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Notice on the Integration of JVC's Optical Pickup Business into J&K Car Electronics to Reinforce the Car Electronics Business

Following an absorption-type split, JVC KENWOOD Holdings, Inc. (JVC Kenwood) announced that it has decided to have its subsidiary J&K Car Electronics Corporation (J&K Car Electronics), which is engaged in the Car Electronics Business, succeed the optical pickup and optical components-related business for car audio visual (AV) equipment (Optical Pickup Business) of its subsidiary Victor Company of Japan, Limited (JVC) effective November 1, 2010, for the purpose of integrating AV equipment (car electronics)-related business operations — ranging from devices to finished products — into J&K Car Electronics.

1. Purpose of Absorption-type Split

The JVC Kenwood Group is positioning the Car Electronics Business, which is a common business of JVC and Kenwood Corporation (Kenwood), and from which a significant integration effect is expected, as an earnings basis and growth business for the entire group, and has integrated both companies' development/production and product planning/marketing functions for car electronics, including car audio systems and car navigation systems, into J&K Car Electronics, a joint-venture company of JVC and Kenwood. This is one of the initiatives the group has been promoting to rapidly maximize the effects of integration.

As a result, in the consumer segment, the group's presence in the category of car audio and car navigation systems is growing in major regions such as the United States and Europe, where the combined market share of both companies' brands has climbed to top position. On the OEM segment, orders for CD/DVD mechanisms for car-mounted equipment are increasing significantly, and over four million units — more than ten times the volume three fiscal years ago — are expected to be shipped this fiscal year.

As a step toward further reinforcing the Car Electronics Business, JVC's Optical Pickup Business for car AV equipment will be transferred to J&K Car Electronics and integrated into J&K Car Electronics' Optical Pickup Business. Thereby, business operations for car AV equipment devices will, in effect, be integrated, following the integration of business operations for finished products such as car audio systems and car navigation systems, in order to improve the efficiency and to speed up business operations.

Likewise, following the absorption-type split, sales activities that have been conducted by JVC's Optical Pickup Division (including subsidiaries) will be centralized to J&K Optical Components Corporation (J&K Optical Components), a J&K Car Electronics' subsidiary, to improve and speed up customer services.

Furthermore, after the absorption-type split, CD/DVD optical pickups for internal use and external sale, which J&K Car Electronics develops and produces for car audio and car navigation systems under the Kenwood and Victor brands, will reach the 40 million unit level. Further sales growth is expected due to the increase of scale and the sharing of distribution channels.

The absorption-type split will have no impact on the CD/DVD Drive Mechanism Business already operated solely by J&K Car Electronics Business.

2. Outline of Absorption-type Split

In association with the absorption-type split, JVC will have J&K Optical Components, a subsidiary of J&K Car Electronics, succeed some of the rights and obligations regarding sales and quality guarantee operations of the Optical Pickup Business effective November 1, 2010. Also, JVC will have J&K Car Electronics succeed some of the rights and obligations regarding the Optical Pickup Business operations (production, delivery, etc.), except for sales and quality guarantee operations.

JVC intends to implement the absorption-type split, in accordance with Article 784, Paragraph 3, of the Company Law, without obtaining the approval of a general meeting of shareholders.

How major functions of the Optical Pickup Business are split

Major functions	Current	On and after November 1, 2010
Sales and quality guarantee	JVC	J&K Optical Component
Production, delivery, etc.	JVC	J&K Car Electronics

Development and production control of optical pickups are currently performed by J&K Car Electronics, which will remain unchanged on and after November 1, 2010.

3. Prospects

With implementation of the absorption-type split, the Optical Pickup Business was integrated into J&K Car Electronics and is expected to contribute to improving customer service capabilities as well as to the profitable growth of the JVC Kenwood group's Car Electronics Business. The impact on the group's consolidated financial results has not been identified yet and will be notified when necessary in the future.