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Notice on Acquisition of the Shares of In-Car Device Manufacturing Company

JVC KENWOOD Corporation (JVC KENWOOD) acquired a total of 45.0% of the outstanding shares (the Shares) in Shinwa International Holdings Limited (Shinwa) from the funds to invest in Japanese corporations (CITIC Capital Japan Fund) managed by CITIC Capital effective on April 20, 2012. It did this with a view to strengthening and developing the Car Electronics business mainly in emerging markets. The acquisition was made in relation to the “Notice on Capital and Business Alliance with In-Car Device Manufacturing Company and Acquisition of the Company’s Shares” released on October 28, 2011.

1. Reasons for acquiring the Shares

As announced in the “Notice on Capital and Business Alliance with In-Car Device Manufacturing Company and Acquisition of the Company’s Shares” on October 28, 2011, Shinwa is one of the largest manufacturers and sellers of CD/DVD mechanisms for car AV equipment (in-car CD/DVD mechanism) with strengths particularly in the Chinese market. The JVC KENWOOD Group had agreed to form a capital and business alliance with Shinwa and had entered into Share Transfer Agreements with Shinwa and CITIC Capital Japan Fund.

JVC KENWOOD completed the necessary procedures and acquired a total of 45.0% of the outstanding shares in Shinwa from CITIC Capital Japan Fund, one of the main shareholders of Shinwa effective on April 20, 2012.

Acquiring the Shares, Shinwa became an equity-method company of JVC KENWOOD, and three out of seven Directors of Shinwa (of which one is a part-time Director) will be appointed by JVC KENWOOD. By doing so, JVC KENWOOD aims to further strengthen its relationship with Shinwa.

Following this acquisition, both Shinwa and JVC KENWOOD will further strengthen their in-car CD/DVD mechanism business. By obtaining a strategic partner that has a robust relationship with local automobile-related companies, the JVC KENWOOD Group will strive to expand and strengthen its businesses in emerging markets, particularly in China, where substantial growth is expected.

Furthermore, JVC KENWOOD will acquire 31.0% of Shinwa shares from Yoshifumi Naito within three years from acquiring the Shares, in accordance with the shareholders agreements with Yoshifumi Naito and Shinwa. With this acquisition, JVC KENWOOD will hold a total of 76.0% of the outstanding shares in Shinwa, and convert Shinwa into a subsidiary.

With the move, the JVC KENWOOD Group can deepen its business alliance with Shinwa, develop a joint venture for in-car devices, and enhance its business via expansions in its production scale and sales networks. Consequently, the Group expects to be able to achieve sustainable growth.

Specific effects to be expected from this business alliance are as described in “2. (1) Details of the business alliance” of the “Notice on Capital and Business Alliance with In-Car Device Manufacturing Company and Acquisition of the Company’s Shares” released on October 28, 2011.

2. Outline of the new subsidiary

(1) Company name	Shinwa International Holdings Limited			
(2) Address	1903, 19/F., CCT Telecom Building, 11 Wo Shing St., Fo Tan, Shatin, N.T., Hong Kong.			
(3) Representative's name and title	Yoshifumi Naito, Chairman			
(4) Business	Production of and processing service on consignment regarding car AV mechanisms and painted plastic parts			
(5) Capital	US\$29,090,910 (¥2,327 million) *Exchange rate: US\$1 = ¥80 (the rate Shinwa used for closing adjustments for the second-quarter cumulative consolidation period of the fiscal year ending December 2011)			
(6) Established	April 19, 2004			
(7) Major shareholders and holding ratio	Yoshifumi Naito: 55.0% CITIC Capital Japan Fund: 45.0%			
(8) Relationship with JVC KENWOOD	Capital relationship	There is no significant capital relationship between JVC KENWOOD and this company. In addition, there is no noteworthy capital relationship between the interested parties and affiliated companies of JVC KENWOOD and those of this company		
	Personnel relationship	There is no significant personnel relationship between JVC KENWOOD and this company. In addition, there is no noteworthy personnel relationship between the interested parties and affiliated companies of JVC KENWOOD and those of this company.		
	Transactional relationship	There is a transactional relationship between JVC KENWOOD and this company concerning parts for in-car devices. However, there is no noteworthy transactional relationship between the interested parties and affiliated companies of JVC KENWOOD and those of this company.		
(9) Consolidated operating results and financial conditions for the past three years (millions of yen) * Exchange rate: US\$1 = ¥80 (the rate Shinwa used for closing adjustments for the second-quarter cumulative consolidation period of the fiscal year ending December 2011)				
	Fiscal year	Fiscal year ended December 2009	Fiscal year ended December 2010	Fiscal year ended December 2011 (before audit)
Consolidated net assets		6,073	6,454	6,613
Consolidated total assets		13,254	15,375	14,738
Consolidated net assets per share (yen)		208.76	221.85	227.32
Consolidated net sales		17,074	23,891	22,578
Consolidated income before taxes		1,293	2,479	1,938
Consolidated net income		305	1,140	821
Consolidated net income per share (yen)		10.50	39.20	28.23

3. Sellers of shares

Name	CITIC Capital Japan Fund
Number of shares sold (ratio)	13,090,910 shares (45.0%)
Relationship with JVC KENWOOD	Currently, there are no capital, personnel and transactional relationships between JVC KENWOOD and CITIC Capital Japan Fund.

(Within 3 years from April 20, 2012)

Name	Yoshifumi Naito
Number of shares sold (ratio)	9,018,183 shares (31.0%)
Relationship with JVC KENWOOD	There is a transactional relationship between JVC KENWOOD and Shinwa concerning parts for in-car devices, but there are no capital, personnel and transactional relationships between JVC KENWOOD and this person. In addition, there are no noteworthy capital and personnel relationships between the interested parties and affiliated companies of JVC KENWOOD and this person and between the interested parties and affiliated companies of JVC KENWOOD and those of this person.

4. Number of shares acquired by JVC KENWOOD, acquisition price, and the movement of the shares held by JVC KENWOOD before and after the acquisition

Acquisition of shares from CITIC Capital Japan Fund

(1) Number of shares held before the acquisition	0 shares (Number of voting rights: 0 units) (Holding ratio: 0%)
(2) Number of shares to be transferred	13,090,910 shares (Number of voting rights: 13,090,910 units) (Ratio to the number of outstanding shares: 45.0%) (The acquisition price of Shinwa's shares totals US\$45.5 million, which will be financed mainly by part of the funds procured through disposing of treasury shares and issuing new shares in January 2011.)
(3) Number of shares held after the acquisition	13,090,910 shares (Number of voting rights: 13,090,910 units) (Holding ratio: 45.0%)

Acquisition of shares from Yoshifumi Naito (within three years from February 2012)

(1) Number of shares held before the acquisition	13,090,910 shares (Number of voting rights: 13,090,910 units) (Holding ratio: 45.0%)
(2) Number of shares to be transferred	9,018,183 shares (Number of voting rights: 9,018,183 units) (Ratio to the number of outstanding shares: 31.0%)
(3) Number of shares held after the acquisition	22,109,093 shares (Number of voting rights: 22,109,093 units) (Ratio to the number of outstanding shares: 76.0%)

5. Schedule

April 20, 2012	Transfer of the Shares (acquisition of the Shares from CITIC Capital Japan Fund)
Within three years from April 20, 2012	Conversion of Shinwa into a subsidiary with the acquisition of Shinwa shares from Yoshifumi Naito (scheduled)

6. Future prospects

By acquiring the Shares, Shinwa became an equity-method company of JVC KENWOOD as of April 20, 2012.

The effect of the acquisition on consolidated earnings will be reflected in the earnings forecast of the fiscal year ending March 2013, which will be announced concurrently with the earnings results of the fiscal year ended March 2012.

We promptly advance the enhancement and expansion of the Car Electronics business through efforts toward strengthening the in-car CD/DVD mechanism business and developing the joint venture business related to car electronics with Shinwa. Further, JVC KENWOOD will foster future growth through an additional acquisition of its shares within three years from now.