

Management Message



We will expand corporate value and create new and unique (unconventional) added value in aiming for a corporation that will overcome the economic crisis and earn the trust and high hopes of society.

JVC Kenwood Group (“the Group”) was launched on October 1, 2008, along with management integration between Victor Company of Japan, Limited (“JVC”) and Kenwood Corporation (“Kenwood”). At that time, the global economic crisis caused by financial turmoil originating in the U.S. was spreading and growing more severe. It was as if a boat were about to set sail against a storm. However, through management integration we established a corporate base able to overcome the economic crisis just before we met the storm.

Prior to management integration, JVC and Kenwood, through their respective structural reforms, had finished transferring and terminating non-core businesses and trimming unprofitable businesses. In anticipation of a worsening of the business environment, however, the Group established the Profit Structural Reform Conference at the same time it implemented management integration, and promoted profit structural reform based on a four-pronged reform approach, focusing on management, finance, cost and businesses. To handle further deterioration in the business environment in the fourth quarter of the fiscal year ended March 2009, we also implemented additional measures: structural reform of three business segments where profitability issues remain to be tackled; structural reform of production and sales systems and logistics and services-related companies, which are associated with the above business segments; employment structural reform, including a workforce reduction of about 3,200, approximately 14% of the total Group employees as of the management integration; and emergency measures such

as the partial return of remuneration.

As a result, the Group posted an operating profit for the fiscal year under review, the first year of management integration, despite a substantial net loss mainly caused by booking of costs for structural reforms.

For the fiscal year ending March 2010, we expect that the severe business environment of the fourth quarter of the period under review will continue. Under these circumstances, we will reap the effects of the measures taken so far and carry out our growth strategies by expanding profitable sales in order to shift management priorities from survival to growth as soon as possible.

Specifically, in the Car Electronics business, J&K Technologies Corp., which integrated the development and production functions of both JVC and Kenwood, was renamed J&K Car Electronics Corporation (“J&K Car Electronics”) on June 24, 2009, and the product planning and marketing functions of both companies were integrated into J&K Car Electronics to make the company virtually independent, with the goal of evolving the common businesses of JVC and Kenwood into a completely integrated business. Likewise, in the Home Audio business, all functions of both companies (excluding sales functions) were integrated into JVC on July 1, 2009, in order to promptly maximize integration effects by combining development, production, product planning and marketing functions, thus further enhancing cost synergy and expanding product lineups.

Furthermore, the Group will choose products that can

serve as engines for future growth as top strategic products that the entire Group will support in terms of funds, technologies and personnel, aiming to expand global sales and strengthen earnings capabilities. Over the medium to long term, we will push ahead with the integration of technology strategies through the newly established Strategic Research & Development Division, develop basic technologies that will form the base for our growth strategy, and accelerate the development of new and unique (unconventional) products that are in line with the corporate vision, with the New Business Development Center at the helm.

Through the above measures, the Group will build a new foundation for surviving the digital era, expand corporate value by leveraging integration effects, create new added value in line with the corporate vision of the JVC Kenwood Group, “Realize the unconventional (*Katayaburi wo katachi ni*),” and evolve into a corporate group that provides customers with wonder and inspiration like they have never previously experienced.

Toward Expanding Corporate Value

—Promoting “Genre Top Strategy”—

JVC KENWOOD Group has promoted the “Genre Top Strategy” and formed a structure of four business segments and six genres: the “Car Electronics business,” the “Home & Mobile Electronics business,” including the three genres of displays, video cameras (camcorders) and home audio, the “Professional Systems business” and the “Entertainment business.” In the fiscal year ending March 2010, the Group will reorganize the Home & Mobile Electronics business into two genres: home entertainment, specializing in home audio and displays; and digital imaging, specializing in video cameras, forming a new structure of four business segments and five genres.

The Genre Top Strategy displays strength in each business field or genre in which it engages, with the goal to be in the global top group. For example, the Group became a global leader in consumer car audio, which is a primary category in the Car Electronics business. Moreover, the Group has global top group presence in camcorders, one of the genres included in the Home & Mobile Electronics business, and land mobile radio equipment, which is part of the Professional Systems business. We will heighten our business competitiveness and presence in the markets for these primary genres even further through the effects of integration, to become a corporate group with a solid earnings structure that can survive in multiple genres.

Toward New Unique (Unconventional) Added-Value Creation

—Incubating a Fifth Business Segment on Top of the Car Electronics, Home & Mobile Electronics, Professional Systems, and Entertainment Segments—

Moreover, the Group will integrate video, audio and wireless communications technologies at a high level, and work to develop unique (unconventional) products and services appropriate to the digital network era, making use of vast resources both companies cultivated over a long period. Through these unique (unconventional) ideas, we will send products and services out to the world that stimulate people’s sensitivities and awaken latent needs, and also bring surprise and change to everyday lifestyles, thus creating new corporate value.

Creating a Company that Stimulates Trust and Excitement

—“Perpetual Reform Centered on Each and Every Individual”—

The Group considers it the mission of the corporation to respond to the expectations of all stakeholders and to be trusted by and contribute to society. These are also requisites for the Company to achieve continuous development in society. For this purpose, in addition to seeking compliance as a matter of course in all our activities, we believe our most important tasks are working toward sufficient corporate governance, promoting highly transparent management, and contributing to society through business activities while enhancing efforts toward environmental preservation for the next generation.

In particular, our video and audio equipment business and Entertainment business activities support cultural activities that foster people’s sensibilities, and our wireless business supports communication activities that convey vital information to people. In that spirit, and in keeping with our goal of “perpetual reform centered on each and every individual,” all employees of the Group will fulfill these profound responsibilities as a united group.

While the Group is a new corporate entity, it contains the DNA of both JVC and Kenwood, and through the integration of these two esteemed brands the Group is committed to creating value for all stakeholders—investors, customers, employees and society at large.

We sincerely request your continued understanding and support.

July 2009

Haruo Kawahara,
Chairman, President and CEO

