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**Notice on the Expansion of J&K Technologies'  
(Joint Venture) Operations through the Company Split  
(Simplified Absorption-Type Split) of the Car Electronics Business  
—Aiming to be a Global Leader in the Car Electronics Business  
by Maximizing Synergies from Management Integration—**

Victor Company of Japan, Limited ("JVC"), and Kenwood Corporation ("KENWOOD") (collectively, "Both Companies") announced on August 28, 2008, that Both Companies resolved to have J&K Technologies Corp. ("J&K Technologies"), which is a technological development joint venture that was established through a joint investment by Both Companies, succeed part of the rights and obligations of Both Companies in the Car Electronics business and part of the rights and obligations of Both Companies regarding the equities administration business for several subsidiaries of Both Companies so that J&K Technologies can expand its future operations through a company split (simplified absorption-type split or *kani-kyushu-bunkatsu*) effective October 1, 2008 ("Absorption-Type Split"), by their respective Board of Directors at meetings held on August 28, 2008. Both Companies also announced that they entered into an Absorption-Type Split Agreement following the resolution above as of August 28, 2008. The details are described below.

With these measures, Both Companies aim to quickly maximize synergies in sales and earnings by integrating the management resources of Both Companies that are directly associated with cost competitiveness regarding the Car Electronics business, from which the greatest synergies can be expected, into J&K Technologies to develop the business as a promising business field (genre) that will guarantee high sales to JVC KENWOOD Holdings, Inc. ("JVC KENWOOD HD"), which is intended to be established by Both Companies through a share transfer.

As the Absorption-Type Split fall under the authorized case where the disclosure of several matters may be omitted, certain matters and part of the description are omitted from the disclosure below.

## 1. Outline of the Absorption-Type Split

### (1) Background to the Absorption-Type Split

Both Companies intend to establish JVC KENWOOD HD through a share transfer on October 1, 2008, to conduct management integration. In preparation for this management integration, J&K Technologies was established on October 1, 2007, as a technological development joint venture via an equal equity investment by Both Companies to materialize synergies through joint technological development in the Car Electronics and Home Audio businesses—the common business segments of Both Companies. Thereafter, J&K Technologies, with about 130 development staff dispatched from Both Companies, has engaged in the joint development of navigation engines and of platforms and modules for the car multimedia, car audio and home audio to improve technological development and enhance the competitiveness of their products.

From the establishment of J&K Technologies, Both Companies have planned to expand J&K Technologies' operations from a wide variety of aspects by taking into account its future growth as an operating company standing shoulder to shoulder with Both Companies. Both Companies therefore have agreed to expand J&K Technologies' operations to full-fledged development, design, procurement and production to quickly maximize synergies regarding the Car Electronics business, from which the greatest synergies can be expected, without limiting joint technological development.

### (2) Scheme of the Absorption-Type Split

On October 1, 2008, as the effective date, Both Companies will implement the Absorption-Type Split as an intragroup restructuring of JVC KENWOOD HD and have J&K Technologies succeed the development, design, procurement and production functions, which are directly associated with the enhancement of the cost competitiveness, of the rights and obligations regarding the Car Electronics business—for the consumer/OEM business—engaged in by Both Companies. At the same time, J&K Technologies will succeed KENWOOD's Automobile-Mounted Device business, which includes the optical disk drive mechanisms, and the Automobile-Mounted Device Amplifier and Speaker business.

Furthermore, JVC Electronics Singapore Pte. Ltd., P.T. JVC Electronics Indonesia, Kenwood Electronics Technologies (M) Sdn. Bhd., Shanghai Kenwood Electronics Co. Ltd., Kenwood Electronics Bretagne S.A., and Kenwood Nagano Corporation, all of which are the Car Electronics-related development and production subsidiaries of Both Companies, will become subsidiaries of J&K Technologies after the effective date of the Absorption-Type Split as Both Companies will have J&K Technologies succeed shares of these six companies.

In association with the Absorption-Type Split, approximately 1,000 employees will go on loan from Both Companies to J&K Technologies and approximately 5,000 employees, who will be dispatched from Both Companies, are expected to work for J&K Technologies' subsidiaries, as of October 1, 2008.

Meanwhile, the investment ratio of JVC and KENWOOD in J&K Technologies is expected to change from the current 50:50, respectively, to 53.8:46.2. J&K Technologies is anticipated to contribute evenly to the improvement in the branding of Both Companies regardless of the above investment ratio.

A condition precedent of the Absorption-Type Split is the share transfer that comes into force in accordance with the Share Transfer Plan, which was prepared by Both Companies as of May 12, 2008.

Of the functions related to the Car Electronics businesses of Both Companies, the product planning and sales functions shall be separately held by Both Companies at the time of the Absorption-Type Split for the purpose of reinforcing their respective brands while continuously sustaining them even after the management integration under the unified management policies of JVC KENWOOD HD, despite the projected future integration.

## **2. Purpose of the Absorption-Type Split**

Through the Absorption-Type Split, Both Companies will integrate their development, design, procurement and production functions of the Car Electronics business, for which the greatest synergies can be expected, into J&K Technologies. With this initiative, Both Companies aim to maximize synergies in the aspects of sales and earnings while leveraging such advantages as the utilization of management resources of Both Companies, increased economies of scale and the mutual utilization of intellectual properties. Both Companies thus intend to develop the Car Electronics business as a promising business field (genre) that will guarantee high sales to JVC KENWOOD HD in the future.

Particularly, in the mainstay consumer car audio field of the Car Electronics business, Both Companies have expanded their presence in the global market partly owing to the recent alliance. Both Companies intend to further strengthen cost competitiveness via the co-development and joint procurement of materials based on the Absorption-Type Split and the co-development of emerging markets in order to further reinforce their business competitiveness as a global leader.

At the same time, taking advantage of the co-development, Both Companies aim to strengthen their presence in the market and increase the number of navigation systems sold to more than 1 million per year with the extended product lineup. Moreover, Both Companies aim to reinforce their business competitiveness by reducing development costs, shortening the development period and via the mutual utilization of intellectual properties.

In addition, Both Companies are strengthening alliance in the OEM business and seeking to establish a profitable base through the alliance while optimizing synergies in the consumer business.

Both Companies had addressed structural reforms prior to the management integration and have established lean financial structures. Both Companies will appropriate extra management resources, which could be a benefit of the resource integration and efficiency improvement of overlapping operations, to promising growth domains, including their use in other businesses, with a goal of increasing corporate value and creating new added value.

### 3. Outline of the Absorption-Type Split

- (1) Split schedule
- |                              |  |
|------------------------------|--|
| August 28, 2008              | Approval of the Absorption-Type Split Agreement by the respective Board of Directors (Both Companies and J&K Technologies) |
| August 28, 2008              | Conclusion of the Absorption-Type Split Agreement (Both Companies and J&K Technologies)                                    |
| September 26, 2008 (planned) | Approval of the Absorption-Type Split Agreement at the extraordinary general meeting of shareholders (J&K Technologies)    |
| October 1, 2008 (planned)    | Date of the Absorption-Type Split (effective date)   |

Note: Both Companies will conduct the Absorption-Type Split, in accordance with Article 784, Paragraph 3, of the Company Law, without being required to receive approval by a general meeting of shareholders.

The above split schedule is subject to change through consultations among Both Companies and J&K Technologies in case of a compelling reason in the course of subsequent procedures.

- (2) Split method
- The Absorption-Type Split is split-up (physical), absorption-type split (*bunsha-gata kyushu-bunkatsu*), in which Both Companies will be the split companies and J&K Technologies, for which the outstanding shares are wholly held by Both Companies, will be the successor company.

- (3) Substance of and basis of calculations for the split-related allotment of shares
- J&K Technologies will issue common stock of 771,548 shares, instead of the rights and obligations to be succeeded from Both Companies, as described below in Item "3. (6) Rights and obligations to be succeeded by the successor company." J&K Technologies will then allocate and deliver 415,716 shares to JVC and 355,832 shares to KENWOOD.

The number of the allotment of shares related to the Absorption-Type Split was calculated based on the fair value of the assets to be succeeded, which was calculated with reference to the book values recorded in the accounting statements of Both Companies as of July 31, 2008.

- (4) Change in capital due to the Split
- No change in the capital amount will take place with regard to the capital of Both Companies.
- (5) Rights and obligations regarding stock acquisition rights and bonds with stock acquisition rights of split companies
- Both Companies do not issue either stock acquisition rights or bonds with stock acquisition rights.
- (6) Rights and obligations to be succeeded by the successor company
- J&K Technologies will succeed JVC's rights and obligations regarding the equities administration business held by JVC for shares of JVC Electronics Singapore Pte. Ltd. and P.T. JVC Electronics Indonesia, part of JVC's rights and obligations regarding its Car Electronics business (excluding the product planning and sales functions, but including the purchase function), KENWOOD's rights and obligations regarding the equities administration business held by KENWOOD for shares of Kenwood Electronics Technologies (M) Sdn. Bhd., Shanghai Kenwood Electronics Co., Ltd., Kenwood Electronics Bretagne S.A. and Nagano Kenwood Corporation, and part of KENWOOD's rights and obligations regarding its Car Electronics business (excluding the product planning and sales functions, but including the purchase function, the Device business, and Speaker and Amplifier business).

- (7) Presumption of the fulfillment of obligations
- Both Companies and J&K Technologies consider and judge that all the respective obligations, for which the maturity date will come on and after the effective date of the Absorption-Type Split, are expected to be fulfilled.

#### 4. Outline of the Parties Concerned in the Split

##### Split Companies

(1) Corporate Name	Victor Company of Japan, Limited	Kenwood Corporation
(2) Principal Business	Research, development, manufacturing and sales of audio, visual, computer-related consumer and professional equipment, and magnetic tapes and disks, etc.	Manufacturing and sales of products related to car electronics, communications and home electronics, and other related businesses
(3) Date of Incorporation	September 13, 1927	December 21, 1946
(4) Location of Head Office	12, Moriya-cho 3-chome, Kanagawa-ku, Yokohama, Kanagawa	2967-3, Ishikawa-machi, Hachioji-shi, Tokyo
(5) Name and Title of Representative	Kunihiko Sato, President and Representative Director	Kazuo Shiohata, President & CEO
(6) Capital	¥51,615 million	¥11,059 million
(7) Number of Outstanding Shares	361,923 thousand shares	367,525 thousand shares
(8) Net Assets	¥114,126 million (consolidated)	¥29,925 million (consolidated)
(9) Total Assets	¥315,003 million (consolidated)	¥126,088 million (consolidated)
(10) Fiscal Year-End	March 31	March 31
(11) Major Shareholders and Shareholding Ratios	- Matsushita Electric Industrial Co., Ltd.: 36.81% - Kenwood Corporation: 17.00% - HSBC Fund Services SPARX Asset Management Co., Ltd.: 6.57%	- HSBC Fund Services SPARX Asset Management Co., Ltd.: 10.41% - HSBC Fund Services SPARX Asset Management Limited US Client: 7.65% - Resona Bank, Ltd.: 3.73%

Note: Net assets, total assets, and major shareholders and shareholding ratios are as of March 31, 2008.

##### Successor Company

(1) Corporate Name	J&K Technologies Corp.
(2) Principal Business	Research, development, design and manufacturing of automotive electric components, other automotive parts, audio equipment, visual equipment and electric and electronic machinery and appliances, and other related businesses
(3) Date of Incorporation	October 1, 2007
(4) Location of Head Office	2967-3, Ishikawa-machi, Hachioji-shi, Tokyo
(5) Name and Title of Representative	Kazuo Shiohata, Representative Director Nobuo Maeda, Representative Director
(6) Capital	¥445 million
(7) Number of Outstanding Shares	17,800 shares
(8) Net Assets	¥594 million (non-consolidated)
(9) Total Assets	¥690 million (non-consolidated)
(10) Fiscal Year-End	March 31
(11) Major Shareholders and Shareholding Ratios	- JVC: 50% - KENWOOD: 50%

Note: Net assets, total assets, and major shareholders and shareholding ratios are as of March 31, 2008.

## 5. Outline of the Business Segments to be Split

### (1) Principal business of the segments to be split

The equities administration business held by JVC for shares of JVC Electronics Singapore Pte. Ltd. and P.T. JVC Electronics Indonesia, the Car Electronics business of JVC (excluding the product planning and sales functions, but including the purchase function), the equities administration business held by KENWOOD for shares of Kenwood Electronics Technologies (M) Sdn. Bhd., Shanghai Kenwood Electronics Co., Ltd., Kenwood Electronics Bretagne S.A. and Nagano Kenwood Corporation, and the Car Electronics business of KENWOOD (excluding the product planning and sales functions, but including the purchase function, the Device business, and Speaker and Amplifier business).

### (2) Operating results of the segments to be split (net sales for the year ended March 31, 2008)

	Net sales of the segment to be split for the year ended March 31, 2008	Non-consolidated net sales of the split company for the year ended March 31, 2008	Ratio
KENWOOD	¥77,839 million	¥119,604 million	65.1%
JVC	¥47,772 million	¥330,743 million	14.4%

Note: As Both Companies will purchase all of J&K Technologies' products after the Absorption-Type Split to sell them outside the group, the respective net sales of Both Companies are not anticipated to decline.

### (3) Items and amounts of assets and liabilities to be split (as of July 31, 2008)

#### JVC

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	—	Current liabilities	—
Fixed assets	¥6,223 million	Fixed liabilities	—
Total	¥6,223 million	Total	—

#### KENWOOD

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	—	Current liabilities	—
Fixed assets	¥7,173 million	Fixed liabilities	—
Total	¥7,173 million	Total	—

## 6. Status of the Successor Company after the Absorption-Type Split

The corporate name, principal business, location of head office, name and title of representative, capital and fiscal year-end of J&K Technologies will not change due to the Absorption-Type Split. For details, refer to the aforementioned "1. Outline of the Absorption-Type Split" and "2. Purpose of the Absorption-Type Split."

## 7. Status of the Listed Companies after the Absorption-Type Split

The corporate name, principal business, location of head office, name and title of representative, capital and fiscal year-end of Both Companies and JVC KENWOOD HD will not change due to the Absorption-Type Split. For details, refer to the aforementioned "1. Outline of the Absorption-Type Split" and "2. Purpose of the Absorption-Type Split."

## 8. Prospects

As the Absorption-Type Split will be conducted as an intragroup restructuring targeting Both Companies and J&K Technologies, all of which will directly or indirectly become wholly owned subsidiaries of JVC KENWOOD HD, there is no impact on the consolidated operating results of JVC KENWOOD HD, which will be established and listed on October 1, 2008. Both Companies and J&K Technologies will continue to make optimal efforts to maximize synergies along with the aforementioned purpose of the Absorption-Type Split to enhance the corporate value of JVC KENWOOD HD, which will be established on October 1, 2008.