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Notice on Action Plan for Reconstructing Corporate Bases and Mid-term Management Plan

As disclosed on May 14, 2010 in the flash earnings report for the fiscal year ended March 31, 2010, the Company prepared the Action Plan for Reconstructing the corporate base to pursue renewed growth and a Mid-term management plan for the three fiscal years commencing from the fiscal year ending March 31, 2011 through the fiscal year ending March 31, 2013. These plans were resolved at the Board of Directors' meeting held today. The details are as follows:

1. Purposes of Action Plan for Reconstructing Corporate Base and Mid-term Management Plan

The JVC Kenwood Group has been pushing forward with structural reforms in various fields since the management integration in October 2008 when the financial results deteriorated as a result of the global economic crisis. In the fiscal year ended March 31, 2010, the Group completed major measures before the end of March 2010, having applied the Action Plan for Business Structural Reform. This plan mainly aims to have a drastic improvement in profits at unprofitable businesses such as the Home & Mobile Electronics Business and the Business Solution segment of the Professional Systems Business. This has been driven by businesses in which sales and profits have recovered, such as the Car Electronics Business and Land Mobile Radio segment of Professional Systems Business. As a result, as announced on May 14, 2010 in the flash earnings report for the fiscal year ended March 31, 2010, in the fourth quarter of the fiscal year ended March 31, 2010 we recorded the first profit since the third quarter of the previous fiscal year. We expect to be in the black on an operating level for the full year in the fiscal year ending March 31, 2011.

However, we decided to make further efforts in an action plan for reconstructing the corporate base (hereinafter referred to as "Action Plan for Reconstructing Corporate Base") by implementing additional measures that would be necessary for moving from the structural reform stage for survival to a growth stage. We will also do this by reconstructing the corporate base so that their scale is appropriate for the reduced corporate size resulting from the structural reforms and the current sales level, given the recent changes in economic environments and fluctuation of exchange rates. Through the successful completion of this Action Plan for Reconstructing Corporate Base we will reconstruct our corporate base to realize new growth. And based on such corporate base, the Company will focus on the Mid-term management plan, scheduled to end in the fiscal year ending March 31, 2013, while aiming to recreate and enhance corporate values and distribute dividends again at an early stage.

2. Basic Policy and Specific Measures of Action Plan for Reconstructing Corporate Base and Mid-term Management Plan

To establish a new position as a specialty manufacturer of audio visual equipment and to realize new growth, amidst the ever-increasingly intense global competition, we will strive to select and concentrate our business and alter our business model.

In addition, up to now we have tried to optimize the effects of integration with the focus on businesses common to Victor Company of Japan, Limited (JVC) and Kenwood Corporation (Kenwood) (Car Electronics Business and Home Audio Business). But from now on, the Company will try to create and enhance synergy effects through new synergy, new businesses and development of new products. It will do this by optimizing the integrated management of the Group and businesses that are not common to them.

2-1. Action Plan for Reconstructing Corporate Base

As announced on May 14, 2010 in the flash earnings report for the fiscal year ended March 31, 2010, we projected an increase of about eight billion yen in the fiscal year ending March 31, 2011 as an improvement in profits resulting from the Action Plan for Business Structural Reform implemented in the fiscal year ended March 31, 2010, with underperforming operations being substantially improved. In addition, the Company will take measures aiming to make all the businesses profitable and posting ordinary income for the fiscal year ending March 31, 2011, as set forth below:

We expect the effects of those measures to become apparent sometime in the fiscal year ending March 31, 2011 and we project they will result in an improvement in profit of about ten billion yen after the fiscal year ending March 31, 2012.

(1) Reform of unprofitable operations -Toward turning all businesses to the black

i) Display segment - Conversion of business model (Splitting up of business and promoting partnership strategy)

- It is to transform itself to a new fabless business model that is responsive to changes in the markets by promoting outsourcing.
- In line with this strategy, the functions of the business headquarters will be vested and transferred to the JVC's main plant in Thailand that is the display manufacturing center by splitting off the headquarters function. A new strategy will be promoted by fully utilizing the Company's strengths in branding, marketing, merchandizing and development, and sales network. At the same time, we will further pursue partnership strategies such as alliances with other companies, after reinforcing the competitiveness.

ii) Camcorder segment - Reform of competitiveness (Shifting to overseas production and outsourcing)

- The Company will accelerate production reform by increasing the production by third parties, while reorganizing its production system by completely transferring production bases from Japan to overseas. (Please refer to (2) "Reconstructing the global operation system" set forth below.)
- In addition, we will proceed with reforms to reinforce sales and reduced sales cost by reorganizing sales companies mainly in Europe; to acquire new sales routes by exploring new markets; and to expand sales.
- Regarding the product strategy, the Company will take measures to strengthen cost competitiveness and product competitiveness using our newly developed processors as a new platform. It will also reinforce our position ranking second in the world market by developing a new category of product for still camera users.

iii) Business Solutions segment- Integrating operation with Land Mobile Radio segment of Kenwood

- Through integrated operation between the Land Mobile Radio segment of Kenwood that has a dominant presence overseas and is ranked second in the world, and the Business Solution segment of JVC that has strengths in Japan, the Company will drive the development of new multimedia solutions. This will be enabled by integrating technologies of these two companies, combined sales activities, mutually using sales networks and bases, jointly purchasing materials and conducting other activities to create businesses in growing markets. These include the public security markets and security markets. At the same time, we will open the door to emerging markets by developing products destined for Asia, including China and India.
- Further, we will strive to expand sales expansion and improve cost structure by raising the ratio of self-manufacturing in the fields of the solution business including software and services, while reorganizing the production structure. (Please refer to (2) Reconstructing the global operation system" set forth below.)

(2) Reconstructing the global operation system

In the fiscal year ended March 31, 2010, structural reforms in respective businesses have been facilitated amidst dramatic changes of business lines. We have also materially reduced inventory while reviewing the business scale and production system of some businesses and sales systems. Based on the results, in the fiscal year ending March 31, 2011 we will reconstruct a new global operating structure, while deliberating possible changes to the business composition (business portfolio) and integrated group operations. We will proceed to restructure the head office, production system and sales system from a global point of view and dispose of assets that may become unnecessary resulting from such restructuring.

i) Sellout and reallocation of the Head Office

In connection with the reforms in the respective business segments set forth above, and as described in the

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"Notice Regarding Transfer of Fixed Assets" announced as of today separately, the premises of the head office of the Company and JVC (located in Kanagawa-ku, Kanagawa-ken) are to be sold and the functions of the head office will be relocated. In this way, we will produce the maximum synergy effects to further promote the integration of operations and cut costs.

ii) Reorganizing the production system

-Yokosuka Plant of JVC - Plant mainly for business solution products

Since some of the production of camcorders destined for domestic markets at JVC's Yokosuka Plant will be terminated in the first half of the fiscal year ending March 31, 2011 and the entire production of camcorders will be transferred and concentrated to the Malaysia Plant of JVC, JVC's Yokosuka Plant will be positioned as a production plant for business solution-related products and projectors.

-Thai plant of JVC- Display business head office and exclusive display plant

Production of business solution products (monitors, recorders, video cameras, etc.) manufactured at JVC's Thai Plant is to be outsourced or transferred to JVC's plant in Malaysia, and the plant in Thailand will serve as the display business head office and at the same time be a plant that is exclusively for displays

-Malaysian plant of JVC - Plant exclusive for cameras

Production of home audio products at the Malaysia plant will be terminated in the fiscal year ending March 31, 2011. Regarding home audio products, the Company will become fabless, and the JVC's plant in Malaysia will be repositioned as a plant exclusively for camera and related products for business solutions such as camcorders and security cameras.

iii) Reviewing human resources framework

In connection with the restructuring of the head office, production system and sales system as well as the integrated management of the Group, the Company plans to redeploy, transfer to third parties and reduce employees by about one thousand and some hundreds in total for the entire Group including Japanese and overseas offices and plants. The details thereof are to be determined and exercised in line with and responding to the progress of the reorganization and management integration of the Group.

(3) Increasing cash flows and reducing total assets

Responding to the restructure of global operation system, cash will be increased and the total assets will be reduced through disposing of fixed assets.

As part of these measures, we will sell office properties and warehouses of sales companies in Europe and America as well.

2-2.Mid-term management plan

(1) Mid-term Vision - Reconstruction of profit base and early resumption of distribution of dividends

i) Focusing efforts on businesses with a competitive advantage to aim at achieving integration effects and profitable growth in emerging markets

- To target at operating profit of 13 billion yen (see note) in total of Car Electronics Business and Professional Systems Business by expanding the ratio to the sales from 40 % at the time of the management integration to 60 % or over (see note).
- To focus on products mounted on vehicles, land mobile radio, professional AV equipment, solution businesses, or Car Electronics Business (Consumer and OEM segments), Professional Systems Business (Land Mobile Radio and Business Solution segments) where the Company can exercise its strengths of the Group, aiming at profitable growth.
- To enhance integrated management, while focusing on the Consumer segment ranking first in the industry as for the Car Electronics Business and Land Mobile Radio segment ranking second in the world as for Professional Systems Business, and sharing markets and distribution channels for which respective Kenwood brands and JVC brands have strengths, and to place them as core businesses of the Company.
- To strive for growth by introducing volume zone products into the emerging markets leveraging the results earned in Europe and the U.S. and try to regain popularity and presence in the Japanese market.

ii) Converting the business models of Consumer Electronics Business and Software Business to make the businesses profitable

- **With the effect of the Action Plan for Business Structural Reform that was completed in the first half of the current year (eight billion yen annually) and the effect of the Action Plan for Reconstructing Corporate Base set forth above, to aim at the operating profit of 1.5 billion yen (see note) for the combined total of Home & Mobile Electronics Business and Entertainment Business.**
- As for Home & Mobile Electronics Business, to implement a new business model by concentrating the resources on marketing, merchandizing, development and sales through promotion of the fabless strategy by outsourcing to third parties in order to return to the black at an early stage as well as promoting partnership strategy.
- Regarding the Entertainment Business, we will try to realize Total Entertainment in response to the diversification of media due to music distribution and such like.
- We will promote new development while introducing new products that materialize our corporate vision To Materialize Off Beat.

Note: The figure is the target for the fiscal year ending March 31, 2013 (the last year of the Mid-term management plan)

(2) Mid-term target

- For the fiscal year ending March 31, 2011: Post an ordinary income
- For the fiscal year ending March 31, 2012: Post a current net income
- For the fiscal year ending March 31, 2013: Post sales of 450 billion yen (at 9 % annual growth rate); operating profit of 14.5 billion yen and current net income of 4.5 billion yen
- In addition, another target is to resume the payment of dividends during the period of the Mid-term management plan.

(3) Business strategy and objectives per business

i) Car Electronics Business

The Consumer Business segment that enjoys large market shares in the European and American markets will actively explore and advance into emerging markets mainly in Brazil, India and China, taking advantage of such large shares, and enhance the domestic consumer navigation segment by using the effects of the integration.

The OEM segment will strive to increase orders received in each of the genuine goods segment and dealer option goods segment inside and outside of Japan, as well as orders for CD/DVD mechanisms to be mounted in vehicles, taking advantage of synergy effects generated by the mechanism of Kenwood and optical pickup technology of JVC.

ii) Professional Systems Business

Through integrated management of the Land Mobile Radio segment of Kenwood and the Business Solution segment of JVC, which includes integration of research and development bases, the business will be expanded and reinforced in order to establish highly profitable business. In addition we will strive for further growth by creating a new business in response to the increasing public safety and security markets.

Land Mobile Radio segment

- Improvement of digital professional radio system
- Expansion of business region from supply of radio terminals to supply of system solutions
- Expansion of business in Japan, China, Asia and Europe
- Creation of new driving force for growth

Business Solutions segment

- Reinforcement of resources through transfer of employees to sales divisions and upgrading ability to make proposals through thorough education
- Making shift from individual hardware business to solution business that contains and integrates products, contents and services
- Expansion of business in Japan and deployment of business in the U.S. and Europe
- Expansion of business taking into consideration cooperation and alliance with other companies

iii) Home & Mobile Electronics Business

The Company will strive to reconstruct its business structure and have a profitable system early and commit

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to new growth through promoting the fables strategy. It will do this by outsourcing work to third parties and devoting itself to marketing, merchandizing, development and sales while pursuing the partnership strategy.

Home Entertainment Business

- Regarding the display segment, we will open the door to emerging markets and try new development with the partnership strategy utilizing our strengths in brands, marketing, merchandizing, development and sales networks.
- As for the audio segment, we will make investment not in the existing fields but in a new category and try to have more effective production and development.
- The AV accessory segment will advance into unexplored markets abroad while reinforcing domestic markets for further accelerated growth, since this segment has become a solid earnings base.

Digital Imaging Business

- The camcorder segment commits to strengthen its ability to compete other competitors' products in terms of cost and merchandizing by placing newly developed processors as the platform, to enhance its position ranking second in the world market by developing a new category appealing to still camera users, and to promote efforts to acquire new sales channels through the exploitation of new markets.
- Expansion of business taking into consideration cooperation and alliance with other companies

iv) Entertainment Business

Efforts are focused on expanding and reinforcing the business by finding and training new talented artists and on realization of Total Entertainment in response to diversification of media due to music distribution and such like.

v) New operation, new business and other businesses

To enter into markets with home audio visual products suggesting a new lifestyle, we will produce tuners compatible with the new network services and mobile AV products, and promote new generation products.

In addition, we will put more efforts into exploiting new business including the development of a new product type, making use of our acoustic technology.

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Target by business

(in billion yen)

Business Segment		(For reference) FY ending March 2010 (New Classification)	(For reference) FY ending March 2011 Business Forecast	Target for FY ending March 2013	Difference with forecast for FY ending March 2011
Car Electronics + Professional Systems	Net sales	200.3	200–210	280	Annual growth about 16%
	Operating profit	1.7	3	13	+10
Home & Mobile Electronics + Entertainment	Net sales	186.7	160–170	160	(0-10)
	Operating profit	(8.5)	1	1.5	+0.5
New operation, Other	Net sales	11.7	3–5	10	+5–7
	Operating profit	0.5	0	0	-
Total	Net sales	398.7	380	450	Annual growth about 9%
	Operating profit	(6.5)	4	14.5	+10.5
	Ordinary income	(14.8)	(3.5)	7.5	-
	Net income	(27.8)	(13)	4.5	+17.5

Note: For the fiscal year ended March 31, 2010, the items of patent revenue and profit/loss related to the business incubation business is included in the “Other” segment. However, for the fiscal year ended March 31, 2010 (New Classification), the patent revenue is distributed to each business and the profit/loss related to the business incubation business is included in the “Professional Systems Business” segment. The same classification applies to the fiscal year ending March 31, 2011 and after.

(4) Financial and capital strategies - Improvement of interest bearing debt and increase of capital

- Measures will be taken and pursued to improve profitability resulting from a recovery in business and reinforcement, to improve the current account balance through reducing interest bearing debt and to retain special loss in connection with completion of the structural reform to the minimum level.
In addition, cash flow will be improved through reducing inventory and reducing accounts receivable.
- Further, as announced on May 14, 2010 in the “Notice on Share Consolidation,” we will strive to enhance corporate values and bases for the future and increase capital through share appreciation resulting from consolidation of shares.

(5) Dividend policy - Early resumption of distribution of dividends

By implementing the measures set forth above, we will aim to post a net income and resume distribution of dividends at an early stage of the Mid-term management plan.

(6) Management reform - Consolidation of operating companies and integrated group

We will have discussions aiming for the early consolidation of business companies so that the management of the Group and effects of integration may be optimized, flexibly responding to changes in the business portfolio.

3. Impact on forecast on operations for the fiscal year ending March 31, 2011

Forecast on operations for the fiscal year ending March 31, 2011 disclosed on May 14, 2010 includes special losses resulting from disposition of fixed assets including the head office and reform of unprofitable businesses as costs and expenses in connection with the Action Plan for Reconstructing Corporate Base set forth above. However, it does not include other items that may be implemented or impacted by other measures in the Action Plan for Reconstructing Corporate Base and the Mid-term management plan. As soon as the specific numbers of such effect or impact can be estimated, or at the latest, before the release of our business forecast for the second quarter, we will revise the forecast for the fiscal year ending March 31, 2011.