

Corporate Governance

The management at JVC KENWOOD Holdings believes that increasing the efficiency and transparency of decision making through enhanced corporate governance is a crucial part of improving corporate value. To achieve this it is fundamental to strengthen and expand corporate governance by implementing a group-wide internal control system. To improve our internal safeguards, we divided the policymaking and management functions, employed outside directors and corporate auditors, and established an Internal Auditing Division.

Conditions for Establishing Company Functions, Internal Control Systems, and Offices for Risk Management

Internal Functions

The board of directors makes fundamental and strategic decisions, and they are responsible for supervising the execution of operations. They meet once a month, or more in special cases, to deliberate and vote on the basic policy of management and other important matters, and monitor and supervise the state of corporate affairs. The members of the board are given one year terms, which keeps responsibility clear and management agile. Clarity in decision making is achieved through the proactive appointment of outside board members.

JVC KENWOOD Holdings has introduced a new executive officer system. The executive business function has been divided and the responsibility for management and operations has been clarified. From June 2009, there have been nine members on the board (two of whom are external) and seven executive officers (four of whom are also on the board). Furthermore, with the introduction of a system of executive officers holding managerial duties, managerial duties will be removed from directors. In addition, the presidents of each company will be made board members to promote the integration of group management.

Auditors will work on their own initiative as well as attend board meetings. They will monitor the audits done by the Internal Auditing Office for the operations of the entire group, and meet with the Internal Auditing Office to share and check information.

Auditors will hold meetings of the Board of Corporate Auditors, supervise directors, monitor the execution of operations of the entire group, handle accounting, and function as an internal auditing office. In addition, they will receive accounting reports from the accounting auditors in periodic Board of Corporate Auditors meetings and will work to improve their effectiveness by linking the various audits.

The five auditors (three of whom are external) will assume these duties starting June 2009 and the Board of Corporate Auditors will meet once a month or as necessary.

Conditions for Establishing Internal Control Systems and Offices for Risk Management

The following systems have been established to ensure that the group business practices of JVC KENWOOD Holdings are appropriate.

1. A system to assure that the execution of the duties of the board of directors complies with the law and company bylaws.
2. A system to keep and control information related to execution of the duties of the board of directors.
3. A system or regulations and rules to control the exposure to loss.
4. A system to assure the effective execution of the duties of the board of directors.
5. A system to assure that the execution of the duties of employees complies with the law and company bylaws.
6. A system to assure the appropriateness of JVC Kenwood Group business.
7. A system for employees that assist with the duties of auditors and rules that keep these employees independent from the board of directors.
8. A system for the board of directors and employees to report to auditors and a format for the reports.
9. A system to assure that the audits of the auditors are done effectively.
10. A system to assure that tax reports are correct.

Conditions for Internal Audits and Auditing the Auditors

JVC KENWOOD Holdings internally audits all normal business operations throughout the group. Six auditors are assigned to an Internal Auditing Office to carry out internal audits and report to the board of directors. Because they are auditing the entire group, the Internal Auditing Office created a "risk assessment chart" and uses it to select subjects to audit and to create an auditing plan that is highly effective.

Auditing the auditors is done according to the auditing plan. Besides auditing the entire group, they also check internal documents and monitor the directors and executive officers. They expand the auditing of the auditors by, among other things, accompanying the auditors in auditing the Internal Auditing Office.

Thorough Compliance

JVC KENWOOD Holdings does not think that compliance is merely “obeying the law.” Compliance means “responding to the needs of society.” That is to say, the objective is not just to obey the law for its own sake. By obeying the laws we respond to the needs of society, which is the underlying purpose of the law, and is the goal of compliance as we understand it. Therefore, we created our compliance committee on January 1, 2009 to promote compliance activities with this in mind.

Specific Promotion System

Compliance supervision was established under the legal and intellectual property departments to promote a unified compliance system throughout the group. Legal affairs supervisors and subcontract legal affairs supervisors are assigned to business departments and companies under the group’s umbrella. The legal affairs supervisor implements daily compliance activities and undergoes periodic high-level training focusing on core educational activities and actual contracts related to legal compliance in each department. The subcontract legal affairs supervisor monitors their own departments to make sure there are no transactions abusing preferred positions with business partners, and constantly safeguards legalities.

than just listening to lectures. The students actively voice their opinions, using the case method to examine actual situations. These methods are being tried in the latest JVC Kenwood Group employee training. Further, “Safety assurance export management” is implemented using e-learning methods.



Compliance training

Specific Promotion System

A “compliance guidebook,” “information security guide,” and “personal information guidebook” have been distributed to all departments and all employees under the group umbrella. Employee training, such as new employee training seminars, information security seminars for major departments, subcontract law conformance seminars, and contract affairs seminars are held as necessary. The seminars produce good results as students learn by interacting with instructors using a Socratic method, rather

FY 2009 Compliance Activities Targets

The idea that compliance equals legal conformity originated from an increasing severity of in-house corporate regulations. As a result, people just stopped thinking and thought they could just follow the form of the law and strictly follow in-house rules. With this perspective in mind, in 2009 we are giving top priority to creating a system for educating staff in the skills to correctly obey the laws while being sensitive to the “needs of society” which is the intent of the laws and regulations.

Corporate Governance System Diagram

