

Corporate Governance

JVC Kenwood believes that one of its most important management issues is to increase the transparency and efficiency of its managerial decision-making process and improve corporate value by strengthening corporate governance. To this end, we make it a basic policy to enhance corporate governance through the establishment of a structure that includes checks and balances. That policy calls for dividing management and execution of operations, recruiting external directors and auditors, and establishing internal audit sections, as well as improvement of the internal control system on a Groupwide basis.

Corporate Organizations and the Establishment of Internal Control System and Risk Management System

■ Corporate Organizations

The Board of Directors, which is regarded as an organization that makes fundamental and strategic decisions as well as overseeing business execution, holds regular meetings once a month and extraordinary meetings when necessary to deliberate and decide on basic management policies and important matters, as well as monitor and oversee the status of business execution. The directors' term of office is limited to one year in order to make their responsibilities clear and to make management processes quicker. In addition, we proactively recruit external directors in order to increase the transparency of decision making.

JVC Kenwood adopts an executive officer system under which business execution functions are divided and management responsibility and business execution responsibility are

separated from each other. Since June 2009, nine directors (including two external directors) and seven executive officers (four concurrently holding director positions) have fulfilled these responsibilities.

(From the news release on June 24, 2009: Notice of New Management Systems of JVC KENWOOD Holdings, Inc. and its Operating Companies)

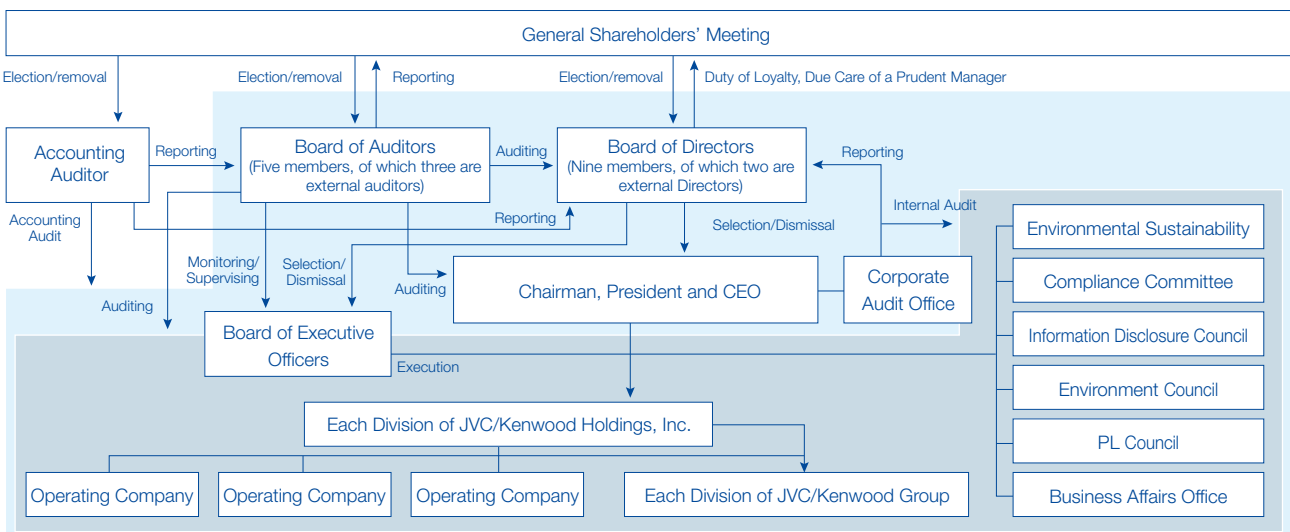
As a result of introducing a system for officers to hold positions of responsibility under the new system of Executive Officers, the former system by which Directors held positions of responsibility has been abolished. At the same time, Presidents of operating companies promote integrated management of the JVC Kenwood Group as Directors.

Auditors conduct corporate audits, attend Board of Directors' meetings, understand the results of internal audits of the Group's overall operations implemented by the Corporate Audit Office, and exchange and confirm related information with said office.

Auditors hold Board of Auditors' meetings, audit execution of duties by Directors and the entire Group's business execution, perform accounting audits and hold the function of corporate audits. Auditors also regularly receive reports at the Board of Auditors on the results of accounting audits from an accounting auditor, and each auditor works together with the other auditors to improve the effectiveness of audits.

The Board of Auditors holds meetings once every month and whenever necessary. Since June 2009, five auditors (including three external auditors) have been engaged in corporate audits.

Organization System (As of June 24, 2009)



■ Establishment of Internal Control System and Risk Management System

JVC Kenwood has established the following systems to ensure that the Group runs its operations properly.

1. Framework to Ensure the Conformity of the Directors' Exercise of Function with the Laws and Regulations and the Articles of Incorporation
2. Framework for the Storage and Management of Information in Relation to the Directors' Exercise of Function
3. Framework for Regulations and Such Concerning the Management of Risk of Loss
4. Framework to Ensure the Efficient Exercise of Function of the Directors
5. Framework to Secure Compliance of Employees' Execution of Duty with Laws/Regulations and Articles of Incorporation
6. Framework to Ensure Propriety of Business Operation for the Corporate Group Consisting of JVC Kenwood and Its Subsidiaries
7. System Related to Employees to Assist Auditors' Duty and Matters Regarding Independency of Such Employees from Directors' Control
8. Framework for the Reporting of Directors and Assistants to Auditors/Framework for Other Reporting to Auditors
9. Framework to Ensure Effective Auditing of Auditors
10. Framework to Ensure Propriety of financial Reports

■ Internal Audits and Auditors' Audits

JVC Kenwood conducts internal audits on the overall business execution of the entire Group. Results of these audits are reported to the Board of Directors, an oversight organization, by the Corporate Audit Office, where six staff members are engaged in operational audits and internal control audits. The Corporate Audit Office, tasked to audit the operations of the entire Group, prepares the Risk Assessment Form when formulating an audit schedule and selects auditing targets based on risk assessment, resulting in an increase in the effectiveness of internal audits.

Auditors implement audits according to the audit schedule, audit the entire Group's operations and check in-house approval documents based on the monitoring of directors and executive officers. Auditors also attend audits performed by the Corporate Audit Office, thereby broadening the scope of their audits.

Efforts Toward Respect for the Position of the Stakeholders

We believe that a company's mission is to meet the expectations of all stakeholders, earn society's trust and contribute to society. These practices are a prerequisite for the Company to thrive and contribute to society. To do so, we believe that one of the most important issues for the Company is to contribute to society through our business activities. This goes beyond merely carrying out compliance in all of our actions, but also includes reinforcing corporate governance, implementing highly transparent management and enhancing activities to protect the environment for the next generation.

JVC Kenwood provides information for stakeholders in a timely and appropriate manner. We establish timely disclosure rules as in-house regulations and, under the Information Disclosure Council, we develop the content and means of disclosure when there is information that needs to be communicated.

Takeover Defense

We believe that if the Company's corporate value or shareholders' interest could be harmed due to acquisition of its shares by a specific person or group, the Company needs to take substantial measures to raise corporate value and secure shareholders' interest to the extent permitted by laws, regulations and the Articles of Incorporation. JVC Kenwood, of course, recognizes the importance of increasing corporate value and securing shareholders' interest, and continues to carefully study takeover defense measures. However, we have not introduced any such specific measures so far.