

JVC KENWOOD



July 31, 2015

Company	JVC KENWOOD Corporation
Representative	Haruo Kawahara, Chairman and CEO (Code: 6632; First Section of the Tokyo Stock Exchange)
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Notice Regarding Conversion of JVCKENWOOD Creative Media Corporation into a Wholly-owned Subsidiary through Simplified Share Exchange and Acquisition of its Own Shares in Connection with Share Exchange

JVC KENWOOD Corporation (the “Company”) hereby announces that each Board of Directors Meeting of the Company and JVCKENWOOD Creative Media Corporation (“JKCM”), a consolidated subsidiary of the Company, held today passed a resolution to implement a share exchange (the “Share Exchange”). In the Share Exchange, the Company will become the sole parent company of JKCM and JKCM will become the wholly-owned subsidiary of the Company effective on August 31, 2015 (scheduled) and the two companies have entered into a share exchange agreement (the “Share Exchange Agreement”).

In connection with the Share Exchange, the Company will acquire and hold 600,000 shares of its own stock (scheduled) through market transactions (the “Share Buyback”) in addition to 293,319 shares of treasury stock (scheduled) already held by the Company, and the Company will allot and deliver these shares to the shareholders of JKCM (excluding the Company), and therefore the Board of Directors’ Meeting of the Company held today also resolved matters regarding the acquisition of the Company’s own stock as described below, based on the provisions of its Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act.

As the Share Exchange is a “simplified share exchange” whereby a consolidated subsidiary will become a wholly-owned subsidiary, part of the disclosure items and information on the transaction are omitted from this announcement.

I. The Share Exchange

1. Purpose of making JKCM a wholly-owned subsidiary of the Company through the Share Exchange

In the contracted manufacturing business for packaged media, such as CDs, DVDs and Blu-ray Discs, in which JKCM engages, OEM sales have been declining due to the market shrinkage and change, such as introduction of online music distribution. In light of this situation, the Company considered that it is necessary for JKCM to implement various business reform measures on its own, as well as conducting marketing and sales activities, business creation and cost structure reforms utilizing all the Company group resources. The Company decided that it would be best to make JKCM its wholly-owned subsidiary through the Share Exchange in order to enhance the corporate value of the entire Company group to promote such measures with rapid decision-making.

The Company will issue no new shares in connection with the Share Exchange as it plans to use its own shares for the shares to be allotted and delivered through the Share Exchange.

2. Outline of the Share Exchange

(1) Schedule of the Share Exchange

Date of resolution of the Board of Directors meeting on the execution of the Share Exchange Agreement (both the Company and JKCM)	Friday, July 31, 2015
Date of execution of the Share Exchange Agreement (both the Company and JKCM)	Friday, July 31, 2015
Effective date of the Share Exchange	Monday, August 31, 2015 (scheduled date)

Notes:

- Pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act, the Company will effect the Share Exchange without approval of the execution of the Share Exchange Agreement at its general meeting of shareholders as stipulated in Article 795, Paragraph 1 of the Companies Act. Note that in the event where the approval at its general meeting of shareholders is required pursuant to the provisions of Article 796, Paragraph 3 of the Companies Act, the Company will obtain it prior to the day immediately before the effective date.
- Pursuant to the provisions of Article 784, Paragraph 1 of the Companies Act, JKCM will effect the Share Exchange without approval of the execution of the Share Exchange Agreement at its general meeting of shareholders as stipulated in Article 783, Paragraph 1 of the Companies Act.
- The effective date of the Share Exchange may be changed by an agreement between the two companies.

(2) Method of the Share Exchange

Under the Share Exchange, the Company will become the sole parent company of JKCM, and JKCM will become the Company's wholly-owned subsidiary.

(3) Terms of allotment in connection with the Share Exchange

	JVC KENWOOD Co., Ltd. (sole parent company upon share exchange)	JVCKENWOOD Creative Media Corporation (wholly-owned subsidiary upon share exchange)
Ratio of allotment in connection with the Share Exchange	216.3	1

Notes:

1) Ratio of allotment of shares

For every 1 share of common stock of JKCM, 216.3 shares of the Company will be allotted and delivered. However, no share will be allotted pursuant to the Share Exchange with respect to the 44,000 shares of JKCM's common stock held by the Company as of July 31, 2015.

2) Number of shares of the Company's common stock to be allotted and delivered pursuant to the Share Exchange

Number of shares of the Company's common stock to be allotted and delivered: 893,319 (scheduled)

Upon the Share Exchange, the Company will allot and deliver 893,319 shares (scheduled) of its common stock. In addition to 293,319 shares (scheduled) of the treasury stock already held by the Company, it will acquire 600,000 shares of its own stock (scheduled) through market transactions, and allot and deliver these shares to the shareholders of JKCM (excluding the Company).

3) Treatment of shares constituting less than one unit

The shareholders of JKCM who will hold shares of the Company constituting less than one unit (less than 100 shares) as a result of the Share Exchange shall have the right to receive those dividends whose

record date is after the effective date of the Share Exchange in an amount corresponding to the number of shares that they hold. Shareholders may not sell shares constituting less than one unit on the financial instruments exchange market; however, they will be entitled to use the following methods concerning shares of the Company constituting less than one unit.

1. Buyback for shares constituting less than one unit (sale by a shareholder of shares constituting less than 100 shares)

Holders of shares of the Company constituting less than one unit may request the Company to purchase such shares constituting less than one unit, pursuant to the provisions of Article 192, Paragraph 1 of the Companies Act.

2. Additional purchase for shares constituting less than one unit (purchase of up to 100 shares)

Holders of shares of the Company constituting less than one unit may purchase from the Company the number of shares of common stock that will make up a total of one unit (100 shares) together with the number of shares constituting less than one unit held by such shareholder, pursuant to the provisions of Article 194, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation.

- 4) Treatment of any fraction of less than one share

With respect to shareholders of JKCM who will receive the allotment of shares including fractions of less than one share of common stock of the Company upon the Share Exchange, the Company shall sell the number of its shares equivalent to the sum of such fractions (any fraction constituting less than one share in the aggregated number shall be rounded down) and pay proceeds from the sale to the corresponding shareholders in proportion to the value of such fractions, pursuant to the provisions of Article 234 of the Companies Act and other relevant laws and regulations.

- (4) Treatment of stock acquisition rights and bonds with stock acquisition rights

Not applicable

3. Basis and reasons for the allotment regarding the Share Exchange

- (1) Basis and reasons for the allotment

In the contracted manufacturing business for packaged media, such as CDs, DVDs and Blu-ray Discs, in which JKCM engages, OEM sales have been declining due to the market shrinkage and change, such as introduction of online music distribution. In light of this situation, the Company considered that it is necessary for JKCM to implement various business reform measures on its own, as well as conducting marketing and sales activities, business creation and cost structure reforms utilizing all the Company group resources. The Company decided that it would be best to make JKCM its wholly-owned subsidiary through the Share Exchange in order to enhance the corporate value of the entire Company group to promote such measures with rapid decision making.

In order to ensure the fairness and appropriateness of calculation of the share exchange ratio (the "Share Exchange Ratio") set out in "2. (3) Terms of allotment in connection with the Share Exchange" above, the Company decided to request a third-party valuation institution independent of both companies to calculate the share exchange ratio, and appointed Growin' Partners Inc. ("GWP") as such third-party valuation institution.

Based on the results of calculation of the share exchange ratio submitted by such third-party valuation institution, the Company continuously negotiated and consulted with JKCM after comprehensively taking into consideration various factors, such as financial condition, assets and future outlook of the business of JKCM. As a result, the Company and JKCM have come to the conclusion that the Share Exchange Ratio is appropriate and will not impair the interests of shareholders of both companies. Therefore, the Board of Directors Meetings of both the Company and JKCM held on July 31, 2015

resolved to implement the Share Exchange based on the Share Exchange Ratio, and the two companies entered into the Share Exchange Agreement as of the same date.

The Share Exchange Ratio may be changed upon consultation between the two companies in accordance with the Share Exchange Agreement in case of occurrence of material changes in conditions that form the basis of calculation.

(2) Matters regarding calculation

(i) Name of the valuation institution and its relationship with the Company

GWP is a third-party valuation institution independent of both the Company and JKCM. GWP is not a related party of the Company or JKCM, and it does not have a significant interest that should be stated herein regarding the Share Exchange.

(ii) Outline of calculation

The Company's stock is listed on a financial instrument exchange and a market price is available, GWP adopted the market share price method for valuation of the Company's stock. To value the stock value of JKCM, which is an unlisted company, the adjusted net asset method, whereby a stock is valued by using a net asset amount of the assets and liabilities on its balance sheet adjusted by unrealized profit and loss based on market value, was adopted as it was considered more useful than other calculation methods to measure the stock value of JKCM as of the date of calculation.

As a result of calculation by using those calculation methods, the range of valuation of the JKCM stock per share is calculated as 214.7 – 261.9 times against the Company's stock value per share.

In the market share price method, calculation was made as of July 15, 2015 and based on the closing price on such calculation date, the average closing prices for the one-month period, the three-month period, and the six-month period, respectively, preceding such calculation date on the Tokyo Stock Exchange. In the adjusted net asset method, the stock value was calculated as of March 31, 2015 based on the factors such as the financial conditions, capital market and economic situations as of July 15, 2015.

4. Outline of the companies in the Share Exchange (as of March 31, 2015)

	Sole parent company upon share exchange	Wholly-owned subsidiary upon share exchange
(1) Name	JVC KENWOOD Corporation	JVCKENWOOD Creative Media Corporation
(2) Location of Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa	1612-1, Shimotsuruma, Yamato-shi, Kanagawa
(3) Name and title of representative	Chairman, Representative Director of the Board, Chief Executive Officer (CEO): Haruo Kawahara	President, Representative Director of the Board: Toshiaki Hamaguchi
(4) Business description	Manufacturing and sales of electrical and electronic equipment	Development, manufacturing and sales of recorded optical disks
(5) Capital	10,000 million yen	1,207 million yen
(6) Date of incorporation	October 1, 2008	December 3, 2007
(7) Number of shares issued	139,000,201	48,130
(8) Fiscal year end	March 31	March 31
(9) Number of employees	17,668 (consolidated)	145

(10) Major shareholder and their shareholding ratio	CHASEMANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	5.21%	JVC KENWOOD Corporation IMAGICA Corp. TOPPAN PRINTING CO., LTD.	91.42% 5.40% 3.18%			
	Japan Trustee Services Bank, Ltd. (Trust Account)	3.52%					
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	3.02%					
	DENSO Corporation	3.00%					
	The Master Trust Bank of Japan, Ltd. (Trust Account)	2.70%					
	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	2.40%					
	BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	2.25%					
	GOLDMAN SACHS INTERNATIONAL	1.75%					
	The Dai-ichi Life Insurance Company, Limited	1.33%					
	Japan Securities Finance Co., Ltd.	1.28%					
	(11) Relationship between the companies						
		Capital relationship			The Company holds 91.42% of the total number of shares issued of JKCM.		
		Personnel relationship			One officer/employee of the Company holds office as Director of JKCM.		
		Business relationship			The Company outsources part of its operations to JKCM, and JKCM sells certain products to the Company. Further, the Company and JKCM have transactions of lending and borrowing between them.		
Status as a related party		JKCM is a consolidated subsidiary of the Company, and therefore, JKCM is a related party of the Company.					
(12) Operating results and financial conditions for the past three years							
Fiscal year	JVC KENWOOD Corporation			JVCKENWOOD Creative Media Corporation			
	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	
Net assets	67,240	59,824	79,221	7,130	6,254	5,756	
Total assets	246,614	267,152	278,669	9,432	8,086	7,587	
Net sales	306,580	316,343	285,010	7,850	6,440	5,819	
Operating income	9,604	4,421	6,570	496	87	(160)	
Ordinary income	3,106	(70)	3,176	508	96	(169)	
Net income	1,146	(6,571)	4,654	348	64	(382)	
Net assets per share (yen)	473.18	373.01	517.67	148,157.96	129,956.30	119,594.41	
Net income per share (yen)	8.27	(47.39)	33.56	7,246.83	1,339.34	(7,951.58)	

Notes:

- 1) All the amounts are presented in millions of yen unless otherwise indicated.
- 2) Amounts in parentheses indicate losses.
- 3) All the amounts presented in “Operating results and financial conditions for the past three years” for the Company are consolidated figures.

5. Status after the Share Exchange

There will be no change after the Share Exchange to the name, location of the head office, name and title of representative, business description, capital and fiscal year of the Company (the sole parent company upon share exchange), from those described in “4. Outline of the companies in the Share Exchange (as of March 31, 2015)” above.

II. Share Buyback

1. Reasons for the Share Buyback

The Company will acquire and hold 600,000 shares of its own stocks (scheduled) through market transactions in addition to 293,319 shares (scheduled) of the treasury stock already held by the Company, and the Company will allot and deliver these shares to the shareholders of JKCM (excluding the Company) upon the Share Exchange.

2. Matters regarding the Share Buyback

- | | |
|---|---|
| (1) Type of shares to be acquired | Common stock |
| (2) Total number of shares to be acquired | 600,000 (upper limit)
*0.43% of the total number of shares outstanding (excluding the treasury stock of 341,158 shares as of the end of June 2015) |
| (3) Total value of shares to be acquired | 200,000,000 yen (upper limit) |
| (4) Acquisition period | From August 3, 2015 to August 21, 2015 |
| (5) Method of acquisition | Market purchases on the Tokyo Stock Exchange |

III. Future outlook

As JKCM is already a consolidated subsidiary of the Company, the impact of the Share Exchange on the consolidated operating results of the Company for the fiscal year ending March 2016 is expected to be minor.

(Reference) The Company's consolidated financial results forecast (announced on April 28, 2015) and the actual consolidated financial results for the previous period

(In millions of yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to shareholders of the parent company (fiscal year ending March 2016) and consolidated net income (fiscal year ended March 2015)
Consolidated financial results forecast for the current period (fiscal year ending March 2016)	300,000	8,000	4,500	2,000
Actual consolidated financial results for the previous period (fiscal year ended March 2015)	285,010	6,570	3,176	4,654