

Management Integration through the Establishment of a Joint Holding Company (Share Transfer)

Victor Company of Japan, Limited Kenwood Corporation

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You should be aware that JVC KENWOOD Holdings, Inc. may purchase shares of JVC and KENWOOD otherwise than under the share transfer, such as in open market or privately negotiated purchases.

1. Outline of the Management Integration

2. Purpose of the Management Integration and Synergy Effects (Integration Effects)

3. Management Policies of the Joint Holding Company

4. Profile of the Joint Holding Company

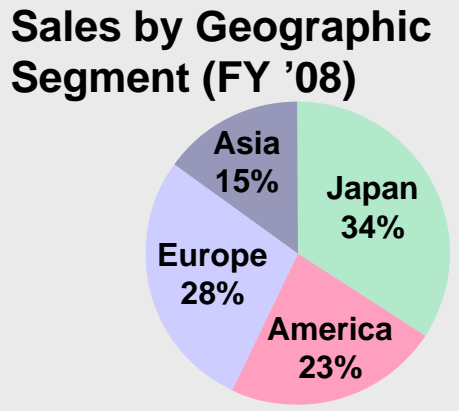
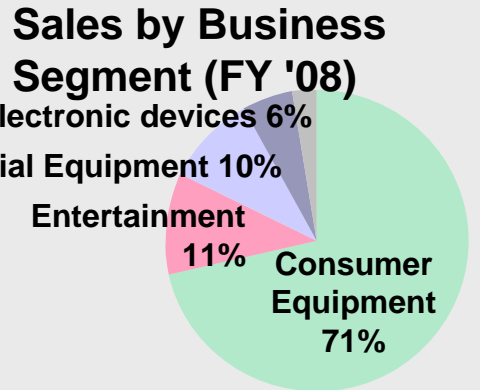
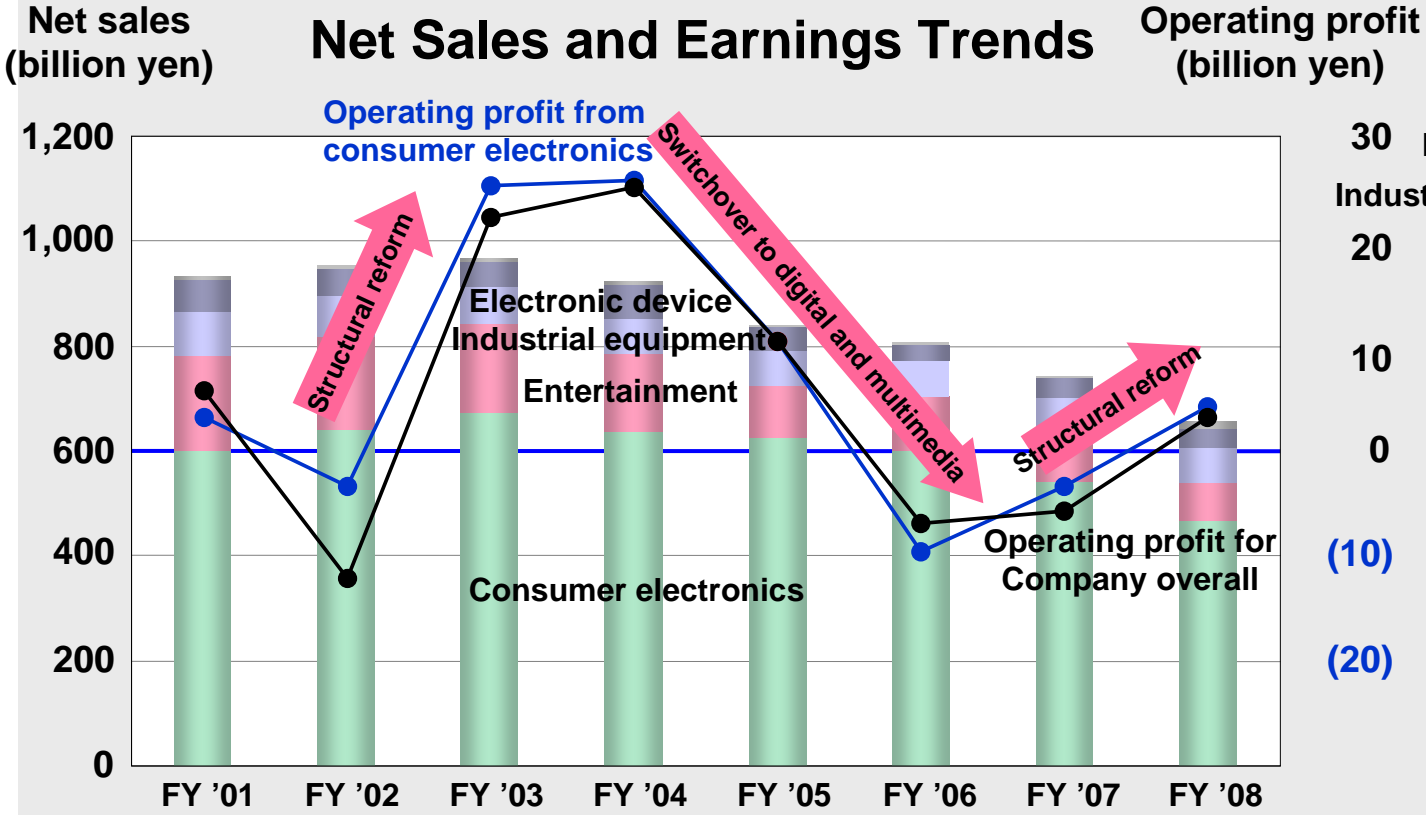
Note: The share transfer described herein is subject to approval at general meetings of the shareholders of Kenwood Corporation (“KENWOOD”) and Victor Company of Japan, Limited (“JVC”), the fulfillment of all conditions to the share transfer, including all domestic and international regulatory reporting requirements and approvals, and the absence of any material event that may interfere with the share transfer.

1. Outline of the Management Integration

Background of the Management Integration JVC (End of FY '08)

Because of the trend toward a switchover to digital and multimedia, the focus is on profitability in the consumer electronic business that makes up 70% of sales (turnaround in FY '08 through structural reforms)

* Established	September 13, 1927
* Paid-in capital	¥51.6 billion
* Number of employees	Non-consolidated: 4,423 Consolidated: 19,044



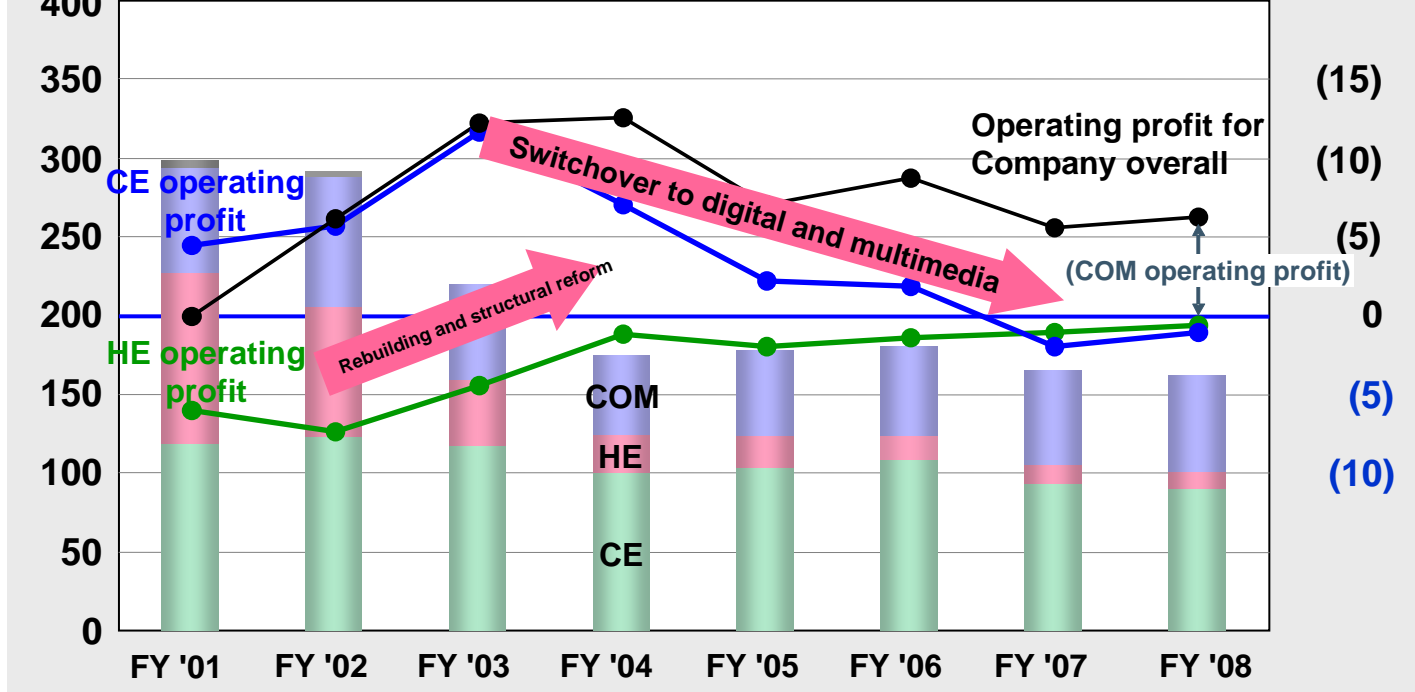
Background of the Management Integration

KENWOOD (End of FY '08)

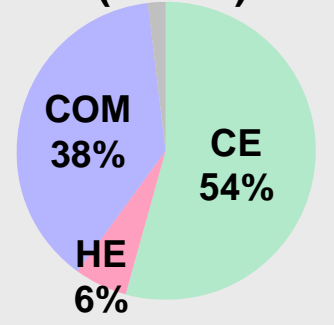
Because of trend toward a switchover to digital and multimedia, focus is on profitability in the consumer electronics business (car electronics and home electronics) that makes up 60% of sales

* Established	December 21, 1946
* Paid-in capital	¥11.1 billion
* Number of employees	Non-consolidated: 1,622 Consolidated: 4,691

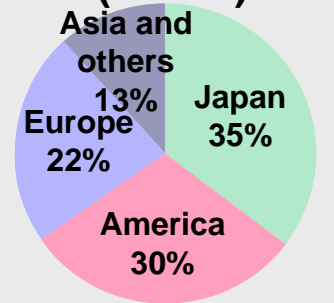
Net Sales and Earnings Trends
 Net sales (billion yen) | Operating profit (billion yen)



Sales by Business Segment (FY '08)



Sales by Geographic Segment (FY '08)



CE...Car Electronics COM...Communications HE...Home Electronics

Background to Management Integration

Background of Restructuring of Japan's AV Specialty Manufacturing Industry

Consumer electronics industry

Because of the advance of digitization and intensifying market share and price competition in the global market

* Growing capital investment and software development burdens

>> Large, well-financed corporations will have an advantage

* Universal components enable quick commercialization of AV equipment, promoting manufacturing specialization

>> The ease of entry into the industry has led to difficulty in product differentiation

The rise of manufacturers in Korea, Taiwan and China has led to lower prices

Audio-visual industry

As a result of the entry of competitors from other industries, such as the IT industry, competition has intensified



**Survival of Japan specialty AV manufacturing industry
through management integration**

Management Integration Plan

First step 1 (Aug 2007)

Start of structural reforms at JVC
Start of consideration and preparation for management integration
Capital alliance (financing from KENWOOD to JVC)



First step 2 (Oct 2007 to May 2008)

Establishment of J&K Technologies, a joint venture for technological development and enhancement of product competitiveness ⇒
Agreement and announcement of management integration (May 12, 2008)



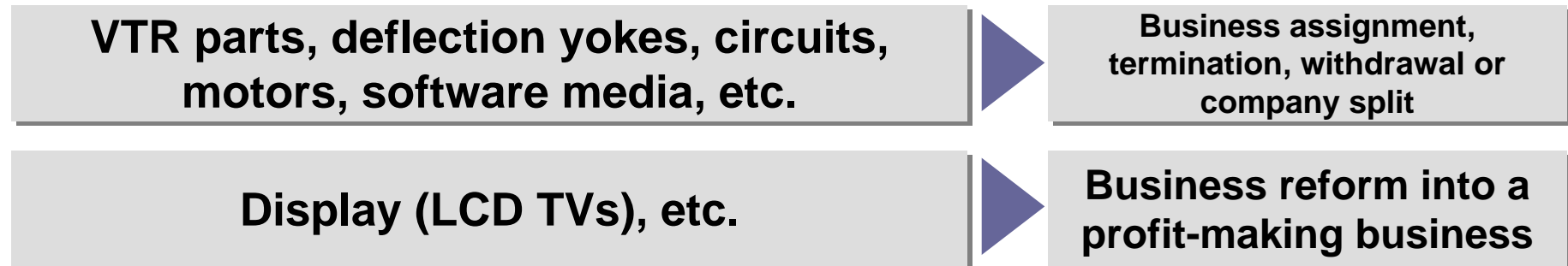
Second step (Jun 2008 to Oct 2008)

Approval at general meetings of shareholders
Establishment of a Joint Holding Company and Share Transfer (expected on October 1, 2008)

Structural reforms at JVC (Action plan 2007)

>> Turnaround in operation for FY '08

- * Reform of employment system
(Early retirement/elective retirement: 1,399 employees as of Oct '07)
- * Business structure reform (Apr '07 to Sep '08)



Financing by KENWOOD and corporate assistance

- * ¥35.0 billion in financing, together with SPARX Group
- * Provide advice and support on restructuring and structural reforms based on KENWOOD's own experience

Process of the Management Integration

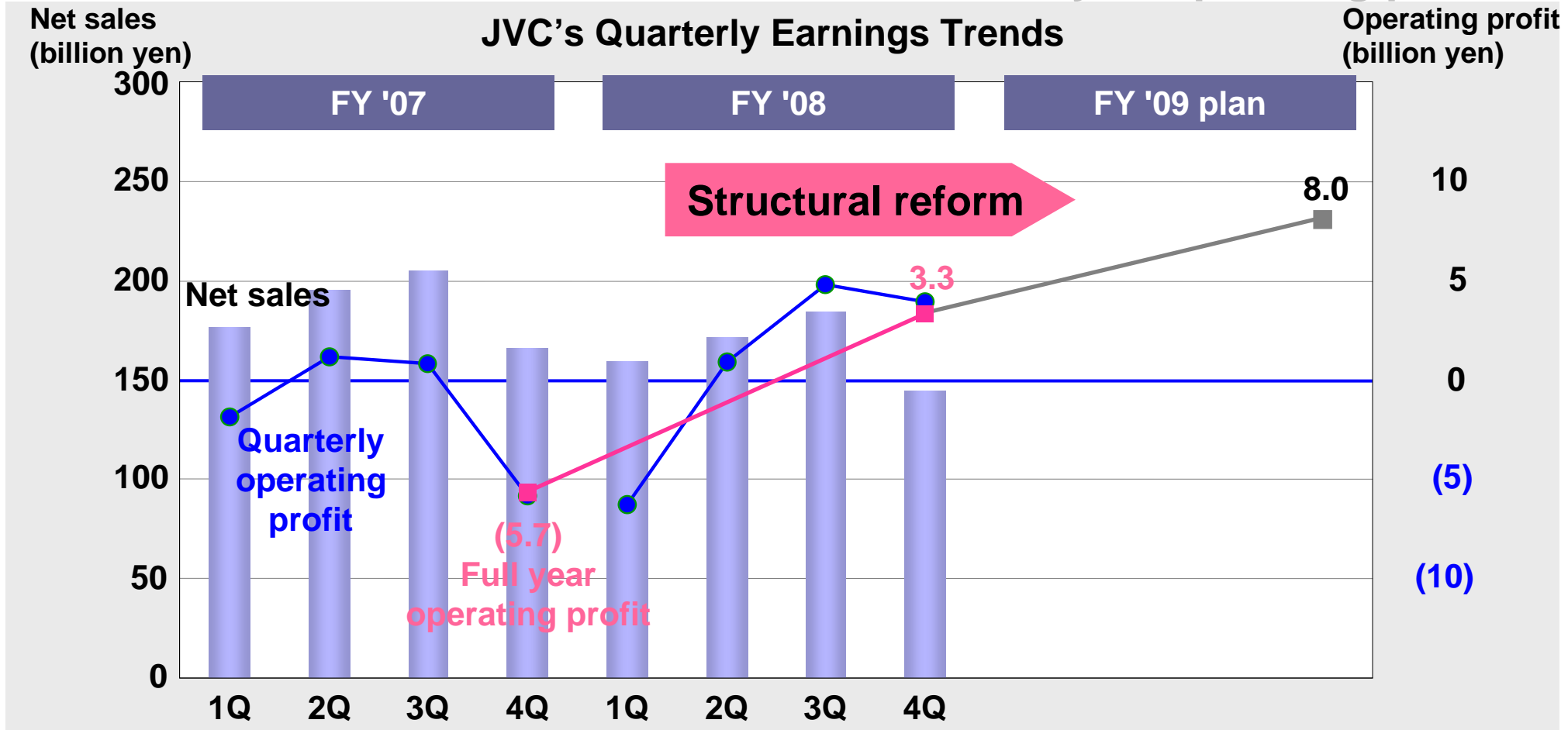
First Step 1 - Structural Reforms at JVC

After FY '08 2Q:
After FY '08 3Q:

Aim for operating profitability
Achieve positive results from a series of structural reform efforts

After FY '09:

Achieve increase and stability of operating profits



Alliance in the car electronics and home/portable audio businesses

Establishment of J&K Technologies Corp. (October 1, 2007)

>> Joint development (130 employees), alliance in manufacturing and procurement, joint development of IT infrastructure, mutual utilization of both companies' intellectual property rights

Joint development areas

- * Car navigation systems, engines
- * Car multimedia, digital terrestrial TV tuners, etc.
- * Car audio and home audio
- * Devices (CD/DVD drives, BD drives, etc.)

Alliance in manufacturing and procurement

- * Manufacture of certain car audio products of KENWOOD at JVC's factory in Indonesia
- * Manufacture of certain car audio and multimedia products of JVC at KENWOOD's factory in Malaysia (tentative)

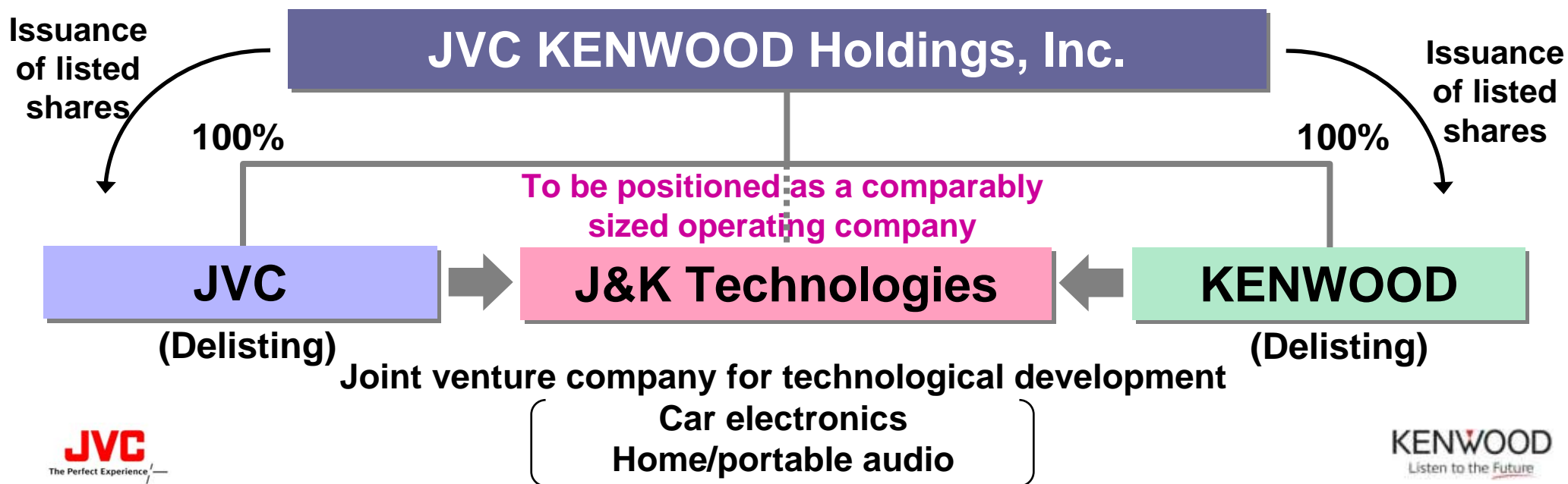
Management Integration Process

Second Step – Management Integration

Management integration plan: Based on structural reform in both companies

- * Upon its establishment, the Joint Holding Company will own a 100% stake of the shares of JVC and KENWOOD through the Share Transfer
(The Joint Holding Company will issue listed shares in exchange for shares of JVC and KENWOOD at the recommended share transfer ratios)
- * J&K Technologies' operations will be expanded to general procurement and manufacturing and will be positioned as an operating company standing shoulder to shoulder with JVC and KENWOOD

Joint holding company (Expected to be listed on the first section of Tokyo Stock Exchange)



2. Purpose of Management Integration and Synergy Effects (Integration Effects)

Purpose of the Management Integration

1. Expansion of Alliance

Prior to integration;

Limited to certain R&D, manufacturing and procurement activities in common business areas (Car Electronics and Home Video)

Following integration;

Expansion to other business areas (new and existing businesses) and other areas (marketing and sales)

2. Expansion of corporate role of J&K Technologies to procurement and manufacturing

* To establish the car electronics business as a strong profit center

* To establish the home audio equipment business as a profitable business



By optimizing synergy effects, we aim to strengthen our competitiveness and profitability. We will strive to become a world-leading manufacturer specializing in AV products, while enhancing and creating corporate value

Purpose of Management Integration

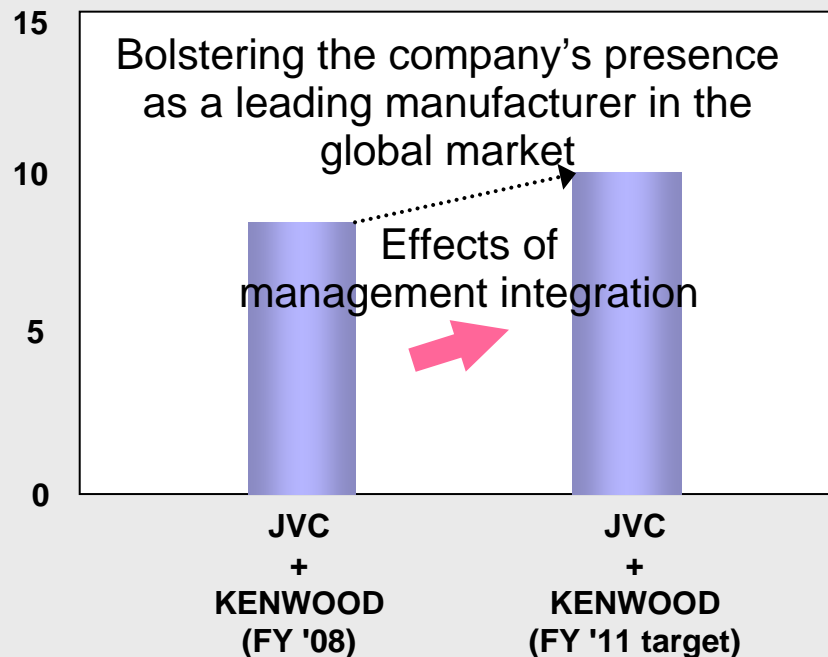
To become a leading manufacturer in the global car audio business

To establish the car electronics business as a strong profit center

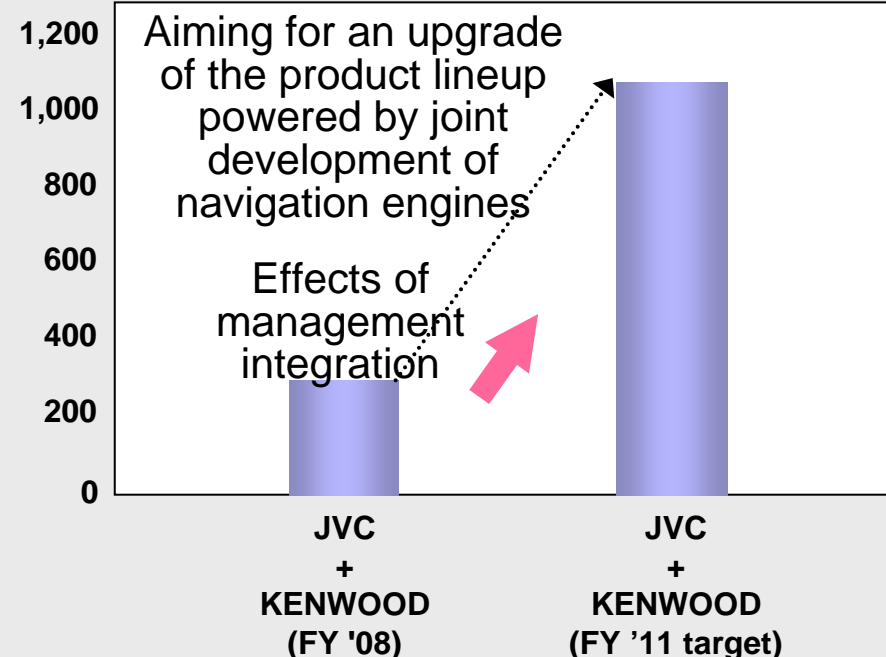
Consumer car audio equipment production goal: **10 million units**

Consumer car navigation systems production goal: **1 million units**

(millions) Consumer Car Audio Equipment (CD receiver) Shipments



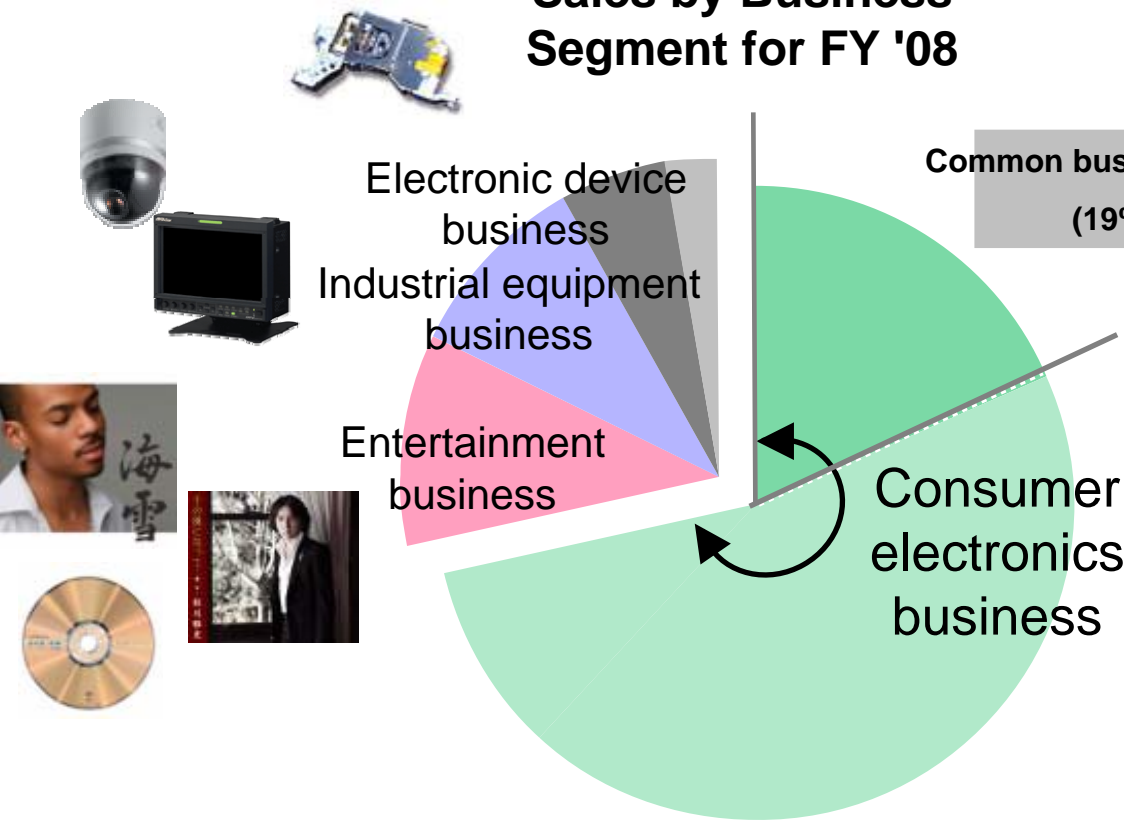
(thousands) Consumer Car Navigation Systems Shipments



Purpose of Management Integration Expected Advantages for JVC

Transform the car electronics business into JVC's second strongest business behind video cameras (camcorders)

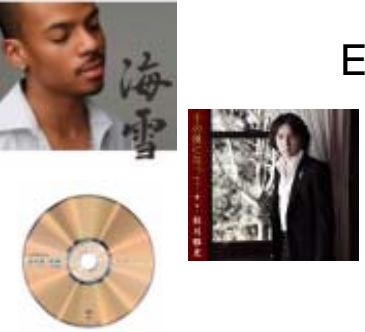
Sales by Business Segment for FY '08



Consumer electronics business (audio, car audio business)



Consumer electronics business (video camera, display business, etc.)



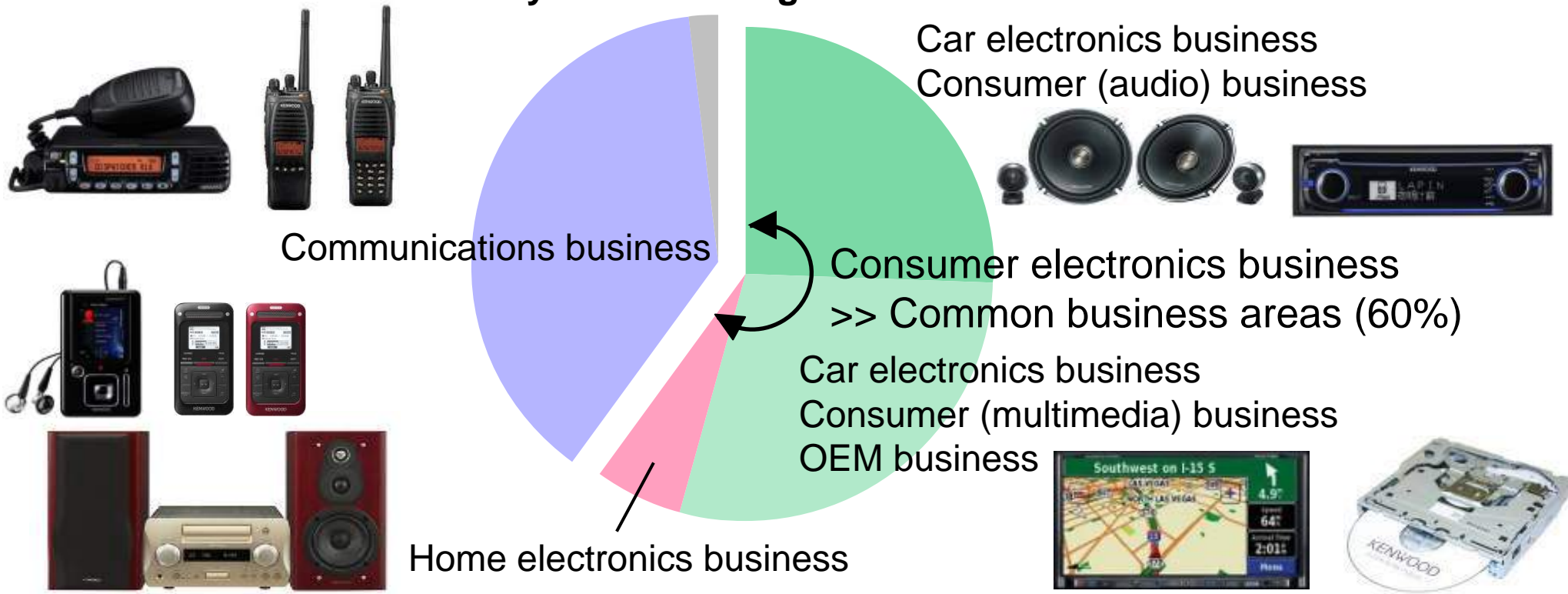
Purpose of Management Integration Expected Advantages for KENWOOD

Restoring profitability in the consumer electronics business (CE/HE), which accounts for 60% of sales

Advancement of digitization and conversion to multimedia (incorporation of data, sounds, images and text) in the market

Strengthen multimedia businesses by taking advantage of JVC's media imaging technologies

Sales by Business Segment for FY '08



Synergy Effects from Management Integration

Sales synergy of ¥30.0 billion + profit contribution

- * Increase of sales in the car electronics business
- * Additional sales source from new businesses

Cost synergy of ¥10.0 billion

- * Reduction of development costs resulting from joint development efforts
- * Reduction of procurement costs resulting from joint procurement efforts
- * Reduction of subcontract processing and logistics costs through mutual subcontracting and sharing of infrastructure
- * Reduction of patent-related fees through mutual use of intellectual property rights, etc.

Financial/Accounting Benefits from Management Integration

Financial/accounting benefits

- * Prospect of an increase in non-operating income from depreciation of negative goodwill
- * Optimization of tax benefits through adoption of consolidated tax system

Synergy effects on cash flow and balance sheet

- * Improvements in cash flow of each operating company through mutual subcontracting and increased economies of scale in common business areas
- * Net debt reduction expected from improved cash flows
- * Decrease in inventories and accounts receivable through the enhancement of production innovations and sales reforms



Goal of increasing net income and ROE

3. Management Policies of the Joint Holding Company

Management Policies of the Joint Holding Company

- * **First chapter of the new corporate growth strategy**
Management integration based on structural reforms

- * **Creation of new basis for added-value**
Creation of revolutionary products and services through the utilization of both companies' highest-standard technologies and resources

- * **Joint Holding Company**
 - >> **Maximization of synergy effects from management integration and promotion of new business development**

- Both operating companies (JVC and KENWOOD)**
 - >> **Continuation of current operations**

Integration vision

**“Realize the unconventional
(*Katayaburi wo katachi ni*)”**

Course of action

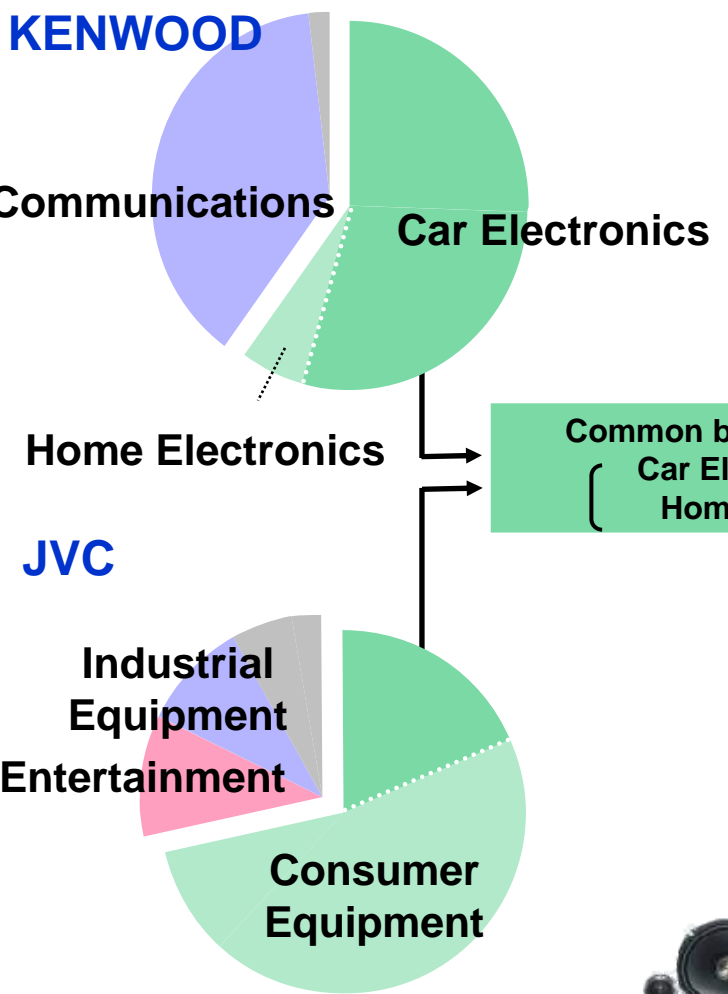
**“Perpetual reform centered on
each and every individual”**



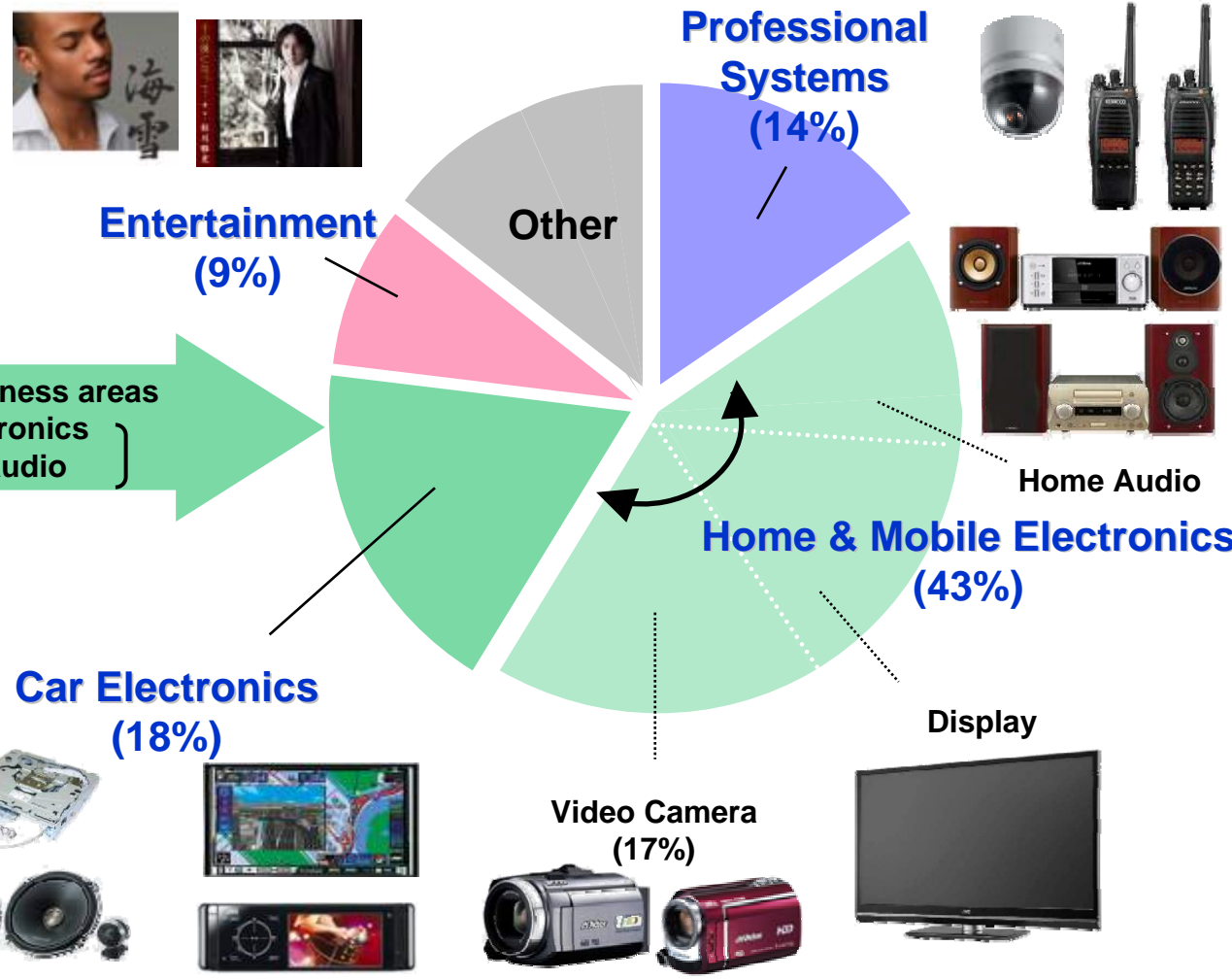
Based on this integration vision and course of action, both companies hope to develop into a corporate group that creates new (unconventional) added value to give customers an experience like never before.

Management Policies of the Joint Holding Company Four Business Segments

Sales Composition (FY '08)



Sales composition of the Joint Holding Company (Expected total of both companies for FY '09)



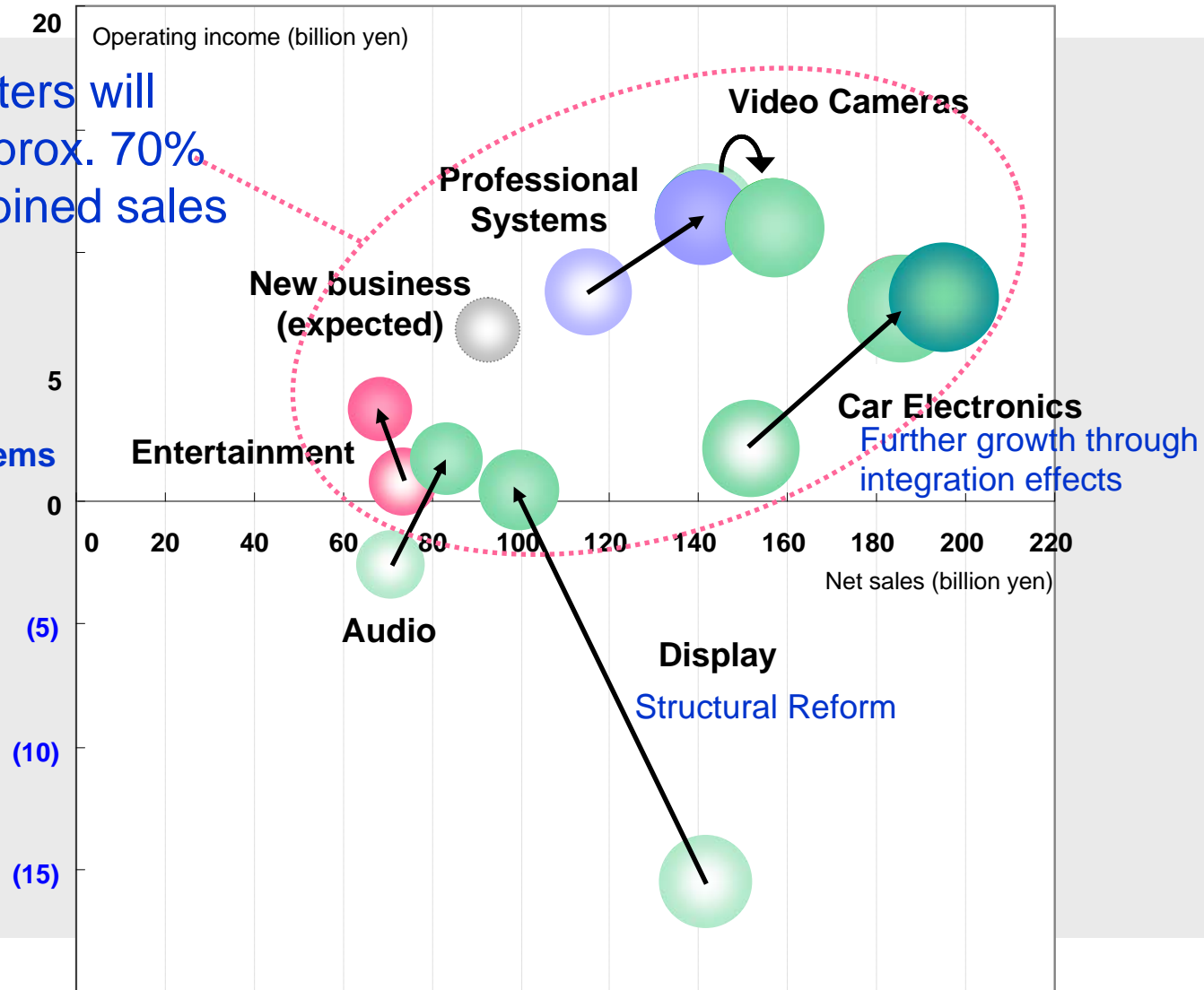
Management Policies of the Joint Holding Company

Four Profit Centers

Combined car electronics business will be largest
Professional systems business expected to be most profitable through growth strategies

Four profit centers will account for approx. 70% of overall combined sales (FY '11 target)

- * Car Electronics
- * Video Cameras
- * Professional Systems
- * Entertainment



(5)
(10)
(15)

Management Policies of the Joint Holding Company

Developing the “Unconventional” Fifth Business Segment

Through tight integration of both companies' expertise in image, sound, and wireless technologies, we will aim to create an “unconventional” new business that will become a leader in the digital/network age

We aim to develop new, unconventional products and services that will have a significant impact on society and spur consumers' potential needs in order to form our own value chain and create a new sense of corporate value



Business Strategies

To establish the following four business segments as profit centers

(90% of planned overall company sales for FY '11)

- (1) Car electronics business**
- (2) Home & mobile electronics business**
- (3) Professional systems business**
- (4) Entertainment business**

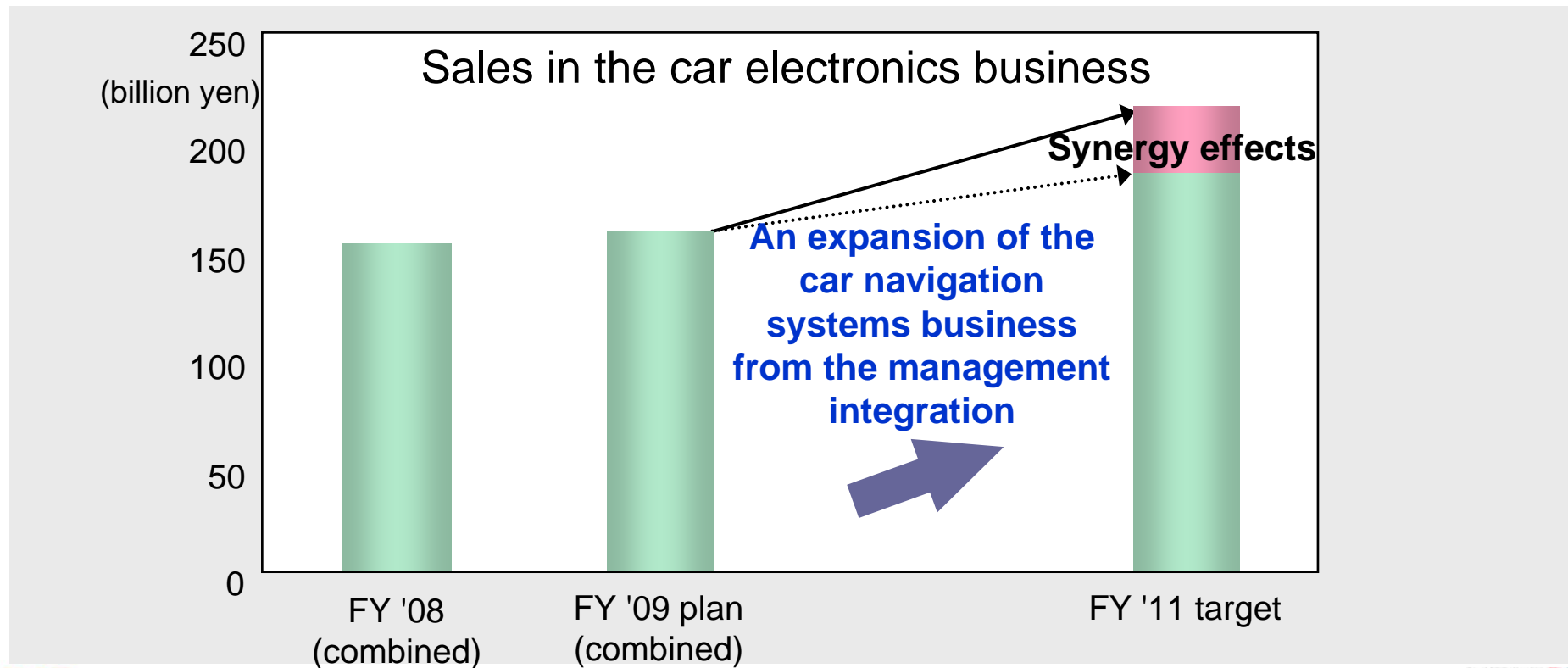
Business Strategies

(1) Car Electronics Business

We will strive to become a global leader in the consumer car electronics industry, our largest segment by sales, by achieving significant sales/revenue growth enhanced by synergy effects

*** We aim to become a global leader in commercial sales through a solid presence in the car audio equipment market and by implementing sales growth strategies for the car navigation systems business**

*** We will strive to establish a revenue base in the OEM business**



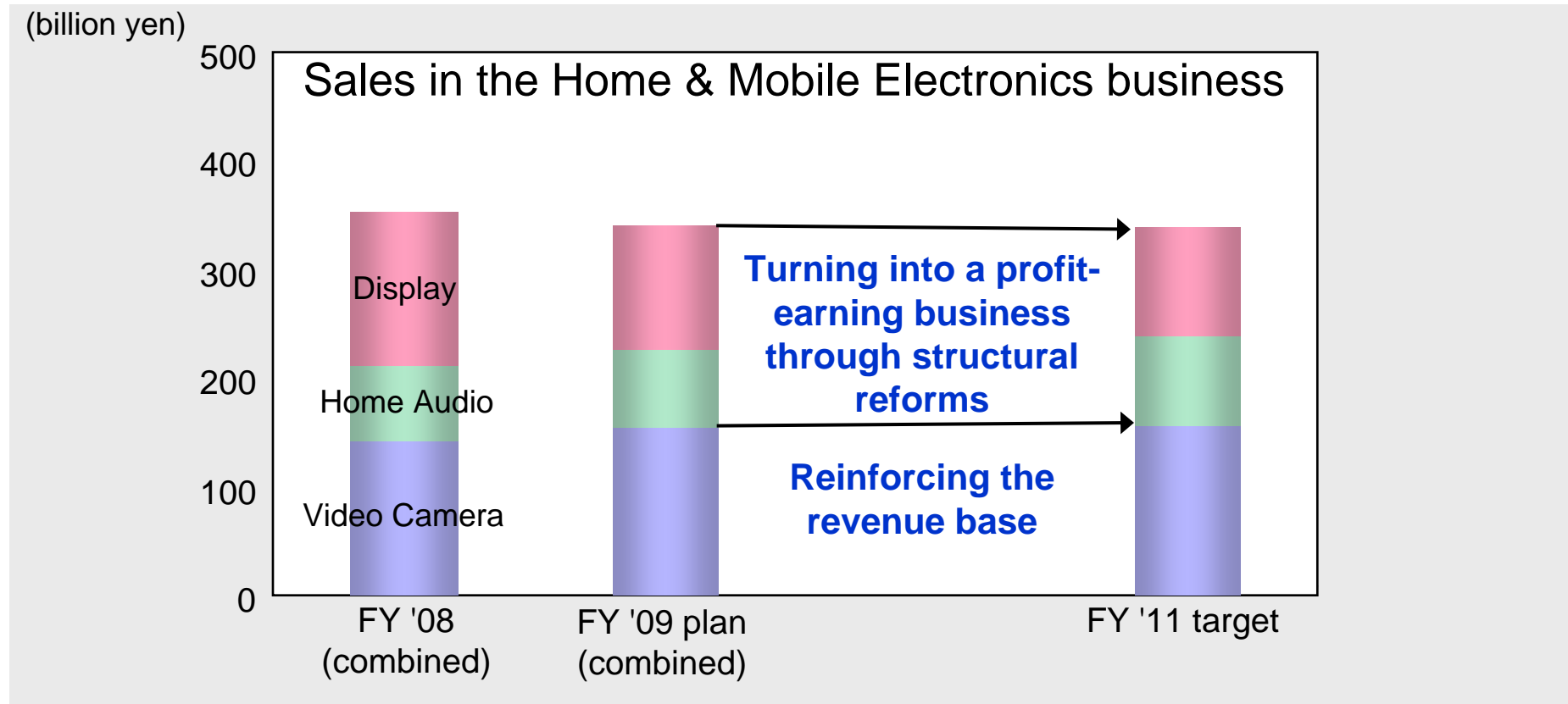
Business Strategies

(2) Home & Mobile Electronics Business

We aim for revenue growth by positioning the home & mobile electronics business as a **comprehensive, high value-added AV entertainment service**

* Growth strategies for the video camera business

* Achieving profitability in the display and home audio businesses through structural reforms

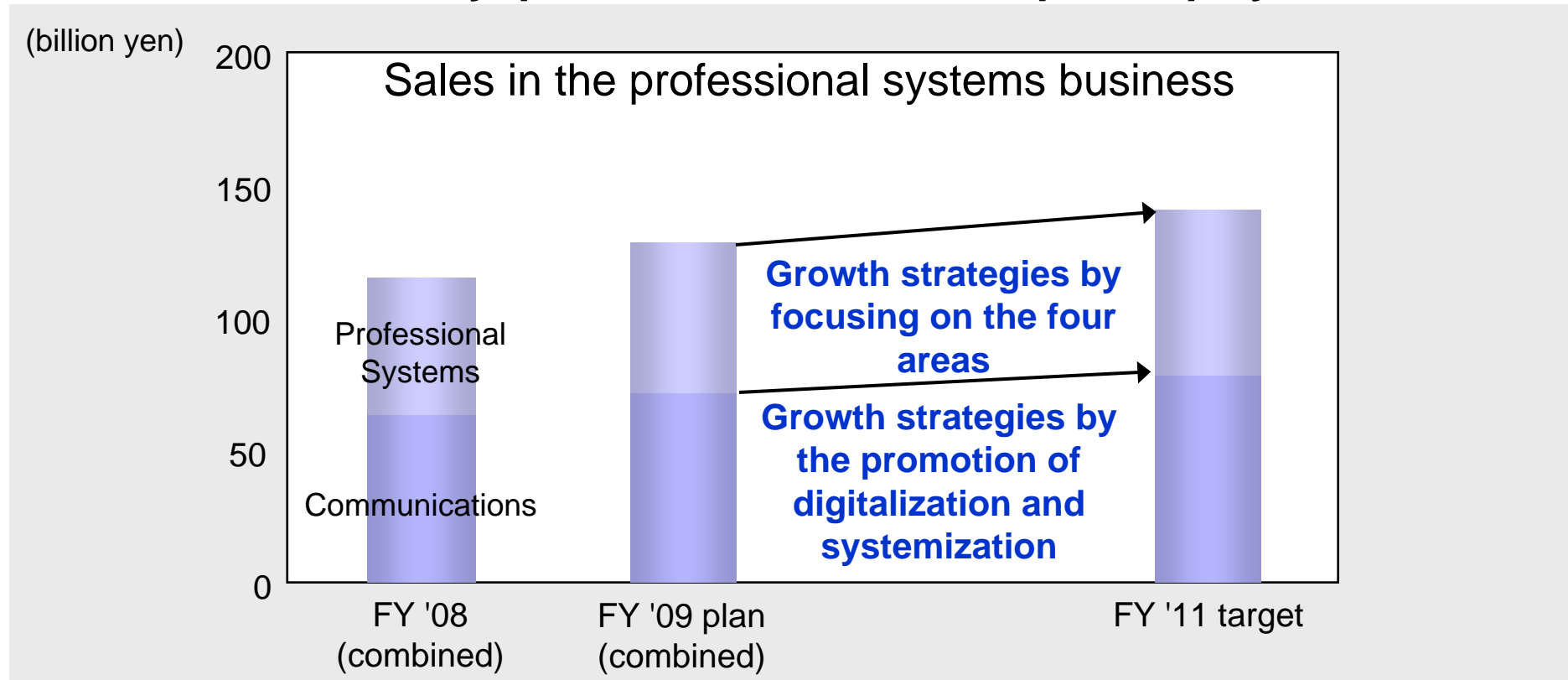


Business Strategies

(3) Professional Systems Business (B to B)

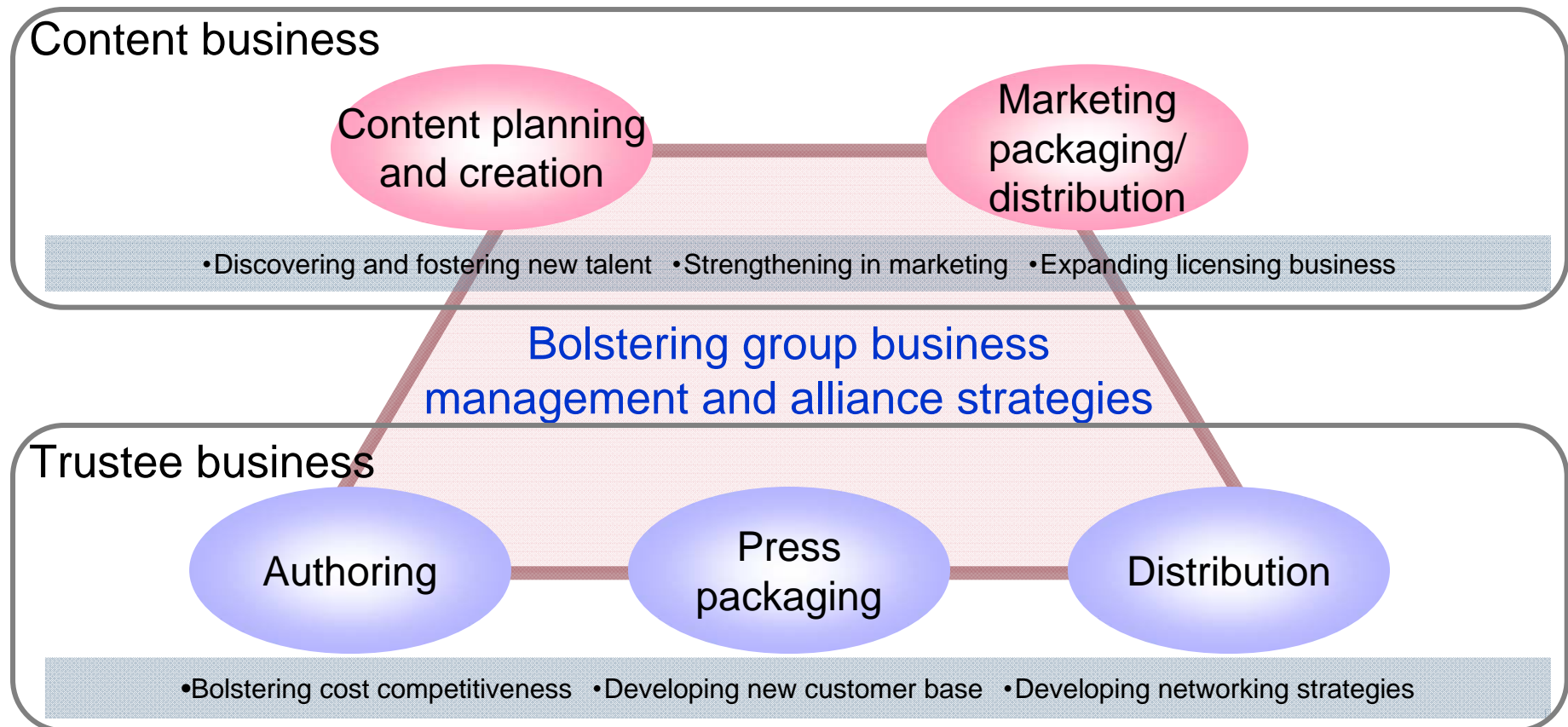
We aim to further increase sales and revenue by stabilizing the B to B business by identifying it as the largest segment by revenue

- * Growth strategy for the communication system business is the promotion of digitization and systemization
- * Growth strategy for the professional systems business is an intensive focus on the areas of security, pro audio, creation, and pro display



Strengthening the content business by investing in new talent

- * Establishment of a fulfillment framework
- * Bolstering group business management and alliance strategies



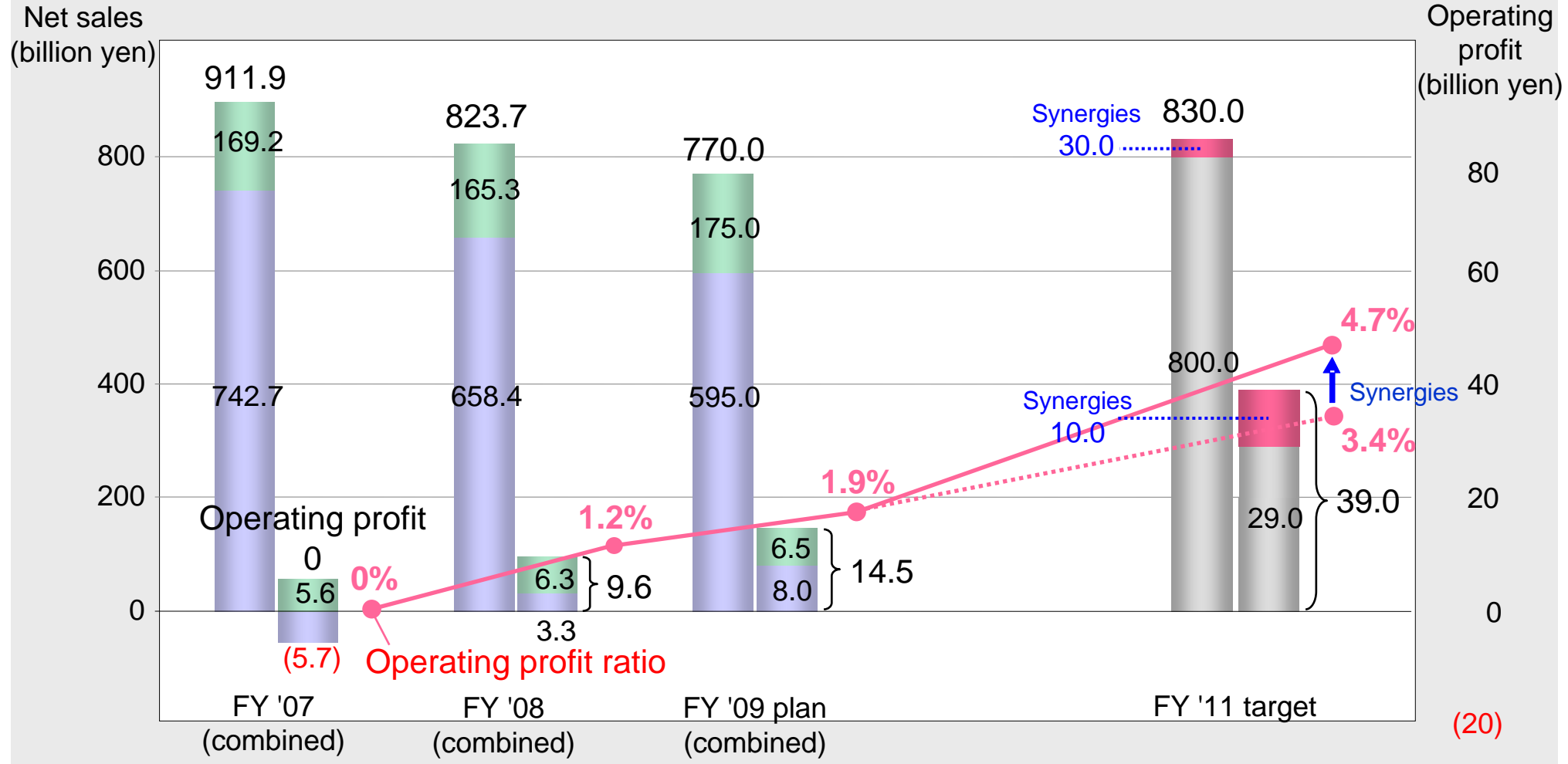
Management Objectives

Management Objectives

Earnings Target - Quadruple operating profit from FY '08 to FY '11

Target for FY '11

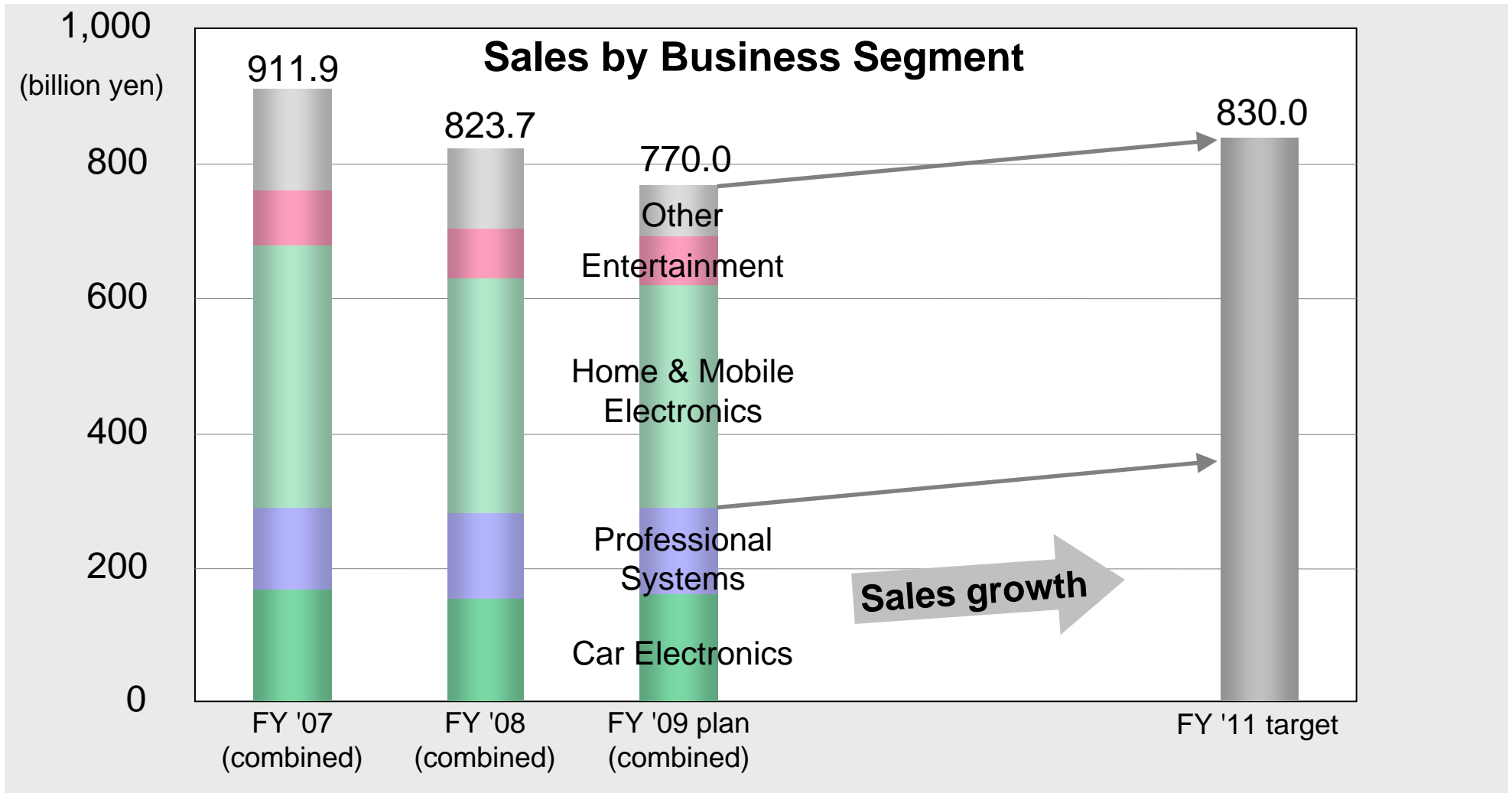
Net sales: ¥830 billion, Operating profit ratio: 4.7%



Management Objectives

Target by Business Segment

Aiming to achieve new growth strategies as global specialty AV manufacturer



Basic Policies regarding Dividends

Prior to the integration (interim dividend for FY '09)

KENWOOD: ¥2

JVC: No dividend

After the integration (FY '09)

To be announced upon the completion of management integration

FY '10 or later

Distribution of surpluses to be considered from the overall perspective of the new company's profitability and financial condition, aiming a stable distribution of profits

4. Profile of the Joint Holding Company

Profile of the Joint Holding Company

Trade Name	JVC KENWOOD Holdings, Inc.
Head Office	3-12, Moriyacho, Kanagawa-ku, Yokohama-shi, Kanagawa (current location of JVC's head office)
General Meeting of Shareholders	June 27, 2008 (JVC and KENWOOD)
Delisting	Tokyo Stock Exchange (JVC and KENWOOD): September 25, 2008 Osaka Securities Exchange (JVC only): Late July 2008
Establishment of Joint Holding Company and Expected Listing Date	October 1, 2008
Share Transfer Ratio	2 shares of the Joint Holding Company for every 1 share of JVC 1 share of the Joint Holding Company for every 1 share of KENWOOD
Stock Exchange for Listing	First Section of Tokyo Stock Exchange (expected)

※Dates are subject to change if warranted due to unforeseen circumstances.

Profile of Joint Holding Company

Corporate Governance

Directors

Chairman (Representative Director of the Board) (CEO)	Haruo Kawahara
President (Representative Director of the Board)	Kunihiko Sato
Executive Vice President	Hiroshi Odaka
Director	Motoyoshi Adachi
Director (External Director)	Koji Kashiwaya
Director (External Director)	Makoto Matsuo
Director (External Director)	Jiro Iwasaki

Statutory Auditors

Standing Statutory Auditor	Shigeharu Tsuchitani
Standing Statutory Auditor	Hideaki Kato
Statutory Auditor (External Statutory Auditor)	Noriyuki Shouyama
Statutory Auditor (External Statutory Auditor)	Akihiko Washida
Statutory Auditor (External Statutory Auditor)	Norimichi Saito

* Chairman (Representative Director of the Board):

Responsible for finance, personnel affairs, and other corporate functions; capital strategies (including M&A); group structural reforms; technology and production strategies

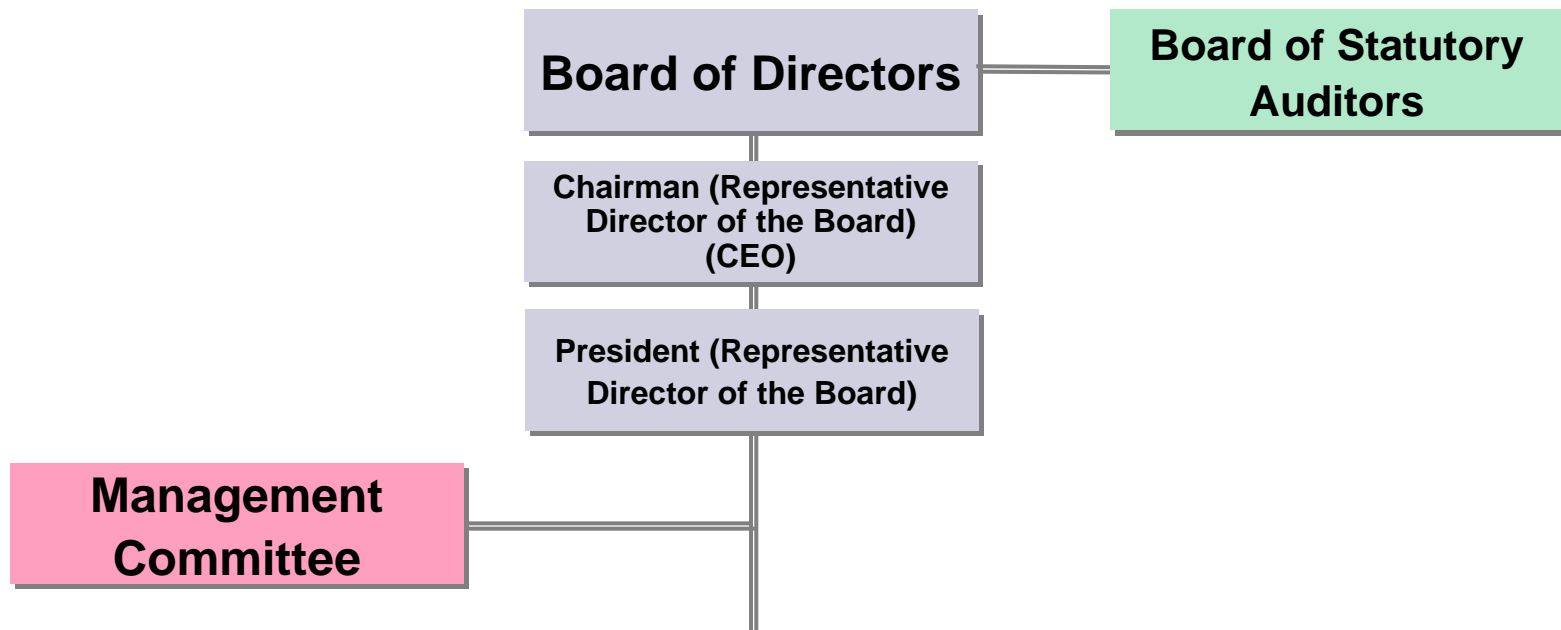
* President (Representative Director of the Board):

Responsible for group businesses; new business development, collaboration businesses (including J&K Technologies); and group marketing strategies

Profile of the Joint Holding Company

Organizational Structure

Organizational system will be kept simple to facilitate expedited decision-making



Responsible department for financial affairs and personnel affairs, and other corporate functions, group structural reform, technological and manufacturing strategies

Responsible department for group business, new business development, collaboration business, and group marketing strategies

When included in this presentation, the words “will”, “should”, “expects”, “intends”, “anticipates”, “estimates”, and similar expressions, among others, identify forward looking statements. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those set forth in this presentation. These forward-looking statements are made only as of the date of this presentation. The Company expressly disclaims any obligations or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. Actual results may vary widely from forecasts due to the following factors: 1) drastic changes in economic conditions and product supply and demand in major markets (Japan, Europe, The Americas, Asia etc.), 2) changes in trade regulations and other regulatory changes in major domestic and international markets, 3) drastic changes in foreign exchange rates (yen-dollar, yen-euro etc.), 4) sharp moves in the capital markets, and 5) changes in social infrastructure caused by drastic changes in technology etc. Risks and uncertainties also include the impact of any future events with material unforeseen impacts.

All references herein to a “fiscal year” or “FY” are references to the fiscal year ending on March 31 of such year.