

# JVCKENWOOD



February 12, 2016

Company Representative	JVC KENWOOD Corporation Haruo Kawahara, Chairman and CEO (Code: 6632: First Section of the Tokyo Stock Exchange)
Contact	Shinichiro Nishishita, General Executive, Corporate Communication Division (TEL: 81-45-444-5232)

## Notice Regarding Business Succession by Subsidiary due to Company Split (Absorption-type Split) and Merger of Subsidiaries

JVC KENWOOD Corporation (JVCKENWOOD) resolved today that, effective April 1, 2016 (scheduled), its Professional Systems Business (excluding the card printer business) (hereinafter, the “Business”) would be succeeded by its subsidiary JVC KENWOOD Business Solutions Corporation (hereinafter “JKBS”) through an absorption-type split (hereinafter, the “Split”). JVCKENWOOD also resolved that JKBS would implement an absorption-type merger (hereinafter, the “Merger”) of J&K Business Solutions Corporation (hereinafter “J&KBS”), a JVCKENWOOD subsidiary, and change the company name of JKBS.

As the Split and the Merger are procedures targeting wholly-owned subsidiaries, part of the disclosure items and information are omitted from this announcement.

### I. Purpose of the Split and the Merger

#### 1. Purpose of the Split and the Merger

Under “VISION 2020” a mid- to long-term business plan formulated in May 2015, JVCKENWOOD has set out the goal of evolving to a “customer value creator”. In line with this plan, JVCKENWOOD is promoting a shift of the business model from the conventional “manufacturer/distributor (maker)” to a provider of solutions to solve customers’ problems.

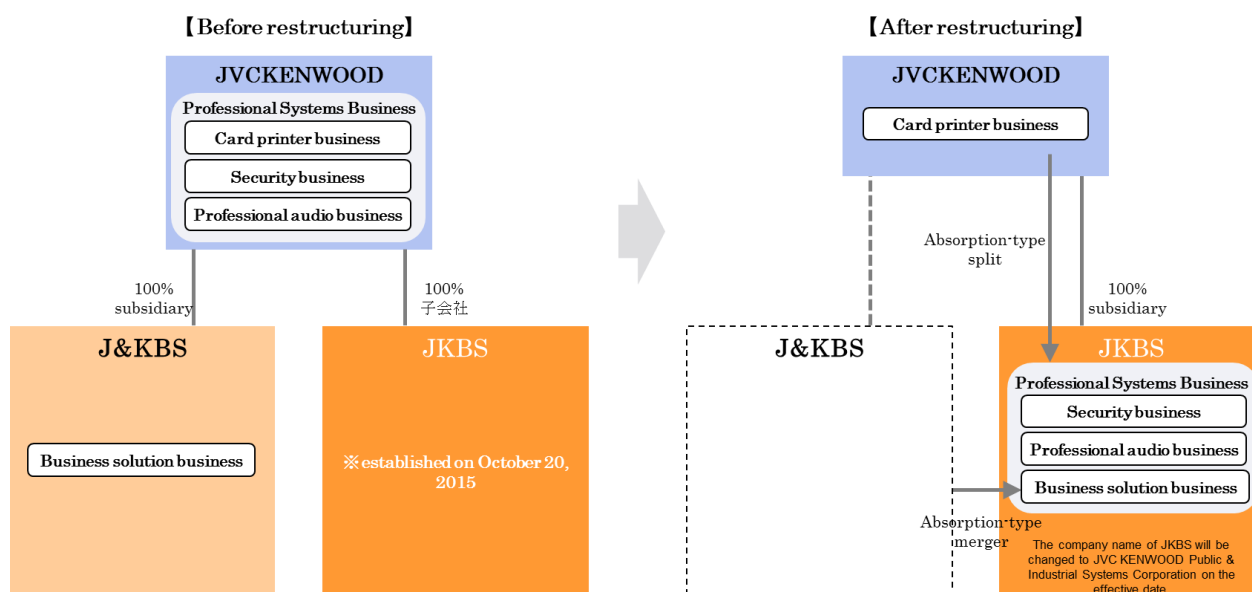
As part of such effort, JVCKENWOOD has decided to implement the Split and the Merger, with the aim to integrate the Business it operates and the Business Solutions business operated by J&KBS (proposal, design, installation, maintenance and management, etc. of security systems and audio systems) into JKBS and provide the aforementioned operations as consistent, one-stop services.

#### 2. Schemes of the Split and the Merger

Of the Business currently operated by JVCKENWOOD, the Security business of manufacturing and selling security systems, including security camera systems and recording systems, and the Professional audio business of manufacturing and selling audio systems, including broadcasting systems and audio equipment, will undergo a company split with April 1, 2016 (scheduled) as the effective date to be succeeded by JKBS (established on October 20, 2015), a wholly-owned subsidiary of JVCKENWOOD. We will carry forward the related procedures toward the establishment on the effective date.

In addition, effective on the same date, JVCKENWOOD will have JKBS conduct an absorption-type merger of J&KBS, a company operating the Business Solutions business, and JKBS will change its company name to JVC KENWOOD Public & Industrial Systems Corporation.

<Restructuring of Professional Systems Business (image)>



**3. Effects of the Split and the Merger**

The Split and the Merger will enable JKBS to handle all-encompassing business solution services in the Business ranging from manufacturing and sales of equipment to system proposal, design, installation, maintenance and management as total solutions, responding more speedily to customers as an independent company.

This will enable JKBS to fulfill varied needs of customers with more accuracy and flexibility. In addition, JKBS will promote collaboration with other companies in the future in order to create a new, unconventional business model, such as provision of multi solutions by combining resources of JKBS and other companies.

JKBS will continue to strengthen the solutions business and reform its business model, while taking advantage of being a JVCKENWOOD company, and provide security, safety, comfort and trust to customers as a “solution provider for sound, images and communication systems” to contribute to the growth of the JVCKENWOOD Group.

**II. About the absorption-type split**

**1. Summary of the Split**

**(1) Schedule of the Split**

Date of resolution of the Split	February 12, 2016
Date of conclusion of the Split agreement	February 12, 2016
Effective date of the Split	April 1, 2016 (scheduled)

Note: Because this Split is a short-form absorption-type split, as specified in Article 784, Paragraph 2 of the Companies Act, for JVCKENWOOD, and in Article 796, Paragraph 1 of the Companies Act, for JKBS, it will be implemented without obtaining the approval of a general meeting of shareholders of each company.

**(2) Method of the Split**

The Split is an absorption-type split under which JVCKENWOOD shall be the splitting company and JKBS shall be the successor company.

**(3) Details of allocation relating to the Split**

As consideration for the rights and obligations including assets, liabilities and employment contracts in relation to the Business that JKBS will succeed under the Split, JKBS will issue 200 common shares, all of which will be allotted to JVCKENWOOD.

**(4) Handling of stock acquisition rights and bonds with stock acquisition rights in connection with the Split**

No applicable information.

**(5) Capital change due to the Split**

JKBS's capital will increase to 300 million yen, up 280 million yen, due to the Split.

**(6) Rights and obligations to be succeeded by the successor company**

JVCKENWOOD will transfer the rights and obligations it holds in relation to the Business including assets, liabilities and employment contracts to JKBS through an absorption-type split.

**(7) Prospects of fulfillment of obligations**

The amounts of assets, liabilities and net assets reported on the balance sheet at the time JKBS was established on October 20, 2015, are as described below. The amount of assets exceeds that of liabilities; therefore, no events that cause material change in the status of assets or liabilities have occurred or are expected to occur from the date of establishment of the Company to the effective date of the Split. In addition, no events that could be detrimental to the performance of obligations after the effective date of the Split are expected for JKBS, which is the absorption-type split successor company, at this point. In light of such reasons as well as JVCKENWOOD's profit conditions and cash flow, JVCKENWOOD determines that the obligations, which shall be performed by JKBS, are likely to be performed after the effective date of the Split.

	Amount of assets	Amount of liabilities	Amount of net assets
JKBS	¥40 million	—	¥40 million

**2. Outlines of the parties concerned in the Split (as of September 30, 2015)**

	Splitting Company	Successor Company
(1) Corporate Name	JVC KENWOOD Corporation	JVC KENWOOD Business Solutions Corporation
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa
(3) Name and Title of Representative	Haruo Kawahara, Chairman and CEO	Yasuo Ueda, President, Representative Director of the Board
(4) Principal Business	Operating business in the Automotive Sector, Public Service Sector and Media Service Sector, and managing the business activities of the companies which run businesses equivalent to those businesses by owning shares or interest in relevant companies	Development, manufacturing, sales and maintenance of AV systems, security systems and information systems, etc.
(5) Capital	¥10,000 million	¥20 million
(6) Date of Incorporation	October 1, 2008	October 20, 2015

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(7) Total Number of Shares Issued	139,000,201	800				
(8) Fiscal Year End	March 31	March 31				
(9) Number of Employees	18,619 (consolidated base)	2				
(10) Major Shareholders and Percentage of Shareholding	Denso Corporation 3.00% Japan Trustee Services Bank, Ltd. (Trust Account 9) 2.71% Japan Trustee Services Bank, Ltd. (Trust Account) 2.71% J. P. MORGAN SECURITIES PLC (Standing proxy: JP Morgan Securities Co., Ltd.) 2.68% CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Co., Ltd.) 2.00%	JVC KENWOOD Corporation 100.00%				
(11) Relationship between the Parties Concerned						
Capital Relationship	JVCKENWOOD owns 100.00% of the outstanding shares of JKBS					
Personnel Relationship	The position of three directors of JKBS is held concurrently by employees of JVCKENWOOD					
Business Relationship	JKBS is expected to conduct business transactions with JVCKENWOOD based on the outsourcing agreement, etc., and business transactions such as sale of products between the two companies are expected.					
Applicability to Related Parties	JKBS is a consolidated subsidiary of JVCKENWOOD and is thus applicable to related parties of the Company.					
(12) Operating Results and Financial Position for Past Three Years						
Fiscal year	JVC KENWOOD Corporation			JVC KENWOOD Business Solutions Corporation		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net assets	67,240	59,824	79,221	—	—	—
Total assets	246,614	267,152	278,669	—	—	—
Net sales	306,580	316,343	285,010	—	—	—
Operating income	9,603	4,421	6,570	—	—	—
Ordinary income	3,106	(70)	3,176	—	—	—
Net income	1,146	(6,571)	4,654	—	—	—
Net assets per share (yen)	473.18	373.01	517.67	—	—	—
Net income per share (yen)	8.27	(47.39)	33.56	—	—	—

Notes: 1. Figures are in millions of yen unless otherwise indicated.

2. Figures in brackets represent a loss.

3. All figures for the Company in “Operating Results and Financial Position for Past Three Years” are taken from the consolidated financial statements for the relevant fiscal years.

\* JVC KENWOOD Business Solutions Corporation was established on October 20, 2015; therefore, there are no figures of “Operating Results and Financial Position for Past Three Years” to present.

\* The company name of the JVC KENWOOD Business Solutions Corporation will be changed to JVC KENWOOD Public & Industrial Systems Corporation on the effective date.

### 3. Outline of the business subject to the split

#### (1) Business subject to the split

Under the Business, JVCKENWOOD develops reliable professional-use video and sound & acoustic equipment such as surveillance cameras and emergency professional broadcast equipment with its advanced imaging, visual and audio technologies. These products are mainly delivered to such markets as electrical equipment, education/public service, private sector and entertainment centers. The card printer business is not included in the business subject to the split.

#### (2) Operating results of the division subject to the split

Net sales: ¥20,774 million (fiscal year ended March 31, 2015)

#### (3) Items and values of assets and liabilities to be spun off (as of end of September, 2015)

Assets		Liabilities	
Current assets	¥7,189 million	Current liabilities	¥3,867 million
Non-current assets	¥983 million	Non-current liabilities	¥521 million
Total	¥8,172 million	Total	¥4,389 million

Note: The figures are estimated based on the carrying amount as of end of September 2015; therefore, the values to be actually spun off may differ from the above.

### III. About the absorption-type merger

#### 1. Summary of the Merger

##### (1) Schedule of the Merger

Date of resolution at general shareholders meetings (JKBS and J&KBS)	February 29, 2016 (scheduled)
Date of conclusion of the Merger agreement	February 29, 2016 (scheduled)
Effective date of the Merger	April 1, 2016 (scheduled)

##### (2) Method of the Merger

The merger is an absorption-type merger under which JKBS will be the surviving company and J&KBS will be the absorbed company.

##### (3) Details of allocation relating to the Merger

JVCKENWOOD owns all of the shares of JKBS. Accordingly, the Merger will not be accompanied by an allocation of shares or other monetary benefits.

##### (4) Handling of stock acquisition rights and bonds with stock acquisition rights in connection with the Merger

No applicable information.

#### 2. Outlines of the parties concerned in the Merger (as of September 30, 2015)

	Company surviving the Merger	Company absorbed in the Merger
(1) Corporate Name	JVC KENWOOD Business Solutions Corporation	J&K Business Solutions Corporation
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi,	1-16-2, Hakusan, Midori-ku, Yokohama-shi,

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	Kanagawa	Kanagawa				
(3) Name and Title of Representative	Yasuo Ueda, President, Representative Director of the Board	Kazuhisa Koshitani, President, Representative Director of the Board				
(4) Principal Business	Development, manufacturing, sales and maintenance of AV systems, security systems and information systems, etc.	Sales, installation and maintenance/repair of professional equipment related to sound & acoustic, video and communication.				
(5) Capital	¥20 million	¥300 million				
(6) Date of Incorporation	October 20, 2015	September 21, 1985				
(7) Total Number of Shares Issued	800	7,162				
(8) Fiscal Year End	March 31	March 31				
(9) Number of Employees	2	220				
(10) Major Shareholder and Percentage of Shareholding	JVC KENWOOD Corporation 100.00%	JVC KENWOOD Corporation 100.00%				
(11) Relationship between the Parties Concerned						
Capital Relationship	JVCKENWOOD owns 100.00% of the outstanding shares of JKBS and J&KBS					
Personnel Relationship	The position of three directors of JKBS is held concurrently by employees of JVCKENWOOD, which is its parent company					
(12) Operating Results and Financial Position for Past Three Years						
Fiscal year	JVC KENWOOD Business Solutions Corporation			J&K Business Solutions Corporation		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net assets	—	—	—	1,259	1,257	1,177
Total assets	—	—	—	2,529	2,464	2,964
Net sales	—	—	—	5,485	5,671	6,430
Operating income	—	—	—	379	526	373
Ordinary income	—	—	—	449	536	378
Net income	—	—	—	85	322	207
Net assets per share (yen)	—	—	—	175,830	175,591	164,411
Net income per share (yen)	—	—	—	11,900	44,999	29,006

Note: Figures are in millions of yen unless otherwise indicated.

\* JVC KENWOOD Business Solutions Corporation was established on October 20, 2015; therefore, there are no figures of “Operating Results and Financial Position for Past Three Years” to present.

\* The company name of the JVC KENWOOD Business Solutions Corporation will be changed to JVC KENWOOD Public & Industrial Systems Corporation on the effective date.

#### IV. Status after the Split and the Merger

(1) Corporate Name	JVC KENWOOD Corporation
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa
(3) Name and Title of Representative	Haruo Kawahara, Chairman and CEO
(4) Principal Business	Operating business in the Automotive Sector, Public Service Sector

	and Media Service Sector, and managing the business activities of the companies which run businesses equivalent to those businesses by owning shares or interest in relevant companies.
(5) Capital	¥10,000 million
(6) Fiscal Year End	March 31

(1) Corporate Name	JVCKENWOOD Public & Industrial Systems Corporation
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa
(3) Name and Title of Representative	Yasuo Ueda, Representative Director of the Board and Chairman
(4) Principal Business	Development, manufacturing, sales and maintenance of AV systems, security systems and information systems, etc.
(5) Capital	¥300 million
(6) Fiscal Year End	March 31

\* The company name of the JVC KENWOOD Business Solutions Corporation will be changed to JVC KENWOOD Public & Industrial Systems Corporation on the effective date.

## V. Prospects

We expect that the impact of the Split and the Merger on JVCKENWOOD's consolidated operating results for the fiscal year ending March 2016 will be insignificant. The Company will promptly announce matters requiring disclosure if they arise as a result of a change in the impact of the Split and the Merger on the consolidated operating results.

(Reference) JVCKENWOOD's Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2016, (announced on October 30, 2015) and the Consolidated Results for the Previous Period

(Millions of yen)

	Consolidated net Sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of the parent company (fiscal year ending March 2016) and consolidated net income (fiscal year ended March 2015)
Consolidated earnings forecast for the fiscal year ending March 31, 2016	295,000	4,500	1,000	1,500
Consolidated results for the fiscal year ended March 31, 2015	285,010	6,570	3,176	4,654