

# JVCKENWOOD



December 22, 2016

Company	JVCKENWOOD Corporation
Representative	Takao Tsuji, President & 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 Transfer of Shares and Absorption-type Company Split of a Subsidiary and Posting of Extraordinary Income

JVCKENWOOD Corporation (JVCKENWOOD), at its Board of Directors' meeting held today, resolved that it would transfer 60 shares of its subsidiary G-Printec, Inc. (GPI) to AZ-Star Investment Limited Partnership I (AZ-Star) and 40 shares to Kanematsu Corporation (Kanematsu) out of 100 shares outstanding of GPI, effective on February 24, 2017 (scheduled). JVCKENWOOD also resolved that its Card Printer Business (the Business) would be succeeded by GPI through an absorption-type company split (the Split), effective March 1, 2017 (scheduled).

As a result of the above, JVCKENWOOD expects to post an extraordinary income of approximately 3,500 million yen on a consolidated basis.

### I. Summary of the Share Transfer of Subsidiary and the Split

#### 1. Scheme of the Share Transfer of Subsidiary and the Split

To prepare for the Split, JVCKENWOOD established GPI as its subsidiary effective December 6, 2016 and started taking procedures for obtaining ISO9001 and other international standards and various product certifications (approval for electrical safety conformity) of each country. The purpose was to ensure smooth business operations of GPI after executing the Split.

We will subsequently transfer all the shares outstanding of GPI to Kanematsu and AZ-Star effective February 24, 2017 (scheduled) and have the Business succeeded by GPI through the Split effective March 1, 2017 (scheduled).

#### 2. Purpose of the Share Transfer of Subsidiary and the Split

The Business has been conducted by the Company and made stable profits through sales of hardware developed by utilizing its unique dye sublimation printing technology and mechatronics technology and through an increase in supply of expendable supplies, such as ink.

In the meantime, the market environment surrounding the card printer business has undergone dramatic changes, such as increased competition due to the rise of new market entrants and price declines in ink as a result of entry by third-party providers.

In light of such changes in the business environment and the fact that no potential for synergy exists between the Business and other businesses of JVCKENWOOD, we have determined that the Business can achieve greater growth if it is operated under the management of Kanematsu, which globally

operates a wide range of printer businesses, including a card printer business, and AZ-Star, which is engaged in operation and management of corporate investment funds.

The JVCKENWOOD Group will implement with the Kanematsu Group, one of the purchasers of the Business, business collaboration and commercialization not only in the Business but also in various other business fields.

## II. Change to Subsidiary

### 1. Overview of the Subsidiary Subject to Share Transfer (as of December 6, 2016)

(1) Corporate Name	G-Printec, Inc.		
(2) Location of Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo		
(3) Name and Title of Representative	Kazuhiro Aigami, President		
(4) Date of Incorporation	December 6, 2016		
(5) Principal Business	Manufacturing and sales of electric and electronic appliances and devices		
(6) Capital	0.25 million yen		
(7) Major Shareholder and Percentage of Shareholding	JVCKENWOOD Corporation 100.00%		
(8) Relationship between JVCKENWOOD and GPI	Capital Relationship	JVCKENWOOD owns 100.00% of the outstanding shares of GPI.	
	Personnel Relationship	The President of GPI serves concurrently as director of JVCKENWOOD.	
	Business Relationship	There is no business relationship between JVCKENWOOD and GPI.	
(9) Operating Results and Financial Position for Past Three Years			
Fiscal year	Fiscal year ended September 2014	Fiscal year ended September 2015	Fiscal year ended September 2016
Net assets	—	—	—
Total assets	—	—	—
Net sales	—	—	—
Operating income	—	—	—
Ordinary income	—	—	—
Net income	—	—	—
Net assets per share (yen)	—	—	—
Net income per share (yen)	—	—	—

\* G-Printec, Inc. was established on December 6, 2016, and thus there are no figures available for GPI in “Operating Results and Financial Position for Past Three Years.”

**2. Overview of the Transferees of the Shares (as of September 31, 2016)****(1) AZ-Star Investment Limited Partnership I**

(1) Corporate Name	AZ-Star Investment Limited Partnership I	
(2) Location of Head Office	5th Floor, Ichigo Kudan 3 Chome Building, 2-7 Kudan-minami 3-chome, Chiyoda-ku, Tokyo	
(3) Grounds for Establishment	Investment Limited Partnership pursuant to the Limited Partnership Act for Investment	
(4) Objective of Inception	The objective is to invest in companies having needs for business succession, management buyout (MBO) or carve-out services among small- to medium-sized Japanese enterprises equipped with unique technologies or service functions and provide them with the Fund's cash, talent, knowhow and networks, thereby assisting their efforts to bolster Asia-related businesses and achieve higher enterprise value	
(5) Date of Inception	April 2, 2015	
(6) Total Capital Contribution	6,821 million yen	
(7) Capital Contributor, Capital Contribution Ratio and Capital Contributor Profile	Aozora Bank, Ltd. 44.0% The Tokyo Star Bank, Limited 44.0% Kanematsu Corporation 10.3% and other	
(8) Profile of Operating Partner	Corporate Name	AZ-Star Co., Ltd.
	Location of Head Office	2-7 Kudan-minami 3-chome, Chiyoda-ku, Tokyo
	Title and Name of Representative	Shinichiro Suzuki, Representative Director Akira Maruyama, Representative Director
	Principal Business	Operation and management of corporate investment funds
	Capital	30 million yen
(9) Relationship between JVCKENWOOD and AZ-Star Investment Limited Partnership I	Relationship between JVCKENWOOD and the Fund	There is no such business relationship between the Company and the Fund as is required to be stated.
	Relationship between JVCKENWOOD and the operating partner	There is no such business relationship between the Company and the operating partner as is required to be stated.

**(2) Kanematsu Corporation**

(1) Corporate Name	Kanematsu Corporation
(2) Location of Head Office	SEAVANS NORTH, 2-1, Shibaura 1-chome, Minato-ku, Tokyo
(3) Name and Title of Representative	Masayuki Shimojima, President and CEO
(4) Date of Incorporation	August 15, 1889
(5) Principal Business	Trading company providing a wide variety of products and services by organically combining its domestic and overseas network, expertise it has gained in each business field and trading company functions, such as trading in commercial products, information collection, market development,

	business development and setup, risk management, and logistics	
(6) Capital	27,781 million yen	
(7) Net assets	118,324 million yen	
(8) Total assets	446,814 million yen	
(9) Major Shareholders and Percentage of Shareholding	Japan Trustee Services Bank, Ltd. (Trust Account) 3.60% The Master Trust Bank of Japan, Ltd. (Trust Account) 3.24% The Bank of Tokyo-Mitsubishi UFJ, Ltd. 3.14% The Norinchukin Bank 2.94% The Mitsui Sumitomo Insurance Co., Ltd. 2.74%	
(10) Relationship between JVCKENWOOD and Kanematsu	Capital Relationship	There is no significant capital relationship between JVCKENWOOD and Kanematsu. In addition, there is no notable capital relationship between the persons concerned and affiliated companies of JVCKENWOOD and Kanematsu.
	Personnel Relationship	There is no significant personnel relationship between JVCKENWOOD and Kanematsu. In addition, there is no notable personnel relationship between the persons concerned and affiliated companies of JVCKENWOOD and Kanematsu.
	Business Relationship	There is no significant business relationship between JVCKENWOOD and Kanematsu. In addition, there is no notable business relationship between the persons concerned and affiliated companies of JVCKENWOOD and those of Kanematsu.
	Applicability to Related Parties	Kanematsu does not fall under the category of related party of JVCKENWOOD. In addition, the persons concerned and affiliated companies of JVCKENWOOD do not fall under the category of related party of Kanematsu.

### 3. Number of Shares to Be Transferred, Transfer Price and Status of Shares Held Before and After Transfer

(1) Number of Shares Held before Transfer	100 shares (Number of voting rights: 100 units) (Voting rights holding ratio: 100.00%)
(2) Number of Shares to be Transferred	100 shares (Number of voting rights: 100 units)
(3) Transfer Price	The transfer price will not be disclosed based on the non-disclosure agreement signed with AZ-Star and Kanematsu
(4) Number of Shares Held after Transfer	— shares (Number of voting rights: — units) (Voting rights holding ratio: —%)

### 4. Schedule

- (1) Date of resolution of the Board of Directors : December 22, 2016  
 (2) Date of signing of share transfer agreement : December 22, 2016  
 (3) Date of execution of share transfer : February 24, 2017 (scheduled)

**III. About the Split****1. Summary of the Split****(1) Schedule of the Split**

Date of resolution of the Split	December 22, 2016
Date of signing the Split agreement	December 22, 2016
Effective date of the Split	March 1, 2017 (scheduled)

Note: The Split falls under the category of a simplified absorption-type company split set forth in Paragraph 2, Article 784 of the Companies Act for JVCKENWOOD. Accordingly, JVCKENWOOD will implement the Split without obtaining approval through a resolution of the general meeting of shareholders.

**(2) Method of the Split**

The Split will be implemented with JVCKENWOOD as the splitting company and GPI as the succeeding company.

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

As consideration for the rights and obligations including assets, liabilities and contractual status held in relation to the Business, GPI will pay 3,966 million yen to JVCKENWOOD at the Split.

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

There are no applicable matters to be reported.

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

There will be no change to JVCKENWOOD's and GPI's capital due to the Split.

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

JVCKENWOOD will transfer the rights and obligations it holds in relation to the Business, including assets, liabilities, contractual status, to GPI through an absorption-type company split.

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

The amounts of assets, liabilities and net assets reported on the balance sheet as of December 6, 2016, the date of incorporation of GPI, are as described below. The amounts of assets and liabilities to be succeeded by GPI from JVCKENWOOD through the Split are estimated to be approximately 1,355 million yen and 1,151 million yen, respectively (the amounts based on an estimate as of September 30, 2016).

In light of such reasons as well as GPI's profit conditions and cash flows, JVCKENWOOD has determined that GPI has the ability to fulfill obligations (limited to the obligations succeeded by GPI from the Company due to the Split) that become due after the effective date of the Split.

	Amount of assets	Amount of liabilities	Amount of net assets
GPI	500,000 yen	—	500,000 yen

**2. Overview of the Parties Concerned in the Split**

	Splitting Company (as of September 30, 2016)	Succeeding Company (as of December 6, 2016)										
(1) Corporate Name	JVCKENWOOD Corporation	G-Printec, Inc.										
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa	2-1, Shibaura 1-chome, Minato-ku, Tokyo										
(3) Name and Title of Representative	Takao Tsuji, President & CEO	Kazuhiro Aigami, President										
(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	Manufacturing and sales of electric and electronic appliances and devices										
(5) Capital	10,000 million yen	0.25 million yen										
(6) Date of Incorporation	October 1, 2008	December 6, 2016										
(7) Number of Shares Issued	139,000,201	100										
(8) Fiscal Year End	March 31	September 30										
(9) Number of Employees	18,476 (consolidated basis)	1										
(10) Major Shareholders and Percentage of Shareholding	<table border="0"> <tr> <td>Denso Corporation</td> <td>3.00%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>2.87%</td> </tr> <tr> <td>CBNY DFA INTL SMALL CAP VALUE PORTFOLIO</td> <td>1.94%</td> </tr> <tr> <td>NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING</td> <td>1.66%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>1.57%</td> </tr> </table>	Denso Corporation	3.00%	Japan Trustee Services Bank, Ltd. (Trust Account)	2.87%	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1.94%	NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING	1.66%	The Master Trust Bank of Japan, Ltd. (Trust Account)	1.57%	JVCKENWOOD Corporation 100.00%
Denso Corporation	3.00%											
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CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1.94%											
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING	1.66%											
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.57%											
(11) Relationship between the Parties Concerned												
Capital Relationship	JVCKENWOOD owns 100.00% of the outstanding shares of GPI.											
Personnel Relationship	The Representative Director of GPI serves concurrently as director of JVCKENWOOD.											
Business Relationship	There is no business relationship between JVCKENWOOD and GPI.											
Applicability to Related Parties	GPI is a wholly-owned subsidiary of JVCKENWOOD and is thus applicable to its related parties. GPI, however, will cease to be a related party of JVCKENWOOD effective February 24, 2017 (planned).											
(12) Operating Results and Financial Position for Past Three Years												
Fiscal year	JVCKENWOOD Corporation	G-Printec, Inc.										

	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended September 2014	Fiscal year ended September 2015	Fiscal year ended September 2016
Net assets	59,824	79,221	56,818	—	—	—
Total assets	267,152	278,669	255,859	—	—	—
Net sales	316,343	285,010	292,195	—	—	—
Operating income	4,421	6,570	4,221	—	—	—
Ordinary income	(70)	3,176	1,018	—	—	—
Net incomes attributable to owners of the parent	(6,571)	4,654	3,194	—	—	—
Net assets per share (yen)	373.01	517.67	371.19	—	—	—
Net income per share (yen)	(47.39)	33.56	23.02	—	—	—

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

2. Figures in brackets represent 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.

4. Net incomes for the fiscal years ended March 31, 2014 and March 31, 2015 were deemed to be net incomes attributable to owners of the parent.

\* G-Printec, Inc. was established on December 6, 2016, and thus there are no figures available for GPI in “Operating Results and Financial Position for Past Three Years.”

### 3. Outline of the Business Subject to the Split

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

The Business is engaged in the development, manufacturing and sales of hardware developed by utilizing the Company’s unique dye sublimation printing technology and mechatronics technology and delivers expendable supplies, such as ink, to OEM customers.

#### (2) Operating results of the division subject to the Split (as of March 31, 2016)

Net sales: ¥4,082 million

#### (3) Items and amounts of assets and liabilities subject to the Split (as of September 30, 2016)

Assets		Liabilities	
Current assets	1,294 million yen	Current liabilities	945 million yen
Non-current assets	60 million yen	Non-current liabilities	206 million yen
Total	1,355 million yen	Total	1,151 million yen

**IV. Status after the Split**

(1) Corporate Name	JVCKENWOOD Corporation
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa
(3) Name and Title of Representative	Takao Tsuji, President & 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

**V. Prospects (Posting of Extraordinary Income)**

JVCKENWOOD expects to post an extraordinary income of approximately 3,500 million yen on a consolidated basis due to implementation of the share transfer of subsidiary and the Split. In the meantime, there will be no change to the earnings forecast for the fiscal year ending March 31, 2017. The Company will promptly announce matters requiring disclosure if they arise as a result of changes in the impact of the share transfer and the Split on the consolidated operating results.

(Reference) JVCKENWOOD's Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2017, (announced on April 28, 2016) 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
Earnings forecast for the fiscal year ending March 31, 2017	295,000	4,800	3,300	300
Results for the fiscal year ended March 31, 2016	292,195	4,221	1,018	3,194