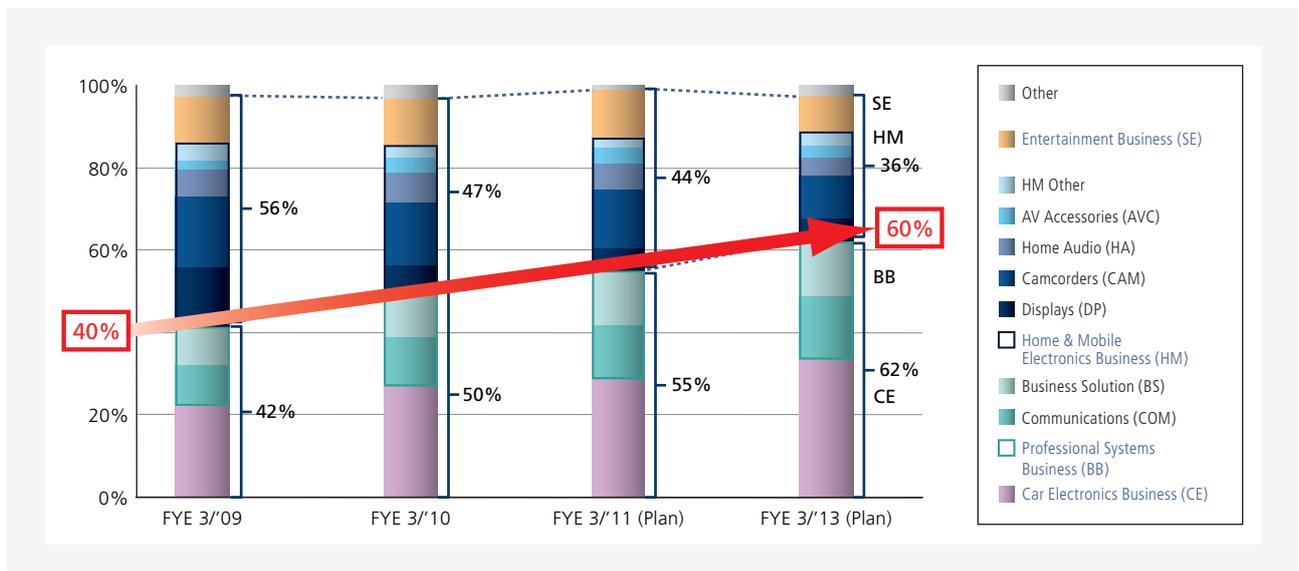
**① Focusing efforts on businesses with a competitive advantage in order to generate integration effects and profitable growth in emerging markets**

– Expanding the ratio to sales from 40 % at the time of management integration to 60 % or more (see note) for the Car Electronics and Professional Systems businesses.

\*To focus on the Car Electronics and Professional Systems businesses where the Company can exercise the strengths of the Group, aiming at profitable growth.

Note: The figure is the target for the fiscal year ending March 31, 2013 (the last year of the Mid-term business plan)

Converting the business portfolio (sales composition)



# Management Policy and Strategies

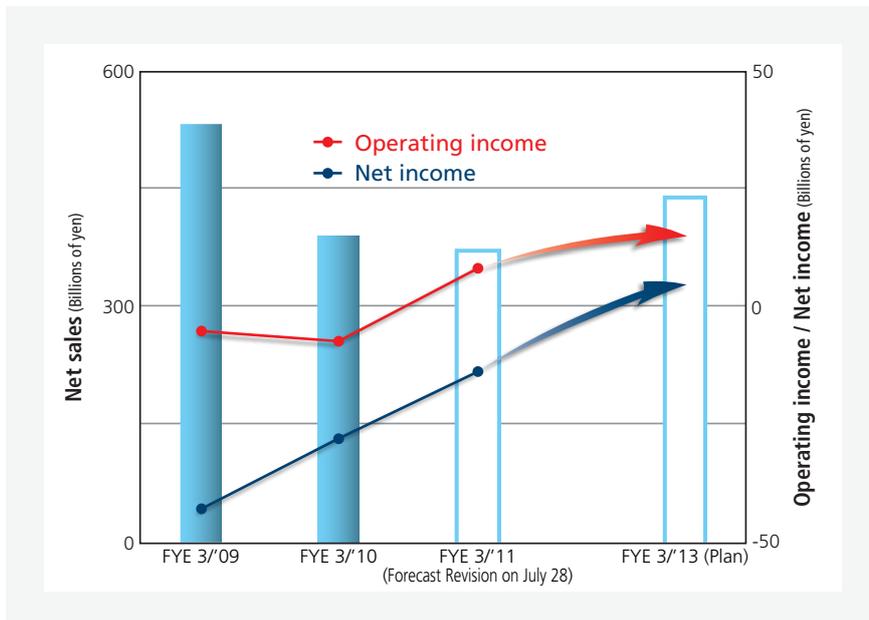
## ②Converting the business models of the Consumer Electronics and Software businesses to make the businesses profitable

–Leveraging the effect of the Action Plan for Business Structural Reform that was completed in the first half of the current year (eight billion yen annually) and the effect of the Action Plan for Reconstructing the Corporate Base set forth above, the Company aims to secure a turnaround in operating income (see note) for the combined total of the Home & Mobile Electronics and Entertainment businesses.

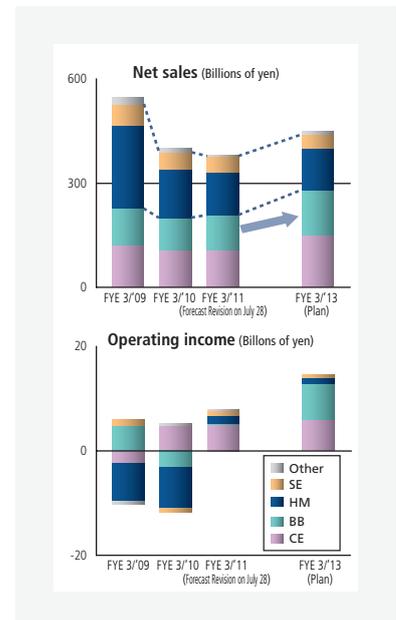
- \*As for the Home & Mobile Electronics Business, to implement a new business model by concentrating resources on marketing, merchandizing, development and sales through the promotion of the fables strategy by outsourcing to third parties in order to return to the black at an early stage as well as promoting the partnership strategy.
- \*Regarding the Entertainment Business, we will try to realize Total Entertainment in response to the diversification of media due to music distribution and such like.
- \*We will promote new development while introducing new products that realize our corporate vision “To Materialize Off Beat.”
- \*To focus on the Car Electronics and Professional Systems businesses where the Company can exercise the strengths of the Group, aiming at profitable growth.

Note: Data is the target for the fiscal year ending March 31, 2013 (the last year of the Mid-term business plan)

Action Plan for Reconstructing Corporate Base



Converting the business portfolio (New segmentation)



## (2) Target

- \*For the fiscal year ending March 31, 2013: Post sales of 450 billion yen (at a 9% annual growth rate); operating income of 14.5 billion yen and current net income of 4.5 billion yen
- \*In addition, another target is to resume the payment of dividends during the period of the Mid-term business plan.

## (3) Financial and capital strategies - Improvement of interest bearing debt and increase of capital

- \*Measures will be taken and pursued to improve profitability resulting from a recovery in the business as well as reinforcement, to improve the current account balance by reducing interest bearing debt and to retain the special loss in connection with the completion of the structural reform to a minimum level.
- In addition, cash flow will be improved by reducing inventory and reducing accounts receivable.
- \*We will strive to enhance corporate values and bases for the future and increase capital through share appreciation resulting from the consolidation of shares.

## (4) Dividend policy - Early resumption of the distribution of dividends

We will aim to post net income and resume the distribution of dividends at an early stage of the Mid-term business plan.

## (5) Management reform - Consolidation of operating companies and the integrated group

We will have discussions aiming for the early consolidation of business companies so that the management of the Group and the effects of integration may be optimized, flexibly responding to changes in the business portfolio.

### Target by segment

(Billions of yen)

Segment		(Reference) FYE 3/'10 (New segmentation)	(Reference) FYE 3/'11 (Initial forecast)	FYE 3/'13 Target	Change
Car Electronics + Professional Systems	Net sales	200.3	200.0 ~ 210.0	280.0	Annual growth approx. 16%
	Operating income	1.7	3.0	13.0	+10.0
Home & Mobile Electronics + Entertainment	Net sales	186.7	160.0 ~ 170.0	160.0	0 ~ 10.0
	Operating income	(8.5)	1.0	1.5	+0.5
New operation / Other	Net sales	11.7	3.0 ~ 5.0	10.0	+5.0 ~ 7.0
	Operating income	0.5	0.0	0.0	—
Total	Net sales	398.7	380.0	450.0	Annual growth approx. 9%
	Operating income	(6.5)	4.0	14.5	+10.5
	Ordinary income	(14.8)	(3.5)	7.5	+11.0
	Net income	(27.8)	(13.0)	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.

Outline of Business and Priority Measures

# Car Electronics Business



■ FYE 3/10 (Millions of yen)

Consolidated net sales: 107,814  
Consolidated operating income: 4,090  
Sales composition: 27%

■ Major Products

Car Audio  
Car AV System  
Car Navigation System  
CD and DVD mechanism  
for car-mounted equipment

The JVC Kenwood Group positions the Car Electronics business as the profitable one with the largest sales among the four business segments. It is the business segment in which both JVC and Kenwood participate and the segment expected to be most affected by the management integration. In line with this view, the Group integrated both companies' functions for car audio and car navigation systems. These functions include product planning and marketing, technological development, design, procurement and production. The Group integrated them into J&K Car Electronics Corporation, a joint venture of both companies, and manages it as a virtually independent operating company.

In the consumer segment that boasts a large sales ratio, the aggregate market share of the Kenwood brand and the JVC brand ranked first in Europe and the U.S. This is thanks to the integration effects resulting from a rise in sales. The sales increased by leveraging the strengths of both brands that have different product features and sales networks. As seen in this case, in major regions, the market share for and sales of car audios and car navigation systems increased. Besides, there were other integration effects resulting from a cost reduction that was brought by the adoption of common platforms, joint procurement of parts and mutual use of intellectual property. This led to a further improvement in product competitiveness and reconstruction of a highly profitable structure.

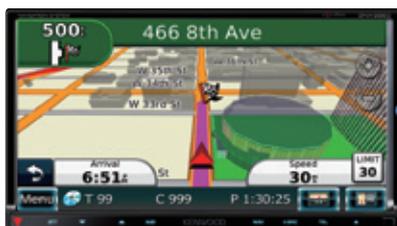
In the OEM segment, sales of car navigation systems remained brisk due to the recovery of automobile sales as a

result of measures for stimulating new car purchases executed by various countries. In addition, the shipment volume of CD/DVD drive mechanisms to be mounted in vehicles sharply increased because of large orders received. These favorable factors, together with the effects of previous structural reforms, contributed to making this segment profitable.

In future, the consumer segment that enjoys large market shares in the European and American markets will actively explore and advance into emerging markets such as Latin America, Middle and Near East, Russia, India and China. We are already enhancing our business structure in those areas, and the segment will advance by making the most of such large shares. Furthermore, we will focus on new car navigation systems, which we expect to create a new market between the markets for conventional car navigation systems and portable navigation devices. Thus, we will aim to expand our business in the domestic market and solidify our No. 1 position in the world in the consumer segment. Meanwhile, in the OEM segment, we will strive to expand our business by increasing orders received in each of the dealer option goods segment and the genuine goods segment. We will also develop new media and services for the next generation. Further, we will also develop car electronics to be used, for example, in driving support systems so that the Car Electronics business will be able to drive the Group's profitable growth.



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



Memory navigation systems for the overseas consumer markets developed in cooperation with Garmin



AV-integrated navigation systems using newly developed navigation platform for U.S. consumer market



DVD/CD/USB Receiver with Ultra-Wide Monitor for iPhone for overseas consumer market



KIV-700 is Kenwood's first IN-Dash Digital Media Receiver without a CD mechanism, and it is designed specifically for iPod / iPhone and USB media applications.

\*KIV-700 Digital Media Receiver has garnered the 2010-2011 European Imaging and Sound Association's (EISA) European In-Car Head Unit award.



DVD mechanism which can boast of being the thinnest and lightest in the OEM Business

# Professional Systems Business



■ FYE 3/10 (Millions of yen)  
Consolidated net sales: 91,390  
Consolidated operating loss: -1,321  
Sales composition: 23%

■ Major Products

- Land Mobile Radio Equipment
- Video Surveillance Equipment
- Video Equipment
- Audio Equipment
- Display Equipment

The Professional Systems business consists of Kenwood's wireless equipment segment, including land mobile radio, amateur radios and specific power-saving transceivers, and JVC's business solutions segment centering on professional AV equipment and systems.

The Land Mobile Radio business boasts the world's second largest market share. It supplies highly reliable professional radio terminals and systems for the public safety sector (police and fire departments), the public service sector (electricity, water and gas), and the private sector (railways, buses, hotels and plants), particularly in overseas markets. Affected by the economic crisis, orders received were sluggish mainly for products for the public safety market in the U.S., which is the largest market. However, sales of NEXEDGE®, a digital radio that JVC Kenwood originally developed, increased sharply for railway companies in the U.S. and private-sector markets in Europe, Asia and other regions. Consequently, this business remained profitable.

The business solutions segment supplies security cameras, professional-use audio equipment and facilities, video cameras, monitors and ID printers chiefly to private-sector markets. The recovery in demand for these products was delayed, hurt by a freeze on private-sector capital spending both in Japan and abroad amid the economic crisis. However, the profit and loss of this segment improved at a faster pace than estimated earlier mainly thanks to the effects of previous structural reforms.

In future, in the Land Mobile Radio business, we will strive to increase sales of digital, professional-use radio, centering

on NEXEDGE®. We will do this by taking advantage of the transition period from analog to digital. In addition, we will expand the domain of this business from the supply of radio terminals to the supply of system solutions, with Zetron, Inc., a U.S. radio communications system company, as the core. Furthermore, we will expand our business in Japan, China, Asia and Europe, and create a new driving force for growth.

The business solutions segment will enhance its technology-based marketing and shift from the individual hardware business to the solution business that integrates products, content and services. It will also expand proprietary products and services which make the most use of the video technology and the image compression technology. These technologies realize four to eight times the resolution of Hi-Vision. It will also utilize the 3D image technology that converts 2D images into high-precision 3D images on a real-time basis. The segment will also endeavor to expand and enhance operations by actively working on cooperation and alliance with other companies.

In addition, through integrated management of Kenwood's land mobile radio segment and JVC's business solutions segment, we will aim to share the two companies' resources, such as sales networks, expand the Professional Systems business and strengthen its competitiveness. At the same time, we will create a new business in response to the expansion in the public safety and security markets by commercializing a wireless transmission system for surveillance camera images that combines both companies' technologies and know-how.



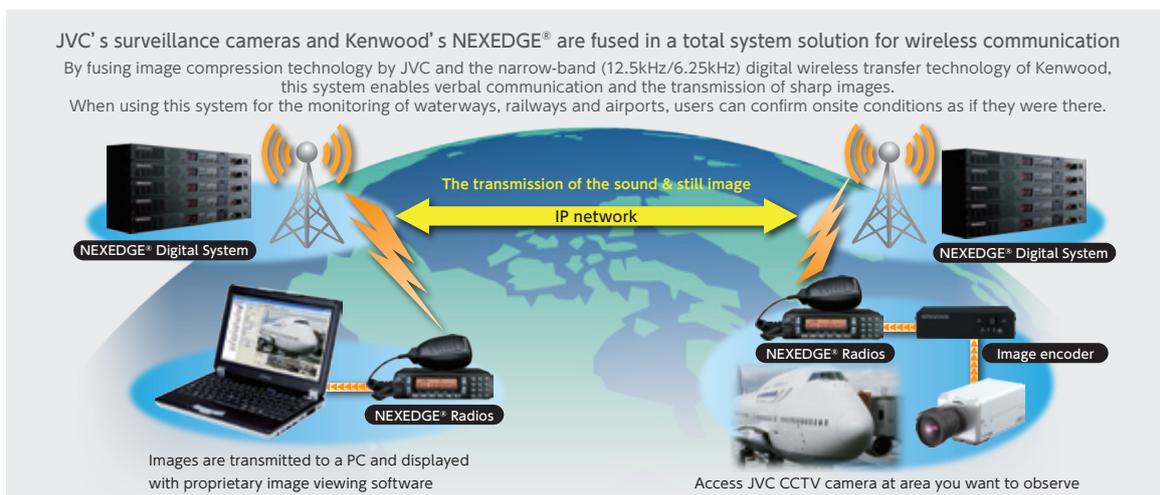
Digital Land Mobile Radio "NEXEDGE®" for the Business & Industry sector



Customers can choose a camera that is suitable for their purpose, system and location. The latest security video camera line-up (32 models) can be used for versatile surveillance applications.



ProHD Memory Card Camera Recorder, the world's first professional memory card camera recorder to support native QuickTime (for Final Cut Pro) file format recording onto SDHC media card



# Home & Mobile Electronics Business



■ FYE 3/10 (Millions of yen)  
Consolidated net sales: 141,773  
Consolidated operating loss: -10,752  
Sales composition: 36%

■ Major Products  
Camcorders (Video Cameras)  
Home Audio  
AV Accessories  
Projectors  
Displays

The Home & Mobile Electronics business consists of the home entertainment business, which includes home audio systems, AV accessories and displays, and the digital imaging business, which encompasses mainly camcorders (video cameras).

In the home entertainment business, the AV accessory segment established a highly profitable structure by forming a fables business model. The home audio system segment, as the common business of Kenwood and JVC, succeeded in turning a profit by leveraging the effects of integration and structural reforms. The display segment drastically reduced fixed costs by narrowing down unprofitable models and regions and achieving the resultant restructuring caused by reviewing production and sales systems.

With regard to the digital imaging business, sales of mainstay camcorders increased in the domestic market. However, their sales decreased in overseas markets owing to price declines and a shift of demand to low-end models. As a result, profit and loss of the business deteriorated greatly. To cope with this situation, we made every effort to improve product competitiveness and cut fixed costs, aiming for a substantial improvement in profit and loss.

In future, in the home entertainment business, we will have the AV accessory segment, a highly profitable base,

advance into unexplored markets. At the same time, we will reinforce the domestic market to accelerate its growth. The audio segment will shift its focus of investment from existing fields to new ones, and make production and development more efficient, by leveraging the effects of integration and structural reforms. The display segment will shift to a new business model while strengthening its presence. It will do this by implementing, beginning with the North American and emerging markets, a partnership strategy that utilizes brand power, marketing capability, product planning and development ability, and sales networks.

Regarding the digital imaging business, the camcorder segment will strengthen its cost and product competitiveness by using newly developed processors as the unified platform. It will further enhance its second-ranked position in the world market by implementing a product strategy to win over users of still cameras, such as PICSIO — a new concept camcorder that comes up with new image communication — and by developing new sales routes. Furthermore, we will expand and enhance our business taking into consideration cooperation and alliance with other companies. We will continue to develop a projector that adopts D-ILA, a proprietarily-developed optical device, as the next-generation mainstay of the video field.



Real 10 Megapixel Stills with no interpolation, Full HD memory camcorder "Everio"

\*The Everio GZ-HM1, received the Best Expert Camcorder prize in the Technical Image Press Association (TIPA)'s prestigious TIPA Awards 2010, the most coveted photo and imaging awards worldwide.



50,000:1 native contrast ratio for deep, true black level HD D-ILA Consumer Front Projector



High grade model using wood diaphragms and color variation models to be able to choose depending on preference and a fashion various headphones lineups



Compact Hi-Fi system equipped with digital doc for iPods that both CD and iPod reproduce by high-quality sound



Used wood, an ideal material for use as a vibration board DVD/CD Woodcane Speakers Micro System



Thin (6.4mm) and light weight (5.7kg) 32" Class Full HD LCD Display  
※At the thinnest section: the depth between the LCD panel surface and the rear of the cabinet

# Entertainment Business



■ FYE 3/10 (Millions of yen)

Consolidated net sales: 44,934  
Consolidated operating loss: -1,744  
Sales composition: 11%

■ Major Products

Planning, Production and Sales of Audio and Video Software Including CDs and DVDs  
Production and Sales of CDs and DVDs (pre-recorded)  
Distribution of Audio and Other Software

The Entertainment business consists of the software segment with Victor Entertainment, Inc. and Teichiku Entertainment, Inc. as the core, and the business on consignment that specializes mainly in pressing of CDs, DVDs and Blu-ray discs and logistics.

The software segment focused on improving earnings. To this end, the segment reorganized the Victor Entertainment Group. It aimed to reconstruct the base for creating hit content responding to changes in the entertainment industry environment, such as diversification of user preferences. It also strove to improve the infrastructure for distributing content through the Internet and mobile phones. The segment also strengthened the four functions of content production, management, property-rights-based businesses such as music publishing, and networks and distribution. It deepened the interplay among these functions.

In future, the software segment will expand and reinforce the business by finding and training new talented artists, and realize total entertainment that responds to diversification of

media for music distribution. To achieve this, the segment will leverage its various strengths for developing new businesses. These strengths include music assets that consist of many hits, centering on Japanese music such as pops and *enka* (traditional Japanese popular songs), which have been accumulated by Victor Entertainment and Teichiku Entertainment over the years from the early period of the Japanese music industry. They also include extensive networks, production know-how, recording infrastructure and human resources in the entertainment industry.

To shift to a new business structure, we will focus on the solution business and the service business, and make greater efforts for a new service business that transfers resources in the Entertainment business to other businesses. Such a new business segment, for example, will propose an entertainment corridor, which combines display-based digital signage, music and videos.



1	2	3
4	5	6

1. Yuko Hara "Hallad"
2. SMAP "We are SMAP !"
3. Kazuyoshi Saito "Zutto sukidatta"
4. KANJANI∞(8) "Kan Pani vol.1" "Kan Pani vol.2" "Kan Pani vol.3"
5. Begin "Begin No Shimauta Omototakeo 3"
6. Do Hatsu Ten "Manatsu No Kirigirisu"

## Establishing the "Entertainment Laboratory," a new B-to-B (business service) business division

—Applying the company's sound and image know-how to the business scene—



In April 2010, Victor Entertainment Co., Ltd. established the "Entertainment Laboratory (hereinafter, "e-Lab")," a new business division, with the aim of promoting the shift to a B-to-B (business service) focus, a new business segment completely different from its current core package business.

e-Lab's mission is to promote the transfer of technological know-how in marketing, sales promotion, as well as the production of music and images into JVC's entertainment and general business segments. The five main business segments of JVC are listed as follows:

- ① The Music Plus Business: Creating added value through sound solutions provided by enterprises, groups and products, or in other words, the staging of spiritually enriched "scenes."
- ② The Event Producing Business: Providing support to events by making the best of the company's know-how cultivated through the organization of live shows and concerts.
- ③ The Custom-made Business: Proposing the production of commemorative music packages as well as music distribution in order to support the creation of strong brands through the power of songs (affinity and spreading power).
- ④ The Promotion Business: Planning new products on a low budget and conducting totally unexpected marketing activities by utilizing the know-how and sales channels of record makers that attempt to attract the interest of people in regard to services.
- ⑤ The Space Producing Business: Providing added value that accompanies entertainment, to existing space and facilities by utilizing technologies such as the "high resolution audio system," which place emphasis on sound quality, as well as systems like the "digital window" which create "windows" using images.

# New Business



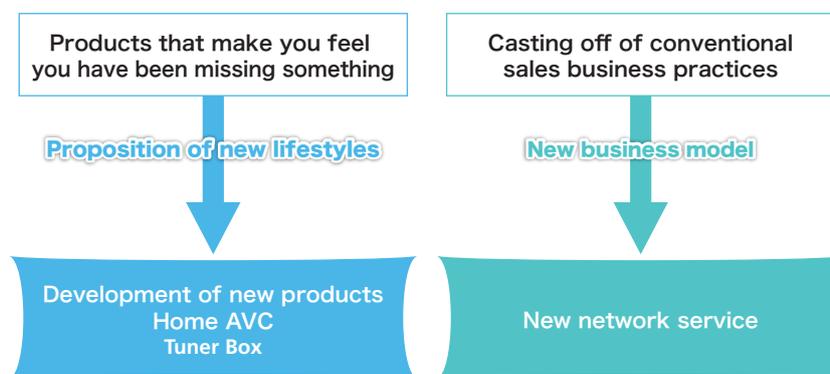
The basic policy of the JVC Kenwood Group is to position itself as a unique, specialized manufacturer and world leader. To that end, we are working to enhance competitiveness and profitability by consolidating the corporate bases established by the two companies into a new corporate entity that can operate successfully in a digital era. This will be achieved using management integration as the starting point for a new growth strategy, and creating and increasing corporate value by applying the synergies of management integration.

By integrating the video, audio and wireless communications technologies of JVC and Kenwood at a high level, JVC Kenwood, with the New Business Development

Center at the helm, has been working to develop unconventional products and services that are appropriate for a digital network era, and that stimulate people's sensitivities, awaken latent needs and bring surprises and changes to everyday lifestyles.

The first of these new products that we have developed is the Home AVC (Audio, Visual, and Communication), which is a home AV product that offers a new lifestyle by combining the audio, video and communications functions, as well as a new network service linked to this new product and a tuner that is compatible with the network service.

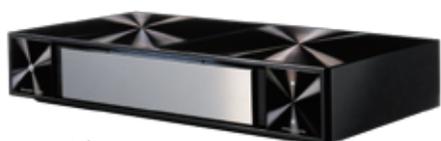
### Basic Conceptualization of the New Products and Services



Thus, JVC Kenwood will strengthen initiatives for new businesses by commercializing and launching new home AV products that propose new lifestyles, including tuners that are compatible with a new network service and mobile AV products and by accelerating development of new next-generation products that make the most of the Group's technologies.

#### “Home AVC” is a home AV product that proposes a new lifestyle

- ① Home AVC with which users can enjoy varied video and music contents
- ② A high-grade digital amplifier that includes the know-how and high-quality sound of JVC and Kenwood
- ③ The new UI design offers an intuitive interface
- ④ Installed with a new network service function



Home AVC

#### New network service and tuner box compatible with the network service

- ① Clear radio broadcasts can be received even in poor reception areas where there are radio disturbances
- ② Offering new ways of excitement using additional data
- ③ The two-way function enables an expansion of advertising activities
- ④ Tuner BOX that makes the new network service available by connecting with the audio-video equipment that users already have such as a TV and VCR



Video image of the new network service



Tuner Box

# Environmental Management and Social Activities



We strive to realize a society capable of sustainable growth by fulfilling our social responsibility as a green company and by implementing environmental management activities.

## Environment Board System

The JVC Kenwood Group's organization for promoting environmental management activities consists of the JVC KENWOOD Holdings Environment Board, the Group's highest decision-making body chaired by the Company's president; the Environment boards, which are under the control of the JVC KENWOOD Holdings Environment Board and are chaired by the managers or environmental directors of operating companies, production bases, and production companies; and, the Expert committees, which are organized for each category of task on a group-wide basis.

Policies and measures decided by the JVC KENWOOD Holdings Environment Board are developed through respective Environment boards as subordinate entities.



JVC KENWOOD Holdings Environment Board Organization System

## Acquisition of ISO 14001 International Environmental Management Standard Certification

In accordance with the environmental philosophy and policies of the JVC Kenwood Group, all of the JVC Kenwood Group's domestic and overseas production bases, production companies and principal domestic affiliates have obtained ISO 14001 certification. In order to maintain and improve the ISO 14001 system, we implement general environmental education and training at each level throughout the Group on an annual basis. At the same time, we conduct training for those engaged in specific duties as well as internal auditors of the environmental management system. Training is supplemented by drills that assume various emergencies, based on the implementation plan.

Internal auditors also carry out internal audits each year to verify compliance with environmental laws and regulations and to confirm conformity with in-house environmental standards. In the event an internal audit uncovers an issue, steps are taken to implement the

appropriate measures and on resolution to verify results.

## Product Initiatives

In order to deliver products that have little impact on the environment, the JVC Kenwood Group is pursuing the development of technologies that help reduce electricity as well as standby power consumption, and facilitate the reduction of product size and weight.

### Initiatives in each design process

1. Energy-conservation design to reduce emissions of greenhouse gases
2. Effective use of limited global resources through 3R designs
3. Ban on / reduction of use of environmental pollutants to prevent pollution caused by chemical substances
4. Observance of environmental laws and regulations and other requirements

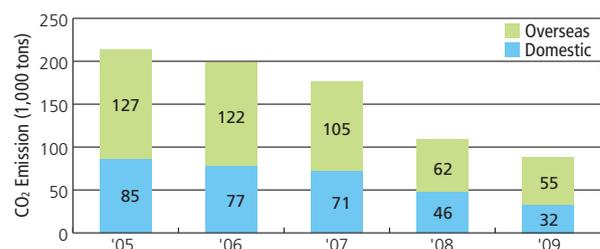
### Environmental Green Symbol concept

Among the wide ranging lineups of both JVC and Kenwood, products bearing this symbol mark are particularly eco-friendly. The symbol mark is affixed to products that conform to environmental standards. It is also used as an indicator for environmental activities consistent with ISO 14001.



## Operational Initiatives

In order to fulfill its social responsibility, the JVC Kenwood Group is focusing on activities that prevent global warming and inhibit the generation of waste.



CO<sub>2</sub> Emission by Energy Consumption in Production Sites and Companies in Japan and Overseas



We aim to become a global corporation that earns the trust of its customers by engaging in various social activities throughout the world.

### Relationships with Customers through Showrooms

In an era in which people can view products on the Internet as if they were looking through a catalogue, the roles of showrooms have changed significantly with face-to-face relationships with customers becoming increasingly important.

JVC KENWOOD's Marunouchi Showroom not only provides a venue for explaining products, but also serves as a place that enables customers to have proper relations with products through daily communication.

Views and requests concerning products, which are obtained from customers who visit the showroom, are quickly conveyed to the relevant development, production, and sales divisions via the CS division, and are used for planning future products and improving quality.



### Cooperation in Opening "Saudi Electronics & Home Appliances Institute"

To train engineers who repair home appliances in Saudi Arabia, the Saudi Electronics & Home Appliances Institute was opened in Riyadh, the capital of Saudi Arabia, in September 2009 through cooperation among the Japanese and Saudi Arabian governments and private-sector corporations including JVC. JVC, which exports large quantities of home appliances to Saudi Arabia, supported preparation of teaching materials and training programs, including guidance for instructors.



Trainees studying the operating principles of electronic circuits

### Participation in the Recycling of Telephone Directories Jointly with a Local Elementary School

In January 2010, employees of JVC's U.S. plant took part in a

telephone directory recycling competition planned by AT&T Inc., jointly with Arcadia Elementary School in Tuscaloosa, Alabama, where the plant is located.

Participants collected more than 1,000 used telephone directories and received prize money of 1,000 dollars, which was used to fund improvements to the environment of the school.



An employee of JVC's U.S. plant (left) and pupils of Arcadia Elementary School

### Amateur Radio Products Donated to Support Reconstruction Following the Haiti Earthquake

Kenwood donated Amateur Radio (Ham) products, which offer a means of communication that requires no public infrastructure, through the American Radio Relay League in the U.S. for use in relief activities for victims and reconstruction of the stricken area in the Republic of Haiti, which was severely damaged by a huge earthquake in January 2010. We sincerely hope the devastated areas will be restored as soon as possible.



The TM-271A (left) and TH-K2AT (right), donated by Kenwood

### Youth Soccer Tournament Held

The Johor youth soccer tournament in Malaysia, held every year under the auspices of Kenwood Group Union (KEGU) in hopes of fostering the sound minds and bodies of children, was held in May, with the support of employees of Kenwood's Malaysia Plant and volunteer staff from the labor union in Japan. The tournament was a great success, with 16 junior high school soccer teams selected from the province participating.



Gold, silver and bronze medals were presented.

# Corporate Governance

We believe that a company's mission is to meet the expectations of all stakeholders, earn society's trust, and contribute to society. These practices are a prerequisite for the company to thrive and contribute to society. To do so, we believe that one of the most important issues for the Company is to contribute to society through its business activities. This goes beyond merely carrying out compliance in all of our activities, but also includes reinforcing corporate governance, implementing highly transparent management, and enhancing activities to protect the environment for the next generation.

## Corporate Governance Structure

JVC Kenwood believes that one of its most important management issues is to increase the transparency and efficiency of its managerial decision-making process and improve corporate value by strengthening corporate governance. To this end, we make it a basic policy to enhance corporate governance through the establishment of a structure that includes checks and balances. That policy calls for dividing management and the execution of operations, recruiting external directors and auditors, and establishing internal audit sections, as well as improving the internal control system on a Group-wide basis.

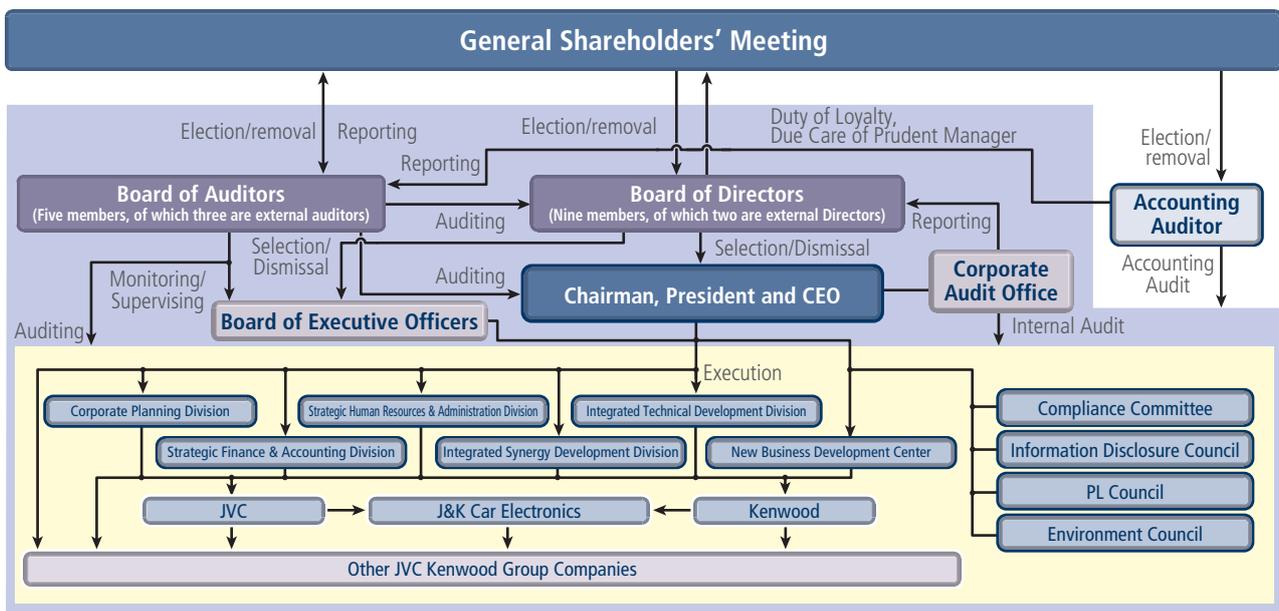
### ■ Corporate Organizations

The Board of Directors, which is regarded as an organization that

makes fundamental and strategic decisions as well as overseeing business execution, holds regular meetings once a month and extraordinary meetings when necessary to deliberate and decide on basic management policies and important matters as well as monitor and oversee the status of business execution. Directors' terms of office are one year in order to make their responsibilities clear and to make management processes quicker. In addition, we proactively recruit external directors in order to increase the transparency of decision-making.

JVC Kenwood adopts an executive officer system under which business execution functions are divided and management responsibility and business execution responsibility are separated from each other. Since June 2010, nine directors (including two external directors) and ten executive officers (six concurrently holding director positions) have fulfilled these responsibilities.

Organization System (As of June 24, 2010)



JVC Kenwood is a company with a board of auditors. Auditors attend Board of Directors' meetings and other important meetings, hold Board of Auditors' meetings, audit the execution of duties by Directors and the entire Group's business execution, perform accounting audits and hold the corporate audit function.

The Board of Auditors holds meetings once every month and whenever necessary. Since June 2009, five auditors (including three external auditors) have been engaged in corporate audits.

## ■ Establishment of Internal Control and Risk Management Systems

JVC Kenwood has established the following systems to ensure that the Group runs its operations properly.

1. Framework to Ensure the Exercise of Directors' Functions are Conducted in Conformity with Laws, Regulations and the Company's Articles of Incorporation
2. Framework for the Storage and Management of Information in Relation to the Exercise of Directors' Functions
3. Framework for Regulations and Such Concerning the Management of Risk of Loss
4. Framework to Ensure the Efficient Exercise Directors' Functions
5. Framework to Ensure that Employees Execute Their Duties in Compliance with Laws/Regulations and the Company's Articles of Incorporation
6. Framework to Ensure the Propriety of Business Operations for the Corporate Group Consisting of JVC Kenwood and Its Subsidiaries
7. System Concerning Employees Who Assist Auditors' Duties and Matters Regarding to the Independence of Such Employees from the Control of Directors
8. Framework for the Reporting of Directors and Assistants to Auditors/Framework for Other Reporting to Auditors
9. Framework to Ensure Effective Auditing of Auditors
10. Framework to Ensure Propriety of Financial Reports

## ■ Internal Audits and Auditors' Audits Systems

JVC Kenwood conducts internal audits on the overall business execution of the entire Group. Results of these audits are reported to the Board of Directors, an oversight organization, by the Corporate Audit Office, where twelve staff members are engaged in operational audits and internal control audits. The Corporate Audit Office, tasked to audit the operations of the entire Group, prepares the Risk Assessment Form when formulating an audit schedule and selects auditing targets based on risk assessment, resulting in an increase in the effectiveness of internal audits.

Auditors implement audits according to the audit schedule, audit the entire Group's operations, and check in-house approval documents based on the monitoring of directors and executive officers. Auditors also attend audits performed by the Corporate Audit Office, thereby broadening the scope of their audits.

## Provision of information for Stakeholders

JVC Kenwood provides information for stakeholders in a timely and appropriate manner. We establish timely disclosure rules as in-house regulations, and under the Information Disclosure Council develop the content and means of disclosure when there is information that needs to be communicated.

## Takeover Defense

We believe that if the Company's corporate value or shareholders' interest could be harmed due to the acquisition of its shares by a specific person or group, the Company needs to take substantial measures to raise corporate value and secure shareholders' interests to the extent permitted by laws, regulations, and the Company's Articles of Incorporation. JVC Kenwood, of course, recognizes the importance of increasing corporate value and securing shareholders' interests, and continues to carefully study takeover defense measures. However, we have not introduced any specific measures so far.

## Formulation of Measures to Prevent Recurrence

During the consolidated fiscal year under review, JVC Kenwood established an investigation committee including outside experts (hereinafter, "Investigation Committee") and conducted an investigation into losses with respect to JVC. The results of the investigation by the Investigation Committee revealed inappropriate accounting adopted by JVC during the period between the fiscal year ended March 31, 2005, which was prior to the establishment of JVC Kenwood on October 1, 2008, and the second quarter of the fiscal year ended March 31, 2010. It also indicated that the inappropriate accounting had a total impact of approximately 17.1 billion yen in losses. Pursuant to the Financial Instruments and Exchange Law, the JVC Kenwood Group adjusted the earnings results of JVC for the period between the fiscal year ended March 31, 2005 and the second quarter of the fiscal year ended March 31, 2010 and those of JVC Kenwood for the period from its establishment on October 1, 2008 through to the second quarter of the fiscal year ended March 31, 2010.

The Company, having seriously acknowledged the results of the investigation conducted by the Investigation Committee, thoroughly validated and examined the background and causes that led to the inappropriate accounting treatment. Furthermore, in response to the suggestion of the committee, we have formulated fundamental measures.

## ■ Establishment of a management structure and internal control system to improve the Group's corporate culture

1. By establishing "Standards for Decision-Making and Authorities/List of Decision-Making Matters" and ensuring that the contents are thoroughly communicated within the JVC Kenwood Group, reconfirm awareness within the entire Group of a system that maintains a board of directors with the authority to decide important management matters.
2. Establish the "JVC Kenwood Group Code of Conduct on Compliance" (hereinafter "Code of Conduct") that specifically outlines common values and ethical views to be shared by directors, auditors, executive officers, and employees of the JVC Kenwood Group for taking sincere and appropriate actions, and ensure strict adherence to the Code of Conduct. In addition, emphasize that securing compliance is the most important issue under the management policy and provide education on compliance as part of the management education program.
3. Ensure that all parties within the JVC Kenwood Group are well aware of the internal whistle-blowing rules, which stipulate the reporting of any acts that deviate from the Code of Conduct and define procedures for corrective action. Also, ensure that the whistle-blowing system is operated so that a person reporting a problem is not treated unfairly.

## ■ Reform of accounting system and structures

1. Establish, with respect to the subject inappropriate accounting treatment, a “committee for preventing recurrence” as an entity under the Compliance Committee of JVC Kenwood, and first develop “improvement measures to prevent recurrence of inappropriate accounting, etc.,” applicable throughout the Group to be promoted and monitored. In addition, assign a director responsible for compliance at each Group company to strengthen the internal control system of every company.
2. As part of the reexamination of the human resources system, establish working rules, dismissal regulations and other compliance-related rules as the rules of JVC Kenwood, and apply these rules uniformly throughout the entire Group.
3. Revise the current accounting system in which profits and losses are accounted for within each of the regional companies in Europe, Americas, and Asia, and establish consolidated accounting rules and develop operational workflows and systems that enable JVC Kenwood to centrally identify the profits and losses of business companies as well as of overseas affiliates. In addition, promote a strengthening of consistent consolidated management by business segment, establish a management system over affiliated companies overseas, and revise the existing accounting rules as necessary.
4. To prevent recurrence of inappropriate accounting treatment, establish a double-checking system between overseas sales subsidiaries and the accounting function of business departments, as well as a cross-checking system with the accounting department of the head office.

## ■ Reinforcement of Monitoring

1. JVC Kenwood, by reinforcing the activities of its management audit office, has been widely conducting onsite examinations of business companies and their affiliates within the Group to centrally monitor the internal control status, and is making efforts to promptly detect problematic issues from a perspective that is separate from that of the business locations to heighten the capability to prevent the occurrence of problems. Further efforts are being made to strengthen and enhance the staff of the management audit office of JVC Kenwood and ensure that a thorough monitoring function is in place.
2. In order to put in place a transparent corporate culture, ensure that based on the Code of Conduct, rules are defined with respect to the reporting of unusual circumstances caused by an inappropriate action. Specifically, establish an internal whistle-blowing system as a mechanism to enable personnel in overseas affiliates also to directly access JVC Kenwood.
3. The management audit office of JVC Kenwood, in order to validate the effectiveness of the series of measures to prevent recurrence, will collect accounting, financial, and other relevant data monthly from all related companies of the Group and analyze the data.

# Management Team

(As of August 1, 2010)

## Directors



Haruo Kawahara



Kazuo Shiohata



Hisayoshi Fuwa



Hiroshi Odaka



Kazuhiro Aigami



Yuta Ito



Shoichiro Eguchi



Koji Kashiwaya



Nobuo Seo

## Auditors



Shigeharu Tsuchitani



Hideaki Kato



Noriyuki Shouyama



Akihiko Washida



Koichi Kurosaki

Chairman and President,  
Representative Director of the Board  
Haruo Kawahara

Representative Director of the Board  
(in charge of Management and Financial Reforms)  
Kazuo Shiohata

Director of the Board  
(in charge of Management Strategy)  
Hisayoshi Fuwa

Director of the Board  
(in charge of Group Management Reforms)  
Hiroshi Odaka

Director of the Board, and President  
and Representative Director of the Board of  
Kenwood  
Kazuhiro Aigami

Director of the Board, and President  
and Representative Director of the Board of  
JVC  
Yuta Ito

Director of the Board, and President  
and Representative Director of the Board of  
J&K Car Electronics  
Shoichiro Eguchi

Director of the Board (External) \*1  
Koji Kashiwaya

Director of the Board (External) \* 1  
Nobuo Seo

\*1 External Directors specified in Item 15, Article 2 of the Corporate Law

Auditor  
and Auditor (External) of Kenwood  
Shigeharu Tsuchitani

Auditor and Auditor (External) of JVC  
Hideaki Kato

Auditor (External) \* 2  
and Auditor (External) of JVC  
Noriyuki Shouyama

Auditor (External) \* 2  
Akihiko Washida

Auditor (External) \* 2  
and Auditor (External) of Kenwood  
Koichi Kurosaki

\*2 External Auditors specified in Item 16, Article 2 of the Corporate Law

## Executive Officers



Satoshi Fujita



Masachika Komiyama



Hiroyuki Taki



Satoru Maeda

Chief Executive Officer (CEO) \*  
Haruo Kawahara

Deputy President & Executive Officer  
(in charge of Management and Financial Reforms, Human Resources )

Chief Financial Officer (CFO), General Executive, Strategic Corporate Planning Division, and Business Affairs Office \*

Senior Vice President & Executive Officer, General Executive, Strategic Finance & Accounting Division

Senior Vice President & Executive Officer, General Executive, Strategic Human Resources & Administration Division, and Director of the Board of JVC

Senior Vice President & Executive Officer, General Executive, Integrated Synergy Development Division, and Director of the Board of J&K Car Electronics

Senior Vice President & Executive Officer, General Executive of New Business Development Center

Senior Vice President & Executive Officer, President and Representative Director of the Board of JVC \*

Senior Vice President & Executive Officer, President and Representative Director of the Board of Kenwood \*

Senior Vice President & Executive Officer, President and Representative Director of the Board of J&K Car Electronics \*

\* Concurrently serving as Director of the Board

## Representative Directors of Operating Company

### Victor Company of Japan, Limited

(Director of the Board of JVC Kenwood)  
President and Representative Director of the Board  
Yuta Ito

\*Representative Director of the Board  
Hiroshi Odaka

Executive Vice President, Director of the Board  
Takayoshi Sakamoto

Senior Vice President, Director of the Board  
Manabu Saito

Motoyoshi Adachi  
Nobuo Ochiai

Masayuki Suzuki  
Osamu Ueda

Naokazu Kurihara  
\*Masachika Komiyama  
Masaki Imai

Auditor  
Tomohiro Kushima

\*Auditor (External)  
Noriyuki Shouyama

Hideaki Kato

\*Concurrently serving as Director of the Board, Executive Officer or Auditor of JVC Kenwood

### Kenwood Corporation

(Director of the Board of JVC Kenwood)  
President and Representative Director of the Board  
Kazuhiro Aigami

\*Representative Director of the Board  
Kazuo Shiohata

Senior Vice President, Director of the Board  
Akira Suzuki

Toshikatsu Neda  
Tomohiko Yoshimura  
Naomasa Mizuno

Jyunji Kobayashi  
\*Nobuo Ochiai

Auditor  
Osamu Hamada

\*Auditor (External)  
Koichi Kurosaki

Shigeharu Tsuchitani

\*Concurrently serving as Director of the Board, Auditor of JVC Kenwood or Senior Vice President, Director of the Board of each Operating Company

### J&K Car Electronics Corporation

(Director of the Board of JVC Kenwood)  
President and Representative Director of the Board  
Shoichiro Eguchi

\*Senior Vice President, Director of the Board, Assistant to President

Hiroyuki Taki

Senior Vice President, Director of the Board

Shigenori Abe  
Makoto Inukai  
Toshiaki Matsuzawa  
Yuichi Yamaya

Auditor

\*Satoshi Fujita  
Takahiro Kubota

\*Concurrently serving as Executive Officer of JVC Kenwood

# Corporate History

## JVC KENWOOD Holdings, Inc.



2007	<p>Victor Company of Japan, Limited (JVC) and Kenwood Corporation (Kenwood) entered into an agreement on a capital and business alliance to cooperate in their car electronics and home audio businesses and integrate their management</p> <p>JVC increased its capital through a third-party allocation of new shares to Kenwood and multiple investment funds managed by SPARX International (Hong Kong), Ltd.</p> <p>JVC and Kenwood established the technology development joint venture J&amp;K Technologies Corp. (J&amp;K Technologies)</p>
2008	<p>JVC and Kenwood agreed and signed an agreement to integrate their management through the establishment of a joint holding company (stock transfer)</p> <p>JVC and Kenwood established the joint holding company JVC KENWOOD Holdings, Inc. (JVC Kenwood) through a stock transfer (JVC Kenwood's shares were listed on the First Section of the Tokyo Stock Exchange)</p> <p>Development and production functions of the car electronics business of JVC and Kenwood were taken over by J&amp;K Technologies through a company split (simplified absorption-type split)</p> <p>Launched a Kenwood-brand AV control center "KRF-V9300D" (an AV amplifier for home theater systems) that uses a HDMI/DSP module of J&amp;K Technologies as the first product based on jointly developed technology (Photo①)</p> <p>Product planning and marketing functions for Kenwood's home electronics business were taken over by the newly established Kenwood Home Electronics Corporation through a company split (simplified absorption-type split)</p>
2009	<p>Functions in Japan and abroad, such as planning, technologies, marketing, quality assurance, and production, with the exception of sales, for the home audio business of JVC and Kenwood were integrated into JVC in July</p> <p>J&amp;K Technologies renamed J&amp;K Car Electronics Corporation (J&amp;K Car Electronics), making J&amp;K Car Electronics a virtually independent company engaged in the car electronics business</p> <p>JVC and Kenwood each developed a car navigation system that adopts the same platform for the first time (Kenwood-brand Japanese consumer model: MDV-313 (Photo②) ; JVC-brand overseas consumer model: KW-NT3 (Photo③))</p>
2010	<p>Implemented adjustments to earnings results of JVC for the period between the fiscal year ended March 31, 2005 and the second quarter of the fiscal year ended March 31, 2010 (including consolidated financial statements as a consolidated subsidiary of JVC Kenwood), and to those of JVC Kenwood for the period from its establishment on October 1, 2008 to the second quarter of the fiscal year ended March 31, 2010</p>

## Joint Development Products



①AV Control Center "KRF-V9300D"



②Kenwood-brand Japanese consumer model "MDV-313"



③JVC-brand overseas consumer model "KW-NT3"



④A gramophone of 1928



⑤The world's first VHS home video recorder "HR-3300"



⑥Stereoscopic Image Processor "IF-2D3D1"

## KENWOOD



⑦FM Tuners



⑧Land Mobile Radio launched in the U.S.



⑨Digital Media Receiver "KIV-700"

## Victor Company of Japan, Limited



1927	Victor Talking Machine Company of Japan, Limited, established (Photo④)
1939	Produced Japan's first TV receiver
1956	Developed 45/45 stereo record format
1963	Introduced KV-200, the world's smallest 2-head professional VCR
1976	Introduced HR-3300, the world's first VHS home video recorder (Photo⑤)
1986	Introduced GR-C7, the world's smallest and lightest VHS-C video camera
1991	Introduced AV-36W1, the first 16:9 TV in the industry
1995	Introduced GR-DV1, the world's first pocket-sized digital video camera
2003	Introduced GR-HD1, high-definition digital video camera Introduced EX-A1, compact component system
2005	JVC co-developed high-quality audio compression technology "net K2" with Victor Entertainment, Inc.
2006	JVC awarded the prestigious IEEE Milestone for the development of VHS video
2007	Introduced Everio GZ-HD7, the world's first full HD hard disk camcorder targeted at consumers
2009	Introduced the JVC global brand throughout Japan Introduced the GD-463D10, full HD 3D LCD Monitor for professional use
2010	Introduced the IF-2D3D1, 3D image processor for professional use (Photo⑥)

## Kenwood Corporation



1946	Established Kasuga Radio Co., Ltd. (predecessor of Kenwood Corporation)
1947	Succeeded in manufacturing high-performance radio parts (high-frequency coils)
1957	Began exporting FM tuners for the first time as a Japanese manufacturer (Photo⑦)
1960	Renamed Trio Electronics, Inc.
1962	Launched the industry's first transistor amplifier
1966	Introduced fully transistorized audio products for the first time in the industry
1978	Entered the commercial wireless radio equipment field in Japan
1980	Entered the car audio field in the U.S.
1983	Entered the Business & Industry sector of commercial wireless radio field in the U.S. (Photo⑧)
1986	Renamed Kenwood Corporation
1991	Developed the radio systems used in F1 world championship races and executed an official supplier contract with Team McLaren
1992	Entered the car navigation system field, launching the industry's first 1DIN-size GPS car navigation system
1997	Supplied Real Focus Sound System for the Forester and 2nd Legacy models of Subaru, establishing a base for the OEM business
2004	Acquired the wireless radio operations of Toyo Communication Equipment Co., Ltd.
2005	Formed a technical and capital alliance with Icom Inc. to jointly research the standardization of technical specifications for digital wireless radio equipment
2007	Converted Zetron, Inc., a U.S. systems-based communication company into a subsidiary Formed a new aftermarket collaboration agreement for AV-integrated navigation systems for the consumer aftermarket with Garmin, the largest PND maker in the U.S.
2008	Launched a voluntary organization jointly to contribute to the development of land mobile radios in the Americas
2009	Launched the Simultaneous Communications System and VoIP Radio Dispatch System
2010	KIV-700 Digital Media Receiver has garnered the 2010-2011 European Imaging and Sound Association's (EISA) European In-Car Head Unit award. (Photo⑨)

# Network (Global)

(As of the end of March 2010)

Global affiliated Manufacturing Company		
Company Name	Location	Main Products
JVC America, Inc.	Tuscaloosa, Alabama, U.S.A.	CDs, DVDs (prerecorded software)
JVC Industrial de Mexico, S.A. de C.V.	Tijuana, Mexico	TVs
JVC Electronics Singapore Pte. Ltd.*	Singapore	Car electronics
JVC Manufacturing Malaysia Sdn. Bhd.	Selangor, Malaysia	Camcorders, Home audio
JVC Manufacturing (Thailand) Co., Ltd.	Navanakorn, Thailand	TVs, professional products
JVC Optical Components (Thailand) Co., Ltd.	Nakhon Ratchasima, Thailand	Electronic components (optical pickups, etc.)
P.T. JVC Electronics Indonesia*	West Java, Indonesia	Home audio, car electronics products
Kenwood Electronics Bretagne S.A.	Janze, France	Car electronics
Kenwood Electronics Technologies (S) Pte. Ltd.	Singapore	Communications equipment
Kenwood Electronics Technologies (M) Sdn. Bhd.*	Johor Bahru, Malaysia	Car electronics, Home electronics
Shanghai Kenwood Electronics Co. Ltd.*	Shanghai, China	Car electronics, Communications equipment, Home electronics

\*J&K Car Electronics Corporation affiliated Manufacturing Company

Europe: Affiliated Sales Company	
Company Name	Location
JVC Europe Limited	The United Kingdom
JVC (U.K.) A division of JVC Europe Ltd.	The United Kingdom
JVC Professional Europe Limited	The United Kingdom
JVC France S.A.S.	France
JVC Deutschland GmbH	Germany
JVC Professional Europe Ltd. Frankfurt Branch	Germany
JVC Italia S.p.A.	Italy
JVC Professional Europe Ltd. Milano Branch	Italy
JVC Espana, S.A.	Spain
JVC Benelux B.V.	The Netherlands
JVC Professional Belgium S.A. / N.V.	Belgium
JVC Danmark A/S	Denmark
JVC Svenska AB	Sweden
JVC Norge A/S	Norway
JVC Schweiz AG	Switzerland
JVC International (Europe) GmbH	Austria
JVC Polska Sp. Zo. o.	Poland
JVC Czech spol. s.r.o.	Czech
OOO "JVC CIS"	Russia
Kenwood Electronics Europe B.V.	The Netherlands
Kenwood Electronics Belgium N.V.	Belgium
Kenwood Electronics UK Limited	The United Kingdom
Kenwood Electronics Deutschland GmbH	Germany
Kenwood Electronics France S.A.	France
Kenwood Electronics Italia S.p.A.	Italy
Kenwood Iberica, S.A.	Spain
Kenwood Electronics C.I.S.Limited Liability Company	Russia

Americas: Affiliated Sales Company	
Company Name	Location
JVC Americas Corp.	U.S.A.
JVC U.S.A.	U.S.A.
JVC Canada Inc.	Canada
JVC Professional Products Canada Inc.	Canada
JVC Latin America, S.A.	Panama
JVC KENWOOD DO BRASIL COMÉRCIO DE ELETRÔNICOS LTDA.	Brazil
Kenwood U.S.A. Corporation	U.S.A.
Kenwood U.S.A. Corporation Communications Sector	U.S.A.
Kenwood Electronics Canada Inc.	Canada
Kenwood Electronics Latin America S.A.	Panama

**Asia, Oceania, the Middle East, and Africa: Affiliated Sales Company**

Company Name	Location
JVC Asia Pte. Ltd.	Singapore
JVC ASIA Pte. Ltd. Sales & Service Division	Singapore
JVC Sales & Service (Malaysia) Sdn. Bhd.	Malaysia
JVC Sales & Service (Thailand) Co., Ltd.	Thailand
JVC (Philippines), Inc.	The Philippines
JVC Vietnam Limited	Vietnam
JVC Taiwan Corp.	Taiwan
JVC Gulf FZE	The UAE
Kenwood Electronics Singapore Pte Ltd.	Singapore
Kenwood Electronics Australia Pty. Ltd.	Australia
Kenwood Electronics (Malaysia) Sdn. Bhd.	Malaysia
Kenwood Electronics (Thailand) Co., Ltd.	Thailand
Kenwood Electronics Gulf Fze	The UAE

**China: Affiliated Sales Company**

Company Name	Location
JVC (China) Investment Co., Ltd.	China
Kenwood Electronics (Hong Kong) Ltd.	China
Kenwood Electronics Trading (Shanghai) Co. Ltd.	China

**Other Main Global affiliated Company**

Company Name	Location
JVC Logistics Europe N.V.	Belgium
JVC Technical Services Europe GmbH	Germany
JVC Technology Centre Europe GmbH	Germany
JVC Industrial America, Inc.	U.S.A.
JVC Finance of America	U.S.A.
JVC Marketing India Private Limited	India
JVC Trading (Shanghai) Co., Ltd.	China
Beijing JVC AV Equipment Co., Ltd.	China
Beijing Kelin JVC Electronic System Engineering Co., Ltd.	China
JVC (Beijing) Research & Development Center, Ltd.	China
JVC Purchasing Center (H.K.), Ltd.	China
Zetron, Inc.	U.S.A.
Zetron, UK Ltd.	The United Kingdom
Zetron Australasia Pty Ltd.	Australia
Zetron Australasia Air Systems Pty Ltd.	Australia

# Network (Japan)

Network (Japan)

(As of the end of June 2010)

## R&D Center Business Center

Name	Location	Main R&D Products
JVC Head Office & Yokohama Plant	Yokohama, Kanagawa	Video cameras, TVs
JVC Maebashi Plant	Maebashi, Gunma	Car electronics, Home audio
JVC Kurihama R&D Center	Yokosuka, Kanagawa	Video cameras, TVs, projectors
Kenwood Hachioji Business Center	Hachioji, Tokyo	Car electronics, Home audio
Kenwood Yokohama Business Center	Yokohama, Kanagawa	Communications

## Main Japanese Manufacturing Sites and affiliated Manufacturing Company

Name	Location	Main R&D Products
JVC Yokohama Plant	Yokohama, Kanagawa	Electronic components (optical pickups, etc.)
JVC Yokosuka Plant	Yokosuka, Kanagawa	Video cameras, Projectors, D-ILA devices, Professional educational and information-related equipment
Victor Creative Media Co., Ltd.	Yamato, Kanagawa	CD and DVD discs (prerecorded)
Victor Interior Furniture Co., Ltd.	Fukuroi, Shizuoka	Home furniture
Kenwood Yamagata Corporation	Tsuruoka, Yamagata	Car electronics, Communications, Home audio
Kenwood Nagano Corporation *	Ina, Nagano	Car electronics, CD / DVD mechanisms
Kenwood Devices Corporation	Yokohama, Kanagawa	Components

\*J&K Car Electronics Corporation affiliated Manufacturing Company

## Main Japanese Consolidated affiliated Company

Name	Location	Main R&D Products
Victor Arcs Co., Ltd.	Minato-ku, Tokyo	Sales of professional audio and visual equipment
Victor Entertainment, Inc.	Shibuya-ku, Tokyo	Planning, production, and sales of audio and video software, etc.
Teichiku Entertainment, Inc.	Shibuya-ku, Tokyo	Planning, production, and sales of audio and video software, etc.
Flyingdog Inc.	Shibuya-ku, Tokyo	Planning and production of animation audio and animation video software, etc.
JVC Networks, Inc.	Shibuya-ku, Tokyo	Network delivery, and planning, production, and management of sales promotion tool
Victor Music Arts, Inc.	Shibuya-ku, Tokyo	Music copyright management and Artist management
JVC Entertainment Company, LTD.	Shibuya-ku, Tokyo	Talent and artist management, casting, and advertising representation
Nippon Record Center Co., Ltd.	Atsugi, Kanagawa	Logistics of audio software, etc.
Victor Creative Media Co., Ltd.	Yamato, Kanagawa	Production of CD and DVD discs (prerecorded)
Victor Finance Co., Ltd.	Yokohama, Kanagawa	Finance and business consulting
Victor Facility Management Co., Ltd.	Minato-ku, Tokyo	Management, sales, purchase, and leasing of real estate
J&K Business Solutions Co., Ltd.	Yokohama, Kanagawa	Development, manufacturing, and sales of equipment for business use related to audio, video and communication
Victor Service & Engineering Co., Ltd.	Urayasu, Chiba Yokohama, Kanagawa	Repair of electric equipment
Victor Logistics, Inc.	Yokohama, Kanagawa	Logistics
Kenwood Kenex Corporation	Meguro-ku, Tokyo,	Sales and other operations relating to audio and communications equipment
Kenwood Geobit Corporation	Shibuya-ku, Tokyo	Sales agency of mobile phones; Operations and other support for Softbank shops
Kenwood Home Electronics Corporation	Hachioji, Tokyo	Sales of Home electronics products, etc.
Kenwood Service (Japan) Corporation	Yokohama, Kanagawa	After-sales services and other operations relating to audio, communications and other equipment
Kenwood Design Corporation	Meguro-ku, Tokyo	Planning and production of industrial designs for audio, communications and other equipment
Kenwood Personnel Corporation	Hachioji, Tokyo	Temporary staffing, personnel referral, and other operations
Kenwood Engineering Corporation	Hachioji, Tokyo	Dispatch of engineers, undertaking of engineering-related work, and other operations
J&K Partners Corporation	Yokohama, Kanagawa	Undertaking of welfare program, general, personnel, accounting and other affairs

## Joint Holding Company

Corporate Name	JVC KENWOOD Holdings, Inc.
Business Segments	Controlling and managing the business activities by operating the Car Electronics business, Professional Systems business, Home & Mobile Electronics business and Entertainment business and owning shares and interest in the companies which run those businesses
Date of Incorporation	October 1, 2008
Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa, 221-0022, Japan
Market for Listing	First Section of the Tokyo Stock Exchange
Securities Code	6632
Number of Employees	1,044 (Group total 18,446)
Capital	¥10 billion
Net Assets	¥46,819 million
Total Assets	¥274,751million
Fiscal Year	End of March
U R L	<a href="http://www.jk-holdings.com/">http://www.jk-holdings.com/</a>

## Operating Companies

Corporate Name	Victor Company of Japan, Limited
Principal Business	Research, development, manufacturing and sales of audio, visual, computer-related consumer and professional equipment and optical discs, etc.
Date of Incorporation	September 13, 1927
Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa, 221-8528, Japan
Number of Employees	2,630 (non-consolidated), 9,341 (consolidated)

Corporate Name	Kenwood Corporation
Principal Business	Manufacturing and sales of products related to communications and sales of products related to Car Electronics, Home Electronics and other related businesses
Date of Incorporation	December 21, 1946
Location of Head Office	2967-3, Ishikawa-machi, Hachioji-shi, Tokyo, 192-8525, Japan
Number of Employees	598 (non-consolidated), 2,178 (consolidated)

Corporate Name	J&K Car Electronics Corporation
Principal Business	Research, development, design, manufacturing and sales of automotive electric components, other automotive parts, audio equipment, visual equipment and electric and electronic machinery and appliances and other related businesses
Date of Incorporation	October 1, 2007
Location of Head Office	2967-3, Ishikawa-machi, Hachioji-shi, Tokyo, 192-8525, Japan
Number of Employees	1,148 (non-consolidated), 5,833 (consolidated)



## **JVC KENWOOD Holdings, Inc.**

3-12, MoriyaCho, Kanagawa-ku, Yokohama-shi  
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