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## **Notice of completion of payment and stock acquisition for third party allotment of new shares by JVC and realization of business alliance**

Kenwood Corporation (hereinafter referred to as "Kenwood") announced that today it completed payment and stock acquisition for third party allotment of new shares by Victor Company of Japan, Limited (hereinafter referred to as "JVC") upon the resolution of the meeting of the board of directors held on July 24, 2007 and subsequently became the second-largest shareholder in JVC. Both Kenwood and JVC further agreed to the realization of a business alliance between both companies, the details of which are outlined herein.

Conclusion of these actions resulted in the capital and business alliance agreement entered into by both companies on July 24, 2007 coming into effect and both companies commencing specific efforts aimed at cooperation in their business areas.

### **I. Completion of payment and stock acquisition for third party allotment of new shares by JVC**

Today Kenwood completed payment for stock acquisition for third party allotment of new shares by JVC, acquiring stock equivalent to 17.1% of JVC's voting rights through a 20 billion yen investment. This investment is an amount which will not cause JVC to become subject to consolidation and which will not exceed the equity method threshold. In addition to providing support for structural reform and infrastructure development in JVC, Kenwood's investment is also intended to build a stronger strategic capital and business alliance between the two companies - as described below - as well as providing for both companies' creating/enhancing their corporate values through improving their market competitiveness.

Number of acquired shares and status of stock ownership before and after acquisition from issuance of new shares by JVC are as follows;

(1) Number of holding shares prior to change: no share  
(Ratio against the number of voting rights of all shareholders: 0.0 %, Number of voting rights: no share)

(2) Number of acquired shares: 61,539,000 shares  
(Ratio against the number of voting rights of all shareholders: 17.1%\*, Number of voting rights: 61,539 shares)

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(3) Number of holding shares after change: 61,539,000 shares  
(Ratio against the number of voting rights of all shareholders: 17.1%\*, Number of voting rights: 61,539 shares)

\* Ratio of the shareholding to the total outstanding shares inclusive of treasury stock is 17.0%

### **II. Realization of the strategic capital and business alliance**

Since the conclusion of the capital and business alliance agreement entered into by both companies on July 24, 2007, both Kenwood and JVC, with the aim of creating/enhancing their corporate values, intend to actively cooperate in specific areas of joint interest with the intention of leading to an early and significant synergy effect for both companies.

Based on the capital and business alliance, the two companies have agreed to commence specific efforts in the areas of the car electronics consumer (audio) business, in which combining the two companies sales would result in the largest market share in the world; the car electronics consumer (multimedia) business, which is a growing field centered on the car navigation systems; and the home electronics business, in which digitalization in home/portable audio equipments is outstanding. Based on these actions, the two companies intend to position efforts to restructure Japanese specialist manufacturers as a first step, and a significant synergy effect is expected from increased cost competitiveness and product competitiveness as a result of the establishment of a framework allowing effective utilization of economies of scale and resources between both companies. It was agreed that the two companies will set October 1, 2007 as the target date for commencing the business alliance.

Specific implementation plans, their detailed schedules, etc., shall be considered and determined by the Collaboration Committee consisting of the two companies, or its steering committee.

#### **1. Establishment of the joint framework of research and development**

By continuing joint development of technological development through joint development by both companies in the fields of navigation engine, multimedia platforms, and home audio, it is intended to strengthen both companies' competitiveness and expansion of such application is thought to bring about optimal early effect of this alliance. In order to effect comprehensive implementation of such efforts, the companies intend to establish a joint venture from October 1, 2007 through equal investment and establishment of a new joint framework of research and development.

#### **2. Mutual promotion of manufacturing services**

Together with aiming to improving manufacturing costs and looking to pursue economies of scale through mutual promotion of manufacturing services for car CD/DVD receivers and home audio products, both companies also plan to improve competitiveness through reducing distribution and procurement costs by effecting joint purchasing of parts. This will result in the increased development of complementary supply between both companies in terms of both parts and products.

#### **3. Study of joint development of comprehensive IT infrastructure for design/production throughout the two companies**

With the aim of reducing development costs for an IT system and the streamlining of parts procurement, design, and production between both Kenwood and JVC, both companies are continuing to progress in joint development of an IT infrastructure in anticipation of the future commonization of both companies' IT infrastructure.

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### **4. Mutual utilization of intellectual property rights**

Both companies agreed to the mutual utilization of each company's intellectual property rights.

### **III. Future developments (Efforts towards management integration)**

Together with efforts aimed at the early creation of synergy results from the strategic capital and business alliance between the two companies, Kenwood shall support JVC in continuing to advance its structural reform by providing experience and knowledge gained from its own efforts in implementing comprehensive structural reforms beginning from 2002. This is in addition to Kenwood's investment in JVC, which is hoped to contribute to JVC achieving the early implementation of management reform.

Both companies plan on achieving stability in their management and performance and in wishing to move onto the second step of the capital and business alliance aim to effect a reorganization of Japan's specialized manufacturers. In studying management integration between both companies, and respecting the brands each company has developed over a long-term period, the two companies will, on an equal footing in spirit, plan to achieve management integration, which is targeted for 2008, to pursue synergies in all aspects of the management of the two companies and to create/enhance their corporate values. To this end the companies will establish a Management Integration Study Committee and continue with more specific studies of these business areas.

### **IV. Effect of the capital and business alliance on operational results**

Although there has yet to be any synergy effect from the capital and business alliance between the two companies on this period's operating forecast following their announcement on May 15, 2007, both companies are making active efforts to ensure that the expected results from the second half of this year in the companies' collaborative areas are met.

Kenwood's payment of 20 billion yen for JVC's third party allotment was effected using a credit line of loans from a certain financial institution which has an existing contractual relationship with Kenwood. Regarding the consolidated financial situation, this investment has resulted in an increase of 20 billion yen in short-term borrowing, with a corresponding increase of 20 billion yen in investment securities.