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Notice on Integration of Home Audio Businesses Other than Sales Functions of Victor Company of Japan, Limited and Kenwood Corporation

Integration of planning, technologies, marketing and production functions

JVC KENWOOD Holdings, Inc. (JVC Kenwood) announced that with regard to the Home Audio businesses of Victor Company of Japan, Limited (JVC) and Kenwood Corporation (Kenwood), both of which are wholly-owned subsidiaries of JVC Kenwood, JVC Kenwood resolved to integrate all functions other than sales functions, including planning, technologies, marketing, quality assurance, and production into JVC, as of July 1.

As a result, the AV Systems Division., which supervises the Home Audio business of JVC, will be responsible for activities such as business planning, development and design, product planning, marketing, quality assurance and production of both the JVC and Kenwood brands, while products will be sold in Japan and other countries through the current sales functions and firms of the two companies.

Through these successive efforts, JVC Kenwood will strive to maximize synergies in terms of development, design, procurement, production, and marketing at an early stage to enhance competitiveness by cost reduction, while JVC Kenwood will take advantage of the strengths of the two companies in brands, products, and technologies. With the leveraged Japanese and overseas sales forces of the two companies, JVC Kenwood will aim to achieve new growth and turn the business profitable through working on joint development of products and reinforcement of line-ups.

1. Background to and Purpose of Business Integration

JVC and Kenwood have focused on structural reform of the Home Audio business, a challenge for the two companies, in various ways, as the market faces a long-term trend toward a reduction in size.

Since their management integration in October 2008, JVC and Kenwood have pushed forward with further structural reform of the Home Audio business as part of their profit structural reform, which was promoted on a company-wide basis, in order to cope with the aggravation of the economic environment, while endeavoring to realize integration effects, including joint development and purchase, and cooperation in production.

Specifically, JVC drastically reduced its lineup of unprofitable models for both the Japanese and overseas markets and shifted to a high-value-added business structure, including wood cone speaker systems, in order to increase earnings. In overseas markets, JVC has boosted the ratio of external procurement for mini and micro audio systems by outsourcing and ODM (Original Design Manufacturing), while expanding sales of home theater systems.

Kenwood finished narrowing down unprofitable models and sales regions, and established Kenwood Home Electronics Corporation (Kenwood Home Electronics) in December 2008 by spinning off its Home Audio business, thereby shifting to a fables system specializing in product planning, design, and sales.

As a result of these structural reforms, the profitability of the Home Audio businesses of JVC and Kenwood has improved, and we have prospects for turning the Home Audio businesses profitable in the fiscal year ending March 2010.

To further reinforce the competitiveness of the Home Audio businesses of the two companies, enhance their presence in the global market, and achieve new growth, JVC Kenwood decided to integrate all functions other than sales functions of the Home Audio businesses of the two companies.

2. Details of Business Integration

Through the business integration, the functions of Kenwood Home Electronics, such as planning, technologies, marketing, and quality assurance will be consolidated into the AV Systems Div. of JVC, which supervises the Home Audio business of JVC. The AV Systems Div. will carry out activities such as business planning, development and design, product planning, marketing, and quality assurance of both the JVC and Kenwood brands.

With regard to Japanese sales, the AV Systems Div. of JVC will be in charge of having business talks with main distributors for the JVC brand, while Kenwood Home Electronics will be responsible for the same for the Kenwood brand, so that business talks with distributors will be carefully carried out by brand. We will aim to utilize and improve the efficiency of sales channels and organizations of the two companies concerning the sales to retail stores.

With regard to overseas sales, in Europe, where the two companies are proactively operating the Home Audio business at present, overseas sales firms of the two companies will market products of the respective brands of each company, as they have been doing, while in other regions, we will aim to expand sales by mutually utilizing the sales channels of the two companies.

For production, we will consolidate our production to the Malaysian plant of JVC, and promote sharing of outsourcing vendors.