



October 1, 2007

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### **Notice of establishment of a joint venture for technological development, and the start of cooperative operation based on the business alliance**

Victor Company of Japan, Limited (hereinafter "JVC") and Kenwood Corporation (hereinafter "Kenwood") have been preparing for the cooperative operation starting on October 1, 2007, based on the business alliance agreement reached between the two companies on July 24, 2007, at the initiative of the Collaboration Committee established by both companies. JVC and Kenwood intend to cooperate in their business operations especially in the technological development, the procurement of components and in manufacturing in such areas as car electronics and home/portable audio equipment to gain significant synergy in the early stages.

Now that preparations for their business alliance are complete, JVC and Kenwood have established a joint venture for technological development in the areas of car electronics and home/portable audio equipment as planned. They will start joint development of new technologies by making effective use of the resources of the two companies. The two firms also plan to engage each other to manufacture products, procure components, jointly develop IT infrastructure and promote the mutual utilization of intellectual property rights.

#### **1. Establishment of joint venture for technological development**

JVC and Kenwood have established a 50-50 joint venture centering on technological development as of October 1, 2007. Both companies will hold discussions to determine the project for enhancing market competitiveness by jointly promoting the development of technologies and to maximize the effect in the early stages resulting from the business alliance.

Both companies plan to commence the development of new technologies by making effective use of about 130 employees of the two companies to enhance the product

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competitiveness including cost competitiveness in such areas as car electronics and home/portable audio equipment. The projects that are currently planned and corporate data of the joint venture are as follows:

### **Joint development projects**

#### **\*Joint development of navigation engine**

JVC and Kenwood plan to jointly develop a navigation engine that will require an unprecedented amount of development resources for navigation system devices. The two companies plan to enhance their operational strategies in relation to the navigation system by reducing development time and restraining development expenses. The companies aim to expand the navigation business and sell more than 1 million after in the early stage by developing market products and OEM products.

#### **\*Joint development of car multimedia platform**

JVC and Kenwood plan to jointly develop a car multimedia platform in relation to reproduction of music and video such as a tuner to provide digital images and sound. The companies plan to strengthen their product lineup and enhance product competitiveness in the area of car electronics business with combined sales figures of both companies at 160 billion yen.

#### **\*Joint development of platforms for car audio and home audio products**

JVC and Kenwood will jointly develop platforms in relation to reproduction of music for car audio and home audio products that have become prevalent as digital media products. Both companies will seek to strengthen product competitiveness including cost competitiveness.

### **Corporate Data**

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| 1. Company name                            | J&K Technologies Corp.   |
| 2. Capital                                 | 245 million yen (Investment is 490 million yen adding 245 million yen of capital reserve)  |
| 3. Investment ratio                        | JVC: 50 percent, Kenwood: 50 percent   |
| 4. Major operation                         | Development of technologies of car electronics and home/portable audio products with the research areas discussed and decided by the two companies   |
| 5. Presidents and Representative directors | CEO Ryuhei Nakazawa (JVC Managing Director)<br>CEO Takayoshi Sakamoto (Kenwood Vice Executive and Operation Manager of Corporate Relations Division)<br>Director Nobuo Maeda (JVC Associate Director General Manager, Mobile Entertainment Category)<br>Director Osamu Sudo (Kenwood Chief Engineer of Car |

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- Multimedia, Car Electronics Consumer Division)
6. Workforce for development About 130 staff including those who also work at their parent companies (at founding)
7. Address of headquarters office Victor Building 1-7-1 Shinbashi Minato-ku, Tokyo  
(The location for developing technology will be determined by the characteristics of each project.)
8. Date of foundation October 1, 2007

**2. Mutual promotion of manufacturing services**

Kenwood will entrust part of the manufacture of car audio products, car multimedia products, home audio products and devices to JVC, while JVC will entrust part of the manufacture of car audio and car multimedia products. Both companies will commence the mutual promotion of manufacturing services for their products.

They also will cooperate to procure components, pursue economies of scale, cut back on the extent of outsourced manufacturing, optimize the production center, reduce distribution cost to improve cost competitiveness and reduce the lead time.

JVC also plans to introduce Kenwood's know-how in production innovation processes that have yielded great benefits to the company by cutting costs and improving cash flow. At the same time, Kenwood will introduce JVC's manufacturing technology and know-how, which has improved at various production sites at home and abroad.

**3. Joint development of IT infrastructure for design/production throughout the two companies**

JVC and Kenwood will start joint development of an IT infrastructure with the aim of reducing development costs for the IT system and streamlining parts procurement, design and production between the two companies.

**4. Mutual use of intellectual property rights**

Both companies will start mutual use of each company's intellectual property rights in the business field of cooperative operations. Sharing the technological innovation each other, both companies will promote prompt and powerful product development.

The two companies consider this business alliance as the first step toward the reform of Japan's specialist manufacturers. JVC and Kenwood plan to create independent brand strategies in the areas of consumer audio business of car electronics, in which combining the two companies sales would result in the largest share of the world market; consumer multimedia of car electronics, which is a growing field centered on car navigation systems; and home electronics, characterized by the outstanding digitalization of home/portable audio

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equipment. Under the brand strategies the two firms will engage in a project to implement the plans to create and expand their corporate value by developing new technologies and enhancing the product competitiveness including cost competitiveness.

As for the second step, both companies have started studying concrete plans toward the management integration in conjunction with the Management Integration Study Committee that was established by the two firms.

As the planned integration of management progresses, JVC and Kenwood aim to create and expand each corporate value by respecting the brand products developed by both companies over many years, and by pursuing synergy effect throughout the management operations of both companies.